

MANAGEMENT AND/OR EMPLOYEE SHARE OWNERSHIP PROGRAM (ESOP/ MSOP)

PROGRAM OBJECTIVES

The employee bonus program is a program where Bank shares are granted to employees who meet certain criteria and requirements as stipulated in the Program Implementation Guidelines.

The purpose of this employee share bonus program is:

1. To establish long-term employee retention.
2. To motivate employees to provide their best performance.
3. To increase employees' sense of belonging to the Bank.

TOTAL ESOP OR MSOP SHARES AND REALIZATION

Taking into account point 4, letter a, number 3, of Regulation No. XI.B.2 jo. Article 9 of the OJK Regulation No. 2/POJK.04/2013, a share buyback may be diverted / used for the an Employee Stock Option Plan or employee Stock Purchase Plan, and the Company conducted a Disclosure of Information on May 12, 2016 stating that they will conduct the transfer of Series C shares through a buyback Shareholding Program, for the Company's Management and Employees, in the form of Bonus shares (hereinafter referred to as "Bonus Shares Program").

Supervision of the Shares Bonus Program is carried out by the Company's Board of Directors and reported at the Company's General Meeting of Shareholders closest to the implementation of the program.

The bonus shares allocation to members of the Board of Directors, and the Board of Commissioners, is in accordance with the Minister of State-Owned Enterprises Regulation No. Per-04/MBU/2014 concerning Guidelines for Determination of Board of Directors, Board of Commissioners and Board of Trustees of State Owned Enterprises, and was conducted after the Company obtained approval from the General Meeting of Shareholders / Ministry of SOEs. Based on the Minutes of AGMS No. 8 dated March 10, 2016, the allocation of bonus shares to members of the Board of Directors and Board of Commissioners was carried out after obtaining the approval of the Minister of SOEs.

Ministry of SOE Letter No. S-574/MBU/D5-06/2018 dated June 5, 2018 fixed the determination Long Term Incentive (LTI) at 10% of the Board of Directors and Board of Commissioners Tantiem for Fiscal Year 2017. LTI is given in the form of shares deferred for three years or until the end of the term of office. This provision is not given to Independent Commissioners, where LTI is given in cash where the payment is deferred for three years or until the end of the term of office.

Allocation of the first phase for employee was completed in 2016, and employees entitled to be participants in the Bonus Share Program, were permanent employees as at October 30, 2016 (Disclosure date). Employees declared eligible for vesting were notified by email, or other communication media, which contained confirmation of the bonus shares entitlement and the vesting date.

The vesting conditions were determined as follows:

1. Not undergoing cases and / or being subject to sanctions according to the applicable Bank Personnel Regulations;
2. Has not terminated their employment relationship on their own accord; or
3. Has not ended their employment relationship due to low performance.

As of December 2018, 35,349,718 shares have been vested to 20,289 employees.

TIME PERIOD

The share bonus allocation will be conducted over 3 (three) years between 2016 - 2018, with periodic vesting of stock.

1. The terms for the share bonus allocation and vesting requirements for employees covers other performance and administrative requirements based on internal company requirements.
2. Vesting will be conducted periodically based on position level at the end of January, April and July 2017 - 2019.

EMPLOYEE OR MANAGEMENT REQUIREMENTS

The Bonus Shares Program became part of the remuneration pursuant to the Ministry of State Owned Enterprises Decree No. Per-04/MBU/2014 concerning Guidelines for Determination of Board of Directors, Board of Commissioners and Board of Trustees of State Owned Enterprises, in the form of long-term rewards where the shares repurchased were allocated to:

1. Employees as a bonus for achievement of company performance, and
2. Members of the Board of Directors, and the Board of Commissioners as part of the bonus for the fiscal year concerned.



EXERCISE PRICE

Referring to the Financial Services Authority Regulation (OJK) No. 02/POJK.04/2013 dated August 23, 2013 concerning Repurchase of Shares Issued by Issuers or Public Companies in Significantly Fluctuating Market Conditions, and No. 5/SEOJK.04/2017 concerning Revocation of SEOJK No. 22/SEOJK.04/2015 concerning Conditions Other than Significantly Fluctuating Market Conditions in the Implementation of Share Buy Back Issued by Issuers or Public Companies, BNI conducted repurchases of Company's shares that had been issued and listed on the Indonesian Stock Exchange (Buy Back). BNI appointed PT BNI Sekuritas as the institution conducting the repurchase of the Company's shares to purchase shares over a period of three months, starting from November 2, 2016 to December 28, 2016.

The number of shares bought back was equal to 0.8% of the issued and fully paid, or 150,537,500 shares. The Company's repurchased shares amounted to Rp749,979,275,500.00 (maximum of 750 billion rupiah) and the average Buyback price amounted to Rp4,982.00 per share. After the Company shares repurchase, the Company conducted a Disclosure of Information on October 30, 2016.

These repurchased shares were redistributed to employees who met the criteria, with an exercise price of Rp4.982,00 per share.

LOANS BASIC LENDING RATE

Bank Indonesia requires all Commercial Banks conducting conventional business activities in Indonesia report and publish their Basic Lending Rate (BLR) in Rupiah. This was in accordance with POJK No. 6/POJK.03/2015 concerning Transparency and Publication of Bank Reports as amended by POJK No. 32/POJK.03/2016 and Bank Indonesia Regulation Number 7/6/PBI/2005 concerning Transparency of Bank Product Information and Use of Customer Personal Data (State Gazette of the Republic of Indonesia of 2005 Number 16, Supplement to the Republic of Indonesia State Gazette Number 4475).

The application of information transparency on prime lending rates (PLR) is one of the efforts to provide clarity to customers and enable customers to weigh the benefits, costs and credit risk offered by the Company. In addition, the PLR also seeks to improve good governance and encourage healthy competition in the banking industry, including through the creation of better market discipline.

The PLR is also required as an indicator of the loan interest rate to be applied to customers applying for loans from the Company. In such cases, BNI always republishes its PLR, in accordance with the reference rate movement stipulated by Bank Indonesia. In general, the PLR is calculated based on 3 (three) components, namely Cost of Funds for Loans arising from customer fund raising activities, operating expenses incurred for fund raising activities, and lending and profit margin components set by the Company in its lending activities. The PLR calculation does not take into account the risk premium component of the borrower, which depends on an assessment of the risk of each borrower. Therefore the loan interest rate charged to the borrower is not necessarily the same as the PLR.

BNI are required to report PLR calculations to Bank Indonesia on a monthly basis, and periodically publish them in the wider media. The PLR calculation applies to corporate loans, retail loans, microcredit, and consumer loans (mortgages and non-mortgages). Bank Indonesia submits the classifications for corporate loans, retail loans and consumer loans (mortgages and non-mortgages) based on internal criteria used by the bank.