Investor Newsletter

October 2013

Shareholding Composition

	1H 2012	1H 2013
Bank Danamon Indonesia	95.0%	95.0%
Public (≤ 5%)	5.0%	5.0%

Credit Ratings(PEFINDO)

	Rating/Outlook
Corporate	idAA+/ Stable
Bonds	idAA+

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Adira Finance

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Highlight

First Half 2013 Results

- **New Financing amounted to Rp15.5 trillion.** 2Q 2013 recorded stronger new financing growth of Rp8.5 trillion as compared to the previous quarter (1Q 2013: Rp7.0 trillion). Motorcycles contributed 56% of overall new financing disbursement, while the remaining consisted of cars.
- **Managed receivables reached Rp45.8 trillion**. Our stand-alone financing receivables rose 41% to Rp26.4 trillion as we continued to fund our growth through external funding. Joint financing receivables was at Rp19.4 trillion, representing 42% of managed receivables. The composition of managed receivables has experienced a shift between motorcycle and car portfolio to 53%:47% in June 2013 from 59%:41% last year.
- **Growing productive asset**. Productive asset is the main driver for total assets growth in the Company's book. Currently, self-financing receivables contributed 92% total assets in 1H 2013 from previously 88% in 1H 2012.
- **Consolidated Non-performing loans (NPL) stood at 1.48%**at the end of June 2013 as compared to the 1.29% a year earlier. Furthermore, the cost of credit improved to 4.0% of managed receivables from 4.4% in the previous year.
- **Net Profit After Tax**. We recorded Rp759 billion in net profit after-tax in 1H 2013 as compared to the net profit after-tax of Rp751 billion for the same period the previous year, an increase of Rp8 billion.
- **Sound capital structure**. With equity over Rp5 trillion, the Company continues to optimize the capital structure as the ratio of Debt-to-equity stood at 4.0 times at the end of June 2013, way below regulated ratio of 10 times.

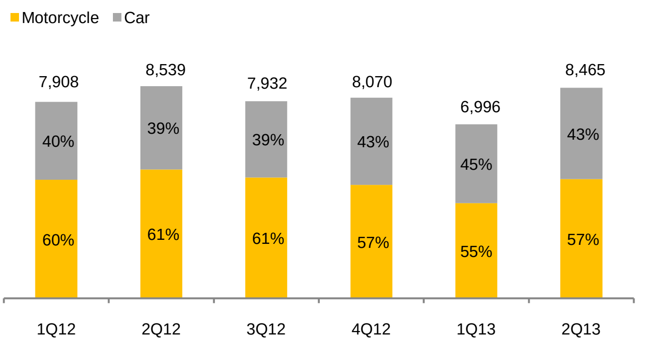
Rp billion; %	1H12	1H13	∆%	3Q12	4Q12	1Q13	2Q13
Total New Financing	16,446	15,461	-6%	7,932	8,070	6,996	8,465
Total Managed Assets	44,506	45,814	3%	45,130	45,793	45,093	45,814
Financing Receivables [1]	18,115	25,512	41%	20,562	22,452	24,579	25,512
Total Asset	20,698	27,640	34%	22,948	25,460	26,910	27,640
Total Borrowings	14,806	20,315	37%	16,430	18,087	19,432	20,315
Total Equity	4,380	5,121	17%	4,734	5,036	5,377	5,121
Net Profit after Tax	751	759	1%	359	309	336	423
ROAA [2]	3.7%	3.4%	-0.3%	3.3%	2.8%	3.0%	3.7%
ROAE	35.5%	31.0%	-4.5%	31.9%	26.3%	28.0%	34.4%
Consolidated NPL	1.29%	1.48%	0.19%	1.42%	1.41%	1.47%	1.48%

Note:

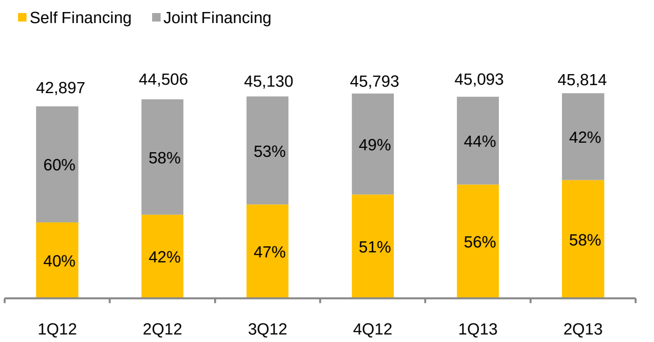
1. *Financing receivables from Adira Finance's self-funding;*
2. *As percentage of Managed Receivables; and*
3. *Starting from 2013, the Company applied reclassifications of accounts, i.e. other receivables to financing receivables and other expense to allowance for impairment losses of financing receivables.*

Focus Charts

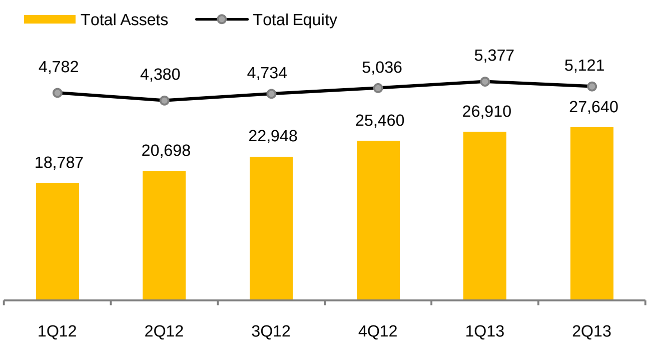
New Financing
Rp billion



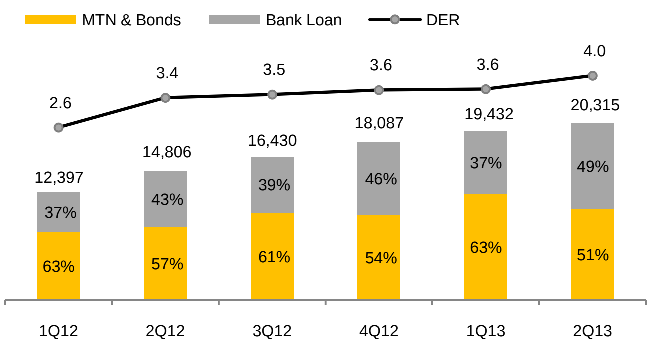
Managed Receivables
Rp billion



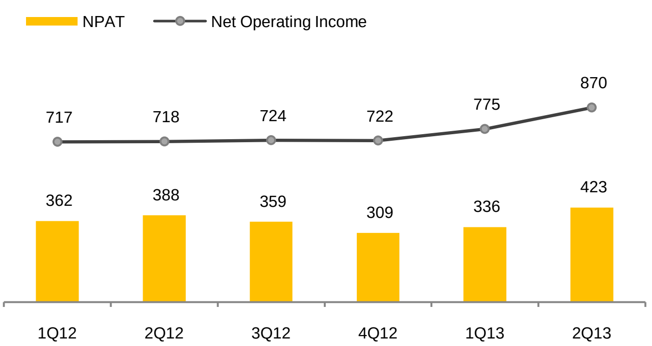
Total Assets & Total Equity
Rp billion



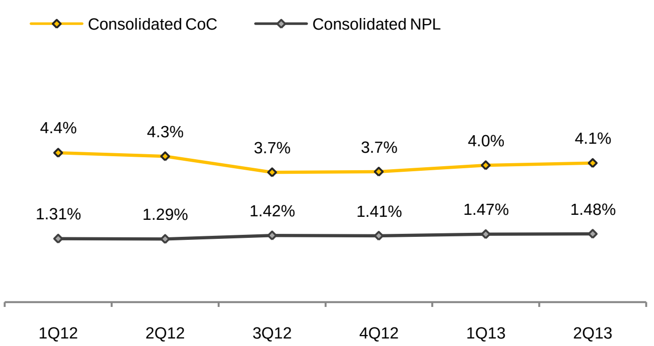
Total Borrowings & Debt-to-Equity Ratio
Rp billion; and Times



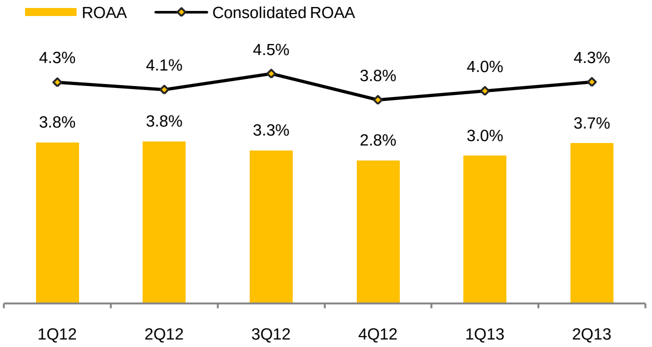
Net Operating Income & NPAT
Rp billion



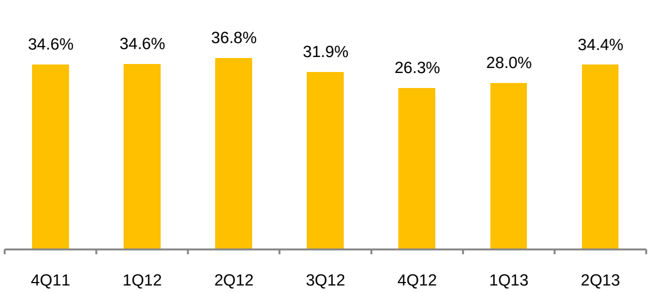
Consolidated Cost of Credit & Non-Performing Loan
% of Managed Receivables



ROAA & Consolidated ROAA
%



ROAE
%



Note: Managed receivables include joint financing with BDI (Parent Company).

New Financing

Adira Finance recorded new financing disbursement of Rp15.5 trillion for 1H 2013 (1H 2012: Rp16.5 trillion). After the implementation of sharia-based financing minimum DP regulation beginning of this year, 1Q 2013 disbursement was impacted, whereby monthly disbursement only reached around Rp2.2 trillion. However, the disbursement trend has recovered in the second quarter to Rp2.8 trillion monthly, pushed by growing demand as the Lebaran or Eid al-Fitr was approaching in August 2013. Unit wise, Adira Finance funded a total number of 877 thousand units of vehicles, consist of 823 thousand motorcycles and the remaining was cars.

Motorcycle remains as the major contributor in the Company's business, comprising 56% total of disbursement or equal to Rp8.6 trillion. The contribution of used motorcycles continues to grow from the previous year of 27% to 35%. Used motorcycle increased by 13% to Rp3.0 trillion compared to 1H 2012 of Rp2.7 trillion. Apart from the pressure from sharia financing DP regulation that started to take effect at the beginning of this year, competition in this segment is intensifying. However, the growth of 5% in the national new motorcycle sales to 3.9 million units y-o-y can be considered as an indicator that the market still has ample room of growth as demand remains solid.

Car financing recorded stable growth of 5% to Rp6.8 trillion (1H 2012: Rp6.5 trillion). While composition between new and used remained stable, used car contribution over the entire new financing volume gradually increases to 14% for this semester from 12% in 1H 2012. Although historically fuel price hike would curb or even pressure national car sales, nevertheless the outlook remained positive in this year owing to increasing middle-income class of customers. LCGC regulation launching in the last quarter this year is expected to contribute to the sales of new car going forward.

Overall, 1H 2013 new financing showed a significant shifting trend towards a more balance portion between motorcycle and car, i.e. 56:44 from 61:39 compositions a year earlier. Strong national car sales will continue to bring direct impact on the Company's financing portfolio. Meanwhile, the Company's strategy to tap into used vehicles also brings about portfolio shifting between new and used vehicle. The portion has moved from 71:29 in 1H 2012 to 67:33 in 1H 2013. The ability to adapt to the market dynamics will enable the Company to maintain sustainable growth.

Balance Sheet

Managed financing receivables (assets), including joint financing receivables, reached Rp45.8 trillion at the end of 1H 2013, an increase of 3% from Rp44.5 trillion one year earlier.Joint financing receivables with Bank Danamon amounted to Rp19.4 trillion, down from Rp25.8 trillion in 1H 2012 while Bank Danamon remains as one of the main source of funding. Thus, our stand-alone receivables rose 41% to Rp26.4 trillion before loss allowance, contributing 58% to total managed financing receivables until June 2013. Consolidated Non-Performing Loan (NPL) stood at a manageable level of 1.48% at the end of June 2013.

Our growing financing receivables contributed 92% of total assets, hence, grew by 34% to Rp27.6 trillion (1H 2012: Rp20.7 trillion). Cash became the second main contributor of total assets, accounted for 5% of the remaining assets. As the Company invested more in IT infrastructure in order to enhance existing capacity, intangible assets-net grew almost 33% to Rp43 billion.

Interest-bearing funding rose 37% to Rp20.3 trillion in June 2013 from Rp14.8 trillion in the same period last year. The funding comprised of bank borrowings of 49% or equal to Rp9.9 trillion and the remaining was debt-securities issued which consist of bonds, sukuk mudharabah and MTN. Bank borrowings increased by 54% or equivalent to Rp3.5 trillion as the Company is taking advantage on competitive funding cost for short-term funding. Of the total bank borrowings, the composition of domestic and off-shore borrowings was 80:20.

Debt securities issued stood at Rp10.5 trillion, increased by 24% from Rp8.4 trillion one year earlier. The Company executed its second shelf registration for the first phase in early March 2013 amounted to Rp2.0 trillion and sukuk mudharabah of Rp379 billion. For the first half of 2013, the Company paid off its fall due debt securities amounting to Rp1.7 trillion. In the second half of the year, there will be another Rp1.2 trillion fall due.

Total equity increased 17% to Rp5,121 billion as of June 2013 due to additions in retained earnings net-off final dividend distribution. Our debt-to-equity ratio (DER) stood at 4.0 times in 1H 2013 as compared to 3.4 times a year earlier due to increased funding activities. The Company believes that the ratio is still manageable as it is still quite far from the regulated level and the average players in the industry.

Income Statement

Despite of challenging operating environment during the first half of 2013, Adira Finance reported a net profit after tax of Rp759 billion in the first semester this year as compared to the same period last year of Rp751 billion supported by an increase in net interest income.

Operating Income increase by 14% from Rp2,558 billion to Rp2,909 billion supported by increase in interest income and non-interest income (fee income). Net interest income rose 21% to Rp1,723 billion in the first half of 2013 mainly due to lower cost of funds as we managed to raise funding from the market at competitive costs. Our cost of funds declined to 9.6% in the first half this year from 11.6% in the same period last year and as such interest expenses declined 9% from Rp2,356 billion in the first semester last year to Rp2,155 billion in the first semester this year. **As a result, net interest margin improved to 7.7% in the first semester this year from the same period last year of 7.1%.** Despite of lower new financing, we managed to book a 5% increase in fee income in part supported by an increase in late charges as we manage growing receivables.

Operating Expenses rose 13% to Rp1,263 billion in the first semester this year as compared to the same period last year of Rp1,123 billion in part due to increase in manpower expenses in relation to the increase in minimum wages, which rose by an average of 18% this year. Hence manpower expenses increased 16% to Rp876 billion in the first half this year from Rp755 billion in the same period last year. On the other hand, general and administrative expenses only rose 5% to Rp388 billion. **Overall, we manage our cost to income ratio at 43.4% as compared to 43.9% in the same period last year, reflecting our discipline in managing expenses**.

As we increase our own receivables as opposed to joint financing, our cost of credit (CoC) increase 43% to Rp585 billion in the first half of 2013. We booked 58% of our new financing in the first half of this year in our own balance sheet (as opposed to joint-financing) and as such we need to set aside loan loss allowance for these new receivables. However, including joint financing receivables, our consolidated cost of credit has improved to 4.0% as compared to the 4.4% in the same period last year since we continue to apply prudent underwriting policy and loan management as part of our risk management practices.

Our profitability as measured by ROAA (as percentage of managed receivables) stood at 3.4%, whereby reported ROAA (as percentage of total assets) stood at 6.2% and ROAE stood at 31.0%, respectively, in the first half of this year. Including joint financing with Bank Danamon, our consolidated ROAA stood at 4.1% in the first semester 2013.

Financial Highlights

In Billion Rupiah	Jun- 12	Jun-13	∆%	Sept-12	Dec-12	Mar-13	Jun-13
STATEMENTS OF FINANCIAL POSITION							
Assets							
Cash and cash equivalents	1,913	1,322	-41%	1,649	2,249	1,598	1,322
Financing receivables - net of allowance of impairment	18,115	25,512	14%	20,562	22,452	24,579	25,512
Fixed assets - net of accumulated depreciation	279	275	-5%	277	290	279	275
Intangible assets - net	33	43	5%	32	41	38	43
Others	358	488	14%	428	429	416	488
Total Assets	**20,698**	**27,640**	**9%**	**22,948**	**25,461**	**26,910**	**27,640**
Liabilities							
Borrowings	6,394	9,859	19%	6,394	8,286	7,258	9,859
Debt securities issued - net	8,412	10,456	7%	10,037	9,802	12,174	10,456
Others	1,512	2,204	-6%	1,783	2,337	2,101	2,204
Total liabilities	**16,318**	**22,519**	**10%**	**18,214**	**20,425**	**21,533**	**22,519**
Total equity	**4,380**	**5,121**	**2%**	**4,734**	**5,036**	**5,377**	**5,121**
Total liabilities and equity	**20,698**	**27,640**	**9%**	**22,948**	**25,461**	**26,910**	**27,640**

In Billion Rupiah	1H12	1H13	∆%	3Q12	4Q12	1Q13	2Q13
INCOME STATEMENT							
Interest income	3,784	3,877	2%	1,972	2,000	1,952	1,925
Interest expense	(2,356)	(2,155)	-9%	(1,221)	(1,163)	(1,098)	(1,057)
Net interest income	**1,428**	**1,723**	**21%**	**751**	**836**	**855**	**868**
Fee income	1,130	1,186	5%	572	575	543	643
Operating income	**2,558**	**2,909**	**14%**	**1,323**	**1,411**	**1,398**	**1,511**
Operating expense	(1,123)	(1,263)	13%	(599)	(689)	(623)	(641)
Net operating expense	**1,435**	**1,645**	**15%**	**724**	**722**	**775**	**870**
Cost of credit	(410)	(585)	43%	(232)	(292)	(311)	(274)
Other income/(expense)	(23)	(45)	98%	(12)	(17)	(13)	(32)
Income before income tax	**1,002**	**1,015**	**1%**	**480**	**414**	**451**	**565**
Net income for the period	**751**	**759**	**1%**	**359**	**309**	**336**	**423**

Note: Starting from 2013, the Company applied reclassifications of accounts, i.e. other receivables to financing receivables and other expense to allowance for impairment losses of financing receivables.

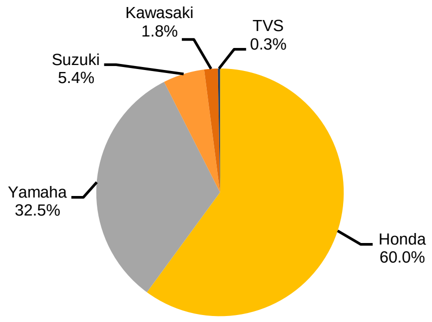
KEY RATIOS	1H12	1H13	∆%	3Q12	4Q12	1Q13	2Q13
Profitability and Efficiency (%)							
Return to average managed receivables	3.7%	3.4%	-0.3%	3.3%	2.8%	3.0%	3.7%
Return to average equity	35.5%	31.0%	-4.5%	31.9%	26.3%	28.0%	34.4%
Net income to total income	23.5%	19.7%	-3.7%	20.9%	16.8%	21.2%	21.2%
Cost to income	43.9%	43.4%	-0.5%	45.3%	48.8%	44.6%	42.4%
Leverage and Liquidity (X)							
Total assets to total liabilities	1.2	1.2	-	1.3	1.3	1.2	1.2
Total equity to total liabilities	0.2	0.2	-	0.3	0.3	0.2	0.2
Gearing ratio	3.4	4.0	0.6	3.5	3.6	3.6	4.0
Assets Quality (%)							
Non-performing loan to managed receivables	1.29%	1.48%	0.19%	1.42%	1.41%	1.47%	1.48%
Allowance for impairment losses to ADMF receivables	3.1%	3.5%	0.4%	3.1%	3.0%	3.4%	3.5%

NEW FINANCING	1H12	1H13	∆%	3Q12	4Q12	1Q13	2Q13
In Thousand Units							
Motorcycle	939	826	-12%	468	425	373	453
Car	52	51	-2%	25	27	24	27
Total Financed Unit	**992**	**877**	**-12%**	**493**	**452**	**397**	**480**
In Billion Rupiah							
Motorcycle	9,951	8,628	-13%	4,856	4,564	3,828	4,800
Car	6,495	6,833	5%	3,077	3,506	3,168	3,665
Total Finance Amount	**16,446**	**15,461**	**-6%**	**7,932**	**8,070**	**6,996**	**8,465**

Indonesian Automotive Sector Update

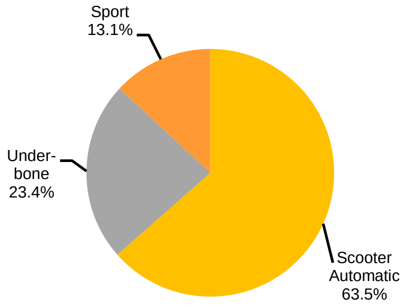
New Motorcycle Sales by Brand

First Half of 2013

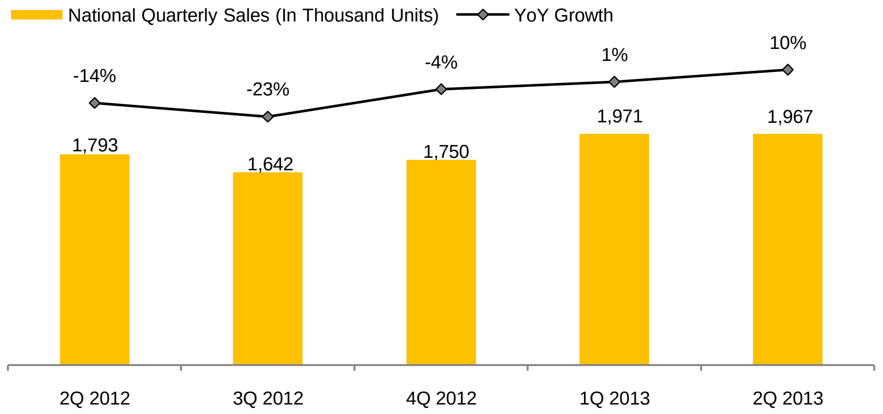


New Motorcycle Sales by Type

First Half of 2013



Domestic New Motorcycle Sales



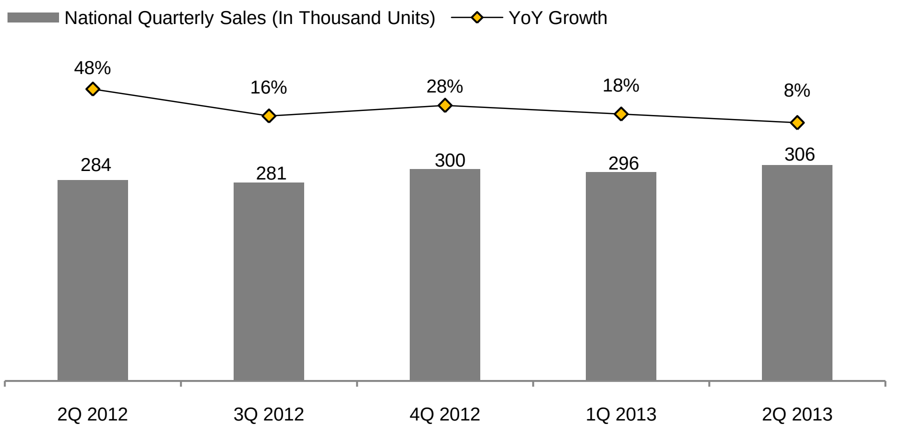
Source: Indonesian Motorcycles Industry Association (AISI)

New motorcycle sales grew slightly by 5% to 3.9 million units in the first half of this year as compared to last year's first semester sales of 3.7 million units, recovering from last year sales, which has been impacted unfavorably by the implementation of minimum down payment regulations as well as the weak commodities' prices. However, the impact of fuel price hike in the middle of June this year has shown no significant impact yet as the motorcycle sales tend to peak a month before Muslim' festive season in August this year. However, the impact of fuel price to motorcycle sales, if any, is estimated to be limited since motorcycles continue to be the main transportation mode for Indonesians, particularly for the low and middle income households on the back of the lack of adequate public transportation. In addition, the cost of public transportations will also increase to compensate the increase of their operating costs.

Honda continues to dominate the market as it managed to gain market share further at the expenses of two other key players. Its market share steadily increased to 60% in the first half of this year as compared to 56% in the same period last year. Honda sold 2.4 million units of motorcycles in the first half of 2013, up 12% compared to last year's first half sales of 2.1 million units. Its strategy to be a very aggressive in scooter automatic segment has proven to be very effective to gain market share. Currently, it is building its share in sport segment as well. Meanwhile, Yamaha is still trying to defend its market share as its market share has declined further to 32.5% in the first semester this year from 35.2% in the same semester last year. The remaining shares of AISI members were shared between Suzuki, Kawasaki and TVS. Suzuki's market share stood at 5.4%, Kawasaki at 1.8% and TVS of 0.3%.

Scooter automatic or scootic became more popular for the Indonesians due to practicality in its usage and yet affordable in prices. Hence, its share continues to grow to a high 63.5% in the first semester 2013. Some manufacturers expect that this segment will grow up to 70% by the end of 2013. Another growing segment of motorcycle is sport segment as indicated by its share to total motorcycle sales, which steadily rose to 11% in 2012 from 10% in the previous year, indicating the increasing purchasing power of customers. Further, the share of sport segment went up to 13.1% in the first half of this year. In contrast, the underbone's segment has been shrinking to around 23.4% of new motorcycle sales.

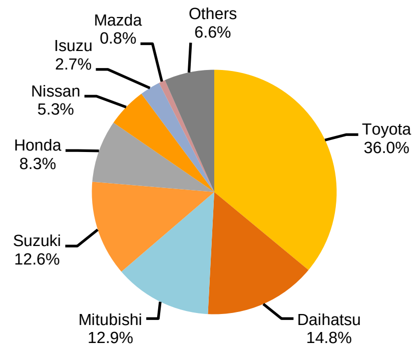
Domestic New Car Sales



Source: Association of Indonesian Automotive Industries (GAIKINDO)

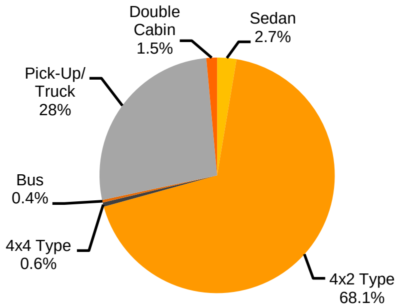
New Car Sales by Brand

First Half of 2013



New Car Sales by Type

First Half of 2013



Increasing number of middle-income segment has been said as the main driver of the country's domestic car sales in recent years. Up to June 2013, the industry recorded domestic sales of 602 thousand units, up 12% from the same period last year sales of 535 thousand. Further, the domestic sales of new cars jumped 25% last year to a record level of 1.1 million. The new regulations in minimum down didn't have significant impact to the sales of car in part due to its customer segment, which are dominated by middle and high income customers.

Astra Group, who manufacture and distributes a number of brands, including Toyota and Daihatsu, continue to dominate the market with 51% market shares in the first half of 2013. Toyota and Daihatsu have 36% and 14.8% market share, respectively, in the first semester this year. The two brands' low MPV products remained as the winning and most seek after variants. Toyota, the market leader, maintained its market share at the level of 36%, whereby around 90% of its sales came from passenger vehicles and the rest are commercial cars. Further, its MPV remains as the backbone of the sales, contributing over 57% of total sales in the first half this year. The second major player, Daihatsu, also maintained its market share at 14.8% level and its MPV products contributed 46% of total sales.

Mitsubishi and Suzuki have 12.9% and 12.6% of share, respectively, during the first half of this year. Mitsubishi still focuses in commercial vehicles while Suzuki started to target MVP segment in addition to its strong presence in light pick up segment. Interestingly, Honda's market share nearly doubled to 8.3% in the first semester this year from 4.9% in the same period last year as its sales grew 190% supported by the introduction of number of models which later became the market leaders in their respective segments. Overall, top 5 brands (Toyota, Daihatsu, Mitsubishi, Suzuki and Honda) have controlled almost 85% of Indonesian car market.

Passenger cars still dominate the Indonesian car market, which make up 70% of the domestic car sales. Undoubtedly, the major brands are those who have strong presence in the passenger cars, particularly low MPV segment. Passenger cars sales grew 16% to 426 thousand units in the first half of this year. The remaining 30% car sales are comprised of commercial segments and only grew 6% to 176 thousand units.

The national car sales are expected to remain stable at 1.1-1.2 million units in 2013 in part due to increase in fuel price hike as well as rising or higher interest rates. Fuel price hike could cause the sales to slow down in the first few months, but recovery is expected to take place afterwards.

Corporate Updates

Adira Finance Settles the Fall Due Bonds Principal

During the first semester this year, Adira Finance carried out the settlement of some mature bonds, amounting to Rp1.7 trillion:

- Adira Finance IV Bonds, Serie C amounted to Rp577 billion;
- Adira Finance V Bonds, Serie B amounted to Rp160 billion;
- Adira Finance Continuous Bonds I Phase II, Serie A amounted to Rp789 billion; and
- MTN I, Serie A amounted to Rp200 billion.

Pefindo reaffirmed the ratings of the bonds of $_{id}$AA+ (Double A Plus), as the obligor is regarded to have ability to fulfill its long term financial commitment on the debt securities issued and robust as compared to other obligor in Indonesia.

In second semester this year, the Company will have three more series of bonds which will be due that amounted to Rp1.2 trillion, namely Adira Finance IV Bonds Serie D, Continuous Bonds I Phase I Serie A, Continuous Bonds I Phase III Serie A and MTN I Serie B.

Annual General Meeting of Shareholders and Extraordinary General Meeting of Shareholders

On 17 May 2013, the Company held its Annual General Meeting of Shareholders (Annual GMS). The shareholders' resolutions among others were to approve the distribution of cash dividend 50% of the 2012 net income, amounted to Rp709 billion. The cash dividend was distributed on 27 June 2013.

The shareholders approved the changes in the Company's Boards of Commissioners and Directors members to become as follows:

President Commissioners	: Ho Hon Cheong
Commissioners, Independent Commissioners	: Djoko Sudyatmiko
Commissioners, Independent Commissioners	: Eng Heng Nee Philip
Commissioners, Independent Commissioners	: Pande Radja Silalahi
Commissioners	: Muliadi Rahardja
Commissioners	: Vera Eve Lim
President Director	: Willy Suwandi Dharma
Vice President Director	: Marwoto Soebiakno
Director	: Hafid Hadeli
Director	: Ho Lioeng Min
Director	: I Dewa Made Susila
Director	: Cornel Hugroseno
Director	: Swandajani Gunadi

Furthermore, in order to obtain external funding to support further its financing activities, the Company held an Extraordinary GMS on the same day, whereby in the GMS, shareholders of the Company approved to pledge more than 50% but does not exceed 360% of the Company's equity (excluding financing assets under joint-financing scheme).