

IMPORTANT NOTICE

This offering is available only to investors who are either (1) qualified institutional buyers (as defined below) under Rule 144A under the U.S. Securities Act of 1933, as amended (the Securities Act) or (2) Institutional Accredited Investors (as defined below) or (3) addressees outside of the United States as defined in Regulation S under the Securities Act.

IMPORTANT: You must read the following before continuing. The following applies to the offering memorandum (the “**Offering Memorandum**”) following this page and you are therefore advised to read this notice carefully before reading, accessing or making any other use of the Offering Memorandum. In accessing the Offering Memorandum, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access.

Nothing in this electronic transmission constitutes an offer of securities for sale or solicitation in any jurisdiction where it is unlawful to do so. The securities have not been, and will not be, registered under the Securities Act, and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state or local securities laws.

The Offering Memorandum may not be forwarded or distributed to any other person and may not be reproduced in any manner whatsoever. Any forwarding, distribution or reproduction of this document in whole or in part is unauthorized. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Any investment decision should be made on the basis of the pricing supplement and conditions of the securities and the information contained in an offering memorandum that will be distributed to you prior to the closing date and not on the basis of the Offering Memorandum. If you have gained access to this transmission contrary to any the foregoing restrictions, you are not authorized and will not be able to purchase any of the securities described therein.

Confirmation of your Representation: In order to be eligible to view the Offering Memorandum or make an investment decision with respect to the securities, investors must be (a) qualified institutional buyers (“**QIBs**”) (within the meaning of Rule 144A under the Securities Act), (b) accredited investors within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D of the Securities Act that are institutions (“**Institutional Accredited Investors**”) or located outside the United States. The Offering Memorandum is being sent at your request and, by accepting the email and accessing the Offering Memorandum, you shall be deemed to have represented to us (i) that you and any customers you represent are (A) QIBs, (B) Institutional Accredited Investors or (C) outside the United States and the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, its territories and possessions (including Puerto Rico, the U.S. Virgin Islands, Guam, American Samoa, Wake Island and the Northern Mariana Islands), any state of the United States or the District of Columbia and (ii) that you consent to delivery of such Offering Memorandum by electronic transmission.

The Offering Memorandum has been delivered to you on the basis that you are a person into whose possession the Offering Memorandum may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located. If this is not the case, you must return the Offering Memorandum to us immediately. You must not deliver or disclose the contents of the Offering Memorandum to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the underwriters or any affiliate of the underwriters is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the underwriters or such affiliate on behalf of the Issuer in such jurisdiction.

The Offering Memorandum has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of Perusahaan Penerbit SBSN Indonesia III, the Republic of Indonesia, BNP Paribas, Dubai Islamic Bank PJSC, The Hongkong and Shanghai Banking Corporation Limited, Malayan Banking Berhad and Standard Chartered Bank, the Dealers, the Delegate, the Agents nor any person who controls any of them nor any director, officer, employee nor agent of any of them or affiliate of any such person, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Memorandum distributed to you in electronic format and the hard copy version available to you on request from BNP Paribas, Dubai Islamic Bank PJSC, The Hongkong and Shanghai Banking Corporation Limited, Malayan Banking Berhad and Standard Chartered Bank or the Dealers.

You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The Offering Memorandum is not an offer to sell these securities and is not a solicitation of an offer to buy these securities in any jurisdiction where such offer or sale is prohibited.

Actions That You May Not Take: You may not purchase or subscribe for any securities by replying to this communication. Any reply e-mail communication that purports to be an order or subscription for securities will be ignored or rejected.



REPUBLIC OF INDONESIA (THROUGH PERUSAHAAN PENERBIT SBSN INDONESIA III) U.S.\$25,000,000,000 TRUST CERTIFICATE ISSUANCE PROGRAM

Under the trust certificate issuance program (the “**Program**”) described in this offering memorandum (the “**Offering Memorandum**”), Perusahaan Penerbit SBSN Indonesia III, established in Indonesia under Law No. 19 of 2008 on Sovereign Sukuk (*Surat Berharga Syariah Negara*) and Government Regulation No. 57 of 2011 on the Establishment of Perusahaan Penerbit Surat Berharga Syariah Negara Indonesia III (in its capacity as issuer, the “**Issuer**” or “**PPSI-III**”), subject to compliance with all relevant laws, regulations and directives, may from time to time issue trust certificates (the “**Certificates**”) in ijarah or wakala series (an “**Ijara Series**” or a “**Wakala Series**”, respectively, and each, a “**Series**”) and in any currency agreed between the Issuer and the relevant Dealer (as defined below).

Certificates may only be issued in registered form. The maximum aggregate face amount of all Certificates (“**face amount**”) from time to time outstanding under the Program will not exceed U.S.\$25,000,000,000 (or its equivalent in other currencies calculated as described in the Program Agreement as defined herein), subject to increase as described herein.

The Certificates may be issued on a continuing basis to the Dealers and any additional dealer(s) appointed under the Program from time to time (each, a “**Dealer**” and, together, the “**Dealers**”) pursuant to the terms of an amended and restated program agreement dated 15 August 2014 (as the same may be amended or supplemented from time to time, the “**Program Agreement**”) which appointment may be for a specific issue or on an ongoing basis. References in this Offering Memorandum to the “**relevant Dealer**” shall, in the case of Certificates being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to subscribe to such Certificates.

An investment in Certificates issued under the Program involves certain risks. For a discussion of these risks, see “Investment Considerations.”

Each Series of Certificates issued under the Program will be constituted by (i) an amended and restated master declaration of trust (the “**Master Declaration of Trust**”) dated 13 March 2017 entered into between the Issuer, the Trustee, the Republic of Indonesia (the “**Republic**”) and The Bank of New York Mellon (the “**Delegate**”) and (ii) a supplemental declaration of trust (the “**Supplemental Declaration of Trust**”) and, together with the Master Declaration of Trust, the “**Declaration of Trust**”) in relation to the relevant Series. Pursuant to the Declaration of Trust, the Issuer (in its capacity as the trustee for and on behalf of the Certificateholders (as defined herein), the “**Trustee**”) will declare that it will hold the Trust Assets (as defined herein) upon trust absolutely for the holders of the Certificates of the relevant Series *pro rata* according to the face amount of Certificates held by each Certificateholder in accordance with the Declaration of Trust, the terms and conditions of the Certificates (the “**Conditions**”) and the applicable pricing supplement relating to such Series (the “**applicable Pricing Supplement**”). Notice of the aggregate face amount of each Series of Certificates, whether that Series will be an Ijara Series or a Wakala Series, and any other terms and conditions not contained herein which are applicable to the Series will be set out in the applicable Pricing Supplement.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for permission to deal in and quotation for any Certificates which are agreed at the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Certificates have been admitted to the Official List of the SGX-ST. The SGX-ST takes no responsibility for the correctness of any statements made or opinions expressed herein. An approval-in-principle and the admission of any Certificates to the Official List of the SGX-ST are not to be taken as an indication of the merits of the Issuer, the Republic, the Program or the Certificates. Unlisted Certificates may be issued under the Program. The applicable Pricing Supplement in respect of any Series will specify whether or not such Certificates will be listed and, if so, on which exchange(s) the Certificates are to be listed. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Certificates of any Series will be approved. Each of the Issuer and the Republic is an “**Exempt Offeror**” for the purposes of Article 13(1) of the Markets Law, Dubai International Financial Centre Law No. 1 of 2012 (the “**Markets Law 2012**”) of the Dubai Financial Services Authority (the “**DFSA**”). Accordingly, this Offering Memorandum has not been approved by the DFSA for the purposes of Articles 14 and 15 of the Markets Law 2012. Application has been made to the DFSA for certain Certificates issued under the Program to be admitted to the official list of securities (the “**DFSA Official List**”) maintained by the DFSA and to Nasdaq Dubai for admission to trading on Nasdaq Dubai.

The Certificates will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Accordingly, Certificates will be offered, sold or delivered (i) outside the United States in reliance on Regulation S under the Securities Act (“**Regulation S**”) (the “**Regulation S Certificates**”) and (ii) within the United States in reliance on Rule 144A under the Securities Act (Rule 144A) only to persons who are “qualified institutional buyers” (each a “**QIB**”) within the meaning of Rule 144A, acting for their own account or for the account of one or more QIBs (the “**Rule 144A Certificates**”) or to accredited investors as that term is defined in Rule 501(a)(1), (2), (3) or (7) of Regulation D of the Securities Act that are institutions (“**Institutional Accredited Investors**”), acting for their own account or for the account of one or more Institutional Accredited Investors (the “**Definitive IAI Certificates**”). Each purchaser of the Certificates in making its purchase will be deemed to have made certain acknowledgements, representations and agreements. Prospective purchasers are hereby notified that sellers of the Rule 144A Certificates may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Certificates are subject to other restrictions on transferability and resale; see “*Plan of Distribution*” and “*Transfer Restrictions*.”

The Certificates will be represented by one or more global certificates in fully registered form which will, unless otherwise specified in the applicable Pricing Supplement, be registered in the name of a nominee of The Depository Trust Company (“**DTC**”) or, in the case of Regulation S Certificates only, may alternatively be registered in the name of a nominee for the common depository for Euroclear Bank SA/NV (“**Euroclear**”) and Clearstream Banking, SA (“**Clearstream, Luxembourg**”). It is expected that delivery of the Certificates in book-entry form will be made against payment on the Issue Date (as defined herein) through the book-entry facilities of DTC or Euroclear and Clearstream, Luxembourg, as the case may be.

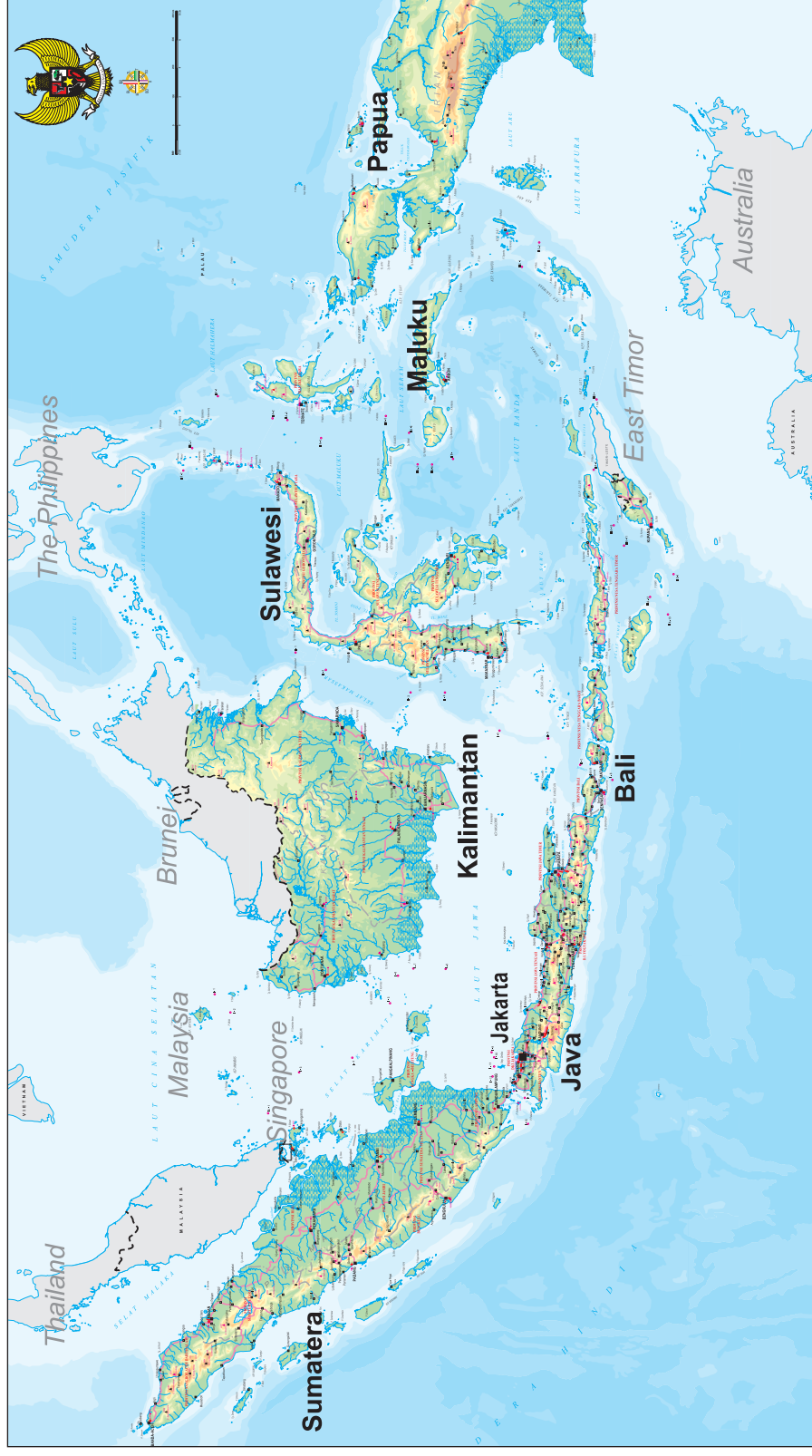
Beneficial interests in the Certificates will be shown on, and transfers thereof, unless otherwise specified in the applicable Pricing Supplement, will be effected only through, records maintained by DTC and its direct or indirect participants, including Euroclear and Clearstream, Luxembourg, or, in the case of Regulation S Certificates only, Euroclear or Clearstream, Luxembourg. Except as described herein, definitive Certificates will not be issued in exchange for beneficial interests in global certificates.

The transaction structure relating to the Certificates (as described in this Offering Memorandum) has been approved by the Shari’a Supervisory Committee of BNP Paribas, the Fatwa and Sharia Supervisory Board of Dubai Islamic Bank PJSC, the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited, the Sharia Committee of Maybank Islamic Berhad and Global Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own Sharia advisors as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with Sharia principles.

		<i>Arrangers</i>		
BNP PARIBAS	Dubai Islamic Bank	HSBC	Maybank	Standard Chartered Bank
		<i>Dealers</i>		
BNP PARIBAS	Dubai Islamic Bank	HSBC	Maybank	Standard Chartered Bank

The date of this Offering Memorandum is 16 June 2020

Republic of Indonesia



Source: National Coordinating Agency for Surveys and Mapping, with modifications

The Issuer and the Republic accept responsibility for the information contained in this Offering Memorandum. To the best of the knowledge of each of the Issuer and the Republic (each having taken all reasonable care to ensure that such is the case), the information contained in this Offering Memorandum is in accordance with the facts subsisting on the date of this Offering Memorandum and does not omit anything likely to affect the import of such information.

This Offering Memorandum should be read and construed together with any amendments or supplements hereto and, in relation to any Series of Certificates, should be read and construed together with the applicable Pricing Supplement.

Copies of the applicable Pricing Supplement will be available from the registered office of the Issuer and the specified office set out below of the Principal Paying Agent (as defined below).

The Issuer has agreed to comply with any undertakings given by it from time to time to the SGX-ST in connection with Certificates in a Series to be listed on the SGX-ST and, without prejudice to the generality of the foregoing, shall in connection with the listing of the Certificates on the SGX-ST or any other relevant stock exchange, so long as any Certificate remains outstanding, prepare a supplement to this Offering Memorandum, or, as the case may be, publish a new offering memorandum, whenever required by the rules of the SGX-ST or any other relevant stock exchange and in any event (i) if the maximum aggregate face amount of the Certificates that may be issued under the Program is increased, (ii) upon the Issuer or the Republic becoming aware that (A) there has been a significant change (including any change to the Conditions of a Series of Certificates to be listed on the SGX-ST) affecting any matter contained in this Offering Memorandum or (B) a significant new matter has arisen, the inclusion of information in respect of which would have been required to be in this Offering Memorandum if it had arisen before this Offering Memorandum was issued or (iii) if the terms of the Program are modified or amended in a manner which would make this Offering Memorandum, as supplemented, materially inaccurate or misleading. In the event that a supplement to this Offering Memorandum is produced pursuant to such undertakings, a copy of such supplement will accompany this Offering Memorandum. Any such supplement to this Offering Memorandum will also be available from the specified office of the Principal Paying Agent. See “*General Information — Documents Available.*”

None of the Arrangers, the Dealers, the Delegate nor any of the Agents (each as defined herein) has independently verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Arrangers, the Dealers, the Delegate or any of the Agents as to the accuracy or completeness of the information contained in or incorporated by reference into this Offering Memorandum or any other information provided by the Issuer or the Republic or any other person in connection with the Program or the Certificates or their distribution. None of the Arrangers, the Dealers, the Delegate nor any of the Agents accepts any liability or responsibility in relation to the information contained in or incorporated by reference into this Offering Memorandum or any other information provided by the Issuer or the Republic in connection with the Program or for any statements made or purported to be made by the Arrangers, the Dealers, the Delegate or the Agents or on its behalf in connection with the Issuer or the Republic or the offering of the Certificates. The Arrangers, the Dealers, the Delegate and the Agents accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which any of them might otherwise have in respect of this Offering Memorandum or any such statement. The SGX-ST takes no responsibility for the contents of this Offering Memorandum nor does it make any representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Offering Memorandum. The statements made in this paragraph are made without prejudice to the responsibility of the Issuer and Republic under the Program.

No person is authorized in connection with the offering of the Certificates to give any information or to make any representation other than as contained in this Offering Memorandum or any other information supplied in connection with the Program or the Certificates, and, if given or made, such information or representation must not be relied upon as having been authorized by the Issuer, the Republic, the Arrangers, the Dealers, the Trustee, the Delegate, the Agents or any other person. Neither the delivery of this Offering Memorandum, any other information supplied in connection with the Program or the Certificates nor any sale of any Certificates shall, under any circumstances, constitute a representation or create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the affairs of any party mentioned herein since that date.

Neither this Offering Memorandum nor any other information supplied in connection with the Program or the Certificates is intended to provide the basis of any credit or other evaluation or should be considered as a

recommendation by the Issuer, the Republic, the Arrangers, the Dealers, the Trustee, the Delegate or the Agents that any recipient of this Offering Memorandum should purchase any of the Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Republic. None of the Arrangers, the Dealers, the Delegate or the Agents undertakes to review the Issuer's or the Republic's financial condition or affairs during the life of the arrangements contemplated by this Offering Memorandum nor to advise any investor or potential investor in the Certificates of any information relating to the Issuer and the Republic coming to its attention.

Pursuant to the recommendation in the voluntary process guidelines for issuing Green Bonds published by the International Capital Market Association (the "**Green Bond Principles**") that external assurance is obtained to confirm alignment with the key features of the Green Bond Principles, at the request of the Republic, the Center for International Climate Research ("**CICERO**") has issued a framework overview and second party opinion dated 23 January 2018 (the "**CICERO Report**") in relation to the Republic's Green Bond and Green Sukuk Framework (as set out in the appendix to this Offering Memorandum and as may be updated or amended from time to time, the "**Green Bond and Green Sukuk Framework**"). The CICERO Report is not incorporated into, and does not form part of, this Offering Memorandum. None of the Arrangers, the Dealers, the Delegate or the Agents make any representation as to the suitability or content of the Green Bond and Green Sukuk Framework and none of the Republic, the Issuer, the Arrangers, the Dealers, the Delegate or the Agents make any representation as to the suitability of the CICERO Report. The CICERO Report is not a recommendation to buy, sell or hold securities and is only current as of the date it was initially issued. Furthermore, the CICERO Report is for information purposes only and CICERO does not accept any form of liability for its content and/or any liability for loss arising from the use of the CICERO Report and/or the information provided therein.

No comment is made or advice given by the Issuer, the Republic, the Arrangers, the Dealers, the Trustee, the Delegate or the Agents in respect of taxation matters relating to the Certificates or the legality of the purchase of the Certificates by an investor under any applicable law.

EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISOR, LEGAL ADVISOR, SHARIA ADVISOR AND BUSINESS ADVISOR AS TO TAX, LEGAL, SHARIA, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF THE CERTIFICATES.

None of the Arrangers, Dealers nor any of their respective affiliates shall be responsible for any act or omission of the Republic or any other person in connection with the Program and the issue and offering of Certificates thereunder.

This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy any Certificates in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Memorandum and the offer or sale of the Certificates may be restricted by law in certain jurisdictions. None of the Issuer, the Republic, the Arrangers, the Dealers, the Trustee, the Delegate or the Agents represents that this Offering Memorandum may be lawfully distributed, or that any Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Republic, the Arrangers, the Dealers, the Trustee, the Delegate or the Agents which is intended to permit a public offering of any Certificates or distribution of this Offering Memorandum in any jurisdiction where action for that purpose is required. Accordingly, no Certificates may be offered or sold, directly or indirectly, and neither this Offering Memorandum nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this Offering Memorandum or any Certificates may come must inform themselves about, and observe, any such restrictions on the distribution of this Offering Memorandum and the offering and sale of the Certificates. In particular, there are restrictions on the distribution of this Offering Memorandum and the offer or sale of Certificates in the United States, the United Kingdom, the European Economic Area, Hong Kong, Japan, Singapore, Brunei, the United Arab Emirates (excluding the Dubai International Finance Centre), Dubai International Financial Centre, the Kingdom of Saudi Arabia, the State of Qatar, the Kingdom of Bahrain, Kuwait, Malaysia and Switzerland. See "*Plan of Distribution*."

THE CERTIFICATES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE U.S. SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER U.S. REGULATORY AUTHORITY, NOR HAVE ANY OF

THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF CERTIFICATES OR THE ACCURACY OR THE ADEQUACY OF THIS OFFERING MEMORANDUM. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE IN THE UNITED STATES.

The Certificates have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Certificates may not be offered, sold or delivered within the United States, except in transactions exempt from, or in transactions not subject to, the registration requirements of the Securities Act. This Offering Memorandum has been prepared by the Issuer and the Republic for use in connection with the offer and sale of Certificates outside the United States in reliance upon Regulation S and within the United States (i) to QIBs in reliance upon and as defined in Rule 144A, or (ii) to a limited number of Institutional Accredited Investors pursuant to an exemption from the registration requirements of the Securities Act, or (iii) in transactions otherwise exempt from registration. Prospective purchasers are hereby notified that sellers of Certificates may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For a description of certain restrictions on transfer of the Certificates, see “*Plan of Distribution*” and “*Transfer Restrictions*.”

Purchasers of Definitive IAI Certificates will be required to execute and deliver an investor representation letter. Each purchaser or holder of Regulation S Certificates, Rule 144A Certificates and Definitive IAI Certificates, or any Certificates issued in registered form in exchange or substitution therefor will be deemed, by its acceptance or purchase of any such Certificates, to have made certain representations and agreements intended to restrict the resale or other transfer of such Certificates as set out in “*Transfer Restrictions*”. Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Global Certificates — Form of the Certificates*.”

Certain information under the heading “*Clearance and Settlement*” has been extracted from information provided by the clearing systems referred to therein. The Republic confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by the relevant clearing systems, no facts have been omitted which would render the reproduced information inaccurate or misleading.

In making an investment decision regarding the Certificates, prospective investors must rely on their own examination of the Issuer, the Republic, the terms of the Program and the Certificates, including the merits and risks involved. None of the Arrangers, the Dealers, the Issuer, the Delegate, the Agents or the Republic makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period.

IN CONNECTION WITH THE ISSUE OF CERTIFICATES IN ANY SERIES UNDER THE PROGRAM, SUBSEQUENT TO THE ISSUE OF CERTIFICATES, THE DEALER OR DEALERS (IF ANY) NAMED AS THE STABILIZING MANAGER(S) (EACH, A STABILIZING MANAGER) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZING MANAGER(S)) IN THE APPLICABLE PRICING SUPPLEMENT MAY OVER-ALLOT CERTIFICATES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE CERTIFICATES IN SUCH A SERIES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, STABILIZATION MAY NOT NECESSARILY OCCUR. ANY STABILIZATION ACTION MAY BEGIN ON OR AFTER THE ISSUE DATE AND, IF BEGUN, MAY CEASE AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE CERTIFICATES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE CERTIFICATES. ANY STABILIZATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILIZATION MANAGER(S) (OR PERSONS ACTING ON BEHALF OF ANY STABILIZATION MANAGER(S)) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES. SEE “*PLAN OF DISTRIBUTION*.”

MIFID II PRODUCT GOVERNANCE/TARGET MARKET — The Pricing Supplement in respect of any Certificates may include a legend entitled “MiFID II Product Governance” which will outline the target market assessment in respect of the Certificates and which channels for distribution of the Certificates are appropriate. Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, “**MIFID II**”) is responsible for undertaking its own target market assessment in

respect of the Certificates (by either adopting or refining the target market assessment) and determining appropriate distribution channels.

A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the “**MIFID Product Governance Rules**”), any Dealer subscribing for any Certificates is a manufacturer in respect of such Certificates, but otherwise neither the Arrangers nor the Dealers nor any of their respective affiliates will be a manufacturer for the purpose of the MIFID Product Governance Rules.

SINGAPORE SECURITIES AND FUTURES ACT CLASSIFICATION

The Pricing Supplement in respect of any Certificates may include a legend entitled “*Singapore Securities and Futures Act Product Classification*” which will state the product classification of the Certificates pursuant to section 309B(1) of the Securities and Futures Act (Chapter 289 of Singapore), as modified or amended from time to time (the “**SFA**”).

The Issuer will make a determination in relation to each issue about the classification of the Certificates being offered for purposes of section 309B(1)(a). Any such legend included on the relevant Pricing Supplement will constitute notice to “relevant persons” for purposes of section 309B(1)(c) of the SFA.

NOTICE TO RESIDENTS OF THE KINGDOM OF SAUDI ARABIA

THIS DOCUMENT MAY NOT BE DISTRIBUTED IN THE KINGDOM EXCEPT TO SUCH PERSONS AS ARE PERMITTED UNDER THE RULES ON THE OFFER OF SECURITIES AND CONTINUING OBLIGATIONS ISSUED BY THE CAPITAL MARKET AUTHORITY.

THE CAPITAL MARKET AUTHORITY DOES NOT MAKE ANY REPRESENTATION AS TO THE ACCURACY OR COMPLETENESS OF THIS DOCUMENT, AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS ARISING FROM, OR INCURRED IN RELIANCE UPON, ANY PART OF THIS DOCUMENT. PROSPECTIVE PURCHASERS OF THE SECURITIES OFFERED HEREBY SHOULD CONDUCT THEIR OWN DUE DILIGENCE ON THE ACCURACY OF THE INFORMATION RELATING TO THE SECURITIES. IF YOU DO NOT UNDERSTAND THE CONTENTS OF THIS DOCUMENT, YOU SHOULD CONSULT AN AUTHORISED FINANCIAL ADVISOR.

NOTICE TO RESIDENTS OF THE KINGDOM OF BAHRAIN

THIS OFFER IS A PRIVATE PLACEMENT. IT IS NOT SUBJECT TO THE REGULATIONS OF THE CENTRAL BANK OF BAHRAIN THAT APPLY TO PUBLIC OFFERINGS OF SECURITIES AND THE EXTENSIVE DISCLOSURE REQUIREMENTS AND OTHER PROTECTIONS THAT THESE REGULATIONS CONTAIN. THIS OFFERING MEMORANDUM IS THEREFORE INTENDED ONLY FOR “**ACCREDITED INVESTORS**” AS DEFINED BY THE CENTRAL BANK OF BAHRAIN.

THE FINANCIAL INSTRUMENTS OFFERED PURSUANT TO THIS OFFERING MEMORANDUM MAY ONLY BE OFFERED IN MINIMUM SUBSCRIPTIONS OF U.S.\$200,000 (OR ITS EQUIVALENT IN FOREIGN CURRENCIES).

THE CENTRAL BANK OF BAHRAIN ASSUMES NO RESPONSIBILITY FOR THE ACCURACY AND COMPLETENESS OF THE STATEMENTS AND INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER ARISING FROM RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS OFFERING MEMORANDUM.

THE BOARD OF DIRECTORS AND THE MANAGEMENT OF THE OFFEROR ACCEPTS RESPONSIBILITY FOR THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE BOARD OF DIRECTORS AND THE MANAGEMENT, WHO HAVE TAKEN ALL REASONABLE CARE TO ENSURE THAT SUCH IS THE

CASE, THE INFORMATION CONTAINED IN THIS OFFERING MEMORANDUM IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE RELIABILITY OF SUCH INFORMATION.

THIS OFFERING MEMORANDUM CONTAINS INFORMATION WHICH SHOULD BE READ CAREFULLY BEFORE ANY DECISION IS MADE WITH RESPECT TO THE PROPOSALS CONTAINED THEREIN AND THE INVESTORS ARE RECOMMENDED TO TAKE THEIR OWN FINANCIAL ADVICE IN RESPECT OF ANY OF THE TERMS AND CONDITIONS OF THIS OFFERING MEMORANDUM.

NOTICE TO RESIDENTS OF MALAYSIA

THE CERTIFICATES MAY NOT BE OFFERED FOR SUBSCRIPTION OR PURCHASE AND NO INVITATION TO SUBSCRIBE FOR OR PURCHASE THE CERTIFICATES IN MALAYSIA MAY BE MADE, DIRECTLY OR INDIRECTLY, AND THIS OFFERING MEMORANDUM OR ANY DOCUMENT OR OTHER MATERIALS IN CONNECTION THEREWITH MAY NOT BE DISTRIBUTED IN MALAYSIA OTHER THAN TO PERSONS FALLING WITHIN THE CATEGORIES OF PERSON SPECIFIED UNDER PART 1 OF SCHEDULE 6 (OR SECTION 229(1)(B)), PART 1 OF SCHEDULE 7 (OR SECTION 230(1)(B)), AND SCHEDULE 8 (OR SECTION 257(1)) OF THE CAPITAL MARKETS AND SERVICES ACT 2007 OF MALAYSIA (“CMSA”), READ TOGETHER WITH SCHEDULE 9 (OR SECTION 257(3)) OF THE CMSA.

THE SECURITIES COMMISSION MALAYSIA SHALL NOT BE LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF THE ISSUER OR THE REPUBLIC AND ASSUMES NO RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENTS MADE OR OPINIONS OR REPORTS EXPRESSED IN THIS OFFERING MEMORANDUM.

EXCHANGE RATES

Unless otherwise indicated, all references in this Offering Memorandum to “**Rupiah**” or “**Rp**” are to the currency of Indonesia, those to “**dollars**,” “**U.S. dollars**” or “**U.S.\$**” are to the currency of the United States of America, those to “**JP ¥**” are to the lawful currency of Japan, those to “**€**” or “**euro**” are to the currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty Establishing the European Community, as amended, those to “**SDR**” are to Special Drawing Rights of the International Monetary Fund (“**IMF**”) and those to “**ID**” are to Islamic Dinars of the Islamic Development Bank. References in this document to “**Indonesia**” or the “**Republic**” are to the Republic of Indonesia and to the “**Government**” are to the Government of Indonesia.

For ease of presentation, certain financial information relating to the Republic included herein is presented as translated into U.S. dollars. Unless otherwise specified herein, all translations of Rupiah into U.S. dollars or from U.S. dollars into Rupiah were made at the middle exchange rate, the mid-point between the buy and sell rate (the “**BI middle exchange rate**”), between the Rupiah and the U.S. dollar, as announced by Bank Indonesia, the Indonesian Central Bank, as of the respective dates to which such information relates. However, these translations should not be construed as a representation that the Rupiah amount actually represents such U.S. dollar amount or could be converted into U.S. dollars at the rate indicated or any other rate. The BI middle exchange rate was Rp14,228 = U.S.\$1.00 on 15 June 2020. In addition, unless otherwise specified herein, all translations of Rupiah into currencies other than U.S. dollars, or from such other currencies into Rupiah, were made at the BI middle exchange rate between the Rupiah and such other currencies as announced by Bank Indonesia as of the respective dates to which such information relates.

The following table sets forth information on exchange rates between the Rupiah and U.S. dollars as of the end of the periods indicated.

	Rupiah per U.S. dollar	
	End of Period	Average
2014	12,385	11,876
2015	13,785	13,392
2016	13,473	13,305
2017	13,568	13,385
2018	14,380	14,246
2019	13,883	14,246
2020		
January	13,662	13,732
February	14,234	13,776
March	16,367	15,195
April	15,157	15,867
May	14,733	14,906
June (through 15 June)	14,228	14,152

Source: Bank Indonesia

Statistical Data

Unless otherwise indicated, all statistical data and figures for 2019 or any part thereof are estimates based upon preliminary data and are subject to review and adjustment.

Certain budget figures appear as audited numbers in the relevant year's Central Government Financial Report (*Laporan Keuangan Pemerintah Pusat*, or "LKPP").

Certain statistical or financial information included in this Offering Memorandum may differ from previously published information for a number of reasons, including basis of presentation and ongoing statistical revisions. Also, certain monetary amounts included in this Offering Memorandum have been subject to rounding adjustments. Accordingly, figures shown as totals in certain tables may not be an exact arithmetic aggregation of the figures that precede them.

FORWARD-LOOKING STATEMENTS

Forward-looking statements are statements that are not about historical facts, including statements about the Republic's beliefs and expectations. These statements are based on current plans, estimates and projections, and therefore, you should not place undue reliance on them. Forward-looking statements speak only as of the date they are made. Some of the statements contained in this Offering Memorandum under the section entitled "Republic of Indonesia" are forward looking. They include statements concerning, among others:

- the Republic's economic, business and political conditions and prospects;
- the Republic's financial stability;
- the depreciation or appreciation of the Rupiah;
- changes in interest rates; and
- governmental, statutory, regulatory or administrative initiatives.

The Republic undertakes no obligation to update publicly any of them in light of new information or future events, including changes in Indonesia's economic policy or budgeted expenditures, or to reflect the occurrence of unanticipated events.

Forward-looking statements involve inherent risks and uncertainties. The Republic cautions you that a number of important factors could cause actual results to differ materially from those expressed in any forward-looking statement. These factors include, but are not limited to:

- adverse external factors, such as high international interest rates and recession or low growth in the Republic's trading partners. High international interest rates could increase the Republic's current account deficit and budgetary expenditures. Recession or low growth in the Republic's trading partners could lead to fewer exports from the Republic and, indirectly, lower growth in the Republic;

- instability or volatility in the international financial markets. This could lead to domestic volatility, making it more difficult for the Government to achieve its macroeconomic goals. This could also lead to declines in foreign direct and portfolio investment inflows;
- adverse domestic factors, such as a decline in domestic savings and investment, increases in domestic inflation, high domestic interest rates and exchange rate volatility. Each of these factors could lead to lower growth or lower international reserves; and
- other adverse factors, such as adverse oil price movements, climatic or seismic events, international or domestic hostilities, political uncertainty and delays in implementing and realizing infrastructure projects and economic policies.

DATA DISSEMINATION

Indonesia subscribes to the IMF's Special Data Dissemination Standard, which is designed to improve the timeliness and quality of information of subscribing member countries. This standard requires subscribing member countries to provide schedules, referred to as the "Advance Release Calendar", indicating, in advance, the date on which data will be released. For Indonesia, precise dates or "no-later-than-dates" for the release of data are disseminated three months in advance through the Advance Release Calendar, which is published on the Internet under the IMF's Dissemination Standards Bulletin Board. Summary methodologies of all metadata to enhance transparency of statistical compilation are also provided on the Internet under the IMF's Dissemination Standards Bulletin Board. The internet website for Indonesia's Advance Release Calendar and metadata is located at <http://dsbb.imf.org/Pages/SDDS/ARCCtyCtgList.aspx?ctycode=IDN>. Neither the Republic, nor any of the Arrangers or Dealers accept any responsibility for information included on that website, and its contents are not intended to be incorporated by reference into this Offering Memorandum.

ENFORCEMENT

The Issuer is established by the Republic under Government Regulation No. 57 of 2011 on the Establishment of *Perusahaan Penerbit Surat Berharga Syariah Negara Indonesia III* in conjunction with Law No. 19 of 2008 on Sovereign Sukuk (*Surat Berharga Syariah Negara*) and Government Regulation No. 56 of 2008 on *Perusahaan Penerbit Surat Berharga Syariah Negara* as amended by Government Regulation No. 73 of 2012 on the amendment of Government Regulation No. 56 of 2008 on *Perusahaan Penerbit Surat Berharga Syariah Negara* and is wholly-owned by the Republic. All of the directors of the Issuer reside in the Republic and substantially all of the assets of the Issuer and of such directors are located outside the United States. As a result, it may not be possible for investors to effect service of process outside the Republic upon the Issuer or such persons, or to enforce judgments against them obtained in courts outside the Republic, including any judgment predicated upon United States federal securities laws. The Issuer has been advised by its Indonesian legal counsel that there is doubt as to the enforceability in the Republic in original actions or in actions for enforcement of judgments of United States courts of civil liabilities predicated solely upon the federal securities laws of the United States.

The Republic is a sovereign nation. Consequently, it may be difficult for holders of the Certificates to obtain or enforce judgments against the Republic.

Subject to the following paragraph, to the extent that the Republic may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, the Republic will agree in the Transaction Documents (as defined herein) not to claim and will irrevocably and unconditionally waive such immunity in relation to any proceedings. Further, the Republic will irrevocably and unconditionally consent to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any proceedings.

The Republic's waiver of immunity is a limited and specific waiver for the purposes of the Certificates and the Transaction Documents and under no circumstances should it be interpreted as a general waiver by the Republic or a waiver with respect to proceedings unrelated to the Certificates or the Transaction Documents.

Furthermore, notwithstanding anything to the contrary in the foregoing, no waiver of immunity or consent shall be deemed or interpreted to include any waiver of immunity or consent in respect of:

- actions brought against the Republic arising out of or based upon U.S. federal or state securities laws;

- attachment under Indonesian laws;
- present or future “premises of the mission” as defined in the Vienna Convention on Diplomatic Relations signed in 1961;
- “consular premises” as defined in the Vienna Convention on Consular Relations signed in 1963;
- any other property or assets used solely or mainly for governmental or public purposes in the Republic or elsewhere; and
- military property or military assets or property or assets of the Republic related thereto,

provided that the foregoing limitations shall not preclude any proceeding to enforce any provision of the relevant Transaction Documents relating to the Assets (as defined herein).

Because the Republic has not submitted to jurisdiction or waived its sovereign immunity in connection with any action arising out of or based on United States federal or state securities laws, it will not be possible to obtain a judgment in the United States against the Republic based on such laws unless a court were to determine that the Republic is not entitled to sovereign immunity under the U.S. Foreign Sovereign Immunities Act of 1976 with respect to such actions. The Republic may assert immunity to such actions or with respect to the property or assets described above. Investors may have difficulty making any claims based upon such securities laws or enforcing judgments against the property or assets described above.

The Republic has appointed the Representative Office of Bank Indonesia in London as its authorized agent upon whom process may be served in any action arising out of or based on the Certificates or the Declaration of Trust. Such appointment is irrevocable until all amounts in respect of the Certificates have been paid in full or unless and until a successor has been appointed as the Republic’s authorized agent and such successor has accepted such appointment. The Republic has agreed that it will at all times maintain an authorized agent to receive such service, as provided above. The Representative Office of Bank Indonesia is not the agent for receipt of service of process for actions under the United States federal or state securities laws.

The Republic is subject to suit in competent courts in Indonesia. However, the Law on State Treasury (Law No. 1 of 2004) prohibits the seizure or attachment of property or assets owned by the Republic. Furthermore, a judgment of a non-Indonesian court will not be enforceable by the courts of Indonesia, although such a judgment may be admissible as evidence in a proceeding on the underlying claim in an Indonesian court. Re-examination of the underlying claim *de novo* would be required before the Indonesian court.

CERTAIN DEFINED TERMS AND CONVENTIONS

Unless otherwise indicated, all references in this Offering Memorandum to (i) “**tons**” are to metric tons, each of which is equal to 1,000.0 kilograms or approximately 2,204.6 pounds, (ii) “**barrels**” are to U.S. barrels, each of which is equal to 159.0 liters, (iii) “**LNG**” are to liquefied natural gas and (iv) “**LPG**” are to liquefied petroleum gas. Measures of distance referred to herein are stated in kilometers or “**km**” each of which is equal to 1,000.0 meters or approximately 0.62 miles. Measures of area referred to herein are stated in square kilometers, each of which is equal to approximately 0.39 square miles, or in hectares, each of which is equal to approximately 2.47 acres.

The Ministry of Energy and Mineral Resources publishes an average monthly and annual price for Indonesian crude oil which is commonly referred to as the Indonesian Crude Price (the “**ICP**”). ICP is calculated as the sum of (i) 50.0% of the average price for Indonesian crude oil published by Platts, a division of The McGraw-Hill Companies, and (ii) 50.0% of a crude oil price for Indonesian crude oil published by RIM Intelligence Co. of Japan for the relevant period. The Government evaluates the methodology of the calculation of the ICP from time to time and, if appropriate, adjusts the formula to ensure that the ICP closely tracks world market prices for Indonesian crude oil. The Government uses the ICP for various accounting and other purposes. For instance, the Ministry of Finance uses the ICP as an assumption underlying the preparation of the Government budget. See “*Republic of Indonesia — Government Budget.*”

Statistical information included in this Offering Memorandum is the latest official data publicly available at the date of this Offering Memorandum. Financial data provided in this Offering Memorandum may be subsequently revised in accordance with Indonesia’s ongoing maintenance of its economic data. The Republic has no obligation to distribute such revised data to any holder of Certificates.

In August 2014, the Republic revised its methodology in compiling balance of payments data, using the sixth edition of Balance of Payments and International Investment Position Manual (“**BPM6**”). This revised methodology was implemented to comply with international best practices. BPM6 will be implemented gradually in Indonesia’s balance of payments (“**BOP**”) statistics. The first phase of implementation, which began in the second quarter of 2014, involves reclassifying existing data components and improving the methodology in accordance with BPM6, using sources of data currently available.

The shift to the new methodology impacts the following data:

- In the goods account, the changes include: (a) reclassifying “goods for processing” as “manufacturing services on physical inputs owned by others” and “repairs on goods” as “maintenance and repair services” in the services account; and (b) incorporating only “goods procured in ports by carriers” and “general merchandise on a balance of payments basis”.
- In the services account, the changes include: (a) combining “information and computer services” and “communication services (excluding postal and couriers)” into “telecommunication, computer and information services”; (b) reclassifying “postal and couriers services” to “transportation services”; and (c) incorporating the “financial intermediation services” section into “indirectly measured estimates” (“**FISIM**”).
- The income account and current transfers account are renamed the primary income account and secondary income account, respectively, to comply with the terms used in the System of National Accounts 2008 and adjustments were made to the accounts after the implementation of FISIM.
- In the financial account, the changes include: (a) the presentation format of direct investment data, which was previously based on the directional principle of investment (direct investments abroad and foreign direct investments in Indonesia) that was based on the principle of assets-liabilities (“**direct investments — asset**” and “**direct investments — liability**”). Notwithstanding the change, the net value of direct investments according to BPM6 is the same as that in the fifth edition of Balance of Payments and International Investment Program Manual; and (b) including financial derivative data as an independent component, which is consistent with the information displayed by Indonesia’s International Investment Position Statistics.
- In the current account, the changes include: (a) the calculation of several indicators associated with the account; (b) reclassifying “goods for processing” from goods to services; and (c) recording net values instead of gross values. While the changes resulted in smaller values of imports of goods and services and current account receipts, and larger values of indicators for reserve adequacy and the debt service ratio, the level of the current account remains unchanged from the previous methodology.

The shift to the new methodology does not affect the “net errors and omissions”, “total balance”, and “reserves and related items” values in the current and financial accounts.

In this Offering Memorandum, GDP is shown in both current and constant market prices. GDP at current market prices values a country’s output using the actual prices for each year, while GDP at constant market prices (also referred to as “real” GDP) values output using the prices from a base year, thereby eliminating the distorting effects of inflation and deflation. In 2015, Statistics Indonesia (*Badan Pusat Statistik* or “**BPS**”) adopted the calendar year 2010 as the base year (the “**Base Year**”) for the calculation of Indonesia’s GDP in constant market prices. Unless stated otherwise, all GDP growth rates in this Offering Memorandum (in aggregate or by sector) are based on constant market prices using the Base Year. Percentage shares of Indonesia’s GDP represented by various sectors (unless otherwise noted) use current market prices.

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SUMMARY

Overview

Indonesia is the world's fourth most populous country, with a population of approximately 265 million in 2018. It is a developing nation in Southeast Asia, spread across an archipelago of approximately 17,504 islands.

In recent years, Indonesia has continued its relatively high economic growth and consolidated its transformation to a participatory democracy that places greater political power in the hands of local and regional governments.

The following table sets forth certain of the Republic's principal economic indicators as of and for the specified dates and periods.

Selected Key Economic Indicators

	For the Year Ended 31 December						
	2014 ^L	2015 ^L	2016 ^L	2017 ^L	2018 ^{P/U}	2019 ^{P/U}	2020 ^B
National account and prices:							
Real GDP growth							
(period-on-period)	5.0%	4.9%	5.0%	5.1%	5.2%	5.0%	5.3%
Per capita GDP (in millions of							
Rupiah)	42.0	45.1	48.0	51.9	56.0	59.1	N/A
Per capita GDP (in U.S. dollars) ⁽¹⁾	3,532	3,377	3,605	3,877	3,927	4,175	N/A
Average exchange rate (Rupiah per							
U.S. dollar) ⁽²⁾	11,876	13,392	13,305	13,385	14,247	14,139	14,400
Inflation rate ((year-on-year) change in							
CPI)	8.4%	3.4%	3.0%	3.6%	3.1%	2.7%	3.0% ⁽⁴⁾
External sector:							
Current account (% of GDP)	(3.1)%	(2.0)%	(1.8)%	(1.6)%	(2.9)%	(2.7%) ⁽³⁾	N/A
Fiscal account:							
Budget deficit (% of GDP)	(2.2)%	(2.6)%	(2.5)%	(2.5)%	(1.8)%	(2.2)%	(1.76)%
External debt of the central							
Government (in trillions of							
Rupiah)	1,131.0	1,410.0	1,496.3	1,648.2	1,857.4	1,809.6	N/A
Debt service ratio (% of Government							
revenue)	23.9%	25.4%	32.5%	34.0%	39.1%	42.8%	N/A

Source: BPS, Bank Indonesia and Ministry of Finance

^L LKPP (Central Government Financial Report/Audited).

^U Unaudited.

^P Preliminary.

^B Initial Budget. Budget deficit has been revised to (5.07)% based on the 2020 Revised Budget and other Key Economic Indicators of 2020 Revised Budget have not been published. For details, please see "Republic of Indonesia — Government Budget."

N/A Not available.

(1) Per capita GDP in U.S. dollars has been converted from Rupiah into U.S. dollars and the U.S. dollar amounts of external debt of the central Government have been converted into Rupiah at the following exchange rates per U.S. dollar: Rp11,868 per U.S. dollar for 2014, Rp13,377 per U.S. dollar for 2015, Rp13,303 per U.S. dollar for 2016, Rp13,384 per U.S. dollar for 2017, Rp14,257 per U.S. dollar for 2018 and Rp14,148 per U.S. dollar for 2019. These exchange rates are calculated by BPS with reference to the weighted average monthly exchange rates applicable to export and import transactions for each month in a given period.

(2) Official average exchange rate for the relevant period published by Bank Indonesia in its annual report, except for 2019, which was based on Bank Indonesia's calculations.

(3) As published by Bank Indonesia in Indonesia's balance of payments report.

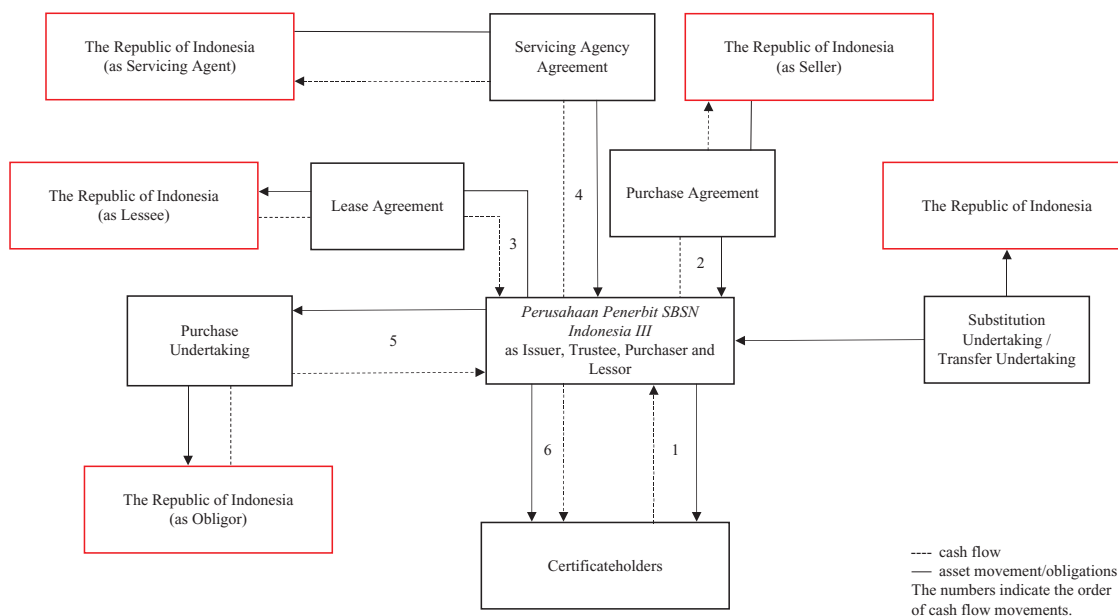
(4) Subject to a range of $\pm 1\%$.

STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows underlying each Ijara Series and Wakala Series. Potential investors are referred to the terms and conditions of the Certificates and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Offering Memorandum for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalized terms used below.

IJARA SERIES

Structure Diagram



Principal cash flows

Payments by the Certificateholders and the Issuer

On the Issue Date of each Ijara Series, the Certificateholders will pay the Issue Price in respect of the Certificates to PPSI-III and PPSI-III will pay such amount to the Republic as the price payable under the Master Purchase Agreement (as defined herein) as supplemented by a Supplemental Purchase Agreement (as defined herein and together with the Master Purchase Agreement, the “**Purchase Agreement**”) for the purchase of the Ijara Assets identified in the Supplemental Purchase Agreement.

Periodic Payments by the Issuer

On or prior to each Periodic Distribution Date, the Lessee will pay to PPSI-III an amount reflecting the rental due under the Lease Agreement in respect of the Ijara Assets, which is intended to be sufficient to fund the Periodic Distribution Amounts payable by the Issuer under the Certificates and shall be applied by the Issuer for that purpose.

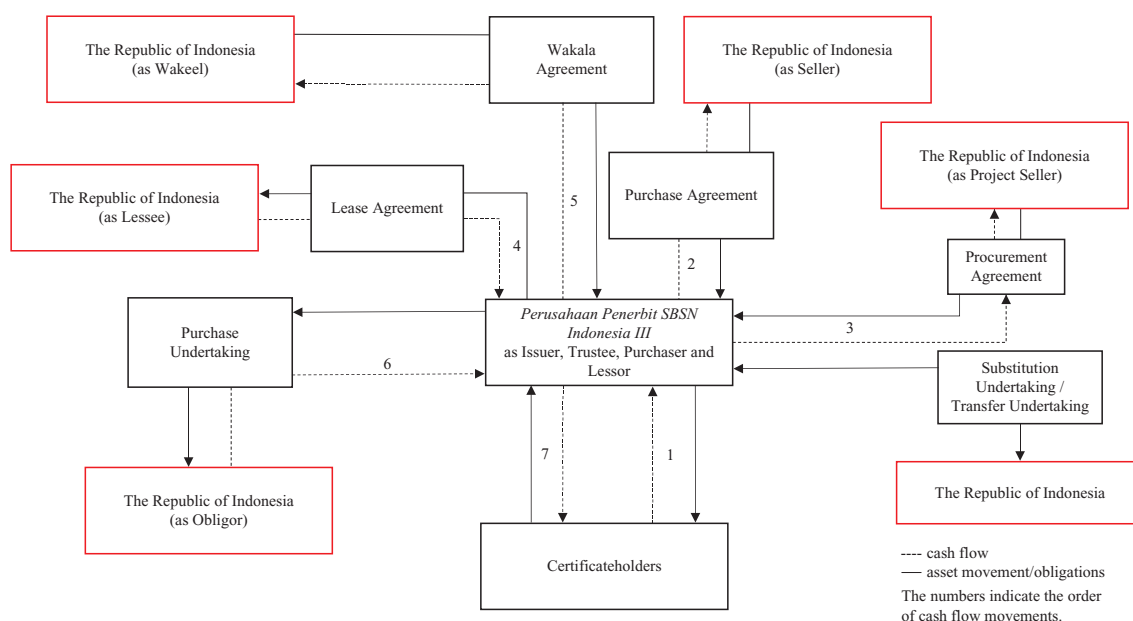
Dissolution Payment by the Republic

On the Scheduled Dissolution Date, PPSI-III will have the right under the Purchase Undertaking (as defined herein) to require the Republic to purchase all of its rights, title, benefits and entitlements in, to and under the Ijara Assets. The Exercise Price (as defined herein) payable by the Republic to the Issuer for such purpose is intended to fund the Dissolution Distribution Amount payable by the Issuer under the Certificates.

The Trust may be dissolved prior to the Scheduled Dissolution Date by reason of redemption following the occurrence of a Dissolution Event (as defined in Condition 12 (*Dissolution Events*)). In such case, the amounts payable by the Issuer on the due date for dissolution will be funded by the Republic purchasing PPSI-III’s rights, title, benefits and entitlements in, to and under the Ijara Assets and paying the Exercise Price to (or to the order of) PPSI-III pursuant to the terms of the Purchase Undertaking.

WAKALA SERIES

Structure Diagram



Principal cash flows

Payments by the Certificateholders and the Issuer

On the Issue Date of each Wakala Series, the Certificateholders will pay the Issue Price in respect of the Certificates to PPSI-III and PPSI-III will pay (i) no less than 51.0% of such amount to the Republic as the price payable under the Purchase Agreement for the purchase of the Ijara Assets identified in the Supplemental Purchase Agreement and (ii) not more than 49.0% of such amount to the Republic as the price payable under the Master Procurement Agreement (as defined herein) as supplemented by a Supplemental Procurement Agreement (as defined here and together with the Master Procurement Agreement, the “**Procurement Agreement**”) for the purchase of the Project Assets identified in the Supplemental Procurement Agreement, and the procurement of the construction of the relevant Project Assets and their delivery upon completion.

Periodic Payments by the Issuer

On or prior to each Periodic Distribution Date, the Lessee will pay to PPSI-III an amount reflecting the rental due under the Lease Agreement in respect of the Assets, which is intended to be sufficient to fund the Periodic Distribution Amounts payable by the Issuer under the Certificates and shall be applied by the Issuer for that purpose. The Lessee will further pay to PPSI-III an amount reflecting the rental due in respect of any Project Assets following their completion and delivery.

Dissolution Payment by the Republic

On the Scheduled Dissolution Date, PPSI-III will have the right under the Purchase Undertaking to require the Republic to purchase all of its rights, title, benefits and entitlements in, to and under the Ijara Assets and the Project Assets (as a single portfolio of assets for the relevant Series). The Exercise Price payable by the Republic to the Issuer for such purpose is intended to fund the Dissolution Distribution Amount payable by the Issuer under the Certificates.

The Trust may be dissolved prior to the Scheduled Dissolution Date by reason of redemption following the occurrence of a Dissolution Event. In such case, the amounts payable by the Issuer on the due date for dissolution will be funded by the Republic purchasing PPSI-III’s rights, title, benefits and entitlements in, to and under the Ijara Assets and the Project Assets and paying the Exercise Price to (or to the order of) PPSI-III pursuant to the terms of the Purchase Undertaking.

SUMMARY OF THE PROGRAM

The following is an overview of the principal features of the Certificates issued under the Program. This overview should be read as an introduction to, and is qualified in its entirety by reference to, the more detailed information appearing elsewhere in this Offering Memorandum and the applicable Pricing Supplement. This overview may not contain all of the information that prospective investors should consider before deciding to invest in the Certificates. Accordingly, any decision by a prospective investor to invest in the Certificates should be based on a consideration of this Offering Memorandum as a whole and the applicable Pricing Supplement.

Words and expressions defined in “*Terms and Conditions of the Certificates*” shall have the same meanings in this overview. Reference to a “**Condition**” is to a numbered condition of the Terms and Conditions of the Certificates (the “**Conditions**”).

Parties

Issuer Perusahaan Penerbit SBSN Indonesia III (“**PPSI-III**”), a legal entity established in the Republic by the Government under Government Regulation No. 57 of 2011 on the Establishment of *Perusahaan Penerbit Surat Berharga Syariah Negara Indonesia III* in conjunction with Law No. 19 of 2008 on Sovereign Sukuk (*Surat Berharga Syariah Negara*) and Government Regulation No. 56 of 2008 on *Perusahaan Penerbit Surat Berharga Syariah Negara* as amended by Government Regulation No. 73 of 2012 on the amendment of Government Regulation No. 56 of 2008 on *Perusahaan Penerbit Surat Berharga Syariah Negara*. The Issuer has been established solely for the purpose of issuing Sharia compliant securities in foreign currencies in the international markets. In accordance with the Declaration of Trust, PPSI-III will (in its capacity as Trustee) act as trustee in respect of the Trust Assets for the benefit of each Series of Certificateholders (see “— *Trustee*” below).

Ownership of the Issuer The Issuer’s entire issued share capital is held by the Republic.

Seller The Republic (in such capacity, the “**Seller**”).

In respect of each Ijara Series, the Seller will sell to the Issuer pursuant to the Purchase Agreement (to hold as trustee for and on behalf of the Certificateholders) certain Ijara Assets identified in the relevant Supplemental Purchase Agreement.

In respect of each Wakala Series, the Seller will sell to the Issuer pursuant to:

- (a) the Purchase Agreement (to hold as trustee for and on behalf of the Certificateholders) certain Ijara Assets identified in the relevant Supplemental Purchase Agreement for a purchase price of not less than 51.0% of the Issue Price; and
- (b) the Procurement Agreement (to hold as trustee for and on behalf of the Certificateholders) certain Project Assets identified in the Supplemental Procurement Agreement for a purchase price of not more than 49.0% of the Issue Price, further to which the Project Seller will procure the construction of the relevant Project Assets and deliver such assets upon completion.

Lessor PPSI-III (in such capacity, the “**Lessor**”).

In respect of each Ijara Series, the Lessor will lease to the Lessee and the Lessee will lease from the Lessor pursuant to the Master Lease

Agreement and a Supplemental Lease Agreement (together, the “**Lease Agreement**”), certain Ijara Assets identified in that Supplemental Lease Agreement.

In respect of each Wakala Series, the Lessor will lease to the Lessee and the Lessee will lease from the Lessor pursuant to the Lease Agreement:

- (a) certain Ijara Assets identified in the relevant Supplemental Lease Agreement; and
- (b) following their completion and delivery, certain Project Assets identified in the Supplemental Lease Agreement.

Lessee The Republic (in such capacity, the “**Lessee**”). In respect of each Ijara Series and Wakala Series, and in accordance with the Lease Agreement, the Lessee will lease the Ijara Assets and, in respect of a Wakala Series, following their completion and delivery, the relevant Project Assets, in consideration for rental payable to the Lessor in the amounts and on the dates specified in the Lease Agreement. The rental for the Ijara Assets will be used to fund the Periodic Distribution Amounts payable by PPSI-III (in its capacity as Issuer) in respect of each Ijara Series and Wakala Series.

Obligor The Republic (in such capacity, the “**Obligor**”). In accordance with the Purchase Undertaking, the Republic will, at the option of the Trustee or the Delegate, purchase all of PPSI-III’s rights, title, benefits and entitlements in, to and under the Ijara Assets of an Ijara Series or the Ijara Assets and the Project Assets of a Wakala Series, each as identified in a sale agreement (in the form scheduled to the Purchase Undertaking).

Servicing Agent In respect of an Ijara Series, the Republic (in such capacity, the “**Servicing Agent**”). Under the Lease Agreement, the Lessor will be responsible for insuring the Properties (as defined below) or replacing all of the Properties upon the occurrence of a Total Loss Event (as each such term is defined herein), paying proprietorship taxes and performing major maintenance and structural repair. In accordance with the Servicing Agency Agreement, the Lessor will delegate this responsibility to the Servicing Agent to perform on the Lessor’s behalf.

Wakeel In respect of a Wakala Series, the Republic (in such capacity, the “**Wakeel**”). Under the Lease Agreement, the Lessor will be responsible for insuring the Properties or replacing all of the Properties upon the occurrence of a Total Loss Event (as each such term is defined herein), paying proprietorship taxes and performing major maintenance and structural repair. In accordance with the Wakala Agreement, the Lessor will delegate this responsibility to the Wakeel to perform on the Lessor’s behalf. Pursuant to the Wakala Agreement, the Wakeel will also maintain a separate ledger account which shall be used to record all rental received by the Wakeel pursuant to the Lease Agreement and shall use its best efforts to manage the Properties in respect of each Wakala Series such that the percentage of the Properties of each Wakala Series which are represented by Ijara Assets shall at all times be no less than 51%.

Arrangers BNP Paribas, Dubai Islamic Bank PJSC, The Hongkong and Shanghai Banking Corporation Limited, Malayan Banking Berhad and Standard Chartered Bank.

Dealers	BNP Paribas, Dubai Islamic Bank PJSC, The Hongkong and Shanghai Banking Corporation Limited, Malayan Banking Berhad and Standard Chartered Bank.
Local Co-Managers	PT Danareksa Sekuritas and PT Trimegah Sekuritas Indonesia Tbk.
Trustee	PPSI-III (in such capacity, the “ Trustee ”). In accordance with the Declaration of Trust, the Trustee will act as trustee in respect of the Trust Assets for the benefit of each Series of Certificateholders.
Delegate	The Bank of New York Mellon (the “ Delegate ”). In accordance with the Declaration of Trust, the Trustee will unconditionally and irrevocably delegate to the Delegate certain present and future duties, powers, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust.
Principal Paying Agent	The Bank of New York Mellon.
Registrar and Transfer Agent	The Bank of New York Mellon as registrar and transfer agent with respect to Certificates held through DTC. The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar and The Bank of New York Mellon, London Branch as transfer agent with respect to Certificates held through Euroclear and/or Clearstream, Luxembourg.
Calculation Agent	The Bank of New York Mellon.
Summary of the Transaction	
Structure and Documents	An overview of the structure of the transaction and the principal cash flows is set out under “ <i>Structure Diagram and Cash Flows</i> ” and a description of the principal terms of the significant Transaction Documents is set out under “ <i>Summary of the Principal Transaction Documents.</i> ”
Summary of the Certificates	
Method of Issue	The Certificates may be issued on a syndicated or non-syndicated basis. The Certificates will be issued in series (each a “ Series ”). Each Series will be issued on the relevant Issue Date specified in the applicable Pricing Supplement.
Program Size	Up to U.S.\$25,000,000,000 (or its equivalent in other currencies calculated as described in the Program Agreement) outstanding at any time. The Issuer may increase the amount of the Program in accordance with the terms of the Program Agreement.
Distribution	Certificates may be distributed by way of private or public placement and in each case on a syndicated or non-syndicated basis.
Currencies	Subject to any applicable legal or regulatory restrictions, any currency agreed between the Issuer and the relevant Dealer.
Maturities	The Certificates will have such maturities as may be agreed between the Issuer and the relevant Dealer, subject to such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Issuer or the Specified Currency (as defined in the applicable Pricing Supplement).

Trust Assets	Each Certificate evidences an undivided ownership interest in the Trust Assets of each Series, subject to the terms of the Transaction Documents. The Trust Assets in respect of each Series consist of: <ul style="list-style-type: none"> (a) all of the Issuer's rights, title, interest and benefit in, to and under the Ijara Assets, in the case of an Ijara Series, and the Ijara Assets and the Project Assets, in the case of a Wakala Series (as varied from time to time as a result of the exercise of rights granted under the Substitution Undertaking or prior to the completion and delivery of Project Assets as provided in the Procurement Agreement and which, as of any Transfer Date, shall exclude the Transferred Assets); (b) all of the Issuer's rights, title, interest and benefit in, to and under the Transaction Documents (other than in relation to any representations given to the Issuer by the Republic pursuant to the Transaction Documents which relate to that Series); (c) all monies that from time to time are, standing to the credit of the Transaction Account for that Series; and (d) all proceeds of the foregoing.
Issue Price	Certificates may be issued on a fully paid basis and at an issue price which is at par.
Periodic Distributions	Certificateholders are entitled to receive Periodic Distribution Amounts (as defined in the Conditions) calculated on the basis specified in the Pricing Supplement applicable to the relevant Series.
Scheduled Dissolution of the Trust ...	Certificates shall be redeemed on the Scheduled Dissolution Date and at the Dissolution Distribution Amount as may be specified in the applicable Pricing Supplement.
Dissolution Date	The Scheduled Dissolution Date or any earlier date of dissolution of the Trust in accordance with the Conditions.
Early Dissolution of the Trust	Other than as a result of the occurrence of a Dissolution Event, a Total Loss Event, the Trust will not be subject to dissolution, and the Certificates will not be redeemed, prior to the Scheduled Dissolution Date.
Dissolution Events and Republic Events	<p>The Dissolution Events are set out in Condition 12 (<i>Dissolution Events</i>). Following the occurrence of a Dissolution Event which is continuing, the Certificates may be redeemed in full at the Dissolution Distribution Amount. The Exercise Price paid pursuant to the Purchase Undertaking shall be used to fund the Dissolution Distribution Amount.</p> <p>The Dissolution Events include the Republic Events which are certain events relating to the Republic, as set out in the Purchase Undertaking.</p>
Dissolution Distribution Amount	The aggregate outstanding face amount of the Certificates <i>plus</i> all Periodic Distribution Amounts accrued and unpaid (if any) at the Dissolution Date.

Total Loss Event The occurrence of a Total Loss Event in respect of the Assets relating to a particular Series will result in the termination of the relevant Supplemental Lease Agreement(s) in respect of the properties the subject of the Total Loss Event and the redemption of the Certificates of the relevant Series and the consequent dissolution of the Trust, unless the Republic (in its capacity as Servicing Agent or Wakeel, as the case may be) in its sole discretion decides to procure, on the date of occurrence of the Total Loss Event, sufficient new properties that will be made subject to the Lease Agreement in respect of such Series. In such an event the Lessee and the Lessor shall immediately enter into a new Supplemental Lease Agreement in respect of the new properties. The Servicing Agent or the Wakeel, as the case may be, is also responsible for ensuring that, in such an event, all insurance proceeds (if any) in respect thereof are paid in the Specified Currency directly into the Transaction Account in respect of such Series by no later than the close of business in London on the 30th day after the occurrence of the Total Loss Event.

If a Total Loss Event occurs and the relevant provisions of the Servicing Agency Agreement or Wakala Agreement, as the case may be, are not strictly complied with and as a result an amount (if any) less than the aggregate outstanding face amount of the Certificates of such Series is credited to the relevant Transaction Account (the difference between such amount in the Specified Currency and the amount credited to the Transaction Account being the “**Total Loss Shortfall Amount**”), then the Servicing Agent or the Wakeel, as the case may be, is required (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement or Wakala Agreement, as the case may be, relating to insurance) to pay (in the Specified Currency in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly into the Transaction Account by no later than close of business in London on the 31st day after the Total Loss Event has occurred. The amount standing to the credit of the Transaction Account shall be used to redeem the Certificates of such Series on the Total Loss Dissolution Date. Following such redemption, the Trust shall be dissolved.

Unless the Servicing Agent or the Wakeel, as the case may be, procures new properties that will be subject to the Lease Agreement in respect of such Series, rental under the Lease Agreement will cease automatically with effect from the date on which a Total Loss Event (if any) occurs, and no additional rental payment shall be made in respect of the period between the date on which the Total Loss Event occurred and the date on which the Total Loss Shortfall Amount is paid into the relevant Transaction Account.

“**Total Loss Dissolution Date**” means the earlier of (i) the date notified by the Issuer in a notice given to the Certificateholders, the Delegate and the Principal Paying Agent in accordance with Condition 15 (*Notices*) and (ii) the 31st day following the occurrence of a Total Loss Event following which the Servicing Agent has not procured the full replacement of the Assets.

“**Total Loss Event**” means the total loss or destruction of, or damage to the whole of, the Properties, or any event or occurrence that renders the whole of the Properties permanently unfit for any economic use and (but only after taking into consideration any

insurance or other indemnity granted by any third party in respect of the Properties) the repair or remedial work in respect thereof is wholly uneconomical.

Cancellation of Certificates held by the Republic

The Republic may at any time purchase Certificates at any price in the open market or otherwise. Following any purchase of Certificates, the Republic may at its option hold or resell such Certificates or surrender the Certificates for cancellation by PPSI-III. Should the Republic wish to cancel any Certificates so purchased, it shall deliver a transfer notice (a “**Transfer Notice**”) to PPSI-III (in accordance with the terms of the Transfer Undertaking) whereupon PPSI-III shall, in accordance with the terms of the Transfer Undertaking, be obliged to transfer all of PPSI-III’s rights, title, benefits and entitlements in, to and under the Transferred Assets (as specified in the Transfer Notice) to the Republic in consideration for which the relevant Certificates shall be surrendered to PPSI-III for cancellation.

The transfer of the Transferred Assets will take effect by the Republic and PPSI-III entering into a transfer agreement (in the form scheduled to the Transfer Undertaking). Following the entry into such transfer agreement, PPSI-III shall cancel the relevant Certificates identified in the Transfer Notice on the Transfer Date specified in the Transfer Notice (which shall be a Periodic Distribution Date).

Covenants

The Purchase Undertaking contains a negative pledge given by the Republic. See “*Summary of the Principal Transaction Documents.*”

Role of Delegate

Pursuant to the Declaration of Trust, the Trustee will delegate to the Delegate certain of the present and future duties, powers, trusts, authorities and discretions vested in the Trustee by certain provisions of the Declaration of Trust. In particular, the Delegate shall be entitled to:

- (a) deliver an Exercise Notice to the Republic in accordance with the Purchase Undertaking; and
- (b) following a Dissolution Event, take any enforcement action in the name of the Trustee against the Republic.

Asset Substitution

Pursuant to a Substitution Undertaking entered into by PPSI-III in favor of the Republic, the Republic may, subject to certain conditions, require PPSI-III to accept the substitution of certain new assets (the “**New Assets**”) in replacement of certain existing Ijara Assets or, in the case of a Wakala Series and following the completion and delivery of such Project Assets, Project Assets subject to the Lease Agreement (together, the “**Replaced Assets**”) as described in a substitution notice provided by the Republic to PPSI-III, *provided that* the Republic certifies that the New Assets are of a value equal or greater than the value of the Replaced Assets. Upon the Republic giving notice of substitution to PPSI-III, (i) PPSI-III shall enter to a substitution sale agreement (in the form scheduled to the Substitution Undertaking) with the Republic to effect the transfer and conveyance of the Replaced Assets and the New Assets; and (ii) PPSI-III (as Lessor) and the Republic (as Lessee) shall amend the Supplemental Lease Agreement(s) in respect of such Series to reflect the change in composition of the properties that are subject to the Lease. If the value of the Replaced Assets as certified by the Republic is more than

20 *per cent.* of the aggregate outstanding face amount of the Certificates of such Series then the existing Supplemental Lease Agreement in respect of the relevant Replaced Assets shall be terminated and the Lessee and the Lessor shall immediately enter into a new Supplemental Lease Agreement in respect of the New Assets.

PPSI-III may also replace Project Assets under the Procurement Agreement prior to the completion and delivery of the relevant assets pursuant to the specified Project by the amendment of the schedule to the relevant Supplemental Procurement Agreement specifying such Project Assets.

In addition, the Servicing Agent or the Wakeel, as the case may be, may in accordance with the Servicing Agency Agreement or the Wakala Agreement, as the case may be, upon the occurrence of a Loss Event (as defined in the Lease Agreement), procure new properties with a value not less than the value of the Properties the subject of the Loss Event and shall convey the Beneficial Rights in and to such new properties to PPSI-III, following which PPSI-III (in its capacity as Lessor) and the Republic (in its capacity as Lessee) shall amend the Supplemental Lease Agreement(s) in respect of such Series to reflect the change in the composition of the properties that are the subject of the Lease Agreement.

**Form and Delivery of the
Certificates**

The Certificates will be represented by one or more global certificates in fully registered form which will, unless otherwise specified in the applicable Pricing Supplement, be deposited on or about the Issue Date with a custodian for and registered in the name of a nominee of DTC, except that global certificates representing Regulation S Certificates may, if specified in the applicable Pricing Supplement, be deposited on or about its Issue Date with a common depository for, and registered in the name of a nominee of the common depository for Euroclear and Clearstream, Luxembourg.

It is expected that delivery of the Certificates in book-entry form will be made against payment on the Issue Date through the book-entry facilities of DTC or Euroclear or Clearstream, Luxembourg, as the case may be.

Beneficial interests in the global certificates deposited with DTC will be shown on, and transfers thereof will be effected only through, records maintained by DTC and its direct or indirect participants, including Euroclear and Clearstream, Luxembourg. Beneficial interests in the global certificates deposited with the common depository for Euroclear and Clearstream, Luxembourg will be shown on, and transfers thereof will be effected only through records maintained by Euroclear and Clearstream, Luxembourg and its direct or indirect participants. See “*Global Certificates*” and “*Clearance and Settlement*”. Except as described herein, definitive Certificates will not be issued in exchange for beneficial interests in global certificates.

Denominations

The Certificates will be issued in such denominations as may be agreed between the Issuer, the Republic and the relevant Dealer save that the minimum denomination of each Certificate will be such amount as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the Specified Currency, above, save that the minimum

denomination of each Certificate admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area, in circumstances which require the publication of a prospectus under the Prospectus Regulation, will be €100,000 (or, if the Certificates are denominated in a currency other than euro, the equivalent amount in such currency).

Status of the Certificates Each Certificate represents an undivided ownership interest in the Trust Assets of the relevant Series and will rank *pari passu*, without any preference, with the other Certificates of the Series.

Transaction Account The Principal Paying Agent will maintain and operate a separate non-interest bearing transaction account denominated in the Specified Currency for each Series of Certificates in the name of the Issuer (the “**Transaction Account**”) into which, among other things, payments to the Issuer by the Lessee, the Servicing Agent or the Wakeel, as the case may be, and the Republic under the Lease Agreement, the Servicing Agency Agreement or the Wakala Agreement, as the case may be, or the Purchase Undertaking, respectively, will be credited. Periodic Distribution Amounts and the Dissolution Distribution Amount will be paid to holders of the Certificates from funds standing to the credit of the Transaction Account in accordance with the order of priority described under “*Priority of Distributions*” below.

Priority of Distributions On each Periodic Distribution Date, on the relevant Dissolution Date and upon payment of continuing rentals by the Republic following the failure of the Republic to pay the Exercise Price due under the Purchase Undertaking, the Principal Paying Agent shall apply the monies standing to the credit of the relevant Transaction Account in the following order of priority:

- (a) **first**, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate;
- (b) **second**, to the Principal Paying Agent for application in or towards payment *pari passu* and ratably of all Periodic Distribution Amounts due but unpaid;
- (c) **third**, only if such payment is made on the Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and ratably of the Dissolution Amount or amount payable following a Total Loss Event, where the Servicing Agent or the Wakeel, as the case may be, does not procure the full replacement of the Assets in accordance with the Servicing Agency Agreement or the Wakala Agreement, as the case may be;
- (d) **fourth**, only if such payment is made on the Dissolution Date, to the Servicing Agent or the Wakeel, as the case may be, in or towards payment of all outstanding Servicing Agency Expenses or Management Expenses, respectively; and
- (e) **fifth**, only if such payment is made on the Dissolution Date, to the Issuer in payment of any surplus.

Enforcement The Delegate shall not be bound in any circumstances to take any action to enforce or to realize the Assets or take any action against the

Issuer or the Republic under any Transaction Document unless directed or requested to do so (a) by an Extraordinary Resolution or in the absence of an Extraordinary Resolution (b) in writing by the holders of at least 25.0% of the aggregate outstanding face amount of the Certificates and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing. No Certificateholder shall be entitled to proceed directly against the Issuer or the Republic unless (i) the Delegate, having become bound so to proceed, fails to do so within 60 days of becoming so bound and such failure is continuing and (ii) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders) who proposes to proceed directly against the Issuer or the Republic, holds at least 25.0% of the outstanding aggregate face amount of the Certificates. Under no circumstances shall the Delegate or any Certificateholders have any right to cause the sale or other disposition of any of the Assets (other than in accordance with the Purchase Undertaking) and the sole right of the Delegate and the Certificateholders in respect of the Assets shall be to enforce their respective obligations under the Transaction Documents.

- Withholding Tax** All payments by the Issuer under the Certificates are to be made without withholding or deduction for or on account of taxes, unless the withholding or deduction of the taxes is required by Indonesian law. In such event, the Issuer will be required pursuant to Condition 10 (*Taxation*) to pay such additional amounts as may be necessary to ensure that the full amount which otherwise would have been due and payable under the Certificates is received by the Certificateholders. All payments by each of the Lessee and the Republic to the Issuer under the Transaction Documents are to be made without withholding or deduction for or on account of taxes, unless the withholding or deduction of the taxes is required by Indonesian law. In such event, the relevant payer will be required pursuant to the relevant Transaction Documents to pay to the Issuer such additional amounts as may be necessary to ensure that the Issuer will receive the full amount which otherwise would have been due and payable.
- Costs Undertaking** The Republic will execute a Costs Undertaking pursuant to which it will agree to reimburse, among others, the Trustee, the Delegate and the Agents for certain expenses incurred by them and indemnify such parties in respect of certain liabilities incurred by them.
- Use of Proceeds** The proceeds of the issue of the Certificates of each Series will be paid by PPSI-III in its capacity as Purchaser and Issuer on the Issue Date to the Seller as the purchase price for the Assets of such Series.
- Listing** Application has been made to the SGX-ST for permission to deal in and quotation of any Certificates that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. There is no assurance that the application to the Official List of the SGX-ST for the listing of a particular Series will be approved. For so long as any Certificates are listed on the SGX-ST and the rules of the SGX-ST so require, such Certificates will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in any other currency). Application has also been made for certain Certificates issued under the Program to be admitted to listing on the DFSA Official List of securities and to be admitted to trading on Nasdaq Dubai. The

Certificates may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. Unlisted Certificates may also be issued under the Program. The relevant Pricing Supplement will state whether or not the Certificates of a Series will be listed on any exchange(s) and, if so, on which exchange(s) the Certificates are to be listed.

Clearing Systems DTC or Euroclear and/or Clearstream, Luxembourg and, in relation to any Series, such other clearing system as may be agreed between the Republic, the Issuer, the Delegate and the relevant Dealer. See “*Clearance and Settlement*.”

Ratings A Series of Certificates may be rated or unrated. Where a Series of Certificates is to be rated, such rating will be specified in the applicable Pricing Supplement.

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Certificateholder Meetings A summary of the provisions for convening meetings of Certificateholders to consider matters relating to their interests is set out in Condition 16 (*Meetings of Certificateholders; Written Resolutions*) and Condition 17 (*Aggregation Agent; Aggregation Procedures*).

Tax Considerations See “*Taxation*” for a description of certain tax considerations applicable to the Certificates.

Transaction Documents The Transaction Documents are the Purchase Agreement, the Lease Agreement, the Procurement Agreement (in the case of a Wakala Series), the Servicing Agency Agreement (in the case of an Ijara Series) or the Wakala Agreement (in the case of a Wakala Series), the Purchase Undertaking, the Transfer Undertaking, any sale agreement, any transfer agreement, the Substitution Undertaking, the Declaration of Trust, the Agency Agreement and the Costs Undertaking.

Governing Law The Purchase Undertaking, the Transfer Undertaking, the Declaration of Trust, the Certificates, the Agency Agreement and the Costs Undertaking will be governed by English law.

The Lease Agreement, the Purchase Agreement, the Procurement Agreement, the Servicing Agency Agreement, the Wakala Agreement and the Substitution Undertaking will be governed by Indonesian law.

Selling Restrictions See “*Plan of Distribution*” for a description of the restrictions on the distribution of this Offering Memorandum and the offer or sale of Certificates in the United States, the United Kingdom, the European Economic Area, Hong Kong, Japan, Singapore, Brunei, the United Arab Emirates, Dubai International Financial Centre, the Kingdom of Saudi Arabia, the State of Qatar, the Kingdom of Bahrain, Kuwait, Malaysia and Switzerland.

Waiver of Immunity Subject to the following paragraph, to the extent that the Republic may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and

all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, the Republic will agree in the Lease Agreement, Purchase Undertaking, the Transfer Undertaking, Declaration of Trust, Agency Agreement and Costs Undertaking not to claim and will irrevocably and unconditionally waive such immunity in relation to any proceedings. Further, the Republic will irrevocably and unconditionally consent to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any proceedings.

Notwithstanding anything to the contrary in the foregoing, no waiver of immunity or consent shall be deemed or interpreted to include any waiver of immunity or consent in respect of (i) actions brought against the Republic arising out of or based upon United States federal or state securities laws, (ii) attachment under Indonesian laws, (iii) present or future 'premises of the mission' as defined in the Vienna Convention on Diplomatic Relations signed in 1961, (iv) 'consular premises' as defined in the Vienna Convention on Consular Relations signed in 1963, (v) any other property or assets used solely or mainly for governmental or public purposes in the Republic or elsewhere, or (vi) military property or military assets or property or assets of the Republic related thereto; *provided that* the foregoing limitations shall not preclude any proceeding to enforce any provision of the relevant Transaction Documents relating to the Assets.

INVESTMENT CONSIDERATIONS

An investment in the Certificates involves certain risks. Prospective investors should carefully consider, in the light of their own financial circumstances and investment objectives, the following factors in addition to the matters set forth elsewhere in this Offering Memorandum, prior to investing in the Certificates. Each of the Republic and the Issuer believes that the factors described below represent the principal risks inherent in investing in the Certificates, but the Republic and the Issuer may be unable to pay any amounts on or in connection with any Certificate for other reasons and neither the Republic nor the Issuer represents that the statements below regarding the risks of holding any Certificate are exhaustive or that the statements below relate to any other risks not described therein. There may also be other considerations, including some which may not be presently known to the Republic or the Issuer or which the Republic or the Issuer currently deem immaterial, that may impact on any investment in the Certificates.

Prospective investors should also read the detailed information set out elsewhere in this Offering Memorandum and reach their own views prior to making any investment decision. Words and expressions defined elsewhere in this Offering Memorandum shall have the same meanings in this section.

Investment consideration relating to the Issuer

The Issuer must rely on payments by the Republic.

The Issuer will not engage in any business activity other than the issuance of the Certificates, the acquisition of Ijara Assets and Project Assets as described herein, acting in the capacity as Trustee and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Issuer's only material assets, which will be held in trust for Certificateholders, will be the Trust Assets relating to each Series, including its right to receive payments from the Lessee under the Lease Agreement relating to each Ijara Series and the Wakeel under the Wakala Agreement relating to each Wakala Series, and payment from the Republic of the Exercise Price under the Purchase Undertaking. Therefore, the Issuer is subject to all the risks to which the Republic is subject to the extent that such risks could limit the Republic's ability to satisfy in full and on a timely basis its obligations under the Transaction Documents.

Investors should therefore carefully review the description of the Republic herein under "*Republic of Indonesia*".

The ability of the Issuer to pay amounts due on the Certificates of each Series will primarily be dependent upon receipt by the Issuer from the Lessee of all amounts due under the Lease Agreement, in the case of an Ijara Series, and from the Wakeel of all amounts due under the Wakala Agreement, in the case of a Wakala Series and from the Republic of the Exercise Price under the Purchase Undertaking. In the event of any shortfall in such amounts, the ability of the Issuer to meet its payment obligations under the Certificates may be adversely affected.

Investment considerations relating to the Certificates

There is currently no secondary market for the Certificates and there may be limited liquidity for Certificateholders.

There is no assurance that a secondary market for the Certificates will develop or, if it does develop, that it will provide the Certificateholders with liquidity of investment or that it will continue for the life of the Certificates. Accordingly, a Certificateholder may not be able to find a buyer to buy its Certificates readily or at prices that will enable the Certificateholder to realize a desired yield. The market value of the Certificates may fluctuate and a lack of liquidity, in particular, can have a material adverse effect on the market value of the Certificates. Accordingly, the purchase of the Certificates is suitable only for investors who can bear the risks associated with a lack of liquidity in the Certificates and the financial and other risks associated with an investment in the Certificates. An investor in the Certificates must be prepared to hold the Certificates for an indefinite period of time or until their maturity.

The Certificates may be subject to restrictions on transfer which may adversely affect the value of the Certificates.

The Certificates have not been and will not be registered under the Securities Act or any United States state securities laws and the Issuer has not undertaken to effect any exchange offer for the Certificates in the future.

The Certificates may not be offered in the United States except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act and applicable United States state securities laws, or pursuant to an effective registration statement, in a transaction that will not require the Issuer to register as an investment company under the United States Investment Company Act of 1940, as amended (the “**Investment Company Act**”). The Certificates and the Agency Agreement will contain provisions that will restrict the Certificates from being offered, sold or otherwise transferred except pursuant to the exemptions available pursuant to Rule 144A and Regulation S, or other exemptions, under the Securities Act. Furthermore, the Issuer has not registered the Certificates under any other country’s securities laws. Investors must ensure that their offers and sales of the Certificates within the United States and other countries comply with applicable securities laws. See “*Transfer Restrictions*.”

Credit ratings may not reflect all risks.

A Series of Certificates issued under the Program may or may not be rated. Where a Series is to be rated, one or more independent credit rating agencies may assign credit ratings to the Certificates. The ratings may not reflect the potential impact of all risks related to the transaction structure, the market, the additional factors discussed above or any other factors that may affect the value of the Certificates. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the rating agency at any time.

The Certificates contain collective action clauses under which the terms of any one series of securities and/or multiple series of securities may be modified without the consent of all the holders of the securities of that series or all the holders of any other series of securities being aggregated, as the case may be.

The Conditions of the Certificates contain provisions regarding modifications commonly referred to as “collective action” clauses. Such clauses permit defined majorities to bind all Certificateholders, including Certificateholders who did not attend, Certificateholders who did not vote and Certificateholders who voted in a manner contrary to the defined majority. The relevant provisions also permit, in relation to reserved matters, multiple series of securities (including, without limitation, any trust certificates (such as the Certificates), notes, bonds, debentures or other debt securities issued by the Trustee or the Republic, as the case may be, in one or more series with an original stated maturity of more than one year) to be aggregated for voting purposes (*provided that* each such series also contains the collective action clauses in the terms and conditions of such securities).

The Republic and the Trustee expect that all series of securities issued by the Republic and the Trustee in future will include such collective action clauses, thereby giving the Republic and/or the Trustee the ability to request modifications (including in respect of Reserved Matters (as defined in the Conditions of the Certificates)) across multiple series of securities. This means that a defined majority of the holders of such series of securities (when taken in the aggregate) would be able to bind all holders of securities in all the relevant aggregated series.

Any modification relating to Reserved Matters (as defined in the Conditions of the Certificates), including in respect of payments and other important terms (such as, without limitation, changes to the Scheduled Dissolution Date or any other date for payment of amounts in respect of the Certificates), may be made to the Certificates with the consent of the holders of at least 75% of the aggregate principal amount outstanding of Certificates represented at a meeting, and to multiple series of securities with the consent of either (A) both (i) the holders of at least 66 $\frac{2}{3}$ % of the aggregate principal amount of the outstanding securities of all affected series of securities being aggregated (taken in aggregate) and (ii) the holders of more than 50% in aggregate principal amount of the outstanding securities in each affected series of securities capable of being aggregated (taken individually) or (B) the consent of the holders of at least 75% of the aggregate principal amount of the outstanding securities of all affected series of securities being aggregated. For further details, see Condition 16 (*Meetings of Certificateholders; Written Resolutions*).

Any modification proposed by the Republic or the Trustee (as the case may be) may, at the option of the Republic or the Trustee (as the case may be), be made in respect of some series of securities only and, for the avoidance of doubt, the provisions may be used for different groups of two or more series of securities simultaneously. At the time of any proposed modification, the Republic or the Trustee (as the case may be) will be obliged, *inter alia*, to specify which method or methods of aggregation will be used by the Republic or the Trustee (as the case may be).

There is a risk therefore that the Conditions of the Certificates may be modified in circumstances whereby the holders of securities voting in favour of modification may be holders of a different series of securities and, as

such, less than 75% of the holders of the Certificates would have voted in favour of such modification. In addition, there is a risk that the provisions allowing for aggregation across multiple series of securities may make the Certificates less attractive to purchasers in the secondary market on the occurrence of a Dissolution Event or in a distress situation. This risk may be exacerbated should holders of interest-bearing securities pass resolutions pursuant to the multiple series single limb voting mechanism which have the effect of contractually binding holders of the Certificates to modifications that result in the Certificates no longer being Shariah compliant. Further, any such modification in relation to any Certificates may adversely affect their trading price.

The Declaration of Trust may be modified without notice to Certificateholders.

The Declaration of Trust contains provisions permitting the Delegate from time to time and at any time without any consent or sanction of the Certificateholders to make any modification of, or to the waiver or authorisation of any breach or proposed breach of, any provision of the Declaration of Trust or determine, without any such consent or sanction, that any Dissolution Event shall not be treated as such if, in the opinion of the Delegate, (i) such modification is of a formal, minor or technical nature, or (ii) such modification is made to correct a manifest or proven (to the satisfaction of the Delegate) error, or (iii) such modification, waiver, authorisation or determination is not materially prejudicial to the interests of Certificateholders. Unless the Delegate otherwise decides, any such modification shall as soon as practicable thereafter be notified to the Certificateholders and shall in any event be binding upon the Certificateholders.

The United States Internal Revenue Service may treat the Certificates as an interest in a grantor trust for federal income tax purposes, which may result in the Issuer and United States holders being subject to significant penalties.

The Issuer believes that it is appropriate to treat the Certificates as representing debt obligations of the Republic and intends to do so. However, the United States Internal Revenue Service (the “IRS”) may seek to characterize the Certificates as interests in a grantor trust for U.S. federal income tax purposes. Under this characterization, the Issuer and United States holders (as defined in “*Taxation — United States Federal Income Tax Considerations*”) would be required to comply with certain information reporting requirements applicable to foreign trusts, or risk significant penalties. The Issuer does not expect that it will provide information that would allow either itself or United States holders to comply with these requirements if they were determined to be applicable. Should the IRS characterize the Certificates as interests in a grantor trust and should the Issuer be unable to provide the information necessary for itself and for United States holders to comply with the foreign trust information reporting requirements, both the Issuer and United States holders may be subject to significant penalties that may adversely affect the Issuer’s financial position and the returns of United States holders from the Certificates. See “*Taxation — United States Federal Income Tax Considerations — Potential Alternative Characterization.*”

The regulation and reform of “benchmarks” may adversely affect the value of Certificates linked to or referencing such “benchmarks”.

Interest rates and indices which are deemed to be “benchmarks”, (including EURIBOR or LIBOR) are the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. These reforms may cause such benchmarks to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on any Certificates linked to or referencing such a “benchmark”. Regulation (EU) 2016/1011 (the “**Benchmarks Regulation**”) was published in the Official Journal of the EU on 29 June 2016 and has applied from 1 January 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It will, among other things, (i) require benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevent certain uses by EU supervised entities of “benchmarks” of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on any Certificates linked to or referencing EURIBOR or LIBOR, in particular, if the methodology or other terms of EURIBOR or LIBOR are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of EURIBOR or LIBOR.

More broadly, any of the international or national reforms, or the general increased regulatory scrutiny of “benchmarks”, could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the following effects on certain “benchmarks” (including EURIBOR or LIBOR): (i) discourage market participants from continuing to administer or contribute to the “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmark” or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on any Certificates linked to or referencing EURIBOR or LIBOR.

Investors should consult their own independent advisors and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to any Certificates linked to or referencing EURIBOR or LIBOR.

Future discontinuance of LIBOR may adversely affect the value of Certificates which reference LIBOR.

LIBOR is the subject of ongoing regulatory reforms. On 27 July 2017, Andrew Bailey, the Chief Executive of the United Kingdom Financial Conduct Authority (the “FCA”), which regulates LIBOR, announced that the FCA does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. The announcement indicates that the continuation of LIBOR on the current basis is not guaranteed after 2021. Subsequent speeches by Andrew Bailey and other FCA officials have emphasized that market participants should not rely on the continued publication of LIBOR after the end of 2021. It is not possible to predict whether, and to what extent, panel banks will continue to provide LIBOR submissions to the administrator of LIBOR going forwards. This may cause LIBOR to perform differently than it did in the past and may have other consequences which cannot be predicted.

Investors should be aware that, if LIBOR were discontinued or otherwise unavailable, the rate of interest on Certificates which reference LIBOR will be determined for the relevant period by the fall-back provisions applicable to such Certificates. Depending on the manner in which the LIBOR rate is to be determined under the Terms and Conditions, this may, if Screen Rate Determination applies, result in the effective application of a fixed rate based on the rate which applied in the previous period when LIBOR was available. The foregoing could have an adverse effect on the value or liquidity of, and return on, any Certificates which reference LIBOR.

Other investment considerations

The Certificates may not be a suitable investment for all investors.

The Certificates may not be a suitable investment for all investors. Each potential investor in the Certificates must determine the suitability of its investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Offering Memorandum;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact the Certificates will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency of payment is different from the potential investor’s currency;
- understand thoroughly the terms of the Certificates and be familiar with the behavior of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial advisor) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Where the proceeds of a Series are specified as being used to finance or refinance Eligible Green Projects, as defined under the Green Bond and Green Sukuk Framework, such Certificates may not be suitable for environmentally focused prospective investors.

In connection with a potential issuance of Certificates the proceeds of which will be used by the Republic to finance or refinance Eligible Green Projects, the Republic has (i) adopted the Green Bond and Green Sukuk

Framework; (ii) obtained from CICERO a framework overview and second party opinion dated 23 January 2018; and (iii) agreed to certain reporting and use of proceeds obligations. Prospective investors should be aware however that it will not be a Dissolution Event under the Terms and Conditions of the Certificates if the Republic fails to comply with such obligations and the Green Bond and Green Sukuk Framework may be revised by the Republic at any time. No assurance can be given that any Eligible Green Projects financed or refinanced with the proceeds of the issuance of Certificates will fulfil the environmental and sustainability criteria anticipated or required by prospective investors. In addition, a withdrawal of the CICERO Report due to a failure to comply with the reporting requirements stipulated in the Green Bond and Green Sukuk Framework, for example, may affect the value of the Certificates and/or may have consequences for certain investors with portfolio mandates to invest in green assets.

Certificateholders may be adversely affected by the occurrence of a Total Loss Event despite the Issuer's obligation to adequately insure the Properties.

Pursuant to the Master Lease Agreement, the Issuer is required, among other things, to insure the Properties. The Issuer has delegated this obligation to the Republic, as its Servicing Agent, in the case of an Ijara Series, or Wakeel, in the case of a Wakala Series. The Servicing Agent has undertaken in the Servicing Agency Agreement and the Wakeel in the Wakala Agreement, among other things, to insure the Properties in the name of the Issuer, against the occurrence of a Total Loss Event at their full reinstatement value.

Nevertheless, should such an event occur, unless the Servicing Agent or the Wakeel, as the case may be, procures new properties on the date of occurrence of the Total Loss Event that will be made subject to the relevant Lease Agreement, the Lease Agreement will be terminated and the Certificates will be redeemed at an amount equal to the Dissolution Distribution Amount using the insurance proceeds (if any) deposited into, and other monies standing to the credit of, the Transaction Account established in respect of the relevant Series. In connection with this, the Servicing Agency Agreement and the Wakala Agreement provide that the relevant provisions of the Servicing Agency Agreement or Wakala Agreement, as the case may be, are not strictly complied with and as a result sufficient insurance proceeds are not paid into the Transaction Account within 30 days of the occurrence of the Total Loss Event, the Republic, as Servicing Agent or Wakeel, as the case may be, shall have failed in its responsibility to properly insure the Properties and accordingly (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement or Wakala Agreement, as the case may be, relating to insurance), the Republic shall be required to pay any shortfall directly to the Transaction Account within 31 days of the occurrence of the Total Loss Event. The Delegate will be entitled to enforce this undertaking against the Republic on behalf of the Certificateholders.

Potential investors should be aware that (i) rental under the Lease Agreement will cease automatically upon the occurrence of a Total Loss Event and accordingly the Periodic Distribution Amounts received by Certificateholders will reflect this fact and (ii) there may be a delay in the Issuer receiving the proceeds of insurance (or shortfall amounts from the Servicing Agent or Wakeel, as the case may be) and therefore in Certificateholders receiving the full Dissolution Distribution Amount in respect of their Certificates, and no additional Periodic Distribution Amounts will be paid in respect of this delay.

Certificateholders may be adversely affected by a change of English law or the laws of Indonesia.

The structure of the issue of the Certificates is based on English law, the laws of Indonesia and administrative practices in effect as at the date of this Offering Memorandum. No assurance can be given as to the impact of any possible change to English law, the laws of Indonesia or administrative practices in either jurisdiction after the date of this Offering Memorandum, nor can any assurance be given as to whether any such change could adversely affect the ability of the Issuer to make payments under the Certificates or of the Republic to comply with its obligations under the Transaction Documents to which it is a party.

Certificateholders will be reliant on the procedures of the clearing systems to exercise certain rights under the Certificates.

The Certificates will be represented on issue by one or more global certificates that will, unless otherwise specified in the applicable Pricing Supplement, be deposited with a custodian for DTC or, in the case of Regulation S Certificates only, may alternatively be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the global certificates and the Conditions, investors will not be entitled to receive Certificates in definitive form. DTC and its direct and indirect

participants (including Euroclear and Clearstream, Luxembourg) or, as the case may be, Euroclear and Clearstream, Luxembourg and its direct or indirect participants will maintain records of the beneficial interests in the global certificates. While the Certificates are represented by the global certificates, investors will be able to trade their beneficial interests only through DTC and its respective participants or Euroclear and Clearstream, Luxembourg, and their respective participants as the case may be, unless otherwise specified in the applicable Pricing Supplement.

While the Certificates are represented by the global certificates, the Issuer will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of a beneficial interest in a global certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the relevant Certificates. None of the Issuer, the Delegate nor any of the Agents has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interest in a global certificate.

Holders of beneficial interests in a global certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

There is no assurance that the Certificates will be deemed Sharia compliant by all Sharia scholars.

The Shari'a Supervisory Committee of BNP Paribas, the Fatwa and Sharia Supervisory Board of Dubai Islamic Bank PJSC, the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited, the Sharia Committee of Maybank Islamic Berhad and Global Shariah Supervisory Committee of Standard Chartered Bank have approved that the structure and mechanism described under the Transaction Documents are Sharia compliant. The National Sharia Board — Indonesian Council of Ulama has provided similar confirmation. However, there can be no assurance that the transaction structure or any issue and trading of any Certificates will be deemed to be Sharia compliant by any other Sharia board or Sharia scholars. None of the Issuer, the Republic, the Arrangers, the Dealers, the Delegate or the Agents makes any representation as to the Sharia compliance of any Series and potential investors are reminded that, as with any Sharia views, differences in opinion are possible. Potential investors should obtain their own independent Sharia advice as to the compliance of the structure and mechanism described under the Transaction Documents and the issue and trading of any Series with Sharia principles.

Certificateholders may be adversely affected by certain exchange rate risks and exchange controls.

The Issuer will make payments to Certificateholders in the Specified Currency set out in the applicable Pricing Supplement. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency equivalent yield on the Certificates, (ii) the Investor's Currency equivalent value of the amounts payable on the Certificates and (iii) the Investor's Currency equivalent market value of the Certificates. Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, the payments received by investors may be adversely affected.

TERMS AND CONDITIONS OF THE CERTIFICATES

The following is the text of the Terms and Conditions of the Certificates which (subject to modification and except for the text in italics) will be endorsed on each Certificate in definitive form issued under the Program. The applicable Pricing Supplement in relation to any Series of Certificates may specify other terms and conditions which shall, to the extent specified or to the extent inconsistent with the following Terms and Conditions, supplement, replace or modify the following Terms and Conditions for the purpose of such Certificates.

Perusahaan Penerbit SBSN Indonesia III (in its capacity as issuer, the “**Issuer**” and in its capacity as trustee, the “**Trustee**”) has established a program (the “**Program**”) for the issuance of up to U.S.\$25,000,000,000 trust certificates (the “**Certificates**”).

Certificates issued under the Program are issued in ijara or wakala series (an “**Ijara Series**” or a “**Wakala Series**”, respectively, and each a “**Series**”), as specified in the applicable Pricing Supplement. The final terms for each Series are set out in the applicable Pricing Supplement attached to or endorsed on this Certificate which supplement these Terms and Conditions (the “**Conditions**”) and may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with the Conditions, replace or modify the Conditions for the purposes of this Certificate. References to the applicable Pricing Supplement are to the pricing supplement (or the relevant provisions thereof) attached to or endorsed on this Certificate.

Each Certificate will represent an undivided ownership interest in the Trust Assets of each Series (as described in Condition 4.1 (*Summary of the Trust*)) which are held by the Trustee on trust (the “**Trust**”) for, *inter alia*, the benefit of the registered holders of the Certificates pursuant to (i) an amended and restated master declaration of trust (the “**Master Declaration of Trust**”) dated 13 March 2017 (the “**Program Update Date**”) and made between the Issuer, the Trustee, the Republic of Indonesia (the “**Republic**”) and The Bank of New York Mellon (the “**Delegate**”) and (ii) a supplemental declaration of trust (the “**Supplemental Declaration of Trust**”) and, together with the Master Declaration of Trust, the “**Declaration of Trust**”) having the details set out in the applicable Pricing Supplement. In these Conditions, references to Certificates shall be references to the Certificates which are the subject of the applicable Pricing Supplement.

Payments relating to the Certificates will be made pursuant to an amended and restated agency agreement dated the Program Update Date (the “**Agency Agreement**”) made between the Issuer, the Republic, The Bank of New York Mellon as principal paying agent (in such capacity, the “**Principal Paying Agent**”), The Bank of New York Mellon, London Branch as paying agent in respect of any Regulation S Certificates held through Euroclear and/or Clearstream, Luxembourg (in such capacity, a “**Paying Agent**”) and, together with the Principal Paying Agent and any further or other paying agents appointed from time to time in respect of the Certificates, the “**Paying Agents**”), The Bank of New York Mellon as registrar, and The Bank of New York Mellon SA/NV, Luxembourg Branch as registrar only in respect of any Regulation S Certificates held through Euroclear and/or Clearstream, Luxembourg (each in such capacity, a “**Registrar**”), The Bank of New York Mellon as transfer agent and The Bank of New York Mellon, London Branch as transfer agent in respect of any Regulation S Certificates held through Euroclear and/or Clearstream, Luxembourg (in such capacity, a “**Transfer Agent**”) and, together with the Registrars and any further or other transfer agents appointed from time to time in respect of the Certificates, the “**Transfer Agents**”) and The Bank of New York Mellon as calculation agent (in such capacity, a “**Calculation Agent**”). The Paying Agents, Transfer Agents and the Calculation Agent are together referred to in these Conditions as the Agents. References to the “**Agents**” or any of them shall include their successors.

The statements in these Conditions include summaries of, and are subject to, the detailed provisions of the Transaction Documents (as described in Condition 4.1 (*Summary of the Trust*)). In these Conditions, words and expressions defined and rules of construction and interpretation set out in the Declaration of Trust shall, unless defined herein or the context otherwise requires, have the same meanings herein.

The Certificateholders (as defined in Condition 1.2 (*Title*)) are entitled to the benefit of, are bound by, and are deemed to have notice of the Transaction Documents (copies of which are available for inspection between 9.30am and 3.00pm, Monday to Friday (excluding public holidays) at the specified offices of the Principal Paying Agent) namely:

- (a) the Master Purchase Agreement and the Supplemental Purchase Agreement(s);
- (b) the Master Procurement Agreement and the Supplemental Procurement Agreement(s);
- (c) the Master Lease Agreement and the Supplemental Lease Agreement(s);

- (d) the Servicing Agency Agreement;
- (e) the Wakala Agreement;
- (f) the Purchase Undertaking;
- (g) the Transfer Undertaking;
- (h) the Substitution Undertaking;
- (i) the Master Declaration of Trust and the Supplemental Declaration(s) of Trust;
- (j) the Pricing Supplement;
- (k) the Agency Agreement; and
- (l) the Costs Undertaking,

each as defined herein and as may be amended and restated from time to time.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorize and direct Perusahaan Penerbit SBSN Indonesia III (PPSI-III), on behalf of the Certificateholders, (i) to apply the sums paid by it in respect of its Certificates in acquiring the Trust Assets and (ii) to enter into each Transaction Document to which it is a party, subject to the terms and conditions of the Declaration of Trust and these Conditions.

1. FORM, DENOMINATION AND TITLE

1.1 Form and Denomination

The Certificates are issued in registered form in the Specified Denominations (as defined in respect of each Series in the applicable Pricing Supplement). A certificate will be issued to each Certificateholder in respect of its registered holding of Certificates. Each certificate will be numbered serially with an identifying number which will be recorded on the relevant certificate and in the relevant register of Certificateholders (the Register) which the Issuer will cause to be kept by the relevant Registrar.

Upon issue, unless otherwise specified in the applicable Pricing Supplement, the certificates will be represented by a Global Certificate deposited with a custodian for DTC, or in the case of Certificates issued outside the United States in reliance on Regulation S of the United States Securities Act of 1933, as amended (the Securities Act), the Certificates may be represented by a Global Certificate deposited with a common depository for Euroclear and Clearstream, Luxembourg. The Conditions are modified by certain provisions contained in the Global Certificates. Except in certain limited circumstances, owners of interests in the Global Certificates will not be entitled to receive definitive certificates representing their holdings of Certificates. See "Global Certificates."

1.2 Title

The Issuer will cause the relevant Registrar to maintain the Register in respect of the Certificates in accordance with the provisions of the Agency Agreement. Title to the Certificates passes only by registration in the Register. The registered holder of any Certificate will (except as otherwise required by law) be treated as the absolute owner of the Certificates represented by the Certificate for all purposes (whether or not any payment thereon is overdue and regardless of any notice of ownership, trust or any interest or any writing on, or the theft or loss of, the Certificate) and no person will be liable for so treating the holder of any Certificate. The registered holder of a Certificate will be recognized by the Issuer as entitled to such Certificate free from any equity, set-off or counterclaim on the part of the Issuer against the original or any intermediate holder of such Certificate. In these Conditions, Certificateholder and (in relation to a Certificate) holder of Certificates have the meanings given thereto in the Master Declaration of Trust.

2. TRANSFERS OF CERTIFICATES

2.1 Transfers

Subject to Conditions 2.4 (*Closed Periods*) and 2.5 (*Regulations*) and to the provisions of the Agency Agreement, a Certificate may be transferred in the Specified Denomination only by depositing the

Certificate, with the form of transfer, as set forth in Schedule 2 (*Form of Transfer Certificate pursuant to Rule 144A*) or Schedule 3 (*Form of Transfer Certificate pursuant to Regulation S*), as applicable, of the Agency Agreement on the back of such Certificate duly completed and signed by the Certificateholder as the transferor, at the specified office of any of the Transfer Agents. No transfer of title to a Certificate will be valid unless and until entered on the Register.

Transfer of interests in the Certificates represented by a Global Certificate will be effected in accordance with the rules of the relevant clearing system through which the interest is held.

2.2 Delivery of New Certificates

Each new Certificate to be issued upon any transfer of Certificates will, within five business days of receipt by the relevant Transfer Agent of the original Certificate and the duly completed form of transfer endorsed on the relevant Certificate (or such longer period as may be required to comply with any applicable fiscal or other laws or regulations), be delivered at the specified office of the relevant Transfer Agent or be mailed by uninsured mail at the risk of the holder entitled to the Certificate (free of charge and at the Issuer's expense) to the address specified in the form of transfer. For the purposes of this Condition 2, "**business day**" shall mean a day (other than Saturday or Sunday) on which banks are open for business in the city in which the specified office of the Transfer Agent with whom a Certificate is deposited in connection with a transfer is located.

Where some but not all of the Certificates in respect of which a Certificate is issued are to be transferred, a new Certificate in respect of the Certificates not so transferred will, within five business days of receipt by the relevant Transfer Agent of the original Certificate, be delivered at the specified office of the relevant Transfer Agent or be mailed by uninsured mail at the risk of the holder of the Certificates not so transferred (free of charge and at the Issuer's expense) to the address of such holder appearing on the Register or as specified in the form of transfer.

Except in the limited circumstances described herein (see "The Global Certificates — Registration of Title"), owners of interests in the Certificates will not be entitled to receive physical delivery of Certificates. Issues of Certificates upon transfer of Certificates are subject to compliance by the transferor and transferee with the procedures described above and in the Declaration of Trust and, in the case of Rule 144A Certificates and Definitive IAI Certificates, compliance with the legend set forth under "Transfer Restrictions."

2.3 Formalities Free of Charge

Registration of any transfer of Certificates will be effected at the expense of the Issuer and without charge by or on behalf of the Issuer or any Transfer Agent but upon (i) payment (or the giving of such indemnity or security as the Issuer or any Transfer Agent may require) by the transferee in respect of any stamp duty, tax or other governmental charges which may be imposed in relation to such transfer; (ii) the Registrar being satisfied in its absolute discretion with the documents of title and/or the identity of the person making the application; and (iii) the Issuer or the relevant Transfer Agent (after consultation with the Issuer if it so requires) being satisfied that the regulations concerning the Certificates have been complied with.

2.4 Closed Periods

No Certificateholder may require the transfer of a Certificate to be registered during the period of seven days ending on (and including) the due date for any payment of the Dissolution Distribution Amount (as defined in Condition 9.1 (*Scheduled Dissolution*)) or any Periodic Distribution Amount (as defined in Condition 6.2 (*Periodic Distribution Amount*)).

2.5 Regulations

All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfer of Certificates scheduled to the Master Declaration of Trust. The regulations may be changed by the Issuer from time to time with the prior written approval of the Registrars. A copy of the current regulations will be mailed (free of charge and at the Issuer's expense) by the Registrar to any Certificateholder who requests in writing a copy of such regulations.

The holder of Certificates shall be entitled to receive, in accordance with Condition 2.2 (*Delivery of New Certificates*), only one Certificate in respect of his entire holding of Certificates. In the case of a transfer of a

portion of the face amount of a Certificate, a new Certificate in respect of the balance of the Certificates not transferred will be issued to the transferor in accordance with Condition 2.2 (*Delivery of New Certificates*).

3. STATUS

3.1 Status

Each Certificate evidences an undivided ownership interest in the Trust Assets, subject to the terms of the Transaction Documents and these Conditions. Each Certificate ranks *pari passu*, without any preference or priority, with the other Certificates.

3.2 Agreement of Certificateholders

By purchasing Certificates, each Certificateholder is deemed to have agreed that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (a) prior to the date which is one year and one day after the date on which all amounts owing by the Issuer under the Transaction Documents to which it is a party have been paid in full, it will not institute against, or join with any other person in instituting against, the Issuer or the Trustee any bankruptcy, reorganization, arrangement or liquidation proceedings or other proceedings under any bankruptcy or similar law; and
- (b) no recourse shall be had for the payment of any amount or performance of any obligation hereunder against any director of PPSI-III and no personal liability shall attach to or be incurred by the directors of the Trustee under the Declaration of Trust or other Transaction Documents save in the case of willful default or gross negligence.

4. TRUST

4.1 Summary of the Trust

PPSI-III has entered into an amended and restated master purchase agreement (the “**Master Purchase Agreement**”) dated 15 August 2014 with the Republic (in such capacity, the “**Seller**”), as supplemented by a supplemental purchase agreement dated on or about the Issue Date (as defined in the Pricing Supplement) (the “**Supplemental Purchase Agreement**” and together with the Master Purchase Agreement, the “**Purchase Agreement**”). Pursuant to the Purchase Agreement, the Seller has sold to PPSI-III beneficial rights in and to certain properties (as further described in the Schedule to the Purchase Agreement) (the “**Ijara Assets**”).

In the case of a Wakala Series, PPSI-III has also entered into a master procurement agreement (the “**Master Procurement Agreement**”) dated the 15 August 2014 with the Republic (in such capacity, the “**Project Seller**”), as supplemented by a supplemental procurement agreement dated on or about the Issue Date (the “**Supplemental Procurement Agreement**” and together with the Master Procurement Agreement, the “**Procurement Agreement**”). Pursuant to the Procurement Agreement, the Project Seller has sold to PPSI-III beneficial rights in and to certain assets (as further described in the Schedule to the Procurement Agreement) (the “**Project Assets**”) and has undertaken to procure the construction of the relevant assets (the construction of such assets being, a “**Project**”) pursuant to the specified Project in respect of such Project Assets and deliver such assets to PPSI-III upon completion.

PPSI-III (in its capacity as “**Lessor**”) has leased the Ijara Assets so sold to it by the Republic and, in the case of a Wakala Series, following the completion and delivery of assets pursuant to a specified Project, will lease the relevant Project Assets (together with the Ijara Assets, the “**Assets**”, as modified, where the context requires, to give effect to any substitution by the Republic, the transfer of Transferred Assets (as defined below) to the Republic pursuant to the Transfer Undertaking (as defined below) or procurement of new properties in connection with certain loss events by the Servicing Agent or Wakeel (each as defined below), as the case may be) to the Republic (in such capacity, the “**Lessee**”) pursuant to an amended and restated master lease agreement (the “**Master Lease Agreement**”) dated 15 August 2014, as supplemented by a supplemental lease agreement between PPSI-III and the Republic dated on or about the Issue Date, in the case of the Ijara Assets, and otherwise following the completion and delivery of the relevant assets, in the case of the Project Assets (the “**Supplemental Lease Agreement**” and together with the Master Lease Agreement, the “**Lease Agreement**”).

Under an amended and restated servicing agency agreement (the “**Servicing Agency Agreement**”) dated 15 August 2014, PPSI-III has appointed the Republic as servicing agent (the “**Servicing Agent**”) in respect

of the properties underlying the Assets for an Ijara Series. Under a wakala agreement (the “**Wakala Agreement**”) dated 15 August 2014, PPSI-III has appointed the Republic as agent (the “**Wakeel**”) in respect of the properties underlying the Assets (including any Project Assets in respect of which the relevant assets are still to be completed pursuant to the specified Project and delivered) for a Wakala Series.

PPSI-III has executed an amended and restated substitution undertaking (the “**Substitution Undertaking**”) dated 15 August 2014 in favor of the Republic pursuant to which the Republic may, subject to certain conditions, require PPSI-III to accept the substitution of certain new assets (the “**New Assets**”) in replacement of certain existing Assets (the “**Replaced Assets**”) as described in a substitution notice provided by the Republic to PPSI-III (the “**Substitution Notice**”). Upon the Republic giving a Substitution Notice to PPSI-III, to give effect to such substitution, (i) PPSI-III shall enter into a substitution sale agreement (in the form scheduled to the Substitution Undertaking) with the Republic and (ii) PPSI-III (in its capacity as Lessor) and the Republic (in its capacity as Lessee) shall amend the Supplemental Lease Agreement to reflect the change in the composition of the properties that are subject to the Lease Agreement. If the value of the Replaced Assets as certified by the Republic is more than 20 *per cent.* of the aggregate outstanding face amount of the Certificates of such Series then the existing Supplemental Lease Agreement in respect of the relevant Replaced Assets shall be terminated and the Lessee and the Lessor shall immediately enter into a new Supplemental Lease Agreement in respect of the New Assets. PPSI-III and the Republic may also replace Project Assets under the Procurement Agreement prior to the completion and delivery of the relevant assets pursuant to the specified Project by the amendment of the schedule to the relevant Supplemental Procurement Agreement specifying such Project Assets.

The Republic has executed an amended and restated purchase undertaking (the “**Purchase Undertaking**”) dated 15 August 2014 in favour of PPSI-III to purchase all of PPSI-III’s rights, title, benefits and entitlements in, to and under the Assets (including any Project Assets which are still to be completed pursuant to the specified Project and delivered) on the Scheduled Dissolution Date (as defined in Condition 9.1 (*Scheduled Dissolution*)) or, if earlier, on the due date for dissolution at an exercise price equal to the aggregate face amount of the Certificates then outstanding *plus* an amount equal to all accrued and unpaid Periodic Distribution Amounts as of such date (if any) *plus* any accrued Supplementary Rental (as defined in the Lease Agreement) incurred in connection with the properties underlying the Assets in respect of which an appropriate rental payment has not been made in accordance with the Lease Agreement.

PPSI-III has executed an amended and restated transfer undertaking (the “**Transfer Undertaking**”) dated 15 August 2014 in favour of the Republic. Under the terms of the Transfer Undertaking, if at any time the Republic wishes to cancel any Certificates that it has purchased pursuant to Condition 9.5 (*Purchases*), the Republic may, by exercising its right under the Transfer Undertaking and by serving a transfer notice (the “**Transfer Notice**”) on PPSI-III, require PPSI-III to transfer all of PPSI-III’s rights, title, benefits and entitlements in and to the Transferred Assets (specified in the Transfer Notice) to the Republic in consideration for which the Certificates shall be surrendered for cancellation. The transfer of the Transferred Assets will take effect by the Republic and PPSI-III entering into a transfer agreement (in the form scheduled to the Transfer Undertaking) (the “**Transfer Agreement**”). Following the entry into such Transfer Agreement, PPSI-III shall cancel the relevant Certificates identified for cancellation in the Transfer Notice on the Transfer Date specified in the Transfer Notice (which shall be a Periodic Distribution Date). PPSI-III (in its capacity as “**Lessor**”) and the Republic (in its capacity as “**Lessee**”) shall amend the Supplemental Lease Agreement to reflect the change in the composition of the properties that are subject to the Lease Agreement and, where the Transferred Assets include any Project Assets which are still to be completed pursuant to the specified Project and delivered, PPSI-III and the Republic (in its capacity as the Project Seller) shall amend the Supplemental Procurement Agreement to reflect the change in composition of the Project Assets.

The Republic has executed an amended and restated costs undertaking (the “**Costs Undertaking**”) dated 15 August 2014, whereby it undertakes to pay certain fees and expenses of and indemnify against certain liabilities incurred by, among others, the Delegate and the Agents.

In relation to each Series, the Issuer shall establish a transaction account in the Specified Currency (the “**Transaction Account**”) in the name of the Issuer with the Principal Paying Agent into which the Republic will cause to be deposited all rental payments due under the Lease Agreement, in the case of an Ijara Series, and an amount from such rental payments equal to the Periodic Distribution Amounts payable, in the case of a Wakala Series, and the exercise price payable under the Purchase Undertaking. All other monies (if any) derived from the Trust Assets will be paid into the Transaction Account and payments to be made to holders of Certificates will be made from funds standing to the credit of the Transaction Account.

Pursuant to the Declaration of Trust, the Issuer will declare that it will hold, for each Series, assets (the “**Trust Assets**”) consisting of:

- (a) all of the Issuer’s rights, title, interest and benefit in, to and under the Ijara Assets, in the case of an Ijara Series, and the Ijara Assets and the Project Assets, in the case of a Wakala Series (as varied from time to time as a result of the exercise of rights granted under the Substitution Undertaking or prior to the completion and delivery of Project Assets as provided in the Procurement Agreement and which, as of any Transfer Date, shall exclude the Transferred Assets (as defined in the Transfer Undertaking));
- (b) all of the Issuer’s rights, title, interest and benefit in, to and under the Transaction Documents (other than in relation to any representations given to the Issuer by the Republic pursuant to the Transaction Documents which relate to that Series);
- (c) all monies that from time to time are, standing to the credit of the Transaction Account for that Series; and
- (d) all proceeds of the foregoing,

upon trust absolutely for the holders of the Certificates *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and these Conditions.

The Purchase Agreement, the Procurement Agreement (in the case of a Wakala Series), the Lease Agreement, the Servicing Agency Agreement (in the case of an Ijara Series) or the Wakala Agreement (in the case of a Wakala Series), the Purchase Undertaking, the Transfer Undertaking, the Substitution Undertaking, the Costs Undertaking, the Declaration of Trust, the Agency Agreement and any other agreements and documents delivered or executed in connection therewith are collectively referred to as the Transaction Documents.

4.2 Application of Proceeds from Trust Assets

Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets for and on behalf of the holders of the Certificates. On each Periodic Distribution Date or on the Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority:

- (a) **first**, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate;
- (b) **second**, to the Principal Paying Agent for application in or towards payment *pari passu* and ratably of all Periodic Distribution Amounts due but unpaid;
- (c) **third**, only if such payment is made on the Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and ratably of the Dissolution Distribution Amount (as defined in Condition 9 (*Capital Distributions of the Trust*)) or amount payable following a Total Loss Event, where the Servicing Agent or the Wakeel, as the case may be, does not procure the full replacement of the Assets in accordance with the Servicing Agency Agreement or the Wakala Agreement, as the case may be;
- (d) **fourth**, only if such payment is made on the Dissolution Date, to the Servicing Agent or the Wakeel, as the case may be, in or towards payment of all outstanding Servicing Agency Expenses or Management Expenses, as the case may be; and
- (e) **fifth**, only if such payment is made on the Dissolution Date, to the Issuer in payment of any surplus.

5. COVENANTS

The Issuer covenants that, among other things, for so long as any Certificate is outstanding, it shall not:

- (a) incur any indebtedness in respect of borrowed money whatsoever, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (b) secure any of its present or future indebtedness for borrowed money by any Encumbrance (as defined in the Declaration of Trust) upon any of its present or future assets, properties or revenues (other than those arising by operation of law), except as permitted or provided under the Transaction Documents;

- (c) except as provided in the Declaration of Trust, act as trustee in respect of any trust other than the Trust established in respect of each Series of Certificates issued under the Program or in respect of any parties other than the Certificateholders;
- (d) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly permitted or required thereunder or engage in any business or activity other than: (i) as provided for or permitted in the Transaction Documents; (ii) the ownership, management and disposal of the Trust Assets or other trust assets as provided in the Transaction Documents; (iii) as required under Law No. 19 of 2008 on Sovereign Sukuk (*Surat Berharga Syariah Negara*), Government Regulation No. 56 of 2008 on *Perusahaan Penerbit Surat Berharga Syariah Negara* as amended by Government Regulation No. 73 of 2012 on the Amendment of Government Regulation No. 56 of 2008 on *Perusahaan Penerbit Surat Berharga Syariah Negara* and Government Regulation No. 57 of 2011 on the Establishment of *Perusahaan Penerbit Surat Berharga Syariah Negara Indonesia III* and (iv) such other matters which are incidental thereto;
- (e) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or Encumber (as defined in the Declaration of Trust) (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interests in any of the Trust Assets of any Series except pursuant to the Transaction Documents;
- (f) amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof), in each case in a manner which is materially prejudicial to the rights of the holders of the Certificates, without the approval of Certificateholders by way of Extraordinary Resolution;
- (g) exercise its option under the Purchase Undertaking except in its capacity as Trustee;
- (h) have any subsidiaries or employees;
- (i) redeem any of its capital or pay any dividend or make any other distribution to its shareholders;
- (j) use the proceeds of the issue of the Certificates of any Series for any purpose other than as stated in the Transaction Documents; or
- (k) prior to the date which is one year and one day after the date on which all amounts owing by the Issuer under the Transaction Documents to which it is a party have been paid in full, put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it.

6. FIXED PERIODIC DISTRIBUTION PROVISIONS

6.1 Application

This Condition 6 is applicable to the Certificates only if the Fixed Periodic Distribution Provisions are specified in the applicable Pricing Supplement as being applicable.

6.2 Periodic Distribution Amount

A Periodic Distribution Amount representing a defined share of the income of the Assets for each Series of Certificates will be payable in respect of the Certificates and be distributable by the Issuer to the Certificateholders in accordance with these Conditions.

6.3 Determination of Periodic Distribution Amount

Except as provided in the applicable Pricing Supplement, the Periodic Distribution Amount payable in respect of each Certificate for any Return Accumulation Period shall be the Fixed Amount and, if the Certificates are in more than one Specified Denomination, shall be the Fixed Amount in respect of each relevant Specified Denomination. Payments of the Periodic Distribution Amount on any Periodic Distribution Date may, if so specified in the applicable Pricing Supplement, amount to the Broken Amount so specified.

As used in the Conditions, “**Return Accumulation Period**” means the period from (and including) a Periodic Distribution Date (or the Return Accumulation Commencement Date (as defined in the applicable Pricing Supplement)) to (but excluding) the next (or first) Periodic Distribution Date.

If any Periodic Distribution Amount is required to be calculated for a period other than a Return Accumulation Period or if no relevant Fixed Amount or Broken Amount is specified in the applicable Pricing Supplement, such Periodic Distribution Amount shall be calculated by applying the Rate to each Specified Denomination, multiplying such sum by the applicable Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention.

“**Day Count Fraction**” means, in respect of the calculation of Periodic Distribution Amount in accordance with this Condition 6.3:

- (a) if “**Actual/Actual (ICMA)**” is specified in the applicable Pricing Supplement:
 - (i) in the case of Certificates where the number of days in the relevant period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accumulation Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (A) the number of days in such Determination Period and (B) the number of Determination Dates (as specified in the applicable Pricing Supplement) that would occur in one calendar year; or
 - (ii) in the case of Certificates where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
 - (A) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
 - (B) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (b) if “**30/360**” is specified in the applicable Pricing Supplement, the number of days in the period from (and including) the most recent Periodic Distribution Date (or, if none, the Return Accumulation Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of a year of 360 days with 12 30-day months) divided by 360.

In the Conditions:

“**Determination Period**” means each period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Return Accumulation Commencement Date (as specified in the applicable Pricing Supplement) or the final Periodic Distribution Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

“**sub-unit**” means, with respect to any currency, the lowest amount of such currency that is available as legal tender in the country of such currency.

6.4 Payment in Arrear

Subject to Condition 6.5 (*Cessation of Profit Entitlement*), Condition 9.3 (*Dissolution Following a Total Loss Event*) and Condition 12 (*Dissolution Events*) below, and unless otherwise specified in the applicable Pricing Supplement, each Periodic Distribution Amount will be paid in respect of the relevant Certificates in arrear on each Periodic Distribution Date.

6.5 Cessation of Profit Entitlement

No further amounts will be payable on any Certificate from and including the Scheduled Dissolution Date or, as the case may be, the Dissolution Date.

7. FLOATING PERIODIC DISTRIBUTION PROVISIONS

7.1 Application

This Condition 7 is applicable to the Certificates only if the Floating Periodic Distribution Provisions are specified in the applicable Pricing Supplement as being applicable.

7.2 Periodic Distribution Amount

A Periodic Distribution Amount representing a defined share of the income in the Assets of each Series of Certificates will be payable in respect of the Certificates and be distributable by the Issuer to the Certificateholders in accordance with these Conditions. Such Periodic Distribution Amounts will be payable in arrear on either:

- (a) the Specified Periodic Distribution Date(s) in each year specified in the applicable Pricing Supplement; or
- (b) (if no Specified Periodic Distribution Date(s) is/are specified in the applicable Pricing Supplement, each date (each such date, together with each Specified Periodic Distribution Date, a Periodic Distribution Date) which falls the number of months or other period specified as the Specified Period in the applicable Pricing Supplement after the preceding Periodic “**Distribution Date**” or, in the case of the first Periodic Distribution Date, after the Return Accumulation Commencement Date.

Such Periodic Distribution Amounts will be payable in respect of each Return Accumulation Period. If a Business Day Convention is specified in the applicable Pricing Supplement and (x) if there is no numerically corresponding day in the calendar month in which a Periodic Distribution Date should occur or (y) if any Periodic Distribution Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (a) in any case where Specified Periods are specified in accordance with Condition 7.2(a) above, the Floating Rate Convention, such Periodic Distribution Date (a) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (ii) below shall apply *mutatis mutandis* or (b) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (i) such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day and (ii) each subsequent Periodic Distribution Date shall be the last Business Day in the month which falls the Specified Period after the preceding applicable Periodic Distribution Date occurred; or
- (b) the Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day; or
- (c) the Modified Following Business Day Convention, such Periodic Distribution Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day; or
- (d) the Preceding Business Day Convention, such Periodic Distribution Date shall be brought forward to the immediately preceding Business Day.

In this Condition 7, “**Business Day**” means a day which is either (i) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency; (ii) in relation to any sum payable in euro, a day on which the TARGET2 System is open, or (iii) in the case of a currency and/or one or more Additional Business Centers, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Additional Business Center(s) or, if no currency is indicated, generally in each of the Additional Business Centers.

7.3 Screen Rate Determination

If Screen Rate Determination is specified in the applicable Pricing Supplement as the manner in which the Rate(s) is/are to be determined, the Rate applicable to the Certificates for each Return Accumulation Period will be determined by the Calculation Agent on the following basis:

- (a) if the Reference Rate specified in the applicable Pricing Supplement is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time (as specified in the applicable Pricing Supplement) on the relevant Periodic Distribution Determination Date;
- (b) in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Periodic Distribution Determination Date;

- (c) if, in the case of (a) above, such rate does not appear on that page or, in the case of (b) above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:
 - (i) request each of the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Periodic Distribution Determination Date to prime banks in the London or Eurozone interbank market, as the case may be, in an amount that is representative for a single transaction in that market at that time; and
 - (ii) determine the arithmetic mean of such quotations; and
- (d) if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the principal financial centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the principal financial centre of the Specified Currency) on the first day of the relevant Return Accumulation Period for loans in the Specified Currency to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market, or if the Reference Rate is EURIBOR, the Euro-zone interbank market for a period equal to the relevant Return Accumulation Period and in an amount that is representative for a single transaction in that market at that time, and the Rate for such Return Accumulation Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; *provided, however, that* if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Return Accumulation Period, the Rate applicable to the Certificates during such Return Accumulation Period will be the sum of the Margin specified in the applicable Pricing Supplement and the rate or (as the case may be) the arithmetic mean last determined in relation to the Certificates in respect of a preceding Return Accumulation Period.

7.4 Cessation of Profit Entitlement

No further amounts will be payable on any Certificate from and including the Scheduled Dissolution Date or, as the case may be, the Dissolution Date.

7.5 Calculation of Periodic Distribution Amount

The Calculation Agent will, as soon as practicable after the time at which the Rate is to be determined in relation to each Return Accumulation Period, calculate the Periodic Distribution Amount payable in respect of each Certificate for such Return Accumulation Period. The Periodic Distribution Amount will be calculated by applying the Rate applicable to the relevant Return Accumulation Period to the face amount (in the case of a Certificate in global form) or Specified Denomination (in the case of a Certificate in individual registered form) of such Certificate during such Return Accumulation Period, multiplying the product by the relevant Day Count Fraction and rounding the resultant figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards).

“**Day Count Fraction**” means, in respect of the calculation of a Periodic Distribution Amount in accordance with this Condition 7:

- (a) if “**Actual/365**” or “**Actual/Actual**” is specified in the applicable Pricing Supplement, the actual number of days in the Return Accumulation Period divided by 365 (or, if any portion of that Return Accumulation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Return Accumulation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Return Accumulation Period falling in a non-leap year divided by 365);
- (b) if “**Actual/365 (Fixed)**” is specified in the applicable Pricing Supplement, the actual number of days in the Return Accumulation Period divided by 365;
- (c) if “**Actual/365 (Sterling)**” is specified in the applicable Pricing Supplement, the actual number of days in the Return Accumulation Period divided by 365 or, in the case of a Periodic Distribution Date falling in a leap year, 366;
- (d) if “**Actual/360**” is specified in the applicable Pricing Supplement, the actual number of days in the Return Accumulation Period divided by 360;
- (e) if “**30/360**” “**360/360**” or “**Bond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Return Accumulation Period divided by 360 (the number of days to be calculated on the

basis of a year of 360 days with 12 30-day months (unless (A) the last day of the Return Accumulation Period is the 31st day of a month but the first day of the Return Accumulation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (B) the last day of the Return Accumulation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month)); and

- (f) if “**30E/360**” or “**Eurobond Basis**” is specified in the applicable Pricing Supplement, the number of days in the Return Accumulation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Return Accumulation Period unless, in the case of the final Return Accumulation Period, the Scheduled Dissolution Date is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month).

“**Reference Banks**” means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Euro-zone office of four major banks in the Euro-zone inter-bank market, in each case selected by the Calculation Agent or as specified in the Pricing Supplement.

“**Relevant Screen Page**” means such page, section, caption, column or other part of a particular information service as may be specified in the Pricing Supplement.

“**TARGET2 System**” means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

7.6 Calculation of Other Amounts

If the applicable Pricing Supplement specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the applicable Pricing Supplement.

7.7 Publication

The Calculation Agent will cause each Rate and Periodic Distribution Amount determined by it, together with the relevant Periodic Distribution Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Issuer, Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Certificates have then been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate, Periodic Distribution Amount and Periodic Distribution Date) in any event not later than the first day of the relevant Return Accumulation Period. Notice thereof shall also promptly be given to the Certificateholders by the Calculation Agent in accordance with Condition 15 (*Notices*). The Calculation Agent will be entitled to recalculate any Periodic Distribution Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Return Accumulation Period.

7.8 Notifications, etc. to be final

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 7 by the Calculation Agent will (in the absence of wilful default, bad faith or manifest or proven error) be binding on the Issuer, the Trustee, the Principal Paying Agent and all Certificateholders. No liability to the Issuer, the Trustee, the Republic, the Principal Paying Agent or the Certificateholders shall attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions under this Condition 7.

8. PAYMENT

8.1 Payments in Respect of Certificates

Subject to Condition 8.2 (*Payments Subject to Applicable Laws*), payment of the Dissolution Amount and any Periodic Distribution Amount will be made by the Principal Paying Agent in the Specified Currency, by

wire transfer in same day funds to the registered account of each Certificateholder or if it does not have a registered account, by a cheque in the Specified Currency drawn on a bank that processes payments in the Specified Currency and mailed to the registered address of the Certificateholder. Payments of the Dissolution Amount will only be made against surrender of the relevant Certificate at the specified office of any of the Paying Agents. The Dissolution Amount and each Periodic Distribution Amount will be paid to the Certificateholder shown on the Register at the close of business on the date (the “**Record Date**”) being the fifteenth day (whether or not a business day) before the date on which the Dissolution Amount or the relevant Periodic Distribution Amount, as the case may be, is due to be paid.

*For so long as the Certificates are represented by a Global Certificate deposited with a custodian for DTC or, in the case of Certificates issued outside the United States in reliance on Regulation S of the Securities Act, deposited with a common depository for Euroclear and Clearstream, Luxembourg, payments of the Distribution Amount and each Periodic Distribution Amount will be made to the person shown on the relevant Register as the registered Certificateholder represented by such Global Certificate at the close of business on the Clearing System Business Day before the due date for such payment (where “**Clearing System Business Day**” means a day on which each Clearing System with which the Global Certificate is being held is open for business).*

For the purposes of these Conditions, a Certificateholder’s “**registered account**” means the account in the Specified Currency maintained by or on behalf of it with a bank that processes payments in the Specified Currency, details of which appear on the Register at the close of business on the relevant Record Date and a Certificateholder’s “**registered address**” means its address appearing on the Register at that time.

8.2 Payments Subject to Applicable Laws

Payments in respect of Certificates are subject in all cases to any fiscal or other laws and regulations applicable in the place of payment and where appropriate, the place of the specified office of the Paying Agent to whom the relevant Certificate is surrendered, but without prejudice to the provisions of Condition 9 (*Capital Distributions of the Trust*).

8.3 Payment only on a Payment Business Day

Where payment is to be made by transfer to a registered account, payment instructions (for value the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed at the risk and if mailed at the request of the holder otherwise than by ordinary mail, expense of the holder, in each case by the Principal Paying Agent on the due date for payment or, in the case of a payment of the Dissolution Amount, if later, on the Business Day on which the relevant Certificate is surrendered at the specified office of a Paying Agent (if required to do so).

Certificateholders will not be entitled to any additional Periodic Distribution Amount, Dissolution Amount or other payment for any delay after the due date in receiving the amount due if the due date is not a Payment Business Day or, if the relevant Certificateholder is late in surrendering its Certificate (if required to do so) or if a cheque mailed in accordance with this Condition 8.3 arrives after the due date for payment.

If the amount of the Dissolution Amount or any Periodic Distribution Amount is not paid in full when due, the Registrar will annotate the Register with a record of the amount actually paid.

In this Condition 8.3, “**Payment Business Day**” means:

- (a) a day on which banks in the relevant place of surrender of the definitive Certificate are open for presentation and payment of registered securities and for dealings in foreign currencies; and
- (b) in the case of payment by transfer to an account:
 - (i) if the currency of payment is euro, a TARGET2 Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Business Centre; or
 - (ii) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the principal financial centre of the currency of payment and in each (if any) Additional Business Centre.

8.4 Agents

The names of the initial Agents and their initial specified offices are set out at the end of these Conditions. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint

additional or other Agents *provided that* it will at all times maintain (a) a Principal Paying Agent and a Registrar in New York and a Registrar in Luxembourg and (b) a Paying Agent (which may be the Principal Paying Agent) having its specified office in New York. In addition, for so long as the Certificates are listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”) and the rules thereof so require, in the event that any of the Global Certificates are exchanged for definitive Certificates, the Issuer shall appoint and maintain a paying agent in Singapore, where the definitive Certificates may be presented or surrendered for payment or redemption. In addition, in the event that any of the Global Certificates are exchanged for definitive Certificates, announcement of such exchange shall be made through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the paying agent in Singapore. Notice of any termination or appointment and of any changes in specified offices will be given to Certificateholders promptly by the Issuer in accordance with Condition 15 (*Notices*).

9. CAPITAL DISTRIBUTIONS OF THE TRUST

9.1 Scheduled Dissolution

Unless the Certificates are previously redeemed, the Issuer will redeem Certificates at the Dissolution Distribution Amount on the Scheduled Dissolution Date. Upon payment in full of the Dissolution Distribution Amount and the termination of the Trust, the Certificates shall cease to represent the Trust Assets and no further amounts shall be payable in respect thereof and the Issuer and the Trustee shall have no further obligations in respect thereof.

“**Dissolution Date**” means the Scheduled Dissolution Date or any other earlier date of dissolution of the Trust.

“**Dissolution Distribution Amount**” means the aggregate outstanding face amount of the Certificates *plus* the Periodic Distribution Amounts accrued and unpaid (if any) to the due date for dissolution.

“**Scheduled Dissolution Date**” in relation to a Series of Certificates shall be specified in the applicable Pricing Supplement.

9.2 Dissolution Following a Dissolution Event

Upon the occurrence of a Dissolution Event (as defined in Condition 12 (*Dissolution Events*)), which is continuing, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trust dissolved by the Trustee on the dates specified in Condition 12 (*Dissolution Events*).

9.3 Dissolution Following a Total Loss Event

The occurrence of a Total Loss Event will result in the termination of the relevant Supplemental Lease Agreement(s) in respect of the properties the subject of the Total Loss Event and the redemption of the Certificates on the Total Loss Dissolution Date and the consequent dissolution of the Trust, unless the Republic (in its capacity as Servicing Agent or Wakeel, as the case may be) in its sole discretion decides to procure, on the date of occurrence of the Total Loss Event, sufficient new properties that will be made subject to the Lease Agreement. In such an event the Lessee and the Lessor shall immediately enter into a new Supplemental Lease Agreement in respect of the new properties. The Servicing Agent or the Wakeel, as the case may be, is also responsible for ensuring that, in such an event, all insurance proceeds (if any) in respect thereof are paid in the Specified Currency directly into the Transaction Account by no later than the close of business in London on the 30th day after the occurrence of the Total Loss Event.

If a Total Loss Event occurs and an amount (if any) less than the aggregate outstanding face amount of the relevant Series is credited to the Transaction Account (the difference between such amount in the Specified Currency and the amount credited to the Transaction Account being the “**Total Loss Shortfall Amount**”), then the Servicing Agent or the Wakeel, as the case may be, shall be required to pay (in the Specified Currency in same day, freely transferable, cleared funds) the Total Loss Shortfall Amount directly into the Transaction Account as soon as practicable and in any event by no later than close of business in London on the 31st day after the Total Loss Event has occurred.

“**Total Loss Dissolution Date**” means the earlier of (i) the date specified for redemption of the Certificates in a notice given by the Issuer to the Certificateholders, the Delegate and the Principal Paying Agent in accordance with Condition 15 (*Notices*); and (ii) the 31st day following the occurrence of a Total Loss Event following which the Servicing Agent or the Wakeel, as the case may be, has not procured the full replacement of the Assets.

“Total Loss Event” means the total loss or destruction of, or damage to the whole of, the properties underlying the Assets, or any event or occurrence that renders the whole of the properties underlying the Assets permanently unfit for any economic use and (but only after taking into consideration any insurances or other indemnity granted by any third party in respect of the properties underlying the Assets) the repair or remedial work in respect thereof is wholly uneconomical.

9.4 No Other Dissolution

The Issuer shall not be entitled to redeem the Certificates, and the Trustee shall not be entitled to dissolve the Trust otherwise than as provided in this Condition 9 and in Condition 12 (*Dissolution Events*).

9.5 Purchases

Notwithstanding anything to the contrary in any Transaction Document, the Issuer or the Republic may at any time purchase or acquire any Certificates in any manner and at any price. Certificates which are purchased or acquired by the Issuer or the Republic may, at the Issuer’s or the Republic’s discretion, as the case may be, be held, resold or surrendered for cancellation (subject to such Certificates being deemed not to remain outstanding for certain purposes as provided under the Master Declaration of Trust if so held).

Any Certificates resold shall be assigned a separate CUSIP from the Certificates redeemed unless such resold Certificates are treated as being issued in a “qualified reopening” for U.S. federal income tax purposes.

9.6 Cancellations

Should the Republic wish to cancel any Certificates purchased pursuant to Condition 9.5 (*Purchases*), it shall deliver a Transfer Notice to PPSI-III (in accordance with the terms of the Transfer Undertaking) whereupon PPSI-III shall, in accordance with the terms of the Transfer Undertaking, be required to transfer all of PPSI-III’s rights, title, benefits and entitlements in and to the Transferred Assets to the Republic in consideration for which the Certificates shall be surrendered for cancellation. The transfer of the Transferred Assets will take effect by the Republic and PPSI-III entering into a transfer agreement (in the form scheduled to the Transfer Undertaking). Following the entry into such transfer agreement, PPSI-III shall cancel the relevant Certificates identified for cancellation in the Transfer Notice on the Transfer Date (which shall be a Periodic Distribution Date). In addition, Certificates which are redeemed will forthwith be cancelled and accordingly may not be held, reissued or resold.

10. TAXATION

All payments in respect of the Certificates shall be made without withholding or deduction for, or on account of, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature, imposed or levied by or on behalf of any Relevant Jurisdiction (“**Taxes**”), unless the withholding or deduction of the Taxes is required by Indonesian law. In such event, the Issuer will pay additional amounts so that the full amount which otherwise would have been due and payable under the Certificates is received by parties entitled thereto, except that no such additional amount shall be payable in relation to any payment in respect of any Certificate:

- (a) presented for payment (where presentation is required) by or on behalf of a Certificateholder who is liable for such Taxes in respect of such Certificate by reason of having some connection with a Relevant Jurisdiction other than the mere holding of such Certificate or receiving payments thereon; or
- (b) presented for payment (where presentation is required) more than 30 days after the Relevant Date (as defined below) except to the extent that a Certificateholder would have been entitled to additional amounts on presenting the same for payment on the last day of the period of 30 days assuming, whether or not such is in fact the case, that day to have been a Payment Business Day; or
- (c) presented for payment (where presentation is required) by or on behalf of a Certificateholder who is a fiduciary or partnership or other than the sole beneficial owner of such payment to the extent such payment would be required to be included in the income, for tax purposes, of a beneficiary or settlor with respect to such fiduciary or a member of such partnership or a beneficial owner who would not have been entitled to the additional amounts had such beneficiary, settlor, member or beneficial owner been the Certificateholder.

In these Conditions:

“Relevant Date” means the date on which the payment first becomes due but, if the full amount of the money payable has not been received by the Principal Paying Agent or the Trustee on or before the due date, it means the date on which, the full amount of the money having been so received, notice to that effect shall have been duly given to Certificateholders by the Issuer in accordance with Condition 15 (*Notices*); and

“Relevant Jurisdiction” means the Republic or any political subdivision thereof having the power to tax. For the avoidance of doubt, neither the Agents nor the Delegate shall be responsible or liable for (a) determining whether the Issuer is liable to pay any taxes or the amounts payable (if any) in connection with this Condition 9; or (b) determining the sufficiency or insufficiency of any amounts so paid and neither the Agents nor the Delegate shall be responsible to the Certificateholders or any other person for any loss arising from any failure by it to do so.

The Lease Agreement and the Purchase Undertaking each provide that payments thereunder by the Republic shall be made without withholding or deduction for, or on account of, any present or future Taxes, unless the withholding or deduction of the Taxes is required by Indonesian law and, in such case, provide for the payment by the Republic of additional amounts so that the full amount which would otherwise have been due and payable is received by PPSI-III.

11. PRESCRIPTION

The right to receive distributions in respect of the Certificates will be forfeited unless claimed within periods of ten years (in the case of the Dissolution Distribution Amount) and five years (in the case of Periodic Distribution Amounts) from the Relevant Date in respect thereof, subject to the provisions of Condition 8 (*Payment*). Neither the Agents nor the Delegate shall be responsible or liable for any amounts so prescribed.

12. DISSOLUTION EVENTS

Upon the occurrence and continuation of any of the following events (**“Dissolution Events”**):

- (a) the Issuer defaults in the payment of any Dissolution Amount or Periodic Distribution Amount and such default is not cured within 30 days of the due date for payment;
- (b) the Issuer defaults in the performance of any covenant or obligation under the Declaration of Trust and such default continues for a period of 60 days after written notice thereof has been given to the Issuer by the Delegate or to the Issuer at the address of its agent for service of process in England by holders of Certificates representing at least 10.0% of the aggregate face amount of the Certificates outstanding;
- (c) the Issuer ceases to exist at any time on or after the Scheduled Dissolution Date but before redemption in full of the Certificates is made;
- (d) the Republic as Lessee rejects any Rental Fixing Notice as defined in and delivered under the relevant Lease Agreement; and
- (e) a Republic Event (as defined in the Purchase Undertaking) occurs,

the Delegate shall give notice of the occurrence of such Dissolution Event to the holders of Certificates in accordance with Condition 15 (*Notices*) with a request to such holders to indicate if they wish the Trust to be dissolved. If so requested in writing by the holders of at least 25.0% of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution, the Delegate shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction) or, if the Delegate so decides in its discretion, the Delegate may (but shall have no obligation to), give notice to the Issuer, the Republic and all the holders of the Certificates in accordance with Condition 15 (*Notices*) that the Certificates are to be redeemed at the Dissolution Distribution Amount on the date specified in such notice (which may not be earlier than the date on which the Republic receives such notice) and that the Trust is to be dissolved on the day after the last outstanding Certificate has been redeemed, unless the Issuer or the Republic has remedied the relevant Dissolution Event(s) and has notified the Delegate, each of the Agents and the holders of the Certificates prior to the receipt of such notice of dissolution from the Delegate, such notice to be provided by the Issuer or the Republic, (i) in respect of the Delegate and the Agents, in writing, signed by, in the case of the Issuer, the President Director of the Issuer and, in the case of the Republic, an authorized representative of the Republic and, (ii) in respect of the holders of the Certificates, in accordance with Condition 15 (*Notices*).

If the Dissolution Event(s) giving rise to such notice, other than the non-payment of the Dissolution Distribution Amount which has become due solely by reason of such notice, shall have been cured, waived or otherwise remedied, then the holders of more than 50.0% of the then aggregate face amount outstanding of the Certificates may instruct the Delegate in writing (and the Delegate shall act upon such instructions, subject to being indemnified and/or secured and/or prefunded against any liabilities which it may incur by doing so), on behalf of all Certificateholders, to waive the relevant Dissolution Event(s) and rescind and annul such notice and its consequences (but no such waiver or rescission and annulment shall extend to or affect any subsequent Dissolution Event or impair any right consequent thereon).

For the purpose of paragraph (a) above, amounts shall be considered due in respect of the Certificates (including any amounts calculated as being payable under Condition 6 (*Fixed Periodic Distribution Provisions*), Condition 7 (*Floating Periodic Distribution Provisions*), Condition 8 (*Payment*) and Condition 9 (*Capital Distributions of the Trust*)) notwithstanding that the Issuer or the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts.

As set out in the Purchase Undertaking, each of the following events or circumstances shall constitute a “**Republic Event**”:

- (a) the Republic defaults in the payment of any Rental (as defined in the Lease Agreement) under the Lease Agreement or the Exercise Price (as defined in the Purchase Undertaking) and such default is not cured within 30 days of the due date for payment;
- (b) the Republic defaults in the performance of any other covenant in the Purchase Undertaking and such default continues for a period of 60 days after written notice thereof has been given to the Republic by the Delegate or to the Republic at the address of its agent for service of process in England by holders of Certificates representing at least 10.0% of the aggregate face amount of the Certificates outstanding;
- (c) any Public External Indebtedness (as defined in the Purchase Undertaking) in a principal amount in excess of U.S.\$50,000,000 (or the equivalent amount thereof in any other currency) is accelerated (other than by optional or mandatory prepayment or redemption);
- (d) the Republic defaults in the payment of principal or interest or profit in excess of U.S.\$50,000,000 (or the equivalent amount thereof in any other currency) payable (whether upon maturity, acceleration or otherwise) in connection with Public External Indebtedness beyond any applicable grace and waiver periods and such default shall not have been cured or waived within 30 days after written notice thereof has been given to the Republic by the Delegate or to the Republic at the address of its agent for service of process in England by any holder of Certificates; and
- (e) the Republic declares a moratorium with respect to the payment of principal of or interest or profit on any Public External Indebtedness.

13. ENFORCEMENT AND EXERCISE OF RIGHTS

13.1 Upon the occurrence of a Dissolution Event, to the extent that the Dissolution Distribution Amount payable in respect of the Certificates has not been paid in full, PPSI-III or (subject to it being indemnified and/or secured and/or prefunded to its satisfaction) the Delegate acting on behalf of PPSI-III may, or (in the case of the Delegate) shall, if so instructed by an Extraordinary Resolution, or in the absence of an Extraordinary Resolution, in writing by holders of at least 25.0% of the then aggregate face amount of the Certificates outstanding and subject to being indemnified and/or secured and/or pre-funded to its satisfaction, (acting for the benefit of the Certificateholders) take one or more of the following steps:

- (a) enforce the provisions of the Purchase Undertaking against the Republic; and/or
- (b) take such other steps as PPSI-III or the Delegate may consider necessary or desirable to exercise all of the rights of PPSI-III under the Purchase Undertaking and any of the other Transaction Documents and make such distributions from the Trust Assets as PPSI-III is bound to make in accordance with the Declaration of Trust.

13.2 The Delegate shall not be bound in any circumstances to take any action to enforce or to realize the Trust Assets or take any action against the Issuer and/or the Republic under any Transaction Document to which either of the Issuer or the Republic is a party unless directed or requested to do so (a) by an Extraordinary Resolution or (b) in writing by the holders of at least 25.0% of the then aggregate face amount of the Certificates outstanding and in either case then only if it shall be indemnified and/or secured and/or pre-funded to its satisfaction against all liabilities to which it may thereby render itself liable or which it may incur by so doing.

13.3 No Certificateholder shall be entitled to proceed directly against the Issuer or the Republic under any Transaction Document unless (a) the Delegate, having become so bound to proceed in accordance with Condition 13.2 (*Enforcement and Exercise of Rights*), fails to do so within 60 days of becoming so bound and such failure is continuing and (b) the relevant Certificateholder (or such Certificateholder together with the other Certificateholders) who proposes to proceed directly against the Issuer or the Republic, holds at least 25.0% of the outstanding aggregate face amount of the Certificates. This Condition 13 is subject to the following:

- (a) under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than in accordance with the Purchase Undertaking) and the sole right of the Delegate and the Certificateholders against the Issuer and the Republic shall be to enforce their respective obligations under the Transaction Documents; and
- (b) any action or proceeding commenced by an individual Certificateholder as described above must be for the equal, ratable and common benefit of all holders of the Certificates.

13.4 The foregoing paragraphs in this Condition 13 are subject to this paragraph. No Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding up of the PPSI-III.

14. REPLACEMENT OF CERTIFICATES

Should any Certificate be lost, stolen, mutilated, defaced or destroyed it may be replaced at the specified offices of the Paying Agents upon payment by the claimant of the expenses and costs incurred in connection with the replacement and on such terms as to evidence and indemnity as the Issuer, the Republic, the relevant Paying Agent or the Registrar may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

15. NOTICES

All notices to Certificateholders will be valid if:

- (a) published in a daily newspaper (which will be a leading English language newspaper having general circulation) in Asia (which is expected to be the *Asian Wall Street Journal*) and a daily newspaper having general circulation in London (which is expected to be the *Financial Times*) approved by the Delegate; or
- (b) mailed to them by first class pre-paid registered mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective registered addresses.

The Issuer shall also ensure that notices are duly given or published in a manner which complies with the rules and regulations of any stock exchange on which the Certificates are for the time being listed. Any notice shall be deemed to have been given on the day after being so mailed or on the date of publication or, if so published more than once or on different dates, on the date of the first publication. So long as the Certificates are represented by one or more Global Certificates held on behalf of DTC or Euroclear and/or Clearstream, Luxembourg, or another clearing system as may be specified in the applicable Pricing Supplement, or, in each case, the relevant nominee, notices to Certificateholders may be given by delivery of the relevant notice to those clearing systems for communication to entitled holders in substitution for notification as set out under (a) or (b) above.

16. MEETINGS OF CERTIFICATEHOLDERS; WRITTEN RESOLUTIONS

(a) Convening Meetings of Certificateholders; Conduct of Meetings of Certificateholders; Written Resolutions

- (i) The Delegate, the Trustee or the Republic may convene a meeting of the Certificateholders at any time in respect of the Certificates in accordance with the Master Declaration of Trust and the Agency Agreement. The Delegate, the Trustee or the Republic (as the case may be) will determine the time and place of the meeting. The Delegate, the Trustee or the Republic (as the case may be) will notify the Certificateholders of the time, place and purpose of the meeting not less than 30 and not more than 60 days before the meeting.
- (ii) The Trustee, the Republic or the Delegate will convene a meeting of Certificateholders if the holders of at least 10.0 *per cent.* in principal amount of the outstanding Certificates (as defined in the Master Declaration of Trust and described in Condition 16(i) (*Certificates controlled by the Trustee or the*

Republic)) have delivered a written request to the Trustee, the Republic or the Delegate (with a copy to the Trustee and the Republic) setting out the purpose of the meeting. The Delegate will agree the time and place of the meeting with the Trustee and the Republic promptly. The Trustee, the Republic or the Delegate, as the case may be, will notify the Certificateholders within ten days of receipt of such written request of the time and place of the meeting, which shall take place not less than 30 and not more than 60 days after the date on which such notification is given.

- (iii) The Trustee or the Republic (as the case may be) (with the agreement of the Delegate) will set the procedures governing the conduct of any meeting in accordance with the Agency Agreement. If the Agency Agreement does not include such procedures, or additional procedures are required, the Trustee, the Republic and the Delegate will agree such procedures as are customary in the market and in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter the Trustee or the Republic (as the case may be) proposes any modification to the terms and conditions of, or action with respect to, two or more series of securities issued by it.
- (iv) The notice convening any meeting will specify, *inter alia*;
 - (A) the date, time and location of the meeting;
 - (B) the agenda and the text of any Extraordinary Resolution to be proposed for adoption at the meeting;
 - (C) the record date for the meeting, which shall be no more than five business days before the date of the meeting;
 - (D) the documentation required to be produced by a Certificateholder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Certificateholder's behalf at the meeting;
 - (E) any time deadline and procedures required by any relevant international and/or domestic clearing systems or similar through which the Certificates are traded and/or held by Certificateholders;
 - (F) whether Condition 16(b) (Modification of a Single Series of Certificates only), or Condition 16(c) (Multiple Series Aggregation — Single limb voting), or Condition 16(d) (Multiple Series Aggregation — Two limb voting) shall apply and, if relevant, in relation to which other series of securities it applies;
 - (G) if the proposed modification or action relates to two or more series of securities issued by it and contemplates such series of securities being aggregated in more than one group of securities, a description of the proposed treatment of each such group of securities;
 - (H) such information that is required to be provided by the Trustee or the Republic (as the case may be) in accordance with Condition 16(f) (*Information*);
 - (I) the identity of the Aggregation Agent and the Calculation Agent, if any, for any proposed modification or action to be voted on at the meeting, and the details of any applicable methodology referred to in Condition 16(g) (*Claims Valuation*); and
 - (J) any additional procedures which may be necessary and, if applicable, the conditions under which a multiple series aggregation will be deemed to have been satisfied if it is approved as to some but not all of the affected series of securities.
- (v) In addition, the Agency Agreement contains provisions relating to Written Resolutions. All information to be provided pursuant to Condition 16(a)(iv) (*Convening Meetings of Certificateholders; Conduct of Meetings of Certificateholders; Written Resolutions*) shall also be provided, *mutatis mutandis*, in respect of Written Resolutions.
- (vi) A “**record date**” in relation to any proposed modification or action means the date fixed by the Trustee or the Republic (as the case may be) for determining the Certificateholders and, in the case of a multiple series aggregation, the holders of securities of each other affected series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution or a Multiple Series Two Limb Extraordinary Resolution, or to sign a Multiple Series Single Limb Written Resolution or a Multiple Series Two Limb Written Resolution, which date shall be no more than five business days before the date of any such meeting.
- (vii) An “**Extraordinary Resolution**” means any of a Single Series Extraordinary Resolution, a Multiple Series Single Limb Extraordinary Resolution and/or a Multiple Series Two Limb Extraordinary Resolution, as the case may be.

- (viii) A “**Written Resolution**” means any of a Single Series Written Resolution, a Multiple Series Single Limb Written Resolution and/or a Multiple Series Two Limb Written Resolution, as the case may be.
- (ix) Any reference to “**securities**” means any trust certificates (including, without limitation, the Certificates), notes, bonds, debentures or other securities issued by the Trustee or the Republic in one or more series with an original stated maturity of more than one year.
- (x) “**Securities Capable of Aggregation**” means those securities which include or incorporate by reference this Condition 16 and Condition 17 (*Aggregation Agent; Aggregation Procedures*) or provisions substantially in these terms which provide for the securities which include such provisions to be capable of being aggregated for voting purposes with other series of securities.

(b) Modification of a Single Series of Certificates only

- (i) Without prejudice to clause 10.1 of the Declaration of Trust, any modification of any provision of, or any action in respect of, these Conditions or the Transaction Documents in respect of the Certificates may be made or taken if approved by a Single Series Extraordinary Resolution or a Single Series Written Resolution as set out below.
- (ii) A “**Single Series Extraordinary Resolution**” means a resolution passed at a meeting of Certificateholders duly convened and held in accordance with the procedures prescribed by the Trustee or the Republic and the Delegate pursuant to Condition 16(a) (*Convening Meetings of Certificateholders; Conduct of Meetings of Certificateholders; Written Resolutions*) by a majority of:
 - (A) in the case of a Reserved Matter, at least 75.0 *per cent.* of the aggregate principal amount of the outstanding Certificates that are represented at a meeting; or
 - (B) in the case of a matter other than a Reserved Matter, more than 50.0 *per cent.* of the aggregate principal amount of the outstanding Certificates that are represented at a meeting.
- (iii) A “**Single Series Written Resolution**” means a resolution in writing signed or confirmed in writing by or on behalf of the holders of:
 - (A) in the case of a Reserved Matter, at least 75.0 *per cent.* of the aggregate principal amount of the outstanding Certificates; or
 - (B) in the case of a matter other than a Reserved Matter more than 50.0 *per cent.* of the aggregate principal amount of the outstanding Certificates.

Any Single Series Written Resolution may be contained in one document or several documents in the same form, each signed or confirmed in writing by or on behalf of one or more Certificateholders.
- (iv) Any Single Series Extraordinary Resolution duly passed or Single Series Written Resolution approved shall be binding on all Certificateholders, whether or not they attended any meeting, whether or not they voted in favour thereof and whether or not they signed or confirmed in writing any such Single Series Written Resolution, as the case may be.

(c) Multiple Series Aggregation — Single limb voting

- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Single Limb Extraordinary Resolution or by a Multiple Series Single Limb Written Resolution as set out below, *provided that* the Uniformly Applicable condition is satisfied.
- (ii) A “**Multiple Series Single Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Trustee or the Republic (as the case may be) and the Delegate pursuant to Condition 16(a) (*Convening Meetings of Certificateholders; Conduct of Meetings of Certificateholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of at least 75.0 *per cent.* of the aggregate principal amount of the outstanding securities of all affected series of Securities Capable of Aggregation (taken in aggregate).
- (iii) A “**Multiple Series Single Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Securities Capable of Aggregation, in accordance with the applicable

documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75 *per cent.* of the aggregate principal amount of the outstanding securities of all affected series of Securities Capable of Aggregation (taken in aggregate). Any Multiple Series Single Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Certificateholders or one or more holders of each affected series of securities.

- (iv) Any Multiple Series Single Limb Extraordinary Resolution duly passed or Multiple Series Single Limb Written Resolution approved shall be binding on all Certificateholders and holders of each other affected series of Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Single Limb Written Resolution, as the case may be.
- (v) The “**Uniformly Applicable**” condition will be satisfied if:
 - (A) the holders of all affected series of Securities Capable of Aggregation are invited to exchange, convert, or substitute their securities, on the same terms, for (i) the same new instrument or other consideration or (ii) a new instrument, new instruments or other consideration from an identical menu of instruments or other consideration; or
 - (B) the amendments proposed to the terms and conditions of each affected series of Securities Capable of Aggregation would, following implementation of such amendments, result in the amended instruments having identical provisions (other than provisions which are necessarily different, having regard to different currency of issuance).
- (vi) Any modification or action proposed under Condition 16(c)(i) (*Multiple Series Aggregation — Single Limb Voting*) may be made in respect of some series only of the Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 16(c) may be used for different groups of two or more series of Securities Capable of Aggregation simultaneously.

(d) **Multiple Series Aggregation — Two limb voting**

- (i) In relation to a proposal that includes a Reserved Matter, any modification to the terms and conditions of, or any action with respect to, two or more series of Securities Capable of Aggregation may be made or taken if approved by a Multiple Series Two Limb Extraordinary Resolution or by a Multiple Series Two Limb Written Resolution as set out below.
- (ii) A “**Multiple Series Two Limb Extraordinary Resolution**” means a resolution considered at separate meetings of the holders of each affected series of Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed by the Trustee or the Republic (as the case may be) and the Delegate pursuant to Condition 16(a) (*Convening Meetings of Certificateholders; Conduct of Meetings of Certificateholders; Written Resolutions*), as supplemented if necessary, which is passed by a majority of:
 - (A) at least 66 $\frac{2}{3}$ *per cent.* of the aggregate principal amount of the outstanding securities of affected series of Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50 *per cent.* of the aggregate principal amount of the outstanding securities in each affected series of Securities Capable of Aggregation (taken individually).
- (iii) A “**Multiple Series Two Limb Written Resolution**” means each resolution in writing (with a separate resolution in writing or multiple separate resolutions in writing distributed to the holders of each affected series of Securities Capable of Aggregation, in accordance with the applicable documentation) which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:
 - (A) at least 66 $\frac{2}{3}$ *per cent.* of the aggregate principal amount of the outstanding securities of all the affected series of Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50 *per cent.* of the aggregate principal amount of the outstanding securities in each affected series of Securities Capable of Aggregation (taken individually).

Any Multiple Series Two Limb Written Resolution may be contained in one document or several documents in substantially the same form, each signed or confirmed in writing by or on behalf of one or more Certificateholders or one or more holders of each affected series of Securities Capable of Aggregation.

- (iv) Any Multiple Series Two Limb Extraordinary Resolution duly passed or Multiple Series Two Limb Written Resolution approved shall be binding on all Certificateholders and holders of each other affected series of Securities Capable of Aggregation, whether or not they attended any meeting, whether or not they voted in favour thereof, whether or not any other holder or holders of the same series voted in favour thereof and whether or not they signed or confirmed in writing any such Multiple Series Two Limb Written Resolution, as the case may be.
- (v) Any modification or action proposed under Condition 16(d)(i) (*Multiple Series Aggregation — Two limb voting*) may be made in respect of some series only of the Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 16(d) may be used for different groups of two or more series of Securities Capable of Aggregation simultaneously.

(e) **Reserved Matters**

In these Conditions, “**Reserved Matter**” means any proposal:

- (i) to change the Scheduled Dissolution Date or any other date, or the method of determining the Scheduled Dissolution Date or any other date, for payment of the Dissolution Distribution Amount, the Periodic Distribution Amount or any other amount in respect of the Certificates, to reduce or cancel the amount of the Dissolution Distribution Amount, the Periodic Distribution Amount or any other amount payable on any date in respect of the Certificates or to change the method of calculating the amount of the Dissolution Distribution Amount, the Periodic Distribution Amount or any other amount payable in respect of the Certificates on any date;
- (ii) to change the currency in which any amount due in respect of the Certificates is payable or the place in which any payment is to be made;
- (iii) to change the majority required to pass an Extraordinary Resolution, a Written Resolution or any other resolution of Certificateholders or the number or percentage of votes required to be cast, or the number or percentage of Certificates required to be held, in connection with the taking of any decision or action by or on behalf of the Certificateholders or any of them;
- (iv) to change this definition, or the definition of “Extraordinary Resolution”, “Single Series Extraordinary Resolution”, “Multiple Series Single Limb Extraordinary Resolution”, “Multiple Series Two Limb Extraordinary Resolution”, “Written Resolution”, “Single Series Written Resolution”, “Multiple Series Single Limb Written Resolution” or “Multiple Series Two Limb Written Resolution”;
- (v) to change the definition of “securities” or “Securities Capable of Aggregation”;
- (vi) to change the definition of “Uniformly Applicable”;
- (vii) to change the definition of “outstanding” or to modify the provisions of Condition 16(i) (*Certificates controlled by the Trustee or the Republic*);
- (viii) to change the legal ranking of the Certificates;
- (ix) to permit early redemption of the Certificates or, if early redemption is already permitted, set a redemption date earlier than the date previously specified or reduce the redemption price;
- (x) to change any provision of the Certificates describing circumstances in which the Certificates are to be redeemed upon the occurrence of a Dissolution Event, set out in Condition 12 (*Dissolution Events*);
- (xi) to change the law governing the Certificates, the courts to the jurisdiction of which the Trustee and the Republic have submitted in the Certificates, any of the arrangements specified in the Certificates to enable proceedings to be taken or the Trustee’s or the Republic’s waiver of immunity, in respect of actions or proceedings brought by any Certificateholder, set out in Condition 20 (*Governing Law and Submission to Jurisdiction*);
- (xii) to impose any condition on or otherwise change the Trustee’s obligation to make payments of the Dissolution Distribution Amount, the Periodic Distribution Amount or any other amount in respect of the Certificates, including by way of the addition of a call option;
- (xiii) to modify the provisions of this Condition 16(e);
- (xiv) except as permitted by any Transaction Document, to release any agreement guaranteeing or securing payments under the Certificates or to change the terms of any such guarantee or security;
- (xv) to exchange or substitute all the Certificates for, or convert all the Certificates into, other obligations or securities of the Trustee or the Republic (as the case may be) or any other person, or to modify any

provision of these Conditions in connection with any exchange or substitution of the Certificates for, or the conversion of the Certificates into, any other obligations or securities of the Trustee or the Republic (as the case may be) or any other person, which would result in the Conditions as so modified being less favorable to the Certificateholders which are subject to the Conditions as so modified than:

- (A) the provisions of the other obligations or securities of the Trustee or the Republic or any other person resulting from the relevant exchange or substitution or conversion; or
- (B) if more than one series of other obligations or securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of securities having the largest aggregate principal amount.

(f) Information

Prior to or on the date that the Delegate, the Trustee or the Republic proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 16(b) (*Modification of a Single Series of Certificates only*), Condition 16(c) (*Multiple Series Aggregation — Single limb voting*) or Condition 16(d) (*Multiple Series Aggregation — Two limb voting*), the Trustee or the Republic (as the case may be) shall publish in accordance with Condition 17 (*Aggregation Agent; Aggregation Procedures*), and provide the Delegate with the following information:

- (i) a description of the Republic's economic and financial circumstances, a description of the Republic's existing debts and a description of its broad policy reform program and provisional macroeconomic outlook, in each case to the extent that such matters are, in the Republic's opinion, relevant to the request for any potential modification or action;
- (ii) if the Republic shall at the time have entered into an arrangement for financial assistance with multilateral and/or other major creditors or creditor groups and/or an agreement with any such creditors regarding debt relief, a description of any such arrangement or agreement. Where permitted under the information disclosure policies of the multilateral or such other creditors, as applicable, copies of the arrangement or agreement shall be provided;
- (iii) a description of the Republic's proposed treatment of external securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other securities and its other major creditor groups; and
- (iv) if any proposed modification or action contemplates securities being aggregated in more than one group of securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Certificateholders in Condition 16(a)(iv)(G) (*Convening Meetings of Certificateholders; Conduct of Meetings of Certificateholders; Written Resolutions*).

(g) Claims Valuation

For the purpose of calculating the par value of the Certificates and any affected series of securities which are to be aggregated with the Certificates in accordance with Condition 16(c) (*Multiple Series Aggregation — Single limb voting*) and Condition 16(d) (*Multiple Series Aggregation — Two limb voting*), the Trustee or the Republic (as the case may be) may appoint a Calculation Agent. The Trustee or the Republic (as the case may be) shall, with the approval of the Aggregation Agent and any appointed Calculation Agent, promulgate the methodology in accordance with which the par value of the Certificates and such affected series of securities will be calculated. In any such case where a Calculation Agent is appointed, the same person will be appointed as the Calculation Agent for the Certificates and each other affected series of securities for these purposes, and the same methodology will be promulgated for each affected series of securities.

(h) Manifest error, etc.

The Certificates, these Conditions and the provisions of the Master Declaration of Trust or the Agency Agreement may be amended, without the consent of the Certificateholders, to correct a manifest error. In addition, the parties to the Master Declaration of Trust may agree to modify any provision thereof, but the Delegate shall not agree, without the consent of the Certificateholders, to any such modification unless, in the opinion of the Delegate, it is of a formal, minor or technical nature or it is not materially prejudicial to the interests of the Certificateholders.

(i) **Certificates controlled by the Trustee or the Republic**

For the purposes of (i) determining the right to attend and vote at any meeting of Certificateholders, or the right to sign or confirm in writing, or authorize the signature of, any Written Resolution and (ii) this Condition 16, any Certificates which are for the time being held by or on behalf of the Trustee, the Republic or by or on behalf of any person which is owned or controlled directly or indirectly by the Trustee or the Republic or by any public sector instrumentality of the Trustee or the Republic shall be disregarded and be deemed not to remain outstanding, where:

- (i) “**public sector instrumentality**” means Bank Indonesia, any other department, ministry or agency of the government of Indonesia or any corporation, trust, financial institution or other entity owned or controlled by the government of Republic or any of the foregoing; and
- (ii) “**control**” means the power, directly or indirectly, through the ownership of voting securities or other ownership interests or through contractual control or otherwise, to direct the management of or elect or appoint a majority of the board of directors or other persons performing similar functions in lieu of, or in addition to, the board of directors of a corporation, trust, financial institution or other entity.

A Certificate will also be deemed to be not outstanding if the Certificate has previously been cancelled or delivered for cancellation or held for reissuance but not reissued, or, where relevant, the Certificate has previously been called for redemption in accordance with its terms or previously become due and payable at maturity or otherwise and the Trustee or the Republic (as the case may be) has previously satisfied its obligations to make all payments due in respect of the Certificate in accordance with its terms.

In advance of any meeting of Certificateholders, or in connection with any Written Resolution, the Trustee or the Republic (as the case may be) shall provide to the Delegate a copy of the certificate prepared pursuant to Condition 17(d) (*Certificate*), which includes information on the total number of Certificates which are for the time being held by or on behalf of the Trustee or the Republic (as the case may be) or by or on behalf of any person which is owned or controlled directly or indirectly by the Trustee or the Republic (as the case may be) or by any public sector instrumentality of the Trustee or the Republic (as the case may be) and, as such, such Certificates shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Certificateholders or the right to sign, or authorise the signature of, any Written Resolution in respect of any such meeting. The Delegate shall make any such certificate available for inspection during normal business hours at its specified office and, upon reasonable request, will allow copies of such certificate to be taken.

(j) **Publication**

The Trustee or the Republic (as the case may be) shall publish all Extraordinary Resolutions and Written Resolutions which have been determined by the Aggregation Agent to have been duly passed in accordance with Condition 17(g) (*Manner of publication*).

(k) **Exchange and Conversion**

Any Extraordinary Resolutions or Written Resolutions which have been duly passed and which modify any provision of, or action in respect of, the Conditions may be implemented at the option of the Trustee or the Republic (as the case may be) by way of a mandatory exchange or conversion of the Certificates and each other affected series of securities, as the case may be, into new securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Certificates is notified to Certificateholders at the time notification is given to the Certificateholders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Certificateholders.

17. AGGREGATION AGENT; AGGREGATION PROCEDURES

(a) **Appointment**

The Trustee or the Republic (as the case may be) will appoint an aggregation agent (the “**Aggregation Agent**”) to calculate whether a proposed modification or action has been approved by the required principal amount outstanding of Certificates, and, in the case of a multiple series aggregation, by the required principal amount of outstanding securities of each affected series of Securities Capable of Aggregation. In the case of a multiple series aggregation, the same person will be appointed as the Aggregation Agent for the proposed modification of any provision of, or any action in respect of, these Conditions, the Master Declaration of Trust or the Agency Agreement in respect of the Certificates and in respect of the terms and

conditions or documentation in respect of each other affected series of Securities Capable of Aggregation. The Aggregation Agent shall be independent of the Trustee and the Republic.

(b) Extraordinary Resolutions

If an Extraordinary Resolution has been proposed at a duly convened meeting of Certificateholders to modify any provision of, or action in respect of, these Conditions or the Master Declaration of Trust and other affected series of Securities Capable of Aggregation, as the case may be, the Aggregation Agent will, as soon as practicable after the time the vote is cast, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Certificates and, where relevant, each other affected series of Securities Capable of Aggregation, have voted in favour of the Extraordinary Resolution such that the Extraordinary Resolution is passed. If so, the Aggregation Agent will determine that the Extraordinary Resolution has been duly passed.

(c) Written Resolutions

If a Written Resolution has been proposed under the terms of these Conditions, the Agency Agreement or the Master Declaration of Trust to modify any provision of, or action in respect of, these Conditions, the Agency Agreement or the Master Declaration of Trust and the terms and conditions of other affected series of Securities Capable of Aggregation, as the case may be, the Aggregation Agent will, as soon as reasonably practicable after the relevant Written Resolution has been signed or confirmed in writing, calculate whether holders of a sufficient portion of the aggregate principal amount of the outstanding Certificates and, where relevant, each other affected series of Securities Capable of Aggregation, have signed or confirmed in writing in favour of the Written Resolution such that the Written Resolution is passed. If so, the Aggregation Agent will determine that the Written Resolution has been duly passed.

(d) Certificate

For the purposes of Condition 17(b) (*Extraordinary Resolutions*) and Condition 17(c) (*Written Resolutions*), the Trustee and Republic will provide a certificate to the Aggregation Agent up to three days prior to, and in any case no later than, with respect to an Extraordinary Resolution, the date of the meeting referred to in Condition 16(b) (*Modification of a Single Series of Certificates only*), Condition 16 (c) (*Single limb voting*) or Condition 16(d) (*Multiple Series Aggregation — Two limb voting*), as applicable, and, with respect to a Written Resolution, the date arranged for the signing of the Written Resolution.

The certificate shall:

- (i) list the total principal amount of Certificates and, in the case of a multiple series aggregation, the total principal amount of each other affected series of Securities Capable of Aggregation outstanding on the record date; and
- (ii) clearly indicate the Certificates and, in the case of a multiple series aggregation, securities of each other affected series of Securities Capable of Aggregation which shall be deemed not to remain outstanding as a consequence of Condition 16(i) (*Certificates controlled by the Trustee or the Republic*) on the record date identifying the holders of the Certificates and, in the case of a multiple series aggregation, securities of each other affected series of Securities Capable of Aggregation.

The Aggregation Agent may rely upon the terms of any certificate, notice, communication or other document believed by it to be genuine.

(e) Notification

The Aggregation Agent will cause each determination made by it for the purposes of this Condition 17 to be notified to the Delegate, the Trustee and the Republic as soon as practicable after such determination. Notice thereof shall also promptly be given to the Certificateholders.

(f) Binding nature of determinations; no liability

All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 17 by the Aggregation Agent and any appointed Calculation Agent will (in the absence of manifest error) be binding on the Trustee, the Republic, the Delegate, the Certificateholders and (subject as aforesaid) no liability to any such person will attach to

the Aggregation Agent or the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

(g) Manner of publication

The Trustee and the Republic will publish all notices and other matters required to be published pursuant to these Conditions, the Master Declaration of Trust and the other Transaction Documents including any matters required to be published pursuant to Condition 16 (*Meetings of Certificateholders; Written Resolutions*), this Condition 17 (*Aggregation Agent; Aggregation Procedures*) and Condition 12 (*Dissolution Events*):

- (i) on the following websites: (A) www.djppr.kemenkeu.go.id; and (B) www.kemenkeu.go.id;
- (ii) through the relevant clearing systems;
- (iii) in such other places and in such other manner as may be required by applicable law or regulation; and
- (iv) in such other places and in such other manner as may be customary.

18. INDEMNIFICATION AND LIABILITY OF THE DELEGATE

- 18.1 The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and for its relief from responsibility, including provisions relieving it from taking action unless indemnified and/or secured and/or pre-funded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Trust Assets, the Delegate shall in no circumstances take any action unless directed to do so in accordance with Condition 13.2 (*Enforcement and Exercise of Rights*), and then only if it shall have been indemnified and/or secured and/or pre-funded to its satisfaction.
- 18.2 The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Issuer or the Republic under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Issuer or the Republic but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.
- 18.3 Each of the Trustee, the Delegate and each Agent is exempted from (a) any liability in respect of any loss or theft of the Trust Assets or any cash, (b) any obligation to insure the Trust Assets or any cash and (c) any claim arising from the fact that the Trust Assets or any cash are held by or on behalf of the Trustee or on deposit or in an account with any depositary or clearing system or are registered in the name of the Trustee or its nominee, unless such loss or theft arises as a result of gross negligence, fraud or wilful misconduct by the Trustee or the Delegate, as the case may be.
- 18.4 Whenever the Delegate is required or entitled by the terms of the Declaration of Trust or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Delegate is entitled, prior to exercising any such discretion or power, taking such action, making any such decision, or giving any such direction, seek directions from Certificateholders by way of an Extraordinary Resolution, and the Delegate is not responsible or liable for any loss or liability incurred by any person as a result of any delay in it exercising such discretion or power, taking such action, making such decision, or giving such direction where the Delegate is seeking such directions.
- 18.5 The Delegate shall not (unless and to the extent ordered so to do by a court of competent jurisdiction) be required to disclose to any Certificateholder any information (including, without limitation, information of a confidential, financial or price sensitive nature) made available by the Republic or any other person in connection with these Conditions or the Certificates and no Certificateholder shall be entitled to take any action to obtain from the Delegate any such information.

19. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of these Conditions, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

20. GOVERNING LAW AND SUBMISSION TO JURISDICTION

- 20.1 The Declaration of Trust (including these Conditions), the Certificates and any non-contractual obligations arising out of or in connection with the Declaration of Trust (including these Conditions) or the Certificates, are governed by, and will be construed in accordance with, English law.

- 20.2 Each of the Issuer and the Republic has in the Declaration of Trust irrevocably agreed for the benefit of the Trustee, the Delegate and the Certificateholders that the courts of England are to have exclusive jurisdiction to settle any dispute, suit, action or proceeding (together referred to as “**Proceedings**”) which may arise out of or in connection with the Declaration of Trust (including these Conditions) and any non-contractual obligations which may arise out of or in connection with the Declaration of Trust (including these Conditions) and accordingly submitted to the exclusive jurisdiction of the English courts.
- 20.3 Each of the Issuer and the Republic has in the Declaration of Trust waived any objection to the courts of England on the grounds that they are an inconvenient or inappropriate forum.
- 20.4 Each of the Issuer and the Republic has in the Declaration of Trust appointed an agent for service of process in England (which, as of the Closing Date is the Representative office of Bank Indonesia in the City of London at 10 City Road, London EC1Y 2EH) in respect of any Proceedings and agreed that in the event of such agent ceasing so to act it will appoint another person as its agent for that purpose.
- 20.5 Subject to Condition 20.6 (*Governing Law and Submission to Jurisdiction*), each of the Issuer and the Republic has in the Declaration of Trust agreed that to the extent that it may claim for itself or its assets or revenues immunity from jurisdiction, enforcement, prejudgment proceedings, injunctions and all other legal proceedings and relief and to the extent that such immunity (whether or not claimed) may be attributed to it or its assets or revenues, it will not claim and has irrevocably and unconditionally waived such immunity in relation to any Proceedings. Further, it has irrevocably and unconditionally consented to the giving of any relief or the issue of any legal proceedings, including, without limitation, jurisdiction, enforcement, prejudgment proceedings and injunctions in connection with any Proceedings.
- 20.6 Notwithstanding anything to the contrary described in Condition 20.5 (*Governing Law and Submission to Jurisdiction*), no waiver of immunity or consent shall be deemed or interpreted to include any waiver of immunity or consent in respect of (i) actions brought against the Issuer or the Republic arising out of or based upon United States federal or state securities laws, (ii) attachment under Indonesian laws, (iii) present or future ‘premises of the mission’ as defined in the Vienna Convention on Diplomatic Relations signed in 1961, (iv) ‘consular premises’ as defined in the Vienna Convention on Consular Relations signed in 1963, (v) any other property or assets used solely or mainly for governmental or public purposes in the Republic or elsewhere, or (vi) military property or military assets or property or assets of the Republic related thereto; *provided that* the foregoing limitations shall not preclude any Proceeding to enforce any provision of the Declaration of Trust relating to the Trust Assets.

AGENTS AND SPECIFIED OFFICES

The Principal Paying Agent with respect to Certificates held through DTC:

The Bank of New York Mellon
240 Greenwich Street
New York, NY 10286
United States of America

Facsimile: +1 212 815 5915
Attention: Global Corporate Trust

The Paying Agent with respect to Regulation S Certificates held through Euroclear and/or Clearstream, Luxembourg:

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

Facsimile: +44 207 964 2509
Attention: Global Corporate Trust

The Registrar and Transfer Agent with respect to Certificates held through DTC:

The Bank of New York Mellon
240 Greenwich Street
New York, NY 10286
United States of America

Facsimile: +1 212 815 5915
Attention: Global Corporate Trust

The Registrar with respect to Regulation S Certificates held through Euroclear and/or Clearstream, Luxembourg:

The Bank of New York Mellon SA/NV,
Luxembourg Branch
Vertigo Building — Polaris
2-4 rue Eugène Ruppert
L-2453 Luxembourg

Facsimile: +352 24 524 204
Attention: Global Corporate Trust

The Transfer Agent with respect to Regulation S Certificates held through Euroclear and/or Clearstream, Luxembourg:

The Bank of New York Mellon, London Branch
One Canada Square
London E14 5AL
United Kingdom

Facsimile: +44 207 964 2509
Attention: Global Corporate Trust

All correspondence should be copied to:

The Bank of New York Mellon,
Singapore Branch
One Temasek Avenue
#02-01 Millenia Tower
Singapore 039192

Facsimile: +65 6883 0338
Attention: Global Corporate Trust

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement which will be completed for each Series of Certificates issued under the Program.

[MIFID II PRODUCT GOVERNANCE/TARGET MARKET — *[appropriate target market legend to be included]***]**

[MIFID II product governance/Professional investors and ECPs only target market: Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Certificates has led to the conclusion that:

- (a) the target market for the Certificates is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, **MiFID II**); and
- (b) all channels for distribution of the Certificates to eligible counterparties and professional clients are appropriate.

Any person subsequently offering, selling or recommending the Certificates (a “**distributor**”) should take into consideration the target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Certificates (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.]

[Singapore Securities and Futures Act Product Classification — Solely for the purposes of its obligations pursuant to sections 309B(1)(a) and 309B(1)(c) of the Securities and Futures Act (Chapter 289 of Singapore) (the “**SFA**”), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A of the SFA) that the Notes are [“prescribed capital markets products”]/[capital markets products other than “prescribed capital markets products”] (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018) and [“Excluded Investment Products”]/[“Specified Investment Products”] (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).]

[Date]

Perusahaan Penerbit SBSN Indonesia III
Issue of [Aggregate Face Amount of Series] [Title of Certificate]
Under the
U.S.\$ 25,000,000,000
Trust Certificate Issuance Program

PART A — CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the “**Conditions**”) set forth in the offering memorandum dated [●] (the “**Offering Memorandum**”). This Pricing Supplement constitutes the final terms of the Certificates and must be read in conjunction with the Offering Memorandum [as supplemented].

[The following alternative language applies if the first issue of a Series which is being increased was issued under offering memorandum with an earlier date.

Terms used herein shall be deemed to be defined as such for the purposes of the conditions (the “**Conditions**”) set forth in the offering memorandum dated [original date]. This document constitutes the Pricing Supplement of the Certificates and must be read in conjunction with the offering memorandum dated [current date] [and the supplemental offering memorandum dated [●]], save in respect of the Conditions which are extracted from the offering memorandum dated [original date] and are attached hereto.]

[Include whichever of the following apply or specify as “Not Applicable” (N/A). Note that the numbering should remain as set out below, even if “Not Applicable” is indicated for individual paragraphs or subparagraphs. Italics denote directions for completing the Pricing Supplement.]

1. (i) Issuer and Trustee: Perusahaan Penerbit SBSN Indonesia III (“**PPSI-III**”)
- (ii) Obligor: Republic of Indonesia (the “**Republic**”)
2. (i) Series Number: [●]
- (ii) [Tranche]: [●]
3. Specified Currency: [●]
4. Aggregate Face Amount of Series: [●]
5. Issue Price: 100.0% of the Aggregate Face Amount
6. (i) Specified Denominations: [●] *(this means the minimum integral amount in which transfers can be made)*
- (ii) Calculation Amount: [●]¹
7. (i) Issue Date: [●]
- (ii) Return Accumulation Commencement Date: [Issue Date][specify other]
8. Scheduled Dissolution Date: *[Specify date or (for Floating Periodic Distribution Certificates) Periodic Distribution Date falling in or nearest to the relevant month and year.]*
9. Periodic Distribution Amount Basis: [[●]% Fixed Periodic Distribution Amount]
[[specify reference rate] +/- [●]% Floating Periodic Distribution Amount] *(further particulars specified below)*
10. Dissolution Basis: Dissolution at par
11. Change of Periodic Distribution Basis: *[Specify details of any provision for convertibility of Certificates another Periodic Distribution Amount basis.]* [Not Applicable]
12. Method of Distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATION TO PERIODIC DISTRIBUTIONS PAYABLE

13. Fixed Periodic Distribution Provisions: [Applicable/Not Applicable]
[(If not applicable, delete the remaining sub-paragraphs of this paragraph)]
 - (i) Rate[(s)]: [●]% *per annum* [payable [annually/ semi-annually/ quarterly/ monthly] in arrear]
 - (ii) Periodic Distribution Date(s): [[●] in each year up to and including the Scheduled Dissolution Date] [specify other]
 - (iii) Fixed Amount[(s)]: [●] per Calculation Amount

¹ The applicable Calculation Amount (which is used for the calculation of periodic distribution amounts and redemption amounts) will be (i) if there is only one Specified Denomination, the Specified Denomination of the relevant Certificates or (ii) if there are several Specified Denominations (e.g., Specified Denominations of €100,000 and multiples of €1,000), the highest common factor of those Specified Denominations (note: there must be a common factor in the case of two or more Specified Denominations).

(iv) Broken Amount[(s)]:	<i>[Insert particulars of any initial or final broken Periodic Distribution Amounts which do not correspond with the Fixed Amount [(s)] specified under paragraph [13(iii)]]</i>
(v) Day Count Fraction:	[30/360 or Actual/Actual (ICMA) or [specify other]]
(vi) Determination Date(s):	[●] in each year <i>[Insert regular Periodic Distribution Dates, ignoring Issue Date or Scheduled Dissolution Date in the case of a long or short first or last return accumulation period.</i> <i>N.B. This will need to be amended in the case of regular periodic distribution dates which are not of equal durations.]</i> <i>[N.B. Only relevant where Day Count Fraction is Actual/Actual (ICMA)]</i>
(vii) Other terms relating to the method of calculating Fixed Periodic Distribution Amounts:	[Not Applicable/give details]
14. Floating Periodic Distribution Provisions:	[Applicable/Not Applicable] <i>[(If not applicable, delete the remaining subparagraphs of this paragraph)]</i>
(i) Specified Periodic Distribution Dates:	[●] [Not Applicable] (Specified Period and Specified Periodic Distribution Dates are alternatives. If the Business Day Convention is the Floating Rate Convention, insert Not Applicable)
(ii) Specified Period:	[●] [Not Applicable] <i>(Specified Period and Specified Periodic Distribution Dates are alternatives. A Specified Period, rather than Specified Periodic Distribution Dates, will only be relevant if the Business Day Convention is the Floating Rate Convention. Otherwise, insert Not Applicable)</i>
(iii) Business Day Convention:	[Floating Rate Convention / Following Business Day Convention / Modified Following Business Day Convention / Preceding Business Day Convention / [specify other]]
(iv) Additional Business Center(s):	[Not Applicable/give details]
(v) Manner in which the Rate(s) is/are to be determined:	[Screen Rate Determination (Condition [7.3] (<i>Screen Rate Determination</i>) applies/specify other)
(vi) Screen Rate Determination:	[Applicable/Not Applicable] (If not applicable, delete the remaining sub paragraphs of this paragraph)
• Reference Rate:	<i>[For example, LIBOR or EURIBOR]</i>

- Periodic Distribution Determination Date: [●] (*Second London business day prior to the start of each Return Accumulation Period if LIBOR (other than Sterling or euro LIBOR), first day of each Return Accumulation Period if Sterling LIBOR and the second day on which the TARGET System is open prior to the start of each Return Accumulation Period if EURIBOR or euro LIBOR*)
- Relevant Screen Page: [●]
- Relevant Time: [For example, 11.00am London time]
- (vii) Margin: [+/-] [●] % *per annum*
- (viii) Day Count Fraction: [Actual/Actual], [Actual/Actual (ICMA)], [Actual/365 (Fixed)], [Actual/360], [30/360] or [30E/360] (See Condition [7] (*Floating Periodic Distribution Provisions*))
- (ix) Calculation Agent: [Principal Paying Agent] [*specify other*]
- (x) Other terms relating to the method of calculating Floating Periodic Distribution Amounts: [Not Applicable] [*give details*]

PROVISIONS RELATING TO DISSOLUTION

15. Dissolution Distribution Amount of each Certificate: [●] per Calculation Amount *plus* any accrued but unpaid Periodic Distribution Amount
- [specify other] [Applies to early redemption on Dissolution Event, the occurrence of a Tax Event, the occurrence of a Total Loss Event and redemption on the Scheduled Dissolution Date]*

GENERAL PROVISIONS APPLICABLE TO THE CERTIFICATES

16. Form of Certificates: Registered Certificates
- Global Certificate exchangeable for Certificates in definitive registered form in the limited circumstances specified in the Global Certificate.
17. Additional Business Center(s) relating to payment: [●]
- [(Note that this item relates to the place of payment and not Return Accumulation Period end dates, to which item [14(iv)] relates)]*

PROVISIONS IN RESPECT OF THE TRUST ASSETS

18. Issue Structure: [Ijara Series]/[Wakala Series]
19. Assets on the Issue Date: As Scheduled to the Supplemental Purchase Agreement [and Supplemental Procurement Agreement] specified below, a copy of which schedule is set out in the Annex hereto.
20. Trust Assets: [Condition [4.1] (*Summary of the Trust*) applies] [*specify other*]

21. (i) Details of Transaction Account: [●]Transaction Account No: [●] with [●] for Series No.: [1/2/3 etc.]
- (ii) Currency: [●]
22. Other Transaction Document Information:
- (i) Supplemental Declaration of Trust: Supplemental Declaration of Trust dated [●] between the Trustee, the Republic and the Delegate
- (ii) Supplemental Purchase Agreement: Supplemental Purchase Agreement dated [●] between the Trustee (as Purchaser) and the Republic (as Seller)
- [a(iii) Supplemental Procurement Agreement:] [Supplemental Procurement Agreement dated [●] between the Trustee (as Purchaser) and the Republic (as Project Seller)]
- [(iii)/(iv)] Supplemental Lease Agreement: Supplemental Lease Agreement dated [●] between the Trustee (as Lessor) and the Republic (as Lessee)
23. Other terms or special conditions: [Not Applicable/*give details*]

DISTRIBUTION

24. (i) If syndicated, names of Dealers: [Not Applicable/*give names*]
- (ii) Stabilizing Manager (if any): [●]
- (iii) Date of Subscription Agreement: [●]
25. If non-syndicated, name of relevant Dealer: [●]
26. Additional selling restrictions: [Not Applicable/*give details*]

[USE OF PROCEEDS

The proceeds from the issuer of the Certificates will be applied by the Issuer for the purchase of the Assets specified in Annex I hereto from the Republic.

The Republic will use the proceeds it receives from the issue of the Certificates exclusively to finance or re-finance expenditure directly related to “Eligible Green Projects” as defined in the Green Bond and Green Sukuk Framework of the Republic set out in the appendix to the Offering Memorandum.]²

RESPONSIBILITY

Each of the Issuer and the Republic accepts responsibility for the information contained in this Pricing Supplement. To the best of the knowledge and belief of each of the Issuer and the Republic (having taken all reasonable care to ensure that such is the case) the information contained in this Pricing Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information. [[●] has been extracted from [specify source]. Each of the Issuer and the Republic confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [specify source], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

**SIGNED ON BEHALF OF
PERUSAHAAN PENERBIT SBSN
INDONESIA III**

**SIGNED ON BEHALF OF
THE REPUBLIC OF INDONESIA**

By: _____
Duly authorized

By: _____
Duly authorized

² Include for a green sukuk certificate issuance.

PART B — OTHER INFORMATION

1. LISTING

Listing: ☐ (specify)/None

2. RATINGS

Ratings: The Certificates have been rated: [Moody's: ☐

[Fitch: ☐

[Standard & Poor's] ☐

[(The above disclosure should reflect the rating allocated to Certificates of the type being issued under the Program generally or, where the issue has been specially rated that rating).]

3. OPERATIONAL INFORMATION

(i) ISIN Code: ☐

(ii) Common Code: ☐

(iii) CUSIP: ☐

(iv) Any clearing system(s) other than The Depository Trust Company or Euroclear SA/NV and Clearstream Banking SA and the relevant identification number(s): *[Not Applicable/give name(s) and number(s)]*

(v) Delivery: Delivery [against/free of] payment

(vi) Names and address of initial Paying Agent(s): ☐

(vii) Names and address of additional paying Agent(s): ☐

(viii) Names and address of Registrar(s): ☐

ANNEX I

IJARA PROPERTIES [AND PROJECT ASSETS] LIST³

[●]

³ Insert for the relevant Series the Properties List contained in relevant Supplemental Purchase Agreement and, in the case of a Wakala Series, the Project Assets specified in the relevant Supplemental Procurement Agreement (including the specifications for the construction of the Project Assets pursuant to the specified Project).

GLOBAL CERTIFICATES

Each Global Certificate contains provisions which apply to the Certificates in respect of which it is issued whilst they are represented by the relevant Global Certificate, some of which modify the effect of the Conditions. The following is a summary of those provisions. Unless otherwise defined, terms defined in the Conditions have the same meaning in paragraphs 1 to 8 below.

1. Form of the Certificates

The Certificates sold in offshore transactions in reliance on Regulation S (the “**Regulation S Certificates**”) will be represented by a global Regulation S certificate in fully registered form (the “**Regulation S Global Certificate**”), which will, unless otherwise specified in the applicable Pricing Supplement, be deposited with a custodian for and will be registered in the name of a nominee of DTC or a nominee for the common depository for Euroclear and Clearstream, Luxembourg. Beneficial interests in the Regulation S Global Certificate may be held through either DTC and its direct or indirect participants including Euroclear and Clearstream, Luxembourg at any time or through Euroclear or Clearstream, Luxembourg and its direct or indirect participants, as the case may be. See “*Clearance and Settlement — Payments and relationship of participants with clearing systems.*”

The Certificates sold within the United States to QIBs in reliance on Rule 144A (the “**Rule 144A Certificates**”) will be represented by a global Rule 144A certificate in fully registered form (the “**Rule 144A Global Certificate**”), which will, unless otherwise specified in the applicable Pricing Supplement, be deposited with a custodian for and will be registered in the name of a nominee of DTC. Beneficial interests in the Rule 144A Global Certificate may only be held through DTC and its direct or indirect participants including Euroclear and Clearstream, Luxembourg at any time. See “*Clearance and Settlement — Payments and relationship of participants with clearing systems.*”. Subject to certain exceptions, beneficial interests in the Rule 144A Global Certificate may only be held by persons who are QIBs, holding their interests for their own account or for the account of one or more QIBs. By acquisition of a beneficial interest in the Rule 144A Global Certificate, the purchaser thereof will be deemed to represent, among other things, that it is a QIB and that, if in the future it determines to transfer such beneficial interest, it will transfer such interest in accordance with the procedures and restrictions contained in the Rule 144A Global Certificate. See “*Transfer Restrictions.*”

The Certificates sold within the United States to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof (“**Definitive IAI Certificates**”). Unless otherwise set forth in the applicable relevant Pricing Supplement, Definitive IAI Certificates will be issued only in minimum denominations of U.S.\$500,000 and integral multiples of U.S.\$1,000 in excess thereof (or the approximate equivalents in the applicable Specified Currency). Definitive IAI Certificates will be subject to the restrictions on transfer set forth therein and will bear the restrictive legend described under “*Plan of Distribution*” and “*Transfer Restrictions*”. Institutional Accredited Investors that hold Definitive IAI Certificates may not elect to hold such Certificates through DTC or Euroclear and/or Clearstream, Luxembourg, but transferees acquiring such Certificates in transactions exempt from Securities Act registration pursuant to Regulation S or Rule 144A under the Securities Act (if available) may do so upon satisfaction of the requirements applicable to such transfer as described under “*Plan of Distribution*” and “*Transfer Restrictions*”. The Registered Global Certificates and the Definitive IAI Certificates will be subject to certain restrictions on transfer set forth therein and will bear a legend regarding such restrictions.

The Regulation S Global Certificate and the Rule 144A Global Certificate are referred to herein as the “**Global Certificates**”. Beneficial interests in the Global Certificates will be subject to certain restrictions on transfer set out therein and in the Agency Agreement and such Global Certificates will bear a legend as set out under “*Transfer Restrictions*”. Investors may hold interests in the Regulation S Global Certificate, which are deposited with a common depository for and registered in the name of a nominee for the common depository for Euroclear and Clearstream, Luxembourg, through Euroclear or Clearstream, Luxembourg, if they are participants in those systems. Investors may also hold such interests through organizations other than Euroclear and Clearstream, Luxembourg that are participants in those systems. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Certificate on behalf of their account holders through customers’ securities accounts in their respective names on the books of their respective depositories. In addition, investors may hold interests in the Regulation S Global Certificates, which are deposited with a custodian for and registered in the name of a nominee of DTC through Euroclear and Clearstream, Luxembourg, if they are participants in those systems. Investors may also hold such interests through organizations other than Euroclear and Clearstream, Luxembourg that are participants in

the DTC system. Euroclear and Clearstream, Luxembourg will hold interests in the Regulation S Global Certificate on behalf of their account holders through customers' securities accounts in their respective names on the books of their respective depositories which in turn will hold such interests in the Regulation S Global Certificate in customers' securities accounts in the depositories' names on the books of DTC. Investors may hold their interests in the Rule 144A Global Certificate directly through DTC, if they are DTC participants, or indirectly through organizations which are DTC participants.

No beneficial interest in the Regulation S Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in the Rule 144A Global Certificate unless (i) the transfer is to a person that is a QIB, (ii) such transfer is made in reliance on Rule 144A, and (iii) the transferor provides the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transferor reasonably believes that the transferee is a QIB purchasing the beneficial interest for its own account or any account of a QIB, in each case, in a transaction meeting the requirements of Rule 144A and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction (and the Registrar shall be entitled to rely on such written certification without further enquiry and will incur no liability for so relying and acting or omitting to act on the basis of such written certification). No beneficial interest in the Rule 144A Global Certificate may be transferred to a person who takes delivery in the form of a beneficial interest in the Regulation S Global Certificate unless (i) the transfer is in an offshore transaction in reliance on Rule 904 of Regulation S, and (ii) the transferor provides the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transfer is being made in an offshore transaction in accordance with Regulation S.

Any beneficial interest in the Regulation S Global Certificate that is transferred to a person who takes delivery in the form of an interest in the Rule 144A Global Certificate will, upon transfer, cease to be an interest in the Regulation S Global Certificate and become an interest in the Rule 144A Global Certificate, and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Rule 144A Global Certificate for as long as it remains such an interest. Any beneficial interest in the Rule 144A Global Certificate that is transferred to a person who takes delivery in the form of an interest in the Regulation S Global Certificate will, upon transfer, cease to be an interest in the Rule 144A Global Certificate and become an interest in the Regulation S Global Certificate and, accordingly, will thereafter be subject to all transfer restrictions and other procedures applicable to beneficial interests in the Regulation S Global Certificate for so long as it remains such an interest. No service charge will be made for any registration of transfer or exchange of Certificates, but the Issuer may require payment of a sum sufficient to cover any tax or other governmental charge payable in connection therewith.

Upon receipt of the Global Certificates, DTC or the custodian will credit, on its internal system, the respective face amount of the individual beneficial interests represented by each such Global Certificate to the accounts of persons who have accounts with DTC. Ownership of beneficial interests in a Global Certificates will be limited to persons who have accounts with DTC or persons who hold interests through participants, including Euroclear and Clearstream, Luxembourg. Ownership of beneficial interests in the Global Certificates will be shown on, and the transfer of that ownership will be effected only through, records maintained by DTC or its nominee (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

Upon receipt of the Global Certificates, Euroclear and/or Clearstream, Luxembourg or the custodian will credit, on its internal system, the respective face amount of the individual beneficial interests represented by each such Global Certificate to the accounts of persons who have accounts with Euroclear and/or Clearstream, Luxembourg. Ownership of beneficial interests in the Global Certificates will be limited to persons who have accounts with Euroclear and/or Clearstream, Luxembourg or persons who hold interests through participants. Ownership of beneficial interests in the Global Certificates will be shown on, and the transfer of that ownership will be effected only through, records maintained by Euroclear and/or Clearstream, Luxembourg (with respect to interests of participants) and the records of participants (with respect to interests of persons other than participants).

Except in the limited circumstances described below, owners of beneficial interests in Global Certificates will not be entitled to receive physical delivery of certificated Certificates.

2. Holders

For so long as all of the Certificates are represented by either or both of the Global Certificates and each Global Certificate is held on behalf of DTC (or its nominee, as the case may be), or Euroclear and/or

Clearstream, Luxembourg (or a common depository for Euroclear and/or Clearstream, Luxembourg, as the case may be), each person (other than another clearing system) who is for the time being shown in the records of any such clearing system as the holder of a particular aggregate face amount of such Certificates (each, a “**Certificateholder**”) (in which regard any certificate or other document issued by such clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated as the holder of such aggregate face amount of such Certificates (and the expression “**Certificateholders**” and references to “**holding of Certificates**” and to “**holder of Certificates**” shall be construed accordingly) for all purposes other than with respect to payments on such Certificates, the right to which shall be vested, as against the Issuer and the Delegate, solely in the registered holder of the relevant Global Certificate in accordance with and subject to its terms. Each Certificateholder must look solely to DTC (or its nominee, as the case may be), Euroclear or Clearstream, Luxembourg for its share of each payment made to the registered holder of the relevant Global Certificate.

3. Cancellation

Cancellation of any Certificate represented by a Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register and by annotation of the appropriate schedule to that Global Certificate, subject to the rules and procedures of DTC or Euroclear and/or Clearstream, Luxembourg, as the case may be.

4. Payments

Payments of any Dissolution Amount, Periodic Distribution Amount and any other amount payable in respect of Certificates represented by a Global Certificate will be made upon presentation or, if no further payment falls to be made in respect of the Certificates, against presentation and surrender of the relevant Global Certificate to or to the order of the relevant Registrar or such other Agent as shall have been notified to the holder of the relevant Global Certificate for such purpose.

Distributions of amounts with respect to book-entry interests in the Certificates held through DTC or its nominee will to the extent received by or on behalf of the Registrar be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system’s rules and procedures.

*For so long as the Certificates are represented by a Global Certificate deposited with a custodian for DTC or, in the case of Certificates issued outside the United States in reliance on Regulation S of the Securities Act, deposited with a common depository for Euroclear and Clearstream, Luxembourg, payments of the Distribution Amount and each Periodic Distribution Amount will be made to the person shown on the relevant Register as the registered Certificateholder represented by such Global Certificate at the close of business on the Clearing System Business Day before the due date for such payment (where “**Clearing System Business Day**” means a day on which each Clearing System with which the Global Certificate is being held is open for business).*

A record of each payment made in respect of the Certificates will be entered into the relevant Register by or on behalf of the relevant Registrar and shall be *prima facie* evidence that payment has been made.

5. Notices

So long as any of the Certificates are represented by either or both of the Global Certificates and such Global Certificate is held on behalf of DTC (or its nominee, as the case may be), Euroclear or Clearstream, Luxembourg (or a common depository for Euroclear and/or Clearstream, Luxembourg, as the case may be), notices to Certificateholders may be given by delivery of the relevant notice to those clearing systems for communication to entitled holders in substitution for notification as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given to the Certificateholders on the day after the day on which such notice is delivered to the relevant clearing systems.

So long as any of the Certificates is represented by a Global Certificate deposited with a custodian for DTC or, in the case of Certificates issued outside the United States in reliance on Regulation S of the Securities Act, deposited with a common depository for Euroclear and Clearstream, Luxembourg, notices may be

given by any holder of a Certificate to the Principal Paying Agent through DTC and/or Euroclear and/or Clearstream, Luxembourg, as the case may be, in such manner as the Principal Paying Agent and DTC and/or Euroclear and/or Clearstream, Luxembourg may approve for their purposes.

6. Registration of Title

The Registrar will not register title to the Certificates in a name other than that of a nominee for DTC or a nominee for the common depository of Euroclear and/or Clearstream, Luxembourg, as the case may be for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

7. Transfers

Transfers of book-entry interests in the Certificates will be effected through the records of DTC or Euroclear and/or Clearstream, Luxembourg, as the case may be and their direct and indirect participants in accordance with their respective rules and procedures.

8. Exchange for Definitive Certificates

Exchange

The Rule 144A Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Certificates in definitive form (“**Rule 144A Definitive Certificates**”) and the Regulation S Global Certificate will be exchangeable, free of charge to the holder, in whole but not in part, for Certificates in definitive form (“**Regulation S Definitive Certificates and, together with the Rule 144A Definitive Certificates, the Definitive Certificates**”) upon the occurrence of an Exchange Event.

For these purposes, “**Exchange Event**” means that (i) in the case of Rule 144A Certificates, DTC notifies the Issuer that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Rule 144A Certificates or DTC ceases to be a “clearing agency” under applicable law or is at any time no longer eligible to act as such or (ii) in the case of Regulation S Certificates issued through Euroclear and/or Clearstream, Luxembourg, the Issuer has been notified that both Euroclear and Clearstream, Luxembourg have been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or have announced an intention to cease business or has in fact done so and, in the case of each of (i) and/or (ii), as applicable no qualified successor clearing system satisfactory to the Delegate has been identified within 90 days of receipt of such notice from DTC and/or Euroclear and/or Clearstream, Luxembourg.

In exchange for the relevant Global Certificate, as provided in the Agency Agreement, the Registrar will deliver or procure the delivery of an equal aggregate face amount of duly executed Definitive Certificates in or substantially in the form set out in the Declaration of Trust.

Delivery

In such circumstances, the relevant Global Certificate shall be exchanged in full for Definitive Certificates and the Issuer will, at the cost of the Issuer (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed and delivered to the Registrars for completion, authentication and dispatch to the relevant Certificateholders. A person having an interest in a Global Certificate must provide the relevant Registrar with (i) a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such Definitive Certificates and (ii) in the case of the Rule 144A Global Certificate only, a fully completed, signed certification substantially to the effect that the exchanging holder is not transferring its interest at the time of such exchange or, in the case of simultaneous sale pursuant to Rule 144A, a written certification that the transfer is being made in compliance with the provisions of Rule 144A to a purchaser that the transferor reasonably believes to be a QIB purchasing the beneficial interest for its own account or any account of a QIB, in each case, in a transaction meeting the requirements of Rule 144A and that such transaction is in accordance with any applicable securities laws of any state of the United States or any other jurisdiction. Definitive Certificates issued in exchange for a beneficial interest in the Rule 144A Global Certificate shall bear the legends applicable to transfers pursuant to Rule 144A, as set out under “*Transfer Restrictions*.”

Legends and transfers

The holder of a Definitive Certificate may transfer the Certificates represented thereby in whole or in part in the applicable Authorized Denomination by surrendering it at the specified office of the Registrar or any Transfer Agent, together with the completed form of transfer thereon. Upon the transfer, exchange or replacement of a Definitive Certificate bearing the legend referred to under “*Transfer Restrictions*,” or upon specific request for removal of the legend on a Definitive Certificate, the Issuer will deliver only Definitive Certificates that bear such legend, or will refuse to remove such legend, as the case may be, unless there is delivered to the Issuer and the Registrar such satisfactory evidence, which may include an opinion of counsel, as may reasonably be required by the Issuer that neither the legend nor the restrictions on transfer set out therein are required to ensure compliance with the provisions of the Securities Act. Rule 144A Definitive Certificates will bear the same legend as the legend for the Rule 144A Global Certificate set out under “*Transfer Restrictions*”. The Rule 144A Definitive Certificates may not at any time be held by or on behalf of U.S. persons (as defined in Regulation S) that are not QIBs. Before any Regulation S Definitive Certificate may be resold or otherwise transferred to a person who takes delivery in the form of a Rule 144A Definitive Certificate, the transferor and/or transferee, as applicable, will be required to provide the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transferor reasonably believes that the transfer is (i) to a person that is a QIB purchasing the beneficial interest for its own account or any account of a QIB and (ii) in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of United States or any other jurisdiction. A Regulation S Definitive Certificate will bear the same legend as the legend for the Regulation S Global Certificate set out under “*Transfer Restrictions*”. Before any Rule 144A Definitive Certificate may be resold or otherwise transferred to a person who takes delivery in the form of a Regulation S Definitive Certificate, the transferor and/or transferee, as applicable, will be required to provide the Registrar with a written certification substantially in the form set out in the Agency Agreement to the effect that the transfer is being made to a person in an offshore transaction in accordance with Rule 904 of Regulation S.

THE ISSUER

Perusahaan Penerbit SBSN Indonesia III was established in Indonesia on 22 December 2011 by the Republic under Government Regulation No. 57 of 2011 on the Establishment of *Perusahaan Penerbit Surat Berharga Syariah Negara Indonesia III* in conjunction with Law No. 19 of 2008 on Sovereign Sukuk (*Surat Berharga Syariah Negara*) and Government Regulation No. 56 of 2008 on Perusahaan Penerbit Surat Berharga Syariah Negara as amended by Government Regulation No. 73 of 2012, with its registered office at the Ministry of Finance of the Republic of Indonesia, Frans Seda Building Level 5, Jalan DR. Wahidin Raya No. 1, Jakarta 10710, Indonesia. The Issuer is a special purpose entity formed for the purpose of participating in the transactions contemplated by the Transaction Documents.

The Issuer is wholly-owned by the Republic. Pursuant to Government Regulation No. 57 of 2011 on the Establishment of *Perusahaan Penerbit Surat Berharga Syariah Negara Indonesia III*, the paid-up capital of the Issuer is Rp100,000,000 (one hundred million Rupiah). Other than as described herein, as at the date hereof there has been no material change in the capitalization of the Issuer since its establishment.

Business of the Issuer

The Issuer will issue Certificates under the Program and will not have any substantial liabilities other than in connection with the issue of the Certificates. The Certificates are the obligations of the Issuer alone.

The objects of the Issuer as set out in Government Regulation No. 57 of 2011 on the Establishment of *Perusahaan Penerbit Surat Berharga Syariah Negara Indonesia III* are to issue Sharia compliant securities in foreign currencies in the international markets in order to finance the Indonesian State Budget in accordance with the prevailing laws and regulations. To satisfy such purposes, the Issuer may issue one or more series of Sharia compliant securities and enter into the transaction documents and other agreements necessary for the performance of its obligations pursuant to the issuance of such Sharia compliant securities.

The Issuer has not engaged, since its establishment, in any material activities other than those regarding or incidental to the issue of the Certificates under the Program and the matters contemplated in this Offering Memorandum and the Transaction Documents and the authorization of its entry into the other transactions and documents referred to in this Offering Memorandum to which it is or will be a party.

The Issuer has no subsidiaries.

Financial Statements

The fiscal years of the Issuer end on 31 December of each year.

The Issuer prepares unaudited financial statements in respect of the end, and the first six months of, each fiscal year. The Issuer is not required by Indonesian law, and does not intend, to publish audited financial statements for any period.

Directors

The directors of the Issuer and their principal occupations are as follows:

<u>Directors</u>	<u>Principal Occupation</u>
Dwi Irianti Hadiningdyah (President Director)	Director of Islamic Financing, Directorate General of Budget Financing and Risk Management
Encep Sudarwan	Director of State-Owned Assets, Directorate General of State Assets
Agus Prasetya Laksono	Head of Sub-Directorate of Project and Asset Management of Sovereign Sukuk, Directorate of Islamic Financing, Directorate General of Budget Financing and Risk Management

The business address of Dwi Irianti Hadiningdyah and Agus Prasetya Laksono is Frans Seda Building Level 5, Jalan DR. Wahidin Raya No. 1, Jakarta 10710, Indonesia. The business address of Encep Sudarwan is Syafruddin Prawiranegara Building Level 11, Jalan Lapangan Banteng Timur No. 2-4, Jakarta 10710, Indonesia.

The Issuer currently has no employees and is not expected to have any employees in the future.

SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents in respect of each Series of Certificates issued under the Program. This summary is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the Specified Offices of the Principal Paying Agent (as defined in the Conditions).

Purchase Agreement

The Master Purchase Agreement was entered into on 15 August 2014 between the Issuer (in its capacity as “**Purchaser**”) and the Republic (in its capacity as “**Seller**”). The parties will subsequently enter into a Supplemental Purchase Agreement in relation to the issuance of each Series of Certificates. The Master Purchase Agreement is, and any Supplemental Purchase Agreement will be governed by Indonesian law. The Master Purchase Agreement and each Supplemental Purchase Agreement in relation to a Series of Certificates shall be referred to as the Purchase Agreement.

Pursuant to the Purchase Agreement in relation to the issuance of each Series of Certificates, the Seller will sell to the Purchaser, and the Purchaser will purchase from the Seller, Beneficial Rights over the Ijara Properties for a Purchase Price (as specified in the Supplemental Purchase Agreement, which in the case of a Wakala Series shall be not less than 51.0% of the Issue Price), inclusive of all taxes, if any, free and clear of any encumbrance or any rights of third parties, payable on the Issue Date. The Ijara Properties relating to each Series of Certificates will be identified in the schedule to the relevant Supplemental Purchase Agreement.

“**Beneficial Right**” means, with respect to a property relating to an Ijara Asset or a Project Asset, as the case may be, *hak manfaat* in that property, as stipulated in Law No. 19 of 2008 on Sovereign Sukuk (*Surat Berharga Syariah Negara*), which is the right to own and to obtain the full right to the usage of certain properties without the requirement to register such ownership and rights.

“**Ijara Properties**” means, in respect of each Series of Certificates, the real properties (including buildings, improvements and fixtures thereon) described in the schedule to the relevant Supplemental Purchase Agreement.

Procurement Agreement

The Master Procurement Agreement was entered into on 15 August 2014 between the Issuer (in its capacity as “**Purchaser**”) and the Republic (in its capacity as “**Project Seller**”). The parties will subsequently enter into a Supplemental Procurement Agreement in relation to the issuance of each Wakala Series of Certificates. The Master Procurement Agreement is, and any Supplemental Procurement Agreement will be governed by Indonesian law. The Master Procurement Agreement and each Supplemental Procurement Agreement in relation to a Wakala Series of Certificates shall be referred to as the “**Procurement Agreement**”.

Pursuant to the Procurement Agreement in relation to the issuance of each Wakala Series of Certificates, the Project Seller will sell to the Purchaser, and the Purchaser will purchase from the Project Seller, the Project Assets for a Purchase Price (as specified in the Supplemental Procurement Agreement, which shall be not more than 49.0% of the Issue Price), inclusive of all taxes, if any, free and clear of any encumbrance or any rights of third parties, payable on the Issue Date. The Project Assets relating to each Wakala Series of Certificates will be identified in the schedule to the relevant Supplemental Procurement Agreement.

Further to any such sale and purchase, the Project Seller will undertake to procure the construction of the relevant assets pursuant to the specified Project in respect of such Project Assets and to deliver such assets to the Purchaser upon completion.

PPSI-III may also replace Project Assets under the Procurement Agreement prior to the completion and delivery of the relevant assets pursuant to the specified Project by the amendment of the schedule to the relevant Supplemental Procurement Agreement specifying such Project Assets.

“**Project Assets**” means the Beneficial Rights over the assets specified in the schedule to the relevant Supplemental Procurement Agreement which are either under construction or to be constructed (the construction of such assets being, a “**Project**”) (including the right to the delivery of such assets upon completion).

Lease Agreement

The Master Lease Agreement was entered into on 15 August 2014 between the Republic (in its capacity as “**Lessee**”) and the Issuer (in its capacity as the “**Lessor**”). The parties will subsequently enter into a Supplemental Lease Agreement in relation to the issuance of each Series of Certificates and, in the case of a Wakala Series, upon the completion and delivery of the relevant Project Assets identified in that Supplemental Lease Agreement. The Master Lease Agreement and any Supplemental Lease Agreement will be governed by Indonesian law. The Master Lease Agreement and the Supplemental Lease Agreement(s) in relation to a Series of Certificates shall be referred to as the “**Lease Agreement**”.

Under the terms of the relevant Lease Agreement, the Lessor will agree to lease to the Lessee, and the Lessee will agree to lease from the Lessor, the Assets during the term commencing on the date of the relevant Supplemental Lease Agreement and terminating on the Scheduled Dissolution Date. The Lease Agreement is subject to earlier termination if the Trust is dissolved early.

“**Assets**” means, in respect of each Series of Certificates, the Beneficial Rights over the Properties.

“**Properties**” means, in respect of each Series of Certificates, (i) the real properties (including buildings, improvements and fixtures thereon) and/or (ii) the buildings, improvements and fixtures located on real properties (but not including the relevant real properties), as specified in the relevant Supplemental Lease Agreement as may be modified from time to time to give effect to any substitution pursuant to the Substitution Undertaking or to any procurement of Properties by the Servicing Agent or the Wakeel, as the case may be (following a Loss Event or a Total Loss Event, each as defined in the Lease Agreement) pursuant to the Servicing Agency Agreement or the Wakala Agreement, respectively, or to removal of Transferred Assets (as defined in the Transfer Undertaking) pursuant to the Transfer Undertaking.

The Lessee has agreed to use the Properties at its own risk. Accordingly, the Lessee shall from the date of the relevant Lease Agreement bear the entire risk of loss of or damage to the Properties or any part thereof arising from the usage or operation thereof by the Lessee. In addition, the Lessor shall not be liable (and the Lessee has waived any claim or right, howsoever arising, to the contrary) for any indirect, consequential or other losses, howsoever arising, in connection with the Lessee’s use or operation of the Properties to the extent that such losses have resulted from the Lessee’s negligence, default, breach of the Lease Agreement or other action or failure to take action.

The Lessee shall, at its own cost and expense, be responsible for the performance of all ordinary maintenance and repair required for the Properties during each rental period under the relevant Lease Agreement.

The Lessor shall be responsible for (i) the performance of all major maintenance and structural repair, (ii) the payment of any proprietorship or other relevant taxes and (iii) insuring the Properties and the Lessee has acknowledged that the Lessor may procure that the Republic (in its capacity as “**Servicing Agent**” or “**Wakeel**”, as the case may be), in accordance with the terms and conditions set out in the Servicing Agency Agreement or the Wakala Agreement, respectively, performs, or procures the performance of, the major maintenance and structural repair on behalf of the Lessor, the payment of such taxes and insuring of the Properties.

During the term of the Lease Agreement, the Lessee shall agree to pay to the Lessor the rentals specified in the Lease Agreement for each rental period specified therein.

The rentals payable under the Lease Agreement in respect of the Ijara Properties will be equal to the Periodic Distribution Amounts payable on the Periodic Distribution Dates in respect of the relevant Series of Certificates.

All payments by the Lessee to the Lessor under the Lease Agreement shall be paid in full without any deduction or withholding for or on account of any tax unless required by Indonesian law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding required by Indonesian law, the Lessee shall pay all additional amounts as will result in the receipt by the Lessor of such net amounts as would have been received by it if no deduction or withholding had been made.

The payment obligations of the Lessee under the Lease Agreement shall constitute direct, unconditional, unsecured and general obligations of the Republic, without preference, granted by the Republic to one above the other, and rank equal in right of payment with all other unsecured and unsubordinated External Indebtedness (as defined below) of the Republic.

Servicing Agency Agreement

In respect of each Ijara Series, the Servicing Agency Agreement was entered into on 15 August 2014 by the Republic, as Servicing Agent, and PPSI-III, as Lessor, and is governed by Indonesian law.

Pursuant to the Servicing Agency Agreement, the Servicing Agent will be responsible on behalf of the Lessor for carrying out all major maintenance and structural repair, the payment of Proprietorship Taxes (as defined in the Servicing Agency Agreement) charged, levied or claimed by any relevant taxing authority on the Assets and for effecting all appropriate insurances in respect of the properties underlying the Assets in relation to each Series of Certificates. The Servicing Agent shall effect the insurances on a *takaful* basis, if available on commercially viable terms, and otherwise on a conventional basis.

In the event of a Total Loss Event where, following the termination of the existing Supplemental Lease Agreement in respect of the properties the subject of the Total Loss Event (the “**Original Supplemental Lease Agreement**”) in accordance with the Lease Agreement, the Servicing Agent procures new properties, the Servicing Agent shall apply the relevant insurance proceeds (if any) to procure (or purchase) on the date of occurrence of the Total Loss Event new properties in respect of the relevant Series of Certificates, and the Beneficial Rights over these properties shall be acquired on behalf of and for the Lessor (as the sole holder thereof), following which the Lessor and the Lessee shall immediately enter into a new Supplemental Lease Agreement on the same terms as the Original Supplemental Lease Agreement with the exception of the list of properties that are subject to the Lease Agreement which shall be amended to reflect the change in the composition of the properties that are subject to the Lease Agreement.

In the event of one or more Loss Events which do not constitute a Total Loss Event the Servicing Agent shall apply the relevant insurance proceeds (if any) to procure (or purchase) new properties in respect of the relevant Series of Certificates, and the Beneficial Rights over these properties shall be acquired on behalf of and for the Lessor (as the sole holder thereof), following which the Lessor and the Lessee will amend the Lease Agreement to reflect the change in the composition of the properties that are subject to the Lease Agreement.

The occurrence of a Total Loss Event will result in the redemption of the Certificates of the relevant series at an amount equal to the Dissolution Distribution Amount on the Total Loss Dissolution Date and the consequent dissolution of the Trust in the event that the Assets are not substituted as described in the paragraph above.

The Servicing Agent is responsible for ensuring that, in such an event, all insurance proceeds (if any) in respect of the Assets are paid in the Specified Currency directly into the relevant Transaction Account by no later than the close of business in London on the 30th day after the occurrence of the Total Loss Event. However, if the relevant provisions of the Servicing Agency Agreement are not strictly complied with and as a result the amount (if any) credited to the Transaction Account is less than the Reinstatement Value (the difference between such amount in the Specified Currency and the amount credited to the Transaction Account being the “**Total Loss Shortfall Amount**”), then the Servicing Agent shall be required to pay (unless it proves beyond any doubt that any shortfall in the insurance proceeds is not attributable to its negligence or its failing to comply with the terms of the Servicing Agency Agreement relating to insurance) in same day, freely transferable, cleared funds from the Total Loss Shortfall Amount directly to the Transaction Account by no later than close of business in London on the 31st day after the Total Loss Event has occurred. For the avoidance of doubt, the failure by the Servicing Agent to insure the Assets shall not constitute a Dissolution Event, *provided that* it either replaces the Assets or pays the Total Loss Shortfall Amount in accordance with the Servicing Agency Agreement.

Unless the Servicing Agent procures new properties that will be subject to the Lease Agreement, rental under the Lease Agreement shall cease automatically with effect from the date on which a Total Loss Event (if any) occurs, and no additional rental payment shall be made in respect of the period between the date on which the Total Loss Event occurred and the date on which the Total Loss Shortfall Amount is paid into the relevant Transaction Account.

Notwithstanding the appointment of the Servicing Agent, the Lessee shall, at its own cost and expense, be responsible for the performance of all ordinary maintenance and repair required for the Properties relating to each Series of Certificates.

“**Total Loss Dissolution Date**” means the earlier of (i) the date specified for redemption of the Certificates in a notice given by the Issuer to the Certificateholders, the Delegate and Principal Paying Agent in accordance with Condition 15 (Notices); and (ii) the 31st day following the occurrence of a Total Loss Event in the event that the Servicing Agent has not procured the full replacement of the Assets.

“Total Loss Event” means the total loss or destruction of, or damage to the whole of, the Properties, or any event or occurrence that renders the whole of the Properties permanently unfit for any economic use and (but only after taking into consideration any insurance or other indemnity granted by any third party in respect of the Properties) the repair or remedial work in respect thereof is wholly uneconomical.

Wakala Agreement

In respect of each Wakala Series, the Wakala Agreement was entered into on 15 August 2014 by the Republic, as Wakeel, and PPSI-III, as Lessor, and is governed by Indonesian law. The Wakeel will have the same obligations under the Wakala Agreement as those of the Servicing Agent above under the Servicing Agency Agreement.

In addition, the Wakeel will maintain a separate ledger account and will be responsible for collecting all rental payments payable by the Lessee to the Lessor under the Lease Agreement. The Wakeel will pay to the Transaction Account from the amounts so collected an amount equal to the Periodic Distribution Amounts payable on the Certificates by no later than the time by which such amounts are due and payable under the Certificates. Any remaining such amounts, after all amounts due and payable under the Certificates have been paid in full, may be retained by the Wakeel as an incentive fee for acting as Wakeel.

The Wakeel will also use its best efforts to manage the properties underlying the Assets in respect of each Wakala Series such that the percentage of such properties which are represented by Ijara Assets shall at all times be no less than 51 *per cent*.

All payments by the Wakeel to the Lessor under the Wakala Agreement shall be paid in full without any deduction or withholding for or on account of any tax unless required by Indonesian law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding required by Indonesian law, the Wakeel shall pay all additional amounts as will result in the receipt by the Lessor of such net amounts as would have been received by it if no deduction or withholding had been made.

The payment obligations of the Wakeel under the Wakala Agreement shall constitute unconditional, unsecured and general obligations of the Republic without preference granted by the Republic to one above the other and rank equal in right of payment with all other unsecured and unsubordinated External Indebtedness of the Republic.

Substitution Undertaking

The Substitution Undertaking was executed as a deed on 15 August 2014 by PPSI-III as issuer of the Certificates and as trustee for the Certificateholders in favor of the Republic and is governed by Indonesian law.

Pursuant to the Substitution Undertaking, the Republic may, subject to certain conditions, require PPSI-III to accept the substitution of certain new assets (the **“New Assets”**) in replacement of existing Assets (the **“Replaced Assets”**) in respect of each Series of Certificates. Upon the Republic giving a notice of substitution to PPSI-III, the Republic and PPSI-III shall enter into a substitution sale agreement (in the form scheduled to the Substitution Undertaking), pursuant to which PPSI-III will sell the Replaced Assets in exchange for the New Assets of a value which is at least equal to or greater than the value of the Replaced Assets, and PPSI-III and the Republic shall amend the relevant Supplemental Lease Agreement to reflect the change in composition of the Properties to give effect to this substitution. If the value of the Replaced Assets as certified by the Republic is more than 20 *per cent*. of the aggregate outstanding face amount of the Certificates of such Series then the existing Supplemental Lease Agreement in respect of the relevant Replaced Assets shall be terminated and the Lessee and the Lessor shall immediately enter into a new Supplemental Lease Agreement in respect of the New Assets.

Purchase Undertaking

The Purchase Undertaking was executed as a deed on 15 August 2014 by the Republic in favor of PPSI-III as issuer of the Certificates and as trustee for the Certificateholders and the Delegate and is governed by English law.

The Republic will irrevocably undertake in favor of PPSI-III and to the Delegate to purchase all of PPSI-III's rights, title, benefits and entitlements in, to and under the Assets (including any Project Assets prior to

(a) the completion and delivery of the Project Assets under construction or to be constructed pursuant to any Project and (b) the lease of such completed and delivered Project Assets pursuant to the Lease Agreement) as a single portfolio of assets for the relevant Series on the Scheduled Dissolution Date in respect of each Series of Certificates or any earlier due date for dissolution following the occurrence of a Dissolution Event, as the case may be, at an exercise price (the “**Exercise Price**”) equal to the outstanding face amount of the Certificates *plus* all accrued and unpaid Periodic Distribution Amounts (if any) relating to the Certificates *plus* any accrued Supplementary Rental (as defined in the Lease Agreement), in each case on as “as is” basis but free from any Encumbrance (as defined in the Declaration of Trust).

In the Purchase Undertaking, the Republic will undertake that, so long as any Certificate remains outstanding, the Republic will not create or permit the creation of any mortgage, charge, lien, pledge or any other security interest on any of its present or future assets or revenues, or any part thereof, to secure any Public External Indebtedness, unless the Republic shall procure that all amounts payable under the Certificates are secured equally and ratably. Notwithstanding the foregoing, the Republic may create or permit the creation of any Permitted Security Interests.

“**External Indebtedness**” means Indebtedness which is denominated or payable by its terms in, or at the option of the holder thereof payable in, a currency or currencies other than the lawful currency of the Republic.

“**Indebtedness**” means any indebtedness for money borrowed or any guarantee of indebtedness for money borrowed (including any indebtedness in the form of or represented by bonds, debentures, notes, sukuk or other similar instruments) which is issued or incurred by and in the name of the Republic (or any special purpose vehicle subsidiary thereof) and is backed by the full faith and credit of the Republic; as used in this definition, money borrowed “by and in the name of the Republic” shall not include the borrowings of any state-owned enterprise (“**SOEs**”) or other agency, authority, department or instrumentality which under the laws of the Republic constitutes a juridical entity or statutory body separate from the Republic so long as such Indebtedness does not carry the full faith and credit of the Republic.

“**Permitted Security Interest**” means any Security Interest:

- (a) securing Public External Indebtedness incurred, assumed or guaranteed by the Republic solely to finance or refinance the acquisition, construction or development of the property over which such Security Interest has been created or permitted to be created, *provided that* such Security Interest does not extend to any other property of the Republic; however, in the case of construction, the Security Interest may extend to:
 - (i) unimproved real property for the construction;
 - (ii) any trust account into which the proceeds of the offering creating such Public External Indebtedness may be temporarily deposited pending use in the construction; and
 - (iii) the revenue to be generated by the operation of, or loss or damage to, the property to be constructed;
- (b) existing on any property or asset at the time of its acquisition (or arising after its acquisition pursuant to an agreement entered into prior to, and not in contemplation of, such acquisition), and extension and renewals of such Security Interest limited to the original property or asset covered thereby and securing any extension or renewal of the original secured financing;
- (c) arising out of the renewal, extension or replacement of any indebtedness permitted under paragraph (b) above; *provided, however, that* the principal amount of such Public External Indebtedness is not increased;
- (d) arising in the ordinary course of borrowing activities of the Republic to secure Public External Indebtedness with a maturity of one year or less;
- (e) in existence as of the date of the issuance of the Certificates;
- (f) pursuant to any order of attachment or similar legal process arising in connection with court proceedings which proceedings are being contested in good faith; or
- (g) arising by operation of law, *provided that* any such Security Interest is not created or permitted to be created by the Republic for the purpose of securing any Public External Indebtedness.

“**Public External Indebtedness**” means External Indebtedness which (i) is publicly issued or privately placed in the capital markets, (ii) is in the form of, or represented by, bonds, debentures, notes, sukuk or other

similar instruments or book entries and (iii) is, or is eligible to be, quoted, listed or ordinarily purchased and sold on any stock exchange, automated trading system or over-the-counter or other securities market.

“**Security Interest**” means any security interest, lien, pledge, mortgage, deed of trust, charge or other encumbrance or preferential arrangement which has the practical effect of constituting a security interest with respect to the payment of any obligations with or from the proceeds of any assets or revenues of any kind whether in effect on the Closing Date or at any time thereafter.

The international reserves owned by Bank Indonesia are not subject to the foregoing covenant and Bank Indonesia may in the future incur Public External Indebtedness secured by such reserves without amounts payable under the Certificates being secured.

The Republic will agree in the Purchase Undertaking that all payments by it under the Purchase Undertaking will be made without any deduction or withholding for or on account of tax unless required by Indonesian law and without set-off or counterclaim of any kind and, in the event that there is any deduction or withholding required by Indonesian law, the Republic shall pay all additional amounts as will result in the receipt by the Issuer (or the Delegate, if PPSI-III ceases to exist following the Scheduled Dissolution Date but before redemption in full of the Certificates is made) of such net amounts as would have been received by it if no deduction, or withholding had been made.

The payment obligations of the Republic under the Purchase Undertaking will constitute direct, unconditional, unsecured and general obligations of the Republic without preference granted by the Republic to one above the other and rank equal in right of payment with all other unsecured and unsubordinated External Indebtedness of the Republic.

Transfer Undertaking

The Transfer Undertaking was executed as a deed on 15 August 2014 by PPSI-III (in its capacity as issuer of the Certificates and as trustee for the Certificateholders) in favor of the Republic and is governed by English law. Under the terms of the Transfer Undertaking, if at any time the Republic wishes to cancel any Certificates purchased pursuant to Condition 9.5 (*Purchases*), the Republic may, by exercising its right under the Transfer Undertaking and by serving a Transfer Notice on PPSI-III, require PPSI-III to transfer all of PPSI-III’s rights, title, benefits and entitlements in, to and under the Transferred Assets to the Republic in consideration for which the Certificates shall be surrendered for cancellation. The transfer of the Transferred Assets will take effect by the Republic and PPSI-III entering into a transfer agreement (in the form scheduled to the Transfer Undertaking). Following the entry into such transfer agreement, PPSI-III shall cancel the relevant Certificates identified for cancellation in the Transfer Notice on the Transfer Date (which shall be a Periodic Distribution Date).

Declaration of Trust

The Master Declaration of Trust was executed as a deed on 13 March 2017 between the Republic, the Issuer, the Trustee and the Delegate and is governed by English law. A Supplemental Declaration of Trust between the same parties shall be entered into on the Issue Date of each Series of Certificates and shall also be governed by English law. The Master Declaration of Trust and any Supplemental Declaration of Trust in relation to a Series of Certificates shall be referred to as the Declaration of Trust.

Pursuant to the Declaration of Trust, PPSI-III will declare a trust for the benefit of the Certificateholders of each Series over all of its rights, title, interest and benefit, present and future, in, to and under the Assets in relation to such Series, all of its rights, title, interest and benefit, present and future, in, to and under the Transaction Documents in relation to such Series, all monies standing to the credit of the transaction account in the Specified Currency opened in the name of the Issuer and maintained and operated by the Principal Paying Agent in relation to such Series (the “**relevant Transaction Account**”) and all proceeds of the foregoing (the “**Trust Assets**”).

Pursuant to the Declaration of Trust, PPSI-III will, in relation to the Certificates, *inter alia*:

- (a) hold the Trust Assets on trust absolutely for the Certificateholders as beneficial tenants in common *pro rata* according to the face amount of Certificates held by each Certificateholder; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

In the Declaration of Trust, the Trustee will irrevocably and unconditionally delegate to the Delegate the performance of certain present and future duties, powers, authorities and discretions vested in the Trustee by the relevant provisions of the Declaration of Trust (including but not limited to the authority to request instructions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust). The appointment of such delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee's continuing role and obligations as trustee. The Delegate will undertake in the Declaration of Trust that, following it being notified of the occurrence of a Dissolution Event in respect of any Certificates and subject to Condition 12 (*Dissolution Events*), it shall (a) promptly notify the Certificateholders of the occurrence of such Dissolution Event, and (b) subject to receiving satisfactory indemnity security and/or pre-funding, take all such steps as are necessary to enforce the obligations of the Republic under the Declaration of Trust, the Purchase Undertaking and any other Transaction Document to which the Republic is a party.

Costs Undertaking

The Costs Undertaking was executed as a deed on 15 August 2014 by the Republic acting in its personal capacity and on a voluntary basis in favor of, among others, the Delegate and the Agents and is governed by English law.

Pursuant to the Costs Undertaking, the Republic will pay certain fees and reimburse certain expenses of, and indemnify against certain liabilities incurred by, among others, the Delegate and the Agents.

REPUBLIC OF INDONESIA

Overview

Indonesia is the world's fourth most populous country, with a population of approximately 265 million in 2018. It is a developing nation in Southeast Asia, spread across an archipelago of approximately 17,504 islands.

In recent years, Indonesia has continued its relatively high economic growth and consolidated its transformation to a participatory democracy that places greater political power in the hands of local and regional governments.

The following table sets forth certain of the Republic's principal economic indicators as of and for the specified dates and periods.

Selected Key Economic Indicators

	For the Year Ended 31 December						
	2014 ^L	2015 ^L	2016 ^L	2017 ^L	2018 ^{P/U}	2019 ^{P/U}	2020 ^B
National account and prices:							
Real GDP growth (period-on-period)	5.0%	4.9%	5.0%	5.1%	5.2%	5.0%	5.3%
Per capita GDP (in millions of Rupiah)	42.0	45.1	48.0	51.9	56.0	59.1	N/A
Per capita GDP (in U.S. dollars) ⁽¹⁾ . . .	3,532	3,377	3,605	3,877	3,927	4,175	N/A
Average exchange rate (Rupiah per U.S. dollar) ⁽²⁾	11,876	13,392	13,305	13,385	14,247	14,139	14,400
Inflation rate ((year-on-year) change in CPI)	8.4%	3.4%	3.0%	3.6%	3.1%	2.7%	3.0% ⁽⁴⁾
External sector:							
Current account (% of GDP)	(3.1)%	(2.0)%	(1.8)%	(1.6)%	(2.9)%	(2.7%) ⁽³⁾	N/A
Fiscal account:							
Budget deficit (% of GDP)	(2.2)%	(2.6)%	(2.5)%	(2.5)%	(1.8)%	(2.2)%	(1.76)%
External debt of the central Government (in trillions of Rupiah)	1,131.0	1,410.0	1,496.3	1,648.2	1,857.4	1,809.6	N/A
Debt service ratio (% of Government revenue)	23.9%	25.4%	32.5%	34.0%	39.1%	42.8%	N/A

Source: BPS, Bank Indonesia and Ministry of Finance

^L LKPP (Central Government Financial Report/Audited).

^U Unaudited.

^P Preliminary.

^B Initial Budget. Budget deficit has been revised to (5.07)% based on the 2020 Revised Budget and other Key Economic Indicators of 2020 Revised Budget have not been published. For details, please see "*Republic of Indonesia — Government Budget*."

N/A Not available.

- (1) Per capita GDP in U.S. dollars has been converted from Rupiah into U.S. dollars and the U.S. dollar amounts of external debt of the central Government have been converted into Rupiah at the following exchange rates per U.S. dollar: Rp11,868 per U.S. dollar for 2014, Rp13,377 per U.S. dollar for 2015, Rp13,303 per U.S. dollar for 2016, Rp13,384 per U.S. dollar for 2017, Rp14,257 per U.S. dollar for 2018 and Rp14,148 per U.S. dollar for 2019. These exchange rates are calculated by BPS with reference to the weighted average monthly exchange rates applicable to export and import transactions for each month in a given period.
- (2) Official average exchange rate for the relevant period published by Bank Indonesia in its annual report, except for 2019, which was based on Bank Indonesia's calculations.
- (3) As published by Bank Indonesia in Indonesia's balance of payments report.
- (4) Subject to a range of $\pm 1\%$.

Outlook and Ratings Upgrade

In April 2018, Moody's upgraded its sovereign credit rating of the Republic to Baa2 with a stable outlook. In May 2019, S&P upgraded its sovereign credit rating of the Republic to BBB with a stable outlook. In January

2020, Fitch affirmed its sovereign credit rating of the Republic at BBB with a stable outlook. In February 2020, Moody's affirmed its sovereign credit rating of the Republic at Baa2 with a stable outlook.

On 17 April 2020, S&P downgraded its outlook for Indonesia to negative (from stable) to reflect the additional adverse risk to the Government's fiscal and external metrics as a result of the novel coronavirus strain ("Covid-19") pandemic, including increased debt to finance responses to the pandemic.

Recent Developments

On 11 March 2020, the outbreak of viral pneumonia caused by Covid-19 was declared a pandemic by the World Health Organization. Covid-19 has spread globally and continues to have adverse repercussions across global economies, financial markets, industries and businesses, including Indonesia. Governments of many countries, including Indonesia, have reacted by instituting lockdowns, business shutdowns, quarantines and restrictions on travel. Businesses have also implemented countermeasures and safety measures to reduce the risk of transmission. Such actions have not only disrupted businesses but also resulted in a material and adverse effect on industries and local, regional and global economies.

The Covid-19 pandemic has already resulted in a high number of cases and deaths in the country. The strain on Indonesia's healthcare system has been significant and the country's medical facilities, personnel and equipment and other resources have not been sufficient to address the public health crisis adequately. In addition to the human cost, the economic impact of Covid-19 on Indonesia has already been substantial and may increase. The rate of economic growth has slowed, unemployment has increased and is expected to increase, valuations and trading prices of financial and other assets have declined and the Rupiah has depreciated significantly against the U.S. dollar.

Bank Indonesia expects slower growth in 2020 across principal sectors and industries, with recovery from Covid-19 only expected to start in 2021. According to Bank Indonesia, the Indonesian economy grew at a rate of 2.97% year on year in the first quarter of 2020, compared to 4.97% in the previous quarter. The slowdown in economic growth was largely due to the negative impact on domestic demands as a result of the Covid-19 outbreak. The Covid-19 outbreak initially adversely affected sectors related to travel, such as tourism, airlines, hospitality, food and beverage, and their sub-sectors. Subsequently, the Covid-19 outbreak affected a broader set of sectors due to a combination of weak demand and supply disruptions, (including in manufacturing (auto and electronic), commodities, and export-oriented sectors). For example, leading contributing sectors such as the manufacturing industry, and the oil and gas sector have seen slower or low growth in the first quarter of 2020. The low growth in the mining sector was mainly driven by the contraction in the oil, gas and coal demand. With the low global demand outlook, the performance of this sector is expected to grow at low level throughout 2020. Certain sectors such as the retail sector and tourism sector are expected to contract through to the second quarter of 2020 or throughout the year. The Government expects the impact from the Covid-19 pandemic to worsen and is likely to further constrain Indonesia's economic growth in 2020.

The Government has implemented various protective measures to address the impact of the Covid-19 pandemic on Indonesia. Recent Government actions include:

- On 13 March 2020, President Joko Widodo declared Covid-19 a National Disaster and issued Presidential Decree No. 7 of 2020, as further amended by Presidential Decree No. 9 of 2020, establishing a Covid-19 Management Acceleration Task Force (Covid-19 Task Force), spearheaded by the Head of BNPB.
- The Indonesia Financial Service Authority (*Otoritas Jasa Keuangan* or "**OJK**") passed OJK Regulation No. 11/POJK.03/2020 on National Economic Stimulus as Countercyclical Policy to the Spread of Coronavirus, which provides Indonesian banks (conventional, sharia and rural banks) with flexibility to relax existing policies on classification/determination of quality of loan assets and credit restructuring for borrowers who are impacted by Covid-19.
- On 21 March 2020, the President announced the kick-off of mass rapid tests in an attempt to detect Covid-19 and the ordering of millions of doses of Avigan and Chloroquine for domestic Covid-19 treatment purposes.
- On 23 March 2020, the Government completed a four-day re-configuration of a former athletes village in Kemayoran, Jakarta into a 1,000-bed emergency Covid-19 hospital.
- On 31 March 2020, by virtue of Presidential Decree No. 11 of 2020, the President declared Covid-19 a Public Health Emergency (*Darurat Kesehatan Masyarakat*). The President also issued (i) Government

Regulation No. 21 of 2020 on Large Scale Social Distancing to Combat Covid-19, which contains measures such as closure of schools and offices; limitation on religious activities; and limitation of activities in public places (“**GR 21/2020**”); and (ii) Government Regulation in Lieu of Law No. 1 of 2020 on Policies on State Finance and Financial System Stability to Deal with Covid-19 Pandemic and/or Threat to the National Economy and/or Financial System Stability (“**Government Regulation in Lieu of Law No. 1 of 2020**”). Large-scale social restrictions and limitations or *Pembatasan Sosial Berskala Besar* (“**PSBB**”) are still being implemented in several regions with high numbers of Covid-19 cases. Such PSBB measures implemented in each province and/or regency may differ from one another as GR 21/2020 allows regional governments to enact measures deemed appropriate for their particular circumstances, subject to several minimum mandatory social limitations. As of the date of this Offering Memorandum, certain regions such as DKI Jakarta have started introducing transitions to PSBB by, among other things, allowing workplaces and offices to resume operation with certain limitations.

- On 18 May 2020 the Government enacted Government Regulation in Lieu of Law No. 1 of 2020 as Law No. 2 of 2020, which serves as the primary legal basis for the Government to implement additional measures and policies to countermeasure the impact of Covid-19.
- On 11 May 2020, the Government issued Government Regulation No. 23 of 2020 on The Implementation of the National Economy Recovery Program in order to Support the State Financial Policy and Financial System Stability for Handling the Covid-19 Pandemic and/or Mitigation of Threats that Harm National Economy and/or Financial System Stability, which allows the channeling of state budgets for state-owned enterprises, subject to adherence to certain principles such as social justice, prudence, good governance, transparency and accountability. Such support is mainly allocated in the forms of capital injections, funds placement, subsidies, cash compensation and working capital support, and loan subsidies for small businesses. The amounts of such capital injections are still to be finalized based on any further revisions to the 2020 Budget.

There is still significant uncertainty relating to the severity of the near- and long-term adverse impact of the Covid-19 pandemic whether globally or in Indonesia, causing heightened economic uncertainty and volatile financial market performance. It is possible that the current Covid-19 pandemic will cause a prolonged global economic crisis or recession. The Government cannot predict the duration, ultimate severity or effect of the pandemic or any current or future containment efforts.

Amendment of 2020 Budget

Through Presidential Regulation No. 54 of 2020 dated 3 April 2020 on Amendment to Posture and Details of the State Revenue and Expenditure Budget of 2020 Budget Year, which was published on 6 April 2020 (“**Presidential Regulation No. 54 of 2020**”), President Joko Widodo authorized an increase of the 2020 budget by Rp405.1 trillion for purposes of fighting the spread of Covid-19, as follows: (i) Rp75 trillion for the health care sector, including medical personnel; (ii) Rp110 trillion for the expansion of the social safety net which includes, among others, food subsidy, electricity bill exemption and unemployment assistance; (iii) Rp70.1 trillion to support manufacturers, small and medium-sized enterprises and certain other companies, including support with regards to taxes, import duties and business credits; and (iv) Rp150 trillion to support a national economic recovery program. The state budget allocated to combat the spread of Covid-19 was revised again in May 2020 to Rp641.17 trillion and in June 2020 to Rp677.2 trillion.

In addition to authorizing these additional amounts for the 2020 budget, Presidential Regulation No. 54 of 2020 also reallocated the budgeted revenues and expenditures for the fiscal year 2020. Accordingly, the revenues and expenditures that had originally been budgeted by the Government pursuant to Law No. 20 of 2019 on the State Budget for Fiscal Year 2020, (which was signed into law on 18 October 2019) were revised.

As a result of these additional budgeted expenditures, the Government estimated the 2020 budget deficit to reach 5.07% of GDP, and due to the additional government spending, which is expected to continue until the end of 2020 to combat the Covid-19 pandemic, the Government expects that the budget deficit will further increase. Government Regulation in Lieu of Law No. 1 of 2020 also allows the budget deficit gap to temporarily exceed the statutory limit of 3% of GDP until the fiscal year 2022. See also “*Government Budget – Revised 2020 Budget*”.

The spread of Covid-19 and the measures taken to contain the virus and to mitigate its impact in Indonesia have incurred a substantial burden on the Government’s finances and yet may fail to mitigate or prevent material adverse effects on Indonesia’s economy, financial system and healthcare system as a result of the uncertainty as to when the Covid-19 outbreak will end.

As the Covid-19 pandemic continues, the Government has ramped up spending to mitigate the impact of pandemic, which may result in the Government's budget deficit to materially exceed the Government's estimate, which may adversely affect the Government's estimation for the 2020 budget deficit.

In parallel with these fiscal measures by the Government, Bank Indonesia has taken steps to maintain monetary stability, support financial markets and sustain economic growth. For a detailed description of these steps, see "*Monetary Policy*".

Land and People

Area

Situated between Malaysia, Singapore and the Philippines to the north and Australia to the south, the Republic of Indonesia covers a total land area of approximately 1,913,579 square km, comprising approximately 17,504 islands (of which an estimated 957 are inhabited) and forming part of the world's largest archipelago.

The main islands of Indonesia are Sumatera, Java, Bali, Kalimantan (also known as Borneo, the northern part of which belongs to Malaysia and Brunei), Sulawesi and Papua (the eastern part of which belongs to Papua New Guinea). Indonesia extends 5,120 km across the equator from Nanggroe Aceh Darussalam, or Aceh, in the west to Papua in the east. Jakarta, Indonesia's capital and largest city, is located on the northern coast of the western part of Java.

In recent years, the Government has implemented various measures to address haze and other adverse effects caused by forest and field fires related to land clearance for agriculture in the islands of Sumatera and Kalimantan.

Natural Disasters and Epidemics

Indonesia is located in one of the most volcanically and seismically active regions in the world. Because it is located in the convergence zone of three major lithospheric plates, it is subject to significant seismic activity that can lead to destructive volcanic eruptions, earthquakes and tsunamis, or tidal waves, including the 2004 earthquake and subsequent Indian Ocean tsunami that devastated the Province of Aceh. In addition to these geological events, Indonesia has also been struck by other natural disasters such as heavy rains and flooding. All of these natural disasters have resulted in loss of life, the displacement of people and destruction of property, and could have significant economic and developmental effects.

In December 2016, an earthquake hit the Province of Aceh resulting in approximately 100 deaths, hundreds of injuries and damage to houses and other property. Total central Government expenditures related to post-natural disaster relief efforts in 2016 were Rp2.9 trillion.

In November 2017, Mount Agung, a volcano on the island of Bali in Indonesia, erupted multiple times, causing thousands to evacuate and disrupting air travel. Total central Government expenditures from contingency fund as a reserve for emergency response in 2017 was Rp4.25 trillion.

In August 2018, a series of earthquakes hit the islands of Lombok and Sumbawa resulting in approximately 560 deaths, 7,000 seriously injured and damage to infrastructure, houses and other property. The estimated cost of damages to infrastructure and property was Rp12.2 trillion.

In September 2018, a strong earthquake and a subsequent tsunami hit Central Sulawesi resulting in approximately 2,300 deaths, 4,600 seriously injured, 1,300 missing people and damage to infrastructure, houses and other property. The estimated cost of damages to infrastructure and property was Rp18.5 trillion.

On 22 December 2018, a tsunami followed an eruption and partial collapse of the Anak Krakatau volcano in the Sunda Strait, striking coastal regions of Banten province, Java, and Lampung province, in Sumatra. More than approximately 429 people were killed and 1,459 were injured in the aftermath. Roads connecting Serang and Pandeglang were cut off as a result.

Most recently on 1 January 2020, landslides and floods triggered by torrential downpours in and around Jakarta, Bekasi and Bogor resulted in approximately 50 deaths and 400,000 displaced. Floodwaters reached up to 6 meters in certain areas, making it the worst rainfall in over a decade. The extreme weather has also submerged at least 169 neighborhoods. The estimated cost of damages to the affected areas is still being calculated.

The realization of contingency fund for financing post-natural disaster relief efforts in 2018 was Rp6.4 trillion.

The outbreak of any contagious disease with human-to-human airborne, or contact propagation effects, when it escalates into a regional or global pandemic (such as the current outbreak of Covid-19), or the fear of such events, may also have an adverse impact on global or regional economies, which may directly or indirectly impact the Indonesian economy. See “—*Recent Developments.*”

Environment

Environmental problems confronting Indonesia include:

- deforestation;
- scarcity and quality of the water supply;
- land subsidence;
- soil erosion;
- air pollution;
- inadequate waste management in urban centers; and
- land and forest fires.

In addition, Indonesia is also vulnerable to the impact of global climate change such as prolonged droughts, increased frequency of extreme weather events and heavy rainfall resulting in floods that will, in turn, impact the production and distribution of food, water, and energy as occurred most recently on 1 January 2020. Therefore, Indonesia considers climate change mitigation and adaptation efforts as an integrated concept that is essential for building resilience in safeguarding food, water and energy resources. Indonesia has adopted the National Action Plan on Climate Change Adaptation, or RAN-API, which provides a national framework for adaptation initiatives that has been mainstreamed into the National Development Plan. The medium-term goal of Indonesia’s climate change adaptation strategy is to reduce risks on all development sectors (agriculture, water, energy security, forestry, maritime and fisheries, health, public service, infrastructure, and urban system) by 2030 through local capacity strengthening, improved knowledge management, convergent policy on climate change adaptation and disaster risks reduction, and application of adaptive technology.

The Government seeks to address these environmental concerns through greater supervision and regulation, and community and private sector awareness and involvement.

In 2009, former President Susilo Bambang Yudhoyono, announced an emissions target that became the basis for Indonesia’s national climate change policy, or INDC, in 2015; a 26.0% reduction in greenhouse gas (“GHG”) emissions below business-as-usual by 2020 and up to 41.0% reduction by 2020 with international assistance. The current INDC provides for 29.0% reduction in GHG by 2030 and the same 41.0% conditional target by 2030. In 2011, Yudhoyono issued Presidential Regulation No. 61/2011 which included the National Action Plan for Greenhouse Gas Reduction or *Rencana Aksi Nasional Penurunan Emisi Gas Rumah Kaca*, or RAN-GRK as well as Presidential Regulation No. 71/2011 on Implementation of a National GHG Inventory. It identifies the actions that Indonesia will take to reduce its GHG emissions. In 2012, the National Development Planning Agency, or Bappenas, established a secretariat for RAN-GRK.

RAN-GRK requires the participation of Government ministries and institutions to reduce GHG emissions. RAN-GRK identifies major sectors that will be essential to achieve RAD-GRK’s emission reduction target. These sectors are: forestry and peatlands, agriculture, energy, industry, transportation, waste and other supporting sectors. Although RAN-GRK is a national action plan, it also lays the foundation for the actions of provinces, localities, and private enterprises to implement GHG reductions. RAN-GRK mandates that Indonesia’s provinces develop and submit local action plans, or RAD-GRK. RAN-GRK provides local governments with capacity building, budgets and potential participation in domestic and international markets to incentivize them to contribute to RAN-GRK’s goals. RAD-GRKs are tailored to the development plans of each province. The Ministry of Home Affairs with the support of Bappenas and the Ministry of the Environment oversee and coordinate the preparation of RAD-GRKs. Bappenas creates the guidelines for each of the local action plans.

Indonesia’s Environmental Law was enacted in 2009. The 2009 law is based on the concepts of sustainable development, prevention, precaution and a “polluter pays” principle. The 2009 law also introduced

environmental documentation and licensing requirements. Under the 2009 law, all business activities must have an environmental document, either in the form of an environmental permit, an environmental impact planning document, or AMDAL, an environmental management/monitoring efforts report, or UKL-UPL, or a written statement on readiness to manage and monitor the environment, or SPPL. An AMDAL is a comprehensive study of the potentially significant environmental impacts of a proposed business. A UKL-UPL covers the monitoring and management efforts undertaken by businesses that are unlikely to have a significant impact on the environment. An SPPL is usually required by services providers. These documents must be obtained before the business can apply for a business license.

To better address environmental issues, the Ministry of Environment and the Ministry of Forestry were merged to become the Ministry of Environment and Forestry in October 2014. Its objectives are the design, implementation, execution and supervision of a coherent and consistent environmental and deforestation policy at a national level and for each relevant sector. The Ministry of Environment and Forestry received a budget for 2016 of Rp5,947 billion, or approximately U.S.\$442.6 million, and for 2017, it was Rp6,463 billion, or approximately U.S.\$477.1 million. In 2018, the budget was Rp8,025 billion, or approximately U.S.\$598.9 million and in 2019, the budget was Rp9,076.0 billion, or approximately U.S.\$672.3 million. The budgets are focused on improving water quality, air quality, forest and land rehabilitation, mangrove rehabilitation, hazardous material and hazardous waste management, domestic waste management and environmental law enforcement.

In addition, the Ministry of Public Works and Housing has been collaborating with the Ministry of Environment and Forestry on an environmental program to build regional domestic waste infrastructure and domestic wastewater treatment in order to improve environmental quality.

In recent years, Jakarta has been plagued by frequent floods amid peaks in the rainy season as infrastructure and water management is not adequate, resulting in the temporary relocation of tens of thousands of residents. Jakarta is also experiencing land subsidence issues primarily due to deep groundwater extraction combined with demand pressure from high-rise buildings in Jakarta. To address this, the Ministry of Public Works and Housing has introduced a National Capital Integrated Coastal Development master plan.

Population

Indonesia had a population of approximately 268 million in 2019 and is the fourth most populous country in the world, after China, India and the United States. The population is primarily concentrated in Java (estimated at approximately 151.1 million in 2019). In 2019, Jakarta, the capital, was estimated to have a population of approximately 10.6 million.

Indonesia's population is young and growing. In 2019, the Government estimated that approximately 26% of the population was under 15 years of age and approximately 43% was under 25 years of age. The population growth rate during the period of 2010 to 2019 was 1.31% *per annum*.

According to the 2010 census, approximately 87.2% of the Indonesian population is Muslim and 9.9% is Christian, with the remaining population consisting of Hindus, Buddhists and followers of other religions. Indonesia's population is primarily of Malay descent, but consists of more than 300 ethnic groups, including the Acehnese, Batak and Minangkabau in Sumatera; the Javanese and Sundanese in Java; the Madurese in Madura; the Balinese in Bali; the Sasak in Lombok; the Minahasan, Makassarese, Toraja and Bugis in Sulawesi; the Dayak in Kalimantan; and the Dani and Asmat in Papua. The country's population also includes people of Chinese, Arab, Eurasian, Indian and Pakistani backgrounds.

The national language is Bahasa Indonesia, which is based on the Malay language. English is widely used and taught in most secondary schools. In total, approximately 500 languages and dialects are spoken throughout Indonesia.

Government and Political Developments

Political History and Development of Political Parties

From 1605 until its independence in 1945, Indonesia was under almost continuous Dutch colonial rule and was known as the Netherlands East Indies. The period of Dutch administration was interrupted by a short period of British colonial rule in the 19th century and ended by the Japanese occupation, which lasted from 1942 to 1945.

Indonesia proclaimed its independence on 17 August 1945 and adopted its Constitution in that year. The Constitution has been amended several times and remains in place today (despite being replaced from 1949 until its re-adoption in 1959). In 1966, executive power was transferred from President Soekarno to General Soeharto. General Soeharto served as Indonesia's President until 1998, when he resigned in the aftermath of social unrest that followed the 1997 Asian financial crisis, which coincided with the country's worst drought in 50 years, falling prices for export commodities, severe depreciation in the value of the Rupiah and rapid inflation.

The post-Soeharto era, which is known in Indonesia as the *Reformasi*, led to changes in various governmental institutions and structural reforms of the judiciary, legislature, and executive office. Between 1999 and 2002, the Constitution was amended to strengthen constitutional checks and balances and the separation of powers and provide for a more direct democracy. Prior to these amendments, and throughout the period of President Soeharto's administration, the Government had been highly centralized. Power during the Soeharto period was concentrated in the Presidency and the military exerted significant influence over the Government, including by holding a specified number of allocated seats in the legislature. The major goals of the amendments and other political reforms since the end of the Soeharto regime have been to (i) increase the level of direct democracy; (ii) reduce the influence of the military in the Government; (iii) disperse power to regional and local government authorities; and (iv) improve the transparency and integrity of the judicial system.

Indonesia's most recent presidential election was held in April 2019. In this election, President Joko Widodo and Vice President Ma'ruf Amin were elected to serve until 2024. Although presidential candidates are nominated individually (along with their respective vice-presidential candidates), relationships with and support from political parties have a considerable effect on election results. Accordingly, the legislative election results are an important indicator of the outcome of the presidential elections.

The 2019 general election was held on 17 April 2019 for the election of president and vice president, members of the House of Representatives, members of the Regional Representative Council, members of the Provincial Legislative Council, and members of the City/Regency Legislative Council.

Under Indonesian law, the General Election Commission (*Komisi Pemilihan Umum*) or KPU, is a state institution that is tasked to independently convene general elections and has the authority to determine the result of a general election. In relation to the 2019 general elections, the KPU announced the official vote count on 21 May 2019, which confirmed the election of President Joko Widodo and Vice President KH. Ma'ruf Amin to serve as the president and vice president, respectively, until 2024. Following the announcement of the election results, there were protests and demonstrations in Indonesia. On 24 May 2019, presidential candidate Prabowo Subianto and vice presidential candidate Sandiaga S. Uno filed a claim against the general election's result with the Constitutional Court. On 27 June 2019, the Constitutional Court rendered a decision rejecting the claims of Mr. Subianto and Mr. Uno. President Widodo and Vice President Amin took their oath of office and commenced serving their five-year term on 20 October 2019. In August 2019, President Widodo announced plans to move Indonesia's capital from Jakarta to an area in East Kalimantan province on the island of Borneo. He further announced that the physical relocation of the capital will begin in 2024 and is expected to cost Rp466 trillion, 19% of which will originate from state budget. The remaining amount will be funded through public private partnerships as well as private investments. The plan is preliminary and is subject to change and various government approvals, including the approval of Parliament as well as the anticipated enactment into law (*undang-undang*) as the legal basis for the relocation.

While Indonesia has successfully conducted elections in the past (including the recent general elections), the country continues to face various socio-political issues and has, from time to time, experienced political instability and social and civil unrest. Since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Megawati, former President Yudhoyono and current President Widodo, as well as in response to specific issues, including reductions in fuel or electricity subsidies, privatization of state assets, anticorruption measures, decentralization and provincial autonomy, actions of former Government officials and their family members, and the American-led military campaigns in the Middle-East. Gubernatorial elections in Jakarta in February and April 2017 led to protests with religious undertones. Former education and culture minister Anies Baswedan won the election for the office of Jakarta's governor in April 2017, defeating then-incumbent governor Basuki Tjahaja Purnama who was later convicted of blasphemy charges. Despite a few demonstrations that turned disruptive, Indonesia has gone through several major elections that were generally peaceful and led to successful transition. Considering the recent state of the political environment in Indonesia, political campaigns in Indonesia may bring a degree of political and social uncertainty to Indonesia that could lead to further civil disturbances.

Central Government

The Government is based on the Constitution, under which the Republic is structured as a unitary republic. The Constitution enshrines a set of fundamental principles known as *Pancasila* (the five principles), encompassing belief in one supreme God, humanity, the unity of Indonesia, democracy led by the wisdom of deliberations among representatives and social justice for all.

The Constitution vests the sovereignty in the country's people and establishes the office of the President, the People's Consultative Assembly (*Majelis Permusyawaratan Rakyat* or MPR) (which consists of the People's Representative Council (*Dewan Perwakilan Rakyat* or DPR) and the Regional Representatives' Council (*Dewan Perwakilan Daerah* or DPD)), the Supreme Audit Agency (*Badan Pemeriksa Keuangan* or BPK), the Supreme Court (*Mahkamah Agung*), the Constitutional Court (*Mahkamah Konstitusi*) and the Judicial Commission (*Komisi Yudisial*).

The MPR has the authority to amend the Constitution and inaugurate and dismiss the President. The MPR has a bicameral structure, consisting of the DPR, which is the principal legislative body, and the DPD. The DPR has 560 members. The DPD currently has 132 members, consisting of four members from each province with the exception of Indonesia's newest province, North Kalimantan, where elections were held in 2019.

Members of the DPR are elected by a proportional representation system. The DPD members are elected in non-partisan elections based on a plurality of votes within the relevant electorate.

Each of the DPR and the President has the power to initiate legislation. All legislation, including the Republic's budget, must be approved by both the DPR and the President. While the DPD is able to initiate legislation regarding regional matters, this is subject to approval from both the DPR and the President.

The President has the authority and responsibility for the conduct of the administration of the Republic. This includes the authority to declare war, make peace, conclude treaties with other states and propose statutes; these presidential actions must, however, be approved by the DPR before taking effect. Constitutional amendments in 1999 restrict the President and Vice President to a maximum of two five-year terms.

The President is assisted in the administration of his responsibilities by ministers who are appointed and dismissed by the President and who are responsible only to the President.

Judicial System

The Constitution states that the Indonesian judicial system must be independent and that judicial authority is to be exercised by the courts free from the influence of non-judicial power. The Republic's judicial power is exercised by the Supreme Court, various lower courts and the Constitutional Court. The courts below the Supreme Court are organized by subject matter jurisdiction. These courts include the general, religious, military and administrative courts. The general district courts have jurisdiction over all criminal and civil cases not within the limited jurisdiction of any of the special courts. The religious courts have jurisdiction over cases such as family law among Muslims. The military courts have jurisdiction over cases involving military personnel. The administrative courts have jurisdiction over actions involving certain Government decisions.

Furthermore, there are several special courts under the general courts and the administrative courts such as (i) commercial courts, which have jurisdiction over bankruptcy cases and intellectual property rights cases (except trade secrets); (ii) juvenile courts, which have jurisdiction over child cases; (iii) human rights courts, which have jurisdiction over gross violations of human rights cases; (iv) corruption courts, which have jurisdiction over corruption cases; (v) labor courts, which have jurisdiction over industrial relations cases; (vi) fishery courts, which have jurisdiction over criminal fishery cases; and (vii) tax courts which have jurisdiction over tax disputes. The Supreme Court also has the authority to issue opinions on legal matters to various Government authorities and officials, to order a court to adjudicate a particular matter or to set aside an unlawful decision. The Constitutional Court has exclusive jurisdiction with respect to questions of constitutional law.

Regional Governments and Regional Autonomy

Indonesia has 34 provinces, including the special region of the capital of Jakarta. Each province is headed by a governor and consists of several subdivisions. There are two types of subdivisions, namely *kabupaten*, or regencies, and *kota*, or municipalities. Political and governmental arrangements in regencies and municipalities

are generally similar, but municipalities tend to be more urban. Regencies and municipalities are divided into *kecamatan*, or districts, which in turn are further divided into villages or *kelurahan*, or sub-districts. Indonesia consists of 514 districts/municipalities in 34 provinces. In 2017, the Government successfully held peaceful simultaneous regional elections for seven provinces, 18 municipalities and 76 districts. Regional elections were successfully held in June 2018 in 17 provinces, 39 municipalities, and 115 regencies.

Over the past nineteen years, the central Government has promoted and created significant regional autonomy through legislation. Under current law, government matters are divided into three areas:

- (i) matters that are solely under the authority of the central Government, such as foreign affairs, defense, security, judicial, national fiscal and monetary matters, and religion;
- (ii) matters that are concurrently implemented by the central Government, provincial governments and regency/municipal Governments. These include:
 - (a) mandatory matters to be implemented by regional governments, namely basic services, which consists of education, health, public works and special planning, housing, social order and social welfare, and non-basic services. Social welfare and non-basic services are further divided into other matters such as labor, women's empowerment and child protection, food sustainability, land policy, living environment, population administration and civil registration, community and village empowerment, population control and family planning, transportation, communication and informatics, cooperatives, plantations, investment, youth and sports, statistics, encryption, culture, libraries and archives; and
 - (b) optional matters to be implemented by regional governments, namely maritime and fisheries, tourism, agriculture, forestry, energy and mineral resources, trade, industry and transmigration; and
- (iii) matters that are solely under the authority of the President as head of Government (such as Army, Navy and Air Force affairs, the appointment and the replacement of ambassadors and consuls, the granting of pardon and rehabilitation, amnesty and abolition, award of titles, decorations and other marks of state honor).

The provinces of Aceh, Jakarta, Yogyakarta, Papua and West Papua enjoy special autonomy from the central Government. In Papua and West Papua, a portion of the population has shown support for the Free Papua Movement (generally known by its Indonesian initials, OPM). While there have been some violent incidents involving the armed wing of the OPM, including those targeting the Indonesian police, the National Armed Forces and police have taken measures to maintain security and order in these provinces, and the Government has continued its policy of promoting social welfare in Papua and West Papua. The Government is addressing the concerns of certain groups seeking greater independence by expanding the powers of the local governments, investing in infrastructure, improving judicial access, instituting affirmative action programs, working to resolve differences among local ethnic groups, increasing welfare programs and infrastructure development and fostering business growth and investment in areas populated by these groups.

Terrorism

Several terrorism-linked bombing incidents have taken place in Indonesia over the years, including incidents linked to ISIS and Jemaah Islamiah, a Southeast Asian terrorist network linked to other terrorist organizations outside the region. In response to these incidents, security forces and the judiciary took action to bring the perpetrators to justice and have targeted terrorist networks. Since the emergence of ISIS, several terror attacks have been committed by ISIS or ISIS affiliated groups in Indonesia. On 14 January 2016, multiple explosions and gunfire took place near the Sarinah shopping mall in central Jakarta that killed eight people and injured 23 people (commonly known as the Sarinah bombing). On 18 July 2016, Indonesian National Armed Forces and police troops killed Santoso, the leader of a pro-ISIS group, who had been a fugitive for years.

On 24 May 2017, in an incident commonly known as the Kampung Melayu bombing, two suicide bombers set off explosives near the Kampung Melayu bus station, one of Jakarta's busiest transit hubs, killing three police officers, the two suicide bombers, and wounding at least ten other people. In June 2017, the anti-terror squad of Indonesia's national police arrested 36 men suspected of being involved in the Kampung Melayu bombing and who are members of the Jamaah Anshar Daulah/Jamaah Ansharut terror group, a splinter cell of Jemaah Islamiah.

A terror incident commonly known as the Surabaya bombings occurred in May 2018, in which suicide bombers on 13 May 2018 detonated bombs in three churches and an apartment complex in Surabaya, the second largest city in Indonesia. The next day, two perpetrators detonated their devices at the Surabaya police headquarters while they were being checked by the police at the entrance. In total, 15 civilians, one police officer and 13 suicide bombers were killed, and around 50 people were injured in the Surabaya bombings. The attacks occurred just days after a three-day prison standoff between the Indonesian national police and inmates convicted of terrorist activities at the headquarters of the mobile brigade of the Indonesian national police in West Java, commonly known as the Mako Brimob standoff, in which five police officers were killed. These attacks were the deadliest terror attacks in Indonesia since the 2002 Bali bombings. Indonesia's national police believe the attacks were perpetrated in retaliation for the imprisonment of Aman Abdurrahman, the leader of the Jamaah Ansharut Daulah/Jamaah Ansharut Tauhid terror group, a splinter cell of Jamaah Islamiyah.

On 1 June 2018, Indonesia's national police announced that they had arrested 37 suspects after a series of anti-terror operations across Indonesia. Four people who were accused of terrorism were killed during shootouts. By mid-July 2018, 197 suspected terrorists had been apprehended, of which 20 were killed during the raids.

On 22 June 2018, Indonesia enacted a revised anti-terrorism law, which now enables Indonesian security forces to take pre-emptive action against suspected militants and envisages a broader role for Indonesian armed forces to support the efforts of the counter-terrorism unit of Indonesia's national police.

On 10 October 2019, the then current security minister Wiranto was stabbed during an official visit in Banten followed by suicide bombings at the police headquarters in Medan in November 2019. 74 arrests were made in the aftermath of the attacks and both instances have been linked to the Jamaah Ansharut Daulah/Jamaah Ansharut Tauhid terror group. Overall, the number of acts of terrorism decreased by 53% in 2019 from 19 cases compared to nine cases in 2018.

Indonesia's counter-terrorism efforts include laws in respect of counter-terrorism, anti-radicalization, money laundering, cyber security, and training efforts for polices and security officers (including sending officers to Canada and the United States for training). Indonesia also participates in regional counter-terrorism efforts through the Association of South East Asian Nations, or ASEAN, and global efforts through the United Nations. The Government also adopted de-radicalization/counter narrative measures as well as bolstered police anti-terror units with additional personnel, equipment and training. Over the past three years of the Widodo administration, several hundred terrorist suspects have been reformed through de-radicalization measures.

Economic Policy Packages in 2015 – 2019

After the election of President Joko Widodo in 2014, the Government introduced 16 economic stimulus policy packages to encourage domestic economic growth through the creation of a climate that is more conducive to business growth and development. The policy packages contain various initiatives and policies aimed at achieving such goals and were implemented throughout 2015 to 2019. The implementation of certain policies and initiatives under such economic policy packages is still currently ongoing.

Medium-Term National Development Plan 2020-2024

In October 2019, President Joko Widodo announced his presidential visions, namely for the establishment of an advanced sovereign, independent and supportive to mutual cooperation. Such visions were enumerated in President Widodo's missions as follows:

- improving the quality of the Indonesian labor force;
- achieving a productive, independent and competitive economic structure;
- attaining equitable and prosperous national development;
- achieving a sustainable environmental climate;
- developing cultural progress reflecting the nation's personality;
- developing a dignified and trustworthy legal system which is free from corruption;
- protection of all nations and provision of security to all Indonesian citizens;
- attaining good, effective and reliable governance; and
- achieving synergy of the governmental framework with the regional government.

In addition, in October 2019, President Joko Widodo also introduced the Government's Medium-Term National Development Plan 2020-2024 (the “**RPJMN 2020-2024**”), containing President Widodo's five main priorities, namely enhancement of human resource development, enhancement of infrastructure development, simplification of regulation and bureaucracy and economic transformation. Such priorities were translated into the RPJMN 2020-2024 development agenda as follows:

- strengthening economic resilience to achieve superior economic growth,
- developing more remote regions to reduce economic gaps and improve equality;
- improvement of quality and competitiveness of the labor force;
- engaging in mental revolution and cultural development;
- strengthening infrastructure to support economic development and improve basic services;
- conservation of environment, supporting climate change and enhancing disaster resilience; and
- enhancing political, legal, defense, stability and transforming public services.

To realize the RPJMN 2020-2024 development agenda, in October 2019, President Widodo announced his administration's plans to implement regulatory reform by focusing on initiatives in line with such objectives by preparing three bills of omnibus laws, namely an omnibus bill on job creation, an omnibus bill on development and strengthening the financial sector and an omnibus bill on tax provision.

Economic Equalization Policy

In April 2017, the Government announced the Economic Equalization Policy (“**EEP**”), which embodies a national policy for economic transformation to overcome the middle-income trap and to enable Indonesia to achieve the status of a developed country. The EEP is an integrated reform policy comprising three parts: (i) land; (ii) opportunity; and (iii) human capital:

Land

- Social forestry
 - The Ministry of Environment and Forestry will distribute access to social forest management covering an area of 211,522 hectares for 48,911 families with 134 permits. The initial focus will be on 11 villages with a total area of 15,576 hectares for 9,411 households.
- Agrarian reform and transmigration land legalization
 - Transmigration of land of 220,000 hectares and 3,800 hectares under the National Agrarian Operation Project is ready to be legalized from a total of 4.5 million hectares, while 23,000 hectares of displaced land and 707,000 hectares of forest disposal are also ready to be redistributed from a total of 4.5 million hectares.
 - Agrarian reforms will be expanded to several provinces, including Banten, West Java, Central Java, Riau, West Kalimantan, West Sumatra, North Sumatra and Maluku.
- Affordable housing for the urban poor
 - The central Government is committed to housing development within urban areas which are well connected to centers of activity, economic resources and public transportation for the urban poor. Core housing policies include the provision of land for affordable housing (land availability), implementation of a housing scheme for the construction of cheap housing and a housing financing scheme.

Opportunity

- Targeted development of key sectors
 - The EEP aims to have a targeted development of key sectors, which includes focusing on addressing issues relating to the tax system, development of manufacturing and IT industries and the retail sector. Through this targeted development, the Government hopes to improve the competitiveness of the retail sector and strengthen synergies between traditional and modern retail.

Human capital

- Vocational training and labor markets
 - Vocational and labor policies will be structured for capacity building of human resources, especially to align with industry needs and to support government priority programs.
 - Policy steps will also be taken by the Government to draft and improve the road map for vocational education and training, through reclassification and prioritization of business fields and positions.
 - There will be a job matching program that will focus on strengthening vocational programs for industries.
 - Vocational schemes will be in place for the automotive, tourism and transportation sectors.

Infrastructure Reforms

The Government has undertaken certain infrastructure reforms to accelerate infrastructure provision. The reforms are: (i) fiscal reforms; (ii) institutional reforms; and (iii) regulatory reforms:

Fiscal reforms

- Viability gap funding
 - Issuance of Minister of Finance Regulation No. 223/PMK.011/2012 as amended by Minister of Finance Regulation No. 170/PMK.08/2018 to increase project financial feasibility by contributing up to 49.0% of the construction cost.
- Availability payment
 - Issuance of a regulatory framework for annuity payment scheme by the Government (Minister of Finance Regulation No. 260/PMK.08/2016 for the central Government and Minister of Home Affairs Regulation No. 96 of 2016 for the regional government) during the concession period after the project becomes operational by the private sector in order to make the project bankable.
- Land revolving fund
 - Issuance of Minister of Finance Regulation No. 220/PMK.05/2010, which is a revolving fund sourced from the state budget to accelerate land acquisitions.
- Risk-sharing guidelines
 - The Indonesia Infrastructure Guarantee Fund (“**IIGF**”) has issued risk allocation and mitigation guidelines for public-private partnership projects (“**PPP**”).

Institutional reforms

- Committee for Acceleration of Priority Infrastructure Delivery (“**KPPIP**”)
 - KPPIP is actively involved in accelerating the delivery of priority infrastructure projects.
- PT. Sarana Multi Infrastruktur (“**PT SMI**”)
 - PT SMI merged with the Government Investment Center to become an infrastructure funding company.
- IIGF
 - The IIGF has the capacity to provide project guarantees for non-PPP projects.
- Public-private Partnership Unit (“**PPP Unit**”)
 - The PPP Unit provides facilities to help government contracting agencies with preparation for PPP projects.
- State Asset Management Agency
 - The State Asset Management Agency is mandated to provide land funds for National Strategic Projects to ensure timely land acquisition process.

Regulatory reforms

- Direct lending
 - Issuance of Presidential Regulation No. 82 of 2015 to allow guarantees for direct lending to state-owned enterprises to accelerate financial close process for infrastructure projects.
- Land acquisition
 - Issuance of Presidential Regulation No. 148 of 2015 to stipulate land acquisition acceleration based on Law No. 2 of 2012.
- Economic packages
 - Conduct deregulation for issues that impede infrastructure delivery and develop a task force under the Coordinating Ministry for Economic Affairs to ensure effective implementation of economic packages.

Foreign Relations and International and Regional Organizations

Indonesia maintains close diplomatic relationships with neighboring countries and its major economic partners.

The Republic is one of the five founding members of ASEAN, an organization that was established in 1967 to ensure regional stability and is now committed to reducing development gaps among its member states (Brunei Darussalam, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand and Vietnam), which have entered into various agreements on mutual assistance and cooperation in several areas.

The Republic's other principal memberships in international and regional organizations include:

- United Nations;
- the IMF;
- the World Bank and certain World Bank-related organizations;
- the Asian Development Bank or ADB;
- ASEAN+3 (ASEAN nations and China, Japan and South Korea);
- the Chiang Mai Initiative Multilateralization;
- the Credit Guarantee and Investment Facility;
- The Group of Twenty, or G20, in which it is the only ASEAN member state that concurrently enjoys membership;
- the Islamic Development Bank;
- World Trade Organization;
- the Asia Pacific Economic Cooperation, or APEC, where it was one of the 12 founding economies and continues to play an important role;
- the Asian Infrastructure Investment Bank, an initiative by the government of China that aims to support the building of infrastructure in the Asia-Pacific region; and
- the Indian Ocean Rim Association.

Indonesia also seeks to lead other developing countries through its membership in the following organizations of developing countries: the Non-Aligned Movement, the Organization of the Islamic Conference, the Group of 77 and China, the Developing 8, the Group of 15, and as observer at the G-24 Forum.

The Republic has been a member of the Organization of Petroleum Exporting Countries, or OPEC, since 1962. In view of the shift in its status from a net exporter to a net importer of oil, the Republic suspended its membership in OPEC effective January 2009. The Republic reactivated its OPEC membership effective January 2016, but due to policy considerations and its continuing status as a net importer of oil, the Republic decided to suspend its OPEC membership during the 30 November 2016 OPEC meeting. On 24 May 2017, Indonesia sent OPEC a letter requesting reactivation of its membership on the condition that Indonesian crude oil production would not have to be cut. In December 2017, the Government decided not to continue the reactivation process.

Indonesia also pursues opportunities related to the Belt and Road Initiative led by the People's Republic of China. This initiative comprises two segments: (i) the Silk Road Economic Belt, a land road route western mainland China that leads to Central Asia up to the Middle East; and (ii) the 21st Century Maritime Silk Road, a strategic and important sea-land encircling Southeast Asia, the Persian Gulf and reaching the Horn of Africa. This initiative provides opportunities to expand connectivity among countries in Asia, Europe as well as Africa and South America, and also promotes trade balance, e-commerce, digital economy and financial inclusion. In 2017, Indonesia was actively involved in the formulation of the Guiding Principles on Financing the Development for the Belt and Road Initiative. The Republic is developing a new airport in Lembeh Island, North Sulawesi as part of its involvement in the Belt and Road Initiative.

Indonesia became a member of the Indian Ocean Rim Association, or IORA (an association that connects countries along the Indian Ocean region) in 1997. Since joining IORA, Indonesia has been an active member and has directly engaged in a number of initiatives and Indonesia continues to promote economic and maritime diplomacy in the Indian Ocean region. Recently, Indonesia hosted the leader's summit of IORA in Jakarta in March 2017, which concluded with the enactment of the IORA Concord (also referred to as the Jakarta Concord), which aims to lay the foundation and set the course for cooperation within IORA in the coming years to overcome the increasingly complex problems in the Indian Ocean region.

The following table shows Indonesia's capital participation in certain major international financial organizations as of 31 December 2019.

Name of organization	Date of admission	As of 31 December 2019 contributed capital	
		Subscribed	Paid in
	(in millions of U.S. dollars)		
Asian Development Bank	1966	8,025.5 ⁽¹⁾	401.3 ⁽¹⁾
IMF	1966 ⁽²⁾	6,337.2 ⁽¹⁾	6,337.2 ⁽¹⁾
World Bank Group			
International Bank for Reconstruction and Development	1966 ⁽²⁾	2,778.3	167.2
International Development Association	1968	110.0	49.8
International Finance Corporation	1968 ⁽³⁾	31.6	31.6
Multilateral Investment and Guarantee Agency	1986	20.0	3.8
Islamic Development Bank ⁽⁴⁾	1975	1,579.8	191.2
International Islamic Trade Finance Corporation	1992	2.1	2.1
The Islamic Corporation for the Insurance of Investment and Export Credit	1992	0.7	0.2
Islamic Corporation For The Development Of The Private Sector	1992	21.8	19.3
International Fund for Agricultural Development	1977	82.0	74.9
Common Fund for Commodities	1980	1.3	1.3
Credit Guarantee and Investment Facility	2012	21.6	12.6
ASEAN Infrastructure Investment Bank	2015	3,360.7	672.1
ASEAN Infrastructure Fund	2012	120.0	120.0
International Rubber Consortium Limited	2002	4.0	4.0

Source: Bank Indonesia and Ministry of Finance

- (1) Denominated in Special Drawing Rights, or SDR of the IMF. Converted to U.S. dollars using the exchange rate on 31 December 2019 of U.S.\$1.383 to SDR 1.
- (2) Indonesia rejoined the IMF and The International Bank for Reconstruction and Development in 1966, it originally became a member of these organizations in 1954 and resigned its memberships in 1965.
- (3) Indonesia rejoined the International Finance Corporation in 1968, it originally became a member in 1956 and resigned its membership in 1961.
- (4) Denominated in ID (ID 1 = SDR 1). See footnote (1) above.

Foreign Relations

Indonesia embraces a foreign policy that is free and active while remaining committed to playing an important role in the maintenance of peace and security in the world. This policy is ingrained in Indonesia's Constitution and is further testament that the aspirations of the international community as enshrined in the Charter of the United Nations is aligned to that of Indonesia. In this respect, Indonesia assumes leadership roles in advancing the interests of not just certain blocs of like-minded countries, as is likely the norm in international

relations but rather continuously and persistently assumes the bridge-building negotiating role in constructing platforms that accommodate the interests of all countries for the common benefit of all.

Indonesia continues its active participation in the forums deemed crucial to how life would turn out for the billions in the world for decades to come. In this context, Indonesia has shown active participation in the Third International Conference on Financing for Development held in Addis Ababa, Ethiopia, from 13 to 16 July 2015, the United Nations Sustainable Development Summit held in New York, United States of America, from 25 to 27 September 2015, the G20 Summit held in Antalya, Turkey, from 15 to 16 November 2015, the 21st session of the Conference of the Parties of the United Nations Framework Convention on Climate Change held in Paris, France, from 30 November 2015 to 11 December 2015, the G20 Summit held in Hangzhou, China from 4 to 5 September 2016, the APEC Summit held in Lima, Peru from 19 to 20 November 2016, the G20 Summit held in Hamburg, Germany from 7 to 8 July 2017 and the APEC Summit held in Da Nang, Vietnam from 10 to 11 November 2017.

Indonesia hosted a series of international events in 2018, including the 2018 Annual Meeting of IMF and World Bank Group in Bali, the Indonesia — Africa Forum in Bali, the 18th Asian Games and the 2018 Asian Para Games. The 2018 Annual Meeting of IMF and World Bank Group in Bali was held from 12 to 14 October 2018 and was attended by 3,500 delegates from 189 member countries, including G20 countries such as China, Japan, United States and France.

The Indonesia — Africa Forum in Bali was held from 10 to 11 April 2018 and was attended by 53 countries. The forum aims to explore various economic opportunities, to strengthen technical cooperation, and to enhance existing partnership between Indonesia and African countries.

With more than 150,000 attendees, the 18th Asian Games involved more than 11,000 athletes across 44 countries, including G20 countries such as China, India, Japan and South Korea. The 2018 Asian Para Games had more than 450,000 attendees with approximately 3,000 athletes from 43 countries, including G20 countries such as China, India, Japan and South Korea.

In recognition of Indonesia's active role in reducing hunger and malnutrition in the country as mandated by the Millennium Development Goals, or MDGs, the Government received an award from the United Nations Food and Agriculture Organization which was presented during a special event on 7 June 2015 with the theme Completing the MDGs Round: Recognizing Achievements in the Fight Against Hunger.

Indonesia and China encourage the implementation of the ASEAN-China Maritime Cooperation Year 2015 as stipulated in the 17th ASEAN-China Summit in Nay Pyi Taw.

Maritime Boundaries Delimitation and the South China Sea

The Government has a nine priority agenda, known as the *Nawa Cita* (nine objectives), to implement the vision of “realization of sovereign, independent, and characteristically Indonesia, based on mutual cooperation.” In line with the *Nawa Cita*, the Government has conducted border diplomacy with its ten neighboring countries, namely, India, Thailand, Malaysia, Singapore, Vietnam, the Philippines, Palau, Papua New Guinea, Timor Leste, and Australia.

Indonesia has agreed on the following maritime boundaries:

- Several Territorial Sea boundaries with Malaysia (northern part of the Malacca Strait) and Singapore (central, western and eastern part of the Singapore Strait), and completion of all Territorial Sea boundaries with Papua New Guinea;
- Exclusive Economic Zone with the Philippines, Australia, and Papua New Guinea; and
- Continental Shelf with India, Thailand, Malaysia (Malacca Strait and South China Sea), Vietnam, Australia and Papua New Guinea.

Negotiations on the following maritime boundaries are ongoing:

- Remaining segments of Territorial Sea boundaries with Malaysia, Singapore and Timor-Leste;
- Exclusive Economic Zone with India, Thailand, Malaysia, Vietnam, Palau and Timor-Leste; and
- Continental Shelf with Malaysia, the Philippines, Palau, and Timor Leste.

Indonesia aims to resolve these maritime boundaries through peaceful and diplomatic channels in accordance with international law.

Indonesia is working to ensure its national interest and to ensure that stability and security are maintained in the South China Sea. These aims are advanced both on a bilateral basis with China as well as through initiatives advanced through ASEAN. In line with this, in November 2017, China and the ten member states of the ASEAN, including Indonesia, announced an agreement to begin discussions on a Code of Conduct, or COC, to implement the 2002 ASEAN-China Declaration on the Conduct of Parties in the South China Sea (frequently referred to as the DOC) based on a negotiating framework agreed in August 2017. Most recently, the Ministry of Foreign Affairs hosted a workshop on the South China Sea in 15-17 November 2017 attended by representatives from Brunei Darussalam, China, the Philippines, Indonesia, Laos, Malaysia, Myanmar, Singapore, Vietnam and Taiwan to explore opportunities for cooperation between stakeholders and encourage dialogue on cooperation projects and maritime borders. Indonesia also hosted the 7th ASEAN Maritime Forum and the 5th Expanded ASEAN Maritime Forum in December 2017. Matters discussed in these forums included the importance of strengthening linkages in maritime cooperation to further promote mutual trust and confidence to ensure security, peace and stability in the region, including matters relating to safety and freedom of navigation and overflight.

While Indonesia does not have overlapping territorial claims in the South China Sea with China, it continues to establish communication and consultation with China to push for dispute resolution and the avoidance of conflict in this area. In May of 2017, the foreign ministers of Indonesia and China signed a Plan of Action for the Implementation of the Comprehensive Strategic Partnership for 2017-2021, which included China's commitment to the full implementation of the DOC and to expedite the adoption of a COC. Indonesia has also encouraged cooperation between the Indonesian Maritime Security Board and the Chinese Coast Guard to enhance mutual trust and prevent potential conflict.

Indonesia continues to pursue the economic development of its exclusive economic zone off the coast of the Natuna Islands in the North Natuna Sea (which is also referred to as a part of the South China Sea). According to press reports, Indonesia has taken action against foreign-flagged fishing vessels in this zone, which have included Chinese vessels, which China has said is a traditional Chinese fishing ground.

Sustainable Development Goals

The Government reiterated its commitment to implement the United Nation's Sustainable Development Goals (the "SDGs") in order to achieve the 2030 development agenda introduced by the United Nations. Through Presidential Regulation No. 59/2017 relating to the Implementation of SDGs in Indonesia, the National Development Planning Agency was instructed to present a roadmap to implement the SDGs in Indonesia.

Economy and Gross Domestic Product

Introduction

Indonesia has a balanced and diversified economy. The main challenges currently facing Indonesia's economy include uncertainty in relation to the global economic recovery and commodity prices, which are crucial factors in determining the Republic's export performance.

Domestically, factors that affect the economy are demographic growth and job creation, the country's progress in implementing its infrastructure programs, maintaining relatively stable and low inflation and balancing domestic budgetary pressures against the burden of serving external debt.

Principal Sectors of the Economy

Indonesia's principal economic sectors are manufacturing industry (including coal, oil and gas); agriculture, forestry and fishery; wholesale and retail trade, repair of motor vehicles and motorcycles; construction; and mining and quarrying.

The tables below show the composition of Indonesia's GDP by sector at current prices and constant prices, respectively, for the periods indicated.

Gross Domestic Product by Industry (at current prices)

	Year Ended 31 December													
	2014	%	2015	%	2016	%	2017	%	2018 ^P	%	2019 ^P	%	Q1 2020	%
	(in billions of Rupiah and percentage of GDP)													
Manufacturing Industry														
Coal Industry and Oil and Gas Refining	337,201	3.2	320,845	2.8	286,400	2.3	309,373	2.3	332,299	2.2	336,696	2.1	83,096	2.1
Non-Coal, Oil and Gas Manufacturing Industries ..	1,890,383	17.9	2,098,047	18.2	2,258,804	18.2	2,430,339	17.9	2,615,152	17.6	2,782,921	17.6	700,515	17.9
Total Manufacturing Industry ..	2,227,584	21.1	2,418,892	21.0	2,545,204	20.5	2,739,712	20.2	2,947,451	19.9	3,119,617	19.7	783,611	20.0
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	1,419,239	13.4	1,532,877	13.3	1,635,259	13.2	1,768,865	13.0	1,931,819	13.0	2,060,773	13.0	517,762	13.2
Agriculture, Forestry, and Fishery														
Agriculture, Livestock, Hunting, & Agriculture Services	1,089,550	10.3	1,183,969	10.3	1,266,849	10.2	1,347,526	9.9	1,417,499	9.6	1,489,523	9.4	1,489,523	38.0
Forestry and Logging	74,618	0.7	82,322	0.7	87,390	0.7	91,609	0.7	97,397	0.7	104,122	0.7	25,468	0.6
Fishery	245,488	2.3	288,917	2.5	317,092	2.6	348,828	2.6	385,908	2.6	419,982	2.7	109,637	2.8
Total Agriculture, Forestry, and Fishery	1,409,656	13.3	1,555,207	13.5	1,671,330	13.5	1,787,963	13.2	1,900,804	12.8	2,013,627	12.7	1,624,627	41.4
Mining and Quarrying														
Oil, Gas and Geothermal Mining	509,783	4.8	384,516	3.3	364,986	2.9	391,450	2.9	460,170	3.1	439,603	2.8	94,956	2.4
Coal and Lignite Mining	259,767	2.5	229,974	2.0	231,698	1.9	323,365	2.4	401,277	2.7	368,891	2.3	84,243	2.1
Metal Ore	93,615	0.9	74,264	0.6	73,301	0.6	94,322	0.7	111,321	0.8	96,825	0.6	27,035	0.7
Other Mining and Quarrying	176,258	1.7	192,940	1.7	220,884	1.8	220,418	1.6	226,219	1.5	244,596	1.5	61,147	1.6
Total Mining and Quarrying	1,039,423	9.8	881,694	7.6	890,868	7.2	1,029,555	7.6	1,198,987	8.1	1,149,914	7.3	267,381	6.8
Construction	1,041,950	9.9	1,177,084	10.2	1,287,601	10.4	1,410,514	10.4	1,562,297	10.5	1,701,741	10.7	419,714	10.7
Government Administration, Defense Compulsory Social Security	404,630	3.8	449,382	3.9	476,491	3.8	499,344	3.7	542,029	3.7	572,457	3.6	141,739	3.6
Information and Communication	369,457	3.5	406,017	3.5	449,189	3.6	513,716	3.8	558,938	3.8	626,425	4.0	166,863	4.3
Transportation and Warehousing	466,969	4.4	578,464	5.0	644,994	5.2	735,230	5.4	797,847	5.4	881,663	5.6	202,820	5.2
Financial and Insurance Service	408,439	3.9	464,400	4.0	520,207	4.2	571,204	4.2	616,315	4.2	671,356	4.2	184,461	4.7
Education Service	341,818	3.2	387,611	3.4	417,345	3.4	447,138	3.3	481,724	3.2	522,746	3.3	129,918	3.3
Other*	1,177,068	11.1	1,311,578	11.4	1,419,950	11.4	1,563,357	11.5	1,699,171	11.5	1,863,413	11.8	477,317	12.2
Gross Value Added at Basic Prices	10,306,232	97.5	11,163,206	96.8	11,958,856	96.4	13,066,596	96.1	14,237,382	96.0	15,183,730	95.9	3,795,314	96.8
Taxes less Subsidies on Products	263,473	2.5	363,127	3.2	442,873	3.6	523,230	3.9	600,930	4.0	650,213	4.1	127,300	3.2
Total GDP	10,569,705	100.0	11,526,333	100.0	12,401,729	100.0	13,589,826	100.0	14,838,312	100.0	15,833,943	100.0	3,922,614	100.0

Source: BPS

^P Preliminary.

* Includes the Procurement of Electricity and Gas; Procurement of Water, Management of Trash, Waste and Recycle; Accommodation and Food Beverages Supply; Real Estate; Corporate Services; Health Service and Social Activity; and Other Services sectors.

Gross Domestic Product by Industry (at constant 2010 prices)

	Year Ended 31 December													
	2014	%	2015	%	2016	%	2017	%	2018P	%	2019P	%	Q1 2020	%
(in billions of Rupiah and percentage of GDP)														
Manufacturing Industry														
Coal Industry and Oil and Gas Refining	216,751	2.5	214,312	2.4	220,392	2.3	219,849	2.2	219,832	2.1	217,417	2.0	54,861	2.0
Non-Coal, Oil and Gas Manufacturing Industries ..	1,637,506	19.1	1,720,221	19.2	1,796,485	19.0	1,883,617	19.0	1,973,537	18.9	2,059,266	18.8	511,892	18.9
Total Manufacturing Industry ..	1,854,257	21.6	1,934,533	21.5	2,016,877	21.4	2,103,466	21.2	2,193,368	21.0	2,276,683	20.8	566,753	21.0
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	1,177,298	13.7	1,207,165	13.4	1,255,761	13.3	1,311,747	13.2	1,376,883	13.2	1,440,523	13.2	356,084	13.2
Agriculture, Forestry, and Fishery														
Agriculture, Livestock, Hunting, & Agriculture Services	880,390	10.3	906,806	10.1	936,357	9.9	970,263	9.8	1,005,776	9.6	1,039,255	9.5	243,011	9.0
Forestry and Logging	59,574	0.7	60,624	0.7	60,002	0.6	61,280	0.6	62,982	0.6	63,218	0.6	15,089	0.6
Fishery	189,090	2.2	204,017	2.3	214,597	2.3	226,833	2.3	238,616	2.3	252,485	2.3	64,495	2.4
Total Agriculture, Forestry, and Fishery	1,129,053	13.2	1,171,446	13.0	1,210,956	12.8	1,258,376	12.7	1,307,374	12.5	1,354,957	12.4	322,595	11.9
Mining and Quarrying														
Oil, Gas and Geothermal Mining	307,162	3.6	307,326	3.4	313,744	3.3	302,653	3.1	298,420	2.9	289,980	2.6	70,549	2.6
Coal and Lignite Mining	251,074	2.9	232,725	2.6	223,099	2.4	226,479	2.3	235,561	2.3	259,599	2.4	65,423	2.4
Metal Ore	98,258	1.1	87,703	1.0	89,303	0.9	95,150	1.0	103,719	1.0	88,003	0.8	23,119	0.9
Other Mining and Quarrying	137,996	1.6	139,573	1.6	148,447	1.6	155,396	1.6	158,804	1.5	168,624	1.5	41,660	1.5
Total Mining and Quarrying	794,490	9.3	767,327	8.5	774,593	8.2	779,678	7.9	796,505	7.6	806,206	7.4	200,751	7.4
Construction	826,616	9.7	879,164	9.8	925,040	9.8	987,925	10.0	1,048,083	10.1	1,108,425	10.1	273,625	10.1
Government Administration, Defense Compulsory Social Security	296,330	3.5	310,055	3.5	319,965	3.4	326,571	3.3	349,507	3.4	365,678	3.3	90,536	3.3
Information and Communication	384,476	4.5	421,770	4.7	459,208	4.9	503,421	5.1	538,875	5.2	589,435	5.4	155,995	5.8
Transportation and Warehousing	326,933	3.8	348,856	3.9	374,843	4.0	406,679	4.1	435,185	4.2	463,255	4.2	112,008	4.1
Financial and Insurance Service ..	319,826	3.7	347,269	3.9	378,279	4.0	398,959	4.0	415,579	4.0	443,042	4.0	120,772	4.5
Education Service	263,685	3.1	283,020	3.2	293,888	3.1	304,762	3.1	321,084	3.1	341,329	3.1	83,955	3.1
Other*	978,408	11.4	1,028,931	11.5	1,088,288	11.5	1,149,792	11.6	1,221,067	11.7	1,310,079	12.0	332,271	12.3
Gross Value Added at Basic Prices	8,351,369	97.5	8,699,535	96.8	9,097,698	96.4	9,530,892	96.1	10,003,114	96.0	10,499,612	95.9	2,615,343	96.8
Taxes less Subsidies on Products	213,498	2.5	282,982	3.2	336,916	3.6	381,812	3.9	422,203	4.0	449,632	4.1	87,722	3.2
Total GDP	8,564,867	100.0	8,982,517	100.0	9,434,613	100.0	9,912,704	100.0	10,425,316	100.0	10,949,244	100.0	2,703,065	100.0

Source: BPS

^P Preliminary.

* Includes the Procurement of Electricity and Gas; Procurement of Water, Management of Trash, Waste and Recycle; Accommodation and Food Beverages Supply; Real Estate; Corporate Services; Health Service and Social Activity; and Other Services sectors.

Manufacturing Industry

Indonesia's principal manufacturing industries include food products and beverages, coal and refined petroleum products, fabricated metal products, computer, electronic and optical products and electrical equipment. Other major manufacturing industries include transport equipment and chemicals, pharmaceuticals and botanical products. Manufacturing has been the largest contributor to economic growth since the 1980s. The manufacturing industry sector consists of the sub-sectors of (i) coal industry and oil and gas refining and (ii) non-coal, oil and gas manufacturing industries.

In 2014, Indonesia's manufacturing industries grew by 4.6%, compared to a rate of 4.4% in the previous year. Non-coal, oil and gas manufacturing industries grew by 5.6% during 2014 mainly driven by the food and beverage manufacturing sub-sector, which grew by 9.5%. Coal, oil and gas manufacturing industries declined by 2.1% in 2014, primarily due to a contraction in LNG manufacturing and petroleum refining, which was partially offset by an increase in coal manufacturing.

In 2015, Indonesia's manufacturing industries grew by 4.3%, compared to 4.6% in the previous year. Non-coal, oil and gas manufacturing industries grew by 5.1% during 2015 mainly driven by the metal goods industry, computers, electronics, optics, and electrical equipment sub-sector, which grew by 7.8%. Coal, oil, and gas manufacturing industries declined by 1.1% in 2015, primarily due to a contraction in LNG manufacturing and petroleum refining, which was partially offset by an increase in coal manufacturing.

In 2016, Indonesia's manufacturing industries grew by 4.3%, the same as in the previous year. Non-coal, oil and gas manufacturing industries grew by 4.4% during 2016, mainly driven by growth in the food and beverage manufacturing sub-sector, which grew by 8.3%. Coal, oil, and gas manufacturing industries grew by 2.8% during 2016 compared to the previous year, primarily due to the demand recovery in the industry, after experiencing a downturn driven by declines in commodities prices.

In 2017, Indonesia's manufacturing industries grew by 4.3%, the same as in the previous year. Non-coal, oil and gas manufacturing industries grew by 4.9% during 2017, mainly driven by growth in the food and beverage manufacturing sub-sector, which grew by 9.2%. Coal, oil, and gas manufacturing industries contracted by 0.3% during the 2017 compared to the previous year.

In 2018, Indonesia's manufacturing industries grew by 4.3%, the same as in the previous year, mainly driven by the growth in non-coal, oil and gas manufacturing industries, which grew by 4.8%, offset by the coal industry and oil and gas refining, which remained constant during 2018.

In 2019, Indonesia's manufacturing industries grew by 3.8% compared to 4.3% in 2018, mainly driven by the growth in non-coal, oil and gas manufacturing industries, which grew by 4.3%, offset by the contraction in coal industry and oil and gas refining, which contracted by 1.1% in 2019.

Wholesale and retail trade; repair of motor vehicles and motorcycles

The wholesale and retail trade; repair of motor vehicles and motorcycles sector includes wholesale and retail trade, as well as the repair of motor vehicles, including motorcycles. In recent years, this has generally been the third largest segment of the economy, behind manufacturing and agriculture, forestry and fishery.

In 2014, the wholesale and retail trade; repair of motor vehicles and motorcycles sector grew by 5.2%, compared to 4.8% in 2013. This growth was driven by the wholesale of non-cars and motorcycles sub-sector, which grew by 5.2% and the wholesale and retail trade of cars, motorcycles, and repairs sub-sector, which grew by 5.0% in 2014.

In 2015, the wholesale and retail trade; repair of motor vehicles and motorcycles sector grew by 2.5%, compared to 5.2% growth in 2014. Growth in this sector was mainly driven by the wholesale of non-cars and motorcycles sub-sector, which grew by 3.1%. The wholesale and retail trade of cars, motorcycles, and repairs sub-sector grew by 0.3% in 2015.

In 2016, the wholesale and retail trade; repair of motor vehicles and motorcycles sector grew by 4.0%, compared to 2.5% 2015. This growth was driven by the wholesale and retail trade of non-cars and motorcycles sub-sector and the wholesale and retail trade of cars, motorcycles, and repairs sub-sector, which grew by 4.0%.

In 2017, the wholesale and retail trade, repair of motor vehicles and motorcycles sector grew by 4.5%, compared to 4.0% in 2016. This growth was mainly driven by the wholesale and retail trade of cars, motorcycles, and repairs sub-sector, which grew by 4.8%. The wholesale and retail trade of non-cars and motorcycles sub-sector grew by 4.4% in 2017.

In 2018, the wholesale and retail trade, repair of motor vehicles and motorcycles sector grew by 5.0% compared to 4.4% in 2017. This growth was mainly driven by the wholesale and retail trade of non-cars and motorcycles sub-sector, which grew by 5.0%. The wholesale and retail trade of cars and motorcycles, and repairs sub-sector grew by 4.9% in 2018.

In 2019, the wholesale and retail trade, repair of motor vehicles and motorcycles sector grew by 4.6% compared to 5.0% in 2018. This growth was mainly driven by the wholesale and retail trade of non-cars and motorcycles sub-sector, which grew by 4.8%. The wholesale and retail trade of cars and motorcycles, and repairs sub-sector grew by 3.8% in 2019.

Agriculture, forestry and fishery

The agriculture, forestry and fishery sector consists of the sub-sectors of (i) agriculture, livestock, hunting & agriculture services, (ii) forestry and logging and (iii) fishery.

In 2014, the agriculture, forestry, and fishery sector grew by 4.2%, the same rate as in 2013. This growth was mainly driven by the fishery sub-sector, which grew by 7.3% compared to 2013. The agriculture, livestock, hunting & agriculture services sub-sector and the forestry sub-sector, grew by 3.8% and 0.6%, respectively, in 2014.

In 2015, the agriculture, forestry, and fishery sector grew by 3.8%, slower than its growth of 4.2% in 2014. This growth was mainly driven by the fishery sub-sector, which grew by 7.9% compared to 2014. The agriculture, livestock, hunting & agriculture services sub-sector and the forestry sub-sector, grew by 3.0% and 1.8%, respectively, in 2015.

In 2016, the agriculture, forestry, and fishery sector grew by 3.4%, slower than its growth of 3.8% in 2015. This growth was mainly driven by the fishery sub-sector, which grew by 5.1% compared to 2015. The agriculture, livestock, hunting & agriculture services sub-sector grew by 3.3% while the forestry sub-sector contracted by 1.2% in 2016.

In 2017, the agriculture, forestry, and fishery sector grew by 3.9%, compared to 3.4% in 2016. This growth was mainly driven by the fishery sub-sector, which grew by 5.7% compared to 2016. The agriculture, livestock, hunting & agriculture services sub-sector, and the forestry sub-sector grew by 3.6% and 2.1%, respectively, in 2017.

In 2018, the agriculture, forestry, and fishery sector grew by 3.9%, the same rate as in 2017. This growth was mainly driven by the fishery subsector, which grew by 5.2% compared to 2017. The agriculture, livestock, hunting and agriculture services subsector and the forestry subsector grew by 3.7% and 2.8%, respectively, in 2018.

In 2019, the agriculture, forestry, and fishery sector grew by 3.6% compared to 3.9% in 2018. This growth was mainly driven by the fishery subsector, which grew by 5.8% compared to 2019. The agriculture, livestock, hunting and agriculture services subsector and the forestry subsector grew by 3.3% and 0.4%, respectively, in 2019.

The following table sets forth production statistics for Indonesia's most important agricultural products for the periods indicated.

Production of Principal Agricultural Products by Sub-sectors

	Year Ended 31 December					
	2014	2015	2016	2017	2018	2019 ^P
	(in thousands of tons, except as otherwise indicated)					
Food crops						
Rice ⁽¹⁾⁽²⁾	70,846	75,398	79,355	81,149	59,201	54,604
Cassava	23,436	21,801	20,261	19,054	19,341	N/A
Corn	19,008	19,612	23,578	28,924	30,056	N/A
Sweet Potato	2,383	2,298	2,169	2,029	1,914	N/A
Soybeans (shelled)	955	963	860	539	983	N/A
Peanuts (shelled)	639	605	570	495	512	N/A
Mung bean	245	271	253	241	235	N/A
Estate cash crops						
Dry Rubber	3,153	3,145	3,358	3,680	3,630	3,449
Coffee	644	639	664	718	756	761
Cocoa	728	593	658	591	767	784
Tea	154	133	139	146	140	138
Sugarcane	2,579	2,498	2,205	2,122	2,172	2,258
Tobacco	198	194	127	181	196	197
Palm Oil	29,278	31,070	31,731	37,965	42,884	45,861
Livestock						
Meat	2,925	3,057	3,356	4,597	4,777	4,884
Eggs	1,753	1,896	2,031	5,217	5,239	5,327
Milk	801	835	913	928	951	996
Fish products						
Captured Fish	6,484	6,678	6,580	7,071	7,356	N/A
Farmed Fish	14,359	15,634	16,002	16,115	15,790	N/A
Forestry⁽³⁾						
Logs	31,900	38,854	37,621	43,206	47,966	47,247
Sawn Timber	1,527	1,779	1,874	1,912	2,079	2,583
Plywood	3,588	3,675	3,684	3,761	4,214	4,187

Source: BPS, Ministry of Agriculture, Ministry of Marine Affairs and Fisheries, and Ministry of Environment and Forestry

^P Preliminary.

N/A Not Available.

(1) 2016 and 2017 result of coordination meeting between Ministry of Agriculture and BPS.

(2) Since 2018, the calculation of paddy harvested area data was carried out using the Area Sampling Framework method, replacing the eye estimate method previously.

(3) All units are in thousands of cubic meters.

Mining and Quarrying

Indonesia is a significant player in the global mining and quarrying industry with significant production of natural gas, coal, crude oil, tin, nickel, bauxite and copper.

In 2014, the mining and quarrying sector grew by 0.4%, compared to 2.5% in the previous year, primarily due to growth in the other mining and quarrying and the coal and lignite mining sub-sectors, which grew by 4.9% and 1.4%, respectively. This was partially offset by contraction in the oil, gas and geothermal mining and the metal ore sub-sectors, which contracted by 2.0% and 0.4%, respectively.

In 2015, the mining and quarrying sector contracted by 3.4% compared to an increase of 0.4% the previous year, primarily due to contraction in the metal ore and the coal and lignite mining sub-sector, which contracted by 10.7% and 7.3%, respectively. This was partially offset by growth in the other mining and quarrying and the oil, gas and geothermal mining sub-sector which were 1.1% and 0.1%, respectively.

In 2016, the mining and quarrying sector grew by 0.9% compared to a contraction by 3.4% the previous year, primarily due to growth in the other mining and quarrying, the oil, gas and geothermal mining, and the metal ore sub-sectors, which grew by 6.4%, 2.1% and 1.8%, respectively. This was partially offset by a 4.1% contraction in the coal and lignite mining sub-sector in 2016.

In 2017, the mining and quarrying sector grew by 0.7% compared to 0.9% in 2016, primarily due to growth in the metal ore, the other mining and quarrying, and the coal and lignite mining sub-sectors, which grew by 6.6%, 4.7%, and 1.5%, respectively. This was partially offset by a contraction in the oil, gas and geothermal mining sub-sector, which contracted by 3.5% in 2017.

In 2018, the mining and quarrying sector grew by 2.2% compared to 0.7% in 2017, primarily due to growth in the metal ore mining and the coal and lignite mining subsector, which grew by 9.0% and 4.0%, respectively. This was partially offset by contraction in the oil, gas and geothermal mining subsector, which contracted by 1.4% in 2018.

In 2019, the mining and quarrying sector grew by 1.2% compared to 2.2% in 2018, primarily due to growth in the coal and lignite mining and the other mining and quarrying subsector, which grew by 10.2% and 6.2%, respectively. This growth was partially offset by a contraction in the metal ore mining and the oil, gas and geothermal mining subsector, which contracted by 15.2% and 2.8%, respectively. As products in the mining and quarrying sector are internationally traded commodities with prices set by the world markets, the performance of this sub-sector is primarily affected by international market prices. See “— *Foreign Trade and Balance of Payments — Exports and Imports.*”

Oil and Natural Gas

The oil and gas market in Indonesia is characterized by the presence of large, diversified companies with highly vertically integrated operations throughout oil exploration, production, refining, transportation and marketing. In 2015, 2016 and 2017, the contribution of the Indonesian oil and gas industry to Indonesia’s GDP decreased due to a decrease in international crude oil prices. Oil and gas exports contributed 9.3%, 9.5% and 7.4% to total exports in 2017, 2018 and 2019, respectively. In 2017, 2018 and 2019, oil gas revenues comprised 7.9%, 10.7% and 7.9%, respectively, of the Government’s domestic revenue (inclusive of income tax revenue from the oil and gas sub-sector). Pertamina, an SOE, plays an important role in the production of oil and gas in Indonesia.

The following table sets forth crude oil production by source for the periods indicated.

Crude Oil Production by Source⁽¹⁾

	Year Ended 31 December					
	2014	2015	2016	2017	2018	2019 ^P
	(in millions of barrels)					
Pertamina	42	32	30	28	29	30
Production sharing contracts ⁽²⁾	247	243	274	264	253	242
Total	289	275	304	292	282	272

Source: Ministry of Energy and Mineral Resources

^P Preliminary.

(1) Includes production of crude oil condensate.

(2) Most of the production under production sharing contracts is provided to Pertamina. Production sharing contracts are a common type of joint cooperation contract used in Indonesia’s oil and gas upstream sector, under which the Government and the contractor agree to split the production measured in revenue based on agreed percentages.

The table below sets forth Indonesia's proven crude oil reserves for the periods indicated based on estimates prepared by the Ministry of Energy and Mineral Resources' Reserve Oil and Gas Evaluation Team, which is composed of representatives from the Oil and Gas Directorate of the Ministry of Energy and Mineral Resources, the Center of Research and Development of Oil and Gas Technology of the Ministry of Energy and Mineral Resources, as well as SKK Migas, which are based on the applicable Annual Reserve Oil and Gas Report received by SKK Migas from various oil and gas contractors. SKK Migas is a government entity responsible for supervising upstream oil and gas activities. Proven crude oil reserves include developed and undeveloped volumes that are economically recoverable at either current prices or forecasted future prices as calculated by each relevant contractor under the coordination of SKK Migas. Estimates of proven crude oil reserves are comparable to estimates prepared using international standards and includes total volume without regard to the direct economic benefit of Indonesia. Estimates are prepared pursuant to the Petroleum Resources Management System sponsored by the Society of Petroleum Engineers.

Proven Crude Oil Reserves

<u>Year</u>	<u>Proven Crude Oil Reserves</u> (in million stock tank barrels)
2014	3,624.5
2015	3,602.5
2016	3,306.9
2017	3,170.9
2018	3,154.3
2019	2,483.9

Source: Ministry of Energy and Mineral Resources

The following table sets forth Indonesia's crude oil exports by source for the periods indicated.

Crude Oil Exports⁽¹⁾

	<u>Year Ended 31 December</u>					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in millions of barrels)					
Production sharing contracts ⁽²⁾	96	123	127	102	73	26
Government and government-designated ⁽³⁾	14	5	0	1	1	0
Total	110	128	127	103	74	26

Source: Ministry of Energy and Mineral Resources

^P Preliminary.

(1) Includes exports of crude oil condensate.

(2) Most of the production under production sharing contracts is provided to Pertamina. Production sharing contracts are a common type of joint cooperation contract used in Indonesia's oil and gas upstream sector, under which the Government and the contractor agree to split the production measured in revenue based on agreed percentages.

(3) Exports by Pertamina and entities designated by SKK Migas are reported together.

The following table sets forth the average price of Indonesian crude oil, measured by the ICP, for the periods indicated.

	<u>Year Ended 31 December</u>					
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
	(in U.S. dollars per barrel)					
ICP ⁽¹⁾	97.0	49.2	40.1	51.2	67.5	62.4

Source: Directorate General of Oil and Gas, Ministry of Energy and Mineral Resources

(1) For a description of the ICP, see "Certain Defined Terms and Conventions."

The following table sets forth natural gas production by source for the periods indicated.

Natural Gas Production by Source⁽¹⁾

	Year Ended 31 December					
	2014	2015	2016	2017	2018	2019
	(in millions of cubic feet)					
Pertamina	309	323	299	371	371	349
Production sharing contracts ⁽²⁾	2,267	2,195	2,222	2,410	2,463	2,298
Total	2,576	2,518	2,521	2,781	2,834	2,647

Source: Ministry of Energy and Mineral Resources

(1) Includes LPG.

(2) Most of the production under production sharing contracts is provided to Pertamina. Production sharing contracts are a common type of joint cooperation contract used in Indonesia's oil and gas upstream sector, under which the Government and the contractor agree to split the production measured in revenue based on agreed percentages.

The table below sets forth Indonesia's proven natural gas reserves for the periods indicated based on estimates prepared by the Ministry of Energy and Mineral Resources' Reserve Oil and Gas Evaluation Team, which is composed of representatives from the Oil and Gas Directorate of the Ministry of Energy and Mineral Resources, the Center of Research and Development of Oil and Gas Technology of the Ministry of Energy and Mineral Resources, as well as SKK Migas, which are based on the applicable Annual Reserve Oil and Gas Report received by SKK Migas from various oil and gas contractors. Proven natural gas reserves represent marketable volumes that generate sales revenue. Estimates of proven natural gas reserves are comparable to estimates prepared using international standards and includes total volume without regard to the direct economic benefit of Indonesia. Estimates are prepared pursuant to the Petroleum Resources Management System sponsored by the Society of Petroleum Engineers.

Proven Natural Gas Reserves

Year	Proven Natural Gas Reserves (in trillions of standard cubic feet of gas)
2014	100.3
2015	98.0
2016	101.2
2017	100.4
2018	96.1
2019	49.7

Source: Ministry of Energy and Mineral Resources

Minerals

The Republic's major mineral products are coal, nickel, copper and bauxite, and it has substantial resources of each of these minerals. In recent years, the Government has pursued policies designed to increase the production and export of value-added products using these mineral resources.

Grasberg Copper Mine

Under Law No. 4 of 2009 on Mineral and Coal Mining enacted by the Government in January 2009, or the Mining Law, two new types of licenses were created: *ijin usaha pertambangan*, or IUP, and *ijin usaha pertambangan khusus*, or IUPK. Subsequent to the enactment of the Mining Law, the Government issued various regulations thereunder, including (i) regulations mandating the domestic processing and refining of minerals, (ii) regulations requiring the reclamation of areas affected by mining activities, (iii) regulations related to local community development and empowerment, optimization and conservation of mineral resources, and job opportunities for local mining service providers and local communities surrounding a mining area and (iv) regulations relating to procedures for the granting of a production operation special mining permit, which provide guidelines for the granting of an operation production IUPK in order to continue the operation of a contract of work.

Pursuant to the Mining Law, contracts of work issued under the prior mining law, including Freeport's contract of work, will remain valid until the end of their terms. Under the current regulations, however, contract of work holders, including Freeport, are required to refine their mining products in Indonesia and, contract of work holders, including Freeport, are required to convert their contract of work into an IUPK to continue the export of concentrate.

On 20 February 2017, Freeport-McMoRan Inc., or FCX, the parent company of PT Freeport Indonesia, or Freeport, the operator of the Grasberg copper mine in the province of Papua, announced that Freeport had provided to the Government formal notice of an impending dispute pursuant to the dispute resolutions provisions of the contract of work entered into between Freeport and the Government.

On 4 April 2017, the Government granted Freeport a temporary special mining permit, which was effective from February 2017 to October 2017. In August 2017, Freeport agreed to convert its contracts of work into an IUPK and to transfer to Indonesia a 51.0% stake in the Grasberg copper mine. Freeport also agreed to build a smelter to process copper concentrate in Indonesia in order to support job creation and increase the amount of processing work done in Indonesia. In exchange, the Government agreed to grant Freeport an initial five-year license expiring in 2021 and to extend Freeport's permit to operate the mine for two additional ten-year terms until 2041, subject to the construction of certain smelters, submission of the applicable permit applications and certain other conditions.

On 27 September 2018, the Indonesian state-owned enterprise PT Indonesia Asahan Aluminium (Persero) or Inalum, entered into various agreements with FCX, Rio Tinto and other relevant parties in connection with Inalum's acquisition of a 51.2% share ownership in Freeport Indonesia and other interests related to the Grasberg copper mine for a cash consideration of \$3.85 billion. Inalum funded the acquisition from the net proceeds of a bond offering.

The transaction was completed in December 2018, pursuant to which Inalum owns, directly and indirectly, 51.2% beneficial equity interest in Freeport Indonesia (subject to a dividend assignment mechanism to replicate the joint venture economics), and FCX's ownership is 48.8%. FCX continues to manage the operations of Freeport Indonesia. The Government has granted Freeport Indonesia a new special mining license ("IUPK") to replace its Contract of Work, enabling Freeport Indonesia to conduct operations in the Grasberg minerals district through 2041. Under the terms of the IUPK, Freeport has been granted an extension of mining rights through 2031, with rights to extend mining rights through 2041 subject to it completing the construction of a new smelter within five years of the closing of the transaction and fulfilling its defined fiscal obligations to the Government.

Construction

Over the last five years, besides the development of a basic public services infrastructure, the main drivers of the construction sector were improvement works in the areas of communications and logistics infrastructure, transportation and electrification.

In 2014, the construction sector grew by 7.0% compared to a growth of 6.1% in 2013, primarily due to an increase in the production of construction raw materials.

In 2015, the construction sector grew by 6.4% compared to a growth of 7.0% in 2014, primarily due to an acceleration of the implementation of Government development projects in the fourth quarter of 2015.

In 2016, the construction sector grew by 5.2% compared to a growth of 6.4% in 2015, primarily due to several infrastructure projects implemented by the public and private sectors such as airports, industrial zones, bridges, and highways.

In 2017, the construction sector grew by 6.8% compared to a growth of 5.2% in 2016, primarily due to several infrastructure projects conducted by the public and private sectors such as roads, high ways, light rail transit, and bridges.

In 2018, the construction sector grew by 6.1% compared to 6.8% in 2017. This growth was primarily due to the increased construction activity on infrastructure projects such as light rail transits and highways.

In 2019, the construction sector grew by 5.8% compared to 6.1% in 2018. This growth was primarily due to the increased construction activity on infrastructure projects such as light rail transits and highways.

Transportation and Warehousing

The transportation and warehousing sector comprises the sub-sectors of (i) railway transport, (ii) land transport, (iii) sea transport, (iv) river, lake and ferry transport, (v) air transport and (vi) warehousing and support activities for transportation; postal and courier.

In 2014, the transportation and warehousing sector grew by 7.4%, compared to 7.0% in 2013. The railway transport sub-sector had the highest growth, which grew by 20.8% in 2014 compared to the previous year.

In 2015, the transportation and warehousing sector grew by 6.7%, compared to 7.4% in 2014. The air transport sub-sector had the highest growth, which grew by 10.4% in 2014 compared to the previous year.

In 2016, the transportation and warehousing sector grew by 7.4% compared to 6.7% in 2015. The sub-sector contributing the highest growth was air transport at 13.2%, followed by warehousing and support activities of transportation, postal and courier at 7.5% and land transport at 7.1%.

In 2017, the transportation and warehousing sector grew by 8.5%, compared to 7.4% in 2016. The sub-sector contributing the highest growth was railway transport at 19.0%, followed by air transport at 11.9% and warehousing and support activities for transportation; postal and courier at 8.5%.

In 2018, the transportation and warehousing sector grew by 7.1% compared to 8.5% in 2017. The sub-sector contributing the highest growth was railway transport at 10.7%, followed by warehousing and support activities of transportation, postal and courier at 7.9% and land transport and sea transport at 7.2% each.

In 2019, the transportation and warehousing sector grew by 6.4% compared to 8.4% in 2018. The sub-sector contributing the highest growth was sea transport at 10.6%, followed by warehousing and support activities for transportation, postal and courier at 10.3%. This was partially offset by contraction in the air transport subsector, which contracted by 9.8%.

Other sectors

In 2019, the information and communication grew by 9.4% compared to 7.0% in 2018. This growth was primarily due to an increase in the number of start-ups, game online industries, and construction of base transceiver stations.

None of the other sectors shown in the tables above comprised more than 5.0% of GDP, at either current prices or constant prices, for the periods indicated.

Recent developments regarding an SOE

PT Asuransi Jiwasraya, a state-owned insurance company, is currently under investigation for financial irregularities and fraud in the management of its savings and investment plans. The ministry of state-owned enterprises is currently evaluating options to support the company.

Gross Domestic Product

In this prospectus, GDP is shown in both current and constant prices. GDP at current prices value a country's output using the actual prices for each year, while GDP at constant prices (also referred to as "real" GDP) value output using the prices from a base year, thereby eliminating the distorting effects of inflation and deflation.

The following table shows the distribution of GDP in the Indonesian economy by expenditure at current prices and constant prices, respectively, for the periods indicated (at current prices).

**Gross Domestic Product by Expenditure
(at current prices)**

	Year Ended 31 December													
	2014	%	2015	%	2016	%	2017	%	2018 ^P	%	2019 ^P	%	Q1 2020	%
	(in billions of Rupiah and percentage of GDP)													
GDP	10,569,705	100.0	11,526,333	100.0	12,401,729	100.0	13,589,826	100.0	14,838,312	100.0	15,833,943	100.0	3,922,614	100.0
Add: Imports of goods and services	2,580,508	24.4	2,394,879	20.8	2,273,528	18.3	2,606,283	19.2	3,268,839	22.0	2,991,963	18.9	689,056	17.6
Total supply of goods and services	13,150,213	124.4	13,921,212	120.8	14,675,257	118.3	16,196,109	119.2	18,107,151	122.0	18,825,907	118.9	4,611,670	117.6
Less: Exports of goods and services	2,501,425	23.7	2,438,993	21.2	2,367,365	19.1	2,742,061	20.2	3,111,923	21.0	2,914,636	18.4	683,604	17.4
Total domestic expenditure	10,648,788	100.7	11,482,219	99.6	12,307,891	99.2	13,454,048	99.0	14,995,227	101.1	15,911,271	100.5	3,928,066	100.1
Allocation of total domestic expenditure:														
Household consumption expenditure	5,915,194	56.0	6,490,930	56.3	7,027,023	56.7	7,623,056	56.1	8,274,212	55.8	8,965,837	56.6	2,280,544	58.1
NPISHs consumption expenditure	124,242	1.2	130,951	1.1	144,499	1.2	160,594	1.2	180,815	1.2	206,013	1.3	50,310	1.3
Government consumption expenditure	996,197	9.4	1,123,750	9.7	1,181,613	9.5	1,239,470	9.1	1,336,613	9.0	1,385,882	8.8	254,897	6.5
Total consumption	7,035,634	66.6	7,745,630	67.2	8,353,136	67.4	9,023,120	66.4	9,791,640	66.0	10,557,732	66.7	2,585,751	65.9
Gross domestic fixed capital formation	3,436,924	32.5	3,782,012	32.8	4,040,202	32.6	4,370,575	32.2	4,789,385	32.3	5,119,491	32.3	1,251,744	31.9
Change in inventories (residual) ⁽¹⁾	176,231	1.7	(45,423)	(0.4)	(85,446)	(0.7)	60,353	0.4	414,202	2.8	234,049	1.5	90,571	2.3
Total domestic expenditure	10,648,789	100.7	11,482,219	99.6	12,307,891	99.2	13,454,048	99.0	14,995,227	101.1	15,911,271	100.5	3,928,066	100.1

Source: BPS

^P Preliminary.

(1) Includes statistical discrepancies.

Gross Domestic Product by Expenditure (at constant 2010 prices)

	Year Ended 31 December ⁽¹⁾											
	2014	%	2015	%	2016	%	2017	%	2018 ^P	%	2019 ^P	Q1 2020
(in billions of Rupiah and percentage of GDP)												
GDP	8,564,867	100.0	8,982,517	100.0	9,434,613	100.0	9,912,928	100.0	10,425,397	100.0	10,949,244	2,703,065
Add: Imports of goods and services	1,987,114	23.2	1,862,939	20.7	1,818,133	19.3	1,964,819	19.8	2,198,263	21.1	2,029,280	473,153
Total supply of goods and services	10,551,981	123.2	10,845,456	120.7	11,252,747	119.3	11,877,747	119.8	12,623,661	121.1	12,978,523	3,176,218
Less: Exports of goods and services	2,047,887	23.9	2,004,467	22.3	1,971,183	20.9	2,146,565	21.7	2,287,090	21.9	2,267,120	546,465
Total domestic expenditure	8,504,093	99.3	8,840,989	98.4	9,281,564	98.4	9,731,183	98.2	10,336,571	99.1	10,711,404	2,629,753
Allocation of total domestic expenditure:												
Household consumption expenditure	4,651,018	54.3	4,881,631	54.3	5,126,308	54.3	5,379,629	54.3	5,651,454	54.2	5,936,400	1,483,594
NPISHs consumption expenditure	99,420	1.2	98,800	1.1	105,362	1.1	112,664	1.1	122,917	1.2	135,974	32,652
Government consumption expenditure	736,283	8.6	775,398	8.6	774,305	8.2	790,756	8.0	828,683	7.9	855,597	159,398
Total consumption	5,486,722	64.1	5,755,829	64.1	6,005,975	63.7	6,283,049	63.4	6,603,054	63.3	6,927,970	1,675,644
Gross domestic fixed capital formation	2,772,471	32.4	2,911,356	32.4	3,041,585	32.2	3,228,763	32.6	3,443,242	33.0	3,596,364	876,316
Change in inventories (residual) ⁽²⁾	244,901	2.9	173,804	1.9	234,004	2.5	219,370	2.2	290,275	2.8	187,070	77,793
Total domestic expenditure	8,504,093	99.3	8,840,989	98.4	9,281,564	98.4	9,731,183	98.2	10,336,571	99.1	10,711,404	2,629,753

Source: BPS

^P Preliminary.

(1) Calculated with calendar year 2010 as the Base Year.

(2) Includes statistical discrepancies.

Inflation

The Government sets inflation targets periodically and targeted an inflation rate of 3.5% ($\pm 1.0\%$) for 2019 and 3.1% ($\pm 1\%$) for 2020. Bank Indonesia enacts and implements policies to achieve the inflation target in coordination with the Government.

In addition, the Inflation Management and Monitoring Team (*Tim Pemantauan dan Pengendalian Inflasi* or TPI) is responsible for identifying and analyzing the sources of inflation and making policy recommendations to maintain low and stable inflation levels in the medium-to-long term. The TPI at the national level consists of a number of governmental authorities, including Bank Indonesia, the Ministry of Finance, the Ministry of Transportation, the Ministry of Trade, the Ministry of Agriculture, the Ministry of Energy and Mineral Resources, and the Coordinating Ministry of Economic Affairs. Since 2010, the TPI has also been formed in various regions to strengthen policy coordination, particularly in monitoring and controlling regional inflation.

The following table shows the Consumer Price Index, or CPI, as of the end of the periods indicated and the percentage change against the previous period.

Changes in Consumer Price Index

	As of 31 December					
	2014	2015	2016	2017 ^P	2018 ^P	2019 ^P
CPI	119.0 ⁽¹⁾	123.0 ⁽¹⁾	126.7 ⁽¹⁾	131.3 ⁽¹⁾	135.4 ⁽¹⁾	139.1 ⁽¹⁾
Annual percentage year-on-year	8.4%	3.4%	3.0%	3.6%	3.1%	2.7%

Source: BPS

^P Preliminary.

(1) Calculated on the basis of 2012 CPI = 100.

The following table shows percentage changes years-on-year in the CPI for certain commodities for the periods indicated.

Inflation by Commodity⁽¹⁾

	For the year ended 31 December					
	2014	2015	2016	2017 ^P	2018 ^P	2019 ^P
Food	10.6%	4.9%	5.7%	1.3%	3.4%	4.3%
Processed food, beverages and cigarettes	8.1%	6.4%	5.4%	4.1%	3.9%	4.0%
Housing	7.4%	3.3%	1.9%	5.1%	2.4%	1.8%
Clothing	3.1%	3.4%	3.1%	3.9%	3.6%	4.9%
Health	5.7%	5.3%	3.9%	3.0%	3.1%	3.5%
Education, recreation and sports	4.4%	4.0%	2.7%	3.3%	3.2%	3.3%
Transportation, communication, and financial Service	12.1%	(1.5)%	(0.7)%	4.2%	3.2%	0.2%

Source: BPS

^P Preliminary.

(1) Annual percentage year-on-year.

Indonesia measures annual inflation by year-on-year changes in the CPI.

In 2014, annual inflation was 8.4%, which was in line with the 2013 inflation rate. Increases in transportation and communication prices made the greatest contribution to the increase in the inflation rate, as transportation and communication prices in 2014 were 12.1% higher on average. In 2014 prices for food increased by 10.6%, prices for processed food, beverages, cigarettes and tobacco increased by 8.1%, and prices for housing increased by 7.4%.

In 2015, annual inflation was 3.4%, which was lower than the 8.4% annual inflation in 2014. This decrease was primarily due to smaller increases in the prices for food and housing, which increased by 4.9% and 3.3%, respectively, while prices for transportation, communication, and financial service decreased by 1.5%.

In 2016, annual inflation was 3.0%, which was lower than the 3.4% annual inflation in 2015. This decrease was primarily due to smaller increases in the prices for housing; health; and education, recreation and sports, which increased by 1.9%, 3.9% and 2.7%, respectively.

In 2017, annual inflation was 3.6%, which was higher than the 3.0% annual inflation in 2016. This increase was primarily due to higher prices in housing; transportation, communication, and financial service; clothing; and education, recreation and sports, which increased by 5.1%, 4.2%, 3.9% and 3.3%, respectively.

In 2018, annual inflation was 3.1%, which was lower than the 3.6% annual inflation in 2017. This was primarily due to smaller increases in housing, transportation, communication, and financial service, clothing and processed food, beverages and cigarettes, which increased at 2.4%, 3.1%, 3.5% and 3.9%, respectively.

In 2019, annual inflation was 2.7%, which was lower than the 3.1% annual inflation in 2018. This was primarily due to smaller increases in housing and transportation, communication, and financial service, which increased at 1.8% and 0.2%, respectively.

On 3 February 2020, BPS released information relating to inflation for the month of January 2020. For January 2020, the CPI was 104.3 and inflation was 0.39%.

On 2 March 2020, BPS released information relating to inflation for the month of February 2020. For February 2020, the CPI was 104.6 and inflation was 0.28%.

On 1 April 2020, BPS released information relating to inflation for the month of March 2020. For March 2020, the CPI was 104.7 and inflation was 0.10%.

On 4 May 2020, BPS released information relating to inflation for the month of April 2020. For April 2020, the CPI was 104.8 and inflation was 0.08%.

On 2 June 2020, BPS released information relating to inflation for the month of May 2020. For May 2020, the CPI was 104.9 and inflation was 0.07%.

Privatization of State-Owned-Enterprises

The sale by the Government of SOE shares to private investors has been an important means for the Government to promote private investment and to improve the efficiency, transparency, public accountability and corporate governance of the SOEs.

As of 31 December 2019, there were 114 SOEs that comprised 16 listed SOEs, 84 non-listed SOEs, and 14 special purpose entities. In addition, there were 28 enterprises in which the Government owned a minority stake. Most SOEs were in the manufacturing industry (29), warehouse and transportation industry (19) and insurance and financial service industry (19).

The following table sets forth significant full and partial privatizations since 2011 (including prior periods where relevant):

State-Owned-Enterprises Privatizations

<u>SOE</u>	<u>Year of offering</u>	<u>Government equity interest after offering</u> (percentages)	<u>Proceeds to the Government</u> (in billions of Rupiah)	<u>Proceeds to SOE</u>
PT Bank Tabungan Negara (Persero) Tbk	2009	72.9	—	1,819
	2012 ⁽³⁾	60.0	135.9	1,870
PT Garuda Indonesia (Persero) Tbk	2011	69.1	—	3,187
	2014 ⁽³⁾	60.5	11.2	1,449
PT Kertas Basuki Rachmat Tbk ⁽¹⁾	2011	—	2.6 ⁽²⁾	—
PT Atmindo Tbk ⁽¹⁾	2011	—	9.0 ⁽²⁾	—
PT Jakarta International Hotel Development, Tbk ⁽¹⁾	2011	—	18.5 ⁽²⁾	—
PT Waskita Karya (Persero) Tbk	2012	68.0	—	1,171
PT Semen Baturaja (Persero) Tbk	2013	76.2	—	1,309
PT Sarana Karya (Persero) ⁽⁴⁾	2013	—	48.2	—
PT Kertas Padalarang (Persero) ⁽⁵⁾	2013	—	12.1	—
PT Waskita Karya (Persero) Tbk ⁽⁶⁾	2015	68.0	—	5,289
PT Aneka Tambang (Persero) Tbk ⁽⁶⁾	2015	65.0	—	5,381
PT Adhi Karya (Persero) Tbk ⁽⁶⁾	2015	51.0	—	2,727
PT Wijaya Karya (Persero) Tbk ⁽⁶⁾	2016	65.0	—	6,149
PT Krakatau Steel (Persero) Tbk ⁽⁶⁾	2016	80.0	—	1,875
PT Pembangunan Perumahan (Persero) Tbk ⁽⁶⁾	2016	51.0	—	4,412
PT Jasa Marga (Persero) Tbk ⁽⁶⁾	2016	70.0	—	1,786

Source: Ministry of State-Owned-Enterprises

(1) Minority Ownership by Government.

(2) Sale of unsold shares from 2007.

(3) Rights issue through the issuance of new shares.

(4) Pursuant to Government Regulation No. 91 of 2013, sales of shares held by the Republic in PT Sarana Karya (Persero) have been made using strategic sales method to PT Wijaya Karya (Persero), Tbk with total gross proceeds of Rp50 billion on 31 December 2013.

(5) Pursuant to Government Regulation No. 35 and 36 of 2013, sales of shares held by the Republic in PT Kertas Padalarang (Persero) have been made using strategic sales method to Perum Peruri with total gross proceeds of Rp13 billion on 18 December 2013.

(6) Rights issues carried out through the execution of pre-emptive rights using the addition of State Capital Investment Fund, or PMN, from the Government.

Labor and Employment

Labor

The following table sets forth the proportion of the employed labor force in each sector of the economy as of the period indicated.

Sector	As of August 2014 ⁽¹⁾	As of February 2015 ⁽¹⁾	As of August 2015 ⁽¹⁾	As of February 2016 ⁽¹⁾	As of August 2016 ⁽¹⁾	As of February 2017 ⁽¹⁾	As of August 2017 ⁽¹⁾	As of February 2018 ⁽¹⁾	As of August 2018 ⁽¹⁾	As of February 2019 ^{(1) (2)}	As of August 2019 ⁽¹⁾									
	%	%	%	%	%	%	%	%	%	%	%									
Agriculture, forestry and fishing	39.0	34.0	40.1	33.2	37.8	32.9	38.3	31.7	37.8	31.9	35.9	29.7	38.7	30.5	35.7	28.8	38.1	29.5	34.6	27.3
Mining and quarrying	1.4	1.3	1.4	1.2	1.3	1.1	1.3	1.1	1.5	1.2	1.4	1.1	1.4	1.1	1.5	1.2	1.4	1.1	1.4	1.1
Manufacturing	15.6	13.6	16.8	13.9	15.5	13.5	16.5	13.6	15.9	13.4	17.1	13.7	17.6	14.5	17.9	14.1	18.3	14.7	18.9	15.0
Electricity, gas, steam and air conditioning supply	0.2	0.2	0.2	0.2	0.2	0.2	0.3	0.2	0.3	0.2	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.2	0.4	0.3
Water supply, sewerage, waste management and remediation activities	0.2	0.2	0.3	0.2	0.3	0.2	0.3	0.3	0.2	0.2	0.4	0.3	0.4	0.3	0.4	0.5	0.4	0.3	0.5	0.4
Construction	7.3	6.4	7.7	6.4	8.2	7.1	7.7	6.4	8.0	6.7	7.2	5.8	8.1	6.7	7.1	5.6	8.3	6.7	7.6	5.9
Wholesale and retail trade, repair of motor vehicles and motorcycles	20.9	18.3	22.6	18.7	21.3	18.6	24.1	20.0	21.6	18.2	23.2	18.7	22.5	18.6	23.5	18.5	23.1	18.6	24.5	18.9
Transportation and storage	4.6	4.0	4.6	3.8	4.6	4.0	4.7	3.9	5.0	4.2	4.9	4.0	5.1	4.2	5.1	4.0	5.4	4.4	5.2	4.0
Accommodation and food service activities	4.8	4.2	5.1	4.2	5.2	4.6	5.6	4.7	6.3	5.3	7.1	5.7	6.9	5.7	8.1	6.4	7.7	6.2	8.8	6.8
Information and communication	0.6	0.5	0.6	0.5	0.5	0.5	0.6	0.5	0.7	0.6	0.8	0.7	0.8	0.7	1.0	0.8	0.9	0.7	0.9	0.7
Financial and insurance activities	1.5	1.3	1.8	1.5	1.7	1.5	1.7	1.4	1.7	1.5	1.8	1.4	1.7	1.4	1.7	1.3	1.8	1.4	1.8	1.4
Real estate activities	0.3	0.2	0.3	0.2	0.3	0.3	0.3	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.4	0.3	0.3	0.4
Professional, scientific and technical activities, Administrative and support service activities	1.3	1.1	1.6	1.3	1.4	1.2	1.4	1.1	1.4	1.2	1.4	1.2	1.7	1.4	1.6	1.2	1.7	1.3	1.7	1.3
Public administration and defence, compulsory social security	3.7	3.2	4.0	3.3	4.0	3.5	4.4	3.6	5.0	4.2	5.0	4.0	4.6	3.8	5.3	4.2	4.7	3.8	5.1	4.0
Education	5.4	4.7	5.9	4.9	5.6	4.9	5.7	4.8	6.1	5.1	6.4	5.1	6.0	4.9	6.3	5.0	6.1	4.9	6.6	5.1
Human health and social work activities	1.3	1.2	1.6	1.3	1.5	1.3	1.6	1.4	1.8	1.5	1.8	1.5	1.8	1.5	2.0	1.6	1.8	1.5	2.0	1.5
Other service activities	6.5	5.7	6.3	5.2	5.4	4.7	5.9	4.9	5.0	4.2	5.6	4.5	6.0	5.0	6.3	4.9	6.0	4.8	6.3	4.9
Total	114.6	100.0	120.8	100.0	114.8	100.0	120.6	100.0	118.4	100.0	124.5	100.0	121.0	100.0	127.1	100.0	124.0	100.0	129.4	100.0
																			126.5	100.0

Source: BPS

(1) Estimation using results of back-casting from population projection weighing results.

Employed Labor Force of Indonesia by Gender

The following table sets forth Indonesia's employed labor force by gender as of the period indicated.

	As of February 2014	As of August 2014	As of February 2015	As of August 2015	As of February 2016	As of August 2016	As of February 2017	As of August 2017	As of February 2018	As of August 2018	As of February 2019	As of August 2019												
	%	%	%	%	%	%	%	%	%	%	%	%												
Male	72.5	61.4	71.5	62.3	73.4	60.8	72.2	62.8	73.7	61.1	72.9	61.6	74.8	60.0	74.7	61.8	76.0	59.8	76.1	61.4	77.3	59.8	77.8	61.5
Female	45.6	38.6	43.2	37.7	47.4	39.2	42.7	37.2	46.9	38.9	45.5	38.4	49.8	40.0	46.3	38.2	51.1	40.2	47.9	38.6	52.0	40.2	48.8	38.5
Total	118.2	100.0	114.6	100.0	120.8	100.0	114.8	100.0	120.6	100.0	118.4	100.0	124.5	100.0	121.0	100.0	127.1	100.0	124.0	100.0	129.4	100.0	126.5	100.0

Source: BPS

(1) Percentages are calculated as percentages of the employed labor force.

Employment and Unemployment in Indonesia⁽¹⁾

The following table sets forth Indonesia's employment and unemployment rate as a percentage of Indonesia's working age population as of the period indicated.

	As of February 2014	As of August 2014	As of February 2015	As of August 2015	As of February 2016	As of August 2016	As of February 2017	As of August 2017	As of February 2018	As of August 2018	As of February 2019	As of August 2019												
	%	%	%	%	%	%	%	%	%	%	%	%												
Employed	118.2	94.3	114.6	94.1	120.8	94.2	114.8	93.8	120.6	94.5	118.4	94.4	124.5	94.7	121.0	94.5	127.1	94.9	124.0	94.7	129.4	95.0	126.5	94.7
Unemployed ⁽²⁾	7.1	5.7	7.2	5.9	7.5	5.8	7.6	6.2	7.0	5.5	7.0	5.6	7.0	5.3	7.0	5.5	6.9	5.1	7.0	5.3	6.8	5.0	7.1	5.3
Total	125.3	100.0	121.9	100.0	128.3	100.0	122.4	100.0	127.7	100.0	125.4	100.0	131.5	100.0	128.1	100.0	133.9	100.0	131.0	100.0	136.2	100.0	133.6	100.0

Source: BPS

(1) Working age population refers to all persons in Indonesia 15 years old or older and includes certain non-workforce categories such as students and home makers.

(2) The Government defines unemployment to include all persons 15 years old and older without work who (i) are looking for work, (ii) have established a new business, (iii) are not looking for work because they do not expect to find work, and (iv) have made arrangements to start work on a date subsequent to the unemployment measurement date.

Despite improvements in recent years, unemployment is expected to remain a problem in Indonesia if economic growth and job creation fail to keep pace with population growth. Youth unemployment (between the ages of 15 to 24) remains a particular problem, but has improved in recent years. The Government has sought to address employment issues through a number of policies and regulations, including efforts to create new areas of work and to develop existing areas of work through employee-employer relationships and entrepreneurial programs. The Government provides various forms of assistance (including tax relief and infrastructure support) to encourage employers to create jobs for employees while also creating and developing productive and sustainable working opportunities through entrepreneurial programs, the use of technology and encouraging voluntary work. As of August 2017, Indonesia had its lowest unemployment rate in ten years. This improvement was due in part to a narrowing of the gap between workforce skills and the skills required in available jobs.

Regional governments have the power to establish minimum wage requirements through tripartite wage boards and do so from the beginning of each calendar year. The table below sets out the national average monthly minimum wage for each year and the average increase across the country for each year.

<u>Year</u>	<u>National average minimum wage</u>	<u>Increase in average minimum wage</u>
2014	Rp1,584,391.3	14.8%
2015	Rp1,782,211.3	12.8%
2016	Rp1,967,572.0	9.9%
2017	Rp2,074,151.1	8.9%
2018	Rp2,268,874.2	9.4%
2019	Rp2,455,662.2	8.2%
2020	Rp2,672,370.8	8.9%

Source: Kemnaker (the Ministry of Manpower)

Pension and Health Funds

In November 2011, the Government enacted a law creating the Social Security Administering Agencies (*Badan Penyelenggara Jaminan Sosial* or BPJS), or Law No. 24 of 2011 on Social Security Administering Agencies. The BPJS consists of the (i) BPJS for Health Coverage, or BPJS Kesehatan, which provides healthcare services for all citizens and (ii) BPJS for Social Security Benefit for Workers, or BPJS Ketenagakerjaan, which provides social security benefits for private sector and informal workers. BPJS Kesehatan and BPJS Ketenagakerjaan took over the functions of the Government's other social security administering agencies, namely PT Jamsostek (Persero) and PT Askes (Persero), on 1 January 2014.

In order to implement the BPJS, PT Asabri (Persero) and PT Taspen (Persero) will assign: (i) the provision of healthcare benefits and pensions for police and armed forces to be administered by PT Asabri (Persero) and (ii) the provision of pensions and retirement benefits to be administered by PT Taspen (Persero) and BPJS Ketenagakerjaan. The assignments are expected to be completed by no later than 2029.

Income Distribution

As of March 2019, Indonesia had a Gini Index of 0.38. The Gini Index is a measure of income distribution that ranges between 0.0 and 1.0, with higher numbers indicating greater inequality.

The percentage of people living below the poverty line in Indonesia has exhibited a decreasing trend since the Asian financial crisis in 1998. BPS measures poverty using a basic needs approach and defines poverty as an economic inability to fulfill food and non-food basic needs, measured by consumption and expenditure. Based on this methodology, approximately 49.5 million people, or 24.2% of the population, were living below the poverty line in 1998, and this decreased to approximately 24.8 million, or 9.2% of the population, as of September 2019.

Regional Growth

As the island with the highest population density, high consumption and an industrial base, Java has historically been the main contributor to Indonesia's economic growth. Based on preliminary data for the year ended 31 March 2019, Java contributed 59.0% of the country's GDP, Sumatera contributed 21.4%, Kalimantan contributed 8.3%, Sulawesi contributed 6.1%, Bali & Nusa Tenggara contributed 4.6% and Maluku & Papua contributed 2.2%.

With the implementation of Law No. 33 of 2004 concerning Financial Balance between the Central Government and the Regional Government, the Government allocates a portion of the state budget for transfers to regions and village funds each year. Transfers to regions and village funds has become one of the funding instruments for accelerated development programs and is an instrument to achieve national priority goals carried out by the regional government. This allocation plays a strategic role to support the performance of all regions in improving the quality of and equalizing basic public services, creating employment, alleviating poverty and improving equity in capacity inter-regional finance.

From 2014 to 2018, the budget for transfers to regions and village funds on average increased by 7.3% per year. The increase in transfers to the regions in recent years has been instrumental in improving delivery of basic public services in the area. For more information, see “*Government Revenues and Expenditure*.”

Infrastructure Development

A key priority of the Government is to encourage infrastructure development as a means to accelerate economic growth particularly in rural areas, support further industrial development and tourism, enhance urban transportation and improve the lives and economic welfare of Indonesians by reducing unemployment and poverty.

The Government has introduced a number of sector-specific reforms to encourage infrastructure development, including the requirement that the relevant ministries prepare long-term infrastructure development master plans for their respective sectors.

According to Presidential Regulation No. 3 of 2016 on Acceleration of the Implementation of the National Strategic Projects, as lastly amended by Presidential Regulation No. 56 of 2018, the Government has selected a list of projects called National Strategic Projects, which consists of 223 projects across fifteen sectors (including roads, railways, seaports, airports, zones, housing, borders, water, dams, irrigation, technology, smelter, energy, agriculture/fishery and seawall), and three programs (including electricity, airplane industry, economic equality programs). The Government estimates that the total cost of the infrastructure projects under the National Strategic Projects will be approximately Rp4,796.2 trillion (equivalent to U.S.\$333.07 billion, using the 2020 Budget exchange rate assumption of Rp14,400 per U.S.\$). Indonesia’s infrastructure investment requirements exceed available public sector funding. As a result, the Government expects to pay for approximately 41.0% of this cost using public sector funding (state budgets, SOEs and regional SOEs) as well as private sector investment. The public sector funds would primarily be used to support basic infrastructure projects, food security (e.g., irrigation, dams) and transportation, logistics and connectivity projects as well as urban transportation.

In addition to maintaining and upgrading existing infrastructure, the Government has identified a number of priority infrastructure projects under the Coordinating Minister of Economic Affairs Regulation No. 12 of 2015 on Acceleration in Preparing Priority Infrastructure, as amended by Coordinating Minister of Economic Affairs Regulation No. 5 of 2017. The Committee for Acceleration of Priority Infrastructure Delivery (*Komite Percepatan Penyediaan Infrastruktur Prioritas* or KPPIP) has designated 37 priority projects in eight main sectors: roads and bridges, water and sanitation, refineries, electricity, ports, public transportation, railways, and information technology. The priority projects have an estimated cost of Rp2,490.0 trillion and are eligible to receive certain direct administrative support provided by KPPIP.

As part of the newly released RPJMN 2020-2024, the Government has selected a list of major projects called Strategic Priority Projects, which consists of 41 major projects with main focus areas, among others, regulation and policy harmonization, tourism, industrial area, agriculture and fishery, renewable energy, ports, regional development, disaster recovery, skill improvement and education, roads and bridges, railways, public transportation, refineries, electricity, information technology, water and sanitation as well as housing. The Government estimates that the total cost of the infrastructure projects under the National Strategic Projects will be approximately Rp6,394 trillion (equivalent to U.S.\$444.028 billion using the 2020 Budget exchange rate assumption or Rp14,400 per U.S.\$).

The Government expects to finance the remaining cost of the priority infrastructure projects through greater private sector participation, specifically: partnerships between the Government and the private sector (i.e., private public partnerships, or PPPs), and increased borrowing by the Government and SOEs.

The Government recognises the important role of PPPs in the development of infrastructure projects and has adopted regulations that provide the legal and regulatory framework for PPPs — from procurement of the PPP concessionaire to the provision of Government support and guarantees. For a discussion of these guarantees, see “— *Public Debt — Contingent Liabilities.*”

Completion timeline for priority projects

The below table shows the construction commencement dates for the priority projects under the National Medium Term Plan for 2015 – 2019 as well as expected commercial operation years as of 31 December 2019.

Priority Projects		Construction Commencement Year	Expected Commercial Operation Year
Roads and Bridges	Balikpapan — Samarinda Toll Road	2017	Completed
	Serang — Panimbang Toll Road	2017	2020
	Manado — Bitung Toll Road	2016	Completed
	Eight sections of the Sumatera toll road:		
	Medan — Binjai	2015	2020
	Palembang — Indralaya	2015	Completed
	Bakauheni — Terbanggi Besar	2015	Completed
	Pekanbaru — Dumai	2016	2020
	Terbanggi Besar — Pematang Panggang . .	2017	Completed
	Pematang Panggang — Kayu Agung	2017	Completed
	Palembang — Tanjung Api-api	2019	2024
	Kisaran — Tebing Tinggi	2019	2021
	Yogyakarta — Bawen Toll Road	2019	2021
	Probolinggo — Banyuwangi Toll Road	2017	2020
Water and Sanitation	Jakarta Sewerage System (JSS)	2019	2022
	Water Supply System (SPAM) West Semarang	2019	2021
	National Capital Integrated Coastal Development (NCICD) Phase A	2016	2022
	Water Supply System (SPAM) Umbulan	2018	2022
	Water Supply System (SPAM) Lampung	2018	2021
	Refineries		
Refineries	Oil refinery in Bontang	2021	2027
	Oil refinery in Tuban	2021	2026
	Refinery Development Master Plan (RDMP) . . .	2019	2021
Electricity	PLTU Mulut Tambang	2018	2020
	The 500kV Sumatera Transmission	2016	Completed
	Central — West Java Transmission Line	2018	2020
	PLTU Indramayu	2022	2026
Ports	PLTU Batang	2016	2020
	Bitung International Hub Seaport	2017	2022
	Kuala Tanjung International Hub Seaport	2015	2024
	Patimban Seaport	2018	2022
Public Transportation	Inland Waterways / Cikarang-Bekasi-Java Sea (CBL)	2019	2021
	MRT Jakarta (North — South Corridor)	2013	2024
	Light Rail Transit (LRT) South Sumatera	2015	Completed
	Light Rail Transit (LRT) Jakarta, Bogor, Depok, Bekasi	2015	2021
Railways	Soekarno-Hatta International Airport (SHIA) Express Railway	2015	Completed
	Makassar — Parepare Railway	2015	2021
	Central Kalimantan Railway (Puruk Cahu — Bangkuang Trase)	2018	2023
	Railway Double Tracking Railway Java South Line	2017	2024
	Double Tracking and Electrification Jabodetabek Railway (Manggarai-Jatinegara- Bekasi-Cikarang)	2015	2021
	Adi Soemarmo Airport Railway Access	2017	Completed
	Information Technology		
	Palapa Ring Broadband	2016	Completed

Transportation-related projects

The transportation network on the Indonesian archipelago relies heavily on sea and air transportation compared to most other countries of comparable size. Most road networks in and around major cities are heavily congested, while many inter-urban and rural road networks are in poor condition and are in need of repair. Public funds for road maintenance and construction are insufficient, and the Government is encouraging private participation and investment in building toll roads, mostly in Java, Sumatera and Sulawesi.

In the railways sector, by 2030 the railway network is expected to cover 12,100 km and achieve passenger share of approximately 11.0%-13.0%, and freight transport share of approximately 15.0%-17.0%. In addition, the plan provides strategies for the Government to achieve its goals by 2030, such as strategies regarding railway network development, increasing security and safety, technology transfer and industrial development, human resources development, institutional development, investment and financing.

In addition, railway projects are expected to be developed in the provinces of Aceh, North Sumatera, West Sumatera, South Sumatera and South Sulawesi, as well as in Java and several urban railways in Jakarta, Bandung, Yogyakarta, Surabaya and Medan. The Government is also studying the feasibility of railway projects in Kalimantan and Papua and an elevated train and subway system in Jakarta.

Construction of the Jakarta Mass Rapid Transit, or MRT, (Phase One), connecting Lebak Bulus to Bundaran Hotel Indonesia, commenced in 2013. Phase One constitutes approximately 15.7 km out of a total of approximately 23.8 km and was completed and operational in March 2019. Phase Two, connecting Bundaran Hotel Indonesia, MRT East-West Line and Kalideres-Ujung Menteng will commence after the completion of Phase One.

Construction of the Light Rail Transit in South Sumatera and the Jakarta, Bogor, Depok and Bekasi region commenced in 2015. Construction in South Sumatera was completed in 2018, whereas construction in Jakarta was partially completed in 2019. Construction in Bogor, Depok and Bekasi is still ongoing.

Construction of a high-speed train to connect Jakarta and Bandung commenced in 2016. In addition, two additional bus-way corridors have been developed and the construction of the remaining sections of the tolled ring road circling the outer city of Jakarta, the Jakarta Outer Ring Road, has been completed.

Energy-related projects

The Government has included the construction of 27,000 MW Power Plant, 19,000 KMS Transmission System, and 38,000 MVA Main Station to develop the electricity sector in Indonesia, as parts of the 41 Strategic Priority Projects under RPJMN 2020-2024.

Currently, the Government is guided by policy objectives as provided in the Government Annual Work Plan Document 2020, which provides a general framework for the preparation of specific work plans and budgets by the various ministries. These policy objectives are:

- (i) Improving the management on energy and electricity, including the funding aspect through several measures:
 - a.) implementation of electrical industry management to achieve transformation into an efficient and transparent industry;
 - b.) implementation of optimal energy and electricity tariff and pricing;
 - c.) promotion of wider access and utilization of renewable energy sources and energy efficiency measures by implementing creative funding schemes and providing incentive grants; and
 - d.) provision of extra funding to provide better access to energy and electricity for low-income families.
- (ii) Developing sustainable and efficient energy and electricity resource management through several measures:
 - a.) optimizing the use of renewable energy, such as geothermal, water, sun, and biomass to create an optimal mixture of energy sources;
 - b.) improvement of energy efficiency through the development of energy service companies and smart grid system; and
 - c.) utilization of high efficiency and low emission technologies.

- (iii) Expanding access to and improving the service quality of energy and electricity to make it more affordable for the society through several measures:
 - a.) development of on grid and off grid network system;
 - b.) expansion, rehabilitation, and upgrades of transmission system and distribution with improved information system management and data control;
 - c.) utilization of economically-efficient cooking method and fuel, such as urban gas distribution network, liquefied petroleum gas, electrical stove and clean cook stove; and
 - d.) governmental direct subsidy on energy and electricity.
- (iv) Improving the energy and electricity supply through several measures:
 - a.) fulfillment of energy demand with better energy supply based on regional development plans;
 - b.) improvement of oil and natural gas refineries infrastructure;
 - c.) guaranteed primary energy supply from domestic resources; and
 - d.) development of operational back up supply of fuels and liquefied natural gas from domestic resources.

Telecommunications

The Government aims to reduce the digital divide between rural and urban areas. One Government initiative to achieve this reduction is to implement the Universal Service Obligation, or USO, which aims at providing broadband access to villages in non-commercial areas using facilities placed in schools, community health centers, or rural government offices.

Due to the importance of broadband network access to the improvement of economic growth, the Government introduced the Indonesia Broadband Plan, or IBP, which consists of a policy document and an implementation plan. The policy document outlines Indonesia's current broadband ecosystem, the use of broadband as a strategy to improve Indonesia's competitiveness, and the policies and strategies for developing Indonesia's broadband. The implementation plan includes a detailed action plan for the broadband infrastructure project and its development. The Government has set a target to enable internet access in each regency by 2019 and remote areas by 2021.

One of the Government's major projects in telecommunication is the Palapa Ring Broadband project. This Rp21 trillion (U.S.\$1.55 billion) project comprises three sections, west, central and east, and will span 13,000 kilometers. It aims to construct a broadband network across Indonesia's 57 cities, as well as in frontier, outermost and remote regions. In July 2017, telecommunication developer PT Palapa Timur Telematika commenced the construction of a broadband network in eastern Indonesia under the Palapa Ring Broadband project. As of 31 December 2018, completion of the west, central and east sections were at 100%, 100% and 90.4%, respectively, measured in terms of targeted distance to be covered.

Foreign Investment

Indonesia is working to shift towards a value-added industrial economy in which low-cost labor is no longer the primary focus. The Government faces several challenges, including the ability to attract investment to downstream industries which add more value to the economy. Though certain issues still exist, such as underdeveloped infrastructures, the Government continues its comprehensive reform efforts to improve the business climate, including by introducing more investor-friendly investment regulations.

In April 2007, the New Investment Law No.25 of 2007 was enacted to replace and improve upon both the 1967 Foreign Investment Law (as amended by Law No. 11 of 1970) and the 1968 Domestic Investment Law (as amended by Law No. 12 of 1970). The New Investment Law and related regulations unify Indonesia's legal framework for foreign investment and includes limits for foreign participation in certain sectors of the economy, as provided in the Negative Investment List issued in 2016. In 2017 and 2018, the Government issued adjustments to the Negative Investment List through the Government's economic policy package to open more sectors that can be fully funded by foreign capital.

The New Investment Law provides certain tax incentives such as income tax deductions and certain deductions or exemptions with respect to import duties and value added tax on purchases of capital goods and raw materials. These tax incentives are granted in accordance with prevailing tax laws and regulations.

Companies' income tax holidays or reductions within certain amounts and periods may only be granted to a new investment in a pioneer industry, namely an industry with wide-ranging links that give added value, promotes new technology, and possesses strategic values for the national economy.

The Government has also taken other measures to attract more foreign direct investment, including measures in the Government's economic policy packages.

Foreign Investment in Indonesia

Foreign investment in Indonesia is divided into direct investments, portfolio investments and other investments, and information about these types of investments is included in the Republic's reports on its balance of payments published by the Bank Indonesia. Due to the different concept and method of compiling investment statistics, foreign direct investment statistical data published by Bank Indonesia are not comparable to the "administrative" foreign direct investment statistical data published by the Indonesia Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* or BKPM) under "*Direct Investments Realizations*."

The following table sets out the amounts of foreign investments in Indonesia by non-residents.

Foreign Investment in Indonesia

	Year ended 31 December						Q1 2020 ^P
	2014	2015	2016	2017	2018 ^P	2019 ^P	
	(in millions of U.S. Dollars)						
Direct Investments							
Equity Capital	21,895	18,822	4,684	18,839	19,993	24,739	4,275
Debt instrument	3,225	957	(142)	1,671	(1,083)	(157)	(28)
Total direct investments ⁽¹⁾	25,121	19,779	4,542	20,510	18,910	24,582	4,247
Portfolio investments:							
Equity securities	3,259	(1,547)	1,319	(2,538)	(3,668)	(397)	(714)
Debt securities	20,221	18,998	15,459	26,953	18,151	21,671	(4,998)
Total portfolio investments	23,480	17,451	16,777	24,415	14,483	21,274	(5,713)
Financial derivatives	(597)	(647)	(618)	(569)	(584)	(833)	(772)
Other investments	7,699	1,748	(7,316)	2,740	11,499	6,163	3,062
Total foreign investment	55,702	38,332	13,386	47,096	44,308	51,186	824

Source: Bank Indonesia

^P Preliminary.

(1) Presents direct investment in accordance with BPM6.

Foreign Direct Investment in Indonesia by Country of Origin⁽¹⁾

	Year Ended 31 December						Q1 2020 ^P
	2014	2015	2016	2017	2018 ^P	2019 ^P	
	(in millions of U.S. Dollars)						
North America	(1,129)	706	(370)	(2,546)	(3,997)	1,966	619
USA	(1,098)	603	(335)	(2,458)	(3,936)	968	468
Canada	106	81	(3)	(27)	(25)	893	2
Other North America ⁽²⁾	(138)	22	(32)	(61)	(37)	106	149
Central and South America	94	395	302	36	798	437	95
Argentina	0	1	0	1	(0)	(0)	0
Brazil	(1)	23	17	15	17	10	2
Mexico	1	0	1	1	1	1	0
Cayman Islands	53	34	5	(141)	84	235	52
Other Central and South America	42	337	279	160	696	191	41

	Year Ended 31 December						
	2014	2015	2016	2017	2018 ^P	2019 ^P	Q1 2020 ^P
	(in millions of U.S. Dollars)						
Europe	272	(66)	2,158	5,932	1,097	2,794	159
European Union	345	(2)	1,554	5,349	540	2,397	136
Austria	44	(6)	52	45	99	132	7
Belgium	(46)	84	23	(18)	(13)	23	(0)
Denmark	17	13	8	8	3	81	(9)
Finland	2	7	1	136	54	(159)	(2)
France	(158)	59	(106)	(340)	63	529	(49)
Germany	(354)	(479)	109	561	565	377	(45)
Greece	—	0	8	(5)	0	0	(0)
Ireland	6	2	4	151	181	122	39
Italy	18	14	10	13	(335)	(671)	(80)
Luxembourg	572	518	143	114	47	54	0
Netherlands	(555)	(57)	(574)	4,059	522	270	61
Portugal	—	—	0	0	(0)	0	(0)
Spain	0	0	2	106	1	5	2
Sweden	36	(13)	11	36	(305)	23	(1)
United Kingdom	764	(148)	1,858	469	(333)	1,610	216
Other European Union	0	5	5	14	(10)	1	0
Russia	0	0	0	1	1	0	(0)
Turkey	12	8	4	2	20	41	5
Other Europe	(86)	(72)	600	580	536	356	18
Asia	21,218	15,047	14,643	16,862	22,303	17,870	3,859
Japan	5,793	4,010	2,499	3,913	5,679	8,286	1,249
People's Republic of China	1,068	324	355	1,994	3,398	897	178
South Korea	953	228	199	16	109	948	631
India	3	37	54	40	85	58	(1)
Hong Kong SAR	290	1,239	1,564	548	1,161	520	1,125
Taiwan	87	21	24	(1)	31	122	85
Saudi Arabia	0	0	0	1	1	1	(0)
ASEAN	13,084	9,229	9,907	10,190	11,157	6,901	645
Brunei Darussalam	(3)	(3)	(3)	(3)	(3)	(3)	0
Cambodia	—	—	—	0	1	0	4
Lao PDR	—	—	—	—	—	—	—
Malaysia	755	330	869	976	621	(616)	85
Myanmar	—	0	0	1	1	(0)	0
Philippines	1	2	10	14	17	15	2
Singapore	12,090	8,847	8,407	9,413	10,334	6,345	436
Thailand	231	47	613	(232)	164	1,137	117
Vietnam	9	6	11	20	21	23	1
Other Asia	(60)	(40)	41	163	682	137	(53)
Australia and Oceania	211	(61)	(3)	156	15	128	(30)
Australia	188	(64)	(6)	175	13	120	(34)
New Zealand	19	7	0	(20)	2	2	2
Other Australia and Oceania	4	(4)	3	1	1	6	2
Africa	857	584	(13,148)	64	49	43	(78)
South Africa	11	7	(1)	1	3	3	1
Other Africa	847	578	(13,147)	63	46	40	(80)
Others	288	36	339	76	299	317	(113)
Total	21,811	16,641	3,921	20,579	20,563	23,556	4,511

Source: Bank Indonesia

^P Preliminary.

- (1) Presents foreign direct investment in accordance with the directional principle prescribed by the fifth edition of Balance of Payments and International Investment Position Manual, or BPM5.
- (2) Includes Bermuda, Greenland and Saint Pierre & Miquelon.

Foreign Direct Investment

The following table sets out the amounts of foreign direct investments in Indonesia by non-residents.

	Year Ended 31 December						
	2014	2015	2016	2017	2018 ^P	2019 ^P	Q1 2020 ^P
	(in millions of U.S. Dollars)						
Equity capital ⁽¹⁾	21,895	18,822	4,684	18,839	19,993	24,739	4,275
Debt instruments:							
Inflow	80,051	75,588	50,638	49,415	48,458	47,800	9,787
Outflow	(76,826)	(74,631)	(50,780)	(47,744)	(49,540)	(47,957)	(9,815)
Total debt instruments	3,225	957	(142)	1,671	(1,083)	(157)	(28)
Total direct investments	25,121	19,779	4,542	20,510	18,910	24,582	4,247
Memorandum⁽²⁾							
Direct investment in Indonesia	21,811	16,641	3,921	20,579	20,563	23,556	4,511

Source: Bank Indonesia

^P Preliminary.

(1) Includes privatization and banking restructuring.

(2) Presents foreign direct investment in accordance with the directional principle prescribed by BPM5.

In 2014, foreign direct investment remained robust, boosted by positive investor confidence in Indonesia's economic outlook. Net foreign direct investment was U.S.\$25.1 billion in 2014. Increased foreign direct investment in the non-oil & gas sector due to, among other things, the acquisition of Bank Mutiara, a substantial debt-to-equity swap transaction concerning a listed company and withdrawals of inter-company loans resulting from the issuance of global bonds by overseas SPVs. Manufacturing, agriculture and mining sectors were the main contributors to the net foreign direct investment generated in 2014. During this period, the majority of foreign direct investment were from Singapore, Japan and China.

In 2015, sustained foreign investor confidence in the outlook for the Indonesian economy prompted foreign investors to continue investing in Indonesia, resulting in net foreign direct investment of U.S.\$19.8 billion. Nevertheless, in line with the slowdown in the domestic economy, 2015 net foreign direct investment was lower than the previous year's foreign direct investment, which reached U.S.\$25.1 billion. In 2015, the majority of direct investment inflows were from ASEAN countries followed by Japan, and other Asian developing countries (including China). Meanwhile, the sectors attracting the most foreign direct investment in 2015 were agriculture, manufacturing and the mining sector, the same as in 2014.

In 2016, despite a challenging global economic environment, net foreign direct investment was U.S.\$4.5 billion compared to U.S.\$19.8 billion in 2015. The decrease was mainly driven by divestment activities in the banking sector, including divestment by a foreign SPV of its interests in one of the largest private banks in Indonesia to a domestic entity in the last quarter of 2016. Manufacturing, trade and the agricultural sectors were the main contributors to net foreign direct investment in 2016. The majority of foreign direct investment was from ASEAN countries followed by other Asian developing countries (including China) and Japan.

In 2017, net foreign direct investment was U.S.\$20.5 billion compared to U.S.\$4.5 billion in 2016. This increase was mainly due to a promising domestic economic outlook and a more conducive investment climate, which encourages foreign investors to make long term investments in Indonesia, including equity investments in Indonesian start-up companies. The manufacturing, trade, and the agriculture sectors were the main contributors to net foreign direct investment in 2017. The majority of the foreign direct investment was from ASEAN countries followed by Japan and Europe.

In 2018, net foreign direct investment was U.S.\$18.9 billion compared to U.S.\$20.5 billion in 2017. This decrease was mainly due to significant outflows related to the acquisitions of several foreign direct investment companies in the mining sector by domestic companies and higher inter-company debt repayments, which was partially offset by foreign direct investment inflows from capital investments in several Indonesian start-up companies. The manufacturing, trade, and agriculture sectors were still the main contributors to net foreign direct investment in 2018. ASEAN countries were the main contributors to foreign direct investment inflows, followed by Japan, China and Hong Kong.

In 2019, net foreign direct investment was U.S.\$24.6 billion compared to U.S.\$18.9 billion in 2018. This increase was mainly due to capital investments in several Indonesian companies, especially banks, and acquisition of several domestic manufacturing firms and financial intermediaries by foreign investors. In addition, foreign direct investment inflows were also supported by the global bond issuances by companies in the mining, manufacturing, property and energy sectors. The manufacturing and trade sectors were still the main contributors to net foreign direct investment in 2019. The majority of the foreign direct investment was from Japan, followed by ASEAN countries.

In the first three months of 2020, net foreign direct investment was at U.S.\$4.2 billion compared to U.S.\$ 6.8 billion during the same period in 2019. Foreign direct investment inflows were supported by capital investments in several Indonesian companies. In addition, foreign direct investment inflows also supported by foreign loan withdrawals by affiliated companies in the manufacturing sector. The manufacturing and mining sectors were still the main contributors to net foreign direct investment during the first three months of 2020. Emerging market Asian countries (including China) are the main contributor to foreign direct investment inflows, followed by Japan.

Foreign Portfolio Investment

The following table sets out the amounts of foreign portfolio investments in Indonesia by non-residents.

	Year Ended 31 December						
	2014	2015	2016	2017	2018	2019 ^P	Q1 2020 ^P
	(in millions of U.S. dollars)						
Equity securities:							
Inflows	51,200	44,763	21,727	18,526	25,052	48,065	12,069
(Outflows)	(47,940)	(46,310)	(20,408)	(21,064)	(28,720)	(48,462)	(12,783)
Net equity securities	3,259	(1,547)	(1,319)	(2,538)	(3,668)	(397)	(714)
Debt securities (net)	20,221	18,998	15,459	26,952	18,151	21,671	(4,998)
Total portfolio investments	23,480	17,451	16,778	24,415	14,483	21,274	(5,713)

Source: Bank Indonesia

^P Preliminary.

In 2014, foreign capital inflows in the form of portfolio investment were U.S.\$23.5 billion. Throughout 2014, Rupiah-denominated portfolio instruments were a major contributor to the increase in portfolio investments inflows. Non-resident inflows into Rupiah-denominated Government debt securities on a net basis reached U.S.\$11.6 billion.

In 2015, foreign capital inflows in the form of portfolio investment were U.S.\$17.5 billion, a substantial decrease from the U.S.\$23.5 billion recorded in the previous year. The decrease was primarily due to net sales of domestic stocks by non-residents and lower foreign net purchases of Government debt securities.

In 2016, foreign capital inflows in the form of portfolio investment were U.S.\$16.8 billion, lower than the U.S.\$17.5 billion recorded in the previous year. The decrease was caused by widespread global uncertainty in the wake of the U.S. presidential election, combined with expectations of a further increase in the U.S. Federal Funds Rate. This prompted a net foreign capital outflow from Indonesia, especially in the fourth quarter of 2016. In addition, the decrease was also caused by a decrease in the issuances of both global corporate bonds and Government global bonds.

In 2017, foreign capital inflows in the form of portfolio investments were U.S.\$24.4 billion, higher than the U.S.\$16.8 billion recorded in 2016. The increase resulted from higher global corporate bonds issuances for expansion and refinancing purposes issued to capitalize on lower interest rates. Furthermore, the increase was also supported by higher foreign capital inflows to long-term public sector debt instruments denominated in Rupiah. These developments were in line with continued economic growth in Indonesia and investor confidence in the domestic economic outlook.

In 2018, foreign capital inflows in the form of portfolio investments were U.S.\$14.5 billion, lower than the U.S.\$24.4 billion recorded in 2017. Uncertainty in the global financial markets caused limited foreign fund

placements in the stock market and government bond market, resulting in a decrease in the net foreign capital inflows to Indonesia. In addition, the decrease was also caused by an increase of outflows due to the payment at maturity of government global bonds.

In 2019, foreign capital inflows in the form of portfolio investments were U.S.\$21.3 billion, higher than the U.S.\$14.5 billion recorded in 2018. This was primarily due to a favorable domestic economic outlook resulting in higher net foreign fund placements in the bond market and lower net outflows from the stock market.

In the first three months of 2020, foreign capital in the form of portfolio investments recorded a net outflow of U.S.\$5.7 billion, reversing the net inflow of U.S.\$5.1 billion recorded in the same period last year. Deterioration in portfolio investments performance compare to the same period last year was caused by the panic of the global financial market towards the Covid-19 pandemic. In addition, foreign fund placements in the stock market also recorded a net outflow, compare to a net inflow in the same quarter last year.

Other Foreign Investment

The following table sets out the amounts of other investments (other than portfolio or foreign direct investments) in Indonesia by non-residents, mainly consisting of loans received and paid.

Other Foreign Investments

	Year Ended 31 December						Q1 2020 ^P
	2014	2015	2016	2017	2018 ^P	2019 ^P	
	(in millions of U.S. dollars)						
Loans							
Bank sector:							
Disbursements	8,436	8,663	4,741	3,541	7,837	3,121	1,232
Debt repayments	(5,885)	(7,402)	(5,307)	(4,568)	(3,546)	(4,424)	(1,084)
Total bank sector	2,551	1,261	(566)	(1,027)	4,291	(1,303)	148
Corporate sector:							
Disbursements	29,058	21,710	15,659	19,711	28,746	30,152	6,848
Debt repayments	(22,824)	(22,088)	(20,376)	(16,619)	(22,733)	(22,935)	(4,771)
Total corporate sector	6,234	(378)	(4,717)	3,092	6,013	7,217	2,078
Other (net) ⁽¹⁾	(1,086)	865	(2,034)	675	1,196	249	837
Total other investments	7,699	1,748	(7,316)	2,740	11,499	6,163	3,062

Source: Bank Indonesia

^P Preliminary.

(1) Consists of loans of public sector and trade credit, currency and deposits, and other liabilities of private sector and public sector.

In 2014, foreign other investment recorded a net inflow of U.S.\$7.7 billion. Stronger other investment performance in Indonesia primarily stemmed from the private sector. The foreign other investment surplus in the private sector was due to the drawing down of non-affiliated external loans and an increase in non-resident deposits at domestic banks. Foreign other investment in the public sector recorded net repayment of foreign loans was U.S.\$4.2 billion in 2014. These developments were in line with Government policy to reduce sources of fiscal financing from foreign loans.

In 2015, foreign other investments fell from a surplus of U.S.\$7.7 billion in 2014 to a surplus of U.S.\$1.7 billion. The decrease in surplus was primarily due to a net repayment of corporate foreign loans following a slowdown in domestic economic growth.

In 2016, foreign other investments fell from a surplus of U.S.\$1.7 billion in 2015 to a deficit of U.S.\$7.3 billion. The deficit was primarily due to net payments of foreign loans by both the public and private sectors.

In 2017, foreign other investments increased from a deficit of U.S.\$7.3 billion in 2016 to a surplus of U.S.\$2.7 billion. The surplus was primarily due to net withdrawals of foreign loans by the private sector and increased inflows of trade credit in line with higher imports of goods.

In 2018, foreign other investments increased from a surplus of U.S.\$2.7 billion in 2017 to a surplus of U.S.\$11.5 billion. The increased surplus was primarily due to higher increase in withdrawals of foreign loans by the banking and corporate sector than their debt repayments as well as higher inflows of trade credits.

In 2019, foreign other investments fell from a surplus of U.S.\$11.5 billion in 2018 to a surplus of U.S.\$6.2 billion. The decrease in surplus was primarily due to higher loan repayments coupled with lower loan drawings of government and banks.

In the first three months of 2020, foreign other investments fell from a surplus of U.S.\$4.8 billion in the same period last year to a surplus of U.S.\$3.0 billion. The decreased surplus was primarily due to decrease of non-resident placement in domestic banks in line with the lower demand for investment financing.

Direct Investment Realizations

Foreign Direct Investment

In 1973, the Republic established the *Badan Koordinasi Penanaman Modal*, or BKPM, an investment services agency of the Government, to accelerate economic growth by attracting foreign capital investment. BKPM's main function is to implement the Government's objectives for investment in the country.

Under Indonesian law, most direct equity investments by foreign persons are subject to approval by the BKPM, regardless of the size of the investment. The BKPM reviews applications for approval based on the Negative Investment List, which lists those business sectors that are closed to foreign investment and those that are open to foreign investment subject to certain conditions, including limits on the percentage of foreign capital ownership; and also based on criteria established by the particular ministry that regulates the sector in which the foreign investor seeks to invest. Upon receiving approval, a foreign investor may complete the investment, but is not obligated to do so.

Due to the different concept and method of compiling investment statistics, "administrative" foreign direct investment statistical data published by the BKPM and "Balance of Payment" foreign direct investment statistical data published by Bank Indonesia are not comparable. BKPM calculates foreign direct investment based on realized investments in Indonesian companies owned by foreign investors within a certain reporting period. BKPM's realization data covers the total value of investments funded by foreign investors, other foreign creditors, as well as domestic investors and creditors. In comparison, Bank Indonesia's calculation method covers the entire flow of investments stemming from foreign investors over a certain reporting period. In addition, Bank Indonesia excludes from its calculations foreign investments made by investors with a non-resident ownership of less than 10% per individual investors while BKPM has no such minimum ownership requirement. In terms of sector coverage, BKPM excludes certain sectors from its calculation, including investments in oil and gas, banking, non-bank financial institutions, insurance, leasing, investment sectors licensed by technical/sectoral agencies, investments through the stock market and household investments. Bank Indonesia covers all economic sectors. As a result the data regarding realized foreign direct investments is not comparable to those under "Foreign Investment in Indonesia" in the table above.

In the first quarter of 2020, realised foreign direct investment was U.S.\$6.8 billion, showing a 5.4% contraction from the same period in 2019. In the first quarter of 2020, realised domestic direct investment was U.S.\$7.8 billion, showing a 34.6% growth from the same period in 2019.

The following table sets forth the amount of realized foreign direct investment by sector of the economy for the periods indicated.

Realized Foreign Direct Investment by Sector⁽¹⁾

	Year Ended 31 December					
	2014	2015	2016	2017	2018	2019
	(in millions of U.S. dollars)					
Primary Sector						
Food Crops & Plantation	2,207	2,072	1,589	1,433	1,721.2	946.8
Livestock ⁽²⁾	31	75	49	160	—	—
Forestry	53	19	78	48	43.2	36.3
Fishery	35	53	43	59	24.3	54.1
Mining	4,665	4,017	2,742	4,376	3,038.6	2,256.3
Total Primary Sector	6,991	6,236	4,502	6,076	4,827.3	3,293.5
Secondary sector:						
Food Industry	3,140	1,521	2,115	1,970	1,307.3	1,272.3
Textile Industry	422	433	321	372	305.4	238.9
Leather Goods & Footwear Industry	211	162	144	369	243.6	188.3
Wood Industry	64	47	267	396	276.0	95.1
Paper and Printing Industry	706	707	2,787	596	668.1	446.1
Chemical and Pharmaceutical Industry	2,323	1,956	2,889	2,579	1,938.3	1,486.1
Rubber and Plastic Industry	544	694	737	633	447.0	291.6
Non Metallic Mineral Industry	917	1,303	1,076	671	456.3	475.0
Metal, Machinery & Electronic Industry	2,472	3,092	3,897	3,782	2,219.1	3,558.7
Medical Precision & Optical Instruments, Watches & Clock Industry	7	7	9	5	1,341.1	499.8
Motor Vehicles & Other Transport Equipment Industry	2,061	1,757	2,369	1,271	971.3	754.1
Other Industry	152	83	75	504	174.0	245.3
Total Secondary Sector	13,019	11,763	16,688	13,149	10,347.6	9,551.3
Tertiary sector:						
Electricity, Gas & Water Supply	1,249	3,029	2,140	4,241	4,383.8	5,921.2
Construction	1,384	954	187	225	248.1	161.6
Trade & Repair	867	625	670	1,294	609.3	421.3
Hotel & Restaurant	513	650	888	1,090	868.9	625.9
Transport, Storage & Communication	3,001	3,290	750	1,900	3,027.2	4,727.8
Real Estate, Ind. Estate & Business Activities ..	1,168	2,433	2,321	2,874	4,302.7	2,888.5
Other Services	337	294	818	1,392	692.9	617.9
Total Tertiary Sector	8,519	11,276	7,775	13,015	14,132.9	15,364.2
Total	28,530	29,276	28,964	32,240	29,307.9	28,209

Source: BKPM

- (1) Excludes foreign investment in oil and natural gas projects, banking, non-bank financial institutions, insurance, leasing, mining in terms of contracts of work, coal mining in terms of agreement of work, investment in which licenses were issued by a technical/sectoral agency, portfolio as well as household investment.
- (2) As of the reporting period of the third quarter of 2018, the “Livestock” sector was merged into the “Food Crops & Plantation” sector to become the “Food Crops, Plantation & Livestock” sector.

Domestic Direct Investment

In addition to direct equity investments by foreign persons, BKPM also approves certain types of domestic direct investments. The following table sets forth the amount of realized domestic direct investment by sector of the economy for the periods indicated.

Realized Domestic Direct Investment by Sector⁽¹⁾

	Year Ended 31 December						
	2013	2014	2015	2016	2017	2018	2019
	(in billions of Rupiah)						
Primary sector:							
Food Crops & Plantation	6,589	12,707	12,041	20,999	22,041	31,186.2	43,599
Livestock ⁽²⁾	361	651	325	466	843	—	—
Forestry	—	—	472	204	30	3,053.2	9,366.7
Fishery	4	22	275	3	33	87.6	247.5
Mining	18,762	3,141	3,947	6,034	20,635	33,100.0	25,675.3
Total Primary Sector . . .	<u>25,716</u>	<u>16,521</u>	<u>17,060</u>	<u>27,705</u>	<u>43,582</u>	<u>67,426.9</u>	<u>78,888.5</u>
Secondary sector:							
Food Industry	15,081	19,596	24,534	32,046	38,540	39,087.9	36,602.6
Textile Industry	2,446	1,451	2,725	3,210	7,863	3,596.8	1,312.6
Leather Goods & Footwear Industry	80	103	5	69	196	282.1	77.34
Wood Industry	391	585	1,185	3,151	1,569	1,535.7	1,585.6
Paper and Printing Industry . .	6,849	4,094	6,529	5,258	9,023	2,894.0	2,950.1
Chemical and Pharmaceutical Industry	8,886	13,314	20,712	30,112	13,734	13,337.7	9,484.1
Rubber and Plastic Industry	2,905	2,117	3,696	3,577	4,823	3,414.5	3,069.1
Non-Metallic Mineral Industry	4,625	11,923	20,502	15,405	7,641	4,522.4	3,572.9
Metal, Machinery & Electronic Industry	7,568	5,293	7,938	11,568	13,809	10,467.6	8,183.0
Medical Precision & Optical Instruments, Watches & Clock Industry	210	—	—	5	0.2	1,950.5	1,151.9
Motor Vehicles & Other Transport Equipment Industry	2,069	490	1,071	1,714	34,474	1,836.8	2,608.2
Other Industry	62	68	147	744	676	717.4	2,076.2
Total Secondary Sector	<u>51,171</u>	<u>59,035</u>	<u>89,045</u>	<u>106,859</u>	<u>99,188</u>	<u>83,643.4</u>	<u>72,673.6</u>
Tertiary sector:							
Electricity, Gas & Water Supply	25,831	36,297	21,947	22,794	25,428	37,264.9	37,164.1
Construction	6,033	12,098	17,165	14,039	30,334	44,979.7	55,090.8
Trade & Repair	2,205	518	1,427	4,513	3,712	6,429.8	13,662.9
Hotel & Restaurant	1,402	1,731	3,977	1,560	4,797	9,096.3	16,163.0
Transport, Storage & Communication	13,178	15,715	21,334	26,770	34,474	58,739.8	68,082.5
Real Estate, Ind. Estate & Business Activities	2,152	13,112	6,510	9,193	17,246	15,471.7	27,796.7
Other Services	462	1,100	1,001	2,873	3,589	5,551.3	16,976.7
Total Tertiary Sector . . .	<u>51,264</u>	<u>80,571</u>	<u>73,361</u>	<u>81,742</u>	<u>119,581</u>	<u>177,533.6</u>	<u>234,936.7</u>
Total	<u>128,151</u>	<u>156,126</u>	<u>179,466</u>	<u>216,306</u>	<u>262,351</u>	<u>328,603.9</u>	<u>386,498.8</u>

Source: BKPM

- (1) Excludes foreign investment in oil and natural gas projects, banking, non-bank financial institutions, insurance, leasing, mining in terms of contracts of work, coal mining in terms of agreement of work, investment in which licenses were issued by a technical/sectoral agency, portfolio as well as household investment.
- (2) As of the reporting period of the third quarter of 2018, the “Livestock” sector was merged into the “Food Crops & Plantation” sector to become the “Food Crops, Plantation & Livestock” sector.

Foreign Trade and Balance of Payments

Membership in International and Regional Free Trade Agreements

The Government supports the liberalization of international trade and investment through its membership in several international and regional trade organizations. Indonesia is a signatory to the GATT 1947 and a founding member of the World Trade Organization through the ratification of Law No. 7 of 1994 on Agreement Establishing the World Trade Organization. In 2017, the Government ratified the WTO Trade Facilitation Agreement through Law No. 17 of 2017 on Ratification of Protocol Amending the Marrakesh Agreement Establishing the World Trade Organization.

ASEAN has served as the forum for the negotiation of a number of regional agreements, and in 2015, ASEAN leaders adopted the ASEAN Economic Community Blueprint 2025, which is a roadmap for strategic integration of the economies of the ASEAN Member States. In 2009, the ASEAN Member States also entered into the ASEAN Comprehensive Investment Agreement which aims to create a free and open regime in ASEAN to achieve economic integration. ASEAN Member States have entered into six free trade agreements, namely: the ASEAN Trade in Goods Agreement, or ATIGA, the ASEAN-China Free Trade Agreement, or ACFTA, the ASEAN-Korea Free Trade Agreement, or AKFTA, the ASEAN-Japan Comprehensive Economic Partnership, or AJCEP, the ASEAN-India Free Trade Agreement, or AIFTA, and the ASEAN-Australia and New Zealand Free Trade Agreement, or AANZFTA. In addition, Indonesia has entered into two bilateral trade agreements and one regional trade agreement: the Indonesia-Japan Economic Partnership Agreement, or IJ-EPA, the Indonesia-Pakistan Preferential Trade Agreement, IP-PTA, and the ASEAN-Hong Kong, China Free Trade Agreement, or AHKFTA, which is pending ratification by the President of the Republic. These free trade agreements cover three core areas, namely: trade in goods, trade in services and investments.

Various regional and bilateral free trade agreements of which Indonesia is a party are currently in different stages of negotiations, namely, the Indonesia-European Union Comprehensive Economic Partnership Agreement, the Indonesia-Australia Comprehensive Economic Partnership Agreement and the Indonesia European Free Trade Association Comprehensive Economic Partnership Agreement.

Tariff Reforms

The Minister of Finance is authorized to set rates for import duties. The Republic maintains a policy of using tariff rates to promote the competitiveness of Indonesian products in international markets and to reduce price distortions in order to support the establishment of free trade. The Republic has implemented preferential tariff commitments under the ATIGA, the ACFTA, the AKFTA, the AIFTA, the AANZFTA, the IJ-EPA and the IP-PTA. As of 1 March 2018, the preferential tariff commitments under AJCEP has been implemented based on the Minister of Finance Regulation No. 18/PMK.010/2018. The AHKFTA is intended to be implemented after the Republic has ratified the AHKFTA.

Exports and Imports

Beginning in 2012, the Republic started using a revised methodology in compiling exports and imports data. This revised methodology was implemented in order to comply with international best practices and to improve consistency with other Bank Indonesia publications. As a result of this change, the classification of certain export and import products has changed. Revisions following classification changes were carried out for data published in 2005 onwards. Since 1 March 2014, exporters must declare the value of their exported goods using terms of delivery cost insurance freight in order to enhance the validity and accuracy of freight and insurance data for export activities. The requirements introduced in 2014 have not changed the business process of export transactions, in which the export value is still the real transaction value agreed by exporters and importers.

The following table shows Indonesia's exports and imports for the periods indicated as published by Bank Indonesia.

Exports and Imports							
	Year Ended 31 December						
	2014	2015	2016	2017	2018	2019 ^P	Q1 2020 ^P
	(in millions of U.S. dollars)						
Exports:							
Oil and gas exports (f.o.b.)	28,752	17,184	12,916	15,573	17,614	11,981	2,316
Non-oil and gas exports (f.o.b.)	146,541	131,941	131,554	153,310	163,111	156,474	39,430
Total exports (f.o.b.) . . .	175,293	149,124	144,470	168,883	180,725	168,455	41,745
Total imports (c.i.f.)	(177,813)	(142,379)	(135,867)	(157,683)	(190,317)	(173,489)	(39,269)
Balance of trade	(2,520)	6,746	8,603	11,199	(9,592)	(5,033)	2,477

Source: Bank Indonesia

^P Preliminary.

In 2014, Indonesia recorded a trade deficit of U.S.\$2.5 billion. This deficit was attributable to a contraction in imports of 4.5%. The decline in imports was in line with a moderation in domestic demand. The contraction in exports was largely attributable to a slower than expected global economic recovery and the ongoing decline in global commodity prices.

In 2015, the trade balance recorded a surplus of U.S.\$6.7 billion, higher than the trade deficit of U.S.\$2.5 billion in the previous year. This was caused by a 19.9% decrease in imports, which was larger than the 14.9% decrease in exports. Imports decreased sharply in line with limited domestic demand, while persistently low commodity prices and sluggish growth in trade partner countries, such as the United States, China and Singapore resulted in a contraction in exports.

In 2016, Indonesia recorded a trade surplus of U.S.\$8.6 billion, higher than the U.S.\$6.7 billion surplus recorded in 2015. The higher surplus was caused by a 4.6% decrease in imports, which was higher than the 3.1% decrease in exports, each compared against the previous year. Exports contracted at a lower rate compared to 2015, primarily due to improvements in commodity prices such as coal and palm oil resulting in higher coal and palm oil exports, especially during the second half of 2016.

In 2017, Indonesia recorded a trade surplus of U.S.\$11.2 billion, higher than the U.S.\$8.6 billion surplus recorded in 2016. The higher trade surplus was caused by an increase in exports of 16.9% to U.S.\$168.9 billion, which was higher than the 16.0% increase in imports. This increase in exports was primarily driven by higher commodity prices and improvements in global demand in 2017, while higher imports was in line with increased domestic economic activities in 2017.

In 2018, Indonesia recorded a trade deficit of U.S.\$9.6 billion, a reversal of the U.S.\$11.2 billion surplus in 2017. The trade deficit was caused by a 20.7% increase in imports, which was higher than the 7.0% increase in exports. Imports increased at a higher rate as a result of robust domestic demand, primarily due to higher imports of raw materials and capital goods, including importation for public infrastructure projects. Higher imports were also a result of higher global oil prices. Export growth was lower, in line with lower global trade volumes and weakening global commodity prices.

In 2019, Indonesia recorded a trade deficit of U.S.\$5.0 billion, lower than the U.S.\$9.7 billion deficit in 2018. The lower trade deficit was caused by a 8.9% decrease in imports, which was higher than the 6.8% decrease in exports. The decrease in exports and imports in 2019 was in line with lower global trade volumes and weakening global commodity prices, which led to real export and import contraction. The lower imports was also in line with the government's policies to control imports, including the B-20 program.

In the first three months of 2020, Indonesia recorded a trade surplus of U.S.\$2.6 billion, reversing the deficit in the same period last year. The trade surplus was caused by a 1.3% increase in exports coupled with 6.7% decrease in imports. Lower import was in line with slowing domestic demand, thereby reducing the impact of declining exports as a result of global economic growth contraction.

In the first five months of 2020, Indonesia recorded a trade surplus of U.S.\$4.3 billion.

Export-Import Data from the Central Statistics Agency

In addition to the exports and imports related data published by Bank Indonesia, the Central Statistics Agency, or BPS, also publishes data relating to imports and exports compiled based on the International Merchandise Trade Statistics Manual issued by the United Nations. Due to the different methods and timing of compiling export-import statistics, the export-import data published by BPS is different to the export-import data published by Bank Indonesia.

The table below shows Indonesia's exports and imports for the periods indicated as published by the BPS.

	Year ended 31 December					
	2014	2015	2016	2017	2018 ^R	2019 ^P
	(in millions of U.S. dollars)					
Exports:						
Non-oil and gas exports	145,961.2	131,791.9	132,028.5	153,083.8	162,841.0	154,989.0
Oil and gas exports	30,018.9	18,574.4	13,105.5	15,744.4	17,171.7	12,536.0
Total exports	175,980.1	150,366.3	145,134.0	168,828.2	180,012.7	167,525.0
Imports:						
Non-oil and gas imports	134,718.9	118,081.6	116,913.0	132,669.3	158,842.5	148,836.6
Oil and gas imports	43,459.9	24,613.2	18,739.8	24,316.2	29,868.8	21,885.3
Total imports	178,178.8	142,694.8	135,652.8	156,985.5	188,711.3	170,721.9

Source: BPS

^P Preliminary.

^R Revision.

The following table sets forth Indonesia's exports by major commodity groups for the periods indicated.

Exports by Sector

	Year Ended 31 December						
	2014	2015	2016	2017	2018 ^P	2019 ^P	Q1 2020 ^P
	(in thousands of U.S. Dollars)						
General merchandise	173,759,963	147,724,654	143,104,609	167,001,721	178,702,737	164,910,990	40,042,749
Agricultural							
Coffee bean	1,030,826	1,210,617	1,000,542	1,175,625	807,357	872,089	200,402
Tea	108,843	89,969	85,057	88,171	78,624	63,791	16,544
Spices	577,627	780,981	698,006	568,048	543,032	560,463	134,478
Tobacco	82,397	58,878	49,440	55,547	67,005	59,737	13,534
Cocoa bean	201,407	118,047	85,498	55,522	74,284	82,215	17,584
Shrimp and prawn	1,786,335	1,331,640	1,441,142	1,543,894	1,471,051	1,391,141	354,861
Other agricultural products	2,139,877	2,174,509	2,135,090	2,447,373	2,781,591	2,805,987	720,930
Total Agricultural products	5,927,312	5,764,642	5,494,777	5,934,180	5,822,944	5,835,423	1,458,333
Manufacture products							
Textile and Textile products	12,847,055	12,338,750	11,883,661	12,580,222	13,272,404	12,916,809	3,128,007
Processed wood products ...	3,906,760	3,813,415	3,691,540	3,756,483	4,123,971	3,554,922	899,732
Palm oils	17,461,545	15,402,551	14,357,677	18,512,908	16,528,433	14,720,420	4,026,469
Chemicals	3,851,429	2,805,673	3,236,867	4,611,231	4,702,931	4,349,491	1,018,087
Base metal products	9,085,294	7,580,115	7,436,783	9,493,976	12,377,082	13,363,675	3,746,276
Electrical apparatus, measuring instruments and others	10,108,187	8,777,604	8,386,801	8,851,781	9,318,094	9,412,842	2,302,699
Cement	37,365	62,539	82,332	128,604	237,185	281,951	50,869
Paper and paper products ...	3,779,966	3,599,154	3,442,980	3,877,961	4,524,415	4,408,263	1,013,110
Processed rubber	7,022,184	5,843,690	5,538,628	7,235,893	6,149,674	5,741,597	1,425,929
Oil products ⁽¹⁾	3,165,942	1,401,627	672,387	1,439,359	1,550,453	1,646,807	361,694
Liquefied Petroleum Gas ⁽¹⁾	4,538	12,231	44,880	75,797	56,405	9,734	126
Other manufacture products	47,338,146	44,550,999	47,886,360	51,567,588	53,976,851	52,600,236	12,897,894
Total Manufacture products	118,608,410	106,188,347	106,660,895	122,131,803	126,817,901	123,006,747	30,870,891
Mining products							
Copper ore	1,673,548	3,277,196	3,481,608	3,439,732	4,186,888	1,280,055	122,146
Nickel ore	85,913	0	0	155,189	628,027	1,097,556	0
Coal	20,818,030	16,004,035	14,563,340	20,473,795	23,967,604	21,687,266	5,213,944
Bauxite	47,742	744	431	66,433	265,013	467,585	142,967
Crude oil ⁽¹⁾	8,839,625	5,641,245	4,941,219	5,267,880	5,086,551	1,720,014	175,933
Natural Gas ⁽¹⁾	14,941,959	9,338,774	6,604,093	7,994,558	9,719,229	7,505,736	1,590,493
o/w Liquefied Natural Gas	10,293,714	6,894,365	4,841,406	5,566,051	6,665,555	4,909,596	1,026,135
Other mining products	213,410	182,769	161,123	180,884	265,312	400,215	113,563
Total Mining products	46,620,227	33,444,764	29,751,815	37,578,472	44,118,624	34,158,426	7,359,046
Other merchandise⁽²⁾	2,604,014	1,326,902	1,197,123	1,357,266	1,943,268	1,910,394	354,478
Other goods⁽³⁾	1,532,832	1,399,827	1,365,177	1,880,792	2,022,247	3,544,376	1,702,698
Total Exports	175,292,795	149,124,482	144,469,786	168,882,513	180,724,984	168,455,366	41,745,447
Memorandum⁽⁴⁾							
Non-oil & gas exports	146,540,725	131,940,836	131,553,644	153,309,550	163,110,799	156,474,106	39,429,772
Oil & gas exports	28,752,069	17,183,646	12,916,143	15,572,963	17,614,185	11,981,260	2,315,675

Source: Bank Indonesia

^P Preliminary.

(1) As a component of oil and gas exports.

(2) Consists of art goods, goods not elsewhere specified, and goods procured in ports by carriers.

(3) Consists of non-monetary gold and merchanting goods.

(4) Presents the classification of exports based on two main groups of commodities: (i) oil and gas and (ii) non-oil and gas.

The table below sets forth Indonesia's exports by destination for the periods indicated.

Exports by Destination

	Year Ended 31 December						
	2014	2015	2016	2017	2018 ^P	2019 ^P	Q1 2020 ^P
	(in thousands of U.S. Dollars)						
America							
North America							
United States of America . . .	16,502,799	15,977,225	16,068,802	17,761,095	18,454,928	17,814,460	4,819,147
Canada	754,367	724,445	733,241	820,451	912,897	856,090	201,019
Other North America	1,174	1,238	1,533	1,487	1,735	1,178	198
Total North America . .	17,258,340	16,702,908	16,803,575	18,583,033	19,369,561	18,671,728	5,020,365
Central and South America							
Argentina	237,167	238,132	219,225	266,407	238,057	202,416	44,213
Brazil	1,517,378	1,181,702	1,099,466	1,229,571	1,145,641	1,003,214	255,879
Mexico	814,494	802,893	795,730	969,911	902,494	933,401	283,195
Other Central and South America	1,165,225	1,044,492	1,090,693	1,096,573	1,304,236	1,185,127	305,256
Total Central and South America	3,734,264	3,267,219	3,205,114	3,562,461	3,590,428	3,324,157	888,543
Total America . .	20,992,604	19,970,127	20,008,689	22,145,494	22,959,989	21,995,885	5,908,907
Europe							
European Union							
Netherlands	3,981,353	3,432,577	3,244,318	4,038,134	3,892,838	3,107,328	766,431
Belgium	1,217,227	1,108,544	1,123,078	1,240,474	1,261,226	1,075,660	297,646
United Kingdom	1,659,576	1,521,994	1,582,654	1,405,751	1,463,845	1,347,574	303,156
Italy	2,288,020	1,871,943	1,570,726	1,935,497	1,919,750	1,748,679	482,731
Germany	2,820,475	2,654,242	2,632,296	2,660,084	2,699,327	2,400,449	615,933
France	1,018,400	971,332	886,124	976,592	1,001,618	1,008,851	266,959
Spain	1,938,255	1,476,585	1,578,057	2,009,431	2,264,238	1,606,738	435,103
Other European Union	1,996,538	1,763,808	1,816,541	2,060,831	2,572,118	2,213,190	573,643
Total European Union	16,919,845	14,801,026	14,433,792	16,326,794	17,074,960	14,508,470	3,741,603
Russia	1,056,775	993,581	1,273,965	1,225,509	1,000,426	862,376	205,785
Turkey	1,447,167	1,159,227	1,022,876	1,166,983	1,179,583	1,147,700	293,830
Other Europe	693,214	1,552,167	2,692,988	1,725,671	1,163,159	1,427,068	563,231
Total Europe . . .	20,117,001	18,506,001	19,423,621	20,444,958	20,418,128	17,945,614	4,804,450
Asia and Middle East							
ASEAN							
Brunei Darussalam	98,873	85,589	85,377	64,393	61,402	102,853	29,709
Philippines	3,887,862	3,920,827	5,260,823	6,596,663	6,825,281	6,767,873	1,546,248
Cambodia	416,644	429,207	424,465	509,699	524,127	609,618	169,749
PDR Laos	6,212	7,135	5,863	4,199	7,293	6,811	1,726
Malaysia	9,454,669	7,489,169	6,860,484	8,289,391	9,007,479	8,695,155	1,979,734
Myanmar	587,710	612,315	606,350	827,078	897,486	874,498	267,931
Singapore	15,648,800	11,770,922	11,141,463	12,751,079	13,831,319	12,904,470	3,511,279
Thailand	5,762,720	5,414,929	5,380,611	6,346,267	6,697,297	6,167,367	1,487,391
Vietnam	2,443,990	2,716,595	3,016,614	3,560,980	4,534,581	5,134,383	1,194,747
Total ASEAN . . .	38,307,481	32,446,688	32,782,050	38,949,750	42,386,265	41,263,029	10,188,514
Hong Kong SAR	2,760,064	2,048,572	2,127,953	2,393,397	2,557,530	2,492,627	689,925
India	12,242,603	11,635,073	10,076,131	13,997,145	13,712,737	11,797,304	2,926,477
Iraq	70,480	94,987	91,069	126,070	135,567	168,850	29,711
Japan	20,802,334	17,455,820	15,265,069	17,026,602	18,763,677	15,272,018	3,648,504
South Korea	10,079,871	7,334,452	6,390,236	7,371,175	9,047,961	6,993,812	1,673,717
Pakistan	2,048,086	1,988,062	2,017,977	2,396,857	2,411,831	1,917,150	525,091
People's Republic of China	17,301,903	14,611,015	17,037,050	23,238,232	26,946,250	27,912,462	6,276,725
Saudi Arabia	2,155,351	2,060,074	1,327,878	1,380,757	1,221,072	1,503,450	414,569
Taiwan	7,924,755	5,573,652	4,225,363	4,835,246	4,748,062	4,351,577	972,073
Other Asia and Middle East							
East	7,186,956	6,159,489	5,574,123	6,351,102	6,246,418	6,297,157	1,745,318
Total Asia and Middle East . .	120,879,884	101,407,884	96,914,899	118,066,334	128,177,369	19,969,433	29,090,624

	Year Ended 31 December						
	2014	2015	2016	2017	2018 ^P	2019 ^P	Q1 2020 ^P
	(in thousands of U.S. Dollars)						
Australia and Oceania							
Australia	5,000,046	3,652,251	3,197,126	2,527,490	2,733,511	2,321,841	508,176
New Zealand	481,487	446,040	378,687	426,694	489,885	444,705	127,917
Other Australia and Oceania	367,443	345,654	346,007	360,945	347,332	372,667	90,919
Total Australia and Oceania	5,848,975	4,416,946	3,921,820	3,315,129	3,570,728	3,139,213	727,012
Africa							
South Africa	1,378,907	665,661	727,757	685,637	645,333	585,479	151,441
Other Africa	3,479,381	2,838,590	2,294,232	2,876,878	3,016,491	2,915,213	709,996
Total Africa	4,858,288	3,504,251	3,021,989	3,562,515	3,661,823	3,500,692	861,437
Unclassified exports⁽¹⁾	2,596,043	1,319,272	1,178,768	1,348,083	1,936,947	1,904,528	353,018
Total (f.o.b.)	175,292,795	149,124,482	144,469,786	168,882,513	180,724,984	168,455,366	41,745,447

Source: Bank Indonesia

^P Preliminary.

(1) Consists of goods procured in ports by carriers and merchanting goods.

The following table sets forth Indonesia's imports by major commodity groups for the periods indicated.

Imports by Sector⁽¹⁾

	Year Ended 31 December						
	2014	2015	2016	2017	2018 ^P	2019 ^P	Q1 2020 ^P
	(in thousands of U.S. Dollars)						
General Merchandise							
Consumption Goods	177,787,488	141,672,713	135,035,916	156,657,285	188,187,080	171,720,170	38,860,791
Food and beverages, primary, mainly for household	1,541,254	1,320,173	1,729,432	2,256,256	2,304,817	2,461,143	323,371
Food and beverages, processed, mainly for household	2,750,512	2,332,869	3,008,370	2,892,394	4,182,556	3,427,209	696,798
Passenger motor cars	784,431	583,152	594,978	571,655	530,492	563,382	117,641
Transport equipment, nonindustrial	268,909	243,873	142,456	184,479	288,635	237,743	46,626
Durable consumer goods	1,415,739	1,073,667	1,208,820	1,557,133	1,985,222	2,069,190	445,457
Semi-durable consumer goods	1,952,560	1,965,991	2,221,224	2,841,290	3,592,082	3,802,345	845,710
Non-durable consumer goods	2,158,041	2,023,181	2,154,671	2,516,428	3,095,309	2,816,772	696,018
Fuels and lubricants, processed, oil products ⁽²⁾	14,504,300	8,181,422	5,146,414	7,156,986	9,346,912	7,531,780	1,295,115
Goods not elsewhere specified	531,831	737,074	824,708	777,941	668,994	663,501	311,893
Total Consumption Goods	25,907,577	18,461,404	17,031,073	20,754,563	25,995,020	23,573,065	4,778,629

	Year Ended 31 December						Q1 2020 ^P
	2014	2015	2016	2017	2018 ^P	2019 ^P	
	(in thousands of U.S. Dollars)						
Raw materials and auxiliary goods							
Food and beverages, primary, mainly for industry	4,934,923	4,100,987	4,423,376	5,172,249	5,316,619	5,528,661	1,448,384
Food and beverages, processed, mainly for industry	3,247,084	2,726,501	3,459,829	3,561,421	3,402,989	3,233,934	931,973
Industrial supplies, primary	5,967,884	4,616,310	3,986,892	5,018,999	6,103,771	5,650,464	1,132,309
Industrial supplies, processed	56,247,051	49,421,677	47,299,348	53,844,245	63,771,434	59,354,978	13,578,991
Parts and accessories for capital goods	15,552,758	14,628,024	15,529,878	17,287,162	20,597,484	19,124,732	4,582,803
Parts and accessories for transport equipment	7,128,761	6,139,368	6,384,650	7,528,898	9,048,335	8,241,401	1,915,330
Fuels and lubricants, primary	12,896,531	8,011,548	7,197,942	7,920,735	10,527,350	7,106,269	1,871,188
o/w Crude oil ⁽²⁾	12,600,220	7,725,385	6,874,010	7,279,080	9,627,278	6,054,275	1,633,789
Fuels and lubricants, processed	15,702,783	8,292,444	6,833,802	9,970,888	11,956,794	10,179,672	2,455,759
o/w Oil products ⁽²⁾	12,442,784	6,057,936	4,721,414	6,884,186	8,385,774	6,881,369	1,483,822
o/w Liquefied Petroleum Gas ⁽²⁾	3,039,246	2,061,615	1,841,452	2,754,544	3,142,809	2,876,647	882,550
Total Raw materials and auxiliary goods	121,677,775	97,936,858	95,115,716	110,304,596	130,724,776	118,420,110	27,916,737
Capital Goods							
Capital goods (except transport equipment)	25,570,739	22,424,297	19,855,824	21,229,079	25,955,366	25,811,574	5,430,574
Passenger motor cars	784,431	583,152	594,978	571,655	530,492	563,382	117,641
Other transport equipment, industrial	3,093,174	1,847,542	1,966,437	3,223,416	4,245,633	2,676,473	469,566
Total Capital Goods	29,448,344	24,854,992	22,417,238	25,024,150	30,731,490	29,051,428	6,017,780
Other merchandise⁽³⁾	753,791	419,459	471,889	573,977	735,794	675,566	147,644
Other goods⁽⁴⁾	25,620	706,213	830,884	1,025,757	2,129,700	1,768,419	407,927
Total	177,813,107	142,378,926	135,866,800	157,683,042	190,316,780	173,488,589	39,268,718

Source: Bank Indonesia

^P Preliminary.

(1) Data collected on a cost, insurance and freight basis.

(2) As a component of oil and gas imports.

(3) Consists of goods procured in ports by carriers.

(4) Consists of nonmonetary gold.

The following table sets forth Indonesia's imports by country of origin for the periods indicated.

Imports by Place of Origin⁽¹⁾

	Year Ended 31 December						Q1 2020 ^P
	2014	2015	2016	2017	2018 ^P	2019 ^P	
	(in thousands of U.S. Dollars)						
America							
North America							
United States of America	8,139,708	7,608,621	7,419,480	8,156,624	10,133,329	9,292,376	2,037,038
Canada	1,908,631	1,621,298	1,382,005	1,539,436	1,849,810	1,827,252	386,476
Other North America	111,336	1,756	2,008	24	195	3	0
Total North America	10,159,676	9,231,676	8,803,494	9,696,084	11,983,334	11,119,630	2,423,514
Central and South America							
Argentina	1,465,715	1,298,541	1,373,780	1,150,507	1,438,057	1,810,225	699,543
Brazil	2,548,178	2,425,680	2,347,422	1,784,443	1,687,381	1,846,832	414,532
Mexico	186,888	197,406	177,236	184,127	269,351	252,495	64,477
Other Central and South America	540,815	392,383	449,709	567,051	516,954	517,974	125,173
Total Central and South America	4,741,596	4,314,010	4,348,148	3,686,128	3,911,743	4,427,526	1,303,725
Total America	14,901,271	13,545,685	13,151,641	13,382,212	15,895,077	15,547,156	3,727,238
Europe							
European Union							
Netherlands	912,737	794,586	710,662	1,035,945	1,225,689	859,506	222,715
Belgium	583,997	560,461	492,260	631,535	611,069	640,921	140,294
United Kingdom	899,185	816,947	892,660	1,047,837	1,138,205	1,060,357	241,765
Italy	1,720,992	1,417,856	1,388,461	1,550,224	1,801,754	1,743,423	402,584
Germany	4,104,817	3,453,948	3,152,972	3,502,246	3,909,355	3,421,230	781,109
France	1,334,831	1,337,879	1,380,662	1,630,294	1,692,548	1,463,555	352,320
Spain	555,106	473,990	484,441	482,722	668,137	603,465	118,257
Other European Union	2,646,741	2,484,948	2,222,940	2,600,335	2,986,296	2,636,266	606,610
Total European Union	12,758,406	11,340,613	10,725,058	12,481,136	14,033,053	12,428,724	2,865,654
Russia	1,583,207	983,680	846,317	1,270,371	1,508,902	1,089,622	235,146
Turkey	1,035,394	249,109	308,327	576,238	607,201	341,337	81,699
Other Europe	1,408,827	1,335,978	1,857,943	2,100,603	2,267,195	2,250,665	606,085
Total Europe	16,785,834	13,909,380	13,737,645	16,428,348	18,416,351	16,110,347	3,788,585

		Year Ended 31 December						
		2014	2015	2016	2017	2018 ^P	2019 ^P	Q1 2020 ^P
		(in thousands of U.S. Dollars)						
Asia and Middle East								
ASEAN								
Brunei Darussalam		610,286	126,168	88,029	38,021	14,289	29,155	39,669
Philippines		694,808	684,289	816,532	823,612	904,048	791,066	176,101
Cambodia		18,722	21,133	25,197	27,942	32,593	40,583	15,487
PDR Laos		51,265	1,027	4,196	11,897	25,426	31,233	15,957
Malaysia		10,714,357	8,464,345	7,247,345	8,750,587	8,767,438	7,826,886	1,885,689
Myanmar		122,243	159,685	112,955	145,240	151,124	182,505	61,475
Singapore		24,699,196	17,784,006	14,501,421	18,217,827	23,957,617	20,168,411	4,117,396
Thailand		9,770,883	8,074,329	8,647,191	9,037,149	10,557,703	9,079,021	2,181,287
Vietnam		3,399,903	3,146,337	3,228,483	3,163,823	3,658,058	3,650,859	916,671
Total ASEAN . . .		50,081,662	38,461,319	34,671,348	40,216,098	48,068,296	41,799,719	9,409,731
Hong Kong SAR		1,892,903	1,806,733	1,814,777	3,054,928	4,306,538	5,136,340	1,085,971
India		3,937,401	2,742,320	2,858,593	3,975,918	4,648,384	4,065,942	936,002
Iraq		342	243	106	168	95	161	12
Japan		16,866,526	13,255,694	12,981,644	15,363,524	18,304,503	16,084,462	3,686,279
South Korea		11,732,612	8,424,260	6,657,910	8,354,646	9,350,079	8,707,588	2,024,110
Pakistan		158,655	173,600	156,774	239,310	642,791	379,989	67,556
People's Republic of								
China		30,631,469	29,381,441	30,677,815	34,292,172	43,678,116	43,165,693	8,797,186
Saudi Arabia		6,343,400	3,332,183	2,720,977	2,770,951	4,714,594	3,565,923	796,067
Taiwan		3,748,062	3,145,310	2,877,222	3,268,451	3,555,643	3,721,549	1,006,840
Other Asia and Middle								
East		8,180,995	4,617,161	3,661,887	4,900,394	5,424,837	4,762,408	1,210,544
Total Asia and Middle East		133,574,026	105,340,264	99,079,053	116,436,560	142,693,876	131,389,772	29,020,297
Australia and Oceania								
Australia		5,637,313	4,811,041	5,241,353	5,915,819	5,651,408	5,455,153	1,394,336
New Zealand		837,703	637,396	660,958	732,917	772,749	755,917	183,243
Other Australia and Oceania		42,249	29,367	37,469	173,445	234,079	213,786	26,069
Total Australia and Oceania . .		6,517,265	5,477,803	5,939,779	6,822,182	6,658,236	6,424,855	1,603,648
Africa								
South Africa		477,411	231,880	288,464	366,530	584,671	181,345	50,293
Other Africa		4,803,509	3,454,454	3,198,328	3,673,232	5,332,776	3,159,547	931,012
Total Africa		5,280,920	3,686,335	3,486,792	4,039,762	5,917,447	3,340,892	981,305
Unclassified imports ⁽²⁾		753,791	419,459	471,889	573,977	735,794	675,566	147,644
Total		177,813,107	142,378,926	135,866,800	157,683,042	190,316,780	173,488,589	39,268,718

Source: Bank Indonesia

^P Preliminary.

(1) Data collected on a cost, insurance and freight basis.

(2) Consists of goods procured in ports by carriers.

Balance of Payments

Balance of payments figures measure the relative flow of goods, services and capital into and out of a country as represented in the current account and the capital and financial account. The current account tracks a country's trade in goods and services, as well as income and current transfer transactions. The capital and financial account covers all transactions involving capital transfers, acquisition or disposal of non-produced, non-financial assets, and financial assets and liabilities. A balance of payments surplus indicates a net inflow of foreign currencies, while a balance of payments deficit indicates a net outflow of foreign currencies.

The following table sets forth the Republic's balance of payments for the periods indicated.

Balance of Payments⁽¹⁾

	Year Ended 31 December						
	2014	2015	2016	2017	2018	2019 ^P	Q1 2020 ^P
	(in millions of U.S. dollars)						
Current account	(27,510)	(17,519)	(16,952)	(16,196)	(30,633)	(30,387)	(3,924)
Goods ⁽²⁾	6,983	14,049	15,318	18,814	(228)	3,511	4,398
Total exports (f.o.b.)	175,293	149,124	144,470	168,883	180,725	168,455	41,745
Non-oil and gas exports	146,541	131,941	131,554	153,310	163,111	156,474	39,430
Oil and gas exports	28,752	17,184	12,916	15,573	17,614	11,981	2,316
Total imports (f.o.b.)	(168,310)	(135,076)	(129,152)	(150,069)	(180,953)	(164,945)	(37,348)
Non-oil and gas imports	(127,729)	(112,189)	(111,464)	(127,146)	(151,935)	(142,644)	(32,305)
Oil and gas imports	(40,582)	(22,887)	(17,688)	(22,922)	(29,019)	(22,300)	(5,042)
Services	(10,010)	(8,697)	(7,084)	(7,379)	(6,485)	(7,754)	(1,872)
Primary income	(29,703)	(28,379)	(29,647)	(32,131)	(30,815)	(33,773)	(8,084)
Secondary income	5,220	5,508	4,460	4,500	6,895	7,629	1,634
Capital account	27	17	41	46	97	39	1
Financial account ⁽⁴⁾	44,916	16,843	29,306	28,686	25,122	36,651	(2,933)
(i) Public sector	14,136	17,588	15,992	20,515	8,748	12,675	(8,468)
Portfolio investment	18,345	17,778	18,629	21,868	9,732	15,230	(8,127)
Assets	2,965	392	1,795	(9)	228	258	0
Liabilities	15,380	17,386	16,835	21,877	9,504	14,973	(8,127)
Other investment	(4,209)	(190)	(2,637)	(1,353)	(983)	(2,555)	(341)
Assets	—	—	(269)	—	—	0	0
Liabilities	(4,209)	(190)	(2,369)	(1,353)	(983)	(2,555)	(341)
Loans	(1,243)	202	(574)	(1,362)	(755)	(2,298)	(341)
Drawings	4,035	5,139	4,619	3,645	4,588	3,773	817
Repayments	(5,278)	(4,937)	(5,193)	(5,007)	(5,344)	(6,070)	(1,158)
Other liabilities	(2,965)	(392)	(1,795)	9	(228)	(258)	0
(ii) Private sector	30,780	(745)	13,314	8,171	16,374	23,975	5,535
Direct investment	14,733	10,704	16,136	18,502	12,511	20,145	3,539
Assets	(10,388)	(9,075)	11,594	(2,008)	(6,399)	(4,437)	(708)
Liabilities	25,121	19,779	4,542	20,510	18,910	24,582	4,247
Portfolio investment	7,722	(1,595)	366	(809)	(420)	6,454	2,323
Assets	(379)	(1,660)	423	(3,346)	(5,399)	153	(92)
Liabilities	8,100	65	(57)	2,537	4,980	6,302	2,414
Financial derivatives	(156)	20	(9)	(128)	34	179	(120)
Other investment	8,480	(9,874)	(3,179)	(9,395)	4,249	(2,803)	(207)
Assets	(3,427)	(11,812)	1,768	(13,487)	(8,233)	(11,521)	(3,609)
Liabilities	11,907	1,938	(4,947)	4,093	12,482	8,719	3,403
Errors and omissions	(2,184)	(439)	(305)	(950)	(1,717)	(1,627)	(1,689)
Overall balance	15,249	(1,098)	12,089	11,586	(7,131)	4,676	(8,545)
Reserves and related items	(15,249)	1,098	(12,089)	(11,586)	7,131	(4,676)	8,545
Memorandum⁽³⁾							
Reserve asset position	111,862	105,931	116,362	130,196	120,654	129,183	120,969

Source: Bank Indonesia

^P Preliminary.

- (1) Bank Indonesia uses (+) and (-) signs in its published data to follow BPM5 whereby (+) means inflow and (-) means outflow. In financial account, (+) denotes increase in liabilities or decrease in assets, while (-) represents increase in assets or decrease in liabilities. The table above has been adjusted to align with the formatting of this document.
- (2) The calculation of export and import figures included in the balance of payments data compiled by Bank Indonesia differs in coverage and timing from the data on export/import trade compiled by BPS.
- (3) Presents the position of reserve assets at the end of period. A surplus/deficit in the overall balance of payments during a reporting period will increase/decrease the outstanding amount of reserve assets at the end of that period.
- (4) "Financial account" does not include reserves and related items under BPM6. Unless otherwise indicated, the same applies hereinafter.

In 2014, the current account improved, with the deficit falling to U.S.\$27.5 billion or 3.1% of GDP in 2014. This improvement was mainly the result of new policies instituted by Bank Indonesia in close cooperation with the Government. The improvement in the current account was also supported by improved performances in the goods trade balance, services and secondary income accounts. Improvements in the trade balance were mainly attributable to an increase in the non-oil and gas trade surplus, as non-oil and gas imports contracted following moderate demand in the domestic market, as reflected in the decrease in imports of consumption goods, raw materials, and capital goods. Meanwhile, non-oil and gas exports contracted in nominal terms due to a weakening in global demand, especially from China, and the ongoing decline in global commodity prices. Nevertheless, the improvement in the trade balance was contained by the widening oil and gas trade deficit. Declines in the oil and gas trade balance were attributable to the high domestic energy needs, boosting oil and gas imports amid the decreasing oil exports, in line with the decline in oil production and the global oil price.

The narrowing deficit in the services account was attributable to reduced payments for transportation services, in line with the decrease in imports of goods, increased receipts of travel services, along with the rise in the number of foreign travelers visiting Indonesia, and the increased receipt of remittances from Indonesian workers abroad. On the other hand, the deficit in the income account grew, along with the increase in Indonesia's foreign liability position, mainly due to increased interest payments on the Government's debt securities.

Improvement in Indonesia's economic fundamentals led to an increase in foreign direct investment in 2014. The capital and financial account posted a record high of foreign capital inflow, mainly in the form of portfolio investments. Foreign capital inflows in 2014 reached U.S.\$23.5 billion. The increased inflows of foreign portfolio investments, in addition to the impact of increases in net foreign buying in Rupiah-denominated portfolio instruments, was supported by the Government's steps to issue foreign currency bonds as a source of fiscal financing.

The capital and financial account surplus in 2014 also benefitted from the increased foreign direct investment inflows, with the capital and financial account recording a U.S.\$44.9 billion surplus. The lower current account deficit and the higher capital and financial account surplus resulted in the balance of payments of a surplus of U.S.\$15.2 billion in 2014. This surplus in turn increased international reserves to U.S.\$111.9 billion as of 31 December 2014.

In 2015, the current account continued to improve, with the deficit falling from U.S.\$27.5 billion or 3.1% of GDP in 2014 to U.S.\$17.5 billion or 2.0% of GDP in 2015. The improvement in the current account was mainly attributed to the narrowing of the oil and gas trade deficit due to the drop in oil imports brought about by the fall in global crude oil prices and the lower consumption of oil-based fuels as a positive impact of the Government subsidy reforms. On the other hand, the decline in imports of non-oil and gas was in line with reduced domestic demand. The decline in the services account deficit resulted from a decline in transportation services (freight) in line with fewer imports of goods.

Amid growing uncertainty in the global financial markets, the capital and financial account in 2015 posted a surplus of U.S.\$16.8 billion, lower than the surplus of U.S.\$44.9 billion in 2014. The decrease was primarily due to decline in direct investment inflows and lower corporate funding needs through foreign borrowing in line with slowing domestic economy. In addition, foreign portfolio inflows decreased sharply as uncertainty in the global financial markets increased, although the uncertainty eased in the fourth quarter of 2015. Meanwhile, other investments recorded a deficit of U.S.\$9.9 billion, due to increase in private sector deposits in foreign banks as investors' perception of the domestic economy weakened. Indonesia's overall balance of payments in 2015 recorded a deficit of U.S.\$1.1 billion. As a consequence, international reserves decreased from U.S.\$111.9 billion as of 31 December 2014 to U.S.\$105.9 billion as of 31 December 2015.

In 2016, the current account deficit decreased compared to 2015, with the deficit of U.S.\$17.5 billion or 2.0% of GDP in 2015 falling to U.S.\$17.0 billion or 1.8% of GDP in 2016. The lower current account deficit was mainly due to higher non-oil and gas trade surplus and a lower deficit in the oil and gas trade balance and services account due to a lower deficit in transportation services, each as compared to 2015, which was partially offset by a higher deficit in the primary income and a lower surplus in the secondary income. The lower oil and gas trade deficit was due to the drop in oil imports brought about by the fall in global crude oil prices and lower consumption of oil based fuels mainly due to Government subsidy reforms.

Amid growing uncertainty in the global financial markets, the capital and financial account for 2016 posted a surplus of U.S.\$29.3 billion, higher than the U.S.\$16.8 billion surplus in 2015. The increase was primarily the result of positive sentiment towards the domestic economic outlook and easing global risk. Net direct investment

increased from U.S.\$10.7 billion in 2015 to U.S.\$16.1 billion in 2016. The portfolio investment account also recorded a surplus due to positive sentiment concerning the sound implementation of the Tax Amnesty Law. The other investment deficit shrank on net withdrawals of private sector deposits abroad.

Indonesia's overall balance of payments in 2016 recorded a surplus of U.S.\$12.1 billion compared to the deficit of U.S.\$1.1 billion in 2015. The surplus resulted in higher international reserves from U.S.\$105.9 billion as of 31 December 2015 to U.S.\$116.4 billion as of 31 December 2016.

In 2017, the current account deficit decreased to U.S.\$16.2 billion and improved as a percentage of GDP to 1.6% of GDP compared to 1.8% of GDP in 2016. The lower deficit was primarily attributable to a higher trade balance surplus that offset the higher deficit of services and primary income.

Improving investor perception of the domestic economic outlook led to a high capital and financial account surplus that reached U.S.\$28.7 billion in 2017. However, the increase in placements of private sectors' deposits in offshore banks resulted in an increase in net deficit of other investments, leading to capital and financial accounts being lower in 2017 compared to 2016.

Indonesia's overall balance of payments in 2017 recorded a surplus of U.S.\$11.6 billion, slightly lower than the U.S.\$12.1 billion surplus in 2016. The surplus resulted in an increase in international reserves from U.S.\$116.4 billion as of 31 December 2016 to U.S.\$130.2 billion as of 31 December 2017.

In 2018, the current account deficit increased to U.S.\$30.6 billion or 2.9% of GDP compared to a U.S.\$16.2 billion deficit or 1.6% of GDP in 2017. The higher deficit was mainly due to higher non-oil and gas imports, particularly imports of raw materials and capital goods reflecting robust economic activity in Indonesia, and lower exports of non-oil and gas goods. The increase in the deficit was also due to an increase in oil imports in line with the increase in average global oil prices and domestic fuel consumption.

Amid high uncertainty in the global financial markets, the capital and financial account recorded a significant surplus of U.S.\$24.9 billion in 2018, mainly due to long-term capital inflows from foreign direct investments.

Indonesia's overall balance of payments in 2018 recorded a deficit of U.S.\$7.1 billion, which resulted in a decrease in international reserves from U.S.\$130.2 billion as of 31 December 2017 to U.S.\$120.7 billion as of 31 December 2018.

In 2019, the current account deficit decreased slowly to U.S.\$30.4 billion compared to a U.S.\$30.6 billion deficit in 2018. The lower current account deficit was primarily due to goods trade surplus and higher secondary income surplus. Goods trade surplus in 2019 reversed the deficit in the previous year, affected by higher surplus of non-oil and gas and coupled with lower deficit of oil and gas. Meanwhile, higher secondary income surplus was primarily due to an increase of Indonesian workers remittances receipts.

The capital and financial account surplus increased to U.S.\$36.7 billion in 2019 compared to a U.S.\$25.2 billion deficit in 2018, primarily due to significant inflows in foreign direct investment and portfolio investment.

Indonesia's overall balance of payments in 2019 recorded a surplus of U.S.\$4.7 billion, in line with the higher capital and financial account surplus. Consequently, official reserve assets were U.S.\$129.2 billion as of 31 December 2019, an increase from U.S.\$120.7 billion as of 31 December 2018.

In the first three months of 2020, the current account deficit amounted to U.S.\$3.9 billion or 1.4% of GDP, lower than a deficit of a U.S.\$6.6 billion or 2.5% of GDP in the same period of 2019. A lower current account deficit was primarily driven by an improving goods trade balance surplus, accompanied by decreasing services account and primary income deficit. The improvement of goods trade balance was induced by declining imports in line with slowing domestic demand, which reduced the impact of declining exports due to world economic growth contraction. The services account deficit improved due to a decrease in the transportation services deficit in line with the decline of goods imports, amid a decrease in travel services surplus due to reduced inbound traveller. In addition, the current account deficit reduction also driven by improving primary income account deficit, in line with domestic economic activity.

On the other hand, the capital and financial account recorded a deficit of U.S.\$2.9 billion, mainly influenced by the portfolio investment deficit, after posting a surplus of U.S.\$9.9 billion in the same quarter last year. This

portfolio investment deficit is triggered by a surge in capital outflows in response to the global financial market panic towards the Covid-19 pandemic.

Indonesia's overall balance of payments during the first three months in 2020 recorded a deficit of U.S.\$8.5 billion, in line with the higher capital and financial account deficit. As of 31 May 2020, Indonesia's official reserve assets figure increased to U.S.\$130.5 billion from U.S.\$127.9 billion as of 31 April 2020.

Financial System

Indonesia Financial Safety Net and Crisis Management

In April 2016, the Law No. 9 of 2016 on Prevention and Resolution of Financial System Crisis was passed that revamped the coordination framework for crisis management and resolution among Indonesia Financial Safety Net participants ("KSSK") and also refined the emphasis on strengthened supervisory capacity, improved banking liquidity and prevention measures. These coordinated policy responses allow an institutionalized early warning system and crisis management protocol which enable KSSK to identify potential disruptions, and determine effective policy responses and resolution steps.

As a Financial Safety Net participant, the Ministry of Finance also contributes to safeguard financial system stability. In the event of a disruption, such as sudden reversals in capital flows, the Crisis Management Protocol will be activated to determine the policy response required to maintain market confidence and stability. Policy responses include, amongst others, the Bond Stabilization Framework which provides the mechanism to execute buybacks with several SOEs for the purpose of maintaining stability of the sovereign bond market, placement of funds in instruments with a longer maturity period by issuing longer term securities, debt switching to lengthen debt maturities and reduce the risks associated with refinancing.

Indonesia Deposit Insurance Corporation and Liquidity Support

Since September 2005, the Indonesia Deposit Insurance Corporation, or IDIC, has insured customers' deposits and actively participated in maintaining the stability of the financial system. The IDIC membership is compulsory for every bank conducting business in Indonesia. The prevailing IDIC coverage is up to Rp2.0 billion for each depositor in any one bank. The IDIC will pay, in accordance with its procedures, deposit insurance claims when a member bank has its license revoked by the Indonesia Financial Service Authority (*Otoritas Jasa Keuangan* or OJK). The maximum amount of deposit insured can be adjusted, among others, in the event of a crisis that can potentially decrease public trust in the banking system or affect the stability of the financial system.

The Government's policy on addressing sudden reversals in capital flows involves, among others, the implementation of a Crisis Management Protocol, which involves cooperation between the Ministry of Finance, Bank Indonesia, OJK and IDIC. In the event of a financial crisis, policy steps could include executing buybacks for stabilization in the event of a disruption; taking steps to enhance cooperation among Government institutions, Bank Indonesia, SOEs, regulators and other market participants to maintain stability of the sovereign bond market; and encouraging the placement of funds in instruments with a longer maturity by issuing longer term securities and debt switching to lengthen debt maturities and reduce risks associated with refinancing.

In April 2016, the parliament passed Law No. 9 of 2016 Law concerning Prevention and Resolution of Financial System Crisis, which provides a clear division of responsibilities between the Ministry of Finance, Bank Indonesia, OJK and IDIC in preventing and resolving crises in the financial system through the establishment of a Financial System Stability Committee with representatives from each of the Ministry of Finance, Bank Indonesia, OJK and IDIC. The Financial System Stability Committee aims to provide a coordinated policy response on the basis of regular monitoring of key areas of the financial system.

The Banking System

The Government's policies for the banking sector emphasize the strengthening of the banking system.

The law governing Bank Indonesia, Indonesia's central bank, was amended in 2004 to, among other things, provide that Bank Indonesia will conduct monetary policy to achieve an inflation target as determined by the Government in consultation with Bank Indonesia. It also provides for the creation of the Bank Indonesia

Supervisory Board, or Supervisory Board, to assist the DPR in conducting oversight of Bank Indonesia's internal financial management. The Supervisory Board comprises five members chosen by the DPR and appointed by the President for three-year tenures. The January 2004 amendment also stipulates that Bank Indonesia is the lender of last resort to ensure the stability of the financial system. Bank Indonesia's banking supervision function was transferred to the OJK on 31 December 2013. The latest amendment to the Central Bank Law was in 2008, mainly to amend the collateral requirement on Sharia financing, certain provisions of which were revoked by the Law on Prevention and Resolution of Financial System Crisis enacted in April 2016.

The authorities implement risk mitigation by strengthening micro and macro-prudential surveillance. Micro-prudential surveillance is performed on an individual bank or financial institution in order to ensure the fulfillment of prudential regulations through on-site and off-site supervision. Additionally, macro-prudential surveillance also aims to ensure that prudential regulations are adhered to at the industry level as an aggregate.

Under a framework of strengthening micro-prudential surveillance, a number of measures have been introduced by Bank Indonesia and the OJK to bolster and improve surveillance in order to better anticipate the symptoms of troubled banks on a risk basis, as well as enhance the quality of human resources through training, attachments and certification programs.

In addition, improvements to the tools and methodologies used in surveillance are ongoing in order to reinforce macro-prudential aspects, among others, stress testing, probability of default analysis, transition matrices and other early warning mechanisms. The creation of the financial system safety net also assists authorities to mitigate potential systemic risks that might arise.

OJK has issued banking regulations that are in line with the international standards, such as the Basel framework. In terms of the capital reforms, OJK issued its rule for the Basel III capital framework in December 2013, which was amended in February 2016. These cover (i) raising the quality of regulatory capital, (ii) setting a minimum Tier 1 and CET 1 ratio of 6.0% and 4.5%, respectively, as well as a minimum capital requirement based on risk profile between 8.0% to 14.0%, and (iii) building-up of adequate buffers above the minimum capital requirement based on risk profile (including a capital conservation buffer, countercyclical buffer and capital surcharge for D-SIBs). In 2015, OJK issued regulation regarding D-SIB methodology and capital surcharge application which was applied for the first time in January 2016.

As part of its Basel III implementation policies, OJK issued regulations for the Basel III Liquidity framework, Liquidity Coverage Ratio, or LCR, Net Stable Funding Ratio, or NSFR, and the risk weighted assets, or RWA, calculation relating to derivative transactions. The LCR regulation was issued in December 2015 and requires banks to maintain short-term liquidity through high quality liquid assets that meet their liquidity needs for thirty days. The NSFR regulation was issued in July 2017 and uses NSFR as an indicator to evaluate a bank's long-term liquidity risk by comparing the amount of stable funding available to the bank with the amount of stable funding required by the bank. It aims to reduce long-term liquidity risk by requiring banks to fund activities from stable and adequate sources of funds. Regulations relating to the RWA calculation for derivative transactions were issued in September 2017, providing guidelines for calculating the risk exposure to derivative transactions due to counterparty credit risk.

Under the Prevention and Resolution of Financial System Crisis law, OJK has issued regulations concerning a systemic bank recovery plan in April 2017. These regulations establish the requirements for systemic banks to prepare and submit recovery plans. Systemic banks are also required to have guidelines in relation to the recovery plan in place, which are prepared by taking into account the governance principles supporting the implementation of the recovery plan. Moreover, systemic banks are also obliged to evaluate and perform stress testing in order to assess the adequacy of their recovery plans at least once a year.

As of 31 December 2019, total banking assets were Rp8,726.4 trillion, consisting of commercial bank assets of Rp8,563.0 trillion and rural bank assets (including assets of sharia rural banks) of Rp163.4 trillion.

Islamic Financial System

The Government believes that the Islamic finance banking industry has an opportunity to grow rapidly in Indonesia, which has the largest Muslim population in the world. The industry provides the Muslim community with alternative financial products and services that conform to Sharia principles. These Sharia principles as applied to the Islamic finance banking industry includes Sharia concepts related to *mudharabah* (profit and loss sharing), *wadiah* (safekeeping), *musharaka* (joint venture), *murabahah* (cost plus), and *ijara* (leasing). Sharia

prohibits *riba*, or usury, defined as interest paid on all loans of money. Furthermore, investments in some businesses that provide goods or services considered contrary to Islamic principles (such as pork or alcohol) are also considered *haram* (sinful and prohibited) under Sharia principles. To assist with the development and growth of Islamic financial services in Indonesia, these alternative financial products are considered an integral part of the banking industry and contribute to enhancing the stability of the Indonesian financial system by supporting national economic development in Indonesia.

In July 2008, the Sharia Banking Law was enacted to facilitate the expansion of the Indonesian Islamic banking industry. The Sharia Banking Law applies Sharia principles to banking for Sharia banks and Sharia divisions of conventional banks, prohibiting the payment and receipt of interest and providing that returns on funds that are distributed or lent out must be based on the actual profits generated. The Sharia Banking Law also prohibits Islamic banking business and transactions that would support practices or products forbidden or discouraged by Sharia principles. This law also requires existing Sharia divisions of commercial banks to operate as separate Islamic commercial banks if such a division's assets account for at least half of the parent commercial bank's assets or within 15 years of the enactment of the Sharia Banking Law. The Government believes that this legislation will better position Indonesia as a venue for Islamic banking and finance.

One of the main challenges for Indonesia's Sharia capital markets is the small number of companies that issue Sharia-compliant products such as Islamic bonds, or Sukuk. For example, of the 89 underwriters licensed by OJK as of 30 November 2019, only 29 were involved in issuances of Sukuk, and only 57 of 97 investment managers (including one Sharia investment manager fully managing Sharia funds) were licensed by OJK.

The Indonesian Islamic financial industry has been developing under the regulatory authority of OJK (since 31 December 2013) and previously Bank Indonesia, which formulates and publishes a strategic plan for the development of the industry. OJK has established a new strategic plan for the development of Indonesia's Islamic banking industry for 2015-2019. This new strategic plan is expected to provide guidelines that include detailed initiatives as well as specific objectives for the Sharia banking industry to achieve. This strategic plan for the development of the national Sharia banking industry is recognized as the "Roadmap of Indonesian Islamic Banking 2015-2019" with a view to "establish an Islamic banking industry that provides significant contributions to sustainable economic growth, equitable development, financial system stability and is highly competitive." The roadmap includes, among others, the following measures: (i) issuance of regulations concerning new Sharia investment products such as project-based Sharia funds, (ii) developing a Sharia-compliant set of securities laws, (iii) building infrastructure that supports the Islamic financial system, including a Sharia stock online trading system, more varied Sharia stock indexes and other systems that support the liquidity of Sukuk, and (iv) development of a Sharia capital markets information technology infrastructure.

As of 31 December 2019, assets of Sharia banks were Rp538.3 trillion, or 6.2% of Indonesia's total banking assets.

OJK and Bank Indonesia have issued various regulations in order to support the growth and development of the Sharia banking industry taking into account precautionary principles and Sharia principles.

The Sharia Non-Bank Financial Industry (*Industri keuangan Non Bank Syariah* or IKNB Sharia) is also supervised by OJK and consists of the Sharia Insurance Company, the Sharia Pension Fund, the Sharia Financial Institution and other Sharia Financial Service Institutions. OJK issued a regulation to govern the Sharia pension funds which came into force in September 2016. Under the regulation, management of Sharia pension funds may be conducted by way of: (i) establishment of Sharia pension fund, (ii) conversion of pension fund into Sharia pension fund, (iii) formation of Sharia unit in Employee Pension Fund, or (iv) sale of Sharia investment package in financial institution pension fund. There are currently no established Sharia pension funds in Indonesia.

Anti-Money Laundering Regime

Various financial regulatory agencies in the Republic were formed to combat money laundering activities within Indonesia. In 2002, the Government enacted an anti-money laundering law, or 2002 AML Law, and established a financial intelligence unit, the Indonesian Financial Transaction Reports and Analysis Centre, or INTRAC/Pusat Pelaporan Analisis Transaksi Keuangan or PPATK. The PPATK's duties were later expanded to include matters relating to countering terrorism financing, and consequently, the PPATK was appointed to be the focal point of countering money-laundering and financing of terrorism in Indonesia.

Some of the significant progress made in implementing the Government's anti-money laundering laws and countering financing of terrorism, or CFT, national strategies in the last few years includes: promulgating a new

Anti-Money Laundering Law, namely, Law No. 8 of 2010 on the Prevention and Eradication of Money Laundering Crimes, or 2010 AML Law, and the ratification of the UN Convention against Transnational Organized Crime. The 2010 AML Law came into force on 22 October 2010 replacing the 2002 AML Law, as amended, to be in line with current international standards and best practices.

As part of the implementation of the Government's policy to prevent and eradicate the crime of money laundering, the PPATK has issued and continues to issue various regulations as further implementation of the 2010 AML Law.

On 13 March 2013, the DPR adopted the Law No. 9 of 2013 on the Prevention and Eradication of the Financing of Terrorism, or Law No. 9. Law No. 9 comprehensively regulates: (i) the criminalization of terrorist financing offenses and other offenses related to terrorism financing offenses; (ii) the application of the principle of recognizing users of financial services; reporting and compliance monitoring; (iii) surveillance activities through a remittance transfer system or through other systems by financial service providers; (iv) control disposition of cash and/or other payment instruments into or outside the Indonesian customs area; (v) blocking mechanisms relating to the movement of cash and/or other payment instruments; (vi) the inclusion in the list of suspected terrorists and terrorist organizations; and (vii) arrangements regarding the setting of the investigation, prosecution, and examination at trial.

Terrorism financing within the scope of Law No. 9 includes acts committed, directly or indirectly, in order to provide, gather, give, or lend funds to those who are known to intend to commit an act of terrorism. In addition to individuals, Law No. 9 regulates the criminalization of terrorist financing to terrorist organizations. Terrorist organizations within Law No. 9 can include a collection of people who have a common goal and that, based on a court decision, have committed an act of terrorism. Parties that are named in lists of terrorist organizations also fall within the scope of Law No. 9.

OJK issued a regulation concerning the implementation of anti-money laundering and prevention of terrorism financing in financial services sector in March 2017, namely the OJK Regulation No. 12/POJK.01/2017 and a circular letter in June 2017, namely the circular letter No. 32/SEOJK/03/2017. This regulation requires any financial service provider to identify, assess and understand the risk of money laundering and/or terrorism financing crimes related to customers, countries, geographic areas, products, services, transaction or delivery channels. To perform these types of activities, the financial service provider must establish policies, supervision and maintenance procedures and mitigation of money laundering and terrorism financing risks and establish a special task force and/or appoint an officer to act as a person-in-charge for the implementation of anti-money laundering and anti-terrorism financing programs. The financial service provider is required to submit suspicious financial transaction reports, cash transaction reports and other reports to the PPATK. In September 2019, OJK amended the OJK Regulation No. 12/POJK.01/2017 by OJK Regulation No. 23/POJK.01/2019 to add certain additional measures to be taken by OJK to prevent the funding and proliferation of weapons of mass destructions, namely the requirements for OJK to conduct data maintenance, identity and background checking of transaction parties and immediate blocking of suspected transactions.

Bank Indonesia

Bank Indonesia's statutory mandate states that "the objective of Bank Indonesia is to achieve and maintain the stability of the Rupiah." Rupiah stability can be measured in terms of its value *vis-a-vis* either domestic or external goods. Rupiah stability relative to domestic goods is reflected in the inflation rate, while stability relative to external goods is represented by the exchange rate of the Rupiah against other currencies. Market conditions determine the Rupiah exchange rate, consistent with the floating exchange rate system adopted by Bank Indonesia in August 1997. See "*Foreign Exchange and Reserves — Exchange Rates.*" Bank Indonesia may, however, continue to use its policy instruments to minimize exchange rate fluctuations.

Bank Indonesia, as a separate legal entity from the Government, has its own assets and its own liabilities. The foreign exchange reserves held by Bank Indonesia are recorded on the assets side of the Bank Indonesia balance sheet, while certain items of foreign debt (such as loans from the IMF) are liabilities of Bank Indonesia.

The following table sets forth the balance sheet of Bank Indonesia and was prepared in accordance with the Monetary and Financial Statistics Manual published by the IMF, as of the dates indicated.

Analytical Balance Sheet of Bank Indonesia

	As of 31 December						As of
	2014	2015	2016	2017	2018	2019 ^P	31 March 2020 ^P
	(in billions of Rupiah)						
Base Money (M0)	821,679	918,421	945,916	989,565	1,069,554	1,111,506	1,031,285
Currency in Circulation ⁽¹⁾	500,020	528,537	586,763	612,545	749,167	793,727	727,325
Commercial Banks Demand							
Deposits at Bank Indonesia	253,655	287,484	308,756	288,824	319,653	316,598	303,465
Private sector Demand							
Deposits	451	1,397	366	361	734	1,181	495
Bank Indonesia Certificates							
(SBI) ⁽²⁾	67,552	101,002	50,031	87,835	—	—	—
Factors Affecting Base Money							
(M0)	821,679	918,421	945,916	989,565	1,069,554	1,111,506	1,031,285
Net Foreign Assets	1,169,689	1,351,402	1,422,446	1,525,701	1,708,563	1,759,105	1,936,688
Claims on Non-Residents	1,279,282	1,424,331	1,529,331	1,642,137	1,829,782	1,874,561	2,057,381
Liabilities to Non-Resident	(109,593)	(72,929)	(106,886)	(116,436)	(121,219)	(115,545)	(120,693)
Claims on Other Depository							
Corporations	2,315	1,489	465	362	158	56	56
Liquidity Credits	1,016	978	56	56	56	56	56
Other Claims	1,300	511	409	307	102	—	—
Net claims on central							
Government	185,249	168,098	91,814	82,455	22,027	(6,890)	(20,323)
Claims on central							
Government	245,029	237,218	241,710	207,515	197,009	155,269	157,328
Liabilities to central							
Government	(59,781)	(69,120)	(149,895)	(125,060)	(174,982)	(162,159)	(177,651)
Claims on Other Sectors	8,116	7,927	7,865	7,505	10,410	10,106	(10,082)
Claims on Other Financial							
Institutions	6	1	0	0	—	—	—
Claims on Private Sectors	8,109	7,926	7,865	7,505	10,410	10,106	(10,082)
Open Market Operations ⁽³⁾	(193,362)	(246,403)	(177,243)	(259,798)	(170,345)	(173,675)	(231,802)
Other Liabilities to							
Commercial & Rural Banks	(68,872)	(74,899)	(83,990)	(80,483)	(97,969)	(89,668)	(57,361)
Deposits included in Broad							
Money (M2)	—	—	—	0	—	—	—
Deposits excluded from Broad							
Money (M2)	(15)	(17)	(192)	(9)	(8)	—	—
Shares and Other Equity	(284,545)	(288,822)	(313,331)	(252,816)	(371,433)	(354,651)	(543,359)
Net Other items	3,106	(353)	(1,918)	(33,352)	(31,850)	(32,786)	(62,696)

Source: Bank Indonesia

^P Preliminary.

(1) Currency outside banks plus cash in vault.

(2) SBI which is used to fulfill the secondary statutory reserve requirement of banks and accounted for as primary money supply components. SBI included in Base Money since October 2009 to June 2018. Starting from July 2018 SBI is not accounted as component of primary money supply, due to changes in the reserve requirement regulation.

(3) Consists of total SBI after it is reduced by the SBI used to fulfill the secondary statutory reserve requirement of banks, and is accounted for as a primary money supply component (see footnote 2). Such SBI types include: Syariah SBI, Third Party Syariah SBI, Bank Indonesia Facility, Fine Tune Operation, Government Bonds, State Syariah Negotiable Paper, and Reserve Reverse Repo Government Bonds.

Banks and Other Financial Institutions

The Indonesian financial system consists of banks and non-bank financial institutions. Non-bank financial institutions consist of, among others, insurance companies, pension funds, finance companies, venture capital companies, securities companies, mutual funds, credit guarantee companies and pawn shops.

The following table sets forth the total number of financial institutions in operation and their share of total assets of the financial system as of the period indicated.

Indonesian Financial Institutions as of 31 December 2019

	Number of institutions	Assets** (in trillions of Rupiah)	Percentage of total assets (%)
Banking:			
Commercial banks	110	8,563	73.8
Rural credit banks ⁽¹⁾	1,545	163.4	1.4
Total banking	1,655	8,726.4	75.2
Insurance:			
Life insurance	60	590.7	5.1
General insurance & Reinsurance	85	190.61	1.6
Social insurance ⁽²⁾	5	577	5.0
Total insurance	150	1,358.31	11.7
Pension funds:			
Financial institution pension funds	26	99.4	0.9
Employer pension funds	201	196.2	1.7
Total pension funds	227	295.6	2.5
Finance companies ⁽³⁾	184	518.1	4.5
Venture capital companies	60	18.7	0.2
Securities companies	124 ⁽³⁾	61.7 ⁽⁴⁾	0.5
Mutual funds (collective investment schemes, not institutions)	2,181	542.3	4.7
Credit guarantee companies	22	21.9	0.2
Pawn shops	83	65.7	0.6
Total	3,108	11,608.7	100.0

Source: OJK

** Unaudited.

(1) Including sharia rural banks.

(2) Social insurance encompasses traffic and public transportation, health social security programs, worker social security programs and insurance for civil servants and the armed forces.

(3) Finance companies provide financing for leasing, factoring, consumer finance and credit cards.

(4) Only assets of securities companies as members of a securities exchange.

Indonesian banks are divided into two categories: commercial banks and rural banks. Both commercial and rural banks may operate under either conventional banking principles or under Sharia principles.

The OJK is responsible for the regulation and supervision of the insurance industry. Development of this sub-sector has required the implementation of more robust regulatory requirements and, in particular, improved capital requirements, including requirements to continuously maintain a specified ratio of risk-weighted assets to risk-weighted liabilities

Pension funds are divided into two categories: employer pension funds and financial institution pension funds. Employer pension funds may be run either as defined benefit plans or as defined contribution plans, while financial institution pension funds may only be run as defined contribution plans.

Indonesia's other non-bank financial institutions include finance companies, guarantee companies, venture capital companies, Indonesia export credit agencies, infrastructure financing companies and secondary mortgage facilities companies.

Bank Assets and Liabilities

The following table sets forth the consolidated balance sheets of the commercial banks as of the dates indicated.

Consolidated Balance Sheet of Commercial Banks

	As of 31 December					As of
	2014	2015	2016	2017	2018	31 December
	(in trillions of Rupiah)					2019 ^P
Assets						
Loans	3,706.5	4,092.1	4,413.4	4,781.9	5,358.0	5,683.8
Interbank Assets	182.4	211.9	207.1	235.6	221.0	245.3
Placements at Bank Indonesia	569.0	685.6	717.8	701.3	767.1	766.8
Securities (including Government Bonds) ..	636.7	660.8	860.5	1,035.4	941.9	1,012.7
Equity Participation	21.0	25.6	33.9	39.7	43.5	50.8
Other Claims	245.4	155.5	171.3	218.6	293.4	329.9
Others	254.2	297.7	325.8	375.2	443.3	473.7
Total Assets	5,615.2	6,129.4	6,729.8	7,387.6	8,068.3	8,563.0
Liabilities						
Third Party Funds	4,114.4	4,413.1	4,836.8	5,289.2	5,630.5	5,998.6
Liabilities owed to Bank Indonesia	2.1	0.7	0.8	1.2	2.8	2.1
Interbank Liabilities	133.0	161.1	168.5	184.2	192.5	197.5
Securities	54.3	65.5	93.2	113.3	115.1	135
Borrowing	145.9	177.7	179.7	199.1	296.7	299.1
Other Liabilities	120.7	109.6	100.7	121.2	206.5	187.4
Guarantee Deposits	5.6	6.3	5.2	5.9	4.6	4.2
Others	317.1	383.9	432.3	441.2	485.4	493.0
Capital:						
Paid in Capital	153.4	164.3	176.7	196.3	209.3	211.8
Reserves	67.6	81.7	64.8	65.3	68.3	75.1
Current Earnings/Loss	112.2	104.6	106.5	131.2	150.0	156.5
Retained Earnings/Loss	256.6	323.8	411.2	469.9	542.9	615.1
Estimates of Additional Paid in Capital	97.9	96.2	111.7	124.7	114.5	144.1
Others	34.4	40.9	41.7	44.7	49.2	43.5
Total Liabilities	5,615.2	6,129.4	6,729.8	7,387.6	8,068.3	8,563.0

Source: OJK.

^P Preliminary.

The following table shows the average capital adequacy ratio of the banking system as of the dates indicated:

Average Capital Adequacy Ratios

	As of 31 December					As of
	2014	2015	2016	2017	2018	31 December
	(percentages)					2019 ^P
CAR	19.6	21.4	22.9	23.2	22.9	23.4

Source: OJK

^P Preliminary.

Non-Performing Loans

Since the beginning of 2005, Indonesian banks have been required to calculate their non-performing loans, or NPLs, using international best practices-based standards that require banks to classify as “non-performing” all loans to any borrower if any of that borrower’s loans are non-performing. Banks nationwide are required to apply

the same uniform loan classification system to all loans meeting one of three criteria: (i) loans greater than Rp10.0 billion that are made to one borrower or one similar project; (ii) loans between Rp1.0 billion and Rp10.0 billion that are made to one of the 50 largest debtors of the lending bank; and (iii) loans based on joint financing to one borrower or one project.

The following table shows the gross NPL ratios as of the dates indicated.

Non-Performing Loans Ratios

	As of 31 December					As of
	2014	2015	2016	2017	2018	31 December
	(percentages)					2019 ^P
Gross NPL ratio	2.2	2.4	2.9	2.6	2.4	2.5

Source: OJK

^P Preliminary.

Capital Markets and Capital Markets Regulation

The Indonesian capital markets are regulated by the OJK, which superseded the Capital Markets and Financial Institutions Supervisory Agency (*Badan Pengawas Pasar Modal dan Lembaga Keuangan* or Bapepam-LK) and assumed its duties and functions when Bapepam-LK and the Ministry of Finance's Directorate General of Financial Institution, or DJLK, were merged into a single unit on 31 December 2012.

The regulatory framework for the Indonesian capital markets is provided by the Capital Markets Law No. 8 of 1995 on Capital Markets, or Capital Markets Law. The Capital Markets Law granted the original regulatory authority (and its successors, including OJK) authority in the fields of regulation, development, supervision and law enforcement. The law also provides the authority and responsibilities of self-regulatory organizations, capital market institutions, professionals and firms conducting business in the capital markets. According to the Capital Markets Law, OJK is responsible for the guidance, regulation and day-to-day supervision necessary to implement orderly, fair and efficient capital markets and to protect the interests of investors and the public.

Over the past few years, OJK has introduced rules to strengthen its supervisory and enforcement capacity over Indonesia's capital markets and to promote sound and transparent capital markets. It has exercised its authority over publicly listed companies by issuing new corporate governance regulations to make corporate management and audit committees more directly responsible for financial reports. OJK has also issued revised regulations on the content of listed companies' annual reports, general meeting of shareholders, board of directors and board of commissioners, remuneration and nomination committees, and corporate secretary.

The following table sets forth key indicators regarding the Indonesian Stock Exchange (*Bursa Efek Indonesia* or IDX) and any securities traded on the IDX as of 31 December 2019.

Indonesian Stock Exchange

	IDX
Market capitalization (in trillions of Rupiah)	7,265.0
Listed shares (in billions of shares)	5,736.1
Average daily transaction value (in billions of Rupiah) ⁽¹⁾	9,184.9
Average daily transaction volume (in millions of shares) ⁽¹⁾	14,708.8

Source: IDX

(1) For the year ended 31 December 2019.

As the largest Muslim country in the world, Indonesia has been engaged in an initiative to establish a legal framework for the development of an investor market in Indonesia for Sharia-compliant securities, which are securities that comply with the tenets of Islamic legal principles. The OJK and Bapepam-LK issued various regulations on the form and issuance of Sharia-compliant commercial paper and mutual funds to enhance the growth of the Sharia-compliant securities industry and to provide alternative mutual fund products to investors within Indonesia as well as to attract Muslim investors outside Indonesia.

The IDX, a self-regulatory body, has two indices based on Sharia stock, the Jakarta Islamic Index, or JII, and the Indonesia Sharia Stock Index, or ISSI.

The JII is a stock market index established on the Indonesian Stock Exchange. The JII was launched in 2000 and consists of the 30 largest Sharia-compliant listings by market capitalization and average liquidity in the regular market. As of 23 April 2020, the market capitalization of the JII was Rp1,678.4 trillion.

The IDX launched the Indonesia Sharia Stock Index, or ISSI, on 12 May 2011. The ISSI is comprised of 445 Sharia stocks which are listed on the IDX as of 23 April 2020. As of 23 April 2020, the market capitalization of the ISSI was Rp2,774.4 trillion.

Monetary Policy

Bank Indonesia conducts its monetary policy under two principles: first, inflation targeting framework, or ITF, was adopted as the anchor of monetary policy. Second, a floating exchange rate system was introduced under which Bank Indonesia may intervene in the foreign exchange market, but the objective of Bank Indonesia's intervention is not to achieve a particular exchange rate level but to avoid excessive volatility.

Bank Indonesia adopted the ITF in July 2005. It replaced the previous monetary policy that used base money as the monetary policy target. At the operational level, the monetary policy stance is reflected in the setting of the policy rate, BI Rate, with the expectation of influencing money market rates and in turn the deposit rates and lending rates in the banking system. Changes in these rates will ultimately influence inflation. While other factors in the economy are also taken into account, Bank Indonesia will normally raise the BI Rate if future inflation is forecasted ahead of the established inflation target. Conversely, Bank Indonesia will lower the BI Rate if future inflation is predicted below the inflation target.

In order to strengthen its monetary policy framework, Bank Indonesia introduced a new benchmark rate effective from 19 August 2016, namely the Bank Indonesia 7-Day Reverse Repo Rate, or BI Repo Rate, to replace the BI Rate. The BI Repo Rate changes the tenor of the policy rate from a 360-day tenor (used in the BI Rate) to 7-day tenor money market rates. The change aims to improve the effectiveness of monetary policy in influencing money market rates and bank rates, both lending and funding rates. The enhancement is directed to strengthen the effectiveness of policy rate setting as a tool to achieve monetary policy operational targets as reflected in the overnight interbank rates.

Implementation of the BI Repo Rate is also complemented by normalization of the interest rate corridor in which the Lending Facility, or LF, and the Deposit Facility, or DF, are positioned symmetrically from the BI Repo Rate at a spread of 75 basis points, or bps.

In order to ensure financial and macroeconomic stability, Bank Indonesia also deploys a variety of policy instruments (policy mix approach) which consist of (i) policy rate to anchor inflation expectation complemented by (ii) exchange rate flexibility to lessen pressure on current account, (iii) capital flow management to dampen short-term excessive volatility of exchange rate, (iv) appropriate macro-prudential measures, and (v) ensure good communication to the public. Bank Indonesia also pursues financial market deepening to support the stability of the Rupiah exchange rate and enhance the effectiveness of transmission of monetary policy.

In January 2018, Bank Indonesia maintained the BI Repo Rate at 4.25%, while maintaining the DF and LF rates at 3.50% and 5.00%, respectively. The policy is consistent with efforts to maintain macroeconomic and financial system stability, while also building domestic economic recovery momentum. Bank Indonesia also decided to accelerate the implementation of average minimum reserve requirement ratios as a follow-up to the monetary policy operational framework reform. To encourage bank intermediation and liquidity management, Bank Indonesia refined its macroprudential policy by implementing regulations on Loan to Funding Ratios, or LFR, Financing to Deposit Ratios, or FDR, and Macroprudential Liquidity Buffer, or MLB. Monetary policy easing was successfully transmitted through the interest rate channel as banks continued to lower deposit and lending rates while transmission through the credit channel has been less effective, with credit growth in November 2017 declining to 7.50%.

In February to April 2018, Bank Indonesia maintained the Bank Indonesia Repo Rate at 4.25%, while maintaining the Deposit Facility and Lending Facility rates at 3.50% and 5.00% respectively. This policy is consistent with efforts to maintain macroeconomic and financial system stability, while supporting the domestic economic recovery. Bank Indonesia is of the view that the previous steps taken to ease monetary policy was

adequate to support economic recovery momentum. Monetary and macroprudential policy easing was transmitted through the interest rate channel, as evidenced by reduction of deposit and lending rates by banks. However, transmission through the credit channel remained relatively limited due to weak demand for new loans combined with selective bank lending. Credit growth in 2017 increased to 8.2% compared to 7.9% in 2016, and further decreased to 7.4% year-on-year in January 2018. Despite the decrease in credit growth, financing through the capital markets, including IPOs, right issues, corporate bonds, and MTNs, increased by 99.8% year-on-year in January 2018 in line with the Republic's financial market deepening efforts.

On 16 and 17 May 2018, Bank Indonesia raised the Bank Indonesia Repo Rate by 25 bps to 4.50%, while also raising the Deposit Facility and Lending Facility rates by 25 bps to 3.75% and 5.25% respectively. This was part of Bank Indonesia's efforts to maintain economic stability amid the escalating risks in the global financial market and global liquidity downturn. Bank Indonesia also continued to implement rupiah exchange rate stabilization measures in line with its economic fundamentals, while maintaining market mechanisms. These policies are supported by monetary operations that aim to maintain adequate liquidity in the foreign exchange and money markets. Furthermore, Bank Indonesia also implements a macro-prudential policy, which includes maintaining the countercyclical capital buffer at 0.0%, to maintain financial system stability and improve banking intermediation function. Bank Indonesia considers its policy responses as consistent with efforts to control inflation within the target inflation rate of 3.5% ($\pm 1.0\%$) in 2018 and 2019, while effectively managing external sector resilience.

On 30 May 2018 Bank Indonesia further raised the Bank Indonesia Repo Rate by 25 bps to 4.75%, while also raising the Deposit Facility and Lending Facility rates by 25 bps to 4.00% and 5.50% respectively. Bank Indonesia made pre-emptive, front-loading, and ahead-of-the-curve moves to strengthen stability, especially exchange rate stability against a higher than expected Federal Funds Rate hike and increasing risk in the global financial markets.

In June 2018, Bank Indonesia raised the Bank Indonesia Repo Rate by 50 bps to 5.25%, while also raising the Deposit Facility and Lending Facility rates by 50 bps to 4.50% and 6.00% respectively. The policy rate hike decision was Bank Indonesia's pre-emptive, front-loading, and ahead of the curve move to maintain the domestic financial market's competitiveness against the changing monetary policies of other countries as well as increasing global uncertainty. These rate hikes were supported by Bank Indonesia's dual intervention policy in the foreign exchange market and government securities market as well as the monetary operations strategy to maintain adequate liquidity, particularly in the Rupiah money market and interbank swap market.

In July 2018, Bank Indonesia maintained the Bank Indonesia Repo Rate at 5.25%, while maintaining the Deposit Facility and Lending Facility rates at 4.50% and 6.00% respectively. This was consistent with efforts by Bank Indonesia to maintain domestic financial market attractiveness against a backdrop of pervasive uncertainty in the global financial markets in order to maintain stability in general and Rupiah exchange rate stability in particular.

In August 2018, Bank Indonesia raised the Bank Indonesia Repo Rate by 25 bps to 5.50%, while also raising the Deposit Facility and Lending Facility rates by 25 bps to 4.75% and 6.25% respectively. This was consistent with concurrent efforts by Bank Indonesia to maintain the attractiveness of the domestic financial markets and manage the current account deficit within an acceptable threshold. Further, Bank Indonesia continues to implement measures to accelerate financial market deepening. In the money market, Bank Indonesia has implemented IndONIA as a swap reference rate, which will be accompanied by development of the Overnight Index Swap ("OIS") and Interest Rate Swap ("IRS") instruments to ensure a more efficient market rate structure. In the foreign exchange market, Bank Indonesia has also improved the effectiveness of foreign exchange swap instruments for monetary operations or for hedging. Such policies will provide various alternative instruments to help manage market liquidity and support Rupiah exchange rate stability.

In September 2018, Bank Indonesia raised the Bank Indonesia Repo Rate by 25 bps to 5.75%, while also raising the Deposit Facility and Lending Facility rates by 25 bps to 5.00% and 6.50% respectively. This was consistent with concurrent efforts by Bank Indonesia to lower the current account deficit within a manageable threshold while maintaining the attractiveness of the domestic financial markets, with a view to strengthening Indonesia's external resilience despite widespread global uncertainty. To strengthen the Rupiah stability, the policy rate hike was also supported by policies to implement domestic non-deliverable forwards transactions in order to accelerate forex market deepening while providing an alternate hedging instrument for banks and corporations. Further, to strengthen the stability of the Rupiah, the policy rate hike is also supported by policies to implement DNDF transactions to accelerate forex market deepening while providing alternate hedging

instruments for banks and corporations. A DNDF transaction is a forward transaction with netting settlement in the domestic forex market using Rupiah. The reference rates are JISDOR for USD against IDR and Bank Indonesia's FX Transaction Midrate for non-USD against IDR. DNDF transactions can be done by banks with customers and foreign parties to hedge foreign exchange risks, and must be supported by an underlying transaction in the form of trade in goods and services, investment, and bank loans in foreign currency. Bank Indonesia will continue to strengthen coordination with the Government and other relevant authorities to maintain economic stability and bolster external resilience.

In October 2018, Bank Indonesia maintained the Bank Indonesia Repo Rate at 5.75%, while also maintaining the Deposit Facility and Lending Facility rates at 5.00% and 6.50%, respectively. This was consistent with concurrent efforts to reduce the current account deficit within a manageable threshold, while maintaining the attractiveness of domestic financial markets.

In November 2018, Bank Indonesia raised the Bank Indonesia Repo Rate by 25 bps to 6.00%, while also raising the Deposit Facility and Lending Facility rates by 25 bps to 5.25% and 6.75%, respectively. This decision reflects Bank Indonesia's ongoing efforts to lower the current account deficit within a manageable threshold and improve the attractiveness of domestic financial markets in anticipation of policy rate hikes globally in the next few months. To maintain flexibility and liquidity distribution in the banking industry, Bank Indonesia also raised the Average Reserve Requirement (conventional and Sharia) from 2% to 3%, and the macroprudential liquidity buffer (conventional and Sharia) that can be repurchased to Bank Indonesia, from 2.0% to 4.0%, each as a ratio of third party funds. In the area of macroprudential policy, Bank Indonesia maintained the countercyclical capital buffer ratio at 0.0% and the macroprudential intermediation ratio in the range of 80.0-92.0%. To further support financial market deepening, specifically in the Rupiah money market, Bank Indonesia also introduced a regulation on Rupiah interest rate derivatives, namely interest rate swaps and the overnight index swaps. These instruments are expected to provide alternative hedging instruments against domestic interest rate changes.

Together with the publication of the Indonesia overnight index average, or IndONIA, since August 2018 and efforts to strengthen the Jakarta interbank offer rate, or JIBOR, credibility, this new regulation is expected to support the creation of more transparent yield curves in the money market and bond market, while also strengthening monetary policy transmission and deepening the government and corporate bond markets.

In December 2018 to June 2019, Bank Indonesia maintained the Bank Indonesia 7-Day Reverse Repo Rate at 6.00%, while also maintaining the Deposit Facility and Lending Facility rates at 5.25% and 6.75%, respectively. Seeking to ensure adequate liquidity in the banking industry in order to finance economic activity, in June 2019, Bank Indonesia lowered the Rupiah reserve requirement for conventional and Islamic banks by 50bps to 6.0% and 4.5% respectively, with the average reserve requirements remaining at 3.0%, effective from 1 July 2019. The decision is consistent with ongoing efforts to reduce the current account deficit to a manageable threshold and maintain the attractiveness of domestic financial assets. Bank Indonesia also implemented monetary operations strategies to maintain adequate liquidity in the Rupiah money market and foreign exchange market in order to support monetary and financial system stability. To ensure adequate liquidity is available in the banking system, Bank Indonesia instituted accommodative macroprudential policies by holding the countercyclical capital buffer at 0%, the Macroprudential Liquidity Buffer at 4% with flexible repos at 4% and the Macroprudential Intermediation Ratio in the 84-94% range.

In July 2019, Bank Indonesia lowered the Bank Indonesia 7-day Reverse Repo Rate by 25 bps to 5.75%, Deposit Facility rates were lowered by 25 bps to 5.00% and Lending Facility rates were lowered by 25 bps to 6.50%. In August 2019, Bank Indonesia lowered the Bank Indonesia 7-day Reverse Repo Rate by 25 bps to 5.50%, Deposit Facility rates were lowered by 25 bps to 4.75% and Lending Facility rates were lowered by 25 bps to 6.25%. This decision is consistent with low inflation projected below the midpoint of the target corridor, attractive returns on domestic financial investment assets that support external stability, as well as a pre-emptive measure to safeguard future economic growth momentum against the impact of global economic moderation. The Bank Indonesia monetary operations strategy remained oriented towards ensuring adequate liquidity and increasing money market efficiency, thus strengthening the transmission of accommodative monetary policy.

In September 2019, Bank Indonesia lowered the Bank Indonesia 7-day Reverse Repo Rate by 25 bps to 5.25%, Deposit Facility rates were lowered by 25 bps to 4.50% and Lending Facility rates were lowered by 25 bps to 6.00%. This decision is consistent with low inflation projected below the midpoint of the target corridor, attractive returns on domestic financial investment assets and as a pre-emptive measure to stimulate domestic economic growth momentum against a backdrop of global economic moderation. To strengthen the

policy mix in terms of building economic growth momentum, Bank Indonesia relaxed macroprudential policy in order to increase bank lending capacity and catalyze demand for new loans. Bank Indonesia also refined Macroprudential Intermediation Ratio (MIR)/Sharia MIR by expanding the loan/financing components received by the banks as a source of funds when calculating the MIR/Sharia MIR. Effective 2 December 2019, Bank Indonesia adjusted macroprudential policy in the property and automotive sectors by: (i) relaxing the loan-to-value ratio for property loans and the financing-to-value ratio for property financing; (ii) providing an additional incentive on the loan-to-value ratio for green property loans and the financing-to-value ratio for green property financing; (iii) relaxing down payments on automotive loans or financing; and (iv) providing additional incentive on down payments on green automotive loans.

In October 2019, Bank Indonesia continued to lower the BI 7-day Reverse Repo Rate by 25 bps to 5.00%, Deposit Facility rates were lowered by 25 bps to 4.25% and Lending Facility rates were lowered by 25 bps to 5.75%. This policy is consistent with a controlled inflation outlook and attractive returns on domestic financial investment assets, and as a pre-emptive measure to stimulate domestic economic growth momentum against a backdrop of global economic moderation. Furthermore, the policy is supported by a monetary operations strategy optimized to maintain adequate liquidity and facilitate the effective transmission of an accommodative policy mix. Bank Indonesia is maintaining an accommodative macroprudential policy stance in order to stimulate bank lending and expand economic financing. Payment system policy and financial market deepening will also be strengthened to foster economic growth.

In November 2019, Bank Indonesia held the BI 7-Day Reverse Repo Rate at 5.00%, while also maintaining the Deposit Facility and Lending Facility rates at 4.25% and 5.75%, respectively. Monetary policy remains accommodative and is consistent with a controlled inflation outlook in the target corridor, maintained external stability as well as efforts to maintain domestic economic growth momentum against a backdrop of global economic moderation. Effective 2 January 2020, Bank Indonesia lowered the minimum Rupiah Reserve Requirements for Conventional Commercial Banks and Islamic Banks/Islamic Business Units by 50 bps to 5.5% and 4.0% respectively, while holding the average reserve requirements at 3.0%. The policy move was taken to ensure adequate additional liquidity in the banking system to increase financing and support economic growth. The prevailing monetary operations strategy was further strengthened to maintain adequate liquidity and facilitate effective transmission of the accommodative policy mix.

In December 2019, Bank Indonesia held the BI 7-Day Reverse Repo Rate at 5.00%, while also maintaining the Deposit Facility and Lending Facility rates at 4.25% and 5.75%. Bank Indonesia aims to continue to orient monetary operations towards maintaining adequate liquidity, particularly when approaching year end, and supporting the transmission of an accommodative policy mix. Meanwhile, Bank Indonesia aims to maintain accommodative macroprudential policy to stimulate economic financing in line with the suboptimal financial cycle, while also paying due consideration to prudential principles. Payment system policy and financial market deepening is aimed at strengthening and supporting economic growth. The current policy response is also aimed at maintaining economic stability and bolstering economic growth momentum in Indonesia to mitigate the global risks.

In January 2020, Bank Indonesia held the BI 7-Day Reverse Repo Rate at 5.00%, while also maintaining the Deposit Facility and Lending Facility rates at 4.25% and 5.75%. Monetary policy remains accommodative and is consistent with controlled inflation in the target corridor, maintained external stability as well as efforts to sustain domestic economic growth momentum. Bank Indonesia aims to continue to orient monetary operations towards maintaining adequate liquidity and supporting the transmission of an accommodative policy mix. Meanwhile, Bank Indonesia also aims to maintain accommodative macroprudential policy to stimulate economic financing in line with the suboptimal financial cycle, while also paying due consideration to prudential principles. Payment system policy and financial market deepening is aimed to be strengthened further in order to support economic growth. Going forward, Bank Indonesia will monitor domestic and global economic development with the aim to implement an accommodative policy mix in order to maintain controlled inflation and external stability as well as to support economic growth momentum. In addition, Bank Indonesia aims to continue to strengthen coordination with the Government and other relevant authorities in order to maintain economic stability and catalyze domestic demand, while boosting exports and tourism and attracting foreign capital inflows, including Foreign Direct Investment.

In February 2020, Bank Indonesia lowered the BI 7-day Reverse Repo Rate by 25 bps to 4.75%, lowered the Deposit Facility rates by 25 bps to 4.00% and lowered the Lending Facility rates by 25 bps to 5.50%. Monetary policy remains accommodative and is consistent with controlled inflation outlook in the target corridor, maintaining external stability as well as implementing pre-emptive measures to maintain domestic economic

growth momentum in the face of a global economic recovery potentially restrained by the recent Covid-19 outbreak. Bank Indonesia will also continue to maintain adequate liquidity, support an accommodative policy mix and macroprudential policy to stimulate financing in the midst of suboptimal financial cycle, while also observing prudential principles. To that end, Bank Indonesia will adjust the macroprudential intermediation ratio by expanding the funding and financing purview of branches of foreign banks to support further national economic advancement. Bank Indonesia will also continue to monitor global and domestic economic developments and to strengthen coordination with the Government and other governmental agencies to maintain economic stability and domestic demand, while supporting structural reforms and efforts to mitigate the impact of Covid-19. See “—Recent Developments.”

On 2 March 2020, Bank Indonesia introduced the following policy measures to maintain monetary and financial market stability as well as mitigate risks stemming from the global Covid-19 pandemic as follows:

- Implementing a triple intervention policy to ensure the Rupiah exchange rates move in line with the currency’s fundamental value and market mechanisms. To such end, Bank Indonesia intends to optimise its intervention strategy in the Domestic Non-Deliverable Forwards (“DNDF”) market, spot market and government bond market in order to minimise the risk of Rupiah exchange rate volatility.
- Lowering the foreign exchange reserve requirements for commercial banks from 8.0% to 4.0%, starting from 16 March 2020, which will increase the foreign exchange liquidity in the banking industry by approximately U.S.\$3.2 billion and alleviate foreign exchange market pressures.
- Lowering the Rupiah reserve requirements by 50bps for banks engaged in financing of export-import transactions in coordination with the Government, starting from 1 April 2020 for a period of nine months, to facilitate export-import activity by lowering transaction costs.
- Expanding the range of underlying transactions available to foreign investors in order to provide alternative hedging instruments against holdings of Rupiah.
- Reassuring global investors that they can utilise international and domestic custodian banks to conduct investment activities in Indonesia.

In March 2020, Bank Indonesia lowered the BI Repo Rate by 25 bps to 4.50%, DF rates lowered 25 bps to 3.75% and LF rates lowered 25 bps to 5.25%. Monetary policy remains accommodative and is consistent with controlled inflation in the target corridor, while serving as a pre-emptive measure to maintain domestic economic growth momentum.

In addition, following on from the policy stimuli announced at the previous Board of Governors monthly meeting on 18-19 February 2020 and 2 March 2020, Bank Indonesia has reinforced its policy mix towards mitigating the risks of the global Covid-19 pandemic, while maintaining money market and financial system stability and catalysing economic growth momentum through the following policy measures:

- Strengthening the intensity of triple intervention policy to maintain rupiah exchange rate stability in line with the currency’s fundamental value and market mechanisms, including the spot and DNDF markets as well as purchasing government bonds in the secondary market.
- Extending the government bond repo tenor to 12 months and providing daily auctions to loosen rupiah liquidity in the banking industry, effective from 20 March 2020.
- Increasing the frequency of FX swap auctions for 1, 3, 6 and 12-month tenors from three times per week to daily auctions in order to ensure adequate liquidity, effective from 19 March 2020.
- Strengthening foreign currency term deposit instruments in order to enhance foreign currency liquidity management in the domestic market, while encouraging the banks to utilise the foreign currency reserve requirements lowered by Bank Indonesia for domestic purposes.
- Expediting the enforcement of domestic vostro Rupiah accounts for foreign investors as underlying transactions for DNDF, thus increasing hedging alternatives against Rupiah holdings in Indonesia, which has been brought forward from 1 April 2020 to no later than 23 March 2020.
- Expanding the incentive of a 50bps daily Rupiah reserve requirement beyond banks that are engaged in export-import financing to include the financing of MSMEs and other priority sectors, effective from 1 April 2020.
- To strengthen liquidity management in the banking industry, and in relation to the lower rupiah requirements, Bank Indonesia has raised MLB by 200bps for conventional commercial banks and by

50bps for Islamic banks/Islamic business units, effective from 1 May 2020. Companies in the banking industry are required to meet the additional MLB through purchases of the Government bonds/ Government Islamic securities in the primary market.

- Relaxing the additional demand deposit obligations to meet MIR for conventional commercial banks as well as Islamic banks/Islamic business units for a period of one year, effective from 1 May 2020.
- Strengthening payment system policy to support Covid-19 mitigation efforts by:
 - Providing hygienic currency fit for circulation, alternative cash and backup services, and urging the public to increase the uptake of non-cash payment instruments through digital banking, electronic money and broader Indonesian standard Quick Response code acceptance;
 - Encouraging the use of non-cash payment channels by reducing the cost of the National Clearing System from the banking industry to Bank Indonesia from Rp600 to Rp1 and from customers to the banking industry from a maximum of Rp3,500 to Rp2,900, effective from 1 April 2020 until 31 December 2020;
 - Supporting non-cash disbursements for government programs by expediting the electronification of relevant social programs, including Family Hope Program and Noncash Food Assistance Program, Pre-Employment Card and College Smart Indonesia Card; and
 - Relaxing credit card policy by lowering the upper limit for credit card interest, minimum payment requirements and the penalties for late payments, while supporting credit card issuer policy to extend the due date for customers.

In April and May 2020, Bank Indonesia held the BI Repo Rate at 4.50%, while also maintaining the DF rates and LF rates at 3.75% and 5.25%. In April 2020, Bank Indonesia also lowered the Rupiah Reserve Requirement by 200 bps. The decision considers the need to maintain external stability amidst heightened global financial market uncertainty through the following policy measures, while Bank Indonesia perceives adequate space to lower the policy rate due to mild inflationary pressures and the urgent need to stimulate economic growth.

Bank Indonesia's policy mix is part of the policy synergy coordinated closely with the Government as well as through the Financial System Stability Committee and other relevant authorities to maintain macroeconomic and financial system stability, while striving to recover the national economy from Covid-19. Bank Indonesia will continue to monitor economic and global financial market dynamics as well as the spread of Covid-19 and its economic impact on Indonesia over time, while implementing the coordinated follow-up policies required by the Government and the Financial System Stability Committee to maintain macroeconomic and financial system stability, and supporting the national economic recovery.

The various policy measures recapitulated above are being taken by Bank Indonesia in close coordination with the Government and OJK to mitigate the impact of the Covid-19 pandemic and maintain macroeconomic and financial system stability, while sustaining economic growth momentum. Bank Indonesia plans to also continue to maintain adequate liquidity, support an accommodative policy mix and macroprudential policy to stimulate financing in the midst of suboptimal financial cycle, while also observing prudential principles. To that end, Bank Indonesia will adjust the macroprudential intermediation ratio by expanding funding and financing purview of branches of foreign banks to support further national economic advancement. Bank Indonesia will also continue to monitor global and domestic economic developments and to strengthen coordination with the Government and other governmental agencies to maintain economic stability and domestic demand, while supporting structural reforms and efforts to mitigate the impact of the Covid-19 pandemic.

In addition to changes in the monetary policy, on 25 February 2020, the Government announced a stimulus package to combat the impact of Covid-19, which focused on tax incentives, non-fiscal incentives and expenditure incentives. On 13 March 2020, the Government announced a second stimulus package focused on tax relaxation to support expenditure and buying power, non-fiscal relaxation to support trading and policies to ensure the availability of food supplies. Such tax incentives are implemented in the form of tax breaks, import tax exemptions and advance VAT tax refunds. Currently, these stimulus packages have been partially implemented. OJK has also introduced measures to maintain the health of the banking industry, non-bank financial institutions as well as its capital markets. The relevant authorities will continue to strengthen coordination, and carefully monitor the Covid-19 pandemic and its impact on Indonesia over time, this includes macroeconomic assessments and determining budget implications.

In addition, the Ministry of Finance has also implemented the following measures to mitigate the impact of the Covid-19 pandemic:

- Prohibition of export of necessities;
- Budget support for rapid testing of Covid-19;
- Budget support for medicines and health equipment, especially self-protection equipment for medical personnel;
- Import convenience for health equipment and raw materials for domestic health equipment production;
- Export prohibition for health equipment, to fulfil domestic need;
- Increasing hospital capacity through asset utilisation, which includes setting up athletes housing accommodation (*Wisma Atlet*) as emergency hospitals and constructing hospitals on Galang Island;
- Care and treatment for Covid-19 patient by BPJS Kesehatan;
- Accelerated services regarding import goods for public use and gift items (*barang Hibah*) for society; and
- Waiving customs fees for ethyl alcohol to decrease production cost, resulting in cheaper hand sanitiser to prevent Covid-19.

Money Supply

Bank Indonesia tracks several different measures of money supply. Base money includes currency (bank notes and coins) in circulation and demand deposits of commercial banks and private sector at Bank Indonesia. Narrow money consists of currency outside the bank *plus* Rupiah-denominated demand deposits in commercial banks. Broad money consists of Narrow Money, securities other than shares, *plus* quasi-money, which includes time deposits, savings deposits and demand deposits in foreign currencies.

The following table sets forth the money supply for the periods indicated.

Money Supply

End of period	Money						Securities other than shares	Total ^{M2}
	Base money	Currency	Demand deposits	Total ^{M1}	Quasi- money			
	(in billions of Rupiah)							
2014	918,421	419,262	522,960	942,221	3,209,475	21,630	4,173,327	
2015	945,916	469,534	585,906	1,055,440	3,479,961	13,399	4,548,800	
2016	989,565	508,124	729,519	1,237,643	3,753,809	13,525	5,004,977	
2017	1,085,796	586,576	804,231	1,390,807	4,009,996	18,362	5,419,165	
2018	1,069,554	625,370	831,779	1,457,150	4,282,364	20,533	5,760,046	
2019 ^P	1,111,506	654,683	910,675	1,565,358	4,545,213	25,981	6,136,552	
2020 ^P	1,031,285	620,353	1,028,328	1,648,681	4,763,598	28,178	6,440,457	

Source: Bank Indonesia

^P Preliminary.

M1 Narrow Money.

M2 Broad Money.

End of period	Factors affecting money supply			
	Foreign assets (net)	Claims on central Government (net) ⁽¹⁾	Claims on business sectors	Other items (net) ⁽²⁾
		(in billions of Rupiah)		
2014	1,105,783	416,608	3,488,677	49,733
2015	1,176,638	491,127	3,822,128	57,313
2016	1,298,938	519,065	4,115,821	79,272
2017	1,541,838	488,862	4,412,719	160,930
2018	1,442,602	472,729	4,868,594	184,424
2019 ^P	1,506,614	490,568	5,152,528	277,081
2020 ^P	1,670,977	487,719	5,232,421	297,381

Source: Bank Indonesia

^P Preliminary.

(1) Claims on the Government are Rupiah-denominated claims which are included net of the Government's deposits with the banking system.

(2) Includes capital accounts, SDR allocations and inter-system accounts.

In 2014, Broad Money increased by 11.9% as a result of slower Government expansion. Quasi money growth slowed to 13.8%, primarily due to sharp decline in foreign currency deposits (consisting of, time deposits, saving deposits and demand deposits). Narrow Money growth increased by 6.2%, driven by increasing growth of Rupiah demand deposits.

In 2015, Broad Money growth slowed to 8.9% compared to the increase of 11.9% in the previous year resulting from lower growth in quasi-money. Quasi-money growth decreased to 8.4% from the 13.8% increase in 2014, primarily due to a decline in time deposits. Narrow Money growth increased by 12.0% compared to the increase of 6.2% in the previous year, primarily due to an increase in currency outside commercial and rural banks as well as Rupiah demand deposits.

In 2016, Broad Money grew by 10.0% compared to 8.9% in the previous year, due to accelerated growth in Narrow Money. Quasi-money decreased to 7.9% compared to the 8.4% increase in the previous year, due to a decline in foreign currency deposits. Narrow Money increased to 17.3% compared to the 12.0% increase in the previous year, mainly due to an increase in currency outside commercial and rural banks as well as Rupiah demand deposits.

In 2017, Broad Money grew by 8.3% compared to 10.0% growth in 2016, resulting from slower growth in Narrow Money and quasi-money. Narrow Money growth decreased to 12.4% compared to 17.3% in 2016 primarily due to a slower growth in Rupiah demand deposits. Quasi-money growth decreased to 6.8% compared to 7.9% in 2016 primarily due to a decrease in growth of Rupiah time deposits as well as Rupiah savings deposits.

As of 31 December 2018, Broad Money grew by 6.3% compared to 8.3% growth as of the end of the previous year, resulting from slower growth in Narrow Money. Narrow Money growth decreased to 4.8% compared to 12.4% as of the end of the previous year due to a slower growth in Rupiah demand deposits and currency outside the bank. Quasi-money growth was stable at 6.8%, as slower growth of time deposits and savings deposits were compensated by increased growth of foreign currency demand deposits.

As of 31 December 2019, Broad Money grew by 6.5% compared to 6.3% growth as of the end of the previous year, resulting from higher growth in Narrow Money. Narrow Money increased to 7.4% compared to 4.8% as of the end of the same period in the previous year, due to a higher growth in Rupiah demand deposits. Quasi-money growth decreased to 6.1% compared to 6.8% in the same period as of the end of the previous year, due to a decrease in growth of savings deposits as well as foreign currency demand deposits.

Government Budget

Fiscal Policy

Since 2001, the focus of the Government's fiscal policy has been to promote fiscal consolidation and reduce Government debt gradually in order to achieve fiscal sustainability. As a result of the overall macroeconomic situation and current policy challenges, since 2006, the Government has also focused fiscal policy on providing a modest degree of stimulus to the overall economy, within the constraints of the Government's overall fiscal situation.

The following table sets out the Government revenues and expenditures for the periods indicated, including the original and reallocated budgeted revenues and expenditures for fiscal year 2020.

Government Revenues and Expenditures

	Year Ended 31 December						2020- Initial ^B	2020- Revised ^B
	2015 ^L	2016 ^L	2017 ^L	2018 ^L	2019 ^P	2019 ^B		
	(in trillions of Rupiah)							
Revenues and grants:								
Domestic revenues								
Tax revenues	1,240.4	1,285.0	1,343.5	1,518.8	1,545.3	1,786.4	1,865.7	1,462.6
Non-tax revenue	255.6	262.0	311.2	409.3	405.0	378.3	367.0	297.8
Total domestic revenues . . .	1,496.0	1,546.9	1,654.7	1,928.1	1,950.4	2,164.7	2,232.7	1,760.4
Grants	12.0	9.0	11.6	15.6	6.8	0.4	0.5	0.5
Total revenues and grants	1,508.0	1,555.9	1,666.4	1,943.7	1,957.2	2,165.1	2,233.2	1,760.9
Expenditures:								
Central government expenditures	1,183.3	1,154.0	1,265.4	1,455.3	1,498.9	1,634.3	1,683.5	1,851.1
Transfer to regions and rural fund ⁽¹⁾	623.1	710.3	742.0	757.8	811.3	826.8	856.9	762.7
Total central and transfer expenditures	1,806.4	1,864.3	2,007.4	2,213.1	2,310.2	2,461.1	2,540.4	2,613.8
Suspend ⁽²⁾	0.1	—	—	—	—	—	—	—
Total expenditures	1,806.5	1,864.3	2,007.4	2,213.1	2,046.0	2,461.1	2,540.4	2,613.8
Primary balance ⁽³⁾	(142.5)	(125.6)	(124.4)	(11.5)	(77.5)	(20.1)	(12.0)	(517.8)
Surplus/(deficit)	(298.5)	(308.3)	(341.0)	(269.4)	(353.1)	(296.0)	(307.2)	(852.9)
Financing:⁽⁴⁾⁽⁵⁾								
Debt Financing	380.9	403.0	429.1	372.0	433.4	359.3	351.9	1,006.4
Investment Financing	(59.7)	(89.1)	(59.8)	(61.1)	(49.4)	(75.9)	(74.2)	(229.3)
On-Lending	1.5	1.7	(2.1)	(4.3)	(1.7)	(2.4)	5.2	5.8
Government Guarantee	—	(0.7)	(1.0)	(1.1)	—	—	(0.6)	(0.6)
Other Financing	0.3	19.6	0.4	0.2	15.2	15.0	25.0	70.6
Total Financing	323.1	334.5	366.6	305.7	399.5	296.0	307.2	852.9

Source: Ministry of Finance

^L LKPP (Government Financial Report/Audited).

^P Preliminary.

^B Budget. “Initial” refers to amounts authorised by the original budget, which was signed into law on 18 October 2019. “Revised” refers to revised amounts pursuant to Presidential Regulation No. 54 of 2020, which was signed into law on 3 April 2020 as part of the Government’s ongoing efforts to address the Covid-19 crisis in Indonesia.

- (1) Starting from the fiscal year, or FY, 2015, Government allocates rural fund based on law number 6/2014.
- (2) Realized expenditures calculated by the Ministry of Finance differed from the figures calculated by line ministries and such discrepancies have been subtracted and added, respectively, to totals for such years after the fiscal year is over. “Suspend” is not reported in the current year.
- (3) Primary balance represents revenues *minus* expenditures excluding interest expenditures.
- (4) In 2015, total financing of Rp323.1 trillion exceeded the budget deficit of Rp298.5 trillion and the Government added the difference of Rp24.6 trillion to its reserves. In 2016, total financing of Rp334.5 trillion exceeded the budget deficit of Rp308.3 trillion and the Government added the difference of Rp26.2 trillion to its reserves. In 2017, total financing of Rp366.6 trillion exceeded the 2017 deficit of Rp341.0 trillion and the Government added the difference of Rp25.6 trillion to its reserves. In 2018, total financing of Rp305.7 trillion exceeded the 2018 deficit of Rp269.4 trillion and the Government added the difference of Rp36.3 trillion to its reserves. In 2019, total financing of Rp399.5 trillion exceeded the 2019 deficit of Rp353.1 trillion and the Government added the difference of Rp46.4 trillion to its reserves.
- (5) As of FY 2017, the Financing line items have been reclassified and the previously reported data has been restated across the periods shown.

2019 Budget

The 2019 Budget aims to support investment and Indonesia's competitiveness by focusing on human resources development and is expected to create a fiscal policy that can respond to global volatility and various challenges, as well as achieving maximum development targets.

The key macroeconomic assumptions for 2019 underlying the 2019 Budget were as follows:

- an economic growth rate of 5.3%;
- an inflation rate of 3.5%;
- three-month Indonesian treasury bills yield of 5.3%;
- an exchange rate of Rp15,000.0 to U.S.\$1.0;
- an ICP of U.S.\$70.0 per barrel;
- an oil production by the Republic of 775 thousand barrels of oil per day; and
- gas production by the Republic of 1.250 million barrels of oil equivalent of gas per day.

Tax revenues under the 2019 Budget are targeted at Rp1,786.4 trillion, or an increase of 15.4% from the 2018 Budget target, which results in a tax revenue to GDP ratio of approximately 12.2%. The taxation strategies and policies for 2019 seek to find more sources of Government revenues, while continuing to support the investment climate and export competitiveness, as well as increasing the level of tax compliance by making the taxation regime simpler and more transparent. Non-tax revenue under the 2019 Budget is targeted at Rp378.3 trillion, or an increase of 8.3% from the 2018 Budget target. The non-tax revenue policies for 2019 aim to optimize natural resources and state-owned assets in compliance with Law No. 9 of 2018 on Non-Tax State Revenue, which is the new benchmark for the improvement of governance and higher accountability in managing non-tax sources of Government revenues.

Total expenditures under the 2019 Budget are estimated at Rp2,461.1 trillion, or an 11.0% increase from the Rp2,217.3 trillion in the 2018 Budget, comprising Rp1,634.3 trillion in central Government expenditures and Rp826.8 trillion in transfer to regions and rural funds. Allocations in the 2019 Budget include (i) Rp492.5 trillion for education, (ii) Rp415.0 trillion for infrastructure development, (iii) Rp385 trillion for social security programs, including programs for social assistance, village funding, subsidies and support for the development of small and medium enterprises and cooperatives, and (iv) Rp123.1 trillion for health.

The 2019 Budget projects a deficit of Rp296.0 trillion or 1.84% of projected 2019 GDP. This projected deficit is 5.8% lower than the projected deficit of Rp314.2 trillion or 2.12% of projected 2018 GDP in the 2018 Budget. The Government expects to fund the deficit from debt financing.

Realization of 2019 Budget

The key macroeconomic results for 2019, as compared with the key macroeconomic assumptions underlying the 2019 Budget, are as follows:

- an economic growth rate of 5.0%, compared to 5.3% in the 2019 Budget;
- an inflation rate of 2.7%, compared to 3.5% in the 2019 Budget;
- a three-month Indonesian treasury bills yield of 5.6%, compared to 5.3% in the 2019 Budget;
- an exchange rate of Rp14,146 to U.S.\$1, compared to Rp15,000 to U.S.\$1 in the 2019 Budget;
- an ICP of U.S.\$62.0 per barrel, compared to ICP of U.S.\$70.0 per barrel in the 2019 Budget;
- an oil production by the Republic of 754 thousand barrels of oil per day, compared with 775 thousand barrels of oil per day in the 2019 Budget; and
- gas production by the Republic of 1,072 million barrels of oil equivalent of gas per day, compared to 1.250 million barrels of oil equivalent of gas per day in the 2019 Budget.

The realization of total Government revenues (including grants) for 2019 was Rp1,957.2 trillion, or 90.4% of the targeted amount set out in the 2019 Budget, primarily driven by lower domestic and international tax revenues, partially offset by higher non-tax revenues, and an increase of 0.7% from 2018. The increase in total

Government revenues, as compared with 2018, was primarily due to higher tax revenues in 2019, as a result of higher non-oil and excise income taxes. Total Government revenues consisted of Rp1,545.33 trillion in tax revenue and Rp405.0 trillion in non-tax revenues. During 2018, total Government expenditures realization amounted to Rp1,943.7 trillion, or 102.6% of the projected expenditures in the 2018 Budget. Total expenditures consisted of Rp1,455.3 trillion in Government expenditure and Rp757.8 trillion in transfers to regions and rural funds. The total Government expenditures realization for 2019, as a percentage of the projected expenditures in the 2019 Budget, was worse than the corresponding performance in 2018 due to (i) a decrease in central government expenditure and (ii) a decrease in transfers to regions and rural funds.

Initial 2020 Budget

The 2020 Budget law was enacted on 18 October 2019. The 2020 Budget policy is directed at accelerating competitiveness through innovation and strengthening the quality of human resources. The 2020 Budget is expected to be an instrument of government policy to achieve the vision of becoming a developed, independent, prosperous, and fair country while still being aware of various challenges, including global uncertainty, demographic changes, and massive economic transformation.

The key macroeconomic assumptions for 2020 underlying the 2020 Budget are as follows:

- an economic growth rate of 5.3%;
- an inflation rate of 3.1%;
- three-month Indonesian treasury bills yield of 5.4%;
- an exchange rate of Rp14,400 to U.S.\$1.00;
- an ICP of U.S.\$63 per barrel;
- an oil production by the Republic of 755 thousand barrels of oil per day; and
- gas production by the Republic of 1.191 million barrels of oil equivalent of gas per day.

Tax revenues under the 2020 Budget are targeted at Rp1,865.7 trillion, or an increase of 4.4% from the 2019 Budget target, which results in a tax revenue to GDP ratio of approximately 11.6%. The taxation policies for 2020 include increasing the tax compliance, improving service quality, counseling and supervision through strengthening IT systems and tax administration, implementing an automatic information exchange program, broadening the range of goods subject to excise tax, and adjusting the excise duty rates on tobacco. Non-tax revenue under the 2020 Budget is targeted at Rp367.0 trillion, or a decrease of 3.0% from the 2019 Budget target. The non-tax revenue policies for 2020 aim to continue to make various efforts to improve regulations, create fair and flexible tariff arrangements, strengthening supervision and inspection, optimizing the management of state assets and efficiency in the natural resources sector, as well as improving services and quality of public services in compliance with Law No. 9 of 2018 on Non-Tax State Revenue, which is the new benchmark for the improvement of governance and higher accountability in managing non-tax sources of Government revenues.

Total expenditures under the 2020 Budget are estimated at Rp2,540.4 trillion, or an 3.2% increase from the Rp2,461.1 trillion in the 2019 Budget, comprising Rp1,683.5 trillion in central Government expenditures and Rp856.9 trillion in transfer to regions and rural funds. Allocations in the 2020 Budget include (i) Rp508.1 trillion for education, (ii) Rp423.3 trillion for infrastructure development, (iii) Rp372.5 trillion for social protection programs, including programs for social assistance, village funding, subsidies and support for the development of small and medium enterprises and cooperatives, and (iv) Rp132.2 trillion for health.

The 2020 Budget projects a deficit of Rp307.2 trillion or 1.76% of projected 2020 GDP. This projected deficit is 3.8% higher than the projected deficit of Rp296.0 trillion or 1.84% of projected 2019 GDP in the 2019 Budget. The Government expects to fund the deficit from debt financing.

Revised 2020 Budget

Through Presidential Regulation No. 54 of 2020, the President authorised an increase of the 2020 budget by Rp405.1 trillion for purposes of fighting the spread of Covid-19, as follows: (i) Rp75 trillion for the health care sector, including medical personnel; (ii) Rp110 trillion for the expansion of the social safety net which includes, among others, food subsidy, electricity bill exemption and unemployment assistance; (iii) Rp70.1 trillion to support manufacturers, small and medium-sized enterprises and certain other companies, including support with regards to taxes, import duties and business credits; and (iv) Rp150 trillion to support a national economic recovery program. The state budget allocated to combat the spread of Covid-19 was revised again in May 2020 to Rp641.17 trillion and in June 2020 to Rp677.2 trillion.

In addition to authorising these additional amounts for the 2020 budget, Presidential Regulation No. 54 of 2020 also reallocated the budgeted revenues and expenditures for the fiscal year 2020. Accordingly, the revenues and expenditures that had originally been budgeted by the Government pursuant to Law No. 20 of 2019 on the State Budget for Fiscal Year 2020, (which was signed into law on 18 October 2019) were revised, as set forth under.

As a result of these additional budgeted expenditures, the Government estimated the 2020 budget deficit to reach 5.07% of GDP, and due to the additional government spending, which is expected to continue until the end of 2020 to combat the Covid-19 pandemic, the Government expects that the budget deficit will further increase. Government Regulation in Lieu of Law No. 1 of 2020 also allows the budget deficit gap to temporarily exceed the statutory limit of 3% of GDP until the fiscal year 2022.

Government Finances

Government Revenues

The following table sets forth Government revenues by category for the periods indicated, including the original and reallocated budgeted revenues for fiscal year 2020.

Government Revenues								
Year Ended 31 December								
	2015 ^L	2016 ^L	2017 ^L	2018 ^L	2019 ^P	2019 ^B	2020- Initial ^B	2020- Revised ^B
	(in trillions of Rupiah)							
Domestic revenues:								
Tax revenues:								
Domestic tax								
Income tax:								
Oil and gas	49.7	36.1	50.3	64.7	59.1	66.2	57.4	43.7
Non-oil and gas	552.6	630.1	596.5	685.3	711.2	828.3	872.5	659.6
Total income tax	602.3	666.2	646.8	750.0	770.3	894.5	929.9	703.3
Value added tax (VAT)	423.7	412.2	480.7	537.3	533.0	655.4	685.9	529.7
Land and building tax	29.3	19.4	16.8	19.4	21.2	19.1	18.9	13.4
Excises	144.6	143.5	153.2	159.6	172.3	165.5	180.5	172.9
Other taxes	5.6	8.1	6.7	6.6	7.7	8.6	7.9	7.7
Total domestic taxes	1,205.5	1,249.5	1,304.3	1,472.9	1,504.4	1,743.1	1,823.1	1,427.0
International trade taxes:								
Import duties	31.2	32.5	35.1	39.1	37.5	38.9	40.0	33.9
Export tax	3.7	3.0	4.1	6.8	3.5	4.4	2.6	1.8
Total international trade taxes	34.9	35.5	39.2	45.9	41.0	43.3	42.6	35.6
Total tax revenues	1,240.4	1,285.0	1,343.5	1,518.8	1,545.3	1,786.4	1,865.7	1,462.6
Non-tax revenues:								
Natural resources:								
Oil	48.0	31.4	58.2	101.5	90.1	118.6	96.8	40.4
Gas	30.2	12.6	23.6	41.3	30.3	41.2	30.5	12.9
Total oil and gas	78.2	44.1	81.8	142.8	120.4	159.8	127.3	53.3
General mining	17.7	15.8	23.8	30.3	26.2	25.0	26.2	22.1
Forestry	4.2	3.8	4.1	4.8	5.0	4.5	4.7	4.4
Fishery	0.1	0.4	0.5	0.4	0.5	0.6	0.9	0.9
Geothermal	0.9	0.9	0.9	2.3	1.9	0.9	1.2	1.5
Total non-oil and gas	22.8	20.8	29.3	37.8	33.6	31.0	33.0	28.9
Total natural resources	101.0	64.9	111.1	180.6	154.1	190.8	160.4	82.2
Profit transfer from SOEs	37.6	37.1	43.9	45.1	80.7	45.6	49.0	65.0
Other non-tax revenues	81.7	118.0	108.8	128.6	122.1	94.1	100.9	94.7
Public Service Agency (BLU) Income ⁽¹⁾	35.3	41.9	47.3	55.1	48.1	47.9	56.7	55.8
Total non-tax revenues	255.6	262.0	311.2	409.3	405.0	378.3	367.0	297.8
Total domestic revenues	1,496.0	1,546.9	1,654.7	1,928.1	1,950.4	2,164.7	2,232.7	1,760.4
Grants	12.0	9.0	11.6	15.6	6.8	0.4	0.5	0.5
Total revenues and grants	1,508.0	1,555.9	1,666.4	1,943.7	1,957.2	2,165.1	2,233.2	1,760.9

Source: Ministry of Finance

^L LKPP (Government Financial Report/Audited).

^P Preliminary.

^B Budget. “Initial” refers to amounts authorised by the original budget, which was signed into law on 18 October 2019. “Revised” refers to revised amounts pursuant to Presidential Regulation No. 54 of 2020, which was signed into law on 3 April 2020 as part of the Government’s ongoing efforts to address the Covid-19 crisis in Indonesia.

- (1) Includes Government’s share of Bank Indonesia’s profits representing amounts in excess of Bank Indonesia’s capital ratio requirements, which excess amounts are transferred to the central Government to be used for repayments of certain central Government obligations to Bank Indonesia.

Sources of Government Revenues.

The Government derives its revenues from both tax and non-tax sources. The main sources of tax revenues include income tax, value-added tax, or VAT, customs duties and excises. The main sources of non-tax revenues are revenues generated from the sale of natural resources, profit transfers from SOEs and other non-tax revenues. Although oil and gas have historically been the single largest source of income tax and non-tax revenues for the Government, this has changed in recent years. In 2014, income tax from oil and gas as well as revenues generated from the sale of oil and gas constituted 16.0% and 54.4% of total income tax revenue and total non-tax revenues, respectively. In 2018, these ratios have decreased to 8.6% and 34.9% respectively, primarily driven by lower oil prices and declines in oil and gas production.

Indonesian income tax comprises both corporate income tax and personal income tax. Generally, a flat corporate income tax rate of 25% applies to taxable business profits. Listed companies that meet certain conditions are eligible for a reduction of 5 percentage points from the standard rate, giving them an effective tax rate of 20%. Small enterprises, being corporate taxpayers with an annual gross turnover of up to Rp50 billion, are entitled to a 50% discount of the standard tax rate so that their effective tax rate will be 12.5%, to be imposed proportionally on taxable income of the part of gross turnover up to Rp4.8 billion. Certain enterprises with gross turnover of up to Rp4.8 billion are subject to a final tax at 1% of revenue. On 31 March 2020, the Government lowered the corporate income tax rate to 22% in response to the Covid-19 outbreak.

Personal income tax rates are set at a maximum rate of 30% for annual taxable income above Rp500 million, 25% for annual taxable income above Rp250 million and up to Rp500 million, 15% for annual taxable income above Rp50 million and up to Rp250 million, and 5% for annual taxable income from Rp0 up to Rp50 million.

VAT is typically levied at a 10% rate on events involving the transfer of value-added goods or the provision of value-added services in the Indonesian customs area. There are certain VAT exemptions available on, among others, delivery and/or import of value-added goods designated as strategic goods (such as certain capital goods in the form of machinery and plant and equipment or specifically supporting the achievement of certain national objectives). Exports of value-added goods and certain services are subject to a VAT rate of 0%.

Customs duties consist of import duty and export duty. Import duty is applied on importation of goods and is payable at rates from 0% and 150% on cost, insurance and freight, or CIF, level. Export of certain goods are subject to export duty on certain tariff based on the type of the products and calculated based on either certain percentage of customs value (*ad valorem*) or specifically based on duty rate/quantity in certain currency. Excises are generally imposed on certain goods, the distribution and consumption of which are required to be controlled due to their potential negative effects on society or the environment (such as ethyl alcohol and its concentrate, alcoholic drinks and tobacco products).

Other than the taxes described above, deliveries or imports of certain manufactured taxable goods may be subject to a luxury tax, the rates of which by law may be increased up to 200%. These rates currently range between 10% – 125%. Further, a property tax, called Land and Building Tax (*Pajak Bumi dan Bangunan*, or PBB), is chargeable on all land and/or buildings unless exempted. Certain documents are subject to nominal stamp duty that is payable as a fixed amount of either Rp6,000 or Rp3,000.

Government revenues increased to Rp1,550.5 trillion in 2014, primarily driven by increases in both tax and non-tax revenues. Total tax revenues increased to Rp1,146.9 in 2014, driven by increased revenues from income tax, value added tax and excise tax. Income tax increased to Rp546.2 trillion in 2014, primarily due to increased non-oil and gas income tax. Value added tax increased to 409.2 trillion in 2014, primarily driven by an increase in economic growth coupled with stable inflation.

Excise tax increased to Rp118.1 trillion in 2014, primarily due to increases in cigarette production. Total non-tax revenues increased to Rp398.6 trillion in 2014, mainly driven by higher revenues generated from the sale of oil and gas, which increased to Rp216.9 trillion. Profit transfers from SOEs and other non-tax revenues increased to Rp40.3 trillion and Rp87.7 trillion, respectively.

Government revenues declined by 2.7% from Rp1,550.5 trillion in 2014 to Rp1,508.0 trillion in 2015, primarily driven by a decrease in non-tax revenues, which was partly offset by an increase in tax revenues. Total non-tax revenues declined by 35.9% from Rp398.6 trillion in 2014 to Rp255.6 trillion, mainly driven by a decrease in revenues generated from the sale of oil and gas, which declined by 63.9% from Rp216.9 trillion in 2014 to 78.2 trillion in 2015, mainly driven by lower oil prices and a decline in oil production. Total tax revenues increased by 8.2% from Rp1,146.9 trillion in 2014 to Rp1,240.4 trillion in 2015, mainly driven by increased revenues from income tax, value added tax and excise tax. Income tax increased by 10.3% from Rp546.2 trillion in 2014 to Rp602.3 trillion in 2015, primarily due to an increase in non-oil and gas income tax. Value added tax increased by 3.5% from Rp409.2 trillion in 2014 to Rp423.7 trillion in 2015, primarily driven by increased domestic imports. Excise tax increased by 22.4% from Rp118.1 trillion in 2014 to Rp144.6 trillion in 2015, primarily due to an increase in excise tariff of tobacco.

Government revenues increased by 3.2% from Rp1,508.0 trillion in 2015 to Rp1,555.9 trillion in 2016, primarily driven by an increase in tax revenues. Total tax revenues increased by 3.6% from Rp1,240.4 trillion in 2015 to Rp1,285.0 trillion in 2016, mainly driven by increased revenues from income tax, which increased by 10.6% from Rp602.3 trillion in 2015 to Rp666.2 trillion due to increased non-oil and gas income tax. This was offset partly by declines in value added tax and land and building tax of 2.7% and 33.8%, respectively, due to lower economic growth. Total non-tax revenues increased by 2.5% from Rp255.6 trillion in 2015 to Rp262.0 trillion in 2016. Other non-tax revenues increased by 44.4% from Rp81.7 trillion in 2015 to Rp118.0 trillion in 2016 primarily due to decrease in economic transactions subject to stamp tax duties. This was offset by a further decline in revenues generated from the sale of oil and gas by 43.6% from Rp78.2 trillion in 2015 to Rp44.1 trillion in 2016, due to lower oil prices and declining oil production.

Government revenues increased by 7.1% from Rp1,555.9 trillion in 2016 to Rp1,666.0 trillion in 2017, primarily driven by an increase in tax revenues. Total tax revenues increased by 4.6% from Rp1,285.0 trillion in 2016 to Rp1,343.6 trillion in 2017, mainly driven by higher value added taxes, which increased by 16.6% from Rp412.2 trillion in 2016 to Rp480.7 trillion in 2017 primarily due to an increase in household consumption. This was offset partly by a 5.3% decline in non-oil and gas taxes from Rp630.1 trillion in 2016 to Rp596.6 trillion in 2017 mainly due to the decrease in non-oil and gas income tax. Total non-tax revenues increased by 18.8% from Rp262.0 trillion in 2016 to Rp311.2 trillion in 2017. This was primarily driven by an increase in total oil and gas revenues of 85.5% from Rp44.1 trillion in 2016 to Rp81.8 trillion in 2017 mainly due to higher oil prices. Total natural resources revenues increased by 71.2% from Rp64.9 trillion in 2016 to Rp111.1 trillion in 2017 mainly due to higher oil prices and an increase in demand for commodities such as coal.

Government revenues increased by 16.6% from Rp1,666.4 trillion in 2017 to Rp1,943.7 trillion in 2018, primarily driven by an increase in tax revenues. Total tax revenues increased by 13.0% from Rp1,343.5 trillion in 2017 to Rp1,518.8 trillion in 2018, mainly driven by an increase in non oil-gas income taxes and value added tax. Total non-tax revenues increased by 31.5% from Rp311.2 trillion in 2017 to Rp409.3 trillion in 2018. This was primarily due to higher other non tax revenues from line ministries. Total natural resources revenues increased by 62.6% from Rp111.1 trillion in 2017 to Rp180.6 trillion in 2018 mainly due to a higher crude palm oil price and weaker Rupiah exchange rate.

Government revenues increased by 0.7% from Rp1,943.7 trillion in 2018 to Rp1,957.2 trillion in 2019, primarily driven by an increase in tax revenues. Total tax revenues increased by 1.7% from Rp1,518.8 trillion in 2018 to Rp1,545.3 trillion in 2019. This was primarily due to higher income tax revenue and excises. Total natural resources revenues decreased by 14.7% from Rp180.6 trillion in 2018 to Rp154.1 trillion in 2019 mainly due to lower oil lifting.

The tax ratio, which is calculated by taking tax revenue and non-tax revenue from oil, gas and general mining over gross domestic product, was 13.7% in 2014, 11.6% in 2015, 10.8% in 2016, 10.7% in 2017 and 11.4% in 2018. The preliminary tax ratio was 10.6% in 2019 and the tax ratio for the 2020 Budget is 11.6%.

Tax Amnesty

In July 2016, the Government passed a tax amnesty law which grants a certain tax amnesty to any individual or corporate taxpayer who met the requirements and submitted their application before 31 March 2017. 973,462 taxpayers participated in the program, which has concluded as of 31 March 2017.

As of 31 March 2017, Rp4,884.3 trillion in assets had been declared and the Government had collected Rp135.7 trillion as penalties under the scheme. Of the assets declared under the program, 75.8% are onshore, 21.2% are offshore and 3.0% have been repatriated (predominantly from Singapore). Most of the penalties collected, or Rp114.5 trillion of the total, as of 31 March 2017, represent “redemption” money, or the fee payable to the Government in exchange for the amnesty.

The Government hopes that the success of the tax amnesty program will continue to improve tax compliance in Indonesia. The submissions of annual tax reports by taxpayers who are required to submit one has risen in tandem with the number of registered taxpayers in the past few years. The compliance rate for annual tax rate submissions was 59.1% in 2014, 60.4% in 2015, 60.8% in 2016, 72.6% in 2017 and 71.1% in 2018 and 73.1% in 2019.

Tax Incentives Policy

To drive investment, the Government’s tax incentives policy include:

- Tax holidays for certain “pioneer” industries, where eligible companies may be entitled to a 100% income tax discount for a period of 5 to 20 years depending on the investment value, subsequent to which the eligible company may be entitled to a 50% income tax discount for an additional 2 years;
- Tax allowances to support investment, where the Government grants investment allowances of 30% from investment value (5% a year for 6 years) in addition to accelerated depreciation and amortization, dividend tariffs for foreign taxpayers of up to 10% or an amount according to the applicable tax treaty, and extended loss compensation beyond 5 years for a maximum period of 10 years; and
- Tax deduction to support vocational activities as well as research and development activities.

Government Expenditures.

The following table sets forth the expenditures of the Government for the periods indicated, including the original and reallocated budgeted expenditures for fiscal year 2020.

Government Expenditures

	Year Ended 31 December						2020- Initial ^B	2020- Revised ^B
	2015 ^L	2016 ^L	2017 ^L	2018 ^L	2019 ^P	2019 ^B		
	(in trillions of Rupiah)							
Central Government expenditures:								
Personnel expenditures	281.1	305.1	312.7	346.9	375.9	381.6	416.2	N/A
Good and services expenditures	233.3	259.6	291.5	347.5	334.0	345.2	337.2	N/A
Capital expenditures	215.4	169.5	208.7	184.1	119.5	189.3	209.4	N/A
Interest payments:								
Domestic debt	141.9	167.8	200.0	238.4	253.9	255.9	273.8	N/A
Foreign debt	14.1	15.0	16.6	19.5	21.6	20.0	21.4	N/A
Total interest payments	156.0	182.8	216.6	258.0	275.5	275.9	295.2	N/A
Subsidies:								
Energy subsidies	119.1	106.8	97.6	153.5	136.9	160.0	125.3	N/A
Non-energy subsidies	66.9	67.4	68.8	63.4	84.2	64.3	62.3	N/A
Total subsidies	186.0	174.2	166.4	216.9	201.8	224.3	187.6	N/A
Grant expenditures	4.3	7.1	5.4	1.5	6.5	1.9	2.2	N/A
Social assistance ⁽¹⁾	97.2	49.6	55.3	84.3	113.1	102.1	107.7	N/A
Other expenditures	10.1	6.0	8.8	16.2	11.3	114.0	128.0	N/A
Total central Government expenditures	1,183.3	1,154.0	1,262.1	1,455.3	1,499.0	1,634.3	1,683.5	1,851.1

	Year Ended 31 December						2020- Initial ^B	2020- Revised ^B
	2015 ^L	2016 ^L	2017 ^L	2018 ^L	2019 ^P	2019 ^B		
	(in trillions of Rupiah)							
Transfers to Regions and Rural Fund								
Transfer to Regions								
Balanced funds:								
General transfer funds:								
Revenue sharing funds	78.1	90.5	88.2	93.7	104.0	106.3	117.6	89.8
General allocation funds	352.9	385.4	398.6	401.5	421.0	417.9	427.1	384.4
Total general transfer funds	430.9	475.9	486.8	495.2	525.0	524.2	544.7	474.2
Specific allocation funds:								
Physical special allocation fund	54.9	75.2	62.1	58.1	64.3	69.3	72.2	54.2
Non-physical special allocation fund ⁽²⁾	97.2	88.8	105.6	115.3	120.4	131.0	130.3	128.8
Total specific allocation funds	152.1	163.9	167.7	173.4	184.7	200.4	202.5	183.0
Total balanced funds	583.0	639.8	654.5	668.6	709.6	724.6	747.2	657.2
Regional incentive fund ⁽³⁾	1.7	5.0	7.5	8.2	9.7	10.0	15.0	13.5
Specific autonomy funds ⁽⁴⁾	17.1	18.3	19.4	20.1	20.1	21.0	21.4	19.6
Specific Fund for Special Region of Yogyakarta ⁽⁵⁾	0.5	0.5	0.8	1.0	1.2	1.2	1.3	1.3
Total Transfer to Regions	602.4	663.6	682.2	697.9	741.5	756.8	784.9	691.5
Rural Fund ⁽⁶⁾	20.8	46.7	59.8	59.9	69.8	70.0	72.0	71.2
Total transfers to regions and Rural Fund	623.1	710.3	742.0	757.8	811.3	826.8	856.9	762.7
Suspend ⁽⁷⁾	0.1	—	—	—	—	—	—	—
Total Government expenditures	1,806.5	1,864.3	2,004.1	2,213.1	2,310.2	2,461.1	2,540.4	2,613.8

Source: Ministry of Finance

^L LKPP (Government Financial Report/Audited).

^P Preliminary.

^B Budget. “Initial” refers to amounts authorised by the original budget, which was signed into law on 18 October 2019. “Revised” refers to revised amounts pursuant to Presidential Regulation No. 54 of 2020, which was signed into law on 3 April 2020 as part of the Government’s ongoing efforts to address the Covid-19 crisis in Indonesia. N/A indicates that Presidential Regulation No. 54 of 2020 stipulated only the total amount of revised total central Government expenditures but did not provide for its subcomponents.

- (1) As of FY 2017, the deficit financing line items have been reclassified and the data previously reported has been restated across the periods shown.
- (2) Consists of Social Assistance from Ministries/Agencies Spending and Social Assistance for Disaster Relief
- (3) Included under “Others” before FY 2016 except the regional incentive fund.
- (4) Included under “Others” before FY 2016.
- (5) Consists of specific autonomy fund and additional specific infrastructure autonomy fund for Papua and West Papua Provinces.
- (6) Starting from FY 2013, Government allocates a specific fund for Yogyakarta’s privilege in other expenditures.
- (7) Starting from FY 2015, Government allocates to the rural fund based on law number 6/2014.
- (8) Realised expenditures calculated by the Ministry of Finance differed from the figures calculated by line ministries and such discrepancies have been subtracted and added, respectively, to totals for such years after the fiscal year is over. “Suspend” is not reported in the current year.

The following table sets forth, by percentage, the allocation of Government development expenditures by function for the periods indicated.

Allocation of Central Government Expenditures by Function

	Year Ended 31 December						
	2014 ^L	2015 ^L	2016 ^L	2017 ^L	2018 ^L	2019 ^C	2020 ^B
	(percentages)						
General public services	66.3	52.8	24.0	24.3	25.8	28.9	28.2
Defense	7.2	9.0	8.6	9.3	7.3	7.0	7.8
Public order and safety	2.9	4.5	9.9	10.7	9.8	9.2	9.7
Economic affairs	8.1	15.0	25.2	24.3	26.3	25.2	24.1
Environmental protection	0.8	0.8	0.8	0.8	0.9	0.9	1.1
Housing and community amenities	2.2	1.4	2.4	2.2	2.2	1.4	1.8
Health	0.9	2.0	5.2	4.5	4.3	3.9	3.6
Tourism and culture	0.1	0.3	0.4	0.5	0.7	0.3	0.3
Religion	0.3	0.4	0.7	0.7	0.6	0.7	0.6
Education	10.2	12.1	11.0	10.9	10.0	9.8	9.3
Social protection	1.1	1.8	11.7	11.8	11.9	12.8	13.4
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: Ministry of Finance

^L LKPP (Central Government Financial Report/Audited).

^C Government expenditures included in the assumptions for the 2019 Budget.

^B Initial Budget.

Fuel Prices and Subsidies

The basic price and retail price of certain types of fuel are set by the Government through the Minister of Energy and Mineral Resources taking into consideration fuel purchasing cost, distribution cost, storage cost, and margin. Although the Government subsidy for fuel was eliminated in 2015, kerosene and gasoil continue to be subsidized by the Government. Historically, spending on subsidies has consumed a large portion of the Indonesian state budget. However, the Government in recent years has been implementing measures to raise subsidized fuel prices and reduce energy subsidies by controlling the consumption of subsidized fuel through regulations, increased supervision and distribution management. In the past, fuel hike announcements have resulted in protests in major cities across Indonesia.

With recent global and domestic economic challenges, greater emphasis has been placed on improving national competitiveness. The Government is pursuing a more focused subsidy regime to provide direct subsidies to low income households and to allocate a large part of the budget for infrastructure development. Following the adjustment of fuel subsidies, the Government has implemented a conditional cash transfer program for low-income households. “Smart cards” have been introduced to provide improved health care services, better facilities, education assistance and other kinds of social assistance.

The savings from reductions in fuel subsidies have been allocated to more productive Government spending. For example, average energy subsidy spending was Rp112.9 trillion for 2015 and 2016, whereas it decreased to Rp97.6 trillion for 2017. However, average energy subsidy spending increased to Rp153.2 trillion for 2018 and Rp136.8 trillion for 2019. Spending for infrastructure was Rp262.6 trillion on average for 2015 and 2016 where it increased to Rp376.1 trillion on average for 2017, Rp388.7 trillion on average for 2018 and Rp415 trillion on average for 2019.

The table below sets forth the amount of subsidies for the periods indicated.

			Year Ended 31 December							
			<u>2014^L</u>	<u>2015^L</u>	<u>2016^L</u>	<u>2017^L</u>	<u>2018^L</u>	<u>2019^C</u>	<u>2019^P</u>	<u>2020^B</u>
			(in trillions of Rupiah)							
Subsidies:										
Energy subsidies	.....		341.8	119.1	106.8	97.6	153.5	160.0	136.8	125.3
Non-energy subsidies	.....		<u>50.2</u>	<u>66.9</u>	<u>67.4</u>	<u>68.8</u>	<u>63.4</u>	<u>64.3</u>	<u>65.0</u>	<u>62.3</u>
Total subsidies	.....		392.0	186.0	174.2	166.4	216.9	224.3	201.8	187.6

Source: Ministry of Finance

^L LKPP (Central Government Financial Report/Audited).

^P Preliminary.

^C Subsidies included in the assumptions for the 2019 Budget.

^B Budget.

Deficit Financing

The following table sets forth, by amount, information on deficit financing for the periods indicated, including the original and reallocated budgeted deficit financing for fiscal year 2020.

	Year Ended 31 December							2020- Initial ^B	2020- Revised ^B
	2014 ^L	2015 ^L	2016 ^L	2017 ^L	2018 ^L	2019 ^P	2019 ^B		
	(in trillions of Rupiah)								
Debt financing									
Government securities (net)	264.6	362.3	407.3	441.8	358.4	435.4	389.0	389.3	549.6
Loans									
Domestic loans (net)	0.9	0.8	1.1	0.6	1.4	2.8	0.5	1.3	1.3
Foreign loans:									
Gross drawings:									
Program loan	17.8	55.1	35.3	20.9	50.6	36.7	30.0	21.6	82.0
Project loan	34.8	28.7	28.1	30.8	38.0	36.4	30.3	26.8	29.5
Total gross drawing	52.6	83.8	63.4	51.7	88.6	73.1	60.3	48.4	111.5
Amortization	(62.4)	(66.0)	(68.7)	(65.1)	(76.3)	(88.0)	(92.0)	(87.1)	(105.9)
Total foreign loan (net)	(9.8)	17.8	(5.3)	(13.4)	12.3	(13.7)	(30.2)	(38.8)	5.7
Total loans (net)	(8.9)	18.7	(4.3)	(12.7)	13.6	(10.9)	(29.7)	(37.5)	7.0
Pandemic Bond	—	—	—	—	—	—	—	—	449.9
Total debt financing	255.7	380.9	403.0	429.1	372.0	435.4	359.3	351.9	1,006.4
Investment financing									
Investment to SOEs	(3.0)	(64.5)	(50.5)	(6.4)	(3.6)	(17.8)	(17.8)	(17.7)	(16.0)
Investment to other institutions	(1.0)	(7.1)	(10.8)	(3.2)	(2.5)	(2.5)	(2.5)	(5.0)	(5.0)
Investment to public service agencies	(3.5)	(6.9)	(25.3)	(48.2)	(52.7)	(28.2)	(53.2)	(52.5)	(41.0)
Investment in financial organizations/ institutions	(1.4)	(0.3)	(3.8)	(2.0)	(2.3)	(2.3)	(2.4)	(1.0)	(0.8)
Revenue of investment	0.0	19.1	1.4	—	—	—	—	2.0	2.0
Other investment financing	—	—	—	—	—	—	—	—	(168.7)
Total investment financing	(8.9)	(59.7)	(89.1)	(59.8)	(61.1)	(49.4)	(75.9)	(74.2)	(229.3)
Lending									
On-lending to SOEs/local government/ institutions/other agencies:	2.5	2.3	1.7	(2.1)	(4.3)	(1.7)	(2.4)	5.2	5.8
Lending reserves	—	(0.8)	—	—	—	—	—	—	—
Total lending	2.5	1.5	1.7	(2.1)	(4.3)	(1.7)	(2.4)	5.2	5.8
Mandatory guarantee	(1.0)	—	(0.7)	(1.0)	(1.1)	—	—	(0.6)	(0.6)
Other financing	0.5	0.3	19.6	0.4	0.2	15.2	15.0	25.0	70.6
Total financing (net)	248.9	323.1	334.5	366.6	305.7	399.5	296.0	307.2	852.9

Source: Ministry of Finance

^L LKPP (Government Financial Report/Audited).

^P Preliminary.

- ^B Budget. “Initial” refers to amounts authorised by the original budget, which was signed into law on 18 October 2019. “Revised” refers to revised amounts pursuant to Presidential Regulation No. 54 of 2020, which was signed into law on 3 April 2020 as part of the Government’s ongoing efforts to address the Covid-19 crisis in Indonesia.
- (1) As of FY 2017, the deficit financing line items have been reclassified and the data previously reported has been restated across the periods shown.

Government Expenditures

Total Government expenditures consist primarily of two components: (i) central Government expenditures and (ii) transfers to regions and rural fund. Central Government expenditures consist primarily of personnel, goods and services, capital, interest and social expenditures, as well as energy subsidies. Regional transfers consist primarily of expenditures for general and specific funds on the regional and rural level.

Total Government expenditures increased to Rp1,777.2 trillion in 2014. Total central Government expenditures increased to Rp1,203.6 trillion in 2014, primarily due to higher expenditures for personnel, goods and services, interest and energy subsidies; these increases were partly offset by lower capital expenditures, due to lower capital expenditures for equipment and machineries. Total transfers to regions and rural fund increased to Rp573.7 trillion in 2014, primarily driven by higher total general transfer funds.

Total Government expenditures increased by 1.6% from Rp1,777.2 trillion in 2014 to Rp1,806.5 trillion in 2015. Total central Government expenditures decreased by 1.7% from Rp1,203.6 trillion in 2014 to Rp1,183.3 trillion in 2015, primarily due to a decline in expenditures for energy subsidies of 65.2%, due to the Government’s implementation of a range of changes to its pricing policy for gasoline and automotive diesel fuel as a reaction to declining international oil prices. This was partly offset by higher expenditures for personnel, goods and services, capital and interest. Total transfers to regions and rural fund increased by 8.6% from Rp573.7 trillion in 2014 to Rp623.1 trillion in 2015, primarily driven by higher total specific allocation funds and the rural fund, which were partly offset by lower revenue sharing funds.

Total Government expenditures increased by 3.2% from Rp1,806.5 trillion in 2015 to Rp1,864.3 trillion in 2016. Total central Government expenditures decreased by 2.8% from Rp1,183.3 trillion in 2015 to Rp1,150.7 trillion in 2016, primarily due to lower capital and social assistance expenditures, which declined by 22.7% and 49.0%. This was partly offset by higher expenditures for personnel, goods and services and interest. Total transfers to regions and rural fund increased by 14.0% from Rp623.1 trillion in 2015 to Rp710.3 trillion in 2016, primarily driven by higher total general transfer funds, the physical special allocation fund and the rural fund.

Total Government expenditures increased by 7.7% from Rp1,864.3 trillion in 2016 to Rp2,007.4 trillion in 2017. Total central Government expenditures increased by 9.7% from Rp1,154.0 trillion in 2016 to Rp1,265.4 trillion in 2017, primarily due to higher goods and services expenditures, higher capital expenditures resulting from the continuing implementation of Government programs by line ministries and macroeconomic factors such as the lower Rupiah to U.S. dollar exchange rate, which have an effect on interest payments. Total interest payment increased by 18.5% from Rp182.8 trillion in 2016 to Rp216.6 trillion in 2017. Total transfers to regions and rural fund increased by 4.5% from Rp710.3 trillion in 2016 to Rp742.0 trillion in 2017, primarily due to higher distributions to the regional incentive fund, the balanced fund and the rural fund.

Total Government expenditures increased by 9.9% from Rp2,004.1 trillion in 2017 to Rp2,213.1 trillion in 2018. Total central Government expenditures increased by 14.4% from Rp1,262.1 trillion in 2017 to Rp1,455.3 trillion in 2018, primarily due to increases in fuel subsidies and interest payments. The increase in fuel subsidies was primarily due to an adjustment in diesel subsidies from Rp500.0/litre to Rp2,000.0/litre and payment of energy subsidy arrears from previous years. The increase in interest payments was primarily due to the depreciation of the Rupiah. Total transfers to regions and rural fund increased by 2.3% from Rp682.2 trillion in 2017 to Rp697.9 trillion in 2018, primarily due to higher specific allocation funds realization.

Total Government expenditures increased by 4.4% from Rp2,213.1 trillion in 2018 to Rp2,310.2 trillion in 2019. Total central Government expenditures increased by 3.0% from Rp1,455.3 trillion in 2018 to Rp1,499.0 trillion in 2019, primarily due to increases in personnel expenditures and social assistance expenditures resulting primarily from the implementation of social assistance programs. Total transfers to regions and rural fund increased by 7.1% from Rp757.8 trillion in 2018 to Rp811.3 trillion in 2019, primarily due to higher general transfer funds realization.

Government Revenues

The following table sets forth the revenues of the Government as (i) audited 2018 revenue as a percentage of the actual 2018 GDP, (ii) preliminary realized revenues for 2019 as a percentage of preliminary 2019 GDP, and (iii) projected 2020 revenue as a percentage of projected 2020 GDP, respectively.

Government Revenues			
	2018 LKPP Audited	2019P ⁽²⁾	2020 Budget
	(percentages of 2018 GDP)	(percentages of 2019 GDP)	(percentages of projected 2020 GDP)
Total revenues and grants (in trillions of Rupiah)	13.10	12.14	12.79
Domestic revenues:			
Tax revenues:			
Domestic tax			
Income tax:			
Oil and gas	0.44	0.37	0.33
Non-oil and gas	4.62	4.41	5.00
Total income tax	5.05	4.78	5.32
Value added tax (VAT)	3.62	3.30	3.93
Land and building tax	0.13	0.13	0.11
Excises	1.08	1.07	1.03
Other taxes	0.04	0.05	0.05
Total domestic taxes	9.93	9.33	10.44
International trade taxes:	0.31	0.25	0.24
Import duties	0.26	0.23	0.23
Export tax	0.05	0.02	0.01
Total international trade taxes	0.31	0.25	0.24
Total tax revenue	10.24	9.58	10.68
Non-tax revenues:			
Natural resources:			
Oil	0.68	0.56	0.55
Gas	0.28	0.19	0.17
Total oil and gas	0.96	0.75	0.73
General Mining	0.20	0.16	0.15
Forestry	0.03	0.03	0.03
Fishery	0.00	0.00	0.01
Geothermal	0.02	0.01	0.01
Total non-oil and gas	0.25	0.21	0.19
Total natural resources	1.22	0.96	0.92
Profit transfer from SOEs	0.30	0.50	0.28
Other non-tax revenues	0.87	0.76	0.58
Public Service Agency (BLU) Income ⁽¹⁾	0.37	0.30	0.32
Total non-tax revenues	2.76	2.51	2.10
Total domestic revenues	12.99	12.09	12.78
Grants	0.10	0.04	0.00
Total revenues and grants	13.10	12.14	12.79

Source: Ministry of Finance

^P Preliminary.

- (1) Includes Government's share of Bank Indonesia's profits, representing amounts in excess of Bank Indonesia's capital ratio requirements. The excess amounts are transferred to the central Government to be used for repayments of certain central Government obligations to Bank Indonesia.
- (2) Presents preliminary realized Government revenues for FY 2019 as a percentage of preliminary 2019 GDP.

Government Expenditures.

The following table sets forth the expenditures of the Government as (i) audited 2018 expenditures as a percentage of the actual 2018 GDP, (ii) preliminary realized expenditures for 2019 as a percentage of preliminary 2019 GDP, and (iii) projected 2020 expenditures as a percentage of projected 2020 GDP, respectively.

Government Expenditure

	2018 LKPP Audited	2019P ⁽⁵⁾	2020 Budget
	(percentages of 2018 GDP)	(percentages of 2019 GDP)	(percentages of projected 2020 GDP)
Total expenditures (in trillions of Rupiah)	14.92	14.33	14.55
Central government expenditures:			
Personnel expenditures	2.34	2.33	2.39
Good and services expenditures	2.34	2.07	1.93
Capital expenditures	1.24	1.12	1.20
Interest payments:			
Domestic debt	1.61	1.57	1.57
Foreign debt	0.13	0.13	0.12
Total interest payments	1.74	1.71	1.69
Subsidies:			
Energy subsidies	1.03	0.85	0.72
Non-energy subsidies	0.43	0.40	0.36
Total subsidies	1.46	1.25	1.07
Grant expenditures	0.01	0.04	0.01
Social assistance	0.58	0.70	0.62
Other expenditures	0.11	0.07	0.73
Total central Government expenditures	9.81	9.30	9.64
Transfers to Regions and Rural Fund:			
Transfer to Regions			
Balanced funds:			
General transfer funds:			
Revenue sharing funds	0.63	0.64	0.67
General allocation funds	2.71	2.61	2.45
Total general transfer funds	3.34	3.26	3.12
Specific allocation funds:			
Physical special allocation fund	0.39	0.40	0.41
Non-physical special allocation fund ⁽¹⁾	0.78	0.75	0.75
Total specific allocation funds	1.17	1.15	1.16
Total balanced funds	4.51	4.40	4.28
Regional incentive fund ⁽²⁾	0.06	0.06	0.09
Specific autonomy funds	0.14	0.13	0.13
Specific Fund for Special Region of Yogyakarta	0.01	0.01	0.01
Total transfer to Regions	4.70	4.60	4.49
Rural Fund ⁽³⁾	0.40	0.43	0.41
Total transfers to regions and rural fund	5.11	5.03	4.91
Suspend ⁽⁴⁾	—	—	—
Total Government expenditures	14.92	14.33	14.55

Source: Ministry of Finance

^P Preliminary.

(1) Included under “others” before FY 2016 except regional incentive fund.

(2) Included under “others” before FY 2016.

(3) Starting from FY 2015, the Government allocates rural fund based on law number 6/2014.

(4) Realized expenditures calculated by the Ministry of Finance differed from the figures calculated by line ministries and such discrepancies have been subtracted and added, respectively, to totals for such years after the fiscal year is over. “Suspend” is not reported in the current year.

(5) Presents preliminary realized Government revenues for FY 2019 as a percentage of preliminary 2019 GDP.

Government Deficit Financing. The following table sets forth the deficit financing of the Government, by amount and (i) audited 2018 deficit financing as a percentage of the actual 2018 GDP, (ii) preliminary realized 2019 deficit financing as a percentage of preliminary 2019 GDP, and (iii) projected 2020 deficit financing as a percentage of projected 2020 GDP, respectively.

Government Deficit Financing⁽¹⁾

	2018 LKPP Audited	2019 Realization ^{P(2)}	2020 Budget
	(percentages of 2018 GDP)	(percentages of 2019 GDP)	(percentages of projected 2020 GDP)
Total financing (net) (in trillions of Rupiah)	305.7	399.5	307.2
Debt financing			
Government securities (net)	2.42	2.79	2.23
Loans			
Domestic loans (net)	0.01	0.02	0.01
Foreign loans:			
Gross drawings:			
Program loan	0.34	0.23	0.12
Project loan	0.26	0.23	0.15
Total gross drawing	0.60	0.46	0.27
Amortization	(0.52)	(0.55)	(0.51)
Total foreign loan (net)	0.08	(0.09)	0.01
Total loans (net)	0.09	(0.07)	(0.21)
Total debt financing	2.51	2.72	2.01
Investment financing			
Investment to SOEs	(0.02)	(0.11)	(0.10)
Investment to other institutions	(0.02)	(0.02)	(0.03)
Investment to public service agencies	(0.36)	(0.18)	(0.30)
Investment in financial organizations/institutions	(0.02)	(0.01)	(0.01)
Total investment financing	(0.41)	(0.31)	(0.43)
Lending			
On-lending to SOEs/local government/institutions/other agencies:	(0.06)	(0.04)	(0.02)
Lending reserves	0.03	0.03	0.05
Total lending	(0.03)	(0.01)	(0.03)
Mandatory guarantee	(0.01)	—	—
Other financing	0.00	0.09	0.14
Total financing (net)	2.06	2.49	1.76

Source: Ministry of Finance

^P Preliminary.

- (1) As of FY 2017, the Government deficit financing line items have been reclassified and the previously reported data has been restated across the periods shown.
- (2) Presents preliminary realized Government deficit financing for 2019 as a percentage of preliminary 2019 GDP.

Public Debt

The reduction of public debt in percentage-of-GDP terms has been a consistent key fiscal policy objective of the Government. To achieve this objective, the Government's policy has emphasized the strengthening of public debt management, the lengthening and balancing of the maturities of public debt and the growth of public debt at sustainable levels.

As of 31 December 2019, total public debt of the central Government was U.S.\$347.6 billion, 16.1% of which consisted of loans and 83.9% of which consisted of securities, including domestic and foreign issuances of bonds and Sukuk.

As of 31 May 2020, total public debt of the central Government was U.S.\$356.9 billion, 15.5% of which consisted of loans and 84.5% of which consisted of securities, including domestic and foreign issuances of bonds and Sukuk.

External Public Debt of the Republic

External public debt of the Republic consists of central government debt (other than public domestic debt) and debt of Bank Indonesia owed to creditors outside Indonesia. The discussion below treats the external debt of Bank Indonesia as part of the Republic's external debt. However, SBI, which are issued by Bank Indonesia in its role as formulator and implementer of the Republic's monetary policy, are not considered liabilities of the Republic. Accordingly, SBI are not reflected in the Government debt discussions in this prospectus. See “— *Financial System — Bank Indonesia*.” The discussion of debt of the Republic in this section differs from the discussion of “Government debt” elsewhere in this prospectus, in which Bank Indonesia debt is excluded and only central Government debt, which depends on Government revenue for its repayment, is included. See “— *Government Budget — Government Finances*.”

The following table sets forth information on the outstanding external public debt of the Republic in terms of creditor type as of the dates indicated.

Outstanding External Public Debt of the Republic by Source⁽¹⁾

	As of 31 December					As of
	2014	2015	2016	2017	2018	31 March
			(in billions of U.S. dollars)			2020 ^P
Concessional Loans:						
Multilateral creditors	23.5	26.1	27.5	28.2	29.3	30.0
Bilateral creditors	26.9	24.7	23.5	23.2	23.1	21.6
Semi-concessional Loans:						
Export agency creditors	0.0	0.0	0.0	0.1	—	—
Commercial ⁽²⁾	40.5	51.4	60.4	70.2	75.8	79.5
Total	90.9	102.2	111.4	121.6	128.3	130.5
Total external public debt of the Republic, as a percentage of GDP for the period indicated⁽³⁾	10.7%	12.4%	12.1%	11.8%	12.5%	11.5%
						13.3%

Source: Ministry of Finance

^P Preliminary.

- (1) Foreign currency values of outstanding external debt have been converted into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.
- (2) Includes securities (bonds and Sukuk) issued in international capital markets and commercial bank borrowings.
- (3) In calculating as a percentage of GDP, GDP in U.S. dollars has been converted from Rupiah into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.

As of 31 May 2020, 61.8% and 38.2% of the outstanding external public debt of the Republic are from commercial and concessional and semi concessional loans, respectively.

Sources of External Public Borrowing

The sources of the Republic's external public borrowings are concessional loans from multilateral creditors and bilateral creditors, semi-concessional loans from export agency creditors, and commercial creditors, including international bondholders.

The World Bank and the ADB have been important sources of funds for the Republic, and the Republic has secured substantial commitments from the Japan Bank for International Cooperation, or JBIC, in recent years.

In 2014, the Republic drew down program loans of U.S.\$773.84 million from the World Bank, U.S.\$100 million from Agence Française de Développement, U.S.\$400 million from ADB and U.S.\$200 million from KfW Bankengruppe. In 2015, the Republic drew down program loans of U.S.\$2.1 billion from the World Bank, U.S.\$1.4 billion from ADB, U.S.\$245 million from KfW Bankengruppe, and U.S.\$100 million from Agence Française de Développement. In addition, the Republic utilized the contingency facilities provided by the World Bank in the amount of U.S.\$2 billion and from ADB in the amount of U.S.\$500 million in 2015. In 2016, the Republic drew down program loans of U.S.\$1.1 billion from the World Bank, U.S.\$1 billion from ADB, U.S.\$440 million KfW Bankengruppe, and U.S.\$110 million from Agence Française de Développement. In 2017, the Republic had drawn down program loans of U.S.\$647 million from the World Bank, U.S.\$400 million from the ADB, €200 million from KfW Bankengruppe and €250 million from Agence Française de Développement. In

2018, the Republic drew down program loans of U.S.\$679.8 million from the World Bank, U.S.\$1.4 billion from ADB, U.S.\$100 million from the ASEAN Infrastructure Fund, €900 million from KfW Bankengruppe and €300 million from Agence Française de Développement. In 2019, the Republic drew down program loans of U.S.\$1.1 billion from the World Bank and U.S.\$1.5 billion from ADB.

Since 2012, the Government has expanded its sources of external financing by accessing the international capital markets (including the Islamic financial markets).

The total outstanding external public debt of the Republic as of 31 December 2019 was U.S.\$130.5 billion.

The following table sets forth the outstanding amounts of international development assistance received by the Republic as of the dates indicated.

International Development Assistance⁽¹⁾⁽²⁾

	As of 31 December						As of 31 March
	2014	2015	2016	2017	2018	2019 ^P	2020 ^P
	(in millions of U.S. dollars)						
Bilateral loans	26,898.8	24,692.3	23,450.0	23,210.4	23,107.3	21,419.5	21,551.6
Multilateral loans:							
International Monetary Fund	—	—	—	—	—	—	—
World Bank Group	14,069.6	16,077.2	17,261.9	17,955.7	18,295.8	18,767.1	18,424.4
Asian Development Bank	8,629.5	9,202.5	9,261.6	9,065.9	9,787.9	10,167.5	9,998.9
Islamic Development Bank	591.1	624.7	735.7	908.8	988.1	1,224.5	1,206.5
Nordic Investment Bank	21.9	16.7	11.7	11.4	10.2	9.3	8.8
European Investment Bank	38.5	27.6	22.0	16.1	9.9	3.4	3.4
International Fund for Agricultural Development	148.5	150.6	165.0	188.1	183.2	179.4	178.1
Asian Infrastructure Development Bank	—	—	—	23.8	73.6	117.3	159.3
Multilateral Investment Guarantee Agency	—	—	—	—	—	—	—
Total multilateral loans	23,499.2	26,099.3	27,457.9	28,169.8	29,348.7	30,468.4	29,379.3
Total loans	46,569.1	50,791.6	48,345.8	51,380.2	52,456.0	51,887.9	51,530.9

Source: Ministry of Finance

^P Preliminary.

- (1) The term international development assistance includes any concessionary loans provided by international financial institutions or foreign governments, excluding grants.
- (2) Foreign currency values of international development assistance have been converted into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.

The following table sets forth the external public debt of the Republic by currency as of the dates indicated.

Outstanding External Public Debt of the Republic by Major Currency

	As of 31 December								As of 31 March	
	2015		2016		2017		2018		2019 ^P	
	(in millions of original currency)	(in millions of U.S. dollars ⁽¹⁾)	(in millions of original currency)	(in millions of U.S. dollars ⁽¹⁾)	(in millions of original currency)	(in millions of U.S. dollars ⁽¹⁾)	(in millions of original currency)	(in millions of U.S. dollars ⁽¹⁾)	(in millions of original currency)	(in millions of U.S. dollars ⁽¹⁾)
U.S. dollars	73,160	73,160	80,324	80,324	87,874	87,874	93,702	93,702	93,937	92,517
Japanese yen	2,143,430	17,794	2,063,128	17,721	2,021,598	17,939	1,976,032	17,892	2,049,292	18,865
Euros	6,131	6,698	8,935	9,418	10,120	12,081	11,937	13,651	13,306	14,921
SDR	1,789	2,491	1,550	2,077	1,436	2,040	1,246	1,733	1,053	1,457
British pounds	180	267	131	161	105	141	77	97	46	61
Others	Multiple currencies	1,798	Multiple currencies	1,666	Multiple currencies	1,560	Multiple currencies	1,192	Multiple currencies	1,241
Total	N/A	102,208	N/A	111,365	N/A	121,635	N/A	128,267	N/A	130,481
										131,079

Source: Ministry of Finance

^P Preliminary.

(1) Calculated based on the applicable BI middle exchange rates as of the date indicated for each column.

N/A Not Available.

As of 31 May 2020, 62.0%, 27.0%, 5.3%, 5.0% and 0.7% of the external public debt of the Republic was denominated in Rupiah, U.S. dollars, Japanese Yen, Euros and other currencies, respectively.

The following table sets forth the external debt service requirements of the central government for the years indicated.

External Debt Service Requirements of the Central Government

Period	Principal repayment	Interest repayment	Total
	(in billions of U.S. dollars)		
2016 ^R	6.0	3.7	9.8
2017 ^R	6.9	4.1	11.0
2018 ^R	8.4	4.7	13.2
2019 [*]	10.7	4.7	15.4
2020 ^{P**}	9.2	4.5	13.7
2021 ^{**}	10.7	4.2	14.9
2022 ^{**}	11.9	3.9	15.8

Source: Ministry of Finance

^R Realisation.

^P Preliminary.

^{*} Calculated based on (i) actual principal and interest payments made from 1 January 2019 to 30 November 2019 and (ii) projected principal and interest payments to be made from 1 December 2019 to 31 December 2019 based on external debt outstanding as of 30 November 2019.

^{**} Projected based on external debt outstanding as of 30 November 2019.

Payment History of External Debt

Indonesia maintains a policy of external debt management and has a history of servicing its external debt obligations in accordance with its terms.

In the wake of the Asian financial crisis in 1997, the Paris Club, an informal voluntary group of 18 creditor countries that seeks to coordinate solutions for payment difficulties experienced by debtor nations by extending or guaranteeing bilateral credits, played an important role in easing Indonesia's foreign exchange burden. Between 1998 and 2000, Indonesia twice rescheduled certain payments of its Paris Club foreign debt. Pursuant to an April 2002 agreement, Paris Club debt payments of principal and interest of approximately U.S.\$5.4 billion that were due to certain of Indonesia's creditors between April 2002 and December 2003 were rescheduled.

In addition, on 10 March 2005, the Paris Club offered to permit Indonesia, as well as other countries affected by the December 2004 tsunami, to defer debt services payments through the end of 2005 to allow these countries to commit additional government resources to the tsunami-related humanitarian and relief efforts. On 10 May 2005, 18 individual Paris Club members and Indonesia signed a memorandum of understanding to reschedule some payments of principal and interest due under official development assistance and non-official development assistance.

While there have been a number of reschedulings of Indonesia's external debt to its bilateral creditors as described above, Indonesia has not defaulted on, and has not attempted to restructure, the payment of principal or interest on any of its external securities in the last 20 years.

External Debt of Bank Indonesia

Under Indonesian law, Bank Indonesia has the ability to incur external debt primarily to meet balance of payments needs and maintain adequate foreign exchange reserves.

The following table sets forth the outstanding multilateral and commercial external debt of Bank Indonesia by type of credit as of the dates indicated.

Outstanding Multilateral and Commercial External Debt of Bank Indonesia⁽¹⁾

	As of 31 December						As of
	2014	2015	2016	2017	2018	2019 ^P	30 March
	(in millions of U.S. dollars)						2020 ^P
Multilateral	2,868	2,747	2,654	2,814	2,754	2,739	2,786
Commercial ⁽²⁾	223	190	167	0	0	0	0
Total	3,092	2,937	2,821	2,814	2,754	2,739	2,786

Source: Bank Indonesia

^P Preliminary.

- (1) Foreign currency values of outstanding external debt have been converted into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.
- (2) Includes bonds issued in international capital markets and commercial bank borrowings but excludes SBI owned by non-residents, currencies and deposits and other liabilities.

The following table sets forth the external debt service requirements of Bank Indonesia for the years indicated.

	Principal repayment	Interest repayment	Total
	(in millions of U.S. dollars)		
2015	32.6	2.9	35.5
2016	48.3	4.2	52.5
2017	144.9	13.4	158.3
2018	0.0	11.1	11.1
2019 ⁽¹⁾	0.0	22.5	22.5
2020 ⁽¹⁾	0.0	18.5	18.5

Source: Bank Indonesia

* Projected based on external debt outstanding as of 30 March 2020.

- (1) Foreign currency values of outstanding external debt have been converted into U.S. dollars at the applicable BI middle exchange rates as of 30 March 2020.

In order to strengthen its international reserves and support its balance of payments, the Republic has entered into a swap arrangement with ASEAN as well as bilateral swap arrangements with other countries. See “— Foreign Exchange and Reserves — Regional Swap Arrangements of the Republic.”

External Debt of State-Owned-Enterprises

The following table sets forth the outstanding direct external debt of SOEs as of the dates indicated.

Outstanding Direct External Debt of State-Owned-Enterprises⁽¹⁾

	As of 31 December						As of
	2014	2015	2016	2017	2018	2019 ^P	30 March
	(in millions of U.S. dollars)						2020 ^P
Financial institutions:							
Bank	4,082	5,103	5,235	4,724	6,924	7,569	7,751
Non-bank	1,583	2,816	3,497	4,016	3,865	3,940	3,911
Total financial institutions	5,665	7,919	8,731	8,740	10,789	11,509	11,662
Non-financial institutions	25,034	24,704	22,888	24,505	34,709	41,529	43,748
Total	30,699	32,623	31,619	33,245	45,499	53,038	55,411

Source: Bank Indonesia

^P Preliminary.

- (1) Foreign currency values of outstanding direct external debt have been converted into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.

For a discussion of the Republic's guarantee of certain external debt in connection with infrastructure projects in the country, see “— *Public Debt — Contingent Liabilities.*”

Domestic Public Debt of the Central Government

The following table sets forth the outstanding domestic public debt of the central Government as of the dates indicated.

Domestic Public Debt of the Central Government

	As of 31 December						As of 31 March
	2014	2015	2016	2017	2018	2019 ^P	2020 ^P
Total domestic public debt, in trillions of							
Rupiah ⁽¹⁾	1,477.8	1,755.2	2,019.2	2,346.9	2,608.8	2,970.8	3,047.2

Source: Ministry of Finance

^P Preliminary.

(1) Excludes SBI, which are obligations of Bank Indonesia and not of the Government. See “— *Financial System — Bank Indonesia.*”

Domestic Debt Service Requirements of the Central Government

The following table sets forth the debt service requirements for the central Government for the years indicated.

Domestic Debt Service Requirements of the Central Government

Period	Principal repayment and redemption	Interest repayment	Total
	(in billions of U.S. Dollars)		
2016 ^R	18.2	10.0	28.2
2017 ^R	19.2	12.0	31.2
2018 ^R	374.9	177.1	552.1
2019 [*]	405.0	207.7	612.7
2020 ^{**}	257.4	213.7	471.1
2021 ^{**}	259.3	199.4	458.7
2022 ^{**}	202.9	178.5	381.4

Source: Ministry of Finance

^R Realisation.

^{*} Calculated based on (i) actual principal and interest payments made from 1 January 2019 to 30 November 2019 and (ii) projected principal and interest payments to be made from 1 December 2019 to 1 December 2019 based on domestic debt outstanding as of 30 November 2019.

^{**} Projected based on domestic debt outstanding as of 30 November 2019.

Contingent Liabilities from Government Guarantees

As part of the Government's policy to prioritize infrastructure development, the Government has provided support to encourage investments in infrastructure projects in the form of credit and investment guarantees.

External debts of SOEs are not direct obligations of the Republic, unless such debts are explicitly guaranteed by the Republic.

Starting from 2008 the Government has been allocating a contingent budget with respect to these guarantees. Any unused budget allocation may be transferred to a guarantee reserve fund. This reserve fund, together with the relevant annual budget allocations, serves as reserves for any claim that arises from these guarantees.

As of 31 December 2019, the Government had accumulated Rp4.4 trillion in the guarantee reserve fund account and the guarantee that the Government has provided to infrastructure projects includes:

- Full default risk guarantees relating to the PT PLN loans for the construction of coal power plants with aggregate capacity of 10,000 MW and the associated transmission lines (Fast Track I program). Outstanding guarantees for this program amount to Rp24.8 trillion;
- Partial default risk guarantees for local government-owned water companies' loans in connection with the Millennium Development Goals in water provision. Outstanding guarantees for this program amount to Rp104.9 billion;
- Business viability guarantees to independent power producers on the ability of PT PLN to fulfill its financial obligations based on Power Purchase Agreements related to Fast Track II program. Guarantee exposure for this program amounts to Rp96.1 trillion;
- Co-guarantee scheme between the Government and the Indonesia Infrastructure Guarantee Fund (“IIGF”) to guarantee PPP projects such as power plant projects (Central Java steam power plant) and toll road projects (Jakarta Cikampek II Elevated, Cileunyi — Sumedang — Dawunan, Krian — Legundi — Bunder — Manyar and Serang — Panimbang, Probolinggo — Banyuwangi, and Jakarta Cikampek II Selatan). Guarantee exposure for this program amounts to Rp47.4 trillion;
- Full default risk guarantees relating to PT Hutama Karya loans and bonds for the construction of Sumatera Toll Roads. Outstanding guarantees for this program amount to Rp21.7 trillion;
- Guarantee for infrastructure financing through direct loans from International Financial Institutions to SOEs to finance infrastructure projects. Outstanding guarantees for this program amount to Rp20.7 trillion;
- Full default risk guarantee relating to the PT Kereta Api Indonesia (Persero) loans for construction of Light Rail Transit Jakarta-Bogor-Depok-Bekasi. Outstanding guarantees for this program amounts to Rp970.1 billion; and
- Guarantee for local infrastructure financing through PT SMI. Outstanding guarantees for this program amount to Rp2.7 trillion.
- Full default risk guarantees relating to the PT PLN loans for the construction of electricity infrastructure (35 GW program). Outstanding guarantees for this program amount to Rp889 billion.

As of 31 December 2019, no claims from the foregoing guarantees have arisen.

Foreign Exchange and Reserves Exchange Rates

From 1978 to 1997, Indonesia maintained a managed floating exchange rate system under which the Rupiah was linked to a basket of currencies, the composition of which was based on Indonesia's main trading partners. Indonesia has adopted a free floating exchange rate system since August 1997, under which market forces determine the exchange rate for the Rupiah. See “— *Monetary Policy*.”

The following table sets forth information on exchange rates between the Rupiah and the U.S. dollar for the periods indicated.

Exchange Rates

	Rupiah per U.S. dollar	
	End of Period	Average
2014	12,385	11,876
2015	13,785	13,392
2016	13,473	13,305
2017	13,568	13,385
2018	14,380	14,246
2019	13,883	14,139
2020		
May	14,733	14,906

Source: Bank Indonesia

By the end of 2014, the Rupiah had depreciated to Rp12,385 per U.S. dollar. On average, the Rupiah depreciated to Rp11,876 per U.S. dollar. The Rupiah's depreciation was triggered by slowing domestic economic

growth and domestic political conditions. Externally, pressure on the Rupiah mainly came from concerns toward the impact of the U.S. Federal Reserve Bank's normalization policy, a slowing global economy and an escalation of geopolitical tensions at the Russian-Ukrainian border. Rupiah depreciation in 2014 was broadly in line with downward movements of other regional currencies and in line with an increase of the U.S. Dollar Index, which measures the value of the U.S. dollar against a basket of foreign currencies.

By the end of 2015, the Rupiah had depreciated by 11.3% to Rp13,785 from Rp12,385 per U.S. dollar at the end of 2014. On average, the Rupiah depreciated 11.3% from Rp11,876 per U.S. dollar in 2014 to Rp13,392 per U.S. dollar in 2015. Uncertainty surrounding the timing of an increase of the Federal Funds Rate as part of the gradual normalization of U.S. monetary policy, the Greek debt crisis and global monetary policy divergence were the primary external factors affecting the Rupiah. In addition, in line with the market reaction to the devaluation of the Renminbi, nearly all global currencies, including the Rupiah, experienced depreciatory pressures. Domestically, pressure was exerted from a slowing domestic economy.

By the end of 2016, the Rupiah appreciated by 2.3% to Rp13,473 per U.S. dollar from Rp13,785 per U.S. dollar at the end of 2015. On average the Rupiah appreciated from Rp13,392 per U.S. dollar in 2015 to Rp13,305 per U.S. dollar, a gain of 0.7%. Despite external pressures stemming from the timing of an increase of the Federal Funds Rate, the result of the UK referendum, the appreciation of the U.S. Dollar Index and the reaction of global markets to the U.S. election in November 2016, domestic factors remained conducive for Rupiah stability, particularly due to low inflation, an improved current account deficit and a sustained economic recovery. In addition, the successful tax amnesty program further bolstered investor confidence.

By the end of 2017, the Rupiah depreciated by 0.7% from Rp13,473 per U.S. dollar as of 31 December 2016 to Rp13,568 per U.S. dollar as of 31 December 2017. On average, the Rupiah depreciated by 0.6% from Rp13,305 per U.S. dollar as of 31 December 2016 to Rp13,385 per U.S. dollar as of 29 December 2017. The depreciation was in line with prevailing trends for most other global currencies against the U.S. dollar due to growing expectations of a further increase in the U.S. Federal Funds Rate as well as U.S. tax reforms. The rupiah exchange rate was stable in 2017 supported by the improving economic fundamentals in Indonesia, despite pressure in the last quarter of 2017 caused by external factors.

By the end of 2018, the Rupiah depreciated by 6.0% from Rp13,568 per U.S. dollar as of 29 December 2017 to Rp14,380 per U.S. dollar as of 31 December 2018. On average, the Rupiah depreciated by 6.4% from Rp13,385 per U.S. dollar as of 29 December 2017 to Rp14,246 per U.S. dollar as of 31 December 2018. The depreciation was in line with prevailing trends for most other global currencies against the U.S. dollar. The U.S. dollar appreciated globally following the intention of the U.S. Federal Reserve Bank to gradually normalize its monetary policy, growing expectations of a further increase in the U.S. Federal Funds Rate, solid economic growth in the US economy, higher inflationary pressure, and plans in the U.S. for tax reforms.

By the end of 2019, the Rupiah appreciated by 3.6% from Rp14,380 per U.S. dollar as of 31 December 2018 to Rp13,883 per U.S. dollar as of 31 December 2019. On average, the Rupiah appreciated by 0.8% from Rp14,246 per U.S. dollar as of 31 December 2018 to Rp14,139 per U.S. dollar as of 31 December 2019. The appreciation of Rupiah was supported by the increased supply of foreign currencies from exports and the increased foreign capital inflows due to the favorable national economic outlook, attractive domestic financial markets and less uncertainty in the global financial markets. Furthermore, the performance of the foreign exchange market showed an improvement, characterized by an increase in transaction volumes and more efficient quotation processes as well as further development of the DNDF market, all of which serve to improve foreign exchange market efficiency.

The rebalancing of foreign capital inflows to domestic financial markets after the Covid-19 outbreak has amplified exchange rate pressures on the rupiah since the middle of February 2020. As of 22 April 2020, the rupiah has depreciated by around 10.2% to Rp15,450, compared to the level recorded at the end of 2019, in line with weaker currencies in other emerging markets.

Prudential Policies on Foreign Exchange and Rupiah

Under Law No. 24 of 1999 on Foreign Exchange Activities and Exchange Rate System, every resident may freely own and use foreign currency. Foreign currency is also generally freely transferable within or from Indonesia although by regulation most domestic transactions are prohibited from using foreign currency. Bank Indonesia has the authority to request information and data regarding foreign exchange activities and implement provisions regarding foreign exchange activities based on prudential principles.

To maintain the stability of the Rupiah, and to prevent the utilization of the Rupiah for speculative purposes by foreign parties, the Rupiah is non-internationalized. Regulations prohibit banks from conducting, among others, the following transactions: (i) extensions of loans or of overdrafts in Rupiah or foreign currencies to foreign parties, (ii) transfers of Rupiah to foreign parties or offshore banks in excess of U.S.\$1.0 million without underlying transactions, and (iii) purchases of Rupiah-denominated securities issued by foreign parties.

Bank Indonesia has issued several regulations concerning foreign currency transactions relating to the Rupiah in order to deepen financial markets. A deep foreign exchange market is distinguished by adequate liquidity, convenient transactions, fair prices and minimal risk in order to maintain economic stability. Bank Indonesia strives towards the creation of a liquid, efficient and secure domestic foreign exchange market through amendments to regulations concerning foreign exchange transactions.

On 1 January 2015, Bank Indonesia regulations came into effect to mitigate risks relating to external borrowing by non-bank corporations. Under these regulations, corporate issuers of debt must, subject to certain limited exceptions:

- hedge at least 25.0% of their open foreign exchange positions (i.e., the excess of foreign currency liabilities that fall due within the following three to six months over foreign currency assets);
- maintain a 70.0% minimum liquidity ratio of foreign currency assets to foreign currency liabilities maturing within three months after the end of a quarter; and
- maintain a minimum credit rating (issuer and/or issue) of BB- by a rating agency acknowledged by Bank Indonesia.

As of 31 December 2019, based on Bank Indonesia's assessment of corporate issuers' compliance with the regulations above:

- 90.6% of corporate issuers are compliant with the hedging ratio requirement for liabilities due under three months;
- 93.7% of corporate issuers are compliant with the hedging ratio requirement for liabilities due between three to six months; and
- 88.1% of corporate issuers are compliant with the liquidity ratio requirement for liabilities due under three months.

International Reserves

The following table sets forth the Republic's total official international reserves, expressed in (i) U.S. dollar equivalents and (ii) the number of months of imports and Government external debt repayments, in each case at the end of the periods indicated. These reserves consist of foreign exchange, gold, SDRs and a reserve position with the IMF. Indonesia complies with the IMF's Special Data Dissemination Standard requirement on international reserves and foreign exchange currency liquidity.

Official International Reserves of the Republic

	As of 31 December						As of 30 April
	2014	2015	2016	2017	2018	2019	2020
	(in millions of U.S. dollars, except for months)						
Gold	3,027	2,661	2,876	3,346	3,230	3,844	4,321
SDRs	2,551	2,442	1,499	1,588	1,553	1,542	1,521
Reserve position with the IMF	211	202	1,056	1,119	1,096	1,090	1,075
Foreign exchange ⁽¹⁾ and others	106,073	100,626	110,931	124,143	114,776	122,707	120,963
Total	111,862	105,931	116,362	130,196	120,654	129,183	127,880
Total as number of months of imports and Government external debt repayments	6.5	7.4	8.4	8.3	6.5	7.3	7.5

Source: Bank Indonesia

(1) Converted into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.

Foreign reserves totalled U.S.\$111.9 billion, U.S.\$105.9 billion, U.S.\$116.4 billion, U.S.\$130.2 billion, U.S.\$120.7 billion and U.S.\$129.2 billion as of 31 December 2014, 2015, 2016, 2017, 2018, and 2019 respectively.

As of 30 April 2020, foreign reserves recorded at U.S.\$127.9 billion which is equal to 7.5 months of import coverage and government external debt service requirements. In addition, the coverage ratio is in excess of the recommended international adequacy ratio of three months of import coverage. As of 31 May 2020, foreign reserves recorded at U.S.\$130.5 billion which is equal to 8.0 months of import coverage and government external debt service requirements.

Regional Swap Arrangements of the Republic

Following the experience of the Asian crisis in 1997 to 1998, ASEAN recognized a need to strengthen regional self-help and support mechanisms in East Asia and endeavored to prevent future financial crises. In 2000, ASEAN members agreed to strengthen the existing cooperative frameworks among monetary authorities through the Chiang Mai Initiative, or CMI. The CMI involves an expanded ASA (extending its coverage to all members of ASEAN and increasing the size) and a network of BSAs among ASEAN+3 countries. The objectives of these bilateral swap arrangements are to address short-term liquidity difficulties in the region and to supplement existing international financial arrangements.

The ASA was originally created by five ASEAN member states in 1977 with a size of U.S.\$100.0 million. After the CMI, it has been enlarged to include all ten ASEAN countries and increased in size to U.S.\$2.0 billion.

Since CMI's inception in 2000, ASEAN+3 member countries undertook a review to explore ways of enhancing its effectiveness. On 2010, ASEAN+3 member countries entered into a multilateral currency swap contract which covers all ASEAN+3 member countries with a total size of U.S.\$120.0 billion (the CMI Multilateralization or CMIM). CMIM was developed from the CMI-BSA network to facilitate prompt and simultaneous currency swap transactions through establishing a common decision making mechanism under a single contract. The CMIM objectives are the same as the BSAs. In May 2012 and in response to the global and regional economic developments, the ASEAN+3 Finance Ministers and Central Bank Governors agreed to strengthen the CMIM as a regional financial safety net by doubling the total size to U.S.\$240.0 billion and launching a crisis prevention program called the CMIM Precautionary Line, or CMIM-PL. This arrangement became effective on 17 July 2014. In addition to the role of providing liquidity support for ASEAN+3 member countries, CMIM has contributed to the development of the regional surveillance capacity by establishing the ASEAN+3 Macroeconomic Research Office, or AMRO, as an ASEAN+3 independent surveillance unit since early 2011.

Under the ASA, BSA, and CMIM, a total of U.S.\$46.1 billion of foreign currency swap is currently available to the Republic as of 31 December 2017. Up to 30.0% of the amount available under the BSAs and CMIM may be activated without participating in any IMF program, but greater amounts requires participation in an IMF program. The Republic also has a U.S.\$22.76 billion swap line in place with Japan. The swap line increased from U.S.\$12.0 billion in December 2013. These swap arrangements will contribute to greater financial stability and sustainable economic growth in the region.

In March 2017, Bank Indonesia has renewed a three year Bilateral Currency Swap Agreement, or BCSA, with the Republic of Korea amounting to KRW10.7 trillion or Rp115 trillion.

In August 2018, Bank Indonesia renewed a BCSA with the Reserve Bank of Australia. The agreement will span a period of three years and allow for the exchange of local currencies between the two central banks of up to A.U.\$10 billion or Rp100 trillion.

In October 2018, Bank Indonesia renewed a bilateral swap agreement with Bank of Japan. The agreement enables Indonesia to swap its local currency against the Japanese Yen and the U.S. dollar in an amount of up to U.S.\$22.76 billion or equivalent.

On 5 November 2018, Bank Indonesia established a one-year bilateral financial arrangement with the Monetary Authority of Singapore with a size of up to U.S.\$10 billion or equivalent to enable the two central banks to access foreign currency liquidity from each other, if needed, to preserve monetary and financial stability.

On 16 November 2018, Bank Indonesia renewed a three-year BCSA with People's Bank of China and increased the size of BCSA from CNY100 billion (equivalent to U.S.\$15 billion) to CNY200 billion (equivalent to U.S.\$30 billion).

On 27 September 2019, Bank Indonesia and Bank Negara Malaysia established a three-year bilateral financial arrangement with a size up to U.S.\$2 billion (equivalent), which will enable both central banks to access foreign currency liquidity from each other if needed.

On 5 November 2019, Bank Indonesia renewed a one-year bilateral financial arrangement with the Monetary Authority of Singapore with a size of up to U.S.\$10 billion or equivalent to enable the two central banks to access foreign currency liquidity from each other, if needed, to preserve monetary and financial stability.

In 2019, the Government of Indonesia made two currency swap arrangements for three Asian Development Bank loans. The first two Loans were converted on 6 September 2019 from USD Libor Based-Loan to EUR Fixed Rate-Loan in the total amount of U.S.\$ 1 billion. The third loan was converted on 17 December 2019 from USD Libor Based-Loan to JPY Fixed Rate-Loan in the amount of U.S.\$479.17 million.

As of 31 January 2020, no drawdowns on existing bilateral and regional swap arrangements have been made.

Debt-to-GDP Ratios

The following table sets forth the central government's debt-to-GDP ratio and debt service to GDP ratio as of the dates indicated. Under the State Finances Law No. 17 of 2003, the Republic's debt-to-GDP ratio must remain below 60.0%.

Debt-to-GDP Ratios

	As of 31 December					
	2014 ^L	2015 ^L	2016 ^L	2017 ^L	2018 ^L	2019 ^P
	(percentages, unless indicated otherwise)					
Debt-to-GDP ratio	24.7	27.5	28.4	29.4	29.8	29.8
Debt service to GDP ratio	3.5	3.3	4.1	4.2	5.1	5.2
Total public debt of the central Government (in billions of U.S.\$) ⁽¹⁾	209.7	229.4	261.6	294.9	308.4	344.2
— % in Loans	26.0	23.9	21.0	18.7	18.1	16.0
— % in Bonds	74.0	76.1	79.1	81.3	81.9	84.0

Source: Ministry of Finance, BI

^L Audited.

^P Preliminary

(1) Outstanding foreign currency debt was converted to U.S. dollars using the BI middle exchange rate as of each period indicated in the table.

As of 31 May 2020, the central Government's debt-to-GDP ratio was 32.1%, with U.S.\$357.0 billion of total public debt of the central Government, 15.5% of which are in Loans and 84.5% are in Bonds. As of 31 May 2020, the central Government's foreign debt-to-GDP ratio was 12.2%, with foreign debt to total debt ratio of 38.0%.

USE OF PROCEEDS

The proceeds of each Series of Certificates issued under the Program will be applied by the Issuer for the purchase of the Assets relating to the relevant Series from the Republic.

Unless otherwise specified in the Pricing Supplement for each Series of Certificates issued under the Program, the Republic will use the proceeds it receives to meet part of its general financing requirements.

TAXATION

Indonesian Taxation

The following summary of Indonesian taxation issues deals only with the implications for holders of Certificates who are non-residents for Indonesian taxation purposes.

Generally, an individual is considered a non-resident of Indonesia if the individual neither:

- (i) resides in Indonesia (in determining whether a person resides in Indonesia, consideration will be given to whether the person intends to reside in Indonesia); nor
- (ii) is present in Indonesia for more than 183 days in any 12-month period.

An entity will be considered non-resident if it is established and domiciled outside Indonesia.

If a non-resident has a permanent establishment in Indonesia, the permanent establishment is subject to the ordinary Indonesian corporate income tax at a flat rate of 25.0% on all taxable income, including but not limited to income from foreign sources directly or indirectly attributable to such permanent establishment, except that certain types of income will be subject to final Indonesian income tax at certain rates. In addition, the after-tax taxable income of a permanent establishment is subject to a branch profits tax of 20.0% (which may be reduced under the provisions of most income tax treaties entered into by Indonesia). Under the Republic's income tax treaty with the United States (the "**U.S.-Indonesia Treaty**"), the branch profits tax on the after-tax taxable income of a permanent establishment is reduced to 10.0%. The branch profit tax can be exempted if all the after-tax income are reinvested in Indonesia no later than the following fiscal year in one of the following investment forms: (1) as a founding shareholder or a participant founder in a newly established Indonesian company through capital participation; (2) as a shareholder in an established Indonesian company through capital participation; (3) acquisition of fixed assets used by the permanent establishment to conduct its business or activities in Indonesia; or (4) investment in the form of intangible assets used by the permanent establishment to conduct its business or activities in Indonesia. The investment procedure for the exemption of branch profit tax should be in accordance with the requirements set out in the Minister of Finance Regulation No. 14/PMK.03/2011 dated 24 January 2011.

Taxation of Distributions

In 2009, the Republic issued Government Regulation No. 25 of 2009 dated 3 March 2009 on the Income Tax of Sharia Based Business Activities. Pursuant to this regulation, Periodic Distribution Amounts (as defined in the Conditions) arising from the Certificates constitute taxable income.

Based on Government Regulation No. 16 of 2009 dated 9 February 2009 on Income Tax on Income in the form of Bonds Interest, which was most recently amended by Government Regulation No. 55 of 2019 dated 7 August 2019 ("**GR 16/2009**") and Minister of Finance Regulation No. 85/PMK.03/2011 dated 23 May 2011 on Procedures for Withholding, Payment, and Reporting of Income Tax on Bonds Interest, which was amended by Minister of Finance Regulation No. 07/PMK.011/2012 dated 12 January 2012, any amount paid by a company in the form of interest and/or discount (which in general is also treated as interest) in relation to bonds that have a maturity exceeding 12 months will be subject to a final withholding tax under Article 4(2) of Law No. 7 of 1983 on Income Tax, as lastly amended by Law No. 36 of 2008 (the "**Income Tax Law**"). Interest is taxed on the gross value, while discount is taxed on the difference between the transfer value (or nominal value if held to maturity date) and acquisition cost of bonds. The definition of discount is the difference between the transfer value and the nominal value of the bonds, and also the difference between the transfer value and the acquisition cost of the bonds. For a resident taxpayer or non-resident taxpayer with a permanent establishment, a final withholding tax of 15% shall apply to interest received on the bonds. For a non-resident taxpayer, a final withholding tax of 20% applies to interest received on the bonds.

Assuming that the Certificates are considered as bonds and the Payment of Periodic Distribution Amounts are considered as interest as stipulated in the above regulation, the payment of Periodic Distribution Amounts to non-residents will generally be subject to Indonesian withholding tax of 20.0% of the gross amount of the distribution (unless the Certificates are held and owned by a permanent establishment in Indonesia, as discussed below). Accordingly, subject to certain exceptions, the Republic will be required to pay additional amounts as provided in Condition 9. The 20.0% rate may be reduced under the provisions of any applicable income tax

treaty Indonesia has concluded with another jurisdiction. Under the U.S.-Indonesia Treaty, the withholding tax rate is reduced to 10.0%.

The Republic has concluded double taxation treaties with a number of countries, including Japan, The Netherlands, Singapore, the United States and the United Kingdom. To obtain the benefit of the reduced rate under an applicable tax treaty, a Certificateholder must comply with the certification, eligibility, information and reporting requirements in force in Indonesia. Currently under, the prevailing tax regulation to be entitled to tax treaty protection, a Certificateholder would need to provide to PPSI-III (in its capacity as Trustee) a valid certificate of tax domicile using a specific form issued by the Indonesian tax authority (known as Form DGT) that is validated by a competent tax authority of the relevant country. For US person, in addition to the Form DGT that has been filled in by the recipient of income, a form 6166 issued by the IRS is required to be submitted.

Pursuant to Minister of Finance Regulation No. 187/PMK.03/2015 dated 30 September 2015 on the Procedure of Overpayment Refund for Non-Payable Tax, a non-resident who has been subjected to withholding tax by an Indonesian withholding tax agent may apply for a tax refund to the Directorate General of Taxation if the tax withheld is not in accordance with the Indonesian income tax law in force and/or any double taxation treaty.

The concept of beneficial owner was introduced in the latest Income Tax Law which was taken into effect as of 1 January 2009. According to the Income Tax Law, a beneficial owner is defined as the person (an individual or a corporation) entitled to directly enjoy the benefits of such income. The domicile country of the beneficial owner is determined based on the actual residence of the individual, in the case of an individual, or the domicile of the corporation (i.e. the country where the owners or more than 50.0% of the shareholders are domiciled or where the effective management is located).

Further, on 21 November 2018, the Directorate General of Taxation Regulation issued No. PER-25/PJ/2018 (“**PER-25/2018**”) on Procedures for Application Double Tax Avoidance Agreements, which came into effect on 1 January 2019.

Under PER-25/2018, in order for a non-resident recipient of the payment from Indonesia to be eligible for tax treaty benefit, it must:

- (a) satisfy the administrative criteria (i.e. by providing the Certificate of Domicile using Form DGT);
- (b) satisfy the anti-tax treaty abuse test and/or beneficial ownership test; and
- (c) not have an Indonesian PE in Indonesia.

The non-resident should satisfy the following anti-tax treaty abuse test:

A. The non-resident has:

- (a) Economic substance in the entity’s establishment or execution of the transaction;
- (b) A legal form which is the same with the economic substance either in the entity’s establishment or the execution of the transaction;
- (c) Business activities managed by its own management and the management has sufficient authority to carry out transactions;
- (d) Fixed and non-fixed assets, sufficient and adequate to carry out business activities in the Tax Treaty Partner State or Partner Jurisdiction other than the assets that generate income from Indonesia;
- (e) Sufficient number of employees and competent employees with certain expertise in accordance with the business field that is carried out; and
- (f) Activities or active business other than only receiving income in the form of dividend, interest and/or royalty originating from Indonesia.

B. There are no arrangements on the transaction, directly or indirectly, for the purpose to obtain benefit from the tax treaty application, among others:

- (a) Reduction on tax cost; and/or
- (b) Double non-taxation which are in contrary to the intent and purpose of the tax treaty.

Further, if the non-resident taxpayer receives income for which the relevant tax treaty stipulates a beneficial requirement (for example interest, royalty and dividend income), it must satisfy the following beneficial ownership test:

- (a) a “non-resident individual” does not act as an agent or a nominee; or
- (b) a “non-resident entity” should satisfy the following conditions:
 - 1. not acting as an agent, a nominee or a conduit company;
 - 2. having control or disposal rights over the fund, assets or the rights that generate the income from Indonesia;
 - 3. no more than 50% of the income is used to satisfy claims by other party;
 - 4. it bears the risk on its own assets, capital or liabilities; and
 - 5. it has no written or unwritten contract that obliges it to transfer partially or entirely the income derived from Indonesia to other party.

Failure to comply with the above requirements for the application of tax treaty benefit, the statutory withholding tax of 20.0% will be applied.

If an individual or entity holds Certificates through a permanent establishment in Indonesia, the permanent establishment will be taxed on distributions at a flat rate of 25.0% under the ordinary Indonesian corporate income tax. Payments of Periodic Distribution Amounts made to the permanent establishment will be subject to a 15.0% withholding tax, which will be withheld by the Republic from the payment of each Periodic Distribution Amounts. This withholding tax is a prepaid tax, which may be credited against the Indonesian annual corporate income tax payable by the permanent establishment at the end of fiscal year. If the permanent establishment in Indonesia is a bank, the payments of Periodic Distribution Amounts on the Certificates shall not be subject to withholding tax.

Taxation of Dispositions

In general, gains resulting from the sale or other disposition of assets by a non-resident to a non-resident without a permanent establishment in Indonesia will not be subject to income, withholding or capital gains tax, unless the assets are held and owned through a permanent establishment in Indonesia, in which case the permanent establishment will be taxed on any profit at a flat rate of 25.0%.

Based on GR 16/2009 gains from the disposal of the bonds are considered interest that shall be subject to the final withholding tax outlined above.

Gains from the disposal of the bonds derived by a resident taxpayer, whether an individual or a corporation, or by a non-resident taxpayer with a permanent establishment, are subject to final withholding tax at the rate of 15%. Non-resident taxpayers that derive gains from the disposal of the bonds will be subject to 20% final withholding tax, subject to reduction under the provisions of the applicable tax treaty.

Under Article 3A of Minister of Finance Regulation No. 07/PMK.011/2012, any negative discount or loss incurred from the disposal of the bonds can be deducted from the amount of interest income in calculating the withholding tax on interest.

If the Certificates are held and owned by a permanent establishment in Indonesia, the permanent establishment shall be taxed on the capital gain at 25.0% flat rate under the ordinary Indonesian corporate income tax and branch profit tax.

Other Indonesian Duties

There are no other material Indonesian duties (such as inheritance duties, gift duties, stamp duties or other similar duties) that a holder of Certificates will be required to pay in relation to any of the payments of Periodic Distribution Amounts by the Republic.

United States Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax considerations that may be relevant to a holder of a Certificate. This summary does not describe any tax consequences arising under the laws of any

taxing jurisdiction other than the income tax laws of the U.S. federal government. This summary is based on laws, regulations, rulings and decisions in effect as of the date hereof, all of which are subject to change, which change could apply retroactively and could affect the tax consequences described below. This summary deals only with holders that acquire the Certificates at original issuance and that will hold Certificates as capital assets and does not address tax considerations applicable to investors that may be subject to special tax rules, such as banks, financial institutions, regulated investment companies, tax-exempt entities, insurance companies, dealers or traders in securities or currencies, U.S. branch operations of foreign corporations, holders that are subject to the mark to market rules, persons that will hold Certificates as a position in a hedging, “straddle” or conversion transaction, or as part of a “synthetic security” or other integrated financial transaction, persons that have a “functional currency” other than the U.S. dollar or persons who hold Certificates through a partnership or other pass-through entity. Furthermore, this summary does not address Medicare contribution or alternative minimum tax consequences or the indirect effects on the holders of equity interests in a holder of the Certificates or U.S. federal estate and gift tax consequences.

For the purposes of this summary, a “**United States holder**” is a beneficial owner of Certificates that is for U.S. federal income tax purposes (i) an individual who is a citizen or resident of the United States, (ii) a corporation created in, or organized under the laws of, the United States or any state thereof, including the District of Columbia, (iii) an estate the income of which is includible in gross income for U.S. federal income tax purposes regardless of its source or (iv) a trust the administration of which is subject to the primary supervision of a U.S. court and which has one or more United States persons who have the authority to control all substantial decisions of the trust. A “**non-United States holder**” is a beneficial owner of Certificates that is not a United States holder. If a partnership (or any other entity treated as a partnership for U.S. federal income tax purposes) holds the Certificates, the tax treatment of the partnership and a partner in such partnership generally will depend on the status of the partner and the activities of the partnership. Such partner or partnership should consult its own tax advisor regarding the specific consequences of the acquisition, ownership and disposition of the Certificates.

An accrual method taxpayer that reports revenues on an applicable financial statement generally must recognize income for U.S. federal income tax purposes no later than the taxable year in which such income is taken into account as revenue in an applicable financial statement of the taxpayer. Thus, this rule could potentially require such a taxpayer to recognize income for U.S. federal income tax purposes with respect to the Certificates prior to the time such income would be recognized pursuant to the rules described below. Although the precise application of this rule is not entirely clear, recently released proposed regulations which are not yet in effect but upon which taxpayers may rely, generally would exclude, among other items, original issue discount and market discount (in either case, whether or not *de minimis*) from the applicability of this rule. Potential investors in Certificates should consult their tax advisors regarding the potential applicability of these rules to their investment in the Certificates.

No ruling is being requested from the U.S. Internal Revenue Service (the “**IRS**”) and no legal opinion is being given regarding the tax consequences of investing in the Certificates and no assurance can be given that the IRS or the courts will agree with the discussions set forth herein. Investors should consult their own tax advisors in determining the tax consequences to them of holding Certificates, including the application to their particular situation of the U.S. federal income tax considerations discussed below, as well as the application of state, local, foreign or other tax laws.

Overview

The Issuer intends to treat the Certificates as debt instruments for U.S. tax purposes and the remainder of this discussion assumes that the Certificates will be so treated. Under this characterization, United States holders will not be required to take account of income and expenses incurred at the level of the Trust. The following summary does not discuss Certificates that are issued at more than a *de minimis* discount for U.S. federal income tax purposes. In the event that the Issuer issues Certificates at more than a *de minimis* discount, the applicable Pricing Supplement may describe the material U.S. federal income tax consequences thereof.

Periodic Distribution Amounts

Periodic Distribution Amounts will be subject to taxation under the U.S. tax rules applicable to debt instruments. Accordingly, a United States holder will be required to include Periodic Distribution Amounts in its income as ordinary income at the time that such distributions are accrued or are received (in accordance with the

holder's method of tax accounting). Such income will be treated as foreign source income for purposes of calculating that United States holder's foreign tax credit limitation. The limitation on foreign taxes eligible for foreign tax credit is calculated separately with respect to specific classes of income. For this purpose, such income should generally constitute "passive income." Any foreign income taxes withheld from payments of Periodic Distribution Amounts will be included in the income of United States holders as ordinary income and will likewise be deductible to United States holders, or, alternatively, United States holders may be eligible for a U.S. foreign tax credit subject to various limitations. United States holders should consult their own tax advisors regarding the availability of a foreign tax credit and the application of the foreign tax credit rules.

A United States holder utilizing the cash method of accounting for U.S. federal income tax purposes that receives a Periodic Distribution Amount denominated in a currency other than U.S. dollars (a foreign currency) will be required to include in income the U.S. dollar value of that Periodic Distribution Amount, based on the exchange rate in effect on the date of receipt, regardless of whether the payment is in fact converted into U.S. dollars.

If a Periodic Distribution Amount is payable in a foreign currency, an accrual basis United States holder is required to include in income the U.S. dollar value of the Periodic Distribution Amount. Such a United States holder may determine the amount of the accrued Periodic Distribution Amount to be recognized in accordance with either of two methods. Under the first accrual method, the amount of income accrued will be based on the average exchange rate in effect during the accrual period or, with respect to an accrual period that spans two taxable years, the part of the period within the taxable year. Under the second accrual method, the United States holder may elect to determine the amount of income accrued on the basis of the exchange rate in effect on the last day of the accrual period or, in the case of an accrual period that spans two taxable years, the exchange rate in effect on the last day of the part of the period within the taxable year. If the last day of the accrual period is within five business days of the date the Periodic Distribution Amount is actually received, an electing accrual basis United States holder may instead translate that Periodic Distribution Amount at the exchange rate in effect on the day of actual receipt. Any election to use the second accrual method will apply to all debt instruments held by the United States holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the United States holder and will be irrevocable without the consent of the IRS.

A United States holder utilizing either of the foregoing two accrual methods will recognize ordinary income or loss with respect to accrued income attributable to a Periodic Distribution Amount on the date of receipt of the Periodic Distribution Amount denominated in a foreign currency (including a payment attributable to accrued but unpaid Periodic Distribution Amount upon the sale, exchange or other disposition of a Certificate). The amount of ordinary income or loss will equal the difference between the U.S. dollar value of the Periodic Distribution Amount received (determined on the date the payment is received) in respect of the accrual period and the U.S. dollar value of the income attributable to a Periodic Distribution Amount that has accrued during that accrual period (as determined under the accrual method utilized by the United States holder).

Foreign currency received as a Periodic Distribution Amount will have a tax basis equal to its U.S. dollar value at the time the Periodic Distribution Amount is received. Gain or loss, if any, realized by a United States holder on a sale, exchange or other disposition of that foreign currency will be ordinary income or loss and generally will be income from sources within the United States for U.S. foreign tax credit limitation purposes.

Sale, Exchange or Retirement of Certificates

A United States holder's tax basis in a Certificate generally will equal the U.S. dollar cost of such Certificate to such holder. The "**U.S. dollar cost**" of a Certificate purchased with a foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase or, in the case of a Certificate traded on an established securities market (as defined in the applicable U.S. Treasury regulations) that is purchased by a cash basis United States holder (or an accrual basis United States holder that so elects), on the settlement date for the purchase. Upon the sale, exchange or retirement of a Certificate, a United States holder generally will recognize gain or loss equal to the difference between the amount realized on the sale, exchange or retirement (less any amounts in respect of accrued Periodic Distribution Amounts, which will be taxable as ordinary income) and the holder's tax basis in such Certificate.

The amount realized on the sale, exchange or retirement of a Certificate for an amount in foreign currency will be the U.S. dollar value of that amount on the date of disposition or, in the case of a Certificate traded on an established securities market (as defined in the applicable U.S. Treasury regulations) that is sold by a cash basis United States holder (or an accrual basis United States holder that so elects), on the settlement date for the sale.

Gain or loss recognized by a United States holder on the sale, exchange or retirement of a Certificate that is attributable to changes in currency exchange rates will be ordinary income or loss and will consist of principal exchange gain or loss. Principal exchange gain or loss will equal the difference between the U.S. dollar value of the United States holder's purchase price of the Certificate in foreign currency determined on the date of the sale, exchange or retirement, and the U.S. dollar value of the United States holder's purchase price of the Certificate in foreign currency determined on the date the United States holder acquired the Certificate. The foregoing foreign currency gain or loss will be recognized only to the extent of the total gain or loss realized by the United States holder on the sale, exchange or retirement of the Certificate, and will generally be treated as from sources within the United States for U.S. foreign tax credit limitation purposes.

Any gain or loss recognized by a United States holder in excess of any foreign currency gain or loss recognized by a United States holder generally will be U.S. source capital gain or loss. For United States holders who are individuals, trusts or estates that hold the Certificates for more than one year, capital gains may be taxed at lower rates than ordinary income. The deductibility of capital losses is subject to certain limitations.

A United States holder will have a tax basis in any foreign currency received on the sale, exchange or retirement of a Certificate equal to the U.S. dollar value of the foreign currency at the time of the sale, exchange or retirement. Gain or loss, if any, realized by a United States holder on a sale, exchange or retirement of that foreign currency will be ordinary income or loss and will generally be income or loss from sources within the United States for U.S. foreign tax credit limitation purposes.

Potential Alternative Characterization

The Issuer believes that it is appropriate to treat the Certificates as representing debt obligations of the Obligor and intends to do so. However, the IRS may seek to characterize the Certificates as interests in a grantor trust for U.S. federal income tax purposes. Under this characterization, while the taxation of the income, gain or loss attributable to the Certificates would be essentially the same as the consequences described above, the Issuer and United States holders would be subject to certain information reporting applicable to foreign trusts. United States holders that fail to comply with these information reporting requirements in a timely manner could be subject to significant penalties. A United States holder could also be liable for penalties equal to the greater of \$10,000.00 or 5.0% of the gross value of the portion of the trust owned by a United States holder at the close of the year, if the Issuer failed to file a U.S. annual information return and provide each United States holder with a foreign grantor trust owner statement. Similar penalties would be applicable to the Issuer for failure to comply. The Issuer does not expect that it will provide information that would allow either itself or United States holders to comply with foreign trust reporting obligations if they were determined to be applicable. United States holders should consult their own tax advisors as to the potential application of the foreign trust reporting rules and the tax consequences generally with respect to an investment in the Certificates.

Non-United States Holders

Subject to the backup withholding rules discussed below, a non-United States holder generally should not be subject to U.S. federal income or withholding tax on any payments on the Certificates and gain from the sale, redemption or other disposition of the Certificates unless: (i) that payment and/or gain is effectively connected with the conduct by that non-United States holder of a trade or business in the U.S.; (ii) in the case of any gain realised on the sale or exchange of a Certificate by an individual non-United States holder, that holder is present in the U.S. for 183 days or more in the taxable year of the sale, exchange or retirement and certain other conditions are met; or (iii) the non-United States holder is subject to tax pursuant to provisions of the U.S. Internal Revenue Code of 1986 applicable to certain expatriates.

Information Reporting and Backup Withholding

Information returns may be required to be filed with the IRS with respect to payments made to certain United States holders of Certificates. In addition, a United States holder may be subject to backup withholding tax in respect of such payments if such holder fails to provide its taxpayer identification number, to certify that such United States holder is not subject to backup withholding, or otherwise to comply with the applicable requirements of the backup withholding rules. Non-United States holders may be required to comply with applicable certification procedures to establish that they are not United States holders in order to avoid the application of such information reporting requirements and backup withholding. Backup withholding is not an additional tax. Any amounts withheld under the backup withholding rules from a payment to a holder of

Certificates generally may be claimed as a credit against such holder's U.S. federal income tax liability *provided that* the required information is furnished to the IRS. Holders of Certificates should consult their own tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

Additionally, certain United States holders may be required to report to the IRS certain information with respect to their beneficial ownership of the Certificates. Investors who fail to report required information could be subject to substantial penalties.

Reportable Transactions

A U.S. taxpayer that participates in a "reportable transaction" will be required to disclose its participation to the IRS. A United States holder may be required to treat a foreign currency exchange loss from the Certificates as a reportable transaction if the loss exceeds certain specified thresholds in a single taxable year. Accordingly, if a United States holder realizes a loss on any Certificate (or, possibly, aggregate losses from the Certificates) satisfying such thresholds, the United States holder could be required to file an information return with the IRS, and failure to do so may subject the United States holder to penalties. Prospective purchasers are urged to consult their tax advisors regarding the application of these rules to the acquisition, holding or disposition of Certificates.

The Proposed Financial Transactions Tax ("FTT")

On 14 February 2013, the European Commission published a proposal (the "**Commission's proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**participating Member States**"). However, Estonia has since stated that it will not participate.

The Commission's proposal has very broad scope and could, if introduced, apply to certain dealings in the Certificates (including secondary' market transactions) in certain circumstances.

Under the Commission's proposal, FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT.

THE ABOVE DESCRIPTION IS NOT INTENDED TO CONSTITUTE A COMPLETE ANALYSIS OF ALL TAX CONSEQUENCES RELATING TO THE ACQUISITION, OWNERSHIP AND DISPOSITION OF CERTIFICATES. PROSPECTIVE PURCHASERS OF CERTIFICATES SHOULD CONSULT THEIR OWN TAX ADVISORS CONCERNING THE TAX CONSEQUENCES OF THEIR PARTICULAR SITUATIONS.

ERISA CONSIDERATIONS

The U.S. Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”), and Section 4975 of the U.S. Internal Revenue Code of 1986, as amended (the “**Code**”), impose certain restrictions on (i) employee benefit plans (as defined in Section 3(3) of ERISA) that are subject to Title I of ERISA, (ii) plans (as defined in Section 4975(e)(1) of the Code) that are subject to Section 4975 of the Code, including individual retirement accounts and Keogh plans, (iii) any entity whose underlying assets could be deemed to include “**plan assets**” pursuant to the U.S. Department of Labor “plan assets” regulation, 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (the “**Plan Assets Regulation**”) by reason of any such employee benefit plan’s or plan’s investment in such entity (each of the foregoing, a “**Plan**”) and (iv) persons who have certain specified relationships to a Plan or its assets (“**parties in interest**” under Section 3(14) of ERISA and “**disqualified persons**” under the Section 4975 of the Code; collectively, “**Parties in Interest**”). ERISA also imposes certain duties on persons who are fiduciaries of Plans subject to ERISA, and ERISA and Section 4975 of the Code prohibit certain transactions between a Plan and its Parties in Interest. Violations of these rules may result in the imposition of excise taxes and other penalties and liabilities under ERISA and the Code.

ERISA and Section 4975 of the Code prohibit a broad range of transactions involving “plan assets” and Parties in Interest, unless a statutory or administrative exemption is available. Parties in Interest that participate in a prohibited transaction may be subject to penalties imposed under ERISA and/or excise taxes may be imposed pursuant to Section 4975 of the Code, unless a statutory or administrative exemption is available. These prohibited transactions generally are set forth in Section 406 of ERISA and Section 4975 of the Code. Certain employee benefit plans, including governmental plans (as defined in Section 3(32) of ERISA), certain church plans (as defined in Section 3(33) of ERISA), and non-U.S. plans (as described in Section 4(b)(4) of ERISA) are not subject to the prohibited transaction rules of ERISA or the Code but may be subject to substantially similar rules under other applicable federal, state, local or non-U.S. laws or regulations.

Under the Plan Asset Regulation, if a Plan invests in an “*equity interest*” of an entity that is neither a “*publicly offered security*” nor a security issued by an investment company registered under the Investment Company Act, the Plan’s assets include both the equity interest and an undivided economic interest in each of the entity’s underlying assets, unless it is established that the entity is an “*operating company*” or that equity participation in the entity by “*benefit plan investors*” is not “*significant*”. The Plan Assets Regulation generally defines equity participation in an entity by “*benefit plan investors*” as “*significant*” if 25 per cent. or more of the total value of any class of equity interest in the entity is held by “benefit plan investors”.

For the purposes of determining whether participation by “*benefit plan investors*” is “*significant*”, Certificates held by an investor (other than a “*benefit plan investor*”) that has discretionary authority or control over the assets of the Trustee or provides investment advice for a fee (direct or indirect) with respect to such assets, and any affiliates of such an investor, are excluded from such calculation and will not be treated as outstanding. If the assets of the Trustee were deemed to be plan assets of a Plan, the Trustee would be subject to certain fiduciary obligations under ERISA and certain transactions that the Trustee might enter into, or may have entered into, in the ordinary course of business might constitute or result in non-exempt prohibited transactions under ERISA or Section 4975 of the Code and might have to be rescinded.

Plans may not purchase or hold any interest in a Certificate. Accordingly, each initial purchaser of the Trust Certificates (or any interest in a Trust Certificate) and each subsequent transferee will be deemed to have acknowledged, represented and agreed, by its purchase or holding of a Certificate (or any interest in a Certificate), that (A) it is not, and for so long as it holds Certificates (or interests therein) will not be and will not be acting on behalf of, (i) a Plan or (ii) a governmental, church or non-U.S. plan unless, under this subsection (ii), its acquisition, holding and disposition of the Certificates (or interests therein) will not constitute or result in a violation of any other applicable federal, state, local or non-U.S. laws or regulations that are substantially similar to the prohibited transaction provisions of ERISA and/or Section 4975 of the Code (“**Similar Law**”) or subject the Trustee or any transactions thereby to any such Similar Law and (B) it and any person causing it to acquire any of the Certificates agrees to indemnify and hold harmless the Issuer, the Republic, the Arrangers, the Dealers, the Trustee, the Delegate, the Agents, and their respective affiliates from any cost, damage or loss incurred by them as a result of it being or being deemed to be a Plan.

ERISA TRANSFER RESTRICTIONS

Each purchaser or transferee of the Certificates (or any interest in a Certificate) will be deemed to have acknowledged, represented and agreed that (a) it is not, and for so long as it holds Certificates (or interests

therein) will not be and will not be acting on behalf of: (i) a Plan or (ii) a governmental, church or non-U.S. plan unless, under this subsection (ii), the acquisition, holding and disposition of the Certificates (or interests therein) will not constitute or result in a violation of any Similar Law or subject the Trustee or any transactions thereby to any such Similar Law and (b) it will not sell or otherwise transfer any such Certificates or interests therein to any person unless the same foregoing representations and warranties apply to that person.

PLAN OF DISTRIBUTION

Subject to the terms and conditions stated in the Program Agreement between the Issuer, the Republic, the Arrangers and the Dealers, the Certificates may be offered on a continuous basis by the Republic to the Dealers. The Certificates may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer(s). The Certificates may also be sold by the Republic through the Dealers, acting as agents of the Republic. If a jurisdiction requires that the offering of the Certificates be made by a licensed broker or dealer and the Arrangers and Dealers or any their affiliates is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that arranger or dealer or their affiliates on behalf of the Issuer in such jurisdiction. The Program Agreement also provides for Certificates to be issued in syndicated Tranches that are jointly and severally or severally underwritten by two or more Dealers.

The Republic will pay the relevant Dealer a commission as agreed between them in respect of Certificates subscribed by it. The Republic has agreed to reimburse each Arranger for certain of its expenses incurred in connection with the establishment of the Program and the Dealers for certain of their activities in connection with the Program.

The Republic has agreed to indemnify the Dealers against certain liabilities in connection with the offer and sale of the Certificates including liabilities under the Securities Act. The Program Agreement entitles the Dealers to terminate any agreement that they make to subscribe Certificates in certain circumstances prior to payment for such Certificates being made to the Republic.

The Arrangers and the Dealers and certain of their affiliates may from time to time engage in transactions with and perform services for the Issuer and the Republic in the ordinary course of their business. The Arrangers, Dealers and their respective affiliates are full service financial institutions engaged in various activities which may include securities trading, commercial and investment banking, financial advice, investment management, principal investment, hedging, financing and brokerage activities. Each of the Arrangers and Dealers may have engaged in, and may in the future engage in, investment banking and other commercial dealings in the ordinary course of business with the Republic from time to time. In the ordinary course of their various business activities, the Arrangers, Dealers and their respective affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisors) a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers and may at any time hold long and short positions in such securities and instruments and enter into other transactions, including credit derivatives (such as asset swaps, repackaging and credit default swaps) in relation thereto. Such transactions, investments and securities activities may involve securities and instruments of the Republic, including Certificates issued under the Program, may be entered into at the same time or proximate to offers and sales of Certificates or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Certificates. Certificates issued under the Program may be purchased by or be allocated to any Dealer or an affiliate for asset management and/or proprietary purposes but not with a view to distribution.

United States

The Certificates have not been and will not be registered under the Securities Act or under any applicable securities laws or regulations of any state of the United States and, subject to certain exceptions, may not be offered or sold within the United States except to persons reasonably believed to be qualified institutional buyers in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Certificates are being offered and sold only (1) in the United States to qualified institutional buyers pursuant to Rule 144A under the Securities Act and (2) outside the United States in offshore transactions in reliance on Regulation S under the Securities Act.

The Certificates are being offered and sold outside the United States in reliance on Regulation S. The Program Agreement provides that the Dealers may directly or through their respective U.S. broker-dealer affiliates arrange for the offer and resale of the Certificates within the United States only to QIBs in reliance on Rule 144A or Institutional Accredited Investors pursuant to an exemption from the registration requirements of the Securities Act.

In addition, until 40 days after the commencement of the offering of any Series of Certificates, an offer or sale of such Certificates within the United States by any dealer (whether or not participating in the offering) may

violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with an available exemption from registration under the Securities Act. See “*Transfer Restrictions*” for a description of other restrictions on the transfer of the Certificates.

As used herein, the term “**United States**” has the meaning given to it in Regulation S.

United Kingdom

Each Dealer has represented, warranted and agreed that:

- (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and it has not offered or sold and will not offer or sell any Certificates other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Certificates would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act (“**FSMA**”) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Certificates in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer and the Republic; and
- (c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Certificates in, from or otherwise involving the United Kingdom.

European Economic Area

In relation to each Member State of the European Economic Area and the United Kingdom (each, a “**Relevant State**”), each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that it has not made and will not make an offer of Certificates which are the subject of the offering contemplated by this Offering Memorandum as completed by the pricing supplement in relation thereto to the public in that Relevant State except that it may make an offer of such Certificates to the public in that Relevant State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Regulation;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Regulation), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (c) at any time in any other circumstances falling within Article 1(4) of the Prospectus Regulation,

provided that no such offer of Certificates referred to in (a) to (c) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Regulation or supplement a prospectus pursuant to Article 23 of the Prospectus Regulation.

For the purposes of this provision, the expression an “**offer of Certificates to the public**” in relation to any Certificates in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Certificates to be offered so as to enable an investor to decide to purchase or subscribe for the Certificates and the expression “**Prospectus Regulation**” means Regulation (EU) 2017/1129.

Hong Kong

This Offering Memorandum has not been approved by or registered with the Securities and Futures Commission of Hong Kong or the Registrar of Companies of Hong Kong. In relation to the Certificates, each Dealer has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in the Hong Kong Special Administrative Region of the People’s Republic of China (“**Hong Kong**”), by means of any document, any Certificates (except

for Certificates which are a “structured product” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “SFO”) other than (A) to “professional investors” as defined in the SFO and any rules made under the SFO; or (B) in other circumstances which do not result in the document being a “prospectus” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the “C(WUMP)O”) or which do not constitute an offer to the public within the meaning of C(WUMP)O; and

- (b) it has not issued or had in its possession for the purposes of issue and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

Japan

As the Certificates have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended; the “FIEA”), each relevant Dealer represents and agrees that it will not offer or sell any Certificates, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Program will be required to acknowledge, that this Offering Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented, warranted and agreed, and each further Dealer appointed under the Program will be required to represent, warrant and agree, that it has not offered or sold any Certificates or caused the Certificates to be made the subject of an invitation for subscription or purchase and will not offer or sell any Certificates or cause the Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute this Offering Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Certificates, whether directly or indirectly, to any person in Singapore other than: to an institutional investor (as defined in Section 4A of the SFA pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or to any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities or securities-based derivatives contracts (as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries’ rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:
 - (i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
 - (ii) where no consideration is or will be given for the transfer;

- (iii) where the transfer is by operation of law;
- (iv) as specified in Section 276(7) of the SFA; or
- (v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Brunei

This Offering Memorandum has not been registered, delivered to, licensed or permitted by the Autoriti Monetari Brunei Darussalam with the Authority designated under the Brunei Darussalam Securities Markets Order (the “SMO”) nor has it been registered with the Registrar of Companies, Registrar of International Business Companies. As such the Certificates may not be offered or sold or made the subject of an invitation for subscription or purchase nor may this Offering Memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase of Certificates be circulated or distributed, whether directly or indirectly, to any person in Brunei other than: (a) to an accredited investor under Section 20 of the SMO; (b) an expert investor under Section 20 of the SMO; or (c) an institutional investor under Section 20 of the SMO, and in accordance with the conditions specified in Section 117 of the SMO.

This Offering Memorandum is for informational purposes only and does not constitute an invitation or offer to the public. It must not be distributed or redistributed to and may not be relied upon or used by any person in Brunei other than the person to whom it is directly communicated: (i) in accordance with the conditions of section 21(3) of the International Business Companies Order 2000; or (ii) whose business or part of whose business is in the buying and selling of shares within the meaning of section 308(4) of the Companies Act (Cap. 39).

Any offers, acceptances, subscription, sales and allotments of the Certificates shall be made outside Brunei. Nothing in this Offering Memorandum shall constitute legal, tax, accounting or investment advice. The recipient should independently evaluate any specific investment with consultation with professional advisors in law, tax, accounting and investments.

United Arab Emirates (excluding the Dubai International Finance Centre)

Each Dealer has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

Dubai International Financial Centre

Each Dealer has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “**Exempt Offer**” for the purposes of the Markets Rules (MKT) Module of the Dubai Financial Services Authority (the “**DFSA**”) rulebook; and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.3 of the Conduct of Business Module of the DFSA rulebook.

Kingdom of Saudi Arabia

Any investor in Saudi Arabia or who is a Saudi person (a “**Saudi Investor**”) who acquires any Certificates pursuant to an offering should note that the offer of Certificates is an exempt offer under Article 6 of the “Rules on the Offer of Securities and Continuing Obligations” as issued by the Board of the Capital Market Authority (“**CMA**”) resolution no. 3-123-2017 dated 27 December 2017 as amended by the Board of the CMA no. 1-104-2019 dated 30 September 2019 (the “**Rules on the Offer of Securities and Continuing Obligations**”), made through an authorised person licensed by the CMA to carry on the securities activity of arranging.

Each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that any offer of Certificates to a Saudi Investor will be made in compliance with the Rules on the Offer of Securities and Continuing Obligations, as amended and/or supplemented from time to time.

State of Qatar

Each Dealer has represented and agreed that it has not offered or sold, and will not offer or sell, directly or indirectly, any Certificates in Qatar, including the Qatar Financial Centre, except (a) in compliance with all applicable laws and regulations of Qatar and (b) through persons or corporate entities authorized and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in Qatar.

Kingdom of Bahrain

Each Dealer has represented, warranted and agreed that it has not offered and will not offer Certificates except on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”. For this purpose, an accredited investor means: (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more excluding that person’s principal place of residence; (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

Kuwait

The Certificates have not been licensed for offering in Kuwait by the Kuwait Capital Markets Authority. The offering of the Certificates in Kuwait on the basis of a private placement or public offering is, therefore, restricted in accordance with Law No. 7 of 2010 “Establishing of the Capital Markets Authority and the organization of securities activity”, its Executive Regulations and the various Resolutions and Announcements issued pursuant thereto or in connection therewith. No private or public offering of the Certificates is being made in Kuwait, and no agreement relating to the sale of the Certificates will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in Kuwait.

Malaysia

This Offering Memorandum has not been registered as a prospectus with the Securities Commission Malaysia under the Capital Markets and Services Act 2007 of Malaysia (the “CMSA”).

Accordingly, each Dealer has represented, warranted and agreed that the Certificates have not been and will not be offered, sold or delivered, and no invitation to subscribe for or purchase any Certificates has or will be made, directly or indirectly, nor may any document or other material in connection therewith be distributed in Malaysia, other than to persons falling within any one of the categories of persons specified under Part 1 of Schedule 6 (or Section 229(1)(b)), Part 1 of Schedule 7 (or Section 230(1)(b)), and Schedule 8 (or Section 257(1)) of the CMSA, read together with Schedule 9 (or Section 257(3)) of the CMSA, subject to any law, order, regulation or official directive of the Central Bank of Malaysia, Securities Commission Malaysia and/or any other regulatory authority from time to time.

Residents of Malaysia may be required to obtain relevant regulatory approvals including approval from the Controller of Foreign Exchange to purchase the Certificates. The onus is on the Malaysian residents concerned to obtain such regulatory approvals and none of the Dealers is responsible for any invitation, offer, sale or purchase of the Certificates as aforesaid without the necessary approvals being in place.

Switzerland

This Offering Memorandum is not intended to constitute an offer or solicitation to purchase or invest in the Certificates in Switzerland. The Certificates may not be publicly offered, sold or advertised, directly or indirectly, in Switzerland within the meaning of the Swiss Federal Act on Financial Services of 15 June 2018 (“FinSA”) and no application has or will be made to admit the Certificates to trading on any trading venue (exchange or multilateral trading facility) in Switzerland. The Certificates have not been approved for offering in Switzerland by the Swiss Financial Markets Authority (FINMA) under the Swiss Federal Act on Collective Investment Schemes of 23 June 2006 and may not be offered to Retail Investors as such term is defined under FinSA or investors who elected to be treated as Professional Investors pursuant to article 5 (1) FinSA (“**Elective Professional Investors**”). Neither this Offering Memorandum nor any other offering or marketing material relating to the Certificates constitutes a prospectus pursuant to the FinSA, pursuant to article 652a or article 1156

of the Swiss Code of Obligations (as in effect immediately prior to the entry into force of the FinSA) or pursuant to articles 27 ff. of the listing rules of SIX Exchange Regulation or any other trading venue in Switzerland, and neither this Offering Memorandum nor any other offering or marketing material relating to the Certificates may be made available to the public or to Retail Investors or Elective Professional Investors in Switzerland.

General

These selling restrictions may be modified by agreement between the Issuer, the Republic and the Dealers following a change in relevant law, regulation or directive. The distribution of this Offering Memorandum and the offering, sale or delivery of the Certificates is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Memorandum are advised to consult with their own legal advisors as to what restrictions may be applicable to them and to observe such restrictions. This Offering Memorandum may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorized. The Certificates may not be offered or sold, directly or indirectly, and neither this Offering Memorandum nor such other material may be distributed or published in or from any country or jurisdiction except in compliance with any applicable rules and regulations of such country or jurisdiction.

No representation is made that any action has been taken in any jurisdiction that would permit a public offering of the Certificates, or possession or distribution of this Offering Memorandum, or any other offering material in any country or jurisdiction where action for that purpose is required.

Settlement and Delivery

The Republic and the Issuer expect that delivery of the Global Certificates will be made against payment therefor on or about the Closing Date, which will be on or about the fifth business day following the date of pricing of the Certificates. Under Rule 15c6-1 of the U.S. Securities Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to a trade expressly agree otherwise. Accordingly, purchasers who wish to trade the Certificates on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Certificates initially will settle on or about T+5, to specify alternative settlement arrangements to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Certificates may be affected by such local settlement practices and purchasers of Certificates who wish to trade Certificates on the date of pricing or the next succeeding business day should consult their own advisor.

In connection with the issue of Certificates in any Series under the Program, subsequent to the issue of Certificates, the Dealer or Dealers (if any) named as the Stabilizing Manager(s) (or persons acting on behalf of any Stabilizing Manager(s)) in the applicable Pricing Supplement may over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates in such a Series at a level higher than that which might otherwise prevail. However, there is no assurance that a Stabilizing Manager (or persons acting on behalf of a Stabilizing Manager) will undertake stabilization action. Any stabilization will be conducted in accordance with all applicable laws and regulations.

TRANSFER RESTRICTIONS

Due to the following significant transfer restrictions applicable to the Certificates, investors are advised to consult legal counsel prior to making any reoffer, resale, pledge, transfer or disposal of Certificates.

The Certificates have not been and will not be registered under the Securities Act or any other securities laws and may not be offered or sold in the United States except pursuant to an effective registration statement or in accordance with an applicable exemption from the registration requirements of the Securities Act.

Accordingly, the Certificates are being offered and sold in the United States only to persons reasonably believed to be QIBs in reliance on the registration exemption in Rule 144A of the Securities Act or to Institutional Accredited Investors within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D of the Securities Act pursuant to another available exemption from registration under the Securities Act. The international offering is being made outside the United States in offshore transactions pursuant to Regulation S under the Securities Act.

Any reoffer, resale, pledge, transfer or other disposal, or attempted reoffer, resale, pledge, transfer or other disposal, made other than in compliance with the restrictions noted below shall not be recognized by the Republic, the Issuer or the Trustee.

Rule 144A Transfer Restrictions

Each purchaser of the Rule 144A Certificates in the United States will be deemed to have acknowledged, represented and agreed that:

1. It is:
 - (a) a QIB as defined in Rule 144A under the Securities Act;
 - (b) aware, and that each beneficial owner of the Rule 144A Certificates has been advised, that the sale of such Certificates to it is being made in reliance on Rule 144A; and
 - (c) acquiring the Rule 144A Certificates for its own account or for the account of one or more QIBs; and
2. It understands that the Rule 144A Certificates have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may be offered, sold, pledged or otherwise transferred only:
 - (a) outside the United States in an offshore transaction in accordance with Regulation S under the Securities Act;
 - (b) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available);
 - (c) within the United States to a person whom it reasonably believes is a QIB that is purchasing for its own account or for the account of one or more QIBs, in a transaction meeting the requirements of Rule 144A under the Securities Act; or
 - (d) pursuant to an effective registration statement under the Securities Act,in each case in accordance with any applicable securities laws of any state of the United States; and
3. Rule 144A Certificates sold in the offering will constitute “restricted securities” within the meaning of Rule 144 under the Securities Act, and for so long as they remain “restricted securities” such Rule 144A Certificates may not be transferred except as described in paragraph (2) above; and
4. Rule 144A Certificates will bear a legend to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

“THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DISPOSED OF WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AS SET FORTH IN THE FOLLOWING SENTENCE.

BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) OR (B) IT IS ACQUIRING THE CERTIFICATES REPRESENTED HEREBY IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH REGULATIONS UNDER THE SECURITIES ACT, (2) AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE CERTIFICATES EXCEPT (A) WITHIN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (B) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND (3) AGREES THAT IT WILL DELIVER TO EACH PERSON TO WHOM THIS CERTIFICATE IS BEING TRANSFERRED A NOTICE SUBSTANTIALLY TO THE EFFECT OF THIS LEGEND.

AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION” AND “UNITED STATES” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR SUCH OPINIONS OF COUNSEL, CERTIFICATES AND/OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE IN FORM REASONABLY SATISFACTORY TO IT AS PROVIDED FOR IN THE DECLARATION OF TRUST TO CONFIRM THAT THE TRANSFER COMPLIED WITH THE FOREGOING RESTRICTIONS AS PROVIDED FOR IN THE DECLARATION OF TRUST.

ANY RESALE OR OTHER TRANSFER OF THIS CERTIFICATE (OR BENEFICIAL INTEREST HEREIN) WHICH IS NOT MADE IN COMPLIANCE WITH THE RESTRICTIONS SET FORTH HEREIN WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE”; and

5. The Issuer, the Republic, the Registrar, the other Transfer Agents, the Arrangers, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Certificates for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Definitive IAI Transfer Restrictions

Each purchaser of the Definitive IAI Certificates in the United States will be deemed to have acknowledged, represented and agreed that:

1. It is:
 - (a) an Accredited Investor within the meaning of Rule 501(a)(1), (2), (3) or (7) of Regulation D of the Securities Act that is an institution which has delivered an IAI Investment Letter; and
 - (b) acquiring the Definitive IAI Certificates for its own account or for the account of one or more Institutional Accredited Investors; and
2. It understands that the Definitive IAI Certificates have not been and will not be registered under the Securities Act or the securities laws of any state of the United States and may be offered, sold, pledged or otherwise transferred only:
 - (a) outside the United States in an offshore transaction in accordance with Regulation S under the Securities Act;
 - (b) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available);
 - (c) within the United States to a person whom it reasonably believes is a QIB that is purchasing for its own account or for the account of one or more QIBs, in a transaction meeting the requirements of Rule 144A under the Securities Act; or
 - (d) pursuant to an effective registration statement under the Securities Act,

in each case in accordance with any applicable securities laws of any state of the United States; and

3. Definitive IAI Certificates sold in the offering will constitute “restricted securities” within the meaning of Rule 144 under the Securities Act, and for so long as they remain “restricted securities” such Definitive IAI Certificates may not be transferred except as described in paragraph (2) above; and
4. Definitive IAI Certificates will bear a legend to the following effect, unless the Issuer determines otherwise in compliance with applicable law:

“THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DISPOSED OF WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT AS SET FORTH IN THE FOLLOWING SENTENCE.

BY ITS ACQUISITION HEREOF, THE HOLDER (1) REPRESENTS THAT (A) IT IS AN INSTITUTIONAL “ACCREDITED INVESTOR” (WITHIN THE MEANING OF RULE 501(A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) AND IT IS ACQUIRING THIS CERTIFICATE FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO ANY RESALE OR DISTRIBUTION HEREOF, SUBJECT TO ITS ABILITY TO RESELL THIS CERTIFICATE PURSUANT TO RULE 144A OR REGULATION S UNDER THE SECURITIES ACT OR AS OTHERWISE PROVIDED BELOW AND SUBJECT IN ANY CASE TO ANY REQUIREMENT OF LAW THAT THE DISPOSITION OF THE PROPERTY OF ANY PURCHASER SHALL AT ALL TIMES BE AND REMAIN WITHIN ITS CONTROL.

THE HOLDER OF THIS CERTIFICATE BY ITS ACCEPTANCE HEREOF AGREES THAT IT WILL NOT RESELL OR OTHERWISE TRANSFER THE CERTIFICATES EXCEPT (A) WITHIN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A QUALIFIED INSTITUTIONAL BUYER PURCHASING FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF ONE OR MORE QUALIFIED INSTITUTIONAL BUYERS IN A TRANSACTION MEETING THE REQUIREMENTS OF RULE 144A UNDER THE SECURITIES ACT, (B) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN COMPLIANCE WITH RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (C) PURSUANT TO THE EXEMPTION FROM REGISTRATION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT (IF AVAILABLE) OR (D) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT.

AS USED HEREIN, THE TERMS “OFFSHORE TRANSACTION” AND “UNITED STATES” HAVE THE MEANINGS GIVEN TO THEM BY REGULATION S UNDER THE SECURITIES ACT. IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR SUCH OPINIONS OF COUNSEL, CERTIFICATES AND/OR OTHER INFORMATION AS IT MAY REASONABLY REQUIRE IN FORM REASONABLY SATISFACTORY TO IT AS PROVIDED FOR IN THE DECLARATION OF TRUST TO CONFIRM THAT THE TRANSFER COMPLIED WITH THE FOREGOING RESTRICTIONS AS PROVIDED FOR IN THE DECLARATION OF TRUST.

ANY RESALE OR OTHER TRANSFER OF THIS CERTIFICATE (OR BENEFICIAL INTEREST HEREIN) WHICH IS NOT MADE IN COMPLIANCE WITH THE RESTRICTIONS SET FORTH HEREIN WILL BE OF NO FORCE AND EFFECT, WILL BE NULL AND VOID *AB INITIO* AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE”; and

5. The Issuer, the Republic, the Registrar, the other Transfer Agents, the Arrangers, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements. If it is acquiring any Certificates for the account of one or more Institutional Accredited Investors, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.

Regulation S Transfer Restrictions

Each purchaser of the Regulation S Certificates and each subsequent purchaser of such Regulation S Certificates in resales, by accepting delivery of this Offering Memorandum and the Certificates, will be deemed to have represented, agreed and acknowledged that:

1. It is, or at the time Regulation S Certificates are purchased will be, the beneficial owner of such Regulation S Certificates and (a) it is located outside the United States and (b) it is not an affiliate of the Republic or a person acting on behalf of such an affiliate;
2. It understands that such Regulation S Certificates have not been and will not be registered under the Securities Act;
3. It understands that the Regulation S Certificates, unless otherwise determined by the Issuer in accordance with applicable law, will bear a legend substantially in the following form:
“THIS CERTIFICATE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (the “**SECURITIES ACT**”), OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND ACCORDINGLY MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED OR DISPOSED OF WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT”; and
4. The Issuer, the Republic, the Registrar, the other Transfer Agents, the Arrangers, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements.

ERISA Transfer Restrictions

Each purchaser or transferee of the Certificates will be deemed to have acknowledged, represented and agreed that:

- (a) either:
 - (i) it is not, and for so long as it holds the Certificates or interests in the Certificates will not be, a Plan or a governmental, church or non-U.S. plan that is subject to any Similar Law; or
 - (ii) it is a governmental, church or non-U.S. plan and the acquisition, holding and disposition of the Certificates (or interests therein) will not constitute or result in a violation of any Similar Law or subject the Trustee or any transactions thereby to any such Similar Law; and
- (b) it will not transfer any such Certificates to any person unless such person could itself truthfully make the foregoing deemed acknowledgements, representations and agreements.

LEGAL MATTERS

The validity of the Certificates will be passed upon for the Republic by the Head of the Legal Bureau of the Ministry of Finance of the Republic and by AZP Legal Consultants, Indonesian counsel to the Republic and the Issuer, as to matters of Indonesian law, and by White & Case Pte. Ltd. and White & Case LLP, international counsel to the Republic and the Issuer, as to matters of U.S. federal and English law. Certain legal matters will be passed upon for the Arrangers and Dealers by Hadiputranto, Hadinoto & Partners, Indonesian counsel to the Arrangers and Dealers and by Clifford Chance Pte. Ltd., international counsel to the Arrangers and Dealers, as to matters of U.S. federal securities and English law. In rendering their opinions, White & Case Pte. Ltd. and White & Case LLP will rely as to all matters of Indonesian law upon the opinion of the Head of the Legal Bureau of the Ministry of Finance of the Republic and of AZP Legal Consultants and Clifford Chance Pte. Ltd. will rely as to all matters of Indonesian law upon the opinions of Hadiputranto, Hadinoto & Partners and AZP Legal Consultants.

CLEARANCE AND SETTLEMENT

The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC or Euroclear and/or Clearstream, Luxembourg currently in effect. The information in this section concerning such clearing systems has been obtained from sources that the Issuer believes to be reliable, but none of the Issuer, the Republic, the Arrangers, the Dealers, the Agents or the Delegate takes any responsibility for the accuracy of this section. The Issuer and the Republic only take responsibility for the correct extraction and reproduction of the information in this section. Investors wishing to use the facilities of any of the clearing systems are advised to confirm the continued applicability of the rules, regulations and procedures of the relevant clearing system. None of the Issuer, the Republic nor any other party to the Agency Agreement will have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Certificates held through the facilities of any clearing system or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests.

The relevant Pricing Supplement will specify the clearing system(s) applicable for each Series.

Book-entry ownership

The Certificates will be evidenced on issue by the Regulation S Global Certificate (unless otherwise specified in the applicable Pricing Supplement, registered in the name of a nominee of, and shall be deposited with a custodian for, DTC for the accounts of Euroclear and Clearstream, Luxembourg or registered directly in the name of a nominee of, and shall be deposited with the common depository for, Euroclear and Clearstream, Luxembourg) and the Rule 144A Global Certificate (unless otherwise specified in the applicable Pricing Supplement, registered in the name of a nominee of, and shall be deposited with a custodian for, DTC).

Unless otherwise specified in the applicable Pricing Supplement, the Issuer, and a relevant US agent appointed for such purpose that is an eligible DTC participant, will make application to DTC for acceptance in its book-entry settlement system of the Certificates represented by the Regulation S Global Certificate and the Rule 144A Global Certificate. Unless otherwise specified in the applicable Pricing Supplement, the Issuer will also make application to Euroclear and/or Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Certificates to be represented by the Regulation S Global Certificate. The Regulation S Global Certificate and Rule 144A Global Certificate will each have a CUSIP, an ISIN and a Common Code. The Rule 144A Global Certificate and the Regulation S Global Certificate will be subject to restrictions on transfer contained in a legend appearing on the front of such Global Certificate, as set out under “*Transfer Restrictions*.” In certain circumstances, as described below, transfers of interests in the Rule 144A Global Certificate may be made as a result of which such legend may no longer be required.

Upon the Global Certificates being registered in the name of a nominee of, and deposited with a custodian for, DTC, DTC will electronically record the nominal amount of the Certificates held within the DTC system. Investors may hold their beneficial interests in the Global Certificates directly through DTC if they are participants in the DTC system, or indirectly through organizations (including Euroclear and Clearstream, Luxembourg) which are participants in such system (together, such direct and indirect participants of DTC shall be referred to as “**DTC participants**”). All interests in the Global Certificates, including those held through Euroclear or Clearstream, Luxembourg may be subject to the procedures and requirements of DTC. Those interests held through Euroclear or Clearstream, Luxembourg may also be subject to the procedures and requirements of such system.

Upon the Regulation S Global Certificates being registered in the name of a nominee of, and deposited with a common depository for Euroclear and Clearstream, Luxembourg, Euroclear and Clearstream, Luxembourg will electronically record the face amount of the Certificates held within their respective systems. Investors may hold their beneficial interests in the Regulation S Global Certificates directly through Euroclear and Clearstream, Luxembourg if they are participants in those systems or indirectly through organizations which are participants in such system. The interests held through Euroclear or Clearstream, Luxembourg may also be subject to the procedures and requirements of such system.

Payments and relationship of participants with clearing systems

Each of the persons shown in the records of DTC as the holder of a Certificate represented by a Global Certificate must look solely to DTC for his share of each payment made by the Issuer to the holder of such

Global Certificate and in relation to all other rights arising under such Global Certificate, subject to and in accordance with the respective rules and procedures of DTC. The Issuer expects that, upon receipt of any payment in respect of Certificates represented by a Global Certificate, DTC or its nominee will immediately credit the relevant participants' or accountholders' accounts in the relevant clearing system with payments in amounts proportionate to their respective beneficial interests in the face amount of the relevant Global Certificate as shown on the records of the relevant clearing system or its nominee. The Issuer also expects that payments by DTC participants to owners of beneficial interests in a Global Certificate held through such DTC participants will be governed by standing instructions and customary practices. Save as aforesaid, such persons shall have no claim directly against the Issuer in respect of payments due on the Certificates for so long as the Certificates are represented by such Global Certificate and the obligations of the Issuer will be discharged by payment to the registered holder, as the case may be, of such Global Certificate in respect of each amount so paid. None of the Issuer, the Delegate or any Agent shall have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in any Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Transfer of Certificates

Transfers of interests in the Global Certificates within Euroclear, Clearstream, Luxembourg and DTC will be in accordance with the usual rules and operating procedures of the relevant clearing system. The laws of some states in the United States require that certain persons take physical delivery in definitive form of securities.

Consequently, the ability to transfer interests in the Rule 144A Global Certificate to such persons may be limited. Because DTC can only act on behalf of participants, who in turn act on behalf of indirect participants, the ability of a person having an interest in the Rule 144A Global Certificate to pledge such interest to persons or entities that do not participate in DTC, or otherwise take actions in respect of such interest, may be affected by the lack of a physical certificate in respect of such interest.

Beneficial interests in the Regulation S Global Certificate may only be held through Euroclear or Clearstream, Luxembourg. In the case of Certificates to be cleared through Euroclear, Clearstream, Luxembourg and/or DTC, transfers may be made at any time by a holder of an interest in the Regulation S Global Certificate to a transferee who wishes to take delivery of such interest through the Rule 144A Global Certificate *provided that* any such transfer will, subject to the applicable procedures of Euroclear, Clearstream, Luxembourg and/or DTC from time to time, only be made upon receipt by any Transfer Agent of a written certificate from Euroclear or Clearstream, Luxembourg, as the case may be, (based on a written certificate from the transferor of such interest) to the effect that such transfer is being made to a person that the transferor reasonably believes is a QIB within the meaning of Rule 144A purchasing the Certificates for its own account or any account of a QIB, in each case in a transaction meeting the requirements of Rule 144A and in accordance with any applicable securities laws of any state of the United States. Any such transfer made thereafter of the Certificates represented by such Regulation S Global Certificate will only be made upon request through Euroclear or Clearstream, Luxembourg by the holder of an interest in the Regulation S Global Certificate to the Delegate or other agent of details of that account at DTC to be credited with the relevant interest in the Rule 144A Global Certificate.

Transfers at any time by a holder of any interest in the Rule 144A Global Certificate to a transferee who takes delivery of such interest through the Regulation S Global Certificate will, subject to the applicable procedures of Euroclear, Clearstream, Luxembourg and/or DTC from time to time, only be made upon delivery to any transfer agent of a certificate setting forth compliance with the provisions of Regulation S and giving details of the account at Euroclear or Clearstream, Luxembourg, as the case may be, and DTC to be credited and debited, respectively, with an interest in each relevant Global Certificate.

Subject to compliance with the transfer restrictions applicable to the Certificates described above and under "*Transfer Restrictions*," cross-market transfers between DTC, on the one hand, and directly or indirectly through Euroclear or Clearstream, Luxembourg accountholders, on the other, will be effected by the relevant clearing system in accordance with its rules and through action taken by the custodian or common depository of the Global Certificates, the Registrar, the Transfer Agents, the Principal Paying Agent and any other Paying Agents.

On or after the Closing Date, transfers of Certificates between accountholders in Euroclear and/or Clearstream, Luxembourg and transfers of Certificates between participants in DTC will generally have a settlement date three business days after the trade date (T+3). The customary arrangements for delivery versus payment will apply to such transfers.

Cross-market transfers between accountholders in Euroclear or Clearstream, Luxembourg and DTC participants will need to have an agreed settlement date between the parties to such transfer. Because there is no direct link between DTC, on the one hand, and Euroclear and Clearstream, Luxembourg, on the other, transfers of interests between the Global Certificates will be effected through the Principal Paying Agent and other paying agents, the custodian or common depository of the Global Certificates, the Registrar and any other Transfer Agent receiving instructions (and where appropriate certification) from the transferor and arranging for delivery of the interests being transferred to the credit of the designated account for the transferee. Transfers will be effected on the later of (i) three business days after the trade date for the disposal of the interest in the relevant Global Certificate resulting in such transfer and (ii) two business days after receipt by the Principal Paying Agent or other paying agent or the Registrar or other Transfer Agent, as the case may be, of the necessary certification or information to effect such transfer. In the case of cross-market transfers, settlement between Euroclear or Clearstream, Luxembourg accountholders and DTC participants cannot be made on a delivery versus payment basis. The securities will be delivered on a free delivery basis and arrangements for payment must be made separately.

For a further description of restrictions on transfer of the Certificates, see “*Transfer Restrictions.*”

DTC

DTC is a limited purpose trust company organized under the laws of the State of New York, a “banking organization” under the laws of the State of New York, a member of the US Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to the provisions of Section 17A of the Exchange Act. DTC was created to hold securities for its participants and facilitate the clearance and settlement of securities transactions between participants through electronic computerized book-entry changes in accounts of its participants, thereby eliminating the need for physical movement of certificates. Direct participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. Indirect access to DTC is available to others, such as banks, securities brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC direct participant, either directly or indirectly.

DTC will take any action permitted to be taken by a holder of Certificates only at the direction of one or more DTC participants in whose accounts with DTC interests in the Global Certificates are credited and only in respect of such portion of the aggregate nominal amount of the relevant Global Certificate as to which such DTC participant or participants has or have given such direction. However, the custodian of the Global Certificates will surrender the relevant Global Certificate for exchange for individual definitive certificates in certain limited circumstances.

Although Euroclear, Clearstream, Luxembourg and DTC have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Certificates among participants and accountholders of Euroclear, Clearstream, Luxembourg and DTC they are under no obligation to perform or continue to perform such procedures, and such procedures may be discontinued at any time. None of the Issuer, the Delegate or any Agent will have any responsibility for the performance by Euroclear, Clearstream, Luxembourg or DTC or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

While the Global Certificates are lodged with DTC, Certificates represented by individual definitive certificates will not be eligible for clearing or settlement through Euroclear, Clearstream, Luxembourg or DTC.

Euroclear and Clearstream, Luxembourg

Each of Euroclear and Clearstream, Luxembourg holds securities for their account holders and facilitates the clearance and settlement of securities transactions by electronic book-entry transfer between their respective account holders, thereby eliminating the need for physical movements of certificates and any risks from lack of simultaneous transfers of securities. Euroclear and Clearstream, Luxembourg each provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg each also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream, Luxembourg have established an electronic bridge between their two systems which enables their respective account holders to settle trades with each other. Account holders in Euroclear and Clearstream, Luxembourg are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust

companies, clearing corporations and certain other organizations. Indirect access to both Euroclear and Clearstream, Luxembourg is available to other institutions that clear through or maintain a custodial relationship with an account holder of either system. An account holder's contractual relations with either Euroclear or

Clearstream, Luxembourg are governed by the respective rules and operating procedures of Euroclear or Clearstream, Luxembourg and any applicable laws. Both Euroclear and Clearstream, Luxembourg act under those rules and operating procedures only on behalf of their respective account holders and have no record of or relationship with persons holding through their respective holders.

Individual Definitive Certificates

Registration of title to Certificates in a name other than a custodian or its nominee for DTC or the common depository for Euroclear and Clearstream, Luxembourg will be permitted only in the circumstances set forth in "*Global Certificates — Exchange for Definitive Certificates*." In such circumstances, the Issuer and the Delegate will cause sufficient individual definitive certificates to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Certificateholder. A person having an interest in a Global Certificate must provide the Registrar with certain information as specified in the Agency Agreement.

Pre-issue trades settlement

It is expected that delivery of Certificates will be made against payment therefor on the Issue Date, which could be more than three business days following the date of pricing of the Certificates. Under Rule 15c6-1 under the Exchange Act, trades in the secondary market generally are required to settle within three business days (T+3), unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Certificates on the date of pricing or the next succeeding business day will be required, by virtue of the fact the Certificates initially will settle beyond T+3, to specify an alternative settlement cycle at the time of any such trade to prevent a failed settlement. Settlement procedures in other countries will vary. Purchasers of Certificates may be affected by such local settlement practices and purchasers of Certificates who wish to trade Certificates on the date of pricing or the next succeeding business day should consult their own advisor.

GENERAL INFORMATION

Authorization

The entry by the Republic into the transactions contemplated by the Transaction Documents was authorized by (1) Law No. 19 of 2008 on Sovereign Sukuk (*Surat Berharga Syariah Negara*), (2) Law No. 20 of 2019 on State Budget of 2020 passed on 18 October 2019 and (3) the approval on the use of underlying assets for the issuance of sovereign sukuk from the Minister of Finance on the list of projects of ministries or agencies (“**List of Projects**”) as underlying assets for the issuance of sovereign sukuk in 2020 on 8 January 2020. The use of underlying assets for the issuance of sovereign sukuk (save for the List of Projects) was provided to the parliament on 23 September 2019. The Issuer was created under Government Regulation No. 57 of 2011 on the Establishment of *Perusahaan Penerbit Surat Berharga Syariah Negara Indonesia III* in conjunction with the Government Regulation No. 56 of 2008 on *Perusahaan Penerbit Surat Berharga Syariah Negara* as amended by Government Regulation No. 73 of 2012 on the amendment of Government Regulation No. 56 of 2008 on *Perusahaan Penerbit Surat Berharga Syariah Negara* for the purpose of issuing the Certificates and entering into the Transaction Documents.

Listing

Application has been made to the SGX-ST for permission to deal in and quotation of any Certificates that may be issued pursuant to the Program and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. There is no assurance that the application to the Official List of the SGX-ST for the listing of a particular Series will be approved. However, Certificates may be issued under the Program that will not be listed on the SGX-ST or any other stock exchange, and the Pricing Supplement applicable to each Series or Tranche of Certificates will specify whether or not the Certificates will be listed on the SGX-ST or any other stock exchange.

For so long as the Certificates are listed on the SGX-ST and the rules of the SGX-ST so require, the Issuer shall appoint and maintain a Paying Agent in Singapore, where such Certificates may be presented or surrendered for payment or redemption, in the event that any of the Global Certificates representing such Certificates is exchanged for definitive Certificates. In addition, in the event that any of the Global Certificates is exchanged for definitive Certificates, for so long as such Certificates are listed on the SGX-ST, an announcement of such exchange will be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Certificates, including details of the Paying Agent in Singapore.

It is expected that each Series of Certificates which is to be admitted to the DFSA Official List and to trading on Nasdaq Dubai will be admitted separately as and when issued, subject only to the issue of a Global Certificate initially representing the Certificates of such Series. Application has been made for the Certificates to be admitted to the DFSA Official List and to be admitted to trading on Nasdaq Dubai. However, unlisted Certificates may also be issued pursuant to the Program.

Documents Available

For so long as any Certificates remain outstanding, copies (and English translations where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays, Sundays and public holidays excepted), for inspection at the offices of the Issuer and, subject to applicable laws and regulations following prior written request and proof of holding between 9.30am and 3.00pm, Monday to Friday (public holidays excepted), for inspection at the specified office of the Principal Paying Agent in New York:

- (a) the Transaction Documents;
- (b) Law No. 19 of 2008 on Sovereign Sukuk (*Surat Berharga Syariah Negara*); Government Regulation No. 56 of 2008 on *Perusahaan Penerbit Surat Berharga Syariah Negara* as amended by Government Regulation No. 73 of 2012 on the amendment of Government Regulation No. 56 of 2008 on *Perusahaan Penerbit Surat Berharga Syariah Negara* and Government Regulation No. 57 of 2011 on the Establishment of *Perusahaan Penerbit Surat Berharga Syariah Negara Indonesia III*;
- (c) this Offering Memorandum; and
- (d) any future offering circulars, offering memoranda, prospectuses, information memoranda and supplements, including the Pricing Supplement (except that the Pricing Supplement relating to unlisted

Certificates will only be available for inspection by a Holder of such Certificate and such Holder must produce evidence satisfactory to the Delegate as to the identity of such Holder) to this Offering Memorandum and any other documents incorporated herein or therein by reference.

Sharia Advisors

The transaction structure relating to Certificates to be issued under the Program (as described in this Offering Memorandum) has been approved by the Shari'a Supervisory Committee of BNP Paribas, the Fatwa and Sharia Supervisory Board of Dubai Islamic Bank PJSC, the Internal Shariah Supervision Committee of HSBC Bank Middle East Limited, the Sharia Committee of Maybank Islamic Berhad and Global Shariah Supervisory Committee of Standard Chartered Bank. Prospective Certificateholders should not rely on the approval referred to above in deciding whether to make an investment in Certificates and should consult their own Sharia advisors as to whether the proposed transaction described in the approval referred to above is in compliance with Sharia principles.

Clearing Systems

The appropriate common code and ISIN for each Tranche of Certificates allocated by DTC or Euroclear and Clearstream, Luxembourg will be specified in the applicable Pricing Supplement. In addition, the CUSIP for each Tranche of Certificates allocated by DTC will also be specified in the applicable Pricing Supplement. If the Certificates are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

Significant or Material Change

There has been no significant change in the financial or trading position of the Issuer and no material adverse change in the financial position or prospects of the Issuer, in each case, since the date of its incorporation. Except as disclosed in this Offering Memorandum, there has been no material adverse change in the information set out in this Offering Memorandum under "*Republic of Indonesia*" since the date of this Offering Memorandum. There have been no recent events relevant to the evaluation of the Republic's solvency.

Litigation

Neither the Issuer nor the Republic is currently, nor have either of them in the 12 months preceding the date of this Offering Memorandum been, involved in any governmental, legal or arbitration proceedings (including any such proceedings that are pending or, except as may be disclosed in this Offering Memorandum, threatened of which either the Issuer or the Republic is aware) that may have, or that in the 12 months preceding the date of this Offering Memorandum have had, a significant effect on the financial position or profitability of the Issuer or the financial position of the Republic.

Financial Statements

The fiscal years of the Issuer end on 31 December of each year.

The Issuer prepares unaudited financial statements in respect of the end of, and the first six months of, each fiscal year. The Issuer is not required by Indonesian law to prepare or publish audited financial statements and does not intend to do so. If the Issuer publishes its accounts, it will ensure that copies are made available free of charge at the specified office of the Principal Paying Agent in New York.

The Issuer has no subsidiaries.

APPENDIX

THE GREEN BOND AND GREEN SUKUK FRAMEWORK

From time to time, the Issuer may issue Certificates the proceeds of which will be used by the Republic exclusively to finance or refinance expenditure directly related to Eligible Green projects (as defined below). The following Green Bond and Green Sukuk Framework applies to such issuances.

THE REPUBLIC OF INDONESIA GREEN BOND AND GREEN SUKUK FRAMEWORK

I. INTRODUCTION

BACKGROUND

Indonesia is strongly committed to combating climate change and is also one of the nations most susceptible to climate-induced disasters. As such, Indonesia has made a number of commitments to step up its climate change adaptation and mitigation priorities.

As part of a responsible and committed global community, Indonesia has ratified the Paris Agreement in 2016 and submitted its Nationally Determined Contributions (“NDCs”). It sets out Indonesia’s commitment to a low carbon and climate resilient future. For 2020 and beyond, Indonesia aims to reach archipelagic climate resilience from comprehensive adaptation and mitigation programs, and disaster risk reduction strategies.

Indonesia has a pivotal role in combating climate change. Its extensive tropical landscape and seascape with high biodiversity, high carbon stock values and energy and mineral resources are all contributing factors for the nation to be at the forefront of climate action and environmental protection. Furthermore, Indonesia’s position close to the global ocean conveyor system make it particularly vulnerable to natural disasters that will likely to be exacerbated by climate change.

Under current administration, Indonesia has set out priority actions within the national’s strategic development goals, known as the *Nawacita* (or Nine Agenda Priorities). This includes protecting Indonesian people, encouraging rural and regional development, improving the quality of life, and improving productivity and international competitiveness. Shifting to a low carbon and climate resilient development path is an integral part of these missions, and is integrated in development policies, strategies and programs of the National Medium-Term Development Plan (“RPJMN”) 2015-2019.

Many of the projects being undertaken by the Indonesian Government to address climate change mitigation and adaption will also deliver important social benefits. The implementation of these missions involves all stakeholders.

1. MITIGATION

To implement its commitment to reduce greenhouse gas (“GHG”) emissions, Indonesia has promulgated relevant legal and policy instruments, including the Presidential Regulation (“PERPRES”) No. 61/2011, National Action Plan to Reduce Greenhouse Gas Emissions (“RAN-GRK”)¹ and the Presidential Regulation (“PERPRES”) No. 71/2011, the Implementation of a National GHG Inventory. In 2015, Indonesia has revised its commitment through Nationally Determined Contribution (“NDC”) to an unconditional emission reduction target of 29% (from previously 26%), and conditional reduction target up to 41% of the business as usual scenario by 2030 (from previously by 2020). The mitigation regulations are focusing on the sectors of Energy, Waste, Industrial Processes and Product Use (“IPPU”), Agriculture, and Forestry.

2. ADAPTATION

Climate change presents significant risks for Indonesia’s natural resources that will, in turn, impact the production and distribution of food, water, and energy. Therefore, Indonesia considers climate mitigation and adaptation efforts as an integrated concept that is essential for building resilience in safeguarding food, water and energy resources. Indonesia has adopted the National Action Plan on Climate Change Adaptation (“RAN-API”) which provides a national framework for adaptation initiatives that has been mainstreamed into the National

¹ http://www.sekretariat-rangrk.org/images/documents/PERPRES%20_61_2011_English.pdf

Development Plan. The medium-term goal of Indonesia's climate change adaptation strategy is to reduce risks on all development sectors (agriculture, water, energy security, forestry, maritime and fisheries, health, public service, infrastructure, and urban system) by 2030 through local capacity strengthening, improved knowledge management, convergent policy on climate change adaptation and disaster risks reduction, and application of adaptive technology.

3. BIODIVERSITY

Indonesia is an archipelago made up of approximately 17,000 islands throughout which there are unique ecosystems containing a large number of diverse species. The country also contains the world's third largest area of rainforest. Yet, Indonesia is facing challenges in maintaining its status as one of the megadiverse countries in the world due to threats such as deforestation. As the preservation of biodiversity is closely associated with national prosperity and development, the Indonesian Biodiversity Strategy and Action Plan ("IBSAP") 2015-2020 was launched to provide an outline for how biodiversity could be utilized sustainably to improve the economic and development opportunities. Indonesia's strong commitment on the environment and climate change issues, as well as biodiversity, could be achieved through comprehensive and coherent policy development, institutional strengthening, technology innovation, social-cultural approaches, and improved financial and funding mechanisms.

II. APPLICATION OF ICMA GREEN BOND PRINCIPLES²

The Republic of Indonesia ("ROI") has developed a Green Bond and Green Sukuk Framework (the "Framework") under which it plans to finance and or re-finance Eligible Green Projects via the issuance of Green Bonds and Green Sukuk.

1. Use of Proceeds

With reference to the Green Bond Principles, the proceeds of each Green Bond or Green Sukuk will be used exclusively to finance or re-finance expenditure directly related to "Eligible Green Projects".

"Eligible Green Projects" refer to projects which promote the transition to low-emission economy and climate resilient growth, including climate mitigation, adaptation, and biodiversity in accordance with the criteria and process set out in this Framework.

Eligible Green Projects must fall into at least one of the following sectors:

Eligible Sectors	Further Detail of Eligible Green Projects
Renewable Energy	<ul style="list-style-type: none"> Generation and transmission of energy from renewable energy sources: include offshore and onshore wind, solar, tidal, hydropower, biomass and geothermal Research and development of products or technology ("R&D") for renewable energy generation, include turbines and solar panels
Energy Efficiency	<ul style="list-style-type: none"> Improvement of the energy efficiency of infrastructure, which results in an energy consumption of at least 10% below the average national energy consumption of an equivalent infrastructure Research and development of products or technology ("R&D") and their implementation that reduces energy consumption of underlying asset, technology, product or system(s); including LED lights, improved chillers, improved lighting technology, and reduced power usage in manufacturing operations
Resilience to Climate Change for Highly Vulnerable Areas and Sectors/ Disaster Risk Reduction	<ul style="list-style-type: none"> Research leading to technology innovation with sustainability benefits Food security Flood mitigation Drought management Public health management

² <https://www.icmagroup.org/assets/documents/Regulatory/Green-Bonds/GreenBondsBrochure-JUNE2017.pdf>

Eligible Sectors	Further Detail of Eligible Green Projects
Sustainable Transport	<ul style="list-style-type: none"> • Developing clean transportation systems • Transportation network upgrade to higher climate resilient design standards
Waste to Energy and Waste Management	<ul style="list-style-type: none"> • Improving waste management • Transforming waste to renewable energy source • Rehabilitation of landfill areas
Sustainable Management of Natural Resources	<ul style="list-style-type: none"> • Sustainable management of natural resources which substantially avoids or reduces carbon loss / increases carbon sequestration (through planting of new forest areas and/or replanting of degraded areas, the use of drought / flood / temperature resistant species). • Habitat and biodiversity conservation (through sustainable management of land use change, sustainable management of agriculture/fisheries/forestry, protection of coastal and marine environments, pest management)
Green Tourism	<ul style="list-style-type: none"> • Developing new tourism areas in line with Green Tourism Principles • Optimization of supporting infrastructure to support sustainable tourism (i.e. water treatment, energy efficiency) • Developing tourism resiliency against climate change risk
Green Buildings	<ul style="list-style-type: none"> • Developing green buildings in line with Greenship developed by Green Building Council Indonesia (“GBC Indonesia”), which contains six categories: <ul style="list-style-type: none"> • Appropriate Site Development • Energy Efficiency and Conservation • Water conservation • Material & resources cycle • Air quality & leisure air (water indoor health & comfort) • Building & environment management
Sustainable Agriculture	<ul style="list-style-type: none"> • Developing sustainable agriculture management and methods, such as organic farming, less pesticides, Research and Development on climate resilient seeds, and energy efficient on agriculture • Subsidy mechanism for agriculture insurance

For the avoidance of doubt, in any case, the Eligible Green Projects shall exclude the below:

- New fossil fuel based electric power generation capacity and expenditure related to the improvement in the efficiency of fossil fuel based electric power generation.
- Large scale hydropower plants (>30 MW capacity).
- Nuclear and nuclear — related assets.

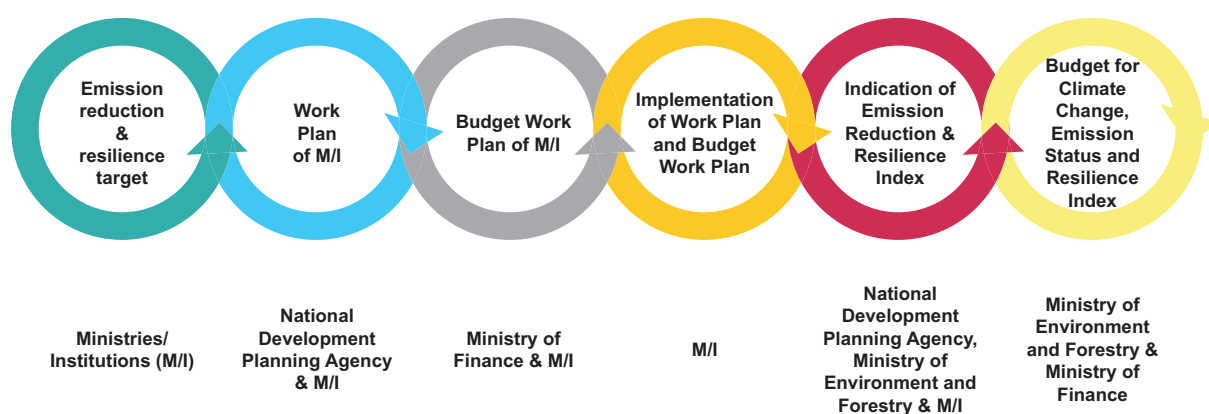
2. Process for Project Evaluation and Selection

The Republic of Indonesia, represented by the National Development Planning Agency and the Ministry of Finance will review and approve projects / budget allocation / subsidies to be included in the State Budget.

In 2015 the Republic of Indonesia introduced a system for “tagging” of ministry budgets (Budget Tagging Process) to identify expenditures on projects that deliver specified climate change benefits in accordance with the Republic of Indonesia’s climate objectives. The Budget Tagging Process was developed with the support of the UN Development Programme and involves a detailed assessment of the climate benefits of projects undertaken by Line Ministries. At the initial stage, the Budget Tagging Process covers climate change mitigation, involving 6 Line Ministries, i.e. (i) Ministry of Agriculture; (ii) Ministry of Energy and Mineral Resources; (iii) Ministry of Transportation; (iv) Ministry of Industry; (v) Ministry of Environment and Forestry; and (vi) Ministry of Public

Works and Housing (and may be adopted by other Ministries in due course) based on key performance indicators of project output. In 2018, the Budget Tagging Process is expanded to cover climate change mitigation and adaptation, involving 17 Line Ministries, i.e. (i) Ministry of Agriculture; (ii) Ministry of Environment and Forestry; (iii) Ministry of Maritime Affairs and Fisheries; (iv) Ministry of Energy and Mineral Resources; (v) Ministry of Transportation; (vi) Ministry of Public Works and Housing; (vii) Ministry of Health; (viii) Ministry of Home Affairs; (ix) Ministry of Agrarian Affairs and Spatial Planning/National Land Agency; Ministry of Law and Human Rights; (xi) Indonesian Institute of Sciences; (xii) National Institute of Aeronautics and Space; (xiii) Geospatial Information Board; (xiv) Assessment and Application of Technology Agency; (xv) Indonesian Agency for Meteorology, Climatology and Geophysics; (xvi) Indonesian Central Board of Statistics; and (xvii) National Development Planning Agency (“BAPPENAS”) (and may be adopted by other Ministries in due course). Currently Indonesia is in the process to expand the Budget Tagging Process to biodiversity under Biodiversity Financing Program.

The Budget Tagging Process is an integrated process involving the individual ministries responsible for the individual projects as well the Ministry of Finance. The process is summarized in the following graphic.



The environmental benefits of each project are accessed by the individual ministries together with the Climate Change Secretariat of BAPPENAS and validated by the Ministry of Environment and Forestry to be consistent with Indonesia’s NDC and endorsed by the Ministry of Finance as “tagged” for budget allocation.

The Ministry of Finance will select “tagged” projects that:

- fall into one or more of the Eligible Sectors under this Framework; and
- have a project development timeline consistent with the tenor of the applicable Green Bond or Green Sukuk,

to be Eligible Green Projects and funded by the use of proceeds of Green Bonds or Green Sukuk issued under this Framework.

The Ministry of Finance will maintain notes and records of all Eligible Green Projects reviewed and to be funded by the Use of Proceeds of each Green Bond and Green Sukuk issued.

3. Management of Proceeds

The proceeds of each Green Bond or Green Sukuk will be managed within the Government’s general account in accordance with sound and prudent treasury management policy. Upon request from the Line Ministries, the Green Bond and Green Sukuk proceeds will be credited to a designated account of the relevant ministries for funding exclusively projects as defined in the Framework. Pending application to Eligible Green Project proceeds will be held in cash in the Government’s general account at Bank Indonesia.

The proceeds of each Green Bond or Green Sukuk can be used both for the financing and/or refinancing of eligible green projects. If part of the proceeds is to be used for refinancing, ROI shall disclose the ratio of the proceeds which is used for financing and refinancing to the total proceeds.

The Ministry of Finance shall manage the processes for allocation of the proceeds of each Green Bond and Green Sukuk issuance, and make sure that the proceeds are used in accordance with this Framework.

The respective ministries utilizing the proceeds shall track and monitor, and report to the Ministry of Finance, the environmental benefits of the Eligible Green Projects in their portfolio which are funded by Green Bonds or Green Sukuk proceeds.

A Green Bond and Green Sukuk allocation register (the “**Register**”) will be established to record the allocation of each Green Bond or Green Sukuk proceeds. The Register will contain, for each Green Bond and Green Sukuk issued, information including:

- a) Details of Each Green Bond or Green Sukuk: ISIN, pricing date, maturity date, etc.
- b) List of Eligible Green Projects, with information including:
 - Summary of projects details;
 - Amount of proceeds allocated to each eligible projects;
 - Expected climate and/or environmental impacts of eligible projects;
 - Aggregate amount of proceeds of Green Bonds and Green Sukuk allocated to eligible projects;
 - Remaining balance of unallocated proceeds;
 - Other necessary information.

In case of asset divestment, the Republic of Indonesia will mark the proceeds as “unallocated” until the proceeds are used to finance or refinance other Eligible Green Projects.

4. Reporting

The Republic of Indonesia, represented by the Ministry of Finance will prepare and publish a Green Bond and Green Sukuk report (the “**Report**”) annually and initially on the date falling no more than one year after the inaugural Green Bond or Green Sukuk issuance. The Report will contain at least:

- a) A list and brief description of the projects to which Green Bond and Green Sukuk proceeds have been allocated.
- b) The amount of Green Bonds and Green Sukuk proceeds allocated to such projects.
- c) An estimation of the beneficial impact arising from the implementation of Eligible Green Projects. Reporting is expected to include measures of the reduction in greenhouse gas emissions, reduction in resource consumption, the number of parties that benefit from projects funded and other appropriate measures taking into account the nature of the project.

The Report will be published on the Ministry of Finance website (www.djppr.kemenkeu.go.id).

III. ASSURANCE

The Republic of Indonesia will engage an independent third party to provide assurance on its annual Green Bond and Green Sukuk report and the compliance of each Green Bond and Green Sukuk issued with this Green Bond and Green Sukuk Framework.

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