

E.3.1 (B)

Does the company use professional search firms or other external sources of candidates (such as director databases set up by director or shareholder bodies) when searching for candidates to the board of directors/commissioners?

Nomination Process of The Board of Directors and Commissioners of Bank BTN

In carrying out identification and/or nomination process of candidates for member of Board of Directors (including member of the Board of Commissioners), Bank BTN runs a series of programs and activities in systematic, comprehensive and sustainable manner. It is designed to sustain and/or realize the increased performance in long term and/or ensure the successful achievement of main targets of the Bank and/or aligned with the strategic objectives that have been set for realizing the vision and mission of the Bank and in accordance with applicable legislation and regulations.

As for the series of processes is implemented in such a way to ensure that the election of member of the Board of Directors and Commissioners has been through identification and nomination process that is aligned with vision, mission and strategic goals of Bank BTN, we can state as follows:

1. Talent Mapping Program

The process of identification and/or nomination of member of the Board of Directors and Commissioners and the process begins with implementing management activities and employee placement with implementing the Talent Mapping Program (Talent Mapping). Bank BTN believes that management and employee placement is key to successfully improving the Bank's performance. Bank BTN determines method and procedure to manage the entire employee so that management can put them in the right position, the main strategic positions that determine success in achieving the main targets aligned with strategic goals that have been set in order to realize vision and mission of Bank BTN.

Talent Mapping method is done with the purposes:

- a. Determines management and development program for Employees.
- b. Employee placement in the right position.
- c. Undertake measures to develop and aligned to maximize the Bank's performance.

This Talent Mapping is an assessment process that assesses Employee's Performance and Potential aspects that are outlined in the "9 Boxes" matrix as illustration, as follows:

| | | | | |
|-------------|--------|-----------|--------|------|
| Performance | High | 7 | 8 | 9 |
| | Medium | 4 | 5 | 6 |
| | Low | 1 | 2 | 3 |
| | | Low | Medium | High |
| | | Potensial | | |

Based on the results of assessment, there are 9 (nine) Employee groups reflecting the different characteristics of these two aspects are assessed, as follows:

- a. Talent Group 9: Employee with High Performance High Potential.
- b. Talent Group 8: Employee with High Performance Medium Potential.
- c. Talent Group 7: Employee with High Performance Low Potential.
- d. Talent Group 6: Employee with Medium Performance High Potential.
- e. Talent Group 5: Employee with Medium Performance Medium Potential.
- f. Talent Group 4: Employee with Medium Performance Low Potential.
- g. Talent Group 3: Employee with Low Performance High Potential.
- h. Talent Group 2: Employee with Low Performance Medium

Potential.

i. Talent Group 1: Employee with Low Performance Low Potential.

2. Succession program

Based on the talent mapping program, Bank BTN step further by implementing succession planning program. Bank BTN determines a policy and mechanism for filling strategic positions (up to management level) that holds the key role to realize the aligned Bank's strategic goals (aligned with the company's strategic directions) so that vision and mission of the Bank can be realized.

The purpose of succession planning, among others: (a) Audit the Bank "talent pool" so that it can assist the determination of responsibility and the development of strategies to fill talent gaps that have been identified; (B) Build "key talent resource" of employees who share skills, knowledges, experience and values that are important to the company in the future.

In addition, Bank BTN succession policy we have explained in item E.5.3 (see attachment [cross reference section]). However, in outline, the mechanism of Bank BTN Succession Program conducted through several stages as follows:

- a. Succession planning committee make a succession plan for each position designated based on selection result of successor candidates;
- b. Succession planning committee discussed the succession plan with management, direct supervisor, employees and the

parties who involved to finalize the succession plan will be joint approved;

- d. Successor and their immediate supervisor or mentor appointed to analyze the results of the assessment and development plans for competency gaps both technical and behavior;
- e. Direct supervisor or mentor appointed recommending specific Development Program to each successor then discussed with the Committee Succession Planning.

Succession Planning Committee regularly obliged to conduct an evaluation of succession planning programs that have been organized by:

- a. Reviewing and revising strategies and plans in accordance with individual and organization development;
- b. Succession Planning Committee every year to review and revise the strategy and succession plan in accordance with individual development and organizational needs.

3. Succession Program of Directors and Commissioners

Talent Mapping Program and Succession Program, as described above as a basis by management of Bank BTN to determine candidates for the Board in coordination with Remuneration and Nomination Committee and the Board of Commissioners. Criteria established by Bank BTN for employee who became a successor or candidates of member of the Directors is "Star" group based on the results of talent mapping.

Thus, the Talent Mapping conducted by management of Bank BTN

serve as primary consideration for Remuneration and Nomination Committee for the election of candidates for the Board are aligned with the needs of their competencies to achieve strategic objectives which have been set by Bank BTN. In addition, we can also state that in carrying out its duties, Remuneration and Nomination Committee refers to the applicable regulations, which are based on the provisions of Bank Indonesia (BI)/Financial Services Authority (FSA), which stipulates that any proposed replacement and/or removal of members of the Board of Directors and members of the Board of Commissioners to the GMS, then recommendation of the Board of Commissioners shall consider recommendation of the Remuneration and Nomination Committee.

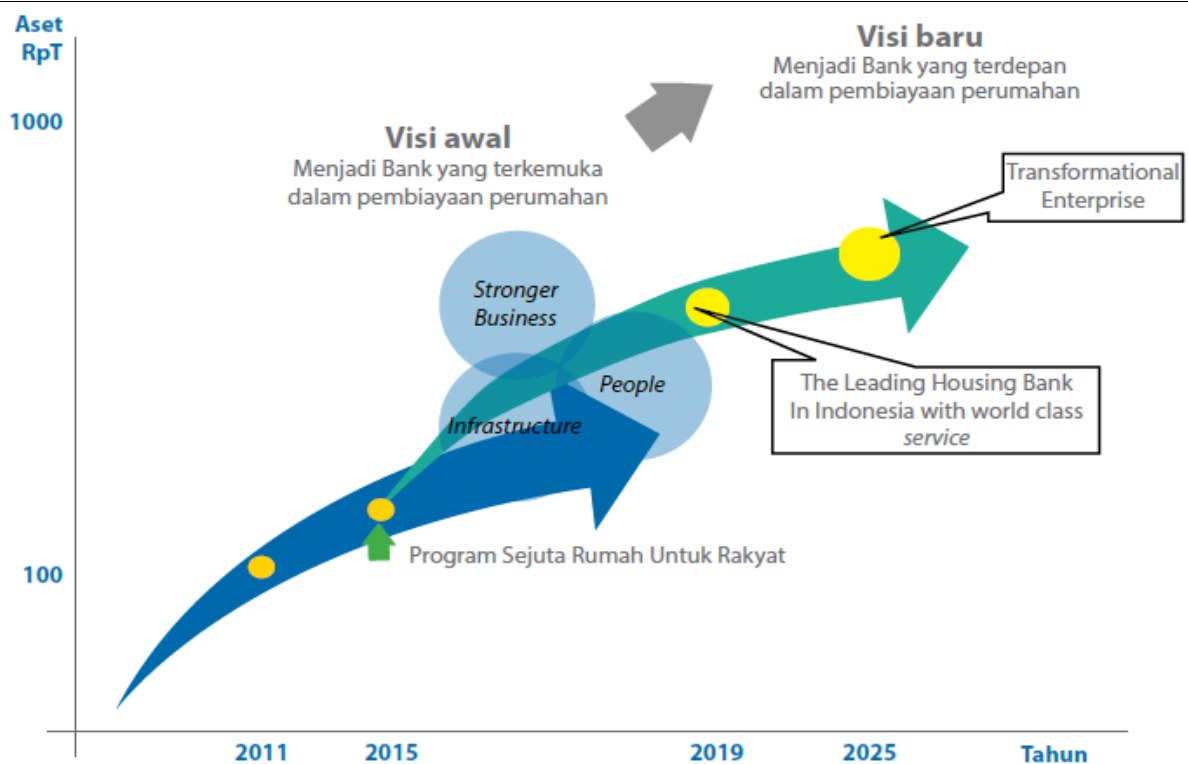
Bank BTN has had a Remuneration and Nomination Committee in accordance with BI /FSA regulation in question and has the duty and responsibility related to the Nomination as follows:

- a. Provide recommendations to the Board of Commissioners on:
 - 1) composition of the tenure of member of the Board of Directors and/or Commissioners;
 - 2) policy and criteria required in Nomination process;
 - 3) performance evaluation policy for member of the Board of Directors and/or Commissioners.
- b. Assist the Board to assess the performance of members of the Board of Directors and/or Board of Commissioners based on benchmarks that had been developed as an evaluation;
- c. Provide recommendations to the Board of Commissioners

regarding the capacity building program of the Directors and/or members of the Board of Commissioners; and

- d. Propose candidates who qualify as member of the Board of Directors and/or Board of Commissioners to the Board of Commissioners to be delivered to the GMS.

In addition to regulation, as reaffirmation, in providing recommendations Remuneration and Nomination Committee always choose candidates for the Board of Directors and Commissioners are fit and proper to achieve the vision, mission and strategic goals of Bank BTN which has been set so that management done can be aligned with strategy that will be pursued in the long term. Bank BTN itself has set long-term target until 2025, that: towards Transformational Enterprise-Global Mindset with target becoming a global company in the field of housing, property and basic infrastructure, as well as illustrations, as follows:



To achieve the plan, Bank BTN has made transformation since 2013 and divided into three phases, as follows:

- a. Phase I: Year 2013 - 2015, namely: survival period, with the stage reached is domination of nation wide market leader that dominate national housing business. Requirements that are necessary in this stage is (a) dominate the market share on housing market, (b) protected market, (c) predictable change, and (d) financial capital driven.
- c. Phase II: Year 2016 - 2019, namely: digital banking period, with stages to be achieved is the leading housing bank Indonesia with world class service. Requirements to be met in this stage are: (a) dominance by speed, (b) technology enhance, (c) rapid change and (d) human capital driven.
- d. Phase III: Year 2020- 2025, namely: global playership period, with the stages that will be achieved is

transformational Enterprise Global Mindset. Requirements to be met at this stage are: (a) size and speed thru the network, (b) global free trade, (c) continuous change and (d) human and financial driven.

Currently, transformation stage I in the final process, so the requirement to transformation phase 2 have been met, among others: the mastery of residential business reached more than 30.6% by 2015 and among the largest national banks, controls 98% of the mortgage market subsidies, repairs business and capital strengthening. Therefore, Bank BTN needs to take a leap in the transformation roadmap with a focus on strengthening the business (stronger business). Business strengthening in Bank BTN transformation are:

- a. Strengthening the line of credit
- b. Strengthening the line of funds
- c. Strengthening infrastructure field
- d. Strengthening HR field

As an illustration, in the succession process of the Board of Management of Bank BTN at Extraordinary GMS September 2015, Remuneration and Nomination Committee has duties and responsibilities to provide recommendations to the Board in relation nomination of candidates for the Board to consider strategies that have been set by Bank BTN to realize the vision and mission of the Company as the above description. Several things we can say, namely: Considering the competence of candidates for the Board of Directors are required under the

Bank's strategy to focus on related matters, among others: communication style, service excellence-related competence, vision, mission and grand strategy of candidates for the Board of Directors (macro), achievement performance and commitment to the corporate culture. This is done based on the data and/or analysis of the talent mapping program and succession program then continued with the interview process and to validate various other factors concerning the integrity, competence (which is aligned with the strategic objective of Bank BTN) and reputation, especially the financial reputation of the prospective members of the Board of Directors ,

Based on recommendation of the Remuneration and Nomination Committee, the Board of Commissioners to establish and then submit its recommendation to the Dwi Warna Shareholders (dhi. Ministry of SOEs). Thus we can say that BTN has conducted elections with candidates for new Board of Directors in accordance with Company's strategy, as indicated by Board of Commissioners letter to shareholders.

4. Succession Program of Directors and Commissioners by Dwi Warna Shareholders

Furthermore, based on recommendation of the Remuneration and Nomination Committee, the Board of Commissioners of Bank BTN recommendations to Shareholders Dwi Warna (dhi. Ministry of SOEs), as well as the controlling shareholder who has the privilege/entirely to determine member of the Board of

Directors and Board of Commissioners of Bank BTN. It is set in Minister of SOE Regulation Number PER-03/MBU/02/2015.

We can state that in the case of the appointment of member of the Board of Directors carried out through selection process as follows:

a. Minister, Secretary, Technical Deputy and/or Deputy seeking prospective candidates, with considering to the following matters:

- 1) candidate from SOE Talent, proposed by the Board of Commissioners;
- 2) Minister, Secretary, Deputy Technical and/or Deputy can assign candidates from Talent state without the proposed BOC deemed to have a good record;
- 3) candidate from Ministry of SOEs talents proposed by Secretary;
- 4) Candidates who come from the Board of Directors, Board of Commissioners and/or other sources may submit an application to or proposed by Minister, Secretary, Technical Deputy and/or Deputy;
- 5) Selection of candidate prioritizes from SOEs Talent.

b. Especially for open SOE, prospective candidates from SOEs Talent shall be proposed by Board of Commissioners. If the Minister regards this as another candidate who has the potential to become a member of the Board of Directors, but not included in the list of names proposed by Board of Commissioners, Minister may ask the Board of Commissioners

to conduct an assessment of the question and if it qualifies to be proposed to the Minister.

c. All prospective candidates administrated by Deputy.

Furthermore, there is a process of Fit and Proper Test (UKK) which is the process of measuring the feasibility of propriety competencies that will be proposed as Candidates conducted by team who appointed by Minister or the professional Institution appointed by Minister. The UKK process among others:

a. Candidates who will be determined to be candidates for member of Board of Directors, is a person who has been found to comply with the formal requirements and other requirements and passing UKK.

b. UKK to the candidates conducted by professional institution appointed by the Minister (that is (1) Assessment Center Indonesia PT Telekomunikasi Indonesia (Persero), Tbk.; (2) Lembaga Management Fakultas Ekonomi Universitas Indonesia; (3) PT Bina Potensia Indonesia; (4) PT Binaman Utama - PPM; (5) PT Daya Dimensi Indonesia; (6) PT Eshael Indonesia)

c. UKK can also be done by a team established by the Minister without going through professional institution.

d. Prior a person determined to be the Board of Directors, the Minister may undertake an evaluation of the results UKK professional agencies or team. Evaluation of UKK professional agency results can be done through a team formed by the Minister.

e. Especially for the state-owned banks, prospective candidates will be proposed at GMS, were evaluated by a team established by the minister to involve Chairman of the Board of Commissioners that performs the Nomination functions. If the Chairman of the Committee of the Board of Commissioners as referred absent, it can be replaced by a member of the Committee of Independent Commissioner elements that perform Nomination functions.

The appointment procedures for Board of Commissioners by SOE Minister Regulation Number PER-02/MBU/02/2015 stipulates that candidates BOC source comes from Former Directors of SOE, BOC of SOE, Structural and Functional government officials and other sources. Selection process in the appointment of the Board of Commissioners by Minister, Secretary, Technical Deputy and/or Deputy seeking candidates from a variety of sources.

Assessment process of BOC appointment includes:

a. Candidates who will be assigned to be a candidate member of the Board of Commissioners is a person who has been found to comply with formal requirements, Material Requirements and Other Requirements. As for the material requirements such as having integrity, dedication, understanding the management company and have adequate knowledge in the field of the Company.

b. Against certain SOEs are determined by Minister, candidate of Commissioner/Member of the Board of Commissioners must follow

the fit and proper test conducted by Professional Institution appointed by the Minister to conduct fit and proper test for candidates of the Board of Directors.

c. Especially for state-owned banks, prospective candidates will be proposed at the GMS, assessed by a team established by Minister, Chairman of the Committee involves the Board of Commissioners that performs the functions of the Nomination. If the Chairman of the Committee of the Board of Commissioners as referred absent, it can be replaced by a member of the Committee of Independent Commissioner elements that perform Nomination function.

5. Appointment of Directors and Commissioners in the GMS

Through a series of above-mentioned process, candidates for the Board of Directors and Commissioners proposed by Dwi Warna Shareholders (Ministry of SOEs) in the GMS for approval and then be removed through mechanisms that have been specified and/or in accordance with legislation and regulations apply, including taking into account the criteria established by ASEAN CG Scorecard. In 2015, as disclosed in the Annual Report 2015 on the BTN Bank Directors' Report (page 65) and the Commissioner Report (page 47) that composition of the Board of Directors and Board of Commissioners amended and set out in the GMS for the period. This change is seen very much needed by Bank BTN to meet the demands of the business, to realize the vision, mission and strategic objectives as stated in the transformation program above (point 3), including the success

of the Sejuta Rumah program, based on evaluation of Dwi Warna Shareholders and recommendation of the Board of Commissioners and Remuneration and Nomination Committee.

6. Fit and Proper Test Process by FSA

Once adopted by the GMS, Board of Directors and Commissioners of Bank BTN had to follow the Fit and Proper Test conducted by FSA as required to obtain approval from FSA before performing their duties and functions of the office. Member of the Board of Directors and Commissioners of Bank BTN which has not been approved by FSA prohibited from doing its job though has been approved and appointed by GMS.

Fit and Proper Test is conducted to assess that member of the Board of Directors and Commissioners meets the requirements, ie:

- a. Passed the certification of risk management (international standard)
- b. Integrity, which include:
 - 1) have a good character and morals, among other things, the attitude comply with regulatory requirements, including never been convicted of a Specific Crime within 20 (twenty) years before nominated
 - 2) Have a commitment to comply with the legislation in force;
 - 3) Have a commitment to the development of healthy Bank operations;
 - 4) Not included in the DTL; and

b. Competence, namely:

1) For candidate of member of the Board of Commissioners, includes:

a) adequate knowledge in banking and relevant to the position; and/or

b) Experience in the field of banking and/or finance.

2) For a candidate member of the Board of Directors, include:

a) adequate knowledge of banking and relevant to the position;

b) Experience and expertise in banking and/or finance; and

c) Ability to carry out strategic management in order to develop a healthy bank.

c. Financial reputation, which include:

1) Not having bad credit; and

2) Never declared bankrupt or becomes Director or Commissioner who found guilty of causing a company to go bankrupt, within 5 (five) years prior to nomination

Having passed the fit and proper test by FSA, then member of the Board of Directors and Commissioners declared to effectively carry out the duties and responsibilities as members of the Board of Directors and the answer is member of the Board of Commissioners of Bank BTN. This of course, made the FSA to consider the competency (one of the factors) candidates for member of the Board of Directors and prospective members of the Commissioner (in accordance with clause 6.2)

with the capability, suitability and their ability to carry out the mandate, succeed and realize the vision, mission and strategic goals of Bank BTN has been set (item 3) as described above. If according to the FSA's prospective Board members and prospective members of the Commissioner does not have the competence to carry out the strategic goals that have been set Bank BTN, then FSA will state that the candidates is not passed Fit and Proper Test so he/she is prohibited to become member of the Board of Directors and Commissioners of Bank BTN.