

Japan Credit Rating Agency, Ltd. (JCR) announces the following credit ratings.

Republic of Indonesia (security code: -)

<Outlook Change>

Foreign Currency Long-term Issuer Rating:	BBB
Outlook:	from Stable to Positive
Local Currency Long-term Issuer Rating:	BBB+
Outlook:	from Stable to Positive

<Affirmation>

Bonds:	BBB
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Rationale

- (1) The ratings mainly reflect Indonesia's solid economic growth underpinned by domestic consumption, restrained level of budget deficit and public debt, and resilience to external shocks stemming from flexible exchange rate policies and accumulation of foreign exchange reserves. The administration led by President Joko Widodo has formulated a large-scale infrastructure development plan and is vigorously promoting it to eliminate the infrastructure shortage, which is a bottleneck to economic growth. The plan is moving ahead at a pace faster than initially anticipated by JCR, and the economic base for accelerating growth over the medium to long term is being strengthened. In addition, it has succeeded in expanding infrastructure expenditures and expenditures on human capital, and has been curbing the budget deficit by reducing fuel subsidies. In the presidential election held in April 2019, President Joko Widodo, who pledged to continue economic reforms and emphasized human resources development, is expected of re-election, adding to the possibility of an enhanced economic growth through continued reform initiatives. For this reason, JCR has revised its rating outlook to Positive. JCR will monitor the content and progress of the administration's economic policy during its second term and will reflect the outcome on the ratings. JCR has maintained its "BBB+" country ceiling for Indonesia.
- (2) Indonesia is the largest archipelagic country in Southeast Asia with a population of approximately 264 million and a nominal GDP of more than USD 1 trillion, and its per capita GDP is approximately USD 4,000. Under its Mid-Term National Development Plan formulated in 2015, the Joko Widodo administration has designated 223 projects with a total investment value of USD 307.4 billion as National Strategic Projects (PSNs). Of these, 27.8% were already completed at the end of 2018, with about 40% scheduled for completion by September 2019, when the first term of the Joko Widodo administration ends. As such, the infrastructure development is proceeding at a pace that exceeds JCR's initial expectation. The government procures the majority of the funding requirements for the projects from the private sector to reduce its fiscal burden. Private investment has continued to grow since the latter half of 2017 amid the progress of the infrastructure development, contributing significantly to the economic growth. Therefore Indonesia achieved a growth rate of 5.17% in 2018 despite the slowdown of overseas economies. In addition to the infrastructure development, the government is actively investing in human capital, and these are expected to accelerate the growth to a 6% level in the medium to long term. The rate of increase in the consumer price index has remained at less than 4% in recent years, staying stable within the central bank's inflation target range.
- (3) Amid increased imports of capital goods necessitated by the infrastructure development projects, the current account deficit widened to 2.9% of GDP in 2018. In addition, due to the US interest rate hike and the trade friction between the US and China, the inflow of portfolio investment fell in the first three quarters of 2018, putting pressure on the external front, such as the national currency rupiah reaching its lowest point in October 2018. Against this, the central bank implemented a policy mix consisting of a cumulative 175bps interest rate hike since May 2018 and more accommodative macroprudential policies. This policy mix has enabled the central bank to strengthen external stability and support domestic demand through implementing more accommodative macroprudential policies and increasing market liquidity. On the other hand, the external borrowing of the private sector has been increasing again in recent years in keeping with the progress in infrastructure development. However, the majority of its debt is for longer terms,

with the short-term debt kept restrained due to the regulations imposed by the central bank. As of the end of 2018, the foreign exchange reserves were 2.4 times the short-term external debt and equivalent to 6.7 months of imports, indicating they can assure reasonable levels of resilience to external shocks.

- (4) Since 2015, the Joko Widodo administration has been successful in expanding infrastructure expenditures and securing financial resources for human capital development by cutting back on fuel subsidies. The government actually increased fuel subsidies in 2018 to mitigate the impact on consumer spending caused by the rise of global crude oil prices. However, infrastructure spending remained high as in the previous year and the budget deficit-GDP ratio fell from 2.5% to 1.7% thanks to increased natural resource revenues and also increased tax revenues brought by an expanded tax base. This has led JCR to assess that the increase of fuel subsidies in 2018 was a balanced policy that promoted infrastructure investment and supported private consumption while retaining fiscal discipline. Under its Medium-Term Fiscal Framework, the administration has announced plans to keep the budget deficit at around 1.5% of GDP while curbing the government debt-GDP ratio from 29.8% in 2018 to 26-27% in 2022. JCR expects that the government will uphold fiscal discipline in promoting fiscal consolidation largely in line with its plans. The country's banking sector stays sound, with its capital adequacy ratio and NPL ratio standing at 23.0% and 2.4%, respectively, at the end of December 2018.

Atsushi Masuda, Shinichi Endo

Rating

Issuer: Republic of Indonesia

<Outlook Change>

Foreign Currency Long-term Issuer Rating:	BBB	Outlook: Positive
Local Currency Long-term Issuer Rating:	BBB+	Outlook: Positive

<Affirmation>

Issue	Amount (mn)	Issue Date	Due Date	Coupon	Rating
Series F (2015)	JPY 22,500	August 13, 2015	August 13, 2020	1.38%	BBB

Rating Assignment Date: April 23, 2019

The criteria used for identifying matters which serve as assumptions for the assessment of the credit status, and the criteria used for setting of grades indicating the results of the assessments of the credit status are published as "Types of Credit Ratings and Definitions of Rating Symbols" (January 6, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

Outline of methodology for determination of the credit rating is shown as "Sovereign and Public Sector Entities" (November 7, 2014) in Information about JCR Ratings on JCR's website (<https://www.jcr.co.jp/en/>).

The aforementioned long-term issuer credit ratings are unsolicited. Except in cases of a credit rating for a sovereign, JCR indicates affix "p" after a rating symbol to distinguish it from a rating with solicitation. The undisclosed information, which has material influence on the credit rating, was obtained from the rating stakeholder.

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JCR publishes its press releases regarding the rating actions both in Japanese and in English on the same day. In case that it takes time to translate rating rationale, JCR may publicize the summary version, which will be replaced by the full translated version within three business days. (Regarding Structured Finance products, JCR only publicize the summary version in English.)

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INFORMATION DISCLOSURE FORM

Japan Credit Rating Agency, Ltd.

Disclosure Required by Paragraph (a)(1)(ii) of Rule 17g-7

Issuer:	Republic of Indonesia
Rating Publication Date:	April 26, 2019

1

The Symbol, Number, or Score in the Rating Scale used to Denote Credit Rating Categories and Notches and, the Identity of the Obligor or the Identity and a Description of the Security or Money Market Instrument as Required by Paragraph (a)(1)(ii)(A) of Rule 17g-7

- Please see the news release.

2

The version of the procedure or methodology used to determine the credit rating; as Required by Paragraph (a)(1)(ii)(B) of Rule 17g-7

- Please see the news release.

3

The Main Assumptions and Principles used in Constructing the Procedures and Methodologies used to Determine the Credit Rating as Required by Paragraph (a)(1)(ii)(C) of Rule 17g-7

- The credit rating methodology assumes, in principle, to be applied to assess the likelihood of a given debt payment in light of its issuer's condition and business environment, etc. in the relevant future. There is certain limitation, however, in the time horizon that the rating foresees.
- The credit rating methodology assumes, in principle, that the factors posted in the below are particularly important for such likelihood to be determined, and that the rating determination is made by evaluating each of them not only quantitatively but also employing qualitative analyses.

A) Economic Base

The likelihood of a given debt payment is highly conditional to the issuing government's ability to maintain/expand the economic base into the future with maintaining soundness of financial systems.

B) Fiscal Base

The likelihood of a given debt payment is highly correlated to fiscal balance, public debt and other factors of the issuing government's fiscal condition.

C) External Positions

The likelihood of a given debt payment is highly correlated to the liquidity positions which change along with the international balance of payments and the international investment position.

D) Social and Political Bases and Economic Policy

The likelihood of a given debt payment is highly conditional to the social and political stability, effectiveness of economic and monetary policies as well as international economics.

E) Related Parties' Stance of Support/ Assistance for the Government

The likelihood of a given debt payment is affected by the stance of the credit enhancement provider and other related parties with regard to their stance of support/ assistance for the issuing government.

F) Order of Seniority in Debt Payment

The likelihood of debt payment can be different between given debts of the same issuer. The likelihood of debt payment for an individual debt is dependent on the issuing government's will, and/ or its rank relative to other debts of the same government in the order of seniority in principal/ interest payment which is determined by design as financial product or by international practice, etc.

4 The Potential Limitations of the Credit Rating as Required by Paragraph (a)(1)(ii)(D) of Rule 17g-7

- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- The objective of the credit rating herewith presented does not include any concerns other than the likelihood of debt payment, such as risks of price changes, market liquidity, etc.
- The credit rating herewith presented is necessary to be reviewed along with possible changes of the issuer of rated objects in its business performance and/ or circumstances which include regulatory environment, and hence subject to possible alteration.

5 Information on the Uncertainty of the Credit Rating as Required by Paragraph (a)(1)(ii)(E) of Rule 17g-7

- The information used for the determination of credit rating as herewith presented is obtained by JCR from the issuer of rated objects and other sources that JCR trusts in terms of accuracy and reliability but possibly contains errors due to human, non-human or other causes. Consequently, the credit rating determined on the grounds of such information does not constitute, explicitly or implicitly, any representation or warrant of JCR on the information itself or any consequences of its use in terms of accuracy, relevance, timeliness, wholeness, market value, or usefulness for any specific purposes.

6 Use of Due Diligence Services of a Third Party in Taking the Rating Action as Required by Paragraph (a)(1)(ii)(F) of Rule 17g-7

- There is no use of any third-party due diligence service in the determination of the credit rating herewith presented.

7 Use of Servicer or Remittance Reports to Conduct Surveillance of the Credit Rating Required by Paragraph (a)(1)(ii)(G) of Rule 17g-7

- There is no use of any servicer or remittance report to conduct surveillance of the credit rating herewith presented.

8 The Types of Data Relied Upon for the Purpose of Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(H) of Rule 17g-7

- The information posted in the below, which includes data, is used for the determination of the credit rating herewith presented.
- A) Informational and explanatory materials presented by the rating stakeholders with regard to the economy and fiscal management policy, etc. of the issuing government
- B) Statistics and reports published by an independent organization with regard to the economy and fiscal status, etc. of the issuing government

9 Overall assessment of the Quality of Information Available and Considered in Determining the Credit Rating as Required by Paragraph (a)(1)(ii)(I) of Rule 17g-7

- JCR holds its basic policies for securing the quality of information as a base of due diligence for the determination of credit ratings. The information used as a base for the determination of credit rating herewith presented satisfies such policies, which include the publication by the issuer or some independent media or, otherwise, JCR analyst's scrutiny, etc.
- JCR sees no particular weakness in the quality of information used for the determination of the credit rating herewith presented as compared to the information used in other cases of the credit rating for comparable issuers or ratable objects.

10 Information Relating to Conflicts of Interest as Required by Paragraph (a)(1)(ii)(J) of Rule 17g-7

- JCR does not receive payment of compensation for the determination of the credit rating herewith presented from either one of those parties who are issuer, underwriter, depositor or sponsor.
- JCR did not receive in the last fiscal year in the past payment of compensation from the same party for any kind of JCR's service other than the determination of credit rating, such as one in the ancillary business.

11 Explanation or Measure of the Potential Volatility of the Credit Rating as Required by Paragraph (a)(1)(ii)(K) of Rule 17g-7

A) Economic Base

The credit rating is subject to alteration if there is an improvement or deterioration of the issuer's economy or financial systems, etc. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

B) Fiscal Base

The credit rating is subject to alteration if the issuer increases/ decreases its fiscal deficit/ surplus and its public debt and thereby makes given debt payment liability less/ more bearable. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

C) External Positions

The credit rating is subject to alteration if there is a change in the issuer's international balance of payments and international investment position and thereby an improvement/ deterioration of its liquidity positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

D) Social and Political Bases and Economic Policy

The credit rating is subject to alteration if there is a change in the issuer's social and political conditions or economic/ monetary policies, etc. and thereby an improvement/ deterioration of its economy and fiscal positions. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is large.

E) Related Parties' Stance of Support/ Assistance for the Issuer

The credit rating is subject to alteration if there is a change in the credit enhancement provider or other related parties with regard to their stance of support/ assistance for the issuing government and thereby an improvement/ deterioration of its economy, fiscal positions and liquidity positions. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

F) Order of Seniority in Debt Payment

The credit rating is subject to alteration if there is a change in the rated debt's status in the order of seniority relative to other debts, due to improvement/ deterioration of the issuer's fiscal condition and/or will. The resultant alteration of the credit rating is usually a notch, with possibility of a few notches if and when the change is large.

G) International Economies

The credit rating is subject to alteration if there is a change in the international economies, commodity or foreign exchange markets, etc. and thereby, through international balance of payments, an improvement/ deterioration in the issuer's fiscal balance or debt payment capacity. The resultant alteration of the credit rating is usually by a notch, with possibility of a few notches if and when the change is exceptionally large.

H) Various Events

The credit rating is subject to alteration on occurrence of various events, such as domestic unrest, war, natural disaster, etc. which are unforeseeable at the time when the credit rating is determined, causing a significant change on the issuer's economy, fiscal positions, etc. The resultant alteration of the credit rating could be by a notch but more often than not as much as a few notches.

12

Information on the Content of the Credit Rating, Including the Historical Performance of the Credit Rating and the Expected Probability of Default and the Expected Loss in the Event of Default as Required by Paragraph (a)(1)(ii)(L) of Rule 17g-7

- Historical records of the credit rating herewith presented are posted in the end of this paper.
- The credit rating herewith presented by JCR is its summary opinion with regard to the likelihood of given debt payment and hence not necessarily a perfect representation of such likelihood. The credit rating is not intended to estimate the probability of default or the loss on given default, either.
- Facts of the probability of default are posted as Form NRSRO Exhibit 1 on the JCR website under the URL:

<https://www.jcr.co.jp/en/service/company/regu/nrsro/>

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Information on the Sensitivity of the Credit Rating to Assumptions Made as Required by Paragraph (a)(1)(ii)(M) of Rule 17g-7

A) Economic Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's economy or financial systems, etc. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's economy or financial systems on some drastic change in environments, etc.

B) Fiscal Base

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's fiscal conditions in terms of annual balance or public debt. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's fiscal condition on some drastic change in its economy.

C) External Positions

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's liquidity positions reflecting

improvement or deterioration of the international balance of payments and the international investment position. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the development is rapid in improvement or deterioration of the issuer's liquidity positions on some drastic change in the country's economic/ fiscal conditions and financing activities, etc.

D) Social and Political Bases and Economic Policies

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the issuer's social and political bases and economic/ monetary policies. The resultant change of the credit rating is most likely by a notch, as JCR speculates, but possibly as much as a few notches if the country's situation changes drastically, making the issuer's social and political bases and economic/monetary policies significantly improved or deteriorated.

E) International Economics

The credit rating herewith presented could be changed if and when the assumptions made at the time of its determination turn out to be inaccurate with regard to the prospects of the international economies or commodity/ foreign exchange markets, etc. JCR expects the change should be most likely by a notch but could be as much as a few notches, should the economy or the markets change so greatly.

14

Information on the Representations, Warranties, and Enforcement Mechanisms of an Asset-backed Security as Required by Paragraph (a)(1)(ii)(N) of rule 17g-7

- The credit rating herewith presented is not for an ABS product, and hence no relevant issue.

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The Historical Performance of the Credit Rating

Issuer Name	Issue Name	Publication Date	Rating	Outlook/Direction
Republic of Indonesia	Issuer(Long-term)(LC)	May 26, 2004	B+	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	September 21, 2006	BB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	September 6, 2007	BB+	Positive
Republic of Indonesia	Issuer(Long-term)(LC)	September 25, 2008	BB+	Positive
Republic of Indonesia	Issuer(Long-term)(LC)	February 5, 2009	BB+	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	July 7, 2009	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	July 13, 2010	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	August 24, 2011	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	November 13, 2012	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	July 22, 2013	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	October 22, 2014	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	February 1, 2016	BBB	Stable
Republic of Indonesia	Issuer(Long-term)(LC)	March 7, 2017	BBB	Positive
Republic of Indonesia	Issuer(Long-term)(LC)	February 8, 2018	BBB+	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	October 25, 2002	B	
Republic of Indonesia	Issuer(Long-term)(FC)	May 26, 2004	B+	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	September 21, 2006	BB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	September 6, 2007	BB	Positive
Republic of Indonesia	Issuer(Long-term)(FC)	September 25, 2008	BB	Positive
Republic of Indonesia	Issuer(Long-term)(FC)	February 5, 2009	BB	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	July 7, 2009	BB+	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	July 13, 2010	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	August 24, 2011	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	November 13, 2012	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	July 22, 2013	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	October 22, 2014	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	February 1, 2016	BBB-	Stable
Republic of Indonesia	Issuer(Long-term)(FC)	March 7, 2017	BBB-	Positive
Republic of Indonesia	Issuer(Long-term)(FC)	February 8, 2018	BBB	Stable
Republic of Indonesia	Japanese Yen Bonds Series F	August 4, 2015	BBB-	
Republic of Indonesia	Japanese Yen Bonds Series F	February 1, 2016	BBB-	
Republic of Indonesia	Japanese Yen Bonds Series F	March 7, 2017	BBB-	
Republic of Indonesia	Japanese Yen Bonds Series F	February 8, 2018	BBB	

Attestation Required by Paragraph (a)(1)(iii) of Rule 17g-7

I, Atsushi Masuda, have responsibility to this Rating Action and to the best of my knowledge:

- A) No part of the credit rating was influenced by any other business activities.
- B) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated.
- C) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.



Atsushi Masuda
General Manager of International Rating Department

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