

**Kemal Azis Stamboel**  
President/Independent Commissioner





# PRESIDENT COMMISSIONER

## Report

**BTPN Syariah's commitment to faithfully empowering productive pre-prosperous customers is a conscious choice to make a significant positive impact on millions of inclusive Indonesian society.**



***Bismillahirrahmanirrahim  
Assalamualaikum Warahmatullahi Wabarakatuh  
Respected Stakeholders,***

Alhamdulillah, we express our gratitude to Allah SWT for His blessings and mercy to all #bankirpemberdaya serving inclusive customers in line with BTPN Syariah's vision and mission, meeting the expectations of stakeholders in the challenging conditions in 2023.

In carrying out the supervisory function, the Board of Commissioners has paid special attention to the slow economic recovery in the ultra-micro segment, coupled with uncertainties in the financial sector. The Board of Commissioners inputs in 2023 focused on the Bank's efforts to empower and assist pre-prosperous productive customers to recover to pre-pandemic levels. The Board of Commissioners also ensured that every strategic step taken by the management aligns with the goal of realizing the digital ecosystem aspiration initiated in the previous year.

### **view on economic and industry conditions**

We are grateful that the global recession predicted for 2023 did not occur despite the ongoing uncertainty in the world. The global economy post Covid-19 pandemic recovery turned out to take longer than expected. The persistent inflation in the United States has led The Fed to maintain high-interest rates. Meanwhile, other

developed countries, such as Germany and China, face economic slowdowns. Prolonged Russia-Ukraine conflict, Israel-Palestine conflict, and tensions in the South China Sea also contribute to vulnerability and protectionism. Producer countries prioritize domestic needs, affecting global trade. The International Monetary Fund (IMF) projects global economic growth in 2023 at only 3%, lower than the previous year's 3.5%. The World Bank even predicts lower global economic growth in 2023, at 2.1%.

The decrease in global demand for consumer goods, coupled with geopolitical instability, has affected the export performance of several countries, including Indonesia. Nevertheless, national economic growth is still above 5% with maintained inflation. Macroscopically, Indonesia's achievements in 2023 were better than many other countries in the ASEAN and G20. This condition provides optimism amid the widening economic disparity after the Covid-19 pandemic. Throughout 2023, the upper-middle-income group has boosted growth, reflected in the recovery of large-medium business groups to pre-pandemic conditions. On the other hand, the lower economic bracket needed more time to recover, affecting the performance of financial service providers serving this segment. Fintech companies targeting tier-3 and tier-4 cities have started reducing their exposure. Meanwhile, some banks faced deteriorating loan quality.



For more than a decade, BTPN Syariah, which focuses on financing for the productive pre-prosperous segment, has faced similar challenges. The slow economic recovery in the lower-middle class directly impacts the Bank's portfolio performance. However, BTPN Syariah's commitment to the previously unbanked inclusive community has been a commitment since the Bank's inception. BTPN Syariah specifically provides financing facilities with mentoring for productive pre-prosperous women. This commitment creates a unique business model, requiring a human touch and strength of heart to implement. #bankirpemberdaya are required to have a strong determination that what BTPN Syariah does is a direct contribution to empowering the inclusive community in remote Indonesia. With this conviction, BTPN Syariah's consistency in assisting underprivileged productive mothers has been tested from year to year. The mentoring aimed at building four superior behaviors in inclusive customers: Courage, Discipline, Hard Work, and Mutual Assistance (BDKS) has proven to have a positive impact on realizing a better life. The Bank continues to assist inspirational customers in expanding their businesses, inspiring more pre-prosperous productive mothers. This unique business model proves to be more sustainable and has a broad impact, both for the Bank and for customers and the inclusive segment in Indonesia.

### performance evaluation of the Board of Directors

Alhamdulillah, we have passed the pandemic stage, however, it is inevitable that we must continue on this challenging transitional stage. With a situation vastly different from before the pandemic, we need new learning, discipline, and new knowledge to be reintroduced to the inclusive community. #bankirpemberdaya (empowered bankers) in the field also need to update their knowledge and be reminded of the choices and preferences of the Bank for the underprivileged but productive segment.

However, every cloud has a silver lining. The Covid-19 pandemic, laden with extraordinary challenges, has cultivated resilience and a strong fighting spirit among our inclusive customers. All #bankirpemberdaya have unwavering confidence in the ability of underprivileged productive customers to rise and recover. With consistent mentoring, they will undoubtedly achieve sustainable economic improvement, even though it may require time.

The Board of Commissioners acknowledges that the Board of Directors and the Management have successfully implemented an approach and mindset focused on problem-solving and solutions to address the challenges of 2023. The Board of Commissioners appraises that the Directors and Management have adeptly adapted to the challenging situation and tailored services to meet the evolving needs of customers.

The bank continues its selective approach in seeking new customers. Group-based financing products are further strengthened to facilitate portfolio monitoring. Community Officers (CO) are equipped with a continuously refined digital application to enhance customer service. Productivity increases with a more efficient working system.

Empowering productive underprivileged customers now involves multiple parties through the Bestee Tepat platform and synergy with the Ministry of Education, Culture, Research, and Technology (Kemendikbudristek) and universities. Many socially minded students are involved in this program, directly engaging with underprivileged productive pre-prosperous women by applying their academic knowledge in mentoring. Through this approach, customers are encouraged to optimize their potential for a better life. It's also the bank's way of encouraging more parties, especially the younger generation, to contribute to addressing real economic disparities in the field.



The financing products resulting from customer initiatives are showcased in BTPN Syariah's updated branch offices, providing direct visibility to funding customers. This experience enhances the closeness and loyalty of funding customers, encouraging them to continue their positive impact through BTPN Syariah's products. They are also facilitated to transact from anywhere through the application enriched with zakat features and Sharia information.

Meanwhile, for the organization, the Bank continues to refine operational processes for efficiency. Digitization and automation are continually enhanced to achieve the expected efficiency. The Bank also adopts a new approach for employees, predominantly from Generation Z (Gen-Z), aiming to increase their loyalty through more relevant methods.

All these efforts, as assessed by the Board of Commissioners, reflect the commitment and seriousness of the Board of Directors and management in maintaining the Bank's performance and providing a positive impact on the inclusive community. We believe that more than a decade of experience among the underprivileged community strengthens and enables the Bank to adopt the right approaches and methods in maintaining the quality of financing. Healthy performance is reflected in BTPN Syariah's financial ratios, which are higher than its industry.

The technology and digitization aspects are continually evolving in tandem with the Bank's efforts to establish the sharia digital ecosystem, demonstrating the Bank's understanding of the conditions and needs of the inclusive community. The productive pre-prosperous segment adaptive ability to technological and digitization developments, distinct from other groups, has been aptly addressed. We believe that all digital initiatives implemented by the Board of Directors and Management have considered aspects aligned with customer needs, streamlining processes for enhanced simplicity. The Bank's initiatives, breakthroughs, and adjustments not only grant access to formal financial services but also prioritize empowerment, enabling customers to enhance their business skills

and leverage technology for a better life. The #bankirpemberdaya in the field sincerely and wholeheartedly strive to introduce technology and digitization to productive pre-prosperous women who previously only used mobile phones for calls and messages.

Despite the challenges, we evaluate that the Board of Directors and Management can discern opportunities to serve customers better while ensuring a significant social impact.

The Board of Commissioners assesses the Board of Directors performance in ensuring that the Bank's empowerment of inclusive customers is highly optimal and meets expectations.

The dedicated efforts of #bankirpemberdaya have successfully assisted millions of inclusive customers in navigating through 2023, upholding the four superior behaviors or BDKS.

Therefore, the Board of Commissioners expresses high appreciation for the Bank's demonstrated commitment in accompanying the steps of inclusive customers. The Board of Commissioners also observes that all work plans and strategies presented have progressed well and optimally. The trust of funding customers reflects how the performance of the Board of Directors and Management extends beyond positive returns, fostering a sense of togetherness that strengthens the Bank's actions as reflected in its 2023 performance.

### assessment of governance

Since its inception, BTPN Syariah has consistently adhered to good governance principles, embodying its role as a Sharia Commercial Bank, Public Company, and Financial Services Institution. The Bank transparently discloses information, ensuring accessibility and comprehension by stakeholders as an accountability measure for genuine, measured performance in accordance with applicable regulations. Managed independently, the Bank considers the interests of shareholders and other stakeholders based on fairness and equality. For instance, the Bank promotes equal opportunities in employee recruitment, allowing all employees to pursue careers and fulfill their duties professionally, without discrimination based on ethnicity, religion, race, group, gender,



or physical condition. Governance principles are a daily obligation for all #bankirpemberdaya, and to enhance efforts, BTPN Syariah has adopted the latest international CG (Corporate Governance) Scorecard standards issued in 2023.

The Board of Commissioners, the Sharia Supervisory Board, and the Board of Directors are fully committed to ensuring the implementation of GCG (Good Corporate Governance) within its corridor. The supervisory function of the Board of Commissioners over the Board of Directors and the Management is conducted intensively through regular and periodic meetings. The Board of Commissioners' supervision focuses on the Bank's efforts to strengthen service and business processes, improve the organization's relevance in every business dynamic, and the Bank's commitment that aligns with efforts to build a Sharia digital ecosystem for the inclusive community.

The Bank's commitment to continually improving the application of GCG principles is a key factor in achieving effective, efficient, and sustainable business performance. The Board of Commissioners is grateful for the 2023 Corporate Governance Award from the Indonesian Institute for Corporate Directorship (IICD) to BTPN Syariah.

### prospects for 2024

The pace of global economic recovery is expected to remain slow and uneven in 2024, influenced by the prolonged impact of inflation spikes and geopolitical crises. Domestically, economic growth will be determined by key factors such as investment recovery, increased consumer spending, and government spending. The smooth running of the 2024 General Election democracy party, followed by the new Government leadership period, will be crucial in determining next year's economic direction.

Nevertheless, Indonesia's achievements in 2023, reflecting the resilience of the economic and political foundation, provide a significant source of optimism. We have full confidence in the Government's ability to accelerate the national economic recovery to achieve a growth projection of 5.2%, according to the 2024 State Budget's macro assumptions, with inflation maintained

below 3%. The financial services sector will be encouraged to further drive economic growth and investment in 2024, particularly in energy transition and the Nusantara Capital City (IKN) project. On the other hand, the impact of uneven economic recovery in 2023 is expected to remain a challenge for the financial services sector. Some financial service providers targeting tier-3 and tier-4 are predicted to stabilize and shift their targets to areas near urban centers. Meanwhile, BTPN Syariah will persistently empower this segment, considering the resilience demonstrated in serving this segment repeatedly through challenging times. We assess that the efforts to improve the quality of financing undertaken in 2023 can sustain the Bank's performance and will continue with the integration of various regional strategies and activities. Through enhanced risk mitigation, the Bank can offer competitive profit-sharing and boost the confidence of funding customers.

Funding products are presented through improved services. The enhancement of mobile banking and internet banking services will persist, particularly in functional and display improvements that enhance the user experience (UI-UX). Consequently, funding customers can realize their good intentions more easily, actively engaging in empowering the inclusive community in a convenient, safe, precise, anytime, and anywhere manner.

Improvement efforts will align with the Bank's endeavor to establish the Sharia digital ecosystem for the inclusive community. The pandemic has accelerated the introduction of technology and digitization to the inclusive community. However, digitalization processes inevitably take time, especially with limited capacity and the still sluggish economic growth. The Bank recognizes that the development of technology and digitization will bring opportunities for accelerating economic growth as well as the risk of cybercrime. Promoting digital literacy among the inclusive community also entails accompanying them during the education process. Through thousands of Mitra Tepat, acting as an extension of the Bank and delivering financial literacy, the Board of Commissioners is confident that these efforts will undoubtedly yield positive impacts on their well-being in the future.



Therefore, the Board of Commissioners instructs the Directors and Management to remain confident that BTPN Syariah has served the right segment to realize good intentions more swiftly. Despite the numerous challenges on its journey, we must maintain confidence that these good intentions will lead to positive outcomes. The Board of Commissioners will ensure that the Directors and Management continue to employ the right and effective methods, staying focused on serving inclusive customers.

### **closing**

Economic inequality, a particular concern of the Bank, is a shared responsibility for all. We hope that all parties, including customers and stakeholders, will support each other for a more equitable economic recovery, fostering stronger, sustainable economic growth for all segments of society.

Without the support of many parties, BTPN Syariah's commitment to serving inclusive customers would lack meaning and endurance. Therefore, on behalf of the Board of Commissioners, I express my deepest gratitude to all customers, shareholders, government,

regulators, and stakeholders for the support and overflowing motivation given to BTPN Syariah. I also extend my gratitude to the Chairman and members of the Sharia Supervisory Board, Mr. H. Ikhwan Abidin, MA, and Mr. H. Muhammad Faiz, MA. The Sharia Supervisory Board's supervision has managed to ensure that the Bank always stays within the Sharia corridor.

We appreciate the Board of Directors and the management team, as well as all #bankirpemberdaya, for their commitment, dedication, hard work, and integrity in loyally empowering inclusive customers, providing opportunities for millions of Indonesians to grow and realize a more meaningful life.

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

**Kemal Azis Stamboel**

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