Investor Newsletter

June 2015

Shareholding Composition

	1Q14	1Q15
Bank Danamon Indonesia	95.0%	95.0%
Public (≤ 5%)	5.0%	5.0%

Credit Ratings (PEFINDO)

	Rating/Outlook
Corporate	idAAA/Stable
Bonds	idAAA

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Highlights

First Quarter 2015 Results

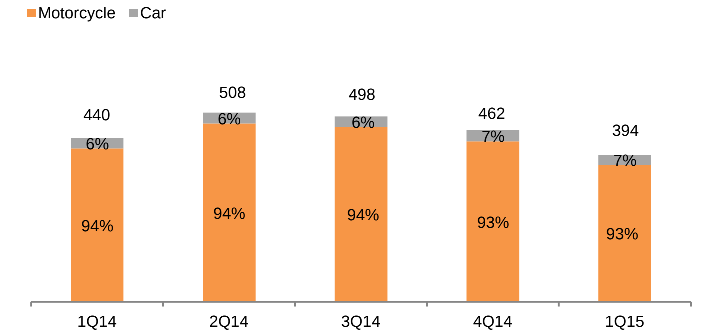
- **We booked new financing disbursement of Rp7.0 trillion or equivalent to 394 thousand units in 1Q15**. Motorcycle and car financing disbursement amounted to Rp4.0 trillion and Rp3.0 trillion, respectively. Growth was mainly contributed by used vehicle financing, whereby used motorcycle financing grew by 4% to Rp1.5 trillion, while used car financing grew by 14% to Rp1.3 trillion.
- Including joint-financing, our **managed receivables reached Rp48.2 trillion at the end of March 2015,** whereby the composition of financing receivables based was 58%:42% for self-financing and joint-financing, respectively. While the composition between motorcycle and car financing has steadily becoming more balance at 49%:51%.
- **Non-performing loans (NPL), including joint-financing receivables, stood at 1.6% at the end of March 2015,** went up slightly since end of 2014 at 1.5%. The slow-down in the overall national economic growth has affected the installment-payment ability of consumers.
- **We recorded a correction of net income to Rp76 billion in March 2015**. The correction was mainly driven by the change in income recognition in relation to OK Circular Letter No. SE-06/D.05/2013 that took an effect in March 2015 as well as pressures in economic growth, higher inflation and cost of fund environment has led to pressure on 1Q15 performance.
- **Our leverage was maintained at the level of 5.8 times until end of March 2015.** Our equity stood at Rp4.1 trillion in first quarter 2015 from Rp6.4 trillion a year earlier as we distributed final dividend of Rp2.7 trillion in 2014. As we secured external funding to support financing disbursement, our borrowings increased to Rp23.3 trillion and as such, leverage stood at 5.6 times in March 2015.

Rp billion; %	1Q14	1Q15	Δ%	2Q14	3Q14	4Q14	FY14
Total New Financing	8,072	7,001	-13.3%	8,763	8,629	8,616	34,080
Total Managed Assets[1]	48,547	48,203	-0.7%	49,132	49,484	49,619	49,619
Financing Receivables [2]	30,251	28,018	-7.4%	30,917	31,988	29,125	29,125
Total Asset	31,280	29,297	-6.3%	31,599	32,987	29,931	29,931
Total Borrowings	22,302	23,278	4.4%	22,762	24,140	23,625	23,625
Total Equity	6,401	4,140	-35.3%	3,889	3,954	4,068	4,068
Net Profit after Tax	411	76	-81.5%	131	147	104	792
ROAA [3]	5.7%	1.0%	-4.7%	1.7%	1.9%	1.3%	2.5%
ROAE	29.2%	6.9%	-22.3%	9.7%	11.3%	8.5%	16.3%
NPL [4]	1.3%	1.6%	0.3%	1.4%	1.6%	1.5%	1.5%

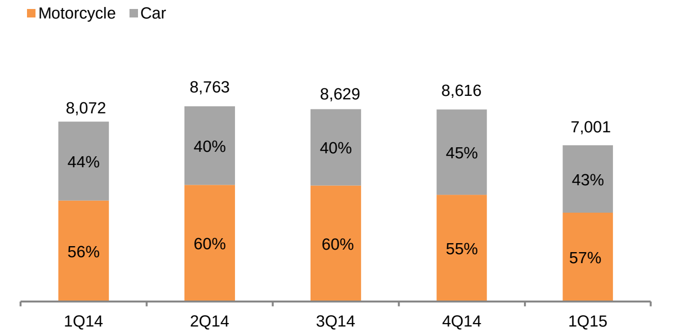
Note:
1. *Including transaction costs of Rp2,138 billion and Rp2,426 billion in 1Q15 and 1Q14, respectively;*
2. *Financing receivables from Adira Finance's self-funding before loss provision;*
3. *As percentage of Reported Assets; and*
4. *Including Joint-Financing Portion.*

Focus Charts

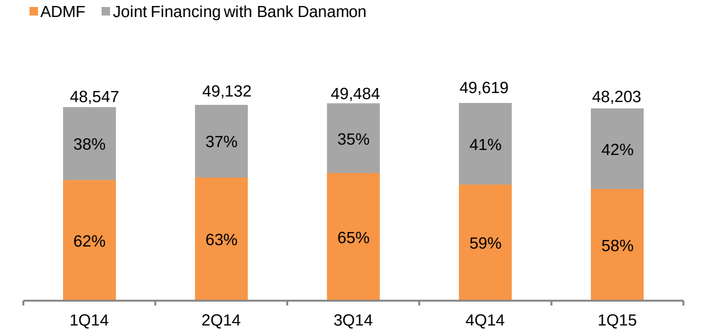
New Bookings
Thousand Units



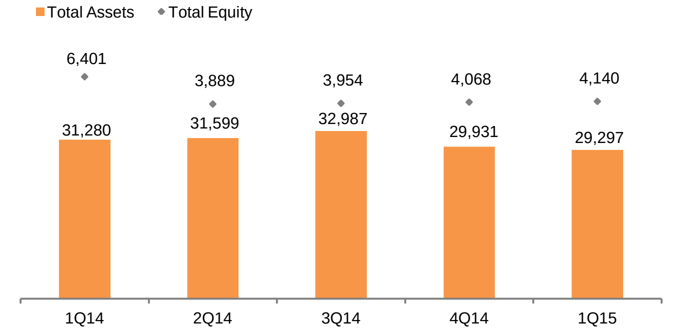
New Financing
Rp billion



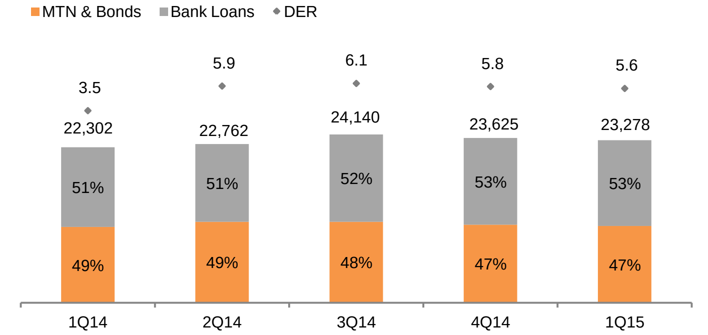
Managed Receivables
Rp billion



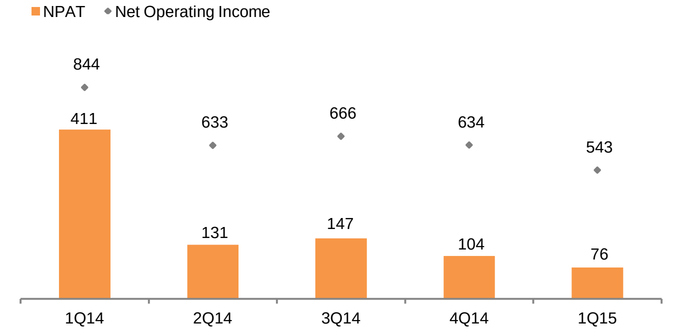
Total Assets & Total Equity
Rp billion



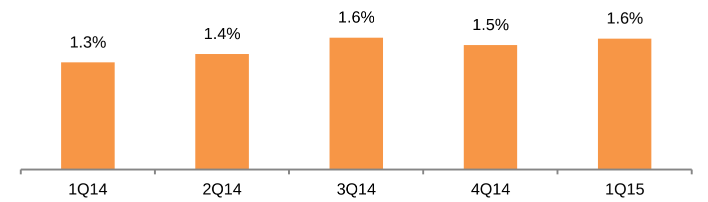
Total Borrowings & Debt-to-Equity Ratio
Rp billion; and Times



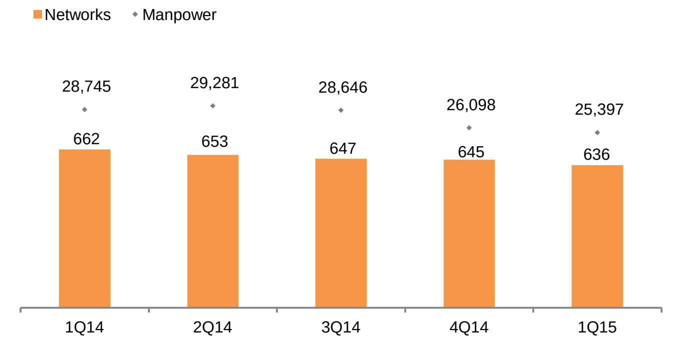
Net Operating Income & NPAT
Rp billion



Consolidated Non-Performing Loan
% of Receivables



Manpower and Networks



Note: Managed receivables include joint financing with Bank Danamon (Parent Company) and transaction costs.

New Financing

These first three months of 2015 was overshadowed by pressures in almost all of the macroeconomic indicators. Inflation was considerably high, closing at the level of 6.38% at end of March 2015. This was attributable to fuel price hike in late last year. At the same time, commodity crops harvesting did not happen evenly throughout the regions, thus leading to increased food prices. The strengthening US dollar against nearly all global currencies, including Rupiah, leading to expensive imports, even to vehicles selling price. Hence, the economic growth in this quarter was only 4.7% on the back of weak export due to softer commodity prices and lower investment growth. Although BI has lowered its benchmark interest rate by 25 bps to 7.5% since February 2015, however, businesses still consider it to be too high and expensive, thus still impeding credit growth.

All the above factors have put pressure on the purchasing power of consumers, leading to significant drops in vehicle sales in 1Q15. The national wholesale for new motorcycles was only 1.6 million units in the first three months of 2015, down by 19% as compared to the same period last year of 2.0 million units. This was the lowest level of quarterly sales in the last 5 years. All of the main brands in the country recorded corrections in their sales, except for Kawasaki. Meanwhile, the national wholesale for new cars was also under pressure, down by 14% to 282 thousand units in 1Q15 when compared to the same quarter last year sales of 328 thousand units.

We financed a total of 394 thousand units of vehicles. Around 93% our financing units was of motorcycle or equivalent to 368 thousand motorcycles and the remaining of 26 thousand was cars. Out of the total financed units, we financed 179 thousand units of new motorcycles and 12 thousand units of new cars. As such, our market shares in 1Q15for new motorcycle and new car against domestic industry sales stood at 11.1% and 4.3%, respectively. Amid intensifying competition environment since a few years back, we maintained prudent growth in order to protect margin and asset quality.

In terms of volume, our new financing disbursement amounted to Rp7.0 trillion in 1Q15. The amount went down as compared to 1Q14 whereby we managed to underwrite Rp8.1 trillion of new financing. The overall pressures on the economic environment as well as competitions have been the main drivers for the slowdown. Although there was pressure on new vehicle financing, nevertheless, we see encouraging growth in used vehicle financing. Used vehicle financing grew in the composition to 39% or equivalent to Rp2.7 trillion out of our new financing disbursement, whereby previously it was around 31% (≈ Rp2.5 trillion) a year earlier. Rising new vehicle prices due to more expensive rupiah exchange rate, particularly new cars, have boosted the opportunity for used cars as they are more affordable.

Motorcycle financing amounted to Rp4.0 trillion in 1Q15, contributing 57% of new financing disbursement for the period. The composition between new and used was 63%:37%, respectively. Used motorcycle financing went up by 4% y-o-y from Rp1.4 trillion in 1Q14 to Rp1.5 trillion in 1Q15. As for car financing, it stood at Rp3.0 trillion in 1Q15, or equivalent to 43% of our new disbursement for the first 3 months of 2015. New car financing amounted to Rp1.7 trillion, and the remaining was used cars. In 1Q15, used car accounted for 42% for the total car new disbursement for the period.

In general, the 1Q15 industry sales of two-wheelers and four-wheelers were both not as expected. The challenges from the last couple of years are expected to persist in this year, however, the industry sales might peak up again starting end of 2Q15 in anticipation of Lebaran season. During this time, we will be cautious in our financing disbursement strategy, while trying to seize available opportunity but also at the same time ensuring healthy growth.

Balance Sheet

As we manage our growth prudently, our managed financing receivables, including joint-financing, stood at Rp48.2 trillion in 1Q15. We increased the joint-financing portion in 1Q15 as a funding strategy, thus our receivables financed by the bank through this scheme has grown to Rp20.2 trillion in 1Q15 or equivalent to 42% of our total managed financing receivables. This amount went up from Rp18.3 trillion in the same period last year as after the joint-financing portion went down considerably for the last couple of years. Joint-financing scheme is a receivable financing arrangement between Adira Finance and Bank Danamon, whereby the Bank will provide 99% of financing and Adira Finance the remaining 1%. As a result, the recording of receivables in the respective financial statements will be based on the funding contribution. Meanwhile, our stand alone financing receivables amounted to Rp28.0 trillion at the end of March 2015. The majority of our managed financing receivables were contributed by consumer financing receivables, of which it comprised around 96% of our total managed portfolio and the remaining was leasing.

Net of allowance of impairment losses, our stand-alone financing receivables amounted to Rp26.8 trillion, which consisted of consumer financing and financing lease receivables amounted to Rp25.0 trillion and Rp1.8 billion, respectively. As the result of the funding strategy, our recorded stand alone financing receivables were lower than 1Q14, whereby it amounted to Rp29.3 trillion.

The slowing down in economic growth has weakened the purchasing power of consumer, and thus, impacted the ability for installment payments of some consumers as well. However, we continue to strengthen our collection effort to manage the asset quality at an acceptable level and at the same time applying a more prudent credit underwriting policy. As the result, NPL including joint-financing portion could be maintained at 1.6% in 1Q15, a slight increase as compared to 1.5% in at the end of 2014. Despite the slight increase of NPL, it is the Company's strategy to maintain NPL at the level below 2% of total managed receivables, which is considered as a reasonable level.

Operational efficiency effort is still one of the Company's strategic priorities. This is why we continue our investment in IT. It results an increase in intangible assets from Rp45.8 billion in 1Q14 to Rp67.8 billion in 1Q15. Furthermore, we continue to evaluate the effectiveness of our existing networks and to perform consolidation or opening of new networks when it is deemed necessary. Until end of March 2015, we operate 636 business networks, consisting of 200 branch offices and the remaining are smaller networks, to serve over 3 million customers across the country.

In order to have sufficient funding to support our financing activity, we have several funding alternatives. With the currently tight domestic liquidity condition, we continue to explore funding sources both from on-shore and off-shore, both from banks borrowings and capital market. This results in almost doubled off-shore bank borrowings, of which have been fully-hedged. At the end of the quarter, our total external funding (apart from joint-financing) was Rp23.3 trillion, rose 4% from Rp22.3 trillion a year earlier. The funding consisted of 53% bank borrowings, and the remaining 47% were local bonds (conventional bonds and Islamic bonds).

Our equity stood at Rp4.1 trillion in 1Q15. It was lower when compared to the position a year ago at Rp6.4 trillion, mainly driven by dividend distribution of Rp2.7 trillion or Rp2,700 per share declared in the Annual General Meeting on 16 May 2014. As such, our leverage (debt-to-equity ratio) stood at 5.6 times. The Company deemed that the current leverage level is still manageable, as it also has taken into consideration the group's capital management initiative. Moreover, this level of leverage is moderate in view of the regulatory stipulated level at 10 times.

Income Statement

The overall conditions mentioned above have translated in a moderation in our bottom line. Aside from macroeconomic pressure, some changes in regulations have impacted our operating environment as well. Nevertheless, Adira Finance continues to maintain its focus in protecting the economics of the business in order to ensure business sustainability going forward.

Our interest income rose 5% from Rp2,132 billion in 1Q14 to Rp2,229 billion in 1Q15. The growth was mainly driven by higher lending rates on the back of higher cost of fund environment. On average, our lending rate increased by 100-300 bps, vary for each product. Interest expense rose by 13% to Rp1.3 tn as majority of our financing are still self-funded. Hence our external funding went up by 4% to Rp23.3 tn. On the other hand, new cost of fund that we received for new facility withdrawal increased around 100-250 bps since 2013. Thus, our average blended cost of fund stood at 11.7%. Although the central bank had decreased the BI rate by 25 bps, however, we see slow response from the banks in adjusting their lending rates. We recorded net interest income of Rp898 billion in 1Q15, while net interest margin was at 7.9%. Fee income of Rp353 billion in the period and thus, operating income stood at Rp1.2 trillion.

As there was margin compression taking place in the industry, we put efforts to focus on operating for the costs within our control. Operating expenses rose by 4% from Rp684 billion in 1Q14 to 708 billion in 1Q15. The increase was mainly derived by higher manpower expenses that rose by 10% average due to the impact of salary adjustment from annual performance evaluation as well as to conform to the regional minimum wages increase. Another driver of higher operating expenses was maintenance for computer software as we invested more in IT. Consequently, cost-to-income ratio went up from 44.8% in 1Q15 to 56.6% in 1Q15 due to lower operating income. However, when compared against average managed financing receivables, operating expenses was manageable at the level of 6.2% in 1Q15.

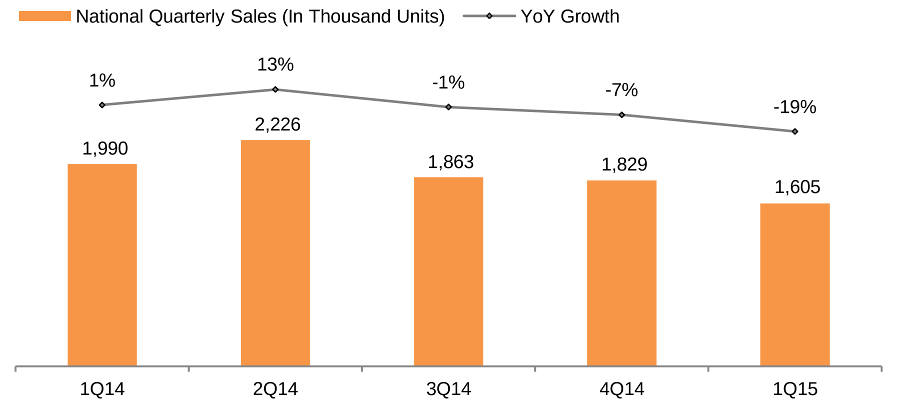
At the bottom-line, NPAT was corrected from Rp411 billion in 1Q14 to Rp76 billion in 1Q15. As the result of the above movement in income and expenses, as well as the change in income recognition in relation to OJK Circular Letter No. SE-06/D.05/2014 that took into effect in March 2014. However, this accounting recognition changes started to affect the 2Q2014 net income and not in 1Q2014, thus the year-on-year comparison for 1Q2014 and 1Q2015 could not fully reflect the actual comparison. On a quarter on quarter basis, NPAT in 4Q2014 was recorded at Rp104 billion compared to 1Q2015 at Rp76 billion.

As such, reported ROAA (as percentage of average total assets) in 1Q14 was contracted to 1.0% due to corrected NPAT yet stable total assets. ROAE (as percentage of average equity) stood at 6.9% in 1Q15 as compared to 29.2% in the same period last year. Intensifying competition as well as macroeconomic pressure has caused the industry’s profitability to normalize.

In 2015, our general strategy is to remain consistent in margin protection in the midst of uncertain operating environment through prudent risk management. At the same time, the Company will optimize its available capacity optimization through efficiency and effectiveness initiatives.

Indonesian Automotive Sector Update

Domestic New Motorcycle Sales



Source: Indonesian Motorcycles Industry Association (AISI)

The condition of motorcycle sales slowed throughout first quarter affected by various conditions: sluggish economic growth, softer commodity prices, higher inflation as well as interest rates have weakened the demand for motorcycles. Based on data from AISI, in the first quarter of 2015 national motorcycle sales declined 19% to 1.6 million units when compared with last year's sales performance of 1.9 million units.

Despite the not so encouraging industry sales, Honda still leads the national motorcycle sales and successfully distributed 1.1 million units, although corrected by 13% from 1.2 million units in the same period last year. However, its market share grew considerably to 68.1% when compared against nationwide motorcycle sales, up by 5.1% from 63.0% a year ago. This achievement was mostly because of the wide variety of products the manufacturer has to offer to customers, whereby Honda became the number one player for automatic scooter and under-bone types of motorcycle in the domestic market. Honda's automatic scooter dominantly contributed around 74.9% of the segment's sales while its under-bone around 49.8%.

Yamaha settled in the second place by selling 437 thousand units or around 27.2% national market share. Its sales were corrected by 29% from the same period last year at 617 thousand units. Followed in third and fourth place were Kawasaki and Suzuki. Kawasaki sold 42 thousand units in 1Q15, and Suzuki sales declined by 62% in 1Q15 to 31 thousand units due to stringent competition in the industry. Kawasaki was the only brand recorded increase in sales in 1Q15, up by 36% from a year ago.

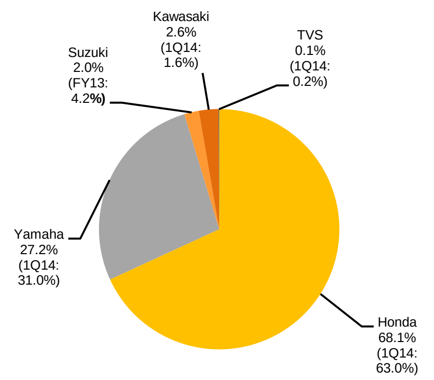
By types, scooter automatics dominate the country's motorcycles sales, contributing ¾ or 1.2 million units of national sales in 1Q15. Honda became the major brand in this type of motorcycle, whereby the brand sold 931 thousand units. Majority of Honda scooter automatic's sales was contributed by Honda Beat FI and Honda Vario Series as its best-selling variant due to its affordability as well as practicality in usage.

As for the under-bone motorcycles, the sales reached 212 thousands units or went down by 50% from 425 thousands units in 1Q14. Its market share has continued to shrink from 21.3% in 1Q14 to 13.2% in 1Q15. While sport motorcycles' sales contributed 185 thousands units until March 2015, equivalent to 11.5% market share.

AISI has revised down its sales projection to around 7 million units. However, the majority of the ATPMs hope to see an uptick of sales by the end of 1H15 in anticipation of Lebaran Season.

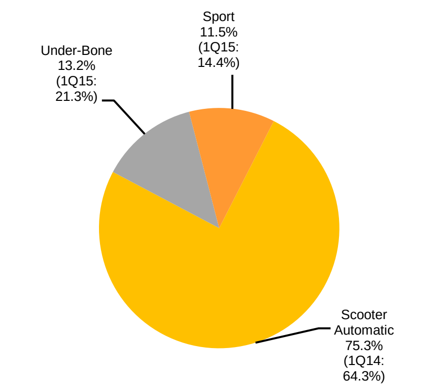
New Motorcycle Sales by Brand

1Q 2015



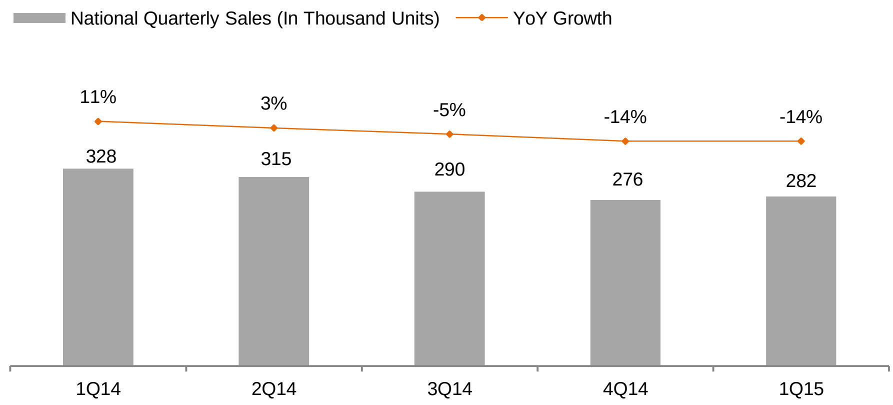
New Motorcycle Sales by Type

1Q 2015



In the competition environment, we will see manufactures competing to release new models in 2015. Yamaha even plans to release 13 new models or with minor changes to its existing products this year, while Honda 10 new models and uplifts. Suzuki is said to plan in releasing new products in every 2-3 months.

Domestic New Car Sales



Source: Association of Indonesian Automotive Industries (Gaikindo)

During the first quarter 2015 was a challenging year for the automotive business in Indonesia. Up to March 2015, car sales only reached 282 thousand units, down by 14% from 328 thousand units in 1Q14. In general, weaker economic growth and rupiah depreciation put pressure on the automotive demand, although the manufacturers and dealerships have been willing to offer discounts.

We could see that the trend of cheaper compact and MPV cars have continued to grow, whereby the brand that can offer these two types of car with introduction of new models would be able to gain market share, i.e. Honda.

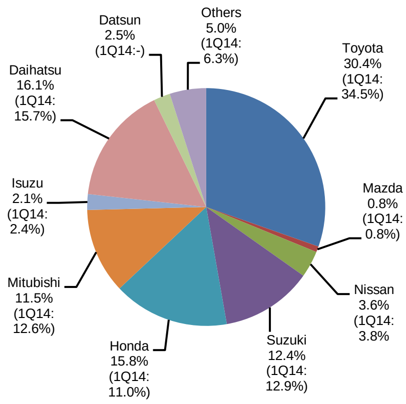
Nevertheless, amidst the economic turmoil and intense competition, Toyota could still maintain its market leading, while Daihatsu and Honda could gain some market share. Toyota sales only reached 86 thousand units, down 24% from 113 thousand units in 1Q14 and thus controlling market share of 30.4%, a correction from 1Q14 at 34.5%. Meanwhile Daihatsu sales amounted to 45 thousand units also corrected by12% from 51 thousand units in 1Q14. However, its market share went up to 16.1% from 15.7% in 1Q14. Honda seemed to be the major brand that could still managed to record fantastic growth of 23% to 44 thousand units' sales as compared to 1Q14 sales of 36 thousand units, mainly contributed by its newly launched low MPV, Mobilio as well as the compact car, Brio Satya. Thus, Honda's market share grew strongly from 11.0% in 1Q14 to 15.8% 1Q15.

The fourth and fifth positions were occupied by Suzuki and Mitsubishi. In 1Q15, Suzuki's sales went down by 17% from 42 thousand units in 1Q14 to 35 thousand units; however, its market share only went down slightly from 12.9% in 1Q14 to 12.4% in 1Q15. Mitsubishi sold 33 thousand units, down by 21% from 41 thousand units in 1Q14 following the slowdown in mining and agricultural sectors, leading to pressure on the commercial segment.

Initially Gaikindo expected that 2015 sales could be maintained at the same level as in 2014, i.e. at 1.2 million units. However, the association then revised down the expected sales to go down by around 10% from last year. Nevertheless, amidst the challenging condition, car manufacturers remain optimistic on the market in Indonesia, and they seem to anticipate future growth.

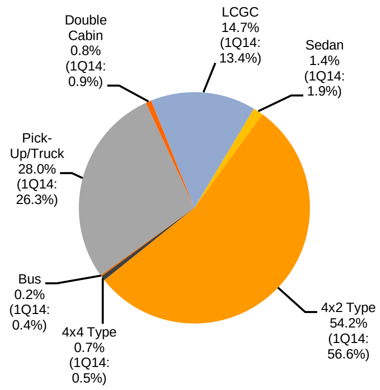
New Car Sales by Brand

1Q 2015



New Car Sales by Type

1Q 2015



Many models and uplifts are expected to be launched in this year. Toyota already has started to launch a line of products since end of last year, to mention a few are New Rush TRD and New Yaris, and there is some coming soon. Suzuki plans to have minor changes in its Ertiga model, which have been in the market for 3 years now. The release might be in 2H15 while preparing for the release of the 2nd generation of Ertiga in a few years to come.

In order for car sales to recover, GDP recovery will be one of the factors, together with lower interest rate environment to make owning cars more affordable for emerging market like Indonesia.

Corporate Updates

Settlement of Matured Debt Securities

In 1Q15, we have settled our matured debt securities amounting to Rp184 billion. The details are as follows:

Bonds	Nominal Value	Coupon Rate p.a.	Maturity Date
Adira Dinamika Multi Finance Continuing Bonds II Phase I 2013 Serial B	Rp157 bio	7.30%	1 March 2015
Adira Dinamika Multi Finance Continuing *Mudharabah* Bonds I Phase I 2013 Serial B	Rp27 bio	7.30%	1 March 2015
TOTAL	Rp184 bio		

While in 2Q15, our matured debt securities are as follows:

Bonds	Nominal Value	Coupon Rate p.a.	Maturity Date
Adira Dinamika Multi Finance Continuing Bonds I Phase II 2011 Serial C	Rp864 bio	7.75%	4 May 2015
Adira Dinamika Multi Finance Continuing Bonds II Phase III 2014 Serial A	Rp687 bio	9.60%	24 March 2015
Adira Dinamika Multi Finance Bonds V 2011 Serial D	Rp1,161 bio	10.00%	27 March 2015
TOTAL	Rp2,712 bio		

Financial Highlights

In Billion Rupiah	Mar-14	Mar-15	∆%	Jun-14	Sept-14	Dec-14	Mar-15
STATEMENTS OF FINANCIAL POSITION							
Assets							
Cash and cash equivalents	824	828	0.5%	582	981	879	828
Financing receivables - net of allowance of impairment	29,351	26,877	-8.4%	29,903	30,922	27,990	26,877
Fixed assets - net of accumulated depreciation	278	284	2.2%	268	294	296	284
Intangible assets - net	46	68	47.4%	51	58	62	68
Others	782	1,240	58.5%	796	732	704	1,240
Total assets	**31,280**	**29,297**	**-6.3%**	**31,599**	**32,987**	**29,931**	**29,297**
Liabilities							
Borrowings	11,441	12,289	7.4%	11,170	12,544	12,454	12,289
Debt securities issued – net & *mudharabah* bonds	10,861	10,990	1.2%	11,592	11,595	11,171	10,990
Others	2,577	1,878	-27.1%	4,948	4,893	2,239	1,878
Total liabilities	**24,879**	**25,156**	1.1%	**27,710**	**29,032**	**25,863**	**25,156**
Equity	**6,401**	**4,140**	**-35.3%**	**3,889**	**3,954**	**4,068**	**4,140**
Total liabilities and equity	**31,280**	**29,297**	**-6.3**	**31,599**	**32,987**	**29,931**	**29,297**

In Billion Rupiah	1Q14	1Q15	∆%	2Q14	3Q14	4Q14	FY14
INCOME STATEMENT							
Interest income	2,132	2,229	4.5%	2,093	2,183	2,251	8,660
Interest expense	(1,179)	(1,331)	12.9%	(1,210)	(1,251)	(1,318)	(4,958)
Net interest income	**954**	**898**	**-5.8%**	**883**	**932**	**933**	**3,702**
Fee income	574	353	-38.6%	442	419	428	1,843
Operating income	**1,528**	**1,251**	**-18.1%**	**1,305**	**1,351**	**1,361**	**5,545**
Operating expense	(684)	(708)	3.5%	(672)	(685)	(727)	(2,767)
Net operating expense	**844**	**543**	**-35.7%**	**633**	**666**	**634**	**2,778**
Cost of credit	(289)	(421)	45.8%	(437)	(444)	(480)	(1,650)
Other income/(expense)	(8)	(19)	132.0%	(22)	(23)	(14)	(67)
Income before income tax	**547**	**103**	**-81.2%**	**174**	**199**	**140**	**1,061**
Net income for the period	**411**	**76**	**-81.5%**	**131**	**147**	**104**	**792**

Financial Highlights

KEY RATIOS	1Q14	1Q15	Δ%	2Q14	3Q14	4Q14	FY14
Profitability and Efficiency (%)							
Return to average total assets	5.7%	1.0%	-4.7%	1.7%	1.9%	1.3%	2.5%
Return to average equity	29.2%	6.9%	-22.3%	9.7%	11.3%	8.5%	16.3%
Net income to total income	19.3%	3.9%	-15.4%	6.7%	7.1%	5.0%	9.6%
Cost to income	44.8%	56.6%	11.8%	51.5%	50.7%	53.4%	49.9%
Leverage and Liquidity (X)							
Total assets to total liabilities	1.3	1.2	-0.1	1.1	1.1	1.2	1.2
Total equity to total liabilities	0.3	0.2	-0.1	0.1	0.1	0.2	0.2
Gearing ratio	3.5	5.6	2.1	5.9	6.1	5.8	5.8
Assets Quality (%)							
Non-performing loan to managed receivables	1.3%	1.6%	0.3%	1.4%	1.6%	1.5%	1.6%
Provision of impairment losses to ADMF receivables	3.0%	4.1%	1.1%	3.3%	3.3%	3.9%	4.1%

NEW FINANCING	1Q14	1Q15	Δ%	2Q14	3Q14	4Q14	FY14
In Thousand Units							
Motorcycle	412	368	-10.6%	479	469	431	1,791
Car	28	26	-7.6%	29	29	31	117
Total Financed Unit	**440**	**394**	**-10.4%**	**508**	**498**	**462**	**1,908**
In Billion Rupiah							
Motorcycle	4,523	3,989	-11.8%	5,233	5,205	4,781	19,742
Car	3,549	3,012	-15.1%	3,530	3,424	3,835	14,338
Total Financed Amount	**8,072**	**7,001**	**-13.3%**	**8,763**	**8,629**	**8,616**	**34,080**