

From uncertainty to opportunity*

FS M&A in Europe's developed and developing markets

March 2008



Table of contents

Executive summary	02
01 Overview and five-year trends	04
02 Top 20 deals of 2007	10
03 Looking ahead to 2008 and 2009	18
Appendices	26
Contacts	28

Executive summary

In the fifth edition of this annual study, it is remarkable to find that the total value of European financial services (FS) M&A deals has increased yet again. Although this expansion was unquestionably boosted by one exceptional transaction, there were many other factors driving growth in deal activity during the year. In this study we aim to identify some of the key themes at work in European FS M&A in 2007 and, at a time when the industry is facing unprecedented uncertainty, to offer some predictions for the coming year.

In 2007, total European FS M&A activity expanded by 52% in deal value terms over the comparable 2006 figure, an astonishing performance considering the growth rates of 77% and 73% recorded in the two preceding years. As a result, FS deal activity represented almost a fifth of all European M&A for the year by value.

The acquisition of ABN AMRO, unprecedented in its scale, had a strong influence on this expansion and ensured that cross-border deals returned to dominance after a burst of Italian domestic activity in 2006. Notwithstanding this, and as we shall see later, the year's M&A trends were driven by a wide variety of factors. For instance, small and mid-cap deal activity increased rapidly during the year, and despite the size of the ABN AMRO transaction, insurance and investment management M&A values climbed more steeply than those involving banking targets.

The main themes that we have identified from our analysis of European FS M&A activity in 2007 are:

- **The ABN AMRO transaction taking its place as the largest ever European banking deal.**
As well as the deal's sheer size, we note in particular the bidder's consortium structure and the members' success in raising funds in a very challenging market.
- **Continuing push to consolidate in fragmented markets.**
This was particularly notable in Italy, where several large in-market banking deals took place for a second year running. There were also several scale-building deals in Germany, another fragmented banking market, even if they did not breach the country's traditional 'three pillar' structure.
- **Slowing activity among Central and Eastern European/South Eastern European (CEE/SEE) targets.**
Pricing pressures appear to have been building as available targets became fewer during the year.
- **The ongoing drive to build scale in the insurance market.**
The attractions of consolidation in the area of run-off business continued to make themselves felt, along with the overall drive towards greater international diversification in the insurance sector.
- **Continuing influence of private equity on financial services deal-making.**
This is especially true in the UK, but PE has now become an established influence across Europe – although it remains to be seen what impact the 'credit crunch' may have.
- **Investment management deal activity reaching new levels.**
The restructuring of the sector, whether in the search for focus or for greater scale, is accelerating the pace of M&A activity.
- **European stock exchanges still undergoing cross-border consolidation.**
The London Stock Exchange acquired Borsa Italiana in 2007, whilst the OMX in Sweden was acquired by Borse Dubai and NASDAQ.

In the 'Looking Ahead to 2008 and 2009' section of this study, we have made some observations on the future drivers of European FS M&A. In doing so, we have tried to address broad themes as well as more specific expectations. Some of the key predictions we make include:

- **While economic conditions are likely to make 'mega-deals' harder to achieve, we believe that the rationale for consolidation remains compelling.**
Even if economic conditions prove to be cooler during the coming year than in 2007, FS companies still need to grow earnings and we believe the strategic rationale for M&A will retain its force. A shifting environment is arguably more likely to flush out potential sellers than during a time of strong economic growth.
- **Within certain subsectors of European FS, the pressures to merge or acquire are likely to grow in the coming year.**
We feel that subsectors of European FS under particular pressure, such as mid-cap brokers, could attract bidders. A credit downturn could also encourage consolidation in the fragmented debt purchase segment. In addition, we would not be surprised to find wealth managers becoming more willing to build scale and improve operating efficiencies through M&A.
- **Although CEE/SEE deal activity is likely to slow, we see increasing scope for selective divestments.**
At the time of writing, increasing credit risk premia in many CEE/SEE countries imply that the deal-making of recent years is likely to continue to slow in these territories. However, we expect to see increasing levels of divestments or spin-offs by groups with existing positions in CEE/SEE markets.
- **The 'credit crunch' will change patterns of banking M&A for some time to come.**
We expect the ongoing 'credit crunch' to have several impacts on European banking M&A. Firstly, those banks under particular funding pressure will continue to find themselves at a disadvantage, and may become prey to acquirers. Secondly, banks with weakened capital will need to rebuild before becoming bidders, and may welcome approaches from stronger buyers. And thirdly, banks unscathed by the crisis will find themselves in a much stronger position when considering M&A activity.
- **The influence of strategic investors will only continue to grow in the medium term.**
We believe that the influence of activist hedge funds will increase during the coming year. So will the power of sovereign wealth funds, whose ability to inject capital will become increasingly attractive to banks the longer the 'credit crunch' continues.
- **A number of major insurers remain potential takeover targets.**
We see considerable potential for further cross-border consolidation between major insurance centres in Europe and elsewhere, as well as continued appetite by insurers to release capital currently supporting non-core portfolios, via disposals. The general pricing pressure felt across the insurance market is also likely to ensure that the process of consolidation continues apace.

We hope that you will find the information, observations and predictions presented in this study thought-provoking. If you would like to discuss any of our findings, please do not hesitate to contact us.

01 Overview and five-year trends

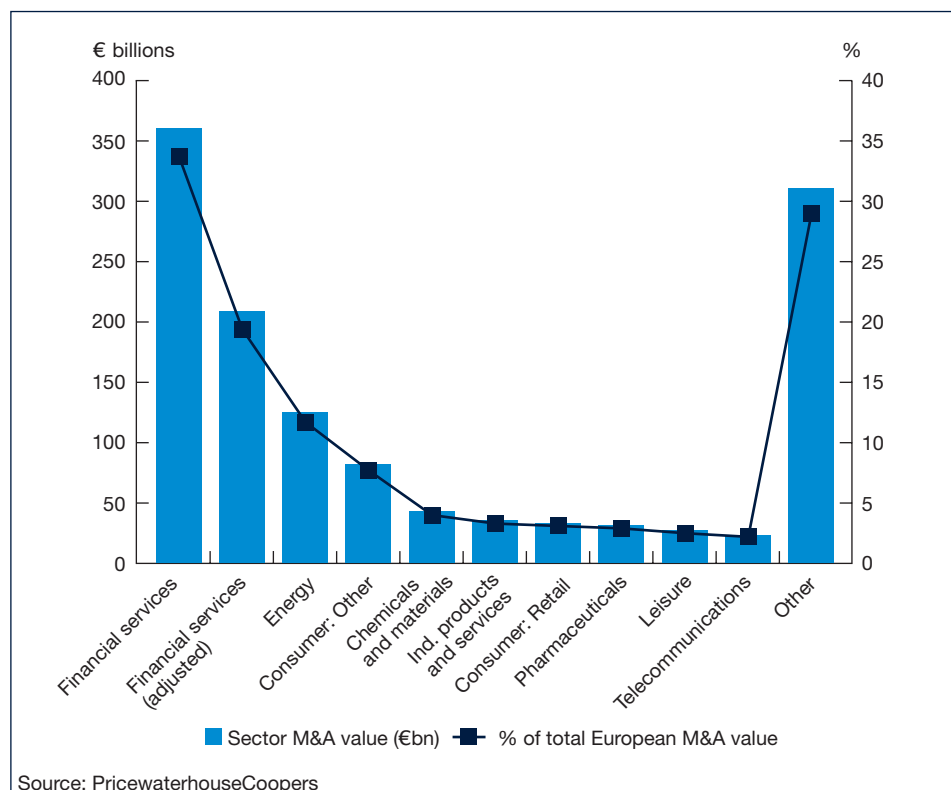


Figure 1

Sector split of all European M&A activity in 2007.

In 2007, financial services was once again the most significant industry in terms of European M&A activity

European FS M&A during 2007 had a total deal value of €207.7bn (on an adjusted basis), representing more than 19% of total announced European M&A for the year. This is a further increase on the 2006 figure of c.13% and means that FS was once again the most active sector in Europe on both an adjusted and a 'raw' basis (see Figure 1). In fact, FS extended its lead over other industries; even on

an adjusted basis, the total value of FS deal activity was almost 67% greater than that involving energy companies, the next most valuable sector by deal value. This analysis is based on data from mergermarket, adjusted in line with the methodology adopted in previous years. Full details on methodology are available in Appendix 1, but in summary, adjusted data excludes deals involving stakes of less than 30%, deals involving real-estate targets and sales of assets rather than equity.

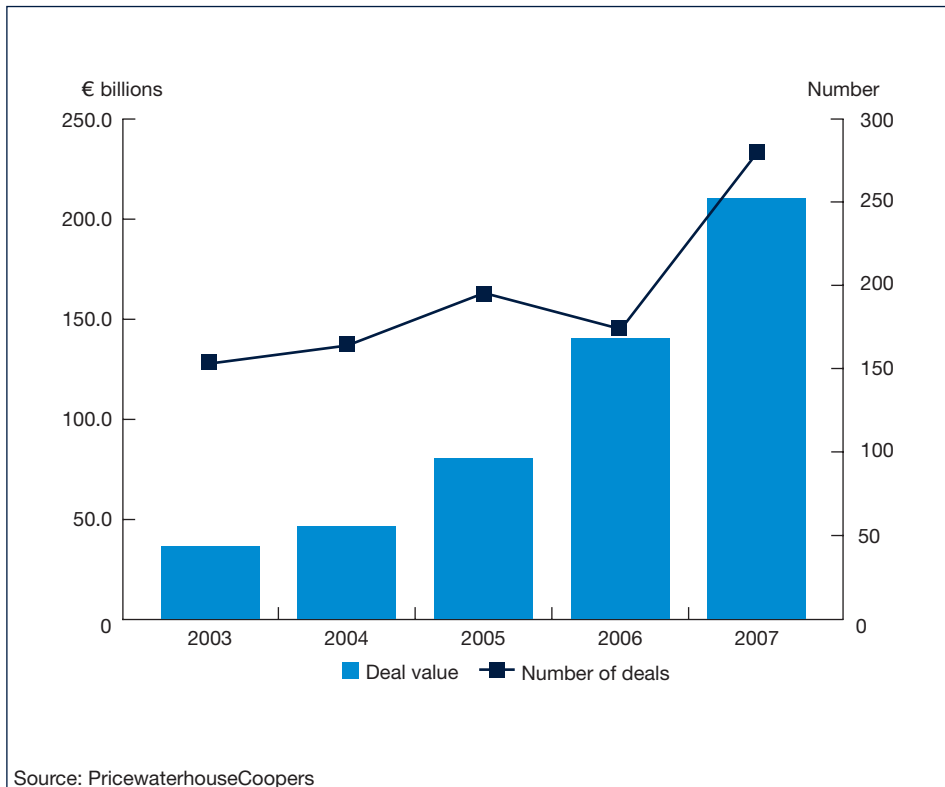


Figure 2

European FS M&A announced deal value and number of deals, 2003–2007.

European FS deals increased in value and number during 2007 – even allowing for the ABN AMRO transaction

The €207.7bn total announced value of European FS M&A activity during 2007 represented a huge increase of 52% over the prior year figure of €136.9bn (see Figure 2). Much of this growth can be attributed to the acquisition of ABN AMRO in a deal valued at €71.1bn, which amounted to around a third of the total value of all European FS deal activity during the year. Nonetheless, the total value of FS M&A would still have

increased slightly, even with this deal excluded, a remarkable performance considering the ructions in global credit markets during the second half of 2007.

The healthy performance of European FS M&A is underlined by an analysis of the numbers of transactions that took place at all levels of deal value. Our analysis shows that the expansion in FS M&A activity during 2007 was not purely driven by very large transactions.

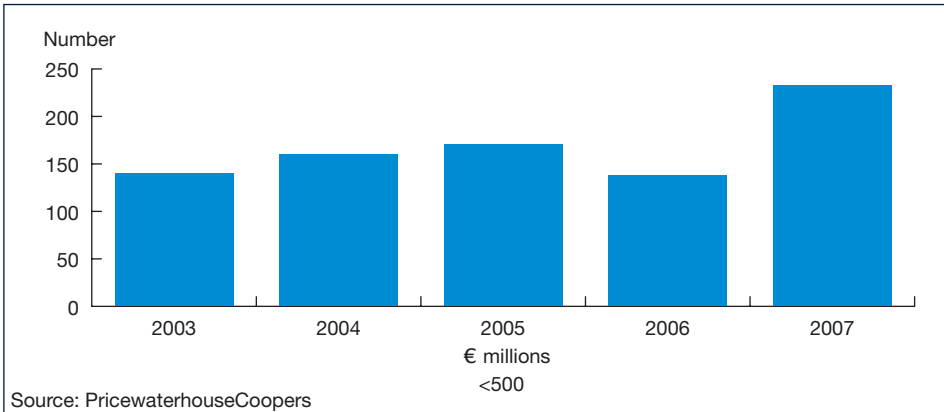
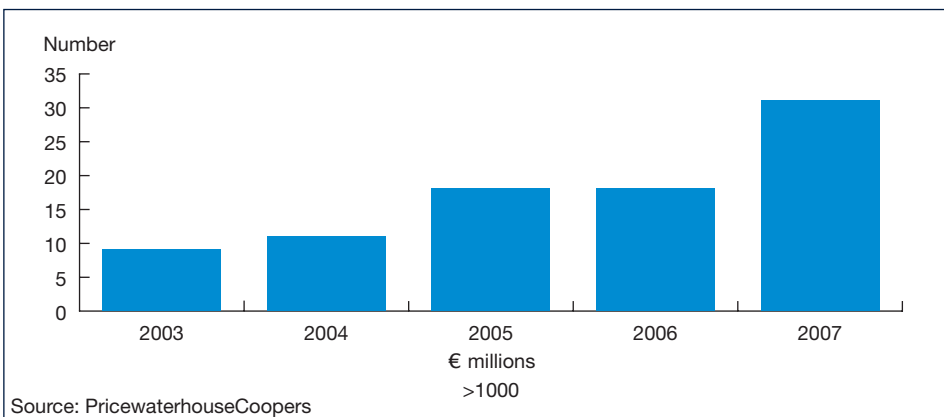
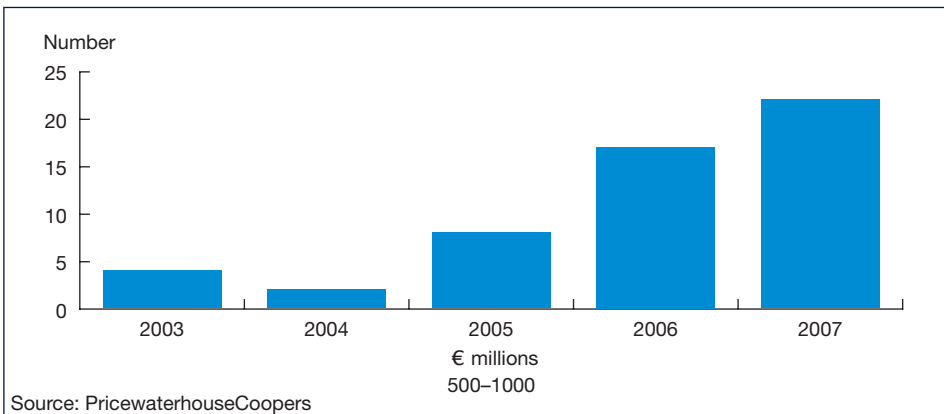


Figure 3

Numbers of deals in value bands <€500m, €500m–€1bn, >€1bn, 2003–2007.



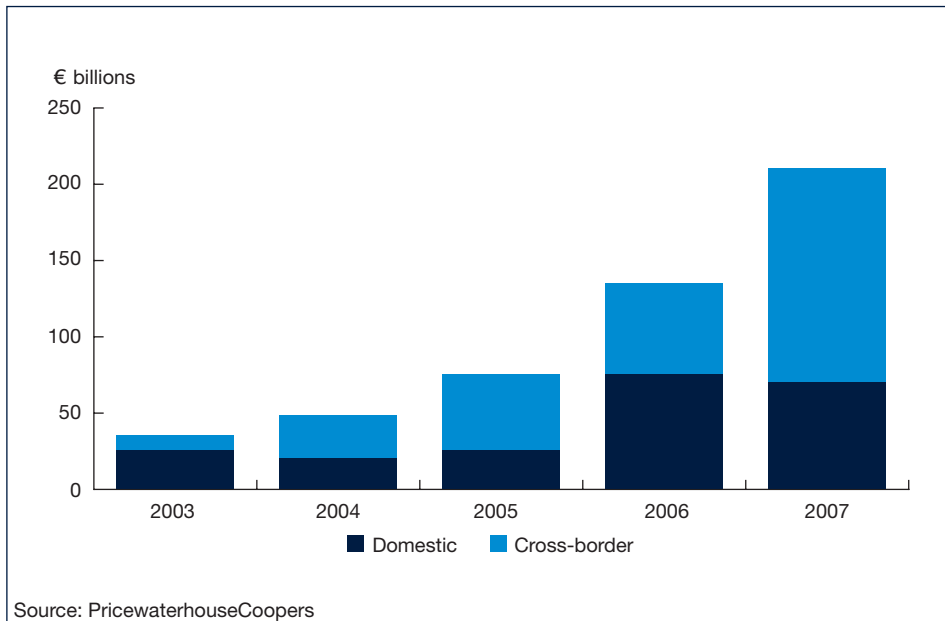


Figure 4

European FS M&A announced deal value, Domestic v Cross-border, 2003–2007.

It is certainly striking that deals valued at over €1bn numbered no fewer than 31 during the year, compared with 18 in the previous two years and just nine and eleven in 2003 and 2004 respectively (see Figure 3). However, 'mid-cap' deals (€0.5bn to €1bn) also increased in number for the third year running, and small to mid-scale deals (<€0.5bn) increased the fastest, expanding by almost 64% over 2006 levels.

Cross-border deals returned to dominance in 2007, with major deal activity concentrated in three countries

The importance of cross-border transactions as the driver of European FS deal growth was once again evident during the year, after a lull in 2006 when several major in-market transactions occurred, especially in Italy (see Figure 4).

The ABN AMRO transaction was, unsurprisingly, the major driver of this change. Although the deal was truly exceptional in its size, it was not the first time that a large cross-border transaction has dominated the year's deal activity. Past examples include SCH/Abbey in 2004 and Unicredito/HVB in 2005. Nonetheless, it was also notable that the majority of 2007's 20 most valuable FS deals were cross-border in nature.

When considering the pattern of M&A activity at a national level, the Netherlands, Italy and the UK stood out as the territories experiencing the greatest deal value during 2007. Together, these three countries accounted for almost three-quarters of European FS activity by value, at 36%, 21% and 13% of the total, respectively. The acquisition of ABN AMRO unsurprisingly put the Netherlands into pole position for the year.

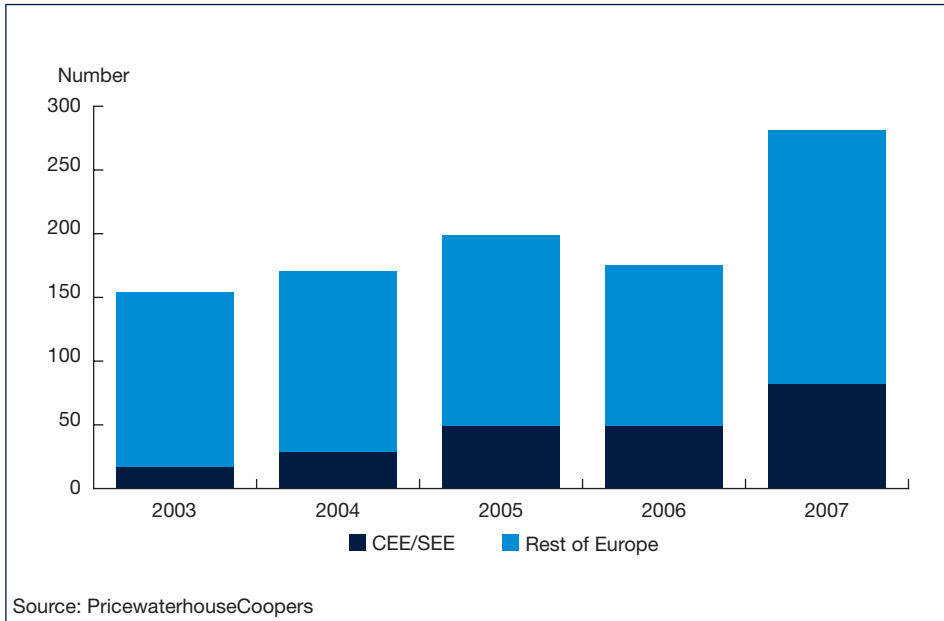


Figure 5

Number of FS M&A announced deal targets in CEE/SEE v. Rest of Europe, 2003–2007.

The transaction represented more than 96% of the total deal activity involving Dutch targets during 2007, although it is worth remembering that many of the group’s operations are located elsewhere in Europe, as well as in Asia and the Americas.

Italy was among the most important markets for deal activity for the third year running, reflecting the consolidation in Italian financial services since 2004. The Italian market was distinguished by the number of large transactions during the year. Six deals of over €1bn were announced, totalling €39.4bn, or nearly 19% of all European FS deal activity.

The UK experienced a rapid increase in activity, with the total value of deals increasing almost threefold to €32.5bn

after relatively subdued years in 2005 and 2006. The majority of UK deals involved foreign buyers, although the two largest deals were both domestic in nature; interestingly, they also involved targets being either kept in private hands or taken into private ownership.

The total value of FS deals in Central and Eastern Europe and South Eastern Europe (CEE/SEE) increased for the fourth consecutive year. Even so, deal value growth of less than 6% was the slowest rate seen during the past five years, and in relative terms the value of CEE/SEE deals declined to 8% of the European total. However, a review of the numbers of deals taking place in the CEE/SEE region shows that those markets continue to remain relatively vibrant (see Figure 5).

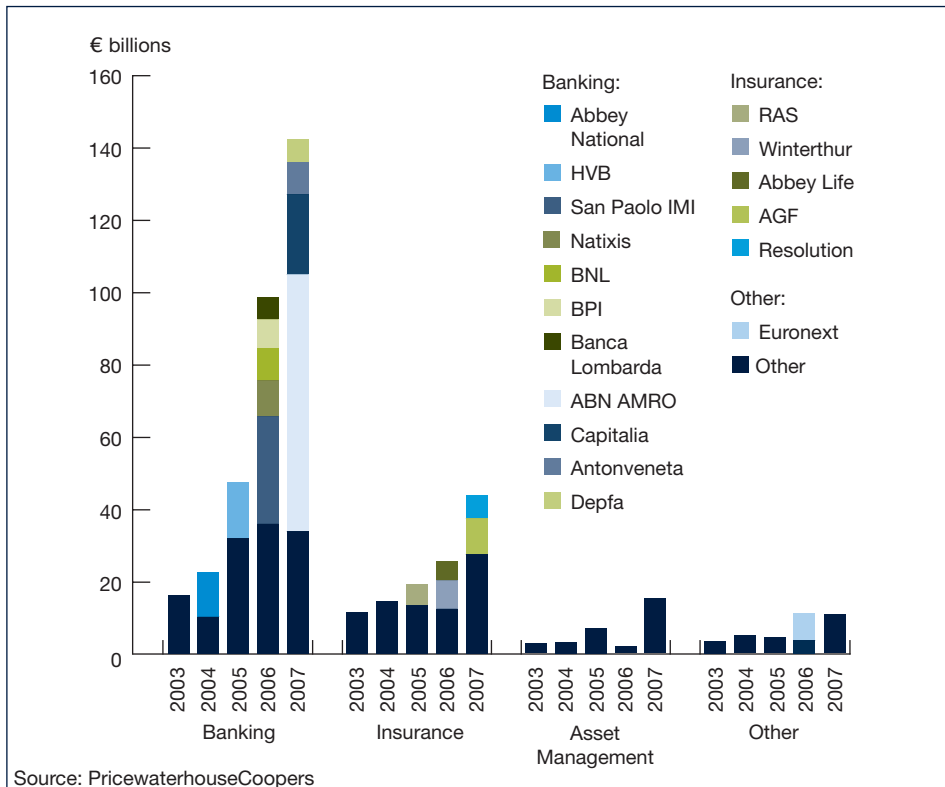


Figure 6

European FS M&A announced deal value by sector, 2003–2007.

Most of the key FS subsectors experienced sharp rises in M&A

A review of European FS deal activity by subsector reveals that banking, insurance and asset management all experienced strong growth in total deal value during 2007 (see Figure 6). The total value of banking deals reached €141.4bn, representing two-thirds of all European FS deal activity for the period, and lifting the total value of banking deals beyond that of all FS activity in the prior year.

Despite this expansion, banking activity accounted for a slightly smaller percentage of total FS deal value than in 2006. This was due to the striking 72% growth in the total value of insurance deals (as illustrated in Figure 6), and more than fivefold growth in deals involving asset management targets. Insurance businesses were targeted in seven of the year's top 20 deals, compared with just four in the prior year, with deals being evenly divided between domestic and cross-border transactions. There were also several asset management deals valued at more than €1bn during the year, the first time the subsector had seen such large transactions since 2005.

02 Top 20 deals of 2007

Table 1: Top 20 FS deals announced in 2007 by value

Rank	Date	Target		Bidder		€ million
		Company	Country	Company	Country	
1	May 07	ABN AMRO	Netherlands	RFS Holdings B.V. (Owned by Royal Bank of Scotland, Fortis & Banco Santander Central Hispano)	Netherlands	71,121
2	May 07	Capitalia SpA	Italy	UniCredit Group	Italy	21,912
3	Jan 07	Assurance Générales de France	France	Allianz SE	Germany	9,800
4*	Nov 07	Banca Antonveneta SpA	Italy	Banca Monte dei Paschi Siena di SpA	Italy	9,000
5*	Oct 07	Resolution Plc	United Kingdom	Pearl Group Limited	United Kingdom	6,582
6	Jul 07	DEPFA Bank plc	Ireland (Republic)	Hypo Real Estate Group AG	Germany	5,696
7	Jun 07	Landesbank Berlin Holding AG	Germany	Deutsche Sparkassen- und Giroverband	Germany	4,475
8	Jul 07	Cassa di Risparmio di Firenze SpA	Italy	Intesa Sanpaolo SpA	Italy	4,450
9**	Jun 07	Saga Group Limited	United Kingdom	Automobile Association Limited	United Kingdom	4,156
10	Aug 07	OMX AB	Finland, Sweden	Borse Dubai / NASDAQ	United Arab Emirates	3,471
11	Apr 07	Generali PPF Holding	Czech Republic	Assicurazioni Generali SpA; PPF Group NV	Italy; Netherlands	2,600
12	Jun 07	GLG Partners LP	United Kingdom	Freedom Acquisition Holdings Inc	USA	2,528
13	Jun 07	Oyak Bank AS	Turkey	ING Group NV	Netherlands	1,991
14	Feb 07	Converium Holding AG	Switzerland, USA	SCOR SA	France	1,951

* Pending regulatory approval.

** AA/Saga deal was reported as a merger. The combined group was valued at £6.15bn (approx. €9.1bn).

Rank	Date	Target		Bidder		€ million
		Company	Country	Company	Country	
15	Jun 07	SPP Livförsäkring AB	Sweden	Storebrand ASA	Norway	1,914
16	Jun 07	AXA Nederland BV; DBV Verzekeringen; Winterthur Verzekeringen Holding BV	France, Netherlands	SNS Reaal NV	Netherlands	1,797
17	Jun 07	Borsa Italiana SpA	Italy	London Stock Exchange Group plc	United Kingdom	1,634
18	May 07	Hypo Alpe Adria Group	Austria	Bayerische Landesbank	Germany	1,625
19	Jul 07	Ukrsotsbank OJSC	Ukraine	Bank Austria Creditanstalt AG	Austria	1,615
20	Nov 07	Swiss Life Asset Mgmt (Nederland) BV; Swiss Life Belgium; Zwitserleven	Netherlands, Belgium	SNS Reaal NV	Netherlands	1,531
Total top 20						159,849
Other						47,894
Total Europe						207,743

Source: PricewaterhouseCoopers

In this section of the study we use the top 20 European FS deals of 2007 (which represent almost 77% of all M&A activity in the sector by value) to identify some of the key strategic themes at work in European FS M&A during the year. The key themes that we have identified are:

- ABN AMRO acquisition takes its place as the largest banking deal in history;
- The push to consolidate continues in fragmented markets, particularly in Italy;
- Slowing activity among CEE/SEE targets as pricing pressures build and available targets become fewer;
- Drive to build scale in the Insurance market continues;
- Private equity remains influential in financial services deal-making;
- Investment management activity reaches new levels as sector restructures;
- European stock exchanges still undergoing cross-border consolidation.

ABN AMRO acquisition takes its place as the largest banking deal in history

By far the largest transaction of the year was the acquisition of ABN AMRO by the RBS/Fortis/Santander consortium, following a well-publicised takeover battle between the consortium and Barclays. The transaction was valued at an estimated €71.1bn and had several notable features that have been widely commented on elsewhere. We note in particular that this was the first major European banking acquisition by a consortium. In conversation with PricewaterhouseCoopers, Rym Ayadi of the Centre for European Policy Studies noted that the transaction was notable for the 'strategic asset' purchase by each of the consortium members and felt that 'similar strategic acquisitions may be more prominent in the future'.

The ABN AMRO acquisition also resulted in the spin-off sale of Banco Antonveneta – the Italian bank acquired by ABN AMRO in 2005 – by Banco Santander to Monte dei Paschi di Siena in a transaction worth €9bn. The sale is estimated by Santander to have resulted in a €3.4bn gain for the group.¹ At the time of writing the transaction is still to complete pending final regulatory approvals.

The push to consolidate continues in fragmented markets, particularly in Italy

As in 2006, Italian banking was the most active area of in-market consolidation in Europe – a continuing trend that had been predicted in last year's study.

Three of the top 20 largest deals in the year were in-market Italian banking transactions, the largest of which was the €22.1bn acquisition of Capitalia by Unicredit. As we noted in last year's study, the CEO of Capitalia had stated in January 2007 that Capitalia was 'in a unique position in a unique market as we are both interesting and interested'. This statement proved fruitful as Unicredit moved in to acquire the bank, creating Europe's third largest bank behind HSBC and the enlarged RBS Group. The combined Unicredit group claimed an Italian market share in consumer loans of 16%, and a total of 40 million customers, over 9,000 branches and 170,000 employees in 23 countries. The group expects approximately €1.2bn of pre-tax synergies by 2010, of which €0.8bn are estimated as cost synergies, representing some 10% of the combined cost base.²

The year's two other Italian in-market banking deals were the €9bn acquisition of Banca Antonveneta by Banca Monte dei Paschi di Siena, following the ABN AMRO acquisition, as referred to earlier, and the acquisition of Cassa di Risparmio di Firenze by Intesa Sanpaolo for €4.4bn.

The three deals described above continue the wave of consolidation seen in the Italian banking market over the past few years. For example, three of the top 20 deals presented in last year's study were also in-market Italian banking deals, the largest of which was the €29.6bn acquisition of Sanpaolo IMI by Banca Intesa.

After such an active couple of years, it is natural to ask what scope there is for further domestic Italian banking M&A. The CEO of Unicredit was recently quoted as saying that 'The market is fundamentally integrated: there are two big global players. Something may still happen of the level of the *popolari* [regional lenders]',³ which would suggest that in the short term we may not see a repeat of the mega mergers of the past couple of years. Nonetheless, we believe that as the regional lenders consolidate there may be a secondary phase of M&A as these institutions reach a sufficient size to attract the interest of the two largest Italian banking groups.

Germany also saw some major banking combinations, although the industry's 'three pillars' were not breached.

Italy was not the only market to experience domestic bank consolidation during the year, with the German market seeing two deals of significant scale. In last year's study we predicted that German banking consolidation would continue to advance, but without breaking down the sector's long-standing three-pillar structure of public, private and co-operative banks. One of 2007's major deals – the acquisition of the Irish-based but German-rooted Depfa by Hypo Real Estate for €5.7bn – conformed neatly to this forecast, by uniting two specialist commercial private sector banks. Nor was this trend confined to the private sector, with Landesbank Baden-Württemberg acquiring counterpart SachsenLB, which had been weakened by its indirect exposure to the US sub-prime crisis.

¹ Source: Santander press release, 8 November 2007.

² Source: Unicredit/Capitalia presentation, 21 May 2007.

³ Source: Reuters, 15 January 2008.

Perhaps more surprisingly, another of the year's largest deals, which saw the Berlin government sell its holding in Landesbank Berlin, also met our predictions for consolidation within the three pillars. Several major private sector banks, including Commerzbank, had expressed a serious interest in acquiring LB Berlin and its savings operation, Berliner Sparkasse. In the end, however, the auction was won by the German savings bank association Deutsche Sparkassen und Giroverband, keeping the target away from private sector ownership and maintaining the integrity of the 'three pillars'. Furthermore, this unusual auction took place as a direct result of a European Commission ruling (relating to government support for LB Berlin in 2001). The sale of LB Berlin is therefore unlikely to herald many similar opportunities for German public sector banks to enter the private sector in the near future. With 2008 expected to see the merger plans of WestLB and Landesbank Hessen-Thüringen (Helaba) come to fruition, the path of intra-pillar consolidation in German banking looks set to continue.

Slowing activity among CEE/SEE targets as pricing pressures build and available targets become fewer

In last year's study, five of the year's top 20 transactions were banking deals in the CEE/SEE markets. In 2007, CEE/SEE targets accounted for just three deals in the top 20, one of which was ING's acquisition of Turkey's Oyak bank for €1.9bn. This followed several deals involving Turkish targets in 2005 and 2006 – such as Garanti, Finansbank and Denizbank – and represented the purchase of one of the last privately owned banks not already under foreign

ownership. ING noted that based on the consideration, the transaction resulted in a Price/Book multiple of 3.26 times shareholder's equity as at 31 March 2007, and a Price/Earnings multiple of 26.6 times 2006 normalised earnings.⁴

Another of the top 20 CEE/SEE deals was the acquisition of Ukrainian bank Ukrspotsbank by Bank Austria Creditanstalt, the subsidiary of UniCredit Group with an established presence in many CEE banking markets. The deal valued Ukrspotsbank at €1.6bn and was described by Bank Austria as strengthening the UniCredit group's position in a rapidly growing market – one which has already seen several acquisitions by Western European banks in recent years.

It was interesting that 2007 saw investors looking to countries in CEE/SEE, not only for banking growth, but also with an eye to insurance markets offering prospects for future expansion. One of these deals featured in the top 20, namely the Generali/PPF insurance joint venture in the Czech Republic. We also note that there were several smaller banking and insurance acquisitions in the former Yugoslav states, the Czech Republic and Slovakia during the year, the majority of which were cross-border in nature.

Drive to build scale in the Insurance market continues

Major banking deals may have dominated the list of top 20 European FS transactions in 2007, but the insurance sector also saw a number of high-profile acquisitions. The fight for Resolution plc, which initially announced a merger with Friends Provident, only to ultimately accept

an offer by Pearl Group, illustrated the willingness and ability of major insurers to undertake transformational deals, and also highlighted the vulnerability to takeover of a number of listed insurers. The purchase price, at above embedded value, also indicated that Pearl saw significant opportunities to develop and extract value from the merged businesses. At the time of writing, the Pearl/Resolution deal is still to complete, pending Court approval and regulatory clearances.

Even larger than the Resolution deal was the acquisition by Allianz of the remaining 42% in Assurance Générales de France, which it did not already own, for €9.8bn. The transaction illustrated the continued enthusiasm among large insurance groups to increase their cross-border diversification. In its presentation to investors, Allianz stated that AGF's strong market positions in Europe and other high-growth markets were the basis of the strategic rationale for buying out AGF's minority stake.

In February 2007, SCOR, the French reinsurer, made an offer for Converium. After lengthy negotiations in May, Converium shareholders accepted SCOR's offer of 0.5 SCOR shares and SFr5.5 in cash for each Converium share. By September, SCOR owned more than 97% of the Swiss company. The deal was valued at just under €2bn. There were a number of reasons for the acquisition, including the desire to achieve critical size and the leveraging of complementary markets and business lines. Denis Kessler, the chairman of SCOR, was quoted as saying that 'the consolidation in the insurance and reinsurance industries shows that size, diversification and expertise are critical success factors'.⁵

⁴ Source: ING press release, 19 June 2007.

⁵ Source: SCOR press release, 26 February 2007.

Private equity remains influential in financial services deal-making

UK deals once again represented the bulk of private equity activity in the sector. Perhaps the most notable UK deals were The AA/Saga merger and the Jupiter Asset Management buyout backed by TA Associates, both of which had interesting features for different reasons.

The merger of The AA and Saga in the UK (not shown in Table 2 since PE houses were not involved as direct bidders) represented a further phase in the growth of PE investment in the financial services sector, merging two private equity-owned businesses to achieve greater scale and synergies, with the combined group being a major player in the distribution of UK motor and household insurance. The deal valued the combined group at approximately €9.1bn and received a high level of press attention in the UK,

partly due to the large profits that the PE houses involved – CVC, Permira and Charterhouse – are reported to have made as a result of realising their original investments.

The Jupiter Asset Management deal was also notable. The target's management bought out the business from Commerzbank, in conjunction with US investment house TA Associates, as Commerzbank aimed to 'focus its asset management businesses on its core German market'.⁶ Other UK-based transactions included the acquisitions of Equitini (formerly Lloyds Registrars) and Domestic and General, the UK-based appliance extended warranty insurer, by Advent International.

Outside the UK, other notable deals included the planned exit of NIBC to Kaupthing by JC Flowers. In fact, this deal didn't proceed, with Kaupthing

noting 'the current instability in the financial markets' for its withdrawal from the transaction, an illustration of the impact of the 'credit crunch'.

After a number of years of growth for the private equity industry, 2008 promises to be a challenging year for the PE sector as a whole, as banks tighten lending criteria and pricing. At the time of writing, there is no sign of an immediate end to the 'credit crunch' and so the outlook for funding is unclear. Indeed, the survey of European FS companies conducted for this study at the end of 2007 showed that 86% of respondents expected the levels of leverage in PE to decrease in 2008 (see Figure 7) and in addition, 81% expected the volume of PE-sponsored buyouts to fall over the coming year (see Figure 8). For details on the methodology and response levels of this survey, please refer to Appendix 2.

Table 2: Top 5 FS PE deals announced in 2007 by value (where direct PE bidder)

Rank	Target		Bidder		€m
	Company	Country	Company	Country	
1	Jupiter Asset Management Ltd	United Kingdom	TA Associates Inc	USA	1090
2	Equiniti (Formerly known as Lloyds TSB Registrars)	United Kingdom	Advent International Corporation	USA	805
3	Domestic and General Group plc	United Kingdom	Advent International Corporation	USA	772
4	Petit Forestier	France	Sylve Invest	France	474
5	Expander Spz.o.o. (60.00% stake)	Poland	Innova Capital Sp.z.o.o.	Poland	115

Source: PricewaterhouseCoopers

⁶ Source: Commerzbank press release, 20 March 2007.

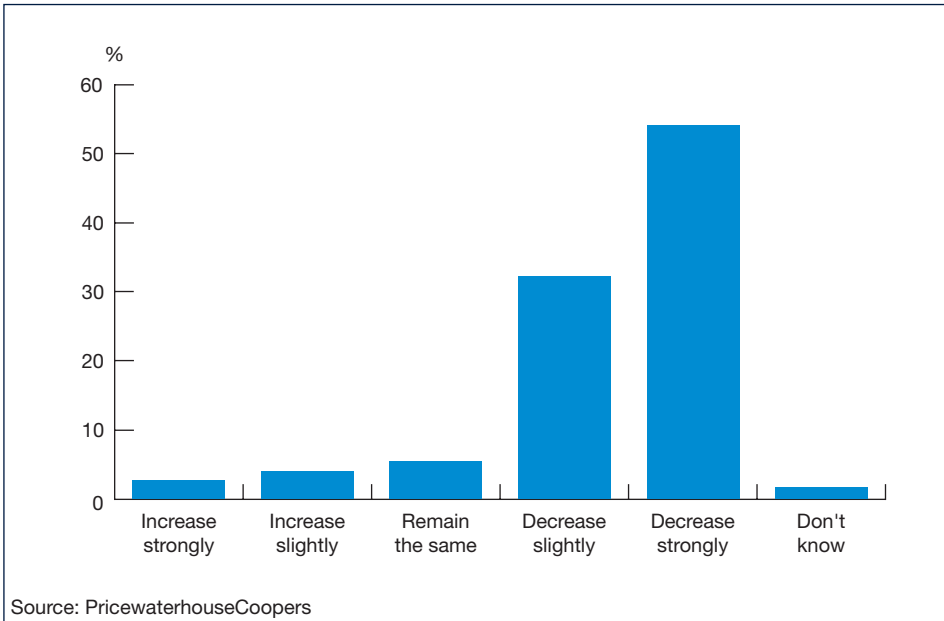


Figure 7

Survey Q3.

How do you expect the 'credit crunch' to impact on levels of leverage in PE-sponsored buyouts over the coming year?

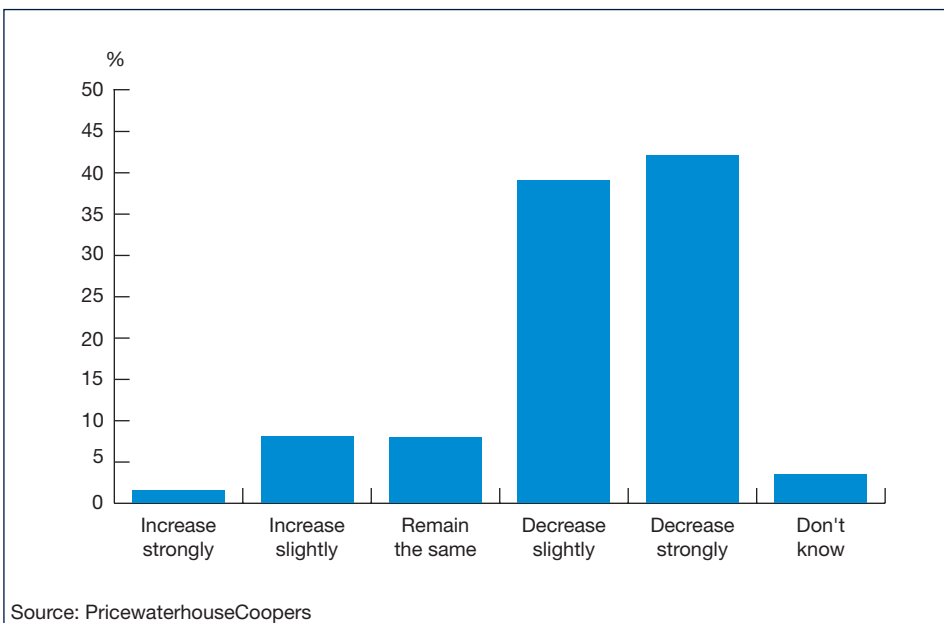


Figure 8

Survey Q4.

How do you expect the 'credit crunch' to impact on volumes of PE-sponsored buyouts over the coming year?

However, whilst the immediate outlook for PE from a credit perspective appears negative, the houses themselves have raised record funds to invest. This suggests that deals will still happen, but perhaps with lower levels of leverage and, consequently, at lower prices. This may mean that the majority of houses will focus on mid-market deals, an area that does not seem to have been as hard-hit in terms of raising finance. The fact that a number of PE houses have opened offices in Eastern Europe also raises the interesting prospect of PE involvement expanding into new regions in search of attractive investment opportunities.

Investment management activity reaches new levels as sector restructures

European investment management M&A activity reached an adjusted value of €12.2bn during 2007, the highest such total recorded in five years of this study and a more than fivefold increase on the comparable figure for 2006. No fewer than five deals were valued at over €1bn, and two ranked within the top 20 deals of the year – the reverse takeover of GLG Partners and the acquisition of Swiss Life's Dutch IM operations by SNS Reaal.

Despite their size, the five investment management deals valued at over €1bn give a good flavour of many of the other, smaller wealth management transactions taking place during the year. All five of the largest deals were cross-border in nature, but they reflected a variety of strategic rationales. The largest deal was the reverse takeover of UK-based hedge fund GLG Partners by US acquisition vehicle Freedom Acquisition Holdings, which in effect offered GLG quicker access to a stock market listing than a full-blown IPO. This not only had the advantage of raising capital for growth, but also of offering GLG enhanced ability to expand in the US. By contrast, two of the four other deals exceeding €1bn in value involved more traditional cross-border acquisitions, and the year's second largest IM deal saw the divestment by Swiss Life of its Benelux IM (and life insurance) businesses to a local banking acquirer, SNS Reaal of the Netherlands.

The sale of Jupiter Asset Management for €1.1bn by Commerzbank to Jupiter's management was also noteworthy. As noted earlier, the divestment was conducted in line with Commerzbank's new focus on domestic investment management, and during the year the German bank also sold its French

wealth business, Caisse Centrale de Réescmpte, to UBS. These two related deals offer an illustration of some of the forces restructuring Europe's investment management sector. These include the search for focus, the desire for scale growth platforms overseas and the continued attraction of successful wealth businesses for large FS groups and private equity investors.

European stock exchanges still undergoing cross-border consolidation

After overcoming three hostile takeover battles in the preceding three years, the London Stock Exchange made an acquisition of its own in 2007, acquiring Borsa Italiana – an exchange that we had predicted could come under pressure in last year's edition of this study.

Meanwhile, the OMX in Sweden was acquired by Borse Dubai and NASDAQ, following a takeover battle between the two exchanges. In a complex arrangement, the final deal saw NASDAQ take control of OMX while Borse Dubai took 18% of NASDAQ shares together with NASDAQ's 28% investment in the London Stock Exchange.

Table 3: Top 10 European IM deals announced in 2007 by value

Rank	Target		Bidder		€m
	Company	Country	Company	Country	
1	GLG Partners LP	United Kingdom	Freedom Acquisition Holdings Inc	USA	2528
2	Aurelis Real Estate Management GmbH	Germany	Hochtief Projektentwicklung GmbH / Redwood Grove International	Germany United Kingdom	1749
3	Swiss Life Asset Management (Nederland) B.V.; Swiss Life Belgium; Zwitserleven	Netherlands Belgium	SNS Reaal NV	Netherlands	1625
4	Scarborough Property Company Limited	United Kingdom	Valad Property Group	Australia	1258
5	Jupiter Asset Management Ltd	United Kingdom	TA Associates, Inc	USA	1098
6	AWD Holding AG (97.25% stake)	Germany	Swiss Life Holding	Switzerland	1061
7	Nextra Investment Management Sgr (65.00% stake)	Italy	Intesa Sanpaolo SpA (formerly Banca Intesa SpA)	Italy	812
8	European Credit Management Ltd (70.00% stake)	United Kingdom	Evergreen Investments	USA	519
9	Caisse Centrale de Réescompte Group	France	UBS AG	Switzerland	448
10	Marble Bar Asset Management UK LLP (MBAM)	United Kingdom	EFG Eurobank Ergasias SA; EFG International	Greece Switzerland	372

Source: PricewaterhouseCoopers

03 Looking ahead to 2008 and 2009

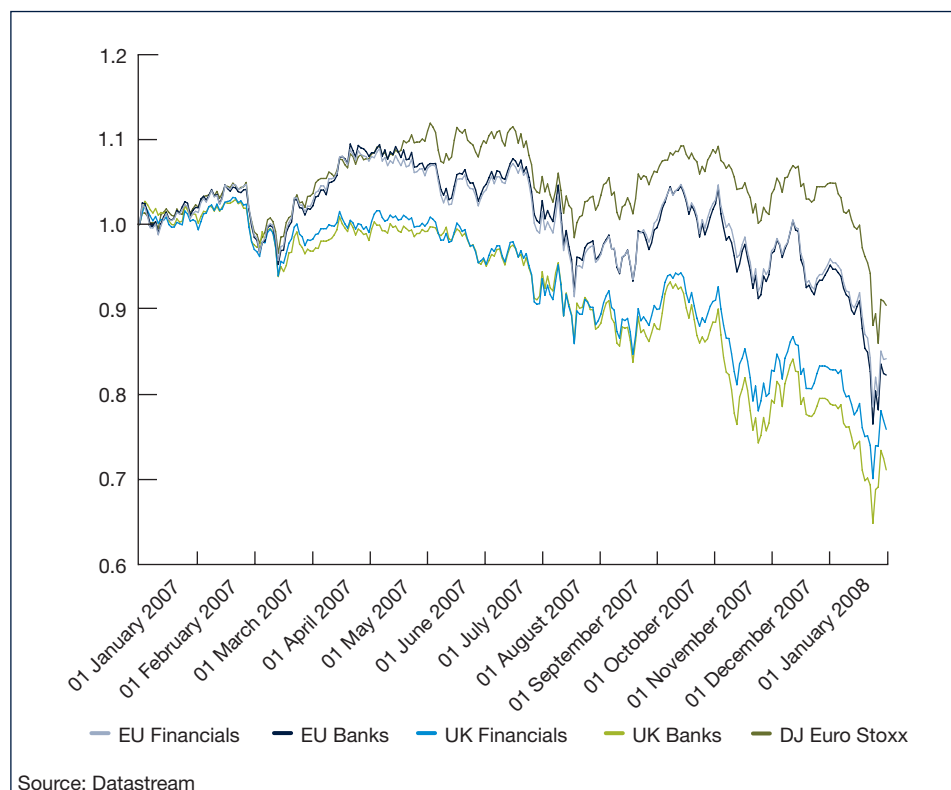


Figure 9

Relative price performance of selected equity indices, January–December 2007.

Source: Datastream

Rationale for consolidation remains compelling across European FS – and could get stronger for some market participants

Despite market turmoil, appetite for mega-deals is likely to remain strong in the medium term.

Extremely large FS transactions have become a growing feature of European M&A over the past three years. In 2004, the acquisition of Abbey stood alone in size – it was valued at €12.3bn, almost five times the value of the second largest deal that year. Since then, mega-deals have mushroomed. Although banking

targets have undoubtedly dominated this tendency, they have by no means been alone; insurance targets have accounted for five of the 17 deals above the €5bn value mark since 2003.

At a fundamental level, the strategic rationale for almost all of these mega-deals can be grouped under some key headings. The first and simplest is the desire to build scale and improve operating efficiency through in-market consolidation; the second is the wish to build ‘national champions’, sometimes as a defence against overseas groups; and the third is the desire to build substantial

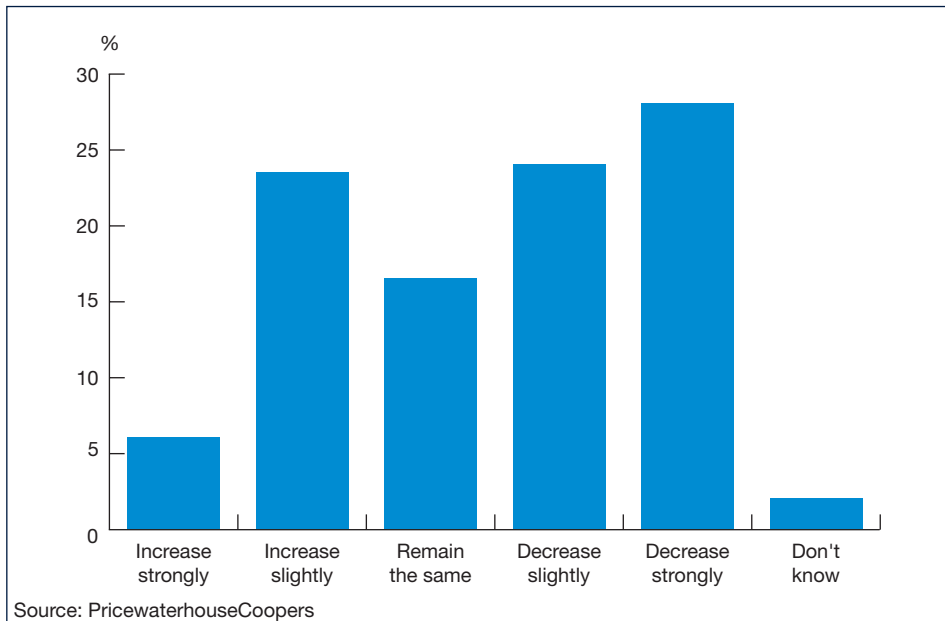


Figure 10

Survey Q1.

How do you expect appetite for large deals to develop over the coming year?

second home markets to serve as outlets for higher subsequent growth. In simple terms, these rationales have lain behind not only banking mega-deals, but also those seen among insurance companies, as well as public sector lenders and stock exchanges.

Despite the consistent logic behind the mega-deals of recent years, current market conditions naturally prompt uncertainty as to whether this run of large transactions can continue. After all, most European FS companies have seen their valuations fall steeply during the second half of 2007 (see Figure 9) and it seems reasonable to believe that management are less likely to enter major M&A transactions while preoccupied with their own valuations. With most European FS companies affected to some degree,

mega-deals will probably become harder to achieve, although we believe this does not have to mean an end to very large transactions.

In this context it is worth remembering that Royal Bank of Scotland, the lead member of the successful ABN AMRO bid consortium, was not deterred by having long had one of the lowest equity multiple valuations in European banking. And while the survey conducted for this study suggests that most market participants expect the appetite for mega-deals to decrease during the coming year, some enthusiasm remains; even if 52% of respondents expect a decline in interest for large deals, 29% still expect these very large transactions to increase during the coming year (see Figure 10).

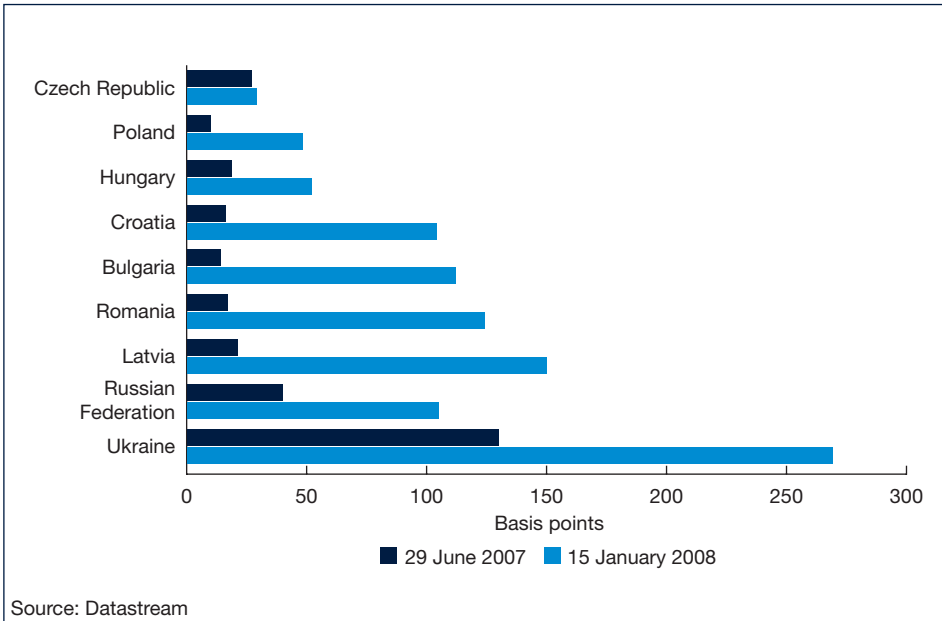


Figure 11

Credit Default Swap pricing in selected CEE/SEE countries. Five-year credit default swaps.

Deal activity in the CEE/SEE region could slow in 2008 – if only due to lack of targets.

Although they command the headlines, very large transactions have not been the only area of growth in European FS M&A activity in recent years. Since 2005 there has been a significant level of investment in CEE/SEE FS targets, mostly by Western European FS companies, but also by some of their North American counterparts. As highlighted earlier in this study, growth in CEE/SEE deal activity has begun to slow in 2007, owing to the scarcity of available targets offering meaningful market positions to an acquirer, and the resulting high prices that such targets have sold for in recent transactions.

It is also notable that credit risk premia have increased markedly in many CEE/SEE countries since the middle

of 2007. Although countries seen as less vulnerable to economic shocks, such as Poland and the Czech Republic, have experienced relatively small adjustments, investors have become much more bearish on countries with large deficits or strong inflationary pressures, such as Bulgaria, Romania and Ukraine (see Figure 11).

We therefore feel it is likely that significant deal activity in the CEE/SEE region will be increasingly dependent upon divestments or spin-offs by FS groups with existing positions in those markets. Indeed, our survey of European FS companies revealed that 53% of respondents now expect M&A activity in these markets to slow, compared with just 24% predicting a renewed increase in activity (see Figure 12).

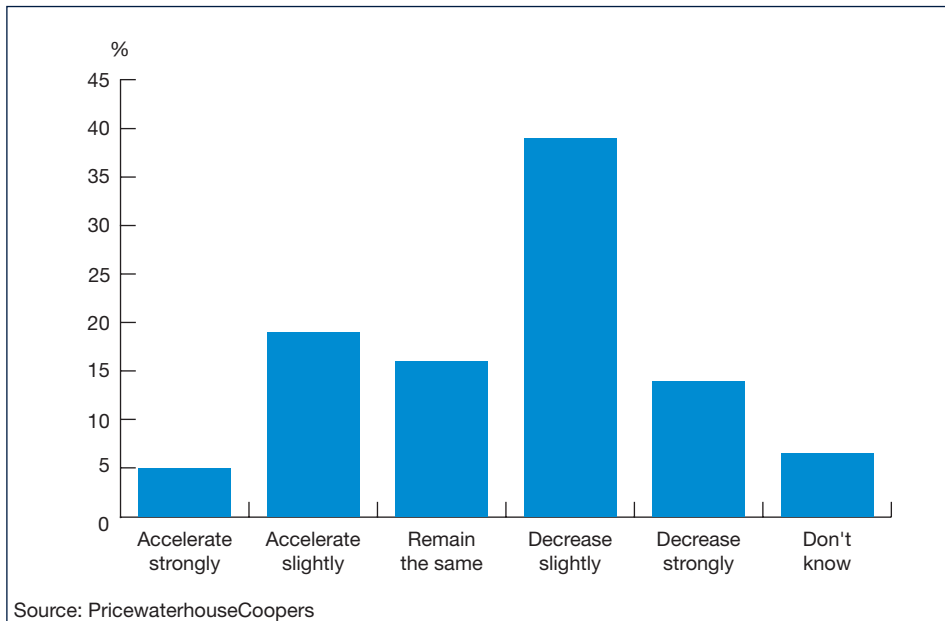


Figure 12

Survey Q2.

How do you expect M&A involving CEE and SEE targets to develop over the coming year?

Some barriers to cross-border M&A remain, even if regulatory impediments are weakening.

Despite the rapid growth of cross-border M&A within European FS in recent years – whether in the shape of ‘mega-deals’ or emerging market investments – it is important to remember that some barriers to cross-border consolidation remain, even if others may be falling. In conversation with PricewaterhouseCoopers, Guido Ravoet of the European Banking Federation used the effect of national VAT treatment of international financial transactions as an example of the more hidden impediments to cross-border consolidation within the European FS sector. Mr Ravoet contrasted this with the attitude of the national banking supervisors, whom he saw as having become clearly more open to major

cross-border mergers in recent years. Although potentially unforeseen VAT costs do not serve to prevent M&A activity within Europe, in practice they may serve to limit the potential synergies that would otherwise be available from cross-border consolidation.⁷

Overall, we believe FS M&A activity will continue to develop at all levels in 2008.

Despite predictions of economic cooling over the coming year, FS companies still need to deliver earnings growth. In this environment, the rationale for M&A activity could easily take on greater force, whether for bidders as a means to open new avenues to earnings growth, or for sellers as a means to generate fresh capital. In this context it is worth noting the experience of the consortium that was successful in its bid to acquire ABN AMRO.

⁷ Even though VAT can be referred to as a ‘European tax’, in practice, financial transactions can be subject to different VAT treatment in individual EU Member States. Additionally, there is currently no European VAT grouping regime, which means VAT costs can arise on many intra-group transactions within the EU.

Despite the scepticism of some financial markets' commentators that the deal was more about 'empire building' than commercial logic, bid consortium member Fortis was able to raise equity through an extraordinary €13bn rights issue, in a testing market environment. Evidently many investors were comfortable with the strategic rationale for the transaction, despite its complexities.

Looking to the immediate future, we feel that subsectors of European FS under particular pressure in current market conditions are likely to experience accelerating levels of M&A activity. Mid-cap securities brokers are one example of a sector that has given up much of its value during recent months, and which could easily attract the attention of larger rivals in investment banking.

Another specialist area that we believe could have a busy year in 2008 is that of debt purchase/debt management. This is a relatively small and fragmented market with the obvious potential for rapid growth in the current environment. The sector could offer some attractive growth opportunities to investment bank or private equity bidders; equally, the rationale for rivals to merge and build scale could become more compelling as the size of debt portfolios becoming available for purchase grows.

Looking to the medium term, altered market conditions could also encourage further M&A activity in subsectors of FS with indirect exposure to capital markets. One possibility we would put forward is asset management, a sector that has often been characterised by the reluctance of independent firms to merge, and of larger FS groups to sell their 'trophy' businesses. In the last edition of this study we suggested that consolidation in this sector might need to wait for less favourable market conditions, and we believe that 2008 could indeed see asset managers show greater willingness to build scale and improve operating efficiencies.

Another area of potential interest is that of UK building societies. Although consolidation in this sector is never likely to become rapid – despite a brief flurry of mergers among larger players during 2006 – we would not be surprised to see a greater willingness to merge among second-tier players, some of which have become increasingly reliant on non-deposit funding in recent years. Whilst the sector has benefited from an inflow of deposits as a result of the Northern Rock crisis, we do not expect this to have any long-term impact on the outlook for consolidation discussed above.

Infrastructure consolidation is at the forefront of the Single Euro Payments Area (SEPA) evolution and activity in this part of the market remains vibrant, with the spotlight now beginning to show signs of moving downstream to internal bank operations and to bank M&A. We envisage that 2008 will see banks begin to redraw existing boundaries between their internal operations and their third-party infrastructure service providers, resulting in a widening of the gap between market leaders and followers (please refer to Appendix 3 for further information on SEPA).

Market turmoil will affect patterns of banking M&A for some years to come

It is not the aim of this study to comment on the causes or effects of the 'credit crunch' and the associated capital markets turmoil witnessed since the summer of 2007. We do, however, have some observations to make on the potential impact of this uncertainty on the banking M&A scene in Europe. One of the most interesting features of the 'credit crunch' is the way in which it has broken up the financial stability that has been a feature of the European banking sector over the past three years, leaving some banks in a much more weakened state than others.

So far the major problems banks have suffered as a result of the 'credit crunch' can be grouped under two headings: asset write-offs that have eaten into capital, and funding problems, which have restricted banks' ability to lend. In theory, those banks that have escaped relatively unscathed from either set of challenges should emerge as the 'winners' of the 'credit crunch', and we believe that these institutions will be well placed to engage in opportunistic M&A during 2008 and beyond. But what targets might they be bidding for?

In terms of those banks that have found themselves under funding pressure, in the UK we need look no further than Northern Rock for an example of a bank that has seen a major shift in its fortunes during 2007. It saw a circa 90% fall in its share price from its 12-month trading high and now appears to be heading towards nationalisation – and all without having reported any major losses in its lending book. Another example of a company weakened by funding shortfalls becoming a deal target came from Germany, in the form of the acquisition of SachsenLB by LB Baden-Württemberg.

In such an environment we expect that any bank with a similar dependency on the capital markets for funding could find itself facing a forced sale during 2008, but it is also worth noting that any bank

with a high ratio of loans to deposits could potentially be disadvantaged by the current market conditions. The need to raise funds or alter liquidity structures could easily distract many banks from acting as bidders in M&A. Conversely, with few listed European banks having surpluses of deposits to loans, it could be possible that deposit-rich banks from Asia might find any overtures to European banks more warmly received than would have been the case a year ago.

In the other category of weakened banks – those that have suffered significant asset write-downs – the need to rebuild capital ratios is likely to leave them more open to the approaches of 'winners', and we would expect that some smaller players will welcome the embrace of larger rivals during the coming year. The 'rogue trader' revelations at Société Générale in January 2008 are reported to have cost the bank €4.9bn. This serves as a reminder of how reputational damage can combine with other losses such as in the credit markets (Société Générale has reported estimated losses of €2.0bn) to leave even a large bank looking weakened. As the *Financial Times* put it on 25 January 2008, 'the crisis has revived speculation that SocGen will become a takeover target'; on 4 February the FT also reported that Claude Gueant, Secretary-General of the Elysée Palace, had stated that the French government would prefer that

any bid for SocGen should come from a domestic rival. Many other banks across Europe, even if not seriously weakened by their losses, may find that the need to strengthen capital levels rules them out as major bidders. However, we feel it is likely that, as well as considering SocGen-style rights issues, several will become active in divesting non-core assets – perhaps in CEE/SEE – as a means to raise capital.

Investors' involvement is likely to have a growing influence on M&A activity

During 2007, activist investors have become increasingly willing to make vociferous public criticism of the management of companies in which they invest. The highest profile example of this trend was the campaign conducted by activist hedge fund TCI towards the managing board of ABN AMRO. We believe that the perceived 'success' of TCI in helping to bring the Dutch bank to the deal-making table will only encourage other activist investors to follow a similar path in 2008, and that this in turn will have an impact on M&A activity. Although the ABN AMRO case is perhaps an extreme example, this kind of activism is not only aimed at bringing reluctant partners into potential mergers.

The ongoing public debate between activist investor Knight Vinke, US pension fund Calpers and HSBC is unlikely, in our view, to lead to HSBC entering a merger, but it will no doubt lead to additional investor scrutiny being placed on its strategy.

Activist hedge funds have not been the only investors looming larger in the minds of FS CEOs during 2007; so-called sovereign wealth funds (SWFs) have also come to increasing prominence as major investors in European and North American FS companies. UBS, Barclays, Standard Chartered and HSBC have been among the most high-profile European banks receiving SWF investments in recent months, and they are unlikely to be the last. Although the standards of transparency and governance at some SWFs have been the subject of concern in the financial press, in the current market environment banks have welcomed the capital and stability that such investments can bring.

The sale of small stakes in European FS companies to SWFs or ultra-high net worth private investors do not typically fall within the M&A criteria for this analysis. However, we expect that these investments could have a significant influence over FS M&A in 2008 and beyond. Strategic investors have already shown a willingness to criticise management, where they feel criticism is justified. Prince Alwaleed bin Talal of Saudi Arabia is a major

shareholder in US FS giant Citigroup and has been publicly voicing his views about the group's strategy for several years. At a smaller scale, the investment by JC Flowers in Friends Provident of the UK was encouraging Friends to consider the divestments of some of its key subsidiaries, even before its own strategic review concluded that its investments in Lombard and F&C should be put up for sale.

We believe that this kind of direct intervention could increase as SWFs become more influential over the European FS industry. Taken together with the activity of event-driven hedge funds, we believe that there could be a significant potential impact on European FS M&A activity. In this view we are supported by the results of our survey, which found that 53% of respondents expected activist investors to have an increasing influence on M&A activity in the coming year, compared to just 14% predicting decreasing influence (see Figure 13). We would specifically expect that levels of divestments could increase, in turn offering well-placed players greater scope to make acquisitions.

A number of major insurers remain potential takeover targets

Looking forward to 2008, a number of major insurers remain potential takeover targets, partly following the disruption to share prices caused by the general economic downturn.

The ongoing theme of both trade and private equity investors targeting intermediary businesses looks set to continue, albeit that the tightening of bank funding has provided a (temporary) reduction in private equity purchasing power and execution capability.

Another likely continuation of an existing theme is consolidation between London, Bermuda and other major insurance centres. Bermudian acquisitions of London-based insurers in 2007 – such as the Validus acquisition of Talbot and Ariel Re's acquisition of Atrium – represented a logical next step for Bermudian players which had grown their capital bases upon benign market conditions in 2006 and early 2007, and were seeking both to grow and diversify the lines of business underwritten as well as diversifying sources of business.

Solvency II is looming ever closer, with regulations finalised in 2010 and implementation following after. Recent impact studies by major insurers have reinforced the initial market assumption that closer focus on capital allocation is likely to encourage a number of insurers to divest non-core books, and to seek acquisitions of portfolios or entities providing greater diversification benefits. The rating agencies will wish to stay ahead of regulation and hence are likely to continue to drive capital efficiency through diversification around the world.

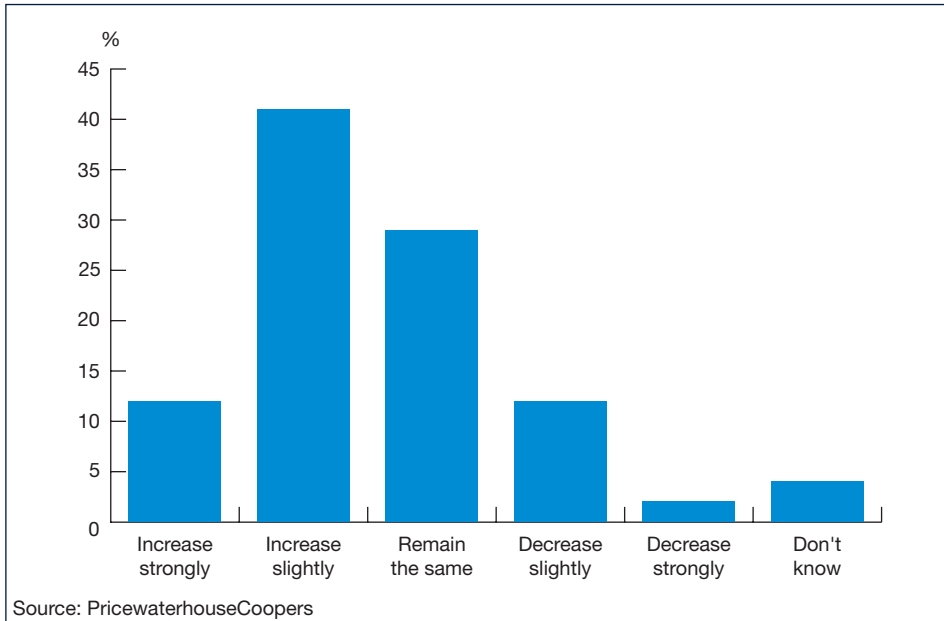


Figure 13

Survey Q5.

How do you expect the influence of activist investors on European FS M&A activity to develop over the coming year?

Research carried out by PricewaterhouseCoopers in 2007⁸ indicated that there were over €204bn of liabilities in the run-off portfolios of European insurers. Increased scrutiny of the capital held to support such portfolios is likely to increase the pressure on insurers to seek to profitably dispose of or reduce run-off portfolios, creating an environment for increasing volumes of run-off portfolio transactions, matched by the current high level of specialists looking to acquire such portfolios.

In many insurance classes competition continues to put pressure on prices, and consequently on earnings growth. This may facilitate M&A by reducing targets' valuation expectations, putting them on a level that matches the appetite of many European insurers to expand and consolidate. In summary, 2008 is likely to see 'more of the same' in respect of insurance M&A, with high levels of activity anticipated in virtually all areas of the insurance sector.

⁸ Reported in 'Unlocking value in run-off – a survey of discontinued insurance in Europe'.

Appendices

Appendix 1

Set out below is the methodology adopted to derive the population of 2007 European FS deals that are analysed in this study

The data in respect of financial services deals used in this report has been sourced from mergermarket. For the purposes of this study, we have defined a European financial services deal as a deal that was announced in 2007 and involved the acquisition of a majority stake (or a major stake giving control to the acquirer) in a target that was based in Europe. Where the value of a deal was not disclosed it has not been included in our analysis.

Consequently, we have excluded the following types of deals from our analyses (collective disclosed deal value, approximately, €153 billion):

- Deals that involved the acquisition of a non-European target by a European financial services company.
- Those deals that, in our view, are not 'true' financial services, e.g. real estate deals.
- Deals involving the sale or purchase of minority stakes below 30%. When a stake below 30% was acquired and it gave the bidder effective control, that stake has been included.

- Deals for which the value of the equity interest sold was not disclosed, e.g. sales and purchases of asset portfolios where the disclosed deal value represents the value of the assets sold.
- Deals that have collapsed after their initial announcement.

In this paper, we focus on the remaining deals (approximately €207.7 billion).

The table below summarises the adjusted announced value of the population of European FS deals analysed in this study.

Table 4: Summary of adjusted deal values by country and subsector in 2007

	Banking	Insurance	Asset Management	Other	Total
UK & Rol	9,133	14,682	7,097	1,550	32,462
France	35	12,361	514	1,599	14,509
Italy	36,809	3,223	936	1,876	42,844
Other	2,968	2,553	125	522	6,168
Germany	5,862	-	1,606	6	7,474
Scandinavia	1,492	2,074	160	3,939	7,665
Spain & Portugal	2,708	1,364	55	46	4,173
Netherlands	71,370	485	1,531	390	73,776
Switzerland	2,022	1,951	20	-	3,993
Turkey	2,938	711	-	290	3,939
CEE & Russia	6,109	4,421	169	41	10,740
Total (€m)	141,446	43,825	12,213	10,259	207,743

Source: PricewaterhouseCoopers

Appendix 2

Note on the survey of European FS companies conducted for this study

Between November 2007 and January 2008, PricewaterhouseCoopers conducted an online survey of a sample of its European FS clients, gathering their responses to key questions about the development of M&A activity over the coming year.

171 individuals located across 15 European countries completed the survey. There was a spread of respondents from banking, insurance, fund management, private equity and other subsectors of financial services.

Appendix 3

Note on the Single Euro Payments Area (SEPA)

The European commercial banking market in each of the Member States is characterised by mature, stable and largely autonomous payment systems. Payment processing therefore continues to experience regulatory pressures within Europe.

A number of macroeconomic and political initiatives are being progressed to change the status quo, and a key focus of this activity remains the creation of a Single Euro Payments Area (SEPA). SEPA aims to create payment instruments, standards and practices that better enable organisations to reach, to operate and to service their customers.

As we reported last year, infrastructure consolidation is at the forefront of the SEPA evolution and activity in this part of the market remains vibrant. It is also attracting significant third-party interest from the private equity markets.

The spotlight is also now beginning to show signs of moving downstream to internal bank operations and to bank M&A. The new Payment Services Directive specifically creates a new licensing regime to allow new Payment Institutions to compete with existing Payment Service Providers such as banks on equal terms. This builds on earlier initiatives to open up access to the payment infrastructures, to split scheme ownership from infrastructure ownership and to move infrastructures from utility structures to for-profit-based models.

We envisage that 2008 will therefore see banks begin to redraw existing boundaries between their internal operations and their third-party infrastructure service providers. Market leaders may use inorganic growth strategies to achieve the necessary transformations to compete at the new scale thresholds; unlocking operating capital to invest in their reach, their customer base and the value add of their core transactions business. Followers will either atrophy on worsening cost/income ratios, diminishing revenue and reduced ability to innovate or they may refocus their businesses on smaller but higher margin niches.

Contacts

The main authors of this report are Nick Page, a partner in PricewaterhouseCoopers (UK)'s Transaction Services – Financial Services team in London, and Stuart Last, a manager in the Transaction Services – Financial Services team in London. Other contributors to this publication are: Andrew Mills – Insight Financial Research; and Shikha Jain – PricewaterhouseCoopers (India). Additionally, the following are acknowledged: Matthew Barling, Mark Hale and Rupert Taylor Rea, all of PricewaterhouseCoopers (UK).

The Transaction Services – Financial Services team in London is part of a global network of such teams in other PricewaterhouseCoopers firms such as in Germany, US and China. Our TS-FS team is dedicated exclusively to advising banks, fund managers, insurers and other financial institutions on acquisitions, disposals and reorganisations.

For more information about Financial Services M&A and related PricewaterhouseCoopers' services in the financial services sector, please visit our website at: www.pwc.com/financialservices or contact:

**Nick Page**

Partner, TS Financial Services Group
PricewaterhouseCoopers (UK)
Telephone: +44 20 7213 1442
E-mail: nick.r.page@uk.pwc.com

**Andrew Jurczynski**

Partner, TS Strategy Group
PricewaterhouseCoopers (UK)
Telephone: +44 20 7213 2089
E-mail: andrew.r.jurczynski@uk.pwc.com

**Damian Guly**

Partner, TS Financial Services Group
PricewaterhouseCoopers (UK)
Telephone: +44 20 7804 3494
E-mail: damian.guly@uk.pwc.com

**Richard Thompson**

Partner, Market & Value Advisory
PricewaterhouseCoopers (UK)
Telephone: +44 20 7213 1185
E-mail: richard.thompson@uk.pwc.com

**John Sunderland**

Partner, TS Post Deal Services
PricewaterhouseCoopers (UK)
Telephone: +44 20 7212 3673
E-mail: john.sunderland@uk.pwc.com

**Nick Rea**

Partner, Market & Value Advisory
PricewaterhouseCoopers (UK)
Telephone: +44 20 7212 3711
E-mail: nick.rea@uk.pwc.com

This publication is part of a series of M&A-related papers supported by the Global Financial Services Leadership Team (GFSLT). Enquiries of the GFSLT in relation to this topic should be made to:

**Nigel Vooght**

Partner
PricewaterhouseCoopers (UK)
Telephone: +44 20 7213 3960
E-mail: nigel.j.vooght@uk.pwc.com

For information on this and other PricewaterhouseCoopers Global Financial Services reports and publications please contact Áine Bryn, Marketing Director, Global Financial Services, PricewaterhouseCoopers LLP, on +44 20 7212 8839 or email at aine.bryn@uk.pwc.com

For copies please contact Maya Bhatti at PricewaterhouseCoopers LLP on +44 20 7213 2302 or email at maya.bhatti@uk.pwc.com

The member firms of the PricewaterhouseCoopers network provide industry-focused assurance, tax and advisory services to build public trust and enhance value for its clients and their stakeholders. More than 146,000 people in 150 countries across our network share their thinking, experience and solutions to develop fresh perspectives and practical advice.

This report is produced by experts in their particular field at PricewaterhouseCoopers, to review important issues affecting the financial services industry. It has been prepared for general guidance on matters of interest only, and is not intended to provide specific advice on any matter, nor is it intended to be comprehensive. No representation or warranty (express or implied) is given as to the accuracy or completeness of the information contained in this publication, and, to the extent permitted by law, PricewaterhouseCoopers firms do not accept or assume any liability, responsibility or duty of care for any consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.

