



MEDIOBANCA

**COMPASS ACQUIRES
20% STAKE IN BFI FINANCE
ADDING A SECOND GROWTH
CONSUMER FINANCE MARKET**

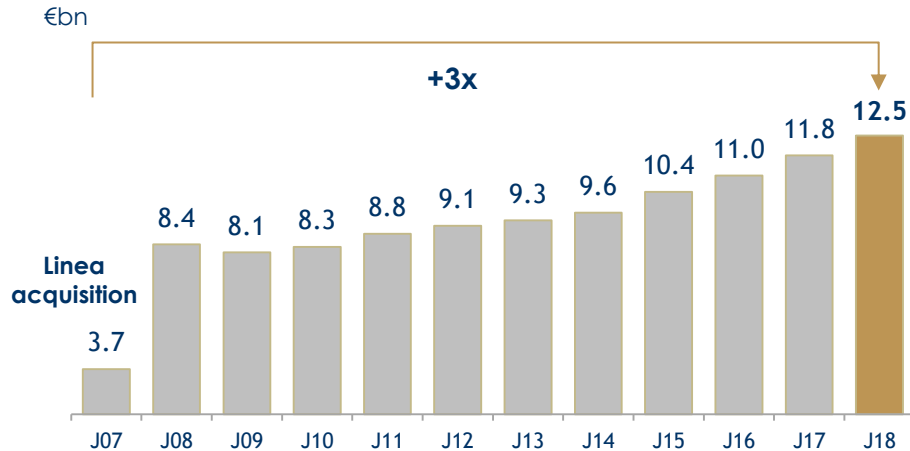
Milan, 3 August 2018



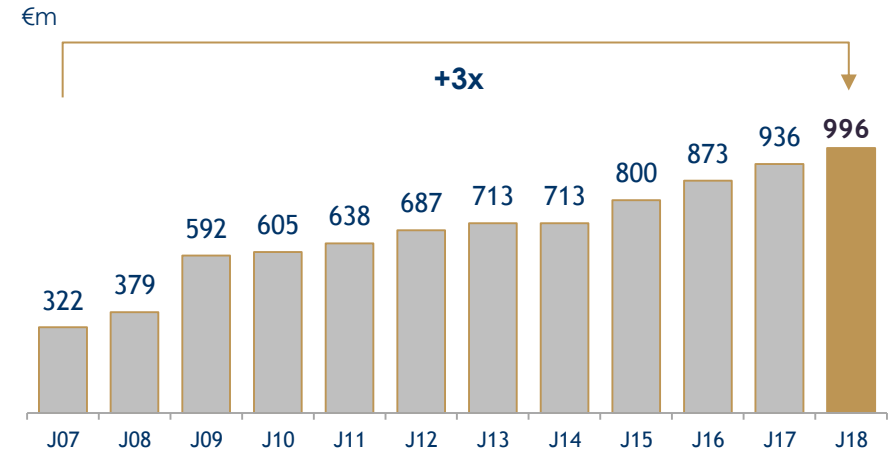
MEDIOBANCA

IN LAST 10Y COMPASS HAS DELIVERED IMPRESSIVE RESULTS OVER THE WHOLE CYCLE THROUGH ORGANIC GROWTH AND M&A...

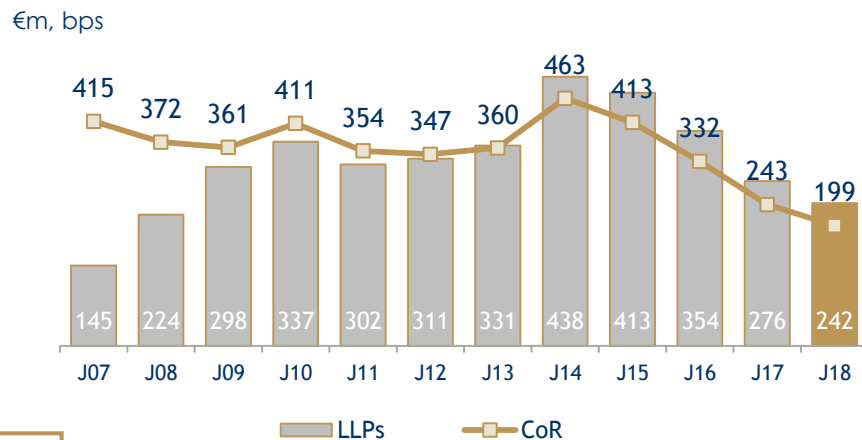
In the last 10Y Compass's loan book has tripled...



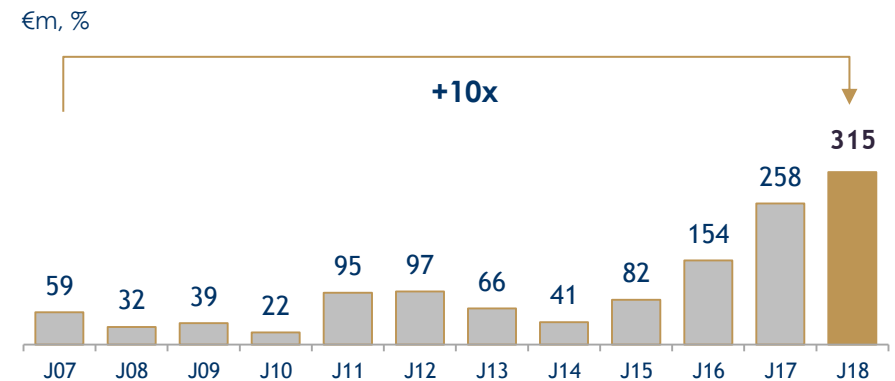
... as have its revenues ...



... while careful risk assessment has shrunk CoR...



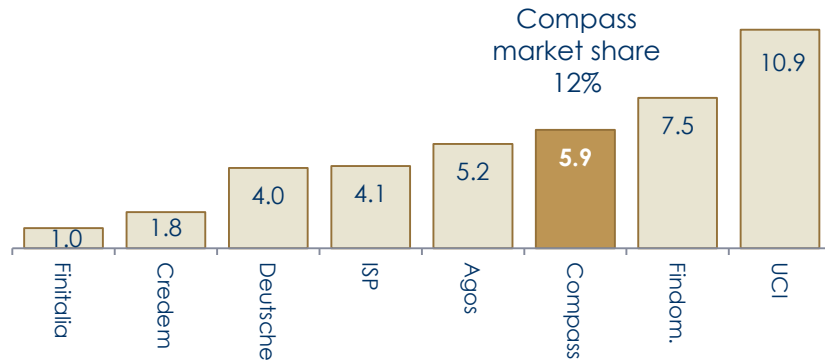
...with net profit up 10x to record levels



...LEVERAGING ON STRENGTHS AND MARKET OPPORTUNITIES

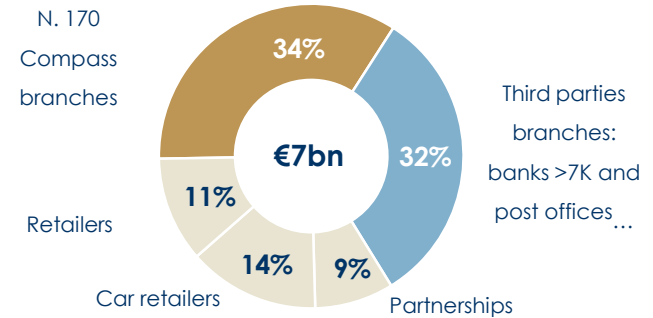
Strong market positioning

2017 Consumer credit market ranking¹
(new business >€1bn)



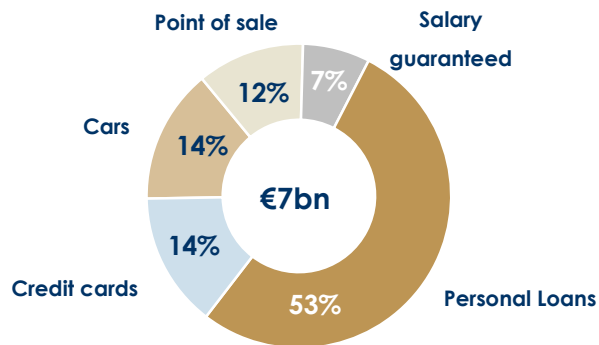
Unique integrated distribution platform

Compass distribution
(% of 2018 new business)



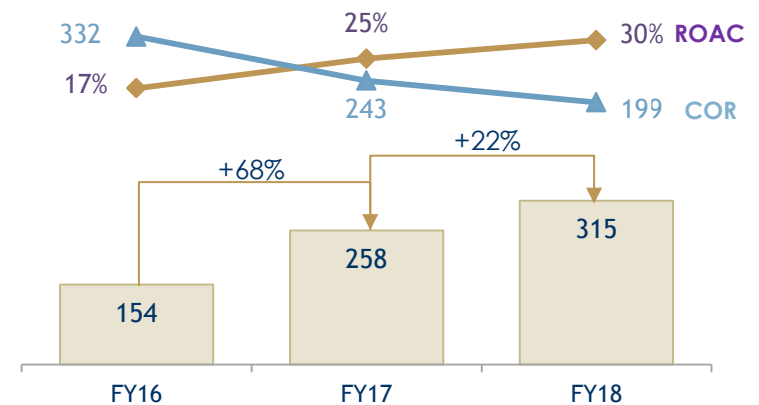
Profitable and wide product range

Compass product
(% of 2018 new business)



Strong credit assessment/pricing capabilities

Net profit (€m), ROAC (%), COR (bps)



COMPASS'S STRONG EXPERTISE CAN BE LEVERAGED FURTHER IN A SECOND GROWTH CONSUMER FINANCE MARKET

- ◆ **M&A extensive analysis of untapped potential in consumer credit markets.**
- ◆ **Some markets rejected** due to issues related to **political-economic stability** (South America, Middle East), **economic development and consumption cycle** (Africa), **protectionism** versus foreign players (China among others) and level of **competition**
- ◆ **Focus shifted to those markets that combine a relative political-economical stability with high growth potential: South East Asia**, namely India, Indonesia, Philippines and Vietnam

| KPIs ¹ | India | Vietnam | Philippines | Indonesia |
|---------------------------------------|---------|-------------|-------------|--------------|
| GDP per capita (US\$,2017) | 1,820 | 2,170 | 3,660 | 3,540 |
| RATING | S&P | BBB- stable | BB- stable | BBB positive |
| | Fitch | BBB- stable | BB stable | BBB stable |
| | Moody's | Baa2 stable | B1 stable | Baa2 stable |
| 2017 GDP growth | 6.6% | 6.8% | 6.7% | 5.1% |
| «Ease of doing business» ² | 100 | 68 | 113 | 72 |
| Foreign Direct Investments/GDP | 1.5% | 6.3% | 3.2% | 2.2% |

Indonesia identified as key target area

Bottom-up analysis of Indonesia consumer market

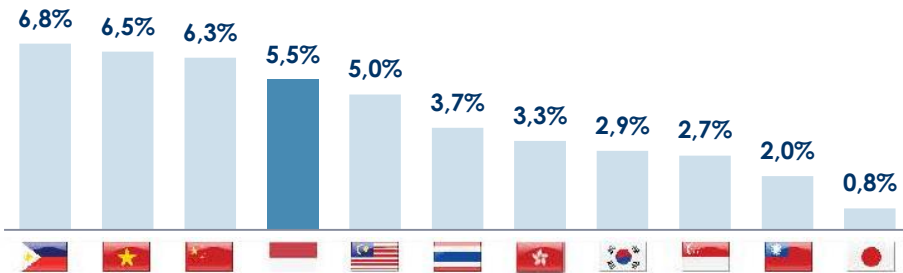
- ◆ First 33 companies by total assets scouted (25 private, 8 listed on the Jakarta stock market)
- ◆ 12 potential target companies identified; analyzed in detail and management met with
- ◆ 3 key target companies identified; **since 2017 Compass management has met with the management teams of these companies, their shareholders and the business community in Indonesia to evaluate deal considerations**

BFI identified as the best option

INDONESIA: "GROWTH MARKET" DRIVEN BY ATTRACTIVE MACRO

Indonesia: high GDP growth...

2018 – 2021E average real GDP growth % (source: IMF)



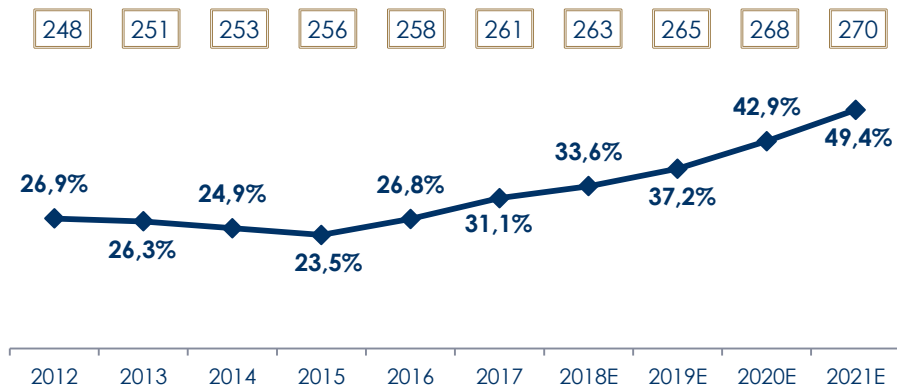
... and improving institutional scenario...

Source: S&P, BICRA analysis (Dec.2017)

- ◆ "... effective policy-making in recent years to promote sustainable public finances and balanced economic growth"
- ◆ "Indonesia publishes timely economic, fiscal, and financial statistics in great detail"
- ◆ "...reducing corruption and promoting better governance"
- ◆ "...we expect the administration to further improve critical infrastructure, address legal and regulatory uncertainties, and tackle bureaucratic obstacles"

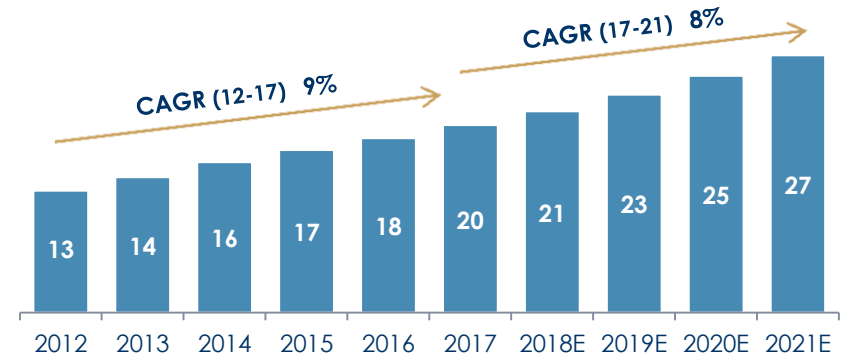
... are fostering individual wealth growth...

Population (m) and % of middle class¹ (source: Euromonitor)



... as well as disposable income for consumption...

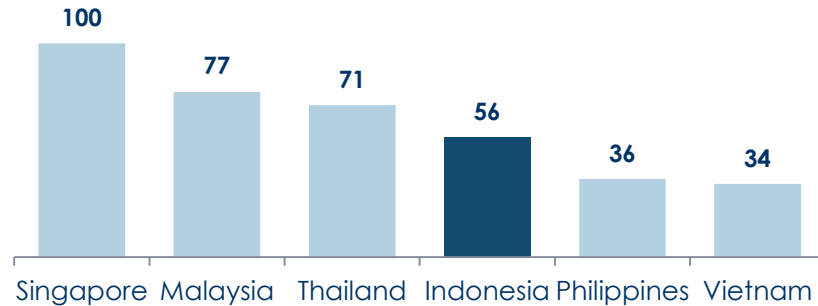
Average annual expenditure¹ per capita on non-food items, IDR '000 (source: Euromonitor)



... AND OPPORTUNITIES FOR CONSUMER LENDING EXPANSION

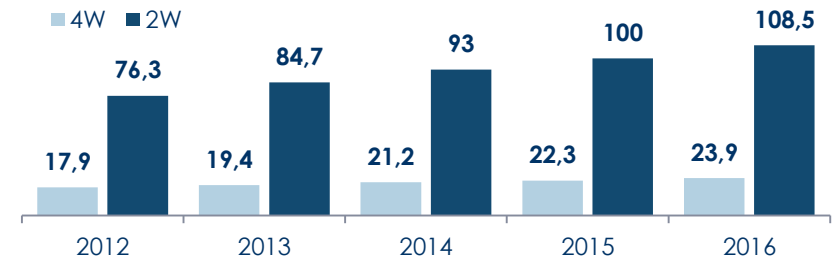
... but with a very large unbanked population, ...

Banked population (%) source: Euromonitor)



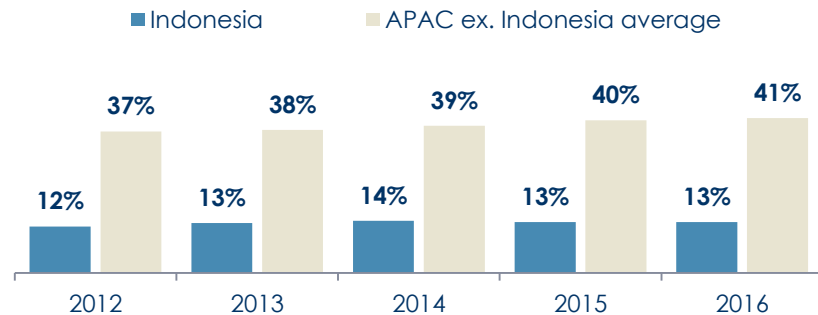
... significant appetite for personal transport...

Growth in vehicle ownership in Indonesia (m units, source: BMI)



...and low consumer lending penetration ...

Consumer lending (% of GDP, source: EIU, Euromonitor)



... Indonesian market is the right place to be

To seize the opportunities stemming from:

- ◆ **green market in a still fast growing country**
- ◆ **change in consumer** financial behavior to support new consumption habits
- ◆ **change in products**, where the sector is still "secured" driven but is evolving, in the next 5-7 years, towards an "unsecured" **business model** based on an **advanced "credit analytics" system with the introduction of credit bureau services like in Italy during the 1990s.**
- ◆ **chance to partner with an outstanding market player** with a "Compass-like" approach to the business

BFI FINANCE – THE LEADING INDEPENDENT MULTIFINANCE COMPANY

BFI Finance: a unique opportunity in Indonesia ...

- ◆ **PT BFI Finance Indonesia** has been **listed on the Jakarta Stock Exchange since 1990**
- ◆ **Large multifinance company**, the only non "captive" in the top 10, with ...
- ◆ **...positive credit rating (Fitch: AA-(idn) vs country rating BBB)**
- ◆ **Senior management with long-tenured experience**, supported by high-quality middle management
- ◆ **A (significant) growth story** with a positive and healthy track record
- ◆ **US (private equity) investors with significant stake and governance** in the company **since 2011**

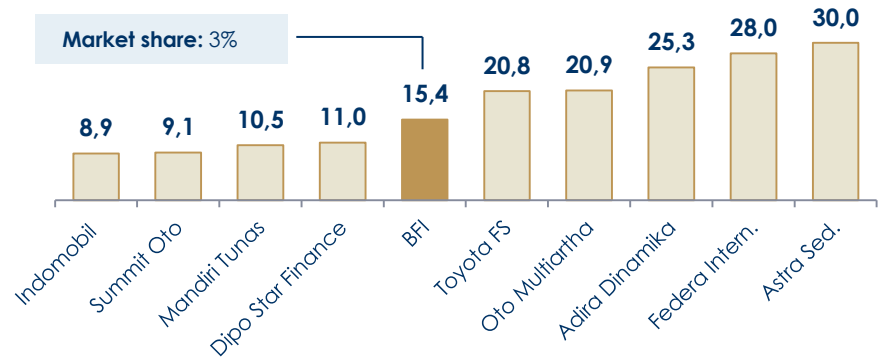
... effective distribution platform with high customer base ...

- ◆ **Effective integrated distribution network**
 - ◆ >350 outlets (220 branches+>130 kiosks) in Jakarta and the largest islands of the country (Java, Bali, Sumatra, Sulawesi, Kalimantan)
 - ◆ partnership agreements with car dealers
 - ◆ independent agents
 - ◆ telemarketing for car and motorcycle loans
- ◆ **419,000 active customers**

... in terms of market positioning ...

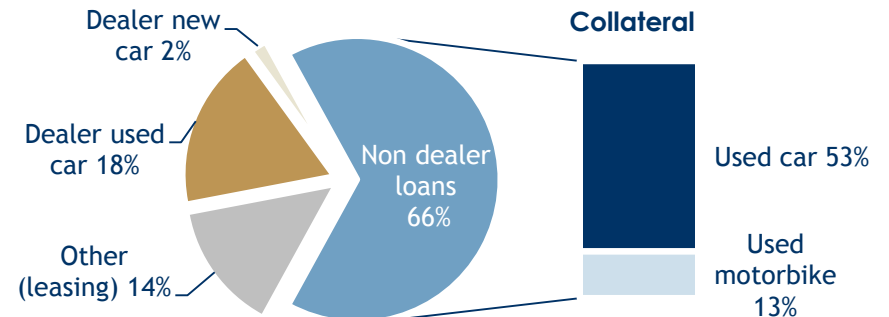
(Source: Infobank, Indonesia Finance Services Association)

Net receivables (IDRtr; source: Infobank, Indonesia Finance Services Ass.)



...and a leadership positioning in the market in high-profitable secured products: cars and motorcycles

BFI: loan book breakdown (IDR15.3tr as at Dec,17; source: company data)

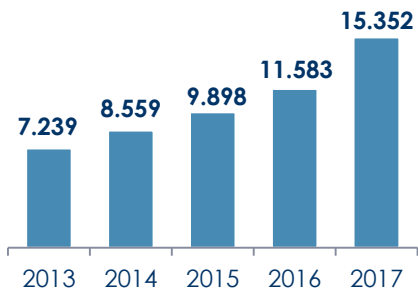


BFI HAS ACHIEVED UNBROKEN GROWTH IN RECENT YEARS WHILE REMAINING THE MOST PROFITABLE OF ITS PEERS

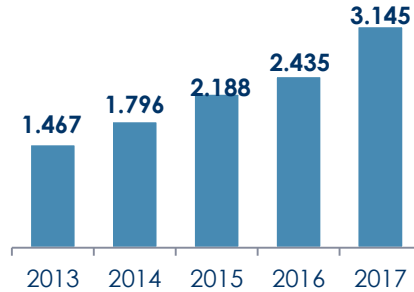
Significant growth achieved ...

(IDR bn)

Loan book doubled
financed by bank debt and bonds

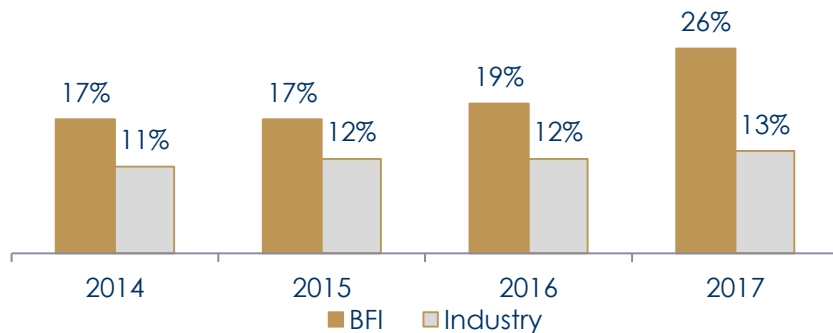


Revenues 4YCAGR +21%
up 30% in 2017



... to preserve outstanding profitability (2X the industry average) ...

ROE vs Industry (Source: Company, OJK)

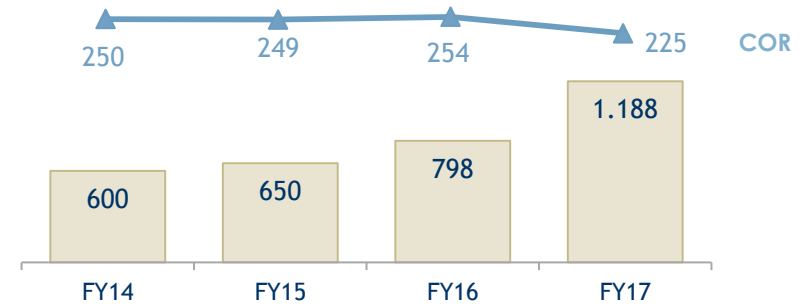


... with strong risk management/pricing capabilities ...

Net profit (IDRbn)
COR (bps)

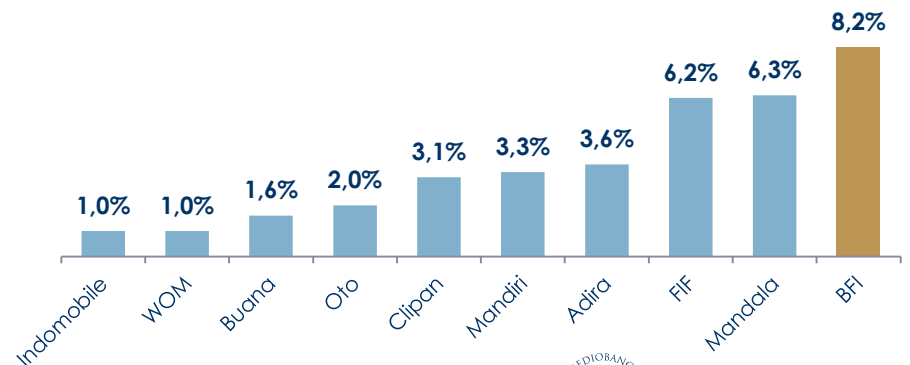
Net profit 4YCAGR +24%

NPLs/Ls = 0.9% (NPLs¹ are 100% provisioned after 270days)



... and become the most profitable Indonesian MFI

Post-tax RoAA (%) - data are at YE 2017 for BFI, YE2016 for the Company peers

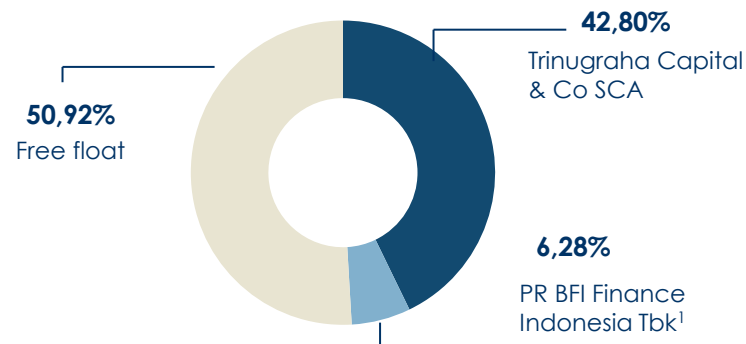


SHAREHOLDERS – QUALITY INTERNATIONAL PRESENCE

- ◆ **BFI is 42.8%-owned by Trinugraha Capital SA**, a consortium of private equity funds that includes TPG and Northstar
- ◆ **Free float**, beside retail investors, **includes various international outstanding institutional investors**
- ◆ **Roughly 80% of BFI shareholders are international**

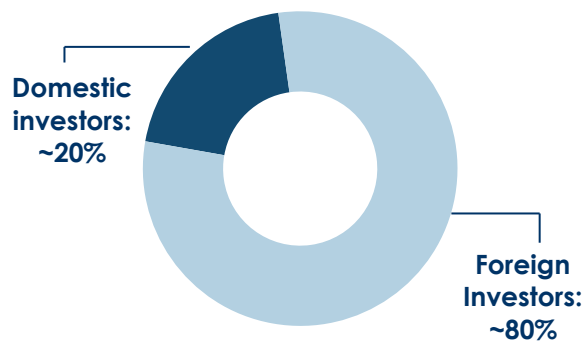
Shareholder composition

Source: Company



Significant international presence ...

Source: Company



... of global institutional shareholders

Source: Bloomberg

Based on data available on Bloomberg, the table on the right shows the key shareholders within the free floating shares

| | |
|--|-------|
| NT Asian Discovery Fund | 9.90% |
| J.P. Morgan Asset Management (Singapore) Ltd | 1.80% |
| Goldman Sachs Group Inc | 1.48% |
| Matthews International Capital Management, LLC | 1.03% |
| FIL Investment Management (Singapore) Ltd | 0.74% |
| Commonwealth Bank of Australia | 0.59% |
| J.P. Morgan Asset Management (Singapore) Ltd | 0.08% |
| BNP Paribas Asset Management USA, Inc | 0.05% |
| Virtus Investment Partners | 0.04% |

BFI FINANCE: KEY FINANCIAL INFORMATION

| IDRbn | FY13 | FY14 | FY15 | FY16 | FY17 | 4Y CAGR | FY17 €m ⁽¹⁾ |
|---------------------|--------------|--------------|--------------|---------------|---------------|------------|---------------------------|
| Net revenues | 1,467 | 1,796 | 2,118 | 2,435 | 3,145 | 21% | 185 |
| o/w NII | 1,082 | 1,281 | 1,412 | 1,609 | 2,088 | 18% | 123 |
| Net profit | 509 | 600 | 650 | 798 | 1,188 | 24% | 70 |
| Loan book | 7,239 | 8,559 | 9,898 | 11,583 | 15,352 | 19% | 904 |
| Banks debt | 3,172 | 3,933 | 5,637 | 4,691 | 6,819 | | 402 |
| Bonds outstanding | 1,454 | 1,622 | 1,681 | 2,965 | 3,909 | | 230 |
| Equity | 3,363 | 3,567 | 4,019 | 4,255 | 4,904 | | 289 |
| NPL ratio | | 1.4% | 1.3% | 0.9% | 0.9% | | 0.9% |
| C/I | 45% | 45% | 46% | 46% | 43% | | 43% |
| COR (bps) | | 250 | 249 | 254 | 225 | | 225 |
| ROE | | 17% | 17% | 19% | 26% | | 26% |

1) Exchange rate (IDR/€: 16.974)

HOW CAN COMPASS LEVERAGE ITS STRENGTHS IN INDONESIA

BFI is the perfect option for Compass as a leading consumer finance company in Indonesia, already profitable and with a business model that can be leveraged and accelerated by Compass which can add significant value as a strategic investor by contributing its expertise in credit management (both underwriting and collection), product innovation and cross selling

COMPASS

Credit risk assessment

Advanced scoring models and risk pricing capability

Collection

Data-driven, highly industrialized processes

Ability to craft distribution agreements

Top-level service to both customers and dealers

CRM advanced platform

Predictive models to run event-driven cross selling

Customized product design

Flexible product customization for marketing campaigns

BFI

Established platform

Large multifinance company

Outstanding management

Senior management with long-tenured experience, Reputation and track record

Fast growing

Loan book has grown by more than 2x in the last 5Y

Profitable

Significant profitability, higher than peers' average

Risk control

Excellent "Compass-like" risk management

DEAL STRUCTURE

Compass has agreed¹ to acquire a 19.9%² stake in BFI

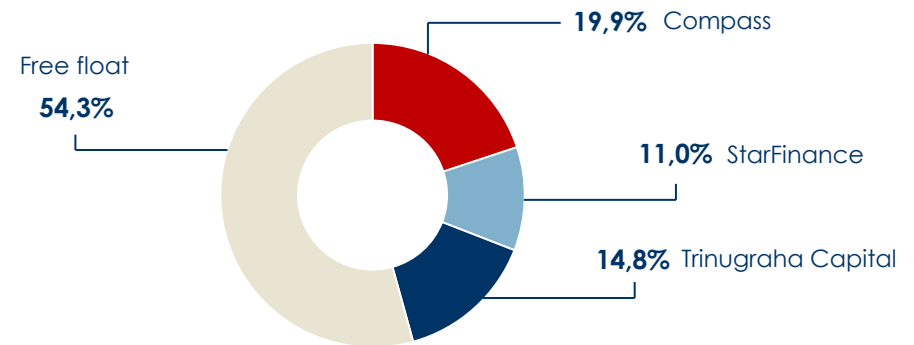
Main deal features

A first step in the Indonesian market

- ◆ Indonesia will be a new growth driver for Compass to leverage its business strengths. The investment represents an **entry point for Compass to access the Indonesian market progressively**
- ◆ The stake will, at this stage, be treated as a **financial investment. In the medium term Compass will evaluate to increase the stake and to go to full consolidation.**
- ◆ **The management team will continue to manage the company**
- ◆ **Due to the potential upside the seller will retain an approx. 15% stake** and a group of Italian investors has decided to invest at the same time as Compass

Post-deal shareholder structure¹

An attracting opportunity

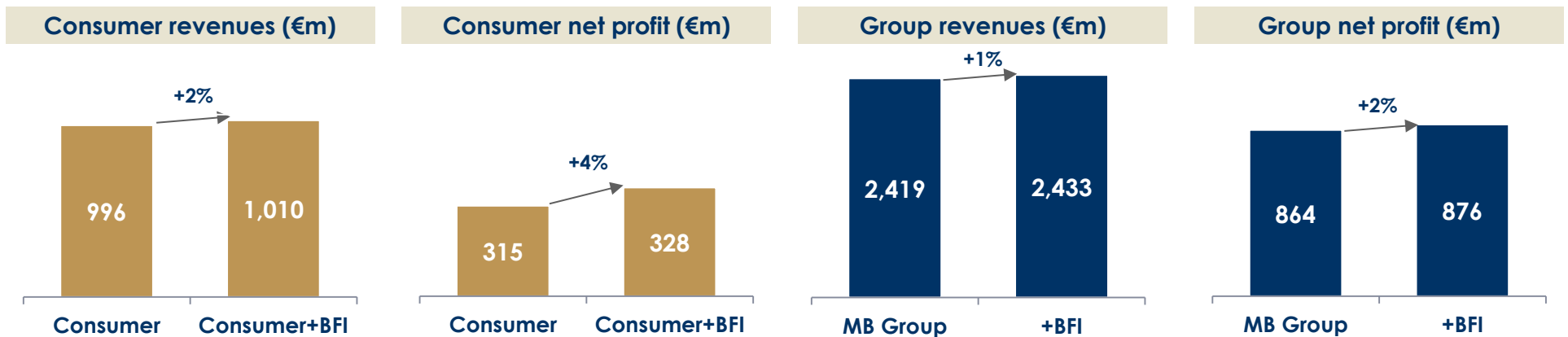


- ◆ **New investors: 30.9% with Compass holding 19.9%¹ and StarFinance (Italian SPV gathering private investors) holding 11%**
- ◆ **Sellers: Trinugraha retaining a stake** to further benefit from the company's growth.

POSITIVE IMPACT ON COMPASS AND MB GROUP

Another disciplined investment, with limited K absorption, representing a significant potential growth opportunity for the Group

- ◆ **The investment will be accounted for using the equity method** (with net profit booked pro rata accordingly). This will apply to both Mediobanca Group and business line (Consumer Division)
- ◆ **The investment will be fully deducted from MB Group CET1 and will absorb ~30bps**
- ◆ **The impact on Compass will be accretive:** revenues up 2%, net profit up 4%
- ◆ **The impact at Group level will also be accretive:** revenues up 1%, net profit up 2%





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