



Federal Financial Analytics, Inc.

GUIDANCE RELEASED FOR PRIVATE-EQUITY BANK TAKEOVERS

“Financial-industry acquisitions, especially when an insured depository is involved, have a unique regulatory dimension that requires careful advance consideration identifying targets, structuring deals and establishing defenses.”

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WASHINGTON, D. C. – Federal Financial Analytics today released a set of frequently-asked questions about whether and how private-equity funds could buy a bank. The issue has become a major market driver in the wake of the J.C. Flowers deal for Sallie Mae, which has sparked both a wealth of takeover rumors and varying opinions on the viability of private-equity M&A in the finance sector.

The Chrysler deal yesterday with Cerberus includes a major finance company, making clear that transactions in this industry are real and present. “The real unknown is doing a deal with an insured depository,” said FedFin managing partner Karen Shaw Petrou.

In commenting on the Sallie Mae deal, Flowers said that there will be deals he administers and those that are “stupid.” The FedFin guide notes that stupid in the financial-services sector is often redefined by transactions that failed to take full account in advance of

regulatory and political risk. "Black-letter legal analysis can miss deal-breakers or – more often – squelch doable deals," the document notes.

The FedFin assessment of private-equity bank takeovers is attached.

Federal Financial Analytics, Inc. has for the past twenty years counseled large financial institutions and even their regulators on major legislative, regulatory and policy issues that pose strategic risk. It does not lobby on behalf of clients, but advises them on appropriate responses in light of identified challenges, working on an array of GSE, Basel II, and acquisition-value issues. The firm publishes numerous information and analytical services, including Financial Services Management and GSE Activity Report.

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