

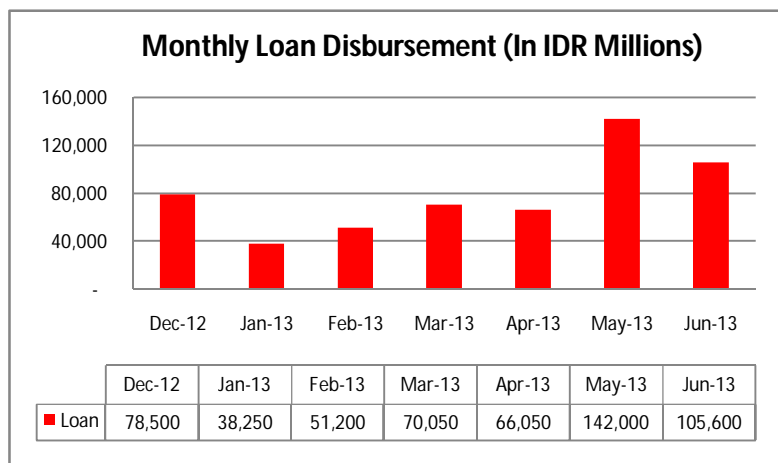
INVESTOR QUARTERLY REPORT



2nd QUARTER 2013 HIGHLIGHTS

Loan Disbursement Shows Promising Growth

Bank Andara reached its all-time high record of monthly loan disbursement, a whopping IDR 142 Billion loan distributed to MFIs in May 2013. Although the pace declined a bit in June, the IDR 100 Billion disbursement marks the promising growth of the development of the Bank.



Profitability Stabilizes

The Bank's monthly profitability continues, despite a dip into the red zone in April due to unpredicted tax obligation, fee payment and increased loan loss reserves. The following months showed that the operating income of the Bank is sufficient to cover the costs.

Funding Mix Improvement

Bank Andara received IDR 57 billion loan facility from Standard Chartered Bank Indonesia in June 2013. The two-year, fixed interest rate loan came at the height of high lending season. To support daily liquidity management, Bank Andara also obtained interbank call money facility from Bank Sinarmas in the same month. The continued search for long term funding remains high on the agenda.

In Third Party Funds acquisition, the Bank attracted several new prominent corporations and individuals as depositors during this quarter. They believe in the mission of Bank Andara, and they also want to support the micro finance community.

See [p.3](#) for details.

Trainings for Client

As our commitment to support capacity building for MFIs, Bank Andara conducted training in several MFIs, such as leadership training in Badung Bali for village banking (Lembaga Perkreditasi Desa), in South Sulawesi for cooperatives, tailor-made service excellence training to Koperasi Karya Usaha Mandiri, credit analysis training to a group of Bank Perkreditasi Rakyat (BPR) and Koperasi Karunia Group in Cibubur Jakarta.

Anniversary Celebration

In commemoration of Bank Andara's anniversary on 20 April 2013, all branches conducted social events. The crew did volunteer work, donated cash, used books and toys, food, clothing, medicine and health supplies to orphanage and nursing homes.

Investor Relations

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About Bank Andara

Bank Andara is a wholesale banking institution with a social and a financial bottom line. We obtained BI approval to open for business in January 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 Mercy Corps, IFC, KfW, Hivos-Triodos Fond, and Developing World Markets, a global investor in microfinance. The Bank currently works with more than 700 MFIs throughout Indonesia and hopes to reach 1,400 MFIs in the next three years. The microfinance sector in Indonesia is among the worlds largest, with an estimated 40,000 MFIs operating in the country.

Vision

As catalyst to large scale outreach to millions of Indonesians who have no access to the financial sector by providing innovative financial products and services to and through microfinance institutions.

Mission

To improve millions of low-income Indonesian livelihood by enabling access to a wide range of financial services through productive partnership with Indonesian microfinance institutions on a responsible and financially sustainable basis.

Dear friends of Bank Andara,

We are pleased to present the highlights of Bank Andara's second quarter 2013 performance.

Bank Andara continues to demonstrate a positive growth in its fourth year of existence, be it under a more dynamic and challenging market environment. There are improvements in every aspect of the Bank.

We have decided to focus more to further improve our operations and business model. In the area of lending, although our target now is to maintain minimum of IDR 100 billion monthly disbursement, we have also become more selective in choosing our clients. With almost all top rated BPR already among our clients, we have to be more prudent with the next layer of the rural bank community and cooperatives.

Our objective is clear, we are focusing more on quality over quantity. The strengthening of the Bank's Risk Management is one of the major steps we have taken since the middle of last year, and this effort continues for all of 2013.

Providing additional fuel to our spirit to further develop the Bank, Infobank magazine no 441 (June 2013) awarded Bank Andara a rating as "Bagus" (Good) for the second year in a row.

With our two branches in Semarang and Surabaya becoming fully operational at the beginning of the year, the number of clients served is also increasing. We are also expand our outreach to areas that are not yet crowded by competition. We extend loan to MFI in East Kalimantan, and served three MFIs by providing them AndaraLink payment service.

Our main business target for the remainder of the year will be on expanding more into agricultural financing and micro housing loans. We have seen that this segment has a much needed access to finance to improve the livelihood being part of the grass root of the community. As the pilot project for cooperatives of cacao farmers in South Sulawesi showed a positive result, we plan to replicate the system and enlarge it to serve more farmers.

Once again, we thank you all for your continued support of the development of Bank Andara. We will maintain our focus on improving the Bank's performance, profitability and successful financial inclusion, 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 our Investor Relations Officer at investorrelations@bankandara.co.id.

Sincerely,

David Yong

Finance and Operations

Finance

BALANCE SHEET (IDR million)	Dec-12	Mar-13	Apr-13	May-13	Jun-13
ASSETS					
Cash & Short-term Investment	195,480	161,842	147,706	124,665	76,881
Marketable Securities	5,551	5,551	5,551	5,551	23,971
Total Loans (Net)	970,227	1,003,767	1,027,498	1,122,515	1,179,254
Fixed Assets (Net)	15,313	14,741	14,225	13,822	13,448
Other	34,156	36,017	36,993	33,557	32,507
TOTAL ASSETS	1,220,727	1,221,918	1,231,974	1,300,111	1,326,062
LIABILITIES					
Third Party Funds	745,585	699,919	711,609	781,289	749,263
Fund Borrowings	218,236	264,717	263,847	262,978	320,016
Other Liabilities	16,947	16,256	16,654	15,592	16,108
TOTAL LIABILITIES	980,768	980,892	992,110	1,059,859	1,085,386
EQUITY					
Total Paid Up Capital	330,080	330,080	330,080	330,080	330,080
Other Comprehensive Income	115	167	184	203	221
Advance for future shares subscription	-	-	-	-	-
Retained Earnings	(90,236)	(89,221)	(90,400)	(90,031)	(89,625)
Revaluation Fixed Assets	-	-	-	-	-
TOTAL EQUITY	239,959	241,026	239,865	240,252	240,676
TOTAL LIABILITIES & EQUITY	1,220,727	1,221,918	1,231,974	1,300,111	1,326,062
TIER 1 CAPITAL	217,320	217,827	217,155	217,422	217,625

The rapid grow of loan disbursement decreased the cash and short-term investments. This helps to increase our net interest margin with the usage of funds in higher yield of lending compared to short term placement with the Central Bank. The need for long term funding remains the key priority in our effort to reach full year profitability.

We are not trading in the marketable securities. The amount is higher due to purchasing of Government Bonds as collaterals for Standard Chartered loan facility. This is also in line with the higher Fund Borrowings.

INCOME STATEMENT (IDR million)	Dec-12	Mar-13	Apr-13	May-13	Jun-13
Total Interest Revenue	11,662	11,737	11,670	12,817	12,910
Total Interest Expense	(7,336)	(5,569)	(6,317)	(7,642)	(6,988)
Interest Income - Net	4,326	6,168	5,353	5,175	5,922
Total Other Operating Revenues	2,873	67	104	134	109
Total Operating Expenses	(4,505)	(6,193)	(6,674)	(5,416)	(5,638)
Net Operating Income/Loss	2,694	41	(1,216)	(107)	393
Net Non Operating Revenue/Expense	(271)	35	38	476	14
EBIT	2,423	77	(1,179)	369	406
Tax Benefit/ Expense	(1,045)	-	-	-	-
NET INCOME (LOSS)	1,378	77	(1,179)	369	406

Total Interest Revenue in second quarter increased in line with higher loan disbursement due to high demand from MFIs in facing peak season in May and June as well as registration period for school. However, replacement of loans came at lower interest rate compared to loans booked two-three years ago.

The loss in April 2013 was due to the sudden jump in operating expenses as an impact of guarantee fee, unexpected tax payments and loan loss reserve expense. The Bank returned to profitability in the following month, due mainly to lower operating expense.

RATIOS	Dec-12	Mar-13	Apr-13	May-13	Jun-13
Capital Adequacy Ratio (CAR)	40.88%	38.79%	38.44%	35.79%	34.22%
Loan to Deposit Ratio (LDR)	131.48%	145.07%	146.00%	145.26%	159.26%
Loan To Total Funding	101.71%	105.26%	106.51%	108.68%	111.59%
ROA	-0.22%	0.33%	-0.04%	0.04%	0.10%
ROE	-1.77%	1.86%	-0.23%	0.23%	0.56%
NIM	5.06%	5.61%	5.58%	5.42%	5.45%
Ops Expense to Ops Income (YTD)	102.01%	97.37%	100.64%	100.68%	100.02%
Yield Of Lending	12.95%	12.75%	12.52%	12.49%	12.61%
COF (Cost Of Fund)	6.39%	6.06%	6.93%	7.11%	6.78%
PAR					
>30 days	0.16%	0.62%	0.85%	0.79%	0.85%

The capital adequacy ratio is still far above Bank Indonesia's requirements. The declining number is due to our growing assets.

Although still low relative to most other banks in Indonesia, loan delinquencies as a percentage of total loans outstanding rose during the period. Much of this increase was expected and can be attributed to the maturing of the Bank's still "young" portfolio. Bank Andara is taking important steps to improve management of problem loans and system of identifying potential problem.

Loan and Deposit Portfolios

Cumulative Loan & Deposit Portfolio	Dec-12	Mar-13	Apr-13	May-13	Jun-13
Amount of Loans Outstanding (IDR million)	979,926	1,014,877	1,038,362	1,134,288	1,192,658
Amount of Monthly Loan Disbursement (IDR million)	78,500	70,050	66,050	142,000	105,600
Number of Deposit Accounts	1,680	1,656	1,648	1,713	1,740
Amount of Third Party Funds (IDR million)*	745,585	699,919	711,609	781,289	749,263
Non-Bank Deposits Outstanding (IDR million)	189,102	202,493	193,812	207,988	162,888
% of Non-Bank Deposits Outstanding	25.36%	28.93%	27.24%	26.62%	21.74%
Bank Deposits Outstanding (IDR million)	534,736	478,108	489,294	548,297	563,688
% Bank Deposits Outstanding	71.72%	68.31%	68.76%	70.18%	75.23%
<i>Andara Bersama BPR (ABB) participating MFIs</i>	199	203	204	205	207
Number of MFIs Borrower	479	492	494	508	520
Number of MFIs Depositor	736	753	756	773	766
Andara Link Installed to MFIs	366	380	389	398	398
Number of MFIs served	737	755	763	782	770

*Including deposits from BPRs

The newly acquired clients in Deposit Accounts are corporations and wealthy individuals interested in the mission of the Bank. The Bank has also launched a client-get-client program that we believe will increase the number of clients in near future.

Operations

The following is the current composition of Bank staffing:

Operations	Dec-12	Mar-13	Apr-13	May-13	Jun-13
Offices	2	4	4	4	4
Total Staff	160	206	210	215	220
BOD	3	3	3	3	3
Jakarta	91	125	126	129	133
Bali	66	44	44	44	44
Semarang	-	19	20	20	21
Surabaya	-	15	17	19	19
AO	29	27	28	28	32
FO	11	10	10	11	11
BO	6	6	6	6	6

After opening branches in Semarang and Surabaya in late February 2013, the number of staff in these offices continued to increase in the second quarter of 2013. We also added some experienced staff to fill vacant positions in several divisions at the head office, such as internal control and finance & accounting head. We expect that the combination of the spirit and professional knowledge in our employees will support bank performance and superb execution for our clients

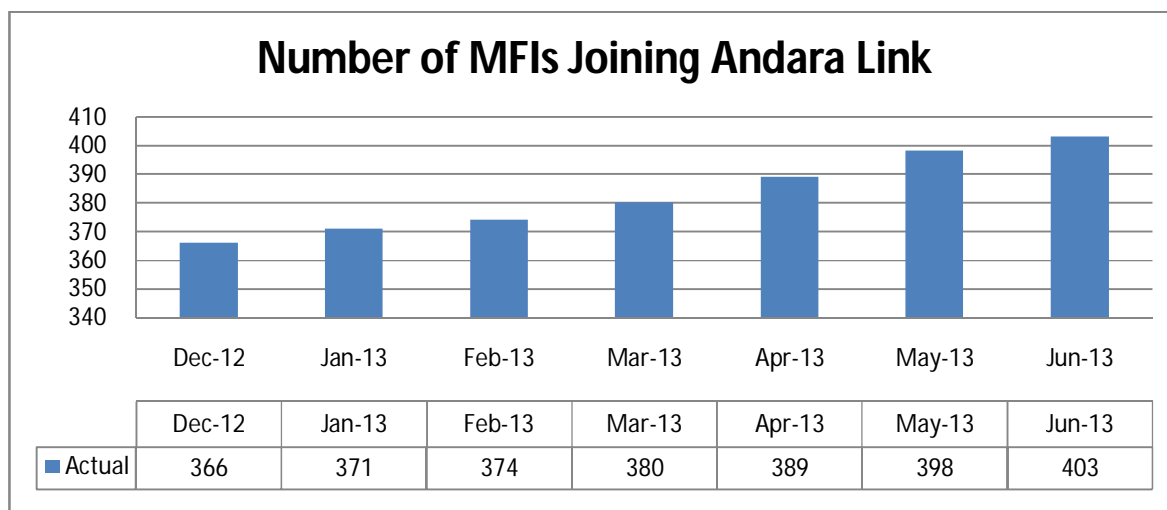
Pro-poor Information

Coverage and Pro-Poor Portfolio	Dec-12	Mar-13	Apr-13	May-13	Jun-13
Geographic Coverage					
Sumatra	46	50	50	51	50
Jakarta & Banten	21	20	22	22	23
West Java	95	97	94	96	97
Central Java	71	71	69	69	70
Jogjakarta	8	9	9	9	9
East Java	92	95	101	103	110
Sulawesi	48	52	52	55	57
Bali, NTB (West Nusa Tenggara), NTT (East Nusa Tenggara)	98	98	97	102	103
Kalimantan	-	-	-	1	1
Pro-Poor Portfolio					
Number of Pro-Poor Lending MFI	228	256	258	279	292
Number of Non Pro-Poor Lending MFI	251	236	236	229	228
Pro-Poor Percentage	48%	52%	52%	55%	56%

In the first quarter 2013, the Bank's percentage of pro-poor clients exceeded 50% for the first time, and the Bank has continued to increase this ratio in the second quarter. What we mean by pro-poor is that the client MFIs target their services on low income and vulnerable households, offering the opportunity to improve economic well-being.

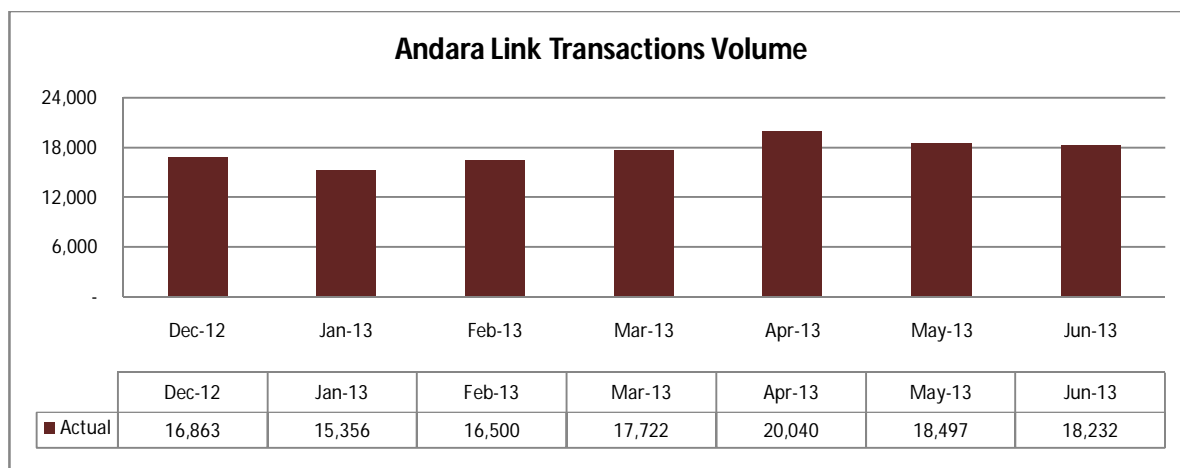
Andara-Link Payment Hub

AndaraLink network has grown from 380 active MFIs in March 2013 to 403 MFIs in June 2013.



Growth of Transaction Volume

As continuing plan to lift volume transaction of AndaraLink features from MFI to their clients, Bank Andara increased the number of visits to MFI do less frequent transaction and provides technical assistance to solve their problem.



Corporate Governance

- Training and examination for external risk management certification (BSMR) level 1 on 22 June 2013 for staff.
- Compliance Division conducted socialization on Anti Money Laundering (AML) program and Counter Terrorist Financing (CTF) to all staff at the end of June 2013. Through this socialization, the Bank is working to ensure that all the staff aware and comply to the regulations.
- Bank submitted the revised 2013 Business Plan to Bank Indonesia.