

INVESTOR QUARTERLY REPORT

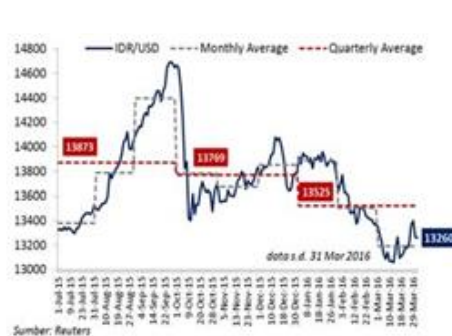
1st QUARTER 2016 HIGHLIGHTS

Indonesia Macro Economy

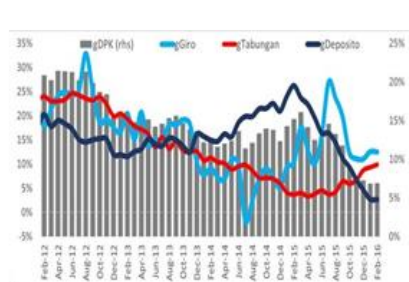
- BI lowered reserve requirement effective March 17, 2016 from 7% to 6.75%
- Consumer prices in Indonesia rose 4.45 percent year-on-year in March 2016, as compared to 4.42 percent in February and in line with expectations.
- GDP growth is likely to gain steam this year, largely driven by the government’s efforts. GDP is expected to show a 5.1% expansion in 2016, which is unchanged from last month’s forecast. For 2017, GDP is expected to grow by 5.3%.
- Exports contracted 13.5% in March over the same month last year, which was a more pronounced contraction than the 7.1% year on year drop seen in February. February’s drop had marked the smallest fall since October 2014. Capital goods import declined 27.8% y/y in March 2016. The overall capital goods imports for the first quarter contracted 18.22% y/y.
- Indonesian rupiah appreciated 1.04 percent to IDR 13,256 per US dollar according to the Bloomberg Dollar Index at the end of March 2016.
- Easing of monetary policy began to have an impact on the decrease in bank interest rates and improving liquidity. Along with the easing of monetary policy, interbank rates O/N in March 2016 again decreased. In March 2016, interbank rates O/N fell 27 bps to 5.00 % from 5.27 % in the previous month.
- Easing of monetary policy also encourages the continued decline in interest rates on deposits, while lending rates began to show a decline although it is slower.
- In February 2016, DPK grew 6.9 % (yoy), slightly higher than the growth in the previous month by 6.8 % (yoy).
- Credit growth is still slowing down in February 2016. In line with economic growth slowdown and the increase in NPL ratio. Credit from bank grew by 8.24 % (yoy), lower than the previous month 9.6 % (yoy).

Source: www.indonesia-investments.com, www.tradingeconomics.com, www.econotimes.com, www.bi.go.id

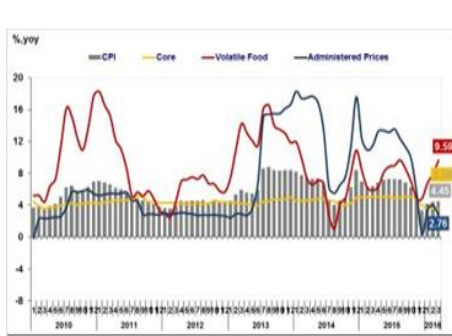
Graph USD/IDR - Source : Bank Indonesia



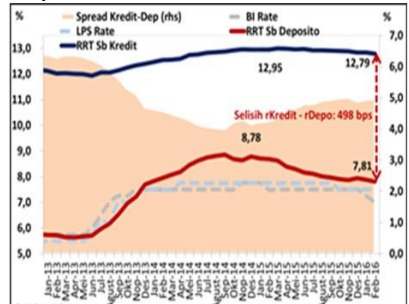
Graph : Third Party Fund Growth - Source: Bank Indonesia



Annual inflation rate - Source: Bank Indonesia



Graph: Interest Rate – Source: Bank Indonesia



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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.

From the CEO's desk

Dear Friends of Bank Andara,

In Q1 2016, Bank Andara's main focus has been to align the Bank's strategy with our resources in order to achieve our target for 2016. In January, the bank conducted kick off meeting with all the leaders of the Bank in order to formulate action plans for the year. We also initiated a new motto for Bank Andara i 2016 i.e. "Andara Baru Andara Maju" (New Andara, Growing/moving forward Andara). With the incoming new strategic investor, there will be various new initiatives to be undertaken by the Bank to grow our businesses.

Demand for loan in Q1 2016 was softer than expected. The industry as a whole also experienced slower growth compared to last year. Slowdown in the economy and increasing credit risk experienced by the industry has dampened lending. The government is working to improve business condition by pushing for lower interest rates and by capping deposit rates for major banks.

In Q1 2016, total assets of Bank Andara grew by 0.80% from the Q1 2015 Rp998billion to Rp1,006trillion. Total loans decreased by approximately 3.20% from Q1 2015, from Rp626,4billion to Rp606,3billion. To counter this, the bank has launched promotion program for Q2 2016 which is in time for the upcoming peak season prior to the Eid celebration.

Total Deposits grew approximately 3.42% from Rp693,8billion to Rp717,5billion, driving the Bank's total assets to become Rp1,006trillion, increased by Rp8,3billion compared to the previous year. In terms of operations, the Bank is still focusing on optimizing its branch network (4 Branches).

The approval process for our strategic investor is still ongoing and we believe all documentation has been completed. We hope, the capital injection can be realized very soon.

Andaralink Value added services have shown good progress with the number of mobile devices in use increasing from 147 units at March 2015 to 233 units by end of February 2016. Number of transactions at March 2016 reached 213,486 transactions per month, or 57.05% increase from March 2015. The total volume of transactions in Q1 2016 reached 32 % of the total volume of transactions in all of 2015. Seeing the success of the program Optima 1, at the end of Q1 2016 The Bank recently opened Optima 2. Four MFIs have agreed to participate in the Optima 2 program, for a total addition of 19 new devices. In addition, we are also working together with a client on a customized Andaralink to accommodate their need for group lending activities which will be launched in Q2 2016.

In Q1 2016, we also amplified our efforts to improve the capacity and the capability of our team. We have recruited new personnel for several key positions to help us prepare for future growth, especially in the field of SME, credit review and business development. Most of the new team will be on board in Q2 2016.

Although 2016 will continue to be a very challenging year for the banking industry, we believe that 2016 is the year for Andara to turnaround and excel. On behalf of all members of management, we would like to convey our greatest appreciation to our shareholders, board of commissioners, business partners, consultants, employees, and the entire community for the trust given to Bank Andara.

Enclosed you will find the highlights of Bank Andara's first quarter 2016 performance. If you would like more information, please e-mail : deasy.wulaningsih@bankandara.co.id.

Warm Regards,

Darwin Wibowo

Finance and Operations

Finance

BALANCE SHEET (IDR million)	Dec-15	Jan-16	Feb-16	Mar-16
ASSETS				
Cash & Short-term Investment	216,971	232,149	211,132	221,791
Marketable Securities	142,430	143,880	145,189	174,059
Total Loans (Net)	673,622	653,339	603,809	582,850
Fixed Assets (Net)	5,623	5,701	5,832	4,851
Other	22,439	24,459	23,938	23,058
TOTAL ASSETS	1,061,084	1,059,529	989,899	1,006,611
LIABILITIES				
Third Party Funds	763,735	760,668	704,216	717,514
Fund Borrowings	77,189	77,198	66,165	66,174
Other Liabilities	68,938	70,364	68,393	69,954
TOTAL LIABILITIES	909,862	908,231	838,774	853,642
EQUITY				
Total Paid Up Capital	330,103	330,103	330,103	330,103
Other Comprehensive Income	(11,180)	(9,709)	(8,380)	(4,490)
Retained Earnings	(167,700)	(169,096)	(170,598)	(172,644)
TOTAL EQUITY	151,223	151,298	151,124	152,969
TOTAL LIABILITIES & EQUITY	1,061,084	1,059,529	989,899	1,006,611

Cash and short term Investment was increased to IDR 221billion. The placement of money market funds amounted to IDR 159billion in order to improve yield on excess liquidity. The Bank also allocated IDR 73billion to buy short term (bank) Negotiable Certificates of Deposits (NCDs) in marketable securities category.

In Mar 2016, the Bank's loan portfolio closed at IDR 606billion. The NPL gross ratio was maintained at 3.82%, and NPL net ratio was 0.46%. With tight monthly monitoring and watchlist report, the Loan Loss Provision has been maintained at IDR 24bio.

Third party funds acquisition was maintained at IDR718billion. During this time, the bank was able to maintain the cost of funds for time deposits at 8.40% (excluding fund borrowing).

Financial highlights:

- YTD Net Loss Mar 2016 is IDR 4.9bio lower than budget loss IDR 21.35bio. Budget loss includes an expected expense of IDR 12bio related to the Bank's acquisition which has not yet been incurred.
- YTD Net Interest Income for Mar 2016 is IDR 10.7bio, lower than budget IDR 12.8bio.
- YTD OPEX (personnel and other operating expense) as of Mar 2016 is IDR 16.3bio, lower than budget IDR 34.7bio (include new recruitment cost and retirement package for some employees which will be incurred in Q2 2016).
- YTD Loan loss Provision Expenses for Mar 2016 is IDR 2.3bio compared to budget IDR 1.6bio, due mainly to the deterioration of credit quality from the restructured cooperative loans.
- Net Interest margin 4.42% slightly lower from Dec 2015 at 4.68%.
- OEI ratio as of Mar 2016 is 116.88 %, it's lower than budget Mar 2016 at 131.05%. In Q1 2016 the opex included the head office relocation cost.
- NPL gross as of Mar 2016 is maintained at 3.82% due to a decrease in loan asset quality.

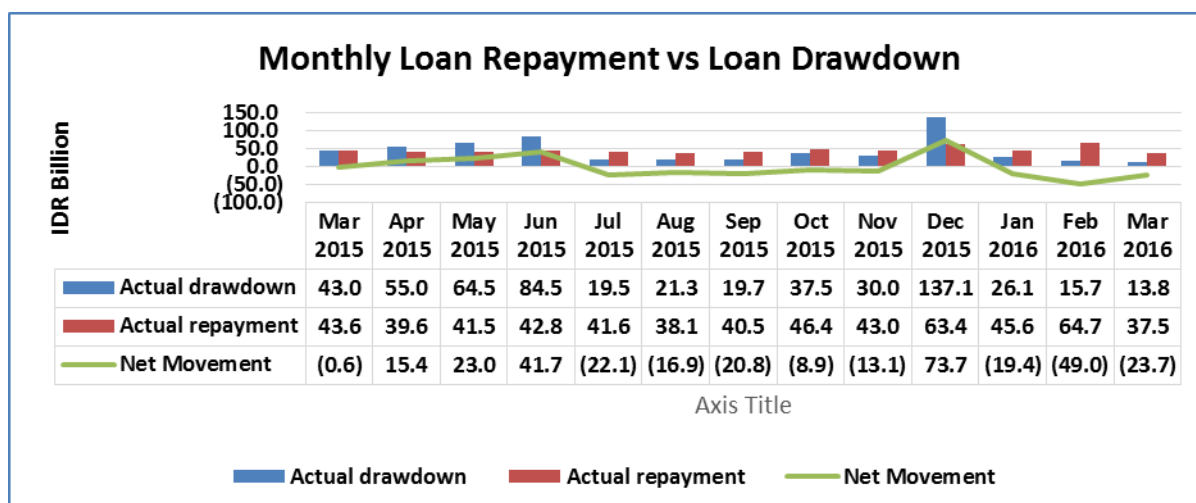
RATIOS	Dec-15	Jan-16	Feb-16	Mar-16
Capital Adequacy Ratio	28.60%	29.24%	30.65%	30.58%
Loan to Deposit Ratio (LDR)	126.51%	132.69%	130.95%	166.61%
Loan To Total Funding	83.07%	81.05%	81.78%	77.37%
ROA	-1.89%	-1.59%	-1.70%	-1.95%
ROE	-11.89%	-12.89%	-12.60%	-15.00%
NIM	4.68%	4.60%	4.46%	4.42%
Ops Expense to Ops Income	115.54%	113.56%	114.78%	116.88%
Yield Of Lending	13.34%	13.73%	13.54%	13.60%
COF (Cost Of Fund)	8.13%	8.23%	8.19%	8.40%
PAR				
>30 days	3.32%	3.41%	3.67%	3.86%

The Early Warning report is produced on a monthly basis to notify the problem alerts and take necessary 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

<i>Cumulative Loan & Deposit Portfolio</i>	Dec-15	Jan-16	Feb-16	Mar-16
Amount of Wholesale Loans (IDR million)	697,331	677,938	697,331	677,938
Amount of Monthly Loan Disbursement (IDR million)	137,119	26,111	15,685	13,828
Number of Deposits Account	1,289	1,290	1,248	1,260
Amount of Third Party Funds (IDR million)	763,735	760,668	704,216	717,514
Non-Bank Deposits Outstanding (IDR million)	114,846	114,858	112,346	86,973
% of Non-Bank Deposits Outstanding	15.04%	15.10%	15.95%	12.12%
Bank Deposits Outstanding (IDR million)	639,131	636,861	583,092	620,104
% Bank Deposits Outstanding	83.68%	83.72%	82.80%	86.42%
<i>Andara Bersama BPR (ABB) participating MFIs*</i>	205	204	203	201
Number of MFIs Borrower	344	335	321	299
Number of MFIs Depositor	710	699	690	687
Andara Link Installed to MFIs	461	458	461	461
Number of MFIs served	711	699	690	687

Lending declined during the period of the first quarter 2016, due mainly to continues soft market demand. Lending to rural banks started to show an increase despite economic conditions not having recovered fully. Hopefully the increase will be shown in Q2 2016 in line with preparation for the Eid celebration and school holiday season.



Operations

The following is the current headcounts of our permanent staff:

Operations	Dec-15	Jan-16	Feb-16	Mar-16
Offices	5	5	5	5
Total Staff	143	142	142	143
BOD	3	3	3	3
Head Office	76	75	74	75
Jakarta	17	17	18	18
Bali	21	21	21	21
Semarang	12	12	12	12
Surabaya	14	14	14	14
AO	20	17	20	17
FO	12	9	12	9
BO	0	5	0	5

In the first quarter 2016 there were no changes in the Bank's Organizational Structure. The Bank is still using the organizational structure from May 5, 2015 with changes in the organizational structure of the Division of Risk Management since November 1, 2015.

In Q1 2016, there were new 7 (seven) employees joining the Bank, consisting of 1 (one) Branch Head in Semarang, 1 Funding Product Officer, 1 Lending Product & Non BPR & MFI Marketing Officer and 4 (four) people supporting personnel, ie: two (2) people for the position of Legal Officer, 1 for Corporate Communication Officer and one person to the Human Resources Officer. These seven employees are to replace 4 resigned employees, 2 employees who have been declared not willing to continue the employment relationship related to the acquisition and 1 person to fill employee headcount.

The position of Compliance Division Head remained vacant following the former employee resigned in November 2015. Currently the Bank is selecting a candidate to fill this position.

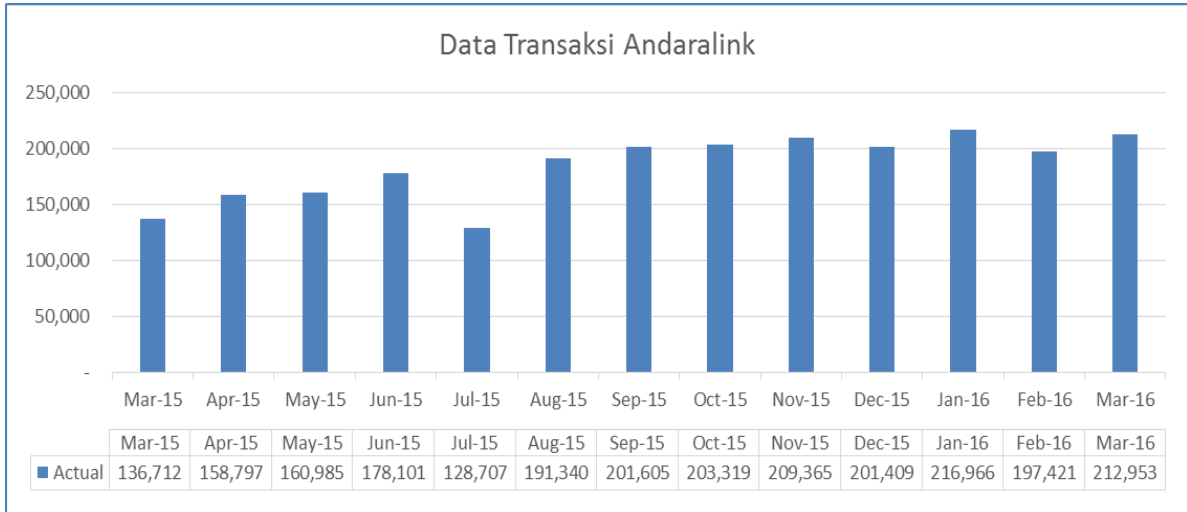
<i>Coverage and Pro-Poor Portfolio</i>	Dec-15	Jan-16	Feb-16	Mar-16
Geographic Coverage				
Sumatra	24	22	18	16
Jakarta & Banten	63	64	63	57
West Java	57	56	55	51
Central Java	51	50	48	47
Jogjakarta	6	5	5	5
East Java	86	85	79	73
Sulawesi	34	33	33	27
Bali, NTB (West Nusa Tenggara), NTT (East Nusa Tenggara)	76	75	74	70
Kalimantan	1	1	1	0
Pro-Poor Portfolio				
Number of Pro-Poor Lending MFI	210	204	204	184
Number of Non Pro-Poor Lending MFI	139	137	137	121
Pro-Poor Percentage	60%	60%	60%	60%

Growth of Transaction Volume of AndaraLink

In Q1 2016 transaction volume of AndaraLink reached 629,116 an increase of 306,710 compare to the previous year, or 32% of total transaction volume in 2015. The biggest volume growth is in the collection solution (Solusi Setoran) feature of Andara link.

To continue the success program of AndaraLink “Optima”, in Q1 2016 the Bank launched campaign program Andara Optima 2. Four MFIs join this program with 19 additional new devices deployed. Target additional transactions with 19 additional devices is 28,500 transactions per month.

MONTH	2012	2013	2014	2015	2016
	#TRX	#TRX	#TRX	#TRX	#TRX
JANUARI	10,750	15,354	21,405	84,660	217,649
FEBRUARI	12,056	16,538	23,840	101,035	197,981
MARET	10,994	17,825	30,569	136,711	213,486
DESEMBER	17,089	16,325	75,803	202,023	
	163,318	218,758	437,452	1,959,448	629,116

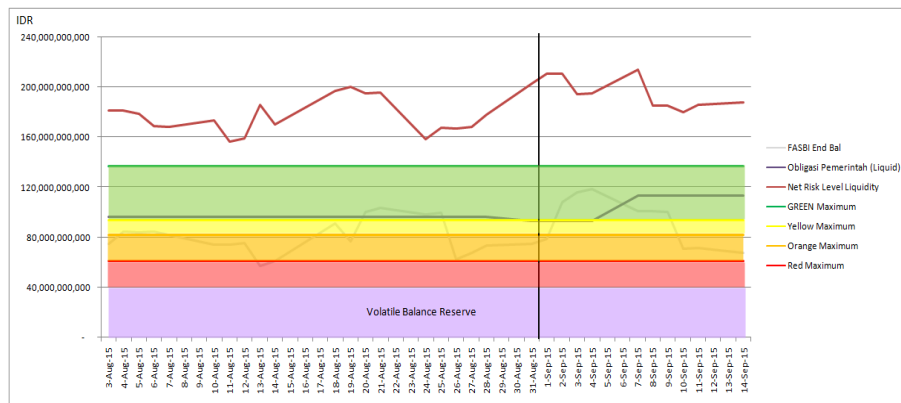


Corporate Governance and Risk Management

The Bank is working to strengthen all aspects of risk management. In Q1 2016, the Bank continued to improve the implementation of the watchlist, and reviewed its credit risk limits policy/procedure.

To maintain liquidity and market risk at levels approved by the Bank’s ALCO, the Bank improved its implementation of liquidity monitoring by utilizing daily liquidity policy zones (red: up to IDR21bio, orange: IDR21bio – 42bio, yellow: IDR43bio – 54 bio, green: IDR54bio – 97bio) and limits on liquidity and market risk maturity gaps.

The Q1 2016 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.)