

INVESTOR QUARTERLY REPORT

4th QUARTER 2015 HIGHLIGHTS

Indonesia Macro Economy

- BI lowered banks reserve requirement effective December 1, 2015 from 8% to 7.5%
- BI lowered its benchmark rate by 0.25% to 7.25% mid March 2016 in light of favorable inflation rate of 6.38% (lowest level in 6 years)
- Increase in Fed rate in December has little impact on IDR currency as it's already priced in.
- Indonesia economic growth for 2015 is 4.8%, in 2016 predicted will be better up to 5.1%. National credit and deposit growth are still positive 10.45% (yoy) and 7.26% (yoy).
- Recent bombing incident has little impact on financial markets in Indonesia.
- Exchange rate weakened slightly to approx. IDR 13,900/USD on Jan 18 vs IDR 13,750/USD at close of 2015
- Other global issues include:
 - Continued weakness in China's economy. The World Bank cuts global economic growth to 2.9% from 3.3% previously.
 - Heavy volatility in financial market across the world
 - Oil price was further depressed to less than USD 30/barrel in Jan 2016.
 - Other commodities are affected as well.

Source: Bank Indonesia, www.Focus-economics.com, SCB Global Market Indonesia, Maybank & CIMB daily reports

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Our issue this quarter

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About Bank Andara

Bank Andara is a wholesale banking institution with social and financial bottom lines. Bank Andara obtained BI's approval to run the business in January 2009, and currently serves as a strategic banking partner to the Indonesian microfinance sector (MFI) in providing loans and services. Established by a trusted international investment consortium, Bank Andara's shareholders are Mercy Corps, IFC, KfW, Hivos-TriodosFonds, and Developing World Markets Fund S.C.A – SICAV SIF, global investors in microfinance. The Bank currently works with more than 700 MFIs throughout Indonesia and intends to reach 1,200 MFIs in the next 3 (three) years. The microfinance sector in Indonesia is one of the world's largest, with estimated of 50,000 MFIs operating in the country.

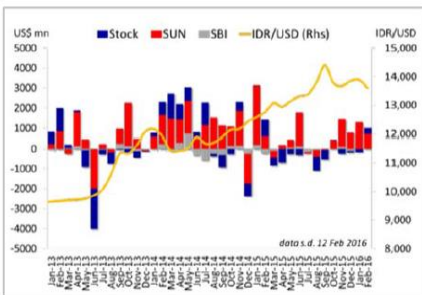
Vision

To serve as catalyst to reach millions of Indonesians that lack access to the financial sector by providing financial products and services through financial institutions as well as through direct means.

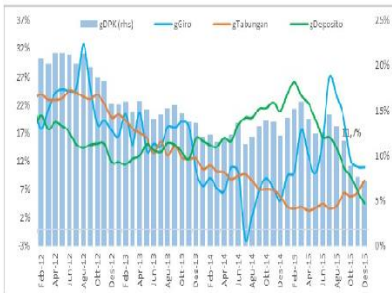
Mission

To provide access to wide-ranging financial services directly or through financial or non-financial institutions in a sustainable and accountable manner.

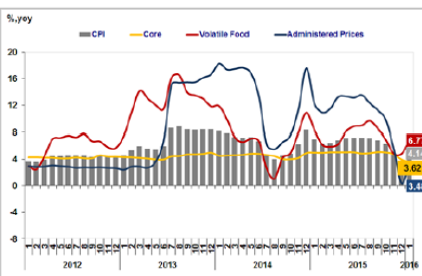
Graph USD/IDR - Source : Bloomberg



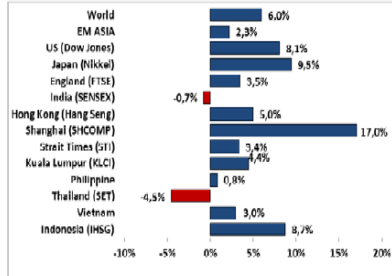
Graph : Third Party Fund Growth - Source: Bank Indonesia



Annual inflation rate - Source: Bank Indonesia



Graph: Stock Index and Global Market



From the CEO's desk

Dear Friends of Bank Andara,

Praise to the Almighty for His blessing, grace and mercy. With His protection, Bank Andara is able to continue growing and developing, thereby contributing to the Indonesian Economy. In 2015, the Indonesian economy was still in the shadows of the global crisis. Nevertheless, economic growth in the fourth quarter, which reached 5.04% (yoy) higher than in previous quarters, indicates that the slowdown over the last few years may have passed its lowest point. The improvement in economic condition a result of policies taken by Bank Indonesia and the government to maintain macroeconomic stability and national economic growth momentum in the midst of economic turbulence, especially the decline in commodity and oil prices.

Recent development of the Indonesian banking industry has increased the level of competition in obtaining third party funds as well as credit. Although faced with the challenges of intense competition, Bank Andara was able improve its performance. Some financial indicators of the Bank have improved although overall improvement is still not optimal.

After experiencing consecutive declines in total asset in the last few years, total assets of Bank Andara grew by 4.93% from the previous year Rp1,011trillion to Rp1,061trillion. Total loans grew by approximately 3.01% from Rp678,097,182,529 to Rp698,521,139,279. The growth is supported by diversification of customer segment to include SME and multifinance.

Total Deposits grew approximately 9.32% from Rp698,630,215,712 to Rp763,735,026,825. In 2015, Bank made progress in reducing the operating loss from (Rp19,381,990,655) to (Rp17,783,845,925) for the same period. Thereby, the Bank's total assets increased by Rp49,899,827,493 compared to the previous year. In terms of operations, the Bank is still focusing on optimizing its network of four (4) branches.

The Bank is also in the process of inviting a strategic investor to strengthen the Bank's capital base, increase its competitiveness and open opportunities for future development of the bank. This capital increase process is currently under approval process by Otoritas Jasa Keuangan.

Value added services under Andaralink have also shown good progress with the number of mobile devices in use increasing from 112 units at the beginning of the year to 232 units by end of year. Number of transactions has also reached over 200,000 transactions per month or more than 140% increase from beginning of 2015. Bank Andara also supported the government program to provide assistance to agriculture financing. In the second phase of corn farmer financing program in 2015, the bank was able to increase the number of farmers financed by 3x. This program will be continued to be developed to be a sustainable business model.

This series of achievements indicate the capabilities of Bank Andara to improve performance while maintaining its consistent orientation toward supporting microenterprises and SME. Commitment to the MFI segment as focus also encouraged the Bank to continue to improve the quality of human resources, infrastructure development and understanding the needs of business partners. Improvement in the infrastructure of the Bank was achieved through IT and Operations development. Services to business partners are improved by strengthening the Bank's Customer Base through providing innovative product features and providing faster, more convenient and practical services.

Bank Andara believes that achievement of good performance depends on superior embodiment of GCG implementation. Therefore, the Bank always ensures that all activities are undertaken in accordance with the principles of prudence and is always seeking to improve its capabilities to comply with the applicable legislation as well as the principles of Good Governance (GCG).

On behalf of all members of the Board of Directors, I would like to close this report by conveying my greatest appreciation to our shareholders, board of commissioners, business partners, consultants, employees, and the entire community for the trust given to Bank Andara. With the support and commitment of all stakeholders, we believe that Bank Andara can continue to innovate and achieve better performance in the coming years.

Enclosed you will find the highlights of Bank Andara's fourth quarter 2015 performance. If you would like to get more information, please e-mail to: deasy.wulaningsih@bankandara.co.id.

Warm Regards,

Management of Bank Andara

Bank Andara Quarterly update

Finance and Operations

Finance

BALANCE SHEET (IDR million)	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
ASSETS												
Cash & Short-term Investment	273,557	308,241	262,901	201,792	187,482	144,936	133,639	166,680	164,936	257,860	277,405	216,971
Marketable Securities	109,528	75,368	106,116	102,741	100,120	98,698	96,211	93,113	127,588	114,245	141,368	142,430
Total Loans (Net)	628,254	603,740	603,285	617,963	644,077	681,012	658,560	640,471	619,249	613,347	601,442	673,622
Fixed Assets (Net)	9,636	9,374	9,223	8,843	8,398	7,965	7,521	7,088	6,741	6,417	6,167	5,623
Other	18,016	17,426	16,741	16,813	16,875	15,621	16,498	18,810	16,794	17,750	17,955	22,439
TOTAL ASSETS	1,038,991	1,014,150	998,266	948,152	956,953	948,231	912,428	926,162	935,308	1,009,619	1,044,337	1,061,084
LIABILITIES												
Third Party Funds	721,664	703,081	693,753	651,376	665,897	669,110	637,603	658,668	675,350	743,147	744,783	763,735
Fund Borrowings	101,687	98,982	96,279	93,575	93,585	88,167	88,178	88,189	88,199	88,210	77,179	77,189
Other Liabilities	32,356	30,665	31,969	32,557	27,479	28,067	26,639	24,315	23,872	25,575	72,079	68,938
TOTAL LIABILITIES	855,708	832,729	822,001	777,508	786,961	785,344	752,420	771,171	787,421	856,933	894,041	909,862
EQUITY												
Total Paid Up Capital	330,103	330,103	330,103	330,103	330,103	330,103	330,103	330,103	330,103	330,103	330,103	330,103
Other Comprehensive Income	4,505	(509)	(4,072)	(7,427)	(10,028)	(11,431)	(13,898)	(16,975)	(22,477)	(15,803)	(14,272)	(11,180)
Retained Earnings	(151,325)	(148,173)	(149,766)	(152,031)	(153,853)	(155,784)	(156,196)	(158,138)	(159,740)	(161,614)	(165,535)	(167,700)
TOTAL EQUITY	183,283	181,421	176,265	170,645	166,222	162,887	160,009	154,991	147,886	152,686	150,296	151,223
TOTAL LIABILITIES & EQUITY	1,038,991	1,014,150	998,266	948,152	953,183	948,231	912,428	926,162	935,308	1,009,619	1,044,337	1,061,084

Cash and short term Investment increased to IDR 216 billion. Placement of money market amounted to IDR 120billion to improve yield on excess liquidity. The Bank also allocated IDR 50billion to buy NCD (Negotiable Certificate of Deposit) in marketable securities category.

In Dec 2015, the Bank's loan portfolio closed at IDR 673billion. The NPL gross ratio was maintained at 3.33%, and NPL net ratio (after reserves for bad debt) was 0.26%. With tight monthly monitoring and watchlist report, the Loan Loss Provision has been maintained at IDR 24.95bio.

Third party funds acquisition was maintained at IDR764billion. During this time, the bank was able to lower its cost of fund for time deposit to 8.75% (including fund borrowing).

Financial highlights:

- YTD Net Loss Dec 2015 audited was IDR 19.2bio slightly higher by 4.37% compare to budget loss IDR 18.4bio.
- YTD Net Interest Income for Dec 2015 was IDR 44bio, lower by 5.37% compare to budget IDR 46.5bio.
- YTD OPEX (personnel and other operating expense) as of Dec 2015 was IDR 52.5bio lower by 13.79% compare to budget IDR 60.9bio.
- YTD Loan loss Provision Expenses through Dec 2015 was IDR 12.3bio compared to budget IDR 5.6bio. This was mainly to the deterioration of credit quality from September but up on the year the restructured cooperative loans.
- Net Interest margin 4.68% was down slightly from September 2015 but up on the year.

- OEOI ratio as of Dec was 115.54 %, slightly lower than Sep 2015 116.96% and lower than full year budget of 119.25%. This was due to the lower monthly operating income.
- NPL gross as of Dec 2015 was 3.33% due mainly to additional NPL accounts from restructured cooperative loans.

INCOME STATEMENT (IDR million)	Jan-15	Feb-15	Mar-15	Apr-15	May-15	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15
Total Interest Revenue	10,054	8,806	9,438	9,178	9,285	9,267	9,691	9,556	8,930	9,859	9,955	9,856
Total Interest Expense	(6,352)	(5,830)	(6,211)	(5,758)	(5,570)	(5,375)	(5,395)	(5,548)	(5,622)	(6,051)	(6,117)	(6,013)
Interest Income - Net	3,702	2,976	3,227	3,420	3,715	3,892	4,295	4,008	3,308	3,808	3,838	3,843
Total Other Operating Revenues	190	166	177	151	187	133	168	157	115	194	98	309
Total Operating Expenses	(5,250)	(4,492)	(4,993)	(5,860)	(5,728)	(6,021)	(4,874)	(6,103)	(5,025)	(5,874)	(7,855)	(7,690)
Net Operating Income/Loss	(1,358)	(1,350)	(1,589)	(2,290)	(1,826)	(1,997)	(411)	(1,939)	(1,601)	(1,872)	(3,919)	(3,538)
Net Non Operating Revenue/Expense	193	4,502	(4)	25	5	65	(1)	(2)	(1)	(2)	(2)	(259)
EBIT	(1,165)	3,152	(1,593)	(2,265)	(1,822)	(1,932)	(412)	(1,941)	(1,602)	(1,874)	(3,921)	(3,797)
Tax Benefit/ Expense	-	-	-	-	-	-	-	-	-	-	-	-
NET INCOME (LOSS) MTD	(1,165)	3,152	(1,593)	(2,265)	(1,822)	(1,932)	(412)	(1,941)	(1,602)	(1,874)	(3,921)	(3,797)
NET INCOME (LOSS) YTD	(1,165)	1,987	394	(1,871)	(3,692)	(5,624)	(6,036)	(7,977)	(9,580)	(11,454)	(15,375)	(19,172)

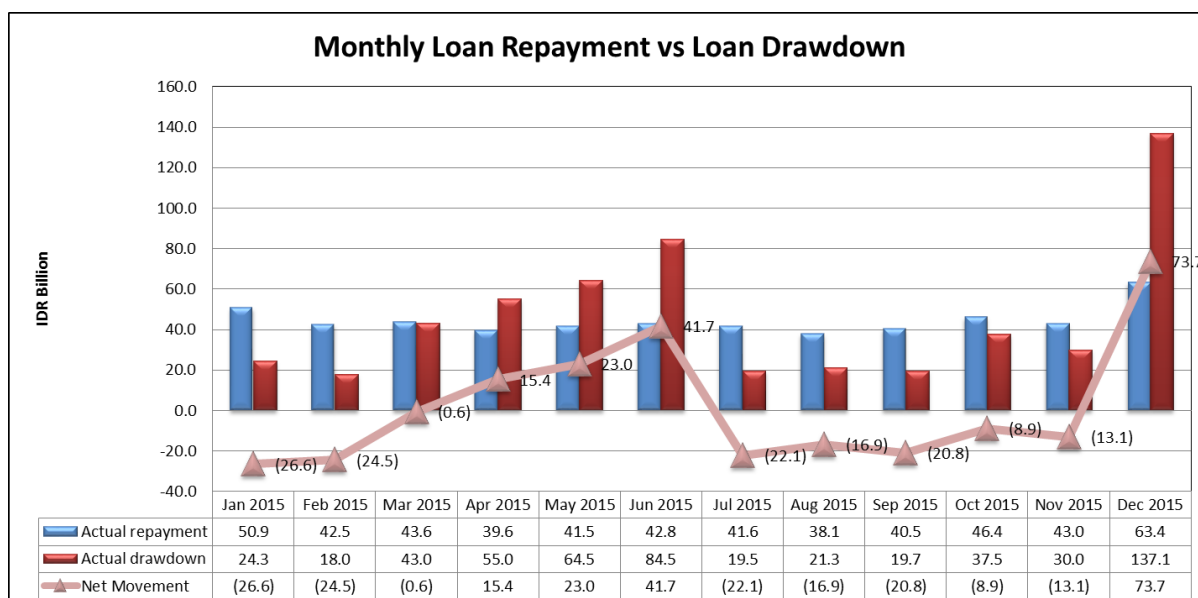
RATIOS	Mar-15	Jun-15	Sep-15	Dec-15
Capital Adequacy Ratio	39.56%	35.78%	34.26%	28.60%
Loan to Deposit Ratio (LDR)	117.80%	119.07%	116.02%	126.51%
Loan To Total Funding	79.29%	93.30%	84.70%	83.07%
ROA	0.16%	-1.14%	-1.33%	-1.88%
ROE	0.96%	-6.99%	-8.27%	-11.89%
NIM	4.10%	4.46%	4.73%	4.68%
Ops Expense to Ops Income	99.74%	109.69%	111.05%	115.54%
Yield Of Lending	13.73%	13.75%	13.38%	13.34%
COF (Cost Of Fund)	8.77%	8.19%	8.25%	8.13%
PAR				
>30 days	3.19%	3.16%	3.91%	3.32%

The Early Warning report is produced on a monthly basis to notify the branches of the potential problem loans actions to mitigate credit risk. The Bank continues its efforts and priorities to obtain better insights into client's conditions and assists them during difficulties where possible.

Portfolios

Cumulative Loan & Deposit Portfolio	Mar-15	Jun-15	Sep-15	Oct-15	Nov-15	Dec-15
Amount of Wholesale Loans (IDR million)	625,019	705,435	645,624	636,744	623,778	697,331
Amount of Monthly Loan Disbursement (IDR million)	43,039	84,500	19,650	37,541	29,959	137,119
Number of Deposits Account	1,410	1,333	1,292	1,325	1,323	1,289
Amount of Third Party Funds (IDR million)	693,753	669,110	675,350	743,147	744,783	763,735
Non-Bank Deposits Outstanding (IDR million)	94,586	96,298	85,309	112,731	125,353	114,846
% of Non-Bank Deposits Outstanding	13.63%	14.39%	12.63%	15.17%	16.83%	15.04%
Bank Deposits Outstanding (IDR million)	628,636	521,222	578,403	618,453	603,754	639,131
% Bank Deposits Outstanding	90.61%	77.90%	85.64%	83.22%	81.06%	83.68%

Slowdown in demand in the first semester as well as delay in drawdown of approved facilities were evidenced in our BPR segment, but it started to increase in Q4 2015.



Operations

The following is the current headcounts of our permanent staff:

<i>Operations</i>	Mar-15	Jun-15	Sep-15	Oct-15	Nov-15	Dec-15
Offices	5	5	5	5	5	5
Total Staff	145	145	148	145	143	143
BOD	3	3	3	3	3	3
Head Office	75	78	79	78	77	76
Jakarta	17	17	17	17	17	17
Bali	22	23	21	20	20	21
Semarang	12	10	13	12	12	12
Surabaya	16	14	15	15	14	14
AO (Account Officer)	22	16	18	18	20	20
FO (Funding Officer)	8	10	10	11	12	12
FBO (Fee Based Officer)	5	6	6	5	0	0
Starting May FBO combined as FO						

The organization structure was changed in November 2015, mainly in Risk Management division. During Q4 there 6 employees join the bank (1 RM and 5 back office) to replace the vacant position. In November 2015 the Compliance Division Head resigned and the bank is still looking for the replacement. To improve human resources quality, the Bank arranged several training workshops for employees. There were a total of 27 trainings conducted between January to December 2015, consist of 6 in house training and 21 public training. The training topics cover as follow risk management certification, internal audit skill, building asset management, asset valuation, legal aspect and legal risk, financial modelling, ALM and compliance, debt restructuring course, IT security based on ISO and other workshops.

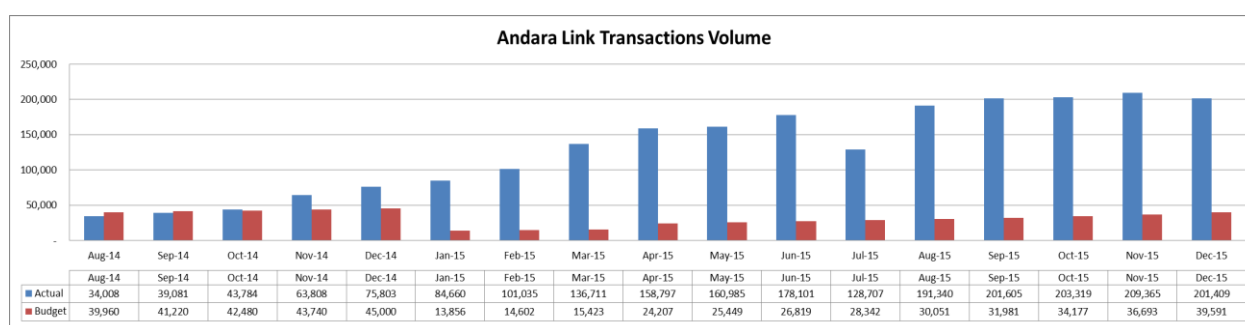
Pro-poor Information

Coverage and Pro-Poor Portfolio	Mar-15	Jun-15	Sep-15	Oct-15	Nov-15	Dec-15
Geographic Coverage						
Sumatra	40	37	31	30	29	24
Jakarta & Banten	46	46	56	55	55	63
West Java	79	74	62	63	58	57
Central Java	60	56	52	52	52	51
Jogjakarta	8	6	6	6	6	6
East Java	102	101	90	86	88	86
Sulawesi	51	46	44	41	39	34
Bali, NTB (West Nusa Tenggara), NTT (East Nusa Tenggara)	83	85	81	82	78	76
Kalimantan	1	1	1	1	1	1
Pro-Poor Portfolio						
Number of Pro-Poor Lending MFI	254	243	224	223	223	210
Number of Non Pro-Poor Lending MFI	177	167	154	147	147	139
Pro-Poor Percentage	59%	59%	59%	60%	60%	60%

Growth of Transaction Volume of AndaraLink

Transaction volume of Andaralink continued to increase. The biggest volume growth was in the collection solution (Solusi Setoran) feature of Andara link. The number of active users of Andara link using Solusi Setoran increased from 28-37 financial institution users. Transactions volume increased by 13% from 178,000 transactions in June to 201,409 transactions as of Dec 2015. The highest no of transaction for Andaralink-Solusi Setoran within the year is happened in November 2015, reaching 209,365 .

Another program that has been launched is AndaraLink “Optima” promotion. This program has received confirmed orders for 65 mobile devices from 15 MFIs, increasing the number of devices used from 169 units as of Aug to 232 units (37% increase). Targeted additional transactions with 65 additional devices is 97,500 transactions per month.

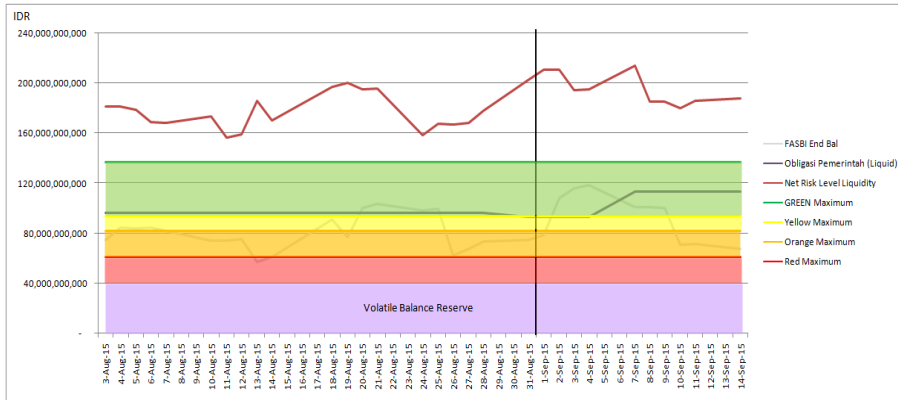


Corporate Governance and Risk Management

The Bank is working to strengthen all aspects of risk management. In Q4 2015, the Bank continued to improve the implementation of the watchlist as well as monitoring functions and worked to ensure that the Bank's policies, procedures, and analysis tools were accurate and up to date.

To maintain liquidity and market risk at levels approved by the Bank's ALCO, the Bank improved its implementation of liquidity with respect to daily liquidity level, funding concentration and yield on liquidity investments.

The Q4 2015 risk composite rating is moderate, no changes from the previous quarter.



Note:

- Volatile Balance Reserve IDR 40 Bio.
- Maximum Green Zone IDR 97 Bio, Maximum Yellow Zone IDR 54 Bio, Maximum Orange Zone IDR 42 Bio and Maximum Red Zone IDR 21 Bio (**All maximum levels are in addition to the Volatile Balance Reserve.**)