

Hadi Wibowo
President Director





PRESIDENT DIRECTOR *Report*

Wholeheartedly, throughout 2023, all #bankirpemberdaya have demonstrated unwavering faithfulness in empowering inclusive customers.



*Bismillahirrahmanirrahim
Assalamualaikum Warahmatullahi Wabarakatuh
Esteemed Shareholders & Stakeholders,*

We begin with gratitude to Allah SWT for His mercy upon all #bankirpemberdaya who have consistently dedicated themselves to **faithfully empowering** inclusive customers amidst the challenges posed by the pandemic throughout 2023.

The year 2023 witnessed a gradual economic recovery following the Covid-19 pandemic. Mobility increased notably after the World Health Organization officially rescinded the global pandemic status in early May 2023, a development echoed in Indonesia when the national pandemic status was officially lifted at the end of June 2023. This increased mobility spurred household consumption, supported by relatively stable public purchasing power and sustained consumer confidence, leading to robust domestic demand. The Government's strategic measures effectively controlled inflation, maintaining national economic growth above 5%. While the value of exports of goods decreased in line with the global slowdown, overall export performance still grew, supported by an increase in foreign tourist visits. Economic growth was particularly evident in the processing industry, wholesale and retail trade, and construction sectors.

However, this recovery has not been uniform across all sectors, a phenomenon described by some economists as a "K-shaped" recovery. While the upper-middle economic segment has driven growth, the lower-middle economic segment still faces challenges in fully rebounding from

the pandemic. Central Bureau of Statistics (BPS) data indicates that the productivity index for Micro and Small Enterprises remains below pre-pandemic levels, contrasting with the significant recovery observed in Large Medium Enterprises productivity.

faithfully empowering

Amidst various challenges contributing to the slow recovery of the middle to lower economic groups, including the ultra-micro segment, one significant factor is the limited circulation of money in rural areas. Heightened economic uncertainty prompts investors to favor financial market investments over real sector ventures in rural regions. Citing data from the Central Bureau of Statistics (BPS), Indonesia's economic inequality reached its worst level in the past five years as of March 2023.

This situation presented exceptional challenges for financial service providers targeting the middle to lower economic segments, particularly the ultra-micro segment. Several fintech companies that previously catered to this segment have scaled back their exposure. However, amidst these challenges, BTPN Syariah's commitment to serving an inclusive society remains steadfast. Upholding its initial commitment, BTPN Syariah has remained devoted to **faithfully empowering** financing customers to endure and gradually recover from the pandemic's impact.

The Bank has continued to cultivate exemplary behavior among its customers, aligning with the goals of its empowerment activities encapsulated in the BDKS acronym: Courage, Discipline, Hard Work, and Mutual Assistance.



We're reinvigorating our efforts to support customers through regular gatherings at designated centers (often the homes of our customers), held every two weeks. These gatherings foster a sense of optimism among customers, encouraging them to diligently repay installments and save for the future. Through mutual support at these meetings, customers empower each other to persevere in pursuing their dreams. In times of hardship, when a customer struggles to make timely payments due to unforeseen circumstances, our solidarity system operates with genuine sincerity. Meanwhile, those who receive assistance make every effort to fulfill their commitments promptly and return the solidarity funds to other members.

In order to maintain financing quality and uphold BDKS customer behavior, the Bank rigorously selects prospective customer profiles and provides training and assistance before disbursing funds. This approach aims to support the Bank's sustainable growth, enabling it to assist more individuals in the future, in line with BTPN Syariah's vision and mission. For funding customers, the Bank's focus on financing quality aims to maintain stable returns aligned with humanitarian benefits.

The Bank's resilience and growth in challenging circumstances are intrinsically linked to the capacity and competence of #bankirpemberdaya, continuously nurtured over more than a decade. BTPN Syariah has increasingly positioned itself as Indonesia's sole commercial bank focusing on empowering productive pre-prosperous women groups. Its business model is viewed as a breakthrough in serving the base of the Indonesian societal pyramid, contributing to positive change for customers and inclusive society. This highlights the Bank's significant mission to foster growth opportunities and meaningful lives for all stakeholders.

positive achievements 2023

BTPN Syariah's accomplishments in **faithfully empowering** inclusive communities are not solely measured by financial performance but are also evidenced by the significant social impacts they generate. These include empowered

inclusive communities, #bankirpemberdaya who demonstrate unwavering dedication and high fighting spirit, as well as innovative solutions that enhance the Bank's operations, benefiting a larger demographic.

healthy financial performance

Aligned with the sluggish economic recovery among the lower middle economic group, particularly the ultra-micro segment, the majority of financial service providers are grappling with the challenge of declining financing quality. As we enter the second half of 2023, the Bank persists in enhancing financing quality through diversified strategies and field activities. While the pursuit of new customers expands, strict selection criteria for prospective financing customers remain in place.

Throughout 2023, the Bank successfully disbursed funds totaling Rp11.4 trillion to approximately 4.21 million underprivileged customers across 2,600 sub-districts throughout Indonesia. This was accompanied by effective risk management in fund distribution, resulting in BTPN Syariah's financing quality being classified as excellent within its sector. The Bank also implements various tactical programs, including incentives, to promote bi-weekly center meetings with a customer attendance rate exceeding 90%, that not only facilitate payments but also enable portfolio quality monitoring. Being part of a supportive community can bolster customers' determination to fulfill their obligations and equip them with knowledge and solutions to overcome challenges. The efficiency of #bankirpemberdaya in serving and assisting customers significantly contributed to reducing the Bank's non-performing credit (NPF) ratio to 2.94%. Furthermore, provisions for total financing reached Rp1.2 trillion in 2023.

In addition to serving financing customers, the Bank has undertaken initiatives to enhance the comfort of funding customers in contributing to inclusive community empowerment. BTPN Syariah branch offices have been optimized with an attractive redesign to provide enhanced comfort and inspire continued contributions to Indonesia's inclusive society. Optimization efforts extend to mobile banking and internet banking services, enriching features to facilitate



contributions from customers, including women across the country. By December 31, 2023, the number of funding customers increased by 22% compared to the previous year, totaling over 27,000 customers nationwide. Third Party Funds rose to Rp 12.1 trillion, supporting sharia financing with a Financing to Deposit Ratio of 93.78%. The digitalization of banking services for funding customers also increased Current Account Savings Account to Rp 3.1 trillion, maintaining a CASA Ratio of 25.6%, as the Bank does not currently position itself as a transactional bank.

The Bank's total assets stood at Rp21.4 trillion as of December 31, 2023, with a net profit of Rp1.08 trillion. Operational expenses to operating income were maintained at 76.2%, despite increased investment in system and software development to enhance services. Additionally, the Bank recorded a capital adequacy ratio of 51.6%, exceeding the industry average for commercial and sharia banks. The Bank's Return on Assets reached 6.3%, and the Return on Equity of 13.2% is considered robust within its sector. These achievements led to the Bank maintaining a stable AAA (Idn) Outlook Rating from PT Fitch Ratings Indonesia. The total assets of the BTPN Syariah Ventura subsidiary reached Rp 321 billion, with total equity of Rp 321 billion as of December 31, 2023.

Overall, the Bank's financial performance in 2023 complies with various regulatory standards, reflecting its commitment to excellence across all aspects of operations.

widespread positive social impact

Amidst challenging economic conditions that affect the Bank's financial performance, dedicated efforts to foster widespread positive social impact persist. Collaborating with various stakeholders, the Bank strives to instigate measurable and sustainable changes in its business model to benefit customers. In 2023, initiatives targeting customers with expanding financing cycles

yielded notable improvements. Collaborative endeavors led to a 5% increase in customer families with adequate housing, an 18.8% increase in those with adequate sanitation facilities, and a 7.8% rise in children attending school. Environmentally, household carbon emissions from firewood burning decreased, with an 8% increase in families transitioning to alternative fuel sources. According to research by the Demographic Institute of the University of Indonesia, customer family incomes averaged Rp 4.7 million per month, surpassing non-customers' average income of Rp 3.2 million per month. Additionally, the average income of 100% inclusive women customers reached Rp 2.5 million per month, exceeding non-customer averages of Rp1.8 million per month. While BTPN Syariah is not the sole contributor to these improvements, its financing, complemented by empowerment and assistance, significantly enhances the lives of inclusive communities.

Empowerment initiatives for financing customers further expand through the involvement of students nationwide via the Bestee program. In collaboration with the Ministry of Education and Research and Technology's Merdeka Campus, the Bank introduced an internship program enabling students to directly support inclusion customers, such as by providing marketing guidance. By the end of 2023, 1,821 students from 257 universities had joined the Bestee program as facilitators, assisting 49,000 customers across 24 provinces. This marked a substantial increase from 2022, driven by the program's digital platform accessibility and growing popularity. In 2022, the Bestee program only involved 108 facilitators from 42 universities in assisting 1,614 customers throughout 5 provinces in Indonesia.

Recognizing the significant positive impact, the Bank plans to expand the Bestee program to engage all stakeholders in measurable and sustainable empowerment endeavors.



continuously improved innovations

BTPN Syariah firmly believes that every challenge presents an opportunity for innovation, driving the Bank's performance forward. Technologically, we have upgraded and enhanced application features to support seamless operations in customer service. Furthermore, we have undertaken extensive measures to align the rapid advancements in technology with the unique conditions and characteristics of customers in the ultra-micro segment. We maintain that digitization efforts within community groups must prioritize understanding their characteristics, be tailored to their readiness and adaptability, and address their specific needs.

In 2023, our journey towards realizing the vision of a sharia digital ecosystem for an inclusive society focused on enhancing four key platforms. These platforms cater to Bank employees, Laku Pandai agents (known as Mitra Tepat), empowerment facilitators, and customers. All applications are interconnected, facilitating a smooth process between #bankirpemberdaya, customers, and Mitra Tepat.

#bankirpemberdaya utilizes the Terra application to efficiently and accurately serve financing customers. Meanwhile, Mitra Tepat utilizes the Warung Tepat application as an extension of the Bank, enabling financial transactions for customers, applying for working capital, accessing suppliers, and reaching markets. Additionally, digital literacy education is integrated into each community.

For funding customers, the Bank continuously enhances e-channel services through Tepat Mobile Banking and Internet Banking. These applications offer secure and convenient digital banking transactions and facilitate customer engagement in funding for inclusive communities. Islamic features, such as zakat payment channels and sharia information, are incorporated to enhance user experience. Moreover, a new feature introduced this year is e-KYC Tepat Mobile, allowing customers to open savings accounts online.

The realization of the vision for a sharia digital ecosystem for an inclusive society is further bolstered by our subsidiary, PT BTPN Syariah Ventura ("BTPN Syariah Ventura"), which commenced full operations in 2022. As Indonesia's first Islamic Venture Capital company, it focuses on improving the welfare of inclusive communities through capital inclusion in start-up companies sharing our mission of empowering inclusive communities. In line with the Bank's commitment to enhancing financing quality, BTPN Syariah Ventura also adopts a selective approach amidst the dynamic startup landscape. This situation presents valuable lessons for the Bank in selecting the right partners to deliver solutions and benefits for inclusive communities.

human capital with a calling

At BTPN Syariah, talent is categorized into two primary groups: community officers (COs) in the field, predominantly composed of trained high school graduates, and office-based employees. The COs serve as the Bank's frontline in catering to inclusive customers. In addition to possessing technical expertise tailored for inclusive community services, they undergo extensive training to effectively engage with customers at the Center. These COs are nurtured to exhibit empathy, strong leadership, and effective communication skills, emphasizing that the relationship between the Bank and its customers transcends mere transactions. Given the humanistic approach embedded in BTPN Syariah's business model, which prioritizes serving the productive underprivileged, the humane aspect is deemed crucial. Working conditions in the field can pose significant challenges for young women COs, ranging from difficult-to-access locations to unpredictable weather conditions. Hence, without a heartfelt commitment, COs may easily become discouraged.

In addressing this, the Bank focuses on enhancing the capacity of the CO team in the field, including providing guest houses as residential accommodations for COs. These guesthouses serve as spaces for camaraderie and support, fostering a sense of togetherness. Various incentives are offered to recognize outstanding COs, and the Bank remains



open to policies that better accommodate the lifestyle and preferences of Gen-Z, such as non-patronizing training models, diverse educational resources like short videos, and flexible work contracts allowing them to choose their desired duration. This open-minded approach to embracing generational diversity is also extended to office-based employees. Recognizing that employee loyalty is a crucial asset for the Bank's operations, the Bank acknowledges that fostering employee loyalty over time accelerates the fulfillment of its noble intentions.

governance & risk management

In its journey as a public company, BTPN Syariah remains committed to upholding the highest standards of Good Corporate Governance (GCG) and adhering to relevant regulations. The Bank's implementation of GCG is centered on fostering a robust sharia banking industry, safeguarding stakeholders' interests, enhancing compliance with regulations, and upholding universally accepted ethical values within the sharia banking sector.

Throughout 2023, BTPN Syariah diligently executes its GCG principles within the appropriate sharia corridors, concurrently enhancing the quality of information disclosure. All new initiatives undertaken by the Bank during this period are meticulously reported and authorized by the regulator. Additionally, the Bank places significant emphasis on risk management, bolstering infrastructure, refining risk management methodologies, and cultivating a risk-awareness culture across the organization.

important changes

In 2023, there were important changes in the organizational structure of BTPN Syariah with the appointment of Dewi Nuzulianti as director replacing Gatot Adhi Prasetyo, and Mulya Effendi Siregar as independent commissioner replacing Yenny Lim.

business prospects 2024

The pace of global economic recovery post-Covid-19, amidst geopolitical tensions, is anticipated to remain sluggish and uneven in 2024, primarily due to the prolonged impact of soaring inflation.

This assessment led the International Monetary Fund to revise its projection for global economic growth in 2024 downwards to 2.9%, falling short of the historical average growth rate of 3.8% (2000-2019). Global economic uncertainty persists, including in Indonesia.

In 2024, Indonesia will witness a democratic General Election, heralding a new government leadership era. This transition will introduce numerous dynamics, yet the robust economic resilience displayed in 2023 serves as a strong foundation for continued optimism. Indonesia's economic trajectory hinges on investment recovery, the balance of public consumption levels, and government spending. Therefore, concerted efforts from all stakeholders are imperative to uphold national economic resilience.

The government foresees economic growth within the range of 5%-5.2% (yoy) in 2024, with inflation expected to moderate to 2.8%, falling back within Bank Indonesia's inflation target corridor of 3% \pm 1%. The projected interest rate response is expected to track with the decisions of the Fed, showing a gradual decline and not yet having a significant impact. Financial service providers catering to the inclusive community segment in slow adopter (tier-3) and rigid watchers (tier-4) cities or districts are anticipated to encounter notable challenges.

In the face of uncertain global economic developments and their spillover effects on the Indonesian economy, the Bank aligns with the Government's precautionary principle. To ensure stability, the Bank will steadfastly pursue four key strategic initiatives: strengthening business processes, exploring new opportunities and innovative products, enhancing operational process excellence, and fortifying organizational capabilities.

The bank aims to reach more inclusive customers by selectively channeling financing funds and providing financing in stages according to the growth of businesses and portfolio quality. It will continue to explore new products based on customer needs and enrich features to enhance business process efficiency. Innovation and digital technology development will continue to support the realization of the digital Sharia ecosystem in the next stage for inclusive society, always adhering to principles aligned with customer needs and capacity.



Furthermore, the Bank will reinforce synergy with all stakeholders and collaborate with like-minded entities, including BTPN Syariah Ventura, to support the development of a sharia digital ecosystem for an inclusive society.

Acknowledging the persistent challenges amid global uncertainty, the Bank remains confident in its unwavering commitment to empower productive underprivileged customers, which will continue to yield widespread positive impacts. Driven by a commitment to faithfully empower, every strategic initiative is aimed at accelerating the positive transformation of inclusive community life, in line with the Bank's Business Plan.

appreciation

In closing, on behalf of the Board of Directors and management of BTPN Syariah, I extend our heartfelt gratitude to all stakeholders who have supported us. We are grateful for the unwavering support and trust extended to BTPN Syariah by the Government, financial regulators, and other stakeholders, which has provided us with the opportunity to continue our growth trajectory. We also extend our appreciation to the Board of Commissioners for their diligent supervision and the Sharia Supervisory Board for their oversight of compliance and adherence to sharia principles.

Our deepest gratitude goes out to all BTPN Syariah customers who walk alongside us, continually developing and serving as our greatest motivation to provide the best products and services.

A special acknowledgment is reserved for all #bankirpemberdaya who have faithfully carried out their duties with dedication, unwavering commitment, in faithfully empowering and serving all customers, particularly the inclusive community.

We express our thanks to shareholders and all Indonesians for their trust and support, which allows us to uphold our commitment to realizing positive intentions. With divine guidance, we aspire to continually improve our performance over time. May Allah SWT shower His blessings upon our collective efforts to empower individuals and enhance the quality of life for millions of Indonesians.

***Wabillahitaufik Walhidayah Wassalammu'alaikum
Warahmatullahi Wabarakatuh.***

Hadi Wibowo
President Director