

**ANNUAL REPORT OF  
THE INTEGRATED GOVERNANCE IMPLEMENTATION**

**FINANCIAL CONGLOMERATION PT BANK CENTRAL ASIA Tbk**

**YEAR 2017**

**ANNUAL REPORT OF  
THE INTEGRATED GOVERNANCE IMPLEMENTATION OF  
THE FINANCIAL CONGLOMERATION PT BANK CENTRAL ASIA Tbk  
YEAR 2017**

Annual Report of The Integrated Governance Implementation of The Financial Conglomeration PT Bank Central Asia Tbk (the "Company") year 2017 was prepared in accordance with:

1. Financial Services Authority Regulation No. 18/POJK.03/2014 dated 18 November 2014 on The Implementation of Integrated Governance for Financial Conglomerates;
2. Financial Services Authority Circular Letter No. 15/SEOJK.03/2015 dated 25 May 2015 on The Implementation of Integrated Governance for Financial Conglomerates;
3. Financial Services Authority Regulation No. 55/POJK.03/2016 dated 7 December 2016 on The Implementation of Governance for Commercial Banks.
4. Financial Services Authority Circular Letter No. 13/SEOJK.03/2017 dated 17 March 2017 on The Implementation of Governance for Commercial Banks.



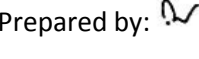

Annual Report of The Integrated Governance Implementation of The Financial Conglomeration of the Company year 2017 at least consist of:

- I. Self Assessment Report on the Integrated Governance Implementation for 1 (one) fiscal year;
- II. Financial Conglomerate Structure;
- III. Share ownership structure in Financial Conglomerate describing the parties who become shareholders of Financial Service Institution (Subsidiaries) in Financial Conglomerate up to the ultimate shareholders;
- IV. Management structure in the Legal Primary entity and Financial Services Institution (Subsidiaries) of a Financial Conglomerate;
- V. Intra-group transaction policy which at least contains policy to identify, to manage and to mitigate intragroup transaction;
- VI. The Report of Good Corporate Governance of the Company has to cover at least the following:
  1. Transparency of Good Corporate Governance Implementation as referred by point IX Financial Services Authority Circular Letter No. 13/SEOJK.03/2017 dated 17 March 2017;
  2. Self Assessment Report Implementation of Corporate Governance year 2017 in accordance with The Attachment IV Financial Services Authority Circular Letter No. 13/SEOJK.03/2017 dated 17 March 2017; and
  3. The Company's Action Plan for Good Corporate Governance in 2017.

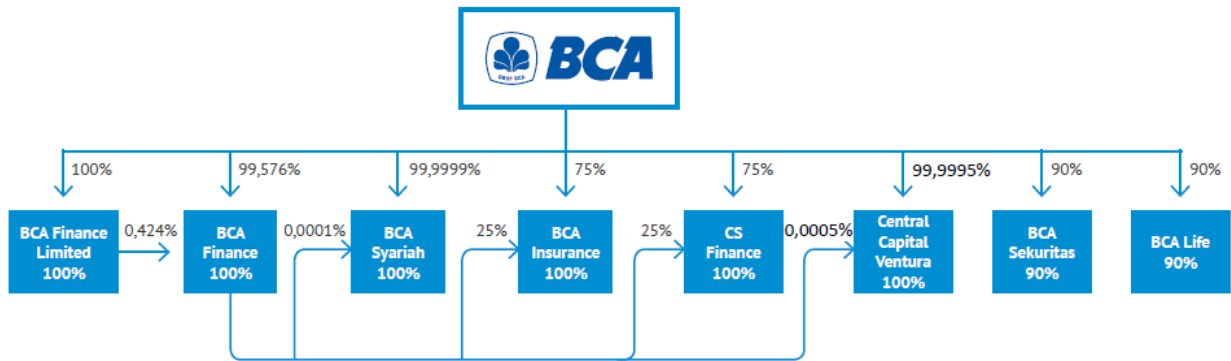
**SELF-ASSESSMENT REPORT ON INTEGRATED GOVERNANCE IMPLEMENTATION**

Legal Primary Entity : **PT Bank Central Asia Tbk**

As of : 31 December 2017

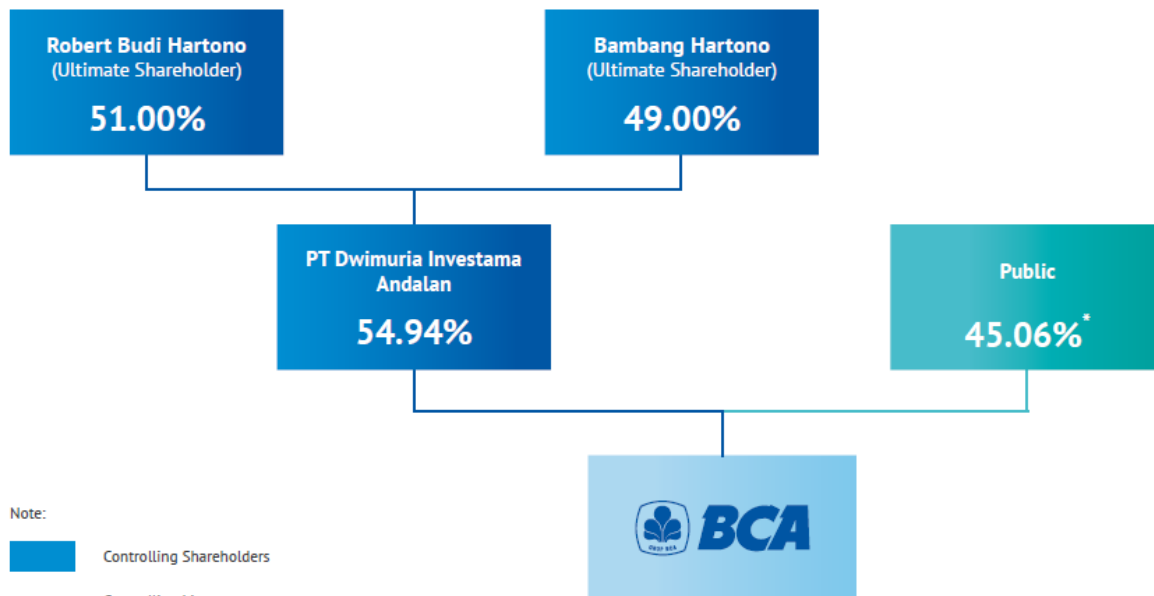
<b>Self-Assessment Results of Integrated Governance Implementation</b>	
<b>Rating</b>	<b>Rating Definition</b>
1	In general the Company Financial Conglomerate has implemented very good Integrated Governance. This is reflected in the more than sufficient implementation of the principles of Integrated Governance. Should there be any insufficiency in the implementation of Integrated Governance, such insufficiency is generally insignificant and can be immediately corrected by the Legal Primary Entity and / or Financial Services Institutions (Subsidiaries) in the BCA Financial Conglomerate.
<b>Analysis</b>	
<p>Based on Self Assessment analysis on Integrated Governance structure, Integrated Governance process, and Integrated Governance outcomes in each of the Integrated Governance implementation assessment factors, the Bank concludes as follows:</p> <ol style="list-style-type: none"> <li>1. Integrated Governance Structure is complete based on the results of the assessment.</li> <li>2. Integrated Governance Process is very effective based on the assessment results, supported by a complete structure.</li> <li>3. Outcomes of Integrated Governance are highly qualified based on the results of the assessment, resulting from the highly effective Integrated Governance process supported by a complete structure.</li> </ol> <p>The analysis of each assessment factor of the implementation of Integrated Governance is available in the Self Assessment Working Paper of the Implementation of Integrated Governance.</p>	
Date: 23 April 2018	Date: 18 April 2018
<p>Approved by:</p>  <p><b>Jahja Setiaatmadja</b> President Director</p>  <p><b>Subur Tan</b> Director</p>	<p>Prepared by: </p>  <p><b>Jan Hendra</b> h, Corporate Secretary</p>

## II. FINANCIAL CONGLOMERATE STRUCTURE OF THE COMPANY AS OF 31 DECEMBER 2017



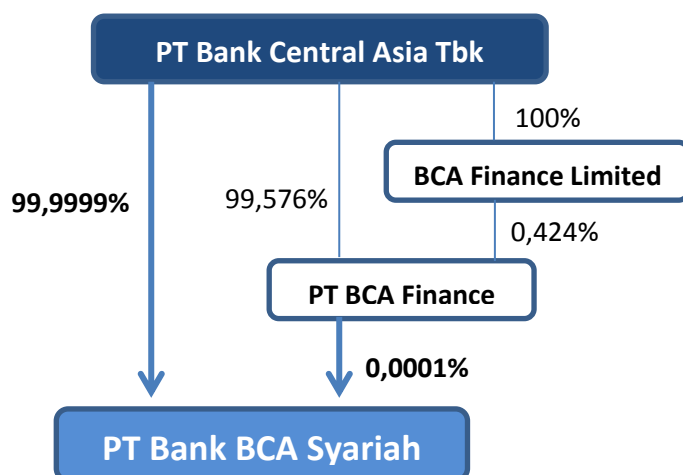
### III. SHAREHOLDING STRUCTURE IN THE FINANCIAL CONGLOMERATE DISCLOSING THE SHAREHOLDERS OF THE SUBSIDIARIES WITHIN THE FINANCIAL CONGLOMERATE UP TO ULTIMATE SHAREHOLDERS

As of 31 December 2017

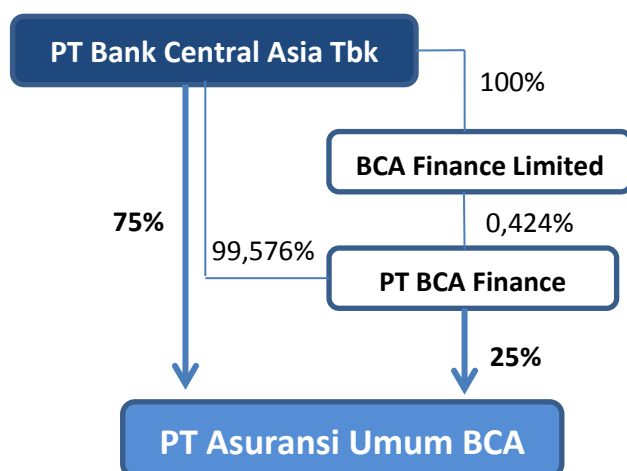


\* Of the portion of shares belonging to public shareholders, 2.49% is owned by affiliated parties of PT Dwimuria Investama Andalan, 1.76% is owned by Anthoni Salim and 0.19% is owned by certain members of the current Board of Commissioners and Board of Directors of BCA.

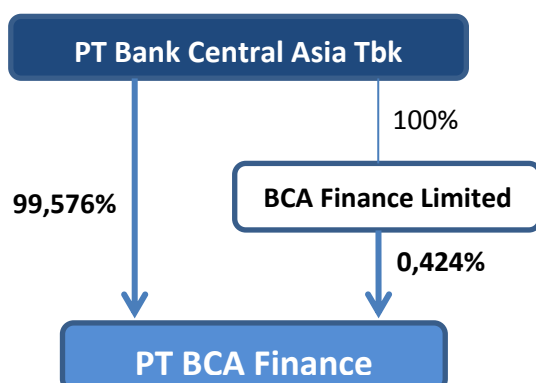
1. SHAREHOLDING STRUCTURE OF PT BANK BCA SYARIAH



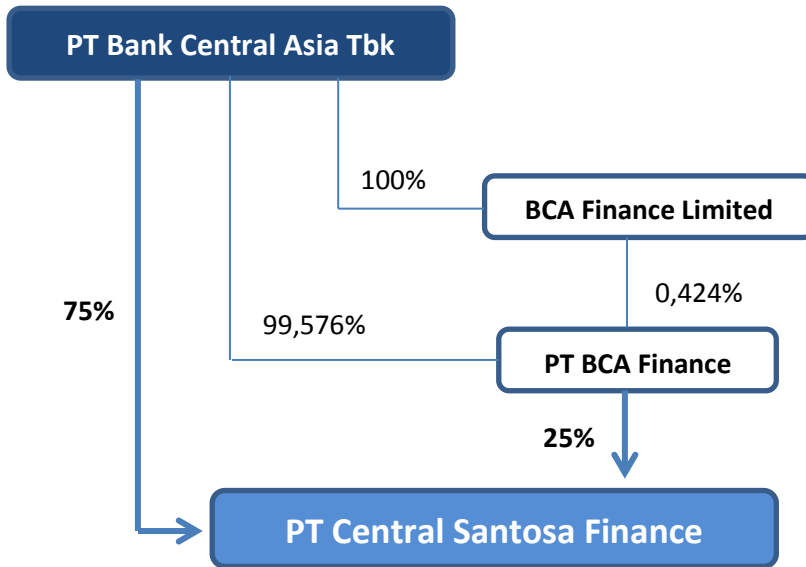
2. SHAREHOLDING STRUCTURE OF PT ASURANSI UMUM BCA (BCA Insurance)



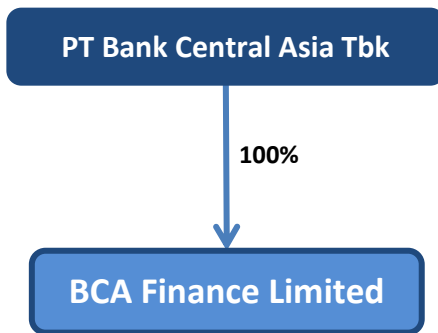
3. SHAREHOLDING STRUCTURE OF PT BCA FINANCE



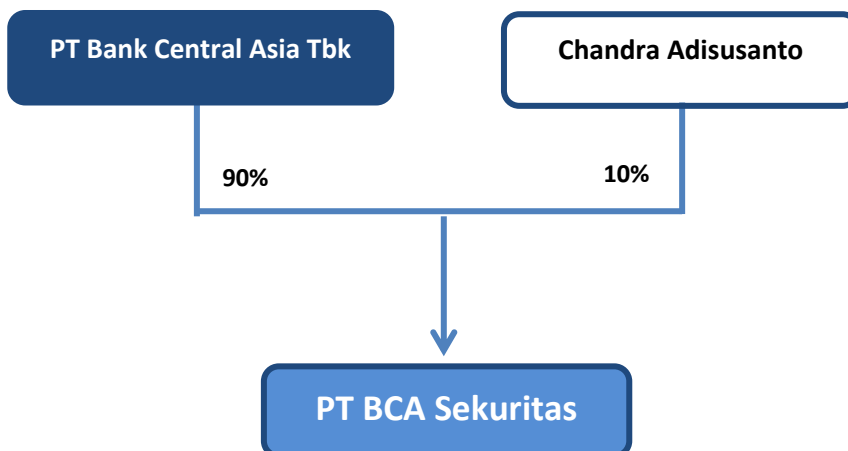
#### 4. SHAREHOLDING STRUCTURE OF PT CENTRAL SANTOSA FINANCE



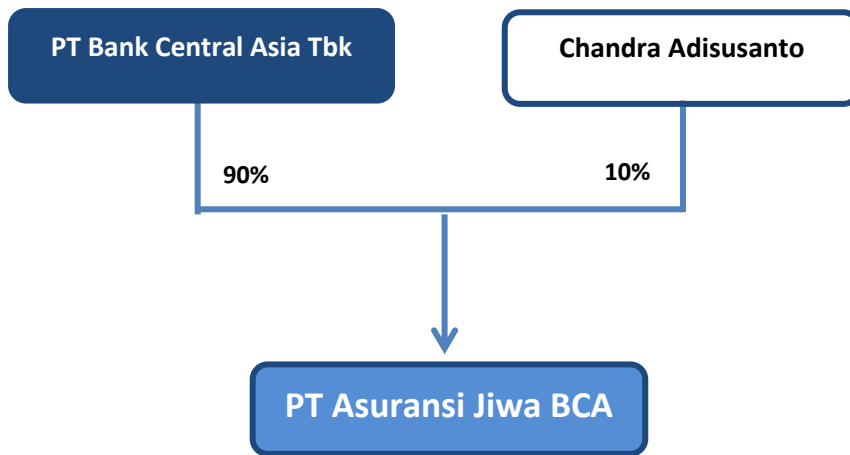
#### 5. SHAREHOLDING STRUCTURE OF BCA FINANCE LIMITED



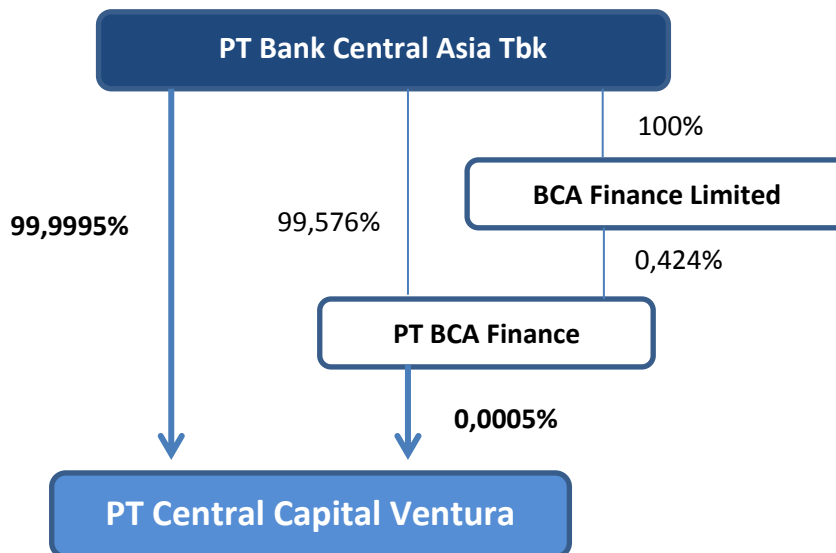
#### 6. SHAREHOLDING STRUCTURE OF PT BCA SEKURITAS



**7. SHAREHOLDING STRUCTURE OF PT ASURANSI JIWA BCA (BCA Life)**



**8. SHAREHOLDING STRUCTURE OF PT CENTRAL CAPITAL VENTURA**





**IV. MANAGEMENT COMPOSITION OF PT BANK CENTRAL ASIA Tbk AS LEGAL PRIMARY ENTITY AND OF SUBSIDIARIES IN THE BCA FINANCIAL CONGLOMERATES**

❖ **MANAGEMENT COMPOSITION OF PT BANK CENTRAL ASIA Tbk**

<b>Board of Commissioners</b>	
<b>Position</b>	<b>Name</b>
President Commissioner	Djohan Emir Setijoso
Commissioner	Tonny Kusnadi
Independent Commissioner	Cyrellus Harinowo
Independent Commissioner	Raden Pardede
Independent Commissioner	Sumantri Slamet
<b>Board of Directors</b>	
<b>Position</b>	<b>Name</b>
President Director	Jahja Setiaatmadja
Deputy President Director	Eugene Keith Galbraith
Deputy President Director	Armand Wahyudi Hartono
Director	Suwignyo Budiman
Director (conccurently Director of Compliance)	Tan Ho Hien/Subur or Subur Tan
Director	Henry Koenafi
Independent Director	Erwan Yuris Ang
Director	Rudy Susanto
Director	Lianawaty Suwono
Director	Santoso
Director	Inawaty Handoyo

❖ **MANAGEMENT COMPOSITION OF PT BANK BCA SYARIAH**

<b>Board of Commissioners</b>	
<b>Position</b>	<b>Name</b>
President Commissioner	Yana Rosiana
Independent Commissioner	Suyanto Sutjadi
Independent Commissioner	Joni Handrijanto
<b>Board of Directors</b>	
<b>Position</b>	<b>Name</b>
President Director	John Kosasih
Director	Houda Muljanti
Compliance Director	Tantri Indrawati
<b>Sharia Supervisory</b>	
<b>Position</b>	<b>Name</b>
Chairman	Prof. DR. H. Fathurrahman Djamil, MA
Member	Sutedjo Prihatono

❖ **MANAGEMENT COMPOSITION OF PT BCA FINANCE**

<b>Board of Commissioners</b>	
<b>Position</b>	<b>Name</b>
President Commissioner	Ricki Immanuel
Independent Commissioner	Adhi Gunawan Budirahardjo
Independent Commissioner	Leny Sulistiyowati
<b>Board of Directors</b>	
<b>Position</b>	<b>Name</b>
President Director	Roni Haslim
Director	Petrus Santoso Karim
Director	Amirdin Halim
Director	David Pangestu
Director	Lim Handoyo

❖ **MANAGEMENT COMPOSITION OF PT CENTRAL SANTOSA FINANCE**

<b>Board of Commissioners</b>	
<b>Position</b>	<b>Name</b>
President Commissioner	Roni Haslim
Commissioner	Yonathan Hermanto
Commissioner	Aldrian Irvan Kolonas
Independent Commissioner	Mendari Handaya
<b>Board of Directors</b>	
<b>Position</b>	<b>Name</b>
President Director	David Hamdan
Director	Senjaya Komala
Director	Adhi Purnama
Director	Parmanto Adhi

❖ **MANAGEMENT COMPOSITION OF PT ASURANSI UMUM BCA (BCA Insurance)**

<b>Board of Commissioners</b>	
<b>Position</b>	<b>Name</b>
President Commissioner	Petrus Santoso Karim
Commissioner	Liston Nainggolan
Independent Commissioner	Gustiono Kustianto
Independent Commissioner	Edison Idrus
<b>Board of Directors</b>	
<b>Position</b>	<b>Name</b>
President Director	Gregorius Hariyanto
Director	Hendro H. Wenan
Marketing Director	Antonius Tjhai
Finance Director	Sri Angraini

❖ **MANAGEMENT COMPOSITION OF PT BCA SEKURITAS**

<b>Board of Commissioners</b>	
<b>Position</b>	<b>Name</b>
President Commissioner	Ferdinandus Aming Santoso
Commissioner	Deddy Muljadi Hendrawinata
Independent Commissioner	Hendra Iskandar Lubis
<b>Board of Directors</b>	
<b>Position</b>	<b>Name</b>
President Director	Mardi Henko Sutanto
Director	Imelda Arismunandar

❖ **MANAGEMENT COMPOSITION OF PT ASURANSI JIWA BCA (BCA Life)**

<b>Board of Commissioners</b>	
<b>Position</b>	<b>Name</b>
President Commissioner	Christina Wahjudi Setyabudhi
Commissioner	Eva Agrayani Tjong
Commissioner	Pudjianto
Independent Commissioner	Hardjono
<b>Board of Directors</b>	
<b>Position</b>	<b>Name</b>
President Director	Rio Winardi
Director	Yannes Chandra
Director	Honggo Djojo

❖ **MANAGEMENT COMPOSITION OF BCA FINANCE LIMITED**

<b>Board of Directors</b>	
<b>Position</b>	<b>Name</b>
Director	Andy Kwok
Director	Edmund Tondobala
Director	Rudy Harjono

❖ **MANAGEMENT COMPOSITION OF CENTRAL CAPITAL VENTURA**

<b>Board of Commissioners</b>	
<b>Position</b>	<b>Name</b>
President Commissioner	Arif Singgih Halim Wijaya
<b>Board of Directors</b>	
<b>Position</b>	<b>Name</b>
Director	Armand Widjaja
Director	Michael Suteja

## **POLICY TO IDENTIFY, MANAGE, AND MITIGATE INTRA-GROUP TRANSACTIONS**

Ownership and/or controlling relationships in various financial services sectors will affect the sustainability of a financial institution's services due to exposure to risks arising directly or indirectly from the operations of a Subsidiary incorporated within a financial conglomerates.

The Company, as the Legal Primary Entity of the Company Financial Conglomerates, is accordingly required to manage the risk of intra-group transactions and to monitor intra-group transactions in an integrated manner.

### **Risk Management Policy for Intra-Group Transactions in the Group is prepared with due observance to:**

1. The Financial Services Authority Regulation No. 17/POJK.03/2014 of the Implementation of Integrated Risk Management for Financial Conglomerates.
2. The Financial Services Authority Circular Letter No. 14/SEOJK.03/2015 of the Implementation of Integrated Risk Management for Financial Conglomerates.
3. The Board of Directors Decision Letter No. 178/SK/DIR/2015 of the Issuance of Integrated Risk Management Basic Policy in the BCA Financial Conglomerate.

### **Definition of Risk of Intra-Grup Transactions**

The risk of intra-group transactions represents the risk due to the dependence of an entity, directly or indirectly, on another entity in a financial conglomerate for the purpose of meeting the conditions in a written or unwritten agreement, subsequently followed by the transfer of funds and/or non transfer of funds.

### **Objectives of risk management of intra-group transactions**

The main objectives of intra-group transaction risk management are to:

1. Manage and supervise intra-group financial conglomerate transactions based on prudential principles.
2. Ensure that the risk management process minimizes the potential negative impacts due to the dependence of one financial services institution either directly or indirectly to another(s) in a financial conglomerates.

### **Types of intra-group transactions**

The risks of intra-group transactions may arise from, among others:

1. Cross ownership among financial services institutions in a financial Conglomerates.
2. Centralized management of short-term liquidity.
3. Guarantees, loans, and commitments provided or obtained by one financial services institution to/ from another in a financial conglomerates.
4. Exposure to controlling shareholders, including loan exposures and off-balance sheets such as guarantees and commitments.
5. Purchase or disposal of assets to other financial services institution in a financial conglomerates.
6. Risk transfer through reinsurance.
7. Transactions to transfer third-party risk exposures among financial services institutions in a financial conglomerates.

### **Principles of intra-group transactions risk management**

In adopting risk management principles for intra-group transactions, the Legal Primary Entity is required to:

1. Have adequate risk management process including for intra-group transactions for the entire financial conglomerates.
2. Monitor intra-group transactions on a regular basis and prepare periodic reports.
3. Encourage public disclosure related to intra-group transactions.
4. Act as a liaison among the members of the financial conglomerates to ensure that important matters have been taken into account and also act as a supervisor to determine the feasibility of intra-group transactions.
5. Consider the adverse effects that will occur both on members and also on the entire financial conglomerates due to entering into such intra-group transactions.

### **Scope of intra-group transaction risk management policy**

The implementation of intra-group risk management in a financial conglomerates includes:

1. Oversight of the Board of Commissioners and the Board of Directors.
2. Adequacy of policies, procedures, and establishment of risk limits on intra-group transactions.
3. Adequacy of process of identification, measurement, monitoring, and risk control and information system of intra-group transaction risk management.
4. Comprehensive internal control system for the implementation of intra-group transaction risk management.

### **Oversight of Board of Commissioners and Board of Directors**

Oversight by the Board of Commissioners and the Board of Directors is necessary to ensure the effective implementation of intra-group transactions risk management and conformity with prevailing regulations.

### **Roles and responsibilities of Board of Commissioners**

The authority and responsibility of the Board of Commissioners in the implementation of intra-group transaction risk management include among others:

1. Approve the risk management policy of intragroup transactions.
2. Evaluate the accountability of the Board of Directors and provide corrective action guidance for implementation of risk management policies of intra-group transactions.

### **Roles and responsibilities of Board of Directors**

The authority and responsibility of the Board of Directors in intra-group transactions risk management include among others:

1. Understand the inherent risks of intra-group transactions in a Financial Conglomerates.
2. Develop and establish an intra-group transaction risk management policy.
3. Be responsible for implementation of intra-group transaction risk management.
4. Ensure each entity in the Financial Conglomerates implements intra-group transaction risk management.
5. Monitor the risk of intra-group transactions on regular basis.
6. Develop a risk culture as part of the implementation of intra-group transaction risk management.
7. Ensure that the implementation of risk management of intra-group transactions is free of any conflict of interest among Financial Conglomerates and individual LJKs.

## **Human Resources**

In order to implement risk management related to human resources, the Board of Directors needs to ensure the following:

1. Establishment of clearly-defined HR qualifications for each level of positions related to the implementation of risk management for intra-group transactions.
2. Positioning of competent officers and staff in the business unit associated with the implementation of risk management of intra-group transactions.
3. Adequacy of the quantity and quality of human resources in understanding their tasks and responsibilities in the implementation of risk management of intra-group transactions.
4. Development of human resources competence, among others through continuous education and training programs.
5. All relevant human resources' comprehension concerning the strategy, risk appetite, risk tolerance, and risk management framework of intra-group transactions.

## **Adequacy of Policy, Procedure, and Limits of Intragroup Transaction Risks**

Policies, procedures, and limits of intra-group transaction risks refer to the policies, procedures and the establishment of limits set forth in the Integrated Risk Management Basic Policy.

## **Risk appetite and risk tolerance**

Risk appetite and risk tolerance are described as follows:

1. Risk appetite of intra-group transactions represents the risk that the Company is willing to take in order to achieve the targets in an integrated manner. The appetite is reflected in business strategies and targets.
2. Risk tolerance represents the maximum level of risk that the Company is willing to take.
3. The risk appetite and risk tolerance must be in line with the business strategy, risk profile, and capital plan of Financial Conglomerates

## **Policies and procedures**

Some points to consider in policies and procedures related to the risk of intra-group transactions include:

1. Financial Conglomerates policy must comply with prevailing regulations pertaining to intra-group transactions.
2. Financial Conglomerates shall ensure compliance with the arm's length principle for its intra-group transactions.
3. Intra-group transaction risk management procedures at least include:
  - 3.1. Accountability and clearly-defined level of delegation in the implementation of risk management of intra-group transactions.
  - 3.2. Periodic review of procedures.
  - 3.3. Adequate documentation procedure, which is written, complete and easily-enabled audit trail.

## **Risk limit of intra-group transactions**

Financial Conglomerates shall ensure that the establishment of intra-group transaction limits is in accordance with prevailing regulations.

## **Adequacy of Process of Identification, Assessment, and Control of Risks and Information System of Intra-Group Transaction Risk Management**

In the implementation of risk management of intra-group transactions, the Company as the Legal Primary Entity shall conduct a process of identification, assessment, monitoring and control of risks for all significant risk factors in an integrated matter, supported by an adequate intra-group transaction risk management information system.

### **Identification of intra-group transaction risks**

Intra-group transactions are identified by:

1. Identifying the composition of intra-group transactions in Financial Conglomerates.
2. Identifying the documentation and fairness of transactions.
3. Identifying other information.

### **Assessment of intra-group transaction risks**

Assessment of risks in intra-group transactions is aimed at obtaining the risk level rating of intra-group transactions in a financial conglomerates. In addition, the Company as the Legal Primary Entity shall prepare an intra-group transaction risk profile in an integrated manner with other members of the Financial Conglomerates.

The following are the assessments to be made to obtain the integrated intra-group transaction risk profile:

<b>Assessment</b>	<b>Description</b>	<b>Assessment Result</b>
Inherent Risk	<p>In establishing the inherent risk level, the Legal Primary Entity shall conduct a comprehensive analysis by using all relevant quantitative and qualitative indicators.</p> <p>They include 3 (three) aspects:</p> <ol style="list-style-type: none"> <li>1. Composition of intra-group transactions in Financial Conglomerates.</li> <li>2. Documentation and fairness of transactions.</li> <li>3. Other information.</li> </ol>	<ol style="list-style-type: none"> <li>1. Low</li> <li>2. Low to Moderate</li> <li>3. Moderate</li> <li>4. Moderate to High</li> <li>5. High</li> </ol>
Quality of Risk Management Implementation	<p>Assessment of quality of integrated risk management implementation includes 4 (four) aspects as follows:</p> <ol style="list-style-type: none"> <li>1. Oversight of the Board of Commissioners and Board of Directors.</li> <li>2. Adequacy of policies, procedures, and establishment of risk limits for intra-group transactions.</li> <li>3. Adequacy of process of identification, assessment, monitoring, and risk control and also intra-group transaction risk management information system.</li> <li>4. Comprehensive internal control system for the implementation of intra-group transaction risk management.</li> </ol>	<ol style="list-style-type: none"> <li>1. Strong</li> <li>2. Satisfactory</li> <li>3. Fair</li> <li>4. Marginal</li> <li>5. Unsatisfactory</li> </ol>

### Risk level rating

Risk level rating represents the combination of inherent risk assessment results and risk management implementation quality assessment results.

The mapping of intra-group transaction risk level is depicted in the the following matrix:

Assessment Result on Risk Level Rating		Quality Rating of Risk Management Implementation (KPMR)				
		Strong	Satisfactory	Fair	Marginal	Unsatisfactory
Integrated Inherent Risk Level	Low	Low	Low	Low to Moderate	Moderate	Moderate
	Low to moderate	Low	Low to Moderate	Low to Moderate	Moderate	Moderate to High
	Moderate	Low to Moderate	Low to Moderate	Moderate	Moderate to High	Moderate to High
	Moderate to high	Low to Moderate	Moderate	Moderate to High	Moderate to High	High
	High	Moderate	Moderate	Moderate to High	High	High

### Monitoring of intra-group transaction risk

Intra-group transaction risk is monitored by taking into account:

1. Composition of parameters of inherent risks in intra-group transactions in the integrated risk profile report.
2. Complete documentation of intra-group transactions.
3. Fairness of intra-group transactions.
4. Other information related to intra-group transactions.

### Control of intra-group transaction risk

Intra-group transaction risk is controlled by ensuring:

1. Fairness of intra-group transactions in a financial conglomerates.
2. Documentation for each intra-group transaction.
3. Compliance of each intra-group transaction with prevailing laws or regulations.

### Intra-group transaction risk management information system

Intra-group transaction risk management information system includes transaction risk profile report which is a part of integrated risk profile report.

### Comprehensive Internal Control System towards Implementation of Intra-Group Risk Management Transaction

The internal control system for intra-group transaction risk refers to internal control as set forth in the Integrated Risk Management Basic Policy.

An effective implementation of intra-group transaction risk management process must be equipped with a comprehensive internal control system. The effective implementation of internal control system is expected to safeguard the assets of the Financial Conglomerates, to ensure the availability of reliable reporting, to improve compliance with laws and regulations, and to minimize the risk of losses, deviation and breach of prudent principles.



Implementation of internal control system is as follows:

1. The Company is required to implement an effective internal control system for intra-group transaction risks with due observance to the established policies and procedures.
2. An internal control system is structured to ensure:
  - 2.1. The compliance with internal policies and with rules and regulations.
  - 2.2. The effectiveness of risk culture in the entire organization within financial conglomerate to identify inadequacy and deviations at early stage and to re-assess the fairness of existing policies and procedures on the Financial Conglomerates on an ongoing basis.
3. Review of intra-group transaction risk assessments, at least including:
  - 3.1. Conformity of policy, organizational structure, resource allocation, intra-group transaction risk management process design, information system and risk reporting in accordance with the business needs of Financial Conglomerates, as well as the development of best practices related to intra-group transaction risk management.
  - 3.2. Complete and adequate documentation of the scope, operational procedures, audit findings, and responses of the board of financial conglomerates based on the audit results.

**VI. REPORT OF THE COMPANY'S CORPORATE GOVERNANCE IMPLEMENTATION** at least the following:

- **Transparency of Corporate Governance Implementation** as referred by point IX Financial Services Authority Circular Letter No. 13/SEOJK.03/2017 dated 17 March 2017 concerning The Implementation of Governance for Commercial Banks:

**A. Corporate Governance Implementation Disclosures** include:

1. **Implementation of Duties of the Board of Directors and the Board of Commissioners** are as follows:

**Number, composition, criteria, and independence of Members of the Board of Directors**

As of 31 December 2017, memberships of the Board of Directors comprises 11 (eleven) persons, consisting of 1 (one) President Director, 2 (two) Deputy President Directors, 1 (one) Compliance Director, 1 (one) Independent Director, and 6 (six) other Directors. One member of the Board of Directors is also the Director of Compliance. The President Director is an independent party from the controlling shareholder.

The membership composition of the Company's Board of Director as of 31 December 2017 based on Deed of Minutes of Meeting of PT Bank Central Asia Tbk No. 216 dated 26 August 2016 are as follows:

Position	Name
President Director	<b>Jahja Setiaatmadja</b>
Deputy President Director	<b>Eugene Keith Galbraith</b>
Deputy President Director	<b>Armand Wahyudi Hartono</b>
Director	<b>Suwignyo Budiman</b>
Director (concurrently Director of Compliance)	<b>Tan Ho Hien/Subur or Subur Tan</b>
Director	<b>Henry Koenafi</b>
Independent Director	<b>Erwan Yuris Ang</b>
Director	<b>Rudy Susanto</b>
Director	<b>Lianawaty Suwono</b>
Director	<b>Santoso</b>
Director	<b>Inawaty Handoyo</b>

**Number, composition, criteria, and independence of Members of the Board of Commissioners**

As of 31 December 2017, the total number of members of the Board of Commissioners of the Company is 5 (five) persons, consisting of 1 (one) President Commissioner, 1 (one) Commissioner, and 3 (three) Independent Commissioners. The number of members of the Board of Commissioners does not exceed the number of members of the Board of Directors. The number of Independent Commissioners is 60% (sixty) percent of the total members of the Board of Commissioners. All members of the Board of Commissioners are domiciled in Indonesia.

The membership composition of the Company's Board of Commissioners as of 31 December 2017 based on Deed of Minutes of Meeting of PT Bank Central Asia Tbk No. 216 dated 26 August 2016 are as follows:

<b>Position</b>	<b>Name</b>
President Commissioner	<b>Djohan Emir Setijoso</b>
Commissioner	<b>Tonny Kusnadi</b>
Independent Commissioner	<b>Cyrillus Harinowo</b>
Independent Commissioner	<b>Raden Pardede</b>
Independent Commissioner	<b>Sumantri Slamet</b>

**The general criteria in the selection of members of the Board of Directors and members of the Board of Commissioners**

**The general criteria in the selection of members of the Board of Directors**

Those who may be appointed as a Director is an individual who meets the criteria and requirements in accordance with:

1. Comply with the requirement as referred to in Financial Services Authority Regulation No. 33/POJK.04/2014 on The Board of Directors and The Board of Commissioners of Issuer or Public Company, namely to:
  - a. Have good ethics, morals, and integrity;
  - b. Be proficient in performing legal actions;
  - c. Within 5 (five) years before appointment and during the term of office:
    - 1) not have been declared bankrupt;
    - 2) not have been a member of the Board of Directors and/or the Board of Commissioners found guilty of causing a company to be declared bankrupt;
    - 3) not have been punished for committing a crime detrimental to state finances or relating to the financial sector; and
    - 4) not have been a member of the Board of Directors and/or the Board of Commissioners in which during his/her term of office:
      - i. did not organize an Annual General Meeting of Shareholders;
      - ii. had his/her accountability as a member of the Board of Directors and/or the Board of Commissioners not accepted by the GMS or he/she did not submit his/her accountability as a member of the Board of Directors and/or the Board of Commissioners to the General Meeting of Shareholders; and
      - iii. have caused a company that obtained license, approval, or registration from the Financial Services Authority to not fulfill the obligation to submit annual report and/or financial report to the Financial Services Authority.
  - d. Have a commitment to comply with laws and regulations; and
  - e. Have knowledge and/or expertise in the field required by the company.
2. Complies with the requirements of integrity, competency, and financial reputation as referred to in Bank Indonesia Regulation No. 12/23/PBI/2010 regarding the Fit and Proper Test, among others states that:
  - a. The requirements of integrity include to:
    - i. have good character and morals, among others shown by the attitude to comply with applicable provisions, including not having been convicted for specific crimes within the last 20 (twenty) years prior to nomination;
    - ii. have a commitment to comply with applicable laws and regulations;

- iii. be committed to the development of healthy Bank operations;
  - iv. not be included on the Disqualified List (DTL);
  - v. be committed not to conduct and/or to repeat offenses and/or actions as referred to in Article 27 and Article 28, for a candidate of the Board of Directors who once been disqualified in the fit and proper test and undergone a period of sanction as referred to Article 35 paragraph (1), Article 40 paragraph (4) letter a and Article 40 paragraph (5) of the above mentioned Bank Indonesia Regulation.
- b. Competence requirements include having:
    - i. adequate Knowledge in banking relevant to his/her position;
    - ii. experience and expertise in banking and/or finance sector;
    - iii. the ability to undertake strategic management in the framework of healthy Bank development.
  - c. Financial reputation requirements include:
    - i. not having bad credit; and
    - ii. not having been declared bankrupt or on a Board of Directors or the Board of Commissioners found guilty of causing a Company to be declared bankrupt, within the last 5 (five) years before being nominated.
3. Based on Financial Services Authority Regulation No. 55/POJK.03/2016 on the Implementation of Good Corporate Governance for Commercial Banks, each Director must meet the requirements of fit and proper test according to Financial Services Authority Regulation No. 27/POJK.03/2016 on the Assessment of Ability and Compatibility for the Main Party of the Financial Services Institution, which among other matters details:
- a. Requirements of integrity, including to:
    - i. be capable of performing legal actions;
    - ii. have good character and morals, at least indicated by attitudes to comply with regulatory requirements, including to have not been convicted a specific crime within a certain period prior to nomination;
    - iii. be committed to comply with laws and regulations and support Financial Services Authority policies;
    - iv. be committed to the development of a healthy Financial Service Institution; and
    - v. be not included as a party prohibited to become a Principal Party.
  - b. Financial reputation requirements, at least proven by:
    - i. having no bad credit and/or non-performing financing; and
    - ii. having not been declared bankrupt and/or has not been a shareholder, insurance company controller who is not a shareholder, member of a board of directors or board of commissioners found guilty of causing a company to be declared bankrupt within the last 5 (five) years prior to nomination.

### **The general criteria in the selection of members of the Board of Commissioners**

Those who may be appointed as members of the Board of Commissioners are individuals, who meet the criteria and requirements in accordance with:

1. Meet the requirements as referred to in Financial Services Authority Regulation No. 33/POJK.04/2014 on The Board of Directors and The Board of Commissioners of Issuers or Public Companies, as follows:
  - a. Having good character, morals, and integrity;
  - b. Be proficient in performing legal actions;
  - c. Within 5 (five) years before appointment and during the term of office:

- 1) not declared bankrupt;
  - 2) has not been a member of the Board of Directors and/or a member Board of Commissioners who is found guilty of causing a company to be declared bankrupt;
  - 3) has not been punished for committing a criminal offense that is detrimental to state finances and/or relating to the financial sector; and
  - 4) has not been a member of the Board of Directors and/or any member of the Board of Commissioners who during his term of office:
    - i. not held an Annual General Meeting of Shareholders;
    - ii. accountability as a member of the Board of Directors and/or member of the Board of Commissioners has not been accepted by the General Meeting of Shareholders or has not been granted responsibility as a member of the Board of Directors and/or members of the Board of Commissioners to the General Meeting of Shareholders; and
    - iii. not caused a company obtaining permit, approval, or registration from the Financial Services Authority to fail to comply with the obligation to submit annual report and/or financial statements to the Financial Services Authority.
  - d. Has the commitment to comply with laws and regulations; and
  - e. Has knowledge and or expertise in the field required by the Company.
2. Meet the integrity, competence, and financial reputation requirements as referred to the Bank Indonesia Regulation No. 12/23/PBI/2010 concerning The Fit and Proper Test, which among others states that:
- a. The requirements of integrity include:
    - i. has good morals and character, among others, indicated by attitudes to comply with applicable provisions, including not been convicted for certain crimes within the last 20 (twenty) years before being nominated;
    - ii. has the commitment to comply with applicable laws and regulations;
    - iii. has the commitment towards the development healthy bank operation;
    - iv. never been on the Disqualified List (DTL);
    - v. has a commitment not to commit and/or repeat the acts and/or acts as referred to in Article 27 and Article 28, for candidates for members of the Board of Directors who have had no predicate in the fit and proper test and have served the sanction as intended in Article 40 paragraph (4) a and Article 40 paragraph (5) of the aforementioned Bank Indonesia Regulation.
  - b. Competence requirements included:
    - i. having adequate knowledge in banking and relevant to the position; and/or
    - ii. having experience and expertise in banking and/or finance.
  - c. Financial reputation requirements include:
    - i. not having bad credit; and/or
    - ii. have not been declared bankrupt or on a Board of Directors or Board of Commissioners found guilty of causing a Company to be declared bankrupt, within the last 5 (five) years before being nominated.
3. Under Article 27 of Financial Services Authority Regulation No. 55/POJK.03/2016 concerning the Implementation of Good Corporate Governance for Commercial Banks, each Commissioner must meet the requirements of the fit and proper test according to the Financial Services Authority Regulation No.27/POJK.03/2016 on the Assessment of Ability and Precision for the Main Parties of the Financial Services Institution, which among others states that:

- a. Requirements of integrity, including:
  - i. able to perform legal action;
  - ii. having good morals and character, at least indicated by attitudes to comply with applicable provisions, including not having been convicted for committing a crime within a certain period of time before being nominated;
  - iii. has the commitment to comply with laws and regulations and uphold Financial Services Authority policies;
  - iv. has the commitment towards the development of a healthy Financial Services Authority; and
  - v. not included as individual prohibited becoming a Principal Party.
- b. Financial reputation requirements, at minimum demonstrated by:
  - i. not having any bad credit and/or non-performing loan; and
  - ii. has not been declared bankrupt and/or has not been a shareholder, controller of an insurance company who is not a shareholder, member of a Board of Directors or a Board of Commissioners found guilty of causing a Company to be declared bankrupt within the last 5 (five) years before being nominated.

#### **Independence of the Board of Directors**

The majority of Directors have no financial relationship, management relationship, management relationship, shareholder ownership and/or family relationship up to the second degree with fellow Commissioners, Directors and/or Controlling Shareholders or relationship with the Company which may affect his/her ability to act independently.

#### **Independence of the Board of Commissioners**

All members of the Board of Commissioners have no financial relationship, family relationship up to the second degree with fellow Commissioners, Directors and/or Controlling Shareholders or relations with the Company which may affect his/her ability to act independently.

#### **Duties and responsibilities of the Board of Directors**

The duties and responsibilities of the Board of Directors are detailed in the Articles of Association and other related regulations to:

1. Lead and manage the Company in accordance with the purposes and objectives of the Company;
2. Master, maintain and manage the Company's assets for the benefit of the Company;
3. Create internal control structure, ensuring the implementation of the Internal Audit function at every level of management level and following-up on the Company's Internal Audit findings in accordance with the policies or directives provided by the Board of Commissioners;
4. Submit the Annual Work Plan containing the Annual Budget to the Board of Commissioners for approval prior to the commencement of the forthcoming fiscal year, taking into account prevailing regulations;
5. Implement the principles of Good Corporate Governance in every business activities at all levels and stages of the organizational;
6. Conduct meetings of the Board of Directors periodically, at least 1 (one) time each month;
7. Record the minutes of meetings of the Board of Directors and have them signed by all members of the Board of Directors present at the Board of Directors meeting;
8. Distribute copies of the minutes of meetings of the Board of Directors to all members of the Board of Directors and related parties;

9. Conduct meetings of the Board of Directors with the Board of Commissioners, in accordance with regulation;
10. To hold and keep a List of Shareholders, Special List, Minutes of the General Meeting of Shareholders and Minutes of Board of Directors meetings;
11. Prepare Annual Reports and other Company documents as referred to in the prevailing laws and regulations;
12. Follow-up audit findings and recommendations of the External Auditors and the results of the supervision of the Financial Services Authority, Bank Indonesia and the results of supervision of other authorities including but not limited to the Indonesia Stock Exchange;
13. Be responsible for implementation of its duties and responsibilities to shareholders through the General Meeting of Shareholders.

In performing its duties, responsibilities and authorities, the Board of Directors shall take actions in good faith, with full responsibility and prudence, with regard to the Articles of Association, the Board of Directors Code of Conduct and prevailing laws and regulations.

#### **The duties and responsibilities of the Board of Commissioners**

The Board of Commissioners has duties and responsibilities to:

1. Supervise and be responsible for oversight of the Company's management policy, the running of the general management, and advise the Board of Directors. Supervision by the Board of Commissioners shall be conducted for the benefit of the Company in accordance with the purpose and objectives as well as the Articles of Association.
2. Ensure the implementation of the principles of Corporate Governance in every business aspect of the Company organization and at all levels.
3. Direct, monitor, and evaluate the implementation of the Company's strategic policy.
4. Ensure that the Board of Directors has followed-up on audit findings and recommendations from the Internal Audit Division, External Auditor, the results of supervision by the authorities including but not limited to the Financial Services Authority, Bank Indonesia, and/or the Indonesian Stock Exchange.
5. Notify the Financial Services Authority/Bank Indonesia no later than 7 (seven) working days after the violations of financial and banking regulations and/or circumstances or presupposition of circumstances that may jeopardize the Company's business continuity;
6. Establish:
  - a. Audit Committee;
  - b. Risk Oversight Committee;
  - c. Remuneration and Nomination Committee; and
  - d. Integrated Governance Committee.

The Board of Commissioners shall ensure that the Committees established by the Board of Commissioners perform their duties effectively and evaluate the performance of the Committees that assist in the implementation of their duties and responsibilities at the end of each fiscal year;
7. To ensure that the Committees established by the Board of Commissioners perform their duties effectively.
8. Allocate adequate time to carry out duties and responsibilities effectively;
9. Convene Board of Commissioners regular meetings in accordance with prevailing laws and regulations;

10. Prepare the minutes of meetings of the Board of Commissioners as signed by all members of the Board of Commissioners attending the Board of Commissioners meeting.
11. Distribute copies Board of Commissioners minutes of meetings to all members of the Board of Commissioners and other related parties.
12. Convene periodic meetings with the Board of Directors at least 1 (one) meeting every 4 (four) months;
13. Submit reports on supervisory result performed during the preceding fiscal year to the Annual General Meeting of Shareholders and set forth in the Annual Report.

In performing it's duties, responsibilities, and authorities, the Board of Commissioners observes the provisions of the Articles of Association, the Charter and Code of Conduct of the Board of Commissioners, as well as the prevailing laws and regulations.

The Board of Commissioners conducts their duties and responsibilities independently.

### **Board of Commissioners Duties Implementation**

The Board of Commissioners exercise supervisory duties to ensure that the Company's business is in the right direction, maintaining business continuity and adding value to all stakeholders. The following is a summary of the duties of the Board of Commissioners in 2017:

The following are the main summaries of the Board of Commissioners recommendations and advice to the Board of Directors:

#### **Business Strategy and Management**

- Reviewed the authority limits of the Board of Directors on credit approval, considering the Company's growing capital position.
- Provided advice and guidance on strategic partnerships, including the renewal of the bancassurance agreement with PT AIA Financial (AIA Indonesia).
- Provided recommendations on capital investment in subsidiaries.
- Provided advice regarding adaptation to business environment changes, including adjustment of human resource policies.
- Advised on the formation of a work unit for managing and supporting government programs related to financial inclusion.

#### **Risk Management**

- Assessed credit exposure in sectors or segments with high concentration risk.
- Provided a review and assessment of infrastructure loans.
- Advised careful monitoring the adverse effects of high non-performing loans in other banks on the quality of Company debtors.
- Provided guidelines on the development of a recovery plan, the scope of the business continuity plan and examined crisis-handling protocols.
- Supported strengthening the security and reliability of operational systems, including early detection of system errors.
- Advised the Company on identifying possible risks that could impact its conglomeration.

#### **Audit and Compliance**

- Ensure internal control standards fulfilled in the organization of operational policies and procedures.
- Exercised careful monitoring of information technology systems.



- Conducted an in-depth review regarding regulator support programs.
- Prepared the selection process for the appointment of the public accounting firm to conduct the 2017 audit process.

## 2. Adequacy and implementation of duties of the Committees

### Committees under Board of Commissioners

#### a. Structure, membership, and independence of the Audit Committee Members

- The Company's Audit Committee comprises of 3 (three) members as follows:
  - 1 (one) Independent Commissioner cum Head of Audit Committee;
  - 1 (one) Independent Party having expertise in finance/accounting; and
  - 1 (one) Independent Party having expertise in banking.
- Composition of Audit Committee as of 31 December 2017:

Name	Position	Period of Service
Cyrellus Harinowo	Chairman (concurrently as Independent Commissioner)	2016-2021
Ilham Ikhsan	Member (Independent Party)	2016-2021
Tjen Lestari	Member (Independent Party)	2016-2021

- The Company's Audit Committee has already complied with the prevailing provisions and is appointed based on the Decision Letter of Board of Directors No. 078/SK/DIR/2016 dated 2 June 2016 and Meeting Decision of the Board of Commissioners No. 23/RR/KOM/2016 dated 1 June 2016.
- All members of the Audit Committee are independent parties, not having financial relationship, management relationship, share ownership and/or family relationships with members of the Board of Commissioners, Board of Directors and/or Controlling Shareholders or business relationships with the Company that may influence their ability to act independently.

#### Structure, membership, and independence of the Risk Oversight Committee Members

- Risk Oversight Committee comprises of 3 (three) members as follows:
  - 1 (one) Independent Commissioner concurrently Chairman of the Risk Oversight Committee;
  - 1 (one) Independent Party having expertise in risk management; and
  - 1 (one) Independent Party having expertise in finance.
- Composition of Risk Oversight Committee as of 31 December 2017:

Name	Position	Period of Service
Sumantri Slamet	Chairman (concurrently as Independent Commissioner)	2016-2021
Endang Swasthika Wibowo	Member (Independent Party)	2016-2021
Lianny Somyadewi D.	member (Independent Party)	2016-2021

- The appointment of members of Risk Oversight Committee of the Company was conducted by the Board of Directors through Decision Letter No. 144A/SK/DIR/2016 dated 30 September 2016, and Meeting Decision of Board of Commissioners No. 40/RR/KOM/2016 dated 28 September 2016.
- All members of the Risk Oversight Committee are independent parties, not having financial relationship, management relationship, share ownership and/or family relationship with members of the Board of Commissioners, Board of Directors and/or Controlling

Shareholders or business relationship with the Company that may influence their ability to act independently.

### **Structure, membership, and independence of the Remuneration and nomination Committee Members**

- The Company's Remuneration and Nomination Committee comprises of 3 (three) members as follows:
  - 1 (one) Independent Commissioner cum Chairman of the Remuneration and Nomination Committee;
  - 1 (one) President Commissioner; and
  - 1 (one) Executive Officer in charge of Human Capital Management Division (Human Resources). The Executive Officer is knowledgeable of remuneration and/or nomination system and succession plan.
- Composition of Remuneration and Nomination Committee as of 31 December 2017:

<b>Name</b>	<b>Position</b>	<b>Period of Service</b>
Raden Pardede	Chairman (concurrently as Independent Commissioner)	2016-2021
D. E. Setijoso	Member (concurrently as President Commissioner)	2016-2021
Hendra Tanumihardja	Member (concurrently as Head of Human Capital Management Division)	2016-2021

- The appointment of Remuneration and Nomination Committee members is undertaken by the Board of Directors through Decision Letter No. 107A/SK/DIR/2016 dated 10 August 2016 based on the Meeting Decision of Board of Commissioners No. 31/RR/KOM/2016 dated 10 August 2016.
- All members of the Remuneration and nomination Committee are independent parties, not having financial relationship, management relationship, share ownership and/or family relationship with members of the Board of Commissioners, Board of Directors and/or Controlling Shareholders or business relationship with the Company that may influence their ability to act independently.

### **Structure, membership, and independence of the Integrated Governance Committee Members**

- Membership of the Integrated Governance Committee at least must consist of:
  - an Independent Commissioner of the Company (as Legal Primary Entity) as the Chairman concurrently as member of the Committee;
  - Independent Commissioners representing and appointed by Financial Services Authority in the Financial Conglomeration as Committee's members;
  - an Independent Party as Committee's member; and
  - Member of Sharia Supervisory Board from Financial Services Institution in the Financial Conglomeration as Committee's member.
- Composition of Integrated Governance Committee as of 31 December 2017:

<b>Name</b>	<b>Position</b>	<b>Period of Service</b>
Sumantri Slamet	Chairman (concurrently as Independent Commissioner of Legal Primary Entity)	2016-2021
Wimpie Rianto	Member (concurrently as Independent Party of Legal Primary Entity)	2016-2021
Adhi Gunawan Budirahardjo	Member (Independent Commissioner of PT BCA Finance)	2016-2021

Gustiono Kustianto	Member (Independent Commissioner of PT Asuransi Umum BCA)	2016-2021
Pudjianto	Member (Independent Commissioner of PT Asuransi Jiwa BCA)	2016-2021
Suyanto Sutjiadi	Member (Independent Commissioner of PT Bank BCA Syariah)	2016-2021
Sutedjo Prihatono	Member (Member of Sharia Supervisory Board of PT Bank BCA Syariah)	2016-2021
Rudy Harjono	Member (Independent Director of BCA Finance Limited)	2016-2021
Mendari Handaya	Member (Independent Commissioner of PT Central Santosa Finance)	2016-2021
Hendra Iskandar Lubis	Member (Independent Commissioner of PT BCA Sekuritas)	2017-2021

- Independency and requirements for members of Integrated Governance Committee follows the independency and requirements for the Board of Directors or Board of Commissioners of the Legal Primary Entity and/or independency and requirements for the Board of Directors or Board of Commissioners of Subsidiaries within the Financial Conglomerates.

**b. Duties and Responsibilities of the Audit Committee**

In carrying out its function, the Audit Committee has the following duties and responsibilities:

1. Monitoring and evaluating the planning and implementation of audit activities as well as monitoring the follow-up actions of audit findings in order to assess the adequacy of internal controls including the adequacy of the financial reporting process.
2. To conduct duties as describe in point 1 and to provide and evaluating the following in order to carry out the above-stated duties and to provide recommendations to the Board of Commissioners, Audit Committee, provide the oversight and evaluation to:
  - a. The implementation of tasks by the Internal Audit Division (DAI).
  - b. The adherence of the conduct of audit performed by Public Accountant Firm with the prevailing Auditing Standards.
  - c. The adherence of Financial Statements to the prevailing Accounting Standards.
  - d. Provision of independent opinion in the event of dissenting opinions between the management and Public Accountant Firm for the service rendered.
3. Conducting follow-up actions made by the Board of Directors on the findings of DAI, Public Accountant Firm and supervision results of Financial Services Authority and Bank Indonesia.
4. Reviewing other financial information that will be issued by the Company to the public and/or authorities such as projections and other reports relating to the financial information of the Company.
5. Reviewing the Company's compliance with the laws and regulations in banking, capital market, and other laws and regulations pertaining to the Company's business activities.
6. Providing recommendation to the Board of Commissioners concerning the appointment of Public Accountant Firm, based on the independence, scope of work, and fees.
7. Reviewing and reporting to the Board of Commissioners regarding complaints in relation to the accounting process and financial reporting of the Company.
8. Reviewing and providing advice to the Board of Commissioners in relation to potential conflict of interest at the Company.
9. Reviewing and monitoring of the implementation of effective and sustainable GCG practices.
10. Performing other tasks relevant to the functions of the Audit Committee at the request of the Board of Commissioners.
11. Maintaining the confidentiality of documents, data and information of the Company.

### **Duties and Responsibilities of the Risk Oversight Committee**

Duties and responsibilities of the Risk Oversight Committee are among others:

1. Assisting and making recommendations to the Board of Commissioners in order to improve the effectiveness of oversight duties and responsibilities in risk management and ensuring that risk management policies are properly implemented.
2. In regard with the process to provide recommendation, the Risk Oversight Committee should:
  - a. Evaluate on the consistency between risk management policies and policy implementation.
  - b. Monitor and evaluate the implementation of duties of the Risk Management Committee and Risk Management Unit.
3. Preparing and/or updating work guidelines and procedures of Risk Oversight Committee.
4. Conducting other duties that are relevant with the oversight function as requested by the Board of Commissioners.

### **Duties and Responsibilities of the Remuneration and Nomination Committee**

Duties and responsibilities of the Company's Remuneration and Nomination Committee are among others:

1. To evaluate the remuneration and nomination policies of the Company.
2. To give recommendations to the Board of Commissioners on:
  - a. Remuneration policy for the Board of Commissioners and Board of Directors to be submitted to the General Meeting of Shareholders of the Company.
  - b. Remuneration policy for all Executive Officers and employees to be delivered by the Board of Commissioners to the Board of Directors.
3. To develop and recommend the selection and/or replacement systems and procedures of members of the Board of Commissioners and the Board of Directors to the Board of Commissioners, to be further submitted to the General Meeting of Shareholders.
4. To ensure that the remuneration policies of the Company are in accordance with:
  - a. Financial performance and fulfillment of reserve as governed under the prevailing laws and regulations;
  - b. Individual work performance;
  - c. Fairness based on peer group;
  - d. Mid-term/long-term targets and strategies of the Company.
5. To advise the Board of Commissioners regarding prospective Commissioners and/or prospective Directors to be submitted to the General Meeting of Shareholders.
6. To recommend independent parties as prospective members of the Audit Committee and the Risk Oversight Committee to the Board of Commissioners.
7. To review the policies regarding facilities provided for the Board of Commissioners and Board of Directors.
8. To conduct other tasks as assigned by the Board of Commissioners related to remuneration and nomination in accordance with prevailing provisions.
9. To report needed to the Board of Commissioners the result of reviews and recommendations with regard to the tasks of the Remuneration and Nomination Committee.

In addition, pursuant to the Financial Services Authority Regulation No. 34/POJK.04/2014 dated 8 December 2014 regarding Nomination and Remuneration Committee of Issuer or Public Companies, The Remuneration and Nomination has the following duties and responsibilities:

- **Relating to Nomination function:**

1. Providing recommendations to the Board of Commissioners on:
  - a) Composition of the Board of Directors and/or the Board of Commissioners;
  - b) Policies and criteria required in nomination process; and
  - c) Performance evaluation policy for the Board of Directors and/or the Board of Commissioners.
2. Assisting the Board of Commissioners to assess the performance of the Board of Directors and the Board of Commissioners based on pre-established benchmarks as the evaluation material .
3. Providing recommendations to the Board of Commissioners on the competence development for the Board of Directors and/or the Board of Commissioners.
4. Nominating the candidates for Directors and/or Commissioners to the Board of Commissioners to be submitted to the General Meeting of Shareholders.

- **Relating to Remuneration function:**

1. Providing recommendation to the Board of Commissioners on:
  - a) Remuneration Structure;
  - b) Remuneration Policy; and
  - c) Amount of Remuneration.
2. Assisting the Board of Commissioners to assess the performance in accordance with the remuneration received by each member of Board of Directors and/or Board of Commissioners.

#### **Duties and Responsibilities of the Integrated Governance Committee**

Duties and responsibilities of the Company's Integrated Governance Committee are as follows:

1. Evaluating the implementation of Integrated Governance, through at the very last, assesing the adequacy of internal control and implementation of an integrated compliance function.
2. Providing recommendation to the Board of Commissioners of the Company as the Legal Primary Entity within the Financial Conglomerates to improve its Integrated Governance Manual.

#### **c. The Frequency of Meetings of Audit Committee**

Audit Committee holds 4 (four) meetings, at the very least, in a year as stipulated in Decision Letter of the Board of Commissioners No. 057/SK/KOM/2017 on Audit Committee Charter. During 2017, the Company's Audit Committee has held 21 (twenty-one) meetings.

Minutes of meetings are prepared for each meeting detailing the date of meetings, attendance of the Audit Committee members, meeting agenda, and meeting materials. The results of meeting of Audit Committee meeting always documented in an orderly manner and good.

Attendance of the Audit Committee's members in meeting conducted during the year is described in the following table:

Name	Total Meetings	Attendance	Percentage
Cyrillus Harinowo	21	21	100%
Ilham Ikhsan	21	20	95%
Tjen Lestari	21	21	100%

#### **The Frequency of Meetings of Risk Oversight Committee**

Risk Oversight Committee meetings are held at least four (4) times a year as stipulated in the Risk Oversight Committee Charter. During 2017, Risk Oversight Committee held 12 (twelve) meetings.

Minutes of meetings are prepared for each meeting detailing the date of meetings, attendance of the Risk Oversight Committee members, meeting agenda, and meeting materials. The results of meeting of Risk Oversight Committee always documented in an orderly manner and good.

Attendance of Risk Oversight Committee's members in the meeting conducted during the year is described in the following table:

Name	Total Meetings	Attendance	Percentage
Sumantri Slamet	12	12	100%
Endang Swasthika Wibowo	12	11	92%
Lianny Somyadewi D.	12	12	100%

#### **The Frequency of Meetings of Remuneration and Nomination Committee**

The Remuneration and Nomination Committee holds meetings in accordance with the need of the Company, at the very least once every 4 (four) months, as stipulated in the Financial Services Authority Regulation No. 34/POJK.04/2014 dated 8 December 2014 on Nomination and Remuneration Committee of Issuers or Public Companies. In 2017, the Company's Remuneration and Nomination Committee held 5 (five) meetings.

Minutes of meetings are prepared for each Remuneration and Nomination Committee meeting, describing the date of meetings, attendance of the Remuneration and Nomination Committee members, meeting agenda, and meeting materials. The results of meeting of Remuneration and Nomination Committee always documented in an orderly manner and good.

Attendance of Remuneration and Nomination Committee's members meeting conducted during the year is described in the following table:

Name	Total Meetings	Attendance	Percentage
Raden Pardede	5	5	100%
D.E. Setijoso	5	5	100%
Hendra Tanumihardja	5	5	100%

#### **The Frequency of Meetings Meetings of Integrated Governance Committee**

Integrated Governance Committee held at least 1 (one) meeting in 6 (six) months as governed under the Integrated Governance Committee Manual. In 2017, the Integrated Governance Committee held 5 (five) meetings.

Attendance of Integrated Governance Committee in the meetings conducted during the year is described in the following table:

Name	Total Meetings	Attendance	Percentage
Sumantri Slamet	5	5	100%
Wimpie Rianto	5	5	100%
Adhi Gunawan Budirahardjo	5	4	80%
Gustiono Kustianto	5	5	100%
Pudjianto	5	4	80%
Suyanto Sutjiadi	5	4	80%
Sutedjo Prihatono	5	5	100%
Rudy Harjono	5	5	100%
Mendari Handaya	5	5	100%
Hendra Iskandar Lubis*	1	1	100%

Note:

\*: has been serving as a member of Integrated Governance Committee since 25 September 2017

**d. Realization of Work Program and Implementation of Activities of Audit Committee in 2017**

The following points described the realization of work programs as well as activities of the Audit Committee in 2017:

1. Conducted meetings with Siddharta Widjaja & Partners Public Accountant Firm to discuss the final audit results on the Company's Financial Statements for 2016 fiscal year along with the Management Letter.
2. Provided recommendations to the Board of Commissioners regarding Public Accountant Firm replacement to conduct audit activities on the Company's Financial Statements for 2017 fiscal year.
3. Conducted meetings with Tanudiredja, Wibisana, Rintis & Partners Public Accountant Firm to discuss the plan and scope of audit activities on the Company's Financial Statements for 2017 fiscal year.
4. Conducted meetings with Finance and Planning Division to review the Company's Financial Statements to be published quarterly.
5. Conducted 8 (eight) meetings with the Internal Audit Division to:
  - a. Evaluate annual planning.
  - b. Evaluate internal audit implementation in every semester.
  - c. Discuss audit results deemed significant.
6. Attended internal audit exit meetings at 2 (two) work units at the Head Office and 3 (three) Main Branch Offices, and inspection of 2 (two) Supporting Branch Offices as part of internal audit quality assessment process as well as assessment of the internal audit adequacy and effectiveness.
7. Reviewed internal audit result reports (more than 150 reports) and monitor the follow-up actions.
8. Reviewed the Company's compliance with the applicable provisions, regulations, and laws in banking field through the review of compliance report on prudent principles reported in each semester.
9. Reviewed the credit portfolio report issued in each semester.
10. Monitored the implementation of risk management through the Company's Risk Profile quarterly report and Operation Risk Management Information System (ORMIS) monthly report.

11. Conducted reviews on:
  - a. Examination results by the Financial Services Authority and its follow-ups.
  - b. Examination results by Bank Indonesia and its follow-ups.
  - c. Management Letter from Siddharta Widjaja & Partners Public Accountant Firm and its follow-ups.
12. Reported the result of reviews and regular evaluation on the aspects of governance, risk management, compliance and control to the Board of Commissioners every quarter.
13. Attended General Meeting of Shareholders, Analyst Meeting, and the 2018 National Meeting of the Company to monitor GCG implementation.

#### **Realization of Work Program and Implementation of Activities of Risk Oversight Committee in 2017**

The following points described the realization of work programs as well as activities of Risk Oversight Committee in 2017:

1. Monitored the implementation of duties of Risk Management Committee.
2. Monitored the implementation of duties of Risk Management Work Unit.
3. Reviewed the Company's Risk Profile, especially those related to operational risk, reputation risk, market risk and liquidity risk.
4. Reviewed and conducted stress test on Market Risk and Liquidity Risk, as well as stress test on Credit Risk.
5. Prepared Risk Oversight Committee Charter that is adjusted to the development of the new regulations.
6. Reviewed Financial Services Authority Regulation No. 14/POJK.03/2017 on Recovery Plan, particularly those related to the authority of Board of Commissioners and Board of Directors.
7. Prepared Risk Grading to monitor credit, market, liquidity and operational risks.
8. Ensured that the proper implementation of GCG is in place by attending the General Meeting of Shareholders, Analyst Meeting, and 2018 National Work Meeting.

#### **Realization of Work Program of Remuneration and Nomination Committee in 2017**

Over the course of the year, the Remuneration and Nomination Committee has held 5 (five) meetings and realized the Committee's work programs as follows:

1. Provided recommendations to the Board of Commissioners on the distribution of tantiem for 2016 fiscal year to all members of Board of Commissioners and Board of Directors who were in charge in 2016 fiscal year, to be communicated at the Annual General Meeting of Shareholders on April 6, 2017 for approval.
2. Provided recommendations to the Board of Commissioners of follow-up action of the implementation of Bank Indonesia's Regulation in the Employment of Foreign Workforce in relation to the Change in Controlling Shareholders of the Company.
3. Provided recommendations to the Board of Commissioners to increase the number of Board of Directors' members that will lead the Finance function for the period of 2018 – 2021.
4. Conducted discussions related to the policy proposal on delay in tantiem and clawback provisions for the Board of Directors and Board of Commissioners in order to implement Financial Services Authority Regulation No. 45/ POJK.03/2015 on Implementation of Governance in the Provision of Remuneration for Commercial Banks.



### **Realization of Work Program and Implementation of Activities of Integrated Governance Committee in 2017**

The following points describe the realization of work programs Integrated Governance Committee as well as activities of Integrated Governance Committee in 2017:

1. Evaluated the implementation of integrated governance within Company's Financial Conglomerates through, among others, presentation and discussion of Integrated Report of Internal Audit Results and Integrated Compliance Report, and Integrated Risk Profile Report.
2. Conducted review and followed-up the results of Financial Services Authority's review.
3. Reviewed the Integrated Governance Manual.

### **3. Implementation of Compliance Function, Internal Audit and External Audit**

#### **Compliance Function**

Company business activities have continuously undergone changes and improvements due to advancements in information technology, resulting in higher complexity in business activities. Such increasingly complex business activities have created greater business challenges and business exposures.

Company takes proactive steps to mitigate increasingly complex risks such as compliance risk. Hence, in accordance with prevailing regulations, Company has appointed one Director as Compliance Director to manage and mitigate compliance risk and to oversee the compliance function.

In order to assist the duties of the Board of Directors supervising compliance function, Company has formed a Compliance Working Unit, which is independent and free from undue influence from other working units. The unit is responsible for monitoring the Company's compliance level in complying with requirements set by Financial Services Authority, Bank Indonesia as well as other regulators. The Compliance Working Unit is also responsible for implementing policies related to compliance functions, as well as implementation of Anti Money Laundering and Counter Terrorist Financing (APU and PPT)—including responsibility to conduct risk assessment in implementing APU and PPT programs in accordance with the latest regulations. The Unit is also responsible to monitor and evaluate compliance levels in each subsidiary in implementing Integrated Governance.

In order to ensure the implementation of Company's compliance function, the Board of Directors and Board of Commissioners also performs active supervision of the compliance function, such as through approval of policies and procedures, periodic reporting, requests for explanations, and meetings.

#### **Compliance Activities in 2017**

The activities performed by the Compliance Working Unit in 2017 are as follows:

1. In order to encourage a Compliance Culture:
  - Socialized and informed new regulations to the Board of Directors and Board of Commissioners.
  - Disseminated new provisions from regulators to related units.
  - Socialized regulations to employees.
  - Provided information regarding regulations issued by Financial Services Authority, Bank Indonesia, and other prevailing regulations on Company intranet accessible by employees.

- Involved human resources in the Unit in various trainings, seminars, socialization on regulations from regulators, and participated in compliance certification conducted by Bankers Certification Institution (LSPP) to improve the human resources quality, including actively participating in Banking Compliance Director Communication Forums (FKDKP).
  - Carried out the consultative function related to implementation of prevailing regulations by giving suggestion/feedback on the questions addressed by Working Units or Branch Offices.
2. In managing compliance risk and ensuring that policies, terms, systems, and procedures as well as business activities carried out by the Company are in line with these provisions:
    - Conducted a gap analysis and examined the impact of new policies on Company operations.
    - Proposed adjustments to internal manuals, policies, and procedures.
    - Reviewed and offered input on product and new activities in the pipeline to ensure that they conform to applicable laws and regulations.
    - Reviewed draft internal policies to be issued to ensure conformity of internal policies with existing laws and regulations.
    - Conducted study adherence to the release of corporate credit.
    - Tested the level of compliance on the implementation of policies by branch offices in cooperation with Branch Internal Supervisors.
    - Updated existing regulation database.
    - Monitored compliance level on the prevailing regulations related to prudential banking principals such as KPMM, GWM, PDN, BMPK, and NPL. Throughout 2017, the Company's operations were already in line with prudential banking principals.
    - Monitored the submission of reports to regulators.
    - Monitored imposition of sanctions/penalties by regulators.
    - Assessed compliance risks and prepared a quarterly compliance risks profile report as part of an effort to effectively manage compliance risks.
    - Prepared Quarterly Report of Compliance Monitoring submitted to the Board of Directors and the Board of Commissioners.
    - Reviewed documents for the purpose of ensuring the operational readiness of the opening, transferring, and closing of offices.
    - Coordinated with related work units in performing the Risk-Based Soundness Level of the Company.
  3. To ensure the Company's compliance with the commitments to regulators:
    - Monitored Company's commitment to the Financial Services Authority, Company Indonesia, and other regulators, together with the Internal Audit Division.
    - Monitored and followed up on requests for data/information from the Financial Services Authority and Bank Indonesia relating banking supervision.
  4. To monitor and evaluate compliance function in each subsidiary in the Company Financial Conglomerate, and to prepare Integrated Compliance Report submitted to the Board of Directors and the Board of Commissioners.

### **Anti Money Laundering and Counter Terrorist Financing Programs**

One of the main duties in knowing the customers in the Compliance Working Unit is to ensure that the company implements Anti Money Laundering and Counter Terrorist Financing. As a commitment of Company in participating to combat money laundering and counter terrorist financing, Company has performed the following:

- Reporting the implementation of Anti Money Laundering and Counter Terrorist Financing activities on a regular basis to the Board of Directors and the Board of Commissioners.
- Monitoring suspicious financial transactions.
- Coordinating the customer data updating activities by preparing targets and monitoring achievement of such targets.
- Reviewing new products and activities to ensure that they comply with Anti Money Laundering and Counter Terrorist Financing regulations.
- Filtering customers regarding Suspected Terrorist and Terrorism Organization list and Mass Weapon Proliferation Financing List published by related authorities.
- Conducting compliance test on the implementation of Anti Money Laundering and Counter Terrorist Financing programs at branch offices in cooperation with Branch Internal Supervisor.
- Conducting compliance reviews of branch offices to ensure that the implementation of Anti Money Laundering and Counter Terrorist Financing is in accordance with prevailing regulations.
- Reporting suspicious financial transactions, cash transactions, and bank transfer transactions to and from foreign countries and Data Sistem Informasi Pengguna Jasa Terpadu (SiPESAT) to Reporting and Analysis Center of Financial Transactions.
- Conducting training and socialization of Anti Money Laundering and Counter Terrorist Financing continuously through classroom, e-learning and video conference.
- Developing training materials for the implementation of Anti Money Laundering and Counter Terrorist Financing programs.
- Developing and implementing risk and compliance awareness program for branch offices in cooperation with Risk Management Unit.

#### **Indicators of Compliance in 2017**

Indicators of compliance reflect Company's commitment and compliance level toward laws and regulations. Indicators of compliance in 2017 were as follows:

- The Capital Adequacy Ratio (CAR) involving credit risk, market risk, and operational risk was at 23.06% (unaudited) or above the required level.
- The NPL ratio (net) was 0.45% (unaudited) within the range of the applicable provision of 5% (net) maximum.
- There was no excess or violation of the maximum Legal Lending Limit either to related parties or business groups.
- Minimum Statutory Reserves in Rupiah – Main 7.04% and Secondary was 21.45%, in compliance with the existing provision concerning Minimum Statutory Reserves in Rupiah.
- Minimum Statutory Reserves in Foreign Exchange was 8.49%, in compliance with the existing provision concerning Minimum Statutory Reserves in Foreign Exchange.
- Net Open Position was 0.5%, significantly below the limit allowed by the regulatory provision of a maximum 20% of capital.
- Liquidity Coverage Ratio (LCR) was 353.0%, above the minimum limit of 90%.
- Commitments to the Financial Services Authority, Bank Indonesia and other authorities have been well accomplished.

#### **Integrated Compliance Function**

In accordance with prevailing Financial Services Authority Regulation and in implementing Integrated Governance, the Company as the Legal Primary Entity in the Company's Financial Conglomerate also added the integrated compliance function within the Compliance Working Unit.

The main duty of integrated compliance function within the Compliance Working Unit is to monitor and evaluate the implementation of compliance function in each Financial Service Institution within the Company's Financial Conglomerate.

### **Implementation of Internal Audit**

The Internal Audit Division was established to enhance and protect the value of the Company through the provision of assurance, advice, and insight based on risk and in an objective manner.

In performing its functions, Internal Audit assesses the adequacy and effectiveness of risk management processes, internal controls, governance, and performance to support the achievement of the Company's objectives, as well as to provide consultation to internal parties of the Company as needed.

To support the implementation of integrated governance for the Company Financial Conglomerate, the function of the Integrated Internal Audit Unit is implemented by the Company's Internal Audit in accordance with the Financial Services Authority Regulation No. 18/POJK.03/2014 on the Implementation of Integrated Governance for Financial Conglomerates.

### **Duties and Responsibilities of the Internal Audit Division**

The scope of assignment of Internal Audit includes the activities of all Branch Offices, Regional Offices, Divisions, Work Units and Business Groups at Head Office, Subsidiaries, as well as Company activities that are outsourced, with the following duties and responsibilities to:

1. Assist the President Director, Board of Commissioners, and the Audit Committee in performing the supervisory functions.
2. Develop and implement a risk-based annual audit plan and report its realization to the President Director, the Board of Commissioners, and the Audit Committee.
3. Test and evaluate risk management processes, internal control, and governance processes to assess adequacy and effectiveness as well as providing recommendations for improvement.
4. Monitor, analyze, and report on the implementation of follow-ups that have been conducted by the auditee based on the recommendation of the audit results.
5. Conduct credit quality assessment.
6. Perform special investigation/assessment based on request of the Board of Commissioners, Audit Committee, Board of Directors, work units based on specific indications.
7. Act as a consultant for internal parties of the Company in need of such services, particularly in regards with the scope of duties of internal audits.
8. Implement an integrated internal audit function, monitor the effectiveness of internal audit function, and support the improvement of internal audit quality in each subsidiary in order to carry out the integrated internal audit function.
9. Develop programs to evaluate and improve the quality of internal audit activities.

### **Internal Audit Division Implementation Standards (Internal Audit Manual)**

Audit implementation refers to the Internal Audit Charter and audit manuals that have been aligned with the Bank Internal Audit Function Implementation Standards (SPFAIB) and other regulatory provisions.

As a reference to global best practices, Internal Audit also uses the mandatory guidelines issued by The Institute of Internal Auditors (including The Core Principles for the Professional Practice of

Internal Auditing, The Code of Ethics, The Standards and The Definition of Internal Auditing) as well as the Information System Audit & Control Association (ISACA).

The effectiveness of the implementation of the internal audit function and its compliance with the SPFAIB is reviewed by an independent external party at least once in 3 (three) years. The most recent external review was performed at the end of 2016 and was reported to the Financial Services Authority on 23 January 2017.

#### **Activities of Internal Audit in 2017**

Activities carried out by Internal Audit in 2017 focused on the following:

1. Implementation of risk management in the utilization of information technology and enterprise security in connection with the increasingly complex utilization of information technology in the Company.
2. Electronic channels of Internet Banking as in line with the increasing volume of transactions through e-channels.
3. Payment instruments using cards and e-Money electronic banking products.
4. Issuing and acquiring business activities, in connection with the increase in transactions using cards.
5. Commercial loan processes to maintain good commercial credit quality.
6. Implementation of Internal Control Over Financial Reporting in connection with the implementation of good corporate governance.
7. Conducting audits on Branch Offices, Regional Offices, Divisions/ Work Units of the Head Office, and Subsidiaries in accordance with the Annual Audit Plan that was stipulated based on risk assessment results.
8. Increasing the utilization of technology in the management of audit activities through the development of an Audit Management System.
9. Develop and implement proactive monitoring through continuous auditing and analytical review.

#### **Focus of Audit Plan in 2018**

1. Conducting audits on Branch Offices, Regional Offices, Divisions/ Work Units of the Head Office, and Subsidiaries in accordance with the Annual Audit Plan as stipulated based on risk assessment results.
2. Focusing audit on:
  - The System Development Life Cycle (SDLC) process, in line with the relatively large amounts of development in information technology.
  - Mobile banking in line with the increased volume of transactions through this channel.
  - Corporate loan processes to maintain good corporate credit quality.
  - Credit card products, in line with the implementation of the National Payment Gateway.
  - Regulatory audits on payment system processes and the Internal Capital Adequacy Assessment Process (ICAAP) in accordance with Bank Indonesia and Financial Services Authority regulation.
3. Evaluate the development of Continuous Auditing and Analytical Review to support audit activities.
4. Improving audit focus to identify strategic issues.

In line with the enactment of the Financial Services Authority Regulation POJK Number 18/POJK.03/2014 concerning Application of Integrated Governance for Financial Conglomerates, the Internal Audit Division also carries out the integrated internal audit functions to support the application of integrated governance for BCA as Financial Groups:

1. Assess the adequacy and effectiveness of risk management process, internal controls and Corporate Governance and provide recommendations for improvement.
2. Monitor the implementation of internal audits in each Subsidiary.
3. Monitor and evaluate the adequacy of follow-up improvements on audit results of the Subsidiary, and report it to the Board of Directors, Board of Commissioners, and Audit Committee of Legal Primary Entity.
4. Submit an integrated internal audit report to the designated Director to perform a supervisory function of the Subsidiary, the Board of Commissioners of the Legal Primary Entity and the Director who oversees the compliance function of Legal Primary Entity.
5. Provide support to subsidiaries in developing the internal audit function.

### **Implementation of External Audit**

In order to comply to External Audit function pursuant to Financial Services Authority Regulation No. 32/POJK.03/2016 on the Amendment to Financial Services Authority Regulation No. 6/POJK.03/2015 on Transparency and Publication of Bank Reports, and Bank Indonesia Circular No. 3/32/DPNP on the Relationship between Banks, Public Accountant Firm and Bank Indonesia, hence:

1. The Company's Financial Statements have been audited by a Public Accountant registered with the Financial Services Authority/ Bank Indonesia who is independent, competent, professional and objective, and uses professional care accurately and thoroughly (due professional care).
2. The Public Accountant appointed by the Company conducted audits in accordance with professional standards, work agreements, and audit scope.
3. In accordance with resolution of the Annual GMS of 2017, the appointment of the Public Accountant Firm and the determination of the fee shall be conducted by the Board of Commissioners by taking into account the recommendations of the Audit Committee.
4. The appointment of Public Accountant Firm is conducted in accordance with the applicable provisions, among others:
  - The Public Accountant Firm and Public Accountant (partner-in-charge) are registered with the Financial Services Authority/ Bank Indonesia. The Company only took into consideration 4 (four) of the largest Public Accountant Firms registered with the Financial Services Authority/ Bank Indonesia.
  - Does not provide other services to the Company in that year to prevent the likelihood of conflict of interest.
  - Employ the same Public Accountant for a maximum of 3 (three) consecutive fiscal years, although employing the same Public Accountant Firm, and re-employ the auditing services of the same Public Accountant after 2 (two) consecutive reporting years.

Tanudiredja, Wibisana, Rintis & Partners Public Accountant Firm affiliated with PwC International, was appointed as the auditor of the Company to perform the audit on the financial statements of the Company for the year ended 31 December 2017, with estimated service fees of 6,200,000,000.00 (six billion two hundred million rupiah) excluding VAT.

On the appointment of Tanudiredja, Wibisana, Rintis & Partners Public Accountant Office, the Company has submitted a report to Financial Services Authority through the Letter No.

004/KOM/2017. This is in conformity with the provisions stipulated in Financial Services Authority Regulation No. 13/ POJK.03/2017 on the Employment of Public Accountant Services and Public Accountant Firm in Financial Services Activities and Financial Services Authority Circular Letter No. 36/SEOJK.03/2017 on Employment Procedures of Public Accountant Service and Public Accountant Firm in Financial Services Activities.

The Company granted the power to the Public Accountant Firm to submit the audited financial statements (audit report), accompanied with a Management Letter to the Financial Services Authority no later than 4 (four) months after the fiscal year.

#### **Public Accounting Firms and Public Accountants that have audited Company's Financial Statements**

	2017	2016	2015	2014	2013
<b>Public Accounting Office</b>	Tanudireja, Wibisana, Rintis & Partners	Siddharta Widjaja & Partners	Siddharta Widjaja & Partners	Siddharta Widjaja & Partners	Siddharta & Widjaja
<b>Public Accountant</b>	Lucy Luciana Suhenda	Kusumaningsih Angkawijaya	Kusumaningsih Angkawijaya	Elisabeth Imelda	Elisabeth Imelda

#### **4. Implementation of Risk Management**

The Board of Commissioners and Board of Directors are responsible for risk management and the internal control system within Company and its subsidiaries in an integrated manner. Risk management in Company includes:

- Active supervision by the Boards of Commissioners and Directors.
- Adequacy of policies, procedures, and limit setting.
- Adequacy of process of risk identification, measurement monitoring and control, and the risk management information system.
- Comprehensive internal control system.

Company effectively applies risk management principles and the internal control system to mitigate the risk arising from the Company's business goals and strategies. Company's risk control procedures are in line with the business size and complexity of the Company and comply with the requirements and procedures set forth in regulations issues by Bank Indonesia and the Financial Services Authority, as well as by referring to best practices, through the following actions:

1. Identify and control all risks, including risks arising from new products and activities.
2. Establish a Risk Oversight Committee to ensure that the existing risk management framework provides adequate protection for all Company risks with the primary duty of offering recommendations and opinions in a professional and independent manner regarding the appropriateness and implementation of risk management policies to the Board of Commissioners, and monitoring and evaluating the duties carried out by the Risk Management Committee and Risk Management Unit.
3. Establish a Risk Management Committee with the primary responsibility of formulating risk management policies, strategies and implementation guidelines, improving the effective implementation of risk management based on results of the evaluation of risk management processes and the risk management system, and deciding on matters related to business decisions that deviate from normal procedures (irregularities).
4. Establish an Integrated Risk Management Committee that has main duty to provide recommendations to the Board of Directors including to:

- Prepare integrated risk management policies.
  - Improve integrated risk management policies based on evaluation of implementation.
5. Establish an Integrated Risk Management Unit to ensure that those risks facing the Company and subsidiaries are identified, measured, monitored, controlled and accurately reported in an integrated manner by applying an appropriate risk management framework.
  6. Manage risks and ensure that necessary policies and risk limits are in place and supported by procedures, reports and information systems to provide accurate and timely information and analysis to management, including in determining required measures to deal with changes in market conditions.
  7. Ensure that existing work systems and procedures take into account operational and business factors as well as the level of risk within work units.
  8. Ensure that the internal control system is functioning to applicable policies.
  9. Monitor Company's compliance with principles for the management of a healthy bank in conformity with existing policies via the Compliance Working Unit.
  10. Prepare Company Risk Profile Reports on a quarterly basis and Integrated Risk Profile Reports every semester to be submitted to the Financial Services Authority in a timely fashion.

### **Risk Management System**

For risk control, Company has implemented the Risk Management Framework in an integrated manner so as to embody Risk Management Policy. The framework serves as a means for informing Company strategies, organization, policies, guidelines and infrastructure so that risks that Company faces in the normal course of business can be effectively identified, measured, controlled, and reported.

In order that risk management be effectively and optimally implemented, has established the Risk Management Committee to comprehensively assess risk-related issues and recommend risk management policies to the Board of Directors.

In addition, Company has formed other Committees assigned to deal with more specific risks; among these are Credit Policy Committee, Credit Committee, and Asset and Liability Committee (ALCO).

Company consistently assesses risks in a comprehensive manner related to the planned launching of new products and activities based on regulatory requirements.

In the Implementation of Integrated Risk Management, as Legal Primary Entity of Financial Conglomeration the Company has prepared:

- Basic Integrated Risk Management Policy;
- Compiling and submitting Integrated Risk Profile Reports;
- Type of risk being managed new product or activity requirements, Business Continuity Plan, and reporting policy;
- Setting limits on day-to-day operations;
- Integrated Risk Limit Policy; and
- Business Continuity Policy Integrated the Company's Financial Conglomerate.



## **Managed Risks**

Based on Financial Services Authority Regulation No. 17/POJK.03/2014 dated 18 November 2014 on Implementation of Integrated Risk Management for Financial Conglomerates, the Financial Conglomerates of Company manages in integrated manner 10 (ten) risk types as follows:

### **1. Credit Risk**

- Credit is underwritten based on the “four eyes principle” whereby credit decisions are made according to two considerations: business capacity and credit risk analysis.
- Company has established a basic Bank Lending Policy that is continuously reviewed and refined in line with changes in, and developments within, Company and regulations issued by regulation as well as in line with prudential banking principles and international best practices.
- The credit risk management system and procedure is refined through the development of a ‘start to finish’ Loan Origination System for the lending process to ensure an effective and efficient credit process. A debtor risk profile assessment system is reviewed and upgraded to ensure its comprehensive implementation and as a tool for the development of a credit database.
- To maintain credit quality, it is necessary to regularly monitor the quality of loans, both by credit category (Corporate, Commercial, Small and Medium-Sized Enterprise/SME, Consumer and Credit Card) and by credit portfolio as a whole. Close monitoring and authority control are conducted in branches with SME/mortgage/credit card loans in Special Mention category of >30 days (in arrears) and high level of NPL, to enable those branches to improve the loan quality.
- Company has developed its credit risk management system through stress testing of credit portfolios and monitoring results of these stress tests. In responding to a changing market and economic turbulence, Company periodically conducts stress testing, which is seen as beneficial for the Company as a tool for estimating the risk impact under stressful conditions and which will help Company devise most appropriate risk mitigation strategies as part of implementing contingency plans.
- In monitoring and controlling credit risks in subsidiary companies, Company regularly monitors the credit risks of its subsidiaries, while ensuring that an effective Credit Risk Management Policy is in place in subsidiary companies.

### **2. Market Risk**

- In managing other foreign exchange risks, Company centralizes the management of its net open foreign exchange position at the Treasury Division, which consolidates daily reports of net open positions from all branches. Each branch is generally expected to cover its foreign exchange risks by the end of each working day, even though each branch has a tolerance limit for its net open position which depends on the volume of foreign exchange transactions at the respective branch. Company prepares a daily net open position report that combines the net open positions in the consolidated statement of financial position and administrative accounts (off-balance sheet accounts).
- To measure foreign exchange risks, Company adopts the Value at Risk (VaR) method based on a Historical Simulation approach for internal reporting purposes. For calculating the Company’s minimum capital requirement, Company applies of the regulators standard method.

- A key component of Company liabilities which are sensitive to interest rate movements is customer deposits, while Company's interest sensitive assets are government bonds, securities and loans. ALCO regularly keeps track of market developments and adjusts the interest rate of deposits and loans.
- Company sets the deposit interest rate based on market conditions and competition by monitoring the movement of the reference interest rate and the interest rates offered by competitor banks.

### **3. Liquidity Risk**

- Company focuses on maintaining adequate liquidity to fulfill its commitment to customers and other parties for lending, repaying customer deposits and meeting operational liquidity needs. Liquidity management is managed by committee and executed operationally by Treasury.
- Liquidity risks are measured and controlled by monitoring liquidity reserves, the Loan to Funding Ratio (LFR) and the Liquidity Coverage Ratio (LCR), conducting maturity profile analysis, cash flows projections and stress tests on a regular basis to observe the impact on Company's liquidity under extreme conditions. Company has prepared a contingency funding plan for confronting such extreme situations.
- Company complies with provisions related to liquidity as governed in the by regulators that makes it compulsory for Company to maintain Rupiah liquidity (Statutory Reserves) either daily or on average for given reporting period, consisting of Primary Reserves and LFR-Statutory Reserves in the form of Rupiah deposits in Bank Indonesia, Secondary Reserves in the form of SBI, SDBI, and SBN, as well as foreign currency reserves in the form of foreign currency current accounts in Bank Indonesia.

### **4. Operational Risk**

- A reliable and effective operational risk management is key to maintaining the Company's position as the leading transaction bank in Indonesia. Company faces operational risks due to human error, internal process inadequacy, system failure, and/or external incidents.
- To manage, mitigate and minimize aforementioned operational risks, Company has Operational Risk Management Framework, and has implemented Operational Risk Management Information System (ORMIS)—a web-based platform that consists of several tools and methodologies as follows:
  - Risk Control Self Assessment (RCSA) in all Branch Offices and Working Units/Divisions in Headquarters that are assumed to have significant operational risks. One of the objectives of the implementation of RCSA is to embed a risk culture and improve risk awareness as a requirement in risk management.
  - Loss Event Database (LED) as loss database related to operational risks occurring in all Working Units. The main objective of implementing LED is to have a documentation platform for operational loss used to calculate capital charge allocations, sustainable monitoring of events that potentially create operational loss for the Company, and analysis of cases or problems faced by Company in order to take immediate action for improvement/prevention needed to minimize/mitigate operational losses risks which may arise in the future.
  - Key Risk Indicators (KRI) is an application used to identify early warning signs of the likelihood of increased operational risk in work units. The KRI is also further enhanced

into a predictive and risk management to assist the work units in monitoring risk exposure.

- In accordance to regulatory provisions regarding the Capital Adequacy Ratio, Company has allocated an amount of capital as a reserve obtained from operational risks by using the Basic Indicator Approach method, in addition to the capital reserve for loss from credit risk and market risk.
- To ensure Company serves banking transactions 24 hours a day without interruption, Company operates 2 (two) data centers redundantly. They are designed to ensure the sustainability of the business should a system failure occur in one of the two data centers. Other than these mirrored 2 (two) data centers, Company also has Disaster Recovery Center (DRC) in Surabaya. Currently DRC Surabaya is part of the Company's management of Business Continuity and is designed to operate as Crisis and Command Center should a disturbance or disaster occur that places the Jakarta data centers off line.

## **5. Legal Risk**

- Inherent legal risks are assessed according to the potential impact of losses of on-going as well as resolved court cases involving Company and its subsidiary companies against the Company's consolidated capital. The parameter for calculating potential losses from an on-going court case is the basis for the lawsuit, value of the court case, and legal documentation. Meanwhile, for resolved court cases, the assessment is based on the losses incurred by the Company and its subsidiaries due to a decision of the court with a permanent legal standing.
- To identify, measure, monitor and control legal risks, Company has established a Legal Group at the Head Office and legal units in most Regional Offices.

In mitigating legal risks, the Legal Group has taken the following measures:

- Developed the Legal Risk Management Policy with internal provisions on the organizational structure and job description of the Legal Group, and standardized the legal documents.
- Held legal communication forums to build the competency of the legal staff.
- Socialized on the impact of new regulations on Company's banking activities and the various modus operandi of banking crimes, and guidelines on handling such cases through the legal route to branch officers and the relevant work unit.
- Provided legal defense for on-going criminal and civil cases involving Company, and monitored progress of the cases.
- Formulated a loan security strategic plan (in cooperation with other work units, among others the Credit Settlement Bureau) related to non-performing loans.
- Registered with the authorized body all assets owned by Company, including intellectual property rights for Company banking products and services, and the right to Company land and buildings.
- Monitored and took legal action on violations against Company assets, including infringements of Company's intellectual property rights.
- Monitored and analyzed on-going court cases faced by Company and its subsidiaries companies.
- Conducted an inventory of, monitored, analyzed and calculated potential losses that may occur due to court cases.

## **6. Reputation Risk**

- Reputation risks are assessed by using parameters such as the number of complaints and negative publicity, and complaints resolution rate. The assessment is presented in the reputation risk profile report prepared on a quarterly basis.
- To manage and control reputation risks, Company is supported by the Halo BCA Contact Center (24- hour hotline for information, suggestions and complaints).
- Reputation risks are managed based on regulatory requirements.

## **7. Strategic Risk**

- Assessment of inherent strategic risk is conducted by applying parameters such as the suitability of strategy with the business environment, low-risk and high-risk strategy, Company's business position and the achievement of the Bank Business Plan.
- Assessment of the quality of strategic risk management implementation is conducted by applying parameters such as risk governance, risk management framework, risk management process, management information system, human resources and adequacy of the risk control system.

## **8. Compliance Risk**

- Compliance risk is one of the risk factors that must be managed by Company in view of its potential to inflict financial and non-financial loss to the Company.
- Pursuant to Bank Indonesia Regulation (PBI) No.13/2/PBI/2011 dated 12 January 2011 on Implementation of Compliance Function in Commercial Banks, was amended by Financial Services Authority Regulation No. 46/POJK.03/2017 dated July 12, 2017 on the implementation of Compliance Function on the Commercial Bank. Company has appointed a member of the Board of Directors as Director overseeing the compliance function, responsible to ensure compliance and to minimize compliance risk through the formulation of compliance risk management policies and procedures and to monitor the implementation of such policies and procedures. In discharging its duties, the Compliance Director oversees the compliance function with assistance from the Compliance Unit which is independent from the operational work units.
- In assessing inherent compliance risks, the parameters are the types and significance of violations that were committed, frequency of violations or compliance track record, and violation against policies related to specific financial transactions. The Compliance Unit is also in charge of the implementation of Anti Money Laundering and Prevention of Terrorism Funding programs.
- Company has introduced compliance procedures and policies, which consist of the process to continuously adjust provisions and internal system to meet prevailing regulations, communicate the regulations to relevant employees, conduct studies on new products/activities, test compliance regularly, and conduct employee training. The result of the Compliance Director supervision is submitted quarterly to the President Director and the Board of Commissioners.
- To help identify suspicious financial transactions, as a part of APU-PPT program implementation Company has an application that is constantly improved to enhance capacity.

## **9. Intra-Group Transaction Risk**

- Assessment of inherent intra-group transaction risk is conducted by applying parameters such as intra-group transaction composition in the Financial Conglomerates, documentation and fairness of transactions and other information.
- Assessment of the quality of intra-group transaction risk management is conducted by applying parameters such as risk governance, risk management framework, risk management process, management information system, human resources, and adequacy of risk management system.

## **10. Insurance Risk**

- Assessment of inherent insurance risk is conducted by applying parameters such as technical risk, priority of insurance risk towards over all business lines, product risk bias and type of benefit, and reinsurance structure.
- Assessment of the quality of insurance risk management implementation is conducted by applying parameters such as risk governance, risk management framework, risk management process, management information system and human resources, and adequacy of risk management system.

### **Review on Implementation of Risk Management System**

During 2017, based on our self-assessment, Company 's risk profile, both as an individual as well as integrated with subsidiaries, was "low to moderate".

The risk profile is the result of assessment and inherent risk ranking of "low to moderate" and the "satisfactory" ranking on the quality of risk management.

Risk level ranking from the 10 (ten) risks measured are as follows:

- "Low" risks are Market Risks, Liquidity Risks, Legal Risks, and Intra-Group Risks.
- "Low to moderate" risks are Credit Risks, Operational Risks, Reputation Risks, Strategic Risks, Compliance Risks, and Insurance Risks.

Company's Integrated Risk "low to moderate" risk profile indicates that Company and its subsidiaries have implemented an effective and efficient risk management process in all corporate activities.

The inherent risks trend in the next period is stable since the projections conclude that there would be no significant change to inherent risks.

Next year's macroeconomic condition is expected to favor the business activities of Company and subsidiaries. Although Indonesia's economy is projected to experience economic pressure, Company and its subsidiaries will be able to manage the risks faced by the Company in accordance to the prudential principle.

The trend of risk management implementation quality in the future is stable as subsidiaries and its subsidiary companies have enhanced the implementation of risk management for all activities in order to help the Company identify, measure, monitor and control each risk.

The Company and its subsidiaries have implemented an integrated risk management, which directly and indirectly affect its business activities. It aims for Company and its subsidiaries to be able to conduct better risk management as well as decide on and remain within a suitable risk appetite and risk tolerance in line with the complexity and characteristic of the business.

The risk management policies of Company and its subsidiaries are constantly updated in accordance to regulation, implementation of Basel II and III Accords, prudential banking principles, and international best practices.

Company and its subsidiaries will continuously consider the economic situation and conditions as well as banking development in doing its business.

### **Internal Control System**

The Company's internal control system abides by Financial Services Authority Circular Letter No. 35/SEOJK.03/2017 dated 7 July 2017 on Guidelines for Internal Control Systems Standard for Commercial Banks, which covers 5 (five) key components, as follows:

1. Management Oversight and Control Culture.
2. Risk Recognition and Assessment.
3. Control Activities and Segregation of Duties.
4. Accounting, Information and Communication Systems.
5. Monitoring Activities and Correcting Deficiencies.

The five components are in line with the Internal Control Integrated Framework developed by the Committee of Sponsoring Organization of the Treadway Commission (COSO).

The Company has:

1. Established a business contingency recovery plan and back-up plan to prevent failure in high-risk businesses.
2. Documented and reviewed the effectiveness of back-up procedures, processes and systems in a periodic manner to ensure that all plans and processes regarding contingency recovery and back-up systems run effectively.
3. Documented the implementation of above mentioned periodic reviews. In addition, the Board of Directors of the Company puts great attention to any weaknesses found in procedures, processes and systems based on the results of reviews, and takes improvements measures to eliminate those weaknesses.
4. Established and maintained management information systems implemented electronically and non-electronically. Considering the fact that the use electronic information system and information technology has risk potentials, the Company's management seeks to control them in an effective manner to avoid disturbance to the business and prevent the potential of significant loss occurring to the Company.

The management and all employees of the Company have vital roles and responsibilities in improving the quality and implementation of the Company's Internal Control System so as to be more reliable and effective.

Parties involved and responsible for implementing the Company's Internal Control System in order to be more reliable and effective are:

1. Board of Commissioners;
2. Audit Committee;
3. Board of Directors;
4. Internal Audit Division;
5. Internal supervisors of the Company;
6. Work Units;
7. Work Unit issuing the Company's policy and/or procedure;
8. Officers and employees of the Company; and
9. External parties.

An effective Internal Control System should at least provide adequate and comprehensive data or information regarding:

1. Business activities;
2. Financial performance;
3. Compliance with the prevailing provisions and laws and regulations;
4. Market information (external conditions);
5. Current events and conditions;

So as to be able to make the accurate decisions which can be held accountable for.

#### **Implementation of Internal Control System**

1. Internal control is implemented as follows:
  - a. **Financial Control**, whereby:
    - The Board of Directors has prepared strategic plans that have been approved by the Board of Commissioners. The strategic plans have been stipulated in the Bank Business Plan as the blueprint of a 3-year business strategy and Annual Work Plan and budget of the Company, which have been distributed to all relevant officers of the Company in order to be implemented.
    - The strategies have been established by factoring in any impact of strategies risk on the Company's capital, in among other areas, capital projections and the Minimum Capital Requirement.
    - The Board of Directors actively engages in discussions to offers input and monitors the internal situation, and developing external factors that directly or indirectly affect meeting the Company's business strategic objectives.
    - The Company has implemented a financial control process, both on the Company and on the members of the Company's Financial Conglomerates, in order to monitor the realization against the budget as drafted in periodic reports. The Company has established a subsidiary monitoring unit to monitor the performance development of each of its subsidiaries.
  - b. **Operational Control**, whereby:
    - Each banking operational transaction that the Company undertakes has been equipped with a work procedure that is stipulated in work manuals. Such work procedure is developed by the Operational and Service Development and Strategy Division and reviewed by various relevant work units to ensure that operational risks that may arise have been effectively and properly mitigated.
    - There are several boundaries in place by:

- Imposing a limit and authorization for officers to conduct a transaction.
  - Utilizing user ids and passwords as well as installing finger-scanners for employees to access computers.
  - To support comprehensive operational risk control, the Company has:
    - Established an organizational structure as follows:
      - ✓ Segregation of functions so as to avoid the occurrence of conflict of interest.
      - ✓ Supervisor to oversee the implementation of internal control at Branch Offices on daily basis.
      - ✓ Branch Internal Supervisor to oversee the implementation of internal control at Branch Office.
      - ✓ Regional Office Internal Supervisor to oversee the implementation of internal control at Regional Offices.
      - ✓ Head Office Internal Supervisor to oversee the implementation of internal control in certain work units at Head Office.
      - ✓ Internal Audit Division that is independent of risk taking unit to examine and assess the adequacy and effectiveness of risk management, internal control and corporate governance processes, either at the Company or for members of the Company's Financial Conglomerates.
      - ✓ Risk Management Work Unit, Legal Group and Compliance Work Unit that are independent of risk taking units.
      - ✓ Anti-Fraud Bureau to improve the effectiveness of anti-fraud strategy implementation on all activities of the Company.
    - Established employee rotation and transfer policies.
- c. **Compliance to other laws and regulations**, whereby:
- The Company is committed to comply with the prevailing laws and regulations and take the necessary steps to improve weaknesses found in regard to risk, if any.
  - The Company has established a Compliance Work Unit independent of risk taking units and is responsible for monitoring the compliance of the Company and its subsidiaries in an integrated manner.
  - The Company has conducted a monitoring process on each provision issued by Bank Indonesia or Financial Services Authority, or other prevailing regulations, as follows:
    - Monitoring on Reporting Compliance to Bank Indonesia or Financial Services Authority or other regulators.
    - Compliance Report of the Company, including Report on the Implementation of APU and PPT Program to be submitted to the Financial Services Authority every 6 (six) months.
    - Compliance Monitoring Report on the Prudent Principles of the Company, including Report on the implementation of APU and PPT Program to be submitted to the Board of Commissioners, President Director and Deputy President Director every 3 (three) months.
  - The's Compliance Risk Management Strategy involves the necessary policies to always comply with applicable regulations; which means, proactively taking preventive measures (ex-ante) to minimize the possibility of violations and conducting curative actions (ex-post) for improvements.



2. The Company applies an effective inherent control system tailored to the Company business goals, policies, size and complexities in accordance with the requirements and procedures set forth by regulators, and in reference to best practices through the following measures:
  - Establishment of clear reporting lines and separation of functions between operational units and units implementing the control function.
  - The control function is implemented by the Risk Management Unit, Legal Group, Compliance Unit, Credit Risk Analysis Group, and Internal Audit Division.
  - The Internal Audit Division has independently and objectively reviewed the Company's procedures and operational activities on a periodic basis. Review results are presented in Audit Reports and Audit Follow-Up Reports to be submitted to Board of Commissioners, Audit Committee and Board of Directors.
  - The Branch Internal Supervisor, Regional Office Internal Supervisor, Head Office Internal Supervisor and Internal Audit Division have evaluated the implementation of systems and procedures applicable in the Company. Evaluation results from the Branch Internal Supervisor, Regional Office Internal Supervisor and Internal Audit Division serve as benchmarks on the level of compliance of work units in existing systems and procedures.

#### **Review on the Effectiveness of Internal Control System**

Monitoring and correcting irregularities:

1. The Company continuously evaluates and monitors the effectiveness of the overall internal control implementation, including changes in internal and external conditions that may influence the Company in achieving its targets.
2. Monitoring activity is focused on the Company's primary risks and is part of its routine activities, including periodic evaluations to detect and prevent unknowingly accepting of new risk conducted by operational work units, risk monitoring work unit and Internal Audit Division.

#### **5. Provision of Funds to Related Parties And Large Exposures**

Related party and large exposure disclosures are prepared under Financial Services Authority Circular Letter No. 13/SEOJK.03/2017 concerning the Implementation of Good Governance for Commercial Banks under Report of Corporate Governance Implementation.

The Company adopts policies regarding the provision of funds to related parties and large exposures, as governed under the Credit Provision Manual. Evaluation and updating of policies in such manual will be made on a periodic basis.

Provision of funds to related parties and large exposures are always conducted with reference of prudential principles, and with compliance to Bank Indonesia regulations and other prevailing rules and regulations, including the Legal Lending Limit (LLL). In addition, the provision of funds to related parties must be approved by the Board of Commissioners in an independent manner.

LLL is routinely reported to Bank Indonesia in a timely manner. During 2017 there was no breach nor excessive limit of LLL.

Provision of Funds to Related Parties and to Individuals and Large Exposure during 2017:

No	Provision of Funds	Total	
		Debtor/Group	Nominal (million Rp)
1.	To Related Parties	212	10.908.664
2.	To Main Debtors:		
	a. Individual	50	106.402.538
	b. Large Exposure	30	146.011.299

## 6. Strategic Plan

In response to dynamic external environment changes, the Company constantly reviews a business strategies for the short, medium and long term as outlined in the Company's Strategic Plan in the form of Bank Business Plan (RBB) and Annual Work Plan and Budget (RKAT). The Company prepares the Company's Strategic Plan with due observance to Financial Services Authority Regulation No. 5/POJK.03/2016 dated 26 January 2016 concerning Bank Business Plan and Financial Services Authority Circular Letter No. 25/SEOJK.03/2016 dated 14 July 2016 concerning Business Plan for Commercial Banks.

As part of the direction and strategic steps for the Company to achieve its vision and mission, the Company designs and develops business-oriented initiatives to meet its customers' evolving needs.

### Strategic Plan in 2018

The Indonesian economy in 2018 is expected to improve from 2017, but will remain at a recovery phase. The government's development of infrastructure will be key to higher economic growth in the coming years as multiplier effects are created by the new infrastructure. As the projects are in progress over the next one or two years, economic growth in 2018 expected to remain moderate.

Economic conditions will affect the overall banking industry. The Company will continue to monitor the growth of banking liquidity, demand for credit across the banking sector and the development of interest rate trends in 2018.

The Company faces rapid technological developments, characterized by widespread financial technology products and emerging international players. Increasingly dynamic technological developments and shortening technological platform cycles will be a challenge and opportunity in the coming years.

The Company constantly reviews its business strategies for short, medium, and long term as set forth in Bank Business Plan (RBB) and Annual Work Plan and Budget (RKAT).

In 2018, the Company is committed to continue investing in strengthening the Company's franchise value. Strategic priorities and work programs in 2018 will be focused on improving customer relations through payment settlement services, lending activities, and the development of new business lines through its subsidiaries. The following is further elaboration of those three areas:

- **Payment settlement**

The Company will continue to develop its payment settlement services to strengthen CASA funding, which remains its main source of funds. Investments in transaction banking multi-channel infrastructure and digital technology will continually be conducted to enhance

customer experience, allowing the Company to make its transaction banking platform more convenient, while not forgoing security and reliability. The Company will continue to enhance its working methods and increase information technology capacity and capability to be more agile and innovative.

The Company observes closely the evolving needs of customers and works to provide solutions in line with developing trends. With the ongoing advancement in digital technology and the development of customer needs, the Company is constantly adapting to the development of online payment settlement methods utilized by e-commerce businesses. In addition to providing updated services to correspond with shifts in customer preferences, the Company will continue to harness technological developments to improve operational efficiency. The Company continues to improve the use of internet and mobile banking services, which serve as more efficient platforms than ATMs and branches. It also continues to enrich the functionality and increase the transaction capacity of internet and mobile banking platforms.

The Company continues to selectively develop new branches to facilitate the ongoing need for large transactions. Branch expansion focuses on compact formats, in the form of cash offices and kiosks. In order to improve efficiency, information technology is incorporated into the branches, and transaction automation will continue to be developed to maximize these benefits. Investment in ATM networks is focused on the conversion from conventional ATMs and Cash Deposit Machines (CDM) to Cash Recycling Machines.

- **Prudent lending**

Lending capabilities must continuously be improved in view of the positive long-term prospects of the Indonesian banking industry. Investment in improvements in loan infrastructure, loan processing enhancement and continuous assessment of credit policies in line with economic developments will remain a priority for the Company. The Company targets positive growth in all loan segments — corporate, commercial and SME, and consumer — in 2018. The Company will actively review its competitive interest rates and develop new programs to optimize loan growth, while maintaining prudent banking principles.

The Company will continue to offer competitive mortgage programs in the consumer segment, such as Fix and Cap programs which extend attractive interest rates for a certain period of time. Organizing events to support customer consumption needs should stimulate consumer loan demand. The Company will continue to enhance synergy with its subsidiaries in vehicle loans. The Company prioritizes service quality, offers fast application processing and provides reliable marketing personnel to ensure the best experience for its customers. The Company continues to work with renowned credit card partners and conducts various promotional programs while enhancing the proprietary BCA Card.

In line with Indonesia's ongoing infrastructure development in 2017, the Company seeks to capitalize on these opportunities and explore avenues for lending in the infrastructure sectors. Corporate lending is targeted on reputable corporations with proven track records. The Company will also support the credit needs of the commercial and Small and Medium Enterprise (SME) segments, supported by its extensive branch network and the development of specialized business centres for credit processing.

Investment in developments in loan infrastructure, loan processing enhancement and continuous assessment of credit policies will be essential to improving existing capabilities. The Company will continue to improve the quality and quantity of its account officers and relationship managers, developing loan products, refining lending policies and strengthening regional business development infrastructure.

The Company constantly monitors current economic conditions and promotes prudent lending practices. It also consistently monitors the quality of its loan portfolio and proactively takes preventive measures when customers encounter loan repayment difficulties, including initiating loan restructuring for quality customers showing long-term business solidity but facing temporary financial difficulties. Lending is diversified across a number of potential sectors to mitigate concentration risks.

- **Business Development among Subsidiaries**

The Company supports the business development of its subsidiaries engaged in varying business lines to provide comprehensive solutions for customers. Through its subsidiaries, the Company will continue to capture opportunities in vehicle financing, remittances, Sharia banking, securities, general and life insurance and venture capital. The Company's large customer base provides opportunities for the development of these subsidiaries, and it is expected they will in turn strengthen Company's transaction banking business. Strong synergy with the subsidiaries also facilitates Company's efforts to increase fee-based income and supports the profitability of the Company Group.

Various activities in the three business pillars as outlined above and improvement in the Company's organizational structure are expected to improve the Company's business performance and to optimize interest and fee based income. Business initiatives will be rolled out seamlessly with operational efficiency programs in 2018 and in the years to come.

## **7. Transparency of Financial and Non-Financial Conditions Undisclosed In Other Reports**

The Company already adopts policies and procedures concerning the procedures for transparency of financial and non-financial condition in accordance with prevailing regulations. Information on Company's financial condition is disclosed explicitly and transparently in several reports, including the following:

### **Transparency of Financial Condition**

#### **1. Annual report**

- a. Financial Highlights, including Overview of Shares, Board of Commissioners reports, Board of Directors reports, company profile, management analysis and discussion on business and financial performance, corporate governance and corporate social responsibility.
- b. Annual Financial Statements audited by a Public Accountant and Public Accountant Firm registered with Financial Services Authority/Bank Indonesia. The Annual Financial Statements cover a period of 1 (one) fiscal year and is compared to the previous fiscal year, and the start of the earliest comparative year.
- c. Accountability statement of the Board of Commissioners and Board of Directors verifying the content of the Annual Report. The statement is delivered in writing and bears the signature of all members of the Board of Commissioners and Board of Directors.

- d. In accordance with Financial Services Authority Regulation No. 32/POJK.03/2016 dated August 8, 2016 concerning Amendment to Financial Services Authority Regulation No. 6/POJK.03/2015 of Transparency and Publication of Bank Reports and Financial Services Authority Regulation No. 29/POJK.04/2016 on the Annual Report of Issuer or Public Company, the Company has submitted its Annual Report to Financial Services Authority and to shareholders.
- e. The Annual Reports (financial and non-financial) and the Company's Financial Statements have been published on the Company's website – [www.bca.co.id](http://www.bca.co.id) with summaries of Financial Statements published in widely circulated newspapers in Indonesia.

## **2. Quarterly Published Financial Reports**

- a. The Company has published its Quarterly Published Financial Statements pursuant to prevailing Financial Services Authority Regulation in newspapers and the Company's website.
- b. The financial reports in newspapers represent the Consolidated Financial Statements of Company and its subsidiaries which is published in 2 (two) newspapers and Financial Statements of Company as the holding entity is published in 1 (one) newspaper. The newspaper shall be daily national newspapers in Bahasa Indonesia with wide circulation at the location where Company Head Office is domiciled. The published quarterly financial report is signed by President Director and 1 (one) Board of Directors member of Company.
- c. The published quarterly financial reports in the corporate website, both the financial statements and other reports, are maintained for at least the last 5 (five) fiscal years.

## **3. Monthly Published Financial Reports**

The Company has published the Monthly Financial Report in accordance with the applicable Financial Services Authority Regulations on the Company website.

## **Transparency of Non-Financial Conditions**

Company discloses information on its products in an explicit, accurate and updated manner. Such information can be easily accessed by customers, among others in leaflets, brochures or other written materials in every Company branch office in locations that customers can have easy access to, and/or in the form of electronic information made available through hotline service/call center or website.

In addition, Company provides and communicates to customers on its customer complaints and dispute settlement mechanism in compliance with Bank Indonesia policy on customer complaints and banking mediation.

In relation to the foregoing matters, the Company has performed the following measures:

1. Transparently publicized its financial and non-financial condition to stakeholders, among others through its periodic Financial Reports, routine reporting of Legal Lending Limit to Bank Indonesia, Quarterly Financial Reports, Governance Implementation Report, Analyst Meetings, Press Conferences, Public Expose and Road Shows and as featured in Company's official website according to existing policies.

2. Prepared and presented reports according to the procedure, type and scope set forth in the Bank Indonesia policy on the Transparency of Banks' Financial Condition.
3. Published information on Company products in compliance with Bank Indonesia/Financial Services Authority policy on the Transparency of Information on Banking Products and Us and Protection of Customers' Personal Data.
4. Provided customers with a customer complaint and dispute settlement mechanism according to Bank Indonesia/Financial Services Authority policy on customer complaints and banking mediation, among others through Company website - [www.bca.co.id](http://www.bca.co.id).
5. Submitted the Annual Report to Bank Indonesia, Financial Services Authority and other institutions as required or deemed necessary.
6. Disclosed information on the ownership structure in the Annual Report and Company's website.
7. Submitted internal reporting that has been completely, accurately, and in a timely way prepared and supported by an adequate Management Information System.
8. Provided reliable management information systems supported by competent human resources and an adequate IT security system capable of providing complete, accurate and timely information to the Board of Directors for the purpose of supporting the Company's business decision-making process. In addition, access to information uses user-IDs and passwords.

**B. Share ownership of the members of Boards of Directors and the Board of Commissioners that amounts to 5% (five percent) or above of the paid-up capital**

**Share Ownership for Directors that amounts to 5% or above of the Paid-up Capital**

Name of Director	Position	Share ownership for Directors that Amounts to 5% or above of the paid up capital at:			
		BCA	Other Bank	Non-Bank Financial Institution	Other Companies
Jahja Setiaatmadja	President Director	-	-	-	√
Eugene Keith Galbraith	Deputy President Director	-	-	-	-
Armand Wahyudi Hartono	Deputy President Director	-	-	-	√
Suwignyo Budiman	Director	-	-	-	-
Tan Ho Hien/Subur or Subur Tan	Director (concurrently Compliance Director)	-	-	-	-
Henry Koenafi	Director	-	-	-	-
Erwan Yuris Ang	Independent Director	-	-	-	-
Rudy Susanto	Director	-	-	-	-
Lianawaty Suwono	Director	-	-	-	-
Santoso	Director	-	-	-	-
Inawaty Handoyo	Director	-	-	-	-

Description :

√ = owns shares amounting to 5% (five per cent) or more of the paid up capital

## Share Ownership of the Members of the Board of Commissioners amounting to 5% or more than Paid-up Capital

Name	Position	Share ownership of the Board of Commissioners amounting to 5% or more of than paid up capital at:			
		BCA	Other Bank	Non-Bank Financial Institution	Other Companies
Djohan Emir Setijoso	President Commissioner	-	-	-	√
Tonny Kusnadi	Commissioner	-	-	-	√
Cyrillus Harinowo	Independent Commissioner	-	-	-	-
Raden Pardede	Independent Commissioner	-	-	-	√
Sumantri Slamet	Independent Commissioner	-	-	-	-

Description:

√ = Owns shares that amounts to 5% (five percent) or more of the Paid-up Capital

### C. Affiliated Relationships

Affiliated relationships between Directors, Commissioners and the Principal Shareholders and/or controllers are as follows:

#### Affiliated Relationships of the Board of Directors

Article 21 of Financial Services Authority Regulation No. 55/POJK.03/2016 concerning the Implementation of Good Corporate Governance for Commercial Banks states Directors shall disclose financial and family relationships with other members of the Board of Directors, Commissioners and/or Controlling Shareholders of the Company in the report on the implementation of good governance.

The following table illustrates the affiliation relationship of the Board of Directors with other Directors, Commissioners and/or the Controlling Shareholders of the Company.

Name	Position	Family Relationship with:						Financial Relationship with:					
		Board of Commissioners		Board of Directors		Controlling Shareholders		Board of Commissioners		Board of Directors		Controlling Shareholders	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Jahja Setiaatmadja	President Director	-	√	-	√	-	√	-	√	-	√	-	√
Eugene Keith Galbraith	Deputy President Director	-	√	-	√	-	√	-	√	-	√	-	√
Armand Wahyudi Hartono	Deputy President Director	-	√	-	√	√	-	-	√	-	√	√	-
Suwignyo Budiman	Director	-	√	-	√	-	√	-	√	-	√	-	√
Tan Ho Hien/Subur or Subur Tan	Director (concurrently Compliance Director)	-	√	-	√	-	√	-	√	-	√	-	√
Henry Koenafi	Director	-	√	-	√	-	√	-	√	-	√	-	√
Erwan Yuris Ang	Independent Director	-	√	-	√	-	√	-	√	-	√	-	√
Rudy Susanto	Director	-	√	-	√	-	√	-	√	-	√	-	√

Lianawaty Suwono	Director	-	√	-	√	-	√	-	√	-	√	-	√
Santoso	Director	-	√	-	√	-	√	-	√	-	√	-	√
Inawaty Handoyo	Director	-	√	-	√	-	√	-	√	-	√	-	√

### Affiliated Relationships of the Board of Commissioners

Article 39 of Financial Services Authority Regulation No. 55/POJK.03/2016 concerning the Implementation of Good Corporate Governance for Commercial Banks states Commissioners shall disclose financial and family relationships with other Commissioners, Directors and/or Controlling Shareholders of the Company in the report on the implementation of good governance.

The following table illustrates the affiliation relationship between the Board of Commissioners and other members of the Board of Commissioners, Directors and/or the Controlling Shareholders of the Company.

Name	Position	Family Relationship with:						Financial Relationship with:					
		Board of Commissioners		Board of Directors		Controlling Shareholders		Board of Commissioners		Board of Directors		Controlling Shareholders	
		Yes	No	Yes	No	Yes	No	Yes	No	Yes	No	Yes	No
Djohan Emir Setijoso	President Commissioner	-	√	-	√	-	√	-	√	-	√	-	√
Tonny Kusnadi	Commissioner	-	√	-	√	-	√	-	√	-	√	-	√
Cyrillus Harinowo	Independent Commissioner	-	√	-	√	-	√	-	√	-	√	-	√
Raden Pardede	Independent Commissioner	-	√	-	√	-	√	-	√	-	√	-	√
Sumantri Slamet	Independent Commissioner	-	√	-	√	-	√	-	√	-	√	-	√

## D. Remuneration Policy

### Remuneration for the Board of Directors

The remuneration of the Board of Directors has been adjusted to the prevailing regulations and based on the procedures, structures and indicators, which form the basis of the determination of remuneration.

### Procedure

Based on Resolution of the Company's Annual General Meeting of Shareholders, which was held in 2017, the 2017 Annual General Meeting of Shareholders authorized and granted:

- The Board of Commissioners to determine the amount of salary and other allowances to members of the Board of Directors;
- The majority shareholder to determine tantiem distribution among members of the Board of Commissioners and Board of Directors of the Company.

In exercising such power and authority, the Board of Commissioners is concerned with the recommendations of the Remuneration and Nomination Committee.



### Remuneration Structure of the Board of Directors

Type of Remuneration and Facilities	Amount Received in 1 Year	
	Board of Directors	
	Persons	In million Rupiah
1. Salary, bonus, routine allowances, tantiem, and other non-natura facilities	11	353.807
2. Other facilities in the form of natura (housing, health insurance, etc) which:		
a. Can be owned	-	-
b. Cannot be owned	-	-
<b>Total</b>		<b>353.807</b>

The amount of remuneration for each Director in 1 (one) year is above Rp 2 billion received in cash during 2017.

### Remuneration for the Board of Commissioners

The remuneration of the Board of Commissioners has been adjusted to the prevailing regulations and based on the procedures, structures and indicators, which form the basis of the determination of remuneration.

#### Procedure

Based on Resolution of the Company's Annual General Meeting of Shareholders, which was held in 2017, the 2017 Annual General Meeting of Shareholders authorized and granted:

- a. The majority shareholder to determine the amount of honorarium and other allowances to be paid by the Company to the members of the Board of Commissioners who served during fiscal year 2017;
- b. The majority shareholder to determine tantiem distribution among members of the Board of Commissioners and Board of Directors of the Company.

### Remuneration Structure of the Board of Commissioners

Type of Remuneration and Facilities	Amount Received in 1 Year	
	Board of Commissioners	
	Persons	In million Rupiah
1. Salary, bonus, routine allowances, tantiem, and other non-natura facilities	5	97.393
2. Other facilities in the form of natura (housing, health insurance, etc) which:		
a. Can be owned	-	-
b. Cannot be owned	-	-
<b>Total</b>		<b>97.393</b>

The amount of remuneration for each member of the Board of Commissioners in 1 (one) year is above Rp 2 billion, which was received in cash during 2017.

### E. Stock Option Plan

During 2017, the Company granted no Stock Option Plan.

## F. Highest and Lowest Salary Ratio

Salary refers to an employee's right that is received and expressed in the form of monetary compensation from the Company as the employer to the employee who is hired and paid according to an employment contract, agreement, or laws and regulations, including benefits for the employee and members of the family for the work and/or services rendered.

The following is the highest and lowest salary ratio according to the comparative scale:

Ratio	Comparative Scale
Highest and lowest employee salary ratio	32,99
Highest and lowest Board of Directors salary ratio	3,00
Highest and lowest Board of Commissioners salary ratio	1,62
Highest Board of Directors and employee salary ratio	8,05

The remuneration being compared in the salary ratio above is the compensation received by members of the Board of Commissioners and Board of Directors, and employees on a monthly basis. Employees here refer to the Company's permanent employees up to the executive level.

## G. Meeting Board of Directors, the Board of Commissioners and Joint Meetings

### The Board of Directors Meetings

The Board of Directors meeting schedule is set at the beginning of the year. Throughout 2017 the Board of Directors held 43 (forty three) meetings. The Company is in compliance with Financial Services Authority Regulations regarding minimum mandatory Board of Directors Meetings are held in 1 (one) year.

Decision making is done by consensus deliberation. In the absence of consensus deliberations, decision making is based on the majority votes. All decisions taken in the Board of Directors meetings are binding. Any dissenting opinion that occurs in a Board of Directors meeting must be clearly stated in the minutes of the meeting along with the reasons for the difference of opinion.

### The Frequency of Meetings and Attendance of Members of the Board of Directors during 2017

Name	Position	Number of Meetings	Attendance	Percentage
Jahja Setiaatmadja	President Director	43	35	81%
Eugene Keith Galbraith	Deputy President Director	43	40	93%
Armand Wahyudi Hartono	Deputy President Director	43	33	77%
Suwignyo Budiman	Director	43	40	93%
Tan Ho Hien/Subur or Subur Tan	Director (concurrently Director of Compliance)	43	39	91%
Henry Koenafi	Director	43	33	77%
Erwan Yuris Ang	Independent Director	43	35	81%
Rudy Susanto	Director	43	31	72%
Lianawaty Suwono	Director	43	40	93%
Santoso	Director	43	38	88%
Inawaty Handoyo	Director	43	37	86%

### Schedule of the Board of Directors Meeting in 2018

January-April		May-August		September-December	
Month	Date	Month	Date	Month	Date
January	25	May	3, 17	September	6, 13
February	1, 8	June	7, 28	October	11, 18, 25
March	1, 8, 15	July	5, 12, 19	November	8, 22
April	5, 12, 19	August	2, 9	December	13

The schedule may change at any time as needed. The schedule of 2018 meetings has been posted on the Company's website.

### Board of Commissioners Meeting

The Board of Commissioners meeting schedule is set at the beginning of the year. Throughout 2017, the Board of Commissioners held 49 (forty nine) meetings. The Company is in compliance with Financial Services Authority Regulations regarding minimum mandatory Board of Commissioners Meetings are held in 1 (one) year.

Decision making is done by consensus deliberation. In the absence of consensus deliberations, decision making is based on the majority votes. All decisions taken in the Board of Commissioners meetings are binding. Any dissenting opinion that occurs in a Board of Commissioners meeting must be clearly stated in the minutes of the meeting along with the reasons for the difference of opinion.

### Frequency of Meetings and Attendance of Board of Commissioners during 2017

Name	Position	Number of Meetings	Attendance	Percentage
Djohan Emir Setijoso	President Commissioner	49	45	92%
Tonny Kusnadi	Commissioner	49	43	88%
Cyrellus Harinowo	Independent Commissioner	49	43	88%
Raden Pardede	Independent Commissioner	49	42	86%
Sumantri Slamet	Independent Commissioner	49	45	92%

### The Board of Commissioners Schedule Plan in 2018

January-April		May-August		September-December	
Month	Date	Month	Date	Month	Date
January	10, 17, 24	May	2, 16, 23	September	5, 12, 19
February	7, 21, 28	June	6, 27	October	3, 10, 17
March	14, 21, 28	July	4, 11, 18	November	7, 14, 21
April	4, 11, 18	August	1, 8, 15	December	5, 12

The schedule may change at any time as needed. The schedule of 2018 meetings has been posted on the Company's website.

**Attendance of the Board of Directors in the Joint Meeting of the Board of Commissioners with the Board of Directors during 2017**

Name	Position	Number of Meetings	Attendance	Percentage
Jahja Setiaatmadja	President Director	18	14	78%
Eugene Keith Galbraith	Deputy President Director	18	16	89%
Armand Wahyudi Hartono	Deputy President Director	18	11	61%
Suwignyo Budiman	Director	18	15	83%
Tan Ho Hien/Subur or Subur Tan	Director (conccurently Director of Compliance)	18	16	89%
Henry Koenaifi	Director	18	17	94%
Erwan Yuris Ang	Independent Director	18	13	72%
Rudy Susanto	Director	18	18	100%
Lianawaty Suwono	Director	18	16	89%
Santoso	Director	18	16	89%
Inawaty Handoyo	Director	18	14	78%

**Attendance of Board of Commissioners in the Joint Meeting of the Board of Commissioners with the Board of Directors during 2017**

Name	Position	Number of Meetings	Attendance	Percentage
Djohan Emir Setijoso	President Commissioner	18	17	94%
Tonny Kusnadi	Commisioner	18	15	83%
Cyrillus Harinowo	Independent Commissioner	18	15	83%
Raden Pardede	Independent Commissioner	18	14	78%
Sumantri Slamet	Independent Commissioner	18	18	100%

**The Plan of Joint Meetings of the Board of Commissioners and Board of Directors for 2018**

Month	Date
March	7
April	25
July	25
October	24

The schedule may change at any time as needed. The schedule of the 2018 meeting has been posted on the Company's website.

**H. Internal Fraud**

Disclosure of irregularities/deviations (internal fraud) is based on section 64 of Financial Services Authority Regulation No. 55/POJK.03/2016 on the Implementation of Good Corporate Governance for Commercial Banks and Chapter IX point 5 of Financial Services Authority Circular Letter No. 13/SEOJK.03/2017 on the Implementation of Good Corporate Governance for Commercial Banks.

Internal fraud is defined as fraud committed by management, supervisors, permanent employees, temporary employees and/or outsourced workers. The denominating classification expressed is a deviation of more than Rp100,000,000.00 (one hundred million Rupiah).

In 2017, there were 10 (ten) cases of internal fraud.

Internal Fraud committed within 1 year	Number of fraud cases committed by:					
	Members of the Board of Directors and members of the Board of Commissioners		Permanent Employee		Contract Employees and Outsourced Manpower	
	Previous year	Current year	Previous year	Current year	Previous year	Current year
Total Fraud	-	-	2	10	-	-
Resolved	-	-	2	4	-	-
Under process of internal settlement within the Company	-	-	-	3	-	-
Settlement not yet sought	-	-	-	-	-	-
Followed up through legal process	-	-	-	3	-	-

### I. Legal Cases, Significant Cases and Administrative Sanction

Legal proceeding and significant cases faced by the Company in 2017 are described as follows:

#### Legal Cases

Legal Proceedings	Number of Cases	
	Civil	Criminal
Resolved (with the permanent legal force)	98	5
In the process of settlement	173	4
Total	271	9

#### a. In the process of settlement

There are 177 (one hundred and seventy seven) cases in the process of settlement with the details as follows:

1. Civil: 173 (one hundred and seventy three) cases.
  - Credit related: 130 (one hundred and thirty) cases, including lawsuit or appeals/objection from debtors, collateral owners, other parties or in regard to Company claims on confiscated goods or claims pertaining to collateral and credit.
  - Operation: 42 (forty two) cases, including matters related to banking operations, land and buildings owned by Company, and other lawsuits other than credit issues.
  - Human resources-related: 1 (one) case.
2. Criminal: 4 (four) cases.

#### b. Resolved (with permanent legal force)

There were 103 (one hundred and three) cases already resolved (with permanent legal force) as follows:

1. Civil: 98 (ninety eight) cases
  - Credit related: 75 (seventy five) cases, including lawsuits or appeals/objections from debtors, collateral owners, other parties or in regard to Company claims on confiscated goods or claims pertaining to collateral and credit.
  - Operation: 23 (twenty three) cases, including matters related to banking operations, land and buildings owned by Company, and other lawsuits other than credit issues.
  - Human-resources related: 0 (zero) case.
2. Criminal: 5 (five) cases.

### **Significant Cases**

Disclosure on significant cases faced by Company, subsidiaries, member of the Board of Directors and Board of Commissioners is carried out in accordance to Letter G Chapter III – Content of Annual Report on Financial Services Authority Circular Letter No. 30/SEOJK.04/2016 on Forms and Content of Listed Companies and Public Companies Annual Report.

In 2017, there were no significant cases facing Company and its subsidiaries, or members of its Board of Commissioners and Board of Directors in office for this reporting period, and consequently there is no effect on Company's financial condition.

In 2017, there were no material administrative sanctions imposed by authorities (Financial Services Authority, Bank Indonesia, Stock Exchange, and other authorities) on Company, or members of the Board of Commissioners and Board of Directors.

### **Transactions with Conflict of Interest**

The disclosure on transactions with conflict of interest is carried out based Financial Services Authority Circular Letter No.13/SEOJK.03/2017 on the Implementation of Governance for Commercial Banks. Throughout 2017, Company had no transactions with conflict of interest.

### **Shares Buy Back**

During 2017, the Company did not undertake any corporate action for repurchasing shares (share buy back).

### **Provision of Funds For Social Activities**

The Company actively contributes to improving the welfare of communities and environmental condition through its corporate social responsibility activities developed under the 'Bakti BCA' program.

In general, the Company's social activities focus on 3 (three) key pillars, namely:

A. **Smart Solution Pillar**, as follows:

1. Non-Degree Accounting Education Program (PPA);
2. Non-Degree Informatics Technology Program (PPTI);
3. Bakti BCA Internship Program;
4. BCA Integrated Partner Schools;
5. Bakti BCA Scholarship;
6. Financial Literacy Education;
7. Education Partnership.

B. **Synergy Solution Pillar**, as follows:

1. Culture;
2. Health;
3. Environment;
4. Sports;
5. Empathy, in the form of donations for natural disaster victims, and sports programs.

C. **Outstanding Business Solution Pillar**, as a follows:

1. Tourism Village Development;
2. Community Development;
3. UMKM development.

In addition to the aforementioned programs, the Company also channels its donations to other social institutions.

**Provision of Funds For Political Activities**

Similar to previous years, in 2017 the Company has never provided any funding for political activities.

## Result of The Corporate Governance Implementation Self-Assessment

Bank Name : **PT Bank Central Asia Tbk**

Position : 31 December 2017

Result of Corporate Governance Implementation Self-Assessment		
	Rating	Rating Definition
<b>Individual</b>	<b>1</b>	Company's management has implemented a generally excellent Good Corporate Governance. This is reflected in the fulfillment of the principles of Good Corporate Governance, in general, the weakness is not significant and can be mitigated immediately by the Company management.
Analisis		
<p>Based on self assessment analysis on governance structure, the governance process, and governance outcome of each Good Corporate Governance Implementation Assessment Factor can be summarized as follows:</p> <ol style="list-style-type: none"><li>1. The Governance Structure as per all the Corporate Governance Implementation Assessment Factors is more than adequate and comprehensive.</li><li>2. The Governance Process as per most of the Corporate Governance Implementation Assessment Factors is very effective, supported by a more than adequate Governance Structure and infrastructure.</li><li>3. The Governance Outcome as per most of the Corporate Governance Implementation Assessment Factors is of high-quality, resulting from Governance Process that are mostly very effective with the support of a more than adequate Governance Structure and infrastructure.</li></ol>		



## Company's Action Plan for Good Corporate Governance in 2017



## Company's Action Plan for Good Corporate Governance in 2017

The realization of Good Corporate Governance in 2017 among others:

1. The Company has conducted monitoring and review of policies related to corporate governance, such as:
  - The Code of Good Corporate Governance, which includes the guidelines and work procedures of the Board of Commissioners and the Board of Directors;
  - Integrated Corporate Governance Guidelines;
  - Affiliated Transaction and Conflict of Interest Policy.
2. Implementation Review.

The Company has reviewed the implementation of corporate governance by among others:

  - Improving the mechanism of shareholding reporting flow of certain shareholders;
  - Preparation of Decision Letter on Mechanism of Preparation and Submission of Self-Assessment Report of Integrated Governance Implementation;
  - Integrated governance mapping.
3. Sharing sessions related to corporate governance.

Sharing sessions are held in the form of discussion and information dissemination on the subject of good corporate governance such as socialization of values, principles and implementation of governance, anti fraud awareness, affiliated transactions and conflict of interest.