

2008-2P



Mitra Bisnis Keluarga
“Family Business Partners”
Indonesia

Provisional
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1 Introduction

This report covers the second quarter of 2008 (April to June). This is the start of the second year of operations as the non-banking financial company (NBFC) *PT Mitra Bisnis Keluarga Ventura* (MBK), or *Family Business Partners*; it was converted from *Ganesh Microfinance Foundation* in late 2006. The new finance company was formed since Ganesh Microfinance Foundation, by law, could not continue to provide economic services after August 2007.

During this quarter, outreach expanded by over 4,000 clients to a reach a total of nearly 90,000 clients. Outstanding portfolio reached \$4.6 million with portfolio at risk (PAR>30) of 0.006%. Nine new branches were set up this quarter, all becoming operational during the period. The total number of branches reached 45 by the end of June.

MBK has, since September 2006, been listed as a 5-diamond microfinance institution in *MIXMarket*, the global information exchange for the microfinance industry of the Consultative Group to Assist the Poor (CGAP - World Bank), for its transparent procedures and reporting. In fact this organization ranked MBK in the top 25 MFIs in the world in 2007. M-CRIL, the premiere credit rating agency for the microfinance industry, awarded an alpha (α) investment grade to this institution in August 2006 and again in February 2008 for its performance to date. MBK produces comprehensive financial and narrative reports on a quarterly basis, such as this one, as well as annual reports. Annual financial statements are externally audited. Copies of progress reports, audit reports and rating reports are all available from the MIXMarket website (www.mixmarket.org).

Mitra Bisnis Keluarga (MBK) is essentially a Grameen Bank Replicator (GBR) with some adaptations from the ASA programme in Bangladesh. MBK provides basic working capital over 50 weeks at a flat profit-sharing rate of 25 percent per year. All clients are women. Each client belongs to a group of five clients, and four or five of these groups form one centre. Clients repay their working capital in weekly centre meetings conducted by MBK field officers. Collective responsibility for repayment of working capital is encouraged at the centre level. An original feature of MBK in Indonesia is that all its field officers, branch managers, district coordinators, and almost all head office staff, including its CEO, are women.

As a non-bank finance company, MBK is not allowed to collect savings. However, to safeguard against non-repayment of working capital, MBK has instituted a guarantee scheme called *Client Responsibility Fund*. This fund collects five percent of each disbursement of working capital at the time of disbursement. This money is returned to the borrower once her working capital loan has been repaid in full. It is not interest bearing.

2 Progress during the Quarter

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

Number of Clients rose by 13 percent. The total number of clients increased by 10,000 this quarter, or 13 percent from 79,525 to 89,794 since last quarter (see table 1 and figure 1).

2.1 Outreach

Table 1. Quarterly Outreach Indicators

	Jun-07	Sept-07	Dec-07	Mar-08	Jun-08
Net clients ¹	41,136	55,537	65,528	79,525	89,794
Percent growth in clients	30%	35%	18%	21%	12%
Branches	24	27	31	36	45
Total centres	2,127	3,185	3,747	4,428	5010
<u>Total active clients</u>	<u>40,600</u>	<u>55,416</u>	<u>64,548</u>	<u>78,989</u>	<u>88,937</u>
Clients in 1 st cycle	24,912	35,548	42,740	53,627	56,720
% in 1 st cycle	61.4%	64.1	66.2	67.9	63.8
Total portfolio outstanding (Rp 000s)	15,799,797	24,311,274	25,191,547	31,332,461	42,201,109
Total portfolio outstanding (US\$) ²	1,753,585	2,660,757	2,679,952	3,400,159	4,572,168
Growth in portfolio (in Rp)	48%	54%	4%	24%	35%
Average portfolio outstanding/client (Rp 000)	384	438	384	397	475
Average portfolio outstanding/client (US\$)	43	48	41	43	51
Dropouts & push-outs per quarter	1,752	1,669	1,328	2,429	4,629
Quarterly dropout & push-out rate (%) ³	4.3%	3.0%	2.0%	3.1%	5.2%
Year-on-year dropout & push-out rate (%) ⁴	12.3%	10.0%	9.2%	8.3%	10.1%
CRF as % of working capital outstanding ⁵	8%	8%	9%	9%	7%

Note:

¹ Includes new clients waiting for first working capital (3-2 staggered disbursement), and existing clients waiting for follow-up Working capital.

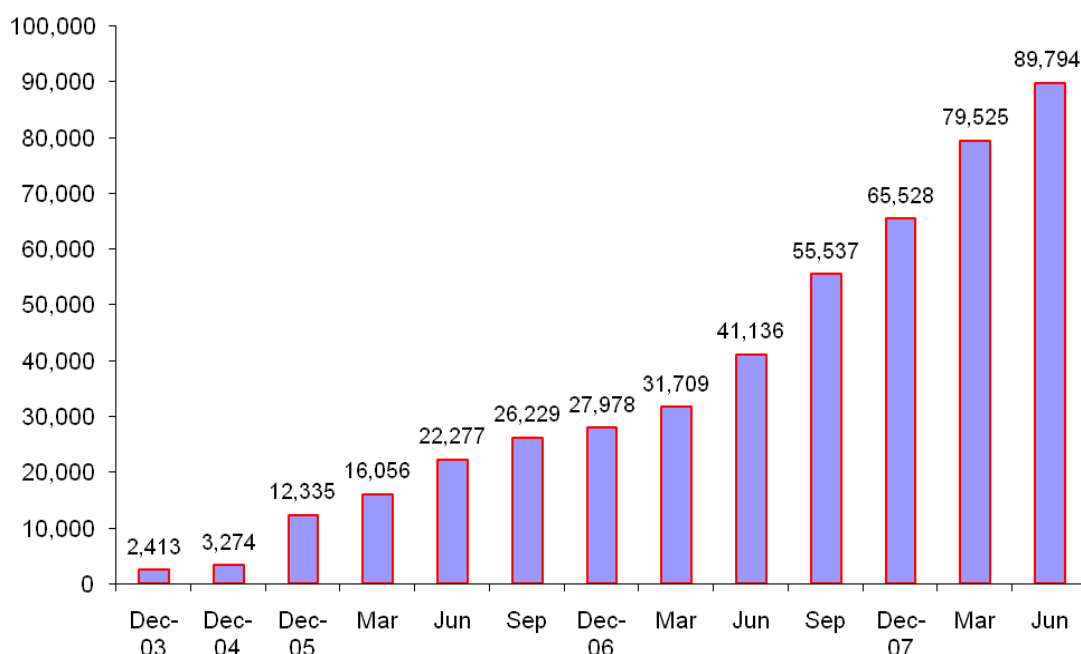
² US\$ 1 = Rp. 9,230 as of 30 June 2008

³ As percent of active clients

⁴ M-CRIL method of calculation

⁵ CRF: Client Responsibility Fund (non-interest bearing compulsory working capital guarantee fund)

Figure 1. MBK Clients as of 30 June 2008



Number of branches increased by 9. MBK opened nine new branches: one in Bogor (a split from 2 large branches), one in Sukabumi, two in South Bandung, 2 in Bandung Barat and a further 3 in the new rural district of North Garut. In total, MBK had 46 branches at the end of June.

Portfolio Outstanding. The total portfolio outstanding increased from US\$3.4 to 4.6 million or by 35 percent (in Rupiah terms) during the second quarter of 2008, as a result of programme expansion as well as higher maximum first loan size (Rp 800,000 to 1,000,000). The loan size was increased in line with the rising price of food commodities and fuel.

2.2 Dropouts and Push-outs

Refining the concept of clients leaving the programme. This year MBK formally redefined the measure of clients leaving the programme. A clear distinction is made between clients voluntarily leaving the programme or dropouts, and clients whose working capital was not renewed by MBK or push-outs. Although MBK provides details on all dropouts during the reporting period, the distinction between the two may be lost in the narrative. Information on this distinction was provided by Mr. Rico Coligado of Oikocredit Southeast Asia office, Philippines.

Voluntary Dropouts. Dropouts left the programme on their own for various and very reasonable factors: (a) bankrupt, (b) looking after a new baby, young children, or a sick relative, (c) severe illness, (d) not able to obtain husband's counter signature on the working capital proposal, (e) moving to a more distant location, or (f) resting in-between loans. Many clients rejoined the programme when they felt comfortable in taking further working capital from MBK, were welcomed back, and did not have to undergo the Group Recognition Test (PWK) training week. Clients coming back could also be called Resting Clients. The quarterly voluntary drop-out rate increased from 3.7 to 4.6 percent between this quarter and last.

Push-outs. Such clients were asked to leave for disciplinary reasons, to maintain the quality of the programme. Typically, these clients did not fulfil the terms of the verbal contract with MBK: (i) by not attending at least 12 out of 50 weekly meetings (sometimes because they took up paid full-time employment or migrated abroad); (ii) by using the working capital for consumption instead of business. The push-out rate increased from 4.6 to 6.4 percent between the first quarter and the second quarter.

Table 2. Clients leaving MBK Programme by Reason

	First Quarter 2008	Second Quarter 2008	Percent share
Push-out by MBK	860	1,694	36.6
Voluntary Dropouts	1,073	1,983	42.8
Died	45	66	1.5
<u>Taken paid employment</u>	<u>451</u>	<u>886</u>	<u>19.1</u>
Total leaving programme	2,429	4,629	100.0
Voluntary dropouts (% p.a.)	3.7%	4.3%	
Push-outs/other reasons (% p.a.)	<u>4.6%</u>	<u>5.8%</u>	
Total leaving programme	8.4%	10.1%	

The total share of clients leaving the programme as a result of being pushed out dropping out voluntarily increased from 8.3 to 10.1 percent between last quarter and this quarter, using the M-CRIL definition. Of the total 4,629 clients leaving the programme, 66 died (1.4 percent) and 886 (19.1 percent) took up paid employment. It is likely that some of the latter used their working capital to buy a job in paid employment, particularly those who left to attend the preparation training for employment overseas. The clients who left voluntarily amounted to 42.8 percent of the total, citing the need to take a rest from the pressure of borrowing in most cases, and the need to take of children and sick family members in the remaining cases.

2.3 Portfolio Quality

Portfolio at risk. Portfolio at risk (PAR > 30 days) declined from 0.006 to 0.004 percent this quarter (table 3). Some 16 clients were at risk (in arrear over 30 days) this quarter. The cumulative repayment rate remained stable at 99.99 percent. Outstanding portfolio at risk was about the same at Rp. 1,851,000 (\$200), because it concerned mostly the same clients. No working capital was written off during this quarter or the last.

Table 3. Quarterly Portfolio Quality Indicators

	Jun-07	Sep-07	Dec-07	Mar-08	Jun-08
<u>Portfolio at risk (Rp. 000)</u>					
0 -30 days	0	80	3,192	1,871	695
31-60 days	465			455	
61-90 days	812			923	387
<u>> 90 days</u>	<u>540</u>	<u>249</u>	<u>249</u>	<u>437</u>	<u>1,464</u>
Portfolio with arrears	1817	329	3,441	3,686	2,546
PAR at risk (>30 days)	1,817	249	249	1,815	1,851
% PAR (>30 days)	0.001%	0.001%	0.001%	0.006%	0.004%
<u>Overdue principal (Rp. 000)</u>					
0 -30 days		60	222	297	123
31-60 days	165			285	257
61-90 days	506			663	48
<u>> 90 days</u>	<u>288</u>	<u>249</u>	<u>249</u>	<u>397</u>	<u>1,215</u>
Total	959	309	471	1,641	1,642
<u>Clients in arrears</u>					
0 -30 days	-	1	15	8	1
31-60 days	1			4	
61-90 days	2			6	6
<u>> 90 days</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>10</u>
Total clients with overdue	4	2	16	20	17
Clients at risk (>30)	4	1	1	12	16
Portfolio write-off	0	0	0	0	0
Cumulative repayment rate	99.99%	99.99%	99.99%	99.99%	99.99%
Portfolio loss provision expense ratio	1.0%	1.0%	1.0%	1.0%	1.0%

2.4 Productivity and Efficiency

Decrease in clients per field officer ratio. The average number of clients per field officer (excluding probationary staff) declined from 419 to 390 in this quarter (table 4). This reflects the increased number of new branches at the end of the quarter with less than their full load of clients.

Table 4. Quarterly Productivity and Efficiency Indicators

	Jun-07	Sept-07	Dec-07	Mar-08	Jun-08
Outreach					
Clients	41,136	55,537	65,528	79,525	89,794
Branches	24	27	31	36	45
Centres	2,127	3,185	3,747	4,428	5,010
Total staff (field + head office)	189	230	258	295	371
Head office staff	9	11	11	9	13
Field staff	180	218	247	286	358
MIS & District staff (incl. 1 driver)	18	23	28	28	29
Total branch staff	162	195	219	258	329
Branch managers	24	27	31	36	45
Total Field Officers	138	169	188	222	284
Field officers (> 2 months)	114	145	152	190	230
Probationary field officers (<2 mths)	24	24	36	32	54
Efficiency ratios ¹					
Clients per field officer (> 2 months)	361	383	431	419	390
Clients/total staff (field and HO)	219	243	254	270	242
Centres per field officer (>2 months)	15	19	20	20	18
Portfolio/loan officer (> 2 months) (\$)	15,382	18,350	17,631	17,896	19,879
Overhead ratio (HO/All admin expenses)	27%	25%	27%	16%	15%
Field officers as % of total staff	73	74	73	75	77
HO staff as % of total staff	5	5	4	3	4

Note: 1. Excluding probationary field officers (less than 2 months with MBK)

Clients per staff. The client per staff ratio, including all field staff, head office and probationary staff, decreased from 270 to 242 per staff as a result of recruitment of more staff to support further programme expansion during the year. Also many new branches became operational this year, with a lower load of clients per branch than older branches.

Portfolio per field officer. The outstanding portfolio per confirmed field officer increased from US\$17,896 to 19,879 between this quarter and the last one due to the implementation of the larger first loan size from a maximum of Rp 800,000 to Rp1 million.

Centres per field officer. The ratio of centres per field officer declined slightly to 18 this quarter. This ratio also excludes the 54 probationary field officers.

Field officers as a share of total staff. The ratio of field officers to total staff rose from 75 to 77 percent, due to the recruitment of new field staff.

Overhead ratio and HO/field staff ratio. The head office to total administration expense ratio declined from 16 to 15 percent between last quarter and this one. The HO/total staff ratio remained stable at 4 percent.

2.5 Viability and Sustainability

Operating expense ratio. The operating expense ratio increased from 29 to 34 percent between last quarter and this quarter (table 5), mainly as a result of the 20 percent across-the-board increase in salaries in line with rapidly rising inflation and market wages in the finance sector, particularly community banks. It was also due to the start-up of many new branches with less than half the ideal client load of around 2,500 per branch.

Table 5. Quarterly Viability and Sustainability Indicators

	June-07	Sept-07	Dec-07	Mar-08	June-08
Operating expense ratio (Operating expenses/Average portfolio outstanding)	33.7%	33.4%	31.5%	28.5%	33.6%
Total cost ratio (Operating + financial expenses/avg. portfolio outs.)	42.6%	41.9%	41.1%	39.4%	48.3%
Quarterly yield on portfolio (Average quarterly income from portfolio/ Average portfolio outstanding in past 4 quarters)	44.8%	40.1%	37.4%	37.0%	47.3%
Annual yield on portfolio (Annual income/average portfolio last June and this June)	43.2%	35.2%	41.5%	42.5%	50.1%
Operational self sufficiency (Total income/operating + financial expenses)	101%	97%	93%	108%	105%

Total cost ratio. The total cost ratio increased from 39 to 48 percent due to the above-mentioned salary rise and the rise in the cost of funds.

Yield on portfolio. The average quarterly yield on portfolio rose from 37 to 47 percent, calculated using the average outstanding portfolio for the four preceding quarters, almost identical with the theoretical maximum. The annual average yield on portfolio rose slightly from 43 to 50 percent. These improvements were mainly the results of just-in-time delivery of follow-up loans to clients.

Operational self-sufficiency. Operational self-sufficiency declined a little from 108 to 105 percent as the result of the 20 percent increase in salaries, which account for some 60 percent of all operating expenses.

3 Income Statement and Balance Sheet

3.1 Income Statement

Gross Income. Cumulative gross income amounted to nearly \$800,000 in the first six months of this year, or more than twice the amount earned in the first quarter (\$350,000), on a working capital portfolio which was a third larger (\$4.6 vs. \$3.4 million, see table 6).

Finance costs. Cumulative financial costs amounted to \$245,000, of which \$222,000 were paid for the cost of funds, and \$22,000 set aside for portfolio loss provision expenses in the first six months of this month. MBK now relies almost exclusively on commercial loans.

Table 6. Quarterly Income Statement (US Dollars, Preliminary)

Description	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07
INCOME					
Profit Sharing	774,587	346,216	756,393	540,844	322,793
Interest on bank accounts	13,799	5,025	12,136	9,619	8,018
Other income	<u>2,080</u>	<u>810</u>	<u>3,589</u>	<u>2,542</u>	<u>2,152</u>
Total Income	790,467	352,051	772,118	553,005	332,963
FINANCIAL COSTS					
Cost of funds	222,576	102,573	175,845	109,585	56,399
Gross Financial Margin	567,890	249,479	596,272	443,420	276,563
Portfolio loss reserve exps.	<u>21,886</u>	<u>7,493</u>	<u>18,907</u>	<u>17,056</u>	<u>7,992</u>
Net Financial Margin	546,004	241,986	577,366	426,365	268,572
OPERATING EXPENSES					
Salaries, incentive, benefits	312,579	127,304	370,780	270,452	154,808
Travelling & transport	24,543	11,508	32,553	23,235	15,520
Administrative/office exps	120,350	53,021	153,119	107,285	58,060
Depreciation	48,877	22,647	59,971	41,580	25,010
Mgt information system			12,870	1,995	1,907
Staff development	<u>3,413</u>	<u>1,233</u>	<u>8,039</u>	<u>7,364</u>	<u>3,708</u>
	509,763	215,713	637,333	451,911	259,013
PROFIT/LOSS	36,241	26,273	-59,967	-25,546	9,559
Operational grant			<u>69,794</u>	<u>71,803</u>	
Profit/Loss	36,241	26,273	9,827	46,256	
Fiscal Correction	8,087	2,468	6,770		
Taxable Income	<u>44,328</u>	<u>28,740</u>	<u>16,597</u>		
Tax	11,337	6,723	3,117		
NET PROFIT/LOSS AFTER TAX	24,904	19,550	6,709	46,256	9,559

Operating expenses. Operating expenses increased more than twice from \$216,000 to 510,000 between this quarter and last quarter, mainly due to the implementation of a salary rise averaging 20 percent for all employees in line with the rise of market wage in the financial sector.

Net income. Cumulative net income before tax reached \$36,000 relative to \$26,000 last quarter. As already mentioned above, operational self-sufficiency was 105 percent this quarter.

3.2 Balance Sheet

Total assets. MBK's total assets increased by 15 percent from \$5.3 to 6.1 million during this quarter due mainly to the increase in portfolio and programme expansion (table 7).

Total liabilities. Total liabilities increased by 19 percent from \$4.3 to 5.1 million as a result of the new commercial loans to support programme expansion.

Equity. MBK's equity remained stable \$1million since net income rose very little this quarter.

Table 7. Quarterly Balance Sheet (US\$, Preliminary)

Description	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07
ASSETS						
<u>Current Assets</u>						
Cash-in-hand & in banks	274,478	380,562	165,721	23,554	344,947	146,636
Short-term savings/deposit acc.	781,492	1,148,378	740,031	276,282	353,075	248,863
Other current assets	87,667	73,584	29,837	35,809	28,252	17,973
<u>Loans Outstanding</u>						
Gross loans outstanding	4,572,168	3,400,159	2,679,952	2,660,750	1,753,585	1,171,405
(Loan loss reserve)	-45,722	-34,002	-26,799	-26,607	-17,536	-11,714
Net loans outstanding	<u>4,526,446</u>	<u>3,366,157</u>	<u>2,653,152</u>	<u>2,634,143</u>	<u>1,736,049</u>	<u>1,159,691</u>
Total current assets	5,670,083	4,968,681	3,588,741	2,969,787	2,462,324	1,573,163
<u>Long-term Assets</u>						
Property and equipment	- 578,494	- 498,945	- 453,632	- 404,255	- 366,706	- 313,149
(Accumulated depreciation)	-152,099	-128,297	-110,027	-94,473	-79,081	-65,143
Net property & equipment	<u>426,395</u>	<u>370,648</u>	<u>343,605</u>	<u>309,782</u>	<u>287,625</u>	<u>248,006</u>
Total long-term assets	426,395	370,648	343,605	309,782	287,625	248,006
<u>Other Assets</u>						
Company establishment	2,492	2,496	2,447	2,517	2,553	2,521
(Amortization)	-1,090	-936	-765	-629	-479	-315
Net company establishment	<u>1,402</u>	<u>1,560</u>	<u>1,682</u>	<u>1,888</u>	<u>2,074</u>	<u>2,205</u>
Total other assets	1,402	1,560	1,682	1,888	2,074	2,205
Total Assets	6,097,880	5,340,889	3,934,028	3,281,457	2,752,023	1,823,374
LIABILITIES & EQUITY						
<u>Current Liabilities</u>						
Short-term Loans	- 39,418	- 2,311	-	- 10,945	-	-
Interest payable on loans	20,718	51,590	10,596	30,045	18,000	19,181
Client responsibility fund	386,216	301,359	229,691	200,739	144,329	109,865
Withholding tax	11,662	10,392	3,397	3,131	0	116
Other current liabilities	65,322	56,625	65,228	82,039	111,854	134,711
Total current liabilities	523,338	422,277	308,912	326,899	274,183	263,873
<u>Long-term Liabilities</u>						
Total long-term liabilities	4,551,808	3,899,608	2,645,332	1,906,899	1,619,245	706,877
Total Liabilities	5,075,145	4,321,885	2,954,243	2,233,798	1,893,428	970,750
<u>Shareholders' Equity</u>						
Paid up Capital	325,027	325,556	319,149	328,335	332,963	328,767
Additional Paid up Capital	662,410	663,488	650,430	669,470	512,425	505,967
Retained earnings	10,394	10,411	3,496	3,597	3,648	3,602
Current net profit/loss	<u>24,904</u>	<u>19,550</u>	<u>6,709</u>	<u>46,256</u>	<u>9,559</u>	<u>14,288</u>
Total Equity	1,022,734	1,019,004	979,784	1,047,659	858,595	852,624
Total Liabilities & Equity	6,097,880	5,340,889	3,934,028	3,281,457	2,752,023	1,823,374

Note: US\$1 = Rp 0000

9.230

9.215

9.400

9.137

9.010

9.125

4 Institutional Strengthening

4.1 Staff Recruitment and Development

Total staff. The total number of staff increased by 76 this quarter to 371 with the addition of probationary field officers and management trainees.

Recruitment of new MIS staff. An additional MIS staff was recruited in June in preparation for out-posting one MIS staff to West Java region where he will be responsible for all troubleshooting related to the computers and the Kredits MIS programme.

Recruitment of Financial Supervisor. A new finance supervisor was recruited to support expanding operations and special responsibility for cost control.

Management changes. The Communications Officer was promoted to Operations Supervisor.

Creation of New Accounting Unit. This was set up in May with two full-time accounting staff (including a newly recruited experienced taxation staff) under the guidance of the Accounts Supervisor. The main tasks of the new staff include (a) checking district office accounts and provide any support or training in accounting techniques as needed and (b) assisting internal auditors during financial audit of branches using the internal audit check list.

Trainee deputy branch managers. MBK continued to recruit a number of young women graduates for this position and place them in stable branches for training. The Personnel Manager and her assistant attended a University job fair in Tasikmalaya, which will become a new district for MBK in a short time. They recruited several management trainees for Garut and neighbouring areas. The personnel unit also joined the local government sponsored job fair where applications were received for all three types of vacancies (field staff, MIS data trainees and management trainees).

Table 8. Classroom Training

Date	Location	Trainees	Topic	Trainers
April	HO	Area Supervisor-Trainers (7)	New Internal Audit system, programme expansion	Chief, personnel manager, CEO, Operations Manager, Internal Auditor
May	Bandung Selatan	MIS Team Leaders (2)	Micro Accounting related to area's branches	Accounts Supervisor, Taxation Staff
May	HO	MIS Team Leaders (6)	Micro Accounting	Accounts Supervisor, Taxation Staff
May	Bogor	MIS Team Leaders (2)	Micro Accounting related to area's branches	Accounts Supervisor
June	HO	Area Supervisor-Trainers (7)	Feedback on new IA system	Chief, personnel manager, CEO, Operations Manager, Internal Auditor
June	HO	Branch Managers and 1 senior staff from 3 branches in 2 districts (12)	Update for Mobile phone service pilot project (200 clients)	Esia Telephone project team, Chief, MIS Manager
Total		36 Persons		

Classroom Training by Training Task Force. Formal, classroom training was provided to 36 staff in total (table 8). A one-day training was arranged for a selected group of staff from six branches who are now implementing the pilot project “Village Phone Programme” in conjunction with the mobile service provider, Esia, and with technical support from the Grameen Foundation USA Technical Centre.

4.2 Internal Audit Training

Towards the end of this quarter, several members of the newly formed financial audit team received on-the-job training from the Accounts Supervisor in conducting an in-depth audit of the area offices, beginning with West Tangerang office, located in HO. Each area office will be visited regularly by members of this team.

In addition, financial audit team members joined the Supervisors during their branch audit visits to learn through on-the-job training the processes and practices involved in financial auditing of a branch. This is a further improvement to MBK’s internal audit system as it allows the supervisor to focus on auditing field activities and audit more field staff. In addition, more extensive and in-depth checking of the branch’s books is carried out at this time.

5 Management and Governance

5.1 Internal Audit and Management

Internal audit compliance visits. Branch audits and compliance visits continued throughout this quarter under the general coordination of the Internal Audit Manager. Audits were undertaken by field supervisors as explained below.

Revised internal audit system and programme of visits. Six area supervisors carried out the revised internal audit system during this quarter. The Internal Auditor summarized the major audit findings into a quarterly audit report. As a result, findings that required speedy action were reported and acted on almost immediately. Further benefits of this revised system are: more in-depth audit of branches financials; reduction in the work-load on the supervisor during the audit visit freeing her to focus on field visits to client centres.

Promotion to Operations Supervisor. The Communications Officer was promoted into this newly created post. She becomes the first point of contact with HO for branch managers and supervisors when they need support in field operations. The CEO continues to handle financial requests, while the personnel manager handles all personnel-related matters.

Promotion of deputy branch manager trainees to branch manager posts. The more capable and experienced of the directly recruited deputy branch manager trainees were promoted to trainee branch manager positions. While these were mostly placed as trainee branch managers in the newly opened branches, five good ones replaced branch managers in more established branches. The reasons for this include: (a) periodic rotation of branch managers every 18-24 months between branches, (b) covering managers who are on maternity leave, (c) replacement managers for those promoted to Supervisor position, (d) replacements for managers who left MBK.

Internal promotion to deputy branch manager. One branch manager was promoted to area supervisor trainee in June and took over responsibility for East Tangerang area.

5.2 Visitors, Awareness Raising and Fund Raising for On-lending

MBK met the following persons to learn from, to promote MBK, and to raise funds for on-lending:

Date	Name	Institution	Topic
4 April 2008	Mr. Gauke Andriesse & Mr. Marc Breis	Cordaid	Programme review
10 April 2008	Ms. Djanuarsih (Iing)	Branch Manager, BCA Bank Lippo	Loan proposal
9-11 April 2008	Mr. Rico Coligado & Mr. Hari Purwanto	Oikocredit	Due diligence
11 April 2008	Mr. Eric Savage	Unitus	Programme review
21 April 2008	Mr. Darren Miao	Kiva	Programme review
24 April 2008	Mr. Muliawan Margadana	HRD BHP Billiton	HRD advice
30 April 2008	Mr. Ruslim	HRD Adira Finance	HRD advice
13 May 2008	Donny, Mizan & Amin	Bank Finconesia	Loan proposal
21 May 2008	Mr. Nyoman Irianto Wibawa	Dinara Bali, President Director	MFI conference Bali
	Ms. Erin O Connor	Grameen Foundation USA, Coord. SE Asia	MFI conference Bali
11 June 2008	Mr. Vici	Intelligent Expert	HRD software
12 June 2008	Mr. Alistair New	Schiller University Head of Programmes	Accounting advice
17 June 2008	Mr. Rusdianto	Bank Mega Fatmawati, B.M.	Loan proposal
23 June 2008	Mr. Sean de Witt & Mr. Frans Purnama	Grameen Foundation USA	Pilot village phone programme
24 June 2008	Ms. Linda Harjono, Ms. Revi Sylviana & Mr. Taufan Harbivian	Bakrie Telecom	Pilot village phone programme
25 June 2008	Mr. Giuseppe Nicolosi	Ernst & Young CEO	Entrepreneur of Year
26 Juni 2008	Ms Yekti Utami & Mr. Luri Herliyanto	Bank Danamon	Loan monitoring

6 Strategic 5-year Business Plan 2008-2012

6.1 Main Assumptions

MBK has used the *Microfin* software tool produced by the World Bank-CGAP to develop five-year financial projections since 2004. Table 9 contains an overview of assumptions used in the forecasting model, including outreach, number of branches, loan size and staffing levels.

Starting from 31 branches at the end of 2007, MBK will operate a total of 1,000 branches by 2012, with an average 2,000 clients each. The first working capital size will be \$100 per year, repayable over 50 weeks. Subsequent working capital will increase by around 20 percent per year. The interest rate will be 25 per cent calculated on a flat basis. Compulsory Client Responsibility Fund (CRF) savings will collect 5 percent of the loan at the time of disbursement.

Finally, MBK will gradually increase the loan officer to client ratio from 321 to 380 in the projection period to improve efficiency.

The Indonesian inflation rate is assumed to rise by 7 percent per year throughout the projection period. Commercial banks are assumed to charge 11-12 percent interest rate per annum for loans throughout the forecasting period. Concessional loans, if available, are assumed to be available at 3 percent point below commercial rates.

6.2 Key Features

1. *Outreach.* MBK's client base will double every year, from around 65,000 at the end of 2007 to 1 million at the end of 2011 and 2 million by the end of 2012, focusing in the rural areas of Java Island, one of the most populated islands in the world. MBK 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, MBK expanded in the neighbouring district of Bogor, where it faced some competition from smaller MFIs. Now MBK will expand westwards to cover more districts in West Java in 2008, to Central Java in 2009 and East Java in 2010. The majority of MBK clients will continue to come from the bottom 25 percent of the population.
2. *Outstanding loan portfolio.* With average outstanding loan size rising from \$42 in 2007 to \$96 in 2012, the gross portfolio outstanding will increase from Rp. 25 to 2,239 billion (\$2.8 to 198 million).
3. *Branches.* The number of branches will double every year from 31 in 2007 to reach a total of 1,000 by 2012. Each branch will have around 6-8 staff.
4. *Staff.* By the end of the projection period, the programme will employ 6,974 people in total, of which 25 people will be located in head office, and the rest in branch, district and regional offices.
5. *Efficiency.* The programme will improve efficiency in two ways: (a) increasing the client load from 349 to 400 clients per loan officer; and (b) reducing the operating cost ratio from 35 to 16 percent between 2007 and 2012, due to economies of scale.
6. *Sustainability.* After-tax operating self-sustainability will rise from 93 to 142 percent, while after tax financial self-sustainability will rise from 86 to 134 percent between 2007 and 2012.
7. *Break-even.* The MBK programme already produced a surplus in 2004-2006. In 2007, heavy investment in the new MIS system, the recruitment of senior management and accelerated field staff recruitment temporarily result in a break-even. The programme will once generate a healthy surplus starting in financial year 2008.

Table 9. Summary of Financial Projections 2008-2012

	FY07	FY08	FY09	FY10	FY11	FY12
I Overall Targets						
Total clients	65,378	130,011	260,022	520,044	1,040,090	2,080,180
Gross outstanding portfolio (Rp billion)	25.2	70.3	165.0	471.7	1,034.7	2,239.2
Total branches	31	62	125	250	500	1,000
Total employees	258	481	977	1,767	3,503	6,974
Clients per loan officer	349	363	355	400	400	400
Operating cost ratio %	35	26	21	20	16	16
Operational sustainability after-tax %	93	114	127	135	139	142
Financial sustainability after-tax %	86	109	122	129	132	134
II Balance Sheet (Rp billion)						
Assets	36.7	78.2	177.8	496.4	1,084.1	2,338.1
Liabilities	27.4	66.3	153.6	435.5	929.0	1,969.6
Client responsibility fund	2.2	5.7	14.1	33.7	75.5	164.8
Commercial loans	22.9	58.4	137.3	399.6	851.2	1,802.5
Equity	9.3	11.9	24.1	60.9	155.1	368.5
Total liabilities and equity	36.7	78.2	177.8	496.4	1,084.1	2,338.1
III Balance Sheet (US\$ million)						
Assets	3.9	8.2	17.9	48.1	101.2	210.1
Liabilities	2.9	6.9	15.5	42.2	86.7	177.0
Client responsibility fund	0.2	0.6	1.4	3.3	7.0	14.8
Commercial loans	2.5	6.1	13.8	38.7	79.4	161.9
Equity	1.0	1.2	2.4	5.9	14.5	33.1
Total liabilities and equity	3.9	8.2	17.9	48.1	101.2	210.1
IV Debt-Equity Ratio	2.5	4.9	5.7	6.6	5.5	4.9

Assumptions:

1. Domestic inflation rate = 7 percent per year each year (2008-2012)
2. Exchange rate in 2008: US\$1 = 9,200 Indonesian Rupiah
3. US inflation rate = 3 percent per year each year (2008-2012)

6.3 External funding requirements

After taking into account surplus reinvested and the client responsibility fund, MBK will need to raise commercial loans amounting to:

2008	Rp	58	billion	(US\$	6.1	million)
2009	Rp	137	billion	(US\$	13.8	million)
2010	Rp	400	billion	(US\$	38.7	million)
2011	Rp	851	billion	(US\$	79.4	million)
2012	Rp	1,802	billion	(US\$	161.6	million)

7 Planned Activities for Second Quarter 2008

7.1 Outreach

Continue with surveying of 1-2 potential new districts for expansion of MBK's programme. Open and staff 4-5 branches in each new district.

7.2 Institutional Strengthening

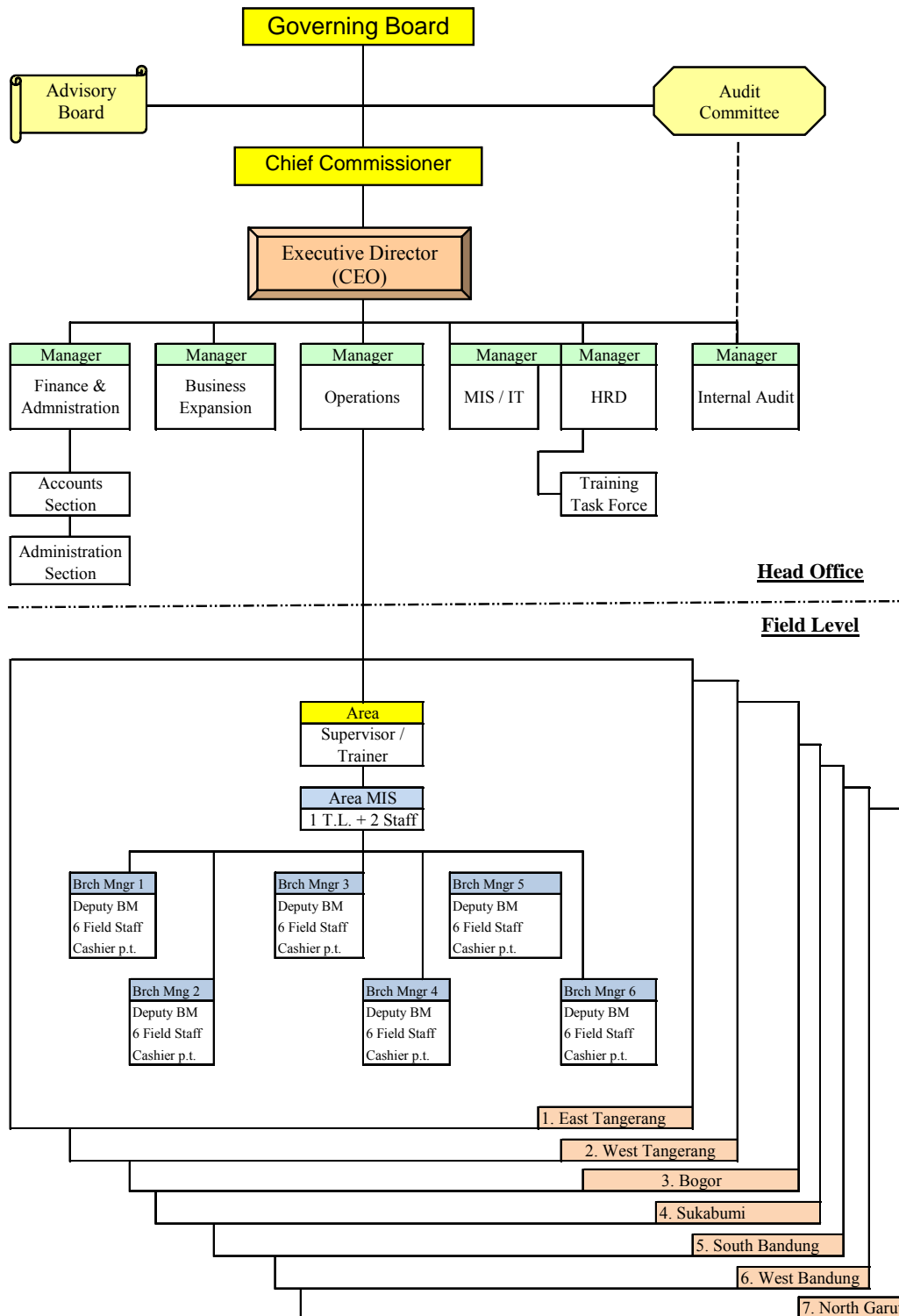
- Open and staff branches in new districts, at the same time opening and staffing the area office in new district to handle MIS data entry and production of Disbursement Collection Sheets.
- Continue with staff recruitment to fill the many new openings for both field officers and branch managers as a result of expansion plans.
- Hold further refresher training sessions throughout the period for new branch managers and cashiers, for MIS/ accounts staff (HO and DO), and for Area Supervisors.
- Recruit 2-3 experienced accounting staff who can be trained in MBK micro accounting practises to audit district offices.
- Hire 2-3 more senior managers.

7.3 Management and Governance

- *Internal audits.* Continue with regular internal audits of all established branches by the internal auditor, accompanied by Area Supervisors (who will audit branches in areas other than their own) and some head office staff.

Annex A: Organization chart

Mitra Bisnis Keluarga Organization Chart, April 2008



Annex B: Quarterly Financial Statements – June 2008

Quarterly Income Statement (Rp 000s, Preliminary)

Description	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07
INCOME						
Profit Sharing	7,149,435.8	3,190,381.5	7,110,093.8	4,941,692.0	2,908,361.6	1,365,253.8
Interest on bank accounts	127,368.0	46,304.7	114,081.2	87,890.2	72,239.5	51,737.1
Other income	19,202.3	7,468.0	33,732.6	23,225.7	19,392.5	6,734.5
Total Income	7,296,006.1	3,244,154.2	7,257,907.7	5,052,807.9	2,999,993.5	1,423,725.4
FINANCIAL COSTS	-	-	-	-	-	-
Cost of funds	2,054,380.2	945,207.1	1,652,947.4	1,001,277.0	508,156.8	175,027.5
Gross Financial Margin	5,241,625.8	2,298,947.1	5,604,960.3	4,051,531.0	2,491,836.8	1,248,697.9
Portfolio loss reserve exps.	202,010.3	69,045.7	177,723.5	155,836.2	72,006.1	15,104.2
Net Financial Margin	5,039,615.6	2,229,901.3	5,427,236.8	3,895,694.8	2,419,830.7	1,233,593.7
OPERATING EXPENSES						
Salaries, incentive, benefits	2,885,108.6	1,173,109.3	3,485,331.3	2,471,115.5	1,394,819.7	636,353.4
Travelling & transport	226,534.1	106,048.4	306,002.3	212,300.7	139,831.3	73,216.5
Administrative/office exps	1,110,830.6	488,588.8	1,439,314.7	980,263.7	523,116.2	293,566.9
Depreciation	451,135.3	208,689.3	563,731.6	379,918.7	225,344.1	97,174.8
Mgt information system			120,979.6	18,225.6	17,181.8	
Staff development	<u>31,499.5</u>	<u>11,363.3</u>	<u>75,569.8</u>	<u>67,288.7</u>	<u>33,411.6</u>	<u>2,903.0</u>
Net Operating Expenses	4,705,108.1	1,987,799.1	5,990,929.3	4,129,112.7	2,333,704.6	1,103,214.6
PROFIT/LOSS	334,507.5	242,102.2	-563,692.5	-233,418.0	86,126.1	130,379.1
<u>Operational Grants</u>						
Unitus operational grant	-	-	<u>656,062.5</u>	<u>656,062.5</u>		
Profit/Loss	334,507.5	242,102.2	92,370.0	422,644.5		
Fiscal Correction	74,642.3	22,741.1	63,642.3			
Taxable Income	409,149.8	264,843.3	156,012.2			
<u>Tax</u>	<u>104,643.5</u>	<u>61,953.0</u>	<u>29,303.7</u>			
NET PROFIT/LOSS AFTER TAX	229,863.9	180,149.2	63,066.3	422,644.5	86,126.1	130,379.1

Quarterly Balance Sheet (Rp 000s, Preliminary)

Description	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07
ASSETS					
<u>Current Assets</u>					
Cash-in-hand & in banks	2,533,432.5	3,506,875.2	1,557,773.3	215,209.6	3,107,975.2
Short-term savings/deposit accounts	7,213,171.5	10,582,304.0	6,956,292.1	2,524,388.4	3,181,207.5
Other current assets	809,165.1	678,080.3	280,464.0	327,185.9	254,552.7
	-	-	-	-	-
<u>Loans Outstanding</u>					
Gross loans outstanding	42,201,109.2	31,332,460.7	25,191,546.7	24,311,274.2	15,799,797.0
(Loan loss reserve)	-422,010.3	-313,324.1	-251,914.9	-243,112.4	-157,997.6
Net loans outstanding	<u>41,779,098.9</u>	<u>31,019,136.6</u>	<u>24,939,631.8</u>	<u>24,068,161.8</u>	<u>15,641,799.4</u>
Total current assets	52,334,868.1	45,786,396.1	33,734,161.2	27,134,945.7	22,185,534.9
<u>Long-term Assets</u>					
Property and equipment	5,339,495.1	4,597,778.6	4,264,136.9	3,693,677.1	3,304,022.7
(Accumulated depreciation)	-1,403,870.2	-1,182,255.6	-1,034,249.7	-863,203.5	-712,519.6
Net property & equipment	<u>3,935,624.9</u>	<u>3,415,523.0</u>	<u>3,229,887.2</u>	<u>2,830,473.6</u>	<u>2,591,503.1</u>
Total long-term assets	3,935,624.9	3,415,523.0	3,229,887.2	2,830,473.6	2,591,503.1
<u>Other Assets</u>					
Company establishment	23,000.0	23,000.0	23,000.0	23,000.0	23,000.0
(Amortization)	-10,063.1	-8,625.5	-7,187.9	-5,750.3	-4,312.7
Net company establishment	<u>12,936.9</u>	<u>14,374.5</u>	<u>15,812.1</u>	<u>17,249.7</u>	<u>18,687.3</u>
Total other assets	12,936.9	14,374.5	15,812.1	17,249.7	18,687.3
Total Assets	56,283,429.9	49,216,293.7	36,979,860.4	29,982,669.0	24,795,725.3
LIABILITIES & EQUITY					
<u>Current Liabilities</u>					
Short-term Loans	363,832.3	21,300.0	-	100,000.0	-
Interest payable on loans	191,231.8	475,402.5	99,602.1	274,519.3	162,176.8
Client responsibility fund	3,564,775.0	2,777,020.0	2,159,095.0	1,834,155.0	1,300,400.0
Withholding tax	107,641.3	95,762.0	31,928.6	28,607.6	2.0
Other current liabilities	602,926.4	521,799.4	613,143.1	749,591.9	1,007,806.2
Total current liabilities	4,830,406.8	3,891,283.8	2,903,768.8	2,986,873.8	2,470,384.9
<u>Long-term Liabilities</u>					
Total long-term liabilities	42,013,184.8	35,934,886.6	24,866,117.3	17,423,336.8	14,589,400.6
Total Liabilities	46,843,591.6	39,826,170.4	27,769,886.1	20,410,210.6	17,059,785.5
<u>Shareholders' Equity</u>					
Paid up Capital	3,000,000.0	3,000,000.0	3,000,000.0	3,000,000.0	3,000,000.0
Additional Paid up Capital	6,114,040.6	6,114,040.6	6,114,040.6	6,116,946.7	4,616,946.7
Retained earnings	95,933.3	95,933.3	32,867.0	32,867.0	32,867.0
Current net profit/loss	229,863.9	180,149.2	63,066.3	422,644.5	86,126.1
Total Equity	9,439,837.8	9,390,123.0	9,209,973.8	9,572,458.2	7,735,939.7
Total Liabilities & Equity	56,283,429.4	49,216,293.5	36,979,859.9	29,982,668.8	24,795,725.3

Annex C: Quarterly Performance Indicators – June 2008

	2007				2008	2008
	Mar	Jun	Sept	Dec	Mar	Jun
<i>Exchange rate: US\$1 =</i>	9.125	9.010	9.137	9.400	9.215	9.230
1.0 <u>Outreach Indicators</u>						
1.1 Cumulative clients recruited	37,936	49,115	65,185	76,504	92,815	107,828
1.2 Cumulative dropouts	<u>6,227</u>	<u>7,979</u>	<u>9,648</u>	<u>10,976</u>	<u>13,405</u>	<u>18,034</u>
1.3 Net Clients	31,709	41,136	55,537	65,528	79,410	89,794
1.4.1 % Growth in clients (over prv period)	13%	30%	35%	18%	21%	13%
1.4.2 New clients recruited year-on-year	20,365	24,653	35,483	44,219	54,879	58,713
1.5 Net active clients by loan cycle	<u>31,058</u>	<u>40,600</u>	<u>55,416</u>	<u>64,548</u>	<u>78,989</u>	<u>88,937</u>
1.5.1 1st cycle	20,363	24,912	35,548	42,740	53,627	56,720
1.5.2 2nd cycle	7,703	11,484	13,505	14,381	15,792	18,105
1.5.3 3rd cycle	1,370	2,445	4,433	5,441	6,820	9,510
1.5.4 4th cycle	1,622	1,759	1,930	1,986	1,318	2,234
1.5.5 5th cycle and above					1,432	1,559
1.5.6 In process (existing clients)						809
1.5.7 % in 2nd cycle and above	36%	39%	36%	35%	32%	37%
1.6 Dropout						
1.6.1 Total dropouts this quarter	1,920	1,752	1,669	1,328	2,429	4,629
1.6.2 Quarterly dropout rate	6.1%	4.3%	3.0%	2.0%	3.1%	5.2%
1.6.3 Year-on-year dropout rate (M-CRIL)	12.9%	12.3%	10.0%	9.2%	8.3%	10.1%
1.7 Branches	20	24	27	31	36	45
1.8.1 Cumulative centres formed	<u>1,880</u>	<u>2,211</u>	<u>3,296</u>	<u>3,884</u>	<u>4,586</u>	<u>5,216</u>
1.8.2 Centres closed	60	84	111	137	160	206
1.8.2 Net number of centres	1,820	2,127	3,185	3,747	4,426	5,010
1.9 Average clients per centre	17	19	17	17	18	18
1.10 Max. working capital size (Rp. 000)						
1.10.1 1st cycle	500	500	500	800	800	1,000
1.10.2 2nd cycle	1,000	1,000	1,000	1,200	1,200	1,200
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	1,800
1.10.5 5th cycle	2,200	2,200	2,200	2,200	2,200	2,200
1.11 Max. working capital size (US\$)						
1.11.1 1st cycle	55	55	55	85	87	108
1.11.2 2nd cycle	110	111	109	128	130	130
1.11.3 3rd cycle	164	166	164	160	163	163
1.11.4 4th cycle	197	200	197	191	195	195
1.11.5 5th cycle	241	244	241	234	239	238
1.12 Portfolio						
1.12.1 Total portfolio outstanding (Rp. 000)	10,689,068	15,799,797	24,311,274	25,191,547	31,332,461	42,201,109
1.12.2 Total portf. outstanding (\$)	1,171,405	1,753,585	2,660,750	2,679,952	3,400,159	4,572,168
1.12.3 Average portf. outstanding Rp. 000	344	389	439	390	397	475
1.12.4 Average portf. outstanding (\$)	37	43	48	41	43	51
1.12.5 % Growth (over prev qt)	17%	48%	54%	4%	24%	35%
1.12.1 Disbursement this quarter	6,453,952	10,926,114	16,546,500	10,168,270	12,926,130	15,011,213
1.12.2 New clients provided this quarter						
1.12.5 Repayment this quarter	4,870,144	5,815,385	8,035,023	9,287,998	19,067,044	27,030,530
1.12.6 Current Portfolio size (Kredits)					55,402,900	70,798,900

		2007				2008	2008
		Mar	Jun	Sept	Dec	Mar	Jun
1.12.7	Repayment from current portfolio					24,070,439	28,597,791
1.19.1	Clients in responsibility fund	31,058	40,600	55,416	64,548	78,989	88,937
1.19.2	Total client responsibility fund (CRF)	1,002,515	1,300,400	1,834,155	2,159,095	2,777,020	2,777,020
1.19.3	CRF as % of portfolio outstanding	9%	8%	8%	9%	9%	7%
2.0	<u>Portfolio quality</u>						
	<u>Portfolio in arrears (Rp. 000)</u>						
	0 -30 days	956	-	80	3,192	1,871	695
	31-60 days		465			455	
	61-90 days		812			923	387
	> 90 days	=	<u>540</u>	<u>249</u>	<u>249</u>	<u>437</u>	<u>1,464</u>
	Total	956	1,817	329	3,441	3,686	2,546
	Portfolio at risk (>30)		1,817	249	249	1,815	1,851
	% PAR (>30)		0.012%	0.001%	0.001%	0.006%	0.004%
	<u>Overdue principal (Rp. 000)</u>						
	0 -30 days	106		60	222	297	123
	31-60 days		165			285	257
	61-90 days		506			663	48
	> 90 days	=	<u>288</u>	<u>249</u>	<u>249</u>	<u>397</u>	<u>1,215</u>
	Total	106	959	309	471	1,641	1,642
	<u>Client with arrears</u>						
	0 -30 days	2		1	15	8	1
	31-60 days		1			4	
	61-90 days		2			6	6
	> 90 days	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>2</u>	<u>10</u>
	Total	3	4	2	16	20	17
	Clients at risk (>30)		4	1	1	12	16
2.1	<u>Repayment Rate</u>						
2.1.1	Quarterly Repayment Rate						
2.1.2	Cumulative Repayment Rate	99.99%	99.99%	99.99%	99.99%	99.99%	99.99%
3.0	<u>Productivity and Efficiency</u>						
3.1	<u>Total Staff (field + head office)</u>	<u>146</u>	<u>189</u>	<u>230</u>	<u>258</u>	<u>295</u>	<u>371</u>
3.1.1	Head office staff	7	9	11	11	9	13
3.1.2	<u>Field staff</u>	<u>139</u>	<u>180</u>	<u>219</u>	<u>247</u>	<u>286</u>	<u>358</u>
3.1.2.1	District staff (incl. 1 driver)	13	18	23	28	28	29
3.1.2.2	Branch managers	16	24	27	31	36	45
3.1.2.3	<u>Field officers</u>	<u>110</u>	<u>138</u>	<u>169</u>	<u>188</u>	<u>222</u>	<u>284</u>
	Field officers confirmed (>2 mths)	59	71	145	152	190	230
	Field officers trainee (2-6 mths)	34	43				
	Probationary field officers (<2 mths)	17	24	24	36	32	54
3.2.1	Clients/field officer (>2mths)	341	361	383	431	418	390
3.2.2	Clients per staff (field + HO)	217	218	241	254	269	242
3.3.1	Portfolio/field officer > 2mths (Rp.000)	114,936	138,595	167,664	165,734	164,908	183,483
3.3.2	Portfolio/field officer > 2 mths (US\$)	12,596	15,382	18,350	17,631	17,896	19,879
3.4	Centres per field officer	17	15	19	20	20	18
3.5	Operating expense ratio	33.3%	33.7%	33.4%	31.5%	28.5%	33.6%
3.6	Total cost ratio	40.6%	41.9%	42.1%	41.2%	39.4%	48.3%
3.7	Debt to equity ratio						
3.8	Overhead ratio (HO/Total expenses)	28%	27%	23%	26%	16%	15%
3.9	Field officers as % of total staff	75%	73%	73%	73%	75%	77%
3.10	Ratio HO staff to total staff (%)	5%	5%	5%	4%	3%	4%
4.0	<u>Viability and Sustainability</u>						

		2007				2008	2008
		Mar	Jun	Sept	Dec	Mar	Jun
4.1	Average quarterly yield on portf.	47.1%	44.8%	40.1%	37.4%	37.0%	47.3%
4.2	Average annual yield on portf.	54.5%	43.2%	35.2%	41.5%	42.5%	50.1%
4.3	Operational self-sufficiency	111%	104%	96%	93%	108%	105%
4.4	Financial self-sufficiency						
4.5	Return on average assets (ROA)	1.3%	0.6%	2.2%	0.3%	0.6%	0.6%
5.0	<u>Impact on Poverty</u>						
5.1	% Very Poor (Housing Ind)	80%	80%	80%	80%	80%	80%
5.2	Moderately poor	20%	20%	20%	20%	20%	20%
5.3	Non-poor						
	Repayment Rate						
5.4	Current repayment rate this quart.						
5.5	Cumulative repayment rate						
5.6	Client retention rate	87.1%	87.7%	90.0%	90.8%	91.7%	89.9%
6.0	<u>Balance Sheet (Rp. 000)</u>						
6.1	<u>Total assets</u>	<u>15,665,796</u>	<u>24,057,341</u>	<u>29,476,888</u>	<u>36,979,860</u>	<u>49,216,293</u>	<u>56,283,430</u>
6.1.1	Outstanding portfolio	10,689,068	15,799,797	24,311,274	25,191,547	31,332,461	42,201,109
6.1.2	(Portfolio loss reserve)	-106,891	-157,998	-243,112	-251,915	-313,324	-422,010
6.1.3	Net outstanding portfolio	10,582,177	15,641,799	24,068,162	24,939,632	31,019,137	41,779,099
6.1.4	% Portfolio loss reserve ratio	1.0%	1.0%	1.0%	1.0%	1.0%	1.0%
6.1.5	Cash and current bank accounts	1,338,051	3,107,975	215,210	1,557,773	3,506,875	2,533,433
6.1.6	Short-term savings/deposit accounts	2,270,875	3,181,207	2,524,388	6,956,292	10,582,304	7,213,172
6.1.7	Other current assets	177,041	278,304	354,900	280,464	678,080	809,165
6.1.8	<u>Net fixed assets</u>	<u>1,277,526</u>	<u>1,829,368</u>	<u>2,296,979</u>	<u>3,229,887</u>	<u>3,415,523</u>	<u>3,935,625</u>
6.1.8.1	Property and equipment	1,871,960	2,541,887	3,160,182	4,264,137	4,597,779	5,339,495
6.1.8.2	(Accumulated depreciation)	-594,434	-712,520	-863,204	-1,034,250	-1,182,256	-1,403,870
6.1.8	Other assets (net)	20,125	18,687	17,250	15,812	14,375	12,937
6.2	<u>Current Liabilities</u>	<u>1,422,312</u>	<u>1,708,250</u>	<u>2,453,379</u>	<u>2,903,769</u>	<u>3,891,284</u>	<u>4,830,407</u>
6.2.1	Client responsibility fund	1,002,515	1,300,400	1,834,155	2,159,095	2,777,020	3,564,775
6.2.3	Temporary loans			100,000		21,300	363,832
6.2.6	Interest payable on loans	175,028	162,177	274,519	99,602	475,403	191,232
6.2.7	Withholding Tax	1,063	2	28,608	31,929	95,762	107,641
6.2.8	Other current liabilities	243,706	245,671	216,097	613,143	521,799	602,926
	<u>Long-term Liabilities</u>	<u>6,450,255</u>	<u>14,589,401</u>	<u>17,423,337</u>	<u>24,866,117</u>	<u>35,934,887</u>	<u>42,013,185</u>
6.2.1	Employee pension benefits	-			10,568	10,568	10,568
6.2.4	Loan, Hivos Netherlands	1,782,855	1,782,855	1,782,855	1,782,855	1,782,855	1,782,855
6.2.4	Loan, Grameen Trust						
6.2.5	Loan, Cordaid	4,667,400	4,667,400	4,667,400	4,278,606	4,278,606	3,498,833
6.2.6	Loan, The Dignity Fund		5,431,500	5,431,500	6,819,000	6,819,000	6,819,000
6.2.7	Loan, Micro Credit Enterprise		2,637,000	5,455,500	8,230,500	8,230,500	8,230,500
6.2.8	Loan, Kiva Micro Fund		70,646	86,082	144,589	570,501	
6.2.9	Loan, Bank Finconesia				3,600,000	4,600,000	3,500,000
6.2.10	Loan, Bank Danamon					9,642,857	18,171,428
6.3	<u>Total liabilities</u>	<u>7,872,567</u>	<u>16,297,650</u>	<u>19,876,716</u>	<u>27,769,886</u>	<u>39,826,171</u>	<u>46,843,592</u>
6.4	<u>Total equity</u>	<u>7,793,228</u>	<u>7,759,690</u>	<u>9,600,171</u>	<u>9,209,974</u>	<u>9,390,123</u>	<u>9,439,838</u>
6.4.1	Paid-up Capital	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000
6.4.2	Additional Paid up capital	4,616,946	4,616,946	6,116,946	6,114,041	6,114,041	6,114,041
6.4.3	Retained Earnings	32,867	32,867	32,867	32,867	95,933	95,933
6.4.4	Profit/loss, end of quarter	143,416	109,877	450,358	63,066	180,149	229,864
6.4	<u>Total liabilities & equity</u>	<u>15,665,795</u>	<u>24,057,340</u>	<u>29,476,887</u>	<u>36,979,860</u>	<u>49,216,294</u>	<u>56,283,430</u>

		2007				2008	2008
		Mar	Jun	Sept	Dec	Mar	Jun
	[check]	1.0	1.0	1.2	0.3	-0.3	0.3
7.0	Income Statement (Rp.000)						
7.1.1	Profit sharing ratio	25%	25%	25%	25%	25%	25%
7.1.2	<u>Quarterly Net Operating Income</u>	<u>143,416</u>	<u>-33,538</u>	<u>-315,581</u>	<u>-357,989</u>	<u>242,102</u>	<u>334,508</u>
7.1.2.1	Quarterly total income	1,436,660	1,586,983	2,056,727	2,177,538	3,244,154	7,296,006
7.1.2.2	Quarterly income on portfolio	1,365,254	1,543,442	2,033,330	2,168,068	3,190,382	7,149,436
7.1.2.3	Quarterly operating expenses	1,103,112	1,230,490	1,795,358	1,861,969	1,987,799	4,705,108
7.1.2.4	Quarterly total expenses	1,293,244	1,620,521	2,372,308	2,535,527	3,002,052	6,961,499
7.2	<u>Total income</u>	<u>1,436,660</u>	<u>3,023,642</u>	<u>5,080,370</u>	<u>7,257,908</u>	<u>3,244,154</u>	<u>7,296,006</u>
7.2.1	Income on Portfolio	1,365,254	2,908,696	4,942,026	7,110,094	3,190,382	7,149,436
7.2.2	Income on bank accounts	64,671	95,554	115,118	114,081	46,305	127,368
7.2.3	Other income	6,735	19,393	23,226	33,733	7,468	19,202
7.3	<u>Total expenses</u>	<u>1,293,244</u>	<u>2,913,765</u>	<u>5,286,074</u>	<u>7,821,600</u>	<u>3,002,052</u>	<u>6,961,499</u>
7.3.1	<u>Financial expenses</u>	<u>190,132</u>	<u>580,163</u>	<u>1,157,113</u>	<u>1,830,671</u>	<u>1,014,253</u>	<u>2,256,391</u>
7.3.1.1	Interest expenses and fees	175,028	508,157	1,001,277	1,652,947	945,207	2,054,380
7.3.1.2	Portfolio loss reserve expenses	15,104	72,006	155,836	177,724	69,046	202,010
7.3.2	<u>Operating expenses</u>	<u>1,103,112</u>	<u>2,333,602</u>	<u>4,128,960</u>	<u>5,990,929</u>	<u>1,987,799</u>	<u>4,705,108</u>
7.3.2.1	Personnel expense	636,353	1,394,820	2,471,116	3,485,331	1,173,109	2,885,109
7.3.2.2	All other expenses	466,759	938,783	1,657,845	2,505,598	814,690	1,820,000
	<u>Operating expenses</u>	<u>1,103,112</u>	<u>2,333,602</u>	<u>4,128,960</u>	<u>5,990,929</u>	<u>1,987,799</u>	<u>4,705,108</u>
7.3.2.3	HO Operating Expense	304,493	625,407	963,819	1,586,848	314,310	724,395
7.3.2.4	Branch Operating Expense	798,620	1,708,196	3,165,141	4,404,082	1,673,489	3,980,713
7.3.2.4	Overhead ratio (HO/total operating expenses)	28%	27%	23%	26%	16%	15%
7.4	<u>Net Operating Income before tax</u>	<u>143,416</u>	<u>109,877</u>	<u>-205,704</u>	<u>-563,693</u>	<u>242,102</u>	<u>334,508</u>
7.4.1	Grant income for operations	-	-	<u>656,063</u>	<u>656,063</u>	-	-
7.4.2	Total income before tax	143,416	109,877	450,358	92,370	242,102	334,508
7.4.3	<u>Corporate Tax</u>	-	-	-	<u>29,304</u>	<u>61,953</u>	<u>104,644</u>
7.4.4	Net Income after Tax	143,416	109,877	450,358	63,066	180,149	229,864
8.0	Balance Sheet (US\$)						
8.1	<u>Total assets</u>	<u>1,716,800</u>	<u>2,670,071</u>	<u>3,226,101</u>	<u>3,934,028</u>	<u>5,340,889</u>	<u>6,097,880</u>
8.1.1	Outstanding portfolio	1,171,405	1,753,585	2,660,750	2,679,952	3,400,159	4,572,168
8.1.2	(Portfolio loss reserve)	-11,714	-17,536	-26,607	-26,799	-34,002	-45,722
8.1.3	Net outstanding portfolio	1,159,691	1,736,049	2,634,143	2,653,152	3,366,157	4,526,446
8.1.4	% Portfolio loss reserve ratio	1.00%	1.00%	1.00%	1.00%	1.00%	1.00%
8.1.5	Cash and current bank accounts	146,636	344,947	23,554	165,721	380,562	274,478
8.1.6	Short-term savings/deposit accounts	248,863	353,075	276,282	740,031	1,148,378	781,492
8.1.7	Other current assets	19,402	30,888	38,842	29,837	73,584	87,667
8.1.8	<u>Net fixed assets</u>	<u>140,003</u>	<u>203,037</u>	<u>251,393</u>	<u>343,605</u>	<u>370,648</u>	<u>426,395</u>
8.1.8.2	Property and equipment	205,146	282,118	345,867	453,632	498,945	578,494
8.1.8.2	(Accumulated depreciation)	-65,143	-79,081	-94,473	-110,027	-128,297	-152,099
8.1.8	Company's Establishment	2,205	2,048	1,890	1,733	1,575	1,418
8.2	<u>Current Liabilities</u>	<u>155,870</u>	<u>189,595</u>	<u>268,510</u>	<u>308,912</u>	<u>422,277</u>	<u>523,338</u>
8.2.1	Client responsibility fund	109,865	144,329	200,739	229,691	301,359	386,216
8.2.3	Temporary loans	-	-	10,945	-	2,311	39,418
8.2.6	Interest payable on loans	19,181	18,000	30,045	10,596	51,590	20,719
8.2.7	Withholding Tax	116	0	3,131	3,397	10,392	11,662
8.2.8	Other current liabilities	26,708	26,923	23,682	67,194	57,183	66,074

	2007				2008	2008
	Mar	Jun	Sept	Dec	Mar	Jun
<u>Long-term Liabilities</u>	<u>706,877</u>	<u>1,619,245</u>	<u>1,906,899</u>	<u>2,645,332</u>	<u>3,899,608</u>	<u>4,551,808</u>
8.2.4 Loan, Hivos Netherlands	195,381	197,875	195,125	189,665	193,473	193,159
8.2.4 Loan, Grameen Trust						
8.2.5 Loan, Cordaid	511,496	518,024	510,824	455,171	464,309	379,072
8.2.6 Loan, The Dignity Fund		602,830	594,451	725,426	739,989	738,787
8.2.7 Loan, Micro Credit Enterprise		292,675	597,078	875,585	893,163	891,712
8.2.8 Loan, Kiva Microfund		7,841	9,421	15,382	61,910	
8.2.9 Loan, Finconesia				382,979	499,186	379,198
8.2.10 Loan, Danamon					1,046,431	1,968,735
8.3 <u>Total liabilities</u>	<u>862,747</u>	<u>1,808,840</u>	<u>2,175,409</u>	<u>2,954,243</u>	<u>4,321,885</u>	<u>5,075,145</u>
8.4 <u>Total equity</u>	<u>854,052</u>	<u>861,231</u>	<u>1,050,692</u>	<u>979,784</u>	<u>1,019,004</u>	<u>1,022,734</u>
8.4.1 Paid-up Capital	328,767	332,963	328,335	319,149	325,556	325,027
8.4.2 Additional Paid-up Capital	505,967	505,967	670,350	670,032	670,032	670,032
8.4.3 Retained Earnings	3,602	3,648	3,597	3,496	10,411	10,394
8.4.4 Profit/Loss, end of quarter	15,717	12,195	49,290	6,709	19,550	24,904
8.5 <u>Total liabilities & equities</u>	<u>1,716,799</u>	<u>2,670,071</u>	<u>3,226,101</u>	<u>3,934,028</u>	<u>5,340,889</u>	<u>6,097,880</u>
9.0 <u>Income Statement (US\$)</u>						
9.1.1 Profit sharing ratio	25%	25%	25%	25%	25%	25%
9.1.2 <u>Quarterly Net Operating Income</u>	<u>15,717</u>	<u>-3,722</u>	<u>-34,539</u>	<u>-38,084</u>	<u>26,273</u>	<u>36,241</u>
9.1.2.1 Quarterly total income	157,442	176,136	225,099	231,653	352,051	790,467
9.1.2.2 Quarterly operating expenses	120,889	136,569	196,493	198,082	215,713	509,763
9.1.2.3 Quarterly total expenses	141,725	179,858	259,638	269,737	325,779	754,225
9.2 <u>Total income (cumulative)</u>	<u>157,442</u>	<u>335,587</u>	<u>556,022</u>	<u>772,118</u>	<u>352,051</u>	<u>790,467</u>
9.2.1 Income on Portfolio	149,617	322,830	540,881	756,393	346,216	774,587
9.2.2 Income on bank accounts	7,087	10,605	12,599	12,136	5,025	13,799
9.2.3 Other income	738	2,152	2,542	3,589	810	2,080
9.3 <u>Total expenses (cumulative)</u>	<u>141,725</u>	<u>323,392</u>	<u>578,535</u>	<u>832,085</u>	<u>325,779</u>	<u>754,225</u>
9.3.1 <u>Financial expenses</u>	<u>20,836</u>	<u>64,391</u>	<u>126,640</u>	<u>194,752</u>	<u>110,065</u>	<u>244,463</u>
9.3.1.1 Interest expenses	19,181	56,399	109,585	175,845	102,573	222,576
9.3.2.2 Portfolio loss provision expenses	1,655	7,992	17,056	18,907	7,493	21,886
9.3.2 <u>Operating expenses</u>	<u>120,889</u>	<u>259,001</u>	<u>451,895</u>	<u>637,333</u>	<u>215,713</u>	<u>509,763</u>
9.3.2.1 Personnel expense	69,737	154,808	270,452	370,780	127,304	312,579
9.3.2.2 Administrative expense	51,152	104,193	181,443	266,553	88,409	197,183
<u>Operating expenses</u>	<u>120,889</u>	<u>259,001</u>	<u>451,895</u>	<u>637,333</u>	<u>215,713</u>	<u>509,763</u>
9.3.2.3 HO Operating Expense	33,369	69,413	105,485	168,814	34,108	78,483
9.3.2.4 Branch Operating Expense	87,520	189,589	346,409	468,519	181,605	431,280
9.3.2.5 Overhead ratio (HO/Total Op. expenses)	28%	27%	23%	26%	16%	15%
9.4 <u>Net Operating Income before tax</u>	<u>15,717</u>	<u>12,195</u>	<u>-22,513</u>	<u>-59,967</u>	<u>26,273</u>	<u>36,241</u>
9.4.1 Grant income for operations			<u>71,803</u>	<u>69,794</u>		
9.4.2 Total income before tax	15,717	12,195	49,290	9,827	26,273	36,241
9.4.3 <u>Tax</u>				<u>3,117</u>	<u>6,723</u>	<u>11,337</u>
9.4.4 Net Income after Tax	<u>15,717</u>	<u>12,195</u>	<u>49,290</u>	<u>6,709</u>	<u>19,550</u>	<u>24,904</u>