

IMPORTANT NOTICE

THIS OFFERING IS AVAILABLE ONLY TO INVESTORS WHO ARE EITHER (1) QIBS UNDER RULE 144A OR (2) ADDRESSEES OUTSIDE OF THE U.S.

IMPORTANT: You must read the following before continuing. The following applies to the offering circular (the **Offering Circular**) following this page, and you are therefore advised to read this carefully before reading, accessing or making any other use of the Offering Circular. In accessing the Offering Circular, 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 U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION, AND ANY BEARER SECURITIES ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE OR LOCAL SECURITIES LAWS. IN THE CASE OF BEARER NOTES, THE SECURITIES MAY NOT BE DELIVERED, OFFERED OR SOLD TO, OR FOR THE ACCOUNT OR BENEFIT OF, U.S. PERSONS (AS DEFINED IN THE U.S. INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE **INTERNAL REVENUE CODE**)).

THE FOLLOWING OFFERING CIRCULAR 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 OFFERING CIRCULAR 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 FINAL TERMS AND CONDITIONS OF THE SECURITIES AND THE INFORMATION CONTAINED IN THIS OFFERING CIRCULAR. IF YOU HAVE GAINED ACCESS TO THIS TRANSMISSION CONTRARY TO ANY OF 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 this Offering Circular or make an investment decision with respect to the securities, investors must be either (1) qualified institutional buyers (**QIBs**) (within the meaning of Rule 144A under the Securities Act) or (2) outside the United States and (in the case of bearer notes) non-U.S. persons (within the meaning of the Internal Revenue Code). This Offering Circular is being sent at your request and by accepting the e-mail and accessing this Offering Circular, you shall be deemed to have represented to us that (1) you and any customers you represent are either (a) QIBs or (b) outside the U.S. and that the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the U.S. and (in the case of bearer notes) not a U.S. person (2) that you consent to delivery of such Offering Circular by electronic transmission.

You are reminded that this Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular 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 Circular to us immediately. You may not, nor are you authorized to, deliver or disclose the contents of this Offering Circular 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.

This Offering Circular 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 the Republic of Indonesia, the Arrangers described in the Offering Circular, the Dealers (as defined in the Offering Circular), nor any person who controls any of them nor any director, officer, official, 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 Circular distributed to you in electronic format and the hard copy version available to you on request from the Arrangers.

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.



U.S.\$50,000,000,000
Republic of Indonesia

Global Medium Term Note Program

Under this U.S.\$50,000,000,000 Global Medium Term Note Program (the **Program**), the Republic of Indonesia (the **Republic** or **Indonesia**), subject to compliance with all relevant laws, regulations and directives, may, from time to time, issue notes in bearer or registered form (the **Notes**).

The maximum aggregate principal amount of all Notes from time to time outstanding under the Program will not exceed U.S.\$50,000,000,000 (or its equivalent in other currencies determined at the time of the agreement to issue), subject to any duly authorized increase. The Notes may be denominated in U.S. dollars, Euros and such other currencies as may be agreed between the Republic and the relevant Dealers (as defined below).

The Notes may be issued on a continuing basis to the Dealers and any additional Dealer(s) appointed under the Program from time to time pursuant to the terms of a Program Agreement dated January 28, 2009 (as the same may be amended from time to time, the **Program Agreement**), which appointment may be for a specific issue or on an ongoing basis (each, a **Dealer** and, together, the **Dealers**). References in this Offering Circular to the **relevant Dealer**, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, shall be to all Dealers agreeing to subscribe for such Notes.

Notes will be issued in Series (each, a **Series**), with all Notes in a Series having the same maturity date and terms otherwise identical (except in relation to issue dates, interest commencement dates, issue prices and related matters). Notes in each Series may be issued in one or more tranches (each, a **Tranche**) on different issue dates. Details applicable to each particular Series or Tranche will be supplied in a pricing supplement to this Offering Circular (each, a **Pricing Supplement**), which will contain the aggregate principal amount of the Notes, interest (if any) payable in respect of the Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche. This Offering Circular may not be used to consummate sales of Notes unless accompanied by a Pricing Supplement.

The price and amount of Notes to be issued under the Program will be determined by the Republic and the relevant Dealer at the time of issue in accordance with prevailing market conditions.

Application has been made to the Singapore Exchange Securities Trading Limited (the **SGX-ST**) for permission to deal in and quotation of any Notes 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. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made or opinions expressed or reports contained herein. The admission of any Notes to the Official List of the SGX-ST and quotation of any Notes on the SGX-ST are not to be taken as an indication of the merits of the Republic, the Program or the Notes. Unlisted Notes may be issued under the Program. The relevant Pricing Supplement in respect of any Series will specify whether or not such Notes will be listed and, if so, on which exchange(s) the Notes are to be listed. There is no assurance that the application to the SGX-ST for the listing of the Notes of any Series will be approved.

Notes of each Series to be issued in bearer form (**Bearer Notes**) will initially be represented by interests in a temporary global Note or by a permanent global Note, in either case in bearer form (each a **Temporary Global Note** and a **Permanent Global Note**, respectively), without interest coupons, which may be deposited on the relevant date of issue (the **Issue Date**) with a common depository on behalf of Clearstream Banking, S.A. (**Clearstream**) and Euroclear Bank S.A./N.V. (**Euroclear**) (the **Common Depository**) or any other agreed clearance system compatible with Euroclear and Clearstream and will be sold in an **offshore transaction** within the meaning of Regulation S (**Regulation S**) under the United States Securities Act of 1933, as amended (the **Securities Act**). The provisions governing the exchange of interests in Temporary Global Notes and Permanent Global Notes (each, a **Bearer Global Note**) for other Bearer Global Notes and individual definitive Bearer Notes (**Definitive Bearer Notes**) are described in "Forms of the Notes." Definitive Bearer Notes will only be available in the limited circumstances as described herein.

Notes of each Series to be issued in registered form (**Registered Notes**) sold in an offshore transaction will initially be represented by interests in a global unrestricted Note, without interest coupons (each an **Unrestricted Global Security**), which may be deposited on the relevant issue date (i) with the Common Depository, (ii) with a custodian for, and registered in the name of a nominee of, The Depository Trust Company (**DTC**) or (iii) as otherwise specified in the applicable Pricing Supplement. Beneficial interests in an Unrestricted Global Security will be shown on, and transfers thereof will be effected only through, records maintained by, Euroclear or Clearstream, DTC or as otherwise specified in the applicable Pricing Supplement. Notes of each Series sold to a qualified institutional buyer (**QIB**) within the meaning of Rule 144A under the Securities Act (**Rule 144A**), as referred to in "Subscription and Sale," and subject to the transfer restrictions described in "Notice to Purchasers and Holders of Notes and Transfer Restrictions," will initially be represented by interests in a global restricted Note, without interest coupons (each a **Restricted Global Security** and together with any Unrestricted Global Security, the **Registered Global Securities**), which may be deposited on the relevant issue date (i) with the Common Depository, (ii) with a custodian for, and registered in the name of a nominee of DTC or (iii) as otherwise specified in the applicable Pricing Supplement. Beneficial interests in a Restricted Global Security will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear or Clearstream, DTC and its participants or as otherwise specified in the applicable Pricing Supplement. See "Global Clearance and Settlement Systems."

Notes in definitive registered form will be represented by registered certificates (each, a **Certificated Security**), one Certificated Security being issued in respect of each Holder's entire holding of Notes of one Series and will only be available in the limited circumstances as described herein.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction and the Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, Bearer Notes may not be offered, sold or delivered within the United States to, or for the account or benefit of, U.S. persons (as defined in the U.S. Internal Revenue Code of 1986, as amended (the **Internal Revenue Code**)). Prospective purchasers are hereby notified that sellers of Notes may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. See "Notice to Purchasers and Holders of Notes and Transfer Restrictions."

Arrangers

BofA MERRILL LYNCH

CITIGROUP

HSBC

**STANDARD CHARTERED
BANK**

Dealers

**ANZ
CITIGROUP**

**BARCLAYS
DEUTSCHE BANK**

**BofA MERRILL LYNCH
GOLDMAN SACHS**

**BNP PARIBAS
HSBC**

**SOCIÉTÉ GÉNÉRALE
CORPORATE & INVESTMENT
BANKING**

STANDARD CHARTERED BANK

UBS

Republic of Indonesia

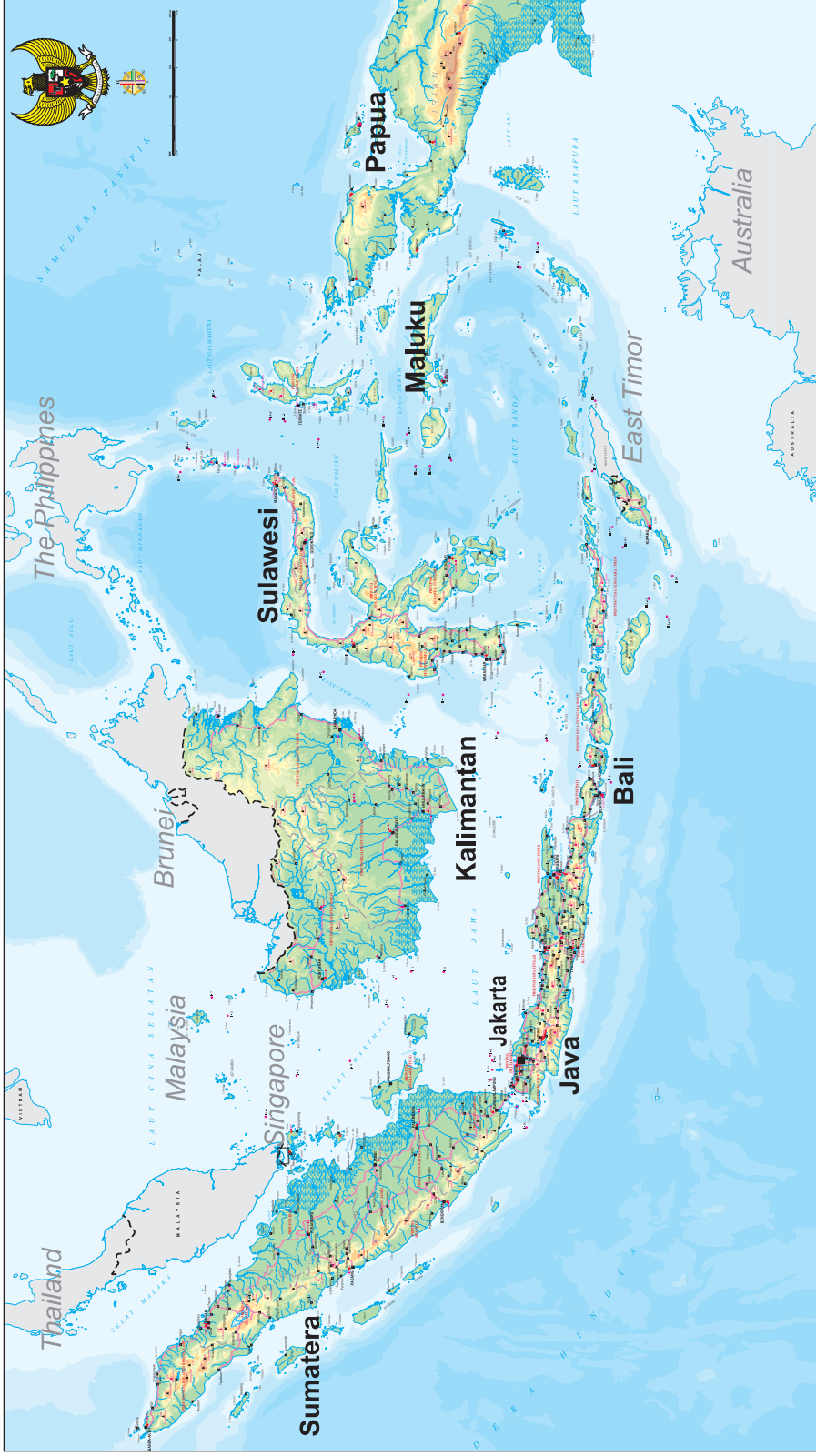


TABLE OF CONTENTS

	<u>Page</u>
Presentation of Information	1
Forward-Looking Statements	1
Data Dissemination	2
Enforcement	2
Certain Defined Terms and Conventions	3
Summary	5
Republic of Indonesia	11
Overview	11
Recent Developments	11
Land and People	13
Government and Political Developments	14
Foreign Relations and International and Regional Organizations	16
Economy and Gross Domestic Product	18
Privatization of State-Owned-Enterprises	26
Labor and Employment	28
Infrastructure Development	29
Foreign Investment	31
Foreign Trade and Balance of Payments	37
Financial System	46
Monetary Policy	54
Government Budget	56
Public Debt	66
Foreign Exchange and Reserves	71
Description of the Notes	76
Use of Proceeds	102
Forms of the Notes	103
Form of Pricing Supplement	105
Global Clearance and Settlement Systems	112
Notice to Purchasers and Holders of Notes and Transfer Restrictions	117
Taxation	121
Subscription and Sale	134
General Information	139

The Notes have not been and will not be registered under the Securities Act, or any state securities laws, or under the securities laws of any other jurisdiction. The Notes may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, Bearer Notes may not be offered or sold or delivered within the United States or to, or for the account or benefit of, U.S. persons (as defined in the Internal Revenue Code). See “*Subscription and Sale.*” This Offering Circular has been prepared by the Republic for use in connection with the offer and sale of Notes outside the United States in reliance upon Regulation S and with respect to the Notes in registered form only, 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 within the meaning of Rule 501 under the Securities Act (**Institutional Accredited Investors**) pursuant to Section 4(a)(2) of the Securities Act, or (iii) in transactions otherwise exempt from registration. Prospective purchasers are hereby notified that sellers of Notes 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 Notes, see “*Notice to Purchasers and Holders of Notes and Transfer Restrictions*” and “*Subscription and Sale.*”

Purchasers of 4(a)(2) Notes will be required to execute and deliver an investor representation letter. Each purchaser or holder of 4(a)(2) Notes, Notes represented by a Restricted Global Security or any Notes issued in registered form in exchange or substitution therefor will be deemed, by their acceptance or purchase of any such Notes, to have made certain representations and agreements intended to restrict the resale or other transfer of such Notes as set out in “*Subscription and Sale — Selling Restrictions.*” Unless otherwise stated, terms used in this paragraph have the meanings given to them in “*Forms of the Notes.*”

Copies of each Pricing Supplement will be available from the office of the Ministry of Finance and from the specified office of the Paying Agent in Singapore.

The Republic has agreed to comply with any undertakings given by it from time to time to the SGX-ST in connection with Notes 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 Notes on the SGX-ST or any other relevant stock exchange, so long as any Note remains outstanding, prepare a supplement to this Offering Circular, or, as the case may be, publish in a new Offering Circular, whenever required by the rules of the SGX-ST or any other relevant stock exchange and in any event (i) if the maximum aggregate principal amount of Notes that may be issued under the Program is increased, (ii) upon the Republic becoming aware that (A) there has been a significant change (including any change to the Description of the Notes in a Series to be listed on the SGX-ST) affecting any matter contained in this Offering Circular 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 Circular if it had arisen before this Offering Circular was issued or (iii) if the terms of the Program are modified or amended in a manner which would make this Offering Circular, as supplemented, materially inaccurate or misleading. In the event that a supplement to this Offering Circular is produced pursuant to such undertakings, a copy of such supplement will accompany this Offering Circular. Any such supplement to this Offering Circular will also be available from the specified office of the Paying Agent in Singapore. See “*General Information — Documents on Display.*”

The Dealers have not 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 Dealers as to the accuracy or completeness of the information contained in or incorporated by reference to this Offering Circular or any other information provided by the Republic or any other person in connection with the Program or the Notes or their distribution. No Dealer accepts any liability in relation to the information contained or incorporated by reference to this Offering Circular or any other information provided by the Republic in connection with the Program. The statements made in this paragraph are made without prejudice to the responsibility of the Republic under the Program.

No person is or has been authorized to give any information or to make any representation not contained in or not consistent with this Offering Circular, the Program Agreement or any other information supplied in connection with the Program or the Notes and, if given or made, such information or representation must not be relied upon as having been authorized by the Republic or any of the Dealers.

Neither this Offering Circular nor any other information supplied in connection with the Program or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or constituting an offer by the Republic or any of the Dealers that any recipient of this Offering Circular or any other information supplied in connection with the Program or any Notes should purchase any Notes in any jurisdiction where it is unlawful for such person to make such a recommendation or offer. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs and its own appraisal of the creditworthiness of the Republic. Neither this Offering Circular

nor any other information supplied in connection with the Program or any Notes constitutes an offer or invitation by or on behalf of the Republic or any of the Dealers to any person to whom it is unlawful to make such offer to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall in any circumstance imply that the information contained herein concerning the Republic is correct at any time subsequent to the date hereof or the date as of which it is expressed to be given or that any other information supplied in connection with the Program is correct as of any time subsequent to the date indicated in the document containing the same. The Dealers expressly do not undertake to review the financial condition or affairs of the Republic during the life of the Program.

The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. Neither the Republic nor any of the Dealers represents that this Offering Circular may be lawfully distributed, or that any Notes 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 assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Republic or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular 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 and the Dealers have represented that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about and observe any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States, the European Economic Area, the United Kingdom, Singapore, Hong Kong, Canada and Japan. For a description of these and certain further restrictions on offers and sales of the Notes and distribution of this Offering Circular, see “*Subscription and Sale*” and “*Notice to Purchasers and Holders of Notes and Transfer Restrictions*” below.

The Notes have not been registered with, recommended by or approved or disapproved by the United States Securities and Exchange Commission (the SEC) or any other federal or state securities commission in the United States nor has the SEC or any other federal or state securities commission confirmed the accuracy or determined the adequacy of this Offering Circular. Any representation to the contrary is a criminal offense in the United States. The Notes are subject to restrictions on transferability and resale and may not be transferred or resold except as permitted under applicable federal or state securities laws pursuant to a registration statement or an exemption from registration. See “*Subscription and Sale*” and “*Notice to Purchasers and Holders of Notes and Transfer Restrictions*” below. Investors should be aware that they may be required to bear the financial risks of this investment for an indefinite period of time.

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

RESPONSIBILITY STATEMENT

The Republic accepts responsibility for the information contained in this Offering Circular. Having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is, to the best of the knowledge and belief of the Republic, in accordance with the facts and contains no omission likely to affect the import of such information.

IN CONNECTION WITH THE ISSUE OF NOTES IN ANY SERIES OR TRANCHE UNDER THE PROGRAM, 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 NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE NOTES 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 DATE ON WHICH ADEQUATE

PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE 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 RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. 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.

PRESENTATION OF INFORMATION

Unless otherwise indicated, all references in this Offering Circular 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 “Euro” or “€ ” are to the currency of the European Union, 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 references 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, as of the respective dates to which such information relates. 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 Rp13,563 = U.S.\$1 on November 30, 2016. 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 certain other currencies as of the end of the periods indicated.

Exchange Rates

	Rupiah per U.S. dollar	Rupiah per 100 Japanese yen	Rupiah per Euro	Rupiah per Singapore dollar
2011	9,068	11,680	11,739	6,974
2012	9,670	11,197	12,810	7,907
2013	12,189	11,617	16,821	9,628
2014	12,385	10,364	15,063	9,376
2015	13,785	11,459	15,062	9,765
2016 ^A	13,553	12,002	14,442	9,512

Source: Bank Indonesia

^A As of November 30, 2016.

Unless otherwise indicated, all statistical data and figures for 2015 and 2016 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 Circular 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 Circular 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

Some of the statements contained in this Offering Circular constitute forward-looking statements. Statements that are not historical facts are forward-looking statements. Forward-looking statements generally can be identified by the use of forward-looking terminology such as “may”, “will”, “expect”, “intend”, “estimate”, “anticipate”, “believe”, “target”, “continue” or similar terminology. Among other things, Indonesia’s economy, fiscal condition, debt or prospects may constitute forward-looking statements. These statements are based on the

Government's current plans, objectives, assumptions, estimates and projections. Forward-looking statements speak only as of the date that they are made and involve inherent risks and uncertainties. Each of the Republic and the Dealers expressly disclaims any obligation or undertaking to release, publicly or otherwise, any updates or revisions to any forward-looking statements contained herein to reflect any change in the Republic's expectations with regard thereto or any change in events, conditions, assumptions or circumstances on which any such statement was based. The Republic cautions that a number of important factors could cause actual results to differ materially from those contained in any forward-looking statement. Therefore, undue reliance should not be placed on them.

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>.

ENFORCEMENT

The Republic is a sovereign nation. Consequently, it may be difficult for holders of Notes to obtain or enforce judgments against the Republic. The Republic has irrevocably waived, to the fullest extent permitted by law, any immunity, including foreign sovereign immunity, from jurisdictions in which it might otherwise be entitled, in any action arising out of or in relation to the Notes, which may be instituted by the Trustee (as defined herein) or a holder of any Notes in any federal court in the Southern District of New York, any state court in the Borough of Manhattan, the City of New York, or in any competent court in Indonesia.

The Republic's waiver of immunity is a limited and specific waiver for the purposes of the Notes and the Indenture (as defined herein) 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 Notes or the Indenture. Furthermore, the Republic specifically does not waive any immunity in respect of:

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

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 (the **Immunities Act**) 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 the City of New York as its authorized agent upon whom process may be served in any action arising out of or based on the Notes. Such appointment is irrevocable until all amounts in respect of the principal and interest, due or to become due on or in respect of the Notes issuable under the Program, have been paid by the Republic to the Trustee 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, dated January 14, 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 Circular to (i) "tons" are to metric tons, each of which is equal to 1,000 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 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 Circular is the latest official data publicly available at the date of this Offering Circular. Financial data provided in this Offering Circular 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 Notes.

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 Circular, GDP is shown in both current and constant market prices. GDP at current market prices value a country’s output using the actual prices for each year, while GDP at constant market 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. 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 Circular (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.

SUMMARY

This summary should be read as an introduction to this Offering Circular only, and any decision to invest in the Notes should be based on a consideration of this Offering Circular as a whole, including any documents incorporated by reference.

Overview

Indonesia, the world's fourth most populous country, with a population of approximately 258.7 million as of June 2016, is a developing nation in Southeast Asia spread across an archipelago of 17,504 islands.

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 December 31,					Nine Months Ended September 30,
	2011 ^L	2012 ^L	2013 ^L	2014 ^L	2015 ^P	2016 ^A
National account and prices:						
Real GDP growth (year-on-year)	6.2%	6.0%	5.6%	5.0%	4.8%	5.0%
Per capita GDP (in thousands of rupiah)	32,364	35,105	38,280	41,809	45,176	N/A
Per capita GDP (in U.S. dollars) ⁽¹⁾	3,692	3,751	3,670	3,531	3,377	N/A
Average exchange rate (rupiah per U.S. dollar) ⁽²⁾	8,759	9,348	10,559	11,876	13,392	13,325
Inflation rate ((year-on-year) change in CPI)	3.8%	4.3%	8.4%	8.4%	3.3%	3.1%
External sector:						
Current account (% of GDP) ⁽³⁾	0.2%	(2.7)%	(3.2)%	(3.1)%	(2.0)%	(1.8)%
Fiscal account:						
Budget deficit (% of GDP)	(1.1)%	(1.9)%	(2.3)%	(2.3)%	(2.6)%	(2.4)%
External debt of the central government (in trillions of rupiah)	816	880	1,112	1,131	1,410	N/A
Debt service ratio (% of government revenue)	18.6%	19.9%	18.8%	23.7%	24.9%	N/A

Source: BPS, Bank Indonesia and Ministry of Finance

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

^A Preliminary as of September 30, 2016.

^P Preliminary.

(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: Rp8,766 per U.S. dollar for 2011, Rp9,384 per U.S. dollar for 2012, Rp10,463 per U.S. dollar for 2013, Rp11,868 per U.S. dollar for 2014 and Rp13,377 per U.S. dollar for 2015. 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 2016, which was based on Bank Indonesia's calculation.

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

N/A Not available.

Overview of the Program

The following overview of the Program does not purport to be complete and is taken from, and is qualified in its entirety by, the remainder of this Offering Circular and, in relation to the terms and conditions of any particular Tranche of Notes, the applicable Pricing Supplement. Words and expressions defined in *Forms of the Notes and Description of the Notes* shall have the same meanings in this summary.

Summary of the Program and Description of the Notes

Issuer:	Republic of Indonesia.
Arrangers:	Citigroup Global Markets Inc., The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch (Singapore) Pte. Ltd. and Standard Chartered Bank.
Description:	Global Medium Term Note Program.
Dealers:	Australia and New Zealand Banking Group Limited, Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Inc., Deutsche Bank AG, Singapore Branch, Goldman Sachs (Singapore) Pte., The Hongkong and Shanghai Banking Corporation Limited, Merrill Lynch (Singapore) Pte. Ltd., Société Générale, Standard Chartered Bank and UBS AG, Singapore Branch. The Issuer may issue Notes to persons other than Dealers and may terminate the appointment of any Dealer or appoint new dealers for a particular Series of Notes or for the Program.
Trustee:	The Bank of New York Mellon.
Paying Agent:	The Bank of New York Mellon, The Bank of New York Mellon, London Branch and The Bank of New York Mellon, Singapore Branch.
Registrar and Transfer Agent:	With respect to the Notes of any Series which are specified in the applicable Pricing Supplement to be held through Euroclear and/or Clearstream, Luxembourg, The Bank of New York Mellon (Luxembourg) S.A. will act as Registrar and Transfer Agent. With respect to the Notes of any Series which are specified in the applicable Pricing Supplement to be held through DTC, The Bank of New York Mellon will act as Registrar and Transfer Agent.
Program Size:	Up to U.S.\$50,000,000,000 (or its equivalent in any other currency (the Program Limit) in aggregate nominal amount of Notes outstanding at any one time). The Republic may increase the amount of the Program Limit in accordance with the terms of the Program Agreement.
Method of Issue:	The Notes will be issued on a syndicated or non-syndicated basis. The Notes will be issued in series (each, a Series) having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest and their Issue Price), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each, a Tranche) on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be specified in the pricing supplement (the Pricing Supplement).
Issue Price:	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more installments.
Form of Notes:	The Notes may be issued in bearer or registered form, as specified in the applicable Pricing Supplement. Certificates representing the Notes that are registered in the name of a nominee for one or more clearing systems are referred to as Global Securities .

Each Series of Bearer Notes will initially be represented by a Temporary Global Note or a Permanent Global Note which, in each case, will be deposited on the Issue Date with a common depositary for Euroclear, Clearstream or any other agreed clearance system compatible with Euroclear and Clearstream. Interests in a Temporary Global Note issued under the D Rules (as defined below) will be exchangeable for either interests in a Permanent Global Note or Definitive Bearer Notes (as indicated in the applicable Pricing Supplement and subject, in the case of Definitive Bearer Notes, to such notice period as is specified in the applicable Pricing Supplement) upon certification of non-U.S. beneficial ownership as required by United States Treasury regulations (**U.S. Treasury Regulations**). Interests in a Permanent Global Note will be exchangeable, unless otherwise specified in the applicable Pricing Supplement, only in the limited circumstances described therein, in whole but not in part for Definitive Bearer Notes, upon written notice to the Trustee. Any interest in a Temporary Global Note or a Permanent Global Note will be transferable only in accordance with the rules and procedures for the time being of Euroclear, Clearstream and/or any other agreed clearance system, as appropriate.

Notes may be issued with the benefit of a guarantee. Details of any guarantee and the guarantor will be set out in the applicable Pricing Supplement.

Each Series of Registered Notes, which are sold outside the United States in reliance on Regulation S, will be represented by an Unrestricted Global Security, which will be deposited on or about its Issue Date (i) with a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, (ii) with a custodian for, and registered in the name of a nominee of, DTC or (iii) as otherwise specified in the applicable Pricing Supplement. Unrestricted Global Securities will be exchangeable for Certificated Securities only in the limited circumstances more fully described herein.

Any Series of Registered Notes sold in private transactions to QIBs and subject to the transfer restrictions described in “*Notice to Purchasers and Holders of Notes and Transfer Restrictions*” will be represented by a Restricted Global Security, which will be deposited on or about its Issue Date (i) with a common depositary for, and registered in the name of a nominee of, Euroclear and Clearstream, (ii) with a custodian for, and registered in the name of a nominee of, DTC or (iii) as otherwise specified in the applicable Pricing Supplement. Persons holding beneficial interests in Registered Global Securities will be entitled or required, as the case may be, under the circumstances described in the Indenture, to receive physical delivery of Certificated Securities. Registered Notes initially offered and sold in the United States to institutional accredited investors pursuant to Section 4(a)(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act and subject to the transfer restrictions described in “*Notice to Purchasers and Holders of Notes and Transfer Restrictions*” will be issued only in definitive registered form and will not be represented by a Global Security.

Bearer Notes will not be exchangeable for Registered Notes, and Registered Notes will not be exchangeable for Bearer Notes.

Clearing Systems:

DTC, Clearstream, Euroclear and, in relation to any Tranche, such other clearing system as may be agreed between the Republic, the Trustee and the relevant Dealer. See “*Global Clearance and Settlement Systems.*”

Currencies:	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency agreed between the Republic and the relevant Dealer(s).
Maturities:	Subject to compliance with all relevant laws, regulations and directives, any maturity.
Specified Denomination:	Notes in definitive form will be in such denominations as may be specified in the relevant Pricing Supplement save that (i) in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in an EEA State in circumstances which require the publication of a prospectus under the Prospectus Directive, the minimum specified denomination shall be €100,000 (or its equivalent in any other currency as of the date of issue of the Notes); and (ii) unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year will have a minimum denomination of £100,000 (or its equivalent in other currencies).
Fixed Rate Notes:	Fixed interest will be payable in arrears on the date or dates in each year specified in the relevant Pricing Supplement.
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as set out in “ <i>Description of the Notes</i> ” and the relevant Pricing Supplement.
Zero Coupon Notes:	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Dual Currency Notes:	Payments in respect of Dual Currency Notes will be made in such currencies, and based on such rates of exchange as may be specified in the relevant Pricing Supplement.
Index Linked Notes:	Payments of principal in respect of Index Linked Redemption Notes or of interest in respect of Index Linked Interest Notes will be calculated by reference to such index and/or formula as may be specified in the relevant Pricing Supplement.
Interest Periods and Interest Rates:	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. All such information will be set out in the relevant Pricing Supplement.
Redemption:	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Installments:	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more installments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Optional Redemption:	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Republic (either in whole or in part) and/ or the Holders, and if so the terms applicable to such redemption.

Redemption for Taxation Reasons:	Subject to certain exceptions and as more fully described in “ <i>Description of the Notes — Redemption — Redemption for Taxation Reasons</i> ”, the Republic may redeem the Notes, in whole but not in part, at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest, if any, to the date fixed by the Republic for redemption, if the Republic would become obligated to pay additional amounts as a result of certain changes in the Republic’s tax laws. See “ <i>Description of the Notes — Redemption — Redemption for Taxation Reasons</i> .”
Repurchase:	The Republic may at any time purchase the Notes and hold or resell the Notes or surrender the Notes to the Trustee for cancellation.
Status of Notes:	Notes will constitute unsubordinated and unsecured obligations of the Republic. See “ <i>Description of the Notes — General</i> .”
Negative Pledge:	See “ <i>Description of the Notes — Negative Pledge Covenant of the Republic</i> .”
Modifications	See “ <i>Description of the Notes — Modifications</i> .”
Ratings:	Tranches of Notes will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will be specified in the relevant 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.
Withholding Tax:	All payments of principal and interest in respect of the Notes will be made free and clear of withholding taxes of Indonesia, unless such withholding is required by law. If any such withholding is required, the Republic shall pay additional amounts on the Notes, subject to customary exceptions, all as described in “ <i>Description of the Notes — Taxation</i> .”
Selling Restrictions:	The United States, Hong Kong, Japan, Singapore, Canada, the European Economic Area (in respect of Notes having a specified denomination of less than €100,000 or its equivalent in any other currency as of the date of issue of the Notes) and the United Kingdom. See “ <i>Subscription and Sale</i> .” Bearer Notes will be issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the D Rules) unless (i) the relevant Pricing Supplement states that Bearer Notes are issued in compliance with U.S. Treasury Regulations §1.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation Section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the C Rules) or (ii) Bearer Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute “registration required obligations” for U.S. federal income tax purposes, which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which the Tax Equity and Fiscal Responsibility Act of 1982 (TEFRA) is not applicable.
Listing:	Application has been made to the SGX-ST for permission to deal in and quotation of any Notes 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. Such permission will be granted when such Notes have

been admitted to the Official List of the SGX-ST. There is no assurance that the application to the SGX-ST for the listing of a particular Series will be approved. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S\$200,000 (or its equivalent in any other currency). The Notes 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 Notes may also be issued under the Program. The relevant Pricing Supplement in respect of any Series will state whether or not the Notes of such Series will be listed and, if so, on which exchange(s) the Notes are to be listed.

Governing Law:

The Notes will be governed by, and construed in accordance with, the laws of the State of New York.

REPUBLIC OF INDONESIA

Overview

Indonesia, the world's fourth most populous country, with a population of approximately 258.7 million as of June 2016, is a developing nation in Southeast Asia spread across an archipelago of 17,504 islands.

In recent years, Indonesia has continued its rapid 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 December 31,					Nine Months Ended September 30,
	2011 ^L	2012 ^L	2013 ^L	2014 ^L	2015 ^P	2016 ^A
National account and prices:						
Real GDP growth (year-on-year)	6.2%	6.0%	5.6%	5.0%	4.8%	5.0%
Per capita GDP (in thousands of rupiah)	32,364	35,105	38,280	41,809	45,176	N/A
Per capita GDP (in U.S. dollars) ⁽¹⁾	3,692	3,751	3,670	3,531	3,377	N/A
Average exchange rate (rupiah per U.S. dollar) ⁽²⁾	8,759	9,348	10,559	11,876	13,392	13,325
Inflation rate ((year-on-year) change in CPI)	3.8%	4.3%	8.4%	8.4%	3.3%	3.1%
External sector:						
Current account (% of GDP) ⁽³⁾	0.2%	(2.7)%	(3.2)%	(3.1)%	(2.0)%	(1.8)%
Fiscal account:						
Budget deficit (% of GDP)	(1.1)%	(1.9)%	(2.3)%	(2.3)%	(2.6)%	(2.4)%
External debt of the central government (in trillions of rupiah)	816	880	1,112	1,131	1,410	N/A
Debt service ratio (% of government revenue)	18.6%	19.9%	18.8%	23.7%	24.9%	N/A

Source: BPS, Bank Indonesia and Ministry of Finance

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

^A Preliminary as of September 30, 2016.

^P Preliminary.

⁽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: Rp8,766 per U.S. dollar for 2011, Rp9,384 per U.S. dollar for 2012, Rp10,463 per U.S. dollar for 2013, Rp11,868 per U.S. dollar for 2014 and Rp13,377 per U.S. dollar for 2015. 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 2016, which was based on Bank Indonesia's calculation.

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

N/A Not available.

Recent Developments

Economic Policy Packages in 2015 – 2016

Since the election of President Joko Widodo in 2014, the Government has introduced 14 economic stimulus policy packages to encourage domestic economic growth through the creation of a more conducive business climate. These policies are at various stages of implementation.

The first policy package, announced on September 9, 2015, sought to accelerate budget spending, increase household purchasing power, strengthen competitiveness of domestic products and stimulate domestic growth.

Specifically, this package included policies to simplify the process of obtaining businesses permits, accelerate certain national strategic projects, boost low-income housing, increase the allocation of rice for low-income households and implement tax cuts and strengthen downstream products to produce value-added products. Several policies were drafted to stimulate the development of the small to medium enterprise (SME) sector. The package included strategies to strengthen export financing through the National Interest Account project (provision of low-interest export financing) and increase interest subsidies for SME loans.

The second policy package, announced on September 29, 2015, included initiatives to simplify the process for obtaining industrial investment permits, granting of tax incentives by eliminating value added tax (VAT) for selected transportation sector industries, strengthening integrated logistics facilities and maintaining the stability of the Rupiah. This package also simplified the requirements to obtain tax holidays and the approval process for tax allowances.

The third policy package, announced on October 7, 2015, included policies to reduce fuel, gas and industrial electricity subsidies, ease land permit approvals for investment activities, and expand SME commercial loan availability to include salaried employees as eligible recipients.

The fourth policy package, announced on October 15, 2015, included policies to promote a fair, simplified and projectable provincial wage system, subsidize small business loans and expand small business credit to sectors such as farming, fishery, manufacturing, creative businesses and overseas Indonesian workers. The package also included incentives to prevent employee layoffs.

The fifth policy package, announced on October 22, 2015, introduced tax incentives for asset revaluations in order to encourage companies and state-owned-enterprises (SOEs) to revalue their asset base. It also proposed eliminating the double taxation system for Real Estate Investment Trusts (REITs) in order to attract more domestic REIT issuances.

The sixth policy package, announced on November 5, 2015, introduced tax incentive schemes to encourage development in eight special economic zones (SEZs), adjusted water-based resource processing permits to protect natural resources and shortened the import processes for pharmaceutical products through the use of an online system.

The seventh policy package, announced on December 4, 2015, sought to support the industrial sector through an income tax waiver for workers in labor-intensive sectors and free leasehold certificates for SMEs operating in 34 state-owned areas.

The eighth policy package, announced on December 21, 2015, introduced policies to exempt airplane spare parts from import duty in order to improve Indonesian airlines' competitiveness, introduced incentives to accelerate oil refinery development across Indonesia, and, through the "one map policy", intended to harmonize all maps in the archipelago nation under one reference map for use in the Government's development projects.

The ninth policy package, announced on January 27, 2016, introduced policies to improve national logistic performance through a single-billing system for port services conducted by SOEs, introduced an "Integrated National Single Window" to simplify the submission of trade documents to a single point of collection; require the use of Rupiah for payments related to transportation activities, and eliminated the price difference between private commercial and state postal services.

The tenth policy package, announced on February 11, 2016, included policies to increase foreign investment through the relaxation of the Negative Investment List (see "*Foreign Investment*") by reducing or eliminating ownership restrictions in several sectors including pharmaceuticals, cold storage, the film industry, and telecommunication providers.

The eleventh policy package, announced on March 29, 2016, sought to reduce dwelling time, or the time from when cargo arrives until it leaves, at Indonesian ports, improve loan schemes for export-oriented SMEs, and introduce tax incentives for REITs and a pharmaceutical industry roadmap.

The twelfth policy package, announced on April 28, 2016, focused on enhancing the ease of doing business in Indonesia by reducing fees and waiting times for business applications, building construction permits, property registration, electricity installation, and access to banks.

The thirteenth policy package, announced on August 28, 2016, included social housing initiatives, such as the acceleration of the “National One Million Housing Program”, as well as additional measures designed to ease the conduct of business in Indonesia, and policies to improve site and environmental planning.

The fourteenth policy package, announced on November 10, 2016, focused on accelerating e-commerce businesses through the implementation of an “Electronic-Based National Trading System”, which will be regulated under a presidential regulation that will include policies related to funding support, tax relaxation, consumer protection, human resources capacity improvement, logistics support, communication infrastructure, cyber-security and the formation of an operation management committee to develop an E-Commerce Roadmap.

Tax Amnesty

In June 2016, the Government passed a tax amnesty law pursuant to which tax payers with outstanding back taxes will:

- be exempted from paying any outstanding payable taxes owed during any period before the end of the most recent tax year (i.e. December 31, 2015), as well as any administrative sanctions relating to such obligations;
- not be investigated regarding allegations of tax crime relating to any disclosed outstanding payable tax obligations that occurred up to the most recent tax year; and
- be freed from any ongoing investigation procedures relating to allegations of tax crime which were already underway before a tax amnesty application was submitted. This termination of any ongoing investigation may only be executed by an officer at the Directorate General of Taxation.

The amnesty is available to any individual or corporate taxpayer who meets the requirements and submits their application before March 31, 2017. Applicants must disclose their assets, and pay the relevant penalties, which vary in accordance to the period of submission and whether the relevant offshore assets are repatriated or declared but not repatriated.

More than 376,000 taxpayers have participated in the program to date. As of November 21, 2016, Rp3,933.5 trillion in assets had been declared and the Government had collected Rp94.7 trillion as penalties under the scheme. To date, more than two thirds of the assets declared under the program are onshore, and the majority of offshore declared assets have been repatriated.

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 1,910,931 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 (**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.

Because of its location in a geologically active part of the world, Indonesia is subject to various forms of natural disasters. These include earthquakes, tsunamis, volcanic eruptions, floods and landslides that can result in major losses of life and property, such as the 2004 Indian Ocean Tsunami that devastated the province of Aceh, and therefore have significant economic and developmental effects.

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.

Population

Indonesia had a population of approximately 258.7 million as of June 2016 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 145 million in 2015). In 2015, Jakarta, the capital, was estimated to have a population of approximately ten million.

Indonesia's population is young and growing. The Government estimates that, in 2015, approximately 27.3% of the population was under 15 years of age and approximately 44.4% was under 25 years of age. The population growth rate during the period of 2010 to 2015 was 1.4% per annum.

According to the 2010 census, approximately 87.0% of the Indonesian population is Muslim and 10.0% 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 August 17, 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, reforms upon the structures of the judiciary, legislature, and executive office. Between 1999 and 2002, the Constitution was amended to strengthen constitutional checks and balances, a separation of powers and provide for a more direct democracy. Prior to the amendments, and throughout the period of President Soeharto's administration, Indonesia's 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 July 2014. In this election, President Joko Widodo and Vice President Muhammad Jusuf Kalla were elected and will serve until 2019. 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 the result. Therefore, the legislative election results are an important indicator of the outcome of the presidential elections.

A total of 15 parties (including three local parties in Aceh) took part in the 2014 legislative election. In addition to presidential and legislative elections, each of Indonesia's 34 provinces conducts their own gubernatorial elections, with governors serving five-year terms.

Central Government

Indonesia's 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, 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 has four members from each province, which currently amounts to 132 members.

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.

Over the past decade or so, the central Government has promoted 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 between the Central Government, Provincial Governments and Regency/Municipality Governments. These include:
 - (a) basic services such as education, health, environment, public works, food sustainability, social issues, manpower and housing as well as other matters such as land policy, micro and medium enterprises, investment, culture, communication and information;
 - (b) matters that relate to potential development of a region, such as maritime and fisheries, tourism, 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, the Government has tried to address the concerns of certain groups seeking greater independence by expanding the powers of the local government, 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 the 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. Indonesia's counter-terrorism efforts include laws in respect of counter-terrorism and money laundering, 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 (**ASEAN**) and global efforts through the United Nations.

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 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 International Monetary Fund (**IMF**);
- the World Bank and certain World Bank-related organizations;
- the Asian Development Bank;
- ASEAN+3 (ASEAN nations and China, Japan and South Korea);
- The Group of Twenty (**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 (**APEC**), where it was one of the 12 founding economies and continues to play an important role; and
- 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.

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 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 full 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 November 30, 2016 OPEC meeting.

The following table shows Indonesia's capital participation in major international financial organizations as of September 30, 2016.

<u>Name of organization</u>	<u>Date of admission</u>	<u>As of September 30, 2016 contributed capital</u>	
		<u>Subscribed</u>	<u>Paid in</u>
		(in millions of U.S. dollars) ⁽¹⁾	
Asian Development Bank	1966	8,878.9	403.5
IMF	1996 ⁽²⁾	6,488.3	6,488.3
World Bank Group			
International Bank for Reconstruction and Development	1966 ⁽²⁾	2,303.1	167.2
International Development Association	1968	26.1	20.7
International Finance Corporation	1968 ⁽³⁾	31.6	31.6
Multilateral Investment and Guarantee Agency	1986	18.49	3.8
Islamic Development Bank ⁽⁴⁾	1975	1,588.4	173.4
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	9.5
International Fund for Agricultural Development	1977	62.0	62.0
Common Fund for Commodities	1980	1.3	1.3
Credit Guarantee and Investment Facility	2012	12.6	12.6
ASEAN Infrastructure Investment Bank	2015	672.1	268.8
ASEAN Infrastructure Fund ⁽⁵⁾	2012	120.0	120.0
International Rubber Consortium Limited	2002	4.0	4.0

Source: Bank Indonesia and Ministry of Finance

⁽¹⁾ Denominated in SDR of the IMF. Converted to U.S. dollars using the exchange rate on September 30, 2016 of U.S.\$1.395810 to SDR 1.

⁽²⁾ Before Indonesia rejoined the IMF and The International Bank for Reconstruction and Development in 1966, it had become a member of these organizations in 1954 and had resigned its memberships in 1965.

⁽³⁾ Before Indonesia rejoined the International Finance Corporation in 1968, it had become a member in 1956 and had resigned its membership in 1961.

⁽⁴⁾ Denominated in ID (ID 1 = SDR 1). See footnote (1) above.

⁽⁵⁾ As of January 2015.

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 in Addis Ababa, Ethiopia, from July 13 to 16, 2015, the United Nations Sustainable Development Summit in New York, United States of America, from September 25 to 27, 2015, the G-20 Summit in Antalya, Turkey, from November 15 to 16, 2015, the 21st session of the Conference of the Parties of the United Nations Framework Convention on Climate Change in Paris, France, from November 30, 2015 to December 11, 2015, the G-20 Summit in Hangzhou, China from September 3 to 5, 2016 and the APEC Summit in Lima, Peru from November 19 to 20, 2016.

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

In recent times, Indonesia has enjoyed increasingly close and strong relations with Australia. In August 2014, the two countries signed a reaffirmation of the 2006 "Lombok Treaty", which provided a framework for security cooperation. The 2014 agreement further emphasized the importance of intelligence and security cooperation based on the principles of mutual trust and respect between the two countries. Following the signing of the agreement, information sharing and the exchange of intelligence cooperation, joint coordinated patrol and military exercises and cooperation against human trafficking have been restored.

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

The Government has a nine priority agenda, known as *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 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:

- Territorial Sea with Malaysia, Singapore, and Papua New Guinea;
- Exclusive Economic Zone with the Philippines, Australia, and Papua New Guinea; and
- Continental Shelf with India, Thailand, and Vietnam.

Indonesia still has to negotiate the following maritime boundaries:

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

Indonesia and Malaysia have, from time to time, held discussions regarding the delimitation of certain maritime borders in the Celebes Sea. Negotiations commenced in 1969 and the most recent discussions were held in December 2014.

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); wholesale and retail trade, repair of motor vehicles and motorcycles; agriculture, forestry and fishery; mining and quarrying; and construction.

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

**Gross Domestic Product by Industry
(at current market prices 2010 series)**

	Year ended December 31,								Nine months ended September 30,		
	2011	2012	%	2013	%	2014	%	2015 ^P	%	2016 ^P	%
	(in billions of rupiah and percentage of GDP)										
Manufacturing Industry											
Coal Industry and Oil and Gas											
Refining	284,099	298,403	3.5	314,216	3.3	329,058	3.1	307,704	2.7	204,226	2.2
Non-Coal, Oil and Gas											
Manufacturing Industries ...	1,420,152	1,549,748	18.0	1,693,211	17.7	1,890,383	17.9	2,097,705	18.2	1,681,650	18.2
Total Manufacturing Industry	1,704,251	1,848,151	21.5	2,007,427	21.0	2,219,441	21.0	2,405,409	20.8	1,885,876	20.4
Wholesale and Retail Trade; Repair of Motor Vehicles and Motorcycles	1,066,092	1,138,484	13.2	1,261,146	13.2	1,420,054	13.4	1,534,067	13.3	1,220,488	13.2
Agriculture, Forestry, and Fishery											
Agriculture, Livestock, Hunting, & Agriculture Services	832,514	902,126	10.5	994,778	10.4	1,089,550	10.3	1,186,521	10.3	1,005,414	10.9
Forestry and Logging	62,248	65,882	0.8	69,599	0.7	74,618	0.7	81,743	0.7	62,736	0.7
Fishery	163,484	184,254	2.1	210,671	2.2	245,488	2.3	292,136	2.5	235,783	2.6
Total Agriculture, Forestry, and Fishery	1,058,245	1,152,262	13.4	1,275,048	13.4	1,409,656	13.3	1,560,399	13.5	1,303,933	14.1
Mining and Quarrying											
Oil, Gas and Geothermal											
Mining	444,068	492,894	5.7	520,088	5.4	508,911	4.8	382,681	3.3	267,677	2.9
Coal and Lignite Mining	253,026	270,519	3.1	281,193	2.9	257,236	2.4	198,882	1.7	127,126	1.4
Metal Ore	104,284	100,845	1.2	98,468	1.0	93,898	0.9	80,286	0.7	56,676	0.6
Other Mining and Quarrying ..	123,436	136,050	1.6	149,996	1.6	182,856	1.7	217,551	1.9	184,132	2.0
Total Mining and Quarrying ...	924,813	1,000,308	11.6	1,050,746	11.0	1,042,901	9.9	879,400	7.6	635,611	6.9
Construction	712,184	805,208	9.3	905,991	9.5	1,041,950	9.9	1,193,346	10.3	974,487	10.5
Government Administration, Defense; Compulsory Social Security	304,756	340,568	4.0	372,195	3.9	404,630	3.8	450,733	3.9	353,872	3.8
Information and Communication ...	281,778	311,362	3.6	341,009	3.6	369,415	3.5	406,888	3.5	333,127	3.6
Transportation and Warehousing ...	276,122	313,156	3.6	375,306	3.9	466,969	4.4	578,964	5.0	474,705	5.1
Financial and Insurance Service ...	270,586	320,534	3.7	370,132	3.9	408,439	3.9	464,735	4.0	386,803	4.2
Education Service	232,727	270,372	3.1	307,862	3.2	342,063	3.2	388,683	3.4	304,496	3.3
Other*	844,345	929,294	10.8	1,041,470	10.9	1,176,827	11.1	1,315,715	11.4	1,056,704	11.4
Gross Value Added at Basic											
Prices	7,675,899	8,429,700	97.8	9,308,332	97.5	10,302,344	97.5	11,178,338	96.9	8,930,101	96.6
Taxes less Subsidies on Products ...	155,827	186,005	2.2	237,802	2.5	263,473	2.5	362,452	3.1	313,245	3.4
Total GDP	7,831,726	8,615,705	100.0	9,546,134	100.0	10,565,817	100.0	11,540,790	100.0	9,243,346	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 market prices 2010 series)

	Year ended December 31,								Nine months ended September 30,		
	2011	2012	%	2013	%	2014	%	2015 ^P	%	2016 ^P	%
	(in billions of rupiah and percentage of GDP)										
Manufacturing Industry											
Coal Industry and Oil and Gas											
Refining	233,052	227,456	2.9	221,450	2.7	216,182	2.5	212,375	2.4	165,748	2.4
Non-Coal, Oil and Gas											
Manufacturing Industries	1,374,400	1,470,331	19.0	1,550,512	19.0	1,637,506	19.1	1,720,082	19.2	1,342,133	19.1
Total Manufacturing Industry	1,607,452	1,697,787	22.0	1,771,962	21.7	1,853,688	21.6	1,932,457	21.5	1,507,881	21.4
Wholesale and Retail Trade; Repair of											
Motor Vehicles and Motorcycles	1,013,200	1,067,912	13.8	1,119,272	13.7	1,177,049	13.7	1,206,075	13.4	937,800	13.3
Agriculture, Forestry, and Fishery											
Agriculture, Livestock, Hunting, & Agriculture Services	780,581	816,304	10.6	847,764	10.4	880,390	10.3	909,571	10.1	743,573	10.6
Forestry and Logging	58,731	58,872	0.8	59,229	0.7	59,574	0.7	59,966	0.7	43,874	0.6
Fishery	154,545	164,264	2.1	176,149	2.2	189,090	2.2	204,920	2.3	160,071	2.3
Total Agriculture, Forestry, and Fishery	993,857	1,039,441	13.5	1,083,142	13.3	1,129,053	13.2	1,174,457	13.1	947,518	13.5
Mining and Quarrying											
Oil, Gas and Geothermal											
Mining	335,737	323,632	4.2	313,328	3.8	306,855	3.6	307,259	3.4	236,129	3.4
Coal and Lignite Mining	199,244	230,589	3.0	247,595	3.0	248,475	2.9	196,564	2.2	136,454	1.9
Metal Ore	95,414	91,615	1.2	98,609	1.2	98,318	1.1	95,092	1.1	69,664	1.0
Other Mining and Quarrying	118,562	125,726	1.6	131,523	1.6	143,063	1.7	157,324	1.8	123,124	1.7
Total Mining and Quarrying	748,956	771,562	10.0	791,054	9.7	796,712	9.3	756,239	8.4	565,371	8.0
Construction	683,422	728,226	9.4	772,720	9.5	826,616	9.6	881,584	9.8	685,888	9.7
Government Administration, Defense;											
Compulsory Social Security	276,337	282,235	3.7	289,449	3.5	296,330	3.5	310,394	3.5	235,151	3.3
Information and Communication	281,694	316,279	4.1	349,150	4.3	384,407	4.5	423,064	4.7	342,080	4.9
Transportation and Warehousing	265,774	284,663	3.7	304,506	3.7	326,933	3.8	348,776	3.9	277,918	3.9
Financial and Insurance Service	256,443	280,896	3.6	305,515	3.7	319,826	3.7	347,096	3.9	282,301	4.0
Education Service	215,029	232,704	3.0	250,016	3.1	263,890	3.1	283,540	3.2	214,341	3.0
Other*	800,470	858,558	11.1	916,526	11.2	978,158	11.4	1,031,320	11.5	809,899	11.5
Gross Value Added at Basic Prices	7,142,634	7,560,263	97.8	7,953,312	97.5	8,352,660	97.5	8,695,000	96.9	6,806,149	96.6
Taxes less Subsidies on Products	145,001	166,821	2.2	203,186	2.5	213,612	2.5	281,931	3.1	238,457	3.4
Total GDP	7,287,635	7,727,083	100.0	8,156,498	100.0	8,566,271	100.0	8,976,932	100.0	7,044,606	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 manufactured goods include paper, automobiles, yarn, motorcycles and pulp. Other major manufactured goods include automobile tires, assembled televisions and fertilizer. 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 2013, Indonesia's manufacturing industries grew by 4.4%, compared to a rate of 5.6% in the previous year. Non-coal, oil and gas manufacturing industries grew by 5.5% during 2013 mainly driven by the tools of transport manufacturing sub-sector, which grew by 15.0%. Coal, oil and gas manufacturing industries declined by 2.6% in 2013, primarily due to contraction in the coal manufacturing and the LNG manufacturing and petroleum refinery sub-sectors, which contracted by 16.3% and 1.6%, respectively.

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 2.4% in 2014, primarily due to contraction in the LNG manufacturing and petroleum refinery sub-sector which declined by 2.2%, which was partially offset by growth of 6.4% in the coal manufacturing sub-sector.

In 2015, Indonesia's manufacturing industries grew by 4.2%, compared to 4.6% in the previous year. Non-coal, oil and gas manufacturing industries grew by 5.0% 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 1.8% in 2015, primarily due to contraction in the LNG manufacturing and petroleum refinery sub-sector, which declined by 1.8%, which was partially offset by growth of 6.6% in the coal manufacturing sub-sector.

During the nine months ended September 30, 2016, Indonesia's manufacturing industries grew by 4.6% compared to the previous period in 2015. Non-coal, oil and gas manufacturing industries grew by 4.6% during the nine months ended September 30, 2016, mainly driven by growth in the food and beverage manufacturing sub-sector, which grew by 8.6%. Coal, oil, and gas manufacturing industries grew by 5.0% during the nine months ended September 30, 2016 compared to the previous period in 2015.

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 second largest segment of the economy, behind manufacturing.

In 2013, the wholesale and retail trade; repair of motor vehicles and motorcycles sector grew by 4.8%, slower than its growth of 5.2% in 2012. Growth in this sector was driven primarily by growth in the sale of cars, motorcycles, and repairs sub-sectors, which grew by 7.3%. The wholesale — non-cars and motorcycles sub-sectors grew by 4.1% in 2013 compared to the previous year.

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

In 2015, the wholesale and retail trade; repair of motor vehicles and motorcycles sectors grew by 2.5%, compared to 5.2% growth in 2014. Growth in this sector was mainly driven by the wholesale — non cars and motorcycles sub-sector, which grew by 3.0%. The sale of cars, motorcycles, and repairs sub-sector grew by 0.5% in 2015 compared to the previous year.

During the nine months ended September 30, 2016, the wholesale and retail trade; repair of motor vehicles and motorcycles sector grew by 4.1%. This growth was mainly driven by the wholesale of cars, motorcycles, and repairs sub-sector, which grew by 4.2%. The sale of non-cars and motorcycles sub-sector also grew by 3.8% during the nine months ended September 30, 2016 compared to the previous period in 2015.

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 2013, the agriculture, forestry and fishery sector grew by 4.2%, slower than its growth of 4.6% in 2012. This growth was mainly driven by the fishery sub-sector, which grew by 7.2% in 2013 compared to the previous year. The agriculture, livestock, hunting & agriculture services sub-sector and the forestry sub-sector grew by 3.9% and 0.6%, respectively, in 2013 compared to the previous year.

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% in 2014 compared to the previous year. The agriculture, livestock, hunting & agriculture services sub-sector and the forestry sub-sector grew by 3.8% and 0.6%, respectively, in 2014 compared to the previous year.

In 2015, the agriculture, forestry, and fishery sector grew by 4.0%, slower than its growth of 4.2% in 2014. This growth was mainly driven by the fishery sub-sector, which grew by 8.4% in 2015, compared to the previous year. The agriculture, livestock, hunting & agriculture services sub-sector, and the forestry sub-sector grew by 3.3% and 0.7%, respectively, in 2015 compared to the previous year.

During the nine months ended September 30, 2016, the agriculture, forestry, and fishery sector grew by 2.7% compared to the previous period in 2015. This growth was mainly driven by the fishery sub-sector, which grew by 6.4% in the nine months ended September 30, 2016. The agriculture, livestock, hunting & agriculture services sub-sector, grew by 2.2%, while the forestry sub-sector contracted by 2.0% in the nine months ended September 30, 2016.

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

Production of Principal Agricultural Products by Sub-sectors

	Year ended December 31,					
	2011	2012	2013	2014	2015 ^P	2016 ^P
	(in thousands of tons)					
<u>Food Crops</u>						
Rice	65,757	69,056	71,291	70,846	75,398	79,141 ^F
Cassava	24,044	24,177	23,824	23,436	21,801	20,638 ^F
Corn	17,643	19,387	18,506	19,008	19,612	23,164 ^F
Sweet Potato	2,196	2,483	2,384	2,382	2,298	2,084 ^F
Soybeans (shelled)	851	843	780	955	963	890 ^F
Peanuts (shelled)	691	713	701	639	606	561 ^F
Mungbean	341	284	205	245	272	279 ^F
<u>Estate cash crops</u>						
Dry Rubber	2,990	3,040	3,180	3,153	3,108	3,158 ^P
Coffee	638	657	666	685	664	668 ^P
Cocoa	819	845	939	709	661	760 ^P
Tea	151	151	153	144	155	155 ^P
Sugarcane	2,268	2,438	2,581	2,632	2,497	2,205 ^P
Tobacco	214	227	231	166	202	203 ^P
Palm Oil	23,027	23,521	24,432	29,344	31,284	33,501 ^P
<u>Livestock</u>						
Meat	2,554	2,655	2,876	2,925	3,062	3,175 ^P
Eggs	1,456	1,602	1,683	1,753	1,816	1,971 ^P
Milk	975	960	787	801	805	853 ^P
<u>Fish Products</u>						
Captured Fish	5,714	5,829	6,115	6,200 ^P	N/A	N/A
Farmed Fish	7,929	9,676	5,199 ^P	N/A	N/A	N/A
<u>Forestry⁽¹⁾</u>						
Logs	47,429	49,112	50,437	31,703	49,590	23,894 ⁽²⁾
Sawn Timber	934	1,027	1,228	801	1,635	1,155 ⁽²⁾
Plywood	3,302	3,188	3,262	2,091	3,436	2,483 ⁽²⁾

Sources: BPS, Ministry of Agriculture, Ministry of Marine Affairs and Fishery, and Ministry of Environment and Forestry

^P Preliminary.

^F Forecast.

^{N/A} Not available.

⁽¹⁾ All units are in thousands of cubic meters.

⁽²⁾ As of September 30, 2016.

Mining and Quarrying

In 2013, the mining and quarrying sector grew by 2.5% compared to the previous year, primarily due to growth in the metal ore, coal and lignite mining, and the other mining and quarrying sub-sectors, which grew by 7.6%, 7.4% and 4.6%, respectively. This was partially offset by 3.2% contraction in the oil, gas and geothermal mining sub-sector.

In 2014, the mining and quarrying sector grew by 0.7% compared to the previous year, primarily due to growth in the other mining and quarrying and the coal and lignite mining sub-sectors, which grew by 8.8% and 0.4%, respectively. This was partially offset by contraction in the oil, gas and geothermal mining and the metal ore sub-sectors, which contracted by 2.1% and 0.3%, respectively.

In 2015, the mining and quarrying sector contracted by 5.1% compared to the previous year, primarily due to contraction in the coal and lignite mining, and the metal ore sub-sectors, which contracted by 20.9% and 3.3%, respectively. This was partially offset by 10.0% growth in the other mining and quarrying sub-sector.

During the nine months ended September 30, 2016, the mining and quarrying sector contracted by 0.2% compared to the previous period in 2015, primarily due to contraction in the coal and lignite mining, and the metal ore sub-sectors, which contracted by 8.5% and 1.3%, respectively. This was partially offset by growth in the other mining and quarrying, and the oil, gas and geothermal mining sub-sectors, which grew by 4.2% and 3.2%, respectively, in the nine months ended September 30, 2016.

Oil and Natural Gas

Oil and gas exports are Indonesia's largest exports, contributing approximately 11.1% of total exports in 2015, and approximately 14.7% of the Government's domestic revenue (inclusive of income tax revenue from the oil and gas sub-sector) in 2015. Pertamina, an SOE, plays an important role in the production of oil and gas in Indonesia. In 2011, 2012, 2013, 2014, 2015 and the nine months ended September 30, 2016, average oil production was 1,082,000, 859,860, 825,000, 790,255, 779,000 and 834,260 barrels per day, respectively. As products in the mining and quarrying sector are internationally traded commodities with prices set by the world markets, the performance of this sector is primarily affected by international market prices. See “— *Foreign Trade and Balance of Payments — Exports and Imports.*”

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

Crude Oil Production by Source⁽¹⁾

	Year Ended December 31,					Nine Months Ended
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
	(in millions of U.S. dollars)					
Pertamina	54	47	44	42	43	23
Production sharing contracts ⁽²⁾	341	268	257	246	244	205
Total	<u>395</u>	<u>315</u>	<u>301</u>	<u>288</u>	<u>287</u>	<u>228</u>

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.

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

Crude Oil Exports⁽¹⁾

	Year Ended December 31,					Nine Months Ended
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
	(in millions of barrels)					
Production sharing contracts ⁽²⁾	101	85	96	96	123	100
Government and government-designated ⁽³⁾	29	20	21	14	5	0
Total	<u>130</u>	<u>105</u>	<u>117</u>	<u>110</u>	<u>128</u>	<u>100</u>

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.

(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.

Average Price of Indonesian Crude Oil

	Year Ended December 31,					Nine Months Ended
	2011	2012	2013	2014	2015 ^P	September 30,
	(in U.S. dollars per barrel)					2016 ^P
ICP ⁽¹⁾	111.6	112.7	105.8	96.5	49.2	37.9

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

^P Preliminary.

(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 December 31,					Nine Months Ended
	2011	2012	2013	2014	2015 ^P	September 30,
	(in billions of cubic feet)					2016 ^P
Pertamina	361	360	376	382	296	272
Production sharing contracts ⁽²⁾	2,711	2,623	2,591	2,617	1,899	1,908
Total	3,072	2,983	2,967	2,999	2,195	2,180

Source: Ministry of Energy and Mineral Resources

^P Preliminary.

(1) Includes LPG.

(2) Most of the production under production sharing contracts is provided to Pertamina.

Minerals

The Republic’s major mineral products are tin, nickel, bauxite, copper and coal, 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.

Construction

In 2013, the construction sector grew by 6.1% compared to a growth of 6.6% in 2012, primarily due to a slowdown in Government budget disbursements compared to the previous year.

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 6.6% 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 the nine months ended September 30, 2016, the construction sector grew by 6.6% compared to a growth of 6.1% in the nine months ended September 30, 2015, primarily due to an increase in the use of raw materials for construction such as cement. Sale of cement increased by 3.8% in the nine months ended September 30, 2016 compared to the previous period in 2015, which mainly resulted from a higher Government capital expenditure budget.

Other sectors

None of the other sectors shown in the tables above comprised more than 5% of GDP at either current market prices or constant market prices for the periods indicated.

Gross Domestic Product

In this Offering Circular, Gross Domestic Product (GDP) is shown in both current and constant market prices. GDP at current market prices value a country's output using the actual prices for each year, while GDP at constant market 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 for the periods indicated (at current market prices).

	Year ended December 31, ⁽¹⁾								Nine months ended September 30,			
	2011	%	2012	%	2013	%	2014	%	2015 ^P	%	2016 ^P	%
(in billions of rupiah and percentage of GDP)												
GDP	7,831,726	100	8,615,705	100.0	9,546,134	100.0	10,565,817	100.0	11,540,790	100	9,243,346	100.0
Add: Imports of goods and services	1,868,075	23.9	2,152,937	25.0	2,359,212	24.7	2,580,527	24.4	2,405,762	20.8	1,664,860	18.0
Total supply of goods and services	9,699,801	123.9	10,768,642	125.0	11,905,346	124.7	13,146,344	124.4	13,946,552	120.8	10,908,206	118.0
Less: Exports of goods and services	2,061,886	26.3	2,118,979	24.6	2,283,777	23.9	2,497,116	23.6	2,434,181	21.1	1,711,861	18.5
Total domestic expenditure	7,637,915	97.5	8,649,663	100.4	9,621,569	100.8	10,649,228	100.8	11,512,372	99.8	9,196,344	99.5
Allocation of total domestic expenditure:												
Household consumption expenditure	4,260,076	54.4	4,768,745	55.3	5,321,088	55.7	5,915,742	56.0	6,453,206	55.9	5,164,639	55.9
NPISHs consumption expenditure	80,530	1.0	89,586	1.0	103,929	1.1	124,242	1.2	130,936	1.1	106,106	1.1
Government consumption expenditure	709,451	9.1	796,848	9.2	908,574	9.5	996,197	9.4	1,125,542	9.8	780,799	8.4
Total consumption	5,050,056	64.5	5,655,179	65.6	6,333,591	66.3	7,036,181	66.6	7,709,684	66.8	6,051,544	65.5
Gross domestic fixed capital formation	2,451,914	31.3	2,819,027	32.7	3,051,496	32.0	3,442,027	32.6	3,829,978	33.2	3,005,647	32.5
Change in inventories (residual) ⁽²⁾	135,945	1.7	175,457	2.0	236,482	2.5	171,020	1.6	(27,291)	(0.2)	139,154	1.5
Total domestic expenditure	7,637,915	97.5	8,649,663	100.4	9,621,569	100.8	10,649,228	100.8	11,512,372	99.8	9,196,344	99.5

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 4%(±1.0%) in 2016. 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 (CPI) as of the end of the periods indicated and the percentage change against the previous period.

Changes in Consumer Price Index

	Year ended December 31,					As of
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
CPI	129.9 ⁽¹⁾	135.5 ⁽¹⁾	146.8 ⁽¹⁾	119.0 ⁽²⁾	122.99 ⁽²⁾	125.41 ⁽²⁾
Annual percentage year-on-year	3.80%	4.30%	8.38%	8.36%	3.35%	3.07%

Source: BPS

^P Preliminary.

⁽¹⁾ Calculated on the basis of 2007 CPI = 100.

⁽²⁾ Calculated on the basis of 2012 CPI = 100.

The following table shows changes in the CPI for certain commodities for the periods indicated.

Inflation by Commodity

	Year ended December 31,					As of
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
Food	3.6%	5.7%	11.4%	10.6%	4.9%	6.2%
Processed food, beverages and cigarettes	4.5%	6.1%	7.5%	8.1%	6.4%	5.8%
Housing	3.5%	3.4%	6.2%	7.4%	3.3%	1.6%
Clothing	7.6%	4.7%	0.5%	3.1%	3.4%	4.0%
Health	4.3%	2.9%	3.7%	5.7%	5.3%	4.0%
Education, recreation and sports	5.2%	4.2%	3.9%	4.4%	4.0%	2.8%
Transportation, Communication, and Financial Services ...	1.9%	2.2%	15.4%	12.1%	(1.5)%	(1.4)%

Source: BPS

^P Preliminary.

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.

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

State-Owned-Enterprises Privatizations

SOE	Year of offering	Government equity interest after offering	Proceeds to the Government	Proceeds to SOE
		(percentages)	(in billions of Rupiah (Rp))	
PT Bank Tabungan Negara (Persero) Tbk	2009	72.9	—	Rp1,819
	2012 ⁽³⁾	60.0	Rp135.9	Rp1,870
PT Garuda Indonesia (Persero) Tbk	2011	69.1	—	Rp3,187
	2014 ⁽³⁾	60.5	Rp11.2	Rp1,448.9
PT Kertas Basuki Rachmat Tbk ⁽¹⁾	2011	—	Rp2.6 ⁽²⁾	—
PT Atmindo Tbk ⁽¹⁾	2011	—	Rp9.0 ⁽²⁾	—
PT Jakarta International Hotel Development, Tbk ⁽¹⁾	2011	—	Rp18.5 ⁽²⁾	—
PT Waskita Karya (Persero) Tbk	2012	68.0	—	Rp1,171
PT Semen Baturaja (Persero) Tbk	2013	76.2	—	Rp1,309
PT Sarana Karya (Persero) ⁽⁴⁾	2013	—	Rp48.2	—
PT Kertas Padalarang (Persero) ⁽⁵⁾	2013	—	Rp12.1	—
PT Waskita Karya (Persero) Tbk ⁽⁶⁾	2015	68.0	—	Rp5,289
PT Aneka Tambang (Persero) Tbk ⁽⁶⁾	2015	65.0	—	Rp5,381
PT Adhi Karya (Persero) Tbk ⁽⁶⁾	2015	51.0	—	Rp2,727
PT Wijaya Karya (Persero) Tbk ⁽⁶⁾	2016	65.0	—	Rp6,149
PT Krakatau Steel (Persero) Tbk ⁽⁶⁾	2016	80.0	—	Rp1,875
PT Pembangunan Perumahan (Persero) Tbk ⁽⁶⁾	2016	51.0	—	Rp4,412
PT Jasa Marga (Persero) Tbk ⁽⁶⁾	2016	70.0	—	Rp1,786

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 December 30, 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 December 18, 2013.

⁽⁶⁾ Rights issues carried out through the execution of pre-emptive rights using the addition of State Capital Investment Fund (PMN) from 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	2011		2012		As of February 2013 ⁽¹⁾		As of August 2014 ⁽²⁾		As of February 2014 ⁽²⁾		As of August 2014 ⁽²⁾		As of February 2015 ⁽²⁾		As of August 2015 ⁽²⁾		As of February 2016 ⁽²⁾		As of August 2016 ⁽²⁾		
	%	%	(in millions)	(in millions)	(in millions)	%	(in millions)	%	(in million)	%	(in million)	%	(in million)	%	(in million)	%	(in million)	%	(in million)	%	(in million)
Agriculture	35.9	35.2	40.8	35.2	39.2	34.8	34.6	34	40.1	33.2	37.8	32.9	38.3	31.7	37.8	31.9	37.8	31.7	37.8	31.9	
Industry	13.3	13.9	15.0	12.9	15.0	13.3	13.0	15.3	16.4	13.6	15.2	13.2	16.0	13.2	15.5	13.1	16.0	13.2	15.5	13.1	
Construction	5.8	6.1	7.0	6.0	6.4	5.6	6.1	7.3	7.7	6.4	8.2	7.1	7.7	6.4	8.0	6.7	7.7	6.4	8.0	6.7	
Trade	21.3	20.9	25.3	21.8	24.1	21.4	25.8	24.8	26.7	22.1	25.7	22.4	28.5	23.6	26.7	22.5	28.5	23.6	26.7	22.5	
Transportation, warehouses, and communications	4.6	4.5	5.3	4.6	5.1	4.5	5.3	5.1	5.2	4.3	5.1	4.4	5.2	4.3	5.6	4.7	5.1	4.4	5.6	4.7	
Financial	2.4	2.4	3.1	2.6	2.9	2.6	3.2	3.0	3.7	3.0	3.3	2.9	3.5	2.9	3.5	3.0	3.3	2.9	3.5	3.0	
Public services	15.2	15.4	17.8	15.3	18.5	16.4	18.5	18.4	19.4	16.1	17.9	15.6	19.8	16.4	19.5	16.4	17.9	15.6	19.8	16.4	
Others (mining, electricity, gas and water)	1.5	1.6	1.8	1.6	1.7	1.5	1.9	1.7	1.7	1.4	1.6	1.4	1.7	1.4	1.8	1.5	1.6	1.4	1.7	1.4	
Total	100	100	115.9	100	112.8	100	118.2	100	120.9	100	114.8	100	120.7	100	118.4	100	114.8	100	120.7	100	118.4

Source: BPS

(1) Estimation using results of backcasting from population projection weighing results.

(2) Estimation using population projections weighing results.

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. 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 (which, among others, encompass 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.

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 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>
2011	Rp988,829.4	8.7%
2012	Rp1,088,902.6	10.1%
2013	Rp1,296,908.5	19.1%
2014	Rp1,584,404.0	22.2%
2015	Rp1,782,211.0	12.8%

Source: *Kemenaker* (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**). The BPJS consists of the (i) BPJS for Health Coverage (**BPJS Kesehatan**), which provides healthcare services for all citizens and (ii) BPJS for Social Security Benefit for Workers (**BPJS Ketenagakerjaan**), which provides social security benefits for private sector and informal workers. BPJS Kesehatan and BPJS Ketenagakerjaan took over the functions of the other social security administering agencies, namely PT Jamsostek (Persero) and PT Askes (Persero), on January 1, 2014.

Income Distribution

As of the end of 2013, Indonesia had a Gini Index of 0.41. 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 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, which decreased to approximately 28.0 million, or 10.9% of the population as of March 2016.

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 improve the lives and economic welfare of Indonesians by reducing unemployment and poverty.

In addition to maintaining and upgrading existing infrastructure, the Government has identified a number of priority infrastructure projects in its National Medium Term Plan for 2015-2019. The Government has also 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. See “—*Recent Developments — Economic Policy Packages in 2015 – 2016.*”

Indonesia’s infrastructure investment requirements exceed available public sector funding. The Government estimates that the total cost of the priority infrastructure projects under the National Medium Term Plan will be approximately U.S.\$345.1 billion. The Government expects to pay for approximately 40% of this cost using public sector funding, specifically through a special allocation fund and increased rural transfers. These public sector funds would primarily be used to support basic infrastructure projects, food security (e.g., irrigation, dams) and transportation, logistics and connectivity projects.

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 recognizes 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.*”

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 12,000 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 and South Sumatera, as well as in Java and several urban railways in Jakarta, Bandung, Yogyakarta, Surabaya, Medan, Makasar and Manado. The Government is also studying the feasibility of railway projects in Kalimantan, Sulawesi and Papua and an elevated train and subway system in Jakarta. The new Medan Airport commenced operations in July 2013.

Another strategic project is the construction of railway access to airports, including the construction of a railway line into Soekarno-Hatta International Airport. Two lines have been proposed, the Express Line and the Commuter Line. The Express Line will be 33 km long and will be financed through a PPP scheme. The estimated cost is approximately Rp23 trillion. The Commuter Line will be built by SOEs.

Construction of the Jakarta Mass Rapid Transit (**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 is planned to come into operation in 2018. Also, two additional bus-way corridors have been developed; 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 is guided by six policy objectives in developing the electricity sector in Indonesia:

- (i) increasing the country’s electrification ratio, or the percentage of Indonesia households that are connected to the nation’s electricity grid;
- (ii) increasing the country’s power plant capacity;
- (iii) expanding electricity transmission network;
- (iv) optimizing electricity distribution;
- (v) improving the energy mix by reducing oil utilization in power generation; and
- (vi) developing renewable energy sources such as hydro, geothermal, solar and wind.

Electricity consumption in Indonesia increased at a rate of 6.5% per year between 2011 and 2015. As of October 31, 2016, Indonesia’s total electricity generating capacity was approximately 57.6 gigawatts.

To achieve the Government’s goal of a 96.6% electrification ratio by 2019, the country will need to develop power plants with additional generating capacity of approximately 35 gigawatts. Of this goal, as of September 30, 2016:

- 195 MW were in operation;

- 8,215 MW were under construction;
- 9,790 MW has entered into power purchase agreements but not yet achieved financial close;
- 10,844 MW were in the procurement stage; and
- 7,640 MW were in the planning stage.

Telecommunications

The Government is also aiming to reduce the digital divide between rural and urban areas. The Indonesia Broadband Plan (**IBP**) 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 final draft of the IBP was issued at the end of 2013. Over the period spanning 2013 to 2017, the main infrastructure policies under IBP include developing the national broadband ecosystem and infrastructure, increasing availability of national broadband access, reducing dependency on international systems and driving content development.

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 most recent Negative Investment List.

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 described in the Government's economic policy packages *See "Recent Developments — Economic Policy Packages in 2015-2016."*

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 (**FDI**) statistical data published by Bank Indonesia are not comparable to the "administrative" FDI 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 December 31,					Nine Months Ended
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
	(in millions of U.S. Dollars)					
Direct Investments						
Equity Capital	16,278	18,615	20,004	21,895	19,577	13,416
Debt instrument	4,287	2,586	3,278	3,225	645	336
Total direct investments	20,565	21,201	23,282	25,121	20,222	13,752
Portfolio investments:						
Equity securities	(326)	1,698	(1,856)	3,259	-1,547	2,618
Debt securities	5,322	12,976	14,001	20,221	19,226	14,435
Total portfolio investments	4,996	14,673	12,145	23,480	17,680	17,053
Financial derivatives	(458)	(320)	(679)	(597)	-647	-682
Other investments	4,954	7,275	2,645	7,699	1,350	-7,140
Total foreign investment	30,057	42,829	37,393	55,702	38,605	22,983

Source: Bank Indonesia

^P Preliminary.

Foreign Direct Investment

The following table sets out the amounts of foreign direct investments in Indonesia by non-residents.

Foreign Direct Investments

	Year Ended December 31,					Nine Months Ended
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
	(In millions of U.S. Dollars)					
Equity capital ⁽¹⁾	16,278	18,615	20,004	21,895	19,577	13,416
Debt instruments:						
Inflow	53,677	60,871	65,746	80,051	75,223	36,756
Outflow	(49,390)	(58,284)	(62,468)	(76,826)	(74,578)	(36,420)
Total debt instruments	4,287	2,586	3,278	3,225	645	336
Total direct investments	20,565	21,201	23,282	25,121	20,222	13,752
Memorandum:						
Direct investment in Indonesia	19,241	19,138	18,817	21,811	17,084	10,618

Source: Bank Indonesia

^P Preliminary.

⁽¹⁾ Includes privatization and banking restructuring.

In 2013, FDI increased from U.S.\$21.2 billion in 2012 to U.S.\$23.3 billion. The majority of net FDI inflows were from Singapore, Japan, the United Kingdom, the United States and South Korea. The main contributions to FDI inflows came from investments in the manufacturing, mining and transportation sectors.

In 2014, FDI inflows remained robust, boosted by positive investor confidence in Indonesia's economic outlook. FDI was U.S.\$25.1 billion, which was higher than the inflows in 2013, which amounted to U.S.\$23.3 billion. Increased inflows were registered as FDI 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 FDI surplus generated in 2014. During this period, the majority of net FDI inflows 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 so that FDI registered a U.S.\$20.2 billion surplus. Nevertheless, in line with the slowdown in the domestic economy, the 2015 surplus decreased from the previous year which reached U.S.\$25.1 billion.

Despite a challenging global economic environment, net inflows of FDI were U.S.\$13.8 billion, for the nine months ended September 30, 2016.

Foreign Portfolio Investment

The following table sets out the amounts of foreign portfolio investments in Indonesia by non-residents.

Foreign Portfolio Investments

	Year Ended December 31,					Nine Months Ended
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
	(in millions of U.S. dollars)					
Equity securities:						
Inflows	30,419	51,527	61,640	51,200	44,763	39,615
(Outflows)	(30,745)	(49,829)	(63,496)	(47,940)	(46,310)	(36,997)
Net equity securities	(326)	1,698	(1,856)	3,259	(1,547)	2,618
Debt securities (net)	5,322	12,976	14,001	20,221	19,226	14,435
Total portfolio investments	<u>4,996</u>	<u>14,673</u>	<u>12,145</u>	<u>23,480</u>	<u>17,680</u>	<u>17,053</u>

Source: Bank Indonesia

^P Preliminary.

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 December 31,					Nine Months Ended
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
	(in millions of U.S. dollars)					
Loans						
Bank sector:						
Disbursements	3,724	2,836	5,735	8,436	8,663	1,895
Debt repayments	(1,803)	(2,440)	(4,051)	(5,885)	(7,402)	(4,024)
Total bank sector	1,920	396	1,684	2,551	1,261	(2,129)
Corporate sector:						
Disbursements	22,519	31,360	26,394	29,058	21,567	11,018
Debt repayments	(19,197)	(28,358)	(25,283)	(22,824)	(22,088)	(14,190)
Total corporate sector	3,321	3,001	1,111	6,234	(521)	(3,172)
Other (net) ⁽¹⁾	(288)	3,878	(151)	(1,086)	610	(1,839)
Total other investments	<u>4,954</u>	<u>7,275</u>	<u>2,645</u>	<u>7,699</u>	<u>1,350</u>	<u>(7,140)</u>

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.

Direct Investment Realizations

Foreign Direct Investment

In 1973, the Republic established the BKPM 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 comprises a list of 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" FDI statistical data published by the BKPM and "Balance of Payment" FDI statistical data published by Bank Indonesia are not comparable. As the BKPM calculates the amount of realized foreign direct investment using different criteria than those used by Bank Indonesia, the data regarding realized foreign direct investments is not comparable to those under "*Foreign Investment in Indonesia*."

Beginning in 2010, realized administrative FDI statistics were compiled based on investment progress reports, rather than permanent licenses issued by the BKPM. The objective of this new methodological approach (*Laporan Kegiatan Penanaman Modal*, or **LKPM** methodology) was to provide FDI statistical data of investment activities on the reporting periods. LKPM data is a "flow" concept in which data is collected from quarterly investor progress reports. The LKPM methodology has been adopted for both domestic and foreign capital as it more accurately reflects realized investment flows by recording investments as they occur as opposed to cumulatively, as was previously the case. However, the LKPM methodology still has the effect of understating actual realized FDI because not all investors file investment progress reports regularly. Under the LKPM methodology, investment companies whose projects are still under development need to submit investment progress reports every quarter (instead of every six months, as previously required) and investment companies which have obtained a permanent license are required to submit investment progress reports every six months (instead of annually, as previously required).

The following table sets forth the amount of realized FDI by sector of the economy for the periods indicated.

Realized Foreign Direct Investment by Sector⁽¹⁾

	Year Ended December 31,					Nine Months Ended
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
	(in millions of U.S. dollars)					
Primary Sector						
Food Crops & Plantation	1,222	1,602	1,605	2,207	2,072	1,107
Livestock	21	20	11	31	75	39
Forestry	10	27	29	53	19	76
Fishery	10	29	10	35	53	33
Mining	3,619	4,255	4,817	4,665	4,017	1,668
Total Primary Sector	<u>4,883</u>	<u>5,933</u>	<u>6,472</u>	<u>6,991</u>	<u>6,236</u>	<u>2,923</u>
Secondary sector:						
Food Industry	1,105	1,783	2,118	3,140	1,521	1,621
Textile Industry	497	473	751	422	433	277
Leather Goods & Footwear Industry	255	159	96	211	162	132
Wood Industry	51	76	39	64	47	130
Paper and Printing Industry	258	1,307	1,169	706	707	2,561
Chemical and Pharmaceutical Industry . .	1,467	2,770	3,142	2,323	1,956	2,143
Rubber and Plastic Industry	370	660	472	544	694	478
Non Metallic Mineral Industry	137	146	874	917	1,303	875
Metal, Machinery & Electronic Industry	1,773	2,453	3,327	2,472	3,092	2,822
Medical Precision & Optical Instruments, Watches & Clock Industry	42	3	26	7	7	9
Motor Vehicles & Other Transport Equipment Industry	770	1,840	3,732	2,061	1,757	1,993
Other Industry	65	100	112	152	83	53
Total Secondary Sector	<u>6,790</u>	<u>11,770</u>	<u>15,859</u>	<u>13,019</u>	<u>11,763</u>	<u>13,094</u>
Tertiary sector:						
Electricity, Gas & Water Supply	1,865	1,515	2,222	1,249	3,029	1,277
Construction	354	240	527	1,384	955	138
Trade & Repair	826	484	606	866	625	488
Hotel & Restaurant	242	768	463	513	650	667
Transport, Storage & Communication . . .	3,799	2,808	1,450	3,001	3,290	557
Real Estate, Ind. Estate & Business Activities	199	402	678	1,168	2,434	1,674
Other Services	517	646	342	337	294	643
Total Tertiary Sector	<u>7,802</u>	<u>6,862</u>	<u>6,286</u>	<u>8,519</u>	<u>11,276</u>	<u>5,444</u>
Total	<u>19,475</u>	<u>24,565</u>	<u>28,617</u>	<u>28,529</u>	<u>29,276</u>	<u>21,461</u>

Source: BKPM

^P Preliminary.

⁽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.

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 December 31,					Nine Months Ended
	2011	2012	2013	2014	2015 ^P	September 30,
	(in billions of Rupiah)					2016 ^P
Primary sector:						
Food Crops & Plantation	9,367	9,631	6,589	12,707	12,041	16,949
Livestock	247	97	361	651	325	408
Forestry	13	145	—	—	472	198
Fishery	0	15	4	22	275	3
Mining	6,899	10,481	18,762	3,141	3,947	2,600
Total Primary Sector	16,526	20,369	25,716	16,521	17,060	20,159
Secondary sector:						
Food Industry	7,941	11,167	15,081	19,596	24,534	24,005
Textile Industry	999	4,451	2,446	1,451	2,725	2,878
Leather Goods & Footwear Industry	14	77	80	103	5	69
Wood Industry	515	57	391	585	1,185	3,015
Paper and Printing Industry	9,296	7,561	6,849	4,094	6,529	3,478
Chemical and Pharmaceutical Industry	2,712	5,069	8,886	1,314	20,712	17,200
Rubber and Plastic Industry	2,296	2,855	2,905	2,117	3,696	3,171
Non Metallic Mineral Industry.	7,441	10,731	4,625	11,923	20,502	13,730
Metal, Machinery & Electronic Industry	6,787	7,226	7,568	5,293	7,938	5,837
Medical Precision & Optical Instruments, Watches & Clock Industry	—	—	10	—	—	4
Motor Vehicles & Other Transport Equipment Industry	529	664	2,183	490	1,071	1,334
Other Industry	5	31	148	68	147	689
Total Secondary Sector	38,534	49,889	51,171	59,034	89,045	75,410
Tertiary sector:						
Electricity, Gas & Water Supply	9,135	3,797	25,831	36,297	21,947	11,325
Construction	598	4,587	6,033	12,098	17,165	9,230
Trade & Repair	329	1,030	2,205	518	1,427	4,113
Hotel & Restaurant	394	1,015	1,402	1,731	3,977	1,380
Transport, Storage & Communication	8,130	8,612	13,178	14,715	21,334	25,376
Real Estate, Ind. Estate & Business Activities	733	58	2,152	13,112	6,510	8,610
Other Services	1,622	2,825	462	1,100	1,001	2,521
Total Tertiary Sector	20,941	21,924	51,264	79,693	73,361	62,556
Total	76,001	92,182	128,151	155,245	179,466	158,123

Source: BKPM

^P Preliminary.

⁽¹⁾ Excludes domestic 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.

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. 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.

ASEAN Member States have entered into six free trade agreements, namely: the ASEAN Trade in Goods Agreement (**ATIGA**), the ASEAN-China Free Trade Agreement (**ACFTA**), the ASEAN-Korea Free Trade Agreement (**AKFTA**), the ASEAN-Japan Closer Economic Partnership (**AJCEP**), the ASEAN-India Free Trade Agreement (**AIFTA**) and the ASEAN-Australia and New Zealand Free Trade Agreement (**AANZFTA**). In addition, Indonesia has entered into two bilateral trade agreements: the Indonesia-Japan Economic Partnership Agreement (**IJ-EPA**) and the Indonesia-Pakistan Preferential Trade Agreement (**IP-PTA**). These free trade agreements covers 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 is currently in different stages of negotiations.

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 AJCEP, the AIFTA, the AANZFTA, the IJ-EPA and the IP-PTA.

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 March 1, 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.

	Year Ended December 31,					Nine Months Ended
	2011	2012	2013	2014	2015^P	September 30,
	(in millions of U.S. dollars)					2016^P
Exports:						
Oil and gas exports (f.o.b.)	38,067	35,571	33,588	28,752	16,424	9,423
Non-oil and gas exports (f.o.b.) ..	153,042	151,775	148,501	146,541	131,941	94,920
Total exports (f.o.b.)	191,109	187,347	182,089	175,293	148,365	104,344
Total imports (c.i.f.)	(167,048)	(189,138)	(186,186)	(177,813)	(142,379)	(98,792)
Balance of trade	24,060	(1,791)	(4,097)	(2,520)	5,986	5,551

Source: Bank Indonesia

^P Preliminary.

⁽¹⁾ Indonesia's trade statistics, which are used as a basis for the balance of payments statistics, are compiled by Bank Indonesia and differ in coverage and timing from similarly titled data compiled by BPS.

In 2013, Indonesia recorded a trade deficit of U.S.\$4.1 billion, which was an increase from the deficit of U.S.\$1.8 billion recorded in 2012. Exports decreased by 2.8% as a result of the global economic slowdown, with weaker growth in emerging market countries reducing demand for Indonesia's exports. Exports contracted further because of the simultaneous deterioration in Indonesia's terms of trade and downward movement in global commodity prices. In addition, structural problems related to the export of natural resource-based commodities and worsening terms of trade resulted in the weaker performance of Indonesia's commodity exports. At the same time, although imports registered a negative growth of 1.6%, overall imports remained high as domestic production was unable to keep pace with the burgeoning demand from the middle class, particularly in relation to technological goods. Oil imports remained high due to heavy reliance on imported oil in the national energy supply structure.

In 2014, Indonesia recorded a trade deficit of U.S.\$2.5 billion, which was smaller than the 2013 deficit. This improvement was attributable to a steeper contraction in imports of 4.5% (year-on-year) than in exports of 3.7% (year-on-year). 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.\$6.0 billion caused by a decrease in imports of 19.9% (year-on-year), which was larger than the decrease in exports of 15.4% (year-on-year). 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 the nine months ended September 30, 2016, Indonesia recorded a trade surplus of U.S.\$5.6 billion, caused by a decrease in imports of 8.4% (year-on-year) to U.S.\$98.8 billion, which was higher than the decrease in exports of 8.1% (year-on-year) to U.S.\$104.3 billion. Exports contracted at a lower rate compared to the previous period in 2015, primarily due to improvements in commodity prices such as coal and palm oil resulting in higher coal and palm oil exports, especially in the third quarter of 2016.

The following table sets forth Indonesia's exports by major commodity groups for the periods indicated.

Exports by Sector

	Year Ended December 31,					Nine Months Ended September 30,
	2011	2012	2013	2014	2015 ^P	2016 ^P
	(in thousands of U.S. Dollars)					
General merchandise	189,432,260	185,337,265	180,293,992	173,759,963	146,965,227	103,348,113
Agricultural						
Coffee bean	1,030,338	1,241,922	1,166,406	1,030,826	1,210,617	644,172
Tea	136,366	126,754	131,112	108,843	89,969	63,805
Spices	430,320	631,746	554,137	577,627	780,981	453,197
Tobacco	61,037	60,791	93,458	82,397	58,878	35,288
Cocoa bean	616,202	388,326	443,372	201,407	118,047	65,823
Shrimp and prawn	1,064,620	1,111,388	1,467,208	1,786,335	1,331,640	1,069,343
Other agricultural products	1,738,979	2,023,351	1,931,996	2,139,877	2,174,509	1,546,146
Total Agricultural products	5,077,862	5,584,278	5,787,688	5,927,312	5,764,642	3,877,774
Manufacture products						
Textile and Textile products	13,172,828	12,510,222	12,770,966	12,847,055	12,338,750	8,981,361
Processed wood products	3,244,615	3,338,150	3,510,392	3,906,760	3,813,415	2,710,943
Palm oils	16,709,854	17,685,127	16,518,525	17,461,545	15,402,551	9,425,808
Chemicals	4,579,567	3,634,536	3,498,625	3,851,429	2,805,673	2,225,737
Base metal products	10,774,417	9,303,974	8,614,179	9,085,294	7,580,115	5,316,135
Electrical apparatus, measuring instruments and others	8,592,466	11,157,423	10,716,148	10,108,187	8,777,604	6,215,216
Cement	57,724	20,050	49,657	37,365	62,539	58,248
Paper and paper products	4,144,400	3,938,382	3,732,138	3,779,966	3,599,154	2,585,324
Processed rubber	14,083,724	10,368,180	9,306,376	7,022,184	5,843,690	4,025,620
Oil products ⁽¹⁾	4,067,730	3,270,001	3,846,251	3,165,942	1,401,627	468,817
Liquefied Petroleum Gas ⁽¹⁾	294,528	9,176	10,534	4,538	12,231	10,361
Other manufacture products	36,101,426	40,215,423	40,604,203	47,338,146	44,550,999	35,465,399
Total Manufacture products	115,823,279	115,450,644	113,177,996	118,608,410	106,188,347	77,488,970
Mining products						
Copper ore	4,706,934	2,565,990	2,999,560	1,673,548	3,277,196	2,459,362
Nickel ore	1,333,171	1,458,409	1,677,366	85,913	0	0
Coal	26,924,584	26,248,270	24,359,167	20,818,030	16,004,035	10,057,531
Bauxite	767,138	637,597	1,318,775	47,742	744	271
Crude oil ⁽¹⁾	14,166,567	12,723,142	12,187,863	8,839,625	5,641,245	3,725,292
Natural Gas ⁽¹⁾	18,196,212	17,670,962	15,689,119	14,941,959	8,579,347	4,768,445
o/w Liquefied Natural Gas	12,961,524	11,943,550	10,568,458	10,293,714	6,134,938	3,556,480
Other mining products	538,971	455,659	591,546	213,410	182,769	136,971
Total Mining products	66,633,576	61,760,030	58,823,397	46,620,227	33,685,337	21,147,870
Other merchandise ⁽²⁾	1,897,544	2,542,314	2,504,910	2,604,014	1,326,902	833,499
Other goods ⁽³⁾	1,676,441	2,009,286	1,795,235	1,532,832	1,399,827	995,243
Total Exports	191,108,702	187,346,552	182,089,227	175,292,795	148,365,055	104,343,356
Memorandum:						
Non oil & gas exports	153,042,038	151,775,044	148,500,805	146,540,725	131,940,836	94,920,161
Oil & gas exports	38,066,672	35,571,432	33,588,422	28,752,069	16,424,219	9,423,195

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.

The table below sets forth Indonesia's exports by destination for the periods indicated.

Exports by Destination

	Year Ended December 31,					Nine Months Ended September 30,
	2011	2012	2013	2014	2015 ^P	2016 ^P
	(in thousands of U.S. Dollars)					
America						
North America						
United States of America	16,130,055	14,765,254	15,622,136	16,502,799	15,965,164	11,836,159
Canada	946,635	787,624	775,984	754,367	724,445	546,490
Other North America	836	1,185	1,626	1,174	1,238	1,272
Total North America	17,077,526	15,554,063	16,399,745	17,258,340	16,690,847	12,383,922
Central and South America						
Argentina	354,038	310,678	448,181	237,167	238,132	164,337
Brazil	1,665,021	1,529,742	1,569,342	1,517,378	1,166,218	827,557
Mexico	597,834	594,865	625,022	814,494	802,893	587,530
Other Central and South America	1,167,304	1,153,932	1,127,463	1,165,225	1,044,492	791,214
Total Central and South America	3,784,197	3,589,217	3,770,009	3,734,264	3,251,736	2,370,639
Total America	20,861,723	19,143,280	20,169,754	20,992,604	19,942,583	14,754,560
Europe						
European Union						
Netherlands	4,809,674	4,546,619	4,099,858	3,981,353	3,432,577	2,241,879
Belgium	1,348,769	1,293,102	1,254,708	1,217,227	1,108,544	832,513
United Kingdom	1,627,848	1,679,815	1,618,871	1,659,576	1,521,994	1,178,490
Italy	2,995,990	2,279,791	2,121,981	2,288,020	1,871,943	1,173,726
Germany	3,201,828	3,064,521	2,862,481	2,820,475	2,654,242	1,931,155
France	1,049,478	1,116,351	1,053,698	1,018,400	971,332	640,860
Spain	2,231,984	2,059,230	1,806,692	1,938,255	1,476,585	1,083,117
Other European Union	2,027,124	1,814,223	1,886,988	1,996,538	1,763,808	1,354,039
Total European Union	19,292,694	17,853,652	16,705,277	16,919,845	14,801,026	10,435,778
Russia	852,039	866,396	934,132	1,056,775	993,581	932,997
Turkey	1,423,668	1,361,964	1,537,295	1,447,167	1,159,227	760,914
Other Europe	900,788	819,235	913,110	693,214	1,552,167	2,416,315
Total Europe	22,469,189	20,901,247	20,089,814	20,117,001	18,506,001	14,546,004
Asia and Middle East						
ASEAN						
Brunei Darussalam	65,327	116,854	88,505	98,873	85,589	65,707
Philippines	3,686,766	3,667,656	3,774,591	3,887,862	3,920,827	3,810,215
Cambodia	266,448	290,684	317,085	416,644	429,207	311,017
Lao PDR	10,613	23,736	5,086	6,212	7,135	4,501
Malaysia	10,579,133	11,000,550	10,475,415	9,454,669	7,482,547	4,949,770
Myanmar	322,090	412,643	576,497	587,710	612,315	428,853
Singapore	12,188,436	16,138,033	15,724,945	15,648,800	11,819,339	8,344,518
Thailand	4,946,490	6,491,642	6,051,348	5,762,720	5,395,787	3,934,877
Vietnam	2,258,382	2,266,667	2,558,864	2,443,990	2,716,595	1,996,674
Total ASEAN	34,323,685	40,408,467	39,572,336	38,307,481	32,469,340	23,846,131
Hong Kong SAR	3,078,247	2,644,935	2,646,008	2,760,064	2,048,572	1,562,718
India	13,215,101	12,500,116	12,969,881	12,242,603	11,635,073	7,121,672
Iraq	148,874	44,886	171,973	70,480	94,987	63,666
Japan	32,262,656	28,968,734	26,677,721	20,802,334	17,119,154	10,957,541
South Korea	14,613,206	14,269,724	11,260,652	10,079,871	7,135,116	4,891,692
Pakistan	917,913	1,377,718	1,412,462	2,048,086	1,988,062	1,406,314
People Republic of China	23,118,704	21,523,958	22,425,902	17,301,903	14,464,292	10,969,351
Saudi Arabia	1,372,845	1,767,167	1,728,619	2,155,351	2,060,074	1,018,006
Taiwan, Province of China	6,470,164	6,044,791	5,792,218	7,924,755	5,499,952	3,138,236
Other Asia and Middle East	6,568,274	5,166,760	4,987,194	7,186,956	6,159,489	3,987,605
Total Asia and Middle East	136,089,668	134,717,255	129,644,966	120,879,884	100,674,112	68,962,931
Australia and Oceania						
Australia	4,933,967	4,718,098	4,344,740	5,000,046	3,634,500	2,542,488
New Zealand	468,210	356,826	444,951	481,487	438,681	264,213
Other Australia and Oceania	401,999	373,454	488,064	367,443	345,654	253,438
Total Australia and Oceania	5,804,177	5,448,377	5,277,755	5,848,975	4,418,835	3,060,139
Africa						
South Africa	1,409,167	1,642,411	1,245,443	1,378,907	665,661	566,743
Other Africa	2,577,234	2,951,669	3,156,584	3,479,381	2,838,590	1,635,479
Total Africa	3,986,401	4,594,079	4,402,028	4,858,288	3,504,251	2,202,222
Unclassified exports⁽¹⁾	1,897,544	2,542,314	2,504,910	2,596,043	1,319,272	817,499
Total (f.o.b.)	191,108,701	187,346,552	182,089,227	175,292,795	148,365,055	104,343,356

Source: Bank Indonesia

^P Preliminary.

⁽¹⁾ Consists of goods procured in ports by carriers and merchandising goods.

The following table sets forth Indonesia's imports by major commodity groups for the periods indicated.

Imports by Sector⁽¹⁾

	Year Ended December 31,					Nine Months Ended September 30,
	2011	2012	2013	2014	2015 ^P	2016 ^P
	(in thousands of U.S. Dollars)					
General Merchandise	166,977,265	189,094,827	186,153,764	177,787,488	141,672,713	98,544,719
Consumption Goods						
Food and beverages, primary, mainly for household	1,832,692	1,537,179	1,394,325	1,541,254	1,320,173	1,258,304
Food and beverages, processed, mainly for household	3,533,437	2,759,331	2,812,575	2,750,512	2,332,869	2,172,505
Passenger motor cars	872,628	1,498,307	1,171,510	784,431	583,152	473,050
Transport equipment, nonindustrial	555,433	367,729	383,485	268,909	243,873	101,698
Durable consumer goods	1,192,777	1,592,871	1,624,973	1,415,739	1,073,667	882,225
Semi-durable consumer goods	1,501,594	1,921,446	2,150,785	1,952,560	1,965,991	1,610,041
Non-durable consumer goods	1,490,297	1,910,634	2,154,691	2,158,041	2,023,181	1,607,561
Fuels and lubricants, processed, oil products ⁽²⁾	11,465,941	13,720,367	14,736,636	14,504,300	8,181,422	3,781,873
Goods not elsewhere specified	167,147	224,769	450,718	531,831	737,074	609,830
Total Consumption Goods	22,611,945	25,532,632	26,879,699	25,907,577	18,461,404	12,497,086
Raw materials and auxiliary goods						
Food and beverages, primary, mainly for industry	4,112,931	4,005,713	4,348,635	4,934,923	4,100,987	3,378,687
Food and beverages, processed, mainly for industry	3,261,887	3,317,376	3,294,925	3,247,084	2,726,501	2,364,757
Industrial supplies, primary	6,679,561	5,480,589	6,180,739	5,967,884	4,616,310	2,859,800
Industrial supplies, processed	49,204,480	58,236,091	56,624,346	56,247,051	49,421,677	34,986,214
Parts and accessories for capital goods	13,831,250	18,011,245	17,191,495	15,552,758	14,628,024	11,097,306
Parts and accessories for transport equipment	6,617,550	8,267,873	8,980,793	7,128,761	6,139,368	4,724,183
Fuels and lubricants, primary	10,923,734	11,008,146	13,322,222	12,896,531	8,011,548	5,395,910
o/w Crude oil ⁽²⁾	10,905,440	10,987,073	13,236,094	12,600,220	7,725,385	5,181,632
Fuels and lubricants, processed	18,519,887	18,405,384	17,706,610	15,702,783	8,292,444	4,875,277
o/w Oil products ⁽²⁾	16,590,030	15,540,944	14,408,358	12,442,784	6,057,936	3,406,493
o/w Liquefied Petroleum Gas ⁽²⁾	1,708,094	2,626,816	3,094,502	3,039,246	2,061,615	1,309,229
Total Raw materials and auxiliary goods	113,151,281	126,732,417	127,649,765	121,677,775	97,936,858	69,682,134
Capital Goods						
Capital goods (except transport equipment)	22,301,038	26,642,473	25,541,302	25,570,739	22,424,297	14,244,204
Passenger motor cars	872,628	1,498,307	1,171,510	784,431	583,152	473,050
Other transport equipment, industrial	7,316,357	7,945,543	4,196,809	3,093,174	1,847,542	1,298,358
Total Capital Goods	30,490,023	36,086,323	30,909,621	29,448,344	24,854,992	16,015,612
Other merchandise⁽³⁾	724,016	743,455	714,679	753,791	419,459	349,886
Other goods⁽⁴⁾	71,097	43,071	32,398	25,620	706,213	247,701
Total	167,048,361	189,137,898	186,186,162	177,813,107	142,378,926	98,792,419

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 goods.

The following table sets forth Indonesia's imports by country of origin for the periods indicated.

Imports by Place of Origin⁽¹⁾

	Year Ended December 31,					Nine Months Ended September 30,
	2011	2012	2013	2014	2015 ^P	2016 ^P
	(in thousands of U.S. Dollars)					
America						
North America						
United States of America	9,189,605	9,701,647	8,966,943	8,139,708	7,608,621	5,379,644
Canada	1,998,380	1,809,859	2,104,103	1,908,631	1,621,298	1,039,500
Other North America	5,759	15,931	1,094	111,336	1,756	1,395
Total North America	11,193,744	11,527,437	11,072,140	10,159,676	9,231,676	6,420,539
Central and South America						
Argentina	1,584,193	1,749,601	1,683,663	1,465,715	1,298,541	998,112
Brazil	1,789,701	1,934,842	2,205,400	2,548,178	2,425,680	1,665,839
Mexico	394,537	566,649	516,890	186,888	197,406	137,253
Other Central and South America	858,496	561,260	600,191	540,815	392,383	327,391
Total Central and South America	4,626,927	4,812,353	5,006,144	4,741,596	4,314,010	3,128,595
Total America	15,820,672	16,339,789	16,078,284	14,901,271	13,545,685	9,549,134
Europe						
European Union						
Netherlands	809,563	845,501	999,770	912,737	794,586	518,334
Belgium	575,936	618,879	652,619	583,997	560,461	365,377
United Kingdom	1,030,795	1,280,884	1,063,795	899,185	816,947	612,926
Italy	1,092,190	1,508,328	1,692,133	1,720,992	1,417,856	1,012,904
Germany	3,099,593	4,050,293	4,389,557	4,104,817	3,453,948	2,260,834
France	1,580,843	1,638,856	1,568,430	1,334,831	1,337,879	1,027,224
Spain	391,004	521,227	573,305	555,106	473,990	370,955
Other European Union	2,548,168	3,144,422	2,704,189	2,646,741	2,484,948	1,654,364
Total European Union	11,128,092	13,608,391	13,643,796	12,758,406	11,340,613	7,822,916
Russia	1,255,824	1,743,576	2,038,204	1,583,207	983,680	587,871
Turkey	547,384	409,525	1,409,107	1,035,394	249,109	216,605
Other Europe	1,541,811	1,679,654	1,717,109	1,408,827	1,335,978	1,305,584
Total Europe	14,473,111	17,441,145	18,808,216	16,785,834	13,909,380	9,932,977
Asia and Middle East						
ASEAN						
Brunei Darussalam	1,072,833	480,349	677,923	610,286	126,168	64,095
Philippines	759,631	801,738	775,382	694,808	684,289	613,417
Cambodia	7,324	11,053	17,752	18,722	21,133	19,309
Lao PDR	1,292	3,278	7,543	51,265	1,027	3,049
Malaysia	10,152,616	12,786,250	13,878,131	10,714,357	8,464,345	5,265,859
Myanmar	69,558	63,359	72,997	122,243	159,685	85,693
Singapore	23,132,138	27,435,575	26,687,954	24,699,196	17,784,006	10,386,229
Thailand	10,302,740	11,369,461	10,721,002	9,770,883	8,074,329	6,670,898
Vietnam	2,404,867	2,543,876	2,686,495	3,399,903	3,146,337	2,344,417
Total ASEAN	47,902,999	55,494,939	55,525,180	50,081,662	38,461,319	25,452,967
Hong Kong SAR	2,338,465	1,897,323	1,956,494	1,892,903	1,806,733	1,238,859
India	4,239,683	4,310,220	3,960,489	3,937,401	2,742,320	2,015,096
Iraq	703	200	49	342	243	96
Japan	18,581,923	22,674,852	19,188,165	16,866,526	13,255,694	9,517,306
South Korea	13,134,515	12,238,061	11,761,514	11,732,612	8,424,260	4,956,881
Pakistan	205,643	271,276	162,555	158,655	173,600	99,176
People Republic of China	25,029,568	29,486,325	29,792,501	30,631,469	29,381,441	21,985,572
Saudi Arabia	5,767,637	5,447,047	6,929,195	6,343,400	3,332,183	2,009,714
Taiwan, Province of China	4,123,106	4,731,457	4,488,642	3,748,062	3,145,310	2,156,687
Other Asia and Middle East	5,257,022	6,879,661	5,840,125	8,180,995	4,617,161	2,643,870
Total Asia and Middle East	126,581,269	143,431,361	139,604,909	133,574,026	105,340,264	72,076,225
Australia and Oceania						
Australia	4,989,574	5,227,751	5,088,023	5,637,313	4,811,041	3,703,307
New Zealand	726,069	692,249	796,396	837,703	637,396	487,062
Other Australia and Oceania	44,223	69,803	86,192	42,249	29,367	27,534
Total Australia and Oceania	5,759,866	5,989,802	5,970,611	6,517,265	5,477,803	4,217,903
Africa						
South Africa	689,390	650,838	624,337	477,411	231,880	200,702
Other Africa	3,000,043	4,541,508	4,385,126	4,803,509	3,454,454	2,465,592
Total Africa	3,689,433	5,192,346	5,009,463	5,280,920	3,686,335	2,666,294
Unclassified imports⁽²⁾	724,016	743,455	714,679	753,791	419,459	349,886
Total	<u>167,048,361</u>	<u>189,137,898</u>	<u>186,186,162</u>	<u>177,813,107</u>	<u>142,378,926</u>	<u>98,792,419</u>

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 December 31,					Nine Months Ended September 30,
	2011	2012	2013	2014	2015 ^P	2016 ^P
	(in millions of U.S. Dollars)					
Current account	1,685	(24,418)	(29,109)	(27,510)	(17,586)	(14,255)
Goods ⁽²⁾	33,825	8,680	5,833	6,983	13,289	10,401
Total exports (f.o.b.)	191,109	187,346	182,089	175,293	148,365	104,344
Non-oil and gas exports	153,042	151,775	148,501	146,541	131,941	94,920
Oil and gas exports	38,067	35,571	33,588	28,752	16,424	9,423
Total imports (f.o.b.)	(157,284)	(178,667)	(176,256)	(168,310)	(135,076)	(93,943)
Non-oil and gas imports	(118,567)	(137,857)	(132,959)	(127,729)	(112,189)	(80,924)
Oil and gas imports	(38,717)	(40,810)	(43,297)	(40,582)	(22,887)	(13,019)
Services	(9,803)	(10,564)	(12,070)	(10,010)	(8,301)	(4,861)
Primary income	(26,547)	(26,628)	(27,050)	(29,703)	(28,083)	(23,274)
Secondary income	4,211	4,094	4,178	5,220	5,508	3,479
Capital account	33	51	45	27	17	9
Financial account	13,603	24,858	21,926	44,916	16,772	21,409
(i) Public sector	(1,215)	7,030	9,730	14,136	17,292	13,817
Portfolio investment	1,045	4,577	11,105	18,345	17,761	17,041
Assets	218	(4,674)	848	2,965	392	1,699
Liabilities	827	9,251	10,257	15,380	17,369	15,343
Other investment	(2,260)	2,453	(1,376)	(4,209)	(469)	(3,224)
Assets	(2)	(1)	0	0	0	(269)
Liabilities	(2,258)	2,453	(1,376)	(4,209)	(469)	(2,955)
Loans	(2,040)	(2,220)	(527)	(1,243)	(77)	(1,257)
Drawings	3,428	3,332	4,947	4,035	4,829	2,241
Repayments	(5,468)	(5,553)	(5,474)	(5,278)	(4,906)	(3,497)
Other liabilities	(218)	4,674	(848)	(2,965)	(392)	(1,699)
(ii) Private sector	14,818	17,828	12,196	30,780	(520)	7,592
Direct investment	11,528	13,716	12,170	14,733	10,803	10,668
Assets	(9,037)	(7,485)	(11,112)	(10,388)	(9,419)	(3,084)
Liabilities	20,565	21,201	23,282	25,121	20,222	13,752
Portfolio investment	2,762	4,629	(233)	7,722	(1,350)	2,163
Assets	(1,408)	(793)	(2,121)	(379)	(1,660)	453
Liabilities	4,169	5,422	1,888	8,100	311	1,710
Financial derivatives	69	13	(334)	(156)	20	(75)
Other investment	459	(530)	593	8,480	(9,993)	(5,165)
Assets	(6,753)	(5,352)	(3,427)	(3,427)	(11,812)	(980)
Liabilities	7,212	4,822	4,020	11,907	1,819	(4,184)
Errors and omissions	(3,465)	(275)	(186)	(2,184)	(301)	420
Overall balance	11,857	215	(7,325)	15,249	(1,098)	7,583
Reserves and related items	(11,857)	(215)	7,325	(15,249)	1,098	(7,583)
<u>Memorandum</u>						
Reserve asset position	110,123	112,781	99,387	111,862	105,931	115,671

Source: Bank Indonesia

^P Preliminary.

(1) The use of (+) and (-) signs follows 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.

(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.

In 2013, the weakening global economy combined with the lack of support from the domestic economy led to mounting pressure on Indonesia's balance of payments. The global economic slowdown caused exports to contract further while imports remained high due to demand from middle class consumers and high oil imports. The slowdown in exports combined with the high demand for imports resulted in a widening of the current account deficit.

Amid discussions regarding the tapering of the monetary stimulus package by the U.S. monetary authority following improvements in the U.S. economy there was a gradual reduction in the supply of liquidity to emerging market countries, including Indonesia. As a result, foreign capital inflows into Indonesia began to weaken. Negative perceptions among foreign investors were exacerbated by the rising current account deficit and inflation expectations. These conditions had a negative impact on the capital and financial account surplus.

The current account deficit increased from 2.7% of GDP in March 2013 to 4.5% of GDP in June 2013. In the capital and financial account, capital outflows increased in July 2013, triggered by global concerns over the planned tapering by the U.S. monetary authority. Between the months of June to September 2013, the current account still posted a sizeable deficit at 3.9% of GDP. Capital outflows continued through August 2013 as a result of lingering concerns over tapering.

In 2013, Bank Indonesia, in conjunction with the Government, introduced a range of policies designed to bring down the current account deficit to a more sustainable level. The policies can be grouped into three major areas. The first group addressed monetary policy, consisting of a number of measures implemented by Bank Indonesia designed to influence interest rate policy, exchange rate policy and macro prudential policy. The second group of policies were to address fiscal policy, such as the reduction to the fuel subsidies and tax instruments for reducing imports. Both monetary policy and fiscal policy were directed towards managing domestic demand in order to curb excessive imports. The third group of policies related to structural policies, including those for improving the investment climate and measures to promote economic self-reliance, which in turn will support the balance of payments in the long run.

These stabilization policies successfully reduced the current account deficit. The reduction was achieved through a fall in imports following more moderate domestic demand, an increase in exports in line with improved economic growth in advanced countries and a depreciation in the exchange rate. The rebalancing of the current account deficit was further aided by increases in the capital and financial account surplus resulting from corporate drawings of foreign borrowings, withdrawals from offshore deposits held by domestic banks and stable inflows of direct investment. The surplus in the capital and financial account was sufficient to finance the current account deficit, with the result that, in the last quarter of 2013, after three straight quarters of deficit, the balance of payments returned to surplus.

Despite developments in the last quarter of 2013, the overall balance of payments in 2013 resulted in a U.S.\$7.3 billion deficit in contrast with the U.S.\$0.2 billion surplus of 2012. The 2013 balance of payments deficit reflects the influence of the current account deficit at U.S.\$29.1 billion or 3.3% of GDP, up from the 2012 deficit of U.S.\$24.4 billion or 2.8% of GDP, and a reduced capital and financial surplus from U.S.\$24.9 billion in 2012 to U.S.\$22.0 billion in 2013.

In 2014, the current account continued to improve, with the deficit falling from U.S.\$29.1 billion or 3.2% of GDP in 2013 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 compared with 2013, 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 in 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 income account deficit 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 FDI 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, a significant increase from U.S.\$12.1 billion in 2013. 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 FDI inflows compared with 2013, with the capital and financial account recording a U.S.\$44.9 billion surplus, almost double the surplus of 2013. The lower current account deficit and the higher capital and financial account surplus resulted in the balance of payments in 2014 swinging back to a surplus of U.S.\$15.2 billion from a deficit of U.S.\$7.3 billion in 2013. This surplus in turn increased international reserves from U.S.\$99.4 billion as of December 31, 2013 to U.S.\$111.9 billion as of December 31, 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.\$17.6 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.\$17.0 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 deficit was also 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 December 31, 2014 to U.S.\$105.9 billion as of December 31, 2015.

In the nine months ended September 30, 2016, the current account deficit increased compared to the previous period in 2015, but improved as a percentage of GDP, with the deficit of U.S.\$12.6 billion or 3.2% of GDP in the nine months ended September 30, 2015 falling to U.S.\$14.3 billion or 2.1% of GDP. The higher current account deficit was mainly due to lower non-oil and gas trade surplus and higher deficit in the primary income account and lower surplus in the secondary income account, each as compared to the previous period in 2015, which was partially offset by lower deficit in the services account due to a lower deficit in transportation services. The lower non-oil and gas trade surplus was partially offset by a lower oil and gas trade deficit 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 the nine months ended September 30, 2016 posted a surplus of U.S.\$21.4 billion, higher than the U.S.\$7.2 billion surplus in the same period of 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.\$7.5 billion in the nine months ended September 30, 2015 to U.S.\$10.7 billion in the nine months ended September 30, 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 Government foreign loans and net withdrawals of private sector deposits abroad.

Indonesia's overall balance of payments in the nine months ended September 30, 2016 recorded a surplus of U.S.\$7.6 billion. The surplus resulted in higher international reserves from U.S.\$105.9 billion as of December 31, 2015 to U.S.\$115.7 billion as of September 30, 2016. International reserves relatively stable to U.S.\$115.0 billion as of October 31, 2016.

Financial System

Indonesia Deposit Insurance Corporation and Liquidity Support

Since September 2005, the Indonesia Deposit Insurance Corporation (**IDIC**) has acted to protect bank depositors and actively promote financial stability. The prevailing IDIC coverage is up to Rp2 billion for each

depositor in any one bank. The IDIC membership is compulsory for every bank conducting business in Indonesia. 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 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, IDIC, 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 the Law on Financial System Crisis Prevention and Management, 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 Banking System

The Government's policies for the banking sector emphasize the strengthening of the banking system.

The law governing Bank Indonesia was amended in 2004 to, among other things, provide that Bank Indonesia shall 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 (the **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 December 31, 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 Financial System Crisis Prevention and Management 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 September 2016. These cover (i) raising the quality of regulatory capital, (ii) setting a minimum Tier 1 and CET 1 ratio of 6% and 4.5%, respectively, as well as a minimum capital requirement based on risk profile between 8% to 14%, 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 of September 30, 2016, total banking assets were Rp6,574.6 trillion, consisting of assets of commercial banks of Rp6,465.7 trillion and assets of rural credit banks of Rp108.9 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. 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.

The Indonesian Islamic financial industry has been developing under the regulatory authority of OJK (since December 31, 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 the 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."

OJK and Bank Indonesia have issued various regulations in order to support the growth and development of the Sharia banking industry with due observance to precautionary principles and Sharia principles.

As of September 30, 2016, the assets of Sharia banks were Rp305.3 trillion, or 4.4% of the country's total banking assets.

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 new regulation to govern the Sharia pension funds which came into force in September 2016. Under the new 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 (**2002 AML Law**), and established a financial intelligence unit, the Indonesian Financial Transaction Reports and Analysis Centre (**INTRAC**/*Pusat Pelaporan Analisis Transaksi Keuangan* or **PPATK**). The PPATK's duties were later expanded to include matters relating to countering financing of terrorism, 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 (**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 (**2010 AML Law**) and the ratification of the UN Convention against Transnational Organized Crime. The 2010 AML Law came into force on October 22, 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 various regulations as further implementation of the 2010 AML Law.

On March 13, 2013, the DPR adopted the Law No. 9 of 2013 on the Prevention and Eradication of the Financing of Terrorism (**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; (vi) the inclusion in the list of suspected terrorists and terrorist organizations; and (vii) 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.

Bank Indonesia

Bank Indonesia is the central bank of the Republic. Its 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-à-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

	Year Ended December 31,					Nine Months Ended September 30,
	2011	2012	2013	2014	2015 ^P	2016 ^P
	(in billions of Rupiah)					
Base Money (M0)	613,488	704,843	821,679	918,421	945,916	930,783
Currency in Circulation ⁽¹⁾	372,972	439,720	500,020	528,537	586,763	563,207
Commercial Banks Demand Deposits at Bank Indonesia	207,538	239,957	253,655	287,484	308,756	277,646
Private sector Demand Deposits	116	133	451	1,397	366	62
Bank Indonesia Certificates (SBI) ⁽²⁾	32,862	25,033	67,552	101,002	50,031	89,868
Factors Affecting Base Money (M0)	613,488	704,843	821,679	918,421	945,916	930,783
Net Foreign Assets	965,873	1,056,084	1,169,689	1,351,402	1,422,446	1,467,400
Claims on Non-Residents	1,015,081	1,152,721	1,279,282	1,424,331	1,529,331	1,583,233
Liabilities to Non-Resident	(49,208)	(96,636)	(109,593)	(72,929)	(106,886)	(115,832)
Claims on Other Depository Corporations	4,399	3,226	2,315	1,489	465	468
Liquidity Credits	1,521	1,137	1,016	978	56	59
Other Claims	2,878	2,089	1,300	511	409	409
Net claims on Central Government	166,928	200,520	185,249	168,098	91,814	(1,410)
Claims on Central Government	256,520	252,214	245,029	237,218	241,710	207,727
Liabilities to Central Government	(89,591)	(51,694)	(59,781)	(69,120)	(149,895)	(209,137)
Claims on Other Sectors	13,743	13,508	8,116	7,927	7,865	7,542
Claims on Other Financial Institutions	421	202	6	1	0	0
Claims on Private Sectors	13,322	13,306	8,109	7,926	7,865	7,542
Open Market Operations ⁽³⁾	(403,347)	(344,565)	(193,362)	(246,403)	(177,243)	(156,110)
Other Liabilities to Commercial & Rural Banks	(43,850)	(50,407)	(68,872)	(74,899)	(83,990)	(77,354)
Deposits included in Broad Money (M2)	—	—	—	—	—	—
Deposits excluded from Broad Money (M2)	(32)	(35)	(15)	(17)	(192)	(28)
Shares and Other Equity	(79,087)	(169,783)	(284,545)	(288,822)	(313,331)	(270,554)
Net Other items	(11,139)	(3,705)	3,106	(353)	(1,918)	(39,172)

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. Included in Base Money since October 2009.

(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 1). 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 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 September 30, 2016.

Indonesian Financial Institutions As of September 30, 2016

	<u>Number of institutions</u>	<u>Assets*</u> (in trillions of Rupiah)	<u>Percentage of total assets</u> (%)
Banking:			
Commercial banks	118	6,465.7	74.0
Rural credit banks	<u>1,629</u>	<u>108.9</u>	<u>1.2</u>
Total banking	<u>1,747</u>	<u>6,574.6</u>	<u>75.2</u>
Insurance:			
Life insurance	50	385.2	4.4
General insurance & Reinsurance	82	136.7	1.6
Social insurance ⁽¹⁾	<u>5</u>	<u>390.2</u>	<u>4.5</u>
Total insurance	<u>137</u>	<u>912.1</u>	<u>10.4</u>
Pension funds:			
Financial institution pension funds	25	60.6	0.7
Employer pension funds	<u>227</u>	<u>174.9</u>	<u>2.0</u>
Total pension funds	<u>252</u>	<u>235.5</u>	<u>2.7</u>
Finance companies ⁽²⁾⁽⁵⁾	203	477.0	5.5
Venture capital companies ⁽⁵⁾	62	10.7	0.1
Securities companies ⁽³⁾⁽⁴⁾	119	40.3	0.5
Mutual funds (collective investment schemes, not institutions) ⁽⁶⁾ ...	1,395	324.5	3.7
Credit guarantee companies	23	120.8	1.4
Pawn shops	<u>1</u>	<u>45.6</u>	<u>0.5</u>
Total	<u>3,939</u>	<u>8,741.1</u>	<u>100.0</u>

Sources: OJK

* Unaudited other than in respect of Banking, Securities Companies, and Mutual Funds.

- (1) Social insurance encompasses traffic and public transportation, health social security programs, worker social security programs and insurance for civil servants and the armed forces.
- (2) Finance companies provide financing for leasing, factoring, consumer finance and credit cards.
- (3) Excludes 25 securities companies that are not members of a securities exchange but act as broker-dealers.
- (4) Excludes the assets of customers of the securities companies.
- (5) As of August 31, 2016.
- (6) As of November 11, 2016.

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 December 31,					As of September 30,
	2011	2012	2013	2014	2015 ^P	2016 ^P
	(in trillions of Rupiah)					
Assets						
Loans	2,200.0	2,725.7	3,319.8	3,706.5	4,092.1	4,243.8
Interbank Assets	226.9	166.6	171.9	182.4	211.9	218.1
Placements at Bank Indonesia	754.0	580.7	506.5	569.0	685.6	613.3
Securities (including Government Bonds)	427.0	429.9	520.6	636.7	660.8	832.0
Equity Participation	11.0	15.1	15.7	21.0	25.6	27.6
Other Claims	63.4	176.5	183.1	245.4	155.5	219.7
Others	107.9	168.1	236.9	254.2	297.9	311.2
Total Assets	3,652.8	4,262.6	4,954.5	5,615.2	6,129.4	6,465.7
Liabilities						
Third Party Funds	2,784.9	3,225.2	3,603.6	4,114.4	4,413.1	4,604.6
Liabilities owed to Bank Indonesia ...	5.1	1.9	1.8	2.1	0.7	1.0
Interbank Liabilities	221.2	124.7	115.8	133.0	161.1	165.0
Securities	23.3	42.1	54.5	54.3	65.5	81.3
Borrowing	32.4	75.3	112.9	145.9	177.7	146.7
Other Liabilities	21.9	60.3	85.1	120.7	109.6	154.7
Guarantee Deposits	5.0	5.0	5.9	5.6	6.3	5.2
Others	150.9	202.7	352.2	317.1	383.9	418.9
Capital:						
Paid in Capital	112.7	123.3	138.1	153.4	164.3	172.9
Reserves	34.2	38.7	50.6	67.6	81.7	89.3
Current Earnings/Loss	75.1	92.8	106.7	112.2	104.6	85.8
Retained Earnings/Loss	106.7	150.0	201.1	256.6	323.8	385.9
Estimates of Additional Paid in Capital	79.4	89.4	92.6	97.9	96.2	109.7
Others	4.2	31.2	33.6	34.4	40.9	44.7
Total Liabilities	3,652.8	4,262.6	4,954.5	5,615.2	6,129.4	6,465.7

Source: Bank Indonesia up to December 31, 2013. OJK from January 1, 2014 onwards.

^P Preliminary.

The following table shows the average capital adequacy ratio of the banking system for the periods indicated:

Average Capital Adequacy Ratios

	As of December 31,					As of September 30,
	2011	2012	2013	2014	2015 ^P	2016 ^P
	(percentages)					
CAR	16.1	17.4	18.1	19.6	21.4	22.6

Source: Bank Indonesia and OJK

^P Preliminary.

Non-Performing Loans

Since the beginning of 2005, Indonesian banks have been required to calculate their 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 billion

that are made to one borrower or one similar project; (ii) loans between Rp1 billion and Rp10 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 December 31,					As of September 30,
	2011	2012	2013	2014	2015 ^P	2016 ^P
Gross NPL ratio	2.2	1.9	1.8	2.2	2.4	3.0

Source: Bank Indonesia and OJK

^P Preliminary.

Capital Markets and Capital Markets Regulation

The Indonesian capital markets are regulated by the OJK. OJK 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 (**DJLK**) were merged into a single unit on December 31, 2012.

The regulatory framework for the Indonesian capital markets is provided by the Capital Markets Law No. 8 of 1995 on Capital Markets (the **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 September 30, 2016.

Indonesian Stock Exchange

	IDX
Market capitalization (in trillions of Rupiah)	5,799.22
Listed shares (in billions of shares)	3,835.69
Average daily transaction value (in billions of Rupiah)	7,641
Average daily transaction volume (in millions of shares)	7,002

Source: OJK and IDX

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 have 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 (**JII**) and the Indonesia Sharia Stock Index (**ISSI**).

The JII is a stock market index established on the Indonesian Stock Exchange. The JII launched in 2000 and consists of the 30 largest Sharia-compliant listings by market capitalization. As of September 30, 2016, the market capitalization of the JII was Rp2,118.1 trillion.

The IDX launched the ISSI on May 12, 2011. The ISSI is comprised of 317 Sharia stocks which are listed on the Indonesia Stock Exchange. As of September 30, 2016, the market capitalization of the ISSI was Rp3,249.15 trillion.

Monetary Policy

Bank Indonesia conducts its monetary policy under two principles: first, inflation targeting framework (**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 using 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 August 19, 2016, namely the Bank Indonesia 7-Day Reverse Repo Rate (the **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 (**LF**) and the Deposit Facility (**DF**) are positioned symmetrically from the BI Repo Rate at a spread of 75 basis points (**bps**). Under the old monetary operations regime (BI Rate), the LF was slightly closer to the BI Rate than the DF, leading to an asymmetrical corridor.

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 October 2016, Bank Indonesia lowered the BI Repo Rate by 25 bps from 5.00% to 4.75%, while also lowering the DF and LF rates by 25 bps to 4.0% and 5.5%, respectively.

In November 2016, Bank Indonesia held the BI Repo Rate at 4.75%, while maintaining the Deposit Facility and Lending Facility rates at 4.00% and 5.50%, respectively. The decision to maintain the BI Repo Rate reflects Bank Indonesia's response to increasing uncertainty in the global financial markets following the US elections against a stable domestic macroeconomic backdrop, as reflected by low inflation and a narrower current account deficit.

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 at Bank Indonesia (**Base Money**). Narrow money consists of currency plus Rupiah-denominated demand deposits in commercial banks, interbank transfers for customers which have not cleared through the banking system and matured (but uncollected) time

deposits at commercial banks (**Narrow Money**). Broad money consists of Narrow Money plus quasi-money, which includes time deposits and savings deposits in Rupiah and deposits in foreign currencies (**Broad Money**).

The following table sets forth the money supply for the periods indicated.

Money Supply

End of period	Money					
	Base money	Currency	Demand deposits	Total ^{M1}	Quasi-money	Total ^{M2}
	(in billions of Rupiah)					
2011	613,488	307,760	415,231	722,991	2,139,840	2,877,220
2012	704,843	361,897	479,755	841,652	2,455,435	3,307,508
2013	821,679	399,609	487,475	887,084	2,820,521	3,730,409
2014	918,421	419,262	522,960	942,221	3,209,475	4,173,327
2015 ^P	945,916	469,534	585,906	1,055,440	3,479,961	4,548,800
As of September 30, 2016 ^P	930,783	469,542	656,504	1,126,046	3,599,248	4,737,631

Source: Bank Indonesia

^{M1} Narrow Money.

^{M2} Broad Money.

^P Preliminary.

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)			
2011	912,174	351,177	2,118,376	(29,895)
2012	965,442	389,827	2,581,327	17,778
2013	1,011,361	406,611	3,098,305	34,147
2014	1,105,783	416,608	3,488,677	49,733
2015 ^P	1,176,638	491,127	3,822,128	57,313
As of September 30, 2016 ^P	1,270,287	410,538	3,978,129	83,143

Source: Bank Indonesia

(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.

^P Preliminary.

In 2013, Broad Money increased to Rp3,730.4 trillion. This was consistent with the pace of the domestic economy, resulting in slower expansion in economic liquidity. Narrow Money growth slowed to 5.4% (year-on-year) from the 2012 level of 16.4% (year-on-year) primarily due to a decline in Rupiah demand deposits and the downturn of currency outside commercial and rural banks. In addition, Broad Money growth slowed to 12.7% (year-on-year) from the 2012 level of 15.0% (year-on-year), primarily due to lower net domestic assets in the midst of minimum net foreign assets.

In 2014, Broad Money grew by 11.9% (year-on-year) to Rp4,173.3 trillion resulting from slower Government expansion. Quasi money growth slowed to 13.8% (year-on-year) from the 2013 level of 14.9% (year-on-year) 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% (year-on-year) driven by increasing growth of Rupiah demand deposits.

In 2015, Broad Money growth slowed to 8.9% (year-on-year) to Rp4,548.8 trillion due to lower growth in quasi-money. Quasi-money growth decreased from 13.8% (year-on-year) in 2014 to 8.4% (year-on-year) in 2015. Narrow Money growth increased from 6.2% (year-on-year) in 2014 to 12.0% (year-on-year) in 2015. Increase in currency outside commercial and rural banks as well as Rupiah demand deposits contributed to Narrow Money growth.

In the nine months ended September 30, 2016, Broad Money growth slowed to 5.1% (year-on-year) to Rp4,737.6 trillion due to lower growth in quasi-money and Narrow Money. Growth of quasi-money decreased

from 8.4% (year-on-year) in 2015 to 5.0% (year-on-year) in 2016. Lower quasi money growth was mainly driven by securities other than shares. Narrow Money growth also decreased from 12% (year-on-year) in 2015 to 5.9% (year-on-year) in 2016 mainly due to lower growth of currency outside banks.

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.

Central Government Revenue and Expenditure

	Year Ended December 31,							
	2011 ^L	2012 ^L	2013 ^L	2014 ^L	2015 ^L	2016 ^R	2016 ^A	2017 ^B
	(in trillions of Rupiah)							
Revenues and grants:								
Domestic revenue								
Tax revenue	873.9	980.5	1,077.3	1,146.9	1,240.4	1,539.2	896.3	1,498.9
Non-tax revenue	331.5	351.8	354.8	398.6	255.6	245.1	184.5	250.0
Total domestic revenue	1,205.4	1,332.3	1,432.1	1,545.5	1,496.0	1,784.2	1,080.7	1,748.9
Grants	5.2	5.8	6.8	5.0	12.0	2.0	1.2	1.4
Total revenues and grants	1,210.6	1,338.1	1,438.9	1,550.5	1,508.0	1,786.2	1,081.9	1,750.3
Expenditures:								
Central government expenditures	883.7	1,010.6	1,137.2	1,203.6	1,183.3	1,306.7	767.7	1,315.5
Transfer to regions and rural fund ⁽¹⁾	411.3	480.6	513.3	573.7	623.1	776.3	537.8	764.9
Total central and transfer expenditures	1,295.0	1,491.2	1,650.5	1,777.3	1,806.4	2,082.9	1,305.4	2,080.5
Suspend ⁽²⁾	(0.0)	0.2	0.1	(0.1)	0.1	—	—	—
Total expenditures	1,295.0	1,491.4	1,650.6	1,777.2	1,806.5	2,082.9	1,305.4	2,080.5
Primary balance ⁽³⁾	8.9	(52.8)	(98.6)	(93.3)	(142.5)	(105.5)	(76.9)	(109.0)
Surplus/(deficit)	(84.4)	(153.3)	(211.7)	(226.7)	(298.5)	(296.7)	(223.5)	(330.2)
Financing: ⁽⁴⁾								
Domestic financing	148.7	198.6	243.2	261.2	308.0	299.3	405.1	357.0
Foreign financing	(17.8)	(23.5)	(5.8)	(12.4)	15.2	(2.5)	(12.7)	(26.9)
Total Financing	130.9	175.2	237.4	248.9	323.2	296.7	392.5	330.2

Source: Ministry of Finance

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

^B 2017 Budget.

^R Revised 2016 Budget.

^A Preliminary as of September 30, 2016.

(1) Starting from fiscal year 2015, central 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 2011, total financing of Rp130.9 trillion exceeded the budget deficit of Rp84.4 trillion and the Government added the difference of Rp46.5 trillion to its reserves. In 2012, total financing of Rp175.2 trillion exceeded the budget deficit of Rp153.3 trillion and the Government added the difference of Rp21.9 trillion to its reserves. In 2013, total financing of Rp237.4 trillion exceeded the budget deficit of Rp211.6 trillion and the Government added the difference of Rp25.7 trillion to its reserves. In 2014, total financing of Rp248.9 trillion exceeded the budget deficit of Rp226.7 trillion and the Government added the difference of Rp22.2 trillion to its reserves. In 2015, total financing of Rp318.1 trillion exceeded the budget deficit of Rp292.2 trillion and the Government added the difference of Rp26.6 trillion to its reserves.

2016 Budget

The fiscal policy theme for the 2016 Budget is “strengthening fiscal management in order to strengthen the fundamentals of development and quality economic growth.”

Under the 2016 Budget, the Government established the following fiscal policy strategies:

- strengthening economic stimulus in order to increase production capacity and competitiveness;
- increasing fiscal resilience and supporting prioritized programs; and
- controlling risks and maintaining fiscal sustainability, both in the medium-and long-term.

2016 is the first year in which President Widodo’s working cabinet, the *Kabinet Kerja*, fully prepared the budget to reflect its programs and policies. In doing so, Kabinet Kerja sought to: (i) develop more targeted subsidy reform; (ii) improve fiscal support to priority programs and spending; (iii) control mandatory spending; (iv) manage the budget deficit; and (v) improve budget and spending practices.

In the 2016 Budget, the Government aims to achieve revenue optimization through supporting tax revenue and non-tax revenue optimization. Generally, tax revenue policies employed by the Government are those that are directed at: (i) optimizing tax revenue without interrupting business; (ii) maintaining national economic stability and maintaining purchasing power; (iii) increasing the competitiveness and value of national industries by improving tax and industrial policies; (iv) controlling excise-taxed goods by adjusting excise tariffs on tobacco products and alcoholic beverages; and (v) executing various technical tax policies.

For non-tax revenue, the Government seeks to optimize revenue by: (i) optimizing natural resources (oil and gas) by, among other things, increasing lifting estimation and target delivery; (ii) adjusting production tariffs and royalties; (iii) intensifying and expanding geothermal exploration and improving geothermal energy laws; (iv) adjusting the imposition of non-tax revenue tariffs and increasing the quality of forestry and environment non-tax revenue management; (v) increasing the role of SOEs as agents of development to support priority programs of the Government; and (vi) improving the services of Public Services Agency to the people.

The 2016 Budget included a target fiscal deficit of 2.2% of the projected GDP in 2016, compared to 1.9% in the Revised 2015 Budget. Total expenditure under the 2016 Budget is estimated at Rp2,095.7 trillion. The 2016 Budget total revenue (including grants) amounts to Rp1,822.5 trillion, an increase of Rp609 trillion compared to its Revised 2015 Budget. Allocation of Transfer to Region is increased to Rp770.2 trillion, close to the Ministry/Agencies allocation of Rp784.1 trillion.

Some policies implemented in the 2015 Revised Budget are continued in the 2016 Budget, for instance, budget allocation for rural areas, to support the idea of “developing from suburbs.” The allocation for health budget is raised to 5.0% in the 2016 Budget, which at Rp104.8 trillion, is an increase from the 2015 Revised Budget of 3.7% of the budget, or Rp74.3 trillion. The education budget remains at 20.0%, or Rp419.2 trillion.

In the 2016 Budget, a village fund is allocated for every village based on its population, poverty level and location. The 2016 Budget allocated Rp770.2 trillion for the transfer to regions and village fund, an increase of 15.9% from the Revised 2015 Budget. The village fund for 2016 has been allocated at Rp47.0 trillion, an increase of Rp26.2 trillion from the 2015 Revised Budget. The Balanced Fund increased to Rp700.4 trillion, while DBH, DAU and DTK amount to Rp106.1 trillion, Rp385.4 trillion and Rp208.9 trillion, respectively.

In order to preserve fiscal sustainability, the deficit target in the 2016 Budget is approximately 2.2% of GDP, within the safe harbor limit of 3.0% of GDP mandated by law. The 2016 Budget projects a deficit of Rp273.2 trillion. The Government expects to finance the projected deficit from both domestic and international sources. In 2016, the incurrence of foreign debt is expected to help reduce the cost of overall loan withdrawals, decrease the market risk of Government securities management, diversify the Government’s loan sources and support the foreign exchange reserve supply.

Revised 2016 Budget

The Government adopted its Revised 2016 Budget on July 27, 2016 regarding changes concerning state budget fiscal year 2016. The Revised 2016 Budget was executed due to changes in basic macroeconomic assumptions underlying the original 2016 Budget and main fiscal policies having significant impact on the budget.

The key macroeconomic assumptions underlying the Revised 2016 Budget, as compared with the original 2016 Budget, are as follows:

- a real GDP growth rate of 5.2%, compared with 5.3% in the original 2016 Budget;
- an inflation rate of 4.0%, compared with 4.7% in the original 2016 Budget;
- a three-month SPN yield of 5.5%, compared with 5.5% in the original 2016 Budget;
- an exchange rate of Rp13,500 to U.S.\$1, compared with Rp13,900 to U.S.\$1 in the original 2016 Budget;
- average oil production by the Republic of 820,000 barrels of oil per day, compared with 830,000 barrels of oil per day in the original 2016 Budget;
- average gas production by the Republic of 1.15 million barrels of oil equivalent of gas per day, compared with 1.155 million barrels of oil equivalent of gas per day in the original 2016 Budget;
- an average ICP of U.S.\$40 per barrel, compared with U.S.\$50 per barrel in the original 2016 Budget; and
- a revised projected nominal GDP of Rp12,626.5 trillion, compared with Rp12,704.9 trillion in the original 2016 Budget (calculated at current market prices).

The Revised 2016 Budget includes a target fiscal deficit of 2.4% of the projected GDP in 2015, while total expenditure under the Revised 2016 Budget is estimated at Rp2,082.9 trillion, a decrease of Rp12.8 trillion from the original 2016 Budget. The Revised 2016 Budget projected total revenue (including grants) amounts to Rp1,786.2 trillion, a decrease of Rp36.3 trillion as compared to the original 2016 Budget.

The Revised 2016 Budget allocates Rp776.3 trillion for the transfer to regions and rural fund, an increase of 0.79% from the original 2016 Budget. The balanced fund increased to Rp5.4 trillion, while the sharing fund, the general allocation fund and the special allocation fund amounted to Rp110.1 trillion, Rp352.9 trillion and Rp58.8 trillion, respectively. The Revised 2016 Budget also increased the budget allocation for the rural fund to Rp20.8 trillion, compared with Rp9.1 trillion in the original 2016 Budget.

In order to maintain fiscal sustainability, the Revised 2016 Budget projects a deficit of Rp296.7 trillion (2.5% of GDP), Rp23.5 trillion lower than the original 2016 Budget. The Government expects to finance the projected deficit under the Revised 2016 Budget from both domestic and international sources.

Realization of 2016 Budget

The Government tracks actual economic performance, as compared with its budgeting numbers, and refers to these comparisons as realization.

The key macroeconomic results through the first three quarters of 2016, as compared with the key macroeconomic assumptions underlying the Revised 2016 Budget, are as follows:

- a real GDP growth rate of 5.0%, compared with 5.2% in the Revised 2016 Budget;
- an inflation rate of 3.1%, compared with 4.0% in the Revised 2016 Budget;
- a three-month SPN yield of 5.6%, compared with 5.5% in the Revised 2016 Budget;
- an exchange rate of Rp13,329 to U.S.\$1, compared with Rp13,500 to U.S.\$1 in the Revised 2016 Budget;
- average oil production by the Republic of 826,000 barrels of oil per day, compared with 820,000 barrels of oil per day in the Revised 2016 Budget;
- average gas production by the Republic of 1.198 million barrels of oil equivalent of gas per day, compared with 1.150 million barrels of oil equivalent of gas per day in the Revised 2016 Budget; and
- an average ICP of U.S.\$38 per barrel, compared with U.S.\$40 per barrel in the Revised 2016 Budget.

In the nine months ended September 30, 2016, the realization of total domestic revenue (including grants) was Rp1,081.9 trillion due to lower collection of tax and non-tax revenues as a result of lower than projected

growth in the global and domestic economy, as well as low commodity prices, particularly for oil, coal and palm oil. In light of this, the Government has taken various measures aimed towards achieving a 2016 fiscal deficit that is below the 3.0% of GDP statutory limit. These measures include: (i) spending cuts and postponements of expenditures for non-productive oriented projects, while maintaining priority spending for infrastructure projects, and (ii) postponement of disbursements of transfers to the regions and the rural fund.

2017 Budget

On November 18, 2016, the DPR and the President enacted the law on state budget year 2017 (the **2017 Budget**).

Policies underlying the 2017 Budget are aimed at supporting the development targets, primarily supporting sustainable growth and employment, poverty eradication, and maintaining balance with fiscal resilience and controlling risk.

The main policies underlying the 2017 Budget include: (i) optimization of state revenue, mainly through taxation, (ii) emphasis on priority spending to accelerate infrastructure development and reduction of poverty and the social gap and (iii) stronger risk management, including managing the deficit and debt ratios to achieve fiscal sustainability.

The key macroeconomic assumptions underlying the 2017 Budget, as compared to the Revised 2016 Budget, are as follows:

- a real GDP growth rate of 5.1% in the 2017 Budget, compared to 5.2% in the Revised 2016 Budget;
- an inflation rate of 4.0% in the 2017 Budget, the same as the Revised 2016 Budget;
- three-month SPN yield of 5.3% in the 2017 Budget, compared to 5.5% in the Revised 2016 Budget;
- an exchange rate of Rp13,300 to U.S.\$1 in the 2017 Budget, compared to Rp13,500 to U.S.\$1 in the Revised 2016 Budget;
- average oil production by the Republic of 815,000 barrels of oil per day in the 2017 Budget, compared to 820,000 barrels of oil per day in the Revised 2016 Budget;
- gas production by the Republic of 1.15 million barrels of oil equivalent of gas per day in the 2016 Budget, the same with target in the Revised 2016 Budget;
- an average ICP of U.S.\$45 per barrel in the 2017 Budget, compared to U.S.\$40 per barrel in the Revised 2016 Budget; and
- a revised projected nominal GDP of Rp13,716.7 trillion in the 2017 Budget (calculated at current market prices), compared to Rp16,626.5 trillion in the Revised 2016 Budget (calculated at current market prices).

The Government continues to seek to optimize the contribution of non-tax revenue as one of the sources of state revenue in light of current conditions and expected challenges in 2017. Based on macroeconomic assumptions underlying the 2017 Budget, non-tax revenue is targeted at Rp250.0 billion, an increase of 2.0% compared to the Revised 2016 Budget.

The 2017 Budget includes a target fiscal deficit of 2.41% of the projected GDP in 2016, compared to 2.35% in the Revised 2016 Budget. Total expenditure under the 2017 Budget is estimated at Rp2,080.5 trillion, a decrease of Rp2.5 trillion compared to the Revised 2016 Budget. The 2017 Budget total revenue (including grants) amounts to Rp1,750.3 trillion, a decrease of Rp35.9 trillion compared to the Revised 2016 Budget. Allocation of the transfer to region and rural funds increased to Rp764.9 trillion, higher than the Ministry/Agencies allocation of Rp763.6 trillion in the Revised 2016 Budget.

Tax revenues comprise the biggest portion of revenue targets in the 2017 Budget. In 2017, tax policies primarily aim to (i) optimize tax revenue to improve the tax ratio and fulfillment of state budget needs, (ii) improve people's purchasing power, investment, and the competitiveness of national industries, (iii) encourage the downstreaming of domestic businesses, (iv) control consumption of particular goods with

negative externalities, (vi) increase tax compliance, (vii) support information transparency in the international taxation field and preventing tax evasion, and (viii) improve the quality of service and competence of human resource in order to optimize tax revenue.

In the 2017 Budget, the main policies underlying the central Government's expenditure are: (i) improvement of public service through bureaucratic reform policies and continuous improvement of the welfare of government officials, (ii) continuous improvement in non-priority spending efficiencies, (iii) allocation of 20% of the state budget to education budget and 5% of the state budget to health, (iv) allocation of a significant portion of the budget to support the acceleration of infrastructure development, (v) supporting the sustainability of social security health programs and accelerating the reduction of inequalities through the expansion of conditional cash transfers, (vi) continuing the development of priority programs in the areas of education, health, agriculture, energy, maritime and marine, tourism and industries.

The 2017 Budget allocates Rp769.4 trillion for the transfer to regions and rural fund, Rp677.1 trillion to the balance fund, and Rp87.8 trillion to the revenue sharing fund, the general allocation fund and the specific purpose fund. The allocation to the rural fund increased from Rp47.0 trillion in the Revised 2016 Budget to Rp60.0 trillion in the 2017 Budget.

To preserve fiscal sustainability, the deficit target in the 2017 Budget is approximately 2.41% of GDP, within the safe harbor limit of 3.0% of GDP mandated by law. The 2017 Budget projects a deficit of Rp330.2 trillion. The Government expects to finance the projected deficit from both domestic and international sources. Rp357.0 trillion in 2017 is expected to be sourced domestically (Rp400.0 trillion is the SBN net target).

Central Government Finances

The following table sets forth information regarding the revenue and expenditure of the central Government for the periods indicated.

Central Government Revenue.

The following table sets forth central Government revenue by category for the periods indicated.

	Year Ended December 31,						
	2011 ^L	2012 ^L	2013 ^L	2014 ^L	2015 ^L	2016 ^R	2016 ^A
	(in trillions of rupiah)						
Domestic revenue:							
Tax revenue:							
Domestic tax							
Income tax:							
Oil and gas	73.1	83.5	88.7	87.4	49.7	36.3	24.7
Non-oil and gas	358.0	381.6	417.7	458.7	552.6	819.5	476.6
Total income tax	431.1	465.1	506.4	546.2	602.3	855.8	501.3
Value added tax (VAT)	277.8	337.6	384.7	409.2	423.7	474.2	270.2
Land and building tax	29.0	29.0	25.3	23.5	29.3	17.7	15.6
Excises	77.0	95.0	108.5	118.1	144.6	148.1	78.6
Other taxes	3.9	4.2	4.9	6.3	5.6	7.4	5.5
Total domestic taxes	819.8	930.9	1,029.9	1,103.2	1,205.5	1,503.3	871.2
International trade taxes:							
Import duties	25.3	28.4	31.6	32.3	31.2	33.4	22.9
Export tax	28.9	21.2	15.8	11.3	3.7	2.5	2.2
Total international trade taxes	54.1	49.7	47.4	43.6	34.9	35.9	25.1
Total tax revenue	873.9	980.5	1,077.3	1,146.9	1,240.4	1,539.2	896.3
Non-tax revenue:							
Natural resources:							
Oil	141.3	144.7	135.3	139.2	48.0	51.3	23.3
Gas	52.2	61.1	68.3	77.7	30.2	17.4	0.0
Total oil and gas	193.5	205.8	203.6	216.9	78.2	68.7	23.3
General mining	16.4	15.9	18.6	19.3	17.7	16.5	10.5
Forestry	3.2	3.2	3.1	3.7	4.2	4.0	2.6
Fishery	0.2	0.2	0.2	0.2	0.1	0.7	0.3
Geothermal	0.6	0.7	0.9	0.8	0.9	0.6	0.5
Total non-oil and gas	20.3	20.0	22.8	24.0	22.8	21.8	14.0
Total natural resources	213.8	225.8	226.4	240.8	101.0	90.5	37.4
Profit transfer from SOEs	28.2	30.8	34.0	40.3	37.6	34.2	32.8
Other non-tax revenue	69.4	73.5	69.7	87.7	81.7	84.1	84.9
Public Service Agency (BLU) Income ⁽¹⁾	20.1	21.7	24.6	29.7	35.3	36.3	29.4
Total non-tax revenue	331.5	351.8	354.8	398.6	255.6	245.1	184.5
Total domestic revenue	1,205.4	1,332.3	1,432.1	1,545.5	1,496.0	1,784.2	1,080.7
Grants	5.3	5.8	6.8	5.0	12.0	2.0	1.2
Total revenue and grants	1,210.6	1,338.1	1,438.9	1,550.5	1,508.0	1,786.2	1,081.9

Source: Ministry of Finance

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

^R Revised 2016 Budget.

^A Preliminary as of September 30, 2016.

⁽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.

Central Government Expenditure.

The following table sets forth the expenditure of the central Government for the periods indicated.

Central Government Expenditure

	Year Ended December 31,						
	2011 ^L	2012 ^L	2013 ^L	2014 ^L	2015 ^L	2016 ^R	2016 ^A
	(in trillions of rupiah)						
Central government expenditures:							
Personnel expenditures	175.7	197.9	221.7	243.7	281.1	342.4	235.9
Good and services expenditures	124.6	140.9	169.7	176.6	233.3	304.2	159.1
Capital expenditures	117.9	145.1	180.9	147.3	215.4	206.6	82.6
Interest payments:							
Domestic debt	66.8	70.2	98.7	118.8	141.9	174.0	136.5
Foreign debt	26.5	30.3	14.3	14.6	14.1	17.2	10.1
Total interest payments	93.3	100.5	113.0	133.4	156.0	191.2	146.6
Subsidies:							
Energy subsidies	255.6	306.5	310.0	341.8	119.1	94.4	68.3
Non-energy subsidies	39.8	39.9	45.1	50.2	66.9	83.4	35.8
Total subsidies	295.4	346.4	355.0	392.0	186.0	177.8	104.1
Grant expenditures	0.3	0.1	1.3	0.9	4.3	8.5	0.5
Social assistance ⁽¹⁾	71.1	75.6	92.1	97.9	97.2	53.4	35.3
Other expenditures	5.5	4.1	3.4	11.7	10.1	22.5	3.7
Total central Government expenditures	883.8	1,010.6	1,137.2	1,203.6	1,183.3	1,306.7	767.7
Transfers to Regions and Rural Fund							
Transfer to Regions							
Balanced funds:							
General transfer funds:							
Revenue sharing funds	96.9	111.5	88.5	103.9	78.1	109.1	65.5
General allocation funds	225.5	273.8	311.1	341.2	352.9	385.4	311.3
Total general transfer funds	322.4	385.4	399.6	445.2	430.9	494.4	376.8
Specific allocation funds:							
Physical special allocation fund	24.8	25.9	30.8	31.9	54.9	89.8	32.54
Non-physical special allocation fund ⁽²⁾	—	—	—	—	97.2	121.2	73.3
Total specific allocation funds	24.8	25.9	30.8	31.9	152.1	211.0	105.9
Total balanced funds	347.2	411.3	430.4	477.1	583.0	705.5	482.7
Regional incentive fund ⁽³⁾	—	—	—	—	1.7	5.0	5.0
Specific autonomy funds ⁽⁴⁾	10.4	12.0	13.4	16.1	17.1	18.3	12.9
Specific Fund for Special Region of Yogyakarta ⁽⁵⁾	—	—	—	0.4	0.5	0.5	0.4
Others ⁽⁶⁾	53.7	57.4	69.5	80.1	97.2	—	—
Total Transfer to Regions	411.3	480.6	513.3	573.7	602.4	729.3	501.0
Rural Fund ⁽⁷⁾	—	—	—	—	20.8	47.0	36.8
Total transfers to regions and Rural Fund	411.3	480.6	513.3	573.7	623.1	776.3	537.8
Suspend ⁽⁸⁾	(0.0)	0.2	0.1	(0.1)	0.1	—	—
Total expenditures	1,295.1	1,491.4	1,650.6	1,777.2	1,806.5	2,082.9	1,305.4

Source: Ministry of Finance

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

^R Revised 2016 Budget.

^A Preliminary as of September 30, 2016.

(1) Consists of Social Assistance from Ministries/Agencies Spending and Social Assistance for Disaster Relief.

(2) Included under "Others" before fiscal year (FY) 2016 except the regional incentive fund.

(3) Included under "Others" before FY 2016.

(4) Consists of specific autonomy fund and additional specific infrastructure autonomy fund for Papua and West Papua Provinces.

(5) Starting from FY 2013, central Government allocates a specific fund for Yogyakarta's privilege in other expenditures. In FY 2014, this fund was allocated in specific autonomy and adjustment funds as part of transfer to regions.

(6) Included under adjustment funds before FY 2014, in 2015 "others" consists of non-physical allocation fund and regional incentive fund.

(7) Starting from FY 2015, central Government allocates rural fund based on law number 6/2015.

(8) 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.

The following table sets forth, by percentage, the allocation of central Government development expenditure by function for the periods indicated.

Allocation of Central Government Development Expenditure by Function

	Year Ended December 31,					
	2011 ^L	2012 ^L	2013 ^L	2014 ^L	2015 ^L	2016 ^R
	(percentages)					
General public services	64.6	64.1	62.1	66.3	52.8	24.7
Defense	5.8	6.1	7.7	7.2	9.0	8.3
Public order and safety	2.5	2.9	3.2	2.9	4.5	9.4
Economic affairs	9.9	10.4	9.5	8.1	15.0	25.3
Environmental protection	1.0	0.9	0.9	0.8	0.8	0.8
Housing and community amenities	2.6	2.6	3.0	2.2	1.4	2.6
Health	1.6	1.5	1.5	0.9	2.0	5.1
Tourism and culture	0.4	0.2	0.2	0.1	0.3	0.4
Religion	0.2	0.3	0.3	0.3	0.4	0.7
Education	11.1	10.4	10.1	10.2	12.1	11.0*
Social protection	0.4	0.5	1.5	1.1	1.8	11.5
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>

Source: Ministry of Finance

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

^R Revised 2016 Budget.

* The amount shown in the table is based on the allocation for education under central Government expenditure. Total allocation for education under the Revised 2016 Budget is Rp408.5 trillion.

Deficit Financing. The following table sets forth, by amount, information on deficit financing for the periods indicated.

Deficit Financing

	Year Ended December 31,						
	2011 ^L	2012 ^L	2013 ^L	2014 ^L	2015 ^L	2016 ^R	2016 ^A
	(in trillions of rupiah)						
Domestic financing	148.7	198.6	243.2	261.2	308.0	299.3	405.1
Foreign financing:							
Gross drawing:							
Program loan	15.2	15.0	18.4	17.8	55.1	35.8	21.4
Project loan	18.5	16.4	36.9	34.8	28.7	37.2	13.5
Total gross drawing	<u>33.7</u>	<u>31.4</u>	<u>55.3</u>	<u>52.6</u>	<u>83.8</u>	<u>73.0</u>	<u>34.9</u>
On-lending to SOEs and local government	(4.2)	(3.8)	(3.9)	(2.5)	(2.6)	(5.8)	(1.1)
Amortizations	(47.3)	(51.1)	(57.2)	(62.4)	(66.0)	(69.7)	(46.5)
Total foreign financing (net)	<u>(17.8)</u>	<u>(23.5)</u>	<u>(5.8)</u>	<u>(12.4)</u>	<u>15.2</u>	<u>(2.5)</u>	<u>(12.7)</u>
Total financing (net)	<u>130.9</u>	<u>175.2</u>	<u>237.4</u>	<u>248.9</u>	<u>323.2</u>	<u>296.7</u>	<u>392.5</u>

Source: Ministry of Finance

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

^R Revised 2016 Budget.

^A Preliminary as of September 30, 2016.

Central Government Revenue.

The following table sets forth the revenue of the central Government as (i) audited 2015 revenue as a percentage of the actual 2015 GDP, (ii) projected 2016 revenue as a percentage of projected 2016 GDP (as set forth in the Revised 2016 Budget) and (iii) preliminary actual revenue for the nine months ended September 30, 2016 as a percentage of projected GDP for the nine months ended September 30, 2016, respectively.

Central Government Revenue

	2015 LKPP Audited	2016 Revised Budget	As of September 30, 2016
	(percentage of 2015 GDP)	(percentage of 2016 GDP)	(percentage of 2016 GDP)
Total revenue and grants (in trillions of rupiah)	1,508.0	1,786.2	1,081.9
Domestic revenue:			
Tax revenue:			
Domestic tax			
Income tax:			
Oil and gas	0.4	0.3	0.2
Non-oil and gas	4.8	6.5	3.8
Total income tax	5.2	6.8	4.0
Value added tax (VAT)	3.7	3.8	2.2
Land and building tax	0.3	0.1	0.1
Excises	1.3	1.2	0.6
Other taxes	0.0	0.1	0.0
Total domestic taxes	10.4	11.9	6.9
International trade taxes:	—	—	—
Import duties	0.3	0.3	0.2
Export tax	0.0	0.0	0.0
Total international trade taxes	0.3	0.3	0.2
Total tax revenue	<u>10.7</u>	<u>12.2</u>	<u>7.1</u>
Non-tax revenue:	—	—	—
Natural resources:	—	—	—
Oil	0.4	0.4	0.2
Gas	0.3	0.1	0.0
Total oil and gas	0.7	0.5	0.2
General Mining	0.2	0.1	0.1
Forestry	0.0	0.0	0.0
Fishery	0.0	0.0	0.0
Geothermal	0.0	0.0	0.0
Total non-oil and gas	0.2	0.2	0.1
Total natural resources	0.9	0.7	0.3
Profit transfer from SOEs	0.3	0.3	0.3
Other non-tax revenue	0.7	0.7	0.7
Public Service Agency (BLU) Income ⁽¹⁾	0.3	0.3	0.2
Total non-tax revenue	<u>2.2</u>	<u>1.9</u>	<u>1.5</u>
Total domestic revenue	<u>13.0</u>	<u>14.1</u>	<u>8.6</u>
Grants	0.1	0.0	0.0
Total Revenue and Grant	<u>13.1</u>	<u>14.1</u>	<u>8.6</u>

Source: Ministry of Finance

⁽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.

Central Government Expenditure.

The following table sets forth the expenditures of the central Government as (i) audited 2015 expenditures as a percentage of the actual 2015 GDP, (ii) projected 2016 expenditures as a percentage of projected 2016 GDP (as set forth in the Revised 2016 Budget) and (iii) preliminary actual expenditures for the nine months ended September 30, 2016 as a percentage of projected GDP for the nine months ended September 30, 2016, respectively.

Central Government Expenditure

	2015 LKPP Audited (percentage of 2015 GDP)	2016 Revised Budget (percentage of 2016 GDP)	2016 As of Sept 30 (percentage of 2016 GDP)
Total expenditures (in trillions of rupiah)	1,806.5	2,082.9	1,305.4
Central government expenditures:			
Personnel expenditures	2.4	2.7	1.9
Good and services expenditures	2.0	2.4	1.3
Capital expenditures	1.9	1.6	0.7
Interest payments:			
Domestic debt	1.2	1.4	1.1
Foreign debt	0.1	0.1	0.1
Total interest payments	1.4	1.5	1.2
Subsidies:			
Energy subsidies	1.0	0.7	0.5
Non-energy subsidies	0.6	0.7	0.3
Total subsidies	1.6	1.4	0.8
Grant expenditures	0.0	0.1	0.0
Social assistance	0.8	0.4	0.3
Other expenditures	0.1	0.2	0.0
Total central government expenditures	10.3	10.3	6.1
Transfers to Regions and Rural Fund:			
Transfer to Regions	—	—	—
Balanced funds:			
General transfer funds:			
Revenue sharing funds	0.7	0.9	0.5
General allocation funds	3.1	3.1	2.5
Total general transfer funds	3.7	3.9	3.0
Specific allocation funds:			
Physical special allocation fund	0.5	0.7	0.5
Non-physical special allocation fund ⁽¹⁾	0.8	1.0	0.9
Total specific allocation funds	1.3	1.7	0.8
Total balanced funds	5.1	5.6	3.8
Regional incentive fund ⁽²⁾	0.0	0.0	0.0
Specific autonomy funds	0.1	0.1	0.1
Specific Fund for Special Region of Yogyakarta	0.0	0.0	0.0
Others ⁽³⁾	0.8	—	—
Total transfer to Regions	5.2	5.8	4.0
Rural Fund ⁽⁴⁾	0.2	0.4	0.3
Total transfers to regions and rural fund	5.4	6.1	4.3
Suspend ⁽⁵⁾	0.0	—	—
Total expenditures	15.7	16.5	10.4

Source: Ministry of Finance

(1) Included under “others” before FY 2016 except regional incentive fund.

(2) Included under “others” before FY 2016.

(3) Consists of non-physical allocation fund and regional incentive fund.

(4) Starting from FY 2015, central Government allocates rural fund based on law number 6/2015.

(5) 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.

Fuel Prices and Subsidies

The basic price and retail price 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. Fuel is 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. As compared to average Government spending in the period from 2011 to 2014, spending in the 2015 and Revised 2016 Budgets was up 28.3% for education, 75.4% for health and 103.5% for infrastructure. Spending for energy subsidies declined by 60.7% during the same period.

The table below sets forth the amount of subsidies for the periods indicated.

	Year Ended December 31,						As of
	2011 ^L	2012 ^L	2013 ^L	2014 ^L	2015 ^L	2016 ^R	September 30, 2016 ^P
	(in trillions of rupiah)						
Subsidies:							
Energy subsidies	255.6	306.5	310.0	341.8	119.1	94.4	68.3
Non-energy subsidies	39.8	39.9	45.1	50.2	66.9	83.4	35.8
Total subsidies	295.4	346.4	355.0	392.0	186.0	177.8	104.1

Source: Ministry of Finance

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

^R Revised 2016 Budget.

^P Preliminary.

Central Government Deficit Financing. The following table sets forth the budgeted deficit financing of the Government, by amount and as a percentage of the actual 2015 GDP, the projected 2016 GDP (as set forth in the Revised 2016 Budget), the nine months ended September 30, 2016 GDP, together with the budgeted deficit financing of the Government for the projected 2017 GDP.

Deficit Financing

	2015 LKPP Audited	2016 Revised Budget	As of September 30, 2016
	(percentages of 2015 GDP)	(percentages of 2016 GDP)	(percentages of 2016 GDP)
Total financing (net) (in trillions of Rupiah)	323.2	296.7	392.5
Domestic financing	2.7	2.4	3.2
Foreign financing:			
Gross drawing:			
Program loan	0.5	0.3	0.2
Project loan	0.2	0.3	0.1
Total gross drawing	0.7	0.6	0.3
On-lending to SOEs and local government	(0.0)	(0.0)	(0.0)
Amortizations	(0.6)	(0.6)	(0.4)
Total foreign financing (net)	0.1	(0.0)	(0.1)
Total financing (net)	2.8	2.4	3.1

Source: Ministry of Finance

Public Debt

Over the last eight years, Indonesia has made substantial improvement in its public debt management. 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. Pursuant to these policies, the Republic successfully reduced its public debt as a percentage of GDP from 39.0% in 2006 to 23.1% in 2011 and 23.0% in 2012. Public debt as a percentage of GDP was 24.9% in 2013, 24.7% in 2014, 27.4% in 2015 and 27.7% in the nine months ended September 30, 2016.

As of December 31, 2015, the total public debt was U.S.\$229.4 billion, 23.9% of which consisted of loans and 76.1% of which consisted of securities. As of September 30, 2016, the total public debt was U.S.\$265.0 billion, 21.6% of which consisted of loans and 78.4% of which consisted of securities.

Public External Debt of the Republic

Public external 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 disclosure that follows 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 Offering Circular. 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 Offering Circular, in which Bank Indonesia debt is excluded and only central Government debt, which depends on central Government revenue for its repayment, is included. See “— *Government Budget — Central Government Finances*.”

The following table sets forth information on the outstanding public external debt of the Republic in terms of creditor type as of the dates indicated.

Outstanding Public External Debt of the Republic by Source⁽¹⁾

	As of December 31,					As of
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
	(in billions of U.S. dollars)					
Concessional Loans:						
Multilateral creditors	23.4	23.8	23.6	23.5	26.1	27.3
Bilateral creditors	35.7	32.2	27.0	23.1	21.6	23.3
Semi-concessional Loans:						
Export agency creditors	8.1	7.0	6.0	5.0	4.0	3.6
Leasing	—	—	—	—	—	—
Commercial ⁽²⁾	22.2	28.0	34.1	39.1	52.2	57.1
Total	89.4	91.0	90.7	90.6	103.8	111.2
Total public external debt of the Republic, as a percentage of GDP for the period indicated ⁽³⁾	10.5%	10.3%	10.4%	10.7%	12.4%	N/A

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.

Sources of Public External Borrowing

The sources of the Republic's public external borrowings are multilateral creditors, bilateral creditors, export agency creditors and commercial creditors, including international bondholders.

The World Bank and the Asian Development Bank (ADB) have been important sources of funds for the Republic, and the Republic has secured substantial commitments from the Japan Bank for International Cooperation (JBIC) in recent years.

As of November 7, 2014, the Republic had drawn program loans of U.S.\$773.84 million from the World Bank and U.S.\$100 million from Agence Française de Développement, U.S.\$400 million from ADB and U.S.\$200 million from KfW Bankengruppe. From 2012 to 2015, the Republic has established contingency facilities with ADB, the World Bank, JBIC, and the Australian government for values U.S.\$500 million,

U.S.\$2 billion, U.S.\$1.5 billion, and AUD 1 billion respectively. As of December 31, 2015, the Republic has drawn contingency loans of U.S.\$2 billion from the World Bank and U.S.\$500 million from ADB respectively.

Since 2012, the Government has expanded its sources of external financing by accessing the international capital markets (including the Islamic financial markets).

The following table sets forth amounts of international development assistance received by the Republic as of the date indicated.

International Development Assistance⁽¹⁾⁽²⁾

	As of December 31,					As of
	2011	2012	2013	2014	2015	September 30,
	(in millions of U.S. dollars)					2016
Bilateral loans	35,722.4	32,186.2	27,016.6	23,095.7	21,555.9	23,285.0
Multilateral loans:						
International Monetary Fund	—	—	—	—	—	—
International Bank for Reconstruction and Development	9,606.4	10,463.4	11,335.6	12,176.3	14,380.0	15,698.5
Asian Development Bank	10,798.1	10,379.1	9,387.2	8,630.1	9,193.9	9,152.6
International Development Association	2,273.5	2,208.2	2,097.7	1,879.8	1,677.3	1,563.0
Islamic Development Bank	465.2	526.5	545.1	581.5	643.4	692.4
Nordic Investment Bank	32.5	32.4	27.6	21.9	16.7	13.6
European Investment Bank	68.2	58.8	48.9	38.5	27.6	24.9
International Fund for Agricultural Development	119.5	130.7	137.7	145.2	155.2	167.8
Multilateral Investment Guarantee Agency	—	—	—	—	—	9,152.6
Total multilateral loans	23,363.4	23,799.2	23,579.8	23,473.4	26,094.2	23,579.8
Total loans	59,085.8	55,985.4	50,596.4	46,569.1	47,650.0	46,864.8

Source: Ministry of Finance

- (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 date indicated.

Outstanding External Public Debt of the Republic by Major Currency

	As of December 31,						As of September 30,	
	2013		2014		2015 ^P		2016 ^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⁾
U.S. dollars	59,690	59,690	59,993	59,993	70,817	70,817	71,634	71,634
Japanese yen	2,395,310	22,829	2,203,955	18,469	2,126,845	17,657	2,110,034	20,899
Euros	4,260	5,879	5,055	6,150	5,999	6,554	8,634	9,694
SDR	4,517	6,233	4,669	5,680	3,783	5,246	3,653	5,108
British pounds	308	508	246	383	180	267	142	184
Others	Multiple currencies	1,535.51	Multiple currency	1,825	Multiple currencies	1,581	Multiple currencies	1,558
Total	N/A	96,674.60	N/A	92,500	N/A	102,121	N/A	109,077

Source: Bank Indonesia.

^P Preliminary.

- (1) Calculated based on the applicable BI middle exchange rates as of the date indicated for each column.

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⁽¹⁾

Period	Principal repayment	Interest repayment	Total
	(in millions of U.S. dollars)		
2016	6,105.2	3,290.2	9,395.3
2017	6,017.1	3,798.4	9,815.5
2018	8,379.7	3,615.9	11,995.6

Source: Ministry of Finance

⁽¹⁾ Foreign currency values of outstanding external debt have been converted into U.S. dollars at the applicable BI middle exchange rates as at September 30, 2016.

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 December 31,					As of September 30,
	(in millions of U.S. dollars)					2016 ^P
	2011	2012	2013	2014	2015 ^P	
Multilateral	3,031	3,053	3,050	2,868	2,747	2,769
Commercial ⁽²⁾	490	354	244	223	190	172
Total	<u>3,521</u>	<u>3,407</u>	<u>3,294</u>	<u>3,092</u>	<u>2,937</u>	<u>2,941</u>

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.

External Debt Service Requirements of Bank Indonesia (2016 — 2018)⁽¹⁾

Period	Principal repayment	Interest repayment	Total
	(in millions of U.S. dollars)		
2016	49.2	4.1	53.1
2017	49.2	3.5	52.7
2018	49.2	2.7	51.9

Source: Bank Indonesia

⁽¹⁾ Projected, based on debt outstanding and exchange rates as of September 30, 2016.

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.”

Credit Rating of the Republic

On June 1, 2016, S&P Global Ratings affirmed its BB+ long-term and B short-term sovereign credit ratings on the Republic with a positive outlook and axBBB+/axA-2 ASEAN regional scale rating on the Republic, stating that while Indonesia's fiscal framework has improved, which should improve the quality of public expenditure and lead to more predictable fiscal outcomes, fiscal performance has not improved in tandem for cyclical and structural reasons. The positive outlook reflects the possibility of a ratings upgrade if the improved fiscal framework delivers better fiscal performance, such that deficits decline and borrowings remain low.

On May 23, 2016, Fitch affirmed its sovereign credit rating of the Republic at BBB-/stable outlook (investment grade) on the back of low government debt burden, favorable growth outlook and limited sovereign exposure to banking sector risks.

On January 28, 2016, Moody's affirmed Indonesia's Sovereign Credit Rating at Baa3/stable outlook (investment grade) on the back of the government's strong balance sheet against the current backdrop of widening fiscal deficit and effective policy response to mitigate external risks from lower commodity prices and weaker growth to ensure the sustainability of Indonesia's external payments position. The stable outlook reflects Indonesia's resilience to current pressure from lower commodity prices and international financial volatility.

External Debt of State-Owned-Enterprises

The following table sets forth the outstanding external debt of SOEs as of the dates indicated.

Outstanding Direct External Debt of State-Owned-Enterprises⁽¹⁾

	As of December 31,					As of
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
	(in millions of U.S. dollars)					
Financial institutions:						
Bank	2,349	4,036	3,071	4,082	5,103	4,189
Non-bank	765	957	797	1,583	2,816	3,477
Total financial institutions	3,114	4,993	3,868	5,665	7,919	7,666
Non-financial institutions	12,283	14,789	20,806	25,034	24,704	24,461
Total	<u>15,397</u>	<u>19,782</u>	<u>24,674</u>	<u>30,699</u>	<u>32,623</u>	<u>32,127</u>

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 Debt of the Central Government

The following table sets forth the outstanding domestic debt of the Government as of the dates indicated.

Domestic Debt of the Central Government

	As of December 31,					As of
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
Total domestic public debt, in trillions of						
Rupiah ⁽¹⁾	992.8	1,096.2	1,264.0	1,477.5	1,740.0	1,998.9

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.

Direct Domestic Debt Service Requirements of the Central Government⁽¹⁾

<u>Period</u>	<u>Principal repayment and redemption</u>	<u>Interest repayment</u>	<u>Total</u>
	(in trillions of Rupiah)		
2016	251.0	163.9	414.8
2017	109.8	143.7	253.5
2018	159.3	135.5	294.8

Source: Ministry of Finance

⁽¹⁾ Foreign currency values of outstanding direct domestic debt service, which are in U.S. dollars, have been converted into Rupiah based on the exchange rate at September 30, 2016 of U.S.\$1=Rp12,998.

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 September 30, 2016, the Government has accumulated an amount of Rp1.7 trillion in the guarantee reserve fund. The credit guarantees that the Government has provided to infrastructure projects include:

- full default risk guarantee on PT PLN's loans for the construction of coal power plants with an aggregate capacity of 10,000 MW and its associated transmission lines. The total amount outstanding under these loans was Rp18,975.8 billion as of December 31, 2015;
- partial default risk guarantee for local government-owned water companies' loans in connection with the Millennium Development Goals in water provision. The total amount outstanding under these loans was Rp163.2 billion as of December 31, 2015;
- co-guarantee scheme between the Government and the Indonesia Infrastructure Guarantee Fund to guarantee PT PLN's financial obligations relating to the Central Java steam power plant (2 x 1,000 MW) PPP Project;
- full default risk guarantee on PT Hutama Karya (Persero)'s loans for the construction of Sumatera Toll Road; and
- guarantee for infrastructure financing through direct loans from international financial institutions to SOEs.

As of September 30, 2016, 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 certain other currencies as of the end of the periods indicated.

Exchange Rates

	Rupiah per U.S. dollar	Rupiah per 100 Japanese yen	Rupiah per Euro	Rupiah per Singapore dollar
2011	9,068	11,680	11,739	6,974
2012	9,670	11,197	12,810	7,907
2013	12,189	11,617	16,821	9,628
2014	12,385	10,364	15,063	9,376
2015	13,785	11,459	15,062	9,765
2016 ^A	13,553	12,002	14,442	9,512

Source: Bank Indonesia

^A As of November 30, 2016.

In the first half of 2013, the Rupiah depreciated 2.9% (quarter-to-quarter) to Rp9,925 per U.S. dollar, or on average depreciated by 3.8% (quarter-to-quarter) to Rp9,732 per U.S. dollar. The weakening of the Rupiah during the six months ended June 30, 2013 was consistent with the exchange rate depreciation in the region and, according to Bank Indonesia, was primarily the result of foreign investors adjusting their portfolios in anticipation of the U.S. Federal Reserve changing their monetary stimulus policy. The Rupiah declined approximately 26.0% against the U.S. dollar between December 31, 2012 and December 31, 2013.

In the first half of 2014, the Rupiah appreciated 1.8% to Rp11,969 per U.S. dollar. The appreciation of the Rupiah was in line with the appreciation of regional currencies due to an increase in global investors' risk appetite for higher yielding assets. From July 1, 2014 to December 31, 2014, the Rupiah depreciated 3.9% to Rp12,440 per U.S. dollar. Rupiah depreciation was attributed to both external and internal factors, predominantly the slowing down of the global and domestic economy.

In the first half of 2015, the Rupiah depreciated 7.1% to Rp13,333 per U.S. dollar, primarily due to investor anticipation of the proposed U.S. federal funds rate hike in the United States along with quantitative easing implemented by the European Central Bank and the ongoing fiscal negotiations in Greece. In addition, in line with the market reaction to the devaluation of the Renminbi, nearly all global currencies, including the Rupiah, experienced depreciatory pressures. From July 1, 2014 to September 30, 2015, the Rupiah depreciated 8.9% to Rp14,650 per U.S. dollar. The depreciation was in line with the depreciation of its currency peers and was primarily due to external dynamics related to the increase in the U.S. federal funds rate after the improvement in U.S. GDP, as well as the depreciation of the Renminbi and increased demand for the Rupiah domestically in order to service foreign debt which increased the Rupiah overshoot. However, the Rupiah appreciated 4.5% (month-on-month) in October 2015 to Rp13,783 per U.S. dollar on the back of dovish statements from the U.S. Federal Reserve and positive sentiment after the Government launched a series of policy packages to boost economic growth.

From January 1 to October 31, 2016, the Rupiah appreciated 5.4% to Rp13,048 per U.S. dollar. Positive sentiment concerning the domestic economy stemming from maintained macroeconomic stability together with sound implementation of tax amnesty program, bolstered the appreciation of the Rupiah. Externally, the Rupiah appreciated as global risk surrounding the timing of the U.S. federal funds rate hike eased.

Prudential Policies on Foreign Exchange and Rupiah

Foreign currency is generally freely transferable within or from Indonesia although by regulation most domestic transactions are prohibited from using foreign currency. However, 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 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 January 1, 2015, new Bank Indonesia regulations came into effect to mitigate risks relating to external borrowing by non-bank corporations. Under the regulations, corporate issuers of debt must, subject to certain limited exceptions:

- hedge at least 25% 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% 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.

Bank Indonesia may request information concerning the foreign exchange activities of all natural persons and legal entities that are domiciled, or plan to domicile, in Indonesia for at least one year. Bank Indonesia regulations also require all resident banks and non-bank financial institutions, as well as companies with total assets or total annual gross revenue over Rp100 billion, to report to it all data concerning their foreign currency activities.

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. Since May 2000, Indonesia has complied with the IMF's new Special Data Dissemination Standard requirement on international reserves and foreign exchange currency liquidity.

Official International Reserves of the Republic

	As of December 31,					As of
	2011	2012	2013	2014	2015 ^P	September 30, 2016 ^P
	(in millions of U.S. dollars, except for months)					
Gold	3,593	3,935	3,023	3,027	2,661	3,309
SDRs	2,696	2,715 ⁽¹⁾	2,712	2,551	2,442	1,564
Reserve position with the IMF	223	224	224	211	202	1,102
Foreign exchange ⁽²⁾ and others	103,611	105,907	93,247	106,073	100,626	109,696
Total	110,123	112,781	99,386	111,862	105,931	115,671
Total as number of months of imports and Government external debt repayments	<u>6.7</u>	<u>6.2</u>	<u>5.5</u>	<u>6.4</u>	<u>7.4</u>	<u>8.5</u>

Source: Bank Indonesia

^P Preliminary.

⁽¹⁾ The increase in SDRs is due to certain refunds from the IMF.

⁽²⁾ Converted into U.S. dollars at the applicable BI middle exchange rates as of the respective dates indicated.

Foreign reserves totaled U.S.\$110.1 billion, U.S.\$112.8 billion, U.S.\$99.4 billion, U.S.\$111.9 billion, U.S.\$105.9 billion and U.S.\$115.7 billion as of December 31, 2011, 2012, 2013, 2014, 2015 and September 30, 2016, respectively. Indonesia's foreign exchange reserves at the end of October 2016 was U.S.\$115.0 billion, relatively stable compared to the position at the end of September 2016 of U.S.\$115.7 billion. This was, among others, attributable to foreign exchange revenue, such as tax revenue and issuance of foreign currency SBBI sufficient to cover foreign exchange needed to pay when due Government's external debts and foreign currency SBBI. Foreign exchange reserves at the end of October 2016 were sufficient to fund 8.5 months of imports and payment of the Government's external debts, and above the international adequacy standard of around three months of imports.

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 (**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 million. After the CMI, it has been enlarged to include all ten ASEAN countries and increased in size to U.S.\$2 billion.

Since CMI's inception in 2000, ASEAN+3 member countries undertook a review to explore ways of enhancing its effectiveness. In 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 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 billion and launching a crisis prevention program called the CMIM Precautionary Line (**CMIM-PL**). This arrangement became effective on July 17, 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 (**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 September 30, 2016. 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.

Bank Indonesia has also established a Bilateral Currency Swap Agreement (**BCSA**) with Korea amounting to KRW 10.7 trillion/Rp 115 trillion which was signed in March 2014.

A BCSA entered into between Bank Indonesia and the Reserve Bank of Australia became effective on December 15, 2015. The BCSA with the Reserve Bank of Australia is for an initial period of three years.

As of September 30, 2016, no drawdowns on existing bilateral and regional swap arrangements have been made.

Debt-to-GDP Ratios

The following table sets forth the Republic'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%.

Debt-to-GDP Ratios

	As of December 31,					As of
	2011	2012	2013	2014 ^L	2015 ^r	September 30
	(percentages)					
Debt-to-GDP ratio ⁽¹⁾	23.1	23.0	24.9	24.7	27.4	N/A
Debt service to GDP ratio ⁽¹⁾	2.9	3.1	2.8	3.5	3.3	N/A
Total public debt of the central Government (in billion U.S.\$)	199.5	204.5	194.9	209.7	229.4	265
— % in Loans	34.3%	31.2%	30.1%	26.0%	23.9%	21.6%
— % in Bonds	65.7%	68.8%	69.9%	74.0%	76.1%	78.4%

Source: Ministry of Finance, Bank Indonesia

⁽¹⁾ Outstanding foreign currency debt was converted to Rupiah using the BI middle exchange rate as of each period indicated in the table.

^L LKPP (Audited).

^r Revised Budget.

DESCRIPTION OF THE NOTES

1. General

- (a) The particular terms of any Notes sold will be described in an accompanying supplement to this Offering Circular (a **Pricing Supplement**). The terms and conditions set forth in “*Description of the Notes*” below will apply to each Note unless otherwise specified in the applicable Pricing Supplement and in such Note.
- (b) The Notes are duly authorized issues of Notes of the Republic of Indonesia (the **Republic**) (each Note a **Note**, and collectively, the **Notes**), and are issued pursuant to an Indenture dated as of January 28, 2009, among, inter alia, the Republic and The Bank of New York Mellon, as Trustee (the **Trustee**), as amended by the First Supplemental Indenture dated January 5, 2010, the Second Supplemental Indenture dated June 21, 2014, the Third Supplemental Indenture dated January 8, 2015, the Fourth Supplemental Indenture dated December 1, 2015 and as further amended, supplemented and/or restated from time to time (the **Indenture**). The terms of the Notes are subject to all the provisions contained in the Indenture and the conditions set out in the Note (as modified and supplemented by the applicable Pricing Supplement, the **Conditions**). The Pricing Supplement for each Note supplements 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 the Note. The holders of the Notes (the **Holders**) will be entitled to the benefits of, be bound by, and be deemed to have notice of, all of the provisions of the Indenture. A copy of the Indenture is on file and may be inspected at the Corporate Trust Office of the Trustee in New York City. All capitalized terms used in this “*Description of the Notes*” but not defined herein shall have the meanings assigned to them in the Indenture and in the Pricing Supplement.
- (c) The Notes are direct, unconditional, unsecured and general obligations of the Republic without preference granted by the Republic to one above the other. The Notes rank equal in right of payment among themselves and with all other unsecured and unsubordinated External Indebtedness (as defined below) of the Republic, from time to time outstanding; provided, however, that, consistent with similar provisions in the Republic’s other External Indebtedness, the Republic shall have no obligation to effect equal or ratable payment(s) at any time with respect to any such other External Indebtedness and, in particular, shall have no obligation to pay other External Indebtedness at the same time or as a condition of paying sums due on the Notes and vice versa. All amounts payable under the Notes are backed by the full faith and credit of the Republic.
- (d) Registered Notes are issued in fully registered form, without coupons. Registered Notes may be issued in certificated form (the **Certificated Securities**), or may be represented by one or more registered global securities (each, a **Registered Global Security**) held by or on behalf of the Depository. Certificated Securities will be available only in the limited circumstances set forth in the Indenture. The Registered Notes, and transfers thereof, shall be registered as provided in Clause 2.6 of the Indenture. Any person in whose name a Registered Note shall be registered may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Registered Note regardless of any notice of ownership, theft, loss or any writing thereon.
- (e) Bearer Notes are issued in bearer form, with Coupons (and, where appropriate, Talons) attached, except in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in the Conditions are not applicable. Installment Notes are issued with one or more Receipts attached. Bearer Notes may be issued in definitive form, or may be represented by one or more global notes held by or on behalf of the Depository. Definitive Bearer Notes will be available only in the limited circumstances set forth in the Indenture. Any holder of any Bearer Note, Receipt, Coupon or Talon may (to the fullest extent permitted by applicable law) be treated at all times, by all persons and for all purposes as the absolute owner of such Bearer Note, Receipt, Coupon or Talon regardless of any notice of ownership, theft, loss or any writing thereon. Title to the Bearer Notes and any Coupon shall pass by delivery.
- (f) Notes may be issued with the benefit of a guarantee. Details of any guarantee and the guarantor will be set out in the applicable Pricing Supplement.

2. Principal and Interest

The Republic for value received, hereby promises to pay to the Holder on the Maturity Date (or on such earlier date as the amount payable upon redemption under the Conditions may become repayable in

accordance with the Conditions) the amount payable upon redemption to the Holder under the Conditions and (unless the Note does not bear interest) to pay to the Holder interest in respect of such Note from the Interest Commencement Date in arrears at the rates, in the amounts and on the dates for payment provided for in the Conditions together with such other sums and additional amounts (if any) as may be payable under the Conditions, in accordance with the Conditions.

2A. General

The Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an Index Linked Interest Note, an Index Linked Redemption Note, an Installment Note, a Dual Currency Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest and Redemption/Payment Basis shown in the Pricing Supplement. Details of such Interest, Redemption and/or Payment Basis not set out herein shall be set out in the Pricing Supplement.

2B. Interest and Calculations

- (a) **Interest on Fixed Rate Notes:** Each Fixed Rate Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 2B(h).
- (b) **Interest on Floating Rate Notes and Index Linked Interest Notes:**
- (i) *Interest Payment Dates:* Each Floating Rate Note and Index Linked Interest Note bears interest on its outstanding nominal amount from the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrears on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 2B(h). Such Interest Payment Date(s) is/are either shown in the Pricing Supplement as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown in the Pricing Supplement, Interest Payment Date shall mean each date which falls the number of months or other period shown in the Pricing Supplement as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.
- (ii) *Business Day Convention:* If any date referred to in the Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.
- (iii) *Rate of Interest for Floating Rate Notes:* The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which is specified in the Pricing Supplement.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant **ISDA Rate**. For the purposes of this paragraph 2B(b)(iii)(A), ISDA Rate for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

- (x) the Floating Rate Option is as specified in the Pricing Supplement;

- (y) the Designated Maturity is a period specified in the Pricing Supplement; and
- (z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified in the Pricing Supplement.

For the purposes of paragraph 2B(b)(iii)(A), “Floating Rate”, “Calculation Agent”, “Floating Rate Option”, “Designated Maturity”, “Reset Date” and “Swap Transaction” have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

- (x) Where Screen Rate Determination is specified in the Pricing Supplement as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as of either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified in the Pricing Supplement as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided in the Pricing Supplement.

- (y) If the Relevant Screen Page is not available or if, Condition 2B(b)(iii)(B)(x)(1) applies and no such offered quotation appears on the Relevant Screen Page or if Condition 2B(b)(iii)(B)(x)(2) above applies and fewer than three such offered quotations appear on the Relevant Screen Page in each case as of the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Euro-zone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent.
- (z) If Condition 2B(b)(iii)(B)(y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately

11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Trustee and the Republic suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market as of 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, the Euro-zone inter-bank market as of 11.00 a.m. (Brussels time), as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the provisions of Condition 2B(b)(iii)(B)(z), the Rate of Interest shall be determined as of the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

- (iv) *Rate of Interest for Index Linked Interest Notes:* The Rate of Interest in respect of Index Linked Interest Notes for each Interest Accrual Period shall be determined in the manner specified in the Pricing Supplement and interest will accrue by reference to an Index or Formula as specified in the Pricing Supplement.
- (c) **Zero Coupon Notes:** Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortization Yield (as described in Condition 7(b)(i)).
- (d) **Dual Currency Notes:** In the case of Dual Currency Notes, if the rate or amount of interest falls to be determined by reference to a Rate of Exchange or a method of calculating Rate of Exchange, the rate or amount of interest payable shall be determined in the manner specified in the Pricing Supplement.
- (e) **Partly Paid Notes:** In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified in the Pricing Supplement.
- (f) **Accrual of Interest:** Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in Condition 2B to the Relevant Date (as defined in Condition 8).
- (g) **Margin, Maximum/Minimum Rates of Interest, Installment Amounts and Redemption Amounts and Rounding:**
- (i) If any Margin is specified in the Pricing Supplement (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 2B(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin, subject always to Condition 2B(g)(ii).
- (ii) If any Maximum or Minimum Rate of Interest, Installment Amount or Redemption Amount is specified in the Pricing Supplement, then any Rate of Interest, Installment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.
- (iii) For the purposes of any calculations required pursuant to the Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes unit means the lowest amount of such currency that is available as legal tender in the country(ies) of such currency.
- (h) **Calculations:** The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified in the Pricing Supplement, and the Day Count Fraction for such Interest Accrual Period,

unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

- (i) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Installment Amounts:** The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Installment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Installment Amount to be notified to the Trustee, the Republic, each of the Paying Agents, the Holders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 2B(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made with the consent of the Trustee by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 6, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with Condition 2B(i) but no publication of the Rate of Interest or the Interest Amount so calculated need be made unless the Trustee otherwise requires. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.
- (j) **Determination or Calculation by Trustee:** If the Calculation Agent does not at any time for any reason determine or calculate the Rate of Interest for an Interest Accrual Period or any Interest Amount, Installment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, the Trustee shall do so (or shall appoint an agent on its behalf to do so) and such determination or calculation shall be deemed to have been made by the Calculation Agent. In doing so, the Trustee shall apply the foregoing provisions of Condition 2B(j), with any necessary consequential amendments, to the extent that, in its opinion, it can do so, and, in all other respects it shall do so in such manner as it shall deem fair and reasonable in all the circumstances.
- (k) **Definitions:** For the purposes of this “Description of the Notes”, unless the context otherwise requires, the following defined terms shall have the meanings set out below:
- “Business Day” means:
- (i) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial center for such currency; and/or
 - (ii) in the case of Euro, a day on which the TARGET system is operating (a TARGET Business Day); and/or
 - (iii) in the case of a currency and/or one or more 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 Business Center(s) or, if no currency is indicated, generally in each of the Business Centers.

“Day Count Fraction” means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the “Calculation Period”):

- (i) if “Actual/Actual” or “Actual/Actual—ISDA” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 365;
- (iii) if “Actual/360” is specified in the Pricing Supplement, the actual number of days in the Calculation Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D₁ is greater than 29, in which case D₂ will be 30;

- (v) if “30E/360” or “Eurobond Basis” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D₂ will be 30;

- (vi) if “30E/360 (ISDA)” is specified in the Pricing Supplement, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360 \times (Y_2 - Y_1)] + [30 \times (M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

“Y₁” is the year, expressed as a number, in which the first day of the Calculation Period falls;

“Y₂” is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“M₁” is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

“M₂” is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

“D₁” is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D₁ will be 30; and

“D₂” is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D₂ will be 30;

- (vii) if “Actual/Actual-ICMA” is specified in the Pricing Supplement:

- (a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of: (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and
- (b) if the Calculation Period is longer than one Determination Period, the sum of:
- (x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and
- (y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year,

where:

“Determination Period” means the period from and including a Determination Date in any year to but excluding the next Determination Date.

“Determination Date” means the date(s) specified as such in the Pricing Supplement or, if none is so specified, the Interest Payment Date(s).

“Euro-zone” means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended.

“Interest Accrual Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Period Date and each successive period beginning on (and including) an Interest Period Date and ending on (but excluding) the next succeeding Interest Period Date.

“Interest Amount” means:

- (i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified in the Pricing Supplement, shall mean the Fixed Coupon Amount or Broken Amount specified in the Pricing Supplement as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and
- (ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period.

“Interest Commencement Date” means the Issue Date or such other date as may be specified in, or determined in accordance with the provisions of, the Pricing Supplement.

“Interest Determination Date” means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such in the Pricing Supplement or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor Euro or (iii) the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is Euro.

“Interest Payment Date” means the date or dates specified as such in, or determined in accordance with the provisions of, the Pricing Supplement.

“Interest Period” means the period beginning on (and including) the Interest Commencement Date and ending on (but excluding) the first Interest Payment Date and each successive period beginning on (and including) an Interest Payment Date and ending on (but excluding) the next succeeding Interest Payment Date.

“Interest Period Date” means each Interest Payment Date unless otherwise specified in the Pricing Supplement.

“ISDA Definitions” means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified in the Pricing Supplement.

“Rate of Interest” means the rate or rates of interest payable from time to time in respect of the Note specified in the Pricing Supplement or calculated or determined in accordance with the Conditions and/or the provisions of the Pricing Supplement.

“Redemption Amount” means the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, each as specified as such in, or determined in accordance with the provisions of, the Pricing Supplement.

“Redemption Date” means the Optional Redemption Date specified in the relevant Pricing Supplement or such other date set for redemption of the Notes pursuant to Condition 7.

“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. “Reference Rate” means the rate specified as such 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.

“Specified Currency” means the currency specified as such in the Pricing Supplement or, if none is specified, the currency in which the Notes are denominated.

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

- (1) **Calculation Agent:** The Republic shall procure that there shall at all times be one or more Calculation Agents if provision is made for them in the Pricing Supplement and for so long as any Note is outstanding (as defined in the Indenture). Where more than one Calculation Agent is appointed in respect of the Notes, references in the Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Installment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Republic shall (with the prior approval of the Trustee) appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

2C. Redenomination, Renominalization and Reconventioning

Where Redenomination, Renominalization and Reconventioning is specified in the Pricing Supplement as being Applicable in relation to Notes denominated in the currency of a member state which becomes or announces its intention to become a Participating Member State:

- (i) the Republic may, without the consent of the Holders of the Notes, on giving not less than 30 days' prior notice (**Redenomination Notice**) to the Holders of the Notes in accordance with Condition 13, the Trustee and the Paying Agents, with effect from (and including) the Redenomination Date, elect that the aggregate principal amount of each Holder's holding of Notes shall be redenominated into Euro with an aggregate principal amount equal to their aggregate principal amount in the Relevant Currency and the amount of such payment shall be rounded to the nearest Euro 0.01. The rate for the conversion of the Relevant Currency (as defined below) into Euro shall be the rate established by the Council of the European Union pursuant to Article 881(4) of the Treaty establishing the European Community (the **Treaty**) (including compliance with rules relating to roundings in accordance with applicable European Community regulations).

"Participating Member State" means a Member State of the European Communities which adopts the Euro as its lawful currency in accordance with the Treaty.

"Redenomination Date" means any Interest Payment Date falling on or after the date on which the country of the Relevant Currency becomes a Participating Member State, which is specified in the Redenomination Notice.

"Relevant Currency" means the currency of denomination of the Notes shown on such Notes and which is specified in the Pricing Supplement.

On or after the Redenomination Date, notwithstanding the other provisions of the Conditions, all payments in respect of the Notes will be made solely in Euro, including payments of interest in respect of a period before the Redenomination Date. Payments will be made in Euro by credit or transfer to a Euro account (or any other account to which Euro may be credited or transferred) specified by the payee. None of the Republic, the Trustee or any Paying Agent shall be liable to any Holder of Notes or other person for any commissions, costs, losses or expenses in relation to or resulting from the credit or transfer of Euro or any currency conversion or rounding effected in connection therewith;

- (ii) provided that the Notes are represented by a Registered Global Security, the Republic may, without the consent of the Holders of the Notes, on giving at least 30 days' prior notice to the Holders of the Notes in accordance with Condition 13, the Trustee and the Paying Agents, with effect from the Redenomination Date or such later date as it may specify in that notice, procure that the denomination of the Notes shall be Euro 0.01 and integral multiples thereof;
- (iii) the Republic may, without the consent of the Holders of the Notes, on giving at least 30 days' prior notice to the Holders of the Notes in accordance with Condition 13, the Trustee and the Paying Agents, with effect from the Redenomination Date or such later Interest Payment Date as it may specify in that notice, elect to amend the conventions which apply in respect of the Notes.

In particular, the Republic may procure that the definition of "Business Day" and "Financial Center" in Condition 2B shall be amended so as to be a day on which TARGET is operating, and that, if interest is required to be calculated for a period of less than one year, it will be calculated on the basis of the actual number of days elapsed divided by 365 (or, if any of the days on the basis of the actual number of days elapsed divided by 365 (or, if any of the days elapsed fall in a leap year, the sum of (A) the number of those days falling in a leap year divided by 366 and (B) the number of those days falling in a non-leap year divided by 365) or on any other basis which is customary and which the Republic deems appropriate.

3. Payments

- (a) Registered Notes

Principal of (and premium, if any, on) the Registered Notes will be payable against surrender of such Registered Notes at the Corporate Trust Office of the Trustee in New York City or, subject to applicable laws and regulations, at the office outside of the United States of a Paying Agent, by check in the Specified Currency drawn on, or by transfer to an account in the Specified Currency maintained by the Holder with, a bank located in New York City (or, the Financial Center set out in the Pricing Supplement). Unless specified in the Pricing Supplement, payment of interest (including Additional

Amounts (as defined below)) on Registered Notes will be made to the persons in whose name such Registered Notes are registered at the close of business on the Clearing System Business Day immediately prior to the date for payment where “Clearing System Business Day” means Monday to Friday except December 25 and January 1; provided that if and to the extent the Republic shall default in the payment of the interest due on such Interest Payment Date, such defaulted interest shall be paid to the persons in whose names such Registered Notes are registered as of a subsequent record date established by the Republic by notice, as provided in Condition 13, by or on behalf of the Republic to the Holders not less than 15 days preceding such subsequent record date, such record date to be not less than 10 days preceding the date of payment of such defaulted interest. Payment of interest on Certificated Securities will be made (i) by a check in the Specified Currency drawn on a bank in New York City (or, the Financial Center set out in the Pricing Supplement) mailed to the Holder at such Holder’s registered address or (ii) upon application by the Holder of at least the amount specified in the Pricing Supplement in principal amount of Certificated Securities to the Trustee not later than the close of business on the Clearing System Business Day immediately prior to the date for payment, by wire transfer in immediately available funds to an account maintained by the Holder with a bank in New York City (or, the Financial Center set out in the Pricing Supplement), Payment of interest on a Registered Global Security will be made (i) by a check in the Specified Currency drawn on a bank in New York City delivered to the Depository at its registered address or (ii) by wire transfer in immediately available funds to an in the Specified Currency account maintained by the Depository with a bank in New York City (or, the Financial Center set out in the Pricing Supplement).

Bearer Notes

Each Paying Agent acting through its specified office outside the United States, its territories and possessions should make payments of principal and interest in respect of Bearer Notes in accordance with the terms of the Indenture applicable to such Bearer Notes; provided, however, that:

- (i) if any Temporary Global Note, Permanent Global Note, Definitive Bearer Note, Receipt or Coupon is presented or surrendered for payment to any Paying Agent and such Paying Agent has delivered a replacement therefor or has been notified that the same has been replaced, such Paying Agent should promptly notify the Republic of such presentation or surrender and shall not make payment against the same until it is so instructed by the Republic and has received the amount to be so paid;
- (ii) a Paying Agent should not be obliged (but shall be entitled) to make payments of principal or interest in respect of the Bearer Notes, if it is not able to establish that the Trustee has received (whether or not at the due time) the full amount of any payment due to it;
- (iii) (the relevant Paying Agent should cancel or procure the cancelation of each Temporary Global Note, Permanent Global Note, Definitive Bearer Note (together, in the case of early redemption, with such unmatured Receipts or Coupons or unexchanged Talons as are attached to such Definitive Bearer Note at the time of such redemption), Receipt, Coupon or Talon, against surrender of which it has made full payment and should (if such Paying Agent is not the Trustee) deliver or procure the delivery of each Temporary Global Note, Permanent Global Note, Definitive Bearer Note (together with, as aforesaid, such unmatured Receipts or Coupons or unexchanged Talons as are attached to or surrendered with the relevant Bearer Notes), Receipt, Coupon or Talon so canceled by it to, or to the order of, the Trustee; or
- (iv) in the case of payment of interest, principal or, as the case may be, any other amount against presentation of a Temporary Global Note, the relevant Paying Agent should note or procure that there is noted on the schedule thereto (or, in the absence of a schedule, on the face thereof) the amount of such payment and, in the case of payment of principal, the remaining principal amount of the relevant Bearer Note (which shall be the previous principal amount less the principal which has then been paid) and shall procure the signature of such notation on its behalf.

Payments of principal and interest on Bearer Global Notes will be made in a manner specified in the relevant Bearer Global Notes against presentation or surrender, as the case may be, of such Bearer Global Note at the office of the relevant Paying Agent outside of the United States. A record of each payment of principal and any payment of interest will be made on each relevant Bearer Global Note by the relevant Paying Agent and such record will be prima facie evidence that the payment in question has been made absent manifest error.

Payments of principal and interest on Definitive Bearer Notes will be made against presentation or surrender, as the case may be, of such Definitive Bearer Note at the office of the relevant Paying Agent

outside of the United States. Payments of interest in respect of Definitive Bearer Notes will be made only against surrender of Coupons and payments of principal will be made only against surrender of Receipts, in each, at the office of the relevant Paying Agent outside of the United States.

Notwithstanding the provisions of Condition 3(b) and 3(c), if payments of interest and/or principal on a Bearer Note will be made in U.S. dollars, such payments may be made in the United States if:

- (1) Bank Indonesia has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in U.S. dollars at such specified offices outside the United States of the full amount of principal and interest on the Bearer Notes in the manner provided above when due;
- (2) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in U.S. dollars; and
- (3) such payment is then permitted under United States law without involving, in the opinion of the Republic, adverse tax consequences to the Republic.

A record of each payment of principal and any payment of interest will be made on each relevant Bearer Global Notes by the relevant Paying Agent and such record will be prima facie evidence that the payment in question has been made, absent manifest error.

No Paying Agent should exercise any Lien, right of set-off or similar claim against any person to whom it makes any payment under Section 309(a) in respect thereof, nor shall any commission or expenses be charged by it to any such person in respect thereof.

If a Paying Agent makes any payment in accordance with Condition 3(a)(i), it should notify the Trustee of the amount so paid by it, the serial number of the relevant Temporary Global Note, Permanent Global Note or Definitive Bearer Note against presentation or surrender of which payment of principal or interest was made and the number of Coupons by maturity against which payment of interest was made.

If at any time and for any reason a Paying Agent makes a partial payment in respect of a Temporary Global Note, Permanent Global Note, Definitive Bearer Note, Receipt or Coupon presented for payment to it, such Paying Agent should endorse thereon a statement indicating the amount and date of such payment.

- (b) Unless another Business Day Convention is specified in the Pricing Supplement in any case where the date of payment of the principal of, or interest (including Additional Amounts), on the Notes shall not be a Business Day, then payment of principal or interest (including Additional Amounts) need not be made on such date at the relevant place of payment but may be made on the next succeeding Business Day. Any payment made on a date other than the date on which such payment is due as set forth herein shall have the same force and effect as if made on the date on which such payment is due, and no interest shall accrue for the period after such date.
- (c) Interest in respect of any period of less than one year shall be calculated on the basis of the Day Count Fraction specified in the Pricing Supplement.
- (d) All monies paid by or on behalf of the Republic to the Trustee or to any Paying Agent for payment of the principal of, or interest (including Additional Amounts) on, any Note and not applied but remaining unclaimed for two years after the date upon which such amount shall have become due and payable shall be repaid to or for the account of the Republic by the Trustee or such Paying Agent, the receipt of such repayment to be confirmed promptly in writing by or on behalf of the Republic. The Holder or Holders of such Note or Notes shall thereafter look only to the Republic for the payment that such Holder may be entitled to collect, and all liability of the Trustee or such Paying Agent with respect to such monies shall thereupon cease.
- (e) If the Republic at any time defaults in the payment of any principal of, or interest (including Additional Amounts) on, the Notes, the Republic will pay interest on the amount in default (to the extent permitted by law in the case of interest on interest), calculated for each day until paid, at the rate per annum (the "Default Rate") specified in the Pricing Supplement, together with Additional Amounts, if applicable.

"Business Day" shall mean:

- (i) in the case of a currency other than Euro, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial Center for such currency and/or

- (ii) in the case of Euro, a day on which the TARGET System is operating (a “TARGET Business Day”); and/or
- (iii) in the case of a currency and/or one or more 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 Business Center(s) or, if no currency is indicated, generally in each of the Business Centers.

4. Taxation

- (a) The Republic will make all principal and interest payments on the Notes, to the extent permitted by law, without withholding or deducting any present or future taxes, levies, imposts, duties, assessments or other charges of whatever nature imposed by the Republic or any of its political subdivisions (“Indonesian Taxes”). If Indonesian law requires the Republic to withhold or deduct any Indonesian Taxes, the Republic will pay the Holders of Notes such additional amounts (“Additional Amounts”) necessary to ensure that they receive the same amount as they would have received without any withholding or deduction. The Republic will not, however, pay any Additional Amounts in connection with any Indonesian Taxes that are imposed due to any of the following:
 - (i) the Holder has or had some connection with the Republic other than merely owning or holding the Notes or receiving principal and interest payments on the Notes;
 - (ii) the Holder has failed to present any such Notes for payment (where such presentment is required) within 30 days after the date on which such payment has been made available to the Holder except to the extent that the Holder thereof would have been entitled to such Additional Amounts on presenting such Note for payment on the last of such 30 days; or
 - (iii) the Holder 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 Holder.

Any reference to “principal” or “interest” on the Notes includes any Additional Amounts which may be payable on the Notes.

- (b) The Republic will pay any present or future stamp, court or documentary taxes or any excise or property taxes, charges or similar levies which arise in the Republic or any political subdivision thereof or taxing authority thereof or therein in respect of the creation, issue, execution, delivery or registration of the Notes or any other document or instrument referred to therein.

5. Negative Pledge Covenant of the Republic

So long as any Note, Receipt or Coupon shall remain 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 (as defined below), unless the Republic shall procure that all amounts payable under the Notes are secured equally and ratably.

“Indebtedness” means any indebtedness for money borrowed or any guarantee of indebtedness for money borrowed which is issued by and in the name of the Republic and is backed by the full faith and credit of the Republic. As used in the preceding sentence, money borrowed “by and in the name of the Republic” shall not include the borrowings of any state-owned-enterprises 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.

“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.

“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 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, security interest 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 date the Indenture becomes effective or at any time thereafter.

Notwithstanding the above, the Republic may create or permit the creation of any Security Interests:

- (i) 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: unimproved real property for the construction, 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 the revenues to be generated by the operation of, or loss or damage to, the property to be constructed;
- (ii) 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 extensions 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;
- (iii) arising out of the renewal, extension or replacement of any indebtedness permitted under Condition 5(ii) above; provided, however, that the principal amount of such Public External Indebtedness is not increased;
- (iv) arising in the ordinary course of borrowing activities of the Republic to secure Public External Indebtedness with a maturity of one year or less;
- (v) in existence as of the date of the issuance of the Notes;
- (vi) pursuant to any order of attachment, distraint or similar legal process arising in connection with court proceedings which proceedings are being contested in good faith; or
- (vii) 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.

6. Events of Default

If one or more of the following events (each an “Event of Default”) shall have occurred and be continuing (whatever the reason for such Event of Default and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

- (a) the Republic defaults in any payment of the principal of or interest on any of the Notes and such default is not cured within 30 days; or
- (b) the Republic defaults in the performance of any other covenant in the Notes and such default continues for a period of 60 days after written notice thereof has been given to the Republic at the corporate trust office of the Trustee in The City of New York by Holders representing at least 10% of the aggregate principal amount of the Notes outstanding; or
- (c) any Public External Indebtedness 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); or
- (d) the Republic defaults in the payment of principal or interest 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 Trustee or to the Republic at the Corporate Trust Office of the Trustee in The City of New York by any Holder; or
- (e) the Republic declares a moratorium with respect to the payment of principal of or interest on any Public External Indebtedness,

then in each and every such case, upon notice in writing by the Trustee to the Republic, or upon notice in writing by the Holders (the “Demanding Holders”) (acting individually or together) of not less than 25% of the aggregate Outstanding principal amount of the Notes to the Republic, with a copy to the Trustee, of any such Event of Default and its continuance, the Trustee or the Demanding Holders may declare the principal

amount of all the Notes due and payable immediately, and the same shall become and shall be due and payable upon the date that such written notice is received by or on behalf of the Republic, unless prior to such date such Event or Events of Default in respect of all the Notes shall have been cured; provided that if the Event or Events of Default giving rise to such declaration, other than the nonpayment of the principal of the Notes which shall have become due solely by acceleration, shall have been cured, waived or otherwise remedied as provided herein, then, and in every such case, the Holders of at least a Majority in aggregate principal amount of the Notes then Outstanding, by written notice to the Republic and to the Trustee, may, on behalf of all of the Holders, waive all defaults and rescind and annul such declaration and its consequences, but no such waiver or rescission and annulment shall extend to or shall affect any subsequent default, or shall impair any right consequent thereon. Actions by Holders pursuant to Condition 6 need not be taken at a meeting pursuant to Condition 8.

7. Redemption

(a) Redemption by Installments and Final Redemption:

- (i) Unless previously redeemed, purchased and canceled each Note that provides for Installment Dates and Installment Amounts shall be partially redeemed on each Installment Date at the related Installment Amount specified in the Pricing Supplement. The outstanding nominal amount of each such Note shall be reduced by the Installment Amount (or, if such Installment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Installment Date, unless payment of the Installment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Installment Amount.
- (ii) Unless previously redeemed, purchased and canceled as provided below, each Note shall be finally redeemed on the Maturity Date specified in the Pricing Supplement at its Final Redemption Amount (which, unless otherwise provided in the Pricing Supplement, is its nominal amount) or, in the case of a Note falling within Condition 7(a)(i), its final Installment Amount.

(b) Early Redemption:

(i) Zero Coupon Notes:

- (A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 7(c) or upon it becoming due and payable as provided in Condition 6 shall be the Amortized Face Amount (calculated as provided below) of such Note unless otherwise specified in the Pricing Supplement.
- (B) Subject to the provisions of Condition 7(b)(i)(C), the Amortized Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortization Yield (which, if none is shown in the Pricing Supplement, shall be such rate as would produce an Amortized Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.
- (C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 7(c) or upon it becoming due and payable as provided in Condition 6 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortized Face Amount of such Note as defined in Condition 7(b)(i)(B), except that such Condition shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortized Face Amount in accordance with Condition 7(b)(i)(C) shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).
- (D) Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown in the Pricing Supplement.

- (ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 7(c) or upon it becoming due and payable as provided in Condition 6, shall be the Final Redemption Amount unless otherwise specified in the Pricing Supplement.

(c) **Redemption for Taxation Reasons:**

The Notes may be redeemed at the option of the Republic in whole, but not in part, on any Interest Payment Date (if the Note is either a Floating Rate Note or an Index Linked Note) or at any time (if the Note is neither a Floating Rate Note nor an Index Linked Note), on giving not less than 30 nor more than 60 days' notice to the Holders (which notice shall be irrevocable) at their Early Redemption Amount (as described in Condition 7(b)) (together with interest accrued to the date fixed for redemption), if (i) the Republic satisfies the Trustee immediately before the giving of such notice that it has or will become obliged to pay additional amounts as described under Condition 4 as a result of any change in, or amendment to, the laws or regulations of the Republic of Indonesia or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Republic taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Republic would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Before the publication of any notice of redemption pursuant to Condition 7(c), the Republic shall deliver to the Trustee a certificate signed by two Authorized Officers of the Republic stating that the obligation referred to in (i) above cannot be avoided by the Republic taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (ii) above in which event it shall be conclusive and binding on Holders and Couponholders.

(d) **Redemption at the Option of the Republic:**

If Call Option is specified in the Pricing Supplement, the Republic may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Holders (or such other notice period as may be specified in the Pricing Supplement) redeem all or, if so provided, some of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified in the Pricing Supplement and no greater than the Maximum Redemption Amount to be redeemed specified in the Pricing Supplement.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with Condition 7(d).

In the case of a partial redemption the notice to Holders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes selected and the holder(s) of such Registered Notes, to be redeemed, which shall have been selected in such place as the Trustee may approve and in such manner as it deems appropriate, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Holders:**

If Put Option is specified in the Pricing Supplement, the Republic shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Republic (or such other notice period as may be specified in the Pricing Supplement) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit a duly completed option exercise notice ("Exercise Notice") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period with the Registrar or any Transfer Agent at its specified office, in the case of Definitive Notes together with the relevant Definitive Note representing such Note(s). No Note so deposited and option exercised may be withdrawn without the prior consent of the Republic.

(f) **Partly Paid Notes:**

Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of Condition 7 and the provisions specified in the Pricing Supplement.

8. Holders' Meetings

- (a) The Republic or the Trustee at any time may, and upon a request in writing (specifying the proposed action to be taken) to the Trustee made by Holders holding not less than 10% in aggregate principal

amount of the Notes at the time Outstanding the Trustee shall, convene a meeting of Holders. The Republic or the Trustee, as applicable, shall give notice of each meeting of Holders, setting forth: (i) the time and place of the meeting; (ii) in general terms the topics to be discussed, or the action to be taken, at that meeting; (iii) the date fixed by the Republic for determining the Holders and, in the case of a multiple series aggregation, the holders of Debt Securities of each other series that are entitled to vote on a Multiple Series Single Limb Extraordinary Resolution (as defined below) or a Multiple Series Two Limb Extraordinary Resolution (as defined below), or to sign a Multiple Series Single Limb Written Resolution (as defined below) or a Multiple Series Two Limb Written Resolution (as defined below) (the **Modification Record Date**), which date shall be no more than five business days before the date of any such meeting; (iv) the documentation required to be produced by a Holder in order to be entitled to participate at the meeting or to appoint a proxy to act on the Holder's behalf at the meeting; (v) whether Condition 19(b), Condition 19(c), or Condition 19(d) shall apply and, if relevant, in relation to which other series of Debt Securities it applies; (vi) if the proposed modification or action relates to two or more series of Debt Securities issued by it and contemplates such series of Debt Securities being aggregated in more than one group of Debt Securities, a description of the proposed treatment of each such group of Debt Securities; (vii) such information that is required to be provided by the Republic in accordance with Condition 19(f); (viii) the identity of the Aggregation Agent (as defined below) and the Aggregation Calculation Agent (as defined below), 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 19(g); and (ix) 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 Debt Securities. Such notice shall be given not less than 30 nor more than 60 days prior to the date fixed for the meeting. To be entitled to vote at any meeting of Holders a Person shall be, as of the date reasonably set by the Trustee, (i) a Holder of one or more Notes or (ii) a Person appointed by an instrument in writing as proxy by the Holder of one or more Notes. The only Persons who shall be entitled to be present or to speak at any meeting of Holders shall be the Persons entitled to vote at such meeting and their counsel, the Trustee and its counsel, and any representatives of the Republic and its counsel. Any procedures governing the conduct of meetings of Holders not described in this Condition 8 shall be set by the Trustee, if relevant, in such a manner as to facilitate any multiple series aggregation, if in relation to a Reserved Matter (as defined below) the Republic proposes any modification to the terms and conditions of, or action with respect to, two or more series of Debt Securities issued by it.

"Debt Securities" means any notes (including the Notes), bonds, debentures or other debt securities issued by the Republic in one or more series with an original stated maturity of more than one year.

- (b) Holders entitled to vote a majority in aggregate principal amount of the Notes at the time Outstanding shall constitute a quorum at a meeting convened to discuss or vote on any matter other than a Reserved Matter. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than ten days. Notice of reconvening of any such meeting need be given only once but must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened. Subject to the foregoing, at the reconvening of any meeting adjourned for lack of a quorum, the Holders entitled to vote 25% in aggregate principal amount of the Notes at the time Outstanding shall constitute a quorum for the taking of any action set forth in the notice of the original meeting and such quorum requirement shall be expressly stated in the notice of reconvening.
- (c) Holders entitled to vote at least 75% in aggregate principal amount of the Notes at the time Outstanding shall constitute a quorum at any meeting convened to discuss or vote on a Reserved Matter. In the absence of a quorum at any such meeting, the meeting may be adjourned for a period of not less than 10 days. Notice of reconvening of any such meeting need be given only once but must be given not less than five days prior to the date on which the meeting is scheduled to be reconvened.

Further provisions for meetings of Holders, including procedures for voting, are contained in Clause 11 of the Indenture.

9. Replacement, Exchange and Transfer of Notes

- (a) Upon the terms and subject to the conditions set forth in the Indenture, in case any Note shall become mutilated, defaced or be apparently destroyed, lost or stolen, the Republic will execute, and upon the request of the Republic, the Trustee or the Registrar, as applicable, shall authenticate and deliver, a new Note bearing a number not contemporaneously Outstanding, in exchange and substitution for the mutilated or defaced Note, or in lieu of and in substitution for the apparently destroyed, lost or stolen

Note. In every case, the applicant for a substitute Note shall furnish to the Republic and to the Trustee such security or indemnity as may be required by each of them to indemnify, defend and to save each of them and any agent of the Republic or the Trustee harmless and, in every case of destruction, loss or theft, evidence to their satisfaction of the apparent destruction, loss or theft of such Note and of the ownership thereof. Upon the issuance of any substitute Note, the Holder of such Note, if so requested by the Republic, shall pay a sum sufficient to cover any stamp duty, tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Trustee) connected with the preparation and issuance of the substitute Note.

- (b) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Condition 9(e), a Definitive Note or Notes may be changed for an equal aggregate principal amount of Certificated Securities in the Specified Denominations, and a beneficial interest in the Registered Global Security may be exchanged for Certificated Securities in the Specified Denominations or for a beneficial interest in another Registered Global Security by the Holder or Holders surrendering the Note or Notes for exchange at the Corporate Trust Office of the Trustee in The City of New York or at the office of a transfer agent, together with a written request for the exchange. Definitive Notes will only be issued in exchange for interests in a Registered Global Security pursuant to Clauses 2.5.7 through 2.5.11 of the Indenture. The exchange of the Notes will be made by the Trustee in The City of New York.
- (c) Upon the terms and subject to the conditions set forth in the Indenture, and subject to Condition 9(e), a Certificated Security may be transferred in whole or in a smaller Specified Denomination by the Holder or Holders surrendering the Certificated Security for transfer at the Corporate Trust Office of the Trustee in The City of New York or at the office of a Paying Agent accompanied by an executed instrument of transfer substantially as set forth in Exhibit K to the Indenture. The registration of transfer of the Notes will be made by the Trustee in The City of New York.
- (d) The costs and expenses of effecting any exchange, transfer or registration of transfer pursuant to Condition 9 will be borne by the Republic, except for the expenses of delivery (if any) not made by regular mail and the payment of a sum sufficient to cover any stamp duty, transfer tax or other governmental charge or insurance charge that may be imposed in relation thereto, which will be borne by the Holder.
- (e) The Trustee may decline to accept any request for an exchange or registration of transfer of any Registered Note during the period of 15 days preceding the due date for any payment of principal of or interest on the Registered Notes.

10. Trustee

For a description of the duties and the immunities and rights of the Trustee under the Indenture, reference is made to the Indenture, and the obligations of the Trustee to the Holder of a Note are subject to such immunities and rights.

11. Paying Agents; Transfer Agents; Registrar

Initial appointments of the Paying Agents, transfer agents and registrar have been made. Bank Indonesia may at any time appoint additional or other Paying Agents, transfer agents and, in respect of Registered Notes, registrars and terminate the appointment of those or any Paying Agents, transfer agents and registrar, provided that while the Notes are Outstanding Bank Indonesia will maintain in London and, in respect of Registered Notes, New York City (i) a Paying Agent, (ii) an office or agency where the Notes may be presented for exchange, transfer and registration of transfer as provided in the Indenture and (iii) in respect of Registered Notes, a registrar; provided, however, that in the case of Notes of any Series which are specified in the applicable Pricing Supplement to be held through Euroclear and/or Clearstream, Luxembourg, Bank Indonesia shall only be required to maintain a Transfer Agent and Registrar in Luxembourg. In addition, if and for so long as the Notes are listed on the SGX-ST and the rules of such exchange so require, Bank Indonesia will maintain a Paying Agent in Singapore. Notice of any such termination or appointment and of any change in the office through which any Paying Agent, Transfer Agent or Registrar will act will be promptly given to the Holders, the Trustee and the other Agents in the manner described in Condition 13.

12. Enforcement

Except as provided in Clause 4.6 of the Indenture, no Holder of any Notes shall have any right by virtue of or by availing itself of any provision of the Indenture or the Notes to institute any suit, action or proceeding

in equity or at law upon or under or with respect to the Indenture or the Notes, or for any other remedy hereunder or under the Notes, unless (a) such Holder previously shall have given to the Trustee written notice of default and of the continuance thereof with respect to the Notes, (b) the Holders of not less than 25% in aggregate principal amount Outstanding of the Notes shall have made written request to the Trustee to institute such action, suit or proceeding in its own name as Trustee hereunder and shall have provided to the Trustee such reasonable indemnity as it may require against the costs, expenses and liabilities to be incurred therein or thereby and (c) the Trustee for 60 days after its receipt of such notice, request and provision of indemnity shall have failed to institute any such action, suit or proceeding and no direction inconsistent with such written request shall have been given to the Trustee pursuant to Clause 4.8 of the Indenture, it being understood and intended, and being expressly covenanted by every Holder of Notes with every other Holder of Notes and the Trustee, that no one or more Holder shall have any right in any manner whatever by virtue or by availing itself of any provision of the Indenture or of the Notes to affect, disturb or prejudice the rights of any other Holder of Notes or to obtain priority over or preference to any other such Holder, or to enforce any right under the Indenture or under the Notes, except in the manner herein provided and for the equal, ratable and common benefit of all Holders. For the protection and enforcement of Condition 12, each and every Holder and the Trustee shall be entitled to such relief as can be given either at law or in equity.

13. Notices

Notices by the Republic will be in writing in the English language and will be mailed to Holders of Notes at their registered addresses and shall be deemed to have been given on the date of such mailing. So long as the Notes are listed on the SGX-ST and the rules of the exchange so require, notices to Holders will be valid if published in a daily newspaper having general circulation in Singapore (which is expected to be the Business Times). Any such notice shall be deemed to have been given on the date of such publication, or if published more than once, on the first date on which publication is made. If publication is not practicable, the Republic will have validly given notice if it gives notice in accordance with the rules of the SGX-ST.

14. Further Issues of Notes

The Republic may, without the consent of the Holders, create and issue additional Notes with the same terms and conditions as the Notes (or that are the same except for the amount of the first interest payment and for the interest paid on the Notes prior to the issuance of the additional Notes). The Republic may consolidate such additional Notes with the outstanding Notes to form a single Series, so long as such additional Notes do not have a greater amount of original issue discount for United States federal tax purposes than the outstanding Notes have as of the date of the issue of such additional Notes.

15. No Sinking Fund

The Notes will not be subject to any sinking fund.

16. Authentication

A Note shall not become valid or obligatory until the certificate of authentication hereon shall have been duly signed by the Trustee or its agent.

17. Governing Law

- (a) The Notes will be governed by and interpreted in accordance with the laws of the State of New York.
- (b) The Republic hereby irrevocably submits to the jurisdiction of any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, and any appellate court from any thereof, in any action or proceeding arising out of or relating to the Notes, and the Republic hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such New York state or federal court. The Republic hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding and any right of jurisdiction in such action or proceeding on account of the place of residence or domicile of the Republic. The Republic hereby appoints the Representative Office of Bank Indonesia in The City of New York as its authorized agent (the "Process Agent") upon which process may be served in any action by the Trustee or a Holder arising out of or based on the

Notes or the Indenture which may be instituted in any federal court in the Southern District of New York or any state court in the Borough of Manhattan, The City of New York, and the Republic expressly accepts the jurisdiction of any such court in respect of such action. Such appointment shall be irrevocable until all amounts in respect of the principal and interest, due or to become due on or in respect of all the Notes have been paid by the Republic to the Trustee or unless and until the appointment of a successor as such Process Agent located in the Borough of Manhattan, The City of New York, and such successor's acceptance of such appointment. Service of process upon the Process Agent at One Liberty Plaza, 165 Broadway, 31st Floor, New York, New York 10006 (fax: 1-212-732-4003), or at such other address in the United States as may be the office of the Process Agent at the time of such service, and written notice of such service mailed or delivered to the Republic shall be deemed in every respect service of process upon the Republic. The failure of the Process Agent to advise the Republic of its receipt of such service shall have no effect on the validity or timeliness of any such service. Notwithstanding the foregoing, any action by the Trustee or a Holder arising out of or based on the Notes or the Indenture may be instituted by such Person in any competent court in the Republic.

- (c) The Republic hereby waives irrevocably, to the fullest extent permitted by law, any immunity to which it might otherwise be entitled under the Immunities Act or otherwise in any action arising out of or based on the Notes or the Indenture which may be instituted as provided herein in any federal court in the Southern District of New York, any state court in the Borough of Manhattan, The City of New York or in any competent court in the Republic; such waiver shall not be subject to retraction or modification by the Republic. Notwithstanding anything to the contrary in the Indenture or the Notes, such waiver of immunity shall not be deemed or interpreted to include any waiver of immunity in respect of (i) actions brought against the Republic arising out of or based upon U.S. federal or state securities laws; (ii) attachment under Indonesian law; (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.
- (d) Notwithstanding anything to the contrary herein, none of the provisions in Condition 17 shall apply to actions brought under the United States federal securities laws or any State securities laws.

18. Purchases of Notes by the Republic

The Republic may at any time purchase or acquire any of the Notes in any manner and at any price. The Notes which are purchased or acquired by the Republic may, at the Republic's discretion, be held, resold or surrendered to the Trustee for cancellation.

19. Modifications

- (a) Any modification, amendment, supplement or waiver (each, a **Modification**) to the Indenture or the terms and conditions of the Notes may be made or given pursuant to (i) a written action of the Holders without the need for a meeting, or (ii) by vote of the Holders taken at a meeting of Holders thereof, in each case in accordance with the terms of this Condition 19 and the other applicable provisions of the Notes and the Indenture. In the case of a Written Resolution (as defined below), all information to be provided in a notice of a meeting of Holders pursuant to Condition 8(a) shall also be provided, *mutatis mutandis*, to Holders in respect of such Written Resolution.
- (b) **Modifications of a Single Series of Notes only** — Modifications to the terms and conditions of the Notes of a single Series, or to the Indenture insofar as it affects the Notes of such Series, may be made, and future compliance therewith may be waived:
 - (i) in the case of any Non-Reserved Matter (as defined below), with the consent of the Republic and
 - (A) by way of a Single Series Extraordinary Resolution (as defined below) with the affirmative vote of the Holders of not less than a Majority in aggregate principal amount of the Notes at the time Outstanding that are represented at a meeting, or
 - (B) by way of a Single Series Written Resolution (as defined below) with the written consent of the Holders of not less than a Majority in aggregate principal amount of the Notes at the time Outstanding, or

- (ii) in the case of any Reserved Matter (as defined below), with the consent of the Republic and the Holders of not less than 75% in aggregate principal amount of the Notes at the time Outstanding, (A) voting at a meeting or (B) by written consent.
- (c) **Multiple Series Aggregation — Single limb voting** — In relation to a proposal that includes a Reserved Matter,
- (i) any modification to the terms and conditions of, or any action with respect to, two or more series of Debt Securities Capable of Aggregation (as defined below) 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 combined or separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed in Condition 8 and Clause 11 of the Indenture, as supplemented if necessary, which is passed by a majority of at least 75% of the aggregate principal amount of the Outstanding Debt Securities of all affected series of Debt 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 Debt Securities Capable of Aggregation, in accordance with their respective terms) or other written consent which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of at least 75% of the aggregate principal amount of the Outstanding Debt Securities of all affected series of Debt 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 Holders of Notes or one or more holders of each affected series of Debt Securities.
 - (iv) The “Uniformly Applicable” condition will be satisfied if:
 - (A) the holders of all affected series of Debt Securities Capable of Aggregation are invited to exchange, convert, or substitute their Debt Securities, on the same terms, for (1) the same new instrument or other consideration or (2) 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 Debt 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).
 - (v) Any modification or action proposed under Condition 19(c)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 19(c) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.
- (d) **Multiple Series Aggregation — Two limb voting** — In relation to a proposal that includes a Reserved Matter,
- (i) any modification to the terms and conditions of, or any action with respect to, two or more series of Debt 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 combined or separate meetings of the holders of each affected series of Debt Securities Capable of Aggregation, duly convened and held in accordance with the procedures prescribed in Condition 8 and Clause 11 of the Indenture, as supplemented if necessary, which is passed by a majority of:
 - (A) at least 66 2/3% of the aggregate principal amount of the Outstanding Debt Securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
 - (B) more than 50% of the aggregate principal amount of the Outstanding Debt Securities in each affected series of Debt 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 Debt Securities Capable of Aggregation, in accordance with their respective terms) or other written consent which, when taken together, has been signed or confirmed in writing by or on behalf of the holders of:

- (A) at least 66 2/3% of the aggregate principal amount of the Outstanding Debt Securities of all the affected series of Debt Securities Capable of Aggregation (taken in aggregate); and
- (B) more than 50% of the aggregate principal amount of the Outstanding Debt Securities in each affected series of Debt 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 Holders or one or more holders of each affected series of Debt Securities Capable of Aggregation.

- (iv) Any modification or action proposed under Condition 19(d)(i) may be made in respect of some series only of the Debt Securities Capable of Aggregation and, for the avoidance of doubt, the provisions described in this Condition 19(d) may be used for different groups of two or more series of Debt Securities Capable of Aggregation simultaneously.
- (e) Any Modification consented to or approved pursuant to this Condition 19 will be conclusive and binding on all Holders of the Notes of the relevant Series and, in the case of any Multiple Series Single Limb Extraordinary Resolution, Multiple Series Single Limb Written Resolution, Multiple Series Two Limb Extraordinary Resolution or Multiple Series Two Limb Written Resolution, on all holders of each other affected series of Debt Securities Capable of Aggregation, whether or not they have given such consent or were present at a meeting of holders at which such action was taken and whether or not any other holder or holders of the same series voted in favor thereof or signed or affirmed in writing their consent thereto, and on all future Holders of the Notes of the relevant Series or holders of each other affected series of Debt Securities Capable of Aggregation whether or not notation of such Modification is made upon the Notes of that Series. Any instrument given by or on behalf of any Holder in connection with any consent to or approval of any such Modification will be conclusive and binding on all subsequent Holders.
- (f) Prior to or on the date that the Republic proposes any Extraordinary Resolution or Written Resolution pursuant to Condition 19(b), Condition 19(c) or Condition 19(d), the Republic shall publish in accordance with Condition 20, and provide the Trustee 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 debt securities that fall outside the scope of any multiple series aggregation and its intentions with respect to any other Debt Securities and its other major creditor groups; and
 - (iv) if any proposed modification or action contemplates Debt Securities being aggregated in more than one group of Debt Securities, a description of the proposed treatment of each such group, as required for a notice convening a meeting of the Holders of Notes in Condition 8(a).

In advance of any meeting of Holders, or in connection with any Written Resolution, the Republic shall provide to the Trustee a copy of the certificate prepared pursuant to Condition 20(d), which includes information on the total number of Notes which are for the time being held by or on behalf of the Republic or by or on behalf of any person which is owned or controlled directly or indirectly by the Republic or by any Public Sector Instrumentality of the Republic and, as such, such Notes shall be disregarded and deemed not to remain outstanding for the purposes of ascertaining the right to attend and vote at any meeting of Holders or the right to sign, or authorize the signature of, any Written Resolution in respect of any such meeting. The Trustee shall make any such certificate available for inspection during normal business hours at the specified office of the Trustee and, upon reasonable request, will allow copies of such certificate to be taken.

- (g) For the purpose of calculating the par value of the Notes and any affected series of Debt Securities which are to be aggregated with the Notes in accordance with Condition 19(c) and Condition 19(d), the Republic may appoint an aggregation calculation agent (the **Aggregation Calculation Agent**). The Republic shall, with the approval of the Aggregation Agent and any appointed Aggregation Calculation Agent, promulgate the methodology in accordance with which the Aggregation Calculation Agent will calculate the par value of the Notes and such affected series of Debt Securities. In any such case where an Aggregation Calculation Agent is appointed, the same person will be appointed as the Aggregation Calculation Agent for the Notes and each other affected series of Debt Securities for these purposes, and the same methodology will be promulgated for each affected series of Debt Securities.
- (h) The Republic 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 20(g).
- (i) 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 Republic's option by way of a mandatory exchange or conversion of the Notes and each other affected series of Debt Securities, as the case may be, into new Debt Securities containing the modified terms and conditions if the proposed mandatory exchange or conversion of the Notes is notified to Holders at the time notification is given to the Holders as to the proposed modification or action. Any such exchange or conversion shall be binding on all Holders.
- (j) For purposes of this "Description of the Notes",
- (i) "Debt Securities Capable of Aggregation" means those Debt Securities which include or incorporate by reference Condition 8, Condition 19 and Condition 20 or provisions substantially consistent with Condition 8, Condition 19 and Condition 20 which provide for the Debt Securities which include such provisions to be capable of being aggregated for voting purposes with other series of Debt Securities.
- (ii) "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.
- (iii) "Non-Reserved Matter" means any Modification other than a Modification constituting a Reserved Matter.
- (iv) "Outstanding" means, in respect of the Notes, the Notes authenticated and delivered pursuant to the Indenture and, in respect of any other Debt Securities, Debt Securities which have been duly authenticated and delivered by the Republic, except in each case:
- (A) Notes or Debt Securities theretofore canceled by the relevant trustee or agent or delivered to the relevant trustee or agent for cancellation or held by the relevant trustee or agent for reissuance but not reissued by the such trustee or agent;
- (B) Notes or Debt Securities that have been called for redemption in accordance with their terms or which have become due and payable at maturity or otherwise and with respect to which monies sufficient to pay the principal thereof (and premium, if any) and any interest thereon shall have been made available to the relevant trustee or agent;
- (C) Notes or Debt Securities in lieu of or in substitution for which other Notes or Debt Securities shall have been duly authenticated and delivered by the Republic;
- (D) Notes or Debt Securities owned or controlled, directly or indirectly, by the Republic or by any Public Sector Instrumentality as provided in Clause 6.4.1 of the Indenture; or
- (E) (for the purpose only of ascertaining the principal amount of the Notes or Debt Securities outstanding and without prejudice to the status for any other purpose of the relevant Notes or Debt Securities) those Bearer Notes or Debt Securities in bearer form that are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued.
- (v) "Reserved Matter" means any Modification that would:
- (A) change the date for payment of principal or premium of, or any installment of interest on, the Notes;
- (B) reduce the principal amount or redemption price or premium, if any, payable under the Notes;

- (C) reduce the Rate of Interest on the Notes;
 - (D) reduce the portion of the principal amount which is payable in the event of an acceleration of the maturity of the Notes;
 - (E) change the currency or place of payment of any amount payable under the Notes;
 - (F) permit early redemption of the Notes or, if early redemption is already permitted, set a redemption date earlier than the date previously specified or reduce the redemption price;
 - (G) change the definition of Outstanding or the percentage of votes required for the taking of any action pursuant to this Condition 19 and Clause 12 of the Indenture in respect of the Notes or modify the provisions of Clause 6.4 of the Indenture;
 - (H) change the obligation of the Republic to pay Additional Amounts in respect of the Notes;
 - (I) change the governing law provisions of the terms and conditions of the Notes;
 - (J) change the courts of the jurisdiction to which the Republic has submitted, the Republic's obligation to appoint and maintain an agent for service of process or the Republic's waiver of immunity, in respect of actions or proceedings brought by any Holder as set forth in the terms and conditions of the Notes;
 - (K) in connection with an exchange offer, amend any Event of Default set forth in the terms and conditions of the Notes;
 - (L) change the pari passu ranking provisions of the terms and conditions of the Notes;
 - (M) 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";
 - (N) change the definition of "Debt Securities" or "Debt Securities Capable of Aggregation";
 - (O) change the definition of "Uniformly Applicable"; or
 - (P) to exchange or substitute all the Notes for, or convert all the Notes into, other obligations or securities of the Republic or any other person, or to modify any provision of these Conditions in connection with any exchange or substitution of the Notes for, or the conversion of the Notes into, any other obligations or securities of the Republic or any other person, which would result in these Conditions as so modified being less favorable to the Holders which are subject to the Conditions as so modified than:
 - (1) the provisions of the other obligations or Debt Securities of the Republic or any other person resulting from the relevant exchange or substitution or conversion; or
 - (2) if more than one series of other obligations or Debt Securities results from the relevant exchange or substitution or conversion, the provisions of the resulting series of Debt Securities having the largest aggregate principal amount.
- (vi) "Reserved Matter Modification" means any Modification constituting a Reserved Matter.
 - (vii) "Single Series Extraordinary Resolution" means a resolution passed in accordance with either Condition 19(b)(i)(A) or Condition 19(b)(ii)(A) at a meeting of Holders duly convened and held in accordance with the procedures prescribed in Condition 8.
 - (viii) "Single Series Written Resolution" means a resolution in writing or other written consent signed or confirmed in writing in accordance with either Condition 19(b)(i)(B) or Condition 19(b)(ii)(B).
 - (ix) "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.

20. Aggregation Agent; Aggregation Procedures

- (a) The Republic 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

Notes, and, in the case of a multiple series aggregation, by the required principal amount of outstanding Debt Securities of each affected series of Debt Securities. 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 or the Indenture and in respect of the terms and conditions or relevant note documentation in respect of each other affected series of Debt Securities. The Aggregation Agent shall be independent of the Republic.

- (b) If an Extraordinary Resolution has been proposed at a duly convened meeting of Holders to modify any provision of, or action in respect of, these Conditions or the Indenture and other affected series of Debt Securities, 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 Notes and, where relevant, each other affected series of Debt Securities, have voted in favor 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) If a Written Resolution has been proposed under the terms of these Conditions or the Indenture to modify any provision of, or action in respect of, these Conditions or the Indenture and the terms and conditions of other affected series of Debt Securities, 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 Notes and, where relevant, each other affected series of Debt Securities, have signed or confirmed in writing in favor 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) For the purposes of Condition 20(b) and Condition 20(c), the 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 19(b), Condition 19(c) or Condition 19(d), as applicable, and, with respect to a Written Resolution, the date of the Written Resolution.

The certificate shall:

- (i) list the total principal amount of Notes and, in the case of a multiple series aggregation, the total principal amount of each other affected series of Debt Securities outstanding on the Modification Record Date; and
- (ii) clearly indicate the Notes and, in the case of a multiple series aggregation, Debt Securities of each other affected series of Debt Securities which shall be disregarded and deemed not to remain outstanding as a consequence of Clause 6.4 of the Indenture on the Modification Record Date identifying the holders of the Notes and, in the case of a multiple series aggregation, Debt Securities of each other affected series of Debt Securities.

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

- (e) The Aggregation Agent will cause each determination made by it for the purposes of this Condition 20 to be notified to the Trustee and the Republic as soon as practicable after such determination. Notice thereof shall also promptly be given to the Holders.
- (f) All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 20 by the Aggregation Agent and any appointed Aggregation Calculation Agent will (in the absence of manifest error) be binding on the Republic, the Trustee and the Holders of the Notes and (subject as aforesaid) no liability to any such person will attach to the Aggregation Agent or the Aggregation Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
- (g) The Republic will publish all notices and other matters required to be published pursuant to these Conditions and the Indenture including any matters required to be published pursuant to Condition 6, Condition 8 and this Condition 20:
 - (i) on the following websites: (A) www.djpu.kemenkeu.go.id; and (B) www.kemenkeu.go.id;
 - (ii) (A) with respect to the Notes of any Series for which the clearing system is specified in the applicable Pricing Supplement as DTC, through DTC or (B) with respect to the Notes of any Series for which the clearing system is specified in the applicable Pricing Supplement as Euroclear and Clearstream, through Euroclear and Clearstream;

- (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.

21. Transfers

(a) Restricted Global Security

Unless otherwise specified in the applicable Pricing Supplement, if (1) the owner of a beneficial interest in a Restricted Global Security wishes to transfer such interest (or portion thereof) to a Non-U.S. Person pursuant to Regulation S and (2) such Non-U.S. Person wishes to hold its interest in the Note through a beneficial interest in the Unrestricted Global Security, (x) upon receipt by the Registrar, as Transfer Agent, of:

- (i) instructions from the Holder of the Restricted Global Security directing the Custodian and Registrar to credit or cause to be credited a beneficial interest in the Unrestricted Global Security equal to the principal amount of the beneficial interest in the Restricted Global Security to be transferred, and
- (ii) a certificate from the transferor as to compliance with Regulation S in form and substance required by the Indenture,

and (y) subject to the rules and procedures of DTC and the common depository for Euroclear and Clearstream, the Registrar, as Transfer Agent, shall instruct DTC to increase the Unrestricted Global Security and decrease the Restricted Global Security by such amount in accordance with the foregoing, and the Registrar, as Transfer Agent, shall instruct the common depository for Euroclear and Clearstream, as the case may be, concurrently with such reduction, to increase the principal amount of the Unrestricted Global Security of the same Series by the aggregate principal amount of the beneficial interest in the Restricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in such Unrestricted Global Security equal to the reduction in the principal amount of such Restricted Global Security.

(b) Unrestricted Global Security

Unless otherwise specified in the applicable Pricing Supplement, if the owner of an interest in a Unrestricted Global Security wishes to transfer such interest (or any portion thereof) to a QIB pursuant to Rule 144A prior to the expiration of the Distribution Compliance Period therefor, (x) upon receipt by the Registrar, as Transfer Agent, of:

- (i) instructions from the Holder of the Unrestricted Global Security directing the Custodian and Registrar to credit or cause to be credited a beneficial interest in the Restricted Global Security equal to the principal amount of the beneficial interest in the Unrestricted Global Security to be transferred, and
- (ii) a certificate from the transferor as to compliance with Rule 144A in form and substance required by the Indenture,

and (y) in accordance with the rules and procedures of DTC, the common depository for Euroclear and Clearstream, the Registrar, as Transfer Agent, shall instruct DTC to increase the Restricted Global Security and decrease the Unrestricted Global Security by such amount in accordance with the foregoing and the Registrar, as Transfer Agent, shall instruct the common depository for Euroclear and Clearstream, or the custodian for DTC, as applicable, to reduce the principal amount of the Unrestricted Global Security by the aggregate principal amount of the beneficial interest in such Unrestricted Global Security or to be exchanged or transferred, and the Registrar, as Transfer Agent, shall instruct DTC, concurrently with such reduction, to increase the principal amount of such Restricted Global Security by the aggregate principal amount of the beneficial interest in such Unrestricted Global Security to be so exchanged or transferred, and to credit or cause to be credited to the account of the person specified in such instructions a beneficial interest in the Restricted Global Security equal to the reduction in the principal amount of such Unrestricted Global Security.

(c) Other Transfers or Exchanges

Any transfer of Restricted Global Securities not described above (other than a transfer of a beneficial interest in a Global Security that does not involve an exchange of such interest for a Certificated Security or a beneficial interest in another Global Security, which must be effected in accordance with

applicable law and the rules and procedures of DTC, the common depositary for Euroclear and Clearstream, but is not subject to any procedure required by the Indenture) shall be made only upon receipt by the Registrar of such opinions of counsel, certificates and/or other information reasonably required by and satisfactory to it in order to ensure compliance with the Securities Act or in accordance with the above. Certificated Securities will not be exchangeable for Bearer Notes.

USE OF PROCEEDS

Unless otherwise specified in the Pricing Supplement for any Tranche or Series of Notes, the Republic will use the net proceeds from the sale of Notes in such Tranche or Series offered pursuant to the Program to meet part of its general financing requirements.

FORMS OF THE NOTES

The Notes of each Series will be in bearer or registered form.

Unless otherwise provided with respect to a particular Series, Notes of each Series sold outside the United States in reliance on Regulation S will be represented by interests in a Temporary Global Note (as defined below), Permanent Global Note (as defined below) or by a permanent global note in registered form, without interest coupons (an **Unrestricted Global Security**), which may be deposited with a (i) common depository for, and registered in the name of a nominee of, Euroclear and Clearstream or (ii) with a custodian for, and registered in the name of a nominee of, DTC. With respect to all offers or sales by a Dealer of an unsold allotment or subscription, beneficial interests in a Temporary Global Note or Bearer Notes issued in definitive form (**Definitive Bearer Note**) may not be offered or sold to, or for the account or benefit of, a U.S. person (unless pursuant to the Securities Act or an exemption therefrom) and may be held only through Euroclear and Clearstream, as the case may be. Temporary Global Notes, Permanent Global Notes and Unrestricted Global Securities will be exchangeable for Bearer Definitive Notes or Certificated Securities, as applicable, only in limited circumstances as more fully described in “*Global Clearance and Settlement Systems*”.

Notes of each Series to be issued in registered form (**Registered Notes**) may only be offered and sold in the United States in private transactions: (i) to QIBs or (ii) to Institutional Accredited Investors who agree to purchase the Notes for their own account and not with a view to the distribution thereof. Registered Notes of each Series sold in private transactions to QIBs pursuant to Rule 144A will, unless specified in the applicable Pricing Supplement, be represented by a restricted permanent global note in registered form, without coupons (a **Restricted Global Security**) deposited (i) with a common depository for, and registered in the name of a nominee of, Euroclear and Clearstream or (ii) with a custodian for, and registered in the name of a nominee of, DTC. Restricted Global Securities will be exchangeable for Certificated Securities only in limited circumstances as more fully described in “*Global Clearance and Settlement Systems*”.

Registered Notes of each Series sold to Institutional Accredited Investors will be in definitive form, registered in the name of the holder thereof, such Notes are defined as 4(a)(2) Notes in the Indenture. Notes in fully-registered certificated form (other than a global security (as defined below) evidencing all or part of a Series of Notes (each a **Certificated Security**) will, at the request of the holder (except to the extent otherwise indicated in the applicable Pricing Supplement), be issued in exchange for interests in an Unrestricted Global Security or a Restricted Global Security (each a **Registered Global Security**) upon compliance with the procedures for exchange as described in the Indenture.

Notes of each Series to be issued in bearer form (**Bearer Notes**) will be initially represented by either a temporary global Note (a **Temporary Global Note**) or a permanent global Note (a **Permanent Global Note** and together with a Temporary Global Note, a **Bearer Global Note**) that will be deposited on the issue date thereof with a common depository on behalf of Euroclear and Clearstream or any other agreed clearance system compatible with Euroclear and Clearstream.

Each Permanent Global Note and Definitive Bearer Note, Receipt, Coupon and Talon will bear the following legend: “Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

Bearer Notes will be assigned a Common Code and relevant ISIN (as applicable). Registered Notes will be assigned (as applicable) a Common Code, ISIN and CUSIP number. If a further Series is issued in the case of a Temporary Global Note, the Trustee shall arrange that the Notes of such Series shall be assigned (as applicable) a CUSIP number, Common Code and a relevant ISIN that are different from the CUSIP number, Common Code and relevant ISIN, as the case may be, assigned to Notes of any other Series until such time as is required by applicable law. At the end of such period, the CUSIP number, Common Code and relevant ISIN, as the case may be, thereafter applicable to the Notes of the relevant Series will be notified by the Trustee to the relevant Dealers.

Each Temporary Global Note will be exchangeable, free of charge to the Holder, on or after its Exchange Date:

- (a) if the relevant Pricing Supplement indicates that such Temporary Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see “*Subscription and Sale*”), in whole, but not in part, for the Definitive Bearer Notes described below; and

- (b) in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Indenture for interests in a Permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Bearer Notes.

Each Permanent Global Note will be exchangeable, free of charge to the Holder, on or after its Exchange Date in whole but not in part for Definitive Bearer Notes:

- (a) an Event of Default has occurred in respect of any Note of the relevant Series; or
- (b) if the Permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so.

In the event that a Bearer Global Note is exchanged for Definitive Bearer Notes, such Definitive Bearer Notes shall be issued in Specified Denomination(s) only. A Holder of Notes with a principal amount of less than the minimum Specified Denomination will not receive a definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

Exchange Date means the later of (i) 40 days after the Issue Date and (ii) the expiration of the period that ends 40 days after completion of the distribution of the relevant Series of Notes, as certified by the relevant Dealer(s) to the Republic and the Trustee and is a day (other than a Saturday or Sunday) on which banks in the city where the Bearer Global Note is deposited is open for business.

All Notes will be issued pursuant to the Indenture.

No beneficial owner of an interest in a Global Security will be able to exchange or transfer that interest, except in accordance with the applicable procedures of DTC, Euroclear and/or Clearstream, in each case, to the extent applicable.

So long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, the Republic shall appoint and maintain a paying agent in Singapore, where such Notes may be presented or surrendered for payment or redemption, in the event that the Global Security representing such Notes is exchanged for definitive Notes. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the definitive Notes, including details of the paying agent in Singapore.

FORM OF PRICING SUPPLEMENT

Set out below is the form of Pricing Supplement that will be completed for each Tranche of Notes issued under the Program.

Pricing Supplement dated [●] REPUBLIC OF INDONESIA

Issue of [Aggregate Nominal Amount of Series] [Title of Notes]
(the Notes)
under its U.S.\$50,000,000,000 Global Medium Term Note Program

This document constitutes the Pricing Supplement relating to the issue of Notes described herein.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated [●] [●], 2016, [and the supplemental Offering Circular dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[The following alternative language applies if the first issue of a Series which is being increased was issued under Offering Circular 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 Circular dated [original date]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular 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 sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1. Issuer: Republic of Indonesia (the **Republic**)
2. (a) Series Number: []
(b) [Tranche]: []
3. Specified Currency or Currencies: []
4. Aggregate Nominal Amount: []
5. (a) Issue Price: []% of the Aggregate Nominal Amount [plus accrued interest from [insert date] (in the case of fungible issues only, if applicable)]
(b) [Net proceeds: [] (Required only for listed issues)]
6. (a) Specified Denominations: []
(b) Calculation Amount: []
7. (a) Issue Date: []
(b) Interest Commencement Date: [Specify/Issue date/Not Applicable]
8. Maturity Date: [specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
9. (a) Interest Basis: [●% Fixed Rate]
[[specify reference rate] +/-●% Floating Rate]
[Zero Coupon]
[Other (specify)]
(further particulars specified below)

- (b) Default Rate: [[] (specify/None)
10. Redemption/Payment Basis: [Redemption at par]
[Partly Paid]
[Installment]
[Other (specify)]
11. Change of Interest or Redemption/ Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12. Put/Call Options: [Investor Put]
[Issuer Call]
[(further particulars specified below)]
13. (a) Status of the Notes: [Senior]
- (b) Guarantee: [Not Applicable/give details]
14. Listing: [[] (specify)/None]
15. Method of distribution: [Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16. Fixed Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (a) Rate[(s)] of Interest: []% per annum [payable [annually/ semi-annually/ quarterly/monthly] in arrears]
- (b) Interest Payment Date(s): [] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Center(s) for the definition of Business Day*]/not adjusted]
- (c) Fixed Coupon Amount[(s)]: [] per Calculation Amount
- (d) Broken Amount(s): [] per Calculation Amount, payable on the Interest Payment Date falling [in/on] []
- (e) Day Count Fraction: [30/360/Actual/Actual (ICMA/ISDA)/other]
- (f) [Determination Dates: [] in each year (*insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/ Actual (ICMA)*)]
- (g) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
17. Floating Rate Note Provisions: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub - paragraphs of this paragraph)
- (a) Interest Period(s): []
- (b) Specified Interest Payment Dates: []

- (c) Interest Period Date []
(*Not applicable unless different from Interest Payment Date*)
- (d) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (e) Business Center(s): []
- (f) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (*give details*)]
- (g) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): []
- (h) Screen Rate Determination:
— Reference Rate: []
— Interest Determination Date(s): []
— Relevant Screen Page: []
- (i) ISDA Determination:
— Floating Rate Option: []
— Designated Maturity: []
— Reset Date: []
- (j) Margin(s): [+/-][]% per annum
- (k) Minimum Rate of Interest: []% per annum
- (l) Maximum Rate of Interest: []% per annum
- (m) Day Count Fraction: []
- (n) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: []
18. **Zero Coupon Note Provisions:** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub- paragraphs of this paragraph*)
- (a) Amortization Yield: []% per annum
- (b) Any other formula/basis of determining amount payable: []
19. **Index-Linked Interest Note Provisions:** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub- paragraphs of this paragraph*)
- (a) Index/Formula: [give or annex details]
- (b) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the [Agent]): []

- (c) Provisions for determining Rate of Interest and/or Interest Amount where calculation by reference to Index and/or Formula is impossible or impracticable or otherwise disrupted: []
- (d) Interest Periods: []
- (e) Specified Interest Payment Dates: []
- (f) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details*)]
- (g) Business Center(s): []
- (h) Minimum Rate of Interest: []% per annum
- (i) Maximum Rate of Interest: []% per annum
- (j) Day Count Fraction: []
20. **Dual Currency Note Provisions:** [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (a) Rate of Exchange/method of calculating Rate of Exchange: [*give details*]
- (b) Party, if any, responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]): []
- (c) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: []
- (d) Person at whose option Specified Currency(ies) is/are payable: []
21. Default Rate: []% per annum

PROVISIONS RELATING TO REDEMPTION

22. Call Option: [Applicable/Not Applicable]
(*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
- (a) Optional Redemption Date(s): []
- (b) Optional Redemption Amount(s) of each Note and specified denomination method, if any, of calculation of such amount(s): [] per Calculation Amount
- (c) If redeemable in part:
- Minimum Redemption Amount: [] per Calculation Amount
- Maximum Redemption Amount: [] per Calculation Amount
- (d) Notice period: []

23. **Put Option:** [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)

(a) Optional Redemption Date(s): []

(b) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [] per Calculation Amount

(c) Notice period: []

24. Final Redemption Amount of each Note: [] per Calculation Amount

25. Early Redemption Amount: []

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26. (a) Form of Notes: [Bearer Notes:

[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note]

[Temporary Global Note exchangeable for Definitive Notes on [] days' notice]

[Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] (Not applicable to Bearer Notes issued under the D Rules) Opts after

(N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "EUR50,000 and integral multiples of EUR1,000 in excess thereof up to and including EUR99,000." In addition, the "limited circumstances specified in the Permanent Global Note" option may have to be amended to permit such Specified Denomination construction. Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.)]

[Registered Notes]

(b) Applicable TEFRA exemption: *(Notes in bearer form with a term of more than 365 days (taking into account any unilateral rollover or extension rights) must be issued under the C Rules*

or the D Rules)

[C Rules/D Rules (or in respect of C Rules or D Rules, any successor U.S. Treasury Regulation section, including without limitation, regulations issued in accordance with Internal Revenue Service Notice 2012-20 or otherwise in connection with the United States Hiring Incentives to Restore Employment Act of 2010)/Not Applicable]

27. Talons for future Coupons or Receipts to be attached to Definitive Bearer Notes (and dates on which such Talons mature): [Yes/No. If yes, give details]
28. Financial Center(s) or other special provisions relating to Payment Dates: [Not Applicable/give details.
Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub -paragraphs 16(b), 17(d), and 19(g) relate]
29. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Republic to forfeit the Notes and interest due on late payment: [Not Applicable/give details.]
30. Details relating to Installment Notes: amount of each installment, date on which each payment is to be made: [Not Applicable/give details.]
31. Redenomination, Renominalization and Reconventioning: [Not Applicable/The provisions [in Condition 2C] annexed to this Pricing Supplement] apply]
32. Consolidation provisions: [Not Applicable/The provisions [in Condition ●] annexed to this Pricing Supplement] apply]
33. Other terms or special conditions: [Not Applicable/give details]

DISTRIBUTION

34. (a) If syndicated, names of Managers: [Not Applicable/give names]
(b) Stabilizing Manager (if any): [Not Applicable/give name]
35. If non-syndicated, name of Dealer: [Not Applicable/give name]
36. Additional selling restrictions: [Not Applicable/give details]

OPERATIONAL INFORMATION

37. ISIN Code: []
38. Common Code: []
39. Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]
40. Delivery: Delivery [against/free of] payment
41. Additional Paying Agent(s) (if any): []

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to the Official List of the Singapore Exchange Securities Trading Limited of the Notes described herein pursuant to the U.S.\$50,000,000,000 Global Medium Term Note Program of the Republic of Indonesia.

RESPONSIBILITY

The Republic accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of

REPUBLIC OF INDONESIA:

By: _____
Duly authorized

GLOBAL CLEARANCE AND SETTLEMENT SYSTEMS

*The information set out below is subject to any change in or reinterpretation of the rules, regulations and procedures of DTC, Euroclear and Clearstream (together, the **Clearing Systems**) currently in effect. 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. The Republic, any Arranger, Dealer, Trustee, Agent and party to the Indenture will not have any responsibility or liability for any aspect of the records relating to, or payments made on account of, beneficial ownership interests in the Notes 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.

DTC

DTC is a limited purpose trust company organized under the laws of the State of New York, a member of the United States Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code and a “clearing agency” registered pursuant to Section 17A of the United States Securities Exchange Act of 1934, as amended. DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions among participants in such securities through electronic book-entry changes in accounts of the participants, thereby eliminating the need for physical movement of security certificates. Participants include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is owned by a number of its participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the National Association of Securities Dealers, Inc. Indirect access to DTC is available to others, such as banks, brokers, dealers and trust companies that clear through or maintain a custodial relationship with a DTC participant either directly or indirectly.

DTC will take any action permitted to be taken by the holder of a beneficial interest in a Global Security (including, without limitation, the presentation of a Global Security for exchange) only at the direction of one or more participants to whose account with DTC interests in such Registered Global Security are credited and only in respect of such portion of the aggregate principal amount of Notes in respect of which such participant or participants has or have given such direction. If an Event of Default under the Notes occurs, DTC will exchange the Global Security for Certificated Securities bearing the appropriate legend, which it will distribute to the relevant participants. DTC makes payments only in U.S. dollars.

Euroclear and Clearstream

Each of Euroclear and Clearstream 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 each provides various services including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Euroclear and Clearstream each also deals with domestic securities markets in several countries through established depository and custodial relationships. Euroclear and Clearstream 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 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 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 are governed by the respective rules and operating procedures of Euroclear or Clearstream and any applicable laws.

Both Euroclear and Clearstream 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.

Book-Entry Ownership of Global Securities

Registered Notes

The Republic will make applications to (i) Euroclear and/or Clearstream, (ii) DTC or (iii) such other Clearing System(s) as are specified in the relevant Pricing Supplement for acceptance in their respective bookentry settlement systems in respect of each Tranche of Notes to be represented by an Unrestricted Global Security. Each Unrestricted Global Security will have an ISIN or Common Code, and will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, as set out under “*Notice to Purchasers and Holders of Notes and Transfer Restrictions*”.

The Republic will make applications to (i) Euroclear and/or Clearstream, (ii) the DTC or (iii) such other Clearing System(s) as are specified in the relevant Pricing Supplement for acceptance in their respective bookentry settlement systems in respect of each Tranche of Notes to be represented by a Restricted Global Security. Each Restricted Global Security will have a CUSIP number. Each Restricted Global Security will be subject to restrictions on transfer contained in a legend appearing on the front of such Note, as set out under “*Notice to Purchasers and Holders of Notes and Transfer Restrictions*”.

In the case of a Tranche of Notes for which the clearing system is specified in the applicable Pricing Supplement as DTC, the custodian with whom the Global Securities are deposited (the **Custodian**) and DTC will electronically record the principal amount of the Notes represented by a Global Security held within the DTC system. Investors may hold interests in a Restricted Global Security directly through DTC if they are participants in such system, or indirectly through organizations that are participants in such system.

Payments of principal and interest in respect of Global Securities registered in the name of DTC’s nominee, will be to or to the order of its nominee as the registered holder of such Global Security. The Republic expects that the nominee will, upon receipt of any such payment, immediately credit DTC participants’ accounts with any such payments denominated in U.S. dollars in amounts proportionate to their respective beneficial interests in the principal amount of the relevant Global Security as shown on the records of DTC or its nominee. In the case of any such payments which are denominated otherwise than in U.S. dollars, payment of such amounts will be made to the Paying Agent on behalf of the nominee who will make payment of all or part of the amount to the beneficial holders of interests in such Global Securities directly, in the currency in which such payment was made and/or cause all or part of such payment to be converted into U.S. dollars and credited to the relevant participant’s DTC account as aforesaid, in accordance with instructions received from DTC. The Republic also expects that payments by DTC participants to owners of beneficial interests in such Global Securities held through such DTC participants will be governed by standing instructions and customary practices, as is now the case with securities held for the accounts of customers registered in the names of nominees for such customers. Such payments will be the responsibility of such DTC participants. Neither the Republic, the Trustee nor any agent will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Securities or for maintaining, supervising or reviewing any records relating to such ownership interests.

Bearer Notes

Bearer Notes held outside the United States may be held in book-entry form through Clearstream or Euroclear. In respect of Bearer Notes, as may be specified in the applicable Pricing Supplement, a Temporary Global Note and/or a Permanent Global Note in bearer form without coupons will be deposited with a common depository for Euroclear and Clearstream. Transfers of interests in a Temporary Global Note or a Permanent Global Note will be made in accordance with customary Euromarket practice.

Individual Certificated Securities

Registration of title to Notes in a name other than its nominee or a depository for Euroclear and Clearstream or DTC will not be permitted unless (i) an event of default with respect to such Series has occurred and is continuing, (ii) in the case of any Series for which the clearing system is specified in the applicable Pricing Supplement as DTC, DTC notifies us that it is no longer willing or able to discharge properly its responsibilities as depository with respect to the Global Securities, or ceases to be a “clearing agency” registered under the U.S. Securities Exchange Act of 1934, as amended, or is at any time no longer eligible to act as such and Bank Indonesia is unable to locate a qualified successor within 90 days of the Republic receiving notice of such ineligibility on the part of DTC; (iii) in the case of any Series for which the clearing system is specified in the applicable Pricing Supplement as Euroclear or Clearstream, Euroclear or Clearstream is closed for business for a

continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or (iv) the Trustee has instituted or has been directed to institute any judicial proceeding in a court to enforce the rights of Holders of the Notes under the Notes and the Trustee has been advised by counsel that in connection with such proceeding it is necessary or appropriate for the Trustee to obtain possession of the Notes.

In such circumstances, the Republic will cause sufficient individual Certificated Securities to be executed and delivered to the Registrar for completion, authentication and dispatch to the relevant Holder(s) of the Notes.

A person having an interest in a Global Security must provide the Registrar with:

- (a) written order containing instructions and such other information as the Republic and the Registrar may require to complete, execute and deliver such individual Certificated Securities; and
- (b) in the case of a Restricted Global Security 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 a simultaneous resale pursuant to Rule 144A, a certification that the transfer is being made in compliance with the provisions of Rule 144A. Certificated Securities issued pursuant to this paragraph (b) shall bear the legends applicable to transfers pursuant to Rule 144A.

Transfers of Notes represented by Global Securities

Transfers of interests in Global Securities within DTC, Euroclear and Clearstream will be in accordance with the usual rules and operating procedures of the relevant system. The laws in some states in the United States require that certain persons take physical delivery of securities in definitive form. Consequently, the ability to transfer a beneficial interest in a Global Security to such persons may require that such interests be exchanged for Notes in definitive form. Because DTC can only act on behalf of participants in DTC, who in turn act on behalf of indirect participants, the ability of a person having an interest in a Global Security to pledge such interest to persons or entities that do not participate in the DTC system, or otherwise take actions in respect of such interest may require that such interests be exchanged for Certificated Securities. The ability of the holder of a beneficial interest in any Note represented by the Global Securities to resell, pledge or otherwise transfer such interest may also be impaired if the proposed transferee of such interest is not eligible to hold the same through a participant or indirect participant in DTC.

Beneficial interests in a Global Security may be held through Clearstream or Euroclear. Clearstream and Euroclear will operate with respect to the Notes in accordance with customary Euromarket practice.

Secondary Trading, Same-Day Settlement and Payment

All payments made by the Republic with respect to Notes registered in the name of Cede & Co., as nominee for DTC, will be passed through to DTC in same-day funds. In relation to secondary market trading, since the purchaser determines the place of delivery, it is important to establish at the time of the trade where both the purchaser's and seller's accounts are located to ensure that settlement can be made on the desired value date.

Trading Within Same Clearing System

The following describes the transfer mechanisms between DTC, Euroclear and Clearstream. Holders should note that transfers of beneficial interests in the Restricted Global Security, or the Unrestricted Global Security is subject to limitations as set forth in "*Notice to Purchasers and Holders of Notes and Transfer Restrictions.*"

Trading within DTC. If neither the seller, nor the purchaser of Notes represented by any Global Security holds or will receive (as the case may be) such Notes through a participant in DTC acting on behalf of Euroclear or Clearstream, the trade will settle in same-day funds and in accordance with DTC rules, regulations and procedures.

Trading within Euroclear or Clearstream. Transfers between account holders in Euroclear and Clearstream will be effected in the ordinary way in accordance with their respective rules and operating procedures.

Trading Between Clearing Systems

Trading between Euroclear or Clearstream seller and DTC purchaser involving only Global Securities. Due to time zone differences in their favor, Euroclear and Clearstream account holders may employ their customary

procedures for transactions in which interests in a Global Security are to be transferred by Euroclear or Clearstream (as the case may be) to a participant in DTC. The seller will send instructions to Euroclear or Clearstream through a Euroclear or Clearstream account holder (as the case may be) at least one business day prior to settlement. In these cases, Euroclear or Clearstream will instruct its respective depository to deliver the interests in the Global Security to the participant's account against payment. Payment will include interest (if any) accrued on such interests in the Note from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. The payment will then be reflected in the account of the Euroclear or Clearstream account holder the following day, and receipt of cash proceeds in the Euroclear or Clearstream account holders' account would be back-valued to the value date (which would be the preceding day when settlement occurred in New York). Should the Euroclear or Clearstream account holder have a line of credit in its respective Clearing System and elect to be in debit in anticipation of receipt of the sale proceeds in its account, the back-valuation will extinguish any overdraft charges incurred over that one-day period. If settlement is not completed on the intended value date (i.e. the trade fails), receipt of the cash proceeds in the Euroclear or Clearstream account holder's account would be valued instead as of the actual settlement date.

Trading between DTC seller and Euroclear or Clearstream purchaser involving only Global Securities.

When interests in a Global Security are to be transferred from the account of a DTC participant to the account of a Euroclear or Clearstream account holder, the purchaser will send instructions to Euroclear or Clearstream through a Euroclear or Clearstream account holder, as the case may be, at least one business day prior to settlement. Euroclear or Clearstream, as the case may be, will instruct its respective depository to receive such interests against payment. Payment will include interest (if any) accrued on such interest in the Global Security from (and including) the immediately preceding date for the payment of interest to (and excluding) the settlement date. Payment will then be made by the depository to the participant's account against delivery of the interests in the Note. After settlement has been completed, the interests will be credited to the respective Clearing System, and by the Clearing System, in accordance with its usual procedures, to the Euroclear or Clearstream account holder's account. The securities credit will appear the next day (Central European time) and the cash debit will be back-valued to, and any interest on the Note will accrue from, the value date (which would be the preceding day when settlement occurred in New York). If settlement is not completed on the intended value date (i.e. the trade fails), the Euroclear or Clearstream cash debit will be valued instead as of the actual settlement date.

Day traders that use Euroclear or Clearstream to purchase interests in a Global Security from participants for delivery to Euroclear or Clearstream account holders should note that these trades will automatically fail on the sale side unless affirmative action is taken. At least three techniques should be readily available to eliminate this potential problem:

- (a) borrowing through Euroclear or Clearstream for one day (until the purchase side of the day trade is reflected in their Euroclear or Clearstream accounts) in accordance with the Clearing System's customary procedures;
- (b) borrowing the interests in the United States from a participant no later than one day prior to settlement, which would give the interests sufficient time to be reflected in their Euroclear or Clearstream account in order to settle the sale side of the trade; or
- (c) staggering the value date for the buy and sell sides of the trade so that the value date for the purchase from the participant is at least one day prior to the value date for the sale to the Euroclear or Clearstream account holder.

Euroclear or Clearstream account holders will need to make available to the respective Clearing System the funds necessary to process same-day funds settlement. The most direct means of doing so is to pre-position funds for settlement, either from cash on-hand or existing lines of credit, as such participants would for any settlement occurring within Euroclear or Clearstream. Under this approach, such participants may take on credit exposure to Euroclear or Clearstream until the interests in the Note are credited to their accounts one day later.

Alternatively, if Euroclear or Clearstream has extended a line of credit to a Euroclear or Clearstream account holder, as the case may be, such account holder may elect not to preposition funds and allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear or Clearstream account holders purchasing interests in the Note held in DTC would incur overdraft charges for one day, assuming they cleared the overdraft when the interests in the Note were credited to their accounts. However, any interest on the Note would accrue from the value date. Therefore, in many cases the investment income on the interests in the Note held in DTC earned during that one-day period may substantially reduce or offset the amount of such overdraft charges, although this result will depend on each account holder's particular cost of funds.

Since the settlement takes place during New York business hours, participants can employ their usual procedures for transferring interests in global Notes to the respective depositories of Euroclear or Clearstream for the benefit of Euroclear or Clearstream account holders. The sale proceeds will be available to the DTC seller on the settlement date. Thus, to the participants, a crossmarket transaction will settle no differently from a trade between participants.

Secondary trading in long-term notes and debentures is generally settled in clearinghouse or next-day funds. In contrast, Notes held through participants or indirect participants will trade in DTC's Same-Day Funds Settlement System until the earliest of maturity or redemption, and secondary market trading activity in such Notes will therefore be required by DTC to settle in immediately available funds. No assurance can be given as to the effect, if any, of settlements in immediately available funds on trading activity in such Notes.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of beneficial interests in the Global Securities among participants and account holders of DTC, Clearstream and Euroclear, 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 Republic, the Trustee, any agent, any Arranger or any Dealer will have the responsibility for the performance by DTC, Clearstream or Euroclear or their respective direct or indirect participants or account holders of their respective obligations under the rules and procedures governing their operations.

While a Restricted Global Security is lodged with DTC or its custodian, Notes represented by individual Certificated Securities will not be eligible for clearing or settlement through DTC, Clearstream or Euroclear.

NOTICE TO PURCHASERS AND HOLDERS OF NOTES AND TRANSFER RESTRICTIONS

As a result of the following restrictions, purchasers of Notes in the United States are advised to consult legal counsel prior to making any offer, resale, pledge or transfer of Notes.

Each prospective purchaser of Notes that have a legend regarding restrictions on transferability by accepting delivery of this Offering Circular, will be deemed to have represented and agreed that this Offering Circular is personal to such offeree and does not constitute an offer to any other person or to the public generally to subscribe for or otherwise acquire Notes. Distribution of this Offering Circular, or disclosure of any of its contents to any person other than such offeree and those persons, if any, retained to advise such offeree with respect thereto is unauthorized, and any disclosure of any of its contents, without the prior written consent of the Republic, is prohibited.

The Securities 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 statement requirements of the Securities Act. Accordingly, the Securities are being offered and sold in the United States only to persons reasonably believed to be QIBs and, if so designated in the applicable pricing supplement, to a limited number of Institutional Accredited Investors pursuant to the exemption from registration provided by Section 4(c)(2) of the Securities Act. The international offering is being made outside the United States to non-U.S. persons (in the case of Bearer Notes) in offshore transactions pursuant to Regulation S.

Sales within the United States

Each purchaser of Notes within the United States pursuant to Rule 144A by accepting this Offering Circular will be deemed to have represented, agreed and acknowledged as follows:

- (a) It is (a) a qualified institutional buyer within the meaning of Rule 144A (**QIB**), (b) acquiring such Notes for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such Notes has been advised, that the sale of such Notes to it is being made in reliance on Rule 144A.
- (b) The Notes have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any state of the United States.
- (c) Such Notes, for compliance with applicable law, will bear a legend substantially to the following effect:

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) AND APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE IS HEREBY NOTIFIED THAT THE SELLER OF THIS NOTE MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER. THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF REPRESENTS AND AGREES FOR THE BENEFIT OF THE REPUBLIC AND THE DEALERS THAT (A) IT AND ANY ACCOUNT FOR WHICH IT IS ACTING IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) AND THAT IT EXERCISES SOLE INVESTMENT DISCRETION WITH RESPECT TO EACH SUCH ACCOUNT, THAT (B) THIS NOTE MAY BE RESOLD, PLEDGED OR OTHERWISE TRANSFERRED ONLY (1) IN THE UNITED STATES TO A PERSON WHOM THE SELLER REASONABLY BELIEVES IS A "QUALIFIED INSTITUTIONAL BUYER" (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) IN A TRANSACTION MEETING THE REQUIREMENTS OF SUCH RULE 144A, (2) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT, (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF

AVAILABLE) OR (4) PURSUANT TO AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND IN EACH OF SUCH CASES IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND THAT (C) THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN (B) ABOVE.

- (d) It understands that the Republic, the Registrar, 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 Notes 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.
- (e) It understands that the Notes offered in reliance on Rule 144A will be represented by the Restricted Global Security. Before any interest in the Restricted Global Security may be offered, sold, pledged or otherwise transferred to a person who takes delivery in the form of an interest in the Unrestricted Global Security, it will be required to provide the Note Registrar as Transfer Agent with a written certification (in the form provided in the Indenture) as to compliance with applicable securities laws.

Each Certificated Security that is offered and sold in the United States to an Institutional Accredited Investor pursuant to Section 4(a)(2) of the Securities Act or in a transaction otherwise exempt from registration under the Securities Act will bear a legend substantially to the following effect, in addition to such other legends as may be necessary or appropriate for compliance with applicable law:

THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE **SECURITIES ACT**) AND UNDER APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS OF THE UNITED STATES, AND MAY NOT BE OFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. EACH PURCHASER OF THIS NOTE ACKNOWLEDGES FOR THE BENEFIT OF THE REPUBLIC AND THE DEALERS THE RESTRICTIONS ON THE TRANSFER OF THIS NOTE SET FORTH BELOW AND AGREES THAT IT SHALL TRANSFER THIS NOTE ONLY AS PROVIDED IN THE INDENTURE ENTERED INTO BY THE REPUBLIC AND THE TRUSTEE AS OF JANUARY 28, 2009, AS AMENDED. THE PURCHASER REPRESENTS THAT 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 NOTE FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO ANY RESALE OR DISTRIBUTION HEREOF, SUBJECT TO ITS ABILITY TO RESELL THIS NOTE PURSUANT TO RULE 144A OR REGULATIONS 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 NOTE BY ITS ACCEPTANCE HEREOF AGREES TO OFFER, RESELL OR OTHERWISE TRANSFER SUCH NOTE, PRIOR TO THE DATE (THE **RESALE RESTRICTION TERMINATION DATE**) WHICH IS ONE YEAR AFTER THE LATER OF THE ORIGINAL ISSUE DATE HEREOF AND THE LAST DATE ON WHICH THE REPUBLIC WAS THE OWNER OF THIS NOTE (OR ANY PREDECESSOR OF SUCH NOTE), ONLY (A) IN THE UNITED STATES TO A PERSON WHOM IT REASONABLY BELIEVES IS A “QUALIFIED INSTITUTIONAL BUYER” (AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT) THAT PURCHASES FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER IN A TRANSACTION MEETING THE REQUIREMENTS OF SUCH RULE 144A, (B) INSIDE THE UNITED STATES TO AN INSTITUTIONAL “ACCREDITED INVESTOR” (WITHIN THE MEANING OF RULE 501 (A)(1), (2), (3) OR (7) UNDER THE SECURITIES ACT) THAT IS ACQUIRING THE NOTE FOR ITS OWN ACCOUNT, OR FOR THE ACCOUNT OF SUCH AN INSTITUTIONAL “ACCREDITED INVESTOR”, IN EACH CASE IN A MINIMUM PRINCIPAL AMOUNT OF THE NOTES OF U.S.\$250,000 AND MULTIPLES OF U.S.\$1,000 IN EXCESS THEREOF FOR INVESTMENT PURPOSES ONLY AND NOT WITH A VIEW TO, OR FOR OFFER OR RESALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT, (C) OUTSIDE THE UNITED STATES IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATIONS UNDER THE SECURITIES ACT, (D) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), (E) PURSUANT TO AN EFFECTIVE REGISTRATION

STATEMENT UNDER THE SECURITIES ACT OR (F) PURSUANT TO ANOTHER AVAILABLE EXEMPTION FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, SUBJECT TO THE REPUBLIC'S RIGHT PRIOR TO ANY SUCH OFFER, SALE OR TRANSFER PURSUANT TO CLAUSES (B), (D) OR (F) TO REQUIRE THE DELIVERY OF AN OPINION OF COUNSEL, CERTIFICATION AND/OR OTHER INFORMATION SATISFACTORY TO THE REPUBLIC, AND IN EACH OF THE FOREGOING CASES, A CERTIFICATE OF TRANSFER IN THE FORM APPEARING ON THE OTHER SIDE OF THIS NOTE IS COMPLETED AND DELIVERED BY THE TRANSFEROR TO THE TRUSTEE AND, IN EACH OF THE FOREGOING CASES, NOT IN VIOLATION OF ANY APPLICABLE STATE SECURITIES LAWS. THIS LEGEND WILL BE REMOVED UPON THE REQUEST OF THE HOLDER AFTER THE RESALE RESTRICTION TERMINATION DATE. THE HOLDER WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER OF THIS NOTE FROM IT OF THE TRANSFER RESTRICTIONS REFERRED TO IN THIS PARAGRAPH.

IF REQUESTED BY THE REPUBLIC OR A DEALER, THE PURCHASER AGREES TO PROVIDE THE INFORMATION NECESSARY TO DETERMINE WHETHER THE TRANSFER OF THIS NOTE IS PERMISSIBLE UNDER THE SECURITIES ACT. THIS NOTE AND RELATED DOCUMENTATION MAY BE AMENDED OR SUPPLEMENTED FROM TIME TO TIME TO MODIFY THE RESTRICTIONS ON AND PROCEDURES FOR REALES AND OTHER TRANSFERS OF THIS NOTE TO REFLECT ANY CHANGE IN APPLICABLE LAW OR REGULATION (OR THE INTERPRETATION THEREOF) OR IN PRACTICES RELATING TO THE REALES OR TRANSFERS OF RESTRICTED SECURITIES GENERALLY. BY THE ACCEPTANCE OF THIS NOTE, THE HOLDER HEREOF SHALL BE DEEMED TO HAVE AGREED TO ANY SUCH AMENDMENT OR SUPPLEMENT.

IN CONNECTION WITH ANY TRANSFER, THE HOLDER WILL DELIVER TO THE REGISTRAR AND TRANSFER AGENT SUCH CERTIFICATES AND OTHER INFORMATION AS SUCH TRANSFER AGENT MAY REASONABLY REQUIRE TO CONFIRM THAT THE TRANSFER COMPLIES WITH THE FOREGOING RESTRICTIONS.

Each purchaser of Certificated Securities will be required to deliver to the Republic and the Registrar an investment letter substantially in the form prescribed in the Indenture. The Certificated Securities in definitive form will be subject to the transfer restrictions set forth in the above legend, such letter and in the Indenture. Inquiries concerning transfers of Notes should be made to any Dealer.

Sales outside the United States

Each purchaser of Notes outside the United States pursuant to Regulation S, by accepting delivery of this Offering Circular and the Notes will be deemed to have represented, agreed and acknowledged that:

- (a) It is, or at the time Notes are purchased will be, the beneficial owner of such Notes and (a) it is located outside the United States and (in the case of Bearer Notes) is not a U.S. person (as defined by the Internal Revenue Code) and 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.
- (b) It understands that such Notes have not been and will not be registered under the Securities Act.
- (c) It understands that such Notes, unless otherwise determined by the Republic in accordance with applicable law, will bear a legend substantially to the following effect:

“THIS NOTE (OR ITS PREDECESSOR) HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER, AND WAS ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER, THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE “SECURITIES ACT”) AND APPLICABLE SECURITIES LAWS OF THE STATES AND OTHER JURISDICTIONS OF THE UNITED STATES, AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR AN APPLICABLE EXEMPTION THEREFROM. TERMS USED HEREIN HAVE THE MEANINGS GIVEN THEM IN REGULATIONS UNDER THE SECURITIES ACT.”
- (d) It understands that the Republic, the Note Registrar, the Dealers and their affiliates, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

General

Delivery of the Notes may be made against payment therefor on or about a date which will occur more than three business days after the date of pricing of the Notes which date may be specified in the Pricing Supplement. Pursuant to Rule 15c6-1 under the U.S. Securities Exchange Act of 1934 (the **Exchange Act**), trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree otherwise. Accordingly, purchasers who wish to trade Notes on the date of pricing or the next succeeding business day will be required, by virtue of the fact that the Notes may initially settle on or about a date which will occur more than three business days after the date of pricing of the Notes to specify an alternate settlement cycle at the time of any such trade to prevent a failed settlement. Purchasers of Notes who wish to trade Notes on the date of pricing or the next succeeding business day should consult their own advisor.

TAXATION

The following is a summary of certain Indonesian and U.S. federal income tax consequences resulting from the purchase, ownership and disposition of the Notes. This summary does not purport to consider all of the possible U.S. federal income or Indonesian tax consequences of the purchase, ownership and disposition of the Notes and is not intended to reflect the individual tax position of any beneficial owner. This summary is based upon laws, regulations, rulings and decisions now in effect, all of which are subject to change (perhaps with retroactive effect in the U.S.). The legal authorities on which this summary is based are subject to various interpretations, and no rulings have been or will be sought from any tax agency with respect to the matters described herein.

Persons considering the purchase of the Notes should consult their own tax advisors concerning the application of U.S. federal income and Indonesian tax laws to their particular situations as well as any consequences of the purchase, ownership and disposition of the Notes arising under the laws of any other taxing jurisdiction.

Indonesian Taxation

The following is a summary of Indonesian tax implications for Noteholders who are non-residents.

Generally, a non-tax resident of Indonesia is:

- (a) An individual who does not reside in Indonesia, an individual who does not physically present in Indonesia for more than 183 days during 12-month period; and
- (b) A corporation which is established and domiciled outside of Indonesia,

whether or not carried out a business or activities through a permanent establishment in Indonesia.

In determining the residency of an individual or entity, a tax treaty may stipulate different provisions on the tax resident definition and override the above provisions.

If a non resident has a permanent establishment in Indonesia, the permanent establishment will be subject to Indonesian tax obligations and is required to register with the Indonesian Tax Office (**ITO**) to obtain a tax ID number and report its business to be confirmed as a VAT-able taxpayer (if applicable), maintain bookkeeping, prepare financial statements, and file monthly and annual tax returns. The taxable income of the permanent establishment is subject to corporate income tax at a flat rate of 25%. The taxable income will include all income, including but not limited to foreign source income directly or indirectly attributable to such permanent establishment. In addition, the after tax taxable income of a permanent establishment in Indonesia is also subject to a branch profits tax at the rate of 20% (which may be reduced according to the applicable tax treaty). Under the Republic's income tax treaty with the U.S. (the **U.S.-Indonesia Treaty**), the applicable branch profit tax rate for permanent establishment of a United States resident is 10%. 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 requirements set out in the Minister of Finance Regulation No. 14/PMK.03/2011 dated January 24, 2011.

Taxation of Interest

Payments of interest on Notes issued under the Program to non-residents will generally be subject to an Indonesian withholding tax (unless the Notes are held and owned by a permanent establishment in Indonesia, as discussed below) assessed at a rate of 20% of the gross amount of the interest payment and can be reduced based on the applicable tax treaty. If a non-resident qualifies for benefits under the U.S.-Indonesia Treaty, the withholding tax is reduced to 10% of the gross amount of the interest payment. Accordingly, subject to certain exceptions, the Republic will be required to pay Additional Amounts in respect of interest payments on the Notes. Under current practice, the Republic pays withholding tax on the amounts of interest payments it makes to non-residents, but it does not pay withholding tax on the Additional Amounts that it pays to non-residents.

If an individual or entity holds Notes through a permanent establishment in Indonesia, the permanent establishment will be taxed on the interest at a flat income tax rate of 25%. Interest payments on Notes made to the permanent establishment will be subject to a 15% withholding tax, which will be deducted by the Republic from each interest payment. If the permanent establishment in Indonesia is a bank or a government-approved pension fund, the interest payments on Notes will not be subject to withholding tax.

Taxation of Dispositions

Generally, gains resulting from the sale or other disposition of Notes by a non-resident will not be subject to income, withholding or capital gains tax, unless the Notes are held and owned through a permanent establishment in Indonesia. If Notes are held and owned by a permanent establishment in Indonesia, the permanent establishment will be taxed on any profit at a flat income tax rate of 25%.

Under the U.S.-Indonesia Treaty, a U.S. resident shall be exempt from Indonesian tax on gains derived from the sale, exchange, or other disposition of Notes held as capital assets unless:

- (a) the recipient of the gain has a permanent establishment or fixed base in Indonesia and gain from the disposition of Notes is effectively connected with such permanent establishment or fixed base; or
- (b) the recipient of the gain is an individual and is present in Indonesia for a period or periods aggregating 120 days or more during the taxable year.

Other Indonesian Taxes

There are no other material Indonesian taxes or duties (e.g., inheritance taxes, gift duties, stamp duty or similar taxes) that a holder of Notes will be required to pay in relation to any of the payments made by the Republic.

Certain U.S. Federal Income Tax Considerations

The following is a summary of certain U.S. federal income tax consequences of the acquisition, ownership and disposition of Notes. Except as specifically noted below, this summary deals only with beneficial owners of Notes that hold the Notes as capital assets. The discussion does not cover all aspects of U.S. federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the acquisition, ownership or disposition of Notes by particular investors, and does not address state, local, foreign or other tax laws. This summary also does not discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the U.S. federal income tax laws (such as financial institutions, insurance companies, investors liable for the alternative minimum tax or the Medicare net investment income tax, individual retirement accounts and other tax-deferred accounts, regulated investment companies, traders in securities electing to mark to market, tax-exempt organizations, dealers in securities or currencies, investors that will hold the Notes as part of straddles, hedging transactions or conversion transactions for U.S. federal income tax purposes, persons that have ceased to be U.S. citizens or lawful permanent residents of the United States, investors holding the Notes in connection with a trade or business conducted outside of the United States, and certain U.S. expatriates or investors whose functional currency is not the U.S. dollar).

As used herein, the term **U.S. Holder** means a beneficial owner of Notes that is, for U.S. federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation created or organized under the laws of the United States or any State thereof or the District of Columbia, (iii) an estate the income of which is subject to U.S. federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for U.S. federal income tax purposes. A **Non -U.S. Holder** is a beneficial owner of Notes that is not a U.S. Holder and is not a partnership.

The U.S. federal income tax treatment of a partner in an entity treated as a partnership for U.S. federal income tax purposes that holds Notes will depend on the status of the partner and the activities of the partnership. Prospective purchasers that are entities treated as partnerships for U.S. federal income tax purposes should consult their tax advisors concerning the U.S. federal income tax consequences to them and their partners of the acquisition, ownership and disposition of Notes by the partnership.

This summary is based on the tax laws of the United States, including the Internal Revenue Code, its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, as well as the U.S.-Indonesia Treaty, all as of the date hereof and all subject to change at any time, possibly with retroactive effect.

Bearer Notes are not being offered to U.S. Holders. A U.S. Holder who owns a Bearer Note may be subject to limitations under United States income tax laws, including the limitations provided in sections 165(j) and 1287(a) of the Internal Revenue Code. This summary does not discuss special tax considerations relevant to the ownership and disposal of Bearer Notes by U.S. Holders.

Moreover, the summary deals only with Notes with a term of 30 years or less. The U.S. federal income tax consequences of owning Notes with a longer term may be discussed in the applicable Pricing Supplement.

This summary should be read in conjunction with the discussion of U.S. federal income tax consequences in the applicable Pricing Supplement. To the extent there is any inconsistency in the discussion of U.S. tax consequences to holders between this Offering Circular and the applicable Pricing Supplement, holders should rely on the tax consequences described in the applicable Pricing Supplement instead of this Offering Circular. The Republic generally intends to treat Notes issued under the Program as debt, unless otherwise indicated in the applicable Pricing Supplement. Certain Notes, however, such as certain Index Linked Notes or Notes with extremely long maturities, may not be treated as debt for U.S. federal income tax purposes. The tax treatment of Notes to which a treatment other than as debt may apply may be discussed in the applicable Pricing Supplement. The following summary applies only to Notes that are treated as debt for U.S. federal income tax purposes.

THE SUMMARY OF U.S. FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. IT IS NOT INTENDED TO BE RELIED UPON BY PURCHASERS FOR THE PURPOSE OF AVOIDING PENALTIES THAT MAY BE IMPOSED UNDER THE INTERNAL REVENUE CODE. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISORS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF ACQUIRING, OWNING, AND DISPOSING OF THE NOTES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFITS OF THE U.S.-INDONESIA TREATY, THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

U.S. Holders

Payments of Interest

General. Interest on a Note and the payment of any Additional Amounts, if any (i.e., without reduction for Indonesian withholding taxes, determined utilizing the appropriate Indonesian withholding tax rate applicable to the U.S. Holder), will be taxable to a U.S. Holder as ordinary income at the time it is received or accrued, depending on such holder's method of accounting for U.S. federal income tax purposes. Interest and any Additional Amounts paid by the Republic on the Notes and original issue discount (OID), if any, accrued with respect to the Notes (as described below under "Original Issue Discount") constitute income from sources outside the United States.

Foreign Currency Denominated Interest. The amount of income recognized by a cash basis U.S. Holder will be the U.S. dollar value of the interest payment, 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.

An accrual basis U.S. Holder may determine the amount of income recognized with respect to an interest payment denominated in foreign currency in accordance with either of two methods. Under the first method, the amount of income accrued will be based on the average exchange rate in effect during the interest accrual period (or, in the case of an accrual period that spans two taxable years of a U.S. Holder, the part of the period within each taxable year).

Under the second method, the U.S. 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 each taxable year). Additionally, if a payment of interest is actually received within five business days of the last day of the accrual period, an electing accrual basis U.S. Holder may instead translate the accrued interest into U.S. dollars at the exchange rate in effect on the day of actual receipt. Any such election will apply to all debt instruments held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and will be irrevocable without the consent of the Internal Revenue Service (the **IRS**).

Upon receipt of the interest payment (including a payment attributable to accrued but unpaid interest upon the sale or retirement of a Note) denominated in a foreign currency, the accrual basis U.S. Holder will recognize

U.S. source exchange gain or loss (taxable as U.S. source ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars. The exchange gain or loss will not be treated as an adjustment to interest income received on the Note.

Effect of Indonesian Withholding Taxes. As discussed above under “*Taxation — Indonesian Taxation*”, under current law payments of interest on the Notes to foreign investors are subject to Indonesian withholding taxes. The Republic is liable for the payment of Additional Amounts to U.S. Holders (see “*Description of the Notes — Taxation*”). For U.S. federal income tax purposes, U.S. Holders will be treated as having received the amount of Indonesian taxes withheld by the Republic with respect to a Note, and as then having paid over the withheld taxes to the Indonesian taxing authorities. As a result of this rule, the amount of interest income included in gross income for U.S. federal income tax purposes by a U.S. Holder with respect to a payment of interest may be greater than the amount of cash actually received (or receivable) by the U.S. Holder from the Republic with respect to the payment.

Subject to certain limitations, a U.S. Holder will generally be entitled to a credit against its U.S. federal income tax liability, or a deduction in computing its U.S. federal taxable income, for Indonesian income taxes withheld by the Republic. For purposes of the foreign tax credit limitation, foreign source income is classified in one of two “baskets”, and the credit for foreign taxes on income in either basket is limited to U.S. federal income tax allocable to that income. Interest, additional amounts, and OID (if any) generally will constitute foreign source income in the “passive income” basket. In certain circumstances a U.S. Holder may be unable to claim foreign tax credits (and may instead be allowed deductions) for Indonesian taxes imposed on a payment of interest if the U.S. Holder has not held the Notes for at least 16 days during the 31-day period beginning on the date that is 15 days before the date on which the right to receive the payment arises. Since a U.S. Holder may be required to include OID on the Notes in its gross income in advance of any withholding of Indonesian income taxes from payments attributable to the OID (which would generally occur when the Note is repaid or redeemed), a U.S. Holder may not be entitled to a credit or deduction for these Indonesian income taxes in the year the OID is included in the U.S. Holder’s gross income, and may be limited in its ability to credit or deduct in full the Indonesian taxes in the year those taxes are withheld by the Republic. Prospective purchasers should consult their tax advisors concerning the foreign tax credit implications of the payment of these Indonesian taxes and the treatment of Additional Amounts.

Original Issue Discount

General. The Notes may be issued with OID. Accordingly, a U.S. Holder may need to include a portion of the OID in gross income as interest in each taxable year or portion thereof in which the U.S. Holder holds the Notes even if the U.S. Holder has not received a cash payment in respect of the OID.

A Note, other than a Note with a term of one year or less (a **Short -Term Note**), will be treated as issued with OID (a **Discount Note**) if the excess of the Note’s “stated redemption price at maturity” over its issue price is equal to or more than a *de minimis* amount. The *de minimis* amount for debt obligations is generally 0.25% of the Note’s stated redemption price at maturity multiplied by the number of complete years to its maturity, unless the debt obligation provides for the payment of amounts other than qualified stated interest before maturity (an **installment obligation**). For installation obligations, the *de minimis* amount is generally calculated by multiplying 0.25% of the Note’s stated redemption price at maturity multiplied by the weighted average maturity of the Note. A Note’s weighted average maturity is the sum of the following amounts determined for each payment on a Note (other than a payment of qualified stated interest): (i) the number of complete years from the issue date until the payment is made multiplied by (ii) a fraction, the numerator of which is the amount of the payment and the denominator of which is the Note’s stated redemption price at maturity. Generally, the issue price of a Note will be the first price at which a substantial amount of Notes included in the issue of which the Note is a part is sold to persons other than bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents, or wholesalers. The stated redemption price at maturity of a Note is the total of all payments provided by the Note that are not payments of “qualified stated interest.” A qualified stated interest payment generally is any one of a series of stated interest payments on a Note that are unconditionally payable at least annually at a single fixed rate (with certain exceptions for lower rates paid during some periods), or a variable rate (in the circumstances described below under “Variable Interest Rate Notes”), applied to the outstanding principal amount of the Note. Solely for the purposes of determining whether a Note has OID, the Issuer will be deemed to exercise any call option that has the effect of decreasing the yield on the Note, and the U.S. Holder will be deemed to exercise any put option that has the effect of increasing the yield on the Note.

U.S. Holders of Discount Notes must include OID in income calculated on a constant-yield method before the receipt of cash attributable to the income, and generally will have to include in income increasingly greater amounts of OID over the life of the Discount Notes. The amount of OID includible in income by a U.S. Holder of a Discount Note is the sum of the daily portions of OID with respect to the Discount Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Discount Note (**accrued OID**). The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the OID allocable to that accrual period. Accrual periods with respect to a Discount Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Discount Note as long as (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Discount Note occurs on either the final or first day of an accrual period. The amount of OID allocable to an accrual period equals the excess of (a) the product of the Discount Note’s adjusted issue price at the beginning of the accrual period and the Discount Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period) over (b) the sum of the payments of qualified stated interest on the Discount Note allocable to the accrual period. The “yield to maturity” of a Note is the discount rate that causes the present value of all payments on the Note as of its original issue date to equal the issue price of the Note. The “adjusted issue price” of a Discount Note at the beginning of any accrual period is the issue price of the Discount Note increased by (x) the amount of accrued OID for each prior accrual period and decreased by (y) the amount of any payments previously made on the Note that were not qualified stated interest payments. If a Note has *de minimis* OID, a U.S. Holder must include the *de minimis* amount in income as stated principal payments are made on the Note, unless the holder makes the election described below under “Election to Treat All Interest as Original Issue Discount”. A U.S. Holder can determine the includible amount with respect to each such payment by multiplying the total amount of the Note’s *de minimis* OID by a fraction equal to the amount of the principal payment made divided by the stated principal amount of the Note.

Generally, with respect to a Note denominated in a foreign currency, OID for each accrual period will be determined in such foreign currency and then translated into U.S. dollars in the same manner as stated interest accrued by an accrual basis U.S. Holder, as described above under “*Payments of Interest — Foreign Currency Denominated Interest*.” Because exchange rates may fluctuate, a U.S. Holder of a Discount Note that is also a Foreign Currency Note may recognize a different amount of OID income in each accrual period than would the holder of an otherwise similar Discount Note denominated in U.S. dollars. All payments on a Discount Note, other than payments of qualified stated interest, will generally be viewed first as payments of previously accrued OID to the extent thereof, with payments attributed first to the earliest-accrued OID, and then as payments of principal. Upon receipt of an amount attributable to such OID (whether in connection with a payment of interest or the sale or retirement of a Note), a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) equal to the difference between the amount received (translated into U.S. dollars at the spot rate on the date of receipt) and the amount previously accrued, regardless of whether the payment is in fact converted into U.S. dollars.

If a Note provides for a scheduled Accrual Period that is longer than one year (for example, as a result of a long initial period on a Note with interest is generally paid on an annual basis), then stated interest on the Note will not qualify as “qualified stated interest” under the applicable Treasury Regulations. As a result, the Note would be a Discount Note. In that event, among other things, cash-method U.S. Holders will be required to accrue stated interest on the Note under the rules for OID described above, and all U.S. Holders will be required to accrue OID that would otherwise fall under the *de minimis* threshold.

Acquisition Premium. A U.S. Holder that purchases a Note for an amount less than the sum of all amounts payable on the Note after the purchase date, other than payments of qualified state interest, but in excess of its adjusted issue price (any such excess being **acquisition premium**) and that does not make the election described below under “Election to Treat All Interest as Original Issue Discount” is permitted to reduce the daily portions of OID by a fraction, the numerator of which is the excess of the U.S. Holder’s adjusted basis in the Note immediately after its purchase over the Note’s adjusted issue price, and the denominator of which is the excess of the sum of all amounts payable on the Note after the purchase date, other than payments of qualified stated interest, over the Note’s adjusted issue price. Generally, with respect to a Note denominated in a foreign currency, acquisition premium will be computed in units of such foreign currency, and acquisition premium that is taken into account currently will reduce interest income in units of such foreign currency. On the date acquisition premium offsets OID, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes was acquired by the U.S. Holder.

Market Discount. A Note generally will be treated as purchased at a market discount (a **Market Discount Note**) if the Note’s stated redemption price at maturity or, in the case of a Discount Note, the Note’s “revised

issue price” exceeds the amount for which the U.S. Holder purchased the Note by at least 0.25% of the Note’s stated redemption price at maturity or revised issue price, respectively, multiplied by the number of complete years from the date acquired by the U.S. Holder to the Note’s maturity (or, in the case of a Note that is an installment obligation, the Note’s weighted average maturity). If this excess is not sufficient to cause the Note to be a Market Discount Note, then the excess constitutes “*de minimis* market discount.” For this purpose, the “revised issue price” of a Note generally equals its issue price, increased by the amount of any OID that has accrued on the Note and decreased by the amount of any payments previously made on the Note that were not qualified stated interest payments.

Under current law, any gain recognized on the sale or retirement of a Market Discount Note generally will be treated as ordinary income to the extent that the gain does not exceed the accrued market discount on the Note. Alternatively, a U.S. Holder of a Market Discount Note may avoid such treatment by electing to include market discount in income currently over the life of the Note. This election will apply to all debt instruments with market discount acquired by the electing U.S. Holder on or after the first day of the first taxable year to which the election applies. This election may not be revoked without the consent of the IRS. A U.S. Holder of a Market Discount Note that does not elect to include market discount in income currently generally will be required to defer deductions for interest on borrowings incurred to purchase or carry a Market Discount Note. If the interest expense exceeds such income, such excess is currently deductible only to the extent that such excess exceeds the portion of the market discount allocable to the days during the taxable year on which such Note was held by the U.S. Holder.

Under current law, market discount on a Market Discount Note will accrue on a straight-line basis unless the U.S. Holder elects to accrue the market discount on a constant-yield method. This election applies only to the Note with respect to which it is made and is irrevocable.

Generally, with respect to a Note denominated in a foreign currency, market discount that is accrued by a U.S. Holder will be accrued in such foreign currency. If the U.S. Holder elects to include market discount in income currently, the accrued market discount will be translated into U.S. dollars at the average exchange rate for the accrual period (or portion thereof within the U.S. Holder’s taxable year). Upon the receipt of an amount attributable to such accrued market discount, the U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) determined in the same manner as for accrued interest or OID. A U.S. Holder that does not elect to include market discount in income currently will recognize, upon the sale or retirement of the Note, the U.S. dollar value of the amount accrued, calculated at the spot rate on that date, and no part of this accrued market discount will be treated as exchange gain or loss.

Certain of the Notes may be subject to special redemption, repayment or interest rate reset features, as indicated in the applicable Pricing Supplement. Notes containing such features, in particular Discount Notes, may be subject to special rules that differ from the general rules discussed above. Purchasers of Notes with such features should carefully examine the applicable Pricing Supplement and should consult their own tax advisors with respect to the Notes since the tax consequences with respect to such features, and especially with respect to OID, will depend, in part, on the particular terms of the Notes.

Election to Treat All Interest as Original Issue Discount. A U.S. Holder may elect to include in gross income all interest that accrues on a Note using the constant-yield method described above under “Original Issue Discount — General”, with certain modifications. For purposes of this election, interest includes interest, OID, market discount, *de minimis* OID and *de minimis* market discount, as adjusted by any amortizable bond premium (as described below under “Notes Purchased at a Premium”) or acquisition premium. This election generally applies only to the Note with respect to which it is made and may not be revoked without the consent of the IRS. If the election to apply the constant yield method to all interest on a Note is made with respect to a Market Discount Note, the electing U.S. Holder will be treated as having made the election described above under “Market Discount” to include market discount in income currently over the life of all debt instruments held at the beginning of the taxable year to which election applies or thereafter acquired by the U.S. Holder. U.S. Holders should consult their tax advisors concerning the propriety and consequences of this election.

Notes Purchased at a Premium

A U.S. Holder that purchases a Note for an amount in excess of its principal amount, or for a Discount Note, its stated redemption price at maturity, may elect to treat the excess as “amortizable bond premium”, in which case the amount of interest on the Note required to be included in the U.S. Holder’s income each year will be reduced by the amount of amortizable bond premium allocable (based on the Note’s yield to maturity) to that

year. The amount of amortizable bond premium for each taxable year is the sum of the daily portions of bond premium with respect to the Note for each day during the taxable year or portion of the taxable year on which the U.S. Holder holds the Note. The daily portion is determined by allocating to each day in any “accrual period” a pro rata portion of the bond premium allocable to that accrual period. Accrual periods with respect to a Note may be of any length selected by the U.S. Holder and may vary in length over the term of the Note as long as (i) no accrual period is longer than one year; and (ii) each scheduled payment of interest or principal on the Note occurs on either the final or first day of an accrual period. The amount of bond premium allocable to an accrual period equals the excess of (a) qualified stated interest on the Note allocable to the accrual period over (b) the product of the Note’s adjusted acquisition price at the beginning of the accrual period and the Note’s yield to maturity (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period). The “adjusted acquisition price” of a Note at the beginning of any accrual period is the U.S. Holder’s purchase price for the Note, decreased by the amount of bond premium for each prior accrual period. A U.S. Holder that elects to amortize the bond premium must reduce its tax basis in a Note by the amount of the bond premium amortized during its holding period. Generally, with respect to a Note denominated in any currency other than the U.S. dollar, bond premium will be computed in units of such foreign currency, and amortizable bond premium that is taken into account currently will reduce interest income in units of such foreign currency. On the date amortized bond premium offsets interest income, a U.S. Holder may recognize U.S. source exchange gain or loss (taxable as ordinary income or loss) measured by the difference between the spot rate in effect on that date, and on the date the Notes were acquired by the U.S. Holder. A U.S. Holder that does not elect to take bond premium into account currently will recognize a capital loss when the Note matures. Any election to amortize bond premium applies to all bonds (other than bonds the interest on which is excludible from gross income for U.S. federal income tax purposes) held by the U.S. Holder at the beginning of the first taxable year to which the election applies or thereafter acquired by the U.S. Holder, and is irrevocable without the consent of the IRS.

Variable Interest Rate Notes

Notes that provide for interest at variable rates (**Variable Interest Rate Notes**) generally will bear interest at a “qualified floating rate” and thus will be treated as “variable rate debt instruments” under U.S. Treasury Regulations governing accrual of OID. A Variable Interest Rate Note will qualify as a “variable rate debt instrument” if (a) its issue price does not exceed the total noncontingent principal payments due under the Variable Interest Rate Note by more than a specified *de minimis* amount, (b) it provides for stated interest, paid or compounded at least annually, at (i) one or more qualified floating rates, (ii) a single fixed rate and one or more qualified floating rates, (iii) a single objective rate, or (iv) a single fixed rate and a single objective rate that is a qualified inverse floating rate, and (c) it does not provide for any principal payments that are contingent (other than as described in (a) above).

A “qualified floating rate” is any variable rate where variations in the value of the rate can reasonably be expected to measure contemporaneous variations in the cost of newly borrowed funds in the currency in which the Variable Interest Rate Note is denominated. A fixed multiple of a qualified floating rate will constitute a qualified floating rate only if the multiple is greater than 0.65 but not more than 1.35. A variable rate equal to the product of a qualified floating rate and a fixed multiple that is greater than 0.65 but not more than 1.35, increased or decreased by a fixed rate, will also constitute a qualified floating rate. In addition, two or more qualified floating rates that can reasonably be expected to have approximately the same values throughout the term of the Variable Interest Rate Note (e.g., two or more qualified floating rates with values within 25 basis points of each other as determined on the Variable Interest Rate Note’s issue date) will be treated as a single qualified floating rate. Notwithstanding the foregoing, a variable rate that would otherwise constitute a qualified floating rate but which is subject to one or more restrictions such as a maximum numerical limitation (i.e., a cap) or a minimum numerical limitation (i.e., a floor) may, under certain circumstances, fail to be treated as a qualified floating rate.

An “objective rate” is a rate that is not itself a qualified floating rate but which is determined using a single fixed formula and which is based on objective financial or economic information (e.g., one or more qualified floating rates or the yield of actively traded personal property). A rate will not qualify as an objective rate if it is based on information that is within the control of the Republic (or a related party) or that is unique to the circumstances of the Republic (or a related party), although a rate does not fail to be an objective rate merely because it is based on the credit quality of the Republic. Other variable interest rates may be treated as objective rates if so designated by the IRS in the future. Despite the foregoing, a variable rate of interest on a Variable Interest Rate Note will not constitute an objective rate if it is reasonably expected that the average value of the rate during the first half of the Variable Interest Rate Note’s term will be either significantly less than or significantly greater than the average value of the rate during the final half of the Variable Interest Rate Note’s

term. A “qualified inverse floating rate” is any objective rate where the rate is equal to a fixed rate minus a qualified floating rate, as long as variations in the rate can reasonably be expected to inversely reflect contemporaneous variations in the qualified floating rate. If a Variable Interest Rate Note provides for stated interest at a fixed rate for an initial period of one year or less followed by a variable rate that is either a qualified floating rate or an objective rate for a subsequent period and if the variable rate on the Variable Interest Rate Note’s issue date is intended to approximate the fixed rate (e.g., the value of the variable rate on the issue date does not differ from the value of the fixed rate by more than 25 basis points), then the fixed rate and the variable rate together will constitute either a single qualified floating rate or objective rate, as the case may be.

A qualified floating rate or objective rate in effect at any time during the term of the instrument must be set at a “current value” of that rate. A “current value” of a rate is the value of the rate on any day that is no earlier than three months prior to the first day on which that value is in effect and no later than one year following that first day.

If a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof qualifies as a “variable rate debt instrument”, then any stated interest on the Note which is unconditionally payable in cash or property (other than debt instruments of the Republic) at least annually will constitute qualified stated interest and will be taxed accordingly. Thus, a Variable Interest Rate Note that provides for stated interest at either a single qualified floating rate or a single objective rate throughout the term thereof and that qualifies as a “variable rate debt instrument” generally will not be treated as having been issued with OID unless the Variable Interest Rate Note is issued at a “true” discount (i.e., at a price below the Note’s stated principal amount) in excess of a specified *de minimis* amount. OID on a Variable Interest Rate Note arising from “true” discount is allocated to an accrual period using the constant yield method described above by assuming that the variable rate is a fixed rate equal to (i) in the case of a qualified floating rate or qualified inverse floating rate, the value, as of the issue date, of the qualified floating rate or qualified inverse floating rate, or (ii) in the case of an objective rate (other than a qualified inverse floating rate), a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note.

In general, any other Variable Interest Rate Note that qualifies as a “variable rate debt instrument” will be converted into an “equivalent” fixed rate debt instrument for purposes of determining the amount and accrual of OID and qualified stated interest on the Variable Interest Rate Note. Such a Variable Interest Rate Note must be converted into an “equivalent” fixed rate debt instrument by substituting any qualified floating rate or qualified inverse floating rate provided for under the terms of the Variable Interest Rate Note with a fixed rate equal to the value of the qualified floating rate or qualified inverse floating rate, as the case may be, as of the Variable Interest Rate Note’s issue date. Any objective rate (other than a qualified inverse floating rate) provided for under the terms of the Variable Interest Rate Note is converted into a fixed rate that reflects the yield that is reasonably expected for the Variable Interest Rate Note. In the case of a Variable Interest Rate Note that qualifies as a “variable rate debt instrument” and provides for stated interest at a fixed rate in addition to either one or more qualified floating rates or a qualified inverse floating rate, the fixed rate is initially converted into a qualified floating rate (or a qualified inverse floating rate, if the Variable Interest Rate Note provides for a qualified inverse floating rate). Under these circumstances, the qualified floating rate or qualified inverse floating rate that replaces the fixed rate must be such that the fair market value of the Variable Interest Rate Note as of the Variable Interest Rate Note’s issue date is approximately the same as the fair market value of an otherwise identical debt instrument that provides for either the qualified floating rate or qualified inverse floating rate rather than the fixed rate. Subsequent to converting the fixed rate into either a qualified floating rate or a qualified inverse floating rate, the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument in the manner described above.

Once the Variable Interest Rate Note is converted into an “equivalent” fixed rate debt instrument pursuant to the foregoing rules, the amount of OID and qualified stated interest, if any, are determined for the “equivalent” fixed rate debt instrument by applying the general OID rules to the “equivalent” fixed rate debt instrument and a U.S. Holder of the Variable Interest Rate Note will account for the OID and qualified stated interest as if the U.S. Holder held the “equivalent” fixed rate debt instrument. In each accrual period, appropriate adjustments will be made to the amount of qualified stated interest or OID assumed to have been accrued or paid with respect to the “equivalent” fixed rate debt instrument in the event that these amounts differ from the actual amount of interest accrued or paid on the Variable Interest Rate Note during the accrual period.

If a Variable Interest Rate Note, such as a Note the payments on which are determined by reference to an index, does not qualify as a “variable rate debt instrument”, then the Variable Interest Rate Note will be treated as a contingent payment debt instrument. See “*Contingent Payment Debt Instruments*” below for a discussion of the U.S. federal income tax treatment of such Notes.

Contingent Payment Debt Instruments

Certain Series of Notes may be treated as “contingent payment debt instruments” for U.S. federal income tax purposes (**Contingent Notes**). Under applicable U.S. Treasury Regulations, interest on Contingent Notes will be treated as OID, and must be accrued on a constant-yield basis based on a yield to maturity that reflects the rate at which the Republic would issue a comparable fixed-rate non-exchangeable instrument (the **comparable yield**), in accordance with a projected payment schedule. This projected payment schedule must include each non-contingent payment on the Contingent Notes and an estimated amount for each contingent payment, and must produce the comparable yield.

The Republic is required to provide to holders, solely for U.S. federal income tax purposes, a schedule of the projected amounts of payments on Contingent Notes. This schedule must produce the comparable yield. The comparable yield and projected payment schedule will be provided by the Republic in the applicable pricing Supplement.

THE COMPARABLE YIELD AND PROJECTED PAYMENT SCHEDULE WILL NOT BE DETERMINED FOR ANY PURPOSE OTHER THAN FOR THE DETERMINATION OF INTEREST ACCRUALS AND ADJUSTMENTS THEREOF IN RESPECT OF CONTINGENT NOTES FOR UNITED STATES FEDERAL INCOME TAX PURPOSES AND WILL NOT CONSTITUTE A PROJECTION OR REPRESENTATION REGARDING THE ACTUAL AMOUNTS PAYABLE TO THE HOLDERS OF THE NOTES.

The use of the comparable yield and the calculation of the projected payment schedule will be based upon a number of assumptions and estimates and will not be a prediction, representation or guarantee of the actual amounts of interest that may be paid to a U.S. Holder or the actual yield of the Contingent Notes. A U.S. Holder will generally be bound by the comparable yield and the projected payment schedule determined by the Republic, unless the U.S. Holder determines its own comparable yield and projected payment schedule and explicitly discloses such schedule to the IRS, and explains to the IRS the reason for preparing its own schedule. The Republic’s determination, however, is not binding on the IRS, and it is possible that the IRS could conclude that some other comparable yield or projected payment schedule should be used instead.

A U.S. Holder of a Contingent Note generally will be required to include OID in income pursuant to the rules discussed under “*Original Issue Discount — General*” above, applied to the projected payment schedule. The “adjusted issue price” of a Contingent Note at the beginning of any accrual period is the issue price of the Note increased by the amount of accrued OID for each prior accrual period, and decreased by the projected amount of any payments on the Note. No additional income will be recognized upon the receipt of payments of stated interest (including the amount of any Indonesian withholding taxes, as discussed above) in amounts equal to the annual payments included in the projected payment schedule described above. Any differences between actual payments received by the U.S. Holder on the Notes in a taxable year and the projected amount of those payments will be accounted for as additional interest (in the case of a positive adjustment) or as an offset to interest income in respect of the Note (in the case of a negative adjustment), for the taxable year in which the actual payment is made. If the negative adjustment for any taxable year exceeds the amount of OID on the Contingent Note for that year, the excess will be treated as an ordinary loss, but only to the extent the U.S. Holder’s total OID inclusions on the Contingent Note exceed the total amount of any ordinary loss in respect of the Contingent Note claimed by the U.S. Holder under this rule in prior taxable years. Any negative adjustment that is not allowed as an ordinary loss for the taxable year is carried forward to the next taxable year, and is taken into account in determining whether the U.S. Holder has a net positive or negative adjustment for that year. However, any negative adjustment that is carried forward to a taxable year in which the Contingent Note is sold, exchanged or retired, to the extent not applied to OID accrued for such year, reduces the U.S. Holder’s amount realized on the sale, exchange or retirement. The Republic will indicate in the applicable Pricing Supplement whether a Series of Notes that provide for contingent payments are Contingent Notes.

Short-Term Notes

In general, an individual or other cash basis U.S. Holder of a Short-Term Note is not required to accrue OID (calculated as set forth below for the purposes of this paragraph) on a current basis for U.S. federal income tax purposes unless it elects to do so (but will likely be required to include any stated interest in income as the interest is received). Accrual basis U.S. Holders and certain other U.S. Holders are required to accrue OID on Short-Term Notes on a straight-line basis or, if the U.S. Holder so elects, under the constant-yield method (based on daily compounding). In the case of a U.S. Holder not required and not electing to include OID in income currently, any gain realized on the sale or other disposition of the Short-Term Note will be ordinary income to the extent of the OID accrued on a straight-line basis (unless an election is made to accrue the OID under the

constant-yield method) through the date of sale or other disposition. U.S. Holders who are not required and do not elect to accrue OID on Short-Term Notes will be required to defer deductions for interest on borrowings allocable to Short-Term Notes in an amount not exceeding the deferred income until the deferred income is realized.

For purposes of determining the amount of OID subject to these rules, all interest payments on a Short-Term Note are included in the Short-Term Note's stated redemption price at maturity. A U.S. Holder may elect to accrue OID on a Short-Term Note as if the Short-Term Note had been originally issued to the U.S. Holder at the U.S. Holder's purchase price for the Short-Term Note. This election shall apply to all obligations with a maturity of one year or less acquired by the U.S. Holder on or after the first day of the first taxable year to which the election applies, and may not be revoked without the consent of the IRS.

Sale and Retirement of the Notes

U.S. dollar Notes Other than Contingent Notes

A U.S. Holder's adjusted tax basis in a Note will generally be its cost, increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any payments that are not qualified stated interest payments, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note.

A U.S. Holder will generally recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the U.S. Holder's adjusted tax basis of the Note. The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. Except to the extent described above under "*Original Issue Discount — Market Discount*" or "*Original Issue Discount — Short-Term Notes*" or attributable to changes in exchange rates (as discussed below), gain or loss recognized on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the U.S. Holder's holding period in the Notes exceeds one year.

Foreign Currency Notes Other than Contingent Notes

A U.S. Holder generally will recognize gain or loss on the sale or retirement of a Note equal to the difference between the amount realized on the sale or retirement and the tax basis of the Note. A U.S. Holder's tax basis in a Note will generally be its U.S. dollar cost (as defined below) increased by the amount of any OID or market discount included in the U.S. Holder's income with respect to the Note and the amount, if any, of income attributable to *de minimis* OID and *de minimis* market discount included in the U.S. Holder's income with respect to the Note, and reduced by (i) the amount of any principal paid on the Note, and (ii) the amount of any amortizable bond premium applied to reduce interest on the Note. The U.S. dollar cost of a Note purchased with foreign currency will generally be the U.S. dollar value of the purchase price on the date of purchase, or the settlement date for the purchase, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, that are purchased by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). The amount realized does not include the amount attributable to accrued but unpaid interest, which will be taxable as interest income to the extent not previously included in income. The amount realized on a sale or retirement for an amount in foreign currency will be the U.S. dollar value of this amount on the date of sale or retirement, or the settlement date for the sale, in the case of Notes traded on an established securities market, as defined in the applicable U.S. Treasury Regulations, sold by a cash basis U.S. Holder (or an accrual basis U.S. Holder that so elects). Such an election by an accrual basis U.S. Holder must be applied consistently from year to year and cannot be revoked without the consent of the IRS.

A U.S. Holder will recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the sale or retirement of a Note equal to the difference, if any, between the U.S. dollar values of the U.S. Holder's purchase price for the Note (or, if less, the principal amount of the Note) (i) on the date of sale or retirement and (ii) the date on which the U.S. Holder acquired the Note. Any such exchange rate gain or loss (including any exchange gain or loss with respect to the receipt of accrued but unpaid interest) will be realized only to the extent of total gain or loss realized on the sale or retirement. Except to the extent described above under "*Original Issue Discount — Market Discount*" above or changes in exchange rates, gain or loss recognized by a U.S. Holder on the sale or retirement of a Note will be capital gain or loss and will be long-term capital gain or loss if the Note was held by the U.S. Holder for more than one year. Gain or loss realized by a U.S. Holder on the sale or retirement of a Note generally will be U.S. source.

U.S. dollar Denominated Contingent Notes

In general, any gain recognized by a U.S. Holder on the sale or retirement of a U.S. dollar denominated Contingent Note will be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss so recognized by a U.S. Holder is generally ordinary loss to the extent that the total interest inclusions on such Contingent Note exceed the total net negative adjustments the U.S. Holder already accounted for as ordinary loss. Any additional loss is treated as loss from the sale, or retirement of such Contingent Note. If at the time of the sale, or retirement there are no remaining contingent payments due on such Contingent Note under the projected payment schedule, then any gain or loss recognized by the U.S. Holder is generally treated as gain or loss from the sale, or retirement of the Contingent Note.

For purposes of determining the amount realized by a U.S. Holder on the scheduled retirement of a Contingent Note, a U.S. Holder is treated as receiving the projected amount of any contingent payment due at maturity. If the amount received is different from the projected amount, the difference is treated as a positive or negative adjustment, as discussed above. The amount realized by a U.S. Holder on the retirement of a Contingent Note is reduced by any negative adjustment carryforward determined in the taxable year of the retirement. An unscheduled retirement of a Contingent Note (or the receipt of a pro-rata payment that is treated as a retirement of a portion of a Contingent Note) is treated as a repurchase of the Contingent Note by the issuer from the U.S. Holder for the amount paid. Gain or loss realized by a U.S. Holder on the sale or retirement of a Contingent Note will generally be foreign source. Prospective purchasers should consult their tax advisors as to the foreign tax credit implications of the sale or retirement of Contingent Notes.

Foreign Currency Denominated Contingent Notes

A U.S. Holder generally will recognize gain or loss on the sale or retirement of a Contingent Note equal to the difference between the amount realized on the sale or retirement and the U.S. Holder's tax basis in the Contingent Note, both translated into U.S. dollars as described above. A U.S. Holder's tax basis in a Foreign Currency Denominated Contingent Note will generally equal (i) the cost thereof (translated into U.S. dollars at the spot rate on the issue date or the date the Contingent Note was purchased), (ii) increased by the amount of OID previously accrued on the Contingent Note (disregarding any positive or negative adjustments and translated into U.S. dollars using the exchange rate applicable to such OID) and (iii) decreased by the projected amount of all prior payments in respect of such Contingent Note. The U.S. dollar amount of the projected payments described in clause (iii) of the preceding sentence is determined by (i) first allocating the payments to the most recently accrued OID to which prior amounts have not already been allocated and translating those amounts into U.S. dollars at the rate at which the OID was accrued and (ii) then allocating any remaining amount to principal and translating such amount into U.S. dollars at the spot rate on the date the Contingent Note was acquired by the U.S. Holder. For this purpose, any accrued OID reduced by a negative adjustment carry forward will be treated as principal.

The amount realized by a U.S. Holder upon the sale or retirement of a Foreign Currency Denominated Contingent Note will equal the amount of cash and the fair market value (determined in foreign currency) of any property received. If a U.S. Holder holds such a Contingent Note until its scheduled maturity, the U.S. dollar equivalent of the amount realized will be determined by separating such amount realized into principal and one or more OID components, based on the principal and OID comprising the U.S. Holder's basis, with the amount realized allocated first to OID (and allocated to the most recently accrued amounts first) and any remaining amounts allocated to principal. The U.S. dollar equivalent of the amount realized upon a sale or unscheduled retirement of such a Contingent Note will be determined in a similar manner, but will first be allocated to principal and then any accrued OID (and will be allocated to the earliest accrued amounts first). Each component of the amount realized will be translated into U.S. dollars using the exchange rate used with respect to the corresponding principal or accrued OID. The amount of any gain realized upon a sale or unscheduled retirement of such a Contingent Note will be equal to the excess of the amount realized over the holder's tax basis, both expressed in foreign currency, and will be translated into U.S. dollars using the spot rate on the payment date. Gain from the sale or retirement of such a Contingent Note will generally be treated as interest income taxable at ordinary income (rather than capital gains) rates. Any loss will be ordinary loss to the extent that the U.S. Holder's total OID inclusions to the date of sale or retirement exceed the total net negative adjustments that the U.S. Holder took into account as ordinary loss, and any further loss will be capital loss. Gain or loss realized by a U.S. Holder on the sale or retirement of a Contingent Note generally will be foreign source. Prospective purchasers should consult their tax advisers as to the foreign tax credit implications of the sale or retirement of Contingent Notes.

A U.S. Holder will also recognize U.S. source exchange rate gain or loss (taxable as ordinary income or loss) on the receipt of foreign currency in respect of such a Contingent Note if the exchange rate in effect on the date the payment is received differs from the rate applicable to the principal or accrued OID to which such payment relates.

Disposition of Foreign Currency

Foreign currency received as interest on a Note or on the sale or retirement of a Note will have a tax basis equal to its U.S. dollar value at the time the foreign currency is received. Foreign currency that is purchased will generally have a tax basis equal to the U.S. dollar value of the foreign currency on the date of purchase. Any gain or loss recognized on a sale or other disposition of a foreign currency (including its use to purchase Notes or upon exchange for U.S. dollars) will be U.S. source ordinary income or loss.

Reportable Transactions

A U.S. taxpayer that participates in a “reportable transaction” will be required to disclose its participation to the IRS. The scope and application of these rules is not entirely clear. A U.S. Holder may be required to treat a foreign currency exchange loss from the Notes as a reportable transaction if the loss exceeds U.S.\$50,000 in a single taxable year, if the U.S. Holder is an individual or trust, or higher amounts for other non-individual U.S. Holders. In the event the acquisition, holding or disposition of Notes constitutes participation in a reportable transaction for purposes of these rules, a U.S. Holder will be required to disclose its investment by filing Form 8886 with the IRS. A penalty of an amount up to U.S.\$10,000 in the case of a natural person and U.S.\$50,000 in all other cases is generally imposed on any taxpayer that fails to timely file an information return with the IRS with respect to a transaction resulting in a loss that is treated as a reportable transaction. In addition, the Republic and its advisors may also be required to disclose the transaction to the IRS, and to maintain a list of U.S. Holders, and to furnish this list and certain other information to the IRS upon written request. Prospective purchasers are urged to consult their tax advisors regarding the application of these rules to the acquisition, holding or disposition of Notes.

Specified Foreign Financial Assets

Individual U.S. Holders that own “specified foreign financial assets” with an aggregate value in excess of \$50,000 are generally required to file an information statement along with their tax returns, currently on Form 8938, with respect to such assets. “Specified foreign financial assets” include any financial accounts held at a non-U.S. financial institution, as well as securities issued by a non-U.S. issuer (which may include Notes issued in certificated form) that are not held in accounts maintained by financial institutions. Higher reporting thresholds apply to certain individuals living abroad and to certain married individuals. Regulations extend this reporting requirement to certain entities that are treated as formed or availed of to hold direct or indirect interests in specified foreign financial assets based on certain objective criteria. U.S. Holders who fail to report the required information could be subject to substantial penalties. Prospective investors should consult their own tax advisors concerning the application of these rules to their investment in the Notes, including the application of the rules to their particular circumstances.

Non-U.S. Holders

Non-U.S. Holders generally should not be subject to U.S. federal income or withholding tax on any payments on the Notes and gain from the sale or retirement of the Notes unless: (i) that payment and/or gain is effectively connected with the conduct by that Non-U.S. Holder of a trade or business in the U.S.; (ii) in the case of any gain realized on the sale or retirement of a Note by an individual Non-U.S. Holder, that holder is present in the U.S. for 183 days or more in the taxable year of the sale or retirement and certain other conditions are met; or (iii) the Non-U.S. Holder is subject to tax pursuant to provisions of Internal Revenue Code applicable to certain expatriates.

Non-U.S. Holders should consult their own tax advisors regarding the U.S. federal income and other tax consequences of owning Notes.

Backup Withholding and Information Reporting

Payments of principal, interest and accruals of OID on, and the proceeds of sale or other disposition of Notes by a U.S. paying agent or other U.S. intermediary will be reported to the IRS and to the U.S. Holder as

may be required under applicable regulations. Backup withholding may apply to these payments, including payments of OID, if the U.S. Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to comply with applicable certification requirements. Certain U.S. Holders are not subject to backup withholding. U.S. Holders should consult their tax advisors as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption. Non-U.S. Holders may be required to comply with applicable certification procedures to establish that they are not U.S. Holders in order to avoid the application of such information reporting requirements and backup withholding tax.

Prospective purchasers of Notes are advised to consult their own tax advisors as to the consequences of a purchase, ownership and disposition of Notes, including, without limitation: (i) the applicability and effect of any state, local or non-U.S. tax laws to which they may be subject and of any legislative or administrative changes in law; (ii) the U.S. federal income tax consequences of the Republic withholding of any foreign withholding taxes; and (iii) the availability of a credit or deduction of any foreign withholding taxes.

SUBSCRIPTION AND SALE

Summary of Program Agreement

Subject to the terms and on the conditions contained in a program agreement dated January 28, 2009 amended and as supplemented from time to time (the **Program Agreement**) between the Republic, the Dealers and the Arrangers, the Notes may be offered on a continuous basis by the Republic to the Dealers. The Notes 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 Notes may also be sold by the Republic through the Dealers, acting as agents of the Republic. The Program Agreement also provides for Notes 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 Notes subscribed by it. The Republic has agreed to reimburse each of the Arrangers 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 Notes including liabilities under the Securities Act. The Program Agreement entitles the Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Republic.

Other Relationships

The Dealers and the Arrangers and certain of their affiliates may from time to time engage in transactions with and perform services for the Republic in the ordinary course of their business.

The Dealers, the Arrangers 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 Dealers and the Arrangers 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 Dealers, the Arrangers and their respective affiliates may make or hold (on their own account, on behalf of clients or in their capacity of investment advisers) 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 or its subsidiaries, jointly controlled entities or associated entities, including Notes issued under the Program, may be entered into at the same time or proximate to offers and sales of Notes or at other times in the secondary market and be carried out with counterparties that are also purchasers, holders or sellers of Notes. The Dealers and the Arrangers or certain of their respective affiliates may purchase Notes and be allocated Notes for asset management and/or proprietary purposes and not with a view to distribution.

Selling Restrictions

The Notes have not been and will not be registered under the laws of any jurisdiction, nor has any other action been taken, nor will any action be taken, by the Republic, the Dealers or any other person that would permit a public offering of the Notes or the possession, circulation or distribution of this Offering Circular or any supplement hereto or thereto, or any other offering material relating to the Republic or the Notes, in any country or jurisdiction where action for any such purpose may be required. The offer and sale of Notes, and the delivery of this Offering Circular, are restricted by law in certain jurisdictions and Notes may not be offered or sold, and this Offering Circular may not be distributed, in any jurisdiction under circumstances where such offer, sale or distribution would be prohibited or restricted by law.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the relevant Dealers or any affiliate of the relevant Dealers are licensed brokers or dealers in that jurisdiction, the offering shall be deemed to be made by such Dealers or their affiliates on behalf of the Republic in such jurisdiction.

Without limiting the foregoing, prospective purchasers of Notes should be aware of the following restrictions:

United States of America

The Notes have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. Each Dealer has agreed, and each further Dealer appointed under the Program will be required to agree, that it will not offer or sell any Notes within the United States, except as permitted by the Program Agreement.

Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder.

The Notes 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 Notes within the United States only to qualified institutional buyers in reliance on Rule 144A.

In addition, until 40 days after the commencement of the offering of any identifiable Tranche of Notes, an offer or sale of Notes within the United States by any Dealer (whether or not participating in the offering of such Tranche of Notes) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States and for the resale of the Notes in the United States pursuant to Rule 144A. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States, other than any qualified institutional buyer within the meaning of Rule 144A to whom an offer has been made directly by one of the Dealers or its U.S. broker-dealer affiliate. Distribution of this Offering Circular by any person outside the United States or by any qualified institutional buyer in the United States to any person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such persons with respect thereto, is unauthorized and any disclosure without the prior written consent of the Issuer of any of its contents to any such person within the United States, other than any qualified institutional buyer and those persons, if any, retained to advise such persons, is prohibited.

United Kingdom

Each Dealer has represented and agreed that:

- (a) in relation to any Notes having a maturity of less than one year (i) 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 (ii) it has not offered or sold and will not offer or sell any Notes 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 Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 (the **FSMA**) by the Issuer;
- (b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any 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 of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; 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 Notes in, from or otherwise involving the United Kingdom.

Hong Kong

In relation to each Series of Notes to be issued by the Issuer under the Program, each Dealer has represented and agreed, and each further Dealer appointed under the Program will be required to represent and agree, that:

- (a) it has offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes, except for Notes which are a “structured product” as defined in the SFO, other than (i) to “professional

investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (**SFO**) and any rules made under the SFO; or (ii) 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) or which do not constitute an offer to the public within the meaning of that Ordinance; 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 Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes 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 thereunder.

Japan

The Notes 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**) and each Dealer has represented and agreed that it has not directly or indirectly offered or sold and will not offer or sell any Notes, 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 reoffering 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.

European Economic Area

In relation to each Member State of the European Economic Area that has implemented the Prospectus Directive (each such Member State, a **Relevant Member State**), each Dealer has represented and agreed that with effect from (and including) the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of the Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (b) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) 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 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Notes to the public” in relation to any of the Notes 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 Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive), and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

Singapore

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore, and the Notes will be offered pursuant to exemptions under the Securities and Futures Act, Chapter 289 of Singapore (the **SFA**). Accordingly, each Dealer has represented, warranted and agreed that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will

not offer or sell any Notes or cause the Notes 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 Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the SFA, (b) to a relevant person under 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.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Notes may not be circulated or distributed, nor may any Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (a) to an institutional investor pursuant to Section 274 of the SFA, (b) to a relevant person under 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 Notes 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 (as defined in Section 239(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 Notes pursuant to an offer made under Section 275 of the SFA except:

- (i) to an institutional investor, or to a relevant person defined in Section 275(2) of the SFA, 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 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Canada

The Notes may only be offered or sold to a resident of Canada pursuant to an exemption from the requirement to file a prospectus in the applicable Canadian province or territory in which such offer or sale is made, and only by a registrant duly registered under the applicable securities laws of that province or territory or by a registrant that is relying in that province or territory on the "international dealer" exemption provided by Section 8.18 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103). Furthermore, the Notes may only be offered or sold to or for the benefit of residents of any such province or territory that are purchasing, or deemed to be purchasing, as principal, that are "accredited investors" as defined in National Instrument 45-106 Prospectus Exemptions (NI 45-106) and a "permitted client" as defined in NI 31-103. Each Canadian purchaser hereby acknowledges that any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws and that it shall be deemed to represent and warrant it is an accredited investor and is purchasing as principal (or deemed principal) in connection with any purchase of Notes hereunder.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Offering Circular (including any amendment hereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory of residence for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 of NI 33 105, the Dealers are not required to comply with the disclosure requirements of NI 33 105 regarding underwriter conflicts of interest in connection with this offering. The Issuer and the Dealers hereby notify prospective Canadian purchasers that: (a) the Issuer or the Dealers may be required to provide personal information pertaining to the purchaser as required to be disclosed in Schedule I of Form 45-106F1 under NI 45-106 (including its name, address, telephone number, email and the aggregate purchase price of any Notes purchased) (“personal information”), which Form 45-106F1 may be required to be filed by the Issuer or the Dealers under NI 45-106, (b) such personal information may be delivered to the Ontario Securities Commission (the “OSC”) in accordance with NI 45-106, (c) such personal information is collected indirectly by the OSC under the authority granted to it under the securities legislation of Ontario, (d) such personal information is collected for the purposes of the administration and enforcement of the securities legislation of Ontario, and (e) the public official in Ontario who can answer questions about the OSC’s indirect collection of such personal information is the Administrative Support Clerk at the OSC, Suite 1903, Box 55, 20 Queen Street West, Toronto, Ontario M5H 3S8, Telephone: (416) 593-3684. Prospective Canadian purchasers that purchase Notes in this offering will be deemed to have authorized the indirect collection of the personal information by the OSC, and to have acknowledged and consented to its name, address, telephone number, email and other specified information, including the aggregate purchase price paid by the purchaser, being disclosed to other Canadian securities regulatory authorities, and to have acknowledged that such information may become available to the public in accordance with requirements of applicable Canadian laws.

Upon receipt of this Offering Circular, each Canadian purchaser hereby confirms that it has expressly requested that all documents evidencing or relating in any way to the sale of the securities described herein (including for greater certainty any purchase confirmation or any notice) be drawn up in the English language only. *Par la réception de ce document, chaque acheteur canadien confirme par les présentes qu’il a expressément exigé que tous les documents faisant foi ou se rapportant de quelque manière que ce soit à la vente des valeurs mobilières décrites aux présentes (incluant, pour plus de certitude, toute confirmation d’achat ou tout avis) soient rédigés en anglais seulement.*

General

Each Dealer has agreed or will agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Republic nor any other Dealer shall have any responsibility therefor.

Neither the Republic nor any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

With regard to each Tranche, the relevant Dealer(s) will be required to comply with such other additional restrictions as the Republic and the relevant Dealer(s) shall agree and as shall be set forth in the applicable Pricing Supplement.

Purchasers of Notes sold by the Dealers may be required to pay stamp taxes and other charges in accordance with the laws and practices of the country of purchase in addition to the offering price and accrued interest, if any.

Each Series or Tranche of Notes is a new issue of securities with no established trading market. Any one or more of the Dealers may make a market in the Notes, but are not obliged to do so and may discontinue any market-marking, if commenced, at any time without notice. No assurance can be given as to the liquidity of the trading markets for the Notes.

GENERAL INFORMATION

Contact Information

The Republic can be contacted through the Ministry of Finance of the Republic of Indonesia at Gedung Juanda 1 Lantai 3, Jalan Dr. Wahidin Raya No. 1, Jakarta 10710.

Listing of Notes on the SGX-ST

Application has been made to the SGX-ST for permission to deal in and quotation of any Notes 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. However, Notes may be issued under the Program that will not be listed on the SGX-ST or any other stock exchange, and the Pricing Supplement in respect of any Series of Notes will specify whether or not the Notes will be listed on the SGX-ST or any other stock exchange.

Authorizations

The establishment of the Program was duly authorized pursuant to Indonesia's Law No. 24 of 2002, dated October 22, 2002, regarding Government Debt Securities. Any issuance of Notes under the Program is subject to, and conditional upon, (i) the existence or adoption of a law by the Indonesian Assembly authorizing the issuance of such Notes (or the underlying borrowing) and (ii) obtaining any other necessary consents, approvals and authorizations in connection with the issuance of any such Notes.

Documents on Display

So long as Notes are capable of being issued under the Program, copies of the following documents will, when published, be available and can be obtained from the corporate trust office of the Trustee for the time being in New York:

- (a) the Program Agreement, the Indenture and the Procedures Memorandum;
- (b) a copy of this Offering Circular;
- (c) any future offering circulars, offering memoranda, prospectuses, information memoranda and supplements, including the Pricing Supplement (except that a Pricing Supplement relating to unlisted Notes will only be available for inspection by a Holder of such Note and such Holder must produce evidence satisfactory to the Trustee as to the identity of such Holder) to this Offering Circular and any other documents incorporated herein or therein by reference; and
- (d) in the case of each issue of Notes subscribed pursuant to a subscription agreement, such subscription agreement (or equivalent document).

In addition, a copy of the documents set out in (b) and (c) above can be obtained free of charge from the specified office of the relevant Paying Agent where so required by the rules of the relevant stock exchange on which any Series or Tranche of Notes is to be listed.

This Offering Circular and Pricing Supplement for Notes listed on the SGX-ST will be published on the website of the SGX-ST, being www.sgx.com.

Clearing Systems

In the case of Notes of any Series for which the clearing system is specified in the applicable Pricing Supplement as Euroclear and Clearstream, the appropriate common code and ISIN for such Tranche of Notes allocated by Euroclear and Clearstream, upon acceptance into their respective clearing systems, will be specified in the applicable Pricing Supplement. In the case of Notes of any Series for which the clearing system is specified in the applicable Pricing Supplement as DTC, the Republic will make an application for such Tranche of Notes to be accepted for trading in bookentry form by DTC. The CUSIP and/or CINS and/or Common Code and/or the ISIN for each Series of Notes will be specified in the applicable Pricing Supplement. If the Notes are to clear through an additional or alternative clearing system, the appropriate information will be specified in the applicable Pricing Supplement.

Litigation

The Republic is not nor has been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Republic is aware) which may have, or have had in the 12 months preceding the date of this document, significant effects on the Republic's financial position.

Significant Change

Except as disclosed in this Offering Circular, there has been no significant adverse change in the information set out in this Offering Circular under "Republic of Indonesia" since the applicable dates of such information. There have been no recent events relevant to the evaluation of the Republic's solvency.

ISSUER

Republic of Indonesia
Ministry of Finance of the Republic of Indonesia
 Gedung Juanda 1 Lantai 3,
 Jalan Dr. Wahidin Raya No. 1,
 Jakarta 10710

ARRANGERS

**Citigroup Global
 Markets Inc.**
 388 Greenwich Street,
 New York, NY10013
 United States of America

**Merrill Lynch
 (Singapore) Pte. Ltd.**
 50 Collyer Quay,
 #14-01 OUE Bayfront
 Singapore 049321

Standard Chartered Bank
 Marina Bay Financial Centre, Tower 1
 8 Marina Boulevard, Level 20
 Singapore 018981

**The Hongkong and
 Shanghai Banking
 Corporation Limited**
 Level 17,
 HSBC Main Building
 1 Queen's Road Central,
 Hong Kong

DEALERS

**Australia and New Zealand
 Banking Group Limited**
 10 Collyer Quay
 #21-00 Ocean Financial Center
 Singapore 049315

Barclays Bank PLC
 5 The North Colonnade
 Canary Wharf
 London E14 4BB
 United Kingdom

BNP Paribas
 63/F, Two International
 Finance Centre
 8 Finance Street, Central
 Hong Kong

**Citigroup Global
 Markets Inc.**
 388 Greenwich Street,
 New York, NY10013
 United States of America

**Deutsche Bank AG,
 Singapore Branch**
 One Raffles Quay
 #17-00 South Tower
 Singapore 048583

**Goldman Sachs (Singapore)
 Pte.**
 1 Raffles Link
 #07-01 South Lobby
 Singapore 039393

**The Hongkong and
 Shanghai Banking
 Corporation Limited**
 Level 17,
 HSBC Main Building
 1 Queen's Road Central,
 Hong Kong

**Merrill Lynch
 (Singapore) Pte. Ltd.**
 50 Collyer Quay,
 #14-01 OUE Bayfront
 Singapore 049321

Société Générale
 29, boulevard Haussmann
 75009 Paris
 France

Standard Chartered Bank
 Marina Bay Financial Centre, Tower 1
 8 Marina Boulevard, Level 20
 Singapore 018981

UBS AG, Singapore Branch
 One Raffles Quay #50-01
 North Tower
 Singapore 048583

TRUSTEE

The Bank of New York Mellon
 101 Barclay Street,
 New York, NY 10286
 United States of America

PAYING AGENT

The Bank of New York Mellon
 101 Barclay Street,
 New York, NY 10286
 United States of America

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

**The Bank of New York Mellon,
 Singapore Branch**
 One Temasek Avenue
 #03-01 Millenia Tower
 Singapore 039192

REGISTRAR AND TRANSFER AGENT

The Bank of New York Mellon
 101 Barclay Street,
 New York, NY 10286
 United States of America

The Bank of New York Mellon (Luxembourg) S.A.
 Vertigo Building, Polaris
 2-4 rue Eugène Ruppert
 L-2453, Luxembourg

LEGAL ADVISORS TO THE REPUBLIC

as to U.S. law
Cleary Gottlieb Steen & Hamilton LLP
 c/o 37th Floor, Hysan Place
 500 Hennessy Road
 Hong Kong

as to Indonesian law
Ginting & Reksodiputro
 The Energy Building, 15th Floor
 Sudirman Central Business District
 Jl. Jend. Sudirman Kav. 52-53
 Jakarta 12190, Indonesia

LEGAL ADVISORS TO THE ARRANGERS AND THE DEALERS

as to U.S. law
Allen & Overy LLP
 50 Collyer Quay
 #09-01 OUE Bayfront
 Singapore 049321

as to Indonesian law
Assegaf Hamzah & Partners
 Menara Rajawali, 16th Floor
 Jl. DR Ide Anak Agung Gde Agung
 Lot#5.1, Kawasan Mega Kuningan
 Jakarta 12950, Indonesia

SGX-ST LISTING AGENT

Allen & Gledhill LLP
 One Marina Boulevard #28-00
 Singapore 018989

