

# Corporate Banking

BCA focuses on developing and maintaining strong customer relationships in the corporate lending sector to fulfill the objective of sustainable long term growth

In 2013, BCA experienced strong loan demand from corporate clients across all industry segments resulting in faster than expected growth in the Corporate Banking loan portfolio. From a total corporate loan portfolio of Rp 84.8 trillion at year end 2012, corporate loans grew to Rp 103.1 trillion at the end of 2013 for a total increase of 21.5%.

BCA managed this strong growth in the Bank's corporate loan portfolio by focusing lending on existing customers while also raising interest rates particularly in the second half of 2013, in line with market conditions and Bank Indonesia's tight monetary policy.

## Growing Quality Portfolio

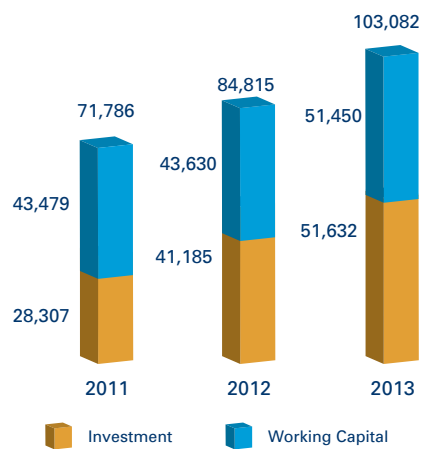
Customer relationships are a major focus of Corporate Banking. The Bank is committed to supporting its corporate business partners during this period of tight liquidity in the banking and bond markets by leveraging off BCA's strong liquidity base. The Bank prudently focused on lending to existing established and high quality clients who are leading institutions in their industries.

The investment loan portfolio increased by 25.4% to Rp 51.6 trillion at year end 2013, while working capital loans registered a 17.9% growth to Rp 51.5 trillion in 2013. Through careful monitoring and close attention to risk management, the Corporate Banking portfolio maintained a Non Performing Loans (NPL) ratio at a low level of 0.1% in 2013.

### Corporate Loan Portfolio (in billion Rupiah)



### Corporate Loan by Facilities (in billion Rupiah)



The sustained strong demand for investment and working capital lending by our corporate customers reflects both the existence of attractive business opportunities in 2013 and confidence in the future. By developing strong customer relationships with corporate customers by means of working closely with our corporate partners and addressing their financial needs, BCA Corporate Banking is laying a foundation for sustainable long term growth. The recent investment capital lending is expected to create future demand for working capital, trade financing and a wide range of other banking services.

The majority of corporate lending was denominated in Rupiah, accounting for 86.4% of the total, with the remaining 13.6% denominated in foreign currencies. This reflects BCA's prudent lending standards designed to reduce potential risk arising from USD – Rupiah exchange rate fluctuations as well as BCA's long held policy to only lend USD to corporate clients who have business earnings primarily in US Dollars. This policy is extended Bank-wide as strict limits are set on USD lending to all borrowing sectors in line with BCA's core strength in Rupiah denominated stable CASA funding.

Overall corporate lending is managed within a diversified portfolio with stringent industry lending limits and limits on overall group and business line exposure. In 2013, corporate lending grew across most industry sectors including plantations and agriculture, telecommunication, chemicals and plastics, consumer financing as well as transportation and logistics. At year end the Bank imposed reduced caps on lending to certain sectors in order to slow growth in areas that were deemed to be overly expansionary.



### Syndicated Loans

In 2013, BCA remained actively involved in Indonesia's syndicated loan market by participating as a lead arranger, coordinator and participant in various syndicated loans. With the Bank's strong capital base, well-maintained liquidity, overall size and technical ability, BCA is one of the few banks in Indonesia that is able to provide these types of lending facilities.

In 2013, BCA participated in Rp 13.3 trillion syndicated loans with BCA taking up Rp 3.6 trillion of syndicated loans primarily in the infrastructure, transportation and construction

sectors. Notable syndicated deals for BCA in 2013 were a syndicated financing for i) PT PLN (Persero), a state-owned electricity power corporation in financing capital expenditure year 2013/2014 to support the effort to satisfy electricity requirements the people of Indonesia; ii) PT Garuda Indonesia (Persero), Tbk, a state-owned airlines in financing its general purpose; iii) PT Greenland Rajawali Utama to finance a property landmark in Jakarta, and iv) a consortium, PT Nusa Raya Cipta and PT Karabha Gryamandiri, to support the construction of a 116 KM toll-road project connecting Cikampek and Palimanan, an extension of the Jakarta – Cikampek toll-road, one of the highest volume toll roads in Indonesia, and a major segment of the planned Trans-Jawa toll road.

### Enhancing Relationships and Building Communities

BCA bankers actively explore ways to build relationships with clients and seek to enhance customers' banking experience with BCA. In recent years BCA has focused on developing a business-community building approach whereby BCA develops inter-connectedness among customers by leveraging the Bank's established nationwide networks to build cooperative business communities and support business development.

The interaction thus developed between corporate clients and their related value-chains creates self-developing communities and cements stronger BCA relationships within those communities.

### Top 10 Corporate Loan Portfolios by Industry Sectors

Industry Sector	2013	2012
Plantation and Agriculture	10.7%	10.9%
Telecommunications	7.8%	8.3%
Chemicals and Plastics	7.6%	4.6%
Consumer Financing	7.5%	7.4%
Transportation and Logistics	6.7%	5.6%
Power Generation	5.8%	4.6%
Financial Services*	5.7%	6.8%
Food and Beverage	4.1%	3.6%
Building Material and Other Construction Related	4.1%	4.2%
Property and Construction	3.8%	4.0%
<b>Total</b>	<b>63.8%</b>	<b>60.0%</b>

\* Including credit facilities to other banks



In 2013, BCA hosted a number of successful networking events, specifically in the telecoms industry, bringing together customers from all levels of the value chain. For example, the telecoms community event brought together such varied participants as cell-phone manufacturers, telecom service providers and telecom vendors.

Working with these inter-connected networks of customers affords BCA the benefit of directly reaching larger audiences when promoting banking solutions, such as working capital loan facilities, investment loans, trade finance, foreign exchange, deposits, capital markets products and cash management services.

Over the years, the Bank has successfully established a comprehensive banking presence in strategic communities with particular success in the petrol stations and convenience store franchise networks. BCA also engages the end customers of these petrol station and convenience store networks through BCA's payment settlement products including BCA Credit and Debit Card and Flazz non-cash micro payment cards. With BCA providing the customized payment-settlement and cash management platform for these communities, a new level of interconnectedness arises among the corporate customers, their main vendors, and BCA. In BCA's pivotal role as a transaction processor, corporates and related vendors/suppliers gain control over day-to-day payment settlement activities for more efficient cash management.

BCA will continue to enhance its cash management infrastructure, increasing its interface capability to interact with payment settlement system of corporate customers in promising communities and industries. Building these value-chain

networks helps businesses grow larger and secures BCA access to sustainable growth opportunities.

Through this value-chain approach, the Bank has seen a burgeoning of cooperation and cross selling initiatives between Corporate Banking and Commercial & SME Banking, the Treasury & International Group and the Cash Management Group. BCA seeks to best provide comprehensive solutions for customers at each stage of the value chain. At each new milestone of community integration, the Bank has also seen lending opportunities grow together with heightened demand for transaction products and transactional-based funding.

### Looking Forward

In 2014, BCA Corporate Banking will continue to seek opportunities within growth industries and develop more industry specific community networks. A close monitoring of commodity pricing, demand trends and the state of the global economy will allow Corporate Banking to pursue selective opportunities in promising industry segments without compromising our prudent lending principles.

2014 is an election year in Indonesia. BCA expects that there will be some stimulus to domestic spending during the election cycle coupled with a cooling down of market optimism until election results are announced.

One of the main long-term initiatives moving into 2014 will be further developing value chain financing. Through both expanded community networks and new facilities, Corporate Banking, together with the Bank's other business units, can continue to expand loan portfolios, and widen access to BCA products.



In 2014, BCA will continue to explore opportunities in inter-Asia trade flows in anticipation of the upcoming 2015 ASEAN Economic Community. BCA is optimistic that given the expanded regional profile of Indonesia within ASEAN, more and more investors from across Asia will be attracted to Indonesia. In anticipation, BCA is preparing to expand quality relationships with ASEAN and its local partners in order to grow their businesses or establish businesses in Indonesia.