

Individual Banking

BCA is committed to maintaining strong relationships by providing a wide range of solutions to its customers' banking needs

In a rapidly changing business environment, characterized by increasing interest rates and more stringent consumer lending regulations imposed by Bank Indonesia, BCA continued to register strong performance in all areas of its Individual Banking business in 2013. In particular, BCA saw significant growth in mortgage lending, vehicle loans, credit cards and higher fee-based revenues in bancassurance and other wealth management products over the course of the year.

The overall consumer loan portfolio grew 26.2% to Rp 87.0 trillion in 2013 while non performing loans in consumer lending was kept at a low level of 0.6%. This achievement maintained BCA's position as one of the leading consumer lenders in Indonesia. The Bank is committed to maintaining this position and to developing strong relationships with its Individual Banking customers by providing a wide range of solutions to their needs.

The Bank will continue to exercise careful judgment and risk management in its lending activities in the face of the ongoing instability of the global economy and increasing uncertainty in Indonesia.

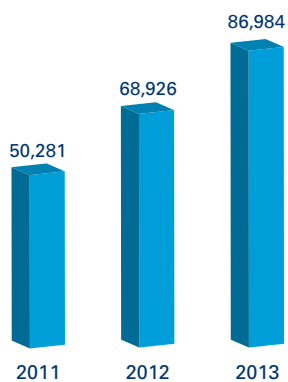
A Leading Mortgage Provider

BCA's mortgages have grown significantly over the last 7 years. Currently, BCA is the largest mortgage provider in the non-subsidized mortgage loan market in Indonesia. A major factor supporting this ongoing growth has been the solid economic performance that the Indonesian economy has achieved over the last several years. A growing economy, coupled with BCA's strong funding base and transaction banking network, has enabled the Bank to offer attractive interest rates and innovative fixed rate products to the market.

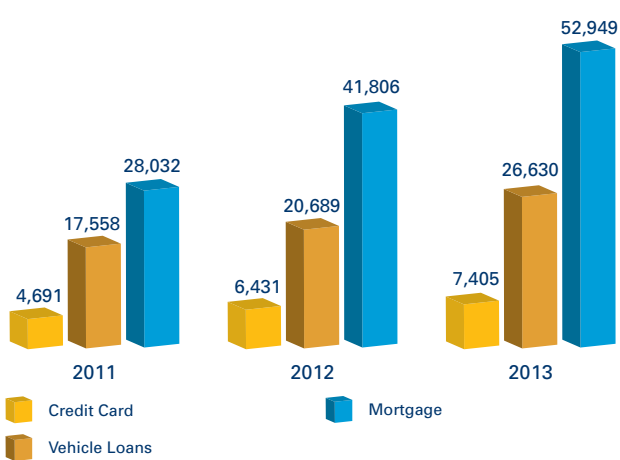
Mortgage lending remained the mainstay of the consumer loan portfolio in 2013. BCA's attractive mortgage loan rates early in the year allowed the Bank to meet targets quickly, with end of year activity slowing down in line with the Indonesian economy. By year end, BCA's mortgage portfolio had risen 26.7% to Rp 52.9 trillion from Rp 41.8 trillion at the end of 2012, approximately 17.0% of the Bank's total loan portfolio and 60.9% of consumer loans. The number of borrower accounts also increased considerably, growing from 77,265 accounts at the end of 2012 to 86,954 accounts at the end of 2013.

Total Consumer Loans

(in billion Rupiah)

**Consumer Loan Portfolio**

(in billion Rupiah)



In September 2013, Bank Indonesia implemented stringent mortgage lending policies by lowering Loan to Value ratios for more than 1 mortgage, and limiting indent mortgages. The new regulation introduced in the last quarter of 2013 was considerably more stringent than the already tight Loan to Value threshold implemented in the second quarter of 2012. These new policies were introduced in order to control excessive growth in the property sector. As a result of these new regulations, coupled with rising interest rates, mortgage demand in the fourth quarter of 2013 was not as strong as in previous years, with 36.6 thousand applications recorded in 2013 compared to 42.6 thousand in 2012.

Unlike much of the rest of the industry, the majority of BCA's mortgage exposure is generated through the BCA branch network on established landed properties with only a minor portion of lending coming from referrals from developers and brokers on newly built, largely indent, properties. This situation supported the Bank's mortgage bookings while also reinforcing the Bank's commitment to our large base of existing customers.

BCA increased its mortgage rates in mid-2013 in line with market conditions and to slow lending growth. At the end of 2013, 5 year mortgage rates stood at 9.5%, an increase of 100 bps from 8.5% at the end of 2012. Despite this increase, BCA mortgage products remain competitive in the current nationwide mortgage loan market. In addition, mortgages are viewed as a cross-selling platform for other individual loan products, allowing for enhanced customer relationships and transaction platform. The Bank also has a partnership with 462 developers and 594 brokers as a marketing strategy to strengthen its mortgage business, complementing customer acquisition through branch channels.

With a low penetration rate and a growing middle-income population, mortgage lending remains a promising business in the long run. However, as an immediate response to the slower economic growth and stringent regulations, 2014 will be

a year of consolidation. In the long term, as the economy re-enters expansion mode, the Bank believes that mortgage lending will continue to represent an ever greater share of our overall business.

2013 Remained a Strong Year for Vehicle Financing

In 2013, the Indonesian four-wheeler vehicle market grew roughly 10% from 2012, continuing on its multi-year growth trajectory. This continued growth in 2013 occurred despite the hike in interest rates in the middle of the year, rising fuel prices and a higher down payment requirement. Sales record for new automobiles was set in September and October 2013 during the 21st Indonesia International Motor Show, supporting total sales for 2013 at 1.2 million units, a new high for Indonesia.

The Bank continued to emphasize prudent lending in 2013. Car loans are backed by the vehicle and the banks' policy of high down-payments and low interest rates has resulted in a relatively low rate of Non Performing Loans for vehicle lending of 0.7%.

In 2013, BCA vehicle loans, which mostly comprised loans for four-wheel vehicle, saw an increase of 28.7% (18.4% for four-wheeled vehicles only). Given the increase in minimum down payments and overall macroeconomic conditions in 2013, this is pleasing growth. The Bank managed Rp 23.3 trillion in four-wheel vehicle loans at the end of 2013, with additional Rp 5.3 trillion outstanding on BCA Finance's portfolio.

One thing in particular that BCA does differently from the competition is maximizing referrals from BCA branches instead of relying on third party dealers. In addition, BCA Finance's strategy of high down payments coupled with relatively competitive interest rates help ensure lower risk lending to higher quality customers in the middle to upper segments. By focusing on the top selling models of the major automobile brands, the Bank can easily assess collateral value through each stage of the financing.

A refinement of BCA Finance's popular Fix & Cap product, along with ongoing improvements to the efficiency of the application and approval process, was key to enhancing customer satisfaction at BCA Finance and thereby helping secure repeat business. BCA Finance implemented an online credit application and credit approval system, allowing for expedited credit scoring and a faster credit approval cycle. These online systems are applicable on mobile devices, allowing mobile entry and mobile approval process, which provide convenience for customers to access BCA Finance's approval cycle.

In 2010, BCA through BCA Finance entered into a joint venture with Central Santosa Finance (CSF) to add two-wheel vehicle financing to the existing four-wheel vehicle financing portfolio. This venture saw a gradual growth through 2011 – 2013 with an increased profile within the industry. CSF opened an additional 17 branches for a total of 76 branches by the end of 2013 and achieved all sales targets. Similar to BCA Finance with automobiles, CSF provides motorcycle loans through a Joint Financing Agreement, with the Bank assuming responsibility for the majority of the financing while the remaining is recorded in CSF's portfolio. The Bank booked Rp 3.3 trillion in two-wheel vehicle loans at the end of 2013, with another Rp 1.0 trillion outstanding in CSF's portfolio. In January 2014 BCA increased its ownership shares in CSF; thus, the total direct and indirect ownership has become 70% of CSF shares from the previous indirect holding of 25% of shares.

Credit Cards

With rising credit card transaction values, BCA maintains its position as a Indonesia's leading credit card service provider. BCA continued expanding its card business presence to cater to the growing middle class in large cities in Indonesia, facilitating customers' lifestyles and consumer behavior.

BCA credit cards booked consumer spending of Rp 39.1 trillion in 2013, compared to Rp 32.7 trillion in 2012. In line with the strong growth in transaction value, outstanding credit card loans increased 15.1% to Rp 7.4 trillion. Card numbers

also increased steadily from 2.3 million in 2012 to 2.4 million in 2013. In 2013, BCA has deployed hundred thousands Electronic Data Capture (EDC) terminals and booked Rp 270 trillion merchant sales volume, thereby strengthening BCA acceptance platform throughout Indonesia. This makes BCA a leader both in issuing cards and in acquiring business within the national credit card payment settlement system.

BCA's achievements are inseparable from close collaboration with international network providers VISA, MasterCard, JCB, China UnionPay International and the NETS, and from the loyalty and trust of our credit card holders.

While seeking to remain a dominant player in the Credit Card sector, BCA chose to control growth in 2013 to counter the pressures from the economic downturn. BCA's strategic focus on understanding credit card customer needs on a segment-by-segment basis allowed the Bank to manage growth in the low risk segments, such as platinum users and being less aggressive in pursuing customer acquisition in higher-risk segments.

In the credit card business, BCA has taken customer convenience to the next level with its high quality services, such as the provision of digital information, availability of e-statements, auto pay registration through SMS, and an easy conversion process of transactions into installment payments and online credit card applications.

BCA's credit card business, which is part of BCA's integrated transaction platform, constantly promotes BCA's established brand strength through various marketing communication and promotional programs. BCA is the only bank in Indonesia that offers a 'private label' or a 'proprietary card' under the 'BCA Card' in addition to BCA Visa and BCA MasterCard. The 'BCA Card' is accepted in selected outlets in Singapore through partnership with the NETS network. BCA provides a very competitive exchange rate for 'BCA Card' customers' transactions made in Singapore.

BCA has also teamed up with brand leaders in other industries for co-branding opportunities. As the only bank in Indonesia chosen by prestigious air fleet, Singapore Airlines, BCA issued a co-branded credit card with Singapore Airlines, offering 12,500 Krisflyer bonus miles for all new customers, with periodic 'double mile' and 'triple mile' offers extended to card holders. These promotional offers allow BCA and Singapore Airline customers to collect Krisflyer miles faster. By launching this product, BCA fulfills a need of the high net-worth segment. This co-branded credit card attracts spending from this segment, hence generating higher transaction volume than BCA's other credit card portfolio segments. Numbers of accounts of BCA Singapore Airlines have multiplied threefold and transaction volume has increased more than five times compared to last year.

Closer to home, the stored value Flazz card, has now been adopted for use on TransJakarta Busses and the Greater Jakarta Commuter Railway, providing e-ticketing for mass transportation in the capital city. Together, these developments provide a strong example the Bank's of dedication in providing services to customers from all segments.

BCA Flazz is also predicted to continue growing in the future with approximately 5 million cards (including BCA Combi) currently in circulation. Growth will be made possible with the support of BCA's small value service providers, from parking garages and facilities, toll roads, fast food and beverage outlets to modern retail markets. BCA looks to expand its network and infrastructure by deploying EDC and Flazz pre-paid terminals in more locations thereby offering customers greater flexibility and convenience.

Priority Banking and Wealth Management

BCA provides select banking services and tailored benefits to its high net-worth customers and priority customers in recognition of these segments special requirements.

By maintaining close contact with these customer segments through professional relationship officers, BCA can deepen relationships, maintain



long-term customer loyalty and broaden product offerings including bancassurance, ORI bond sales, access to mutual funds, foreign exchange services and many others.

In 2013 BCA re-organized its Individual Banking business by unifying its priority banking and wealth management services as one division. This is intended to facilitate potential future growth while simultaneously positioning ourselves to better serve our affluent and high net-worth individual customers. The unification is also hoped to provide more efficiency as these two segments share similar needs.

BCA Solitaire, introduced five years ago, provides high net-worth customers with a personal banker to assist in choosing banking solutions and optimum wealth management options. For customers in the mass-affluent segment, BCA provides priority banking services, which provides a range of benefits that meet this group's growing expectations for expanded banking services.

BCA's bancassurance products continue to support customers in their long-term financial solutions, including life insurance and health insurance products. BCA currently works with a reputable insurance company to supply Bank customers with a variety of life insurance products. BCA carefully selects conservative insurance products or unit-linked investments with low risk to accommodate the low risk appetite of the majority of BCA's customers. In 2013 BCA released a new product, Provisa Platinum Syariah, to facilitate quality investments in line with Sharia principles. BCA is now in the process of establishing its own life insurance subsidiary.

To capture a wide range of general insurance opportunities, BCA worked closely with its insurance subsidiary, PT Asuransi Umum BCA ('BCA Insurance', previously called Central Sejahtera Insurance). BCA Insurance placed a large focus on vehicles and property insurance. The insurance products will complement BCA's individual loans products, providing general insurance solutions for customers. With growth prospects in the low penetration rate Indonesian insurance market, BCA expects to see its insurance business continue to flourish.

Enhancing Customer Relationships

BCA is dedicated in its endeavor to get to know its customers better and improve customer relationships. Year by year, the Bank continues to develop and refine its Customer Relationship Management system to better analyze customer behavior and assess their financial needs.

Through careful observation of customer behavior, the Bank constantly works to improve relationships leading to better customer satisfaction and increased repeat business and



cross selling. The ultimate goal is to offer products and services that cater to customers' individual needs and circumstances. It is this dedication to truly support customers that helps BCA enjoy such high levels of customer satisfaction.

Going Forward

By developing products and services to optimize convenience, efficiency and security, BCA seeks to enhance the overall banking experience for its customers. BCA will continue to improve application and approval processes and procedures, building on the high levels of employee competency throughout the BCA network.

BCA expects to see the extended network of partners and subsidiaries continue to thrive and the complementary nature of these ventures, such as BCA Finance, BCA Syariah, Central Santosa Finance, BCA Insurance and BCA Sekuritas, to continue to enhance the Bank's Individual Banking products.

Efforts in 2014 also include harnessing technology to provide customers online access to insurance applications and for stock market trading.

Predictions for 2014 indicate that general economic conditions will slow down and will be a year of credit consolidation. In light of this, BCA plans to focus on its core customer segments, looking to 2015 for resumption of a more dynamic and expansive credit environment.