



NEWS RELEASE

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FREEMAN & CO. REPORT PROJECTS THAT PRIVATE EQUITY ACTIVITY IN FINANCIAL SERVICES WILL INCREASE AS PRIVATE EQUITY FIRMS DEPLOY THEIR CAPITAL TO TAKE ADVANTAGE OF UNDERVALUED ASSETS AFTER WEAK DEAL LEVELS OVER THE LAST TWELVE MONTHS

NEW YORK, September 23, 2008 – Freeman & Co., a leading independent advisor to the financial services industry, released its third annual report today covering Private Equity (“PE”) activity within the Financial Institutions Group (“FIG”) sector⁽¹⁾. Some of the trends highlighted were:

1. **Decrease in Deal Volume** – 69 investments with a disclosed \$35.5 billion invested in FIG by PE firms for LTM 1H 2008⁽²⁾; down from \$43.8 billion for the previous twelve months, a decrease of 19%. The average investment was \$514 million; up from \$409 million in the previous twelve months
2. **Rise in Bank Investment** – Bank investments dominated the landscape of large transactions in 1H 2008 as opposed to traditional LBOs. Bank and Broker-Dealer deals contributed 44% to overall FIG PE deal value for the first half of this year, including:
 - Washington Mutual investment by TPG for \$2 billion (April 8, 2008)
 - National City investment by Corsair Capital for \$985 million (May 2, 2008)

Trends

Highlights of current trends:

- **Asset Management:** LTM deal value was \$10.9 billion compared to \$4.6 billion for the previous twelve months, an increase of 136%. Madison Dearborn’s \$6.4 billion investment in Nuveen Investments in November 2007 was the largest deal in the period. KKR invested \$1.25 billion in Legg Mason in January 2008 in the form of convertible notes to stabilize Legg Mason’s balance sheet following bailouts of its money market funds
- **Banks and Broker-Dealers:** The Bank and Broker-Dealer sector experienced the greatest shift in makeup in LTM 1H 2008. Deal value in the sector fell 19% from \$7.1 billion in the previous twelve months to \$5.8 billion in LTM, and the composition of the sector changed as banks turned to private equity firms to shore up their capital bases. Private equity firms have been opportunistic investment partners as the debt to finance their traditional LBOs has become scarce
- **Financial Technology and Processing:** There has been a significant decline in private equity deals among Financial Technology and Processing companies, with LTM deal value at only \$2.4 billion compared to \$6.5 billion in the previous twelve months, a drop of 62%. There have been no deals in the sector over \$1 billion in the past twelve months
- **Insurance:** Insurance transactions were also down in LTM 1H 2008 after a strong previous period. 16 Insurance deals were completed in LTM for a total deal value of \$6.5 billion, down 35% from \$10.0 billion in the previous twelve months. However, there continue to be opportunities in areas such as Insurance Brokerage and Life Settlements in both the U.S. and Europe
- **Specialty Finance:** PE Transactions involving Specialty Finance (“SPEC”) companies totaled \$8.0 billion in deal value in LTM, down 25% compared to the \$10.8 billion in deal value in the previous twelve months. The largest SPEC deal of LTM 1H 2008 was CVC’s merger of The Automobile Association Limited with Saga Group in September 2007

- **Business Services:** LTM PE deal value in Business Services was just \$1.9 billion, a 61% decrease from the previous twelve months, which saw \$4.9 billion in deal value⁽²⁾
- **Fundraising:** The current market turbulence has not had the same negative impact on private equity firms' fundraising capabilities to date. In 1H 2008 PE firms raised \$287 billion in capital, \$68 billion more than what was raised in 1H 2007. A particular area of strength has been distressed debt and syndicated loan funds with \$28 billion raised in 1H 2008, which has surpassed 2007's full-year figure of \$25 billion
- **The Credit Crunch:** A poor credit environment has hindered private equity deal activity as the easy financing of such deals ended in 2H 2007. Total issuance of syndicated loans, high yield bonds, and CDOs has fallen 51% to \$1.5 trillion since its peak of \$3.1 trillion in 1H 2007 after growing at a rate of 29% per year from 1H 2004 to 1H 2007. Several large LBO deals were either renegotiated or terminated at the beginning of the credit crunch, including the terminated buyout of SLM Corp by JC Flowers and Friedman, Fleischer & Lowe

Peter J. Majar Jr., Managing Director of Freeman & Co. said, "Recent private equity investments in capital-deficient global broker-dealers and large money-center and regional banks have proven difficult in the short-term, but we feel many new opportunities will emerge in the post-U.S. Government bailout period, provided a sufficient plan is finalized."

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 and London. 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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Notes:

⁽¹⁾All data in the report includes global deal activity for 112 private equity firms consistently tracked by Freeman & Co. Freeman & Co. believes the sample data is representative of total activity in financial institutions private equity

⁽²⁾All data excludes KKR's \$28.7 billion acquisition of First Data Corp in the Business Services sector. The transaction was announced in April 2007 but did not close until September 2007 after negotiations surrounding the financing of the deal at the beginning of the credit crisis