



FIRST QUARTER HIGHLIGHTS

Record Lending in March

Bank Andara achieved a record level loan disbursement with a total of IDR 79.25 billion in the month of March 2012, with a total loan disbursement in the first quarter of IDR 153 billion. The Bank expects high demand and strong loan disbursement in the next quarter. *See [p.4](#) for details.*

Decreasing Monthly Burn Rate

Business growth drove a decrease in the Bank's monthly burn rate during the first quarter. During the period, the Bank Net Loss is IDR 4.4 billion, nearly 15% better than business plan projection of IDR 5.1 billion, aiming at reaching break-even in July 2012. *See [p.3](#) for details.*

New Capital Injection Plan Approved

In order to strengthen the Bank's capital position, Bank Andara shareholders have approved an equity capital raise of not less than IDR 57 billion for the second quarter of 2012. Bank Andara's shareholders continue to give their full support to the Bank's mission of reaching low-income people with financial services by putting both the poor and Indonesian MFIs at the center of all we do thus making Bank Andara a champion of MFIs. *See [p.2](#) for details.*

OPIC Loan Guarantee Facility Finalized

In March 2012 OPIC (Overseas Private Investment Corporation), an agency of the U.S government approved USD 21.5 million-loan guarantee for Bank Andara to use in Rupiah borrowings from a bank in Indonesia. At this moment the Bank is finalizing a loan deal with a partner bank in an amount of USD 18.5 million comprised of two tranches with expected first disbursement at the end of May 2012. *See [p.2](#) for details.*

Bank Andara Pro-poor Initiatives

In the first quarter of 2012, Bank Andara has disbursed loans to PT MBK Ventura (MBK) and Koperasi Mitra Dhuafa (KOMIDA). Those institutions are Indonesia's top two Grameen replicators in terms of total clients. As of December 2011, MBK had more than 250.000 clients while KOMIDA had more than 60.000 clients. All MBK and KOMIDA clients are women. In 2012, the Bank has committed to maintain a minimum 40% pro-poor MFI, together with implementing the social performance scorecard to all MFIs in AndaraLink network. The Bank also planned to offer other services such as Agency Saving to selected pro-poor MFIs. *See [p.5](#) for details.*

AndaraLink pilot tests new feature

A pilot run for loan payment collection at BPR Dana Multi Guna (Bekasi) has been started by the end of February, and has provided evaluation result for better cash-to-account money transfer feature development. In the development side, the new bill payment pre-paid electricity feature, and international remittance feature in partnership with BNI 46 have shown a progress by the end of March and expected to be finalized and launched within the next quarter. *See [p.6](#) for details.*

Investor Relations

Plaza Bapindo Citibank Tower 28th Floor
Jl. Jend. Sudirman Kav.54-55
Jakarta 12190
Tlp: +62-21-526-0707
Fax: +62-21-526-6003
Email: investorrelations@bankandara.co.id
Website: www.bankandara.co.id

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 first quarter of 2012 performance. As you can see we have changed the title of the report from *Bank Andara ACTIVITY UPDATE* to *INVESTOR QUARTERLY REPORT*. With this new name, we hope to deliver more comprehensive professional look information of the Bank to our respective investors.

In the first quarter of 2012, Bank Andara continued to focus on driving asset growth in terms of volume, margin and quality. The number of MFI borrowers are three hundred and forty six (346) MFIs with amount of loans and placements outstanding of IDR 571 billion, consisting mainly of working capital loans to MFIs, including one hundred and sixty (160) "Pro-poor" loans that represent 46% of our MFI clients. Our third party deposits also showed a healthy increase from IDR 423.45 billion in December 2011 to IDR 445.41 billion in March 31, 2012, due to our efforts in building and deepening long-term relationships focusing on high quality service tailored to meet MFIs' commercial funds management needs.

During the period, the Bank also continued decreasing its monthly loss further aiming at reaching break-even in June-July 2012. The first quarter 2012 Net Loss was IDR 4.4 billion better than business plan projection of IDR 5.1 billion. As we focus on growth, the Bank is also working on closing an IDR borrowing deal from a partner bank backed by an OPIC guarantee. The loan will be Rupiah denomination equivalent to USD 18.5 million comprising of two tranches with each tranche in Rupiah equivalent to USD 9.25 million. The first tranche is expected to disburse by the end of May 2012.

In order to strengthen our Bank's capital position, we are pleased to report that the General Meeting of Shareholders in March 2012 have approved an equity capital raise in an amount not less than IDR 57 billion. For this continuous long term commitment and support, we would like to extend our thanks to our shareholders for their full 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 March, there were 242 active MFIs in the Andara Link network with total transaction volume increased to 11,082 from December 2011. On the governance side, the process of Fit and Proper approval of our Candidate CEO are delayed but expected to be closed out soon. Adjustments in the number of Commissioners as a result required.

We would like to thank all of you for continuing to support the development of Bank Andara. We will continue to improve the bank's performance, profitability and human impact. If you would like to become more directly involved, please e-mail us at 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 June 2012.

| BALANCE SHEET (IDR million) | 31-Jan | 29-Feb | 31-Mar |
|---------------------------------------|----------------|----------------|----------------|
| ASSETS | | | |
| Cash & Short-term Investment | 223,163 | 198,444 | 123,850 |
| Marketable Securities | 5,578 | 5,578 | 5,578 |
| Total Loans | 484,228 | 516,585 | 566,174 |
| Fixed Assets (Net) | 13,517 | 13,429 | 13,097 |
| Other | 24,138 | 19,915 | 26,740 |
| TOTAL ASSETS | 750,623 | 753,950 | 735,439 |
| LIABILITIES | | | |
| Third Party Funds | 457,482 | 461,289 | 445,414 |
| Fund Borrowings | 115,529 | 114,667 | 113,812 |
| Other Liabilities | 13,178 | 15,194 | 14,586 |
| TOTAL LIABILITIES | 586,189 | 591,150 | 573,812 |
| EQUITY | | | |
| Total Paid Up Capital | 263,812 | 263,812 | 263,812 |
| Other Comprehensive Income | (123) | (123) | (123) |
| Retained Earnings | (99,257) | (100,889) | (102,063) |
| TOTAL EQUITY | 164,433 | 162,801 | 161,627 |
| TOTAL LIABILITIES & EQUITY | 750,623 | 753,950 | 735,439 |
| | | | |
| TIER 1 CAPITAL | 152,016 | 150,383 | 149,210 |

| INCOME STATEMENT (IDR million) | 31-Jan | 29-Feb | 31-Mar |
|---------------------------------------|----------------|----------------|----------------|
| Total Interest Revenue | 6,755 | 6,470 | 7,237 |
| Total Interest Expense | 3,860 | 3,616 | 3,813 |
| Interest Income - Net | 2,894 | 2,854 | 3,423 |
| Total Other Operating Revenues | 184 | 92 | 50 |
| Total Operating Expenses | (4,703) | (4,653) | (4,675) |
| Net Operating Income/Loss | (1,625) | (1,707) | (1,203) |
| Net Non Operating Revenue/Expense | 23 | 75 | 29 |
| EBIT | (1,602) | (1,633) | (1,173) |
| Tax Benefit/ Expense | - | - | - |
| NET INCOME (LOSS) | (1,602) | (1,633) | (1,173) |

- The Bank continues to achieve net interest income growth (Net Interest Margin from 4.8% in January to 5.2% in March 2012) through an increase in loan volume growth (Loan-to-total funding from 85.4% in January 2012 to 102.3% in March 2012)

| RATIOS | 31-Jan | 29-Feb | 31-Mar |
|--------------------------------|---------------|---------------|---------------|
| Capital Adequacy Ratio (CAR) | 32.3% | 30.3% | 27.2% |
| Loan Deposit Ratio (LDR) | 107.0% | 112.0% | 128.5% |
| Loan to Total Funding | 85.4% | 89.7% | 102.3% |
| Return on Assets (ROA) | -2.5% | -2.6% | -2.4% |
| Return on Equity (ROE) | -11.5% | -12.1% | -10.9% |
| NIM | 4.8% | 4.9% | 5.2% |
| Op Expense to Op Income (YTD) | 123.4% | 124.7% | 121.8% |
| Yield on Lending | 13.0% | 13.4% | 13.78% |
| COF (Cost of Fund) | 7.3% | 7.1% | 7.5% |
| PAR | | | |
| >30 days (excl. old BSP loans) | 0.00% | 0.00% | 0.00% |
| >30 days (incl. old BSP loans) | 0.03% | 0.02% | 0.03% |

Operations

The following is the current position of our staff:

| Operations | 31-Jan | 29-Feb | 31-Mar |
|-------------------|---------------|---------------|---------------|
| Offices | 2 | 2 | 2 |
| Total Staff | 145 | 146 | 149 |
| BOD | 4 | 4 | 4 |
| Jkt | 80 | 80 | 83 |
| Bali | 61 | 62 | 62 |
| AO | 24 | 24 | 26 |
| FO | 10 | 10 | 9 |
| BO | 7 | 6 | 6 |

Loan and Deposit Portfolio

- New loans & placements signed continued to grow through March 2012. Until March 31, 2012, 106 new loans have been signed with total disbursement amount of IDR 153 billion.
- Time deposit from non-bank was increasing to the significant growth of loan to non-bank MFIs.
- Deposit from other banks was decreasing for around IDR 13 bio mainly caused by pricing competition. The other local banks that are aggressive are Victory Bank, BTPN, OCBC, and also other non-major banks. The same can be said from some foreign banks, such as HSBC, UBS ANZ, and QNB.

| Cumulative Loan & Deposit Portfolio | 31-Jan | 29-Feb | 31-Mar |
|--|---------------|---------------|---------------|
| Amount of Loans & Placements Outstanding (IDR million) | 488,806 | 515,903 | 571,692 |
| Number of Deposits Account | 1,162 | 1,191 | 1,184 |
| Non-Bank Deposits Outstanding (IDR million) | 62,975 | 67,838 | 71,391 |
| Bank Deposits Outstanding (IDR million) | 279,425 | 285,420 | 272,377 |
| Andara Bersama BPR (ABB) Participating MFIs* | 178 | 178 | 178 |
| Number of MFIs Borrower | 315 | 331 | 346 |

| | | | |
|-------------------------------|-----|-----|-----|
| Number of MFIs Depositor | 533 | 535 | 553 |
| Andara Link Installed to MFIs | 216 | 231 | 242 |
| Number of MFIs served | 536 | 542 | 565 |

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

Bank Andara has disbursed loan to PT MBK Ventura (MBK) and Koperasi Mitra Dhuafa (KOMIDA). Those institutions are believed as top two Grameen Replicators in Indonesia in terms of total client. As of December 2011, MBK has more than 250.000 clients while KOMIDA has more than 60.000 clients. All MBK and KOMIDA clients are women.

In 2012, the Bank has committed to maintain a minimum 40% pro-poor MFI, together with implementing the social performance scorecard to all MFIs in AndaraLink network. The Bank also planned to offer other services such as Agency Saving to selected pro-poor MFIs.

Social Deposit

Bank Andara is in intense communication with a Foundation in order to give capacity building to MFIs in North Sumatra. This project is expected to start in second or third quarter in 2012.

Emergency Liquidity Fund

Bank Andara along with Mercy Corps and MICRA establish MFIs network in disaster prone areas in Padang (West Sumatra), Jakarta, Jogjakarta and Central Java in terms of preparing emergency liquidity fund after disaster (Indonesia Liquidity Fund after Disaster [ILFAD]). Bank Andara has committed to maximum IDR 20 billion as liquidity fund in case of emergency.

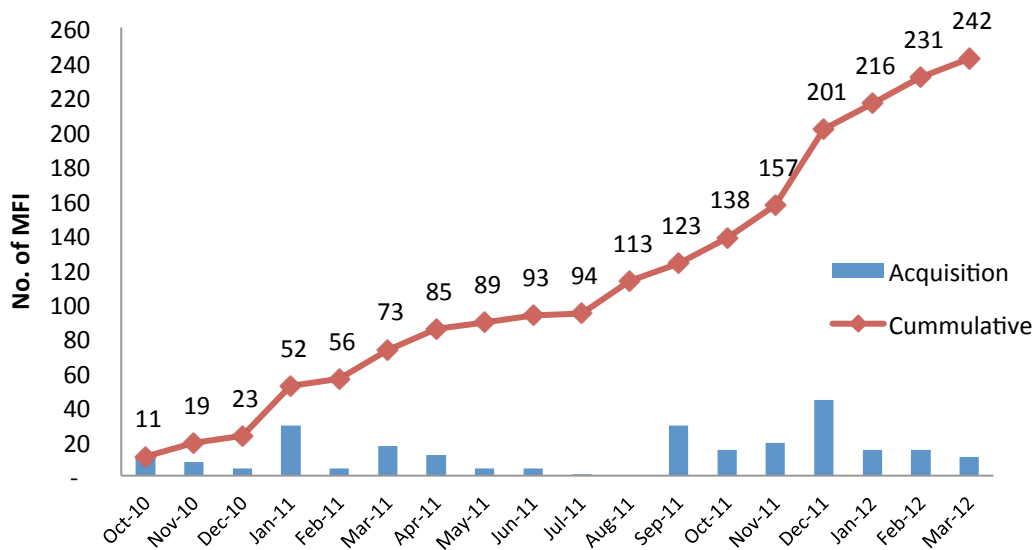
| <i>Coverage and Pro-Poor Portfolio</i> | 31- Jan | 29- Feb | 31- Mar |
|--|------------|------------|------------|
| Geographic Coverage | | | |
| Sumatra | 26 | 27 | 30 |
| Jakarta & Banten | 12 | 17 | 17 |
| West Java | 85 | 87 | 87 |
| Central Java | 44 | 51 | 56 |
| Jogjakarta | 5 | 5 | 5 |
| East Java | 38 | 50 | 51 |
| Sulawesi | 12 | 12 | 13 |
| Bali, NTB (West Nusa Tenggara), NTT (East Nusa Tenggara) | 135 | 136 | 140 |
| Pro-Poor Portfolio | | | |
| Number of Pro-Poor Lending MFI | 130 | 149 | 160 |
| Number of Non Pro-Poor Lending MFI | 175 | 182 | 186 |
| Pro-Poor Percentage | 41% | 45% | 46% |

IT Projects

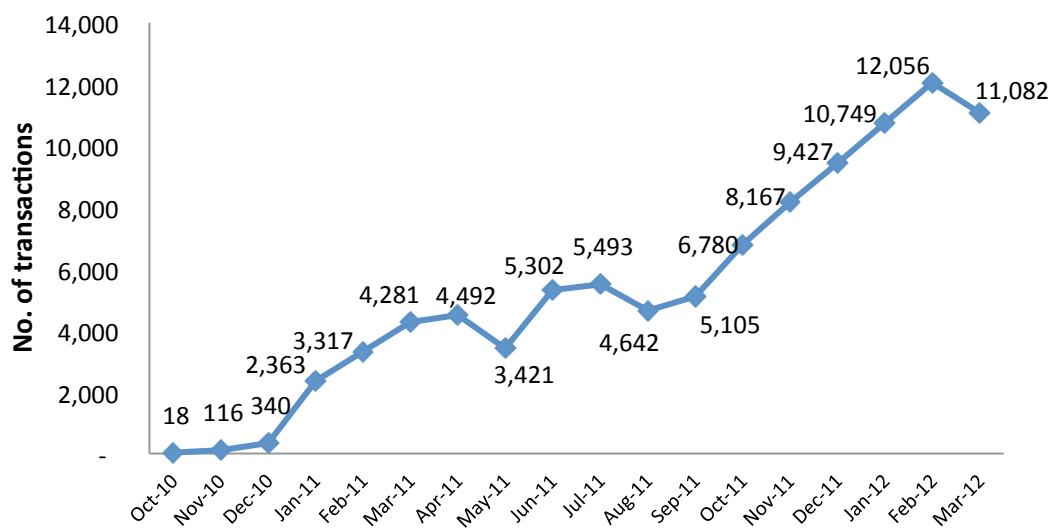
Andara-Link Payment Hub

AndaraLink network has grown to 242 active MFIs in March 2012, which increased 20% from December 2011 with a steady graph. These as result of 41 new joining MFIs which mostly in East Java and Central Java, and followed with the other areas in Bali, NTB (West Nusa Tenggara), and West Java. The channel also started to expand in West and South Sumatra, to provide larger coverage of AndaraLink network and transfer corridors.

Growth of MFI Joining AndaraLink



Growth of Transaction Volume



Transaction volume during the first quarter of 2012 has reached the highest volume at 12,056 transactions in February 2012 due to the increased use of AndaraLink Web Portal (AWP), as well as the progress of the pilot

AndaraLink marketing program in Jabodetabek (Jakarta, Bogor, Depok, Tangerang, and Bekasi) which commenced on January 2012 with 9 MFIs qualified under Mercy Corps' Tech Fund, with doubled transaction volume for those 9 MFIs in comparison to December 2011. Special marketing support on BPR Dana Multi Guna (Bekasi) and BPR Rama Ganda (Bogor), which steadily contributes 22% of total transaction volume.

In March 2012, the transaction decreased to 11,082 transactions as a result of technical issues from the aggregator side that cause downtime occurred very often during the month. This aggregator issue has become a concern for the bank in 2012, we are considering to switch to other aggregators that more reliable in providing stable service and connection for bill payments.

In the development, a pilot run for loan payment collection at BPR Dana Multi Guna has been started by end of February, and has provided evaluation result for better cash-to-account money transfer feature development with Fundamo. While the development of new bill payment feature for pre-paid electricity and international remittance feature in partnership with BNI 46 are under discussion, are expected to be finalized and launched during the second or third quarter.

Shared core banking system (SCBS) project, as part of the joint online saving program development, has finished up the implementation progress and expected to run steadily in the next quarter. The team also started to continue the implementation with the two other MFI pilots of SCBS. In parallel the team also continue the implementation of multi channel switch to enable the transactions between MFIs registered in the SCBS, as a completion of joint online saving program.

Corporate Governance

Compliance Update

1. HEAD OFFICE RELOCATION

The Bank is planning to relocate its Head Office (HO) from Denpasar, Bali to Jakarta. Following up the relocation, the meeting with Bank Indonesia on 20th March of 2012 has resulted in Bank Indonesia considering the Bank's proposal to relocate Head Office as the Bank's action to comply with deadline of April 1st 2012. The Head of Bank Indonesia Supervisor Team stated that Bank Indonesia Denpasar is in agreement on the revised proposal and will write a formal recommendation to Bank Indonesia Jakarta [Licensing] immediately. Currently, the Bank Indonesia Jakarta [Licensing] is in the process of documentation checking.

2. CEO FIT AND PROPER PROCESS

Fit and Proper (F&P) Proposal is in the process of documentation checking with the possibility of F&P Interview on Apr 2012.

3. BI COMMUNICATION UPDATE

During the first quarter of 2012, compliance team and related units have held several meetings with Bank Indonesia, as follows:

- January 10th: Plan to relocate HO along with its required steps to be taken and Internal Credit Rating impact to Credit Risk Weighted Asset.
- February 8th: Presentation of AndaraLink Mobile Version.
- March 20th: Follow up of HO relocation proposal, CEO F&P proposal, and AndaraLink Mobile Version and OPIC's loan guaranty plan.

4. SOP ADEQUACY AND RISK ASSESSMENT PROJECT

In order to improve operational and compliance risk implementation, Risk & Compliance Unit has performed the 'Risk Assessment Project' which will be divided into 2 activities:

- SOP Updating and Adequacy Assessment
Together with all related units in the Bank, the Risk & Compliance Unit has identified several existing SOPs needed to be update and new SOPs to have.
- Assessment of Compliance and Operational Risks
Following up the SOP updating and adequacy assessment activity, the Risk & Compliance Unit has established compliance and operational risks assessment template to be performed on selected units in Apr 2012.

Risk Management Update

1. The Bank has fulfilled the Risk Management certification for candidate CEO (Level IV), after passing Levels I, II, and III between December 2011 and March 2012. Bank Indonesia required that by August 3rd the Bank must meet risk management certification for all top management positions and executive officers. The following are the certification applicant schedule:
 - Level 1: 3 remaining applicants.
 - Level 2: 1 remaining applicants.
 - Level 3: 2 remaining applicants.
2. The Bank has released the new cash back and deposit interest policy to regulate cash back and interest rate daily practice. In addition to this, the Bank also has updated the Compliance Policy & Procedure version based on the new regulation.
3. New regulations are in the process of implementation: Anti Fraud Program & Outsourcing Policy & Procedure.
4. The Bank has submitted the Q1/2012 draft of Bank Risk Profile and Risk Self Assessment template to Business Unit.
5. The Bank has submitted the 2011 SEMS Annual Report to IFC.