

Financial Review

Marketing Strategy in 2019

To increase its business both in terms of deposits and loans, the support of integrated marketing communication activities is vital for BRI. The communication strategy aims to increase awareness, knowledge, and activation of BRI products and services as well as programs both to existing customers (increasing loyalty) and prospective customers (increasing purchase intention).

In general, in achieving BRI's objectives at the end of 2022 to become "The Most Valuable Bank in South East Asia and Home to the Best Talent", through the 2019 strategy theme of "Leading Consumer Banking in Indonesia", BRI's marketing strategy will focus more on products that are substantially based on individuals/retail both on the transaction, lending, and specifically on funding.

Starting in 2019, BRI's marketing activities will also be influenced by external and internal conditions. Externally, the decline in the banking NIM has resulted in increased revenues of BRI through products transactions. In addition, the influence of millennial and post millennial generation developments that have "consumerism as life" habit also requires an approach to products that can meet their needs dynamically and through more flexible, personal and easily accessible communication channels, such as the use of digital communication channels as this generation is very potential to become a future customer of BRI. Internally,

in terms of retail funding in this case savings, is an entry gate for E-Banking products & features that are able to become the main locomotive in fee-based income.

Micro, small and medium enterprises (MSMEs), which is BRI's business backbone and targeted to increase their market share, will also receive special priority to ensure sustainability from the aspects of awareness, image & loyalty. In addition, the communication strategy is also focused on the Business to Business (B2B) segment and is conducted in a more customized manner to be more optimal in capturing opportunities & potential of the value chain on the market. Programs that can strengthen the fund structure in this case CST Program will get more attention considering its strategic role to ensure funding stability as well as price competitiveness.

BRI also captures business potential from the wealth management services and financial planning with the concept of one stop financial solution in the customers financial management. Several strategies to increase funds acquisition and fee-based income include:

1. Organize national/regional scale programs and integrated with other work units including BRI subsidiaries to build an ecosystem that can increase value and profit for BRI.
2. Utilize corporate customer value chains to increase funds acquisition, particularly demand deposits and savings.

3. Sustain cross selling for insurance, investment and other financial service products to existing customers with the development of supporting application systems for reporting, monitoring and evaluation activities such as customer portfolio management applications, medallions and other applications in accordance with BRI's business and customers needs.
4. The implementation of sales effectiveness programs that focus on CASA growth collaboration and productivity of cross selling products that are oriented towards customer needs.

Enhance customer experience in all BRI e-channels and e-banking as well as carry out product development and marketing strategies that focus on the target markets of millennials, women and netizens (active internet users).

DIVIDEND AND DIVIDEND POLICY

Dividend Policy

In deciding the dividends amount for the shareholders, BRI pays attention to the projected factors for future business growth, fulfillment of the capital adequacy ratio and the sustainable factor of the return on

Financial Review

equity in the next three years. The decision to determine the dividends amount is taken at the Annual General Meeting of Shareholders (AGM).

Total Dividend Payout

Pursuant to the Annual General Meeting of Shareholders held on 22 March 2018, based on the Company's net profit for fiscal year 2017 amounted to Rp28.47 trillion,

with 45% ratio, the dividend was distributed at Rp13.05 trillion. The shareholders approved the increase of dividend payout ratio from 40% of net profit in 2017 to 45% of net profit in 2018. Total cash dividend per share was Rp106.75 and has been paid on 25 April 2018 to the Shareholders of names are listed in the Shareholders Registry dated 31 March 2018.

BRI Dividend Payout

Description	2016	2017	2018
Net Profit (Rp billion)	26,285.25	29,045.05	32,418.49
Dividend Distribution Percentage (%)	30	40	45
Cash Dividend per Share (Rp full)	311.66	428.61	106.75
Payment Date	22-Apr-16	13-Apr-17	25-Apr-18

CONTRIBUTION TO THE STATE

Aligned with its business growth, BRI has directly and indirectly contributed to the state. The indirect contribution was provided by fostering economic growth through lending and other banking services. BRI also engages in various government programs particularly in the eradication of poverty and equal prosperity, among

others by the disbursement of people's business loans (KUR) and infrastructure financing. Moreover, BRI also participates in safeguarding the nation sovereignty by providing banking services to the abandoned, isolate and desolate remote areas (3T) supported by BRISat satellite technology.

BRI direct contribution to the state is through tax payments as well as dividend payout to the Government of RI as BRI ultimate shareholder. The following is BRI contribution on Taxes and dividends.

Taxes and Dividends Contribution

No	Taxes	2016	2017	2018
1	Income Tax Article 21	1,029,521	834,583	1,319,719
2	Income Tax Article 22	33,817	20,789	19,541
3	Income Tax Article 23	104,646	133,348	170,931
4	Income Tax Article 26	756,000	959,794	1,102,587
5	Income Tax Article 26)	4,020,859	3,904,048	4,197,500
	Sub Total Tax Output	5,944,843	5,852,562	6,810,278
6	VAT & VAT for Luxury Goods	116,204	108,370	156,647
7	Corporate Income Tax	8,877,164	9,064,649	9,845,709
8	Dividends	4,363,259	6,000,477	7,472,281
	Total (Taxes + Dividend)	19,301,470	21,026,058	24,284,915