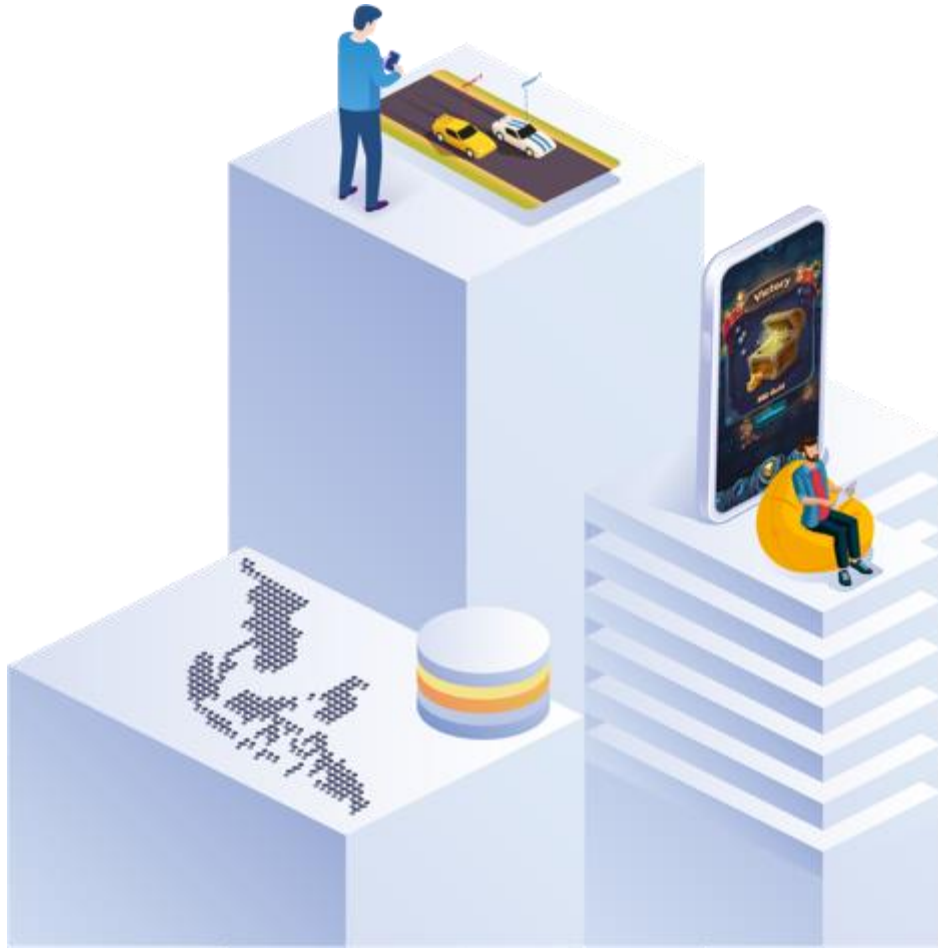


Winning financial services in Indonesia 2023

State of Indonesian banks



Market overview



Indonesia annual GDP growth is at 5.7%. Banking and financial services contribute **6.8% - 7.2%** to the GDP

~> **USD 109.8 billion** assets for top 6 Indonesian banks in 2022*

Fee-income to revenue contribution is at an average of **15% - 28%**

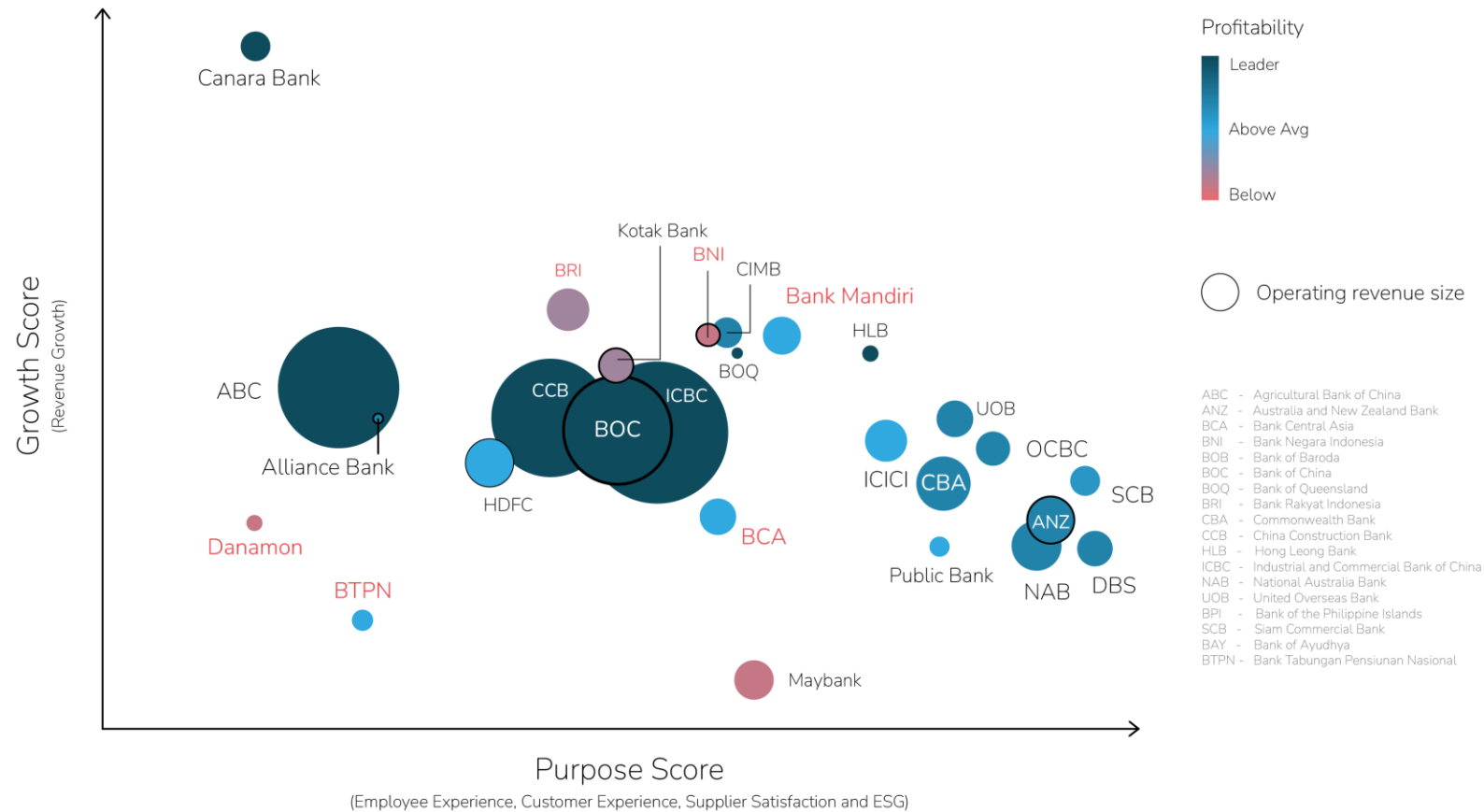
ICT spend to revenue is on average **3%** for top 6 Indonesian banks. BTPN has the highest at ~4.4%

Over **72 million** digital banking users for top 5 Indonesian banks

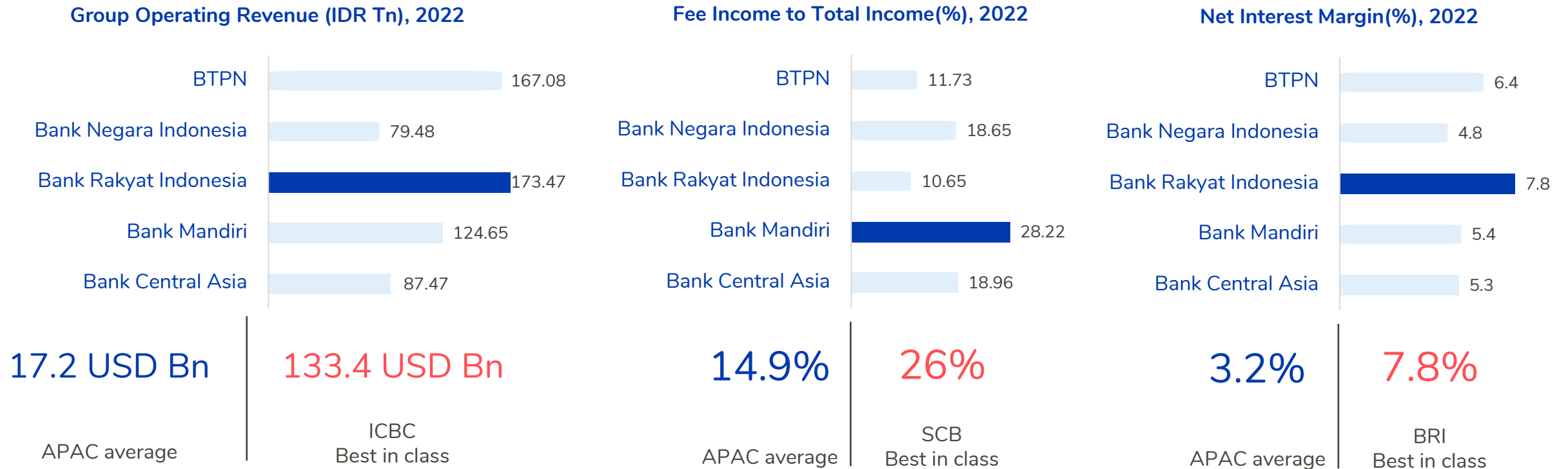
USD 42.9 billion from e-commerce transactions through e-wallets

A closer look at Indonesian banks vs best in class APAC banks

twimbit **purpose** index



Average revenue growth by Indonesian banks



Despite achieving strong operational performance

Non-Performing Loan Ratio (%), 2022

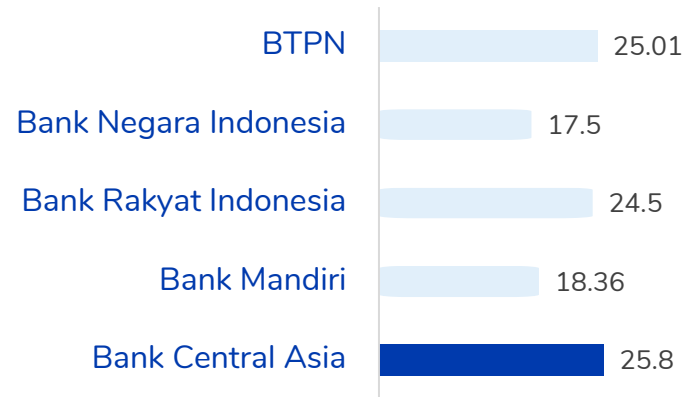


1.73% 0.17%

APAC average

Bendigo Bank
Best in class

Capital Adequacy Ratio (%), 2022

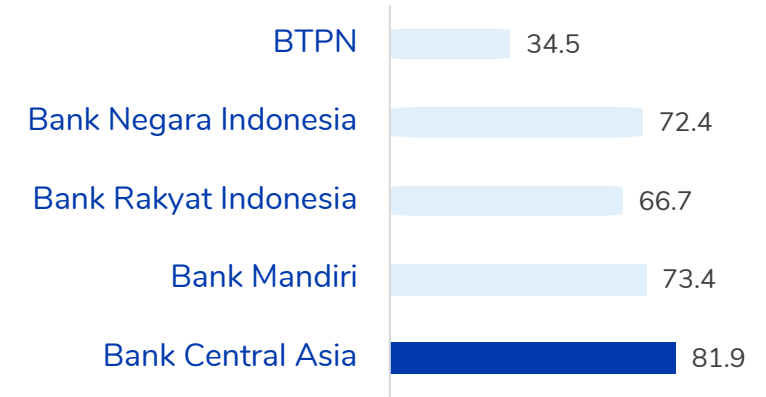


15.5% 25.8%

APAC average

Bank Central Asia
Best in class

CASA Ratio(%), 2022



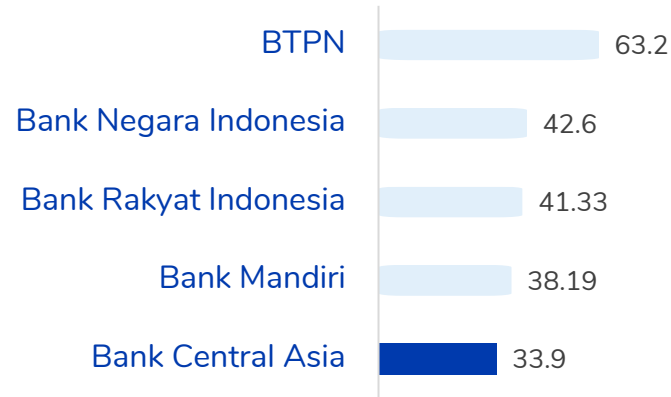
42% 81.9%

APAC average

Bank Central Asia
Best in class

Because high OPEX puts pressure on profitability

Cost Efficiency Ratio (%), 2022



40.4%

APAC average

30.1%

Bank of China
Best in class

Cost of Credit (%), 2022



1.26%

APAC average

0.68%

Bank of China
Best in class

ICT to Revenue (%), 2022



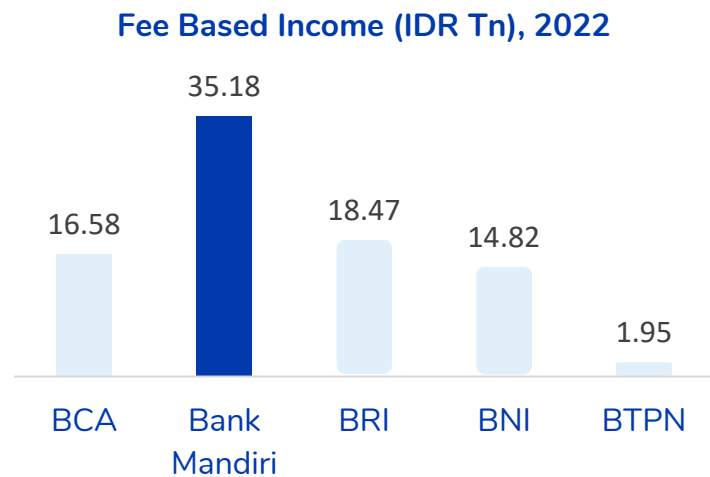
3.85%

APAC average

9.3%

DBS
Best in class

Banks must become digital leaders to derive future growth from fee-based income



Most Indonesian banks report fee-based income based on transactional fees than income from integrating third-party sources

30% of Bank Mandiri's fee-based income comes from Livin', Kopra and other digital channels

Fee based income	2021	2022	YoY	
Loan Related Fee	2,467	3,067	24%	Recurring fees
Deposit Related Fee	3,307	3,707	12%	
Credit Card	1,164	1,282	10%	
Mutual Funds & Bancassurance	845	855	1%	
Kopra Fee	1,946	2,141	10%	
ATM	617	480	-22%	Non Recurring fees
Livin' App, SMS & Internet Banking	1,432	1,737	21%	
Other E-Channel	793	1,147	45%	
Fixed Income, FX & Derivatives	7,119	4,580	-36%	Subsidiaries
Cash Recoveries	4,705	6,339	35%	
Other Income	840	1,669	99%	
Subsidiaries	7,035	8,175	16%	
Consolidated total	32,273	35,180	9%	



Indonesian banks today

- twimbit Purpose Scores
- Best practices by Indonesian banks

twimbit purpose scores for top 5 banks in Indonesia

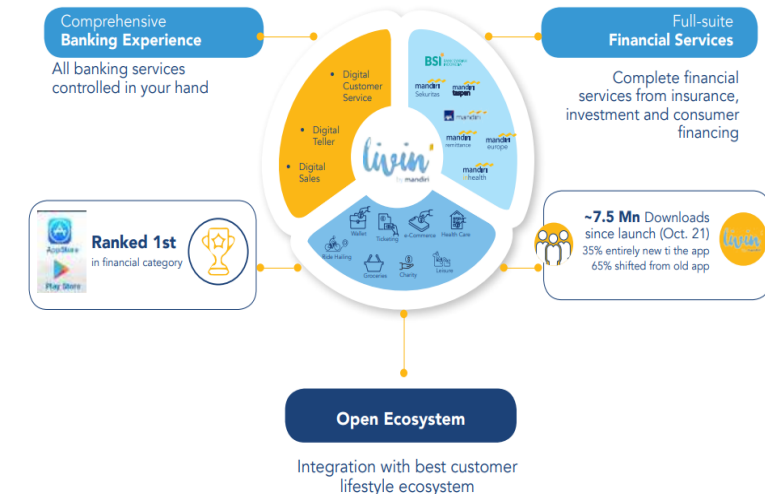




Top initiatives by Indonesian banks

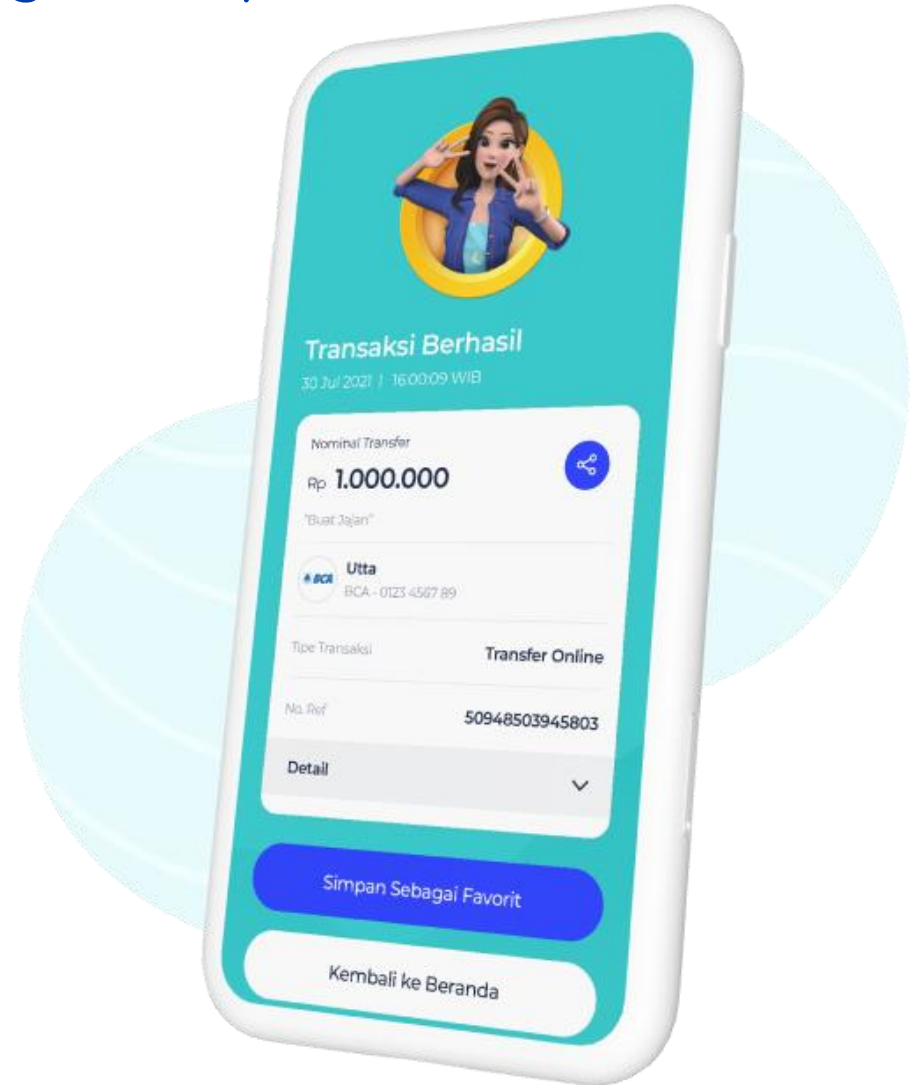
Bank Mandiri has two different SuperApps

1. Bank Mandiri has **two SuperApps, retail and business** to serve the different customer segments
2. Livin' mobile banking application has been downloaded by 22 million Indonesians with up to **16 million active registered users**. This increase in the number of users contributed to a fee-based income.
3. Kopra also recorded up to **USD 1.35 trillion** wholesale digital transactions.



BCA steps towards branchless banking with digital only bank - Blu

1. As of December 2022, Bank Digital BCA recorded total assets of **USD 1.11 billion**
2. The app has more than **1 million active customers**. This is generating significant fee income for the bank.
3. Blu has collected third-party funds of **USD 0.69 billion** as of December 2022.
4. Blu provides features such as:
 - bluAccount - online bank account opening
 - bluSaving - manage budgeting with 10 saving accounts
 - bluGether – utilize saving account functions like a treasury account
 - bluDeposit - for easier deposit top-up



Jenius by BTPN revolutionised banking in Indonesia by being the first digital banking app

#2 Digital banking



19.1 Mn+
downloads

~4.2 Mn+
active users

Product stack

Connect to e-money
Paylater and Flexi Cash -> Flexible fund, Online loan of up to IDR 50 million, Credit card
Foreign exchange (forex) transactions with Rupiah at Jenius Forex
QRIS Payment
Savings account in 7 foreign currencies (3 a/c opening options)
Mutual Fund Product
Jenius Moneytory

#1 Clarity of information

- Availability of all account types on app
- Document requirement and a/c opening procedure
- Eligibility for a/c opening
- App should provide user with clear information before asking to register

#2 Ease of account opening

- The verification code to the cell phone number and email sometimes arrives late
- 5-step account opening journey
- Questions like source of funds, purpose of funds increase steps
- No-option to auto-save information if user leave the process in-between

#3 KYC authentication

- KTP and Selfie upload
- In case of video-KYC, there should be option to schedule it later
- Long wait time to confirm KTP
- Does not allow biometric verification during the a/c opening process

#4 Time to activate an account

- Account gets activated instantly
- Instant activated virtual card just after the a/c opened

BNI has the largest API stack in Indonesia, enabling banking-as-a-service solutions for partners



- » BNI API has a total of 443 services, **the most** compared to peers
- » Utilized by **4000++** partners
- » Recognized Globally



Won the Best Overall Devportal - Community Prize in 2020

<https://devportalawards.org/winners>



Present the comprehensive offer of the ecosystem through a platform

Play pivotal role within ecosystem by providing an integrated holistic solution, such as government, education, health, commerce



Use the partner's platform as a channel to sell bank's products

Partner with e-commerce, lifestyle companies to sell deposits, loan products



Provides services to the partners so they can potentiate their products

Customize bundled solutions into new products in collaboration with partners



BRI is building the fastest growing API ecosystem for data monetisation

#3 Embedded finance

BRI api	BRI ventures		
Ecosystem/API	Partnership	Fintech	Non-fintech
<p>Digital Partnership Model to connect with Fintech and create digital ecosystem. Already more than 220 partners using BRI API.</p> <div data-bbox="155 679 394 876"> <p>Transportation Ecosystem</p> </div> <div data-bbox="422 679 670 876"> <p>Healthcare Ecosystem</p> </div> <div data-bbox="155 968 394 1182"> <p>Agri Ecosystem</p> </div> <div data-bbox="422 968 670 1182"> <p>Fintech & E-commerce</p> </div> <div data-bbox="155 1200 670 1310"> <p>Oil & Gas Ecosystem; Education Ecosystem; etc</p> <p>Ceria Ecosystem</p> </div>	<p>BRI also establishes partnership with Indonesia's top digital platforms to reach out and tap the untapped.</p> <div data-bbox="741 625 1187 901"> <p>KUR Disbursement Partnership*</p> </div> <p>*Partnership with E-Commerce & Ride Hailing Application</p> <p>Through partnership with Investree and Amarta, BRI became the first Institutional Lender.</p> <div data-bbox="741 1119 1187 1276"> <p>436.9 Bio disbursement 1.2 Bio disbursement</p> </div>	<p>Through BRI Venture Capital, BRI is actively investing and facilitating Indonesian start-ups and fintech that synergize with BRI.</p> <div data-bbox="1274 679 1742 1290"> </div>	<p>BRI prepared Sembrani Nusantara funds for BRI Venture Capital to invest in non-fintech MSMEs for their market expansion as well as strengthening BRI's MSME ecosystem.</p> <div data-bbox="1905 865 2237 1133"> </div>



Challenges faced by for Indonesian banks

The industry challenge of cost efficiency and revenue growth



#1

High cost to serve

The cost efficiency for the banks are quite high going up to 63%. This creates pressure on the profitability for the banks.



#2

Low fee-based income

The banks need to focus on improving their fee-based income if they want above average revenue growth. The scope for increase lies between 8-15%.



#3

High ICT expenditure

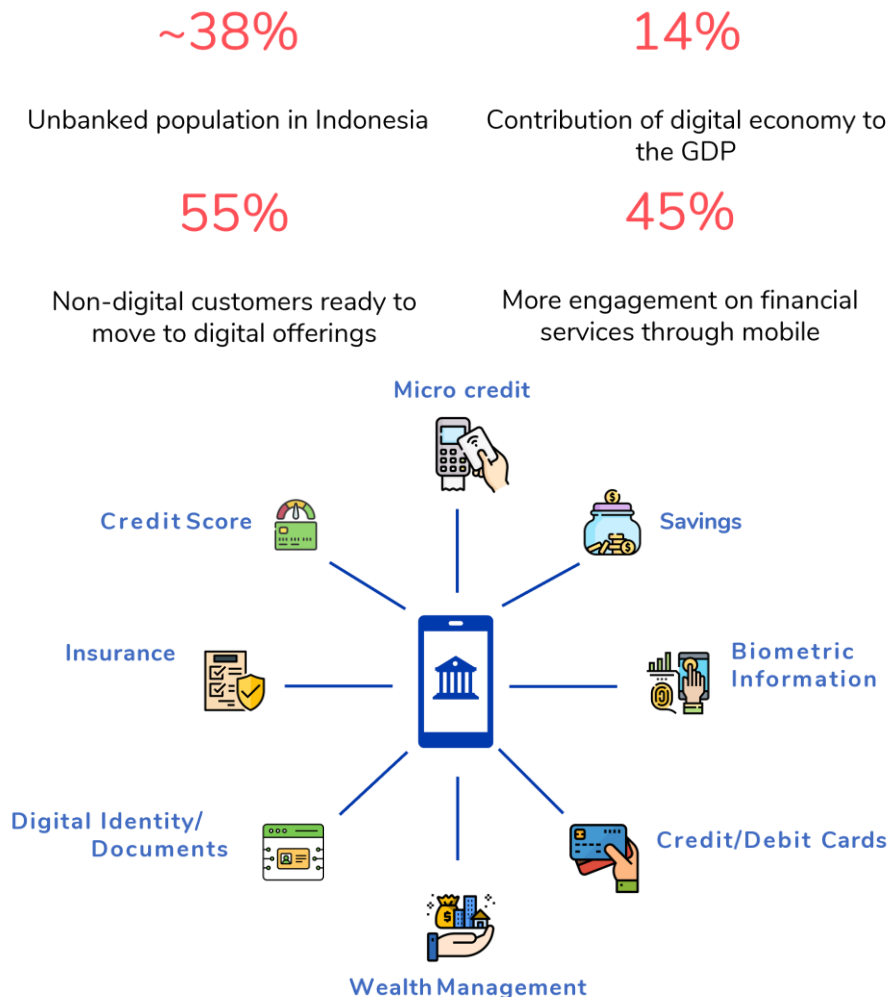
The banks are investing up to 4.5% of their revenue into ICT but are unable to realise solid returns from this expenditure.



Grow fee-based income with continued focus on digital adjacencies

- Digital only banking
- Embedded finance
- SuperApps
- Sustainable phygital experiences

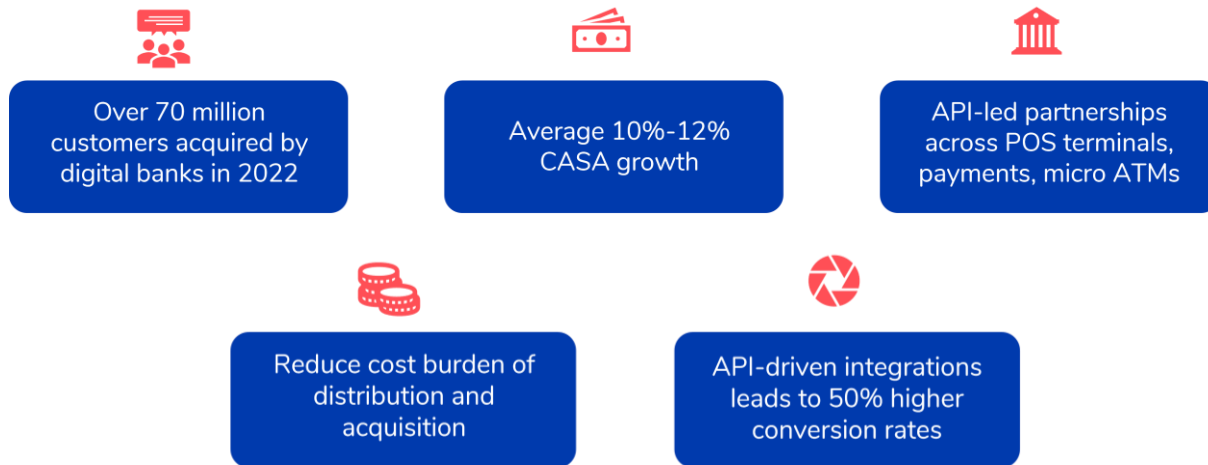
#1 Frictionless digital banking proposition for elevated CX



- Indonesian banks have digital only offerings in the form of 'Livin', 'BNi Mobile', 'BRImo', 'Blu' & 'Jenius'.
- All offerings are contributing well to the banks' revenue and cater to over 72 million users
- The banks can further enhance their offerings by:
 - Improving their onboarding process with simple and intuitive steps
 - Minimise the steps taken for KYC authentication
 - Provide instant account activation or utilise the time taken for activation to show promos and offers to the customers
 - Enhance the customer journey with hyper-personalisation and gamification the offerings engaging and fun
 - Upgrade their existing product stack to include more embedded finance offerings such as insurance, wealth management, loans, etc.

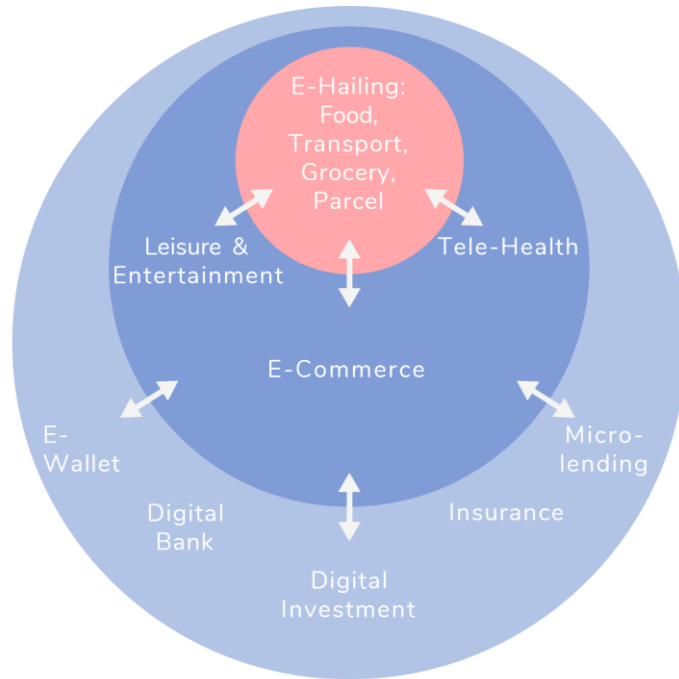
Detailed analysis to improve digital only banking experience – [here](#).

#2 Create a partner ecosystem to expand embedded offerings



- For banks, embedded finance represents a significant opportunity to expand their fee income by leveraging the customer reach of non-financial partners.
- By offering customized financial solutions through these partnerships, banks can tap into new revenue streams and deepen their customer relationships.
- Indonesia has an unbanked population of ~38%. Banks can drive financial inclusion through embedded finance solutions.
- They can introduce the following solutions in the market to achieve this:
 - An integrated, end-to-end, retail lending solution(for mortgage, automotive, education, etc.) covering all facets of loan lifecycle from sourcing to disbursement for all kind of customers. It can be a unified interface for customers, third party providers and sourcing channels.
 - A merchant ecosystem(for grocers, supermarkets, small retail store chains, online businesses and e-commerce firms) which provides banking solutions and value-added services in one place.

#3 Rise of integrated experiences will lead to SuperApps



Superapps are racing towards user cross pollination within the ecosystem

More than 30%

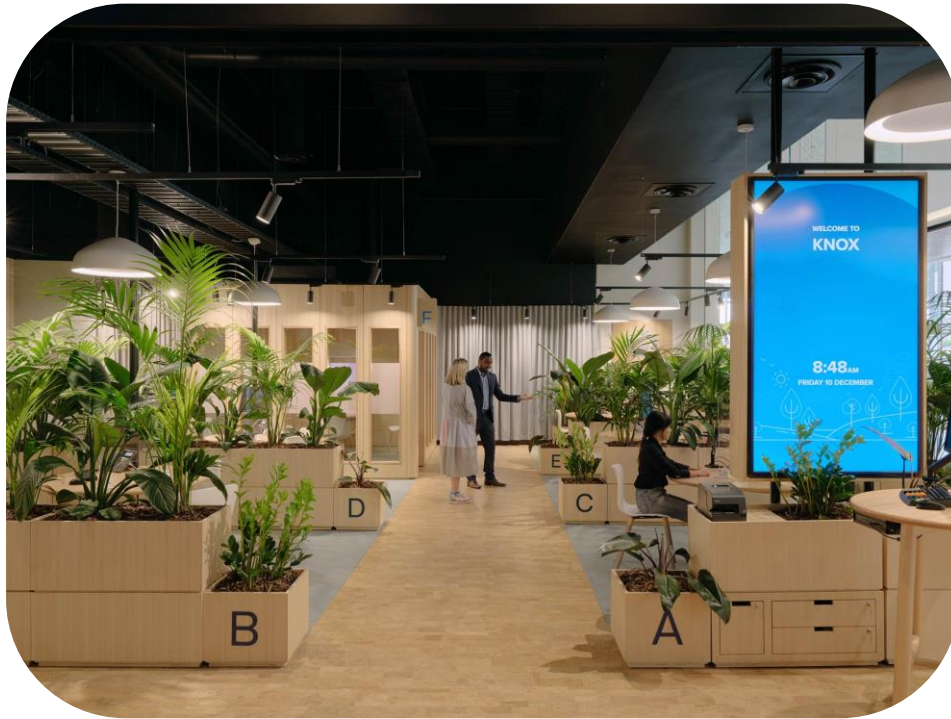
2%

Customer transactions are outside of a bank's platform

Gojek's contribution to GDP, led to regulatory support for superapps

- Bank Mandiri has 2 different SuperApps for different customer segments, contributing about 30% to the bank's revenue.
- SuperApps have significant potential for generating new revenue streams and increasing cross selling for the banks. They can further help the banks by:
 - Providing a seamless CX at lower costs as they will streamline day to day financial functions onto one platform while also lowering operating costs and providing access to new data sources.
 - They will also enable the banks to improve their data management and analytics capabilities and create a single source of truth for all business lines. This will help banks to develop a better view of the risks involved, while also helping them to create targeted financial products for each customer
 - Banks will be able to focus their efforts towards forging longer-term relationships that will boost customer acquisition and satisfaction.

#4 Drive phygital experiences in a sustainable way



For example: ANZ bank branch in Australia is built on the ESG concepts to reduce emissions, create a healthy environment, and encourage a place to co-work and co-create

- Indonesia has a large population of 277.5 million
- The top 5 Indonesian banks have a branch network of 7157 branches amongst all of them
- Some of them have phygital branches such as Bank Mandiri, BCA and BRI
- All 5 banks are planning to expand their branch network. This will increase their cost to serve and deviate from the banks' efforts towards sustainability.
- The banks should follow the footsteps of ANZ bank and build new branch designs built using low carbon footprint, sustainable materials.
- This will provide the banks with flexibility to remodel and scale their branches in a cost-effective, low-waste manner based on the environment and changing needs.
- They can also use branch technology infrastructure which can be disassembled, relocated, and reused as well.

twimbit
be more



Insights



Immersions



Challenges