

IMAS Corporate Advisors
Unrivalled expertise in selling financial services businesses



Foreword

It is with great pleasure that I introduce this IMAS analysis of ownership trends in the UK financial services industry. This useful study provides a breakdown of foreign ownership of UK financial services businesses and illustrates the truly international nature of the UK's financial sector.

Many factors attract overseas businesses to the UK, these include: a robust and stable legal and regulatory framework; high standards of transparency and accounting; excellent infrastructure; clustering benefits including associated business such as professional services; a deep and highly skilled talent pool; language; time zone; and quality of life.

The Government is committed to a competitive environment for financial services and one favourable to business more generally. It is also committed to the promotion of high regulatory standards because it is vital to the stability of the financial sector and the whole economy. In addition to various measures aimed at introducing more predictability, stability and simplicity in the tax system, the Government took immediate action in the last Budget to increase tax competitiveness with a phased reduction in the main rate of Corporation Tax from 28% to 24% over the next four years. By 2014, and based on current plans, the UK will have the 5th lowest main rate in the G20 and will maintain its position as the lowest in the G7.

I am sure you will find this study informative and that it will provide you with a better insight into UK financial services.



A handwritten signature in blue ink, appearing to read 'A. Cahn'.

Sir Andrew Cahn
Chief Executive
UK Trade & Investment

UK Trade & Investment is the government department that helps UK-based companies succeed in the global economy. It also helps overseas companies to bring their high-quality investment to the UK's dynamic economy – acknowledged as Europe's best place from which to succeed in global business.

Table of contents

01	Executive summary and methodology	3
02	Overseas ownership in UK financial services	6
03	Changes in overseas ownership since 2008	12

A nighttime photograph of a city skyline, likely New York City, featuring several prominent skyscrapers illuminated against a dark blue sky. The lights from the buildings are reflected in a body of water in the foreground. The text '01 Executive summary and methodology' is overlaid in white on the left side of the image.

01 Executive summary and methodology

Executive summary

The US is the key player with 44% of the overseas ownership of all UK financial services businesses

North America continues to extend its leadership position

North America dominates the overseas ownership landscape, owning over half of all overseas-owned UK financial services businesses. The US is the key player in North America's leadership, with 44% of the overseas ownership of all UK financial services businesses as at 30 June 2010.

Interestingly, the overseas ownership trends since 2008 continue to support North America's leadership. North America was the only continent with material overseas ownership to demonstrate relative growth, at the expense of Europe and Asia, between January 2008 and June 2010.

Asset management and other 'City' institutions remain core to overseas interest in UK financial services

Analysing overseas ownership of the UK financial services industry by sector, 'City' institutions including asset management, hedge funds, private equity and corporate finance are prominent representing over a third of total overseas ownership.

Within this sector, fund managers and hedge fund managers are the key with over 60% of the overseas-owned 'City' institutions sector mix at June 2010. This underpins the global nature of asset management, including both fund and hedge fund managers, and the importance of this sector in attracting overseas investment into UK financial services at large.

Asia: rising star?

Asia has long had a presence in UK financial services, based on interest from Japan, largely in the lending and general insurance sectors.

More recently, Asian interest has come from emerging economies including India, Hong Kong and China. This has resulted in Asia's position by June 2010 as the third largest continent with 16% of the overseas ownership in UK financial services.

Whilst Asia's interests since 2008 are down relative to all overseas-owned FSA authorisations for the period, its ownership of new FSA authorised entities has steadily increased in absolute terms during this period, whilst Europe's, by contrast, has fallen.

Overseas interest is back in 2010

Inevitably, the difficulties of the global economy since 2008 have had an impact on UK financial services and overseas interest in new FSA authorised entities reflects this.

Whilst the overseas' share of all FSA authorisations fell in 2009 to 6.5% from 7.2% in 2008, interest was back in the first half of 2010 with overseas ownership at over 9%.

Although this may not be sustainable in the near term future, it is clear that the breadth and depth of overseas interest in UK financial services is set to continue.

Background and methodology

This process has taken over ten years to complete and has been captured in IMAS's proprietary knowledge management system, *IMAS-insight*.

Background to this report

The UK financial services industry, as a global hub for the European financial services industry, has for a long time attracted interest from overseas buyers.

As part of its underlying research on the ownership of the UK financial services industry, IMAS Corporate Advisors has 'mapped' the entire UK financial services industry including its shareholders.

This process has taken over ten years to complete and has been captured in IMAS's proprietary knowledge management system, *IMAS-insight*.

As the UK financial services industry continues to become increasingly globalised, *IMAS-insight* is capturing changes to shareholders of UK financial services businesses which uniquely enables IMAS to produce this report on current, as well as recent changes to, overseas owners of UK financial services businesses.

Methodology

The data used to populate this report is based on business entity numbers (not value). Analysis in Section 02 is based on 953 overseas-owned group holding companies in UK financial services at 30 June 2010 with estimated Enterprise Value above £2m. These group holding companies represent over 4,000 UK financial services businesses including subsidiaries. Changes since 2008 in Section 03 are based on overseas ownership of newly authorised FSA regulated entities.

The data has been sourced from Companies House, the FSA Register as well as proprietary research undertaken by IMAS to identify businesses in the UK financial services industry owned by overseas stakeholders. This includes identification of non FSA-regulated overseas-owned businesses and (sub)sector classifications for all firms.

Where judgmental areas have arisen, we have sought to apply 'substance over form' e.g. corporate shareholders with UK-based businesses that are registered overseas have been treated as UK shareholders unless material business operations exist in the relevant overseas location.

About IMAS Corporate Advisors

IMAS is a corporate finance adviser specialising in managing sales of financial services businesses in the UK. We advise owners on all stages of the disposal process, from the initial preparation for the transaction through to its completion. Having completed over 100 transactions, we use our unique and proprietary knowledge management system ("*IMAS-insight*") that 'maps' the entire financial services industry in the UK, to identify the fullest possible range of buyers, both domestic and overseas.

For further details, please contact:

Bruce McIntyre

Tel: 0207 444 4395

Email: bwm@imas.uk.com

Olly Laughton-Scott

Tel: 0207 444 4399

Email: ols@imas.uk.com

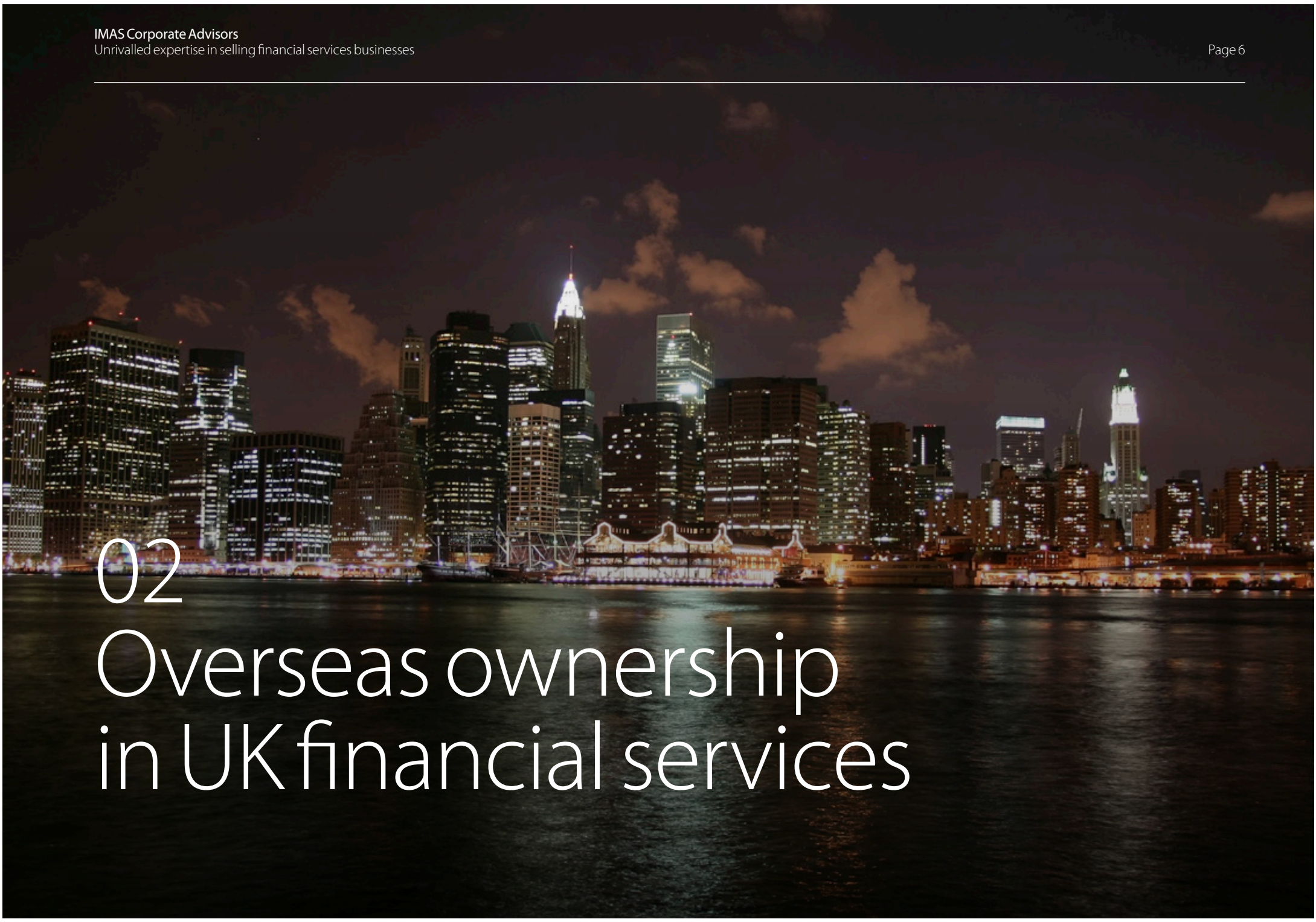
or visit our website: www.imas.uk.com

IMAS Corporate Advisors Ltd

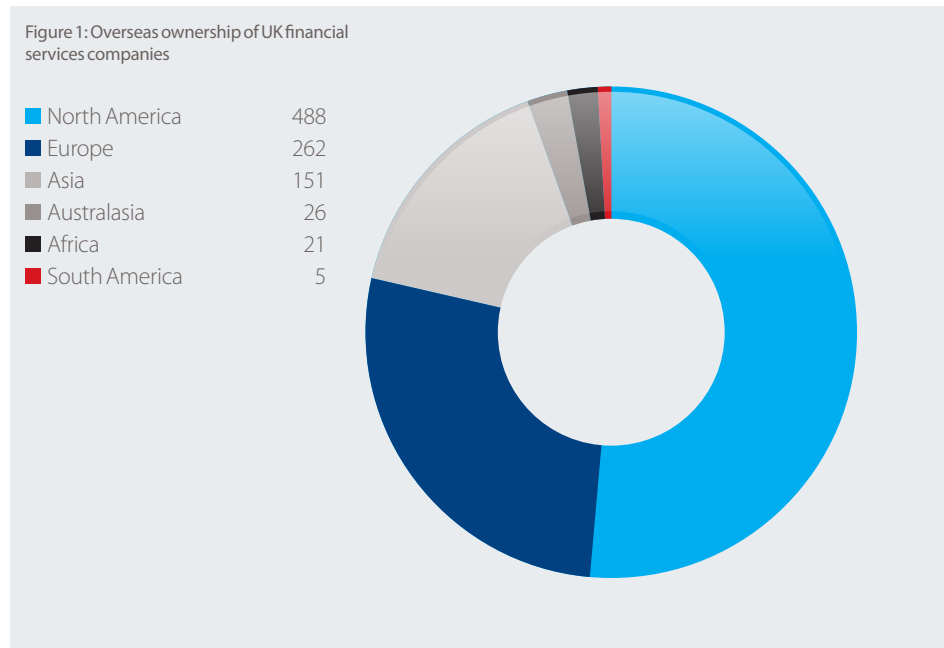
11-12 Bury Street
London EC3A 5AT

02

Overseas ownership in UK financial services



North America dominates overseas ownership of UK financial services



Source: IMAS-insight, Companies House

Highlights

As shown in Figure 1, North America dominates overseas ownership with over half of the total overseas-owned UK financial services (“UKFS”) companies.

North America’s interests are predominantly represented by the US, which owns 420 companies (44%). Other North American interests include Caribbean (including Bermuda) with 45 companies (5%) and Canada with 23 (2%).

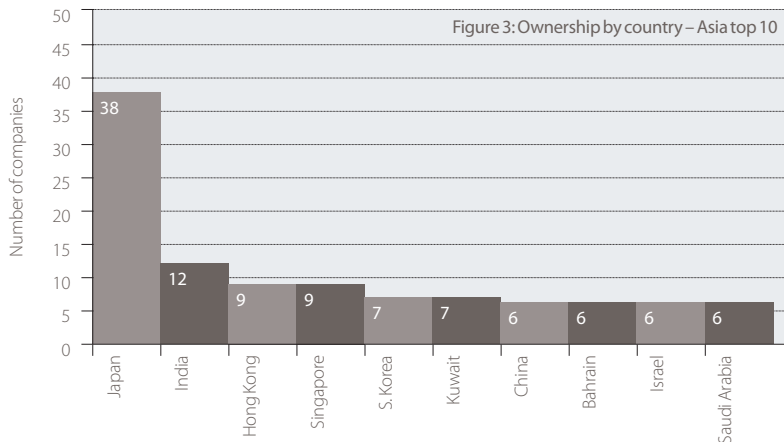
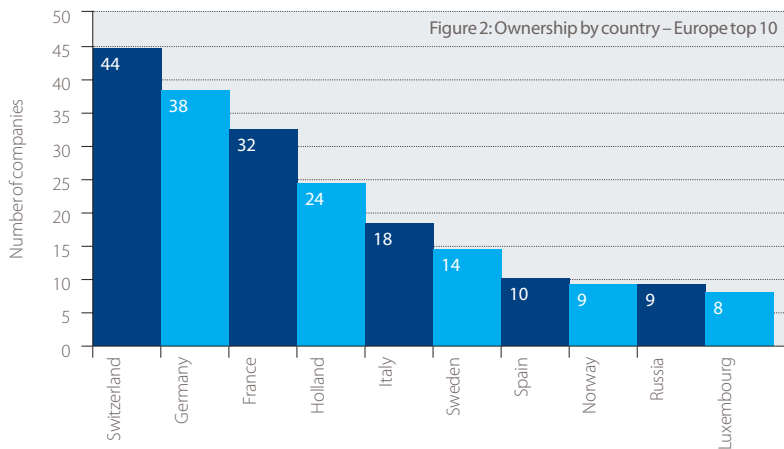
In terms of other geographic regions, Europe represents just over 27% of the overall ownership of overseas-owned companies, with the other key ownership region being Asia which owns 16% of overseas-owned companies.

Unlike North America, however, both European and Asian ownership by country is fragmented with their interests spread across 27 and 29 countries respectively.

Within the remaining regions, key countries with significant interests include Australia (26 companies), South Africa (12 companies) and Nigeria (7 companies).

Unlike North America, both European and Asian ownership by country is fragmented

Outside North America, Switzerland, Japan and Germany lead the overseas ownership of UK financial services



Source: IMAS-insight

Highlights

Perhaps unsurprisingly, the major EU members form the majority of Europe's ownership of UK financial services, although Switzerland (EEA member only) also has a leading presence amongst the European countries (see Figure 2).

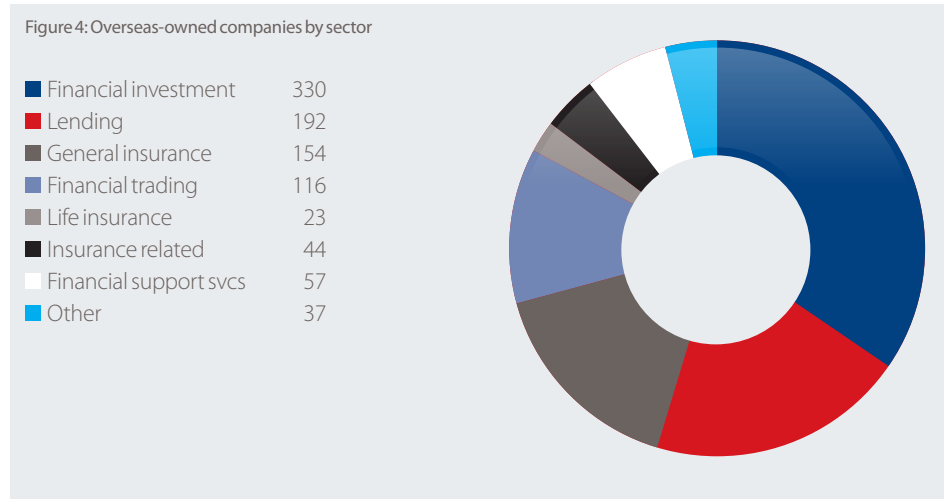
Tax considerations appear to have played an important role for certain overseas owners including Switzerland (44 companies), Benelux (39 companies) and the Channel Islands (6 companies).

In Asia, Japan is the key overseas owner with 38 companies (see Figure 3). This is based on a longstanding UK presence and continued investment into the UK financial services sector e.g. Nomura's acquisition of Lehman Brothers' European investment banking business.

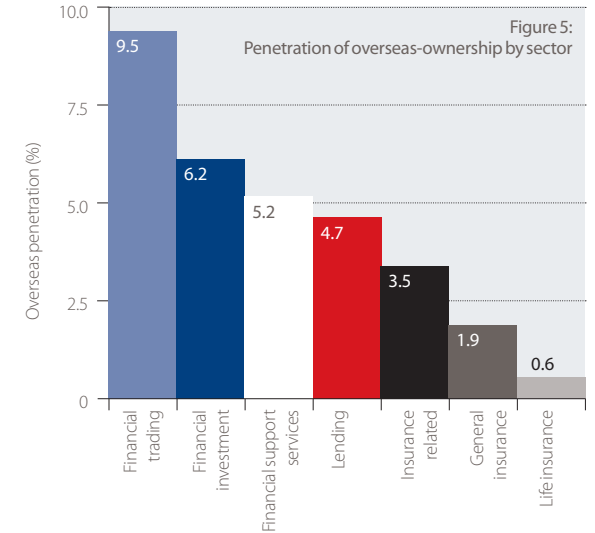
Other Asian nations are also building a UK FS presence including India (12 companies), Hong Kong (9 companies) and Singapore (9 companies).

Tax has played an important role for certain overseas owners including Switzerland, Benelux and the Channel Islands

Financial Investment represents the most important sector for overseas investment



Source: IMAS-insight, Companies House



Source: IMAS-insight

Highlights

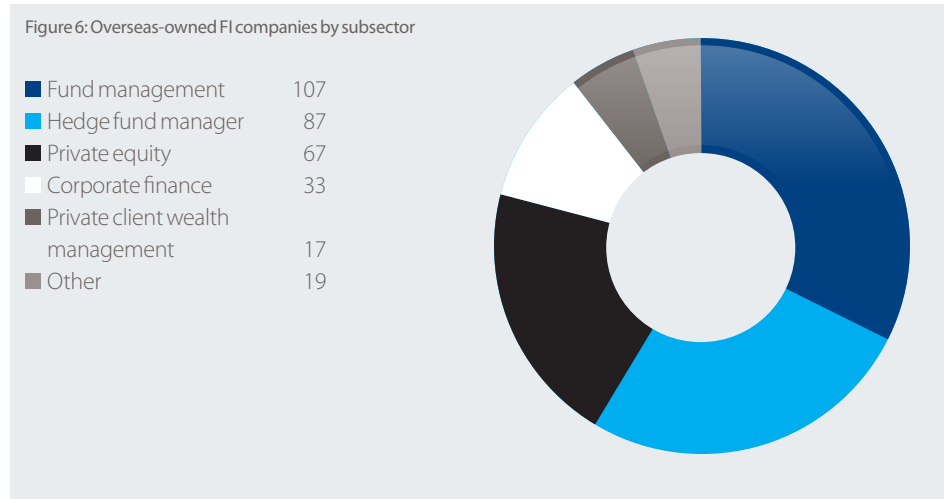
Examining the overseas profile of UKFS by sector, Financial Investment ("FI") represents the most important sector for overseas investment (see Figure 4). 90% of the overseas ownership of this sector constitutes fund managers, hedge fund managers, private equity and corporate finance (see overleaf for further details).

Local lending operations of overseas banks and corporate / retail banks are also important, collectively representing 20% of overseas ownership in UK financial services. This also includes a small number of consumer finance and leasing/asset finance businesses.

General Insurance also represents a key sector with 16% of the overall overseas ownership mix. This incorporates risk takers, including reinsurers, specialist insurers and Lloyd's agencies / Lloyd's brokers.

Reviewing the relative size of overseas owners versus all owners, Financial Trading (mainly stockbrokers and securities traders) has the highest penetration of overseas ownership at 9.5% of all owners (see Figure 5).

Fund and hedge fund managers dominate overseas interest within financial investment



Source: IMAS-insight, Companies House

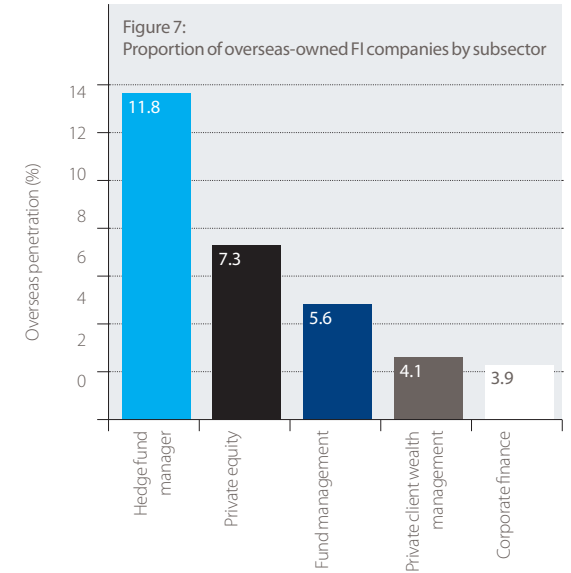
Highlights

Specifically looking at overseas ownership within the FI sector, asset management represents a key area of interest with fund and hedge fund managers businesses representing over 60% of overseas interest in FI (see Figure 6).

We believe this is indicative of the increasingly globalised nature of asset management. London in particular is seen as a key centre of excellence for global fund management and hedge fund management.

Other subsectors of interest to overseas owners includes private equity (20% of the FI sector mix), corporate finance (10%) and private client wealth management (5%).

FI businesses in the "Other" category include investment trusts, unit trusts and private investors.



Source: IMAS-insight

As shown in Figure 7, the penetration of overseas ownership versus all owners in FI is highest in hedge funds, where we estimate that nearly 12% of owners are overseas-based.

Overseas ownership by sector varies significantly by country

Figure 8: US ownership by sector

Financial investment	209
General insurance	58
Financial trading	46
Financial support svcs	32
Lending	25
Insurance related	25
Other	18
Life insurance	7

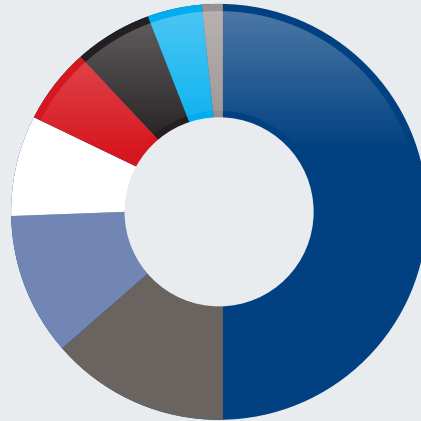
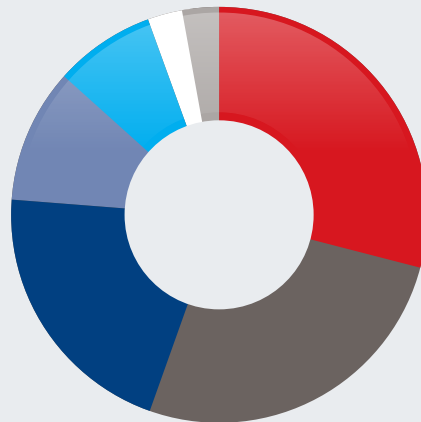


Figure 9: Japanese ownership by sector

Lending	11
General insurance	10
Financial investment	8
Financial trading	4
Other	3
Financial support svcs	1
Life insurance	1



Highlights

Examining sector mix of overseas ownership by country highlights some clear variations by country.

For the United States, the largest overseas owner in UK financial services, the FI sector accounts for 50% of its overall interests of 420 companies. Fund managers and hedge fund managers account for 60% of the US's FI interests.

The remaining 50% of the US's ownership of UK financial services is spread across a range of sectors including general insurance, financial trading and financial support services.

For Japan, equal third largest overseas owner of UK financial services with 38 companies, lending and general insurance represent 55% of its sector mix with FI representing only 21% of the sector mix.

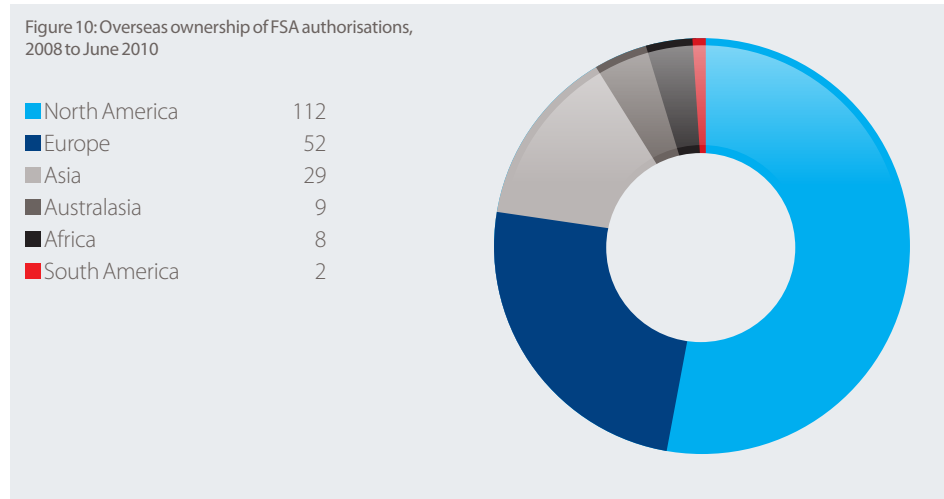
For other key owners of UK financial services, the mix also varies significantly: Switzerland, the second largest overseas owner with 44 companies, has over 50% of its interests in the FI sector (spread across fund, hedge fund and private client wealth management).

Germany, equal third largest owner with Japan, has 40% of its interests in Lending with a further 30% in General Insurance.

A nighttime photograph of a city skyline, likely Chicago, featuring several illuminated skyscrapers and a bridge over a body of water. The sky is dark with some clouds, and the city lights are reflected in the water.

03 Changes in overseas ownership since 2008

Interest from overseas owners dipped in 2009 but recovered in the first half of 2010



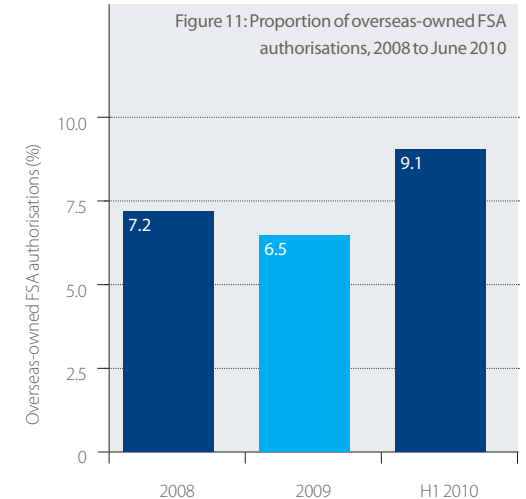
Source: IMAS-insight, FSA register

Highlights

Examining recent trends in overseas ownership, based on newly authorised FSA entities from January 2008 to June 2010, North America continues to dominate the overseas ownership despite the downturn with 47% of all overseas-owned new authorisations in the period (see Figure 10).

Europe continues to be important with 25% of overseas-owned new authorisations in the period. Switzerland alone accounted for 15 new authorisations, predominantly fund and hedge fund managers.

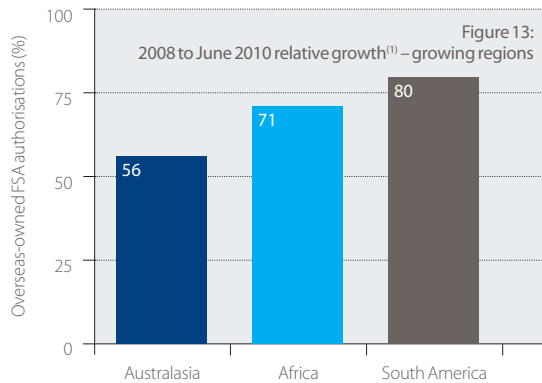
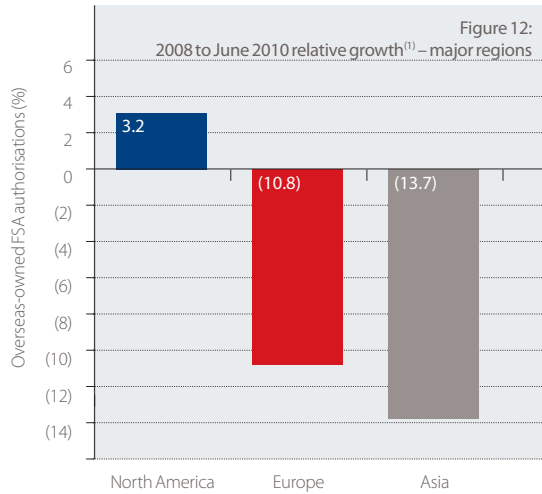
Asia has also been active with 14% of the overseas authorisations, driven by interests from India and Japan.



Source: IMAS-insight, FSA register

Analysing the overall penetration of overseas versus total authorisations by calendar year shows that overseas appetite is returning after the downturn in the global economy in 2009 (see Figure 11).

Since the downturn in 2008, the US has consolidated whilst Europe and Asia have slipped



Source: IMAS-insight

Notes:

1. Defined as share of overseas-owned FSA authorisations 1/1/08 – 30/6/10 relative to share of all overseas-owned companies at 30/6/10. Ownership at 30/6/10 excludes companies with an estimated value of less than £2million

Highlights

Looking at a relative growth for the period by region, North America continued to consolidate its position as the leading regional overseas owner of UK financial services businesses with 3% growth in relative share for the 2008 – June 2010 period (see Figure 12).

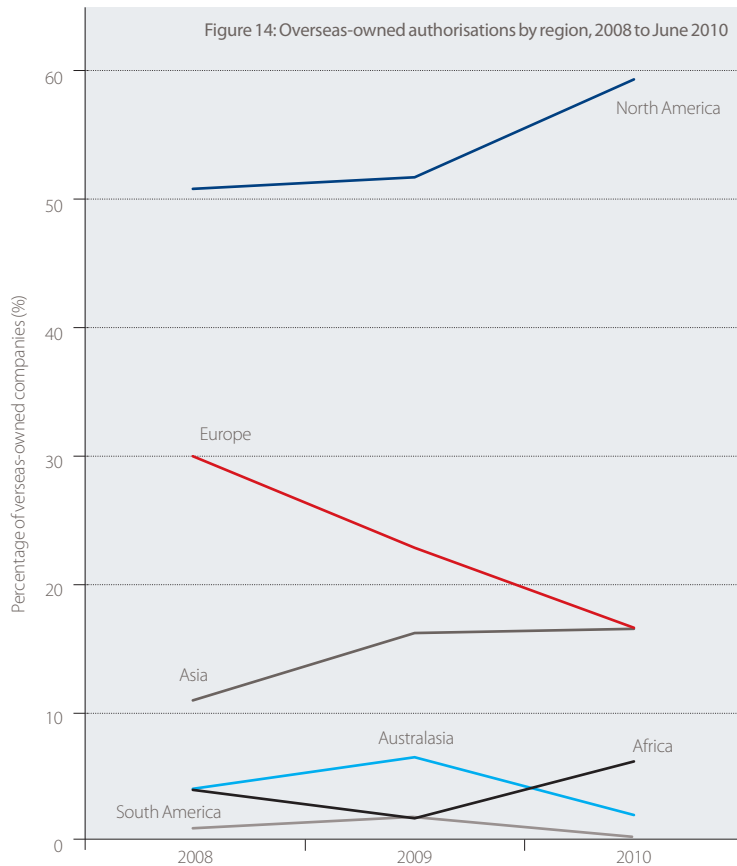
Conversely, Europe and Asia's relative position has fallen in this period by 11% and 14% respectively. It appears that the "credit crunch" had a particular impact on these regions' appetite to invest in UK financial services.

The growing regions of Australasia, Africa and South America continued to develop their share of overseas ownership, albeit from small bases (see Figure 13).

Australia (7 new FSA authorisations), South Africa (4), Nigeria (4) and Brazil (2) in particular showed growth in the period.

The growing regions of Australasia, Africa and South America continued to develop share, albeit from small bases

Whilst North America's interest has steadily grown since 2008, Europe's has steadily contracted



Source: IMAS-insight, FSA register

Highlights

Analysing the geographical mix in overseas owned authorisations on a year by year basis since 2008, North America has steadily grown its share from 51% in 2008 to 59% in H1 2010 driven by US and Canadian interests (see Figure 14).

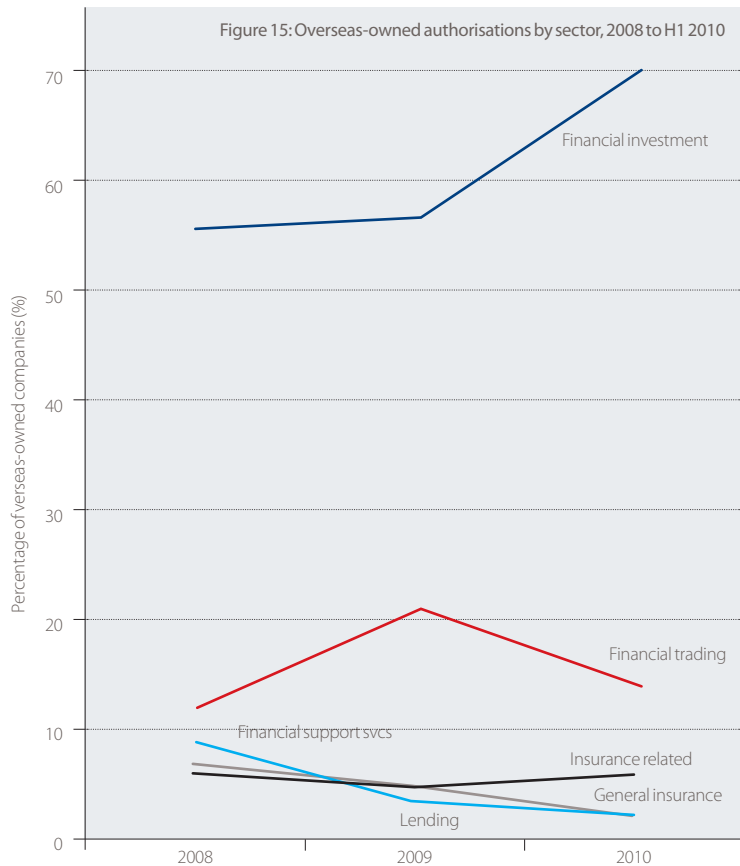
At the same time, Europe has been experiencing a steady decline in overseas ownership. Key countries with a lower mix since 2008 (relative to the overall mix at 30 June 2010) include Germany, Netherlands and Spain.

Asia's average mix since 2008 has also been below its overall share of overseas-owned at 30 June 2010, particularly in 2008 when Japan had lower ownership authorisations than average.

Australia and Africa both demonstrated ongoing activity throughout since 2008.

Asia's average mix since 2008 has been below its overall share at 30 June 2010

Overseas interests in the financial investment sector have grown consistently since 2008



Source: IMAS-insight, FSA register

Highlights

Examining the sector mix in overseas owned authorisations by year, the Financial Investment sector has been consistently high since 2008 remaining above 50% throughout, rising to 70% in the six months to June 2010.

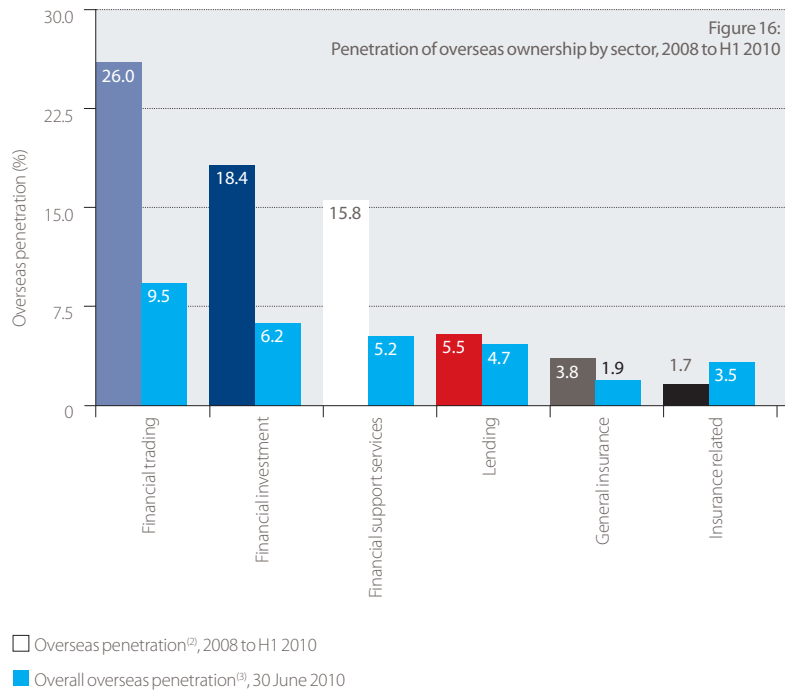
Fund and hedge fund managers have accounted for 60% of all FI sector FSA authorisations since 2008.

Financial Trading (“FT”) has also attracted ownership interest from overseas investors since 2008. 40% of these FSA-authorised FT entities were stockbrokers including small investment banks. Over 30% relate to newly authorised trading platforms, a particular area of growth in recent years.

Activity in other sectors was reasonably quiet, consistently below 10% of the overseas mix across the period.

Financial trading including small investment banks and trading platforms has also attracted overseas investors

Since 2008, overseas penetration has been high in selected sectors



Source: IMAS-insight

Notes:

- Defined as share of overseas-owned FSA authorisations relative to all FSA authorisations, 1/1/08 – 30/6/10
- Defined as share of overseas-owned businesses relative to all businesses at 30/6/10. Excludes companies with an estimated value of less than £2million

Highlights

Analysing overseas-owned penetration since 2008, selected sectors show a high penetration of overseas-owned new FSA authorisations relative to the 30 June 2010 position (see Figure 16).

Financial Trading (“FT”) overseas penetration was 26% of all new authorisations since 2008 compared to 9.5% for all FT companies (above £2m EV) at 30 June 2010. This has been driven in part by US ownership of new trading platforms that have been authorised by the FSA since 2008.

Similarly, the Financial Investment and Financial Support Services sectors saw high overseas interest in new authorisations since 2008, running at three times the overall penetration for their respective subsectors.

Insurance Related (e.g. IT, IFAs or employee benefits) represents the only sector where the penetration of recent authorisations was lower than the overall sector’s overseas ownership penetration at 30 June 2010.

Financial trading, financial investment and financial support services have all seen high overseas interest since 2008

About this report

All base data for this report has been sourced from Companies House and the FSA Register with further analysis undertaken by IMAS Corporate Advisors to provide a breakdown by business activity, geographical spread and legal structure using its proprietary knowledge management system, *IMAS-insight*.

If you would like to receive other reports produced by IMAS, please go to Downloads at www.imas.uk.com

About IMAS

Founded in 1992, IMAS is a corporate finance adviser with unrivalled expertise in selling companies across the UK financial services sector. We have completed over 100 transactions since inception.

IMAS's principals all have extensive experience in working for major UK financial institutions. IMAS combines in-depth knowledge and understanding of the specific issues affecting the financial services sector with our corporate finance experience to provide our clients with discreet, considered and independent advice.

In addition, *IMAS-insight* allows us to present a range of options to our clients that would otherwise be unavailable. For further details, please contact us or visit www.imas.uk.com

About *IMAS-insight*

IMAS-insight is IMAS's proprietary knowledge management system that 'maps' the UK financial services industry, analysing over 40,000 UK financial services businesses and over 300,000 FSA-registered individuals.

IMAS-insight provides us with detailed knowledge and insight into individual sectors within the UK financial services industry, including the participants within them as well as financial and other trends. We use this proprietary knowledge to help our clients achieve their strategic objectives.

Summary data derived from the underlying analysis on *IMAS-insight* can be viewed at www.imas.uk.com

Contacts for further information

If you are interested in buying or selling in the UK financial services sector and would like to increase the range of options available to you, please contact:

Bruce McIntyre

Tel: 0207 444 4395

Email: bwm@imas.uk.com

Olly Loughton-Scott

Tel: 0207 444 4399

Email: ols@imas.uk.com

IMAS Corporate Advisors Ltd

11-12 Bury Street

London EC3A 5AT

© 2010 IMAS Corporate Advisors Limited

Information and opinions contained herein have been compiled or arrived at by IMAS from sources that it believes to be reliable but IMAS does not accept any liability for any loss arising from the use hereof or make any representations as to its accuracy or completeness.
