



Freeman & Co., LLC

NEWS RELEASE

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FREEMAN & CO. REPORTS 1st HALF 2008 FINANCIAL SERVICES DEALS AND IMPACT OF CREDIT CRUNCH ON DEAL VOLUME

NEW YORK, Jul. 1, 2008 – Merger and acquisition activity in 1H 2008 was stronger than expected in a number of financial services sectors, Freeman & Co. LLC, a leading independent advisor to the financial services industry, announced today. However, much of the strength in deal volumes was driven by the need of firms to recapitalize and divest non-core assets.

Releasing its biannual summary on mergers and acquisitions in the financial services industry, Freeman reported M&A activity in asset management, with more than \$800 billion of assets under management (AUM) being acquired in 80 transactions, in securities firms and exchanges with \$43.8 billion of deals¹ excluding rights and public offerings, (approximately \$150 billion including all capital raising transactions) and private equity firms² which deployed \$17.1 billion of capital in 35 financial services deals.

Freeman & Co. notes that the drivers of activity have shifted dramatically over the past 12 months, although overall volume in many cases has not changed as much as expected. In asset management, the AUM volume of deals is higher than last year, but much of 1H 2008 AUM activity is concentrated in one deal; the number of deals during 1H 2008 annualized is even higher than 2007's activity. For securities firms and exchanges, annualized transaction volumes by number are slightly below 2007, while total capital raised/invested in 1H 2008 exceeds full year 2007 due to the numerous recaps taking place; traditional M&A in the securities/exchanges sector is down. Private equity firms have decreased their investments in financial services², to \$17 billion in 35 deals in 1H 2008, which is down from \$69 billion in 100 deals in full year 2007. However, private equity firms are on pace to invest in financial services as much as they did in 2006.

Looking ahead to the 2nd half of 2008 and beyond, Freeman & Co. projects that key drivers in these industry sectors will include:

- **Asset Management:** the market dislocation allows healthy firms to consolidate their positions by pursuing opportunistic growth through corporate divestitures by others, team lift outs and mid-sized acquisitions
- **Alternative Investments:** activity in this area has remained strong as firms fill product gaps and critical size thresholds force smaller firms to consider sales or partnerships; we expect large transactions, over \$10 billion AUM, in this area to return in 2009
- **Broker dealers:** activity has been robust as firms are forced to recapitalize; in 2H 2008 we expect recaps to slow and divestitures to increase as firms return to their core business lines; numerous opportunities will exist for healthy firms to take advantage of these divestiture opportunities

¹ Includes private placements of preferred securities by Citigroup and Merrill Lynch, but excludes rights and secondary equity offerings

² Based on the Freeman & Co. FIG PE universe of 95 firms

- **Trading Technology:** M&A activity will increase as brokerages look to complete their equity product offerings with OMS, EMS and algorithmic products particularly in Europe and Asia. In the US, dark pools and ATS providers will be able to capitalize on the fragmented market. Overall, many trading technology firms will make clear progress versus struggling financial services competitors, particularly large banks which will cut back on product development
- **Insurance:** will continue to develop products for their retirement services clients such as reverse life cycle funds; P&C carriers will need to ride out the current market cycle. However, M&A activity in the insurance brokerage segment will remain robust as larger brokerage firms continue to gain scale through consolidation
- **Life settlement:** activity will continue to increase as both providers of capital and primary insurers react to a rapidly changing regulatory environment. We expect to see various entities looking to aggregate large amounts of life settlement policies, as this alternative asset class becomes more mainstream for institutional investors

Eric Weber, Managing Director & Chief Operating Officer, added, "While total deal volume was not down as much as expected, the drivers of and types of deals have undergone a definite shift due to the credit crises. It is a time when healthy companies can make great strides versus many of their competitors, and opportunities for investment are increasing now as stressed companies shed more non-core assets."

1H 2008 HIGHLIGHTS

Asset Management

- M&A volume measured by AUM reached \$807 billion in the first six months of 2008, compared to \$1.34 trillion in full year 2007, and \$2.2 trillion in full year 2006; while 1H 2008 activity, on an annualized basis exceeds the levels of 2007, the exclusion of the Fortis / Ping An deal with \$381 billion, indicates that industry activity is being affected by the credit crunch particularly for large sized deals
- In the first half of 2008 total transactions numbered 80, outpacing on an annualized level the 143 deals in full year 2007 and 132 deals in full year 2006; however, much of the current activity is in mid- and smaller-sized transactions with AUM below \$10 billion
- Larger transactions lag with 9 deals involving over \$10 billion AUM in the first six months compared to 27 in full year 2007, and 23 in full year 2006
- Deals involving alternative managers remained strong with 33 in 1H 2008, compared to 77 in all of 2007, and 56 in all of 2006
- Regionally, AUM activity in the US is down in 1H 2008 to under \$200 billion AUM from over \$600 billion AUM in all of 2007
- Growth in Asia and Europe was up considerably but was driven in part by the Fortis / Ping An deal with \$381 billion AUM

Securities Firms

- Dollar value of M&A deals reached \$43.8 billion, excluding rights and public secondary equity offerings, compared to \$122.1 billion in full year 2007, and \$54.4 billion in full year 2006³; including rights offerings and secondary equity deals in 1H 2008 brings total deal/investment values to approximately \$150 billion
- Deals were concentrated in investment banks with 43 deals (compared in 94 in all of 2007), electronic trading & exchanges with 41 deals (compared to 100 in all of 2007) and research, sales & trading with 28 deals (compared to 65 in all of 2007)
- Major U.S. and European broker-dealers raised approximately \$125 billion through private and public placements of securities in 1H 2008 to recapitalize

³ Includes private placement of preferred securities

- Transaction volume should remain robust as firms finish recapitalizing and divest more non-core assets; further consolidation will continue as weaker franchises will be forced to find partners
- Geographically, all regions saw annualized levels of M&A activity slightly below 2007, but significantly above 2006: Asia (60 deals vs. 130 in all of 2007), North America (52 deals vs. 115 in all of 2007) and Europe (39 deals vs. 106 in all of 2007)

Private Equity

- Private equity firms invested \$17.1 billion in 35 financial services firms in 1H 2008, compared to 122 transactions valued at \$69.0 billion in full year 2007. Volume in full year 2006 was 100 transactions worth \$28.7 billion
- The credit crunch has affected LBOs and other PE investments as deal financing continues to be a challenge. Deal volume in 1H 2008 was down to \$8 billion, for example, when excluding Corsair Capital's \$7 billion investment in National City and TPG's \$2 billion investment in Washington Mutual
- Private equity firms will continue to look for opportunities in financial services, including the recent push to allow larger investments in regulated companies such as banks and insurers
- The leading financial sectors for investment were:

| | | |
|------------------------|---------|----------------|
| – Banks & brokers | 5 deals | \$11.3 billion |
| – Asset management | 6 deals | \$2.9 billion |
| – Business services | 8 deals | \$1.9 billion |
| – Insurance | 7 deals | \$561 million |
| – Financial technology | 6 deals | \$211 million |
| – Specialty finance | 2 deals | \$187 million |

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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