Investor Newsletter

May 2019

Shareholding Composition

	Mar-19
Bank Danamon Indonesia	92.1%
Public (≤ 5%)	7.9%

Credit Ratings (PEFINDO)

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

Credit International Ratings

	Rating/Outlook
Moody's	Baa2
Fitch	BBB

Contacts

Perry B. Slangor perry.slangor@adira.co.id
Evelyn Rosiana evelyn.dewi@adira.co.id
Investor Relations af.investor.relation@adira.co.id

Adira Finance
Corporate Secretary & Investor Relations
The Landmark I, 26th-31st Floor
Jl. Jenderal Sudirman No. 1
Jakarta 12190
Phone : +62-21 5296-3232, 5296-3322 (hunting)
Fax : +62-21 5296-3354
Website : www.adira.co.id

Highlights

3M19 Results

- **Financing disbursement rose 9% to Rp 9.46 trillion in 1Q19** from Rp8.69 trillion in 1Q18. Car financing grew 7% to Rp 4.18 trillion, while motorcycle financing was up by 12% to Rp 4.72 trillion. The remaining was non-automotive amounted to Rp554 million.
- With new motorcycle financed amounted to 179 thousand units and new car financed reached 13 thousand units, **market shares for new motorcycle and car were 10.8% and 5.0%, respectively at the end of 1Q19.** As such, the market share of motorcycle declined slightly 50 bps and market share of car increased by 70 bps from the same period last year.
- Along with the growth in new disbursement, **managed receivables registered at Rp52.6 trillion at the end of March 2019, an increase of 14% year-on-year.** The composition between self-borrowing and joint financing portion was 57%:43%.
- **Other sources of funding, bank borrowings and bonds issued, amounted to Rp23.0 trillion**, increased 9% year-on-year in supporting the growth in new disbursement.
- **Net income (after tax) in March 2019 reached at Rp 462 billion,** increased by 4% from Rp 443 billion in 1Q18. ROAA stood at 6.0% for the 1Q19.
- **Equity stood at Rp 6.57 trillion as of March 31, 2019,** rose by 6% from the same period last year with an increase in net income net-off dividend distribution from FY18 net income. As such, return on equity was 28.8% in 1Q19.

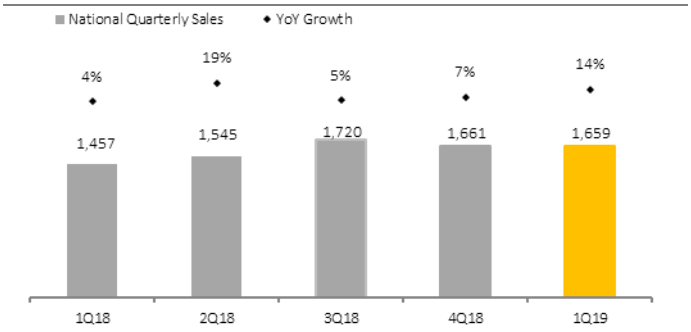
Rp billion; %	1Q18	1Q19	Δ%	2Q18	3Q18	4Q18	1Q19
Total New Financing	8,690	9,456	9%	9,671	9,842	10,002	9,456
Total Managed Assets	46,076	52,581	14%	48,071	49,653	51,296	52,581
Financing Receivables[1]	27,030	30,196	12%	28,023	28,511	29,315	30,196
Total Asset	29,788	33,196	11%	29,754	30,741	31,496	33,196
Total Borrowings	21,075	22,974	9%	21,324	21,661	21,968	22,974
Total Equity	6,199	6,570	6%	5,980	6,451	7,028	6,570
Net Profit after Tax	443	462	4%	431	478	463	462
ROAA [2]	6.2%	6.0%	-0.2%	5.9%	6.5%	6.1%	6.0%
ROAE	32.0%	28.8%	-3.2%	30.3%	32.1%	29.6%	28.8%
NPL[3]	1.6%	1.7%	0.1%	1.9%	1.8%	1.7%	1.7%

Note:
1. Including transaction costs of Rp424.6 billion and Rp349 billion in March 2019 and March 2018, respectively;
2. Financing receivables from Adira Finance's self-funding before provision for losses;
3. As percentage of Reported Assets.

Focus Charts

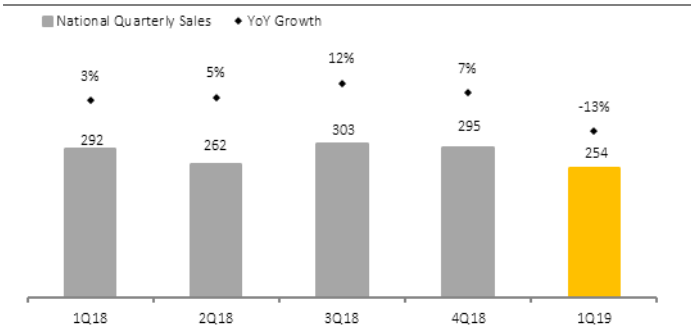
Domestic New Motorcycle Sales

Thousand units and %



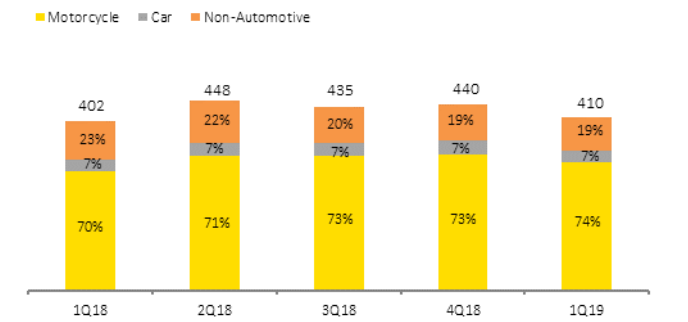
Domestic New Car Sales

Thousand units and %



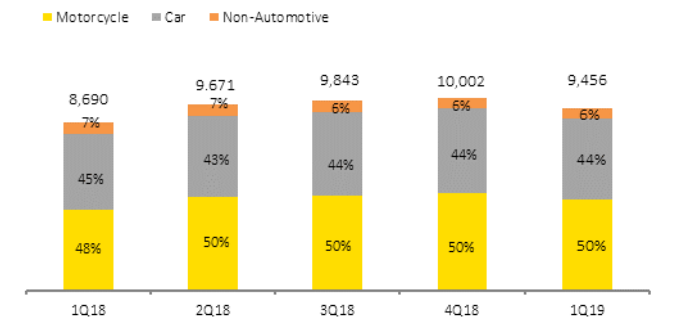
New Financing

Thousand units and %



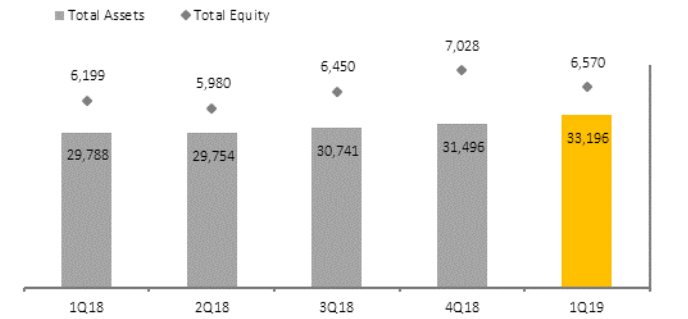
New Financing

Rp billion and %



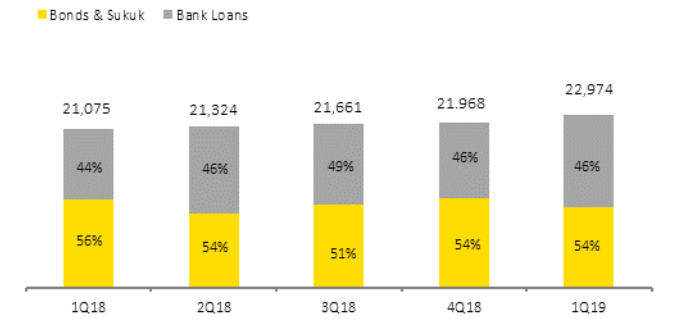
Total Assets & Total Equity

Rp billion



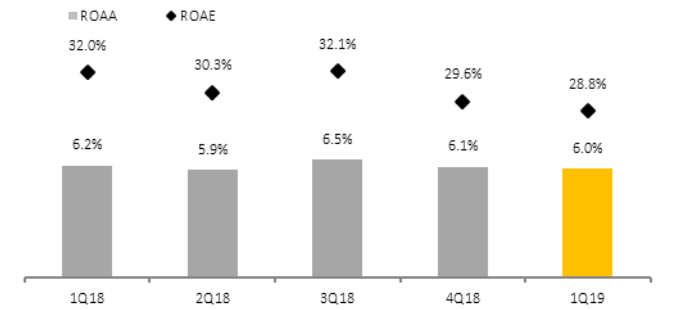
Total External Borrowings

Rp billion and %



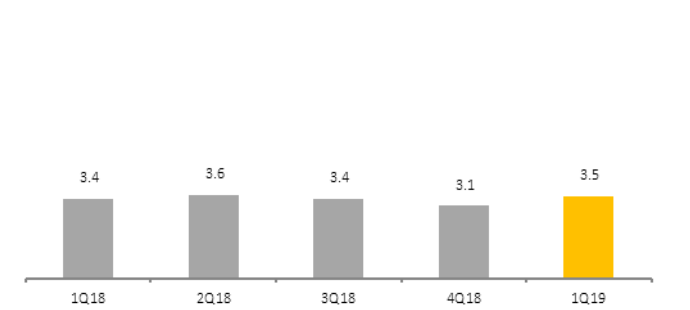
Returns on Assets and Equity

% of Reported Assets and Equity



Gearing Ratio

Times



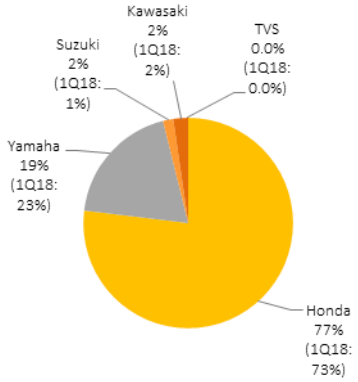
Note: Industry data sources from Indonesian Motorcycles Industry Association (AISI) and Association of Indonesian Automotive Industries (Gaikindo).

Indonesian Automotive Sector Update

Bank Indonesia estimated Q1 2019 GDP growth at 5.2%. Social spending and election related spending supported GDP growth. FOMC gave a strong hint that US fed rates are going to remain unchanged for this year, in which Bank Indonesia responded to hold BI rate at 6%. Global growth is decelerating due to the fading effect of US fiscal stimuli and decelerating Europe and China growth as tensions in trade intensifies between US and China. Rupiah remain stable at Rp 14,200 as Bank Indonesia intervened to defend Rupiah at Dec 2018. With more than $120 billion foreign exchange reserves, Bank Indonesia has the means to defend Rupiah in the future. Inflations were at a low level of 2.5% in 1Q19.

New Motorcycle Sales by Brand

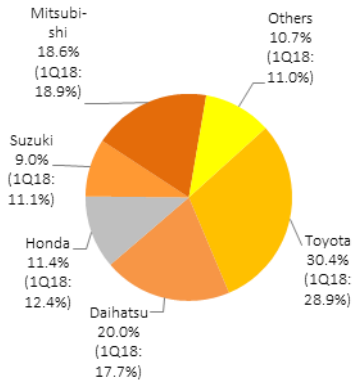
1Q 2019



The domestic new motorcycle sales recorded 14% growth year-on-year to 1.66 million units in 1Q2019compared to 1.46 million units in 1Q 2018. Honda recorded a 19% increase to 1.275 million units while Yamaha recorded 319 thousand units (Yamaha figure is an estimated number). Suzuki posted an80% growth to 26 thousand units sales while Kawasaki grew by 18% to reach 38 thousand units sales**.**

New Car Sales by Brand

1Q 2019



In FY18, domestic new car wholesales volume closed at 1,151 thousand units; an increase of 7% from FY17. Toyota is still leading the industry sales with 352 thousand units sold in FY18 and thus controlling 30.6% of market share. In the 2nd place, Daihatsu trails Toyota in sales reaching 203 thousand units with market share of 17.6%.

Overall 4W sales went down by 13% year on year in 1Q2019 compared to 1Q2018 to 254 thousand units. Both passenger cars and commercial cars segment went down by 13%, thus the composition of the commercial and passenger cars have remained the same at 24.2%:75.8%, respectively. Commercial cars went down partly because infrastructure projects are being delayed and volatility in commodity markets. while Gaikindo suspected that distribution or marketing issues in the car companies are causing the overall 13% decrease in passenger cars Mitsubishi.

Toyota sales went down by 9% to 77 thousand units, Daihatsu sales were relatively flat (down 2.3%) at 51 thousand units and Mitsubishi sales went down by 15% to 44 thousand units. Toyota still occupies the largest market share position of 30.4% down 1.5% from1Q 2018, followed by Daihatsu which has 20% market share, up 2.3% from 1Q2018 and Mitsubishi held a 18.6% market share, slightly down by 0.4% from 1Q2018.

New Financing

In 1Q2019, Adira Finance recorded 410 thousand units in new , booking, slightly up by 2% compared to 1Q2018Our market share in motorcycle segment was at 10.8% while our market share in car segment stood at 5%.

In terms of Rupiah amount, ADMF posted a9% growth to Rp 9,456 billion. New motorcycle grew by 15% to Rp 3.43 tn and used motorcycle increased by 7% to Rp 1.3 tn. New car segment grew by 4% to Rp 2.36 tn and used car segment went up by 12% to Rp 1.82 bn. Finally, Q1 2019 non-automotive segment is at Rp 158 million.

New financing motorcycle segment grew by 12% to Rp 4.72 tn. Honda and Yamaha contributed the most exhibiting overall growth of 19% and 11% to Rp 2.74 tn and Rp 1.6 tn respectively. Yamaha growth was stronger, growing by 26% to Rp 1.17 tn compared to Q1 2018, with Honda only grew by 9% to Rp 2.05 tn. In ADMF's used motorcycle segment, Honda grew the most posting 15% growth to Rp 699 bn while Yamaha grew modestly with overall 2% growth to Rp 430 bn.

In the overall car segment, the growth of the commercial car segment began to show a slowdown compared to the passenger car segment, where commercial and passenger's growth was recorded at 2% and 10% to Rp 1.64 tn and Rp 2.55 tn respectively. Lower commercial cars growth was mainly attributable by the delay in infrastructure spending due to impending election and low commodity prices.

To date, Jabodetabekser has been growing by 22% of total new financing disbursement, Java (excluding Jabo) at 13%, BNT at 21% and Sulawesi 3%. Meanwhile, Sumatera and Kalimantan's declined by 4% and 7%, respectively.

Balance Sheet

Overall managed receivables grew by 14% y-o-y to Rp 52.6 tn in 1Q2019. Compared to FY 2018 at Rp 51.3 tn, the annualized growth is 10.5% which is a decent double digit's growth. New motorcycle grew by 16% to Rp 18.0 tn and used motorcycle rose by 9% to Rp 5.2 tn. New car went up by 14% to Rp 17.3 tn and used car increased by 17% to Rp 10.1 tn. Meanwhile, MPL services grew by 9% y-o-y to Rp 396 Bn in 1Q2019.

Total assets increased by 11% to Rp 33.2 Tn, mainly driven by growth in financing receivables (12%) from Rp 25.7 tn in 1Q2018 to Rp 28.7 tn in 1Q2019. Our liabilities grew by 13% from Rp. 23.6 tn to Rp. 26.6 tn to support increasing receivables. Total borrowing grew by 9% to Rp 23.0 tn. Finally, total equity grew by 6% to Rp. 6,570 bn compared to Q1 2018. At end of April, we distributed dividend amounted to Rp 908 bn, which was equivalent to 50% of net income in 2018.

We have maintained our consolidated NPL (before allowance) at 1.7% in March 2019. Our prudent underwriting process is an essential part of our our risk management practice.

In supporting our receivable growth, we have continued to diversify our funding sources to attain optimal and competitive borrowing. As of March 2019, total external borrowing comprised of 53% bank loans (on-shore and off-shore) and 47% of bonds.

Furthermore, the Company also obtained joint financing from its parent company, Bank Danamon, amounting to Rp 22.4 tn or representing 43% of our managed receivables.

Income Statement

In 1Q 2019, Adira Finance booked net income of Rp 462 bn, grew 4% from Q1 2018. In 1Q2019, interest income increased by 12% to Rp 2.91 tn, while interest expense grew by 13% to Rp 1.14 tn compared to last year. As the result, in 1Q2019 net interest income grew by 12% to Rp 1.77 tn compared to same quarter last year. Furthermore, operating income grew by 8% to Rp 1.948 tn, and operating expense rose by 8% to Rp 906 bn, driven by increasing salaries and administrative expenses. Consequently, net operating income was registered at Rp 1,042 bn, growing by 8% compared to Q1 2018. Cost of credit went up by 15% to Rp 409 bn. As the result our income before tax and our net income grew by 4%.

Overall, Cost-to-income ratio (CIR) was stable at 46.5% at Q1 2019, representing no change from Q12018. In terms of profitability, ROE stood at 28.8% and ROA stood at 6.0%. Our leverage (gearing ratio) based on running equity went slightly up from 3.4x to 3.5x in Q1 2019 due to impending dividend payment

Corporate Updates

Issuance of Bonds VI Phase III/2018.

In August 2018, the Company issued Adira Finance Continuing Bonds VI Phase III with a total amount of Rp2.26 trillion. This is part of the public offering consisting of Continuing Bonds VI amounted Rp9 trillion and Continuing Mudharabah Bonds III amounted Rp1 trillion. The details of the phase I issuance is as follows:

Description	Serials	Nominal Value (Rp Bn)	Coupon Rate p.a./Sharing Revenue Ratio	Maturity Date
Adira Finance Continuing Bonds VI Phase III	A	696.25	7.50%	26 August 2019
	B	119	8.00%	16 August 2020
	C	715.50	8.50%	16 August 2021
		268.50	9.00%	16 August 2022
	D	460.75	9.25%	16 August 2023
Total		Rp 2.260 bn		

Issuance of Bonds VI Phase IV/2019.

Description	Serials	Nominal Value (Rp Bn)	Coupon Rate p.a./Sharing Revenue Ratio	Maturity Date
Adira Finance Continuing Bonds VI Phase IV	A	232	8.05%	3-Feb-20
	B	58	9.00%	23-Jan-22
	C	328	9.50%	23-Jan-24
Total		Rp 618 bio		
Continuous Sukuk Mudharabah III Phase III	A	127	8.05%	3-Feb-20
	B	55	9.00%	23-Jan-22
	C	32	9.50%	23-Jan-24
Total		Rp 214 bio		

Financial Highlights

In Billion Rupiah	Mar-18	Mar-19	Δ%	Jun-18	Sep-18	Dec-18	Mar-19
STATEMENTS OF FINANCIAL POSITION							
Assets							
Cash and cash equivalents	1,463	1,352	-8%	1,536	1,480	1,689	1,352
Financing receivables – net of allowance of impairment	25,654	28,686	12%	26,605	27,087	27,872	28,686
Fixed assets – net of accumulated depreciation	219	243	11%	228	248	245	243
Intangible assets - net	109	121	11%	112	121	120	121
Others	2,343	2,794	19%	1,273	1,806	1,570	2,794
Total assets	29,788	33,196	11%	29,754	30,741	31,496	33,196
Liabilities							
Borrowings	9,346	12,282	31%	11,579	10,579	11,778	12,282
Debt securities issued – net & sukuk mudharabah	11,729	10,692	-9%	9,745	11,082	10,190	10,692
Others	2,514	3,652	45%	2,450	2,629	2,500	3,652
Total liabilities	23,589	26,626	13%	23,774	24,290	24,468	26,626
Equity	6,199	6,570	6%	5,980	6,451	7,028	6,570
Total liabilities and equity	29,788	33,196	11%	29,754	30,741	31,496	33,196

In Billion Rupiah	1Q18	1Q19	Δ%	2Q18	3Q18	4Q18	1Q19
INCOME STATEMENT							
Interest income	2,595	2,914	12%	2,658	2,760	2,854	2,914
Interest expense	(1,014)	(1,143)	13%	(1,007)	(1,061)	(1,126)	(1,143)
Net interest income	1,581	1,772	12%	1,651	1,699	1,728	1,772
Fee income	216	176	-18%	194	195	188	176
Operating income	1,797	1,948	8%	1,845	1,894	1,916	1,948
Operating expense	(836)	(906)	8%	(870)	(825)	(862)	(906)
Net operating expense	961	1,042	8%	975	1,069	1,054	1,042
Cost of credit	(355)	(409)	15%	(379)	(397)	(424)	(409)
Other income / (expense)	(1)	(2)	259%	(1)	(10)	(6)	(2)
Income before income tax	605	632	4%	595	661	624	632
Net income for the period	443	462	4%	431	478	463	462

Financial Highlights

KEY RATIOS	1Q18	1Q19	Δ%	2Q18	3Q18	4Q18	1Q19
Profitability and Efficiency (%)							
Return to average total assets	6.2%	6.0%	-0.2%	5.9%	6.5%	6.1%	6.0%
Return to average equity	32.0%	28.8%	-3.2%	30.3%	32.1%	29.6%	28.8%
Net income to total income	18.1%	17.2%	-0.9%	17.4%	18.5%	17.4%	17.2%
Cost to income	46.5%	46.5%	-0.1%	47.2%	43.6%	45.0%	46.5%
Leverage and Liquidity (X)							
Total assets to total liabilities	1.3	1.2	0.0	1.3	1.3	1.3	1.2
Total equity to total liabilities	0.3	0.2	0.0	0.3	0.3	0.3	0.2
Gearing ratio	3.4	3.5	0.1	3.6	3.4	3.1	3.5

NEW FINANCING	1Q18	1Q19	Δ%	2Q18	3Q18	4Q18	1Q19
In Thousand Units							
Motorcycle	281	303	8%	318	317	323	303
Car	29	31	7%	31	31	32	31
Durables	92	78	-15%	100	87	85	78
Total Financed Unit	**402**	**412**	**2%**	**448**	**435**	**440**	**412**
In Billion Rupiah							
Motorcycle	4,198	4,720	12%	4,871	4,908	5,023	4,720
Car	3,903	4,182	7%	4,143	4,364	4,406	4,182
Durables	588	554	-6%	658	571	573	554
Total Financed Amount	**8,690**	**9,456**	**9%**	**9,672**	**9,842**	**10,002**	**9,456**

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