

FINANCIAL SERVICES AUTHORITY REGULATION
NUMBER 45/POJK.03/2015
CONCERNING
IMPLEMENTATION OF GOVERNANCE FOR COMMERCIAL BANKS
IN THE PROVISION OF REMUNERATIONS

WITH THE BLESSINGS OF GOD ALMIGHTY

BOARD OF COMMISSIONERS OF
FINANCIAL SERVICES AUTHORITY,

- Considering:
- a. whereas in the framework of facing the dynamics of the global economy, the banking industry needs to step up its resilience;
 - b. whereas the stepping up of the said resilience is achieved through the enhancement of governance in the provision of Remunerations;
 - c. whereas the enhancement of governance in the provision of Remunerations is intended to promote prudent risk takings so that Bank's business sustainability is maintained;
 - d. whereas in the framework of the realization of market discipline and in order to be up to date with the development international standards, it is necessary to have information transparency in the provision of Remunerations, in term of both quality as well as quantity;
 - e. whereas based on considerations referred to in letter a, letter b, letter c, and letter d, it is deemed necessary to enact a stipulation concerning implementation of governance for commercial banks in the provision of remunerations in a Financial Services Authority Regulation.
- In view of:
1. Act Number 7 of 1992 concerning Banking (State Gazette of the Republic of Indonesia Number 31 of 1992, Supplement to the State Gazette of the Republic of Indonesia Number 3472) as

amended by Act Number 10 of 1998 (State Gazette of the Republic of Indonesia Number 182 of 1998, Supplement to the State Gazette of the Republic of Indonesia Number 3790);

2. Act Number 21 of 2011 concerning Financial Services Authority (State Gazette of the Republic of Indonesia Number 111 of 2011, Supplement to the State Gazette of the Republic of Indonesia Number 5253);

HAS DECREED:

To enact: FINANCIAL SERVICES AUTHORITY REGULATION
CONCERNING IMPLEMENTATION OF GOVERNANCE FOR
COMMERCIAL BANKS IN THE PROVISION OF
REMUNERATIONS.

CHAPTER I GENERAL PROVISIONS

Article 1

The terminologies used in this Financial Services Authority Regulation have these following meanings:

1. Bank is a Commercial Bank as referred to in Act Number 7 of 1992 concerning Banking as amended by Act Number 10 of 1998, including branch offices of banks domiciling abroad.
2. Foreign Bank means:
 - a. a branch office of a bank domiciling overseas;
 - b. a Bank owned, both individually or jointly, by foreign citizens and/or foreign legal entities at 50% (fifty percent) or more; and/or
 - c. a Bank that is owned, both individually or jointly, by foreign citizens and/or foreign legal entities at less than 50% (fifty percent) but there is control by these foreign citizens and/or foreign legal entities.
3. Board of Directors means:
 - a. in the case of a Bank legally incorporated as a Limited Liability Company, it is the board of directors as referred to in the legislation concerning limited liability companies;

- b. in the case of a Bank legally incorporated as a Regional Government Enterprise, it is the board of directors as referred to in the legislation concerning regional government enterprises;
 - c. in the case of a Bank legally incorporated as a Cooperative, it is the management as referred to in the legislation concerning cooperatives;
 - d. in the case of a branch office of a bank domiciling abroad, it is the head of the branch office and officers of one level below the branch office head.
4. Board of Commissioners means:
- a. in the case of a Bank legally incorporated as a Limited Liability Company, it is the board of commissioners as referred to in the legislation concerning limited liability companies;
 - b. in the case of a Bank legally incorporated as a Regional Government Enterprise, it is the supervisory board as referred to in the legislation concerning regional government enterprises;
 - c. in the case of a Bank legally incorporated as a Cooperative, it is the supervisory board as referred to in the legislation concerning cooperatives;
5. Remunerations are compensations set for and provided to members of Board of Directors, members of Board of Commissioners and/or Employees, of fixed as well as variable nature and in the forms of cash as well as non-cash in accordance with the tasks, authorities, and responsibilities of each individual.
6. Fixed Remuneration is remuneration that is not related to performance and risks, which includes among others basic salary, facilities, housing allowance, medical allowance, education allowance, holiday allowance, and pension.
7. Variable Remuneration is Remuneration that is related to performance and risks, which includes among others bonus or other similar forms.
8. Bank Employee, hereinafter referred to as Employee is an individual who works at the Bank based on an agreement to execute tasks related to a certain position or certain activities by being provided with a compensation, which includes an Employee who works under a specific-time employment agreement.
9. Malus is a policy that allows Bank, based on certain criteria, to postpone payments, in part or entirety, of Variable Remuneration.
10. Clawback is an agreement between Bank and members of Board of Directors, members of Board of Commissioner or Employees in which the members of Board of Directors, members of Board of Commissioner or Employees agree to return Variable

Remunerations that have been received as long as certain criteria are met as established by the Bank.

Article 2

- (1) Bank is obliged to implement governance in the provision of Remunerations.
- (2) Implementation of governance in the provision of Remunerations shall include at least:
 - a. the tasks and responsibilities of Directors and Commissioners;
 - b. the tasks and responsibilities of the Remuneration Committee;
 - c. implementation of prudential principles in the provision of Remunerations; and
 - d. Remuneration disclosure.

CHAPTER II

TASKS AND RESPONSIBILITIES OF DIRECTORS AND COMMISSIONERS

Article 3

Bank is obliged to own a written policy on Remunerations for Directors, Commissioners, and Employees.

Article 4

The Board of Directors is obliged to develop the Remuneration policy referred to in Article 3, which shall contain at least:

- a. Remuneration structure, which shall cover at least;
 - 1) Remunerations scales based on levels and positions; and
 - 2) Remuneration components
- b. the method and mechanism for setting Remunerations.

Article 5

Development of Remuneration policy as referred to in Article 4 should at least take into consideration:

- a. the realization of effective risk management;
- b. Bank financial stability;
- c. adequacy and strengthening of Bank capital;
- d. the requirements of short-term and long-term liquidity; and
- e. potential future revenue.

Article 6

Board of Commissioners should at least perform:

- a. oversight of the implementation of Remuneration policy; and
- b. periodic evaluation on the Remuneration policy based on results of oversight as referred to in letter a.

CHAPTER III

TASKS AND RESPONSIBILITIES OF REMUNERATION COMMITTEE

Article 7

- (1) In implementing the tasks referred to in Article 6, Board of Commissioners is obliged to establish the Remuneration Committee.
- (2) The Remuneration Committee referred to in paragraph (1), shall comprise at least:
 - a. one Independent Commissioner;
 - b. one Commissioner; and
 - c. one Executive Officer, who supervises the Human Resource management function or is an Employee representative.
- (3) The Remuneration Committee is chaired by the Independent Commissioner.
- (4) Members of the Board of Directors are prohibited from becoming members of the Remuneration Committee referred to in paragraph (2).
- (5) In the case where the Remuneration Committee is set to comprise more than 3 (three) individuals, members who are Independent Commissioners shall be at least 2 (two) persons.

Article 8

Establishment of the Remuneration Committee of a branch office of a bank domiciling overseas shall be in accordance with the organization structure existing at the relevant bank.

Article 9

The Remuneration Committee should perform its tasks and responsibilities in independent manner.

Article 10

In performing its tasks and responsibilities, the Remuneration Committee should at least:

- a. conduct evaluation of the Remuneration Policy based on the performances, risks, reasonableness of the peer group, Bank's long-term goals and strategy, fulfilment of reserves as stipulated in the legislations as well as Bank's potential future revenue;
- b. submit the evaluation results and recommendations to the Board Commissioners in regards:
 - 1) policy on Remunerations for the Directors and Commissioners to be submitted to the General Shareholders Meeting;
 - 2) the overall policy on Remunerations for Employees to be submitted to the Board of Directors;
- c. ensure that the Remuneration policy is already in line with the prevailing regulation; and
- d. conduct periodic evaluation on the implementation of the Remuneration policy.

CHAPTER IV IMPLEMENTATION OF PRUDENTIAL PRINCIPLES IN THE PROVISION OF REMUNERATIONS

Article 11

In implementing governance as referred to in Article 2, Bank is obliged to observe prudential principles in the provision of Remunerations, both Fixed Remunerations as well as Variable Remunerations.

Part One

Fixed Remunerations

Article 12

The Fixed Remuneration policy should at least observe the business scales and business complexity of the peer group, inflation rate as well as financial condition and capacity, and should not violate prevailing legislations.

Part Two

Variable Remunerations

Article 13

In addition to observing the provisions of Article 12, the Variable Remuneration policy should promote prudent risk takings.

Article 14

In setting the Variable Remuneration policy referred to in Article 13, the Remuneration Committee as referred to in Article 7 paragraph (1) should undertake coordination with the risk management work unit.

Article 15

Provision of Variable Remunerations to Directors, Commissioners and/or Employees should take into consideration:

- a. Performance, namely:
 - 1) performances of Directors, Commissioners, or Employees;
 - 2) performances of business units
 - 3) performance of Bank; and
- b. risks.

Article 16

Bank sets the method for performance measurement and types of risks in determining the provision of Variable Remunerations in accordance with the scale and complexity of Bank's business activities.

Article 17

- (1) Variable Remunerations can be provided in the forms of:
 - a. cash; and/or
 - b. shares or share-based instruments issued by the Bank.
- (2) Variable Remunerations provided by a Bank that is a go public corporation should be in the form of shares or share-based instruments issued by the related Bank amounting to certain percentages of the Variable Remunerations.

Article 18

Variable Remunerations in the form of shares or share-based instruments for Independent Commissioners should be converted and given in the form of cash.

Article 19

In the case where Bank suffers a loss, the Bank is allowed:

- a. to not distribute; or
- b. to distribute relatively small amounts,
of Variable Remunerations to Directors, Commissioners and/or Employees.

Article 20

Provision of Variable Remunerations to Employees of the control unit shall be provided in accordance with performances by yet observing objectivity and impartiality.

Article 21

- (1) Bank is prohibited from giving unconditional guarantee of the provision of certain amounts of Variable Remunerations to the Directors, Commissioners and/or Employees.
- (2) The prohibition referred to in paragraph (1) is not applicable in the first year of service of the relevant individuals at the Bank.

Part Three

Material Risk Takers

Article 22

Bank is obliged to establish parties who are the material risk takers, which shall at least meet the following criteria:

- a. Directors and/or other Employees who due to their tasks and responsibilities make decisions that have significant impacts on Bank's risk profile; or
- b. Directors, Commissioners and/or Employees who receive Variable Remunerations in large amounts.

Article 23

- (1) Bank is obliged to postpone payments of Variable Remunerations to parties who are material risk takers amounting to certain percentages.
- (2) The sizes of the percentages of postponement referred to in paragraph (1) shall be adapted to the levels of the positions.

Article 24

- (1) The period of postponement of Variable Remuneration payments referred to in Article 23 paragraph (1) shall be at least be 3 (three) years.
- (2) Determination of the period of postponement of Variable Remuneration payments as referred to in paragraph (1) can be adjusted to a longer period in accordance with the time horizon of risks.

Article 25

Payments of Variable Remunerations that are postponed as referred to in Article 23 paragraph (1) should be made on pro rata basis in accordance with the periods of time referred to in Article 24.

Article 26

- (1) Under certain conditions, Bank is allowed to postpone payments of postponed Variable Remunerations (malus) or withdraw Variable Remunerations that have been paid out (clawback) to parties who are material risk takers.
- (2) Bank sets the certain conditions referred to in paragraph (1).

Article 27

Parties who are material risk takers are prohibited from undertaking hedging against the postponed Variable Remunerations.

CHAPTER V DISCLOSURE

Article 28

- (1) Bank is obliged to disclose information concerning Remuneration policy in the annual report on the implementation of governance as stipulated in the regulation concerning implementation of Good Corporate Governance for commercial banks.
- (2) Information concerning Remuneration policy that should be disclosed as referred to in paragraph (1) shall cover at least:
 - a. Remuneration Committee, among others:
 - 1) names of members, composition, tasks and responsibilities;
 - 2) number of meetings held; and

- 3) Remunerations that have been paid out to members of the Remuneration Committee during 1 (one) year;
- b. process of Remuneration policy development, which covers:
 - 1) review of the background and purpose of Remuneration policy;
 - 2) implementation of the review on Remuneration policy in the previous year, as well as its improvements; and
 - 3) mechanism for ensuring that the Remunerations for Employees in the control unit are independent of the work units being overseen;
 - c. Remuneration policy coverage and its implementation per business unit, per region and at subsidiary companies or branch offices located overseas;
 - d. Remunerations that are related to risks, covering:
 - 1) types of key risks used in establishing Remunerations;
 - 2) criteria for determining types of key risks, including risks that are difficult to measure;
 - 3) impacts of the determination of key risks on Variable Remuneration policy; and
 - 4) changes in the determination of types of key risks compared to the previous year as well as the reasons, if any;
 - e. performance measurement that is related to Remunerations, which covers:
 - 1) review on Remuneration policy that is related to performance assessment;
 - 2) method used in relating individual Remuneration with Bank performance, work unit performance and individual performance; and
 - 3) description of the method used by Bank to state that in the case where the agreed performance has not been achieved, it is necessary to make an adjustment to the remunerations as well as the size of the remuneration adjustment when such condition occurs;
 - f. adjustments to Remunerations that are related to Performance and Risks, which cover:
 - 1) policy concerning Variable Remunerations that are postponed, the sizes, and criteria for determining those sizes; and
 - 2) Bank policy concerning postponed Variable Remunerations which payments are postponed (malus), or withdrawn when they have been paid out (clawback);

- g. name of external consultant and the consultant's tasks related to the Remuneration policy, if Bank uses the service of an external consultant;
- h. Remuneration packages and facilities received by the Directors and Commissioners, covering Remuneration structure and details of nominal values;
- i. Variable Remunerations, covering:
 - 1) the forms of Variable Remunerations as well as the reasons for choosing those forms; and
 - 2) explanation on differences in the provision of Variable Remunerations, if any, to Directors, Commissioners and/or Employees;
- j. number of Directors, Commissioners and Employees who have received Variable Remunerations during 1 (one) year and the total nominal values;
- k. positions and number of parties who are material risk takers;
- l. share options owned by Directors, Commissioners, and Executive Officers;
- m. highest and lowest salary ratios;
- n. number of recipients and amounts of total Variable Remunerations that are unconditionally guaranteed to be paid by Bank to candidate Directors, candidate Commissioners, and/or candidate Employees during first 1 (one) year of service as referred to in Article 21;
- o. number of Employees who have been terminated and total nominal value of severance payments;
- p. amount of total Variable Remunerations that are postponed, comprising cash and/or shares or share-based instruments issued by the Bank;
- q. amount of total postponed Variable Remunerations that have been paid out during 1 (one) year;
- r. details of amounts of Remunerations provided in one year, covering:
 - 1) fixed and variable Remunerations;
 - 2) postponed and non-postponed Remunerations; and
 - 3) forms of Remunerations provided in cash and/or shares or share-based instruments issued by Bank;
- s. quantitative information concerning:
 - 1) total amount of remaining Remunerations that are still postponed, those exposed to both implicit as well explicit adjustments;
 - 2) total amount of deductions to Remunerations that are due to explicit adjustments during the reporting period;

- 3) total amount of deductions to Remunerations that are due to implicit adjustments during the reporting period;

Article 29

Bank shall present information referred to in Article 28 paragraph (2) in the forms of:

- a. tables or graphs; and/or
- b. comparison with the reporting period of 1 (one) preceeding year.

CHAPTER VI OTHER PROVISIONS

Article 30

- (1) Financial Services Authority shall conduct supervision on the implementation of Bank Remuneration policy in accordance with this Financial Services Authority Regulation.
- (2) In the case where the Financial Services Authority assesses that Bank has not implemented the Remuneration policy in accordance with this Financial Services Authority Regulation, the Financial Services Authority shall instruct the Bank to undertake corrective measures.

Article 31

- (1) Under certain conditions, Financial Services Authority has the authority to:
 - a. conduct a review on the sizes of Variable Remunerations for Directors, Commissioners, and/or Employees; and/or
 - b. instruct Bank to make adjustments to Variable Remuneration policy.
- (2) Financial Services Authority has the authority to appoint an independent party to perform the review referred to in paragraph (1) letter a.

Article 32

- (1) Bank that is an Indonesian legal entity is obliged to implement and monitor the implementation of Remuneration policy in accordance with this Financial Services Authority Regulation at Bank office networks overseas.
- (2) In the case where stipulations concerning Remunerations in the countries where Bank office networks domicile as referred to in paragraph (1) are different than this

regulation, Bank is obliged to implement Remuneration policy that is at least in accordance with this Financial Services Authority Regulation.

- (3) Financial Service Authority has the authority to undertake coordination in the framework of home-host supervision to ensure the implementation of Remuneration policy.

CHAPTER VII SANCTIONS

Article 33

Any Bank that does not meet this regulation as provided in Article 2, Article 3, Article 4, Article 5, Article 6, Article 7, Article 9, Article 10, Article 11, Article 13, Article 14, Article 15, Article 17 paragraph (2), Article 21 paragraph (1), Article 22, Article 23 paragraph (1), Article 25, Article 27, Article 28, Article 32 paragraph (1) and paragraph (2), Article 34 or Article 35, shall be imposed with administrative sanctions among others in the forms of:

- a. written reminder; and/or
- b. lowering of the rating on Good Corporate Governance factor.

CHAPTER VIII TRANSITIONAL PROVISIONS

Article 34

Any Bank, which has not owned or has owned Remuneration policy but it is not yet in accordance with the Remuneration policy as provided in this Financial Services Authority Regulation, is obliged to make adjustments to its Remuneration policy by referring to this Financial Services Authority Regulation no later than 1 (one) year since this Financial Services Authority Regulation comes into effect.

Article 35

With the effectiveness of this Financial Services Authority Regulation, the tasks and responsibilities of existing Remuneration Committees, which are not yet in line with the provisions of this Financial Services Authority Regulation, should be adjusted to be in line with this Financial Services Authority Regulation.

Article 36

The provisions on sanctions as referred to in Article 33 shall come into force since:

- (1) 1 January 2019, for Foreign Banks, and Banks included in the Commercial Banks based on Business Activities (BUKU) 3 category and BUKU 4 category; and
- (2) 1 January 2020, for Banks included in BUKU 1 and BUKU 2 that are not Foreign Banks.

CHAPTER IX CONCLUDING PROVISIONS

Article 37

Further stipulations concerning implementation of governance in the provision of remunerations based on performance and risks shall be provided in a Financial Services Authority Circular Letter.

Article 38

With the effectiveness of this Financial Services Authority Regulation, Article 61 paragraph (2) letter d, letter e, and letter f, as well as paragraph (3) of Bank Indonesia Regulation Number 8/4/PBI/2006 concerning Implementation of Good Corporate Governance for Commercial Banks as amended by Bank Indonesia Regulation Number 8/14/PBI/2006 concerning Amendment to Bank Indonesia Regulation Number 8/4/PBI/2006 concerning Implementation of Good Corporate Governance for Commercial Banks is hereby declared no longer valid.

Article 39

This Financial Services Authority Regulation shall come into effect on:

- (1) January 2016, for Foreign Banks, and Banks included in the BUKU 3 category and BUKU 4 category; and
- (2) 1 January 2017, for Banks included in BUKU 1 and BUKU 2 that are not Foreign Banks.

For public information, orders this Financial Services Authority Regulation be published in the State Gazette of the Republic of Indonesia.

Ratified in Jakarta

On 23 December 2015

CHAIRMAN OF BOARD OF COMMISSIONERS
FINANCIAL SERVICES AUTHORITY

MULIAMAN D. HADAD

Enacted in: Jakarta

On 28 December 2015

MINISTER OF LAW AND HUMAN RIGHT
REPUBLIC OF INDONESIA

YASONNA H. LAOLY

STATE GAZETTE OF THE REPUBLIC OF INDONESIA NUMBER 371 OF 2015

ELUCIDATION
TO
FINANCIAL SERVICES AUTHORITY REGULATION
NUMBER 45/POJK.03/2015
CONCERNING
IMPLEMENTATION OF GOVERNANCE FOR COMMERCIAL BANKS
IN THE PROVISION OF REMUNERATIONS

I. GENERAL REVIEW

One of the factors that have contributed to the 2007 world economic crisis was the provision of high bonuses in relation to the achievements of set targets by disregarding risks that could arise in the following periods, which could endanger Bank's financial condition if the Bank was not able to absorb the losses. Corrective action to that unsound bonus provision practice has subsequently become an agenda in the global financial system reformation program and on 25 September 2009 the Financial Stability Board issued the Principles for Sound Compensation Practices.

This reformation program has the purpose to (i) prevent the emergence of moral hazards and bring forward prudential elements into Bank management; (ii) maintain Bank's soundness individually; and (iii) mitigate excessive risk takings by decision makers. Indonesia as a member of the G-20 group has made a commitment to adopt those principles in the form of regulations.

In line with the implementation of Basel II, particularly Pillar 3 (Market Discipline), Banks are required to disclose more transparent information to the public and market players, particularly in relation to Remunerations, in order to promote discipline and to enable reasonable assessments by the stakeholders.

However, this disclosing of information is undertaken by yet maintaining Bank's competitive advantage. As such, it is necessary to stipulate the scope of the information that should be disclosed, in term of both quality as well as quantity, so that competitiveness amongst Banks can still be maintained.

In this regard, it is necessary to regulate the implementation of governance in the provision of remunerations in a Financial Services Authority Regulation.

II. ARTICLE BY ARTICLE

Article 1

Self-explanatory.

Article 2

Self-explanatory.

Article 3

Self-explanatory.

Article 4

Self-explanatory.

Article 5

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

“Adequacy and strengthening of Bank capital” means that the Remuneration policy can maintain Bank’s business sustainability so that Bank is able to be in operation and to expand, as well as to be able to compete in the global market and within its peer group.

Bank’s capital adequacy includes capital adequacy in the framework of fulfilling regulatory capital requirement as well as Individual Capital Adequacy Assessment Process (ICAAP).

Letter d

Self-explanatory.

Letter e

Self-explanatory.

Article 6

Self-explanatory.

Article 7

Paragraph (1)

Self-explanatory.

Paragraph (2)

The regulating of Remuneration Committee membership refers to the regulation concerning implementation of Good Corporate Governance for commercial banks.

Paragraph (3)

Self-explanatory.

Paragraph (4)

Self-explanatory

Paragraph (5)

Self-explanatory.

Article 8

Self-explanatory.

Article 9

“In independent manner” means that tasks are performed in a manner that are objective and free from pressures and the interests of any party.

Article 10

The regulating of Remuneration Committee’s tasks and responsibilities refers to the regulation concerning implementation of Good Corporate Governance for commercial banks.

Letter a

“Performance” means financial performance, Bank performance, business unit performance, and individual performance.

“Reserve” means reserve as referred to in the Act concerning limited liability companies.

Letter b

Self-explanatory

Letter c

Self-explanatory

Letter d

Evaluation of Remuneration policy and its implementation is an integral part of Bank risk management framework.

Article 11

“Observing prudential principles in the provision of Remunerations” means taking into consideration:

- a. the realization of effective risk management;
- b. Bank’s financial stability;
- c. adequacy and strengthening of Bank capital;
- d. short-term and long-term liquidity requirements; and

e. potential future revenue.

Article 12

Self-explanatory.

Article 13

“Prudent risk takings” mean risk takings in business activity undertakings are made in a measured way and in reference to the legislation concerning risk management.

Article 14

Self-explanatory.

Article 15

Letter a

Self-explanatory.

Letter b

“Risks” cover risks that have emerged and those that might emerge. The types of risks refer to the regulation concerning implementation of risk management for commercial banks.

Article 16

Self-explanatory.

Article 17

Paragraph (1)

Letter a.

Self-explanatory.

Letter b.

“Shares” mean new shares issued by the Bank or shares of the relevant Bank purchased at the bourse by using Bank’s money.

Paragraph (2)

“Shares” mean new shares issued by the Bank or shares of the relevant Bank purchased at the bourse by using Bank’s money.

Article 18

Self-explanatory.

Article 19

“Suffering a loss” means the Bank does not earn profit in the accounting year that is the base for the calculation of Variable Remuneration.

Determination of Variable Remuneration that is relatively small or impossible to distribute because the Bank experiences a loss is made based on the prudential principles in the provision of Remunerations.

Article 20

Control unit includes among others risk management work unit, compliance function and internal audit work unit.

Article 21

Self-explanatory.

Article 22

Self-explanatory.

Article 23

Paragraph (1)

Self-explanatory.

Paragraph (2)

“To be adapted to the levels of the positions” means that the higher the positions the larger the percentages of Variable Remunerations that are postponed.

Article 24

Paragraph (1)

The determination of the period of at least 3 (three) years should have taken into account the risks that will emerge.

Paragraph (2)

For example:

Employee A, who is included in the material risk taker category, has made a decision on a large amount of foreign currency credit with 3 (three) year maturity. The Bank assesses that there is a potential risk of default in the foreign currency credit repayment as there is a strengthening of the foreign currency value. As such, the provision of the Remuneration of Employee A by the Bank can be postponed for more than 3 (three) years, for example 4 (four) years.

Article 25

For example:

Employee A is included in the material risk taker category. In January 2015, A made a decision to accept 2014 bonus amounting to Rp1,000,000,000.00 (one billion rupiah). In accordance with Bank policy, payment of the bonus was made at the end of January 2015 and the percentage of the bonus that is postponed is 60% (sixty percent). At the

end of January 2015, A received 40% (forty percent) or Rp400,000,000.00 (four hundred million rupiah). The remaining 60% (sixty percent) or Rp600,000,000.00 (six hundred million rupiah) is postponed for 3 years and would be paid in 3 years, namely 2015 (after January), 2016, and 2017 on pro rata basis, which means payment of Rp200,000,000.00 (two hundred million rupiah) per year.

Article 26

Paragraph (1)

Self-explanatory.

Paragraph (2)

“Certain conditions” include among others the condition when Bank experiences a loss, the occurrence of a risk with a negative impact on Bank’s finance or a fraud conducted by a party categorized as material risk taker party that brings a loss to the Bank.

Article 27

An example of hedging is among others insurance on Variable Remuneration that is postponed.

Article 28

Paragraph (1)

Self-explanatory.

Paragraph (2)

Letter a

Self-explanatory.

Letter b

Self-explanatory.

Letter c

Self-explanatory.

Letter d

Self-explanatory.

Letter e

Self-explanatory.

Letter f

Self-explanatory.

Letter g

Self-explanatory.

Letter h

Self-explanatory.

Letter i

Letter 1)

“The forms of Variable Remunerations” mean cash and/or shares or share-based instruments.

Letter 2)

Differences in the provision of Variable Remunerations can be differences in the composition (cash and/or shares or share-based instruments) as well as in the sizes of Remuneration percentages.

Letter j

Self-explanatory.

Letter k

Self-explanatory.

Letter l

Self-explanatory.

Letter m

Self-explanatory.

Letter n

Self-explanatory.

Letter o

“Termination” means termination of employment agreement that has occurred not by the request of the Board of Directors, Board of Commissioners, and/or the relevant Employee, but because of Bank policy such as the occurrence of a merger, consolidation, acquisition, or streamlining of the Bank’s organizational structure.

The definition of termination of employment agreement in this paragraph does not include termination of employment agreement due to violation of a certain regulation or fraud.

Letter p

Self-explanatory.

Letter q

Self-explanatory.

Letter r

Self-explanatory.

Letter s

Implicit adjustments are adjustments that occur due to factors outside Bank's control, such as movement of share prices, while explicit adjustments are adjustments that are directly influenced by the Bank, such as reduction of remuneration payment due to non-achievement of a certain target.

Article 29

Presentations in the forms of tables or graphs as well as comparison with previous reporting period are intended among others to find out about the trend of developments that have occurred and to enhance information clarity.

Article 30

Paragraph (1)

Supervision on the implementation of Bank Remuneration policy is performed among others in the framework of Bank's risk management framework.

Paragraph (2)

Self-explanatory.

Article 31

Paragraph (1)

"Certain conditions" mean among others a condition where Bank's status is of under special surveillance or Bank is under rehabilitation in accordance with the regulation concerning determination of the status and supervisory follow-up actions on conventional commercial banks.

Paragraph (2)

Self-explanatory.

Article 32

Self-explanatory.

Article 33

Self-explanatory.

Article 34

Self-explanatory.

Article 35

Self-explanatory.

Article 36

Self-explanatory.

Article 37

Self-explanatory.

Article 38

Self-explanatory.

Article 39

Self-explanatory.

SUPPLEMENT TO THE STATE GAZETTE OF THE REPUBLIC OF INDONESIA
NUMBER 5811