

ANNUAL PUBLIC EXPOSE IMPLEMENTATION REPORT 2020

PT BANK TABUNGAN NEGARA (PERSERO) Tbk

1. PUBLIC EXPOSE RESULT RESUME

The 2020 Annual Public Expose of PT Bank Tabungan Negara (Persero) Tbk (stock code: BBTN) was carried out in compliance with the Decree of the Board of Directors of PT Bursa Efek Indonesia Number: Kep-306/BEJ/07-2004 dated 19 July 2004 concerning Regulation Number I-E concerning Obligation of Submission of Information, especially Point V on Public Expose.

The event was held on 25 August 2020 virtually at the Public Expose Live 2020 organized by PT Bursa Efek Indonesia. The Public Expose will take place from 02.00 p.m. to 03.00 p.m. Western Indonesian Time.

The Public Expose began with a presentation rendered by Management of Bank BTN regarding Financial and Business Performance as of 30 June 2020 and continued with a press conference attended by several journalists from various mass media. In the press conference, the Board of Directors held discussions and questions and answers. This event lasts for approximately 15 minutes.

2. PARTICIPANTS

a. Management of Bank BTN

Board of Directors : Director of Finance, Planning,
and Treasury, Nixon L.P.
Napitupulu

Others : Corporate Secretary Division
Head, Ari Kurniaman
Investor Relations and
Research Division Head, Winang
Budoyo

b. Moderator

Analyst of PT Bursa Efek Indonesia: Stephani Debora
Tatengkeng

c. Participants

The Public Expose of Bank BTN was attended by 458
participants from securities companies, asset
management, retail investors, and several other
companies. Meanwhile, the Press Conference of Bank
BTN was attended by 251 journalists. The complete
list of participants is listed in the appendix.

3. SUMMARY OF QUESTIONS AND ANSWERS

Questioners	Questions	Answers given by the Management of Bank BTN
Filbert Soeryadi Ultra Asset	1. What is BTN's net profit target in 2020?	1. BTN is confident that it can achieve its 2020 profit target of IDR 1.2

<p>Management</p>	<p>2. Why is BBTN's asset securitization only 2T, why it is not 20% - 30% of total credit assets so that the company can be more efficient in managing the company's liquidity and profitability?</p>	<p>trillion, because the profit achievement in June 2020 alone has reached IDR 768 billion. People may calculate by themselves how much the company's profit will be achieved at the end of the year. In 2020, BTN will place more emphasis on strengthening credit reserves. One of the policies taken is that loans that are restructured due to the impact of the COVID-19 pandemic are reserved 15% higher than restructuring loans under normal conditions. This was done as a precautionary measure for BTN. BTN targets NPL coverage above 110% with the aim of strengthening reserves</p>
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		<p>so that all NPLs are maintained with adequate reserves. In addition to strengthening reserves, BTN is also trying to reduce the Cost of Fund (COF) where at the end of July 2020 it has fallen by 50 bps with a target by the end of 2020 to fall between 80-90 bps compared to the end of 2019. With a decrease in COF, it is expected to lower margins in the following years.</p> <p>2. Every year, BTN routinely issues securitization of IDR 2 trillion. The first reason is because underwriters in Indonesia are still limited and only SMF routinely performs house securitization, so</p>
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		<p>securitization depends on the number of emissions in Indonesia and is limited in the frequency they can do. The second reason is that to this day there is still insufficient socialization of housing loan securitization products, so not all investment institutions understand housing loan securitization products. In addition, the market that is interested in buying securitized products in Indonesia is still limited. Therefore, BTN together with SMF regularly conducts socialization considering that housing loan securitization is a good product because it has a</p>
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		high rating and high yield.
Nurul Hayatullah	What caused 2019's profit to drop?	<p>1. There is a change in PSAK which requires the formation of a larger reserve so that BTN decided to make the said reserve at the end of 2019 of approximately Rp. 7.7 trillion new reserves in order to strengthen the coverage of allowance for impairment losses (<i>Cadangan Kerugian Penurunan Nilai</i> or CKPN). This is done 1 (one).</p> <p>2. At the end of 2019, the management of BTN saw several accounts that had deteriorated so they took a policy to downgrade. This is also only done 1 (one) time (one time). So, in the future, BTN will only make</p>

		<p>settlements/remedies for the accounts that have experienced such deterioration.</p> <p>In connection with these two reasons, BTN obtained a better profit increase compared to other banks. The decision that has been taken by BTN is correct because during the COVID-19 pandemic, the accounts in question should have been included in the NPL category and BTN had done so at the end of 2019.</p>
Cahaya H	<p>When will BBTN COF be in a position like 2016 and 2017, since the current BI rate is at 4%? At that time the total cost was 4.6%, a combination of Third-Parties</p>	<p>Based on the projections compiled in the Bank Business Plan (<i>Rencana Bisnis Bank</i> or RBB), BTN projects a COF below 5% at the end of 2021. Management is optimistic that COF will approach 4.6% at the end of 2021 assuming there is no</p>

	<p>Funds (<i>Dana Pihak Ketiga</i> or DPK), bonds, and borrow funds.</p>	<p>upward trend in interest rates, but also considering future macro conditions. With the current stable condition, BTN is optimistic that this will be achieved more quickly.</p>
<p>Johni</p>	<p>What is the current percentage proportion of consumer loans/housing and commercial loans?</p>	<p>BTN is the focus bank because more than 75% of credit disbursement is distributed to one sector, namely housing and housing derivatives such as construction, contractors, cement entrepreneurs, and housing materials. In the sector in question, the BTN portfolio is 91%. BTN also holds 40% of the market share of housing loan in Indonesia and 90% of the market share of subsidized housing loans. Considering that the definition of consumption credit at OJK</p>

		<p>and BI is including housing loan, then with the assumption that financing for 1 construction credit will give birth to a minimum of 3 housing loans, so it can be concluded that the financing for Consumer Credit is greater than Commercial Credit.</p>
<p>Prima Yosep Samosir</p>	<p>What strategy has BBTN prepared in facing this new normal and facing 2021? Are there any innovations that BBTN creates in growing investors' interest in investing in BBTN?</p>	<p>1. BTN has BTN Solusi which has now increased to 120 thousand users. This is because BTN provides a bundling program, namely if payroll is through BTN, a 6.99% housing loan interest will be given with the aim of attracting people to make savings and transfer payroll at BTN. In addition, another reason is that the main need of the community after they</p>

		<p>are married is to have a house, so the effect is that the community will move payroll at BTN in order to get the program in question.</p> <p>2. BTN has mobile banking considering that nowadays people tend to be mobile. Currently, the increase in mobile banking usage is 31% YoY, which is the highest increase in the history of BTN's digital channel. The number of transactions this year is approximately 34 million transactions, higher than the previous 25 million transactions. One of the reasons is because of the covid pandemic which requires people to switch to a mobile system, so it is expected that this</p>
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		<p>will become a habit of the community. For example, currently, people are hesitant to go to ATMs because they are afraid of the COVID-19 pandemic, so people tend to prefer to use mobile banking or internet banking.</p> <p>3. BTN creates a new behavior in the community, namely buying and selling houses online. Previously, people tended to visit developers directly and come to the bank for the housing loan process. Currently, BTN is holding a virtual online Indonesia Properti Expo. As for IPEX data, as of June 2020, there were 2.91 million viewers, 11</p>
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		<p>thousand units were housing loan applicants and 2,300 units had housing loan contracts. Furthermore, BTN will create a digital ecosystem for this matter, including the use of notaries and appraisals. Management is optimistic that BTN will be the first bank to sell property online in Indonesia.</p>
<p>Evan Parhusip</p>	<p>Since the pandemic hit, people's housing loans must have experienced a significant decline which also resulted in a decrease in income at Bank BTN. How does Bank BTN (BBTN) respond to uncertain business</p>	<p>If a bank is in a condition where credit expansion cannot be carried out, then liquidity is usually high. Currently, BTN's LDR is below 110% and has abundant liquidity in the form of Government Securities (<i>Surat Berharga Negara</i> or SBN) and placements with BI in accordance with regulations</p>

	<p>conditions and maintain healthy liquidity and cash flow as well as deal with housing loans which are definitely blocked due to reduced purchasing power due to the economic effects of the pandemic?</p>	<p>of IDR 41 trillion. This is because credit expansion has not been as fast as before the pandemic. So far, BTN has never experienced a condition like the current one where liquidity is high and available in the form of liquid instruments.</p> <p>BTN took a policy of increasing the ratio of Liquid Assets/Third-Party Funds (<i>Aset Likuid/Dana Pihak Ketiga</i> or AL/DPK) and ratio of Liquid Assets/Non-Core Deposit (<i>Aset Likuid/Non-Core Deposit</i> or AL/NCD) just in case.</p> <p>Without the addition of third-party funds (DPK), the ratio will increase considering that the expansion of credit distribution is declining.</p> <p>On the other hand,</p>
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		<p>currently, there is a tendency for DPK to increase in state-owned banks, for this reason, BTN lowers the DPK interest rate with the aim of inhibiting the increase in the hope of triggering a decrease in COF.</p> <p>Regarding credit expansion, it can be explained that housing is a basic need if the goal is not to invest in buying a second, third, and so on. Currently, there are 11 million families in Indonesia who need housing, so there is no decline in demand for subsidized housing loan. The distribution of subsidized housing loan during the pandemic in July 2020 was IDR 3.4 trillion, which is still below the normal</p>
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		<p>distribution rate. Given that currently everything is done from home and supported by the number of marriages in Indonesia as many as 400,000 - 800,000 new marriages every year, this is increasingly triggering the need for housing, especially for housing loan with a value of Rp 500 million and below.</p> <p>From a macroeconomic point of view, it can be explained that GDP in the second quarter contracted 5.2%, however, the housing sector still experienced positive growth even though the growth was lower than before, while other sectors had negative growth. This means that the stimulus provided by the government, especially in subsidized</p>
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