Management Report

Report of the Board of Directors

Jahja Setiaatmadja
President Director

BCA focuses on customer behaviour trends, strenghtening and deepening relationships with customers while expanding ecosystems to establish a solid foundation for sustainable future growth

Respected Shareholders,

We are pleased to report that net profit attributable to shareholders increased 19.4% to a record high of Rp48.6 trillion in 2023, driven by a rise of 17.4% in net interest income and 5.7% in non-interest operating income, as well as lower provision of loan losses. The strong earnings growth was a reflection of quality loan expansion, funding franchise strength, coupled with broader customer base. Return on assets (ROA) increased to 3.6% from 3.2% in the previous year, translating into a higher return on shareholders' funds (ROE) of 23.5% compared to the year before of 21.7%.

The year in review was coloured by its unique challenges, most notably the prolonged global inflationary pressure during the post-pandemic recovery and heightened geopolitical tensions. These prompted the Fed and other major central banks to raise interest rates which impacted the global macro economy, including Indonesia.

Bank Indonesia responded by raising its benchmark 7-Day RR rate to 6.00% for a cumulative 250 bps hike since August 2022 to stabilize the Rupiah currency and curb domestic inflation. The attractive interest rate gap between the domestic rate and the Fed rate combined with the expansion of foreign direct investments helped offset the impact of volatile portfolio fund flows in Indonesia. On the export front, the success of Indonesia's mineral downstream programs minimized the outcome of declining export commodity prices. Given this backdrop, the Rupiah exchange rate and inflation rate remained within a tolerable range, supporting the Indonesian economy to resiliently grow at a moderate pace throughout 2023.

Despite the higher interest rate environment and tighter liquidity in the banking system, BCA's loans and CASA registered a positive growth. BCA's loan growth surpassed

that of the industry, driven by all segments across corporate, commercial, SME, and consumer. On the funding side, the robust transaction banking franchise continued to deliver strong transaction volume and posted higher CASA growth compared to the industry, especially in the private sector, which is the Bank's main target segment. These encouraging results in 2023 demonstrate that regardless of the challenges, strong customer relationships are undeniably the Bank's competitive advantage in both business and individual banking. Leveraging its customer base and ecosystem, BCA was able to meet and even exceeded the majority of its targets for key financial metrics, as highlighted below.

BCA Performance Highlights in 2023

Financial Metrics	2023 Target	Realization
Loan Growth	10% - 12%	13.9%
CASA Growth	7% - 9%	4.3%
Net Interest Margin	5.5% - 5.6%	5.5%
Cost to Income Ratio (CIR)	36% - 37%	33.8%
Return on Asset (ROA)	3% - 4%	3.6%
Return on Equity (ROE)	19% - 22%	23.5%

Strategic Initiatives, Challenges, and Results

Granular CASA, underpinned by strong client engagement, a large customer base, and multi-channel transaction banking capabilities, has been the key in driving BCA's sticky and low-cost CASA for quality loan growth across segments. With intensified competition from both large and smaller banks, we have implemented a series of strategic initiatives as outlined below. The aim is to grow customer acquisition and strengthen customer engagement across all segments, from individuals to small businesses, merchants, and corporates.

Multiple Transaction Touchpoints: Meeting Customers Where They Are

We offer a distinct customer experience to our large customer base that have been nurtured over decades, with transaction banking as the core driver. To sustain transaction volume growth and expand CASA funding, we continuously invest in transaction banking platform, develop and strengthen multiple touchpoints to cater diverse consumer needs across various segments.

Our extensive hybrid network that integrates digital and physical aspects, enables customers to transact conveniently through the platform of their choice. Customers have the flexibility to use both online channels that include mobile apps and internet banking, and traditional channels consisting of branches and ATMs/ CRMs (Cash Recycling Machines). Our extensive EDC network covers Android-based EDC (APOS) machines that have been rejuvenated and equipped with the Merchant BCA mobile application to serve merchant customers for Point of Sales transactions and to support new merchant acquisitions. These user-friendly channels are well-supported by BCA contact center, namely Halo BCA, which offers call service that is integrated with WhatsApp chat support, social media platforms, and contact center apps. This contact center is an important touchpoint for superior customer experience and provides crucial support for smooth online customer acquisition.

Online channels continued to increase in importance throughout 2023, maintaining the trend of previous years. BCA operates two mobile apps which are the popular BCA Mobile and the newer generation myBCA app, to serve customers across generations. Total mobile banking users rose 13% YoY to reach 30.3 million accounts, and mobile banking transaction volume rose 42% YoY to reach 21.5 billion. Online channels are proven to be the more popular avenue for transactions particularly among new customers. During the year, we recorded 5.7 million new customers in which the majority was acquired through mobile channel.

Even as we continue to encourage customers to shift to cost-efficient digital channels, physical touchpoints remain integral to the BCA ecosystem. Branches and ATMs contributed a sizeable portion of total transaction value, at around 39%, reflecting the still large proportion of cash in use by society. These physical touchpoints

are pivotal in sustaining customer trust and we continue to selectively open branches, emphasizing regions with emerging and accelerated economic activities.

Our ATMs continued to see high usage, particularly among small business owners. To increase efficiency, more of our conventional ATMs were upgraded to CRM, allowing customers to deposit as well as withdraw money at their convenience. At the end of 2023, approximately 75% of our ATMs had been converted to CRMs, compared to 66% in the previous year.

These integrated digital and physical touchpoints successfully propelled BCA's customer base to reach 31 million in 2023, representing over 39% growth over the last two years. Total transaction volume grew 25% to reach more than 30 billion in 2023.

Expanding the Ecosystem with Enriched Products and Services to Meet Customer Needs

BCA has successfully expanded its transaction banking franchise beyond its customer base by enhancing connectivity with various third-party business partners. Our open ecosystems aim to connect a broad range of customer segments, ranging from individuals to small business owners and retailers to large corporates. The network is designed to serve and facilitate smooth business-to-business (B2B), business-to-customer (B2C), and customer-to-customer (C2C) interactions across both offline and online ecosystems.

To enhance connectivity with third-party, we offer API (Application Programming Interface) connections which were rolled out in 2017 as the first Indonesian bank to do so. We also maintain host-to-host connectivity with various established third-party institutions. Partnerships with major e-commerce and leading fintech institutions continue to gain traction, as reflected by rising business volumes.

Our open platform approach aligns with the regulatory roadmap, emphasizing the principles of interoperability and interconnectivity. BCA fully supports BI-FAST, as well as the national QR code standardized payment system (QRIS), both of which are now embedded in our platforms. Over the course of 2023, the use of QRIS and BI-FAST systems continued to increase, contributing significantly to BCA's transaction volume growth.

Specifically for business customers, we offer a range of online business banking solutions, ranging from information management to payables and receivables. Several flagship features include transfers, virtual accounts, business dashboards, and online payment capability called OneKlik BCA which can be embedded in the third-party applications or websites. We also provide tailor-made cash management services for large corporates across industries as well as seamless connectivity with their respective value chains. Next, we plan to launch a new generation of online business banking platform to enrich our offerings. We are pleased to serve diverse communities such as e-commerce, capital markets, education, health, pharmaceuticals, and more.

BCA constantly introduces product and service innovations to enrich customer experience. Over the course of 2023, a series of new features were launched, such as customer presented mode QR payment (CPM), Paylater, integration of a wealth management app (Welma) into the myBCA mobile app and wealth management insights. Through Welma, we offer new affordable investment products, for example, mutual funds starting as low as Rp10,000 per unit, Government Fixed Rate (FR) Bonds from Rp1 million, and INDON/INDOIS from USD1,000. These kind of new investment products have receive a warm welcome from the retail market.

Loan Expansion to Strengthen Relationships

Despite rising interest rates, BCA was able to leverage its strong funding base to pursue quality loan growth across all segments. Particularly for retail loans, we maintained competitive rates to uphold our commitment to always be by our customers' side, disbursing affordable consumer loans and supporting SME debtors to sustain their businesses post-pandemic. Our loan expansion took overall relationships with our customers to the next level.

Solid SME portfolio growth was supported by significant investments over the past few years in capacity building to support, manage, and expand SME loans. The investments include enhancements to the entire SME

Board of Directors

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Vera Eve Lim
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Gregory Hendra Lembong
Deputy President Director

Rudy Susanto
Director

John Kosasih
Director

credit management process from front-end to back-end, addition of account officers, expansion of the risk function, and the use of robust data analytics for better lead generation. We were excited to see these strategic initiatives come to fruition as our SME loan segment grew 16.0% YoY, reaching Rp107.9 trillion by year end especially driven by smaller size businesses. This increase translated into a higher Macroprudential Inclusive Financing Ratio (RPIM).

Consumer lending also recorded a solid growth, driven by an 11.7% rise in mortgages and a 20.8% in auto loans. Physical as well as digital channels contributed significantly to the growth. During the year, we organized two hybrid expos for consumer segment that generated total lending applications of Rp46 trillion or an increase of 53% YoY, of which 72.2% constituted mortgages, with the remainder being auto loans. To expand our product offerings in the same segment, we launched a Paylater feature in myBCA for QRIS transactions in September 2023, broadening the target market for credit payments beyond our existing credit card customers. Outstanding personal loan balances grew by 21.7%, driven by increased transactions in entertainment, F&B, and travel. Our co-branding credit card with Singapore Airlines continued to gain traction among middle to upper customers segments.

Our corporate and commercial segments also saw sustained loan demand, in spite of relatively moderate economic growth. Corporate loans recorded an increase of 15% YoY to Rp 368.7 trillion with higher demand especially in the minerals, financial services, and transportation sectors. Commercial loans grew 7.5% YoY to Rp126.8 trillion, driven by key sectors such as transportation & logistics, plantation, and metal.

Overall, business loans across the corporate, commercial, and SME segments recorded notable growth with regard to both working capital and investment loans, a reflection of business confidence despite the upcoming Presidential election in early 2024. We continue to explore new areas, such as electric vehicle (EV) ecosystems and mineral downstream projects for potential loan expansion.

In a competitive loan market, BCA's ability to attract and capture quality lending opportunities reflects the strength of our customer trust and relationships. Total consolidated loan portfolio booked a robust growth of 13.9% YoY to reach Rp810.4 trillion, exceeding the industry's level of 10.4%. Loan growth was moreover accompanied by asset quality improvement. The Loan at Risk (LAR) ratio fell to single digit at 6.9% of total loans, significantly lower than its peak of 19.4% in 1Q21. The decline in LAR was primarily due to debtor repayments and borrower recategorization into the normal loan category as their businesses gradually rebounded post-pandemic. Throughout the year, we maintained ample provisions to mitigate any major adverse volatility in the business environment, with LAR coverage amounting to 69.7% at the end of the year, translating to NPL coverage of 234.1%.

Investing in Workforce and Information Technology (IT)

In an effort to ensure sustainable business growth and build a stronger organization for the future, BCA has continuously made significant investments in strengthening its workforce and IT capabilities. Over the past three years, we have hired around 4,000 employees with an emphasis on recruiting IT staff, relationship and risk officers to increase support for retail loans.

New hires and existing employees undergo training, upskilling, reskilling, and socialization as required to ensure that our workforce is equipped with the skills, behavior, and knowledge that they need to advance. To that end, BCA's values and culture are continuously nurtured among all employees. Additionally, we have established a program called BCA Leader+ which aims to actively foster and strengthen leadership across all organizational functions. Given that the majority of our workforce demographic is concentrated below the age of 35, this program aims to shape future leaders who can carry on BCA's legacy as the bank of choice.

BCA is committed to comprehensively enhancing and upgrading our technological capabilities, with a particular focus on strengthening IT infrastructure, bolstering security systems, and continuously improving digital services and application offerings. The core system and

infrastructure are constantly modernized to enhance availability and transaction speed. Data security, transaction security, and customer data analytics have been upgraded through the deployment of Artificial Intelligence (AI) and Machine Learning (ML) technologies.

To accommodate the elevating volume of digital activities, we are investing in a state-of-the-art data center as the backbone of our infrastructure in ensuring reliable banking services. This reflects BCA's commitment to always stay on the forefront of the latest technology developments, with references to IT best practices in banking.

Strengthening Sustainability Portfolio and Environmental, Social, and Governance (ESG) Practices

In line with global trends and best practices in the banking industry, we proactively examined and strengthened the ESG aspects within the day-to-day operations and credit portfolio, continuing the work we did in 2022.

ESG considerations have now been integrated into our credit underwriting criteria. Further, responsible lending policies have been established for loans to the five sectors identified as having high carbon footprints which are palm oil, forestry & wood products, coal mining, toll road, and cement & steel.

In 2023, we conducted an initial bottom-up climate-risk stress test (CRST) analysis on exposures to physical and transition risk. Moreover, BCA also participated in the initial offering of Indonesia's first carbon trading exchange. In another first, we became a Partnership for Carbon Accounting Financials (PCAF) signatory to calculate Scope 3 GHG emissions from debtors' carbon footprint.

We continued to participate in the Financial Services Authority's (OJK) Green Taxonomy program, which aims to classify green credit and set benchmarks for green portfolios in the banking system. The Green Taxonomy project is a milestone for the Indonesian banking industry and will be an inspiration for greener lending practices. In addition, we conducted socialization of the Green Taxonomy guidelines to debtors with the purpose of raising awareness of the importance of becoming a more responsible counterparts.

Growing Sustainable Finance Portfolio

By the end of the year, BCA's sustainable finance portfolio grew by 10,6% to Rp202.6 trillion or equivalent to 24.8% of the Bank's total loan and corporate bond balances. The sustainable finance portfolio comprised 42.7% of green financing and 57.3% of MSME financing. Within the former, the top three allocations went to natural resources and sustainable land use, sustainable transportation mainly in the form of electric transport, and finally eco-friendly and eco-efficient products.

Expansion of the sustainable finance portfolio was bolstered by a number of developments, such as increasing the financing portfolio for EV and the issuance of Indonesia's first sustainability-linked loans (SLL) to corporate debtors. Specifically, we disbursed SLL to a cement manufacturer, contingent on carbon dioxide emission reductions, and to a palm oil plantation company that was linked to sustainable palm oil certification.

Also of note, loans to MSME grew 13.4% to reach Rp116 trillion in 2023. By leveraging data analytics, we have been able to identify promising candidates for financing and expand loan disbursement to this segment without compromising quality.

Greener Corporate Operations

In line with the commitments to ESG, we have evaluated our carbon footprint and taken steps to reduce environmental footprint where possible. In 2023, we successfuly decreased carbon emissions by 3,021 tons of tCO2, in which the majority portion was driven by a shift to digital processes and touchpoints.

Digital adoption in both customer services and internal processes has reduced mobility, paper consumption and ultimately, carbon emission. Other important contributors included green building initiatives, with the electricity consumption intensity of our buildings falling into the 'fairly efficient' category at 154 kWh/m2/year according to the Indonesian SNI energy building standards. Moreover, our BCA Foresta branch has won an ASEAN Energy Award in the Energy Efficient Building category.

Waste management and recycling are other strategic initiatives that BCA has proactively enforced. In 2023, operational waste management focused on expired archives, unused calendars, electronic equipment (ATM cartridges, EDC machines, UPS, hard disks), plastics (unused cards, money wrappers, and unused uniforms. With these initiatives, BCA successfully managed 589 tons of waste in collaboration with third parties.

Creating Value, Delivering Impact

BCA runs programs under “Bakti BCA”, a cause-driven initiative that focuses on delivering real impact, based on concrete actions through individual empowerment, community empowerment and ecosystem preservation. The initiative highlights five key programs, notably Bakti Pendidikan (education), Bakti Kesehatan (health), Desa Bakti BCA (Bakti BCA Tourist Villages), Bakti Budaya (cultural preservation) and Bakti Lingkungan (environment).

Regarding individual empowerment, our financial literacy education efforts has reached nearly 300,000 participants all over Indonesia in support of government programs on financial literacy and inclusion. We believe that financial literacy is crucial for individuals in making informed decisions on their finances, which will lead to monetary stability and overall well-being. BCA also contributed to quality education and school management improvements in rural and Eastern Indonesia areas. With this initiative, BCA has awarded scholarships to around 7,500 students since 1999.

Within the health sector, BCA partnered with government, under the National Population and Family Planning Board or "BKKBN" , and funded the stunting reduction acceleration program.

BCA also supported 26 selected villages to maximize their economic potential through tourism as a part of our community empowerment initiative. Remarkably, two of our Desa Bakti BCA, Taro and Bilebante Green Tourism Villages, were listed in the "Best Tourism Villages by UNWTO Upgrade Programme" in 2023.

BCA encouraged and enabled MSMEs from Desa Bakti BCA to expand their market opportunities through various national and international events, including the Batik Day celebration at the World Bank headquarters in Washington D.C..In addition, customers can now express their supports by joining the Desa Bakti BCA tour packages through the "Lifestyle" feature on BCA mobile app.

As a part of our ecosystem preservation initiative, BCA has planted 60,000 trees in 2023, in collaboration with a reputable foundation. Furthermore, BCA supported the release of 49 rehabilitated orangutans into their natural habitat since 2012.

We believe that an empowered individual would positively impact their community, an empowered community would contribute to ecosystem preservation, and the cycle goes on. Various programs under the "Bakti BCA" initiative were designed to encourage this cycle of change, which we believe will contribute to the achievement of Indonesia's Sustainable Development Goals (SDGs) priorities.

The CSR chapter of this report elaborates on the extensive efforts of our "Bakti BCA" initiative. Looking ahead, we hope to continuously increase our positive social impact, emphasizing on creating scalable and meaningful social value and impacts.

Recognitions in ESG

BCA's commitment to sustainability and ESG principles has earned notable recognitions on both national and global grounds. Internationally, MSCI ESG Ratings has awarded BCA with an A Rating. We have also proudly retained the position as a component of the Financial Times Stock Exchange4Good (FTSE4Good) Emerging Index, a testament to our positive performance in terms of financial, environmental, and social dimensions. On the domestic front, BCA is included in the SRI-KEHATI Index, a socially responsible index comprised of 25 companies that were selected by the Indonesian Stock Exchange in collaboration with the SRI KEHATI Foundation for their outstanding ESG performance.

These accolades affirm our commitments to sustainable practices and responsible business conduct as we strive to deliver excellence in terms of financials, operations, environmental stewardship, and social responsibility.

Implementation of Good Corporate Governance (GCG) and IT Governance

GCG is one of our key priorities in running banking business. GCG facilitates compliance, risk management, and transparent reporting as the basis for decision-making and accountability. GCG, therefore, is a critical feature for long term sustainable growth.

We at BCA are dedicated to ensuring rigorous and consistent implementation of GCG across the organization. For this matter, we refer to the relevant laws and regulations, regulatory guidance, and industry best practices. The importance of GCG is continuously socialized among employees, and the level of awareness is measured on a yearly basis through both internal and external assessments.

The practice of GCG must evolve in line with the needs of the business and the fast adoption of digital technologies. We have, therefore, increasingly paid attention to IT governance, including cybersecurity aspect, in order to proactively address the potential risks that come with digitalization.

With regard to IT and cybersecurity governance, the goal is to safeguard BCA's operations and customers by ensuring that digital processes and interactions take place safely and securely, and by proactively mitigating inherent risks.

Cybersecurity has been enhanced by implementing a range of policies to address new technologies that have been implemented within the Bank and are evaluated in accordance with international benchmarks.

As part of this, BCA continued to strengthen the Enterprise Security Unit, which is responsible for overseeing the internal implementation of cybersecurity measures. We have also enforced a data security policy across all work units, as well as enhanced formal procedures for customer protection. A dedicated Data Privacy Officer (DPO) has been appointed especially to oversee the customer privacy area.

Such developments are a reflection of our commitment to periodically evaluate the mechanisms by which GCG is reinforced and implemented, and ensure their suitability for our current business needs.

Role of the Board of Directors in Formulating and Implementing Strategies and Policies

Given the dynamic nature of the market and the scale and complexity of BCA's business, it is imperative that the bank has a clear strategy for growth, even as the execution of that strategy must be continuously monitored and adjusted in line with market conditions.

Formulating Corporate Strategy

BCA's strategies and policies are always aligned with the bank's Vision and Mission, as outlined in the Bank's Business Plan approved by the Board of Commissioners. The Board of Directors proactively engages in discussions on the strategic direction of the Bank and its subsidiaries. This encompasses the establishment of business targets in alignment with overall BCA objectives, and taking into consideration business major enablers such as technology, infrastructure, human capital, and risk management.

The Board of Directors ensures that the right organizational framework, policies, procedures, and robust risk management are in place to support daily operations and business expansion. These decisions and priorities are then communicated across the organization through various channels, reinforced by establishing pertinent targets for each organizational level. This cascades down to Key Performance Indicators for individuals, ensuring alignment of the entire organization with top-level strategy.

Ensuring the Implementation of Corporate Strategy

BCA ensures that the execution of the overall strategy is aligned with the Bank's strategic direction by fostering effective communication from the Board of Directors to business lines, unit enablers, branches, and all subsidiaries. The Board conducts periodic reviews against key performance metrics and provides relevant feedback accordingly. These metrics cover various aspects, including business progress, risk parameters with an emphasis on credit risk and operational risk, customer engagement, digital capability, branch service quality, credit service level, and transaction security. BCA also carries out various surveys to gather feedback for informed decision-making.

The Board is assisted by the Risk Management Unit and the Internal Audit function to ensure that daily operations take place within the parameters established for controllable risks. The Board seeks feedback from the Risk Management Unit and takes necessary actions to remedy audit findings.

In parallel, the Board consistently enforces corporate culture and values, with the aim of fostering solid teamwork and smooth coordination between all managerial layers in support of the bank's business plan implementation.

Performance of the Committees under the Board of Directors

In executing its role, the Board of Directors is assisted by seven committees under the Board of Directors, namely the Asset and Liability Committee (ALCO), Risk Management Committee, Integrated Risk Management Committee, Credit Policy Committee, Credit Committee, Information Technology Steering Committee, and Personnel Case Advisory Committee.

These committees convene through periodic meetings to ensure that their respective work programs are aligned with the latest economic conditions, business advancements, and relevant regulations. The committees also provide advice and recommendations to the Board of Directors according to their respective area of responsibilities.

During the year, the committees performed their duties successfully. The Board of Directors regularly assessed the committees' performance against the established guidelines and procedures and obtained valuable insights to support strategic decision-making.

Composition of the Board of Directors

The composition of the Board of Directors remained unchanged in 2023. The Board of Directors thanks the shareholders for their confidence and will continue to strive to carry out our mandate to the best of our abilities for the benefit of all stakeholders.

Business Prospects

In the midst of prevailing global uncertainties, the Indonesian economy is expected to remain resilient in 2024. Experts foresee a growth of around 5% with moderate inflation, as the impact of global monetary tightening wanes and Indonesia's 2024 presidential elections come to a conclusion. Importantly, the inflation rate is expected to remain under control within Bank Indonesia's target 2%-4% range. The BI 7-Day RR is expected to remain stable during the first half of 2024, followed by moderate downward adjustment in the second semester.

While the economy remains exposed to commodity price volatility, potential supply chain disruptions and fluctuations in export demand, Indonesia's underlying fundamentals still signal growth, with the active support from the government and the regulators. FDI is expected to continue increasing, with the fast developing downstream metal-related sector as one of key drivers.

Favorable demographic trends, the expanding middle class, and ongoing urbanization are poised to be key drivers of growth, fostering heightened demand for modern banking services provided by institutions like BCA. Given robust liquidity, solid capital, large customer base and strong hybrid infrastructure, BCA is optimally situated to capitalize on these trends and weather market volatility.

In light of these factors, BCA has set the following targets for 2024:

Category	2024 Target
Gross Domestic Product	4.9%-5.1%
Loan Growth	9%-10%
CASA Growth	6%-8%
Net Income Growth	7%-8%
Net Interest Margin (NIM)	5.5%-5.6%
Return on Asset (ROA)	3.4%-3.6%
Return on Equity (ROE)	21%-23%
CIR (Cost to Income Ratio)	34%-35%
Cost of Credit (COC)	0.3%-0.4%

In our transaction franchise, we anticipate further growth with new customer onboarding and higher transaction frequency. This will be driven by the ongoing expansion of our ecosystem and supported by new offerings, along with continuous innovation to enhance the ease and convenience of transacting through BCA.

Loan demand is projected to grow in 2024 across all categories. Within the retail loan segment, we see opportunities in mortgages and four-wheel vehicles. On the corporate and commercial side, including SMEs, there is also potential for increased loan demand. While competition is expected to further intensify for good quality borrowers, our low cost-of-funds and vast liquidity give us an edge. Additionally, robust customer transaction ecosystem is an advantage in looking for and screening leads, as we are able to make relevant offers to customers.

In addition to the core transaction banking services and lending products, we plan to enhance the customer experience by offering expanded wealth and investment solutions, including follow-up events to our highly popular 2023 Wealth Summit. Through our subsidiaries, we offer products and services in multifinancing, digital banking, Sharia banking, general insurance, life insurance and securities. This comprehensive range of services aims to deliver compelling value for customers, supported by continued investments in IT and human resources.

Above all, it is imperative that we remain prudent and agile in navigating business environment dynamics. Our goal is to earn and maintain stakeholders trust as we target quality business expansion, sustainable earnings growth, and valuable returns to shareholders.

Always By Your Side

BCA's success has been made possible by the continued trust of our loyal customers, partners, and employees all across the nation. On behalf of the Board of Directors, I would like to express our sincere gratitude for your trust and support.

Moreover, we extend our appreciation to the Board of Commissioners for their invaluable advice and guidance during the year. We also wish to thank Bank Indonesia and the Financial Services Authority (OJK) for their support and feedback.

As we move forward, I assure you that BCA's commitment to service excellence remains unwavering, delivering on our promise to be Always by Your Side (*Senantiasa di Sisi Anda*).

Jakarta, February 2024
On behalf of the Board of Directors,

Jahja Setiaatmadja
President Director

Supervisory Report of The Board of Commissioners

Djohan Emir Setijoso
President Commissioner

> **BCA's financial strength has put the Bank in a solid position from which to drive growth and invest in all of its business lines for the future**

Respected stakeholders,

On behalf of the Board of Commissioners, I am pleased to report that BCA has again delivered considerable value to shareholders, posting Rp395 earnings per share in 2023, 19.4% higher than in 2022. ROE increased 180 basis points (bps) to 23.5%, remaining one of the highest in the industry, accompanied by a 40 bps increase in ROA to 3.6%. BCA consistently maintains a strong balance sheet, ensuring that the Bank remains steadfast in servicing the transactional and borrowing needs of its customers.

The Board of Commissioners commends the efforts of the Board of Directors, the management, and the staff of BCA in sustaining the robust funding franchise, delivering quality loan growth across segments, and adhering to prudent risk management, which led to strong earnings performance. We concur with the Board of Directors' strategic initiatives to continuously invest in multiple customer touchpoints, towards serving BCA's growing ecosystem and strengthening its competitive edge.

Economic and Banking Sector Overview

The global economy faced prolonged challenges over the course of 2023, overwhelmed by inflationary pressure, volatile cross-border trade flows, and persistently high policy rates across major central banks. The US interest rate remained high as the US Federal Reserve (the Fed) continued to hike rates by 100 bps to reach the 5.25%-5.50% range during the year in a bid to tame US inflation.

The high interest rate environment put the US economy to the test. However, the recession scenario that was widely expected at the start of the year was averted, thanks to the US government's prompt responses to the volatility in energy supplies and a potential banking crisis. Asian economies also gained traction as the Chinese economy reopened from zero-COVID protocols. Despite falling commodity prices, Indonesia managed to maintain a positive trade surplus due to resumed demand from China.

Board of Commissioners

Raden Pardede
Independent Commissioner

Djohan Emir Setijoso
President Commissioner

Sumantri Slamet
Independent Commissioner

Cyrillus Harinowo
Independent Commissioner

Tonny Kusnadi
Commissioner

Mild domestic inflation and strong commodity exports facilitated Indonesia's central bank to put an end to interest rates hikes earlier this year. However, as the Fed kept pushing its pivot timetable forward, the Rupiah came under renewed pressure, prompting BI to decide on another 25 bps hike of its benchmark 7-day Repo Rate to 6.00% throughout 2023, for a total rate hike of 50 bps throughout the year. The Rupiah stabilized from external pressures to regain ground, closing at Rp15,397/US Dollar at the end of 2023.

The government introduced several policies and new instruments in order to drive the economy forward, mitigate food inflation and stabilize foreign exchange liquidity. These policies have had positive impacts on economic growth and stability. The Indonesian GDP expanded 5.05% during the year, which was attributed to strong domestic consumption and fixed asset investment. The inflation was manageable and recorded at 2.61% in 2023, while investment appetite remained undimmed despite the upcoming presidential election. We believe the authorities will capably steer Indonesia's growth through the uncertainties of the global landscape and the Indonesian presidential election year in 2024.

The Indonesian banking sector also remained healthy. The Capital Adequacy Ratio and Liquid Assets to third-party funds ratio was recorded at 27.9% and 28.7%, respectively in 2023. Third-party funds grew 3.8% in line with moderate nominal GDP growth during the year.

Banking sector loans grew 10.3%, higher than third-party funds growth, while asset quality remained intact. Loan demand was resiliently underpinned by sustained business confidence and high domestic consumption, thanks to the country's demographic dividend. We are cautiously optimistic that the Indonesian banking industry will continue to display resilient loan and funding growth amid the external challenges ahead.

Assessment of the Performance of the Board of Directors

The Board of Commissioners recognizes the Board of Directors' accomplishments in executing strategic initiatives across business lines and delivering sound financial performance in 2023. BCA posted a net profit of Rp48.6 trillion, up 19.4% YoY, underpinned by a 17.4% growth in net interest income and 5.7% increase in non-interest income. This excellent operating income performance was driven by a higher net interest margin and strong loan growth of 13.9%, exceeding the industry average. Loan growth was driven by all customer segments, from corporate and commercial to retail. We observed adequate demand for both investment and working capital loans.

We are pleased to see the results of BCA's digital offerings development, to which customers have responded favorably, with the number of digital transactions far outstripping transaction growth on other channels. However, preserving customer satisfaction across all target segments is essential for BCA to maintain its position as "the bank of choice" in Indonesia. On top of the digital channels, BCA has therefore made significant investments in a targeted fashion in many other touchpoints including the contact center, branch network, ATM/CRM, and EDCs to support comprehensive customer interactions.

The Board of Commissioners provided full support to the Board of Directors in making strategic investments, towards pursuing digital transformation, with an emphasis on the hybrid business model. To do so, multiple, efficient, reliable, and user-friendly platforms that can offer a wide range of services are required in order to service our large ecosystem. This service model has sustainably delivered high transaction volume, as the lynchpin of CASA funding growth. Supporting transformation from a human capital standpoint, BCA geared up its hiring, particularly in the areas of information technology and customer relationships, to cope with dynamic technological change and ensure quality service on both the funding and lending sides.

The stellar earnings performance was also attributable to the controlled cost to income ratio and lower loan loss provision expense. The Cost to Income Ratio was maintained at about 33.8%, relatively unchanged compared to the previous year, despite continued investments for long term business growth. We are delighted to see the falling Loan at Risk (LAR) ratio, which was largely due to repayment and normalizing credit ratings from restructured loan status. The cost of credit declined further to 0.3% from 0.7%, while the coverage ratio remained ample. LAR coverage stood at 69.7%, with NPL coverage amounting to 234.1%.

In addition, prudent banking practices were effectively implemented within an integrated risk management framework. Loan quality was proactively monitored along with market risk, liquidity, operations, legal, reputation, strategic, compliance, intra-group transactions, and insurance risks. Indirect financial risks were also adequately addressed, from cybersecurity to ESG, including the execution of BCA's initial bottom-up climate-risk stress test (CRST) analysis on the bank's exposure to transition risk.

Last but not least, we applaud BCA's solid balance sheet, coupled with its strong liquidity and capital level. BCA's sound financial position provides a strong foundation from which to drive loan growth and continuously invest in all of its business lines for the future.

Sustainable Finance and Carbon Saving Commitment

We are pleased to observe that BCA continued to take leadership in ESG. It is in our view that the management has made good progress in expanding BCA's Sustainable Finance and exploring opportunities on the ground. At the end of 2023, BCA's Sustainable Finance portfolio grew 10.6% to Rp202.6 trillion, reaching 24.8% of total loans. BCA is actively engaged with industry associations and the government to establish guidelines for the sustainable finance industry in Indonesia. Internally, the Bank has also incorporated ESG assessments into its credit process, with reference to regulator guidelines. This area represents potential new growth opportunities, as well as opportunities to create sustainable value.

The Board of Commissioners observed the efforts and strong commitment of the Board of Directors to reduce carbon emissions from the Bank's operations by pursuing various initiatives that included recycling and waste management, digital process adoption, green building and energy efficiency, and environmental conservation. BCA also actively participated in the regulator's ESG programs, notably in green taxonomy, climate-risk stress test (CRST), and the development of a debtor emission database. The overall goal is to support Indonesia's journey to lower carbon emissions and promote its green economy.

Oversight of BCA's Strategy & Implementation

The corporate strategy and key initiatives formulated by the Board of Directors were reviewed by the Board of Commissioners, along with the results achieved. The Board of Commissioners maintained close communication with the Directors, providing guidance and advice to ensure that BCA is on the right trajectory to deliver positive performance and sustainable growth.

The Board of Commissioners communicated feedback and advice on strategic topics to the Board of Directors through meetings, memo, and ad-hoc discussions. In 2023, 6 meetings of the Board of Directors and Board of Commissioners were held in a hybrid format, offering options to attend both virtually and in-person for timely response and efficient time management.

The following are the main topics of the feedback and advice provided by the Board of Commissioners to the Board of Directors throughout 2023.

Topic	Actions Undertaken by the Board of Commissioners
Strategies and Business Management	• Regularly monitored the business performance and operations of BCA as well as banking industry condition in Indonesia during 2023, which were influenced by economic uncertainty, interest rate movements, global inflation, and intensifying competition. • Provided periodic insights on the Bank's current business model for the consideration of the Board of Directors in ensuring sustained future performance. These insights touch on the company's business model relevance, taking into account the dynamics of consumer transaction behavior, shifting customer demographics and the impact of digital transformation on competition in the payment system. In addition, the Board of Commissioners observed the current workforce and developments in the IT sector, particularly concerning system advancements. • Reviewed policies related to credit limits, credit settlement and reserve allocation, and assessed credit disbursement to growing sectors as well as mature sectors with diminishing growth potential. • Oversaw the company's asset management including sub-optimally productive assets as well as the budget allocation with regard to both revenue and costs, and provided feedback for periodic review of their policies.
Risk Management	• Monitored and reviewed BCA's risk profile, implementation of integrated risk management and the capital structure. • Held regular quarterly discussions with the IT division and Risk Management work unit, and monitored cyber risk in the banking industry and BCA. • Held discussions with external consultants, and reviewed the duties and responsibilities of BCA's Board of Commissioners from time to time. • Monitored global banking trends and provided input to related work units to assess BCA's liquidity strength and capital adequacy in the event of significant disruption, especially related to digital transformation. The criminal cases that engulfed several US banks in early 2023, such as Silicon Valley Bank (SVB), were a source of concern and served as lessons in preventing similar incidents at BCA.
Audit and Compliance	• Monitored and reviewed the scope of audit regarding technology trends and their impact on the bank's business model. • Monitored the results of internal audit assessments on the performance of work units and branches.

Evaluation of Corporate Governance Implementation

The implementation of Good Corporate Governance (GCG) principles is essential for BCA. We view that GCG critically contributes to the achievement of the Bank's vision and mission, creates added value for stakeholders, and ensures business continuity. The Board of Commissioners regularly evaluates the implementation of good corporate governance by the Board of Directors, overseeing the Directors' tasks and responsibilities.

The Board of Commissioners was satisfied that throughout the year, the GCG principles of transparency, accountability, independence, fairness, and equality were well executed in day-to-day activities. We are pleased to see that GCG practices were consistently implemented, delivering (i) timely, adequate, clear, and accurate information to stakeholders, (ii) clear policies, procedures, duties, and responsibilities for each organ of the Bank; (iii) compliance with relevant laws and regulations; (iv) fair and equitable protection of the interests of shareholders; and (v) responsible business activities and operations.

BCA's self-assessment of GCG implementation concluded that the Bank's practices were rated 'Very Good'. This excellent rating was aligned with an independent assessment conducted by a domestic rating agency that adopts ASEAN Corporate Governance Scorecard (ACGS) criteria. The Bank's practices obtained a high score under the ACGS ASEAN Asset Class category, alongside selected reputable companies in the ASEAN region.

Observations on the Whistleblowing System

The Board of Commissioners directly oversees the implementation of BCA's whistleblowing system, which aims to detect internal fraud and violations. A special whistleblowing working unit is accountable to the President Director and reports directly to the Board of Commissioners.

Socialization is constantly conducted through the internal corporate communication program. Reports can be submitted by internal and external parties at any time in a safe and confidential manner, using the whistleblowing channel available on the company website.

Assessment of Committees under the Board of Commissioners

The Board of Commissioners is assisted by four committees in performing its duties and functions, namely the Audit Committee, the Risk Oversight Committee, the Remuneration and Nomination Committee, and the Integrated Governance Committee. The Board of Commissioners viewed that the committees performed their duties and functions well in 2023.

The Audit Committee, which is responsible for internal control, assists the Board of Commissioners in supervising the implementation of internal and external audit functions, including matters related to financial reporting, the internal control system, good corporate governance, and compliance with prevailing laws. Throughout 2023, the Audit Committee held 30 meetings.

The Risk Oversight Committee ensures that BCA's risk management system is able to adequately identify and mitigate risks. In 2023, the Risk Oversight Committee held 12 meetings on various topics ranging from market risks to credit quality, and cybersecurity.

The Remuneration and Nomination Committee provides recommendations to the Board of Commissioners on BCA's remuneration policies and talent mapping for its workforce. During 2023, the Remuneration and Nomination Committee held 7 meetings.

Finally, the Integrated Governance Committee supports the Board of Commissioners in supervising the implementation of integrated governance between BCA and its subsidiaries. The Integrated Governance Committee held 6 meetings in 2023.

The performance and actions of these four committees throughout 2023 are further detailed in the Good Corporate Governance chapter of this report on pages 338-339.

Composition of the Board of Commissioners

The composition of the Board of Commissioners remained unchanged in 2023. Based on the Annual General Meeting of Shareholders (AGMS) held on 29 March 2021, the current members of the Board of Commissioners will serve for a term up to the closing of the AGMS in 2026. Out of a total of five members, three were Independent Commissioners, representing 60% of the total Board members.

Assessment of the Board of Directors Evaluation of Business Prospects for the coming years

We concur with the Board of Directors' evaluation of BCA's business prospects. The performance of the banking sector serves as a proxy for the economy, with consensus estimates projecting Indonesian GDP growth at around 5.0% despite the upcoming Presidential election in 2024. A free and fair general election is widely expected to uphold political stability and sustain economic growth.

Given the pace of Indonesia's growth prospects, the Bank's Business Plan (RBB) has established positive growth projections for 2024 across all business lines. We see that these RBB targets are realistic and set a solid foundation for sustaining strong business performance in the long term. The targets also take into consideration the Bank's internal capacity and investments that have been made in recent years, as well as those planned for 2024.

While we maintain an optimistic outlook for 2024, we advise the Board of Directors to continue to be vigilant and mindful of credit risk, to observe the principle of prudence under all circumstances, and to maintain a strong capital and liquidity structure.

BCA's dominance in transaction banking has delivered substantial liquidity. To maintain the Bank's competitive position, the Board of Directors has identified technology, multiple touchpoints, and human resources as areas of essential investments, enabling the Bank to deliver value added services through online channels supplemented by human contact and cash services, which many Indonesians still value tremendously. Branch presence also becomes key to expanding loans, particularly in the SME and consumer segments, and to strengthening customer engagement.

We are confident that BCA will continue to grow its customer base and overall ecosystem, expanding in collaboration with third parties. BCA aims to maintain its leading position in the Indonesian banking industry for both individual transaction banking and business banking.

Closing Remarks

Excellent business and financial performance have demonstrated BCA's ability to perform in a competitive market and retain the trust of our customers, vendors and business partners. BCA finished 2023 with strong earnings growth and is well positioned to face challenges and capture opportunities in the year ahead.

On behalf of the Board of Commissioners, I would like to express our gratitude to the Board of Directors, employees and all those who made considerable contributions to BCA's achievements in 2023. we moreover extend special thanks to the regulators for their guidance and efforts in safeguarding the stability of the Indonesian financial system.

We convey our appreciation to our shareholders and the public at large for their belief in and support of BCA. We are confident that BCA is headed in the right direction to grow sustainably and serve all stakeholders with excellence.

Jakarta, February 2024
On behalf of the Board of Commissioners,

Djohan Emir Setijoso
President Commissioner