



Report from the President Commissioner

Mari Elka Pangestu

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Dear Distinguished Shareholders and Stakeholders,

We would like to take this opportunity to report on the main duties of the Board of Commissioners as mandated by the Law No. 40 of 2007 regarding Limited Liabilities Companies. These duties include the implementation of supervision of management policies, the general management of the Company and its business, as well as providing advice to the Board of Directors.

In relation to the above-mentioned role, during the 2019 fiscal year, the Board of Commissioners had paid full attention to the important corporate action of Bank BTPN, namely the Merger with PT Bank Sumitomo Mitsui Indonesia (SMBCI). This merger had led to the establishment of the new entity's name, ie. PT Bank BTPN Tbk.

This amalgamation of two banks with different businesses – retail, SME - was an important milestone for Bank BTPN. In addition, through the merger, Bank BTPN became a subsidiary of a prominent global business group in Asia, namely the Sumitomo Mitsui Banking Corporation (SMBC).

The Merger was the beginning of a major change in the Bank's business journey. The integration process not only involved changes in business and operations towards becoming a universal bank, but also adjustments to combine two different cultures. It also initiated a new chapter of business synergy within the SMBC Group in Indonesia.

Macro Conditions

Amid Bank BTPN's important milestones, namely the merger with SMBCI, the management was confronted with dynamic national political conditions and a challenging economic environment.

From a global view, the national economic performance of Indonesia experienced a slowdown due to various pressures, such as sluggish international trade. The Central Statistics Agency (BPS) posted that trade balance experienced a deficit of USD3.2 billion in 2019. The pressure from the deficit was mainly caused by the oil and gas sector, which experienced a deficit of USD9.3 billion.

The slowdown in the national economic performance was also a result of a lack of enthusiasm in business activities. Production levels slowed, ultimately limiting business expansion. The business world is an important partner for the banking sector. When the business world experienced a slowdown, lending also experienced major challenges.

Bank Indonesia responded to the developments in the 2019 business environment by relaxing its benchmark interest rates policy. Within 6 months, Bank Indonesia had reduced interest rates on four occasions from 6.00% in June to 5.00% in December 2019. This policy was expected to reinvigorate the business world.

In response to this situation, the Company's management exercised prudence and adhered to compliance principles when conducting business activities.

Performance of the Board of Directors During the 2019 Fiscal Year

The Bank's focus in 2019 was on the merger between Bank BTPN and SMBCI, integration and stabilization in operation as well as business development post the merger.

The Board of Commissioners was of the view that the Board of Directors had carried out the business merger process in an appropriate manner. The merger has been completed well and in a timely manner on 1 February 2019.

The Bank has prepared a Business Plan for the merged bank, which became a reference for the Board of Commissioners when assessing the performance of the Board of Directors. This assessment also considered the smooth consolidation of the two entities, which allowed the Board of Directors to focus more on increasing the Bank's profitability. Bank BTPN had become a universal bank after

the merger. serving retail to corporate segments with a comprehensive set of end-to-end products and services.

Since the merger, Bank BTPN has diversified core businesses, initially focusing on the pension and retail segments, towards commercial and corporate, with the support of digital platforms. Bank BTPN now enjoy the benefit of being a member of a business group with global network and various forms of financial businesses. This had enabled the Bank to offer various innovative products and services, perform cross-sell including supply chain and support the sharia segment through its subsidiary. This was an effort to address the slowdown in the pension and micro segments. These contribute to the Bank's positive and sustainable business performance.

This was reflected in Bank BTPN's growth and performance in 2019. strong capital position. Bank BTPN has a strong capital position, its capital adequacy ratio as per 31 December 2019 was 24.24%, above the regulatory requirement.

The Board of Commissioners also appreciates the performance of the management in relation to credit quality. Bank BTPN's total performing loan reached IDR140.6 trillion, an the level of gross Non-Performing Loans stood at 0.8%, a decrease from 1.2% in previous year.

The Bank successfully generated a net profit attributed to parent company of IDR2.6 trillion in 2019, a 40% increase from IDR1.8.

Implementation of Policies and Procedures

After the merger, Bank BTPN had established a new vision, which was to become the first choice bank in Indonesia that would make a significant change in the life of millions of people, mainly with the support of digital technology.

The Board of Commissioners believes that the change in the Bank's vision had become an important guidance for the direction of its future development.

The implementation of this vision was supported by the prevailing policies and procedures at all organizational levels. The Board of Commissioners was of the view that the Board of Directors had succeeded in reviewing the policies and procedures of the merged bank and issuing new policies and procedures, which were established from the combination of the applicable provisions of both banks.

The implementation of policies and procedures was a challenge for Bank BTPN, which currently focuses on business growth while ensuring compliance with applicable regulations issued by regulators and internal policy.

GCG Implementation

The Board of Commissioners believes that a strong commitment towards the implementation of the principles of good corporate governance (GCG) is fundamental in the sustainability of the Bank's business. Banking is a part of the financial service sector which relies on stakeholder confidence as a business fundamental.

The Board of Commissioners, as a part of the GCG structure that plays a key role in GCG implementation, is of the view that Bank BTPN had applied GCG to the best of its abilities. This includes the functions of the Board of Directors, the Board of Commissioners, as well as the Committees under the Board of Commissioners and the Board of Directors. Meetings of these bodies had been held in accordance with the applicable provisions, work guidelines and procedures (charter). The performance of the Committees under the Board of Commissioners had been in line with their duties and responsibilities. The committees had provided relevant and constructive recommendations to the Board of Commissioners throughout the year.

The appointment of Bank BTPN as the main entity in the SMBC financial conglomerate, replacing SMBCI, was a strategic measure for Bank BTPN in synergizing with PT Bank Tabungan Pensiunan Nasional Syariah Tbk in terms of audit, finance, risk, compliance and governance.

During 2019, the Bank had reviewed some of its existing policies on entertainment and gifts, fraud as well as procedures on insider information and insider trading. In addition, a new policy was introduced regarding the communication line between SMBC and the Bank, the foreign visitors, as well as SOX reporting requirement with the objective of ensuring independence, transparency, as well as management accountability.

As a member of an Asian global economic power, the Bank is required to meet higher compliance standards that apply across countries. These compliance standards will have an influence on the development of Bank BTPN to be a clean and trusted bank.

Implementation of the Whistleblowing System

The implementation of the whistleblowing system (WBS) within the Bank is one of the most important instruments in the prevention of fraud in the Bank's business practices. Bank BTPN has had the whistleblowing system in place for quite some time now and will make every effort to continuously improve it.

The implementation of the WBS was in line with the advice that was continuously delivered to management to apply the principles of compliance in business practices. The WBS is a channel that supports the implementation of good corporate governance.

WBS is more than just a channel for reporting cases, it also serves as a mean to remind the management that they need to implement the compliance principle in an appropriate manner. The WBS also measures how successful the management has been at operating the Bank – a low number of reported cases would mean that the Bank was well managed.

The WBS mechanism had been improved in terms of the monitoring activities of the Board of Commissioners, the handling of complaints, as well as reporting flow, which involves the Risk Monitoring Committee.

Implementatoin of Corporate Social Responsibility

The implementation of corporate social responsibility (CSR) is an important part of the Bank's good corporate governance, as outlined in the Law No. 40 of 2007 on Limited Liability Companies and Government Regulation No. 47 of 2012 on Corporate Social and Environmental Responsibility of Limited Liability Companies.

Within Bank BTPN's organization, the implementation of CSR is conducted through a unit called Daya. This demonstrates the management's commitment to implementing CSR, as well as the awareness of the importance of maintaining a balance between business operations, environmental preservation and community empowerment.

The programs carried out by Daya integrate the Bank's business, social mission and corporate share value. Since the merger, the Daya program, which initially had three pillars, now has four pillars to be more relevant to the Bank's position as a universal bank.

The four pillars include: customer competency development, financial management, sustainable living, as well as capacity to grow.

The Board of Commissioners regards these pillars as an important foundation and a reference point in the implementation of its social and environmental responsibility. During 2019, the management implemented this policy in an appropriate manner, as demonstrated by the assistance given to millions of small and medium-sized enterprises through the Daya program.



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The relationship between the managers of Daya and the community and consumers are close, and even tends to be sustainable. Daya works not only in the field of community and economic empowerment, but also in the field of healthcare.

In our opinion, the Bank's sustainable social responsibility activities should be continuously developed. The Board of Commissioners hopes that the Bank's CSR coverage will expand even further in the future.

Changes in the Composition of the Board of Directors and the Board of Commissioners

The current composition of the Board of Directors and the Board of Commissioners are in line with the Business Merger Plan, which took effect on 1 February 2019, and re-appointed through the Annual General Meeting of Shareholders (AGMS) on 15 February 2019. The Extraordinary GMS held in September 2019 approved the appointment of Hanna Tantani as a Finance Director to strengthen the Board of Directors, and Irwan Mahjudin Habsjah as an Independent Commissioner to replace Tony Prasetyantono, who passed away in January 2019 prior to effective date of the merger.

The 2020 Business Prospects and Challenges

At the time this Annual Report was being prepared, the COVID19 virus was spreading throughout the world. The Board of Commissioners believes that other than the global slowdown in economic growth, this pandemic will have a major influence on its financial performance in 2020, which has been evidenced in the decline of the Jakarta Composite Index and the increase in the exchange rate of the US dollar against the Rupiah.

Another challenge faced by Bank BTPN comes from its competitors in the business segment, which is experiencing a slowdown, and also in the segment that is currently attractive, namely digital banking. The challenges do not only come from other banks but also from financial technology (fintech) companies that are considered more convenient than banks, which are highly regulated.

We believe that increasing the Bank's commitment to the implementation of GCG as well as compliance to achieving zero penalties are the main strategies to ensure that Bank BTPN continues to gain traction in the banking business.

The Board of Commissioners believes that the considerations taken by the Board of Directors in the preparation of the business prospects had been appropriate. The management had also considered external conditions as an important factor in preparing the Bank's future business plans.

In addition, the Board of Commissioners also recognizes that the management had balanced the Bank's growth prospect and its potential risks. Therefore the Board of Commissioners advises the Board of Directors to consistently implement risk management and good corporate governance in ensuring target achievement.

Appreciation

The Board of Commissioners would like to express its gratitude to the shareholders who have been a part of Bank BTPN's business journey up to 2019. Likewise, for the directives and guidance that have been conveyed by the shareholders.

The Board of Commissioners wishes to express its highest appreciation to all the members of the Board of Directors, committee independent parties, as well as the Bank's employees for the efforts and achievements in 2019. This is particularly for the encouraging business performance achievements amid the challenging conditions.

We would also like to extend our appreciation to other stakeholders for their cooperation. It is with the support of the Bank's stakeholders that the management has been able to achieve positive business performance for the 2019 Fiscal Year.



Mari Elka Pangestu
President Commissioner