

Shareholding Composition

	Jun-16	Jun-17
Bank Danamon Indonesia	92.1%	92.1%
Public (≤ 5%)	7.9%	7.9%

Credit Ratings (PEFINDO)

	Rating/Outlook
Corporate	idAAA/Stable
Bonds	idAAA
Mudharabah Bonds	idAAA _(sy)

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Highlights

1H17 Results

- **Adira Finance disbursed Rp15.7 trillion of new disbursement in 1H17, rose 5% from Rp14.9 trillion in 1H16.** It comprised of motorcycle financing of 56% or equivalent to Rp8.8 trillion, car financing of 41% or Rp6.5 trillion, and remaining 3% was durables of Rp404 billion.
- **Market share for new motorcycle stood at 11.6%, whereby new car at 4.2% for 1H17.** We were able to maintain the market share in the midst of challenging new vehicle industry.
- **Sharia-based new disbursement grew 11% y-o-y to Rp4.1 trillion.** 83% of the disbursement was contributed by motorcycles and the remaining was cars.
- **As such, our managed receivables reached Rp44.5 trillion at the end of 1H2017.** The composition between external funding and joint-financing portion is 39%:61%. Car portfolio currently provided 51% of the receivables, and 48% was motorcycle. This is in line with our strategy to grow car disbursement as the future prospect is still considered high.
- **For 1H17, net income (after tax) recorded at Rp681 billion, a 15% increase from Rp593 billion in 1H16.** As such, return on reported assets stood at 4.9% for the 1H17.
- **Equity was closed at Rp5.1 trillion as of 30 June 2017, rose by 11% as compared to the same period last year.** External funding amounted to Rp21.0 trillion. As such, gearing ratio stood at only 4.1 times.

Rp billion; %	1H16	1H17	Δ%	4Q16	FY16	1Q17	2Q17
Total New Financing	14,875	15,679	5%	8,813	30,885	7,273	8,406
Total Managed Assets ¹	44,601	44,550	0%	44,448	44,448	43,769	44,550
Financing Receivables ²	25,999	27,158	4%	26,557	26,557	26,308	27,158
Total Asset	27,426	28,447	4%	27,643	27,643	27,832	28,447
Total Borrowings	20,904	20,999	0%	20,243	20,243	20,518	20,999
Total Equity	4,579	5,078	11%	4,977	4,977	5,269	5,078
Net Profit after Tax ⁵	593	681	15%	106	1,009	328	355
ROAA ^{3,5}	4.2%	4.9%	0.7%	1.5%	3.7%	4.8%	5.1%
ROAE ⁵	27.5%	27.6%	0.0%	9.0%	21.6%	27.1%	28.7%
NPL ⁴	1.8%	1.9%	0.1%	1.5%	1.5%	1.5%	1.9%

Note:

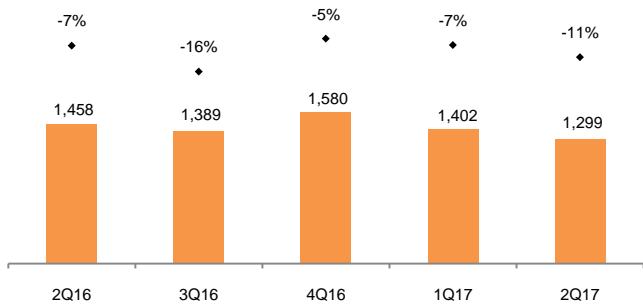
1. Including transaction costs of Rp705 billion and Rp1,302 billion in June 2017 and 2016, respectively;
2. Financing receivables from Adira Finance's self-funding before provision for losses;
3. As percentage of Reported Assets;
4. Including Joint-Financing Portion; and
5. 4Q16: Including one-time tax expense adjustment.

Focus Charts

Domestic New Motorcycle Sales

Thousand Units and %

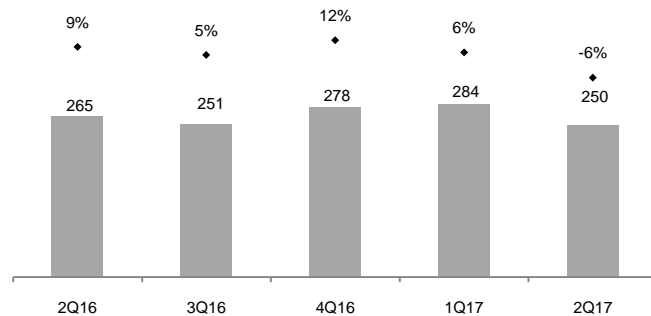
■ National Quarterly Sales ◆ YoY Growth



Domestic New Car Sales

Thousand Units and %

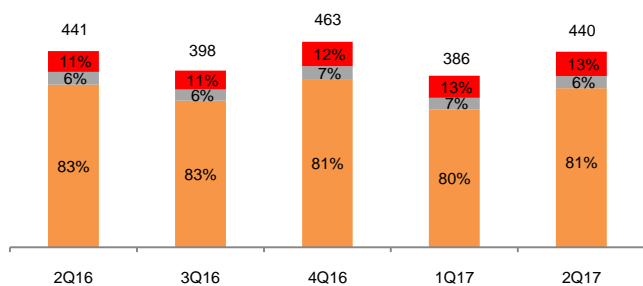
■ National Quarterly Sales ◆ YoY Growth



New Financing

Thousand Units

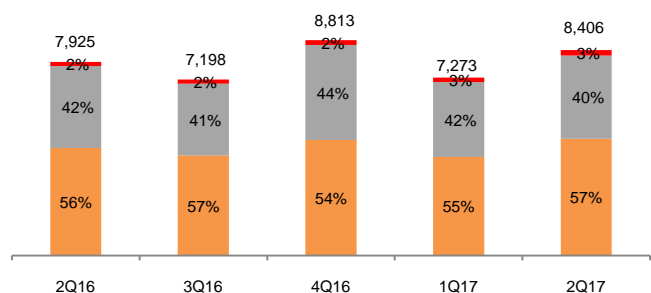
■ Motorcycle ■ Car ■ Durables



New Financing

Rp billion

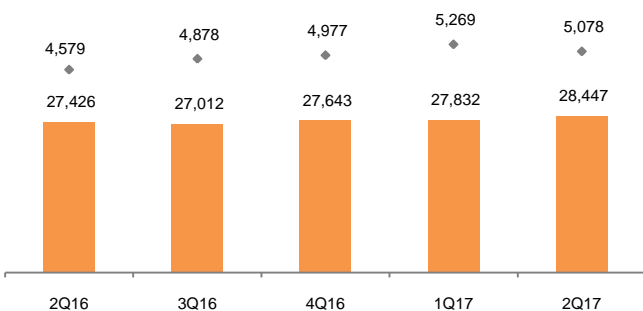
■ Motorcycle ■ Car ■ Durables



Total Assets & Total Equity

Rp billion

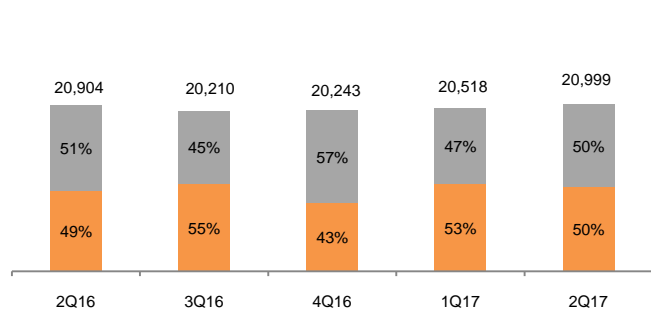
■ Total Assets ◆ Total Equity



Total Borrowings

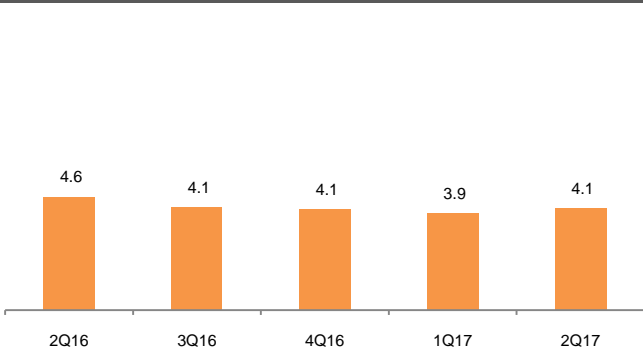
Rp billion

■ Bonds & Sukuk ■ Bank Loans



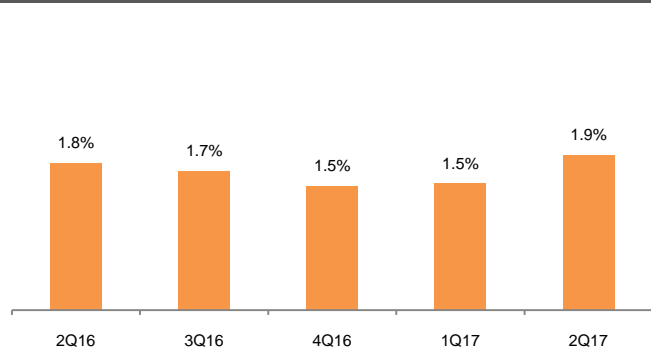
Gearing Ratio

Times



Consolidated Non-Performing Loan

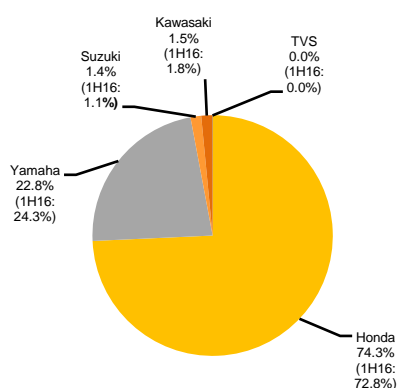
% of Receivables



Note: Industry data sources from Indonesian Motorcycles Industry Association (AISI) and Association of Indonesian Automotive Industries (Gaikindo).

Indonesian Automotive Sector Update

New Motorcycle Sales by Brand 1H 2017



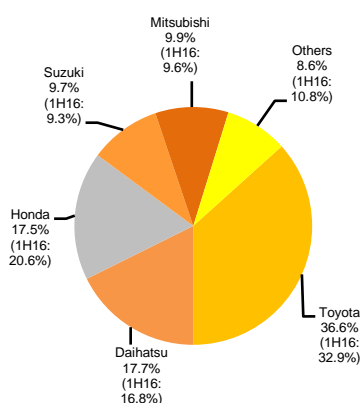
In 2Q17, GDP growth remained flat as in the first quarter, stood at 5.01%. Inflation increased to 4.37% for the quarter, mainly due to seasonal factor, i.e. the Eid al-Fitr which drove the increase in transportation and food prices. Additionally, electricity tariff adjustment was cited as one of the contribution to the higher inflation as well. Bank Indonesia maintained the 7-day reverse repo rate at 4.75%, which has come down by 75 bps as compared to June 2016. Thus far, the prospect for the Indonesian GDP growth remained flattish.

The domestic motorcycle sales experienced contraction until 1H17, of which wholesales data showed a slowdown of 9% y-o-y from 3.0 million units to 2.7 million units. Almost all of the manufacturers recorded negative growth in the semester. There were several main causes for the slowdown. The real sector was still considered weak, whereby people are still cautious in their spending. Moreover, electricity tariff had increased impacting SME customers, as the government is making effort to decrease energy subsidy to channel the funds to a more productive spending.

In 1H17, Honda secured 74% of the new motorcycle wholesales market in Indonesia, an equivalent to 2.0 million units despite of a 7% sales drop from 1H16 at 2.2 million units. Meanwhile, Yamaha held 23% market share for the semester with 615 thousand units. Kawasaki and Suzuki settled at 1.5% and 1.4% market share, respectively.

In terms of segment of motorcycle, 2.2 million units of auto-scooters were sold in 1H17, or contributed for 81% of national new motorcycle sales. The second best selling motorcycle segment was sport with 265 thousand units sales, hence it has almost 10% market share nationally. The remaining was underbone with 239 thousand unit's sales. Currently, Honda is the market leader for all three segments of motorcycles. It has 78% market share in the national auto-scooter sales, 45% in sport and 69% in underbone segments.

New Car Sales by Brand 1H 2017



Domestic new car wholesales volume for 1H17 reached 534 thousand units, it was flat as compared to 1H16. While monthly sales for the first 5 months of 2017 were 93 thousand units, it settled at 66 thousand units in June 2017. Manufacturers cited shorter effective working days for the month as the main cause as it coincided with the Eid al-Fitr and long holidays.

Commercial car sales have started to pick up after a slump since 2014, up by 7% to 113 thousand units. Truck was the main driver for growth in commercial vehicle sales for the semester, with 22% increase year-on-year. Manufacturer observed several reasons for such growth, among others the infrastructure growth due to higher government spending; stronger commodity prices, particularly palm oil and coal. While transportation and logistics sector remained stable, but not considered as the significant contributor for growth. On the other hand, passenger segment was stagnant at 421 thousand units. The backbone for this segment's sales was lower MPV and LCGC.

Toyota strengthened its market lead by pushing its sales to grow double digits at 12% year-on-year, ending at 196 thousand units in 1H17 and market share reaching 36.6%. Other major brands also recorded stronger growth. Daihatsu with 5% growth year-on-year and market share of 17.7%, both Mitsubishi and Suzuki recorded sales uptick of 4% to 53 thousand and 52 thousand, respectively.

Although Honda's sales were contracted, however, it could still position itself in the 3rd position after Toyota and Daihatsu. With such progress, Gaikindo viewed that sales target of 1.1 million units in 2017 is still achievable.

New Financing

In Semester I-2017, Adira Finance underwrote 826 thousand new contracts, of which a total of 313 thousand of new motorcycles and 22 thousand of new cars were financed by the Company. Adira Finance has been focusing to grow its new car portfolio, particularly the passenger segment, which resulted in a 5% year-on-year growth in the overall new car financed units. As such, the market shares (as compared to the domestic new vehicle wholesales) stood at 11.6% and 4.2%, respectively, for new motorcycles and new cars. The other contributors for the new disbursement were used vehicles (both motorcycles and cars) with 386 new contracts and durables with 105 new contracts.

As such, the amount disbursed in 1H17 reached Rp15.7 trillion, with motorcycle remained as the major contributor at 56%, an equivalent of Rp8.8 trillion. Car consisted of 41% to our total disbursement, amounted to Rp6.5 trillion. The remaining 3% came from non-automotive products, durables, amounted to Rp404 billion.

In the last few years, used vehicles financing recorded stronger growth as new vehicles sales were still under pressure. While new vehicles' disbursement amount grew by 3% year-on-year to Rp9.1 trillion, used vehicles' rose 9% to Rp6.2 trillion as used vehicles became a more affordable option.

In 1H17, sharia financing registered 11% year-on-year growth to Rp4.1 trillion from Rp3.8 trillion in 1H16. Motorcycle financing became the growth driver as we financed Rp3.5 trillion for 1H17, rose 31% from the same period last year at Rp2.7 trillion. As such, the portfolio contribution also increased to 83% in sharia new financing for 1H17.

Balance Sheet

As of 30 June 2017, total managed financing receivables stood at Rp44.5 trillion; with joint-financing portion was 39% or equivalent to Rp17.4 trillion. The stand-alone financing receivables before provision for losses, stood at Rp27.1 trillion at the end of June 2017, rose by 4% from 1H16 at Rp26.0 trillion. Motorcycle portfolio now contributed 48% of the Company's managed receivables, while car portfolio contributed around 51% and the remaining was durables.

Total assets were recorded at Rp28.4 trillion at the end of Semester I2017. Stand-alone financing receivables contributed 91% to our total assets, whereas the regulated financing to assets ratio is at 40%.

As of 30 June 2017, the external funding amounted to Rp21.0 trillion, went up slightly by Rp95 billion from the same period last year. Bank borrowings amounted to Rp10.4 trillion, whereby Rp5.6 trillion was on-shore borrowings and the remaining off-shore borrowings amounted to Rp4.8 trillion. Almost all of our off-shore borrowings are syndicated loans, which have been fully-hedged in order to manage the external risks. The other source of funding, namely bonds and mudharabah bonds, amounted to Rp10.0 trillion. Thus, the composition between bank borrowings and bonds stood at equal contribution.

Reported equity for the period stood at Rp5.1 trillion, rose by 11% from the same period last year at Rp4.6 trillion, mainly driven by the increase in net income for the period, which rose by 15%. We have distributed dividend in June 2017, amounted to Rp505 billion. As such, at the end of June 2017, the gearing ratio stood at 4.1 times, far below from the regulated level of 10 times.

Income Statement

Adira Finance recorded interest income of Rp4.7 trillion, up 4% year-on-year as compared 1H16. The current interest environment has been favorable, with the central bank continued to loosen its monetary policy through lower benchmark rate. In addition, we have continued to diversify our source of fund. Hence, our interest expenses went down by 12% to Rp2.1 trillion. As such, the average cost of funds decreased to 9.8%, down from last year at 10.9%.

Therefore, net interest income posted Rp2.6 trillion in 1H17, or equivalent to net interest margin of 12.4%. Given the fee income of Rp531 billion, operating income stood at Rp3.2 trillion. Operating expenses rose 8%, mainly driven by increased minimum wages, hence, amounted to Rp1.5 trillion in 1H17. For these reasons, cost-to-income ratio improved slightly to 47.2% in 1H17 from 48.6% from the same period last year as operating income improved.

Stand-alone cost of credit was manageable at Rp652 billion in 1H17. The Company has continued to be prudent in its financing disbursement in midst of uncertain economic growth, and it has undertaken effective initiatives in maintaining asset quality. Net income after tax rose by 15% to Rp651 billion in 1H17 from Rp593 billion in 1H16. As a result, ROAA (as percentage of average total assets) in 1H17 increased to 4.9% from 4.2% in 1H16. While ROAE (as percentage of average equity) was well maintained at 27.6%.

Corporate Updates

Issuance of Bonds and Mudharabah Bonds

In July 2017, the Company issued Adira Finance *Continuing Bonds III* Phase VI, with total amount of Rp769 billion, with the following details:

Description	Serials	Nominal Value	Coupon Rate p.a./Sharing Revenue Ratio	Maturity Date
Adira Finance Continuing Bonds III Phase VI	A	Rp251 bn	7.10%	24 July 2018
	B	Rp450 bn	8.10%	14 July 2020
	C	Rp68 bn	8.40%	14 July 2022
Total		Rp769 bn		

As such, the Company has completed the issuance of the Continuing Bonds III and Continuing Mudharabah Bonds II. Since July 2015, the total amount issued reached Rp8 trillion for Continuing Bonds III and Rp972 billion for Continuing Mudharabah Bonds II.

Financial Highlights

<i>In Billion Rupiah</i>	Jun-16	Jun-17	Δ%	Sep-16	Dec-16	Mar-17	Jun-17
STATEMENTS OF FINANCIAL POSITION							
Assets							
Cash and cash equivalents	1,100	1,240	13%	1,055	941	1,563	1,240
Financing receivables - net of allowance of impairment	24,885	25,853	4%	24,549	25,321	25,048	25,853
Fixed assets - net of accumulated depreciation	229	217	-5%	229	225	221	217
Intangible assets - net	71	93	31%	70	80	82	93
Others	1,141	1,044	-8%	1,109	1,076	919	1,044
Total assets	27,426	28,447	4%	27,012	27,643	27,832	28,447
Liabilities							
Borrowings	10,722	10,413	-3%	9,177	11,620	9,572	10,413
Bonds payables - net & <i>mudharabah</i> bonds	10,182	10,586	4%	11,033	8,623	10,946	10,586
Others	1,943	2,369	22%	1,924	2,423	2,045	2,369
Total liabilities	22,847	23,369	2%	22,134	22,666	22,562	23,369
Equity	4,579	5,078	11%	4,878	4,977	5,269	5,078
Total liabilities and equity	27,426	28,447	4%	27,012	27,643	27,832	28,447

<i>In Billion Rupiah</i>	1H16	1H17	Δ%	4Q16	FY16	1Q17	2Q17
INCOME STATEMENT							
Interest income	4,542	4,708	4%	2,315	9,136	2,335	2,373
Interest expense	(2,369)	(2,083)	-12%	(1,100)	(4,595)	(1,064)	(1,019)
Net interest income	2,173	2,625	21%	1,215	4,541	1,271	1,354
Fee income	671	531	-21%	362	1,360	247	284
Operating income	2,844	3,156	11%	1,577	5,901	1,518	1,638
Operating expense	(1,382)	(1,488)	8%	(714)	(2,792)	(735)	(753)
Net operating expense	1,462	1,668	14%	863	3,109	783	885
Cost of credit	(698)	(652)	-7%	(381)	(1,448)	(317)	(335)
Other income/(expense)	27	(4)	-113%	17	57	16	(20)
Income before income tax	791	1,012	28%	499	1,718	482	530
Net income for the period	593	681	15%	106	1,009	328	355

Note: Several accounts have been reclassified to follow the presentation in the financial statements as of 30 June 2017.

Financial Highlights

KEY RATIOS	1H16	1H17	Δ%	4Q16	FY16	1Q17	2Q17
Profitability and Efficiency (%)							
Return to average total assets ²	4.2%	4.9%	0.7%	1.5%	3.7%	4.8%	5.1%
Return to average equity ²	27.5%	27.6%	0.0%	9.0%	21.6%	27.1%	28.7%
Net income to total income ²	14.4%	15.5%	1.1%	4.8%	12.0%	15.2%	16.0%
Cost to income	48.6%	47.2%	-1.4%	45.3%	47.3%	48.4%	47.2%
Leverage and Liquidity (X)							
Total assets to total liabilities	1.2	1.2	0.0	1.2	1.2	1.2	1.2
Total equity to total liabilities	0.2	0.2	0.0	0.2	0.2	0.2	0.2
Gearing ratio	4.6	4.1	-0.5	4.1	4.1	3.9	4.1
Assets Quality (%)							
Non-performing loan to managed receivables ¹	1.8%	1.9%	0.1%	1.5%	1.5%	1.5%	1.9%

NEW FINANCING	1H16	1H17	Δ%	4Q16	FY16	1Q17	2Q17
<i>In Thousand Units</i>							
Motorcycle	704	669	-5%	377	1,410	311	358
Car	53	53	0%	32	109	26	27
Durables	86	105	22%	55	183	50	55
Total Financed Unit	843	826	-2%	463	1,703	386	440
<i>In Billion Rupiah</i>							
Motorcycle	8,369	8,808	5%	4,726	17,196	4,027	4,781
Car	6,171	6,467	5%	3,882	12,985	3,060	3,406
Durables	335	404	21%	205	705	185	219
Total Financed Amount	14,875	15,679	5%	8,813	30,885	7,273	8,406

Note:

1. Including Joint-Financing Portion; and
2. 4Q16: Including one-time tax expense adjustment.

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