



Fee-Based Income Growth Acceleration

Fee Based Income (FBI) or Operational Income Other Than Interest (POSB) is also a source that supports the Company's profitability. In 2023, the Company's FBI revenue was IDR4.07 trillion, with the main sources being treasury income IDR667 billion, administration IDR778 billion, fees from transactions and services IDR542 billion and other income (including write-offs) IDR2.08 trillion.

The strategies carried out by Bank BTN to gain FBI are as follows:

1. Optimizing administrative income by increasing NoA and improving service for current accounts, savings, deposits and credit customers.
2. Income from services provided (payment points, card business, asset securitization servicing fees, transfers, bank guarantees, save deposit boxes, bancassurance, sharia services and banking services).
3. Increasing other income by optimizing the mortgage business through insurance kick backs and fees for collateral appraisal.
4. Increasing sales of write-off credit, through accelerating asset sales by investor cooperation, litigation and sales through low-cost housing portals.
5. Forming a special work unit that manages wholesale and transaction banking to increase wallets from the commercial, wholesale and corporate segments.
6. Developing fees from priority segments, especially in foreign exchange services (market link deposits, forex swap deposits, etc.).
7. Improving treasury profitability from managing Available for Sale (AFS) and Hold to Maturity (HTM) portfolios.
8. Increasing fees sourced from Bank Guarantees (BG), Domestic Letters of Loans (SKBDN), Supply Chain Financing (SCF), Cash Management System (CMS) in the Corporate segment.

Digital Transaction Volume Growth

To develop new sources of growth, the Company accelerated the development of digital services, especially those targeting retail transactions through the BTN Mobile acquisition and utilization program. With the program being implemented, the number of digital banking transactions increased rapidly, to 486 million transactions, or an increase of 87% yoy. In line with the increase in the number of transactions, the volume of digital service transactions also rose to IDR592 trillion, or grew by 117% yoy. In order to support the development of digital transactions, in 2023, the Company also developed the acquisition of QRIS. In 2023, the Company had 15,602 QRIS with total merchant balances reaching IDR1.29

trillion. Apart from that, the Company is also expanding the BTN Properti application and portal as a digital housing ecosystem. In 2023, the BTN Properti portal and application had 515 thousand members, 9,249 developers and 948 thousand housing stock ready to become KPR. The company carries out technological innovations, one of which is the BTN Open API & Sandbox. In 2023, the number of partners who have integrated BTN Open API reached 14 partners with a total of 849,354 hits.

Bank Capital Structure

Management Policy on Capital Structure and Policy Determination Basis

The Capital Plan formulated by Bank BTN refers to the latest economic development reviews, while also based on the analysis and assessment of the required capital adequacy. In formulating the Capital Plan as a part of Bank BTN's Business Plan, the Board of Directors has received the approval from the Board of Commissioners. Bank BTN regularly plans and reviews capital requirements together with the data of the analysis. In planning, Bank BTN always links financial goals and capital adequacy to risks so that Bank BTN's business is in line with the capital and liquidity requirements.

The purpose of management's policy on capital is to ensure that Bank BTN's capital is strong and able to create a strong capital structure to support the development strategy for current business expansion and maintain the continuity of development going forward. In addition, the determination of the capital policy is intended to meet the capital adequacy provisions set by the regulator and ensure that Bank BTN's capital structure has been efficient.

Based on OJK Regulation Number 11/POJK.03/2016 dated 29 January 2016 as amended by OJK Regulation No. 27 of 2022 dated December 26 2022 concerning the Second Amendment to OJK Regulation Number 11/POJK.03/2016 concerning the Minimum Capital Adequacy Requirement for Commercial Banks, Bank BTN's capital consists of:

1. Core Capital, which consists of Common Equity Tier - CET1 and Additional Tier 1 (AT1). Core capital includes paid-in capital and disclosed reserves. Disclosed reserves consists of additional factors (agio, general reserves, previous year's profit, profit for the year and stock options) and the deducting factors (other comprehensive losses and financial asset transactions classified as available for sale, difference of Allowance for Uncollectible Accounts (PPA) on earning assets with Allowance for Impairment Losses and nonearning PPA.

2. Supplementary Capital (Maximum 100% of Core Capital) which consists of general reserves of PPA for productive assets that must be calculated with a maximum amount of 1.25% of RWA for Credit Risk and Reserves.

The Company's core capital (Tier 1) in 2023 was IDR27.15 trillion, higher than in 2022 of IDR22.53 trillion. Meanwhile, the Company's supplementary capital (Tier 2) in 2023 was IDR4.08 trillion, lower than the supplementary capital in 2022 of IDR5.64 trillion.

Capital Structure Details

Bank BTN has strong capital capabilities to support business growth. Below is the details of Bank BTN's capital structure.

Table of Capital Structure Details

(in IDR million)

Description	2023	2022	Income / (Decrease)	
			Amount	Percentage
I. Core Capital (Tier 1)	27,154,078	22,533,407	4,620,671	20.51%
1. Common Equity Tier - CET 1	27,154,078	22,533,407	4,620,671	20.51%
1.1 Paid-up Capital (minus Treasury Stock)	7,017,222	5,295,000	1,722,222	32.53%
1.2 Disclosed Reserves	23,135,138	20,153,835	2,981,303	14.79%
1.3 Calculable Non-Controlling Interest	-	-	-	-
1.4 Common Equity Tier 1 Regulatory Adjustment	(2,998,282)	(2,915,428)	(82,854)	2.84%
2. 2Additional Tier - AT 1	-	-	-	-
2.1 Instruments meeting AT-1 requirements	-	-	-	-
2.2 Agio/Disagio	-	-	-	-
2.3 Additional Tier 1 Regulatory Adjustment	-	-	-	-
II. Supplementary Capital (Tier 2)	4,076,204	5,635,050	(1,558,846)	(27.66%)
1. Capital instruments in shares or others meeting Tier 2 requirements	2,367,557	4,206,070	(1,838,513)	(43.71%)
2. Agio/Disagio	-	-	-	-
3. General reserves of mandatory productive asset Allowance for Uncollectible Accounts (max. 1.25% of Credit Risk RWA)	1,708,647	1,428,980	279,667	19.57%
4. Supplementary Capital Regulatory Adjustment	-	-	-	-
TOTAL CAPITAL	31,230,282	28,168,457	3,061,825	10.87%