



# PLENARY SESSION 1: STRATEGIES FOR ASEAN REVISITED

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# **Strategies for ASEAN Revisited: Connectivity and Beyond**

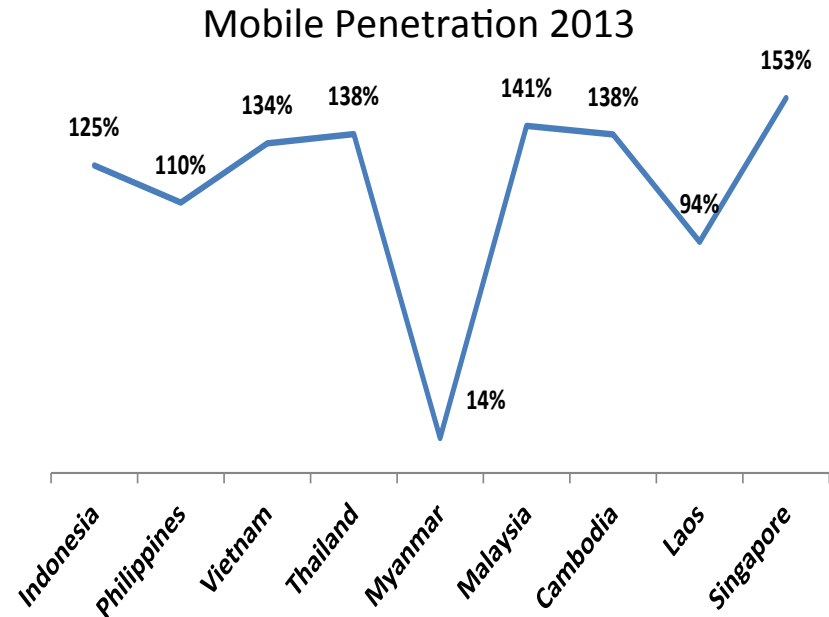
## **ASEAN Business Club Forum**

**By Alexander Rusli**  
**CEO Indosat**  
**September 08, 2014**

- ✓ ASEAN telecommunication market have been dominated by mobile with the penetration reached 117% in 2013, exceeded the population number.
- ✓ Mobile industry contributed up to 4.7% of total GDP 2013 and expected to grow through direct contribution in mobile ecosystem and indirectly via externality to general economy and productivity increase.
- ✓ Broadband connectivity will depend on mobile broadband infrastructure. Nevertheless, fiber roll out start to emerge in key cities in ASEAN. Those mobile & fixed broadband pipes will need local & regional contents.
- ✓ "Lifting The Barriers" report last year recommended four focus areas: intra-ASEAN roaming and IDD, mobile advertising, mobile payment and competitive intensity. Those recommendations are still valid within current conditions. There are some on going progress in regulatory areas, and operators are taking action in meeting the policy and growing the business.
- ✓ Developing ASEAN connectivity will require some essential elements: ensuring the availability of suitable and harmonized spectrum, reducing regulatory cost, providing incentive to telco sector and creating healthy competitive environment.
- ✓ ASEAN need to think "Beyond Connectivity" to enter into digital business, as opportunities and tools to support ASEAN economic growth.

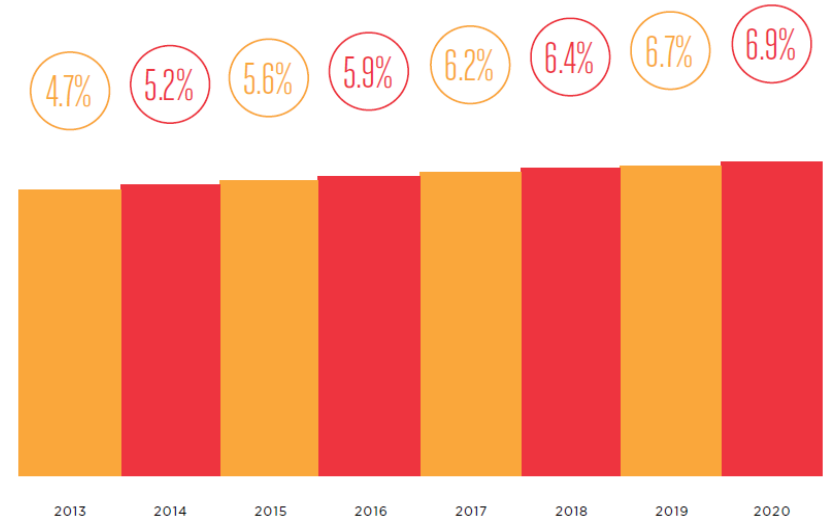
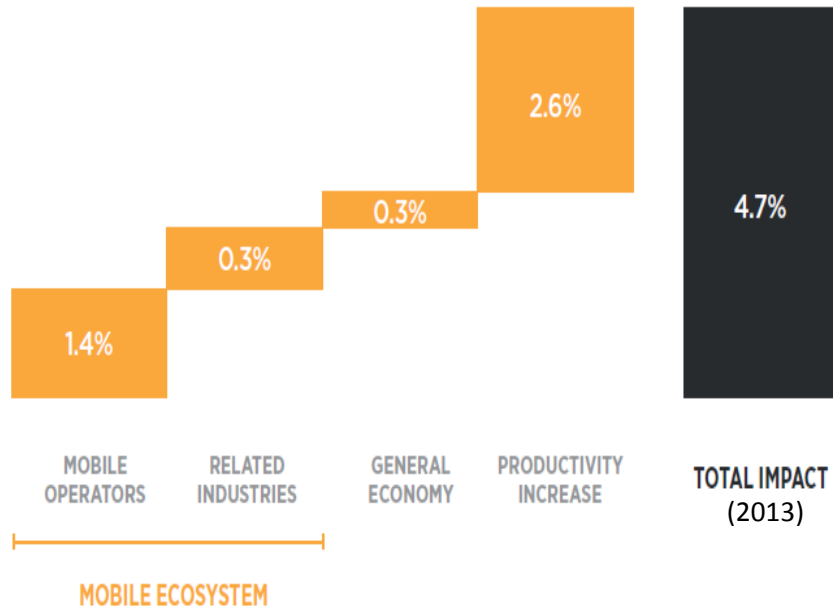
# ASEAN Mobile Market

Country (2013)	Unique Subs. (M)	Subs. (M)	Population (M)	GDP Per Capita (US\$)
Indonesia	104	315	251	6,728
Philippines	49	109	99	3,383
Vietnam	51	124	92	2,589
Thailand	37	93	67	7,907
Myanmar	6	8	54	1,040
Malaysia	16	42	30	13,385
Cambodia	8	21	15	1,818
Laos	3	6	7	2,054
Singapore	5	8	6	49,754



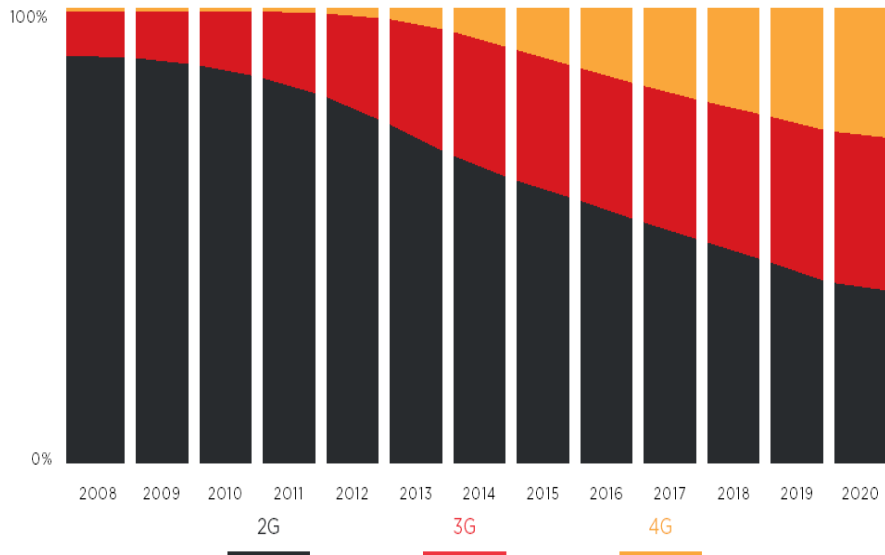
ASEAN telecommunication market have been dominated by mobile with the penetration reached 117% in 2013, exceeded the population number

# Mobile Industry Contribution to GDP

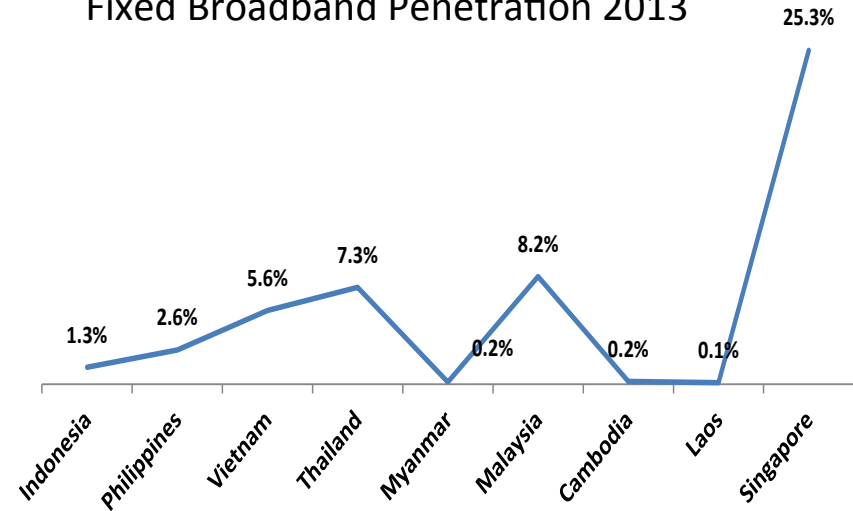


Mobile industry contributed up to 4.7% of total GDP 2013 and expected to grow through direct contribution in mobile ecosystem and indirectly via externality to general economy and productivity increase

## Shift to Mobile Broadband in Asia Pacific



## Fixed Broadband Penetration 2013



Broadband connectivity will depend on mobile broadband infrastructure. Nevertheless, fiber roll out start to emerge in key cities in ASEAN. Singapore and Malaysia are the early adopters. Those mobile & fixed broadband pipes will need local & regional contents.

# “Lifting The Barriers” Progress

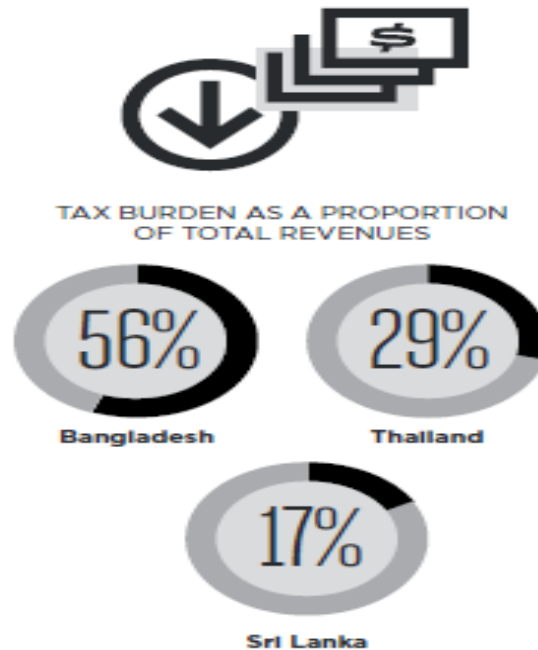
Last Year LTB Recommendation	Current Status
<b>Intra-ASEAN roaming and IDD</b>	
<ul style="list-style-type: none"><li>▪ Consumers demand lower prices</li><li>▪ Any pricing guidelines should allow telcos to earn a fair profit for re-investment in infrastructure</li><li>▪ Increasing competition from OTT services</li></ul> →Roaming rate evolution in a joint public/private dialogue across ASEAN	<ul style="list-style-type: none"><li>▪ Driver and recommendations are still valid within current condition</li><li>▪ OTT Services such as Skype, Viber, Whatsapp, Line, WeChat, provide alternative for customers</li><li>▪ Operators are gradually decreasing tariff for roaming</li></ul>
<b>Competitive intensity</b>	
<ul style="list-style-type: none"><li>▪ Spectrum and license allocation</li><li>▪ Interconnect rates.</li><li>▪ Fiber roll-out.</li></ul>	<ul style="list-style-type: none"><li>▪ Various stages of market maturity</li><li>▪ Mature market: some consolidations e.g. Indonesia, some MVNO e.g. Singapore and Malaysia</li><li>▪ New entrants in Myanmar</li></ul>

## 1 Develop a clear roadmap for future spectrum releases



- Ensure enough spectrum is available
- Renew licenses and reform spectrum
- Prepare for future demand

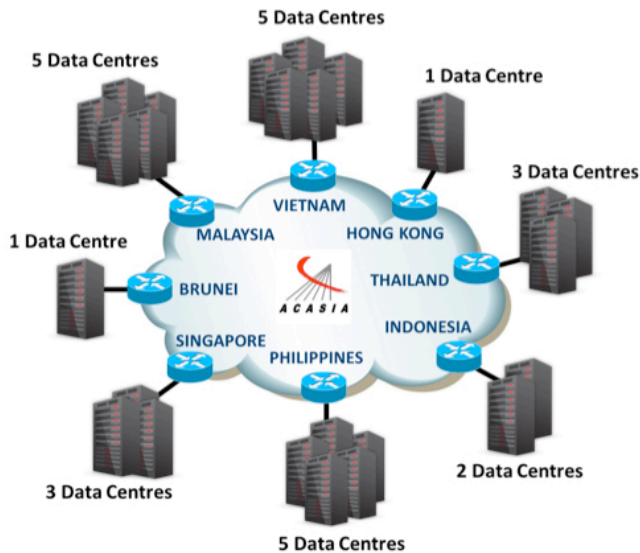
## 2 Reduce the Regulatory Cost



## 3 Incentives & Create Healthy Competitive Environment







- ACASIA GLOBAL DATA CENTRE is an amalgamation of 25 Global Data Centers and spanning across Asia Pacific region belonging to CAT, Indosat, PLDT, SingTel, TelBru, TM and VNPT.
- ACASIA provides 'One-Stop-Shop' facility among these 7 Telcos and this would form a single largest integrated Data Centre with over 300,000 square feet floor space.
- ACASIA GLOBAL DATA CENTRE supports the four diverse business models namely retail and wholesale colocation, managed/dedicated hosting and cloud services.



Last Year LTB Recommendation	Current Status
<b>Mobile payments</b>	
<ul style="list-style-type: none"><li>▪ Providing a regulatory framework that clarifies roles, boundaries and pre-requisites for all stakeholders</li><li>▪ Managing and monitoring transaction fees, consumer privacy, forbidden uses and applicable controls to protect customers</li><li>▪ Selectively guiding which services/platforms should be open to different technologies/ standards</li></ul>	<ul style="list-style-type: none"><li>▪ Various implementations with different perspectives e.g. telco lead, bank lead, hybrid</li><li>▪ On going development of regulation in this area</li></ul>
<b>Mobile advertising</b>	
<ul style="list-style-type: none"><li>▪ Define minimum guidelines for consumer privacy across services/markets</li><li>▪ set up consumer-friendly opt-in/opt-out policies to address advertising concerns</li><li>▪ Create or designate national authorities to monitor behaviors and resolve potential conflicts</li></ul>	<ul style="list-style-type: none"><li>▪ Recommendations are still valid within current condition</li><li>▪ Development of regulation is still on going</li><li>▪ Operators are in the early stages of development on this area</li></ul>

# Beyond Connectivity: Need more Local & Regional Apps and Supporting Ecosystem

## Pillar

## Driver

## Execution

### 3 Incubation and Investments

- Invest in innovative apps and startups to capture value beyond arpus



### 2 Dedicated Digital Unit

- Secure growth from adjacent businesses
- Stimulate data ecosystem through enabling platforms



### 1 Commercial Partnerships

- Grow data revenue through commercial partnerships



Local &  
Regional  
Apps ?

- ✓ Telecommunications sector is supporting ASEAN in connecting people, business, and nations. This sector contributes to ASEAN GDP directly via telco ecosystem and indirectly via externality to general economy and productivity increase.
- ✓ Developing broadband connectivity will require collaboration among stakeholders, especially in the following focus areas i.e. ensuring the availability of suitable and harmonized spectrum, reducing regulatory cost, providing incentive to telco sector and creating healthy competitive environment.
- ✓ ASEAN need to think “Beyond Connectivity” to enter into digital business, as opportunities and tools to support ASEAN economic growth.



**THANK YOU**



ASEAN Business Club Forum  
Singapore , September 8th 2014



# Strategy For ASEAN Revisited

**PAHALA N MANSURY**  
Managing Director & CFO

  
**mandiri**

# Indonesia is the Largest Economy



## Middle Class Income

2010

45  
Milion

2030

170  
Milion

## Indonesia as % ASEAN



Worker **55,5%**



Area **41,3%**



Population **39,3%**



GDP **38,9%**



Import **15,6%**



Export **15,1%**

Source : CIA Factbook 2013

# Follow the Trade, Workers, and Money

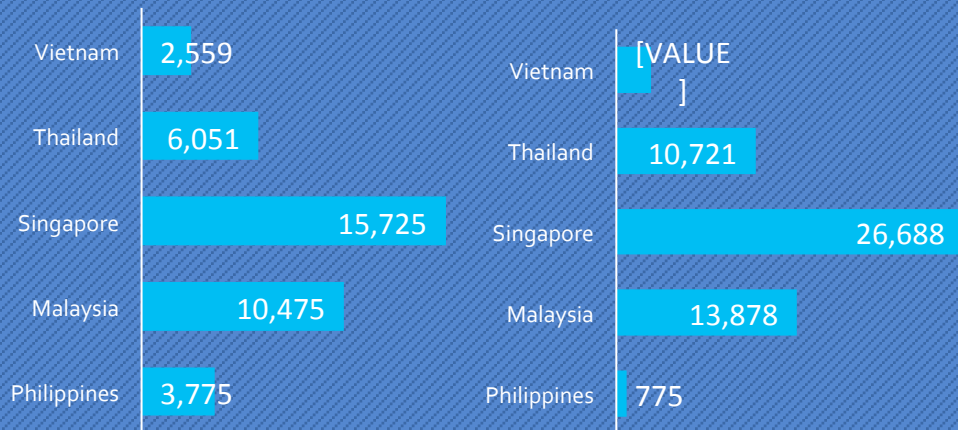


## INDONESIA ASEAN INTRA-TRADE

USD Mn

Export 2013

Import 2013

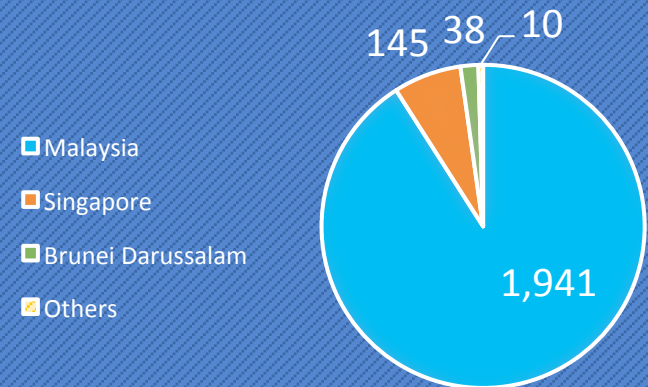


Source : SEKI Bank Indonesia 2013



## INDONESIA WORKER

Thousand of People



Source : SEKI Bank Indonesia 2013



“It is estimated that funds (AUM) of Indonesia’s HNWI & corporate segment placed in Singapore will grow to **~USD 200 Bn** by end of 2016, of which **~USD 150 bn** of that AUM is applicable to Indonesia financial/banking business. This AUM is expected to generate addressable revenue of **~USD 1.6 Bn** by end Of 2016”.

Source: McKinsey

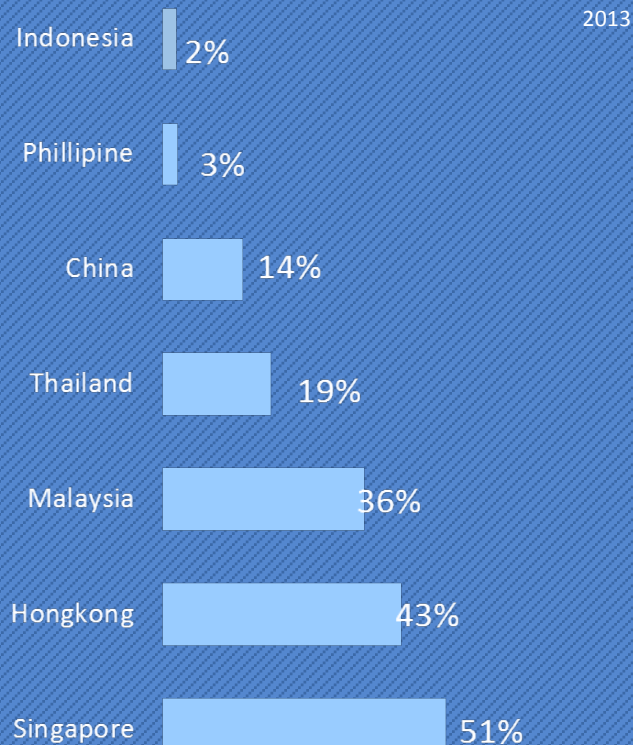


## The Tale Of Four Cities (1/2)

	Indonesia	Singapore	Malaysia	Thailand	Philippine
Minimum Bank Capital	USD 280 million	<ul style="list-style-type: none"> <li>▪ USD 1.2 bn (locally incorporated)</li> <li>▪ USD 150 mn (Head Office Outside Sing)</li> </ul>	<ul style="list-style-type: none"> <li>▪ USD 600 Milion (Domestic Bank)</li> <li>▪ USD 150 Milion (Investment Bank)</li> <li>▪ USD 91 million (locally incorporated foreign banks)</li> </ul>	<ul style="list-style-type: none"> <li>▪ USD 160 mn (Commercial Bank)</li> <li>▪ USD 125 Milion (Bank Subsidiary)</li> <li>▪ USD 8 Milion (Retail Bank)</li> </ul>	<ul style="list-style-type: none"> <li>▪ USD.115 Milion (universal bank)</li> <li>▪ USD 55 Milion (Commercial Banks)</li> </ul>
Restriction for foreign share in local bank	May acquire up to 40% of local banks, with exception given for shareholdings >40%	No limit, but prior finance minister approval required	• Foreign ownership capped at 30% and 70% for local islamic and investment bank respectively	<ul style="list-style-type: none"> <li>• 25% foreign ownership</li> <li>• BOT permits up to 49% foreign ownership</li> <li>• For &gt; 49%, MF approval required w/ BOT recommendation</li> </ul>	May acquire up to 60% of voting share with prior approval from the Monetary Board
Restriction for foreign to open branch	No express limit but BI approval required, subject to capital adequacy	<ul style="list-style-type: none"> <li>• 25 branches upon approval for qualifying full bank license</li> <li>• no limit for locally incorporated bank subsidiary</li> </ul>	▪ Locally incorporated foreign banks can open up to 8 additional branches, subject to a distribution ratio of 1 (market centre), 2(semi-urban), 3(non-urban)	<ul style="list-style-type: none"> <li>▪ Up to 4 branches, 1 in Bangkok and 3 in other cities</li> <li>▪ only 1 branch can be opened per year</li> </ul>	6 branches, 3 in location of choice and 3 in location approved by central bank

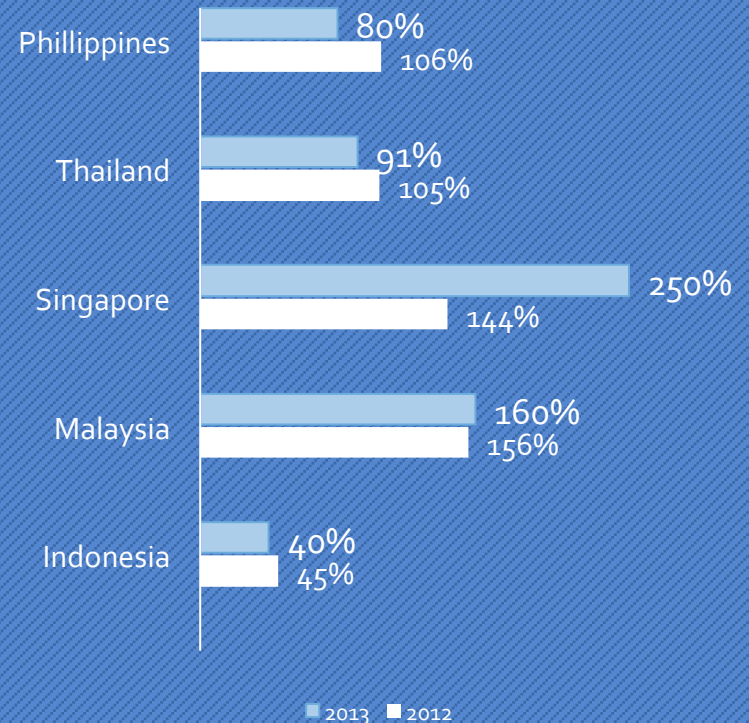
## The Tale Of Four Cities (2/2)

**Penetration of Mortgage to GDP**



Source : Housing Information Network

**Comparison of Equity Market Capitalization to GDP**



Source : World Federation of Exchange, World Bank

## But How Can We Work On The Imbalances?



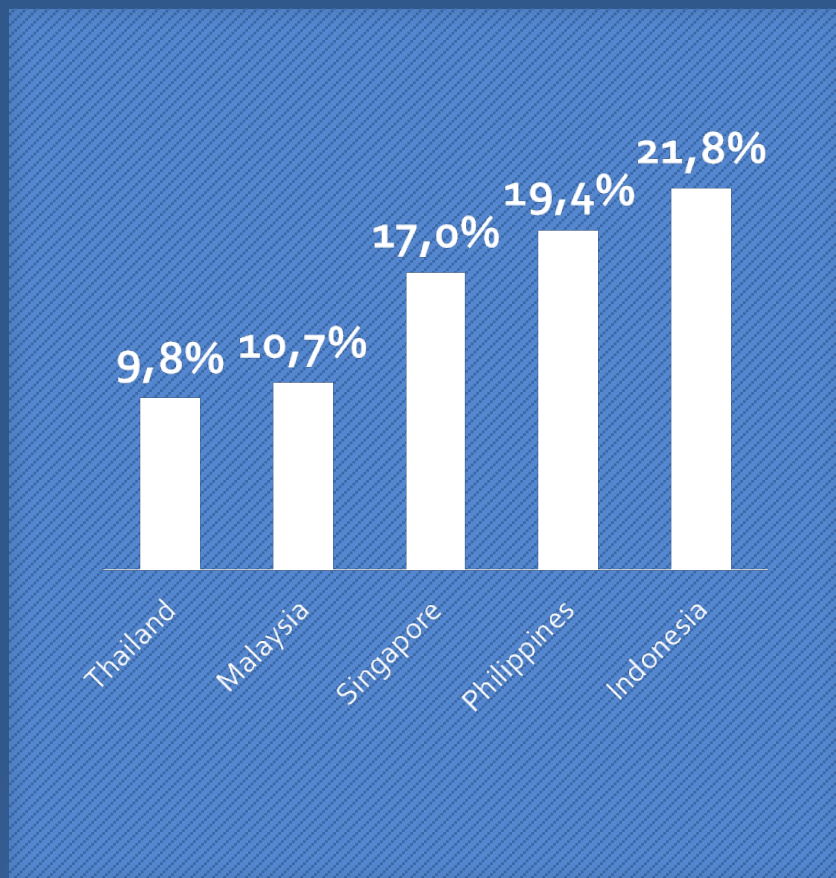
Branches

	DBS	OCBC Bank	Maybank	UOB	BCA	mandiri	BANK BRI	PUBLIC BANK	CIMB	Siam Commercial Bank
Malaysia	2	31	401	45				255	312	1
Philippine	1	1	55	1						
Singapore	89	57	22	67	1	1			2	
Thailand	1	1	47	162					164	1,142
Indonesia	43	350	415	213	1,011	1,308	1,905		590	
India	12			1						
Hongkong	55	2	1	2	1	1	1	83		
Korea	1	1								
Japan	1	1	20	1						
Taiwan	41	1		1						
# Countries	13	15	20	19	3	6	3	7	6	4

Source : Annual Report 2012, Bloomberg, Analyst Meeting 2012

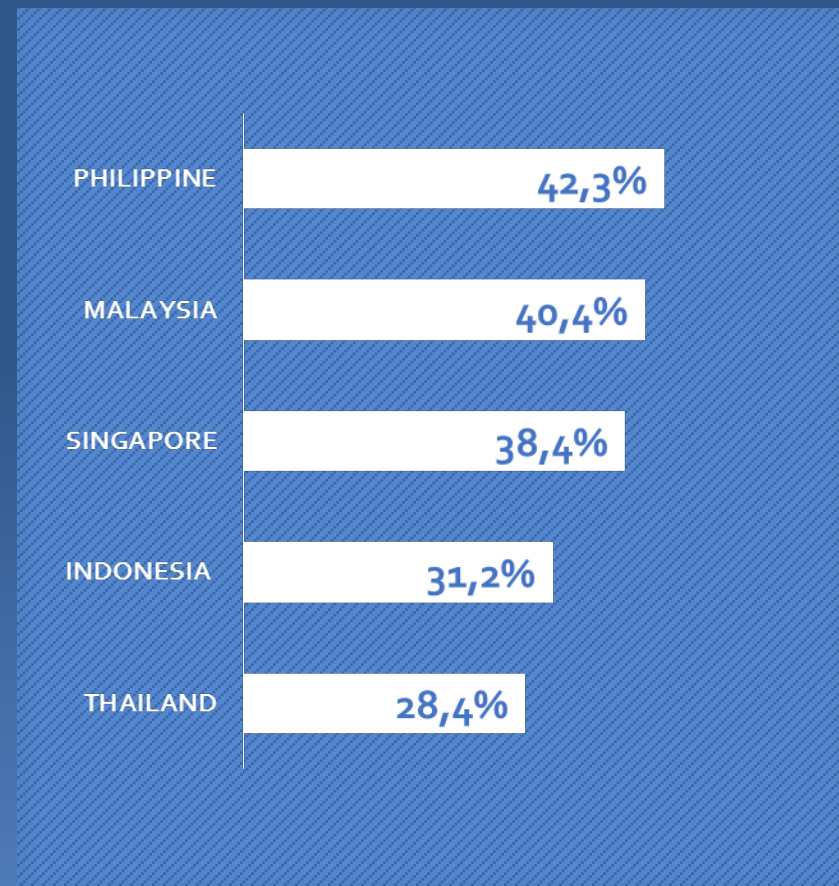
## But How Can We Work On The Imbalances?

2013 Loan Growth



Source : BOT, IMF, MAS, OJK

2013 Fee Based Income Ratio



Source : IMF, BOT for Thailand

## Key Factors to Address Challenges in The Integration

1

Develop harmonization of standards and regulations amongst ASEAN member countries to have similarity/equality in the implementation of businesses especially in the area of financial service sector.

2

Initiate cooperation in the planning and development of financial services to have common objectives to ensure comprehensive and rationale financial service integration.

3

Shared vision and mission with long term perspective of the mutual benefits to create a level of playing field among member countries.

4

Accelerate structural reforms, development policies and ongoing efforts among countries to manage differences in financial service sectors standards and regulations.

5

Set minimum standards and criteria of skilled labor and encourage ASEAN countries to establish more skilled labor training centers.

# APPENDIX

## ASEAN 5 Data

	Indonesia	Singapore	Malaysia	Thailand	Philippine
Listed Bank	14	3	9	10	9
Market Cap Listed Bank (USD bn)*	94,67	95,26	104,29	78,02	32,24
Total Bank	120	168	43	31	696
Total Branch	20.529	346	4.227	6.379	8.714
Total ATM	98.779	2.579	11.354	45.826	12.225
Loan to GDP	38,8%	157,5%	134,9%	127,5%	55,2%
DPK to GDP	37,5%	175,8%	140,9%	128,8%	50,6%
Life Insurance to Population	4%	238%	41,5%	n/a	n/a

\*) Data as of 2013, exception market cap for 5 September 2014 and Indonesia ATM for June 2014  
Source: IMF-FAS and IRAI – Datakata



THANK YOU