



30 April 2002

*Press Release*

**CORTAL (BNP PARIBAS GROUP) ACQUIRES CONSORS**

- **CREATION OF THE LEADING SPECIALIST BROKER IN PERSONAL INVESTMENTS IN EUROPE**
  - **A VALUE ADDING INDUSTRIAL PROJECT**
  - **A TRANSACTION IN GOOD TERMS**

On 29 April 2002, BNP Paribas Group and its subsidiary Cortal signed an agreement with SchmidtBank, majority shareholder of Consors, to acquire SchmidtBank's 66.43% equity interest in Consors for €287 million. A public offer will be made to purchase the remaining equity interests in Consors. Assuming purchase of the entire share capital and in accordance with German regulations for takeover bids, the total price will be €485 million or €857 per account. The acquisition is subject to approval by the German banking authorities.

**Creation of the leading specialist broker in personal investments in Europe: 1.2 million customers and €14 billion of assets under management**

The acquisition of Consors and its integration with Cortal will give birth to the leading European specialist broker in personal investments and confirm BNP Paribas as European leader in retail financial services. It propels Cortal to the no.1 position in Germany, the leading euro zone market for personal investments, in terms of size and growth potential.

Cortal and Consors have a local presence in 7 key European personal investment markets: Germany and France, the 2 leading personal investment markets in the euro zone where they occupy the no. 1 slot respectively, Belgium, Luxembourg, Italy, Switzerland and Spain.

At year-end 2001, Cortal and Consors managed funds on behalf of nearly 1.2 million customers — of which 630,000 were from Cortal and 566,000 from Consors — and €14 billion of assets under management, each partner accounting for a half. Combined 2001 pro-forma net banking income for Cortal + Consors totalled €268 million, ahead of their principal rivals Comdirect (€165 million) and DAB (€123 million).

## CORTAL + CONSORS - THE INDUSTRIAL PROJECT

### Benefit of being no. 1 in a high potential European market

The combined entity Cortal+Consors intends to take full advantage of being no. 1 in a highly promising European market, which will bring economies of scale in terms of costs and will help to win new business at lower cost from the greater strength of the brand.

The new company Cortal+Consors is focused on one objective: maximise profitability, growth and top-quality customer service. The creation of a profitable player during a market downturn should increase the company's potential to add value once markets rebound.

To achieve this objective, the industrial project is based on the complementary strengths of Cortal and Consors. In addition to the regional fit, Cortal and Consors complement each other in:

- Customer skills: Cortal's experience with *smart investors*<sup>1</sup>, Consors' experience with *active traders*
- Range of products and services offered: Cortal's global investment offer, Consors' high-tech market services,
- Distribution channels: Cortal's experience in telemarketing and via independent financial advisors (IFA's), Consors know-how in online sales.

Cortal and Consors also plan to increase distribution of mutual funds and grow the level of assets under management, in order to reduce the sensitivity of the business to market conditions.

In Europe, resources will be combined, most notably:

- Common IT platforms,
- Integration of the two companies in countries where both are present,
- One brand. Until the results of brand studies throughout Europe are known, the new organisation will be called "**CortalConsors**".

Long-standing and extensive contacts between Consors' and Cortal's management and BNP Paribas' know-how in business combinations will help to ensure the success of this integration. There are 4 broad principles that will be applied to the project: transparency, dialogue, fairness and accountability. A precise and rapid timetable has been established: 2 weeks (appointment of N), 2 months (appointment of N-1 and organisation of work groups), 2 quarters (work groups), followed by project implementation.

Olivier Le Grand, Chairman of Cortal's Management Board, will lead the combined Cortal+Consors organisation.

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<sup>1</sup> Customers who have invested in savings products (short-term products, mutual funds and life insurances)

## Significant cost and revenue synergies

The Cortal + Consors industrial project is expected to generate:

- €25 billion of assets under management by 2005,
- annual synergies of €53 million by the same year.

It will cost a total of €60 million in restructuring costs during 2002, 2003 and 2004.

Rationalisation of the two companies' European organisations will yield **cost synergies** of €38 million by 2005, a reduction of 10% in the total cost base of both companies in 2001. Cost synergies will result from increased focus on the "Fit For Future" programme launched by Consors in 2001 in Germany, economies of scale in marketing budgets and administrative costs, implementation over time of joint back and middle-office IT platforms and a joint website.

Furthermore, increased distribution of mutual funds, growth in assets under management and optimisation of pricing policies should generate €15 million in **revenue synergies** by 2005, accounting for 6% of the combined revenue base in 2001. These revenue synergies will be particularly felt in Germany and France. A mere 13% of Consors Germany customers currently hold investments in mutual funds as opposed to 60% for Cortal France.

## A TRANSACTION ON GOOD TERMS: €857 PER ACCOUNT

The purchase price for the acquisition of SchmidtBank's 66.43% interest in Consors is €287 million, payable in cash and financed out of existing funds within BNP Paribas.

A public offer will be made to purchase the remaining equity interests in Consors within 4 weeks of the announcement. In accordance with German regulations, this bid will be at a price calculated on the weighted average market value of the Consors share during the 3 trading months prior to the announcement. This value at close of trading on 26 April was €12.4 per share. Assuming this value and a purchase of the entire share capital, the total price will be €485 million.

This purchase price is equivalent to €857 per customer account, an attractive price compared to current market capitalisations of other main online brokers. Based on average market capitalisations during the 3 months prior to 26 April, the value per account of Charles Schwab, the worldwide leader in the sector, was €2,630, Comdirect was €2,030, DAB €1,390 and E\* Trade €870.

The acquisition will boost BNP Paribas' earnings per share before goodwill as from 2003 and, after goodwill, as from 2004.

## **DETAILS OF THE TRANSACTION**

SchmidtBank may gain from a limited increase to the sales price in the event of an adjustment increasing ConsorsGroup net assets and/or Consors Spain NBI. BNP Paribas also plans to sell Consors' 53% interest in Berliner Effektengesellschaft AG, a traditional broker on the Berlin stock exchange, under the joint supervision of BNP Paribas and SchmidtBank.

This disposal could increase the purchase price payable to SchmidtBank. BNP Paribas does not intend to launch a bid for BEG's minority interests.

The total price per share payable to SchmidtBank, including the above potential sales price increases, cannot under any circumstances exceed the price per share offered to the minority interests in connection with the takeover bid.

BNP Paribas has been advised by BNP Paribas Corporate Finance and Schroder Salomon Smith Barney.

## **A KEY STEP IN CONFIRMING BNP PARIBAS AS EUROPEAN LEADER IN RETAIL FINANCIAL SERVICES**

Growth in the Retail Financial Services division is one of the key strategic drivers of this industrial project and should ensure growth in earnings during years to come. Backed by the Cortal-Consors combination, leading European specialist in personal investments, Cetelem, leading European specialist in consumer credit and Arval-PHH, no.1 in long-term rental – car fleet management, BNP Paribas Lease Group, European leader in equipment leasing, BNP Paribas is the European leader in retail financial services with 15 million private customers on the European continent.

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## **CONSORS: LEADING ONLINE BROKERAGE IN GERMANY**

Founded in 1994, Consors is the second largest online broker in Germany by net banking income (€118.8 million in 2001), number of transactions (6.1 million in 2001) and number of accounts (500,000 year-end 2001) and third in terms of assets under management (€6.3 billion year-end 2001).

Nominated best *Online Broker* by the German stock market magazine Online in February 2002 for the second time since 1999, Consors customers are dynamic and growing. They trade more frequently than those of its main competitors, passing an average of 12.4 stock market orders in 2001. Despite the downturn in the financial markets, the number of Consors customers in Germany rose by 30,000 in 2001.

Acknowledged for its traditional technological innovation, product offer and the most sophisticated investor services, Consors relies on high-performance IT architecture supported by its own key technological resources: state-of-the-art middleware tool, a broad range of multi-channel services (PDA, mobile phone, etc.), and proprietary applications.

In line with other brokers, Consors posted a decline in 2001 revenues and earnings. 2001 attributable net income came in at a loss of €125.5 million, including a loss of €30.5 million from its online broking business in Germany. In response to this decline, Consors made initial steps to reduce costs (marketing expenses, personnel costs and IT developments), via its "Fit For Future" programme the effects of which will be fully apparent as from 2002.

During the final months of 2001 when the failure of its majority shareholder, SchmidtBank, compounded the already weak stock market, Consors' customers remained the most active in the market enabling it to boost market share.

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### **CORTAL: A STABLE AND PROFITABLE BUSINESS MODEL**

Cortal is developing a global offer adapted to key requirements for personal investors : short-term products, mutual funds, direct equities, and life insurance. This broad range provides it with two additional revenue sources : revenues from assets under management and transaction revenues.

Revenues from assets under management, contributing 62% of Cortal's total revenues in 2001, up from 50% in 2000, are less dependent on the financial market environment than transaction revenues. Nearly 80% of assets under management consist of investments excluding direct equities, which places Cortal among the leaders of European brokers by value of assets under management excluding direct equities (€5.6 billion out of total assets under management of €7,1 billion).

This stable business model, combined with the speed of reaction of Cortal's staff has enabled Cortal to turn in a profit every year since 1989, including 2001, when pre-tax income was €7.7 million, representing a pre-tax return on equity of 16%. On average, Cortal has posted pre-tax return on equity of 26% over the last ten years.

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