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News Release

For Immediate Release

FREEMAN & CO. REPORTS TURBULENT FINANCIAL SERVICES DEAL ACTIVITY IN 2008 AND PROJECTS INCREASED CONSOLIDATION-RELATED M&A ACTIVITY IN 2009

NEW YORK, Jan. 5, 2009 – Merger and acquisition activity in the financial services sector in 2008 was driven by industry-wide consolidation and capital raising, reported Freeman & Co., a leading independent advisor to the financial services industry.

Releasing its annual summary on mergers and acquisitions in the financial services industry, Freeman reported that activity declined slightly in asset management, while purchases of assets under management (AUM) spiked considerably higher due to an increase in strategic minority investments in large-scale managers (>\$10 billion AUM). Broker-dealer transaction activity declined modestly, but an increase in deal value was driven by the mega-deals involving acquisitions of Merrill Lynch, Wachovia and Dresdner Bank (approximately 38% of total reported broker dealer M&A volume). A bright spot in the financial sector was trading technology, as acquisitions of firms in the sector surged more than 53%. Private equity firms deployed \$23 billion of capital into 84 financial services transactions in 2008, both statistics were down sharply from comparable figures in 2007.¹

Looking ahead to 2009, Freeman & Co. projects that deal volume will increase and that the key drivers in these industry sectors will include:

- Poor returns, redemptions, and rapid product deleveraging will force large numbers of alternative managers to close or consolidate during 2009
- Consolidation in the bank sector may squeeze fees of product manufacturers who rely on bank distribution channels
- Broker-dealers will continue to consolidate in 2009 as firms look for combined efficiencies in an ongoing tough environment
- Sub-scale alternative trading systems and dark pools will be consolidated by their larger competitors or rolled up into exchange- and bank-backed platforms
- With the maturation of multilateral trading facilities (MTFs), expect European trading technology transaction volumes to remain at a high level as broker-dealers gear up for increased fragmentation and algorithmic trading in Europe
- Organized exchanges will continue their expansion into the credit space, acquiring credit data-focused firms in advance of the centralization of CDS clearing
- Private equity deal activity in financial institutions will increase in 2009. The catalyst of this activity will be the attractive valuations of solid firms and the available capital from 2007 & 2008 vintage funds
- Distressed debt funds will flood the market as private equity aims to capitalize on the historically low prices of US and European financial and non-financial corporate debt
- Regulators will loosen the restrictions on ownership of banks by private equity firms, spurring private capital infusions into struggling bank holding companies

¹ Based on Freeman & Co. FIG PE universe of 115 firms

- The NAIC will relax capital requirements to help insurers deal with ongoing balance sheet issues in 2009
- Large financial companies will accelerate the divestiture of non-core business lines, with the strategic divestment of poor performing divisions and/or sub-scale international subsidiaries of existing traditional asset managers as a leading source of divestitures

"While 2008 was an awful year, deal activity was robust in many sectors, driven by turmoil and defensive deals such as the acquisition of Merrill Lynch by Bank of America," says Eric Weber, Managing Director and COO of Freeman & Co.

"Global declines in GDP growth coupled with over-capacity in the financial services markets will force continued consolidation in 2009," says Peter Majar, Managing Director.

2008 HIGHLIGHTS

Asset Management

- M&A volume measured by AUM reached \$1.61 trillion, up 19% from \$1.35 trillion in 2007, and down 27% from \$2.22 trillion in 2006
- 30 deals involved managers with AUM of over \$10 billion, up 11% from 27 deals in 2007, and up 30% from 23 deals in 2006
- Deals involving alternative managers fell to 60, down 22% from 77 deals in 2007, and up 7% from 56 deals in 2006
- Geographically, the number of asset management transactions involving firms based in the US, Europe, and Asia all experienced a slight decrease

Broker-Dealers

- Dollar value of M&A deals reached \$206 billion, up 108% from \$99 billion in 2007, and up 663% from \$27 billion in 2006 driven by the mega-deals involving Merrill Lynch, Wachovia, and Dresdner Bank
- Deals involving investment banks were up 15%, and those involving diversified securities firms were up 67%, from 2007
- Geographically, Asia witnessed an increase to 102 deals, while Europe (73 deals) and North America (62 deals) witnessed a decrease from 2007

Trading Technology

- The number of transactions rose to 112 in 2008, from 73 in 2007 (up 53%) and 67 in 2006
- The surge was concentrated in financial data, software, and administration firms, which rose sharply to 53 transactions in 2008 from 14 in 2007 (up 279%)
- Regional growth in Europe (up 245%) far outpaced that of North America (up 11%)

Private Equity

- Private equity firms invested \$23 billion in 84 financial services firms in 2008, compared to 165 transactions valued at \$74 billion in 2007
- The leading financial sectors for private investments were:

– Banks & Brokers	10 deals	\$ 6.1 billion
– Specialty Finance	15 deals	\$ 6.0 billion
– Insurance	13 deals	\$ 4.0 billion
– Asset Management	16 deals	\$ 2.9 billion
– Trading Technology	14 deals	\$ 2.3 billion
– Business Services	16 deals	\$ 1.6 billion

About Freeman & Co. LLC

Founded in 1991, Freeman & Co. LLC is an M&A advisory and strategic consulting firm focused exclusively on the financial services industry with offices in New York and London. The company's advisory services include mergers and acquisitions advice, capital raising, underwriting, fairness opinions, restructuring advice and private company valuations. Strategic 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, visit www.freeman-co.com.

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