

“There are many lessons that we can learn from the 2020 pandemic. Slowly but surely, we have witnessed our customers becoming adaptive, creative, positive, and resilient. They persist in keeping the wheels of their businesses moving. Their persistence inspire all the #bankirpemberdaya to continue to deliver service wholeheartedly.”

Hadi Wibowo
President Director



report of president director

Bismillahirrahmanirrahim

Assalamualaikum Warahmatullahi Wabarakatuh

Dear Shareholders and Stakeholders

As we all know, 2020 was a challenging year for many industries in the country, including the banking industry. Many experts have said that the crisis was different from the financial crisis of 1997-1998. The impact of the crisis caused by the spread of Covid-19 was widespread, especially among the micro, small and medium enterprises (MSMEs) that make up 99.9%* of businesses in Indonesia.

This was understandable, as nearly all MSMEs' operations require physical contact, at a time when many areas imposed social distancing policies to curb the spread of Covid-19 virus. The social distancing policies that had begun since March 2020 affected all activities in public. Public spaces and facilities are restricted, as people were encouraged to work and worship from home.

For BTPN Syariah, which from the start has chosen to focus on serving MSMEs customers, particularly the ultra-micro segment or the productive underprivileged communities, social distancing posed a challenge as we serve our clients at their locations. On the part of the customers, social distancing affected their business process. Many saw their revenues sharply declined, some business even ground to a halt.

But we did not let the condition linger for too long. After some learning, BTPN Syariah came up with a set of strategies and policies for all of its lines of business to answer the challenges and weather the crisis. Particularly crucial was the strategy to ensure its ultra-micro customers maintain high optimism to continue their business, and even resolve to be better after the pandemic has passed.

The strategies and policies continued to gain the full attention of the management and are supported by all #bankirpemberdaya. As part of this, the Bank strategically modified its service process for the customers, ensuring that all employees stayed safe while at work, providing health protocol facilities throughout all business process—whether internally or externally—and implementing other efforts to ensure that all stakeholders are receiving some benefits even in the midst of the pandemic. *Alhamdulillah*, all these efforts went according to plan.

commitment to shareholders

Despite the challenging times, BTPN Syariah firmly upheld its commitment to its stakeholders. This commitment has given the chance for the Bank to receive the strong support of all its stakeholders. This is the spirit of **#resilienttogether**.

To customers, the Bank is committed in ensuring everyone has access to and is well connected to its products and services. This was done through different means of communication, whether verbal or digital, using phone calls or text messages. The intensive communication was not only limited to financial transactions, whether funding or financing, but also as a way to motivate the customers to run their business during the pandemic, as well as to disseminate information on how to prevent the spread of Covid-19.

Communication with the Bank's funding customers is conducted through online meetings

* Data from Ministry of Cooperatives and Small and Medium Businesses 2018

or online gathering. The Bank also ensured ease of conducting transactions safely by putting in place health protocols according to the rules.

Communication with the Bank's financing customers was done by giving them information as well as conducting financial transaction services. These range from recommending business ideas, providing health facilities, offering financing relaxation, to increasing the amount of financing, in line with the Regulator and Government's policies through the National Economic Recovery programs, as well as the Bank's policies that are done in accordance with the principle of prudence and taking into account customers' capability.

The financing customers' optimism is guided by the BDKS exceptional behaviors: Courage to do Business, Discipline, Hard Work, Solidarity. Having instilled these four exceptional behaviors in our underprivileged customers from the beginning turned out to be pivotal as a turning point during uncertain times last year.

To employees, BTPN Syariah has disseminated information on health and safety protocols to over 10,000 employees, as well as providing health and safety equipment such as masks, goggles, face shields, jackets, and health supplements.

To adapt to the situation, we conducted split operation and working from home (WFH) systems with integrated information technology. We also formed an Incident Management Team at the head office responsible to provide the latest information, direction, and education. Thanks to the Company's strategy in response to this pandemic, we did not have to let go of any employees nor did we have to resort to salary reduction throughout 2020.

As part of its commitment to its employees during the pandemic, the Bank also gave motivations to them through online gatherings. Training to build capacity and to strengthen the work process through automation and digitalization was also conducted throughout 2020.

To shareholders and investors, we remained firm in our commitment to maintain the trust bestowed to us in overcoming the external challenges posed by the pandemic. On behalf of the management, we are proud to announce that the Bank has managed to fulfill the commitment that was made during its Initial Public Offering in 2018, by realizing the first cash dividend distributions for the 2019 financial year performance in 2020.

To the Regulator, the Bank upholds its commitment to comply with all its obligations as a sharia bank and as a publicly listed bank that puts forward transparency and independency, as well as a partner to the Government in supporting the National Economic Recovery sustainably.

To the Government's program, the Bank has committed to support the National Economic Recovery program as a government initiative in ensuring the continuity of business and the economy.

To the community, the Bank is aware of the importance of the Bank's role in social responsibilities for the customers and communities, therefore we continued to work to improve our commitment through *Tepat Peduli Komunitas* (Tepat Cares for the Community) throughout 2020. The Health, Education, and Social Physical Infrastructure Assistance Program that had begun in 2019 continued on, built in 1,005 areas by partnering with strategic and competent partners. We also distributed

Personal Protective Equipment (PPE) to 41 hospitals in 23 provinces through the Tepat Peduli Bencana Covid-19 (Tepat Cares for Covid-19 Pandemic) program.

Meanwhile in the Community and Market Mentoring program, we provided empowerment on digital marketing literacy to help our customers produce products with a high competitive value and for them to be able to gain access to new markets, and increase their income capacity.

2020 achievements

Alhamdulillah, with the support of various stakeholders, we successfully implemented various incentives in 2020, both in the financial as well as non-financial aspect. BTPN Syariah was still able to grow profitably, and *insha Allah*, grew better in several aspects.

BTPN Syariah financing grew 6% compared to the previous year. By continuing to uphold the principle of prudence in empowering as well as disbursing financing, in 2020 BTPN Syariah managed to disburse up to Rp9.5 trillion in financing to the productive underprivileged segment in Indonesia.

The Non Performing Financing (NPF) was maintained at 1.9%, below industry average, thanks to selective and prudent productive financing, along with good and close communications between #bankirpemberdaya with the customers, that has always been the key to our service.

BTPN Syariah total assets grew to Rp16.4 trillion, with Capital Adequacy Ratio (CAR) at 49.4% and Third Party Funds (DPK) of Rp9.8 trillion. BTPN Syariah also recorded a net profit of Rp855 billion.

The Bank has succeeded in performing the strategic steps to optimize our business processes, making them more effective and efficient amid the pandemic, as can be seen by the Bank's limiting of its expenses by 10% less compared to the previous year. The Bank has also responsibly recorded its reserves earlier to anticipate the pandemic condition and increased it by threefold compared to last year.

Solid achievement, the hard work of all #bankirpemberdaya, growing trust, and the positive sentiments of the shareholders and investors on our share prices continued to help BTPN Syariah to grow organically. This also helped the Bank to rise in rank from bank BUKU 2 group to bank BUKU 3 group in July 2020.

We continued our fighting spirit throughout 2020, marked by some improvements in the core banking system capabilities that are aimed to support employee performance in the field. Uploading system was run by using the latest technology that supports secure transactions.

On the other hand, the various challenges that happened in 2020 had given BTPN Syariah an opportunity to run several initiatives and pilot projects that had been scheduled in advance. One of which was the application that enabled customers to meet with BTPN Syariah partners, so they could buy their household goods and the materials needed for their business at a lower price.

Entering the 3rd quarter of 2020, our customers have begun to recover and gradually shown positive improvements. Thanks to quality communication, customers became much more adaptive as they weathered the pandemic. Their unrelenting fighting spirit has also enabled them to be more creative in finding business ideas and opportunities. This situation contributed to the improvement of BTPN Syariah's financial performance.

The changes and improvement as well as the Bank's performance could not be separated from the role played by our employees who call themselves #bankirpemberdaya. BTPN Syariah has shown its appreciation for their totality and their persistence through various acknowledgements and awards that are given fairly and in accordance to the prevailing Bank regulation.

In 2020, the Bank has changed its name from PT Bank Tabungan Pensiun Nasional Syariah Tbk to PT Bank BTPN Syariah Tbk, in accordance with its Parent Bank, PT Bank BTPN Tbk.

BTPN Syariah has also improved in long term national ranking from AA+ (Idn) to AAA (Idn) Stable Outlook published by PT Fitch Ratings Indonesia in November 2020. This ranking showed the Bank's possible risk of default as very low, relative to other issuer or debt securities in Indonesia. The full support from PT Bank BTPN Tbk as Parent Bank continued to contribute in presenting a positive sentiment in the stock market and in increasing the trust of investors and the public towards the Bank.

good corporate governance

Even as the Covid-19 pandemic continues, the implementation of corporate governance in BTPN Syariah stayed in the right corridor by continuing to improve quality as well as ensuring transparency for all the stakeholders in a timely manner.

The Implementation of best practices on Good Corporate Governance principles have been done effectively and efficiently in BTPN Syariah, along with independent supervising on the adherence to regulations, risk management, and good internal control.

The availability of financing relaxation facilities offered by the Authority did not necessarily affect the Bank's repaying responsibility. This proved that the more the Bank fulfilled its responsibilities, the more prudent the Bank is with the public and Regulators, the more trust investors placed in the Bank.

This achievement is all due to the Bank's efforts in handling and overcoming the challenges it faced in 2020 by preventing the spread of Covid-19 in the office area, around the customers' neighborhoods, and prioritizing the health and safety of all of the Bank's employees.

2021 plans

Learning from the experiences in 2020, we are optimistic that we shall remain **#resilienttogether**, keep expanding our potentials, and continue to be *istiqomah* in serving the productive underprivileged families wholeheartedly. Simultaneously, we shall escalate our business processes' quality by increasing our service quality, which is effective and efficient, by digitizing the Bank's operational activities and deploying the information system for a good cause. And we shall balance these with the Bank's organizational capacity strengthening.

In expanding our business and infrastructure, aside from strengthening our existing products and services, the Bank will also build partnership with customers and communities by developing an agent banking system or branchless banking (*Laku Pandai*) to ensure underprivileged customers can access banking transactions and services every day in a week, as well as to cater to their other needs.

In the use of technology for the good of others, the Bank will strengthen its system to make it easier for #bankirpemberdaya to provide services to underprivileged customers, as well as to strengthen the digital system that will be used by funding customers to do good through technology for the underprivileged customers.

In order to strengthen organizational capacity, the Bank will focus on strengthening its leadership capacity, so it is able to play its part as an agent of change to create growth for all #bankirpemberdaya, customers, as well as stakeholders in various situations.

Amid the ongoing Covid-19 pandemic, BTPN Syariah shall ensure that implementing the health protocol in its office network throughout Indonesia is the main priority. The Bank is also committed to taking part in the Gotong Royong Vaccination program. All these plans shall be accompanied by strict monitoring of all employees' state of health to ensure safety at work and safety during any interaction.

appreciations

In closing, with thanks to Allah SWT, on behalf of the Board of Directors, I would like to thank and appreciate all the Shareholders, Regulators, Board of Commissioners, Sharia Supervisory Board, and other stakeholders for their constant trust, support, and contribution.

I would also like to thank all the employees in BTPN Syariah, #bankirpemberdaya who have worked tirelessly and persistently in carrying out their mandate even in challenging situations so that BTPN Syariah was able to record a good financial performance, while at the same time continuing to leave a real and lasting social impact.

My deepest gratitude to all our customers who have placed their trust in BTPN Syariah to serve them with all our hearts.

Insha Allah BTPN Syariah will continue to add value and contribute to this nation by realizing the good intentions of its stakeholders in changing the lives of millions of Indonesians for the better.

Wassalamualaikum Warahmatullahi Wabarakatuh



Hadi Wibowo
President Director