



Establishing an Ultra Micro Ecosystem: New Driver to Grow Sustainably, to be a Champion of Financial Inclusion

PT BANK RAKYAT INDONESIA (PERSERO) Tbk

September 2021



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After more than two months since BRI announced our plan to establish the Ultra-Micro Ecosystem (“UMi Ecosystem”), we are now in **the final phase of this journey** that we **expect to finish by the end of September this year**. We thank all our shareholders for their continued support and trust.

The UMi Ecosystem, serving as the embryo of the micro and SME segments, has been set as one of our **new sources of growth**. This is also **part of our long-term strategy that we call BRIVolution 2.0** that aims to **secure strong and sustainable future growth** and helps achieve our vision to be **“The Most Valuable Banking Group in Southeast Asia and Champion of Financial Inclusion”**.

BRI which will later become the holding company of the UMi Ecosystem has **more than 125 years of experience serving the micro segment and is a proven leader in micro banking in Indonesia**. As the business environment evolves into a digital economy, BRI has adopted a hybrid bank model strategy by combining our three core strengths – our extensive network supported by BRILink agents, our advanced digital capabilities, and experienced financial advisors. We believe that **the integration of BRI’s core strengths with Pegadaian and PNM’s unique business models will create an integrated business journey for UMi entrepreneurs** by providing more extensive, affordable, and faster access to formal financial services.

As part of the establishment of UMi Ecosystem, **BRI has prepared robust integration plan and strategies, supported by Bank’s in-placed infrastructure and capabilities**, to achieve the synergies of the three entities. We expect that the establishment of the UMi Ecosystem will **deliver economic and social benefit for the three entities, the ultra micro segment and the nation’s economy**. The UMi Ecosystem will also be the **catalyst for the achievement of Sustainable Development Goals (SDGs)** by empowering and extending equal access of banking services to the unbanked and underbanked population, as well as underprivileged female entrepreneurs.



Sunarso, CEO BRI

“The Most Valuable Banking Group in Southeast Asia & Champion of Financial Inclusion”

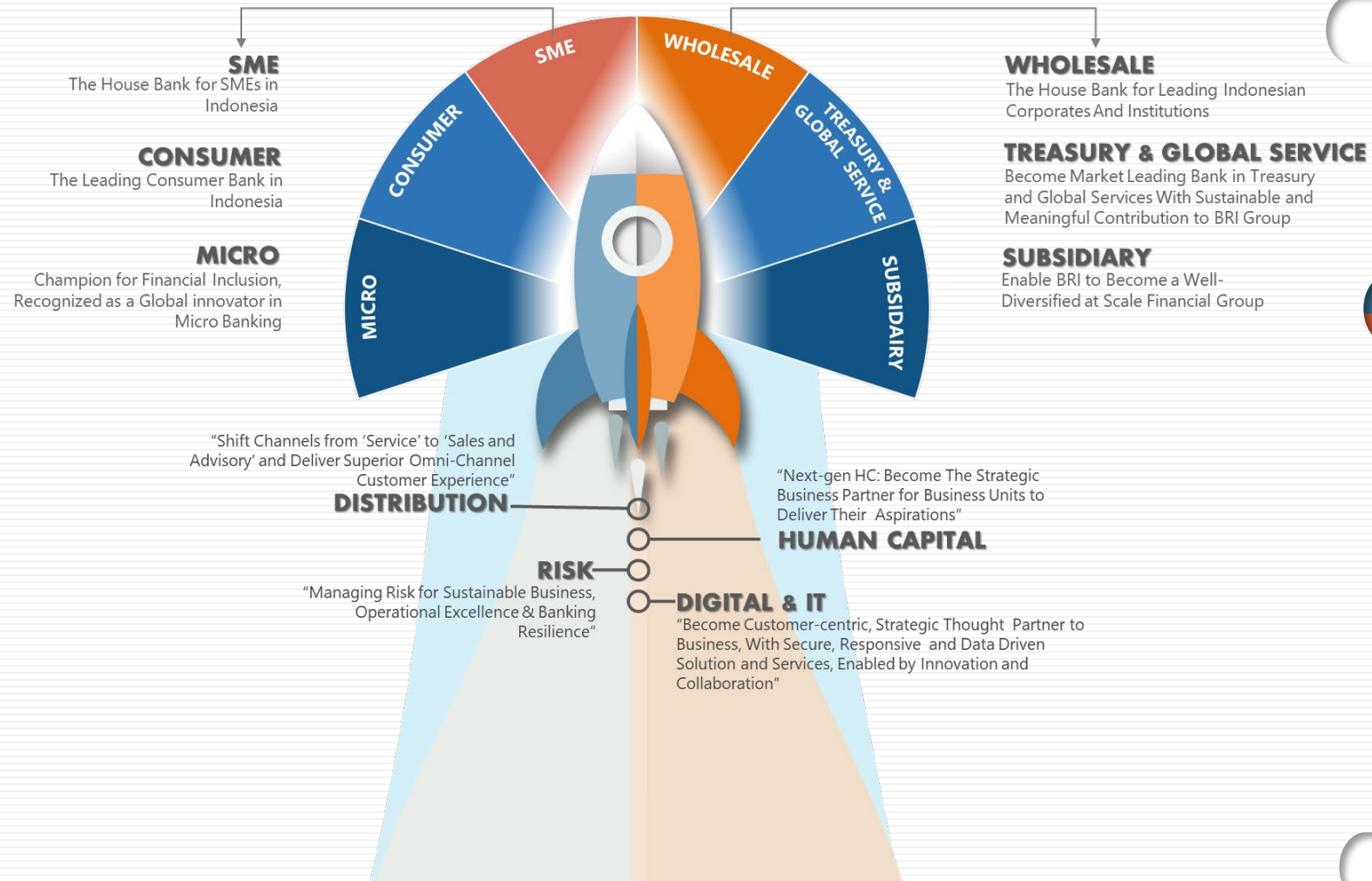
\$75Bn Market Cap

90% in financial inclusion

Digital First DNA

Agile & Entrepreneurial Mindset

Home to The Best Talent



Our Transformation is Anchored In Six Themes (6C)

Creating New Growth Engine

Accelerating CASA Growth

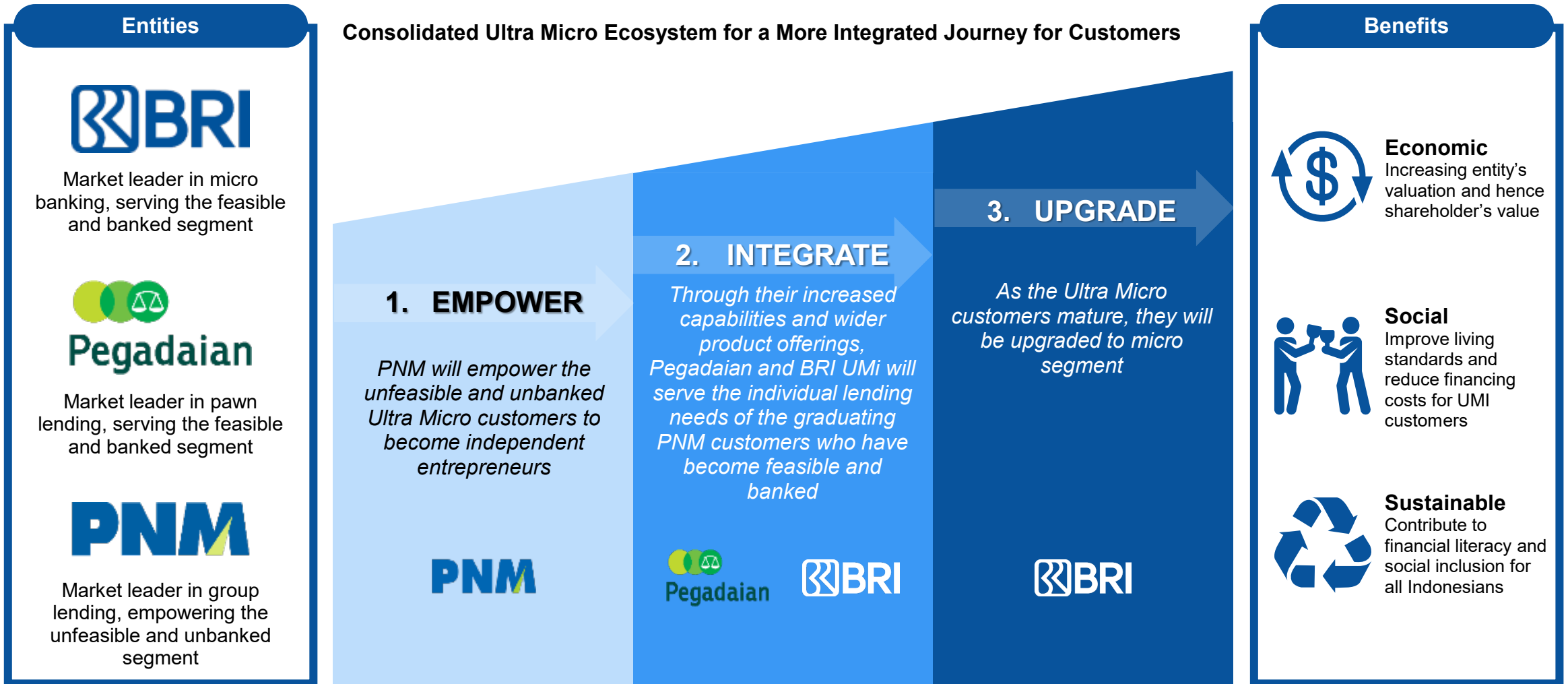
Enhancing Cross Sell to Boost Fee Income

Adapting Culture & Capabilities

Improving Customer Experience

Containing Credit Cost

Establishment of The Ultra Micro Ecosystem



Source: Company.

Ultra Micro SOE Holding Structure

1

To be the Champion of Financial Inclusion, BRI needs to identify and capture new source of growth

Ultra Micro Segment has been chosen due to its potential and similarity with BRI's core business

2

The Government expects that the sector-based SOE holding companies will have enhanced investment capacity to drive the country towards its economic potential

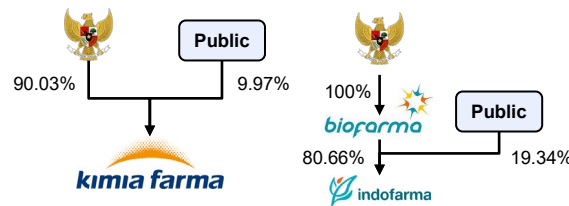
Ultra Micro Holding is one of the initiatives that will involve BRI, Pegadaian and PNM as an ecosystem

Examples of Precedent Formation of SOE Holding through Government's In-kind Contribution

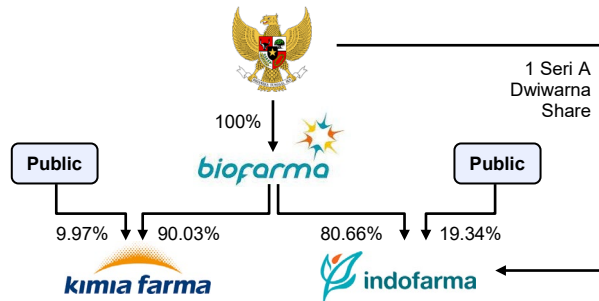
Pharmaceutical SOE Holding



Before



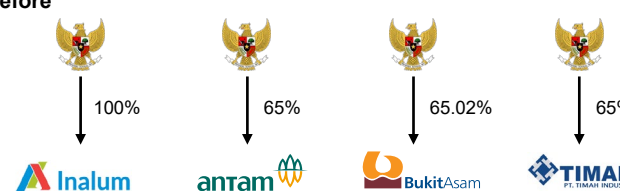
After



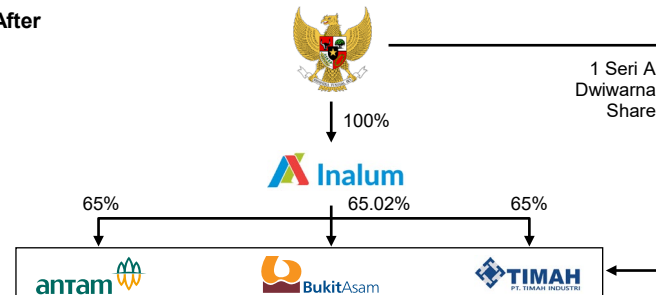
Mining SOE Holding



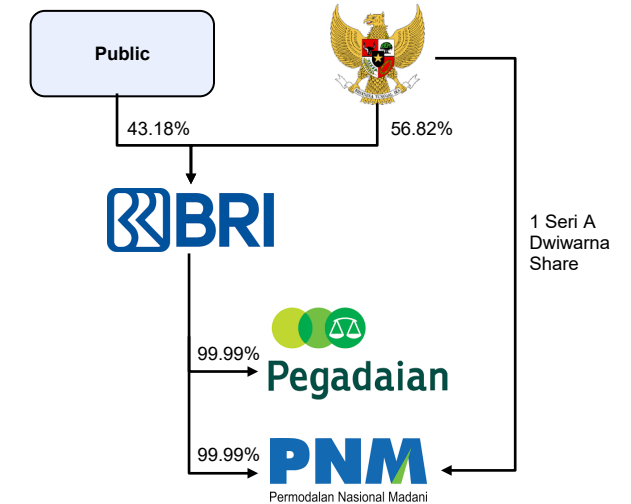
Before



After



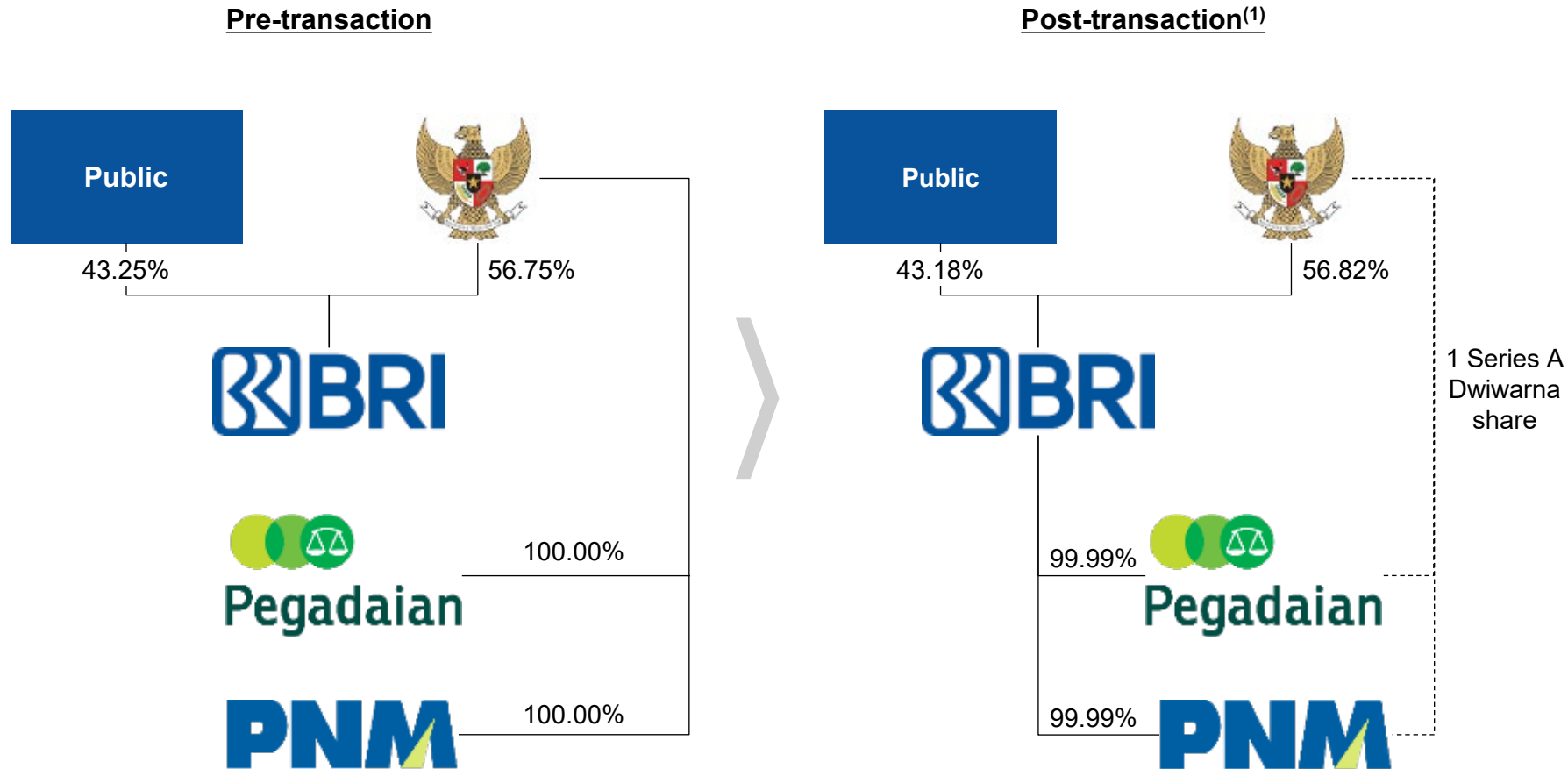
UMi SOE Holding⁽¹⁾



The establishment of Ultra Micro Ecosystem through holding scheme is part of Government's initiatives to optimize and enhanced SOEs role in enhancing nation's economic potential.

(1) Assumes 100% participation from Public.

Ultra Micro Business Combination



- The Government will exercise its rights in non-cash in-kind contribution through transfer of all series B shares it owns in Pegadaian and PNM
- After the Proposed Rights Issue, BRI will own all Series B Pegadaian and PNM shares, while the Government of Indonesia will still own 1 Series A Dwiwarna Share
- The resulting Government ownership and public ownership may be impacted depending on the result of participation in the rights issue

An Ultra Micro holding company would be established through the combination of the three business entities, offering a complete suite of financial services across commercial banking, pawn business and group lending to the ultra micro segment

Source: Company EGM announcement, press release.
(1) Assumes 100% participation from Public.

Rights Issue Offering



Terms of Proposed Rights Issue



Maximum number of shares to be issued	<ul style="list-style-type: none">▪ 28,213,191,604 Series B shares (all holders of existing shares that elect not to exercise rights will experience a maximum of 18.62% decrease in its aggregate percentage ownership of shares in BRI)
Rights Issue Value	<ul style="list-style-type: none">▪ Government's in-kind contribution: IDR54.77tn<ul style="list-style-type: none">– Fair market value of Pegadaian as of March 31, 2021: IDR48.67tn⁽¹⁾– Fair market value of PNM as of March 31, 2021: IDR6.10tn⁽¹⁾▪ Public cash contribution: IDR41.15tn assuming 100% participation
Exercise Price	<ul style="list-style-type: none">▪ IDR3,400
Rights Offer Ratio	<ul style="list-style-type: none">▪ 230,128,553 rights for every 1,000,000,000 Existing Shares
Use of Proceeds	<ul style="list-style-type: none">▪ Combination of the Ultra Micro Business, which is conducted through BRI's investment in:<ul style="list-style-type: none">– Pegadaian, in the amount of 6,249,999 Series B shares or representing 99.99% of the issued and paid-up capital of Pegadaian; and– PNM, in the amount of 3,799,999 Series B shares or representing 99.99% of issued and paid-up capital of PNM,and pursuant to the In-Kind Contribution by the Government▪ The remaining proceeds, in the form of cash, will be used for working capital for BRI in order to develop an ultra-micro ecosystem as well as micro and small businesses

Source: Offering Circular.

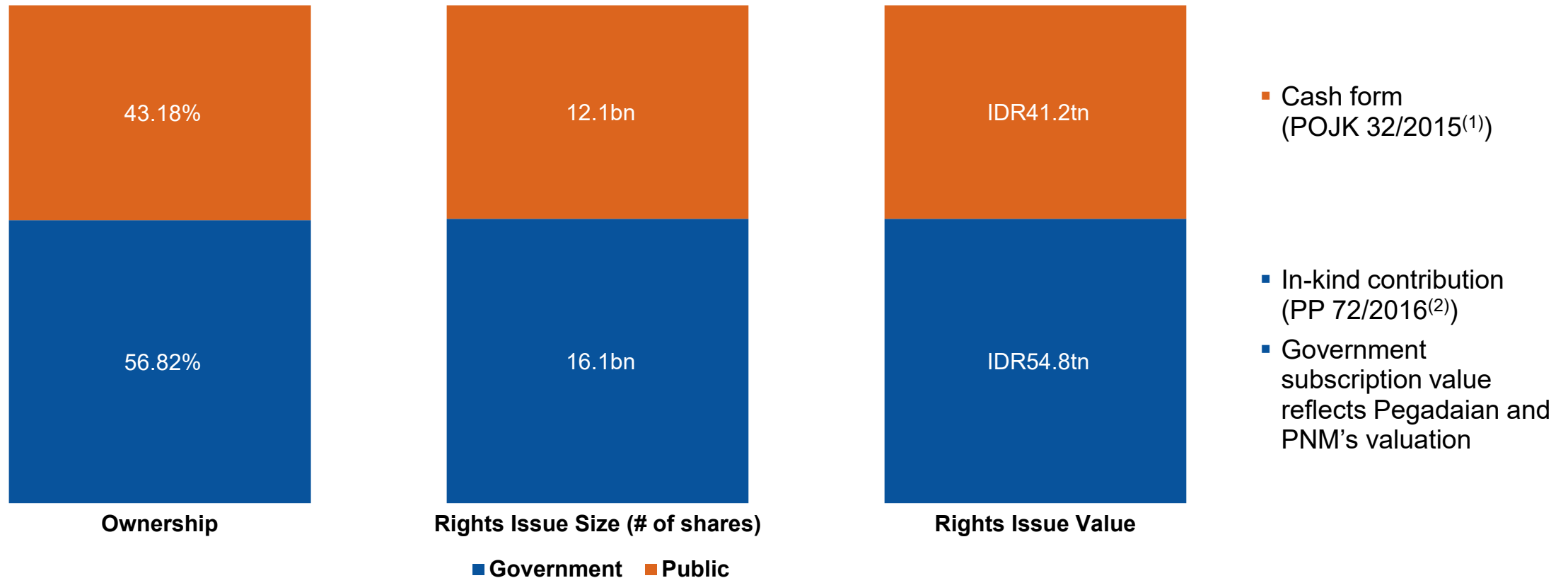
Note: The proposed right issue is in line with Government Regulation (PP) No. 72/2016, which regulates in-kind participation (inbreng) whereby the assets of a company are transferred to another and treated as a capital injection. With this regulation, the government can carry out inbreng without inclusion under the state budget.

(1) KJPP Suwendho Rinaldy dan Rekan ("SRR"), an independent appraiser, appraised 6,249,999 Series B shares of Pegadaian and 3,799,999 Series B shares of PNM and provided a fairness opinion on the Proposed Transaction in its report No. 00244/2.0059-02/BS/07/0242/1/VI/2021 dated June 30, 2021 and report No. 00216/2.0059-02/BS/07/0242/1/VI/2021 dated June 3, 2021 for Pegadaian and PNM valuation, respectively.

Size and Value of Proposed Right Issue



Illustrative Assuming 100% Public Participation



Assuming 100% participation from Public, the proposed rights issue sized at IDR95.9tn will enable the transfer of Pegadaian and PNM to establish an Ultra Micro holding company

Source: Offering Circular.

Note: The Government of the Republic of Indonesia acting through the Ministry of State-Owned Enterprises owns 56.75% of the Existing Shares, with the general public holding 43.25% including treasury shares. Upon the completion of the Rights Issue, and assuming all of the Rights Shares are fully subscribed by the holders of Rights, it is expected that the shares owned by the Republic of Indonesia will be approximately 56.82% of the fully subscribed and paid-up capital of BRI, and the public will own approximately 43.18% (including treasury shares) of the fully subscribed and paid-up capital of BRI. The resulting percentage ownership difference is due to the possession of treasury shares which does not give the company the right to exercise rights as a shareholder.

(1) If the Public Company intends to increase its capital through the issuance of shares and/or other Equity Securities, either convertible into shares or giving the right to purchase shares, the Public Company is required to give preemptive rights to each shareholder in accordance with a certain ratio to the percentage of share ownership. (Article 2, POJK 32/2015).

(2) The proposed right issue is in line with Government Regulation (PP) No. 72/2016, which regulates in-kind participation (inbreng) whereby the assets of a company are transferred to another and treated as a capital injection.

Indicative Timetable



Event	Date	Event	Date
Date of Extraordinary General Meeting of Shareholders ("EGMS")	Jul 22, 2021	Distribution Date for Rights	Sep 10, 2021
Effective Date of Registration Statement from OJK	Aug 30, 2021	Rights Pre-Listing Date on the IDX	Sep 13, 2021
Record Date for Shareholders entitled to receive Rights	Sep 9, 2021	Rights Trading Period	Sep 13-22, 2021
Last Date for Trading with Rights (Cum Date)		Period for the Exercise of Rights	Sep 13-22, 2021
– Regular and Negotiated Market	Sep 7, 2021	Dates for the Delivery of Rights Shares	Sep 15-24, 2021
– Cash Market	Sep 9, 2021	Last Date for Excess Rights Shares Subscription	Sep 24, 2021
Trading begins without rights (Ex Date)		Allotment Date for Excess Rights Shares	Sep 27, 2021
– Regular and Negotiated Market	Sep 8, 2021	Refund Date for Unfulfilled Excess Rights Subscriptions	Sep 29, 2021
– Cash Market	Sep 10, 2021		

The Ultra Micro Business Combination

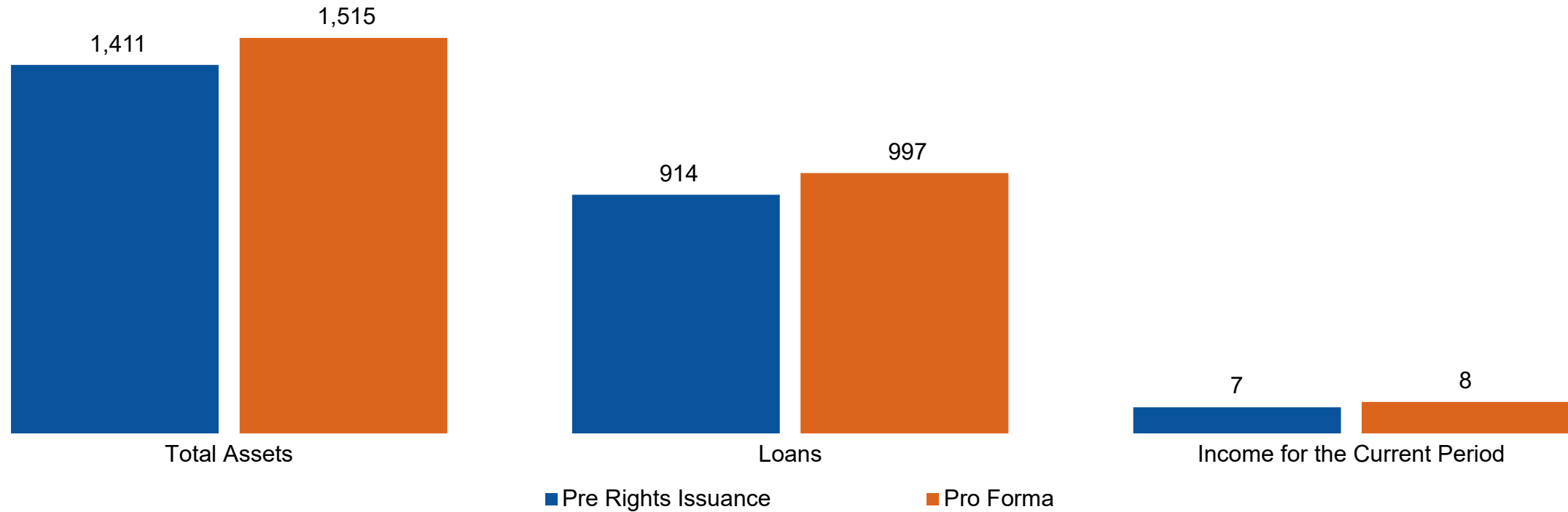


Pro Forma Financials as of 31 March 2021



Total Assets, Loans and Income for the Current Period

(Figures in IDR trillion)



The enlarged entity can offer new value propositions to customers as the UMi Holding Company and drive synergies going forward

Source: Offering Circular.

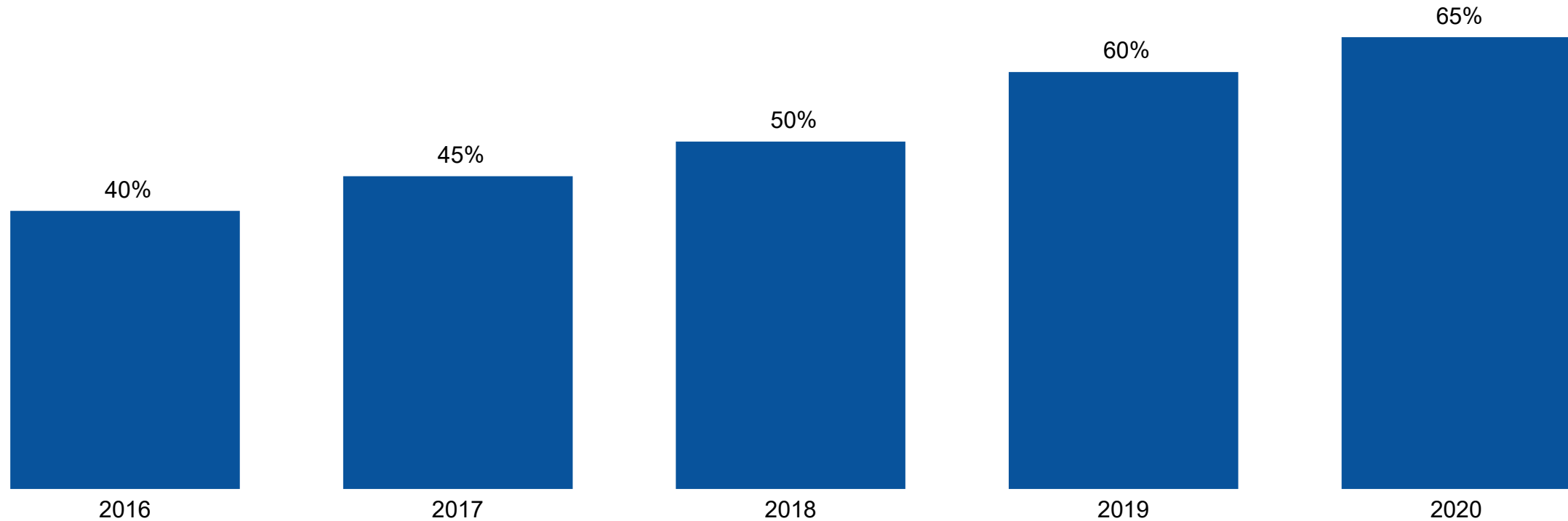
Note: Pre rights issuance figures based on BRI on a consolidated basis.

Ensuring Robust Capital Management and Sustained Dividend Payout Going Forward



Dividend Payout Ratio

(Dividend Payout Ratio in %)



BRI will continue to create value to shareholders through robust capital management

Source: BRI's public filings.

1



Comprehensive Financing Product Offering

Complete product selection for different needs of customer within the ultra-micro segment

2



Joint Customer Acquisition

Robust customer acquisition through joint acquisition approach leveraging BRILink Agent's role and integrated salesforce tools (UMi Corner)

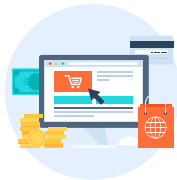
3



Wider Customer Points of Access Through Co-Location

Wider and easier access by Joint Acquisition by leveraging BRI, Pegadaian and PNM networks across Indonesia (Co-Location)

4



Access to Micro Payment Ecosystem and Beyond Banking Products

Provide full access to BRI micro payment ecosystems & beyond banking products

5



Data Analytics

Enable better understanding of customer needs, strengthen underwriting process, optimize cross-sell and customer acquisition process

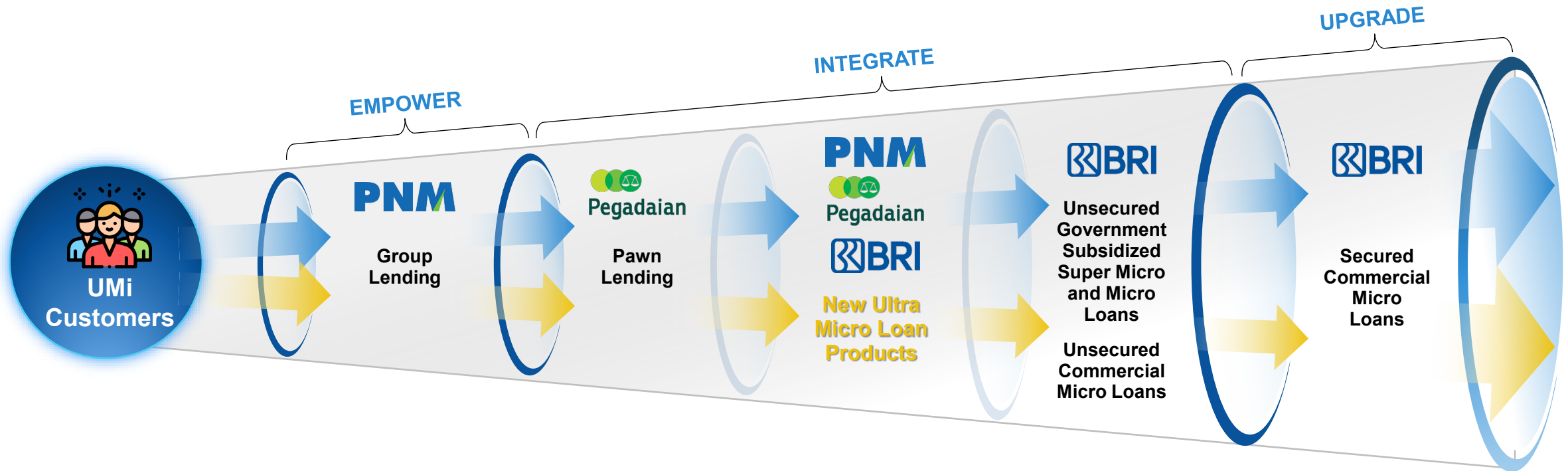
6



Empowerment and Increasing Capabilities

Empowerment and increasing capabilities to upgrade from ultra-micro segment to micro segment

New Value Proposition 1: Comprehensive Financing Product Offering

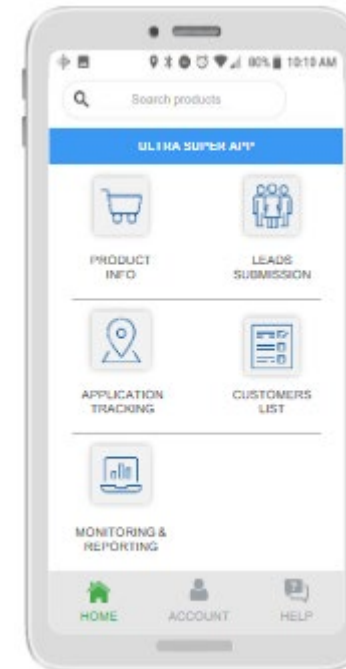
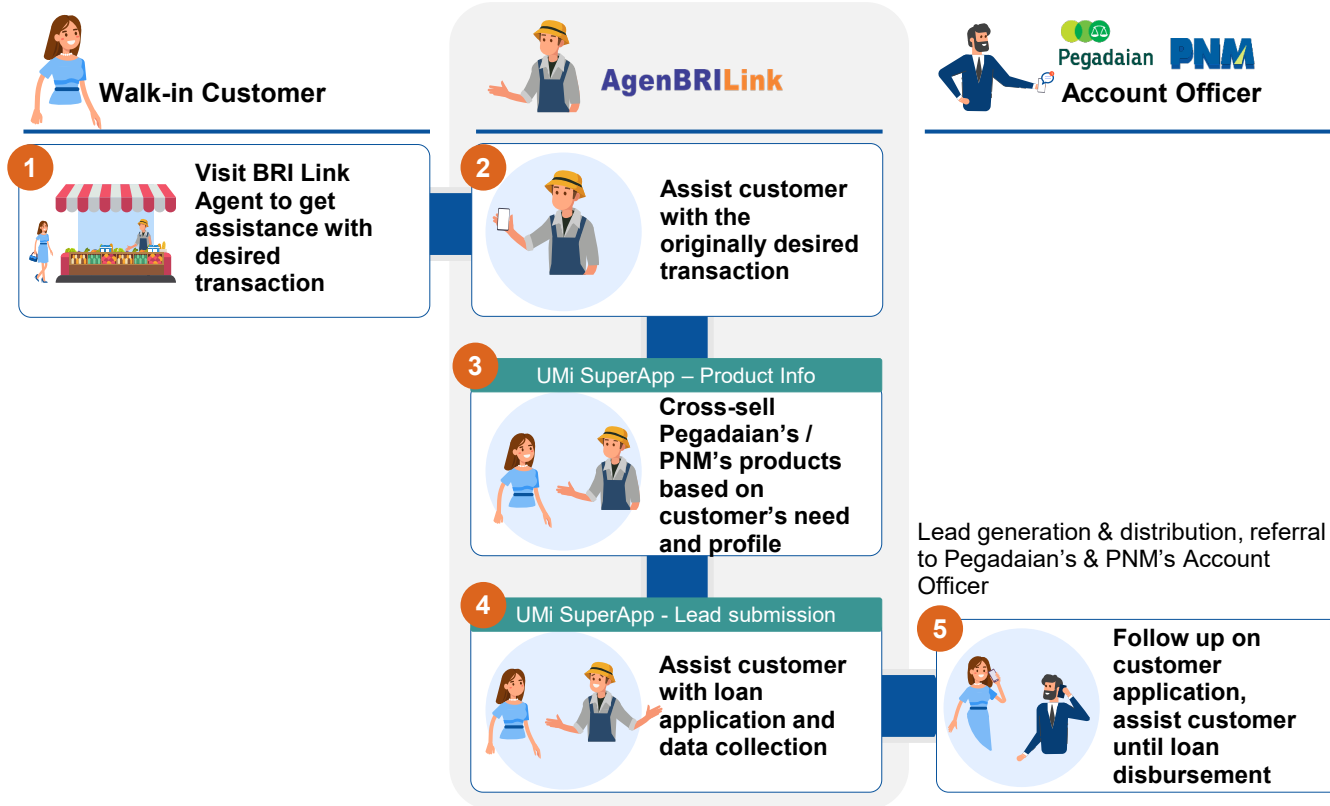


The combination of BRI, Pegadaian and PNM offers complete product selection for varying financing needs across Ultra Micro customer segments

New Value Proposition 2: Joint Customer Acquisition

BRILink agents play a central and integral role in cross-selling PNM & Pegadaian's products and driving customer acquisition

UMi Corner as an integrated salesforce tool to enable cross-sell, lead generation, and end to end lending



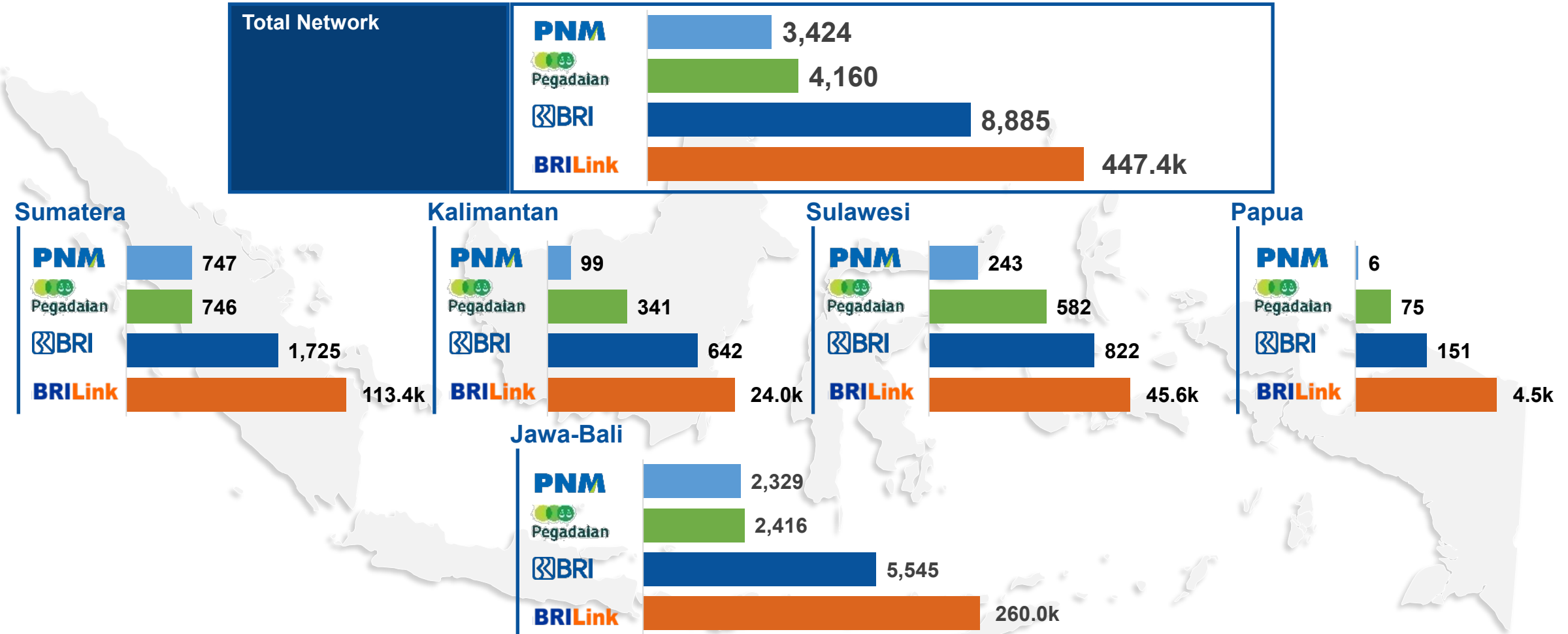
- Integrated salesforce tools connecting existing digital platforms of BRI, Pegadaian, and PNM



- Key features:
 - User guide
 - UMi product info
 - Sign up
 - Loan application tracking
 - Monitoring and reporting
 - Referral and lead generation

Ultra Micro Ecosystem will allow for robust customer acquisition through a joint acquisition approach leveraging BRILink Agent's role and integrated salesforce tools UMi Corner

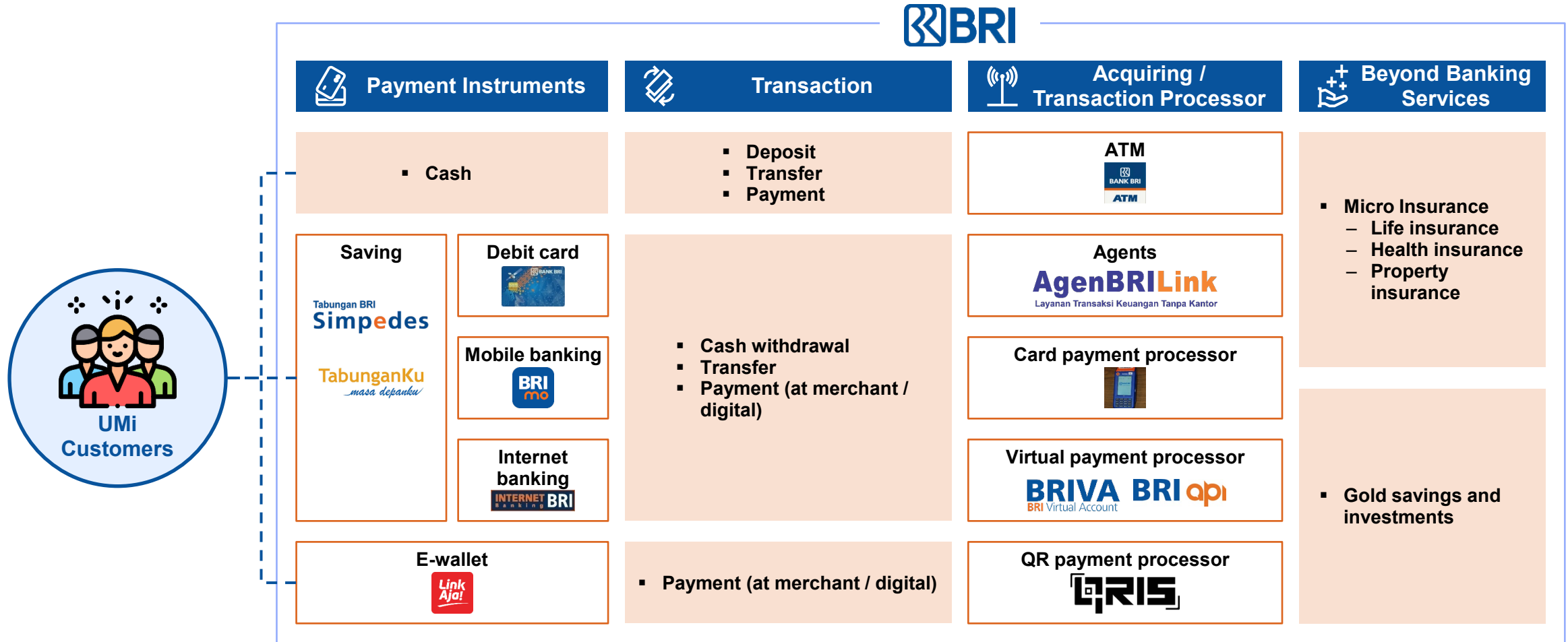
New Value Proposition 3: Wider Customer Points of Access Through Co-Location



Ultra Micro Ecosystem enables wide customer access points leveraging BRI, Pegadaian and PNM networks across Indonesia

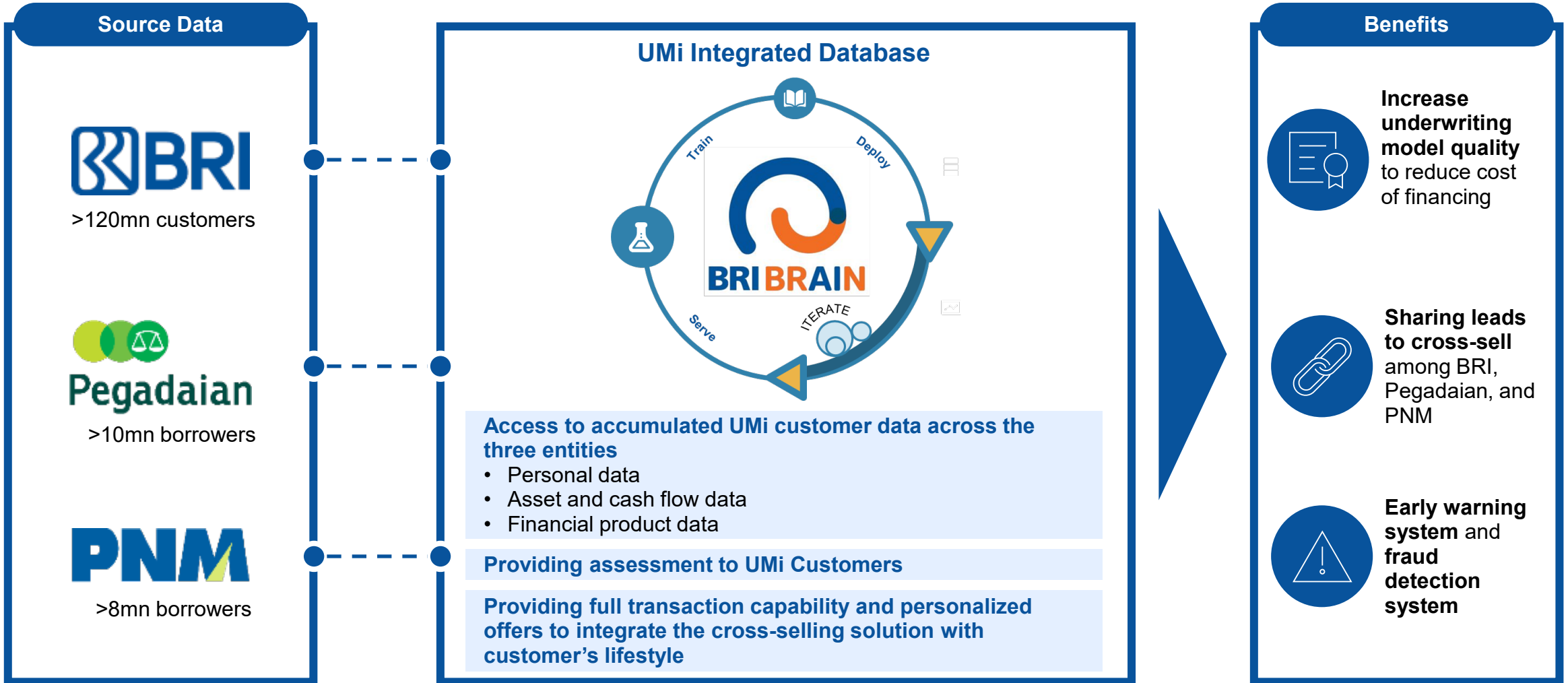
Note: Number of branches and BRILink agents as of 31 March 2021.

New Value Proposition 4: Access to Micro Payment Ecosystem and Beyond Banking Products



All UMi customers will have access to BRI's proprietary Micro Payment Ecosystem facilitating a comprehensive suit of transactions and services, beyond what Pegadaian and PNM's digital banking platforms provide

New Value Proposition 5: Data Analytics



Ultra Micro Ecosystem data integration will enable better understanding of customer needs, strengthen underwriting process and optimize cross-sell and customer acquisition process

New Value Proposition 6: Empowerment and Increasing Capabilities



Each Value Proposition Will Create Synergies To Drive Stronger Performance Going Forward



		Value Propositions					
		1 Comprehensive Financing Product Offering	2 Joint Customer Acquisition	3 Wider Customer Points of Access Through Co-Location	4 Access to Micro Payment Ecosystem and Beyond Banking Products	5 Data Analytics	6 Empowerment and Increasing Capabilities
Synergies	Higher Loan Growth	✓	✓			✓	✓
	Cost of funds Reduction		✓				✓
	Opex Reduction		✓	✓	✓		✓
	Cost of Credit Reduction					✓	✓

The combination of BRI, Pegadaian and PNM has the potential to generate significant revenue enhancement and cost efficiencies

Integration Plan & Strategies



Post-Integration Plan of the UMi Holding



- 1 Strengthen product proposition
- 2 Launch a targeted cross-selling program to deepen customer relationships
- 3 Expand customer points of access, leveraging ultra-micro holding network through co-location initiative
- 4 Develop ultra-micro and other digital acquisition tools
- 5 Launch an agent-led acquisition campaign by empowering agents to become lead generators
- 6 Set up project management organization to track the execution progress of strategic initiatives against key milestones
- 7 Optimize data for the ultra-micro ecosystem across entities
- 8 Strengthen credit underwriting and collection leveraging analytics
- 9 Optimize funding by launching saving campaigns to encourage Pegadaian and PNM customers to open savings accounts with BRI
- 10 Launch a social empowerment program

Key initiatives across product, distribution and operation identified to ensure successful integration



Strengthen the core underlying capabilities –
e.g., data integration, process engineering, underwriting, etc.

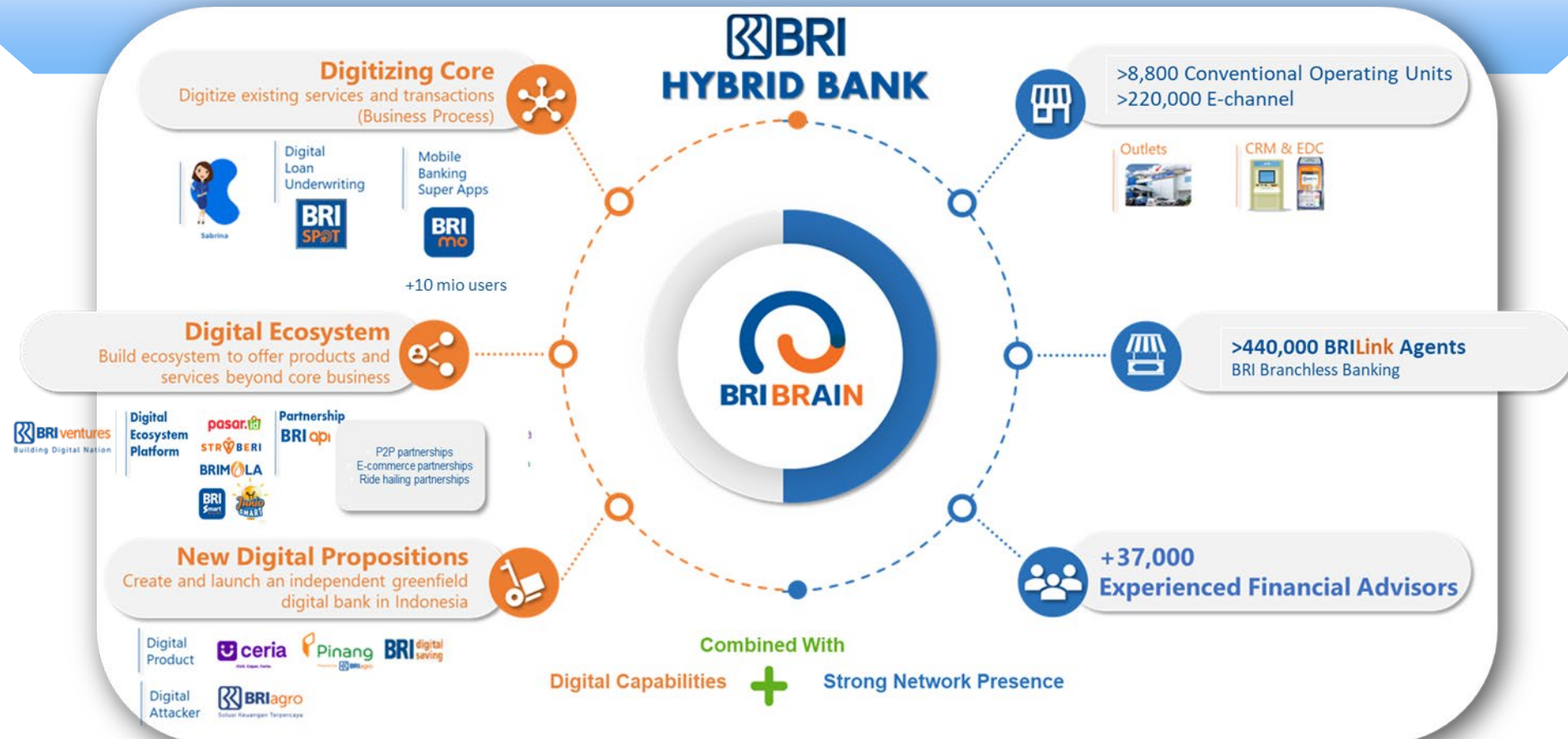
Clearly defined integration phases in place to deliver synergies within the Umi Holding

Hybrid Bank Business Model to Support Business Combination

Key Characteristics of UMi Customers

- 1 Familiar with **smartphone technology**, although smartphone penetration remains low
- 2 Limited **knowledge** of financial products
- 3 Cash being the **dominant chosen method of transactions**
- 4 Prefers a financial institution that is **"locally embedded"** and is able to **"gain their trust"**
- 5 Majority **without stable income** and **not comfortable with traditional lending products**
- 6 Prefers banking **via an agent** rather than digital banking

Served by BRI, the leading bank serving Indonesian MSMEs with a market share of over 60% in the micro segment



The background of the slide is a composite image. On the left, there is a photograph of a green and purple outrigger boat on a beach at sunset. Several people are standing near the boat. A network diagram with blue nodes and lines is overlaid on the left side of the image. On the right, the text 'THANK YOU' is displayed in a large, bold, blue, sans-serif font. Below the text, another network diagram with blue nodes and lines is visible.

THANK YOU

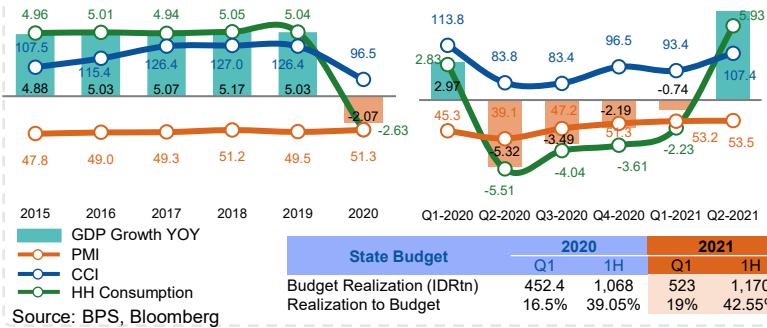
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Appendix 1H21 Business Update

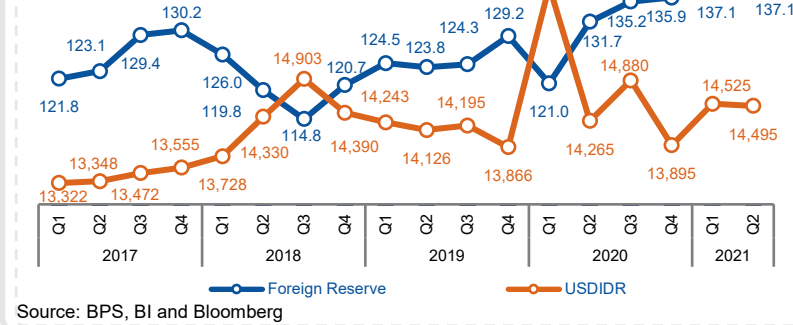


Expect Economic Recovery While Remain Cautious on Pandemic Impact

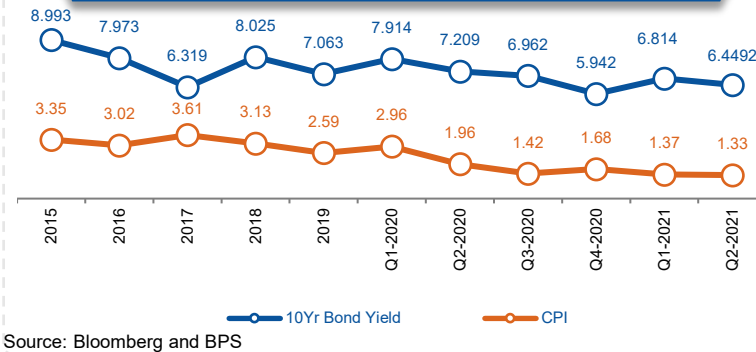
Recovering GDP Growth



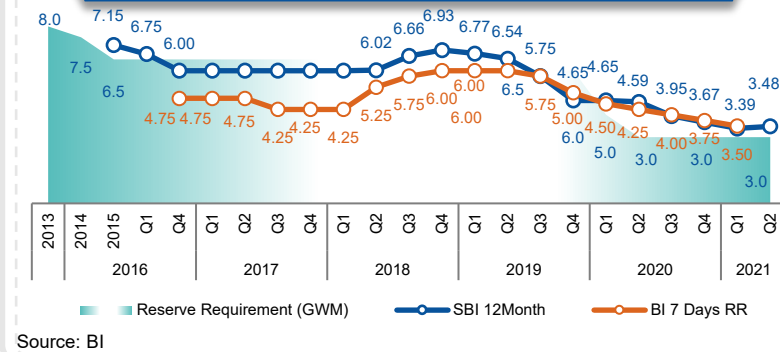
Stable Exchange rate



Attractive Yield



Accommodative Monetary Policy



Government Responses to Pandemic

Implementation of Emergency Public Activity Restrictions (PPKM)



Acceleration of COVID-19 Vaccination Program



Increasing Economic Recovery Program (ERP) 2021 Budget from IDR699.43 tn to IDR744.75 tn



Government and Regulators Actively Issuing Policies to Boost Demand and Consumption (LTV Relaxation)



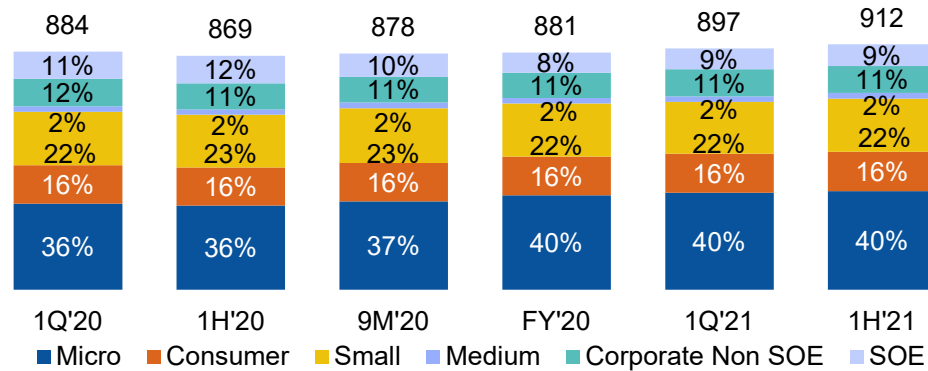
With decelerating COVID-19 cases and anticipated easing of emergency restrictions, Indonesia's economy is expected to recover in 2H21

Continued Growth with High Quality Deposit and Stable Profitability



Pickup in Loan Growth Especially in Micro Segment in 2Q21

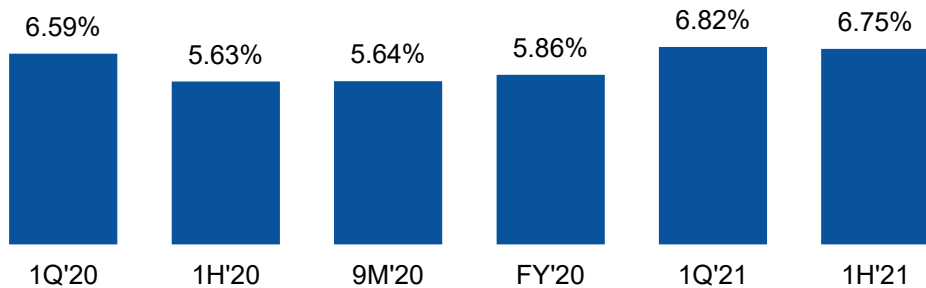
(Gross loans in IDR tn – bank only)



Source: BRI's public filings.

Continued to Maintain Stable NIM in 1H21

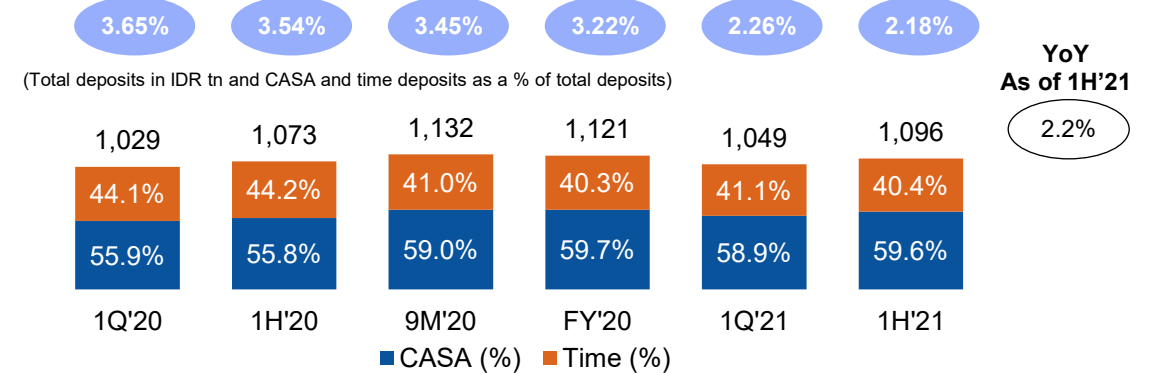
(NIM in %)



Source: BRI's public filings.

High Quality CASA Deposit Growth Supporting Low Cost of Funds

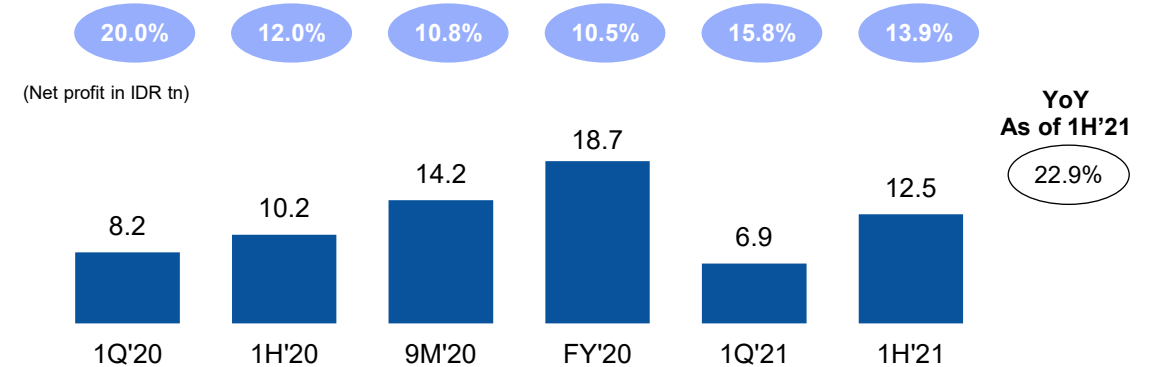
(Cost of funds in % - bank only)



Source: BRI's public filings.

Profitability Driven by Yield Improvement and Cost of Funds Efficiency

(ROE tier 1 in %)



Source: BRI's public filings.

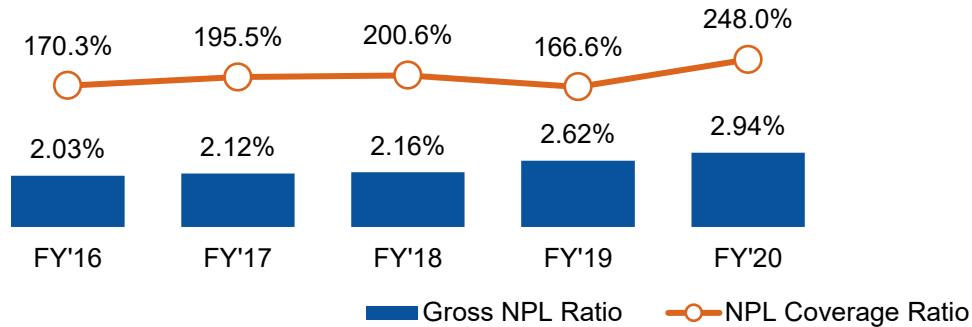
BRI demonstrated strong performance in 1H'21 reflected in the resilient balance sheet coupled with recovery in profitability

Credit Quality Managed by Building Adequate Cushion



High Coverage Ratio to Mitigate Increase in NPLs

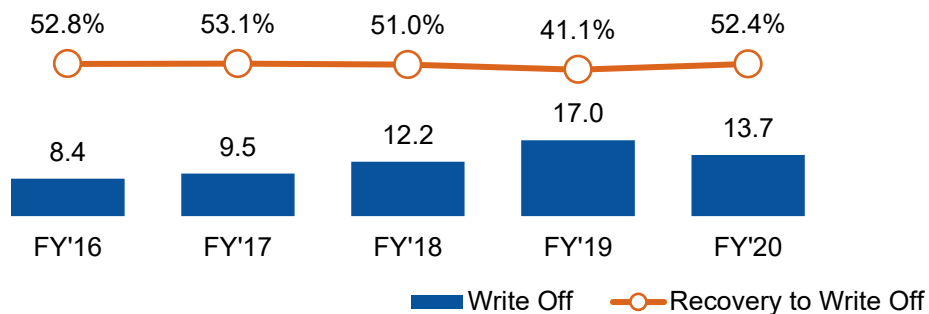
(Gross NPL ratio and NPL coverage ratio in %)



Source: BRI's public filings.

Improvement in Write-off and Recovery

(Write off in IDR tn and recovery to write off in %)



Source: BRI's public filings.

Proactive Measures by BRI in Credit Risk Management

- **Selective loan growth** based on regional Loan Portfolio Guideline and government stimulus program
- **Strict monitoring and supervision** on borrowers' business condition to maintain loan quality
- **Periodic review on restructured borrowers**
- **Early detection for potential loan restructuring failure** and perform curative measures (restructuring and settlement)
- **Exclude borrowers** whose businesses are no longer prospective or those who are not cooperative **from loan restructuring pipeline**
- **More selective in unflagging borrowers from restructuring portfolio**
- **Set up adequate and appropriate provisioning**
- **Optimize loan recovery income** through collection or other settlements

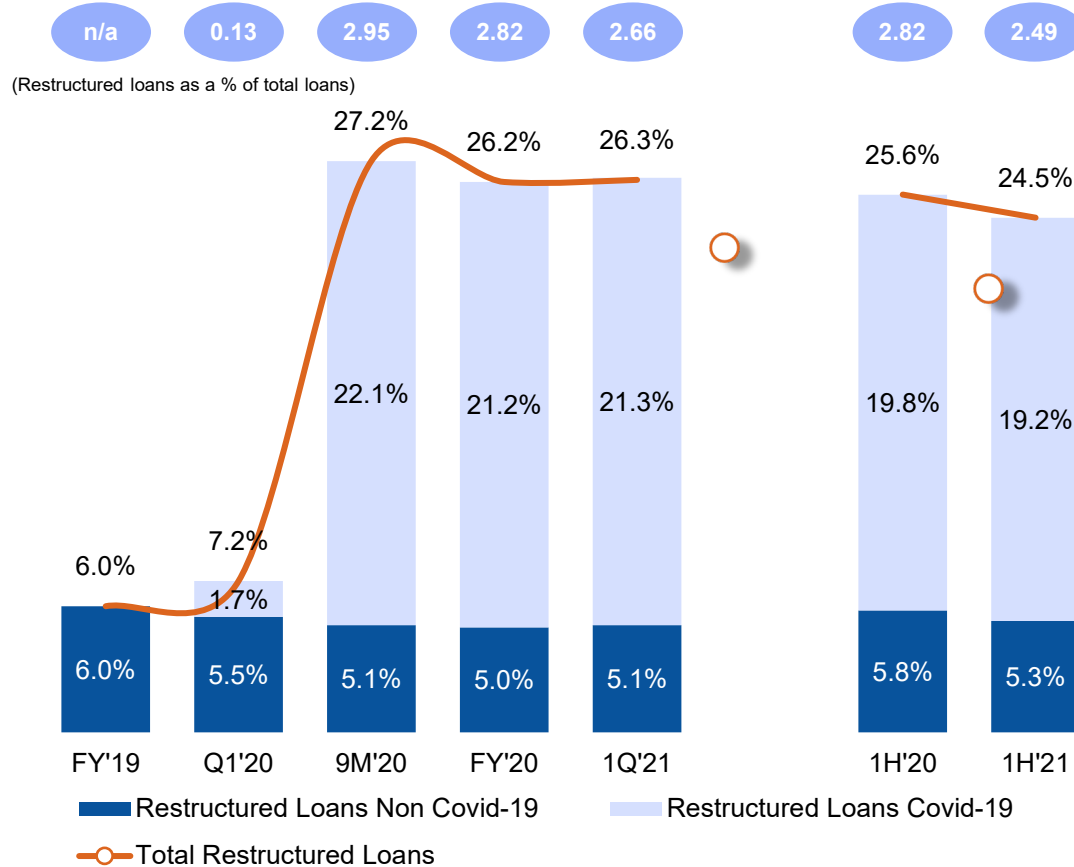
BRI is proactively managing credit quality by building adequate cushioning and executing preventive measures

Resilient Performance with Recovering Restructured Loan Book



Declining Trend of Covid-19 Restructured Loans...

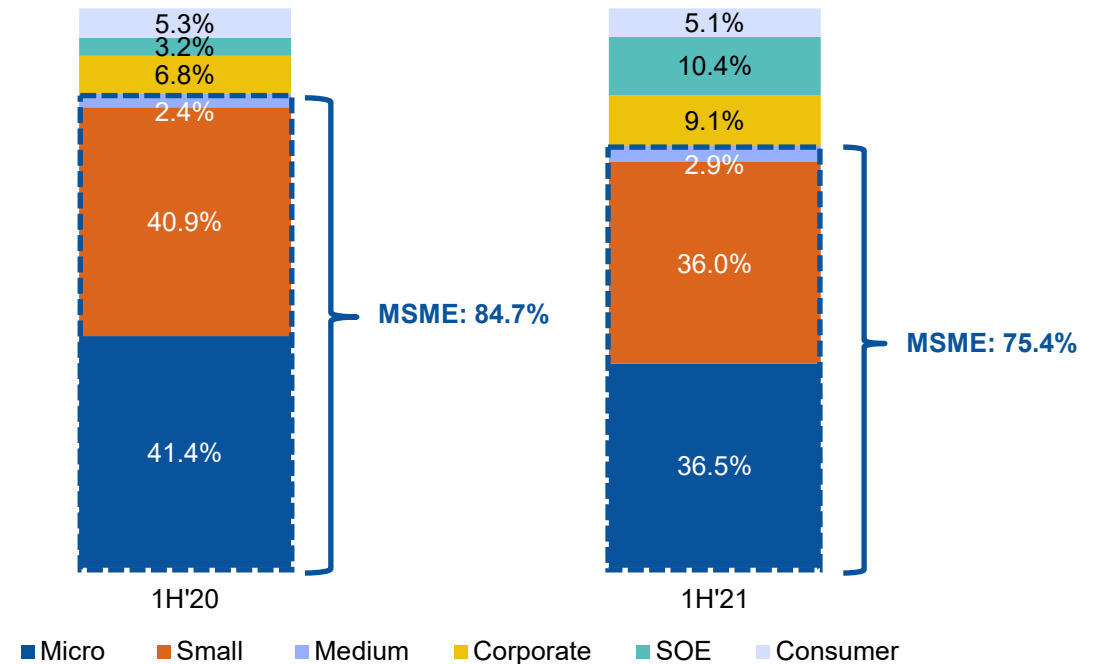
(Number of COVID-19 Restructured Loan Borrowers in millions)



Source: BRI's public filings.

...Driven by Fall in Restructured Loans in the MSME Segment

(In %)



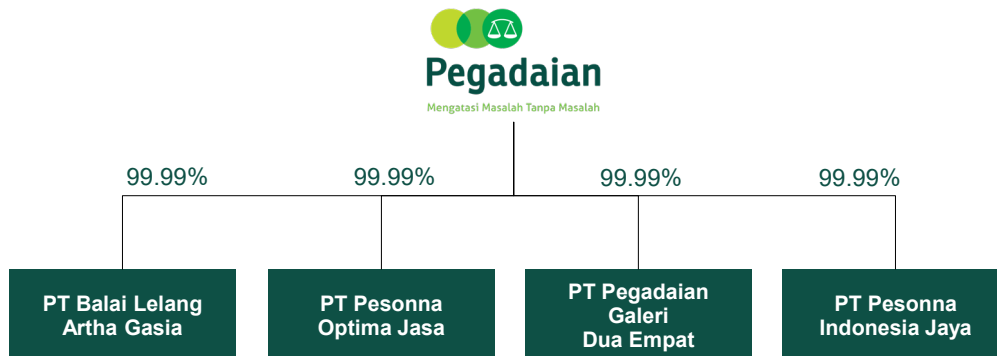
Source: BRI's public filings.

Expect further recovery from COVID impact with decline in COVID-19 restructured loans driven by the MSME segment

Business Activities

- Pegadaian was established on the basis of the Government's desire to help the wider community in need of funding solutions, preventing bondage, loan sharks and other unreasonable loans
- Pegadaian has today developed as an integrated business solution for the community
- Key pawnshop-related business activities, both conventional and Sharia in nature, conducted via digital and non-digital platforms:
 - Lending based on pawnbroking laws, including pledges of securities
 - Lending based on fiduciary securities
 - Services for depositing valuable goods
 - Appraisal and certification services for valuable goods
- Other supporting business activities:
 - Money transfer services and payment transaction services
 - Gold Deposit Products
 - Gold Card (a credit card facility secured by gold deposit)
 - A sharia product called Rahn with land certificates as collateral
 - Enhancing the use of Pegadaian's resources by renting buildings for various purposes (weddings / gathering events, meetings, etc.) and commercial lease

Pegadaian and Its Subsidiaries



Financial Highlights

Statement of Financial Position

IDR mm	2018	2019	2020	1Q'21	18-20 CAGR
Total Assets	52,791,188	65,324,177	71,468,960	72,193,827	16.4%
Total Loans	41,190,154	50,843,920	57,474,599	58,303,268	18.1%
Total Liabilities	32,674,699	42,263,867	46,865,344	46,682,645	19.8%
Total Equity	20,116,489	23,060,310	24,603,616	25,511,182	10.6%

Statements of Profit and Loss and Other Comprehensive Income

IDR mm	2018	2019	2020	1Q'20	1Q'21	18-20 CAGR
Operating Income	12,748,054	17,674,527	21,964,403	5,029,931	5,453,974	31.3%
Operating Expenses	9,113,452	13,485,100	19,173,144	3,879,350	4,520,495	45.0%
Profit Before Income Tax	3,663,172	4,211,866	2,873,290	1,155,993	939,076	(11.4%)
Net Income	2,775,481	3,108,078	2,022,447	809,075	705,460	(14.6%)
Comprehensive Income	2,911,642	4,331,432	1,835,812	809,075	907,566	(20.6%)

Key Ratios

	2018	2019	2020	1Q'21
Cost of Fund ⁽¹⁾	7.60%	7.87%	7.78%	6.31%
Cost to Income Ratio ⁽²⁾	44.56%	59.27%	59.31%	60.44%
Operating Expenses / Operating Income ⁽³⁾	71.49%	76.30%	87.29%	82.88%
ROAA ⁽⁴⁾	5.47%	5.26%	2.96%	3.91%
ROAE ⁽⁵⁾	14.48%	14.40%	8.49%	11.06%
Gearing Ratio ⁽⁶⁾	1.45x	1.61x	1.64x	1.57x
Gross NPL Ratio ⁽⁶⁾	1.57%	1.75%	1.01%	3.59%

(1) Cost of fund = Interest expenses divided by interest bearing liabilities (annualized income). (2) Cost to income ratio = Other operating expenses divided by total of net interest income and other operating income. (3) Ratio of operating expenses to operating income (BOPO) = Operating expenses divided by operating income. (4) ROAA = Profit after tax divided by average assets (annualized income). (5) ROAE = Profit after tax divided by average equity (annualized income). (6) Gearing ratio = Interest bearing debt minus cash and cash equivalent divided by total equity. (7) NPL gross ratio = Calculation of NPL uses non-performing collectability for pawning businesses and substandard collectability, doubtful collectability, and loss collectability for non-pawning businesses.

Business Activities

- The business activities of PNM and its subsidiaries focus on channeling funds to micro, small, medium enterprises and corporations ("UMKMK")
- PNM is engaged in financing services and also management services for UMKMK creditors
 - One of PNM's subsidiary, PT PNM Investment Management, provides investment management services
 - Another subsidiary, PT Permodalan Nasional Madani Venture Capital together with PNM provide venture capital services for UMKMK
 - PNM also carries out financing services directly to women running ultra-micro enterprises through Mekaar (group based lending) and micro and small enterprises through ULaMM and also indirectly through Rural/Sharia Banks (BPR/S), Cooperatives and other Micro/Sharia Financial Institutions (LKM/S)
- Through ULaMM and Mekaar, PNM empowers its customers by providing financial support and helping customers build business capacity for future growth
- More than 90% of the total revenue of PNM and its subsidiaries is contributed by PNM
- PNM carries out a financing service business directly through ULaMM and Mekaar, and indirectly through Rural/Sharia Banks (BPR/S), Cooperatives and other Micro/Sharia Financial Institutions (LKM/S), including channeling financing through LKM/S and credit financing through the Bank Indonesia Liquidity Credit.

PNM and Its Subsidiaries



Financial Highlights

Statement of Financial Position

IDR mm	2018	2019	2020	1Q'21	18-20 CAGR
Total Assets	17,552,735	24,906,517	31,664,889	35,102,708	34.3%
Total Loans	12,891,144	18,528,636	22,763,500	26,831,615	32.9%
Total Liabilities	15,659,156	22,042,024	26,077,979	29,319,387	29.0%
Total Equity	1,893,579	2,864,493	5,586,910	5,783,321	71.8%

Statements of Profit and Loss and Other Comprehensive Income

IDR mm	2018	2019	2020	1Q'20	1Q'21	18-20 CAGR
Operating Income	3,266,968	5,154,296	5,776,257	1,589,213	1,761,771	33.0%
Operating Expenses	3,167,496	4,869,096	5,560,090	1,431,662	1,572,445	32.5%
Operating Profit	98,723	1,291,319	399,135	271,491	250,577	101.1%
Profit Before Income Tax	99,157	1,291,319	399,135	271,491	250,577	100.6%
Net Income	67,798	977,311	358,595	202,602	186,359	130.0%
Comprehensive Income	72,796	972,195	351,672	208,244	196,930	119.8%

Key Ratios

	2018	2019	2020	1Q'21
Cost of Fund ⁽¹⁾	8.64%	9.35%	7.96%	8.70%
Cost to Income Ratio ⁽²⁾	94.83%	85.64%	87.25%	81.06%
Operating Expenses / Operating Income ⁽³⁾	96.96%	94.47%	96.26%	89.25%
ROAA ⁽⁴⁾	0.47%	4.60%	1.27%	2.23%
ROAE ⁽⁵⁾	3.66%	41.08%	8.49%	13.11%
Gearing Ratio ⁽⁶⁾	6.55x	5.87x	3.24x	3.67x
Gross NPL Ratio ⁽⁶⁾	1.50%	1.32%	1.23%	1.06%

(1) Cost of fund = Interest expenses divided by interest bearing liabilities (annualized income). (2) Cost to income ratio = Other operating expenses divided by total of net interest income and other operating income. (3) Ratio of operating expenses to operating income (BOPO) = Operating expenses divided by operating income. (4) ROAA = Profit after tax divided by average assets (annualized income). (5) ROAE = Profit after tax divided by average equity (annualized income). (6) Gearing ratio = Interest bearing debt minus cash and cash equivalent divided by total equity. (7) NPL gross ratio = NPL is calculated using past due loan more than 60 days (for Mekaar) and more than 90 days (for other loan).