DOING BUSINESS IN ASEAN AND INDONESIA

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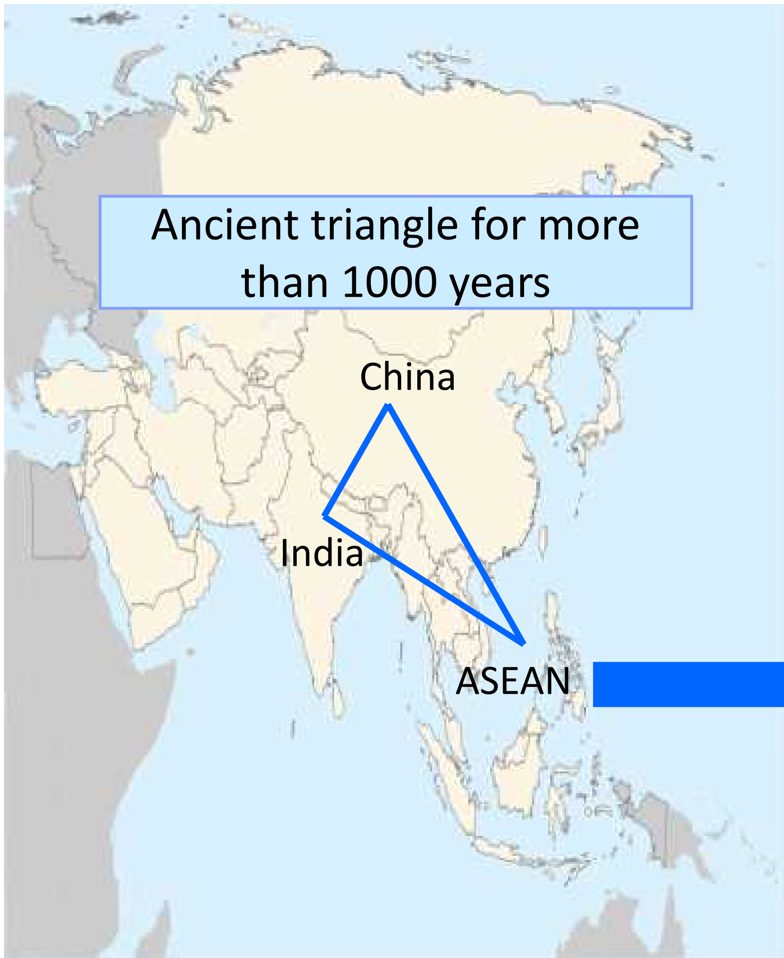
Asia's Growth Triangle: China India ASEAN

Map of Asia



- The China, India, ASEAN triangle has been a critical part of the ancient trading systems, religion, and culture
- These economies are rapidly developing and broadly, complimentary
- ASEAN is market of 592 million people, in which 80% are under 40 years old, with a total GDP of more than $1.5 trillion
- ASEAN sits at the heart of trade flows between Asia and Europe, the Middle East and Africa

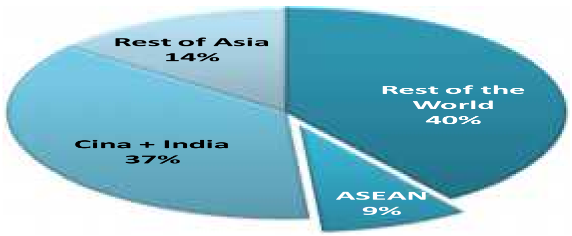
Total land area of ASEAN is 4.4 mn km square or 10% of total land area of Asia

ASEAN was established in 1967 by Indonesia, Malaysia, the Philippines, Singapore, and Thailand

ASEAN – A diverse region

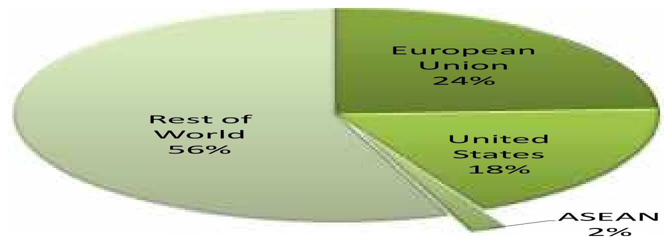
The Population

Global population is 6.8 bn in 2009. Asia accounts for over 60% of the world population, in which China and India together have about 40% of the world's population

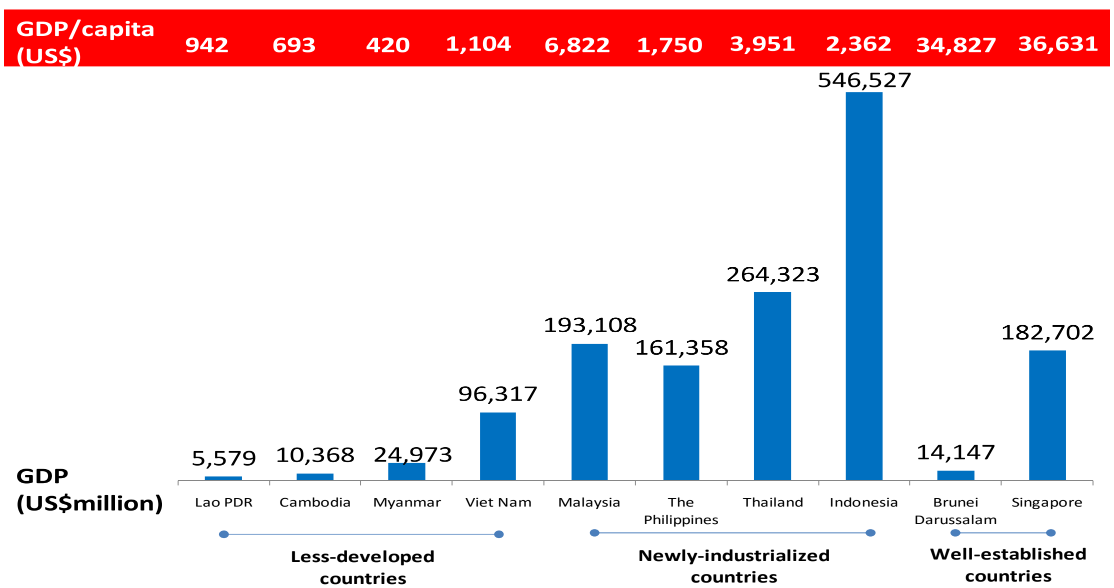


The Economy

World GDP is US$78.4 trillion and ASEAN accounts for around 2% of the world GDP



<u>Newly-industrialized countries</u> include the Philippines, Indonesia, Malaysia, and Thailand, while Singapore and Brunei are <u>well-established developed countries</u>.



2% of the world's GDP comes from 9% of the world's population, evidencing a huge potential for growth

ASEAN has

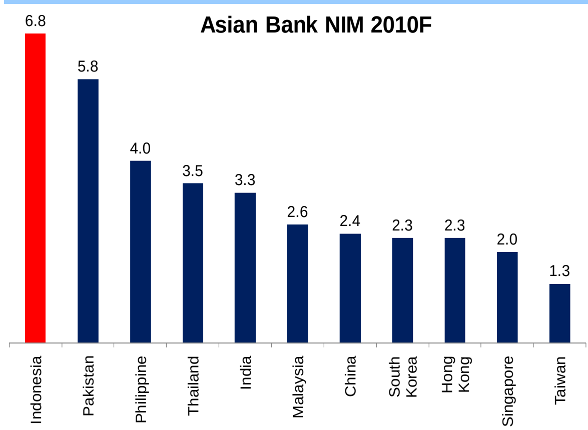
- An enormously young population
- A very sizeable consumer market
- Resilient economic growth
- Economic and political stability

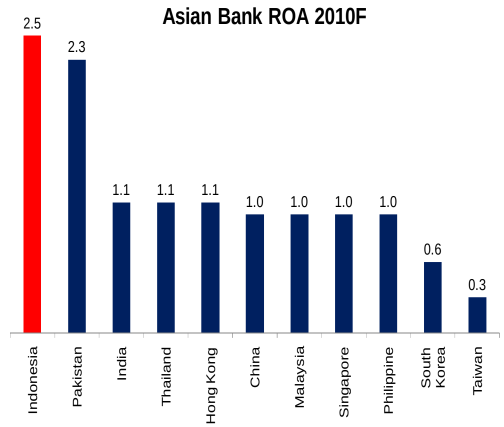
Indonesia is 40% of ASEAN:

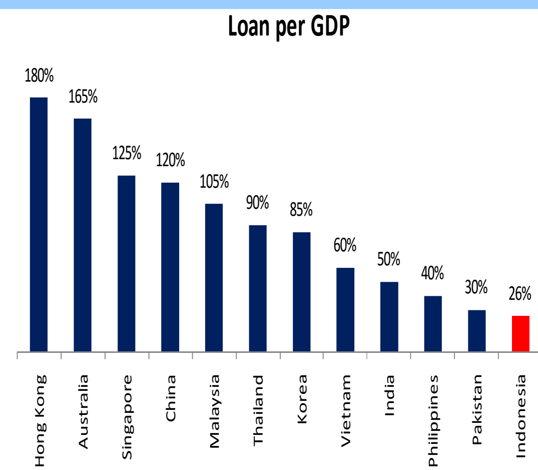
- Population is 40%
- Land are a is 42%
- GDP is 36%

Doing Business in Indonesia – Opportunities 1/2

1. Indonesia is the most profitable market in Asia … but has the least banking penetration



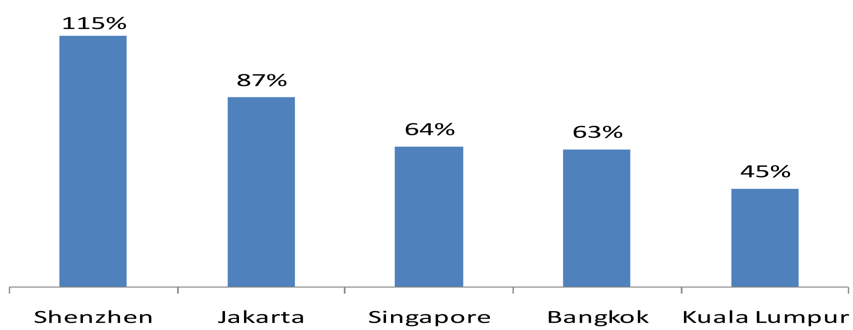




2. Indonesia is third biggest democratized country in the world after India and the US – there will be 529 elections in 5 years (2009-2014)

3. Indonesia was the third fastest growing country in the G20, after China & India in 2009.

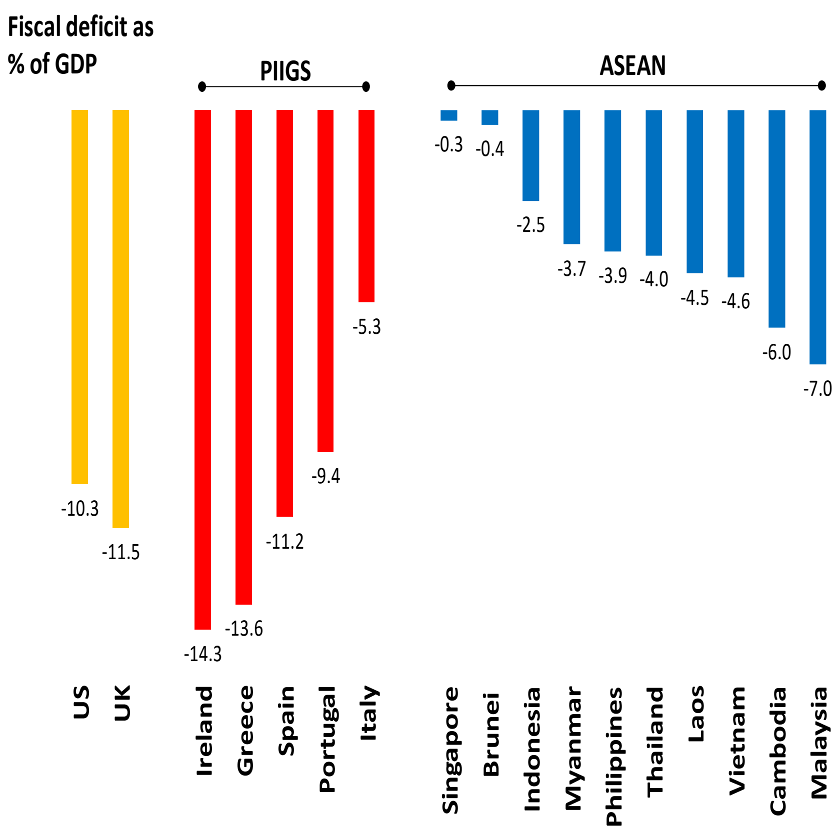
4. Jakarta composite index was the second fastest growing in the world after Shenzhen composite index in 2009



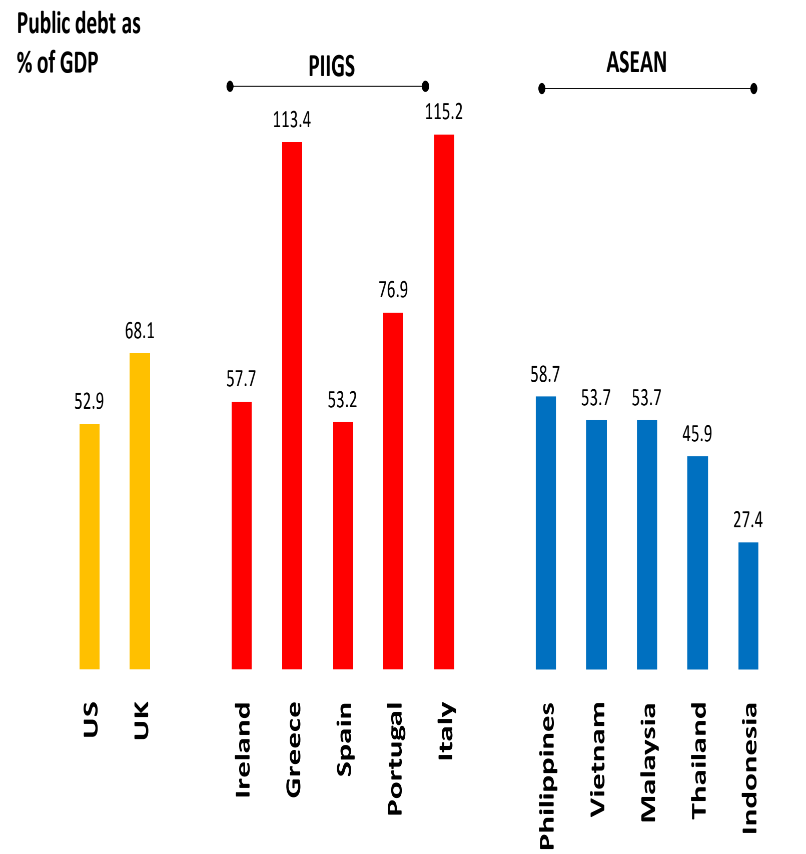
Doing Business in Indonesia – Opportunities 2/2

5. Fiscal discipline has enabled Indonesia to weather the Global Financial Crisis

Manageable fiscal deficit



Lowest public debt per GDP in the region



Doing Business in Indonesia – Challenges

Indonesia has launched significant initiatives for regulatory and financial reforms … Accordingly, international perception on Indonesia is improving

- **Credit/Sovereign ratings (see note)** are improving and approaching investment grade (1-2 notches below investment grade)
- **Country Risk Classification (by OECD)** Indonesia improves from 5 to 4 (0-7 scale) – being the only country (out of 166 countries) improves in 2010
- **Global Competitive Index (by World Economic Forum)** is at rank 54 (2010) from 133 countries, improving from 55 in 2009
- **Ease of Doing Business (by World Bank)** is improving from 129 (2009) to 122 (2010), from total 183 countries
- **Economic Freedom Index (by Heritage Foundation)** is improving from 131 (2010) to 114 (2009), from total 183 countries
- **Corruption Perception Index (by Transparency International)** is at better rank from 126 (2008) to 111 (2009), from total 180 countries

→ KPK (The Indonesian Corruption Eradication Commission has so far handled cases:

- 17 members of Parliaments
- 5 ministers/Head of Ministerial Level
- 1 Governor of Central Bank and 4 Deputy Governors
- 5 Province Governors, 18 Mayors, and Head of Regents/District
- 3 Ambassadors and 4 General Counsel, including former Chief National Police
- 6 Commissioners of General Election; Judicial; Anti-Monopoly Commissions
- Senior Prosecutors, KPK's investigator
- High rank Government Officials
- High rank private sectors' CEO involved in public corruption

Prospects - The economic growth of Indonesia is being led by consumption spending, with young, rapidly growing populations

1. Population:

- The population of middle-income earners will be more than double to about 50 million in 2025 from the current number of 23 million
- Large young population (more than 50% of the population is below 45 years old) pushes a surge in middle-income earners
- Indonesia's income growth is the fastest in the region and will drive vigorous consumer spending

2. The economy:

- Based on GDP, Indonesia will be at rank 14 in 2025 and then becomes a G7 country in 2050, bigger than Japan, Germany and UK
- The government needs to invest Rp1,429tr (US$158.8bn) in infrastructure development over the next five years. However, the government can only provide 1/3 of that fund and the other 2/3 comes from private sector

3. Banking sector:

- Over the next 5 years, almost 40% of the world's incremental banking revenues will come from Asia, on the back of:
  - Demographic changes
  - Major infrastructure investments
  - Greater consumer lending
  - Shifting government roles

  These would encourage financial services to penetrate more deeply into previously unreachable markets
- By 2014, the 5 largest (China, India, Indonesia, Malaysia, & Thailand) will alone account for over 45% of the banking assets and 60% of the market capitalization of all Asian banks
- Survey by The Nielsen Company shows that Consumer Confident Index in Asia increased in 1Q10 and Indonesia is in at rank 2 after India. Consumers in Asia are ready to spend more