



Freeman & Co., LLC

NEWS RELEASE

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FREEMAN & CO. DETAILS RECORD 2006 FINANCIAL SERVICES DEAL ACTIVITY AND PROJECTS CONTINUING TRENDS WILL PRODUCE ROBUST DEAL VOLUME IN 2007

NEW YORK, Jan. 9, 2007 -- Strategic merger and acquisition activity in 2006 reached record levels in a number of financial services sectors, Freeman & Co. LLC, a leading independent advisor to the financial services industry, announced today.

Releasing its annual summary on the industry, Freeman said that activity was exceptionally strong in asset management, with more than \$2.4 trillion of assets under management (AUM) being acquired. The summary also said securities firms (including exchanges) were involved in \$89 billion of deals and private equity firms¹ deployed \$30 billion of capital in 96 financial services deals.

Looking ahead to 2007, the Freeman & Co. report projects that deal volume will remain high and that the key drivers in these industry sectors will include:

- Alternative asset managers' continuing drive to become more mainstream
- Diversified firms' further exploration of unbundling -- divorcing their asset management product manufacturing operations from distribution
- Broker-dealers will continue to rationalize their product offerings in their equity sales & trading businesses
- Broker-dealers will integrate their research, electronic trading and prime broker services to better serve their expanded hedge fund and alternative investment customers
- Electronic trading firms and exchanges continuing drive for size and scale globally
- Liquidity and risk transfer needs of individuals and insurance companies will drive the growth of capital markets-type insurance derivative products
- Private equity and hedge funds will continue to increase their investments in financial services
- Global industry demand and the need for scale will drive cross-border transactions

"We saw a number of transformational deals in asset management during 2006, including Bank of New York's acquisition of Mellon Financial, involving \$918 billion AUM, and Schwab's sale of US Trust to Bank of America, involving \$94 billion AUM," said James L. Freeman, the firm's founder and Chief Executive Officer. Additionally, the European market offered IPO opportunities for firms such as Ashmore Investment Management (October 2006) and BlueBay Asset Management plc (November 2006).

"Rising stock prices of boutiques -- Lazard was up about 48%, Greenhill about 30% and Piper Jaffray about 62% -- as well as the floatation of new boutiques, such as Cowen & Co. in July and KBW in November, also was a hallmark of 2006 in the industry," Mr. Freeman added. In Europe, the market was equally robust with Hawkpoint Partners being acquired by Collins Stewart (after its demerger from Collins Stewart Tullet plc and subsequent public listing) and Cenkos Securities going public in October.

¹ Based on the Freeman & Co. FIG PE universe of 76 firms

Eric C. Weber, Managing Director and Chief Operating Officer, noted the exceptional rate of strategic change for electronic trading firms and exchanges in 2006. "The transformation of the NYSE Group into a public company through its merger with Archipelago and then its announced merger with Euronext NV later in the year signaled the beginning of a new era for the New York Stock Exchange. Similarly, the NASDAQ's unsolicited bid for the London Stock Exchange underscored how rapidly things are changing in a global marketplace," Mr. Weber said.

In addition, he noted that private equity firms were involved in some landmark transactions last year. "Unprecedented transactions during the year included the acquisition of GMAC for \$7.4 billion by a group led by Cerberus Capital, the acquisition of Gartmore (UK) by Hellman & Friedman for \$950 million, as well as the start up of insurer Arch Capital Group with \$2.4 billion from Warburg Pincus, Hellman & Friedman, GE Capital and others," Mr. Weber said.

2006 HIGHLIGHTS

Asset Management

- M&A volume measured by AUM reached \$2.4 trillion, up 110% from \$1.1 trillion in 2005, and up 435% from \$444 billion in 2004
- Twenty-four deals included AUM of over \$10 billion, up 71% from 14 deals in 2005, and up 118% from 11 deals in 2004
- Deals involving alternative managers reached 55, up 45% from 38 deals in 2005, and up 57% from 35 deals in 2004
- Geographically, activity increased in the US and Asia, and fell slightly in Europe

Securities Firms

- Dollar value of M&A deals reached \$89 billion, up 154% from \$35 billion in 2005, and up 260% from \$25 billion in 2004
- This surge was concentrated in electronic trading & exchanges (60 deals, up 43%), investment banks (35 deals, up 35%) and diversified securities firms (36 deals, up 200%)
- Geographically, Asia remained very strong (78 deals), Europe grew (50 deals, up 52%), and North America was down slightly (48 deals, down 13%)

Private Equity

- Private equity firms invested \$30 billion in 96 financial services firms in 2006, compared to 81 transactions valued at \$38 billion in 2005. Volume in 2004 was 67 transactions worth \$14 billion.
- The leading financial sectors for investment were:

– Financial business services	25 deals	\$12.5 billion
– Insurance	16 deals	\$ 7.8 billion
– Financial technology	25 deals	\$ 3.2 billion
– Banks & brokers	12 deals	\$ 3.1 billion
– Financial processing	8 deals	\$ 2.4 billion
– Asset management	10 deals	\$ 1.5 billion

About Freeman & Co., LLC

Founded in 1991, Freeman & Co. LLC is a boutique M&A advisory and strategic management consulting firm focused exclusively on the financial services industry with offices in New York, London and Paris. The company's M&A services include mergers and acquisitions advice, capital raising, fairness opinions, restructuring advice and private company valuations. Strategic management consulting assignments are customized to client needs and have covered a wide array of projects. Additionally, Freeman & Co. developed a proprietary algorithm and methodology for benchmarking the competitive position of capital markets businesses, which has become the industry standard used by major investment banks. For more information, see www.freeman-co.com.