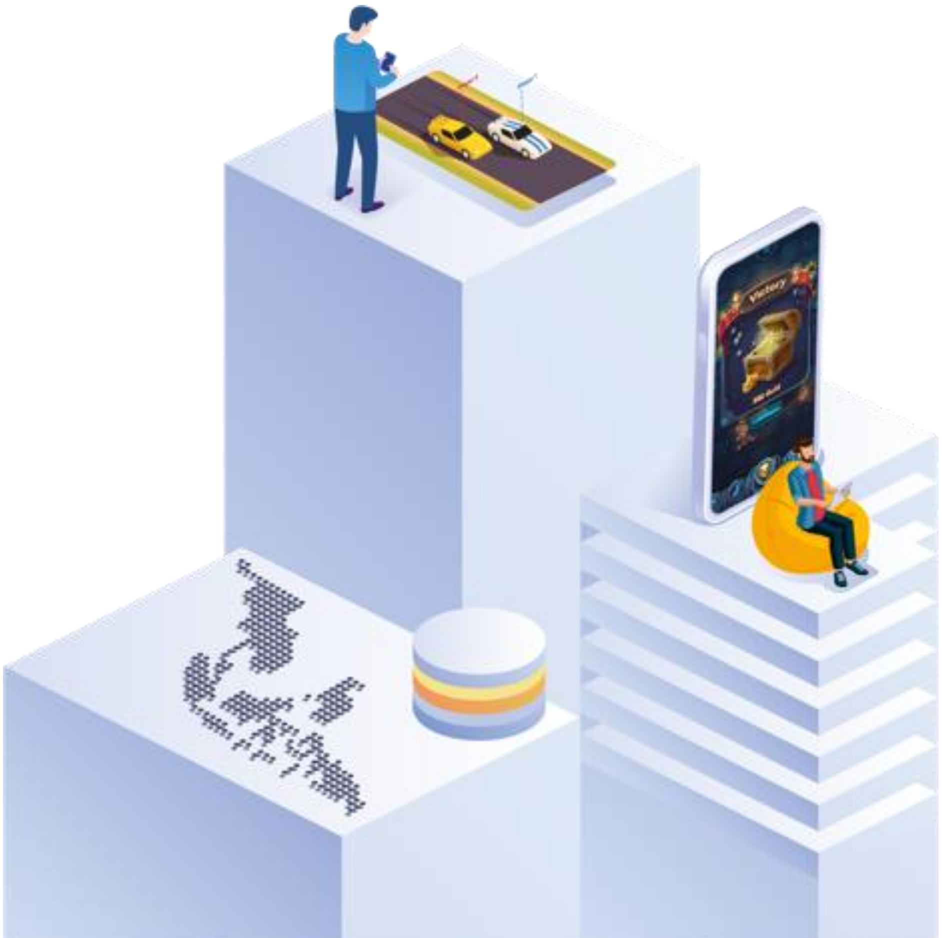
Winning financial services in Indonesia 2023

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

Source: Industry reporting, annual reports and investor presentation
* BTPN, Bank Mandiri, BNI, BCA, BRI, Bank Danamon

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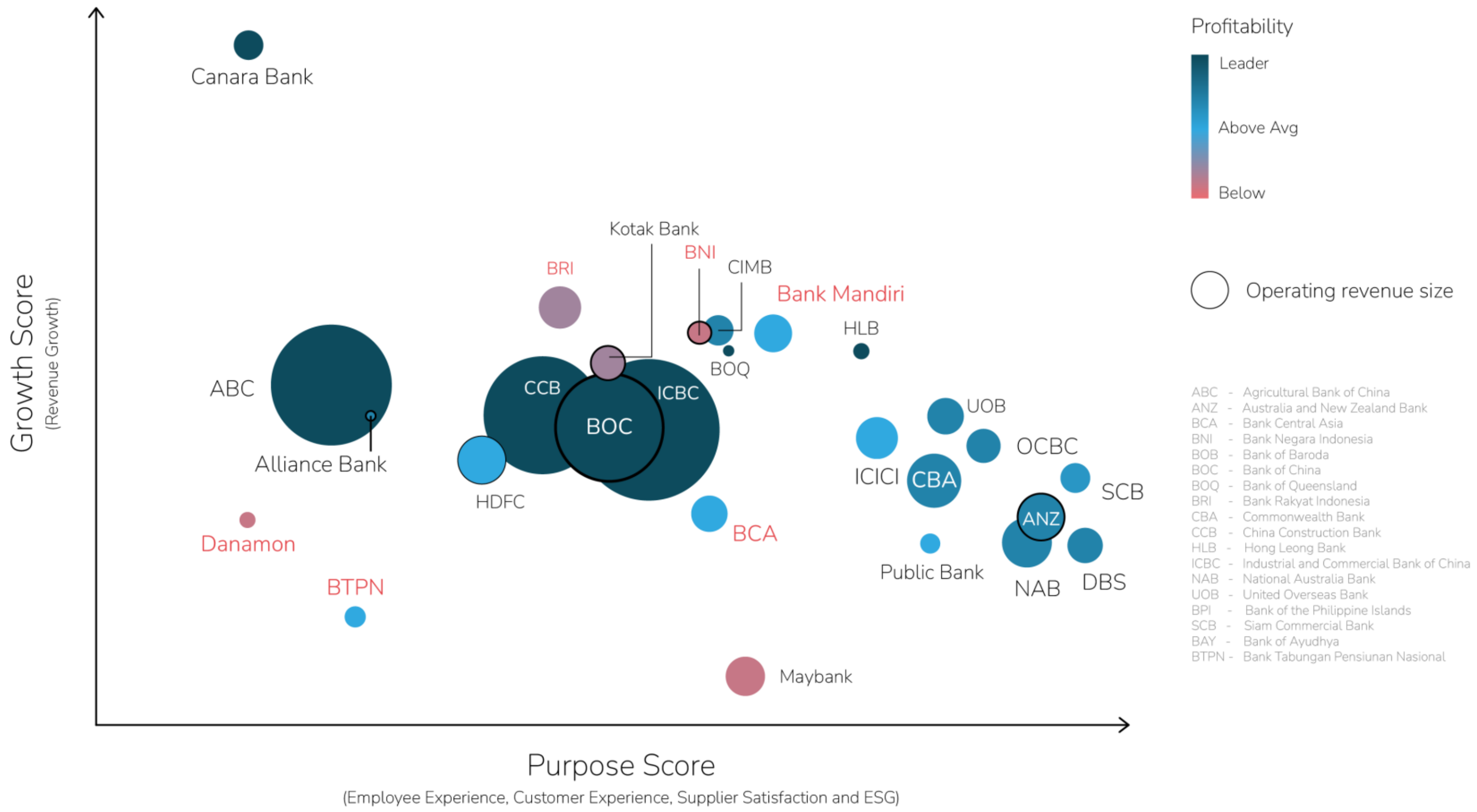
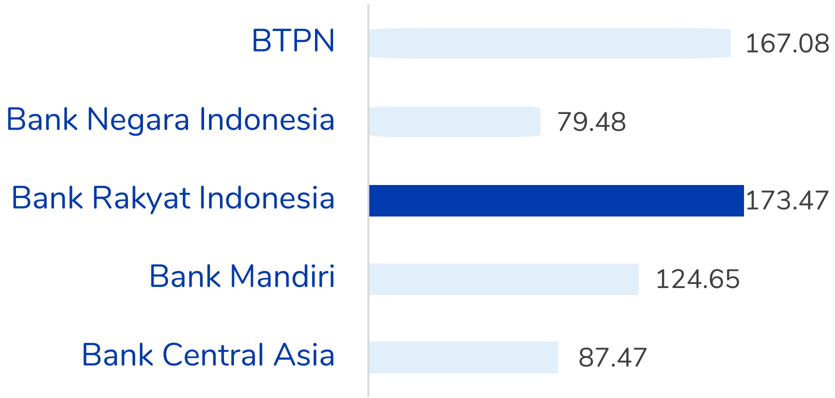
A closer look at Indonesian banks vs best in class APAC banks

twimbit purpose index



Average revenue growth by Indonesian banks

Group Operating Revenue (IDR Tn), 2022



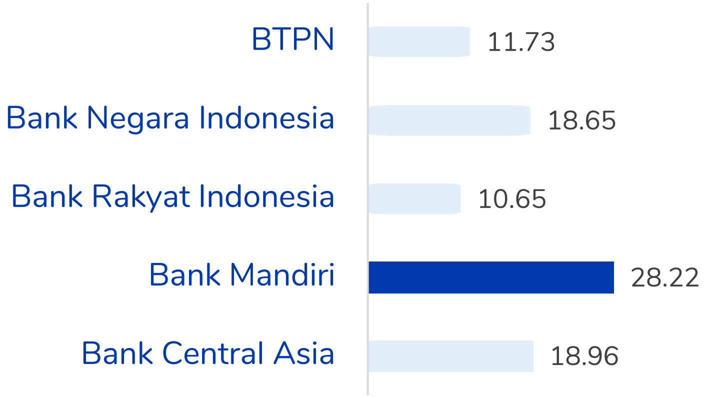
17.2 USD Bn

APAC average

133.4 USD Bn

ICBC
Best in class

Fee Income to Total Income(%), 2022



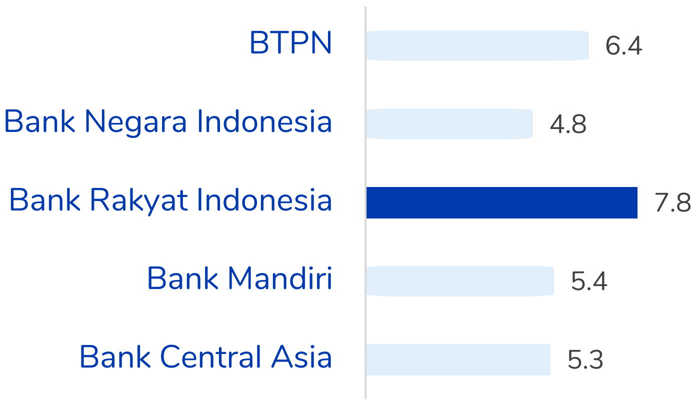
14.9%

APAC average

26%

SCB
Best in class

Net Interest Margin(%), 2022



3.2%

APAC average

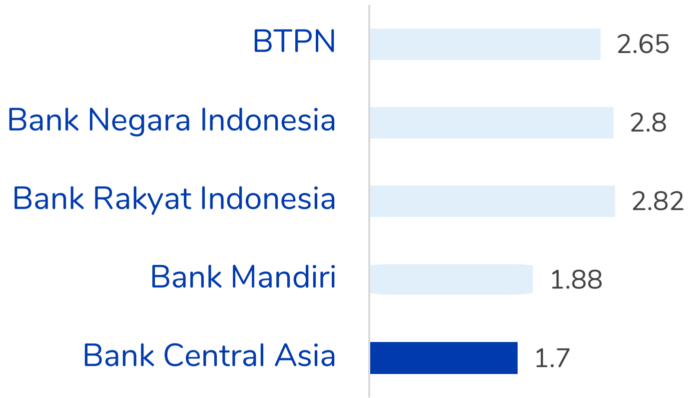
7.8%

BRI
Best in class

Source: Industry reporting, annual reports, investor presentation, twimbit analysis
Note: Figures for BTPN pertain to FY21 whereas figures for other banks pertain to FY22

Despite achieving strong operational performance

Non-Performing Loan Ratio (%), 2022



1.73%

APAC average

0.17%

Bendigo Bank
Best in class

Capital Adequacy Ratio (%), 2022

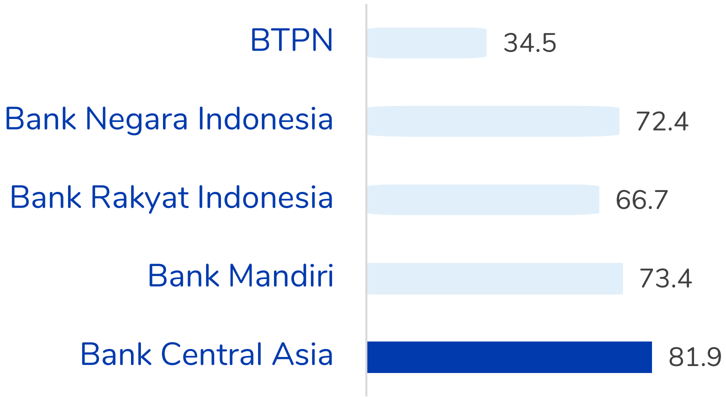
15.5%

APAC average

25.8%

Bank Central Asia
Best in class

CASA Ratio(%), 2022



42%

APAC average

81.9%

Bank Central Asia
Best in class

Source: Industry reporting, annual reports, investor presentation, twimbit analysis
Note: Figures for BTPN pertain to FY21 whereas figures for other banks pertain to FY22

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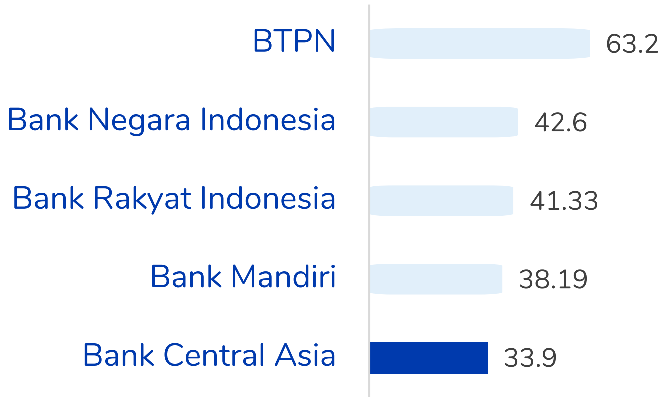
Because high OPEX puts pressure on profitability

Cost Efficiency Ratio (%), 2022



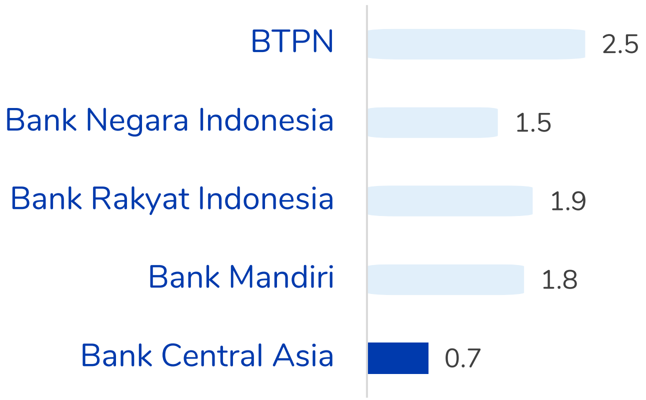
40.4%

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

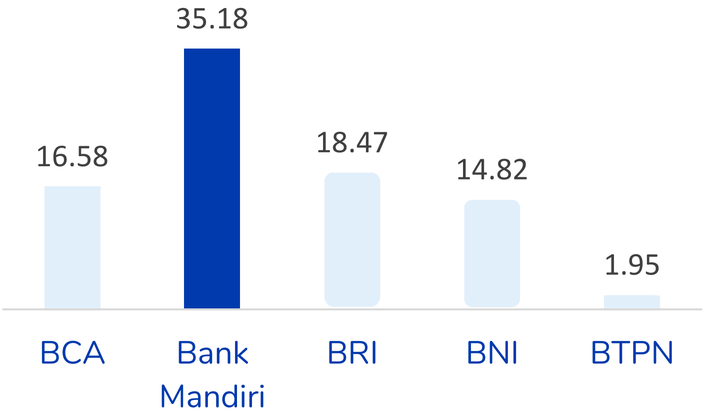
9.3%

DBS
Best in class

Source: Industry reporting, annual reports, investor presentation, twimbit analysis
Note: Figures for BTPN pertain to FY21 whereas figures for other banks pertain to FY22

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

Fee Based Income (IDR Tn), 2022



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 Livin, Kopra and other digital channels

Fee based income	2021	2022	YoY	
Loan Related Fee	2,467	3,067	24%	
Deposit Related Fee	3,307	3,707	12%	
Credit Card	1,164	1282	10%	
Mutual Funds & Bancassurance	845	855	1%	
Kopra Fee	1,946	2141	10%	**Recurring fees**
ATM	617	480	-22%	
Livin' App, SMS & Internet Banking	1,432	1737	21%	
Other E-Channel	793	1147	45%	
Fixed Income, FX & Derivatives	7,119	4580	-36%	**Non Recurring fees**
Cash Recoveries	4,705	6339	35%	
Other Income	840	1669	99%	**Subsidiaries**
Subsidiaries	7,035	8175	16%	
Consolidated total	32,273	35,180	9%	

Source: Industry reporting, annual reports, investor presentation, twimbit analysis

Indonesian banks today

- twimbit Purpose Scores
- Best practices by Indonesian banks

twimbit purpose scores for top 5 banks in Indonesia

	Benchmark score (CX, EX, ESG, SS)
mandiri	3.52
BCA	3.45
BNI	3.40
BRI	3.19
bank btpn	2.8

Top initiatives by Indonesian banks

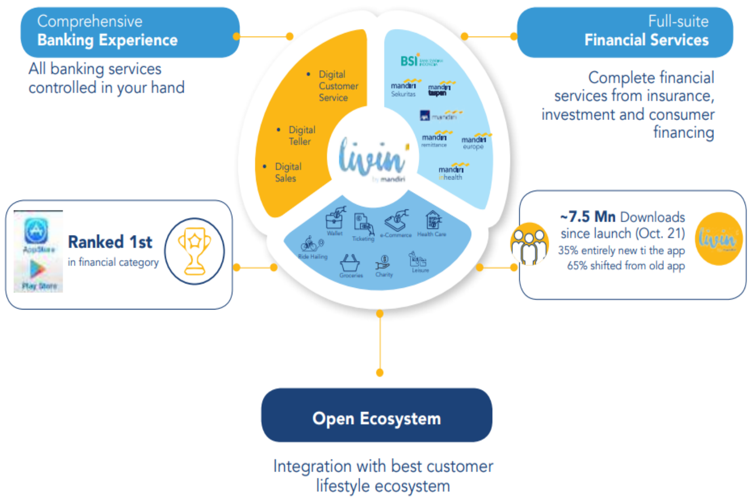
#1 SuperApps

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.



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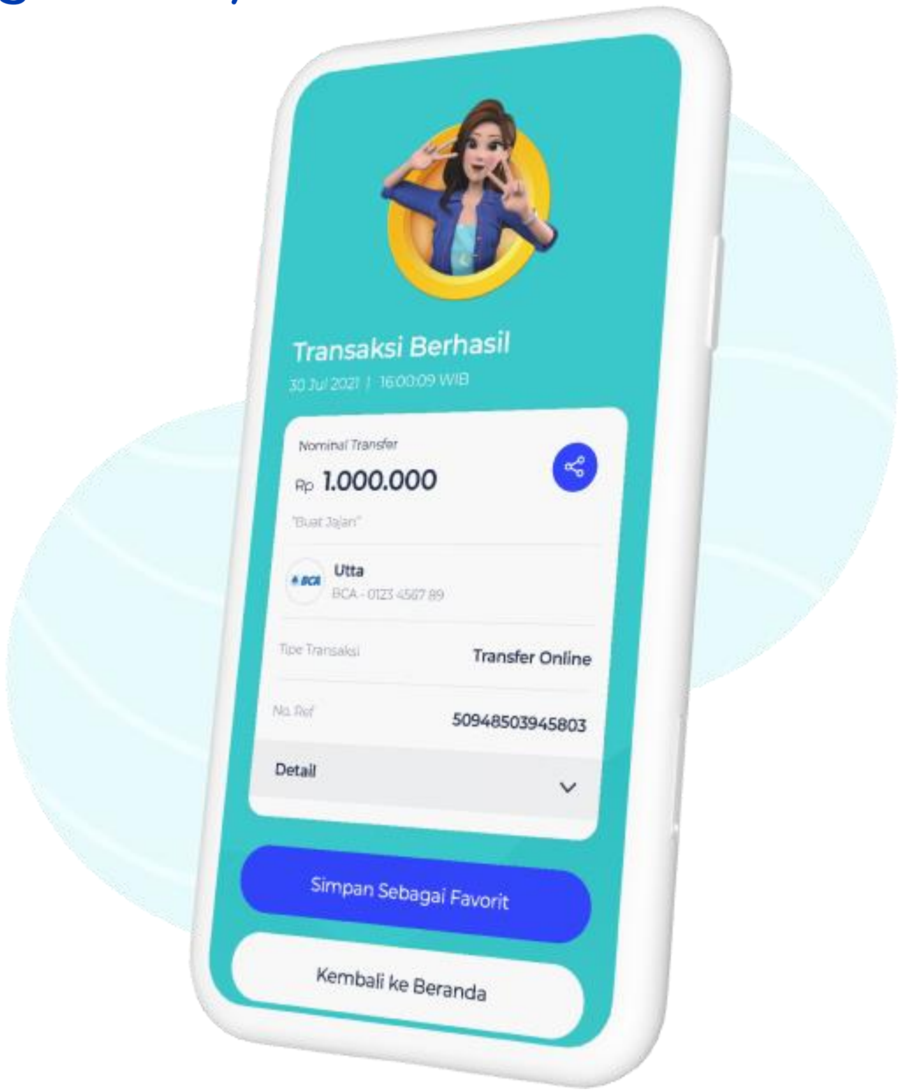
BCA steps towards branchless banking with digital only bank - Blu

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

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

#3 Embedded finance

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

BNI Open API

https://digitalservices.bni.co.id/

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

2020 DEVPORTAL AWARDS

Won the Best Overall Devportal - Community Prize in 2020

https://devportalawards.org/winners

Present the comprehensive offer of the ecosystem through a platform	Use the partner's platform as a channel to sell bank's products	Provides services to the partners so they can potentiate their products
Play pivotal role within ecosystem by providing an integrated holistic solution, such as government, education, health, commerce	*Partner with e-commerce, lifestyle companies to sell deposits, loan products*	*Customize bundled solutions into new products in collaboration with partners*
BNI Smart City, BNI Eco, BNI eduPatrol, Xpora	SPE, Medigo, Alkes Pintar, tokopedia, Bukalapak, gojek, xendit, Poku, Grab	traveloka PayLater, LinkAja

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BRI is building the fastest growing API ecosystem for data monetisation

BRI api | BRI ventures

Ecosystem/API

Digital Partnership Model to connect with Fintech and create digital ecosystem. Already more than 220 partners using **BRIAPI**.

- Transportation Ecosystem: gojek, Grab, kargo, PORTER
- Healthcare Ecosystem: Qoala, THEFITCOMPANY, halodoc, DOOGETHER
- Agri Ecosystem: iGrow, TaniHub, savurbox, redkendi
- Fintech & E-commerce: tokopedia, modalku, ayopop, BukaLapak, LAZADA, investree, LinkAja!, DANA
- Oil & Gas Ecosystem; Education Ecosystem; etc
- ceria — Ceria Ecosystem

Partnership

BRI also establishes partnership with Indonesia's top digital platforms to reach out and tap the untapped.

KUR Disbursement Partnership*: Shopee, tokopedia, gojek, Grab, ModalRakyat

*Partnership with E-Commerce & Ride Hailing Application

Through partnership with Investree and Amartha, BRI became the first Institutional Lender.

investree	436.9 Bio disbursement
amartha	1.2 Bio disbursement

Fintech

Through **BRI Venture Capital**, BRI is actively investing and facilitating **Indonesian start-ups and fintech** that synergize with BRI.

TaniHub, ayoconnect, modalku, investree, PAYFAZZ, Awan Tunai, LinkAja!, NIUM

Non-fintech

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.

BRODO, haus!

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

~38%

Unbanked population in Indonesia

14%

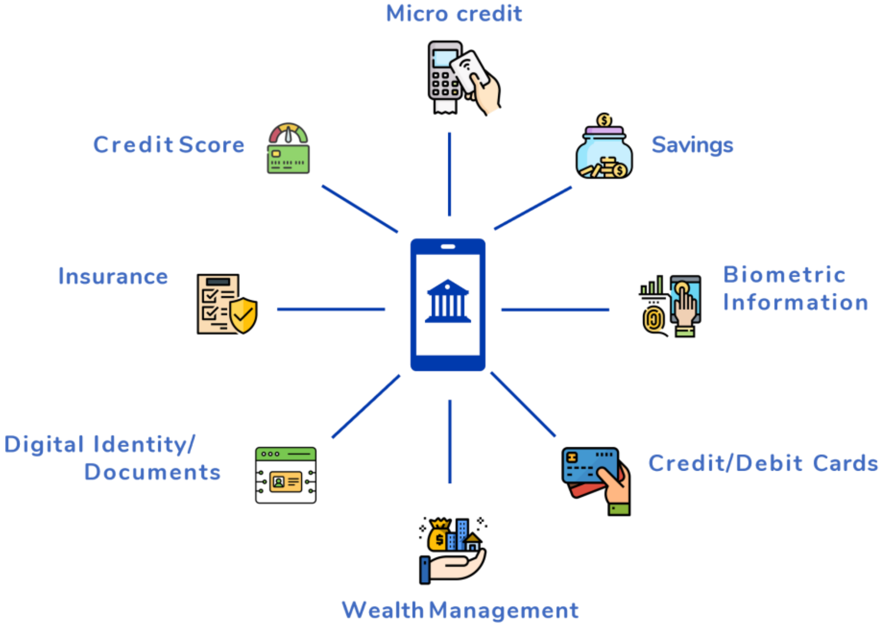
Contribution of digital economy to the GDP

55%

Non-digital customers ready to move to digital offerings

45%

More engagement on financial services through mobile



- 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.

Source: Empowering Indonesia 2023 report

#2 Create a partner ecosystem to expand embedded offerings

Over 70 million customers acquired by digital banks in 2022

Average 10%-12% CASA growth

API-led partnerships across POS terminals, payments, micro ATMs

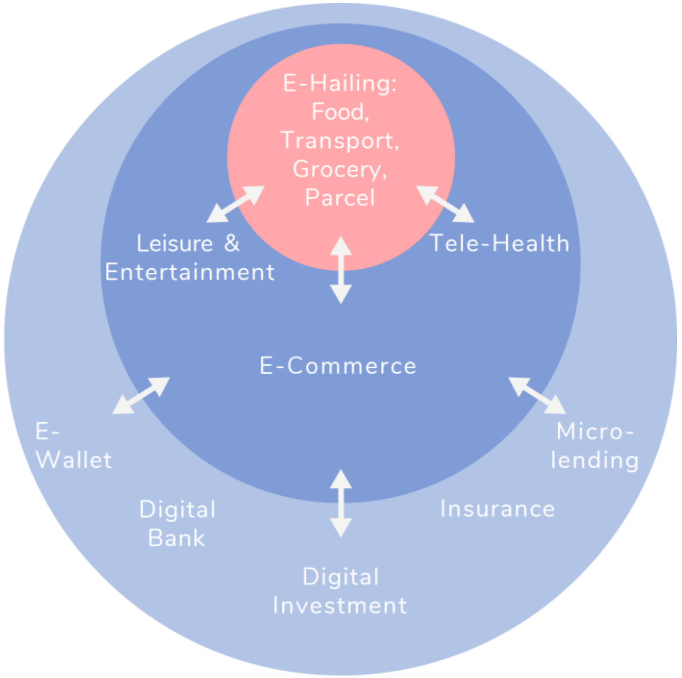
Reduce cost burden of distribution and acquisition

API-driven integrations leads to 50% higher conversion rates

- 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.

Source: twimbit analysis, industry reporting

#3 Rise of integrated experiences will lead to SuperApps



Superapps are racing towards user cross pollination within the ecosystem

More than 30%

Customer transactions are outside of a bank's platform

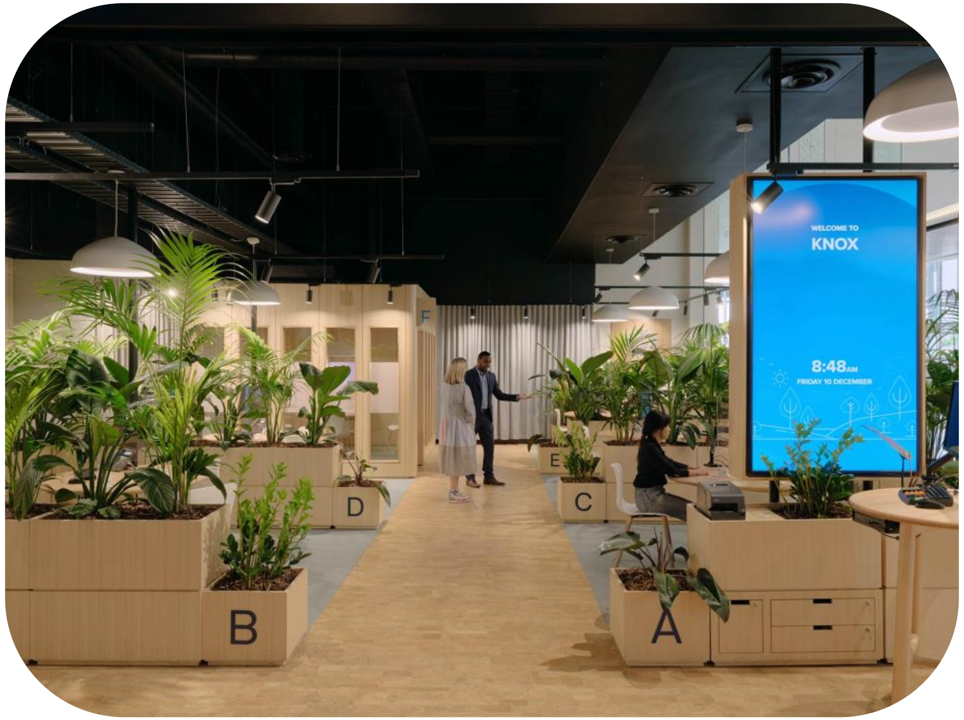
2%

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.

Source: Empowering Indonesia 2023 report

#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.

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be more

Insights | Immersions | Challenges

How can we help?
reachus@twimbit.com