

Module Product Development & Digitalization

Made and Presented by: BRI Research Institute, Micro
Business Development

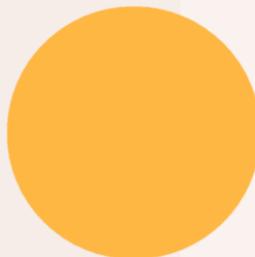




20
23



BRI-MICRO BANKING



**Product
Development
& Digitalization**

Micro Business Development Division
BRIEF (BRI International Delegation Forum)



BRIVOLUTION 2.0

"To be the most valuable **banking** group in SEA and champion of **financial inclusion**."



\$75Bn Market Cap



90% Financial Inclusion



Home to the "Best Talent"



"Digital First" DNA



"Agile & Entrepreneurial" Mindset

MICRO

"Champion for financial inclusion, recognized as a global innovator in micro banking"

- Giving power in the hands of micro businesses
- Digital innovation at scale

55 mn unbanked adult inclusion

>70% market share

~30% digital sales

Champion for financial inclusion, recognized as a global innovator in micro banking

>70% Market Share

55 Mn new accounts registered for the unbanked

~30% Digital Sales

Giving power in the hands of micro businesses

- Empower micro business to be more independent: hyper-local ecosystem, one-stop shop
- BRILink 2.0 Expand inclusion for UMi segment

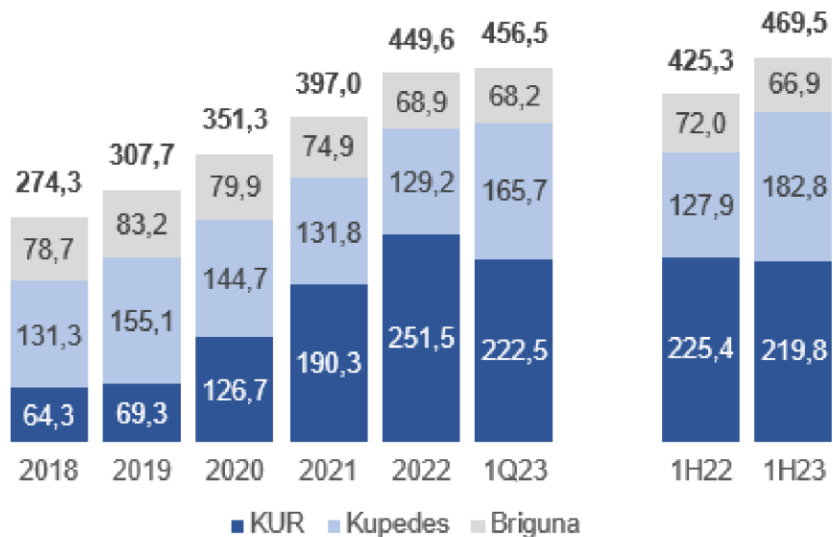


Digital innovation at scale

- Strengthen mantri's sales tools (BRISPOT 2.0)
- Develop digital self-service platform
- Launch analytics model to cross-sell

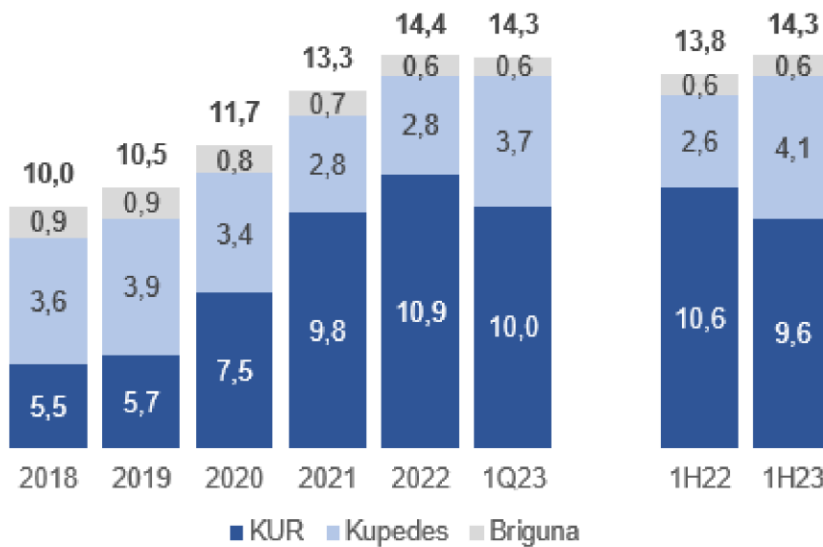
Micro Loan Outstanding

(IDR Tn)

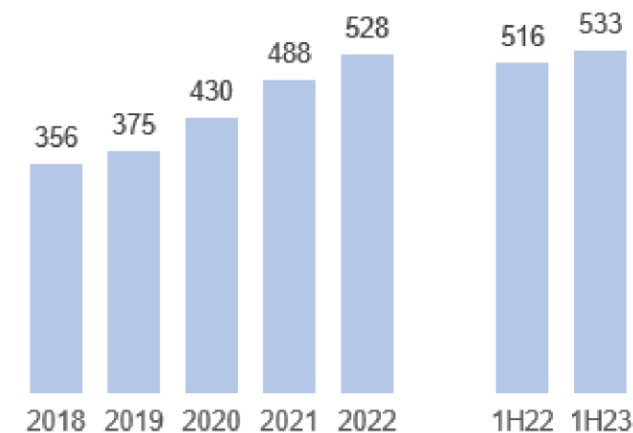


Borrowers

(in Mn)



Borrowers per Loan Officer



Growth YoY

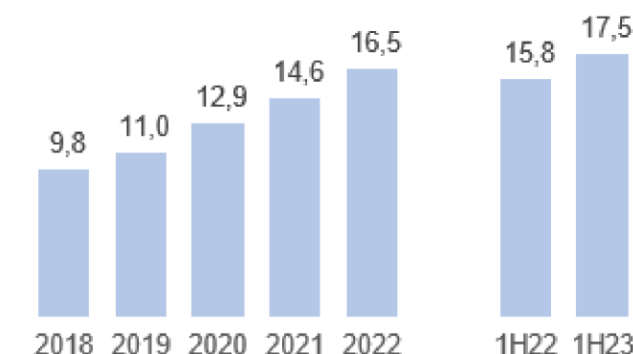
Product	2018	2019	2020	2021	2022	1Q23	1H22	1H23
KUR	8.5%	7.9%	82.8%	50.1%	32.2%	4.1%	45.8%	-2.5%
Kupedes	20.6%	18.1%	-6.8%	-8.9%	-1.9%	29.3%	-5.1%	43.0%
Briguna	10.4%	5.8%	-4.0%	-6.3%	-8.0%	-7.2%	-6.8%	-7.1%
Total	14.5%	12.2%	14.2%	13.0%	13.3%	9.9%	16.0%	10.4%

Growth YoY

Product	2018	2019	2020	2021	2022	1Q23	1H22	1H23
KUR	7.4%	4.5%	31.4%	31.1%	10.8%	-3.3%	22.3%	-8.7%
Kupedes	7.2%	8.7%	-12.8%	-19.5%	2.7%	43.0%	-14.8%	57.3%
Briguna	-1.9%	-3.9%	-9.8%	-10.1%	-13.6%	-10.4%	-12.6%	-10.7%
Total	6.5%	5.3%	11.4%	13.5%	7.8%	5.3%	11.0%	3.7%

Loan OS per Loan Officer

(in Bn)

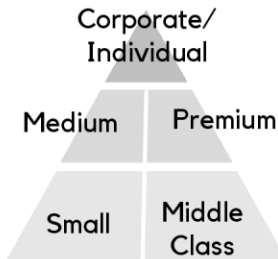


Bank only numbers

Well-positioned To Serve The Growing Financing Needs of the Segment

National Posture of Indonesian Enterprises and Individuals

- 1 **Corporation:** ~5.6k business with sales of >Rp50 Bn and working capital of >Rp50 Bn
- 2 **Medium:** ~44.7k businesses with sales of >Rp15 Bn – Rp50 Bn and working capital of >Rp5 Bn – Rp10 Bn
- 3 **Small:** ~194.0k businesses with sales of >Rp2 Bn – Rp15 Bn and working capital of >Rp1 Bn – Rp5 Bn



- 1 **High Net Worth Individual:** 129k people with assets of >IDR500 Bn
- 2 **Premium:** ~1.1 Mn people with assets of >IDR500 Mn
- 3 **Middle Class:** ~90mn people with assets of IDR50mn – IDR500mn

4 Micro & Ultra Micro

- ~64mn businesses, incld. ~45mn businesses eligible for Ultra Micro loans
- Access to group loans or KUR only

4 Micro

- c. ~165mn people with ample knowledge of basic saving product, but low for investment and insurance
- Start using digital banking technology

Ultra Micro

- Mostly reliant on informal funding



Mass
Micro and Ultra Micro

BRI Micro & Ultra Micro Comprehensive Business

Large Customer Base

● **+36.0 Mn** Borrowers
(+14.3 Mn BRI, +14.6 Mn PNM, +7.1 Mn Pegadaian borrowers)

Extensive Banking Channels

- **6,466** BRI Micro Outlets
● **4,086** Pegadaian Outlets
● **4,482** PNM Outlets
● **650,780** BRILink Agents

Comprehensive Product Offerings

- **Lending:** Individual, Group Lending, Pawn Lending
- **Deposits:** Saving Account, Current Account, Time Deposit
- **Insurance:** Life and Health Insurance, General insurance
- **Investment:** Gold Savings
- **Other Services**

Digitized Business Process

- **BRISPOT Micro, Pegadaian Selena, PNM Digi** (Digital Loan Underwriting System)
- **Senyum Mobile** (cross referral system)
- **BRILink Mobile** (Mobile App for Brilink Agents)

Source: Ministry of Cooperatives and SMEs's published data (2021) and BRI's public filings



Go Smaller



Go Shorter



Go Faster



Go Cheaper

Targeting customers with smaller ticket sizes, shorter tenors, faster processing and more affordable fees.
The ultimate goal is to serve the widest possible community at a more affordable cost that was previously underserved.

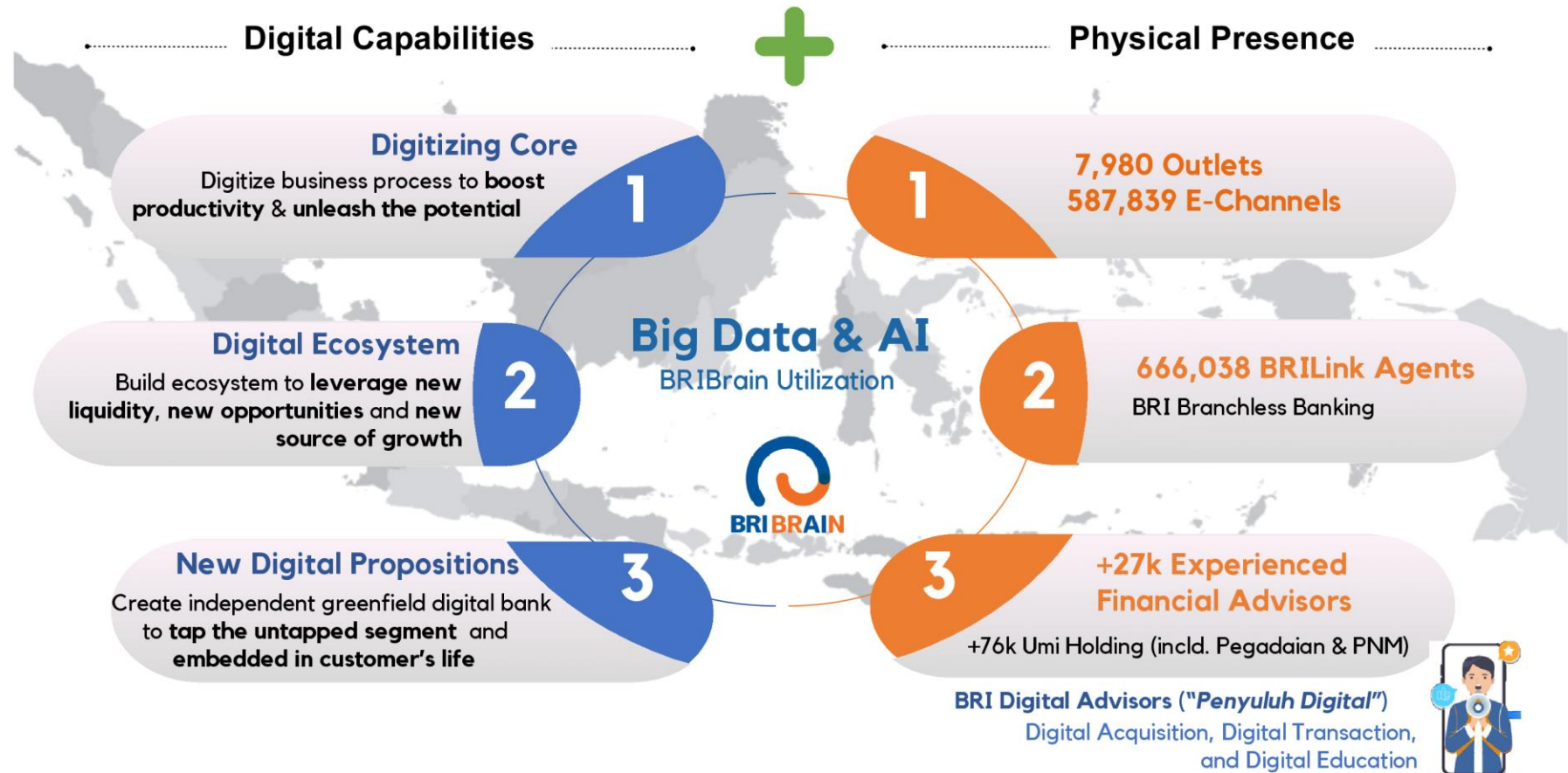
HYBRID BANK BUSINESS MODEL

Combining Physical Presence and Digital Capabilities (Phygital) to Match Customer Journey

Key Characteristics of Ultra Micro & Micro Customers

- 1 **Familiar with digital platforms**, although smartphone penetration remains low
- 2 **Limited knowledge** of financial products beyond savings account
- 3 **Cash** still being the **dominant chosen method of transactions**
- 4 Need a financial institution that is **"locally embedded"** and is able to **"gain their trust"**
- 5 Majority **without stable income**
- 6 **Prefers banking via an agent** rather than digital banking model
- 7 Open to beyond banking offerings **to help grow the business**

HYBRID BANK



FOCUS ON INCREASING SUSTAINABLE PROFIT

Overarching Strategy: Boost Kupedes loan Growth to Increase Profitability

Product Innovation & Alignment

- Kupedes Rejuvenation**
- Bullet loan
 - Hybrid scheme (Kupedes Utama)
 - Auto renewal
 - Pre-approval
- KECE (Kupedes Extra Cepat)**
- Lower ticket size
 - Shorter tenor
 - Faster approval
- Simpedes Bisa**
- Micro savings product with investment & protection features
- Product Realignment**
- Aligning micro loan product within BRI, PNM (Ulaam) and Pegadaian (Kreasi)

New Business Model

Co-Location Senyum Sharing network among BRI, Pegadaian & PNM to offer wider access for UMi customers & enhance cross selling

BRILink Mitra UMi

Redefine BRILink agents' roles as the primary loan acquirer and to empower Ultra Micro Segment



Micro Hyperlocal Ecosystem Develop micro payment ecosystem to capture micro transactions, boosting CASA, and fee income

Business Process Reengineering



Enhancing Digital Micro Loan Underwriting Application

Sales management, Monitoring & evaluation, Cross selling, Origination & approval



Integrated digital sales platform for BRI, Pegadaian & PNM to enable cross selling & joint acquisition

Loan Officers' Business Coverage

Loan Officer Designated Coverage Area



Designated Coverage Area prevents overlapping customers and enables loan officers to work more efficiently with a better familiarity to maximize the potential of an area.

Big Data Advance Analytics (BRIKODES) as BRI's inclusion management tool which produces recommendation matrices up to sub-district level (inclusion, product holding, digital literacy & risk management)

New Rules of KUR Disbursement

KUR Allocation Breakdown Parameter

- Kupedes Borrowers Growth
- Kupedes OS Growth
- KUR Loan Quality

KUR allocation was determined monthly based on several parameter

Breakdown Mechanism

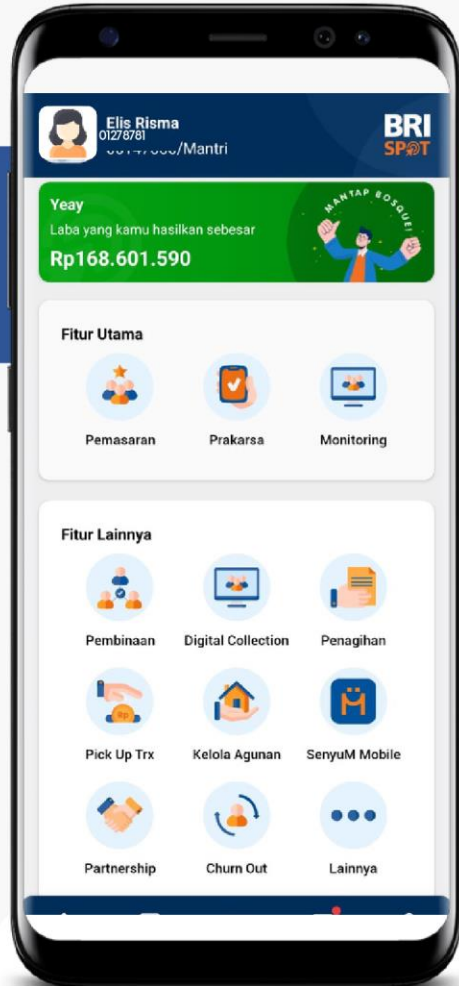
Mar'23 - First Breakdown



Q1 → Q2 → Q3 Evaluation

The new mechanism encourages the distribution of Micro KUR to remain maximal but still maintain Micro yield by growing customer base and high Kupedes growth

Improving Productivity and Efficiency by Digitalizing Business Process through BRISPOT



+100K Users

(loan officers & approvers)

+140 Impactful Features

Micro +65
Small +34
Consumer +43

BRISPOT Features

○ Boost Productivity

- Sales & pipeline
- Portfolio balancing dashboard
- Profit & loss portfolio

- Working area mapping
- UMi corner integration
- BRILink partnership

○ Increase Efficiency

- Automated pre-screening
- Less paper
- All in one application

- Pick up transaction
- BRISURF integration
- Online loan application letter register

○ Strengthen Risk Management

- Monitoring & evaluation
- Monitoring point to point
- "Activity Today"

- Assistance
- Early warning system
- Loan collection
- KUR limit monitoring

Boost Productivity & Unleash the Potential

Digitalization

Before

- Double work
- Variative financial assessment
- No cross-selling module



After

- All in one go
- Standardized template
- Build-in cross-sell module

Automation

Before

- Manual prescreening
- Manual disbursement
- Manual reminder by loan officer



After

- Automatic prescreening
- Automatic disbursement
- SMS & email notifications

Simplification

Before

- Paper based loan application
- Manual mapping
- Approval process in 20 days

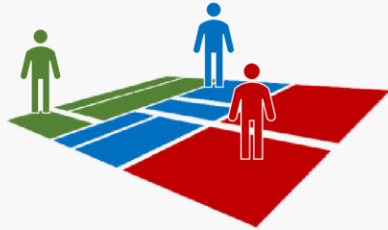


After

- Paperless loan application
- Geo-tagging technology
- Less in 1 day

Micro Segment Strategy : Mantri Revitalization

The Implementation of Mantri Working Area



BRI managed to codify more than 90 thousand Mantri working area (in the level of villages / wards) through geography-based approach



The BRISPOT system ensures that the sales (loan disbursement) activities of Mantri must be carried out according to the work area

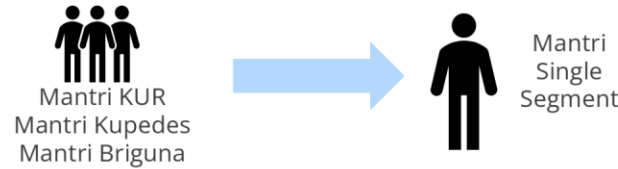


Mantri is responsible for optimizing all business potential (loans, savings, and transaction) and existing ecosystems in the work area

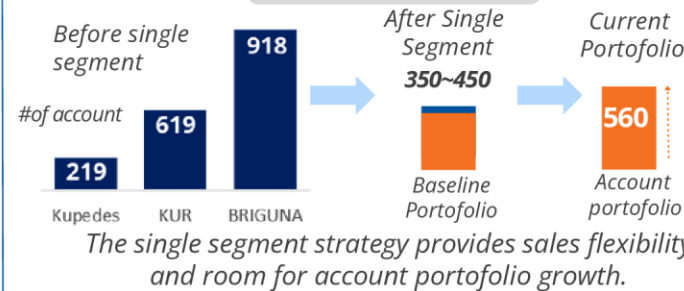


Upscaling the role of Mantri to become financial advisors in the work area through relationships with local stakeholders

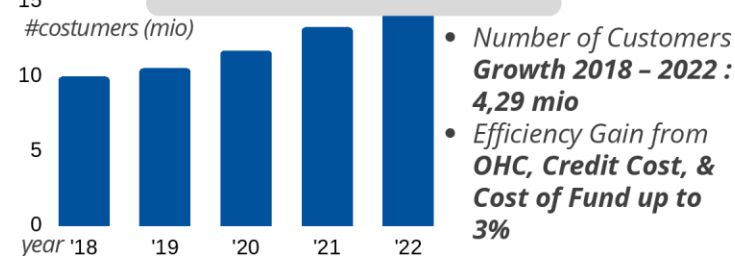
The Implementation of Mantri Single Segment



Account Portfolio

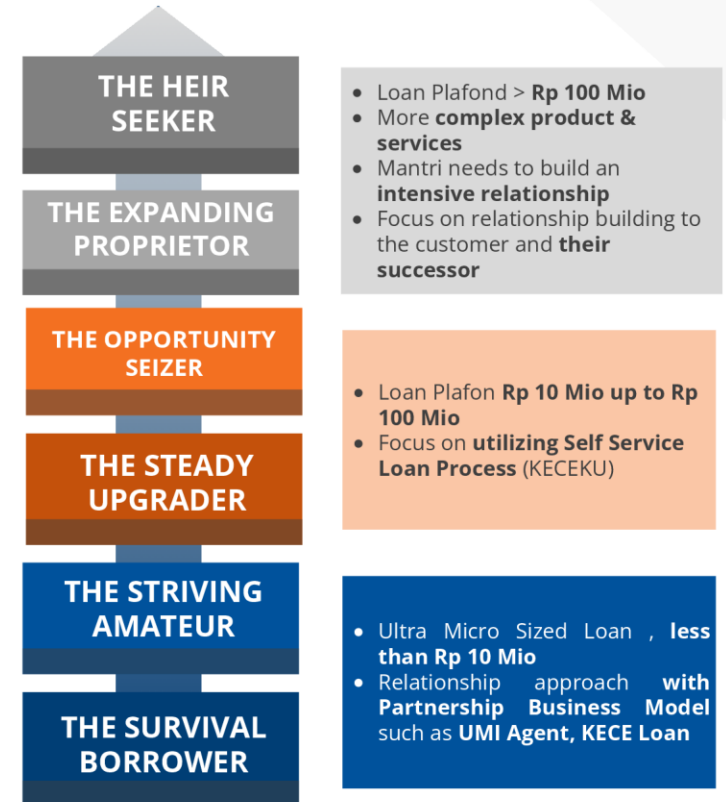


Business Follow Stimulus



Micro Segment Relationship Model

Micro Customer Persona



Source : SOMIA, Rejuvenasi Kupedes 2019

- The Fundamental of the micro segment strategy is maintaining discipline in executing tasks within a geographic working area which requires a combination of careful planning (through BRISPOT), effective communication with local stakeholders, and a strong understanding of the geographical context (Potential).
- The single segment strategy provides sales flexibility for mantri so they can disburse any loan products either it is KUR, Kupedes, or Briguna as long as the potential is available in the working area. At the same time, single segment strategy also calibrated the Mantri account portofolio so mantri may have a room for growth in the future
- Looking back at the pandemic situation, the single segment strategy allowed all Mantri to disburse KUR which align with the Corporate Strategy "business follow stimulus", therefore today BRI acquire more than 4,2 mio in customer growth and at the same time gained up to 3% in efficiency
- The behavior of Micro segment customers can be divided into five (5) personas, each of which requires a specific product, services, and relationship approach. By using insight from scientific research and data analytics, BRI micro segment has built some platforms that provide an effective & efficient approach for Mantri to manage all the personas

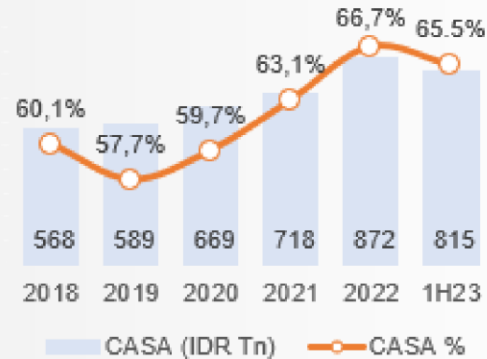
BRI CASA Performance

CASA Potential

Broad range of products for various customers' needs

- Savings - Simpedes, Simpedes BISA, Simpedes Usaha, Simpedes UMi, Britama, Britama Bisnis, Britama Valas, , Britama Rencana, Britama Junio, Tabunganku
- Current Account - Giro BRI

CASA Growth (IDR Tn)

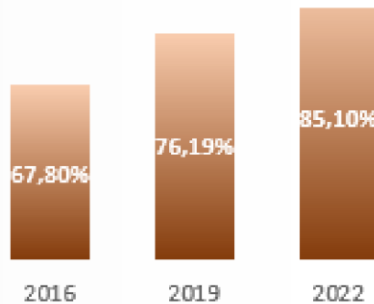


CASA growth of 8.7% (CAGR 2018 – 1Q'23)

Cost of Fund

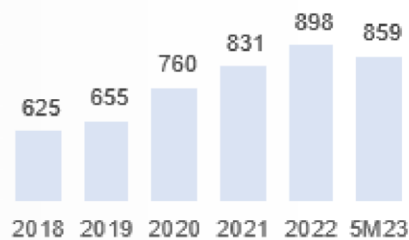


Financial Inclusion Index

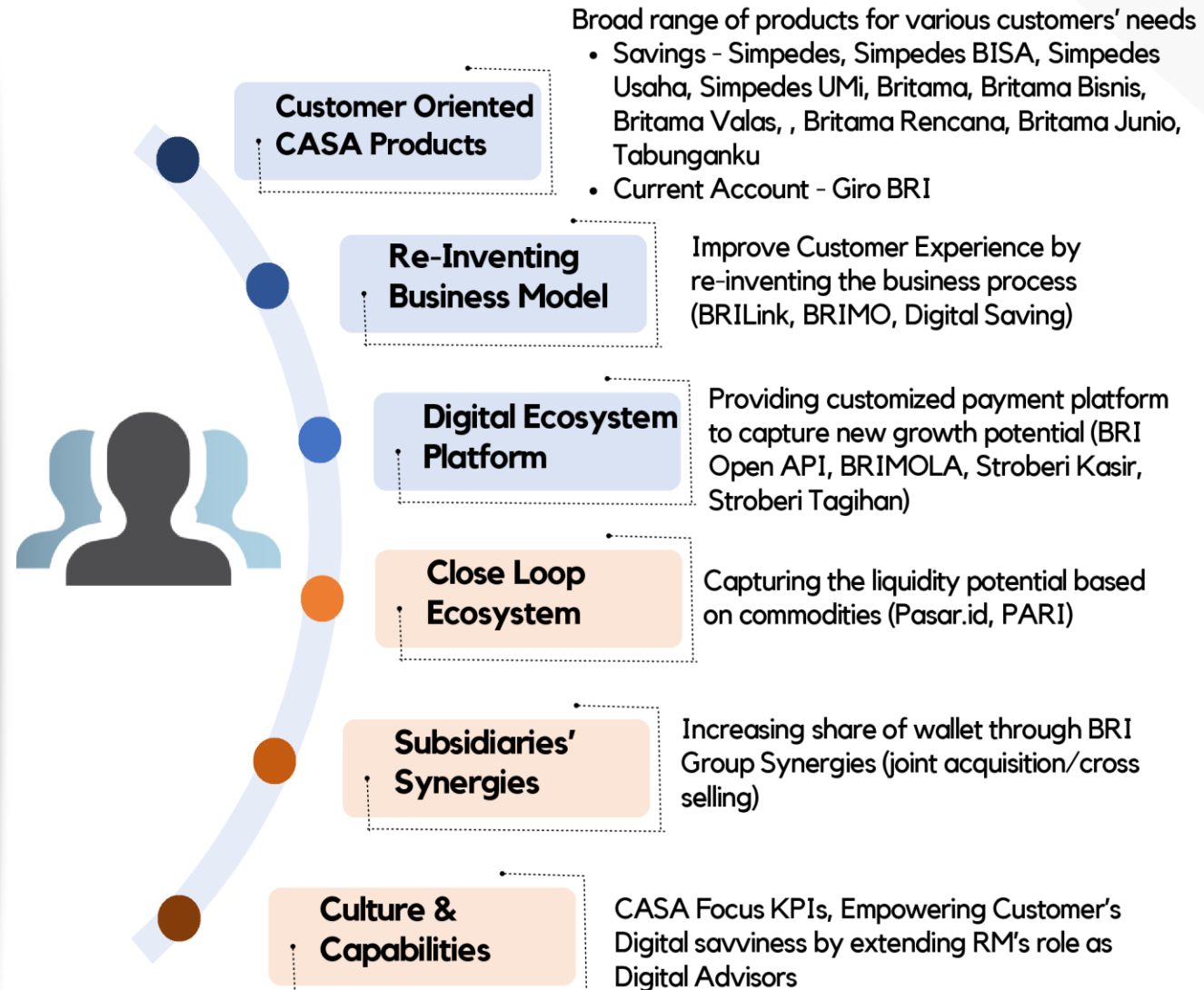


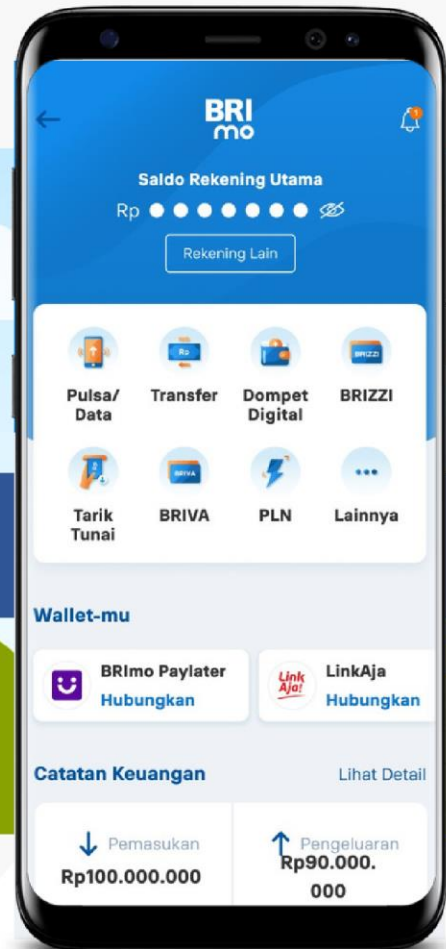
Source: National Survey of Financial Literacy & Inclusion 2019 by Financial Services Authority

Money Outside Banks (IDR Tn)



*Source: Indonesia Financial Statistic Nov 2022;





10-in-1 Ecosystem

Financial Superstore

Cross Border Transaction

Customer Engagement

BRImo
High downloaded mobile banking with the highest app rating

App Store
4.7 10M+ downloads
123k reviews

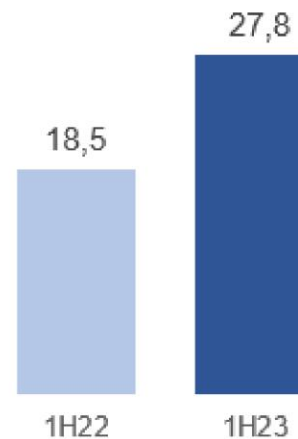
Google Play Store
4.5 10M+ downloads
1.1M reviews

Outstanding performance with significant double-digit growth

Users

(in Mn)

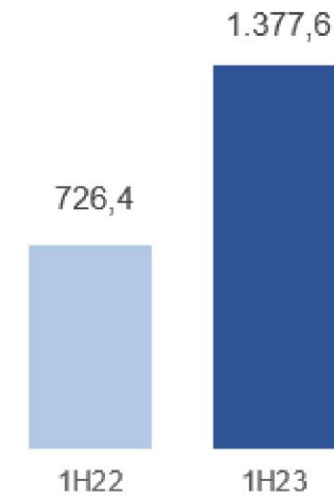
+50.6% YoY



Financial Trx

(in Mn)

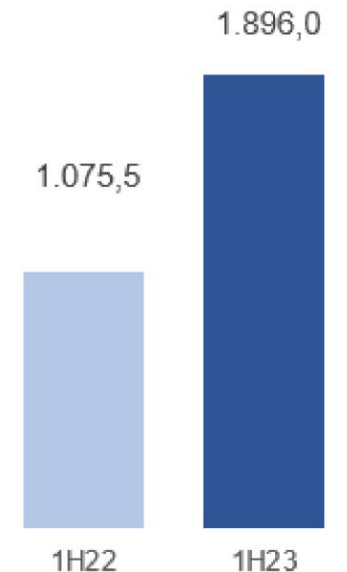
+89.6% YoY



Trx Value

(IDR Tn)

+76.3% YoY





THANK YOU

Micro Business Development Division
BRIEF (BRI International Delegation Forum)

