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News Release

For Immediate Release

FREEMAN & CO. REPORTS CONTINUED CONSOLIDATION THROUGHOUT FINANCIAL SERVICES SUB-SECTORS IN 2011 AND ANTICIPATES INCREASED MIDDLE MARKET ACTIVITY IN 2012

NEW YORK, January 3, 2012 – With persistent uncertainty throughout the Eurozone putting increased stress on the balance sheets of large financial institutions, buying opportunities have and will continue to emerge as firms seek to shed assets to shore up capital ratios.

In the US, consolidation among middle-market firms will remain a trend going forward across financial service sub-sectors as the industry continues to reorganize itself coming out of the Great Recession. Regulatory shifts and increased volatility will continue to drive M&A activity in 2012, particularly in the Asset Management and Broker-Dealer subsectors.

"Improving capital ratios and meeting regulatory requirements will be the primary drivers of activity in 2012, with divestitures being a key theme, particularly in Europe. Private equity and well capitalized strategic firms should be able to take advantage of the 2012 market environment," says Eric Weber, Managing Director and COO of Freeman & Co. LLC.

“Increased capital requirements at bank holding companies globally will result in further rationalization of what are strategic and core business activities – this revised framework will lead to divestitures and acquisition activity,” says Peter Majar, Managing Director of Freeman & Co. LLC.

KEY DRIVERS OF FUTURE M&A

Looking ahead to 2012 and beyond, Freeman & Co. projects the following M&A drivers:

Asset Management

- For 2012, we expect a return to 2009 trends when many large managers were sold by banks that needed capital, with particular pressure in Europe

- Opportunities for strategic deals will come in the New Year as evolving regulatory changes, spinouts of alternative product groups and newly independent managers disrupt the current landscape

- Acquirers seeking to fill product gaps will find attractive valuations amid market turmoil

Broker-Dealer

- After a brief period of relief from the 2008 financial crisis, the broker-dealer industry has experienced a renewed period of volatility

- This environment is likely to bring about consolidation among smaller players, as firms that came to market in 2009 and 2010 face a new set of challenges, although large transactions remain scarce

- The servicing of middle market companies and investors continues to be an area where opportunity exists to grow a substantial franchise

Financial Technology

- Private equity firms took advantage of an opening in the high yield markets in 2011 to ramp up deal activity in FinTech after several years of depressed activity

- Payment processing and financial business services are likely to be hot sectors for deals as regulatory reform in the credit and debit card markets takes effect and cost pressures drive outsourcing

- We expect FinTech deal activity in 2012 to be roughly flat vs. 2011 levels as macroeconomic concerns continue to weigh on buyer risk appetite

Insurance

- Ongoing regulatory changes to capital requirements in the US and Europe, as well as volatility in Europe, will likely continue to drive insurance carrier M&A in 2012

- Large and mid-sized insurance brokers, many with significant backing from private equity firms, show no signs of slowing their rapid pace of acquisitions

Private Equity

- Private equity transaction value was essentially flat in 2011 compared to 2010. This represents a normalized level after lows in 2009

- Average deal value increased for the second year in a row in 2011 to $362 million, as slight improvement in credit markets allowed for increased transaction size. Mega-LBOs, those over $10 billion in deal value which were prevalent during the boom period of 2004-2007, are no longer present. $1 billion+ transactions, however, are making a recovery

- Private equity will likely continue to be active in the middle market broker-dealer, payment processing, financial business services, insurance (carriers and brokers) and specialty finance sectors

Specialty Finance

- Deal activity was generally slow, with mortgage banking and servicing being the most active area, as strategic buyers participated in the reconfiguration of the specialty servicing side of the industry

- Niche consumer lending remained active as well, particularly in payday lending, where strategic buyers extended their franchises through small acquisitions, and subprime auto lending, where several private equity firms made their initial forays into the industry

- Looking forward, banks – particularly troubled foreign banks – are likely to be sellers of specialty finance businesses, a trend evidenced in late 2011 with Bank of Ireland's sale of Burdale Capital Finance to Wells Fargo & Company

2011 HIGHLIGHTS

Asset Management

- The number of global asset management transactions decreased to 112 in 2011 versus 120 in 2010, a 7% decrease

- Asset management transactions announced in 2011 represented nearly $1.3 trillion of assets under management, an increase of 85% over the 2010 figure of $690 billion

- The number of large deals, involving over $10 billion in assets under management, increased to 27 in 2011 from 19 in 2010, a 42% increase

- In the US, there were 76 transactions in 2011, down slightly from 82 transactions in 2010

- European transactions included 40 announced asset management transactions, an increase of 29% over 2010. Transatlantic activity remains active with 23 announced deals in 2011

Broker-Dealer

- The number of transactions fell significantly to 273 in 2011 from 343 in 2010, a 20% decrease

- Total value of transactions decreased to $11.6 billion in 2011 from $53.2 billion in 2010, an 78% decrease, as a significant number of large non U.S. investment banks were acquired during the second half of 2010 – activity that was not repeated in 2011

Financial Technology

- FinTech acquisition activity decreased slightly in 2011 to 247 announced deals from 249 in 2010, a cool off vs. the 47% jump from 2009 to 2010

- Among the FinTech sectors, Financial Business Services experienced the largest uptick in deal activity from 50 in 2010 to 64 in 2011, a 28% increase, as financial services companies favor outsourced providers to reduce costs

- The Market Data & Financial Information sector showed the largest drop in activity from 34 in 2010 to 24 in 2011, a 29% drop, as the regulatory reform and drive-to-transparency spike of 2010 subsided

Insurance

- The number of Insurance transactions increased slightly to 801 in 2011 from 764 in 2010, a 5% increase
- However, the total deal value of $76.0 billion in 2011 decreased 30% from $108.2 billion in 2010

Private Equity

- The total number of private equity transactions (entry and exit) involving financial institutions was 131 in 2011 compared to 145 in 2010, a 10% decrease
- Total transaction value was $30.1 billion in 2011, flat from $30.1 billion in 2010
- PE firms were successful in monetizing their FIG investments in 2011 – the number of exit transactions was 49 in 2011 compared to 34 in 2010 and 24 in 2009. Most notably, Cerberus Capital Management sold Chrysler Financial Services Americas (now known as TD Auto Finance) to TD Bank for $6.3 billion in April 2011
- FIG entry investments (initial or follow-on) made by PE firms decreased 24% from 119 in 2010 to 90 in 2011

About Freeman & Co. LLC

Founded in 1991, Freeman & Co. has diversified into one of Wall Street's premier providers of independent financial services advice offering mergers and acquisitions and related advisory services, capital raising, underwriting, strategic management consulting and competitor benchmarking data and analysis to the entire spectrum of financial institutions. The firm is headquartered in New York City with European operations based in London. For more information, visit www.freeman-co.com.

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