



Freeman & Co., LLC

NEWS RELEASE

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FREEMAN & CO. DETAILS RECORD 1 H 2007 FINANCIAL SERVICES DEAL ACTIVITY AND PROJECTS CONTINUING TRENDS WILL PRODUCE ROBUST DEAL VOLUME IN FULL YEAR 2007

NEW YORK, July 10, 2007 -- Strategic merger and acquisition activity in 1H 2007 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 semi-annual summary on the industry, Freeman said that activity was exceptionally strong in asset management, with approximately \$729 billion of assets under management (AUM) being acquired in 94 transactions. The summary also said securities firms including exchanges were involved in \$87 billion of deals involving 139 firms excluding the proposed ABN-AMRO transaction, which would bring total deal value to \$184 billion, and private equity firms¹ deployed \$53 billion of capital in 56 financial services deals.

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

- Acceleration of alternative asset management deals, both IPOs and M&A deals
- Increasing interest of private equity firms in asset management transactions
- Consolidation in pan-European banking leading to transformational acquisitions, and then subsequent non-core divestitures
- Continued M&A activity in the electronic trading and exchange sectors as firms compete for market share and scale on a global basis
- Strong activity with broker/dealers as they continue to capitalize on the favorable market conditions in sales & trading, underwriting and M&A
- Continued strong interest in financial services from private equity firms and innovative deals into areas they were not previously active: Nuveen – Madison Dearborn, Sallie Mae – JC Flowers & Friedman Fleischer & Lowe, GMAC - Cerberus

“We saw a number of IPO and private-equity led deals in asset management during the first half of 2007, including Fortress (FIG), Blackstone (BX) and Polar Capital (LSE: POLR) as well as Nuveen (Madison Dearborn), Marsico Capital, K2 Advisors (TA Associates) and Jupiter Group (TA Associates),” said James L. Freeman, the firm’s founder and Chief Executive Officer. The industry has also seen KKR and Och-Ziff begin the IPO process, creating a whole new group of publicly traded firms. Additionally, the US based activist hedge fund Third Point announced plans for an IPO in London, while London based GLG Partners is going public on the NYSE through a reverse merger.

In the securities segment, activity has been robust with most segments. Among large securities firms & banks, we have seen acquisitions announced for ABN-AMRO for \$97 billion, Capitalia for \$29.5 billion, Nikko Cordial for \$7.7 billion and AG Edwards for \$7 billion. The activity among exchanges has been

¹ Based on the Freeman & Co. FIG PE universe of 85 firms

even more active with 44 takeovers announced involving firms such as CBOT, OMX, ISE and the Borsa Italiana, as the largest exchanges such as NYSE, LSE, CME and ICE compete for global reach and scale.

Lastly, activity with investment banks has been booming, as they ride the wave in M&A and underwriting, with 34 deals announced YTD. Among these transactions were a pair deals in which independent UK broker-dealers purchased US based boutique investment banks. In February Panmure Gordon & Co. acquired ThinkEquity Partners LLC, followed by the purchase of C.E. Unterberg, Towbin by Collins Stewart plc in May. Given the ever increasing globalization of the financial markets and the number of similar targets available on both sides of the Atlantic, we expect this trend to continue.

Private equity firms have continued to increase their investment exposure to financial services, with much of the increases coming through large deals, such as the LBO of Nuveen by Madison Dearborn for \$6.4 billion, CVC's purchase of the Automobile Association Ltd. (Insurance) for \$6.7 billion and the buyout of Sallie Mae for \$25.6 billion, led by JC Flowers and Friedman Fleischer & Lowe. Excluding these deals, the sector is still on pace to outpace last year's activity of \$28.7 billion invested in the sector. We expect to see increasing interest in larger deals that would not have been considered previously, and a strong market for middle-market sized financings where opportunities will be robust for firms that have not moved up in deal size.

1H 2007 HIGHLIGHTS

Asset Management

- IPOs of alternative firms created the biggest buzz in 2007, with Fortress (FIG) and Blackstone (BX) going public, and KKR and Och-Ziff not far behind
- Private equity firms were active in the sector with deals involving Nuveen, Jupiter and K2 Advisors
- Alternative firm deals reached 29 transactions in 1H2007, versus 56 in all of 2006, and 38 in all of 2005
- Traditional firm deals of 54 in 1H2007, versus 85 in each of full years 2006 and 2005
- 12 deals over \$10 billion in 1H2007, versus 23 in all of 2006 and 14 in all of 2005
- Total AUM transacted of \$729 billion in 1H2007, versus \$2.2 trillion in 2006 and \$1.1 trillion in 2005
- Most of the large deal volume is centered in the US

Securities Firms

- Dollar value of M&A deals reached \$86.6 billion (excluding the battle for ABN-AMRO) in the first half, up from \$50.4 billion in 2006, and up from \$26.6 billion in 2005
- The bull market in securities firm deals continues to be concentrated in electronic trading & exchanges (44 deals YTD vs 57 last year), investment banks (34 deals YTD vs 36 last year) and sales, trading & research firms (29 deals YTD vs 16 last year)
- Geographically every sector was robust: Asia remained strong (48 deals YTD vs 62 last year), Europe grew (40 deals YTD vs 51 last year), and North America was up as well (48 deals YTD vs 62 last year)

Private Equity

- Private equity firms invested \$52.8 billion in 56 financial services firms in 1H 2007, compared to 100 transactions valued at \$28.7 billion in 2006. Volume in 2005 was 86 transactions worth \$43.4 billion.
- The leading financial sectors for investment were:

– Financial business services	10 deals	\$ 27.7 billion
– Insurance	14 deals	\$ 12.0 billion
– Financial technology	21 deals	\$ 4.2 billion
– Banks & brokers	5 deals	\$ 0.6 billion
– Asset management	6 deals	\$ 8.3 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.

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