

Report of the Board of Directors

**In response to the instability
in the global economy in 2013,
BCA adopted a transitional, risk-
aware approach to business while
maintaining our commitment to
consistently support our valued
customers**

Jahja Setiaatmadja
President Director

Dear Shareholders and Customers,

During a year with many positive developments within the context of an increasingly uncertain economic and business environment, I am pleased to report that BCA achieved strong operational and financial results by staying focused on what a bank should focus on: that is to provide consistent and reliable support to our valued transaction banking and borrowing customers.

Economic Challenges

Much like in 2012, the global economic situation remained uncertain throughout 2013. Both the European and American economies continued to underperform, while an economic slowdown continued to hinder performance in two major Asian economies, China and India. Indonesia's exports declined throughout the year, impacted by both economic slowdowns in Indonesia's major export markets and depressed and volatile pricing of commodity products. Declining exports and growing imports in oil and gas sector put pressure on the trade balance and the current account deficit, leading to increased volatility and depreciation of the Rupiah vis-à-vis the US Dollar.



Jahja Setiaatmadja
President Director



Erwan Yuris Ang
Director

Renaldo Hector Barros
Director

Suwignyo Budiman
Director

Dhalia Mansor Ariotedjo
Director

Subur Tan
Director



Henry Koenai
Director

Jahja Setiaatmadja
President Director

Anthony Brent Elam
Director

Eugene Keith Galbraith
Deputy President Director

Armand Wahyudi Hartono
Director

In a move to re-balance the current account deficit, the Indonesian Government took the unpopular yet prudent step of reducing fuel subsidies to lower fuel imports, which consequently led to higher inflation in mid-2013. On monetary policy, the Central Bank undertook a series of bold moves by raising interest rates aggressively and guiding the Rupiah exchange rate to a new equilibrium. The Central Bank also introduced a series of new rules and more stringent policies on consumer lending, implemented higher secondary reserve requirements, placed a tighter cap on LDR levels, and, as mentioned above, raised benchmark interest rates. These measures led to a tighter monetary policy designed to hold down inflation and to prevent credit growth from exceeding sustainable levels and, ultimately, to build a strong base to secure stronger economic growth in the long run.

The Central Bank's aggressive policies, although negative in the short term, re-established widespread confidence in the Government's ability to take unpopular steps to ensure long-term growth and maintain prudent and practical economic management. These policies have steered Indonesia's economy to consolidate. Indonesia's 2013 GDP growth slowed, falling from 6.2% in 2012 to 5.8% in 2013, albeit still reflecting a high rate of growth when compared to much of the rest of the world.

Balanced Strategic Steps

Despite a challenging macroeconomic environment, BCA was able to sustain positive growth in both lending and funding, maintain asset quality, improve profitability and deliver satisfactory returns to all shareholders. BCA posted Rp 579 earnings per share in 2013, up 20.6% from Rp 480 per share in 2012.

To achieve these results, BCA pursued a two pronged approach to funding strategy. Firstly, the Bank continued to improve its funding network franchise and long-standing reputation as a leading transaction bank, thereby allowing the Bank to maintain stable and cost-effective funding from Current Accounts and Savings Accounts (CASA). Secondly, BCA became more active in the time deposit market by raising time deposit rates ahead of the banking sector's interest rate adjustment curve. BCA management had foreseen and detected symptoms of tighter liquidity in the banking system from 1Q13 and took proactive steps to increase the time deposit base particularly in 2Q13. This was a positive move as the market experienced increasingly stiff competition for funding and in time deposit rates.

Proactively raising time deposits rates was undertaken in anticipation of wider interest rates spread between CASA and high-yield time deposits in the banking industry. With these strategic steps, the Bank maintained a solid position in overall third party funding. Funding and liquidity have always been BCA's core strength and are of even higher priority within a volatile macro environment.

Leveraging on our funding strength and solid liquidity position, BCA was able to provide quality lending facilities to our borrowing customers, exemplifying our strategic motto of "Always by Your Side."

Prudent Lending

BCA believes that lending is a key element of relationship banking. BCA is committed to standing behind our customers as a reliable and trustworthy partner and, together, weathering

an increasingly challenging economic environment exacerbated by a reduction of off-shore borrowing facilities and capital market funding alternatives.

Strong demand for corporate investment loans in 2013 across various industries indicates strong business confidence for the long-term outlook. After careful consideration of the Bank's risk and liquidity positions, BCA continued to provide funding to our top corporate clients while maintaining diversification in the overall lending portfolio.

In an increasingly tight liquidity situation, where lending growth exceeded deposit growth across the banking industry, BCA acted prudently to prioritize lending to existing customers. BCA raised its lending rates across loan segments throughout 2013 to manage healthy loan growth and in anticipation of an increase in the central bank benchmark rates.

Bank-wide credit discipline was intensified to strengthen the loan application and approval processes, with Non Performing Loans (NPL) held at a low level of 0.4%, relatively unchanged compared to 2012. Lending prudence has been a hallmark of BCA over the last several years. The Bank continued to maintain a high level of loss provision coverage of 408.7% to actual NPL's. BCA maintained its Capital Adequacy Ratio (CAR), comprising mostly of Tier 1 Capital, in a healthy range throughout the year, ending 2013 at 15.7%, higher than 14.2% in 2012.

The Transaction and Deposit-Taking Franchise

BCA has consistently focused on transaction banking excellence. The reliability and security we insist upon in making and receiving payments have

earned the trust of our customers who in return provide us with a stable source of CASA deposits. BCA's multi-channel network brings us closer to our customer base while improvements, particularly in electronic delivery channels, seek to enhance transaction convenience for both business and personal banking.

To solidify BCA's core strength in transactional banking excellence, BCA management continued to grow the branch network, thereby strengthening our national coverage while expanding functionality in the e-channel network to enlarge the Bank's strategic presence and attract a broader customer base. The Bank continued to expand its points of contacts nationwide with 2,022 additional Automated Teller Machines (ATMs), including 298 additional Cash Deposit Machines (CDMs), increasing EDC penetration in various merchants, and 51 new branches now serving as customer hubs in their respective communities.

We are honoured to report increased transaction values in all of our banking delivery channels. Transaction value at the branches increased 10.1% to reach Rp 15,200 trillion, while transaction value at ATMs increased 20.2% to reach Rp 1,541 trillion. Combined transaction value of internet and mobile banking increased 30.9% to reach Rp 5,122 trillion. BCA now executes an average of more than 8 million transactions a day.

With increasing transaction volume and complexity, we understand the necessity to provide the best protection to maintaining service levels and service quality for our diverse customer base. I am delighted to report the completion of our new Disaster Recovery Center in Surabaya in 2013. The new data recovery center is designed as an integral part

of BCA's data framework, currently underpinned by two fully mirrored data centers, as a third back up in order to ensure that BCA will maintain operational capacity in various disaster scenarios.

Banking is about Customer Relationships

BCA recognizes strong banking relationships as a long-term competitive advantage. Today, the Bank reaches all our customers through multiple and convenient channels for daily transactions while offering a wide range of transactional products and services as well as consistent lending support.

However, we shall never be satisfied with our past achievements, but instead endeavour to build stronger relationships going forward as we move to fulfil the evolving needs of our customers. As a part of expanding service offerings to customers, BCA has made several acquisitions of a number of subsidiaries and has committed to support the development of those business lines in the coming years. Our long-standing subsidiary, PT BCA Finance, consistently delivers excellent services to provide auto financing facilities for individual and small business banking customers. PT BCA Syariah, the Sharia banking subsidiary, continued to grow, adding an additional 4 branches to a total of 34 branches in 2013. PT BCA Sekuritas, acquired in 2011,

is poised to meet the needs of customers for capital markets transactions. In 2013, BCA purchased a controlling stake in PT Asuransi Umum BCA ('BCA Insurance') that provides general insurance products, and in early 2014, BCA acquired PT Central Santosa Finance which focused on two wheeler financings to further expand our financial services reach.

Corporate Governance

BCA continues to adhere to Good Corporate Governance (GCG) principles in line with its commitment to implement best industry good corporate governance practices.

The yearly evaluation of GCG showed again that internal control systems and the overall management of operations adheres to Indonesian good corporate governance standards. BCA was named 'Best for Disclosure and Transparency' at the 2013 IICD Corporate Governance Awards as a recognition for its good corporate governance.

Since 2002, BCA has worked to develop a strong compliance framework and culture to allow the Bank to quickly conform to new regulations, especially those related to the Basel Accord. This ability to assess regulatory changes, to formulate fully compliant responses and to implement those responses was especially useful

BCA's Network (unit)

	2013	2012	2011	2010	2009
Branches	1,062	1,011	942	930	902
Main Branches	128	127	126	125	125
Sub Branches	825	807	792	775	748
Cash Offices & Payment Point	109	77	24	30	29
ATM	14,048	12,026	8,578	7,459	6,611
Multi Functions	10,798	9,090	6,485	5,664	4,993
Cash Deposit Machine (CDM)	1,869	1,571	808	578	397
Non Cash ATM (KIOSK)	1,381	1,365	1,285	1,217	1,221

in rapidly and accurately adjusting policies and procedures to meet the new regulatory environment introduced in 2013.

Corporate Social Responsibility

The Bank's commitment to engage with our community stakeholders remains strong with corporate social responsibility efforts primarily directed at long-term sustainable development in areas that can provide lasting benefits to local communities. Our focus remains on developing educational, cultural and health opportunities. In addition, BCA continues to support various groups in raising the profile of Indonesia's cultural heritage, including a major Wayang exhibition in 2013.

BCA continued to support the development of Indonesia's growing workforce in line with the country's increasing population. The Bank's long-term policy to hire and train more staff than the Bank truly needs is one of BCA's techniques to effectively and sustainably develop skills and ability in communities throughout Indonesia. After the period of the internship is over, BCA 'graduates' are eagerly recruited by growing businesses in all industries across Indonesia.

Strong Financial Performance and Overall Targets Achieved

I am pleased to report that Net Income attributable to shareholders increased 21.6% to Rp 14.3 trillion, from Rp 11.7 trillion in 2012 as Net Interest Income rose by 24.4% to Rp 26.4 trillion over the same period. Combined Net Interest Income and Operating Income other than Interest grew 22.1% to Rp 33.7 trillion.

Key drivers behind the strong performance were sustainable growth

in funding and lending with stronger Net Interest Margin (NIM). BCA's loan portfolio registered a 21.6% increase to Rp 312.3 trillion, while total third party funds increased 10.6% to Rp 409.5 trillion. CASA deposits remained as BCA's core third party funds (78.9% of total third party funds). Higher yields across earning assets and a relatively stable overall cost of funds contributed to the higher NIM. The earning asset yield increased to 7.79% in 2013 from 7.41% in 2012.

Corporate loans rose 21.5% to Rp 103.1 trillion, supported by higher demand and higher utilization rates from corporate customers. Commercial and Small & Medium Enterprises (SME) loans increased 18.7% to Rp 120.7 trillion. Meanwhile, consumer loans recorded a 26.2% increase to Rp 87.0 trillion at year end 2013. This growth has been achieved without a significant deterioration in asset quality, maintaining a relatively low NPL ratio throughout the year. BCA managed the loan growth with a liquid balance sheet with LDR reported at 75.4%, compared to the industry's average LDR of 89.7%.

The above performance largely exceeded the budget that had been set at the beginning of the year. Loan growth exceeded the target of 15% to 20% growth while third party funds growth came within the targeted range of 10% to 15% growth. Loan quality was well maintained with an NPL ratio of 0.4%, lower than the average banking sector.

The Bank's improved financial performance translated into strong financial ratios with Return on Assets (ROA) and Return on Equity (ROE) recorded at 3.8% and 28.2%, respectively, higher than earlier ROA and ROE target of no less than 2.5% and 25%.

Business Prospects

Close attention will be paid to predictions that the global economy will continue its uncertain course in 2014 with the possibility of volatility in the financial markets. Although we are in a period of economic uncertainty, Indonesia has a positive business and economic climate with much untapped long-term potential despite macroeconomic and political concerns in the short term.

Indonesia will experience a slight economic up-tick due to the elections with the potential for unpredictable reactions by foreign investors to any unfolding economic and political conditions in 2014. The Board of Directors believes that the election process will be peaceful and in line with the principles of the established democratic blueprint.

I am pleased to report that the volatile economic environment in 2013 has not deterred the Board of Directors from continuing to invest in the banking network and infrastructure as well as in the development of our subsidiaries. In 2014, the Board of Directors is confident about realizing further infrastructure and network expansion to solidify our brand equity and banking franchise. BCA will continue to expand its transactional capacity to remain a leading transaction bank and continue to deliver new and exciting products.

BCA plans to continue to grow the loan portfolio with a close watch on economic development, monetary policies and business climate development in 2014. However, it is essential that management is not complacent in managing capital and liquidity in order to realize healthy business growth.

BCA Financial Highlights (in billion Rupiah)

	2013	2012	%
Total Assets	496,305	442,994	12.0%
Outstanding Loans	312,290	256,778	21.6%
Third Party Funds	409,486	370,274	10.6%
Net Interest Income	26,425	21,238	24.4%
Operating Income other than Interest	7,301	6,376	14.5%
Operating Expenses	(14,631)	(12,859)	13.8%
Income Before Tax	17,816	14,686	21.3%
Net Income attributable to equity holders of parent entity	14,254	11,721	21.6%
EPS (in Rupiah)	579	480	20.6%

Key Financial Ratios

(non consolidated)	2013	2012
ROA	3.8%	3.6%
ROE	28.2%	30.4%
NIM	6.2%	5.6%
LDR	75.4%	68.6%
NPL	0.4%	0.4%
CAR (credit, market and operational risk)	15.7%	14.2%

BCA remains confident that banking sector assets will continue to grow in 2014, although with a more moderate growth rate than 2013, and that the banking sector is well capitalized to face an expected intermediate-term economic slowdown. BCA will work closely with all partners to bring financial products and services to business opportunities in the right sectors and segments. BCA will also work together with all of its subsidiaries to shepherd their respective business activities to a higher level.

Sincere Appreciation to All Stakeholders

In thanking BCA employees, we should recognize that they fully demonstrated the talent and skills necessary to meet the challenges of 2013 and beyond. We also thank Bank Indonesia, Financial Services Authority (OJK) and the Board of Commissioners, for their support and guidance throughout the year. We are grateful to our employees and management teams of all subsidiary businesses for their hard work. We finally thank our customers for their continued trust and pledge to steadfastly remain by their side in the coming year.

Jakarta, March 2014

On behalf of the Board of Directors



Jahja Setiaatmadja
President Director