

2006-4

Ganesha Microfinance Foundation Indonesia

Quarterly Report No. 2006-4 October - December 2006

(Provisional Financial Statements for Quarter 4)

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Ruko Asiatic Blok B 15/27, Jalan Permata Sari, Taman Ubud, Lippo Karawaci Barat
Tangerang, INDONESIA 15810. Telephone: +62 21 5949 2234. Fax: +62 21 598 4320

www.mbk-ventura.com

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1 Introduction

This report covers the last quarter of 2006 (October to December). Ganesha opened two new branches during this quarter, bringing the total number to fifteen by the end of December (nine branches in Rural Tangerang District and six in Rural Bogor District). Outreach expanded by some 1,749 members during this quarter, with almost two thirds of new members in the Bogor branches, to reach a total of nearly 28,000 members.

Two major events took place during this quarter. First, since Ganesha's operating expense ratio remained healthy throughout the year at 125 percent, the interest rate charged to Ganesha members was reduced from 30 to 25 percent per year on a flat basis. Second, at the end of this quarter, all the Ganesha business (assets, liabilities and net worth) were transferred to PT Mitra Bisnis Keluarga Ventura (*Family Business Partners Venture Capital Company*). This non-banking financial company (NBFC) was formed to replace Ganesha which, by law, cannot continue offering microfinance services after August 2007.

Ganesha Microfinance Foundation is essentially a minimalist Grameen Bank Replication (GBR) programme, adopting the classic Grameen Bank model with some adaptations from the ASA programme in Bangladesh. In essence, Ganesha provides one basic loan over 50 weeks at a flat interest rate of 25 percent per annum. All members are women. Each borrower belongs to a group of five borrowers, and four or five of these groups form one centre. Members repay their loans in weekly centre meetings conducted by Ganesha loan officers. Collective responsibility for loan repayment is encouraged at the centre level. An original feature of Ganesha in Indonesia is that all the loan officers, branch managers and head office staff are women.

Under Indonesian law, Ganesha is not allowed to collect savings or provide interest. However, to safeguard against non-repayment of loans, Ganesha has a loan guarantee scheme or *Client Responsibility Fund*. This fund collects five percent of every loan at the time of disbursement. This money is returned to the borrower after her loan has been repaid in full. It is not interest bearing. Ganesha produces comprehensive financial and narrative reports on a quarterly basis, such as this one, as well as annual reports. All financial statements are externally audited. Copies of these reports are available on request.

2 Progress during the Quarter

Progress can be noted under the following headings: (a) outreach, (b) loan portfolio quality, (c) productivity and efficiency, and (d) viability and sustainability.

2.1 Outreach

Number of Members rose by 7 percent. The total number of members increased by 7 percent from 26,229 to 27,978 during this quarter (see table 1.a and figure 1).

Number of active clients/borrowers rose by 6 percent. The total number of active clients/borrowers increased by 6 percent from 25,623 to 27,372 during this quarter. The number of centres in the programme increased from 1,418 to 1,554 or by 9.5 percent by the end of the reporting period. The majority of the new members borrowed the maximum amount allowed for a first loan, that is, approximately US\$ 55 a year (or Rp. 500,000), although some women borrowed as little as Rp. 300,000 or Rp. 400,000 (\$33 to \$44).

Table 1. Quarterly Outreach Indicators

	Dec-05	Mar-06	Jun-06	Sept-06	Dec-06
Net members ¹	12,335	16,056	22,277	26,229	27,978
Percent growth in members	17%	30%	39%	18%	7%
Branches	5	9	11	13	15
Total centres	613	808	1,143	1,418	1,554
<u>Total active clients/borrowers</u>	<u>12,335</u>	<u>16,056</u>	<u>21,267</u>	<u>25,623</u>	<u>27,372</u>
Members in 1 st cycle	9,593	12,418	16,201	18,071	19,264
Members in 2 nd cycle	1,222	1,727	2,993	5,294	6,036
Members in 3 rd cycle	1,517	1,713	1,540	1,226	903
Members in 4 th cycle	3	198	533	1,032	1,169
Total loan outstanding (Rp 000s)	4,136,919	5,491,235	7,768,262	9,879,304	9,105,260
Total loan outstanding (US\$) ²	440,754	600,135	838,905	1,070,811	1,007,776
Growth in portfolio (in Rp)	1%	33%	41%	27%	-8%
Average loan outstanding/client (US\$)	36	37	39	42	36
Dropouts per quarter	105	473	670	1,288	834
Quarterly dropout rate (%) ³	0.9%	2.9%	3.0%	4.9%	3.0%
Year-on-year dropout rate (%)	4.4%	4.5%	6.1%	9.7%	11.7%
CRF as % of loan outstanding ⁴	9%	9%	8%	8%	9%

Note:

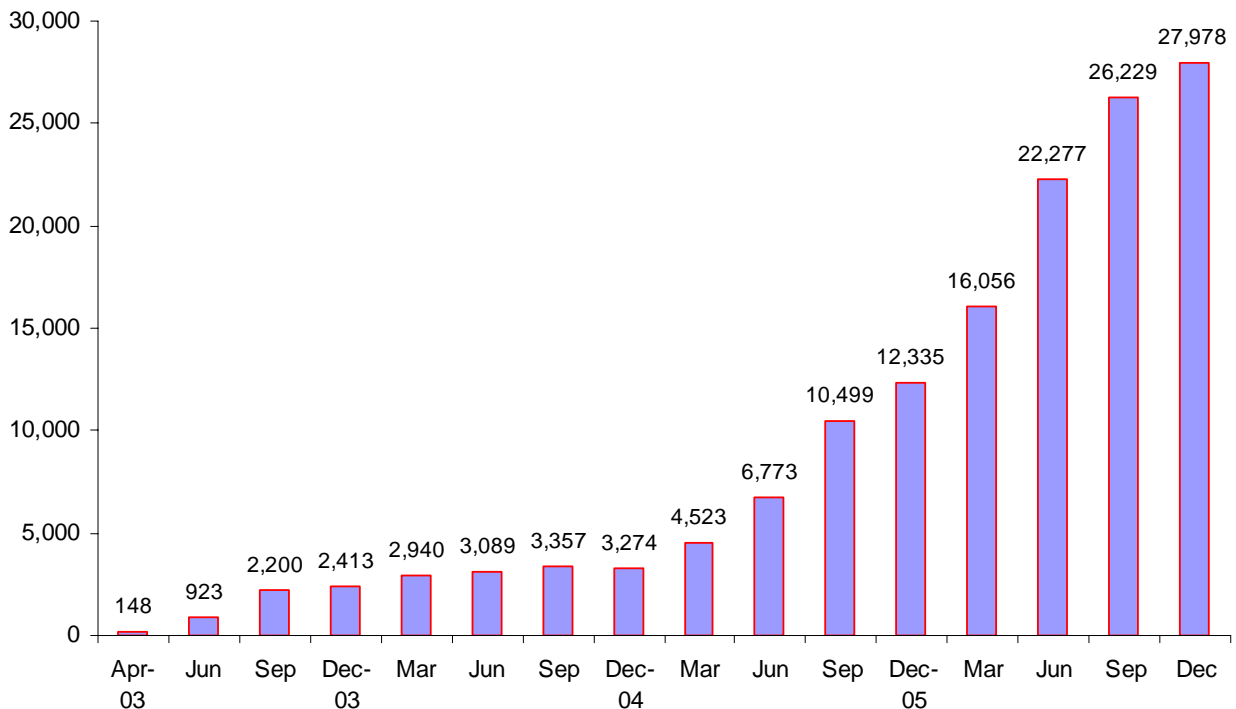
¹ Includes new members waiting for first loan (3-2 staggered disbursement), and existing members waiting for follow-up loans

² US\$ 1 = Rp. 9,035 as of 29 December 2006

³ As percent of active clients

⁴ CRF: Client Responsibility Fund (non-interest bearing compulsory loan guarantee fund)

Figure 1. Active Ganesha Members as of 31 December 2006



Number of branches in Rural Bogor District increased to 6. In November and December, Ganesha set up two new branches (Ciomas and Pamijahan 2, respectively) in the rural district of Bogor, bringing the total number of Bogor branches to six, and the Ganesha total to 15.

Borrowers in branches 1 and 6 in Tangerang moved to their fifth loan. Borrowers in two branches, Teluk Naga and Kebon Cau (split from Teluk Naga), began moving on to their fifth loan, the ceiling of which was raised by 20 percent to Rp. 2,200,000 (US\$ 243).

Loan portfolio. The total loan portfolio decreased from US\$ 1,070,811 to US\$ 1,007,776 or by 8 percent (in Rupiah terms) during this fourth quarter of 2006. This was the result of Ganesha's policy not to disburse new loans in the last two weeks before the annual religious Idul-Fitr holidays (weeks 3 and 4 of October). Following the holiday period, it also takes time to identify and train new members. On the other hand, existing members continued their repayment, thus reducing outstanding portfolio.

2.2 Dropout

Drop-out rate decreased this quarter. The number of drop-outs this quarter decreased in comparison with the previous quarter, from 1,288 to 834. The quarterly drop-out rate decreased from 4.9 percent in the first three quarters of this year to 3 percent, while the year-on-year dropout rate rose from 9.7 to 11.7 percent. Of the 834 clients who left the programme this quarter, 26 clients died (3 percent), 376 were asked to leave (45 percent), 66 took up paid employment and could not attend weekly meetings (8 percent), and the remaining 366 left the programme voluntarily (44 percent). A majority of the latter were borrowers who wanted a break from the rigour of attending weekly meetings, while a few were too sick to continue their small businesses.

Some 45 percent of dropouts were asked to leave the programme for two reasons. Some had failed to attend weekly meetings for more than 12 out of the total of 50 weeks, i.e., did not attend more than 25 percent of the meetings without a valid reason (such as too sick to attend, family urgency or child birth). The remaining members were mostly located in nine centres in Teluk Naga and Kebon Cau, and lived in houses on land owned by the Air Force. The latter has decided to reclaim its land after the 25-year lease period has expired. It is almost certain now that these members will be forced to move soon to unknown addresses. A few members who have already moved have been accepted in other Ganesha centres where available. The members who have been discontinued have however been issued with a letter stating their past relationship with Ganesha, so that they can join centres near their new addresses.

Returning borrowers. As in the previous quarter, a small number of borrowers who had graduated from their first loan and left the programme rejoined to take up a second loan. This mostly occurred in the second branch, Rajeg. Careful checks were made by staff to ensure that these returnees had been voluntary drop-outs from the programme and had not been asked to leave by Ganesha (for the reasons cited above).

Dropout exit survey. In order to better understand the underlying factors causing the clients who have dropped out to miss so many weekly meetings, and some clients to leave the programme voluntarily, Ganesha will conduct a formal exit survey of dropouts in early 2007. The findings of this survey will provide clues on how to design the programme to better suit the needs of the borrowers.

2.3 Loan Portfolio Quality

Portfolio at risk. Portfolio at risk (PAR>30 days) returned to zero percent this quarter. The previous arrears from the last quarter were repaid in full. Only one client was in arrear this quarter, and for just one week. The quarterly repayment rate returned to 100 percent, while the cumulative repayment rate was 99.89 percent. Outstanding loans with 1-4 weeks arrear declined from Rp. 0.4 million (\$43) to Rp. 0.26 million (\$28.7).

Table 2. Quarterly Loan Portfolio Quality Indicators

	Dec-05	Mar-06	Jun-06	Sept-06	Dec-06
<u>% Portfolio at risk (>4 weeks)</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.01%</u>	<u>0.0%</u>
Arrears over 4 weeks (Rp. 000)	0	0	0	400	0
Outstanding loans over 4 weeks (Rp. 000)	0	0	0	760	0
Clients in arrears over 4 weeks	0	0	0	4	0
<u>Arrears 1-4 weeks (Rp. 000)</u>			<u>240</u>	<u>80</u>	<u>10</u>
1 week in arrear			80	50	10
2 week in arrear			40	0	
3 week in arrear			0	30	
4 week in arrear			120	0	
5+ week in arrear			0	400	
Outstanding loans 1-4 weeks (Rp. 000)			2,280	400	260
<u>Aging of Arrears</u>			<u>12</u>	<u>10</u>	<u>1</u>
1 week in arrear			7	5	1
2 week in arrear			2	0	
3 week in arrear			0	1	
4 week in arrear			3	0	
5+ week in arrear			0	4	
Quarterly repayment rate	100%	100%	99.99%	99.42%	100%
Cumulative repayment rate	100%	100%	100%	99.86%	99.89%
Loan Loss reserve ratio (bad debt)	5.0%	5.0%	5.0%	5.0%	5.0%

2.4 Productivity and Efficiency

Clients per loan officer ratio. The average number of clients per loan officer (excluding probationary staff) declined from 382 in the last quarter to 354 this quarter (table 3). This was mainly due to the opening of the two new branches and the recruitment of additional loan officers. There were a total of 93 loan officers serving some 27,372 active clients by the end of the period. Of these, 14 were probationary loan officers (less than two months in Ganesha), while another 30 had between 2 and 6 months' experience. The number of confirmed loan officers, with more than 6 months experience working in Ganesha, rose to 49. Only the last two categories (79 loan officers) are used to calculate the client to loan officer ratio.

Clients per staff. The client per staff ratio, including all field staff, head office and probationary staff, slightly increased from 225 to 229 per staff.

Table 3. Quarterly Productivity and Efficiency Indicators

	Dec-05	Mar-06	Jun-06	Sept-06	Dec-06
1. Outreach					
Members	12,335	16,056	22,277	26,229	27,978
Branches	5	9	11	13	15
Centres	613	821	1,164	1,445	1,554
2. Total staff (field + head office)	57	70	83	114	122
Head office staff	6	6	9	8	9
<u>Field staff</u>	<u>51</u>	<u>64</u>	<u>74</u>	<u>106</u>	<u>113</u>
District staff (incl. 1 driver)	2	3	3	5	5
<u>Total branch staff</u>	<u>49</u>	<u>61</u>	<u>71</u>	<u>101</u>	<u>108</u>
Branch managers	5	7	9	13	15
Total loan officers	44	54	62	88	93
Confirmed loan officers (>6 mths)	21	23	37	37	49
Trainee loan officers (2-6 mths)	16	19	18	30	30
Probationary loan officers (<2 mths)	7	12	7	21	14
3. Efficiency ratios ¹					
Clients per loan officer	333	382	387	382	354
Clients/total staff (field and HO)	247	277	256	225	229
Centres per loan officer	17	20	21	22	20
Loan portfolio/loan officer (\$)	11,912	14,299	15,253	15,982	12,757
Overhead ratio (HO/All admin exps)	41%	38%	34%	30%	29%
Loan officers as % of total staff	77	77	75	77	76
HO staff as % of total staff	10	9	11	7	7

Note: 1. Excluding probationary loan officers (less than 2 months with Ganesha)

Loan portfolio per loan officer. The outstanding loan portfolio per confirmed loan officer declined from \$15,982 to \$12,757 as a result of Ganesha's policy not to disburse loans two weeks before the annual religious holiday as well as not receiving repayments for the final two weeks of October, when Ganesha is closed for annual holiday.

Centres per loan officer. The ratio of centres per loan officer slightly declined to 20 this quarter. This ratio also excludes the 14 probationary loan officers.

Loan officers as a share of total staff. The ratio of loan officers to total staff remained about the same at 76 percent.

Overhead ratio and HO/field staff ratio. The head office to total administration expense ratio continued to decline from 30 to 29 percent between the last quarter and this one. The HO/total staff ratio remained stable at 7 percent.

2.5 Viability and Sustainability

Operating expense ratio. The operating expense ratio rose from 28.9 to 31.0 percent between last quarter and this quarter, due to the expansion of branches and staff.

Table 4. Quarterly Viability and Sustainability Indicators

	Dec-05	Mar-06	June-06	Sept-06	Dec-06
Operating expense ratio (Operating expenses/Average loan portfolio)	29.7%	31.2%	29.9%	28.9%	31.0%
Total cost ratio (Operating + financial expenses/avg. loan portfolio)	36.7%	36.0%	35.4%	35.0%	37.9%
Quarterly yield on portfolio (Average quarterly income from loan/ Average loan portfolio in past 4 quarters)	41.7%	43.5%	44.3%	45.8%	46.8%
Annual yield on portfolio (Annual income/average loan portfolio last December and this December)	49.5%	47.6%	44.8%	43.7%	39.4%
Operational self sufficiency (Total income/operating + financial expenses)	114%	119%	127%	132%	124%

Total cost ratio. The total cost ratio also increased from 35.0 to 37.9 percent. This ratio includes financial costs.

Yield on portfolio. The average quarterly yield on portfolio rose by 1.5 percent from 45.8 to 46.8 percent, calculated on the basis of the average outstanding portfolio for the four preceding quarters. The yield on gross portfolio calculated conventionally, i.e., annual income over average of outstanding loan portfolio between December 2005 and December 2006, was 39.4 percent at the end of 2006.

Operational self-sufficiency. Operational self-sufficiency declined from 132 to 124 percent since last quarter as a result of two weeks religious holiday in October, where no interest is collected, and lowering the interest rate from 30 to 25 percent per year (flat basis).

3 Income Statement and Balance Sheet

3.1 Income Statement

Net Income. The net operating income this quarter declined from \$34,993 to \$8,302 (table 5). Since income declined by only \$2,270 between this quarter and the previous quarter, the large drop in net operating income was mainly due to higher operating expenses this quarter, from \$89,591 to \$113,168 or \$23,577. This was the result of expenses related to the liquidation process (lawyer fees, audit fees, etc.). Income declined due to three factors: two-week holiday period where no interest was collected, lower interest income on account of smaller portfolio outstanding, and lowering of interest rate from 30 to 25 percent during this quarter.

Financial expenses. Cumulative financial expenses consisted of interest payment (\$34,814) and loan loss provision expenses (\$26,285). The former included the payment of six-monthly interest expenses to Cordaid due this November.

Cumulative net operating income. Before tax, net operating income so far this year increased from \$69,802 to 79,580 between this quarter and the previous one.

Table 5. Quarterly Income and Expenses (US\$)

	Sept-05	Dec-05	<i>Revised</i> Mar-06	<i>Revised</i> June-06	<i>Revised</i> Sept-06	<i>Prelim.</i> Dec-06
1. <u>Quarterly Income & Expenses</u>	<u>5,347</u>	<u>10,466</u>	<u>11,488</u>	<u>24,171</u>	<u>34,149</u>	<u>8,302</u>
1.1 Quarterly total income	38,687	47,923	71,538	95,004	123,740	121,470
1.2 Quarterly total expenses	33,340	37,457	60,050	70,834	89,591	113,168
2. <u>Total Income (cumulative)</u>	<u>85,395</u>	<u>141,634</u>	<u>71,538</u>	<u>165,693</u>	<u>290,043</u>	<u>417,645</u>
2.1 Income on Loans (cumulative)	83,402	138,626	69,621	161,949	282,973	407,222
2.2 Income from bank accounts	1,445	2,138	1,231	2,401	5,160	7,860
2.3 Other income (penalty)	548	870	686	1,343	1,911	2,562
3. <u>Total Expenses (cumulative)</u>	<u>79,513</u>	<u>124,713</u>	<u>60,050</u>	<u>130,170</u>	<u>220,241</u>	<u>338,065</u>
3.1 <u>Financial expenses</u>	<u>20,642</u>	<u>24,026</u>	<u>6,734</u>	<u>22,119</u>	<u>43,269</u>	<u>61,099</u>
(a) Interest expenses	-	854	393	3,882	13,635	34,814
(b) Loan loss provision expense	20,642	23,172	6,341	18,236	29,634	26,285
3.2 <u>Operating expenses</u>	<u>58,871</u>	<u>100,687</u>	<u>53,315</u>	<u>108,051</u>	<u>176,972</u>	<u>276,966</u>
(a) Personnel expense	24,616	44,387	21,407	48,377	86,417	143,089
(b) Administrative expense	34,255	56,301	31,908	59,675	89,550	135,443
(c) Head office operating expense	26,458	41,825	19,803	36,505	53,392	81,899
(d) Branch operating expense	32,414	58,862	33,512	71,546	123,575	195,067
4. <u>Net Operating income</u>	<u>5,882</u>	<u>16,921</u>	<u>11,488</u>	<u>35,523</u>	<u>69,802</u>	<u>79,580</u>
(a) Tax	<u>272</u>	<u>2,929</u>	<u>1,120</u>	<u>1,991</u>	<u>3,293</u>	<u>21,364</u>
(b) Net surplus/deficit after tax	<u>5,610</u>	<u>13,315</u>	<u>10,368</u>	<u>33,531</u>	<u>66,509</u>	<u>58,216</u>

Note: Tax liability revised for Dec 04 and Dec 05 based on audited accounts.

Revised March figures no longer contain expenses for loan loss provision due to member death, since Ganesha insured itself against client death.

3.2 Balance Sheet

Total assets. Total assets of Ganesha remained stable at around \$1.3 million during this quarter. Loan portfolio accounted for 78 percent of total assets.

Current liabilities. Current liabilities declined mainly as a result of payment of accrued interest to Cordaid this November.

Long-term liabilities. Long-term liabilities remained relatively stable at \$1.1 million. On one hand, the balance of the Grameen Trust loan was repaid in full since Ganesha was to be liquidated at the end of the year. On the other, Hivos contributed an additional Euro 10,000 to support Ganesha's transformation to a more suitable legal entity. Also, in dollar terms, the contribution of the founders, Hivos and Cordaid increased due to the appreciation of the Indonesian Rupiah.

Equity. Ganesha's equity declined by 6.2 percent from \$113,033 to \$106,030 this quarter on account of lower accumulated surplus during this quarter for reasons explained above, namely larger expenditures related to Ganesha's transformation process.

Table 6. Quarterly Balance Sheet (US\$)

	Sept-05	Dec-05	<i>Revised</i> Mar-06	<i>Revised</i> June-06	<i>Revised</i> Sept-06	<i>Prelim.</i> Dec-06
Assets	<u>497,836</u>	<u>684,920</u>	<u>744,185</u>	<u>1,139,602</u>	<u>1,302,413</u>	<u>1,295,897</u>
Outstanding loan portfolio	397,865	440,754	600,135	838,905	1,070,811	1,007,776
(Loan loss reserve)	(20,888)	(23,140)	(29,984)	(41,923)	(53,518)	(50,366)
Net outstanding loan portfolio	376,977	417,615	570,151	796,982	1,017,293	957,411
Cash and bank accounts	68,292	203,898	91,824	249,396	174,107	230,142
Other current assets	4,013	4,997	7,176	8,114	10,758	8,504
Net fixed assets	48,554	58,410	75,034	85,109	100,255	99,841
Current Liabilities	<u>35,986</u>	<u>47,927</u>	<u>80,394</u>	<u>126,585</u>	<u>100,436</u>	<u>95,674</u>
Client responsibility fund (savings)	30,517	39,272	51,783	69,945	86,489	95,517
Temporary loan, Founders	-	-	21,858	51,339	-	-
Interest payable on loans			393	3,882	13,635	-
Withholding income tax, staff	23	48	-	141	7	157
Withholding income tax, foundation	5,446	8,607	6,360	1,278	305	-
Long-term Liabilities	<u>427,049</u>	<u>590,966</u>	<u>606,209</u>	<u>932,832</u>	<u>1,188,644</u>	<u>1,094,193</u>
Loan, Dhanani (founder) ¹	135,366	148,548	152,379	150,569	67,924	69,360
Loan, Sweeting (founder) ¹	35,681	39,155	40,165	39,688	23,576	24,074
Contribution, Hivos, Netherlands ¹	219,445	373,816	383,458	459,596	461,290	484,168
Loan, Grameen Trust	36,557	29,447	30,207	29,848	29,958	-
Loan, Cordaid, Netherlands				253,132	505,896	516,591
Equity	<u>34,802</u>	<u>46,026</u>	<u>57,582</u>	<u>80,184</u>	<u>113,334</u>	<u>106,030</u>
Paid-up capital	9,709	10,654	10,929	10,799	10,839	11,068
Surplus/deficit, previous quarter	19,483	21,380	36,285	35,854	35,986	36,746
Surplus/deficit, end of quarter	5,610	13,992	10,368	33,531	66,509	58,216
Total Equity and Liabilities	<u>497,836</u>	<u>684,920</u>	<u>744,185</u>	<u>1,139,602</u>	<u>1,302,413</u>	<u>1,295,897</u>

4 Institutional Strengthening

4.1 Staff Recruitment

Total staff. The total number of staff increased by only 8 this quarter to 122 with the addition of probationary loan officers in the field and one MIS staff in head office.

Trainee deputy branch managers. Ganesha recruited a number of young women graduates into this position. Most of them are still probationers (less than 2 months with Ganesha). They had to pass a motorbike riding test as well as the usual arithmetic test. The former was problematic for quite a number of applicants. Several reported back to Ganesha for the observation week after they had improved their riding/driving skills. Previously, they had been allowed to learn on-the-job but as this had proved ineffective in too many cases, this policy was changed.

4.2 Improvements in Personnel Policy and Management

New recruitment strategy for deputy branch managers. A new recruitment strategy was introduced during this quarter, whereby senior staff visited several university campuses to post

job advertisements and conduct “walk-in” on-campus interviews for fresh female graduates. This has proved to be an effective alternative method to posting job vacancies on university websites, and will be continued next year in other areas, as Ganesha expands into new districts in the province of West Java.

Revised MIS staff policy. This quarter Ganesha hired into the head office a senior technical secondary school leaver (SSL) with an accounting background to be trained as a data entry staff. If this proves successful, the district offices will follow suit so that each unit comprises 2 SSL for portfolio data entry, led by a Diploma 3 staff who is responsible for all accounting tasks. The current Diploma 3 MIS staff are starting to be trained to carry out wider roles as the programme expands and data/administration responsibilities increase.

5 Management and Governance

5.1 Internal Audit

Six-monthly round of branch audits. Ganesha’s policy is to audit each of its branches twice a year. The internal auditor, accompanied by area coordinators (who audited branches in areas other than their own) and some head office staff, conducted internal audits of all the established branches, 13 in all, during the last quarter of this year.

5.2 Area level MIS

Branch-based MIS maintained at area level. All data is entered in branch-level databases maintained at the MIS unit in each area office. There are two area offices in Tangerang (the second MIS unit is located in head office for the time-being). An experienced MIS staff handles *accounting* data, while her two colleagues handle member *portfolio* data entry. MIS data from the Tangerang district office are exported to head office on a monthly basis for consolidation.

Accounting and member data entry for all 6 Bogor branches are handled by MIS staff at head office, who are in the process of being trained. The Bogor area office will be opened in January.

5.3 Forward Planning of Staff

Promotion of staff to middle level management. Three good and experienced branch managers will be promoted to fill the three area coordinator positions, two in Tangerang, and one in Bogor. Two of the present area coordinators will be transferred to open up the two new districts of Sukabumi and Bandung, while the third will become the personnel manager.

Promotion of staff to Deputy Branch Manager posts. Several capable and experienced staff will be promoted to fill vacancies as deputy branch manager in some branches. They will have branch manager responsibilities although they will work under the new area coordinators for 2-3 months as trainees. After that period, their managerial capabilities will be assessed before they are confirmed as new branch managers. These promoted staff include a mixture of senior loan officers and direct entry deputy branch managers.

5.4 Visitors, Raising Awareness and Funds for On-lending

1. October 2-3: *Unitus Inc.*, Clair Jenkins (Board member) and Mark Wensley in Jakarta
2. October 3: *Ministry of Finance*, Mr. Ngalim, Director, Financing institutions
3. October 3: *Bank Danamon*, Mr. Karim Siregar
4. October 9: *Bank Danamon*, Mr. Roy and Ms. Susanti
5. October 12: *Training Consultant*, Ms. Silva Liem
6. October 18: *Bank Danamon*, Danamon Simpan Pinjam (DSP), Mr Djemi Suhenda and Team
7. November 6-7: *Unitus Inc.*, Seattle: Mr. Mike Murray (Chair and Co-Founder) Mr. Geoff Davis (President and CEO), Mr. Clair Jenkins (Board member), Mr. Dave Richards (Board member), Mark Wensley (Lead Selection Specialist), Kylie Charlton (Vice President, Capital Markets), Dawn McGee (General Counsel), Johanna Posada (Associate, Unitus Equity Fund), Vikas Jhunjunwala (Senior MIS Analyst), Howard Brady (Solutions Manager)
8. November 6: *Technical Development Services*, Seattle: Don Eggert, President (Kredits MFI & Micro-Banking Software)
9. November 7: *Grameen Foundation Technology Centre*, Seattle: Mr. Tim Wood, Mr David Keogh and Ms. Emma le Duc, village telephone programme
10. November 28: *Mercy Corps Jakarta*, Liz Larson, programme officer MICRA
11. December ..: *Hivos Jakarta*, Mr. Panca Pramudya, Desk Officer
12. December 6: *Bank Danamon Jakarta*, Mr. Karim Siregar, Mr. Roy, Ms. Susanti and Mr. Sanjiv Malhotra, Integrated Risk Head.
13. December 8: *Unitus Inc.*, Jakarta visit: Mark Wensley (Lead Selection Specialist) and Ms. Kylie Charlton (Vice President, Capital Markets)
14. December 8: *Citibank Jakarta*, Mr. Bagus Tanurahardja (Vice President and Financial Institutions Head, Corporate Banking) and Ms. Sharla Zulkarnaen (Manager, Financial Institutions, Corporate Banking)
15. December 8: *Bahar and Partners Law Firm*, Jakarta: Mr. Atik Susanto (Partner)
16. December 8: *Bank Mandiri*, Jakarta: Dr. Haryanto Budiman (Executive Vice President Coordinator, Directorate of Change Management)
17. December 19: *Rama Wendra/Parker Randall* Public Accountant, Jakarta: Mr. Achmad Zar'an.
18. December 20: *Utomo Karim & Partners Law Firm*: Mr. Utomo Karim and Mr. Wahyudin
19. December 21: *Innoventures Business Development Services*, Jakarta: Mr. Rahendrawan, Mr. Dadi Daruslan, Mr. M. Rais Kahodo and Mr. Lim Handoko (Senior Partners), and Mr. Andi Maradang (Senior Consultant)

6 Strategic 5-year Business Plan 2007-2011

6.1 Key Features

Towards the end of December 2006, Ganesha produced revised five-year financial projections for the period 2007-2011. Key features of these projections are as follows (table 7):

1. *Outreach.* Membership will double every year, from around 30,000 at the end of 2006 to 1 million at the end of 2011, focusing in the rural areas of Java Island, one of the most populated islands in the world. Ganesha began operating in Banten province (West of Jakarta) in 2003-05 where it faced little competition, either from commercial banks, community banks or other MFIs. In 2006, Ganesha expanded in the neighbouring district of Bogor, where it faced some competition from other smaller MFIs. Now Ganesha will expand westwards to cover West Java in 2008, Central Java in 2009 and East Java in 2010. The majority of Ganesha clients will continue to come from the bottom 25 percent of the population.
2. *Outstanding loan portfolio.* With average outstanding loan size rising from \$36 to 82, the gross portfolio outstanding will increase from Rp. 9 to 740 billion (\$1 to 82 million).
3. *Branches.* The number of branches will nearly double every year from 15 in 2006 to 400 in 2011,. Each branch have around 6-8 staff.
4. *Staff.* By the end of the projection period, the programme will employ 3,332 people in the field and 29 people in head office, or 3,361 people in total.
5. *Efficiency.* The programme will improve efficiency in three ways: (a) from 2,000 clients in earlier years to 2,500 clients per branch by the end of the projection period, (b) 322 to 380 clients per loan officer; and (c) reduce the operating cost ratio from 38 to 17 percent between 2006 and 2011.
6. *Sustainability.* After-tax operating self-sustainability will rise from 94 to 127 percent, while after tax financial self-sustainability will rise from 89 to 125 percent.

6.2 External funding requirements

Income and dividends. After breaking even in 2008, Ganesha will show a surplus of about Rp 5, 20 and 50 billion in 2009, 2010 and 2011 (\$0.5, \$2.22 and \$5.6 million). To minimize external funding, Ganesha's policy is not to make dividend payments, and to plough whatever surplus it can make to expand the number of its low-income clients.

Savings. Ganesha is not legally allowed to raise savings from its members. Nevertheless, it collects 5 percent of each working capital disbursement as a guarantee fund, so this will contribute to funds for on-lending (\$0.2, 0.5, \$1.3 and \$2.8 and \$6.1 million in each year between 2007 and 2011).

Grants. Grants will continue to play an important in capacity building, especially for MIS. In 2007, Ganesha will apply for grant funds amounting to around \$170,000 to continue capacity building efforts and invest in human resources, while in 2008 it will apply for \$120,000 for further management capacity building and staff training.

Table 7. Summary Financial Projections, 2007-2011

	Year 0 FY06	Year 1 FY07	Year 2 FY08	Year 3 FY09	Year 4 FY10	Year 5 FY10	% Share
Overall Targets							
Total clients	29,978	60,000	120,000	250,000	500,000	1,000,000	
Gross outstanding portfolio (Rp billion)	9.1	22.1	52.5	153.8	341.1	740.4	
Total branches	15	30	54	110	200	400	
Total employees	122	255	509	880	1,696	3,361	
Clients per loan officer	286	321	318	380	380	380	
Operating cost ratio (%)	37.9	37.7	32.5	25.2	19	17.5	
After tax return on total assets (%)	-3.1	-4.6	-1.0	4.5	7.7	8.9	
After tax return on equity (%)		-9.9	-3.9	36.3	71.1	75.2	
Loan write-off ratio (%)	0.0	0.3	0.5	1.1	1.1	1.1	
Operational sustainability after-tax %	110	94	100	113	123	127	
Financial sustainability after-tax %		89	98	112	121	125	
I Balance Sheet (Rp billion)							
Assets (Rp billion)	11.7	27.5	57.5	161.6	354.2	764.7	100.0
Net outstanding portfolio	8.7	21.2	50.3	147.1	326.2	708.0	92.6
Cash and in Bank	2.1	0.5	1.2	3.2	6.9	14.7	1.9
Current assets	-	2.4	0.1	0.1	0.1	0.1	-
Investment and other assets		1.0	0.8	0.7	0.5	0.4	0.1
Net fixed assets	0.9	2.5	5.1	10.6	20.4	41.3	5.4
Liabilities (Rp billion)	10.7	17.2	46.0	144.9	317.4	677.4	100.0
Client responsibility fund	0.9	2.1	4.9	11.4	25.3	54.9	8.1
Concessional loans	5.2						-
Commercial loans	4.7	15.1	41.1	133.5	292.1	622.4	91.9
Equity (Rp billion)	1.0	10.3	11.5	16.7	36.8	87.3	100.0
Acc. donated equity, previous periods		4.4	5.9	7.1	7.1	7.1	8.1
Donated equity, current period	0.1	1.5	1.2				-
Shareholder equity		4.0	4.0	4.0	4.0	4.0	4.6
Dividend payments	0	0	0	0	0	0	-
Accumulated net surplus	0.9	0.4	0.4	5.6	25.7	76.2	87.3
Total liabilities and equity	11.7	27.5	57.5	161.6	354.2	764.7	
II Balance Sheet (US\$ million)							
Assets (Rp billion)	1.3	3.1	6.4	18.0	39.4	85.0	100.0
Net outstanding portfolio	1.0	2.4	5.6	16.3	36.2	78.7	92.6
Cash and in Bank	0.2	-	0.1	0.4	0.8	1.6	1.9
Current assets		0.3	-	-	-	-	-
Investment and other assets		0.1	0.1	0.1	0.1	0.1	0.1
Net fixed assets	0.1	0.3	0.6	1.2	2.3	4.6	5.4
Liabilities (Rp billion)	1.2	1.9	5.1	16.1	35.2	75.3	100.0
Client responsibility fund	0.1	0.2	0.5	1.3	2.8	6.1	8.1
Concessional loans	0.6	0	0	0	0	0	-
Commercial loans	0.5	1.7	4.6	14.8	32.4	69.2	91.9
Equity (Rp billion)	0.1	1.1	1.3	1.9	4.1	9.7	100.0
Acc. donated equity, prv periods		0.5	0.7	0.8	0.8	0.8	8.1
Donated equity, current period		0.2	0.1				-
Shareholder equity		0.4	0.4	0.5	0.4	0.4	4.6
Dividend payments		0	0	0	0	0	-
Accumulated net surplus	0.1	-	0.1	0.6	2.9	8.5	87.3
Total liabilities and equity	1.3	3.0	6.4	18.0	39.3	85.0	
III Fresh Commercial loans							
In Rupiah (billion)	4.7	10.4	26.0	92.4	158.5	330.4	
In US Dollars (million)	0.5	1.2	2.9	10.3	17.6	36.7	

Source: MBK Microfin projections, February 2007. Note: US\$ 1 = Rupiah 9,000

Concessional loans. Ganesha does not expect to obtain concessional loans.

Fresh commercial loans. After taking into account surplus reinvested, client responsibility fund and small grants in the first two years, Ganesha will need to raise fresh loans amounting to Rp 10, 26, 92, 159 and 330 billion in respectively 2007, 2008, 2009, 2010 and 2011 (\$1.2, \$2.9, \$10.3, \$17.6 and \$36.7 million).

7 Planned Activities for First Quarter 2007

7.1 Outreach

- Identify locations for 2-3 more branches in Rural Bogor District
- Continue surveys, open and operationalize 3-4 branches in each of Rural Sukabumi District and neighbouring Rural Bandung District, as part of Ganesha's expansion plans.

7.2 Institutional Strengthening

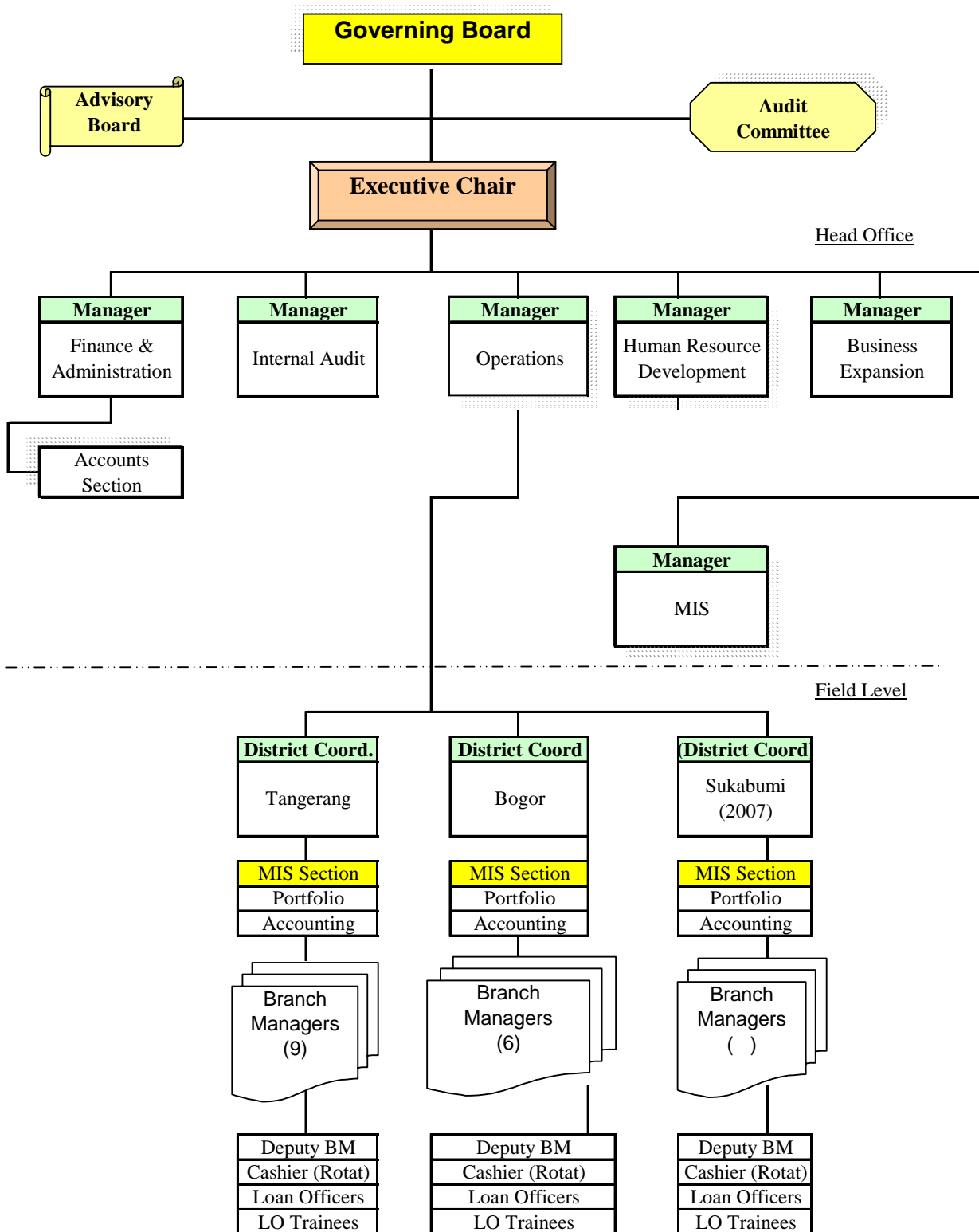
- Promote one area coordinator to become Personnel Manager, in charge of recruitment and all other staff matters.
- Continue with staff recruitment to fill the many new openings for both loan officers and branch managers as a result of expansion plans.
- Hold further refresher training sessions throughout the period for new branch heads and cashiers, and for MIS/ accounts staff (HO and DO).
- Recruit MIS Officer/Programmer.
- Transfer the MIS unit for Bogor branches from head office, after training, to Bogor district.

7.3 Management and Governance

- *Governing Board.* Identify two more Governing Board Members with relevant backgrounds.
- *Internal audits.* The Internal Auditor will implement a schedule of compliance visits to all branches audited in the last quarter of 2006.
- *Legal vehicle.* The transfer of all Ganesha's assets, liabilities and net worth to the newly established NBFC will take effect on Jan 1 2007.
- *Updated five-year plan 2007-2011.* A new five-year strategic business plan will be produced to update the existing 2006-2010 five-year strategic plan.

Annex A: Organisation chart

Ganesha Microfinance Foundation
Organization Chart, December 2006



Annex B: Balance Sheet & Income Statement, Dec. 2006

Provisional Income Statement: 31 December 2006 (Rp. 000)

Ganesha Microfinance Foundation, Indonesia
(Yayasan Ganesha Keuangan Mikro)

Revised: 26-Jan-07

Provisional Income Statement : 30 November 2006
(Thousand Rupiah)

Description	Dec-06	Sep-06	Jun-06	Mar-06	Dec-05	Dec-04
INCOME						
Interest on Loans	3,679,253.30	2,610,706.8	1,499,647.7	637,028.4	1,301,147.2	516,021.6
Interest on Bank Accounts	71,015.15	47,602.2	22,229.9	11,266.6	20,063.2	13,269.1
Other Income	23,151.02	<u>17,631.3</u>	<u>12,436.5</u>	<u>6,278.5</u>	<u>8,166.4</u>	<u>102.0</u>
Total Income	3,773,419.5	2,675,940.3	1,534,314.2	654,573.5	1,329,376.8	529,392.7
FINANCIAL COSTS						
Interest on Borrowings	314,542.16	125,800.0	35,950.0	3,600.0	8,012.0	
Gross Financial Margin	3,458,877.3	2,550,140.3	1,498,364.2	650,973.5	1,321,364.8	529,392.7
Loan Loss Expenses	237,484.23	273,399.5	168,868.9	58,019.8	<u>217,495.3</u>	<u>4,336.6</u>
Net Financial Margin	3,221,393.1	2,276,740.8	1,329,495.2	592,953.7	1,103,869.5	525,056.1
OPERATING EXPENSES						
Salaries, incentive, benefits	1,292,811.20	794,756.4	447,970.0	195,031.5	416,612.7	116,247.2
Travelling & transport	137,040.30	101,498.9	66,379.4	28,294.7	44,471.8	5,166.5
Administrative/office exps	698,994.98	460,413.0	306,419.2	161,008.4	244,516.5	61,118.6
Depreciation	280,984.16	195,559.0	118,607.2	53,239.8	135,927.1	57,849.9
Mgt Information System	14,340.20	14,340.2	13,240.2	13,240.3	37,451.9	
Staff development	<u>78,220.65</u>	<u>66,178.3</u>	<u>47,940.0</u>	<u>37,021.9</u>	<u>66,071.0</u>	<u>15,155.3</u>
	2,502,391.5	1,632,745.8	1,000,556.1	487,836.5	945,050.9	255,537.5
SURPLUS/DEFICIT						
Tax	719,001.6	643,995.0	328,939.2	105,117.2	158,818.6	269,518.6
	<u>193,022.1</u>	<u>30,380.9</u>	<u>18,438.5</u>	<u>10,246.1</u>	<u>27,491.5</u>	<u>56,098.0</u>
NET SURPLUS/BENEFIT AFTER TAX	525,979.4	613,614.1	310,500.6	94,871.1	131,327.1	213,420.6

OPERATING EXPENSES

Salaries, incentive, benefits	<u>1,292,811.20</u>	<u>794,756.40</u>	<u>447,970.00</u>	<u>195,031.50</u>
Salaries & Benefits	1,164,680.60	725,787.40	397,266.00	177,086.50
Incentive & Bonus	128,130.60	68,969.00	50,704.00	17,945.00
Travel & Transport	<u>137,040.30</u>	<u>101,498.90</u>	<u>66,379.40</u>	<u>28,294.70</u>
Travel & Conveyance	18,916.00	14,032.50	10,309.00	3,247.80
Vehicle Running Expenses	118,124.30	87,466.40	56,070.40	25,046.90
Admin/Office Expenses	<u>698,994.98</u>	<u>460,413.01</u>	<u>306,419.23</u>	<u>161,008.37</u>
Communications	21,636.14	15,451.44	9,135.74	4,159.19
Rent & Rates	102,105.18	74,671.86	47,821.94	23,083.22
Utilities	14,171.50	9,314.40	6,033.80	2,440.00
Office Running Expenses	210,602.10	144,932.16	93,158.47	48,330.76
Repairs	81,591.05	55,976.75	39,082.15	23,818.70
Insurance Premia	70,519.29	54,909.76	27,938.43	15,006.70
Publications	1,776.10	1,030.60	1,030.60	1,000.60
Bank Charges	6,276.63	2,567.50	1,459.00	784.50
Professional Fees	47,575.00	15,075.00	3,075.00	3,075.00
Other Expenses	37,039.19	12,787.94	3,988.50	2,563.40
Technical support	105,702.80	73,695.60	73,695.60	36,746.30
Staff Development	<u>78,220.65</u>	<u>66,178.30</u>	<u>47,940.00</u>	<u>37,021.90</u>
Recruitment & Training	10,548.00	8,628.00	4,295.00	2,229.00
Professional Development	67,672.65	57,550.30	43,645.00	34,792.90

Provisional Balance Sheet: 31 December 2006 (Rp. 000)

Ganesha Microfinance Foundation, Indonesia
(Yayasan Ganesha Keuangan Mikro)

Revised: 26-Jan-07

Provisional Balance Sheet - as at 31 December 2006

(Thousand Rupiah)

Description	Dec-06	Sep-06	Jun-06	Mar-06	Dec-05	Dec-04
ASSETS						
Current Assets						
Cash in hand and in Banks	2,079,333.55	1,606,315.7	2,309,403.6	840,189.3	1,913,788.9	1,716,117.1
Other current assets	76,834.10	99,250.4	75,139.1	65,657.6	46,906.0	11,916.7
Loans Outstanding						
Gross loans outstanding	9,105,260.00	9,879,304.0	7,768,262.0	5,491,235.0	4,136,919.0	1,121,093.0
(Loan loss reserve)	- 455,055.30	-493,757.5	-388,205.4	-274,354.1	-217,188.3	-7,334.9
Net Loans outstanding	<u>8,650,204.7</u>	<u>9,385,546.5</u>	<u>7,380,056.6</u>	<u>5,216,880.9</u>	<u>3,919,730.7</u>	<u>1,113,758.1</u>
Total current assets	10,806,372.4	11,091,112.5	9,764,599.3	6,122,727.8	5,880,425.6	2,841,791.9
Long-term Assets						
Property and equipment	1,408,537.60	1,346,004.6	1,132,214.4	965,296.3	784,825.2	315,578.2
(Accumulated depreciation)	- 506,477.54	-421,052.3	-344,100.6	-278,733.1	-236,592.3	-100,665.1
Net property & equipment	<u>902,060.1</u>	<u>924,952.3</u>	<u>788,113.8</u>	<u>686,563.2</u>	<u>548,232.9</u>	<u>214,913.1</u>
Total long-term assets	902,060.1	924,952.3	788,113.8	686,563.2	548,232.9	214,913.1
Total Assets	11,708,432.4	12,016,064.8	10,552,713.1	6,809,291.0	6,428,658.5	3,056,705.0
LIABILITIES & EQUITY						
Current Liabilities						
Short-term Loan, Dhanani		0.0	180,400.0			
Short-term Loan, Sweeting		0.0	295,000.0	200,000.0		
Interest payable on loans		125,800.0	35,950.0	3,600.0		
Client responsibility fund	862,995.00	797,945.0	647,690.0	473,815.0	368,610.0	109,040.0
Withholding tax	1,415.98	2,874.3	13,141.3	58,192.7	81,236.5	57,664.0
Other current liabilities						672.0
Short Term Loan, MBKV						
Total current liabilities	864,411.0	926,619.3	1,172,181.3	735,607.7	449,846.5	167,376.0
Long-term Liabilities						
Loan, S. Dhanani (int. free)	626,667.30	626,667.3	1,394,267.2	1,394,267.2	1,394,267.2	1,102,400.0
Loan, E. Sweeting (int. free)	217,513.00	217,513.0	367,513.0	367,513.0	367,513.0	367,513.0
Loan, Hivos (interest free)	4,374,457.00	4,255,857.0	4,255,857.0	3,508,638.0	3,508,638.0	1,118,740.0
Loan, Grameen Trust	-	276,389.9	276,389.9	276,389.9	276,389.9	
Loan, Cordaid	<u>4,667,400.00</u>	<u>4,667,400.0</u>	<u>2,344,000.0</u>			
Total long-term liabilities	9,886,037.3	10,043,827.2	8,638,027.1	5,546,808.1	5,546,808.1	2,588,653.0
Total Liabilities	10,750,448.3	10,970,446.5	9,810,208.4	6,282,415.8	5,996,654.6	2,756,029.0
Shareholders' Equity						
Paid up Capital	100,000.00	100,000.0	100,000.0	100,000.0	100,000.0	100,000.0
Retained net surplus/deficit	332,003.60	332,003.8	332,003.8	332,003.8	200,676.7	-12,743.9
Current net surplus/deficit	<u>525,979.44</u>	<u>613,614.1</u>	<u>310,500.6</u>	<u>94,871.1</u>	<u>131,327.1</u>	<u>213,420.6</u>
Total Equity	957,983.0	1,045,618.0	742,504.5	526,874.9	432,003.8	300,676.7
Total Liabilities & Equity	11,708,431.3	12,016,064.4	10,552,712.8	6,809,290.7	6,428,658.4	3,056,705.7
[Check]	-1.1	-0.4	-0.3	-0.3	-0.1	0.7
DETAILS						
Cash in hand and in Banks	<u>2,079,333.55</u>	<u>1,606,315.67</u>	<u>2,309,403.61</u>	<u>840,189.29</u>	<u>1,913,788.9</u>	<u>1,716,117.1</u>
Cash-in-hand	320,419.93	196,567.46	71,998.88	255,510.79		
Bank Accounts	1,758,913.62	1,409,748.21	2,237,404.73	584,678.50		
Other Current Assets	<u>76,834.10</u>	<u>99,250.37</u>	<u>75,139.10</u>	<u>65,657.60</u>		
Pre-paid Rent	75,834.10	86,034.10	74,650.70	65,156.10		
Other Advance	1,000.00	13,186.57	500.00	500.00		
Advance, Jamsostek Ins.		29.70	-11.60	1.50		
Fixed Assets	<u>1,408,537.60</u>	<u>1,346,004.60</u>	<u>1,132,214.40</u>	<u>965,296.30</u>	<u>784,825.20</u>	<u>315,578.20</u>
Furniture & Fixtures	162,233.00	161,538.00	143,025.50	114,970.50		
Computer Hardware	127,523.00	114,285.00	71,755.00	71,755.00		
Electrical Equipment	24,854.40	24,854.40	20,671.40	16,348.40		
Office Equipment	177,793.10	175,093.10	161,183.40	82,003.30		

Annex D: Quarterly Performance Indicators, Dec 2006

		2003	2004	2005	2006			
		Dec	Dec	Dec	Mar	Jun	Sep	Dec
	<i>Exchange rate: US\$1 =</i>	8.500	9.300	9.386	9.150	9.260	9.226	9.035
1.0	<u>Outreach Indicators</u>							
1.1	Cumulative members recruited	2,418	3,768	13,377	17,571	24,462	29,702	32,285
1.2	Cumulative dropouts	<u>5</u>	<u>494</u>	<u>1,042</u>	<u>1,515</u>	<u>2,185</u>	<u>3,473</u>	<u>4,307</u>
1.3	Net members	2,413	3,274	12,335	16,056	22,277	26,229	27,978
1.4	% Growth in Members (over previous period)	10%	-2%	17%	30%	39%	18%	7%
	Net active clients	2,413	3,274	12,335	16,056	21,267	25,623	27,372
1.5.1	1st cycle	2,413	1,282	9,593	12,418	16,201	18,071	19,264
1.5.2	2nd cycle		1,988	1,222	1,727	2,993	5,294	6,036
1.5.3	3rd cycle		4	1,517	1,713	1,540	1,226	903
1.5.4	4th cycle			3	198	533	1,032	1,169
1.5.5	% in 2nd cycle and above		61%	10%	23%	24%	31%	22%
1.6.1	Total dropouts this quarter	2	178	105	473	670	1,288	834
1.6.2	Quarterly dropout rate	0.1%	5.4%	0.9%	2.9%	3.0%	4.9%	3.0%
1.6.3	Year-on-year dropout rate		14.9%	4.4%	4.5%	6.1%	9.7%	11.7%
1.7	Branches	1	1	5	9	11	13	15
1.8.1	Cumulative centres formed	<u>94</u>	<u>142</u>	<u>613</u>	<u>821</u>	<u>1,164</u>	<u>1,445</u>	<u>1,594</u>
1.8.2	Centres closed		6		13	21	27	40
1.8.2	Net number of centres	94	136	613	808	1,143	1,418	1,554
1.9	Average members per centre	26	24	20	20	19	18	18
1.10	Maximum loan size (Rp. 000)							
1.10.1	1st cycle	500	500	500	500	500	500	500
1.10.2	2nd cycle	-	1,000	1,000	1,000	1,000	1,000	1,000
1.10.3	3rd cycle	-	1,500	1,500	1,500	1,500	1,500	1,500
1.10.4	4th cycle	-	-	1,800	1,800	1,800	1,800	1,800
1.11	Maximum loan size (US\$)							
1.11.1	1st cycle	59	54	53	55	54	54	55
1.11.2	2nd cycle	-	108	107	109	108	108	111
1.11.3	3rd cycle	-	161	160	164	162	163	166
1.11.4	4th cycle	-	-	192	197	194	195	199
1.12.1	Cumulative loan amount disbursed	1,132,800	3,335,100	10,752,300	14,198,800	19,416,103	25,273,613	28,138,593
1.12.2	Cumulative loans provided	2,413	5,258	16,588	21,011	28,992	35,810	34,045
1.12.3	Average loan size (Rp.000)	469	634	648	676	670	706	827
1.12.4	Average loan size (\$)	55	68	69	74	72	76	91
1.12.5	New loan amounts this quarter	67,000	421,700	1,518,700	3,446,500	5,217,303	5,857,510	2,864,980
1.12.6	New loans provided this quarter	213	643	1,291	4,423	7,981	6,818	-1,765
1.12.7	Average new loan size (Rp.000)	315	656	1,176	779	654	859	-1,623
1.12.8	Average new loan size (\$)	37	71	125	85	71	93	-180
1.13.1	Total amount due this quarter	246,712	478,738	1,482,992	2,092,184	2,940,516	3,768,404	3,638,554
1.13.2	Total amount collected this qtr	246,712	478,638	1,482,992	2,092,184	2,940,276	3,746,468	3,639,024
1.13.3	Arrears this quarter		100	0	0	240	240	0
1.13.4	Unpaid loans, deceased clients, qtr	320	1,146	2,842	854	2,300	7,024	
1.14.4	Unpaid loans, deceased clients, cum.	710	3,876	11,518	12,372	14,672	21,696	21,696
1.14.1	Cumulative amount due	445,366	2,214,297	6,615,381	8,707,565	11,648,081	15,416,485	19,055,039
1.14.2	Cumulative amount collected	445,366	2,214,007	6,615,381	8,707,565	11,647,841	15,394,309	19,033,333
1.14.3	Cumulative arrears		290	0	0	240	480	10
1.14.4	Amount due this quarter	246,712	478,738	1,482,992	2,092,184	2,940,516	3,768,404	3,638,554
1.14.5	Amount collected this quarter	246,712	478,638	1,482,992	2,092,184	2,940,276	3,746,468	3,639,024

		2003	2004	2005	2006			
		Dec	Dec	Dec	Mar	Jun	Sep	Dec
<i>Exchange rate: US\$1 =</i>		8.500	9.300	9.386	9.150	9.260	9.226	9.035
1.15	Total outstanding loan (Rp. 000)	687,434	1,121,093	4,136,919	5,491,235	7,768,262	9,879,304	9,105,260
1.16	Total outstanding loan (\$)	80,875	120,548	440,754	600,135	838,905	1,070,811	1,007,776
1.17	Average loan outstanding (\$)	34	37	36	37	39	42	36
1.18	% Growth (over prev qtr)	-21%	-5%	1%	33%	41%	27%	-8%
1.19.1	Client responsibility fund members		3,274	12,335	16,056	21,267	25,623	27,372
1.19.2	Total client responsibility fund CRF		109,040	368,610	473,815	647,690	797,945	862,995
1.19.3	CRF as % of loan outstanding		10%	9%	9%	8%	8%	9%
2.0	<u>Loan Portfolio quality</u>							
2.1	<u>Repayment Rate</u>							
2.1.1	Quarterly Repayment Rate	100.00%	99.98%	100.00%	100.00%	99.99%	99.42%	100.01%
2.1.2	Cumulative Repayment Rate	100.00%	99.99%	100.00%	100.00%	100.00%	99.86%	99.89%
2.1	<u>Arrears 1-4 wks (Rp.000)</u>				-	<u>240</u>	<u>80</u>	<u>10</u>
2.1.1	1 week					80	50	10
2.1.2	2 weeks					40		
2.1.3	3 weeks						30	
2.1.4	4 weeks					120		
2.2	<u>5+ weeks</u>						<u>400</u>	-
2.2.1	5-16 weeks						240	
2.2.2	16-26 weeks						160	
2.2.3	26+ weeks							
2.3	<u>Outstanding Loans 1-4 wks (Rp.000)</u>				-	<u>2,280</u>	<u>400</u>	<u>260</u>
2.3.1	1 week					1,070	250	260
2.3.2	2 weeks					420		
2.3.3	3 weeks						150	
2.3.4	4 weeks					790		
2.4	<u>5+ weeks</u>		290				<u>760</u>	
2.4.1	5-16 weeks						500	
2.4.2	16-26 weeks						260	
2.4.3	26+ weeks							
2.1.2	% Portfolio at Risk (PAR > 4 wks)		0.03%				0.01%	
2.4	<u>Clients in arrears (1-4 wks)</u>	<u>1</u>			-	<u>12</u>	<u>6</u>	<u>1</u>
2.4.1	1 week	1				7	5	1
2.4.2	2 weeks					2		
2.4.3	3 weeks						1	
2.4.4	4 weeks					3		
2.5	<u>5+ weeks</u>		<u>3</u>		-		<u>4</u>	-
2.5.1	5-16 weeks		3				3	
2.5.2	16-26 weeks						1	
2.5.3	26+ weeks							
3.0	<u>Productivity and Efficiency</u>							
3.1	<u>Total Staff (field + head office)</u>	<u>9</u>	<u>11</u>	<u>57</u>	<u>70</u>	<u>83</u>	<u>114</u>	<u>122</u>
3.1.1	Head office staff	1	2	6	6	9	8	9
3.1.2	<u>Field staff</u>	<u>8</u>	<u>9</u>	<u>51</u>	<u>64</u>	<u>74</u>	<u>106</u>	<u>113</u>
3.1.2.1	District staff (incl. 1 driver)			2	3	3	5	5
3.1.2.2	Branch managers	1	1	5	7	9	13	15
3.1.2.3	<u>Loan officers</u>	<u>7</u>	<u>8</u>	<u>44</u>	<u>54</u>	<u>62</u>	<u>88</u>	<u>93</u>
	Loan officers confirmed (>6 mths)	7	8	21	23	37	37	49
	Loan officers trainee (2-6 mths)			16	19	18	30	30
	Probationary loan officers (<2 mths)			7	12	7	21	14
3.2.1	Clients/loan officer (>2mths)	345	409	333	382	387	382	354

		2003	2004	2005	2006			
		Dec	Dec	Dec	Mar	Jun	Sep	Dec
	<i>Exchange rate: US\$1 =</i>	8.500	9.300	9.386	9.150	9.260	9.226	9.035
3.2.2	Clients per staff (field + HO)	268	298	247	277	256	225	229
3.3.1	Loan portf./loan officer (Rp.000)	98,205	140,137	111,809	130,744	141,241	147,452	115,256
3.3.2	Loan portfolio/loan officer (US\$)	11,554	15,068	11,912	14,289	15,253	15,982	12,757
3.4	Centres per loan officer	13	18	17	20	21	22	20
3.5	Operating expense ratio	30.4%	25.6%	29.7%	31.2%	29.9%	28.9%	31.0%
3.6	Total cost ratio	31.8%	26.0%	36.7%	36.0%	35.4%	35.0%	37.9%
3.7	Debt to equity ratio							
3.8	Overhead ratio (HO/Total expenses)	39%	33%	42%	37%	34%	30%	30%
3.9	Loan officers as % of total staff	78%	73%	77%	77%	75%	77%	76%
3.10	Ratio HO staff to total staff (%)	11%	18%	11%	9%	11%	7%	7%
4.0	<u>Viability and Sustainability</u>							
4.1	Average quarterly yield on portf.	17.6%	52.9%	41.7%	43.5%	44.3%	45.8%	46.8%
4.2	Average annual yield on portf.	38.7%	57.1%	49.5%	47.6%	44.8%	43.7%	39.4%
4.3	Operational self-sufficiency	91%	204%	114%	119%	127%	132%	124%
4.4	Financial self-sufficiency							
4.5	Return on average assets (ROA)	-2%	12%	3%				8%
5.0	<u>Impact on Poverty</u>							
5.1	% Very Poor based on housing idx	80%	80%	80%	80%	76%	79%	80%
5.2	Moderately poor	10%	10%	10%	10%	24%	21%	20%
5.3	Non-poor	-	-	-	-	-	-	-
5.4	Current repayment rate this quart.	100.00%	99.98%	100.00%	100.00%	99.99%	99.42%	100.01%
5.5	Cumulative repayment rate	100.00%	99.99%	100.00%	100.00%	100.00%	99.86%	99.89%
5.6	Client retention rate	100.0%	85.1%	95.6%	95.5%	93.9%	90.3%	88.3%
6.0	<u>Balance Sheet (Rp. 000)</u>							
6.1	<u>Total assets</u>	<u>1,361,114</u>	<u>3,056,705</u>	<u>6,428,659</u>	<u>6,809,291</u>	<u>10,552,713</u>	<u>12,016,065</u>	<u>11,708,432</u>
6.1.1	Outstanding loan portfolio	687,434	1,121,093	4,136,919	5,491,235	7,768,262	9,879,304	9,105,260
6.1.2	(Loan loss reserve)	-6,164	-7,335	-217,188	-274,354	-388,205	-493,758	-455,055
6.1.3	Net outstanding loan portfolio	681,270	1,113,758	3,919,731	5,216,881	7,380,057	9,385,547	8,650,205
6.1.4	% Loan loss reserve ratio	0.90%	0.65%	5.25%	5.00%	5.00%	5.00%	5.00%
6.1.5	Cash and bank accounts	519,324	1,716,117	1,913,789	840,189	2,309,404	1,606,316	2,079,334
6.1.6	Other current assets	4,131	11,917	46,906	65,658	75,139	99,250	76,834
6.1.7	<u>Net fixed assets</u>	<u>156,389</u>	<u>214,913</u>	<u>548,233</u>	<u>686,563</u>	<u>788,114</u>	<u>924,952</u>	<u>902,060</u>
6.1.7.1	Property and equipment	199,205	315,578	784,825	965,296	1,132,214	1,346,005	1,408,538
6.1.7.2	Accumulated depreciation	42,815	100,665	236,592	278,733	344,101	421,052	506,478
6.2	<u>Current Liabilities</u>	<u>1,000</u>	<u>167,375</u>	<u>449,847</u>	<u>735,608</u>	<u>1,172,181</u>	<u>926,619</u>	<u>864,411</u>
6.2.1	Client responsibility fund		109,040	368,610	473,815	647,690	797,945	862,995
6.2.2	Temporary loan, Dhanani (int. free)					180,400		
6.2.3	Temporary loan, Sweeting (int. free)				200,000	295,000		
6.2.6	Interest payable on loans				3,600	35,950	125,800	
6.2.7	Withholding tax, employee	328	1,566	453		1,304	64	1,416
6.2.8	Withholding tax, Foundation		56,098	80,783	58,193	11,837	2,810	
6.2.9	Other current liabilities	672	672					
	<u>Long-term Liabilities</u>	<u>1,272,859</u>	<u>2,588,653</u>	<u>5,546,808</u>	<u>5,546,808</u>	<u>8,638,027</u>	<u>10,043,827</u>	<u>9,886,037</u>
6.2.2	Loan, Dhanani (int. free)	905,674	1,102,400	1,394,267	1,394,267	1,394,267	626,667	626,667
6.2.3	Loan, Sweeting (int. free)	367,185	367,513	367,513	367,513	367,513	217,513	217,513
6.2.4	Loan, Hivos Netherlands		1,118,740	3,508,638	3,508,638	4,255,857	4,255,857	4,374,457
6.2.4	Loan, Grameen Trust			276,390	276,390	276,390	276,390	

	2003	2004	2005	2006			
	Dec	Dec	Dec	Mar	Jun	Sep	Dec
<i>Exchange rate: US\$1 =</i>	8.500	9.300	9.386	9.150	9.260	9.226	9.035
6.2.5 Loan, Cordaid					2,344,000	4,667,400	4,667,400
6.4 <u>Total equity</u>	<u>87,256</u>	<u>300,677</u>	<u>432,004</u>	<u>526,875</u>	<u>742,504</u>	<u>1,045,618</u>	<u>957,983</u>
6.4.1 Paid-up Capital	100,000	100,000	100,000	100,000	100,000	100,000	100,000
6.2.5 Surplus/deficit, previous periods		-12,744	200,677	332,004	332,004	332,004	332,004
6.2.6 Surplus/deficit, end of quarter	-12,744	213,421	131,327	94,871	310,501	613,614	525,979
6.4 <u>Total liabilities & equities</u>	<u>1,361,114</u>	<u>3,056,705</u>	<u>6,428,658</u>	<u>6,809,291</u>	<u>10,552,713</u>	<u>12,016,064</u>	<u>11,708,432</u>
[Cross-check]	-0.4	0.0	0.4	0.5	0.5	0.5	0.9
7.0 <u>Income Statement (Rp.000)</u>							
7.1.1 Interest rate charged to clients	30%	30%	30%	30%	30%	30%	25%
7.1.2 <u>Quarterly Net Operating Income</u>	<u>35,120</u>	<u>56,268</u>	<u>98,232</u>	<u>105,117</u>	<u>223,822</u>	<u>315,056</u>	<u>75,007</u>
7.1.2.1 Quarterly total income	76,759	144,506	449,805	654,574	879,741	1,141,626	1,097,479
7.1.2.3 Quarterly operating expenses	43,436	88,808	338,676	487,837	512,720	632,190	869,646
7.1.2.4 Quarterly total expenses	41,639	88,239	351,573	549,456	655,919	826,570	1,022,473
7.2 <u>Total income</u>	<u>136,454</u>	<u>529,393</u>	<u>1,329,377</u>	<u>654,574</u>	<u>1,534,314</u>	<u>2,675,940</u>	<u>3,773,419</u>
7.2.1 Income on Loan Portfolio	133,082	516,022	1,301,147	637,028	1,499,648	2,610,707	3,679,253
7.2.2 Income on bank accounts	3,372	13,269	20,063	11,267	22,230	47,602	71,015
7.2.3 Other income		102	8,166	6,279	12,437	17,631	23,151
7.2.4 Grant income							
7.3 <u>Total expenses</u>	<u>149,198</u>	<u>259,874</u>	<u>1,170,558</u>	<u>549,456</u>	<u>1,205,375</u>	<u>2,031,945</u>	<u>3,054,418</u>
7.3.1 <u>Financial expenses</u>	<u>6,874</u>	<u>4,337</u>	<u>225,507</u>	<u>61,620</u>	<u>204,819</u>	<u>399,200</u>	<u>552,026</u>
7.3.1.1 Interest expense			8,012	3,600	35,950	125,800	314,542
7.3.1.2 Loan loss expenses	6,874	4,337	217,495	58,020	168,869	273,400	237,484
7.3.2 <u>Operating expenses</u>	<u>142,323</u>	<u>255,538</u>	<u>945,051</u>	<u>487,837</u>	<u>1,000,556</u>	<u>1,632,746</u>	<u>2,502,391</u>
7.3.2.1 Personnel expense	58,368	116,247	416,613	195,032	447,970	794,756	1,292,811
7.3.2.2 All other expenses	83,956	139,290	528,438	292,805	552,586	837,989	1,209,580
7.3.2.3 <u>Operating expenses</u>	<u>142,323</u>	<u>255,538</u>	<u>945,051</u>	<u>487,837</u>	<u>1,000,556</u>	<u>1,632,746</u>	<u>2,502,391</u>
7.3.2.3.1 HO Operating Expense	56,150	84,445	392,574	181,201	338,038	492,596	739,957
7.3.2.3.2 Branch Operating Expense	86,173	171,093	552,477	306,636	662,518	1,140,105	1,762,434
7.3.2.3.3 Overhead ratio (HO/total operating expenses)	39%	33%	42%	37%	34%	30%	30%
7.4 <u>Net Operating Income before tax</u>	<u>-12,744</u>	<u>269,519</u>	<u>158,819</u>	<u>105,117</u>	<u>328,939</u>	<u>643,995</u>	<u>719,002</u>
7.4.1 <u>Tax</u>		<u>56,098</u>	<u>27,492</u>	<u>10,246</u>	<u>18,439</u>	<u>30,381</u>	<u>193,022</u>
7.4.2 <u>Net Income after Tax</u>	<u>-12,744</u>	<u>213,421</u>	<u>131,327</u>	<u>94,871</u>	<u>310,501</u>	<u>613,614</u>	<u>525,979</u>
8.0 <u>Balance Sheet (US\$)</u>							
8.1 <u>Total assets</u>	<u>160,131</u>	<u>328,678</u>	<u>684,920</u>	<u>744,185</u>	<u>1,139,602</u>	<u>1,302,413</u>	<u>1,295,897</u>
8.1.1 Outstanding loan portfolio	80,875	120,548	440,754	600,135	838,905	1,070,811	1,007,776
8.1.2 (Loan loss reserve)	-725	-789	-23,140	-29,984	-41,923	-53,518	-50,366
8.1.3 Net outstanding loan portfolio	80,149	119,759	417,615	570,151	796,982	1,017,293	957,411
8.1.4 % Loan loss reserve ratio	0.90%	0.65%	5.25%	5.00%	5.00%	5.00%	5.00%
8.1.5 Cash and bank accounts	61,097	184,529	203,898	91,824	249,396	174,107	230,142
8.1.6 Other current assets	486	1,281	4,997	7,176	8,114	10,758	8,504
8.1.7 <u>Net fixed assets</u>	<u>18,399</u>	<u>23,109</u>	<u>58,410</u>	<u>75,034</u>	<u>85,109</u>	<u>100,255</u>	<u>99,841</u>
8.1.7.1 Property and equipment	23,436	33,933	83,617	105,497	122,269	145,893	155,898
8.1.7.2 Accumulated depreciation	5,037	10,824	25,207	30,463	37,160	45,638	56,057
6.2 <u>Current Liabilities</u>	<u>118</u>	<u>17,997</u>	<u>47,927</u>	<u>80,394</u>	<u>126,585</u>	<u>100,436</u>	<u>95,674</u>
6.2.1 Client responsibility fund		11,725	39,272	51,783	69,945	86,489	95,517
6.2.2 Temporary loan, Dhanani (int. free)					19,482		
6.2.3 Temporary loan, Sweeting (int. free)				21,858	31,857		

	2003	2004	2005	2006			
	Dec	Dec	Dec	Mar	Jun	Sep	Dec
<i>Exchange rate: US\$1 =</i>	8.500	9.300	9.386	9.150	9.260	9.226	9.035
6.2.6 Interest payable on loans				393	3,882	13,635	
6.2.7 Withholding tax, employee	39	168	48		141	7	157
6.2.8 Withholding tax, Foundation		6,032	8,607	6,360	1,278	305	
6.2.9 Other current liabilities	79	72					
<u>Long-term Liabilities</u>	<u>149,748</u>	<u>278,350</u>	<u>590,966</u>	<u>606,209</u>	<u>932,832</u>	<u>1,088,644</u>	<u>1,094,193</u>
6.2.2 Loan, Dhanani (int. free)	106,550	118,538	148,548	152,379	150,569	67,924	69,360
6.2.3 Loan, Sweeting (int. free)	43,198	39,518	39,155	40,165	39,688	23,576	24,074
6.2.4 Loan, Hivos Netherlands		120,295	373,816	383,458	459,596	461,290	484,168
6.2.4 Loan, Grameen Trust			29,447	30,207	29,848	29,958	
6.2.5 Loan, Cordaid					253,132	505,896	516,591
6.4 <u>Total equity</u>	<u>10,265</u>	<u>32,331</u>	<u>46,026</u>	<u>57,582</u>	<u>80,184</u>	<u>113,334</u>	<u>106,030</u>
6.4.1 Paid-up Capital	11,765	10,753	10,654	10,929	10,799	10,839	11,068
6.2.5 Surplus/deficit, previous periods		-1,370	21,380	36,285	35,854	35,986	36,746
6.2.6 Surplus/deficit, end of quarter	-1,499	22,948	13,992	10,368	33,531	66,509	58,216
6.4 <u>Total liabilities & equities</u>	<u>160,131</u>	<u>328,678</u>	<u>684,920</u>	<u>744,185</u>	<u>1,139,602</u>	<u>1,302,413</u>	<u>1,295,897</u>
9.0 Income Statement (US\$)				-			-
9.1.1 Interest rate charged to clients	30%	30%	30%	30%	30%	30%	25%
9.1.2 <u>Quarterly Net Operating Income</u>	<u>4,132</u>	<u>6,050</u>	<u>10,466</u>	<u>11,488</u>	<u>24,171</u>	<u>34,149</u>	<u>8,302</u>
9.1.2.1 Quarterly total income	9,030	15,538	47,923	71,538	95,004	123,740	121,470
9.1.2.2 Quarterly operating expenses	5,110	9,549	36,083	53,315	55,369	68,523	96,253
9.1.2.3 Quarterly total expenses	4,899	9,488	37,457	60,050	70,834	89,591	113,168
9.2 <u>Total income (cumulative)</u>	<u>16,053</u>	<u>56,924</u>	<u>141,634</u>	<u>71,538</u>	<u>165,693</u>	<u>290,043</u>	<u>417,645</u>
9.2.1 Income on Loans	15,657	55,486	138,626	69,621	161,949	282,973	407,222
9.2.2 Income on bank accounts	397	1,427	2,138	1,231	2,401	5,160	7,860
9.2.3 Other income		11	870	686	1,343	1,911	2,562
9.2.4 Grant income							
9.3 <u>Total expenses (cumulative)</u>	<u>17,553</u>	<u>27,943</u>	<u>124,713</u>	<u>60,050</u>	<u>130,170</u>	<u>220,241</u>	<u>338,065</u>
9.3.1 <u>Financial expenses</u>	<u>809</u>	<u>466</u>	<u>24,026</u>	<u>6,734</u>	<u>22,119</u>	<u>43,269</u>	<u>61,099</u>
9.3.1.1 Interest expense			854	393	3,882	13,635	34,814
9.3.2.2 Loan loss provision expenses	809	466	23,172	6,341	18,236	29,634	26,285
9.3.2 <u>Operating expenses</u>	<u>16,744</u>	<u>27,477</u>	<u>100,687</u>	<u>53,315</u>	<u>108,051</u>	<u>176,972</u>	<u>276,966</u>
9.3.2.1 Personnel expense	6,867	12,500	44,387	21,315	48,377	86,143	143,089
9.3.2.2 Administrative expense	9,877	14,977	56,301	32,001	59,675	90,829	133,877
<u>Operating expenses</u>	<u>16,744</u>	<u>27,477</u>	<u>100,687</u>	<u>53,315</u>	<u>108,051</u>	<u>176,967</u>	<u>276,966</u>
9.3.2.3 HO Operating Expense	6,606	9,080	41,825	19,803	36,505	53,392	81,899
9.3.2.4 Branch Operating Expense	10,138	18,397	58,862	33,512	71,546	123,575	195,067
7.3.2.4 Overhead ratio (HO/Total Op. expenses)	39%	33%	42%	37%	34%	30%	30%
9.4 <u>Net Operating Income before tax</u>	<u>-1,499</u>	<u>28,980</u>	<u>16,921</u>	<u>11,488</u>	<u>35,523</u>	<u>69,802</u>	<u>79,580</u>
9.4.1 <u>Tax</u>	<u>6,032</u>	<u>2,929</u>	<u>2,929</u>	<u>1,120</u>	<u>1,991</u>	<u>3,293</u>	<u>21,364</u>
9.4.2 Net Income after Tax	-1,499	22,948	13,992	10,368	33,531	66,509	58,216