Investor Newsletter

April 2013

Shareholding Composition

	FY 2011	FY 2012
PT Bank Danamon Indonesia	95.0%	95.0%
Public (≤ 5%)	5.0%	5.0%

Credit Ratings (PEFINDO)

	Rating/Outlook
Corporate	idAA+/ Positive
Bonds	idAA+/ Positive

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Highlight

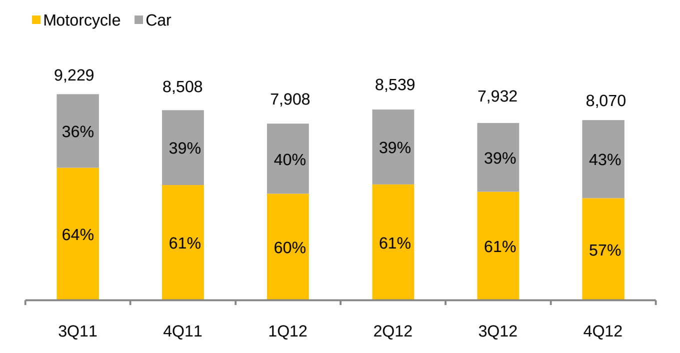
FY 2012 Results

- **New financing amounted to Rp32.4 trillion**. Despite the11% drop in domestic sales of new motorcycle during 2012, our new financing was relatively stable at Rp32.4 trillion as compared to the Rp32.6 trillion in the previous year, supported by growth in used motorcycle and car financing businesses.
- **New motorcycle market share was maintained at 15.7%.** In the midst of changes in automotive financing business, we managed to maintain our market share in new motorcycle, reflecting our resilient business model. While we recorded a market share of 5.7% in 2012 for new car financing business.
- **Managed receivables grew 10% to Rp45.6 trillion**. Our receivables rose 67% to Rp23.1 trillion as we funded our growth by raising funding from the market. While joint financing receivables was down to Rp22.5 trillion from Rp27.5 trillion posted last year, representing 49% of managed receivables. The composition of managed receivables have experienced a shift between motorcycle and car portfolio from 63%:37% last year to 56%:44% this year as car financing grew faster than motorcycle financing.
- **Sound asset quality**. Non-performing loans (NPL) stood at 1.4% at the end of 2012 as compared to the 1.3% a year earlier. Further, the cost of credit improved to 4.0% of managed receivables from 4.9% in the previous year.
- **Low gearing**. Despite of more active funding activities, our gearing ratio still stood at a comfortable level of 3.6 times in 2012, enabling the company to expand further while maintaining the same credit rating.
- **Net Profit After Tax**. Overall, we booked Rp1,419 billion in net profit after-tax this year as compared to the net profit after-tax of Rp1,583 billion in the previous year.

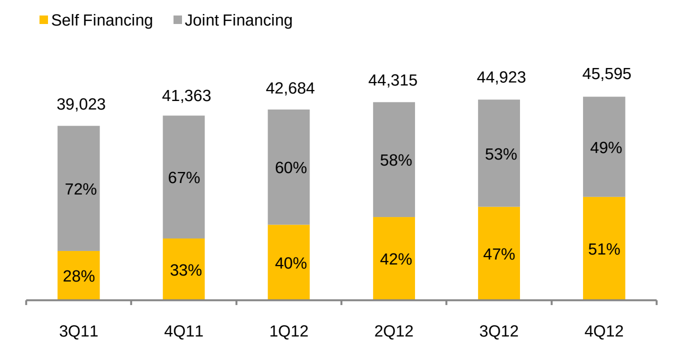
Rp billion; %	FY 2011	FY 2012	∆%	1Q12	2Q12	3Q12	4Q12
Total New Financing	32,563	32,449	-0.4	7,908	8,539	7,932	8,070
Total Managed Assets	41,363	45,595	10.2	42,684	44,315	44,923	45,595
Total Asset	16,889	25,460	50.7	18,787	20,698	25,460	25,460
Total Borrowings	10,762	18,087	68.1	12,397	14,806	16,430	18,087
Total Equity	4,421	5,036	13.9	4,782	4,380	4,734	5,036
Net Profit after Tax	1,583	1,419	-10.4	362	389	359	309
ROAA	4.4	3.2	-1.2	3.8	3.9	3.4	2.8
ROAE	39.5	30.4	-9.1	34.6	36.8	31.9	26.3
NPL	1.3	1.4	0.1	1.3	1.3	1.4	1.4

Focus Charts

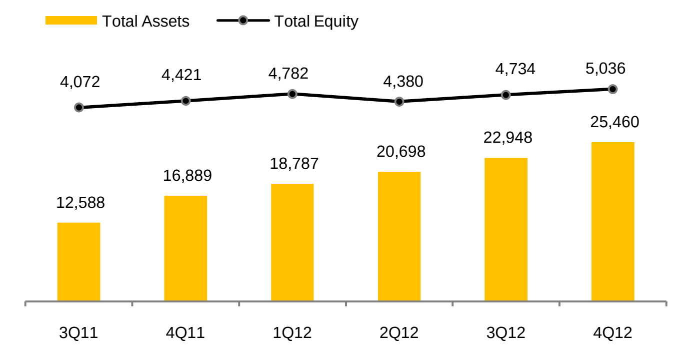
New Financing
Rp billion



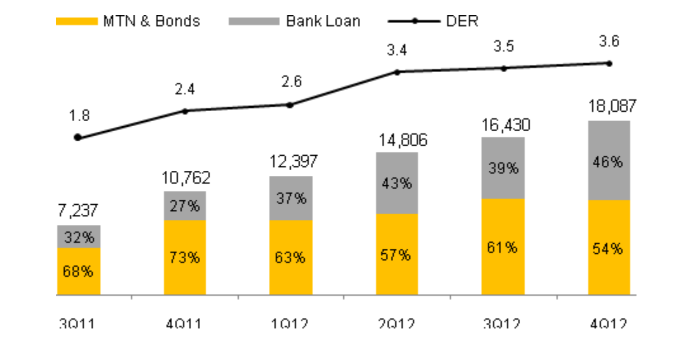
Managed Receivables
Rp billion



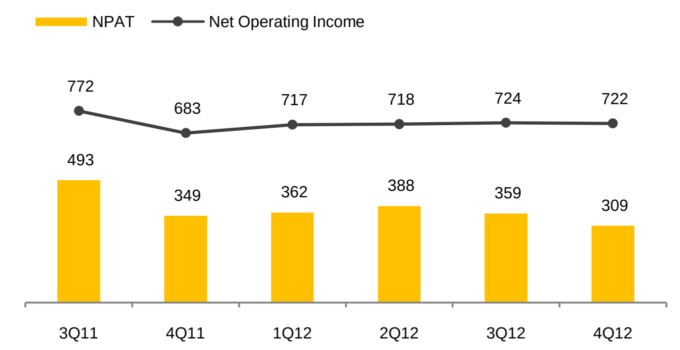
Total Assets & Total Equity
Rp billion



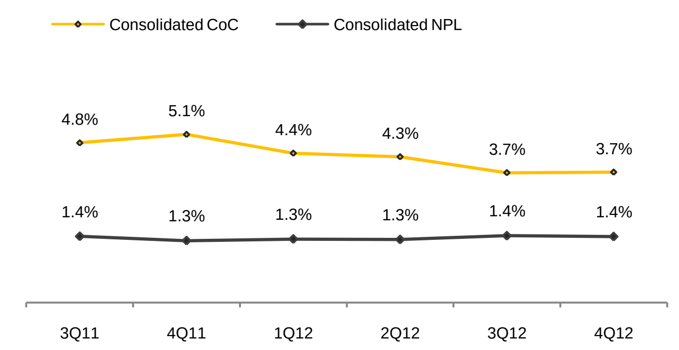
Total Borrowings & Debt to Equity Ratio
Rp billion; and Times



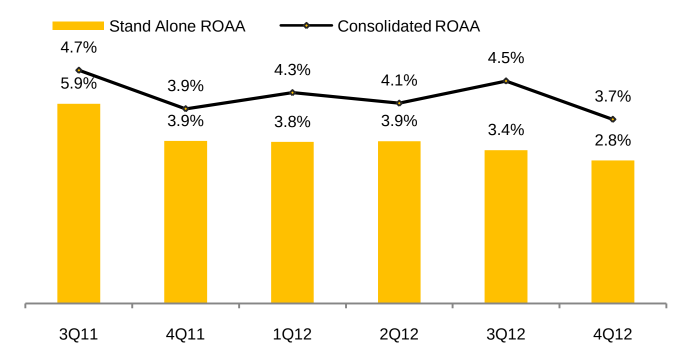
Net Operating Income & NPAT
Rp billion



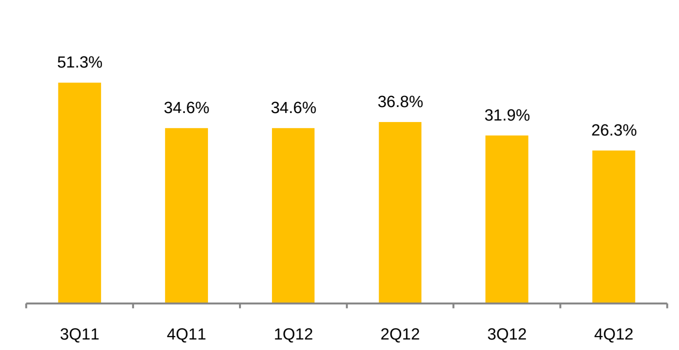
Cost of Credit & Net-Performing Loan
% of Managed Receivables



ROAA Stand Alone & Consolidated
%



ROAE
%



New Financing

Adira Finance managed to underwrite Rp32.4 trillion in new financing in 2012 as compared to last year's new financing of Rp32.6 trillion. In term of unit vehicles, we financed 1.9 million vehicles during 2012.

Notwithstanding an 11% drop in the domestic sales of new motorcycle in 2012, Adira Finance funded 1.8 million motorcycle during the year supported by the growth in used motorcycle financing. New motorcycle financing reduced by 12% to 1.1 million units in line with the 11% drop in domestic new motorcycle sales. As such, we managed to maintain our market share in new motorcycle at 15.7%. While used motorcycle financing increased 11% to 723 thousand units, accounting for 39% of motorcycle financing units in 2012.

In term of value, motorcycle financing amounted to Rp19.4 trillion during 2012, a 5% lower than last year's financing of Rp20.4 trillion. Our new motorcycle financing declined by 10% to Rp14 trillion due to lower financing units as well as smaller loan size on the back of higher down payment. On the other hand, used motorcycle financing grew by 10% to Rp5.4 trillion, contributing to 28% of our motorcycle financing in 2012.

In contrast to motorcycle market, the domestic sales of new car rose 25% to a record level of 1.1 million unit in 2012 driven by strong growth in passenger cars. Passenger car sales increased 30% to 781 thousand units and contributed to 70% of car sales in 2012. Commercial car sales, on the other hand, rose 15% to 335 thousand units.

We financed 105 thousand units of cars in 2012, up by 5% from last year's sales of 100 thousand units. New car sales increased 7% to 63 thousand units as we focused on commercial segment as opposed to a very competitive passenger segment that typically caters for middle-income customers. As such, our market share in new car financing was 5.7% as compared to the 6.6% in 2011. While used car financing units also grew by 2% to 42 thousand units, accounting for 40% of car financing units in 2012.

In term of value, our car financing amounted to Rp13.1 trillion in 2012, an increase of 8% as compared to last year's financing of Rp12.1 trillion. New car financing rose 8% to Rp9.1trillion while used car financing increased 6% to Rp4.0 trillion and made up 31% of our car financing business.

Balance Sheet

As we managed to book Rp32.4 trillion in new financing during 2012, our managed receivables (assets), including joint financing receivables, expanded 10% to Rp45.6 trillion at the end of the year. Our joint financing receivables with Bank Danamon amounted to Rp22.5 trillion, down from Rp27.5 trillion at the beginning of the year as we funded most of our growth by raising funding from the market. Hence our receivables rose 68% to Rp23.1 trillion before loss allowance, as we funded over 56% of our new financing during the year.

Hence total assets increased by 51% to Rp25.5 trillion at the end of 2012 driven by growing receivables, which made up 88% of our assets. Cash accounted for 9% of the remaining assets. While fixed assets grew 10% to Rp290 billion.

In 2012, we stepped up our efforts to raise funding from the market to diversify our funding sources as well as to capitalize opportunities in the market to raise competitive funding cost. As such our interest-bearing funding rose 68% to Rp18.1 trillion at the end of the year. We successfully issued Rp3.5 trillion Rupiah bonds during the year. Accordingly our outstanding bonds increased 27% to Rp9.4 trillion, representing 54% of our interest-bearing funding at the end of 2012. The remaining Rp8.7 trillion funding largely comprised of bank loans from both local and off-shore banks. Taking all together our interest-bearing funding increased 68% to Rp18.1 trillion from Rp10.8 trillion a year earlier.

Total equity increased 14% to Rp5,036 billion at the end of the year due to an upsurge in retained earnings. In 2012, we paid out Rp792 billion in cash dividend to our shareholders, representing 50% of our earnings in 2011. Our debt-to-equity ratio (DER) stood at 3.6 times in 2012 as compared to 2.4 times a year earlier as we increased our funding activities. However, our leverage is still far below a maximum 10 times set by the regulator.

Income Statement

Despite of challenging operating environment, Adira Finance reported a net profit after tax of Rp1,419 billion as compared to the previous year's profit of Rp1,583 billion. An increase in cost of credit and operating expenses offset the increase in operating income.

Operating income rose 15% to Rp5,292 billion from Rp4,595 billion in 2011 on the back of net interest income growth. Interest income increased 19% to Rp7,756 billion as average managed receivables rose 10% to Rp45.6 trillion. On the other hand, interest expenses and financing charges booked in the company's accounts jumped by 124% to Rp1.2 trillion as our interest-bearing funding rose by 68% to Rp18.1 trillion. Taken all together, net interest income grew 21% to Rp3,015 billion. As such, net interest margin was 6.9% in 2012, or was stable compared to last year's figure. Fee income, on the other hand, increased 8% to Rp2,277 billion as our new financing was flat in 2012 as compared to last year. Accordingly, fee income accounted for 43% of operating income in 2012 from 46% in the previous year.

Operating expenses increased by 24% to Rp2,410 billion in 2012 over last year's operating expenses of Rp1.937 billion. Salaries and benefits expenses increased 25% to Rp1.643 billion as we expanded capacity in the first half of the year in anticipation of growing business prior to the introduction of new minimum down-payment regulations in March 2012. While general and administrative expenses rose 24% to Rp767 billion as we added some capacity to serve our growing number of customers of 3.8 million. We opened 45 additional outlets during 2012 that increased our network to a total of 698 by the end of 2012. Overall, our cost to income ratio stood at 44.4% in 2012 from 41.6% last year.

Our cost of credit (CoC) amounted to Rp935 billion as compared Rp511 billion in the previous year as our receivables expanded by 67% to Rp23.1 trillion. We booked over 56% of our new financing into our own balance sheet as opposed to joint financing in 2012 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 improved significantly to 4.0% as compared to the 4.9% in 2011, reflecting a sound assets quality and good underwriting policy.

Taking all together, we managed to book Rp1,419 billion in net profit after tax in 2012 as compared to Rp1,583 billion last year despite of very challenging operating environment. Accordingly, our ROAA and ROAE stood at 3.2% and 30.4%, respectively, in 2012.

Financial Highlights

In Billion Rupiah	FY 2011	FY 2012	∆%	1Q 2012	2Q 2012	3Q 2012	4Q 2012
STATEMENTS OF FINANCIAL POSITION							
Assets							
Cash and cash equivalents	2,793	2,249	-20%	1,657	1,913	1,649	2,249
Financing receivables - net of allowance of impairment	13,400	22,389	67%	16,241	18,065	20,281	22,389
Fixed assets - net of accumulated depreciation	263	290	10%	267	279	277	290
Intangible assets – net	29	41	44%	30	33	32	41
Others	404	492	22%	592	408	709	492
Total Assets	**16,889**	**25,461**	**51%**	**18,787**	**20,698**	**22,948**	**25,461**
Liabilities							
Borrowings	2,957	8,286	180%	4,590	6,394	6,394	8,286
Debt securities issued – net	7,805	9,802	26%	7,808	8,412	10,037	9,802
Others	1,706	2,337	37%	1,607	1,512	1,783	2,337
Total liabilities	**12,468**	**20,425**	**64%**	**14,005**	**16,318**	**18,214**	**20,425**
Total equity	**4,421**	**5,036**	**14%**	**4,782**	**4,380**	**4,734**	**5,036**
Total liabilities and equity	**16,889**	**25,461**	**51%**	**18,787**	**20,698**	**22,948**	**25,461**

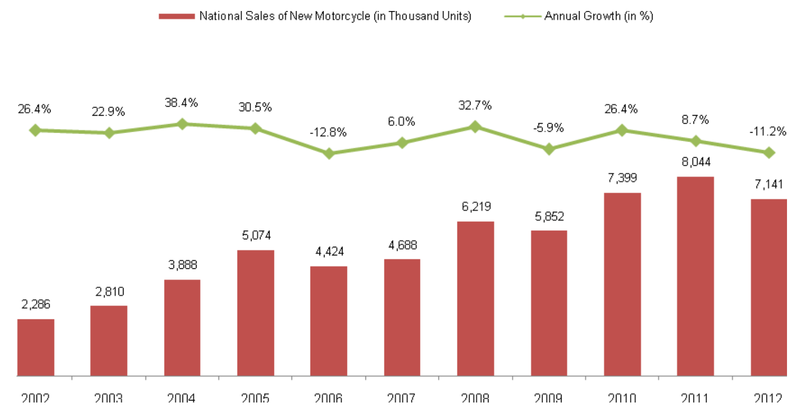
In Billion Rupiah	FY 2011	FY 2012	∆%	1Q 2012	2Q 2012	3Q 2012	4Q 2012
INCOME STATEMENT							
Interest income	6,536	7,756	19%	1,859	1,925	1,972	2,000
Interest expense	(4,047)	(4,741)	17%	(1,160)	(1,196)	(1,221)	(1,163)
Net interest income	**2,489**	**3,015**	**21%**	**698**	**729**	**751**	**836**
Fee income	2,105	2,277	8%	550	580	572	575
Operating income	**4,594**	**5,292**	**15%**	**1,248**	**1,310**	**1,323**	**1,411**
Operating expense	(1,937)	(2,410)	24%	(532)	(591)	(599)	(689)
Net operating expense	**2,657**	**2,882**	**8%**	**717**	**718**	**724**	**722**
Cost of credit [1]	(511)	(935)	83%	(229)	(181)	(232)	(292)
Other income/(expense)	(34)	(51)	49%	(4)	(19)	(12)	(17)
Income before income tax	**2,112**	**1,896**	**-10%**	**484**	**518**	**480**	**414**
Net income for the period	**1,583**	**1,419**	**-10%**	**362**	**388**	**359**	**309**

KEY RATIOS	FY 2011	FY 2012	Δ%	1Q 2012	2Q 2012	3Q 2012	4Q 2012
Profitability and Efficiency (%)							
Return to average managed receivables	4.4%	3.2%	-1.2%	3.8%	3.9%	3.4%	2.8%
Return to average equity	39.5%	30.4%	-9.1%	34.6%	36.8%	31.9%	26.3%
Net income to total income	29.9%	21.0%	-8.8%	23.6%	23.4%	20.9%	16.6%
Cost to income	41.6%	44.4%	2.8%	42.6%	45.1%	45.3%	48.8%
Leverage and Liquidity (X)							
Total assets to total liabilities	1.4	1.2	-0.1	1.3	1.3	1.3	1.2
Total equity to total liabilities	0.4	0.2	-0.1	0.3	0.3	0.3	0.2
Gearing ratio	2.4	3.6	1.2	2.6	3.4	3.5	3.6
Assets Quality (%)							
Non-performing loan to managed receivables	1.3%	1.4%	0.1%	1.3%	1.3%	1.4%	1.4%
Provision of impairment losses to managed receivables	1.1%	1.6%	0.5%	1.8%	1.2%	1.7%	2.1%

NEW FINANCING	FY 2011	FY 2012	Δ%	1Q 2012	2Q 2012	3Q 2012	4Q 2012
In Thousand Units							
Motorcycle	1,922	1,833	-5%	449	491	468	425
Car	100	105	4%	25	27	25	27
Total Financed Unit	**2,022**	**1,938**	**-4%**	**474**	**518**	**493**	**452**
In Billion Rupiah							
Motorcycle	20,407	19,371	-5%	4,765	5,186	4,856	4,564
Car	12,156	13,078	8%	3,142	3,353	3,077	3,506
Total Finance Amount	**32,563**	**32,449**	**0%**	**7,908**	**8,539**	**7,932**	**8,070**

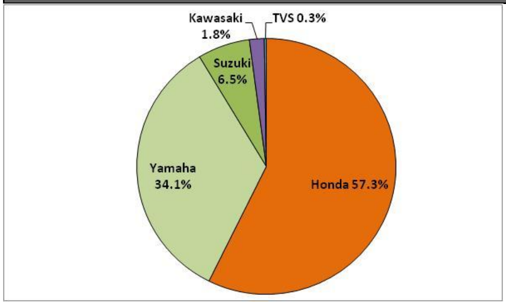
Indonesian Automotive Sector Update

Domestic New Motorcycle Sales

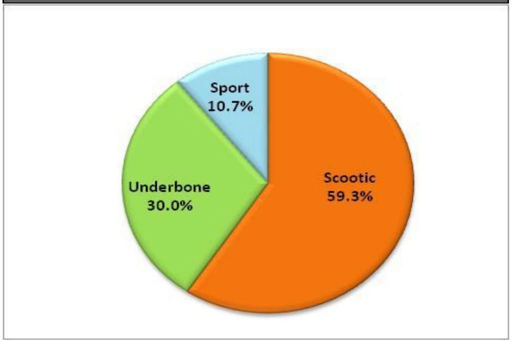


Source: Indonesian Motorcycles Industry Association (AISI)

New Motorcycle Sales by Brand 2012



New Motorcycle Sales by Type 2012

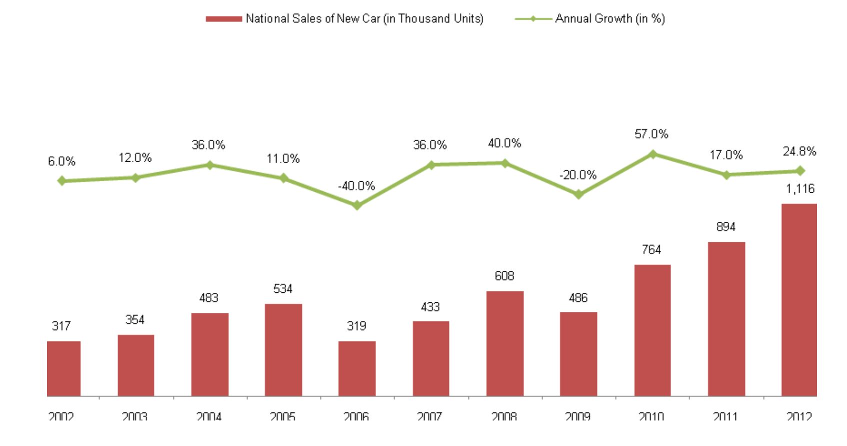


Following the record sales of 8.0 million units of new motorcycle in 2011, the domestic sales of new motorcycle faced headwinds during 2012. Prior to the introduction of minimum down-payment (DP) regulations that was effective in June 2012, the sales of new motorcycle had already declined by 7% in the first five months of 2012 as compared to the same period last year largely due to the weakening purchasing power of consumers outside Java areas as a result of falling commodity prices. The sales of new motorcycle contracted further after the implementation of the DP regulation in June 2012 as motorcycle buyers turned out to be more sensitive towards the first payment as opposed to monthly installment. Overall, the domestic sales of new motorcycle declined by 11% to 7.1 million units this year.

The drop in sales of new motorcycle varied among key players. Honda recorded a total sales of 4.1 million unit in 2012, down by 4% from last year's sales of 4.3 million units. As such, Honda gained additional 4% market share during the year, so its market share improved to 57% from 53% in the previous year. While Yamaha continued to lose market share this year as its market share dropped further from 39% in 2011 to 34% during 2012. Accordingly, Yamaha's sales dropped 23% to 2.4 million units in 2012. Suzuki, the third largest player in motorcycle, reported a total sales of 466 thousand units in 2012, or a 6% drop compared to the 2011 sales of 494 thousand units, but its market share increased from 6.1% in 2011 to 6.5% in 2012 on the back of lower industry sales.

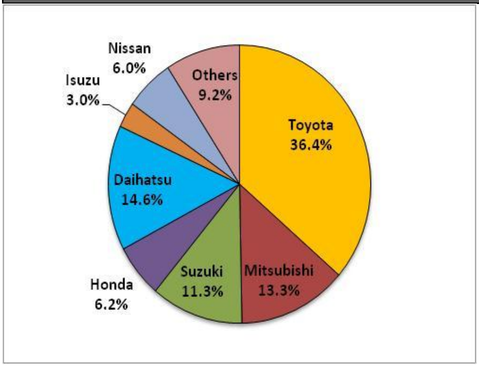
Taking into account the changes in operating environment, particularly DP regulations, as well as macroeconomic outlook, the Indonesian association of motorcycle industry (ASII) forecasts a flat growth in new motorcycle sales in 2013. However, ASII remains upbeat on the prospect of motorcycle sales in the medium term owning to low penetration rate of motorcycle of 26% of population, increasing customer purchasing power and inadequate public transportation system.

Domestic New Car Sales

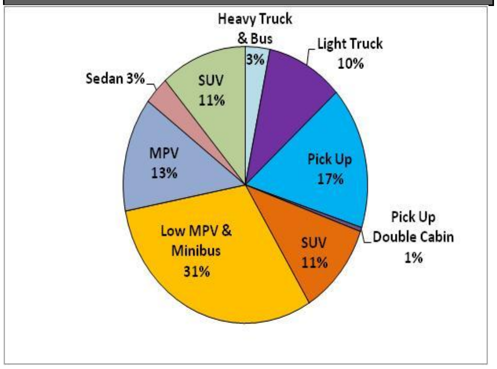


Source: Association of Indonesian Automotive Industries (GAIKINDO)

Domestic New Car Sales by Brand 2012



Domestic New Car Sales by Type 2012



Interestingly, the domestic sales of new car was less affected by the global and domestic economic environment. In contrary, the domestic sales of new cars continued to gain its growth momentum and posted a respectable 25% growth during the year. In fact, a total sales of 1.1 million in 2012 was a historically record level during the history of Indonesia automotive sector. This was largely attributable to growing number of middle class in the country whose benefited from the country's high economic growth in the past 10 year. The number of middle-income households in Indonesia increased to 60%of population in 2012 from the 20% recorded in 2000, according to several data announced separately by the World Bank, Nomura Global Economics Research and Bank Indonesia.

During 2012, the sales of passenger car grew much faster than commercial car, reflecting the rising purchasing power of customers. Sales of passenger car grew 30% to 781 thousand units, accounting for 70% of total car sales in 2012. While commercial car sales increased 15% to 335 thousand units and made up the remaining 30% of new car sales.

Toyota continued to dominate Indonesian car sales with a market share of 36% followed by Daihatsu whose market share was maintained at 15% in 2012. Both of these brands are part of Astra Group whose market share totaled 51% in 2012 as compared to 50% in the previous year. Other key players, such as Suzuki, Mitsubishi, and Nissan also reported a strong sales growth this year.

The Association of Indonesia Automotive Industries (GAIKINDO) forecast that the sales of new car will continue to grow at 10%pa in the medium term. Favorable macroeconomic condition, increasing customer purchasing power, growing number of middle class are factors driving the sales of car in Indonesia. Further, the penetration rate of car of 8% is one of the lowest in Asian countries, providing ample room for growth in the future. The atmosphere is even more positive as the Indonesian Government has finally concluded the low cost green car regulation.

Corporate Updates

PEFINDO reaffirmed Adira Finance's rating at "$_{id}$AA+" with a positive outlook

On 16th January 2013, Pefindo reaffirmed Adira Finance's corporate rating at "$_{id}$AA+", as well as its outstanding bonds, and also gave an dan $_{id}$AA+$_{(sy)}$ (*Double A Plus Syariah*) rating for the company's sukuk mudharabah issuance. Outlook for the corporate credit rating remains "positive".

The affirmation was given as the Company continues to have a very strong synergy and mutual relationship with its parent company, PT Bank Danamon Indonesia Tbk, as well as strong market presence, well diversified portfolio and sound capitalization. Constraints to the ratings are tight competition and more challenging regulatory within the industry.

ADMF Continuous Bonds II and Continuous Sukuk Mudharabah I Issuance

On 21 February 2013, Adira Finance has obtained an approval from the OJK (the Indonesia Financial Services Authority) for the issuance of Continuous Bond Program II up to Rp8 trillion, and Continuous Sukuk Mudharabah I Program of Rp1 trillion in the next 2 years.

The Phase 1 of Continuous Bond Program II and Continuous Sukuk Mudharabah I Program has been completed in March 2013 and we managed to raise a total Rp2,379 billion from these issuance:

Series	Tenor	Coupon Rates / Revenue-sharing Indicative Rates	Bonds/Sukuk Mudharabah Nominal Values (Billion Rp)	
			ADMF Continuous Bonds II Phase I	ADMF Continuous Sukuk Mudharabah I Phase I
Serial A	12month	6.85%	439	66
Serial B	24 Month	7.30%	157	27
Serial C	36 Month	7.85%	553	286
Serial D	60 Month	8.90%	851	NA
Total			**2,000**	**379**

All of the bonds and the sukuk proceeds are used to finance both motorcycle and car financing receivables, that are expected to reach Rp33 trillion in 2013.

The Company has appointed PT Standard Chartered Securities Indonesia, PT Danareksa Sekuritas, PT Indo Premier Securities and PT HSBC Securities Indonesia as the joint lead underwriters for the bonds and the sukuk issuance, as well as PT Bank Negara Indonesia (Persero) Tbk as the trustee.