

BANK STRATEGIC PLAN

The Strategic Plan is outlined in the Corporate Plan and Business Plan in accordance with the Bank's Vision and Mission. The Corporate Plan in the Long-Term Plan (CPR) contains the plans spacing out over more than 5 years, while the Business Plan contained in the Bank's Business Plan (RBB) is a 3 year plan.

The preparation of the Long-Term Plan and the Bank's Business Plan is prepared by the Board of Directors, which involves Work Units with a top down scheme where the Board of Directors provides direction concerning the strategic goals to be achieved from bottom up i.e. Submitting proposals, suggestions, and/or views originating from Work Units, including in the Division, Regional Office and Branch Offices.

RJP and RBBs proposals are submitted to the Board of Commissioners for approval. After obtaining approval, the RJP and RBB are then submitted to the Controlling Shareholders through the Board of Commissioners, and the RBB is to be submitted also to the Financial Services Authority. The annual implementation of the RJP and RBB is implemented through the Corporate Work Plan and Budget (RKAP).

The progress of the Annual Work targets regarding the RKAP are monitored on a monthly basis by the Board of Directors through Performance Review meetings, and the Board of Commissioners supervise the progress through Joint Meetings of the Board of Commissioners and the Board of Directors scheduled once a month.

The accomplishment of the Bank's Business Plan (RBB) is reported by the Board of Directors to the Financial Services Authority as a banking supervisory institution every quarter. The Board of Commissioners supervises the implementation of the Bank's Business Plan through deliberation with the Board of Directors and by submitting the Bank's Business Plan Supervision Report to the Financial Services Authority every semester.

From the monthly monitoring, the accomplishments are reviewed and evaluated, if it is deemed necessary to revise the managements Strategies and Work Plans, the Board of Directors submits a proposed revised RBB in the middle of the Financial Year to the Board of Commissioners for approval.

By end of March 2018, the Fed's benchmark interest rate went up by 25 bps to 1.75%, this has had a large broad-based impact on the global Financial Markets including Indonesia. The global challenge has prompted Bank Indonesia (BI) to step up monetary stabilization by increasing the BI 7 Days Repo benchmark interest rate by 50 bps to 4.75% within less than a month in mid-May of 2018.

The progress of macro dynamics in midst of the Second Quarter of 2018 and Bank BTN's position was taken into consideration when making amendments to the Bank's Business Plan (RBB) for 2018. The grounds for the revision to the 2018 RBB were the macro-economic dynamics and preparation for the application of PSAK 71.

THE COMPANY'S OBJECTIVES

The Company's objectives are in agreement with the Company's Long-Term Plan (2025) towards a Transformational Enterprise - global mindset, to transform into a global company in the field of Housing, Property and Basic Infrastructure by executing a transformation activity beginning in 2013, which is comprised of 3 stages as detailed below:

1. Survival Phase (2013 - 2015) with the objective of 'domination of the nationwide market leader' in the Housing business.
2. The Digital Banking Phase (2016-2019) with the objective of 'the leading Housing Bank in Indonesia providing a world class service'.
3. Global Player-ship Phase (2020-2025) with the objective of 'A Transformational Enterprise Global Mindset'.

LONG-TERM PLAN

The Company's Long-Term Plan (RJP) at the second stage of the transformation is the Digital Banking period, which remains focused on strengthening its business with a focus on strengthening the two segments' of its Core Business, which is Consumer Banking and the Commercial Banking segments as follows:

1. Business Strengthening: Consumer Banking & Commercial Banking

The strategy to strengthen this business sector is based on its segmentation. In the Consumer segment, strengthening the Housing Loan positioning in the mass segment and expanding our Digital Banking services. In the Commercial segment, business development is focused on increasing Housing supply and the customer value chain mapping. In addition, initiatives to raise the CASA are performed through expanding Housing Loan-Based Funding and strengthening cooperation with various agencies. The short- and medium-term strategies in each segment are as follows:

Consumer Banking

- a. Strengthening the positioning of Bank BTN in the mass segment (subsidized & non subsidized) by strengthening the role of Bank BTN as a Housing Market maker through the role of Bank BTN HFC and expanding strategic alliances with developers outside Java;
- b. Increasing Financing penetration in emerging affluent segments through the development of the Digital Mortgage ecosystem;

Commercial Banking

Expanding the market share of the SME, Commercial and Corporate segments to support housing supply by building a construction value chain.

2. Infrastructure Transformation

To support the phases of the Digital Banking Phase transformation and sustainable business growth, the infrastructure sector is focused on three main things, including the following:

- a. Infrastructure Transformation, which is focused on improving IT capabilities in supporting the implementation of Digital Banking, process digitalization and big data analytics through:
 - **The Reorganization of IT based on Digital Banking**
In addition to providing special portions to the emerging affluent segments, Bank BTN's Digital Banking is also a new growth engine for modern banking business services. This is conducted through cultivating business harmony between units through the role of IT as an enabler.

- **Process Automation and Centralized Operations**

This is conducted by integrating the end-to-end utilization of Enterprise Application Integration (EAI) and Straight-Through Processing (STP) with the aim of reducing user involvement demands and optimizing the speed of transaction processing.

- b. Strengthening the pillars of GCG through implementing Governance, Risk & Compliance in an integrated manner through several strategies, including:
 - Implementing a Risk Culture reinforced by organizational capabilities and processes that prioritize the principles of GCG.
 - Defining Risk Appetite & Risk Tolerance as an ongoing concern and balancing between Risk Management and Business Strategy.
 - Simplification of the IT systems and processes through data quality assurance.

3. Strengthening Human Resources (People Transformation)

This transformation is to strengthen ten building blocks for the development of Human Resources and improve HR capabilities as agents of transformation implementation through the following strategies:

- Establishing top talent programs for high-performing Bank BTN employees;
- Advancing Human Capital capabilities and preparation of Manpower Planning;
- Strengthening performance-based management and Risk Culture.

SHORT- AND MEDIUM-TERM PLANS

In its commitment to support the Government's goals, the Company's short- and medium-term target is to focus on Housing Finance by supporting the realization of the construction of the "One Million Homes Program". To realize this, Bank BTN has revised its Business Strategy to be more directed toward customer segmentation mapping.

Owing to this strategy, Asset growth is more focused on strengthening the mass segment market share with the support for expansion from other segments. Meanwhile, funding is intensified concerning the Consumer and Commercial CASA shares and Wholesale Funding.