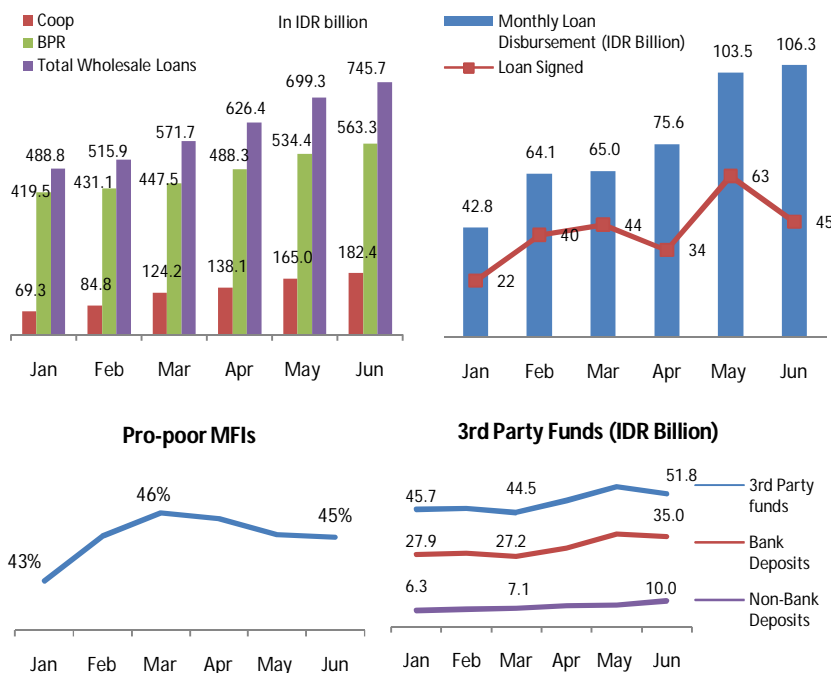


## INVESTOR QUARTERLY REPORT

2<sup>nd</sup> QUARTER 2012 HIGHLIGHTS**Loan Disbursement Achieved a Steady Increase**

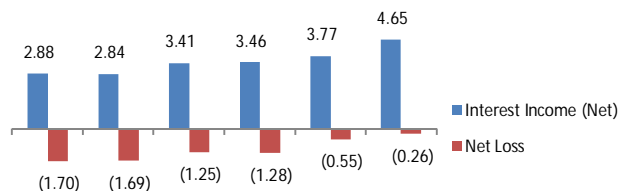
Bank Andara recorded steady increase loan disbursements with total wholesale loans of IDR 745.7 billion in the second quarter of 2012. Monthly loan disbursement in June 2012 increased more than 60% (or IDR 41.3 billion) from the end of last quarter or 148% (IDR 63.5 billion) from January this year. Meanwhile percentage of Pro-poor MFIs in June 2012 was increased from January 2012. See [p.5](#) and [p.6](#) for details.

**Third-party Funds Increased**

Deposit from other banks was increased from IDR 272.3 billion in March 2012 to IDR 350.2 billion in June 2012, mainly caused by an increased liquidity in some large MFIs that deposit their fund in Bank Andara. Time deposit from non-bank also increased due to the significant growth of loan to non-bank MFIs. See [p.5](#) for details.

**Decreasing Monthly Burn Rate**

As business grows, the Bank's monthly burn rate during the first quarter was decreased. During the period, the Bank Net Loss is Net Loss was IDR 257 million decreased significantly (388%) from the end of the first quarter of IDR 1.25 billion. See [p.4](#) for details.

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**Our issue this quarter**

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**About Bank Andara**

Bank Andara is a wholesale banking institution with a social and a financial bottom line. We opened for business in April 2009, and currently serve as a strategic banking partner to the Indonesian microfinance sector, providing loans and services to MFIs. Established by a trusted international investment consortium, Bank Andara's shareholders include IFC, KfW, Hivos-Triodos Fond, and Developing World Markets, a global investor in microfinance. The bank currently works with more than 500 MFIs throughout Indonesia and hopes to reach 1,400 MFIs in the next three years. The microfinance sector in Indonesia is among the world's largest, with an estimated 40,000 MFIs operating in the country.

**Vision**

Alleviating poverty through the sound and profitable operation of a wholesale banking institution supporting MFIs to provide the poor with access to financial products and services.

**Mission**

To be the premier, pioneering financial partner of the Indonesian microfinance sector, promoting innovation and massive outreach to those lacking access to financial services.

## From the Board of Directors

Dear Friends of Bank Andara,

We are pleased to present the highlights of Bank Andara's second quarter of 2012 performance.

First of all, allow us to convey our heartfelt thank you to all our stake holders for your continuing support in growing Bank Andara. In April we celebrated our 3<sup>rd</sup> anniversary, another year of executing full commitment to support microfinance in Indonesia. As a wholesale bank in Indonesia that has been active for 3 years, Bank Andara continues to dedicate itself to poverty reduction and financial inclusion by working exclusively with micro finance institutions (MFIs). Through partnership that has expanded to more than 600 MFIs, of which 45% of its client borrowers (or 174 MFIs) are pro poor MFIs, Bank Andara has potential reach to more than 900.000 customers. Up to June 2012, Bank Andara has successfully disbursed loans to 397 MFIs in the regions of Java, Bali, Sumatra, and some parts of Kalimantan and Sulawesi with a total loan of IDR 737.9 billion (audited) realized, a healthy 30% increase from IDR 572.3 billion in March 31, 2012 (unaudited)\*. It is a clear vision of Bank Andara to provide more efficient flows of capital, and better mechanisms to deliver sustainable, innovative and accessible banking products and services to the poor in Indonesia through MFIs on a larger scale, thus helping to drive economic growth and reduce poverty.

In addition to this backdrop, we would also like to announce that in the second quarter of 2012, the Bank continued trending positively as per 2012 Business Plan to reach break-even in July 2012 by decreasing its monthly loss number. The reported June 2012 Net Loss was IDR 257 million decreased significantly (388%) from the end of the first quarter of IDR 1.25 billion (unaudited). Also in the second quarter, the Bank has signed a IDR 50 billion 1-year borrowing deal from PT. Bank Ekonomi Tbk, a member of HSBC group. The loan was signed on 19 June 2012 and the news released to the press on July 3<sup>rd</sup>, which was well covered in the local media on 4 July 2012.

As of end-June 2012, additional capital amounting to IDR 66 billion was injected by the Bank's existing shareholders: DWM, KfW, as well as IFC and Mercy Corps as two of initial Bank Andara's shareholders. For this continuous long term commitment and support, we would like to extend our thanks to our shareholders for their full and long-term support of the Bank's mission, that is truly putting MFIs at the center of all we do thus make the Bank champion of the MFIs.

On the technology side, the bank also continued to make improvements in AndaraLink installations. By June, there were 309 active MFIs in the AndaraLink network with total transaction volume increased to 12,725 transactions from 11,082 transactions in March 2012. On the governance side, the Fit and Proper process of Mr. David H.L. Yong as the new President Director is now approved by Bank Indonesia as of May 30, 2012. Also, following the Bank Andara's Head Office relocation to Jakarta, starting by 9 July 2012 Bank Andara is effectively supervised by Bank Indonesia Jakarta or Department of Banking Supervisory II / Departemen Pengawasan Bank (DPB II).

To conclude, in April 2012, Ms. Hamidjaja has tendered her resignation as Compliance and HR Director of Bank Andara. On behalf of the Board of Directors and all Bank Andara's employees, allow us to extend our deepest gratitude to Ms. Hamidjaja for her invaluable contributions to the Bank, and wish her well in her future endeavors. At the same time, we would also like to extend a warm welcome to Mr. David H.L. Yong as our newly appointed President Director. With the wealth of talent and depth of international banking expertise Mr. Yong offers Bank Andara, we are confident that his appointments will significantly strengthen the Bank's capabilities to achieve its mission.

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\* Some of the numbers provided in 1<sup>st</sup> Quarter 2012 Investor Quarterly Report may have slightly changed as the numbers included here are now audited.

Once again, we thank you all for your continuing support of the development of Bank Andara. We will continue to focus on improving the Bank's performance, profitability and human impact, as well as strengthening our organization and human resources as a strong platform for future growth. If you would like to become more directly involved, please e-mail us at [investorrelations@bankandara.co.id](mailto:investorrelations@bankandara.co.id).

Sincerely,

**Bank Andara Board of Directors**

## Finance and Operations

### Finance

- During these months, total loans have increased in line with the growth in total interest revenue, with decreasing monthly loss aiming at reaching break-even in July 2012.

<b>BALANCE SHEET (IDR million)</b>	<b>30-Apr</b>	<b>31-May</b>	<b>30-Jun</b>
<b>ASSETS</b>			
Cash & Short-term Investment	116,164	92,926	112,899
Marketable Securities	5,730	5,730	5,713
Total Loans (Net)	619,846	692,050	737,941
Fixed Assets (Net)	16,337	16,025	15,710
Other	34,811	34,713	34,383
<b>TOTAL ASSETS</b>	<b>792,889</b>	<b>841,445</b>	<b>906,646</b>
<b>LIABILITIES</b>			
Third Party Funds	493,239	546,265	517,633
Fund Borrowings	112,046	107,841	157,893
Other Liabilities	16,585	16,855	60,894
<b>TOTAL LIABILITIES</b>	<b>621,870</b>	<b>670,961</b>	<b>736,419</b>
<b>EQUITY</b>			
Total Paid Up Capital	263,812	263,812	263,812
Other Comprehensive Income	161	178	178
Retained Earnings	(92,955)	(93,507)	(93,764)
<b>TOTAL EQUITY</b>	<b>171,019</b>	<b>170,483</b>	<b>170,226</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>792,889</b>	<b>841,445</b>	<b>906,646</b>
<b>TIER 1 CAPITAL</b>	<b>147,282</b>	<b>146,729</b>	<b>146,473</b>

<b>INCOME STATEMENT (IDR million)</b>	<b>30-Apr</b>	<b>31-May</b>	<b>30-Jun</b>
Total Interest Revenue	7,371	8,128	8,450
Total Interest Expense	3,916	4,356	3,802
Interest Income - Net	3,455	3,772	4,648
Total Other Operating Revenues	126	64	155
Total Operating Expenses	4,897	4,402	5,090
Net Operating Income/Loss	(1,316)	(566)	(287)
Net Non Operating Revenue/Expense	35	13	30
EBIT	(1,281)	(553)	(257)
Tax Benefit/ Expense	-	-	-
<b>NET INCOME (LOSS)</b>	<b>(1,281)</b>	<b>(553)</b>	<b>(257)</b>

- The Bank continues to achieve net interest income growth (5.28% in April 2012 to 5.58% in June 2012) through an increase in loan volume growth (Loan-to-total funding from 103.58% in April 2012 to 110.47% in June 2012).

<b>RATIOS</b>	<b>30-Apr</b>	<b>31-May</b>	<b>30-Jun</b>
Capital Adequacy Ratio (CAR)	23.03%	20.71%	19.40%
Loan Deposit Ratio (LDR)	127.11%	128.13%	144.17%
Loan to Total Funding	103.58%	107.00%	110.47%
Return on Assets (ROA)	-2.33%	-1.99%	-1.69%
Return on Equity (ROE)	-10.35%	-9.04%	-7.86%
NIM	5.28%	5.35%	5.58%
Op Expense to Op Income (YTD)	121.27%	118.04%	115.23%
Yield on Lending	13.64%	13.50%	13.40%
COF (Cost of Fund)	7.92%	7.85%	6.34%
<b>PAR</b>			
>30 days (excl. old BSP loans)	0.00%	0.00%	0.00%
>30 days (incl. old BSP loans)	0.03%	0.01%	0.02%

## Operations

The following is the current position of our staff:

<b>Operations</b>	<b>30-Apr</b>	<b>31-May</b>	<b>30-Jun</b>
Offices	2	2	2
Total Staff	151	149	148
BOD	4	4	3
Jakarta	86	82	83
Bali	61	63	62
AO	27	28	28
FO	9	8	8
BO	6	6	6

## Loan and Deposit Portfolio

- New loans & placements signed continued to grow through June 2012. From April to June 2012, 248 new loans have been signed with total disbursements amount of IDR 285.4 billion.
- Time deposit from non-bank was increasing to the significant growth of loan to non-bank MFIs.
- Deposit from other banks was increased from IDR 272.3 billion in March 2012 to IDR 350.2 billion in June 2012, mainly caused by an increased liquidity in some large MFIs that deposit their fund in Bank Andara.

<b>Cumulative Loan &amp; Deposit Portfolio</b>	<b>30-Apr</b>	<b>31-May</b>	<b>30-Jun</b>
Amount of Loans & Placements Outstanding (IDR million)	626,350	699,333	745,723
Number of Deposits Account	1,237	1,320	1,351
Amount of Third Party Funds (IDR million)	493,239	546,265	517,633
Non-Bank Deposits Outstanding (IDR million)	81,534	84,673	100,279
% of Non-Bank Deposits Outstanding	16.53%	15.50%	19.37%
Bank Deposits Outstanding (IDR million)	305,173	360,752	350,209
% Bank Deposits Outstanding	61.87%	66.04%	67.66%
Andara Bersama BPR (ABB) Participating MFIs*	178	187	191
Number of MFIs Borrower	359	377	387

Number of MFIs Depositor	587	596	610
Andara Link Installed to MFIs	251	285	309
Number of MFIs served	592	600	622

Notes:

\* Pooled liquidity management facility with 1:1 fund matching from Bank Andara, currently implemented with BPRs in Bali and Greater Jakarta. Currently, Bank Andara puts short-term liquidity fund placements with approximately 25 of the participating BPRs of IDR 150 million each on average

## Pro-poor Information

### Top Ten Pro Poor

After disbursing loan to PT MBK Ventura (MBK) and Koperasi Mitra Dhuafa (KOMIDA) in the first quarter of 2012, Bank Andara has topped up loan to KOMIDA in amount of IDR 5 Billion in June 2012. Right now Bank Andara is in process of analyzing an MFI that focus in serving rural slum area in Jakarta and greater Jakarta area.

### Social Deposit

This quarter, Bank Andara is actively looking for private or state owned company to join the Social Deposit through their CSR fund. Bank Andara have been visiting and sending proposals to several private companies such as SOS International, Sophie Paris, HOLCIM Cement Indonesia and also NGOs such as Indonesia Netherland Association (INA) and Horticulture Partnership Support Program (HPSP).

### Emergency Liquidity Fund

As of June 2012, ILFAD (Indonesia Liquidity Facility after Disaster) has 39 members which consist of 27 BPRs and 12 Cooperatives in West Sumatera, Jakarta & Central Java. Mercy Corps has just provided disaster preparation training to ILFAD members through AMIDA (Academy for Microfinance Development in Asia).

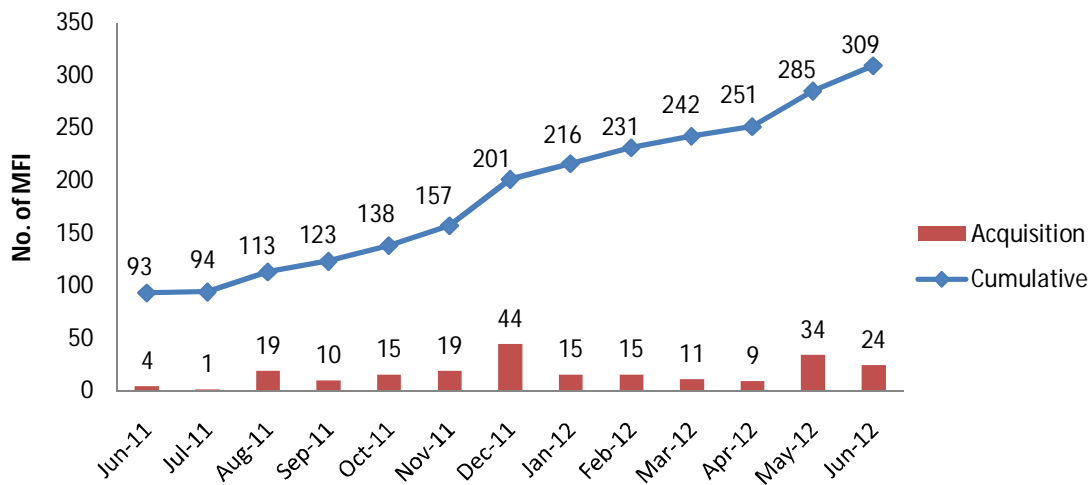
<i>Coverage and Pro-Poor Portfolio</i>	30-Apr	31-May	30-Jun
<b>Geographic Coverage</b>			
Sumatra	35	36	37
Jakarta & Banten	17	17	18
West Java	85	88	87
Central Java	57	58	60
Jogjakarta	5	5	5
East Java	55	62	64
Sulawesi	19	25	30
Bali, NTB (West Nusa Tenggara), NTT (East Nusa Tenggara)	86	86	86
<b>Pro-Poor Portfolio</b>			
Number of Pro-Poor Lending MFI	165	170	174
Number of Non Pro-Poor Lending MFI	194	207	213
Pro-Poor Percentage	46%	45%	45%

## IT Projects

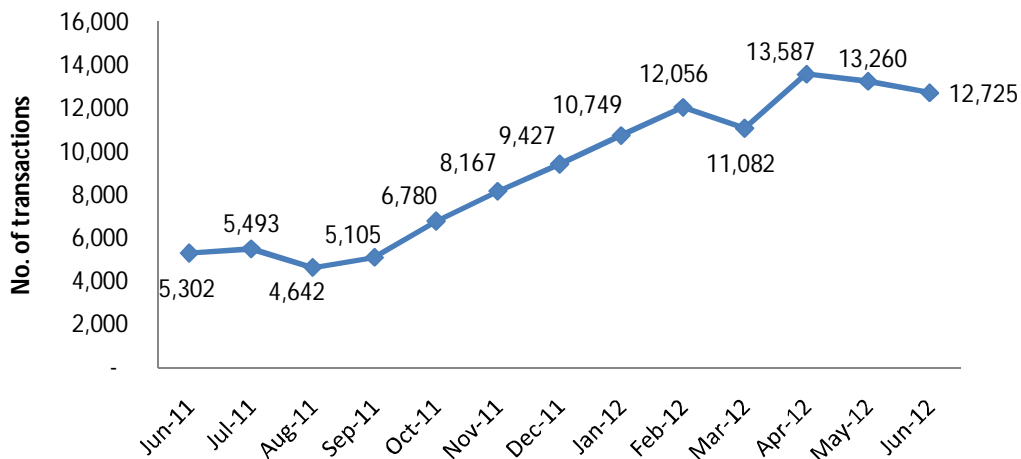
### Andara-Link Payment Hub

AndaraLink network has grown to 309 active MFIs in June 2012, a 54% increased from December 2011 joining MFIs. Transaction volume during the second quarter of 2012 has increased from the end of the first quarter; nevertheless it showed a decreasing patterns starting from April until end of June 2012 due to a lower electricity bill payment transactions in some large participating MFIs, such as BPR Rama Ganda, KSP Rias, BPR Dana Multi Guna, and Puskopdit Jatim.

### Growth of MFI Joining AndaraLink



### Growth of Transaction Volume



In the development, Bank Andara has signed a cooperation agreement with [PT. Bank Negara Indonesia](#) (Bank BNI 46), one of the state owned banks, to provide international remittance feature in AndaraLink system. Bank Andara through AndaraLink will become Bank BNI 46 partner as cash payment point of incoming remittances sent from abroad and MFIs under AndaraLink network will become a payment counter.

In addition to cooperation with one of state owned bank, Bank Andara has also followed a certification process in PLN, the state owned electricity company. In order to provide prepaid electricity payment feature in AndaraLink system, the certification or system test is requested by PLN to synchronize the whole technical process involved such as proof of payment print out and so on with AndaraLink system.

Shared core banking system (SCBS) project, as part of the joint online saving program development, has finished up the implementation process in BPR Artharindo, Jakarta. Currently BPR Artharindo is running the shared core banking system along with their existing core banking system. Product development is being tested in BPR Darmawan in Bekasi while Credit Union Kubu Bingin in Ubud Bali is under a negotiation process to implement the system.

## Corporate Governance

### 1. HEAD OFFICE RELOCATION

Following the Head Office (HO) relocation to Jakarta, Bank Indonesia has issued the letter of notification on Supervisory changes. Starting by 9 July 2012 Bank Andara is effectively supervised by Bank Indonesia Jakarta or Department of Banking Supervisory II / Departemen Pengawasan Bank (DPB II). Bank Andara is planned to have a courtesy meeting with to DPB 2 in anytime soon.

### 2. CEO FIT AND PROPER PROCESS

Bank Indonesia have approved Mr. David Yong' Fit and Proper (F&P) on May 30, 2012 and effectively approved Mr. Yong as the President Director of Bank Andara as of June 22, 2012. In addition, Bank Indonesia has also administratively recorded Ms. Irene Hamidjaja resignation as Bank Andara Compliance Director. Following these composition changes, Bank Indonesia Denpasar released an advisory letter which mentioned a request to submit F&P Proposal for New Compliance Director by October 5, 2012 at the latest, and the BOD Composition should consider BI regulation on foreign worker.

### 3. NEW PRODUCT/OTHER PROPOSALS

Bank Indonesia have approved AndaraLink's enhancement feature of "Mobile Version" on March 28, 2012. Bank Indonesia have also approved AndaraLink's enhancement feature of "International Remittance" on Jun 20, 2012 and to outsource Data Center and Data Recovery Center on July 3, 2012.

Meanwhile, Bank Indonesia was unfortunately cannot approved the Joint Saving proposal due to several conditions that must be met in order to pursue its approval.

### 4. SOP ADEQUACY AND RISK ASSESSMENT PROJECT

The SOP Update and Adequacy Identification have been completed on June 20, 2012 with results of 32 inputs. During the identification process, Bank Andara has completed 5 (five) new SOPs amendments: Anti Fraud Strategy Policy, Outsourcing Policy, Time Deposit Procedure, Checking Account Procedure, and Credit Risk Review (New Format). In addition to that, Bank Andara have established operational & compliance internal risk limits on 4 areas as the result of operational and compliance risk assessment: Accounting, Loan Admin, AndaraLink (IT Operation and Back Office Operation), and Treasury.