

# Merger of Compagnie Financière Martin Maurel with Rothschild & Co

Creating a leading powerful independent private banking group in France

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## Introduction

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- Good momentum in first nine months of the year 2015/2016 following a strong 2014/2015
- Group strategy to play to existing strengths and generate growth from existing businesses by growing scale
- Increase revenues from more stable Wealth and Asset Management business



**Merger in line with announced strategy**

# Transaction rationale

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**Opportunity to create a leading independent private banking group in France**

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# Accelerating Rothschild & Co's long-term strategy in the European private banking market

## Attractive market for some segments

- **France #3 in Europe**, behind the UK and Germany in terms of household financial wealth
- Steady increase in number of millionaire households
- Independent players with corporate divisions capturing market share + positive momentum for most agile franchises
- **AuM growth levers** in the French regions:
  - 75% of family-owned SME disposals take place in the regions
  - c.80% of French households liable to wealth tax located in Ile de France (Paris), Rhône Alpes (Lyon) and PACA (Marseille)

## Resilient growth fundamentals

- AuM growth expected to remain stable at c.4% p.a. in the coming years, in-line with annual growth patterns since 2009
- Ongoing consolidation wave in the sector
- Resilient growth stemming notably from SME divestitures and the economic dynamism of French regions

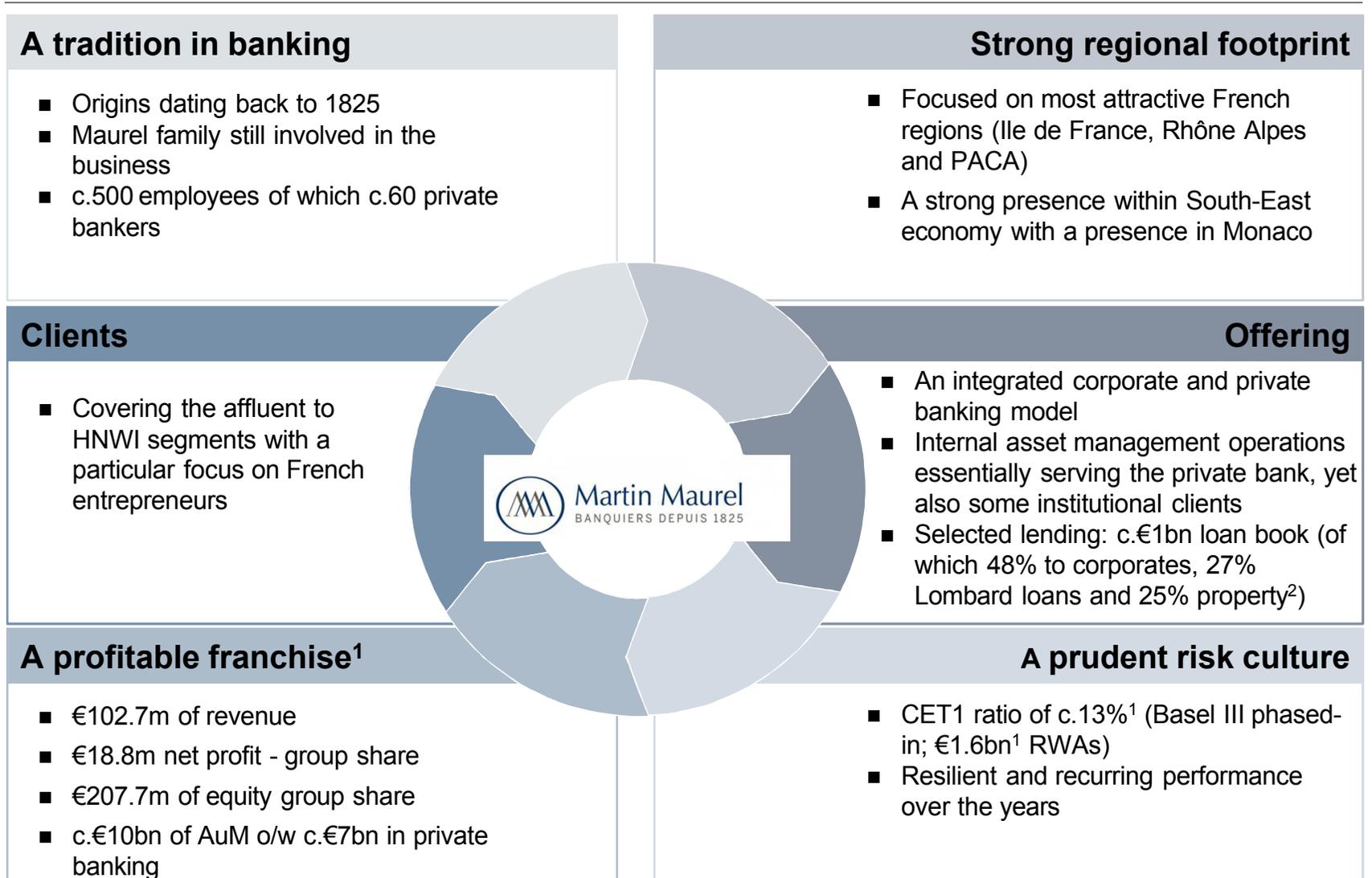
## Synergistic with our other core activities

- Specific tailor-made approach targeting especially entrepreneurs and families
- Family-owned SME divestiture theme common to Rothschild & Co Global Financial Advisory, Private Banking and Merchant Banking franchises

Source The Boston Consulting Group

**A full service offering for entrepreneurs would boost growth significantly in the French market**

## Combining with the right high-profile franchise



**Martin Maurel is a unique private bank  
with proven track record**

**Notes**

<sup>1</sup> CFMM figures as at December 2015

<sup>2</sup> Both residential and development

### 3 Creating a leading powerful independent private banking group in France

**In addition to their existing strengths in portfolio management, the two groups are highly complementary**

#### Attractions of Rothschild & Co

- Wealth structuring skills
- UHNWI expertise
- M&A services geared to families and entrepreneurs
- Investment management capabilities and distribution
- Proven track-record of investing in non listed assets (private equity and private debt)

#### Attractions of CFMM

- Critical size with c.€10bn of AuM
- Wide range of products for private banking clients
- Integrated corporate model including lending offerings
- Complementary range of funds distributed to private banking
- Regional footprint in the most dynamic and wealthy regions of France



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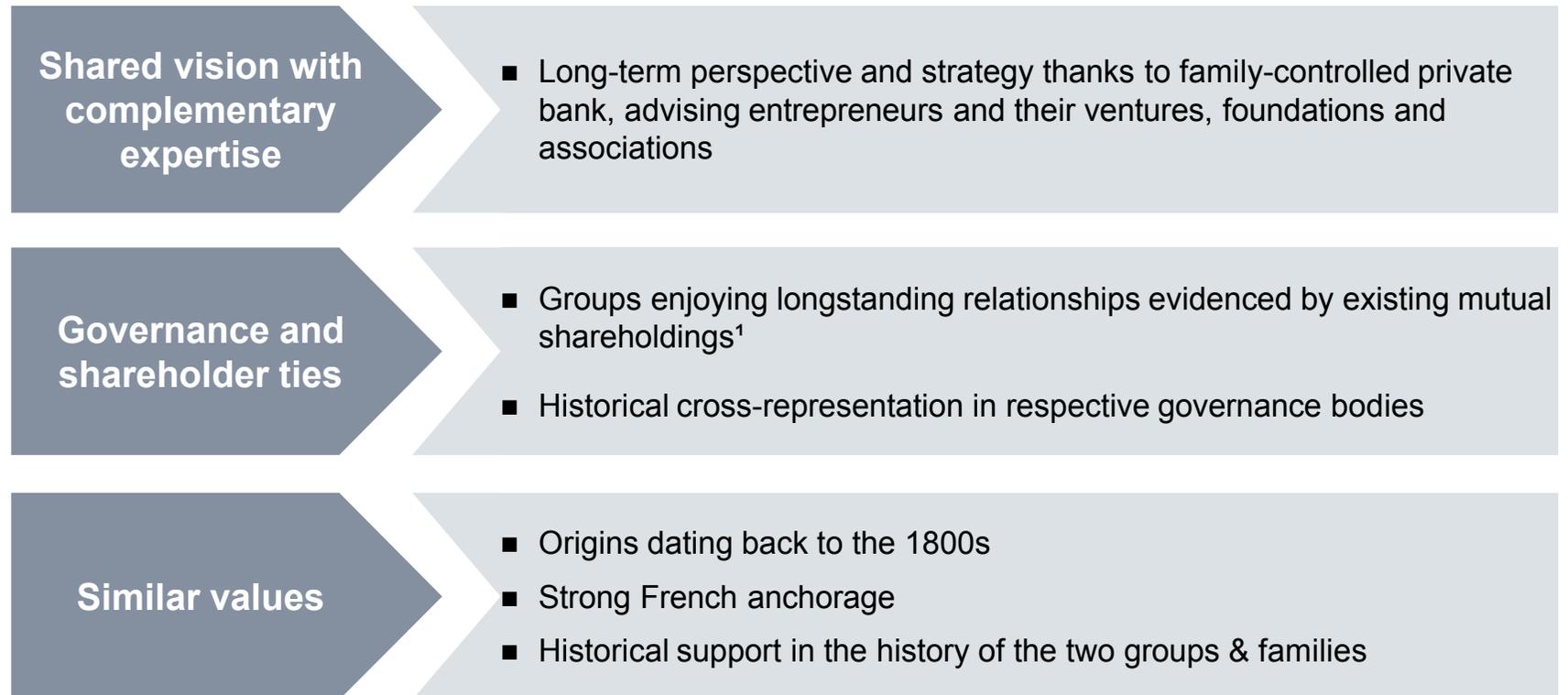
**A new brand for private banking in France:**

***Rothschild Martin Maurel***

**The new group would have a real competitive advantage**

## 4 Leveraging on shared values and family ownership for many years

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**Note**

<sup>1</sup> Rothschild & Co holding 2.3% of Compagnie Financière Martin Maurel capital and Compagnie Financière Martin Maurel holding c.1% of Rothschild & Co capital (May 2016)

**Strong cultural complementarity and historic business ties**

## Creating value for Rothschild & Co shareholders

### Financial & legal terms

<p><b>Proposed consideration</b></p>	<ul style="list-style-type: none"> <li>■ CFMM valued at €240m (on a 100% basis – cum 2015 dividend)             <ul style="list-style-type: none"> <li>– Implied 1.16x P/BV 2015 and 12.8x FY15 PER</li> <li>– Limited goodwill based on <u>current</u> Rothschild &amp; Co share price</li> </ul> </li> <li>■ Merger between CFMM and Rothschild &amp; Co with 1 CFMM share for 126 Rothschild &amp; Co shares exchange ratio</li> </ul>
<p><b>Conditions</b></p>	<ul style="list-style-type: none"> <li>■ Secured support from shareholders (including Rothschild &amp; Co) representing 83.6% of CFMM voting rights to approve the merger at CFMM General Meeting</li> <li>■ The merger requires a 2/3-majority vote at Rothschild &amp; Co General Meeting</li> <li>■ Transaction remains subject to (i) work councils consultation from both groups and (ii) usual conditions, notably appropriate regulatory and anti-trust approvals</li> </ul>
<p><b>Financing</b></p>	<ul style="list-style-type: none"> <li>■ Of those CFMM shareholders who have so far committed to vote in favour of the merger, shareholders representing 35% of CFMM's share capital (€84m) have elected for cash and 48% in shares (€113m)             <ul style="list-style-type: none"> <li>– final mix of consideration between cash/ shares estimated around 40/60</li> </ul> </li> <li>■ The cash element of the transaction would be financed through external credit facilities and Rothschild own resources</li> </ul>
<p><b>Indicative timetable</b></p>	<ul style="list-style-type: none"> <li>■ Rothschild &amp; Co annual results announcement: 22 June 2016</li> <li>■ CFMM and Rothschild &amp; Co General Meetings: end of September 2016</li> <li>■ Regulatory approvals: June - December 2016</li> <li>■ Merger: December 2016 - March 2017</li> </ul>

## 5 Creating value for Rothschild & Co shareholders

### Expected impacts

<b>EPS accretive</b>	<ul style="list-style-type: none"><li>■ The proposed combination is expected to be EPS accretive for the first full financial year post merger, pre synergies</li></ul>
<b>Synergies</b>	<ul style="list-style-type: none"><li>■ Significant development synergies expected from the transaction notably given complementary profiles (client, footprint, offerings) and respective strengths and expertise</li><li>■ Up to €10-15m PBT potential impact over time</li></ul>
<b>Strong solvency position</b>	<ul style="list-style-type: none"><li>■ Pro-forma CET1 ratio expected post transaction of c.18%, well above regulatory requirements</li></ul>
<b>Reinforced Rothschild &amp; Co business mix</b>	<ul style="list-style-type: none"><li>■ Around €100m of recurring revenues to be added to existing Wealth &amp; Asset Management revenues of Rothschild &amp; Co (c.€336m as of FY 2014/2015)</li><li>■ Building further earnings resilience for the Group and diversification away from Global Financial Advisory</li></ul>

**Exceptional opportunity to enhance value**

## Conclusion

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***A unique opportunity to create a leading independent private bank in France with the necessary scale, market position and client coverage***

Appendices

## CFMM consolidated IFRS financial data

Summary P&L (IFRS)		
€m - 31/12	2014a	2015a
Net banking income	97.0	102.7
<i>C/I ratio</i>	69.3%	67.5%
Profit before tax	28.9	31.9
Minorities	(2.2)	(3.2)
<b>Net income group share</b>	<b>17.9</b>	<b>18.8</b>

Summary balance sheet (IFRS)		
€m - 31/12	2014a	2015a
Net liquid assets <sup>1</sup>	1,019	1,252
Customer loans	1,077	1,162
Tangible assets	31	30
Intangibles & goodwill	18	17
Other assets	60	49
<b>Total assets</b>	<b>2,204</b>	<b>2,510</b>
Due to banks	86	158
Customer deposits	1,763	2,027
Other liabilities	132	83
<b>Equity group share</b>	<b>192</b>	<b>208</b>
Minorities	30	34
<b>Total equity &amp; liabilities</b>	<b>2,204</b>	<b>2,510</b>
RWA	1,429	1,568
<b>CET1 ratio (Phased-in/B3)</b>	<b>13.2%</b>	<b>13.1%</b>

Source CFMM – Annual report 2015

**Note**

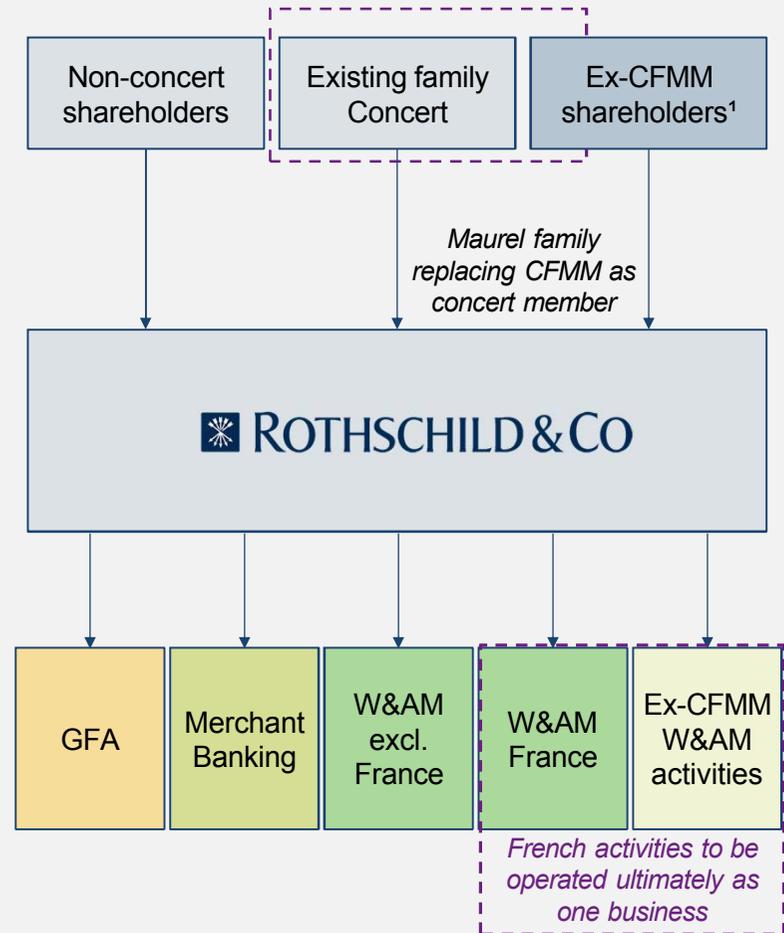
<sup>1</sup> Including cash & cash equivalents and financial assets (e.g. AFS, HTM portfolio)

# Contemplated deal structuring

## Key principles

- 1 CFMM to be merged into Rothschild & Co
  - All assets and liabilities of Compagnie Financière Martin Maurel (“CFMM”) would be transferred to Rothschild & Co
  - CFMM shareholders becoming shareholders of Rothschild & Co (except some shareholders who would exit through cash before such merger)
  
- 2 Within CFMM shareholders, the Maurel family, CFMM reference shareholders, would replace CFMM which was part of the concert, thus becoming concert members
  
- 3 The merger is expected to be broadly neutral on family concert, which will remain at current levels in terms of capital and voting rights

## Contemplated structure



**Note**  
 1 Excluding CFMM shareholders having elected for a cash exit pre-merger