

INVESTOR NEWSLETTER

The Establishment Of Ultra Micro Ecosystem

September 2021

BRI OFFICIALLY BECOMES THE PARENT COMPANY FOR ULTRA MICRO HOLDING



PT Bank Rakyat Indonesia (Persero) Tbk is currently carrying out a Rights Issue with a maximum transaction value of Rp95.92 trillion. The bank plans to use the Rights Issue proceeds for the establishment of Ultra Micro Holding Company and the development of the ultra micro ecosystem as well as micro and small businesses.

Of the total transaction value, Rp54,7 trillion will be coming from the Government's participation by transferring all government-owned Series B shares in PT Pegadaian (Persero) and PT Permodalan Nasional Madani (Persero) or PNM to BRI through an Inbreng mechanism.

On September 13, 2021, the Deed of Capital Contribution In Kind (Inbreng) of the Government's shares in Pegadaian and PNM as capital participation to BRI as the holding company has been signed. This marked the official establishment of the Ultra Micro Holding Company which involves three Indonesian State-Owned Enterprises (SOE), namely PT Bank Rakyat Indonesia (Persero) Tbk, PT Pegadaian (Persero) and PT. Permodalan Nasional Madani (Persero).

The Deed was signed by the Minister of SOE Republic of Indonesia Mr. Erick Thohir, together with the President Director of BRI, Sunarso, and was attended by the President Director of Pegadaian Mr. Kuswiyoto, the President Director of PNM, Mr. Arief Mulyadi and the Vice President Director of BRI who is also the Chairman of the BRI Privatization Team of the PMO (Project Management Office) Mr. Catur Budi Harto.

Previously, the establishment of Ultra Micro Holding Company had received approvals from the Financial System Stability Committee on February 5, 2021, Chairman of the Privatization Committee on February 17, 2021, supports from the parliament, namely Commission XI and Commission VI of the Indonesia's House of Representatives on March 16 & March 18, 2021, and followed by the issuance of Government Regulation (PP) No. 73/2021 regarding BRI's State Equity Participation (PMN) dated July 2, 2021. The establishment of the Holding Company was also supported by the Decree of the Minister of Finance regarding the addition of State Capital Participation (PMN) to BRI on July 16, 2021, approval from BRI's EGMS on July 22, 2021, and approval from the Financial Services Authority (OJK) Bank and OJK Capital Market on August 24 & August 30, 2021.

The Minister of State-Owned Enterprises, Erick Thohir said this was a historic milestone for the establishment of Ultra Micro Holding which aims to increase the welfare of the people by providing access to financial services. "I am grateful for the commitment of the three SOEs to establish the Ultra Micro Holding and this is a momentum for the revival of the national economy through the creation of new jobs and employment," he said.

Ultra Micro Holding Company, he added, will provide various conveniences and lower cost of credit with a wider access, deepening of services, and sustainable community empowerment. "The government certainly has a big solution to show its supports to the ultra-micro sector. When the government talks about "Indonesia Maju", part of it is the advancement of the ultra micro segment, through strengthening economic resilience and quality growth, reducing inequality, and improving the quality of human resources, especially Ultra Micro entrepreneurs by empowering through this holding," said Erick.

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Erick emphasized that the presence of the holding would strengthen the business model of each company. According to him, BRI, Pegadaian and PNM will complement each other in providing integrated financial services for the sustainability of ultra-micro business empowerment.

"The presence of this Ultra Micro Holding Company will increase empowerment and provide more comprehensive and affordable financial product offering. Through **co-location**, BRI's network will also be equipped with Pegadaian counters, as well as post for PNM Mekaar's Account Officers (AO). The co-location is expected to record efficiency because it reduces operational costs and cost of funds," he said optimistically.

On the same occasion, Sunarso, The President Director of BRI said that the Ultra Micro Holding Company will be able to provide an integrated **financial services journey** for Ultra Micro entrepreneurs. "The journey begins with **the Empower** phase where PNM through its Group Lending business model provides empowerment programs to unfeasible and unbanked customers to become more independent ultra micro entrepreneurs. Furthermore, in **the Integrate** phase, when PNM customers have become feasible with increased business capacity, BRI and Pegadaian Ultra Micro products can be offered. The ultimate goal of the Integrated Journey in the Ultra Micro Ecosystem is **the Upgrade** phase, where UMi customers have developed into entrepreneurs with more mature business capacities and are ready to advance to the Micro segment," said Sunarso.



Furthermore, Sunarso explained the potential of holding from a business perspective. From the data, ultra-micro businesses that need additional funding reached 45 million customers in 2018. Of that number, only 15 million customers have been touched by formal financial institutions.

"The establishment of an ultra-micro ecosystem will strengthen BRI's journey in achieving the aspirations of The Most Valuable Banking Group in Southeast Asia and Champion of Financial Inclusion, and continue to provide sustainable value for all stakeholders," said Sunarso.

Meanwhile, the President Director of Pegadaian, Kuswiyoto added that the synergy of the Ultra Micro ecosystem would provide wider and easier access to financial services for Ultra Micro entrepreneurs. The same optimism was expressed by the President Director of PNM, Arief Mulyadi. According to him, the three entities have integrated, especially in resources, infrastructure and data.

The ultra-micro synergy cannot be separated from the support of the government, including regulators, parliament, and shareholders as well as all management and employees of the three holding entities. "Therefore, with the signing of the Deed of Inbreng today, we dedicate this UMi Holding especially to ultra micro entrepreneurs and generally to MSME entrepreneurs who are one of the backbones of the national economy, as well as all stakeholders," concluded Catur.