

2007-1



Mitra Bisnis Keluarga
“Family Business Partners”
Indonesia

Quarterly Report No. 2007-1
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1 Introduction

This report covers the first quarter of 2007 (January to March). This is also the first quarter of operations since Ganesha Microfinance Foundation transferred all its microfinance operations to the newly formed non-banking financial company (NBFC) called *PT Mitra Bisnis Keluarga Ventura* or Mitra Bisnis Keluarga (MBK) for short (*Family Business Partners*). The new finance company was formed in the last quarter of 2006 to replace Ganesha Microfinance Foundation which, by law, cannot continue offering microfinance services after August 2007.

Mitra Bisnis Keluarga Ventura (MBK) set up five new branches during this quarter in two new districts of Sukabumi and Bandung, bringing the total number of branches to twenty. Of these, one became operational during the reporting period, extending loans to two centres. Outreach expanded by some 3,731 clients during this quarter (with most new clients in the Bogor branches) to reach a total of 31,709 clients. MBK has, since September 2006, been listed as a 5-diamond microfinance institution in *MIXMarket*, the global information exchange for the microfinance industry organized by the Consultative Group to Assist the Poor (CGAP) of the World Bank, for its transparent procedures and reporting. The best known credit rating agency for the microfinance industry, M-CRIL of India, awarded an “alpha” grade to this institution in August 2006.

Mitra Bisnis Keluarga Ventura (MBK) is essentially a Grameen Bank Replicator with some adaptations from the ASA programme in Bangladesh. In essence, MBK provides basic working capital over 50 weeks at a flat profit sharing rate of 25 percent per annum. 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 the field officers, branch managers and almost all head office staff are women.

Under Indonesian law, MBK is not allowed to collect savings or provide interest. However, to safeguard against non-repayment of working capital, MBK has a guarantee scheme called a *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. MBK 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) dropout, (c) working capital portfolio quality, (d) productivity and efficiency, and (e) viability and sustainability.

2.1 Outreach

Number of Clients rose by 13 percent. The total number of clients increased by 13 percent from 27,978 to 31,709 during this quarter (see table 1.a and figure 1).

Number of active clients rose by 13 percent. The total number of active clients increased by 13 percent from 27,372 to 31,058 during this quarter. The number of centres in the programme

increased from 1,554 to 1,820 or by 17 percent by the end of the reporting period. The majority of the new clients took the maximum amount allowed for their first working capital, that is, approximately US\$ 55 a year (or Rp. 500,000), although some women took as little as Rp. 300,000 or Rp. 400,000 (\$33 to \$44).

Table 1. Quarterly Outreach Indicators

	Mar-06	Jun-06	Sept-06	Dec-06	Mar-07
Net clients ¹	16,056	22,277	26,229	27,978	31,709
Percent growth in clients	30%	39%	18%	7%	13%
Branches	9	11	13	15	20
Total centres	808	1,143	1,418	1,554	1,820
Total active clients	16,056	21,267	25,623	27,372	31,058
Clients in 1 st cycle	12,418	16,201	18,071	19,264	20,363
Clients in 2 nd cycle	1,727	2,993	5,294	6,036	7,703
Clients in 3 rd cycle	1,713	1,540	1,226	903	1,370
Clients in 4 th cycle and above	198	533	1,032	1,169	1,622
Total portfolio outstanding (Rp 000s)	5,491,235	7,768,262	9,879,304	9,105,260	10,689,068
Total portfolio outstanding (US\$) ²	600,135	838,905	1,070,811	1,007,776	1,171,405
Growth in portfolio (in Rp)	33%	41%	27%	-8%	17%
Average portfolio outstanding/client (US\$)	37	39	42	36	37
Dropouts per quarter	473	670	1,288	834	1,920
Quarterly dropout rate (%) ³	2.9%	3.0%	4.9%	3.0%	6.1%
Year-on-year dropout rate (%)	4.5%	6.1%	9.7%	11.7%	14.9%
CRF as % of working capital outstanding ⁴	9%	8%	8%	9%	9%

Note:

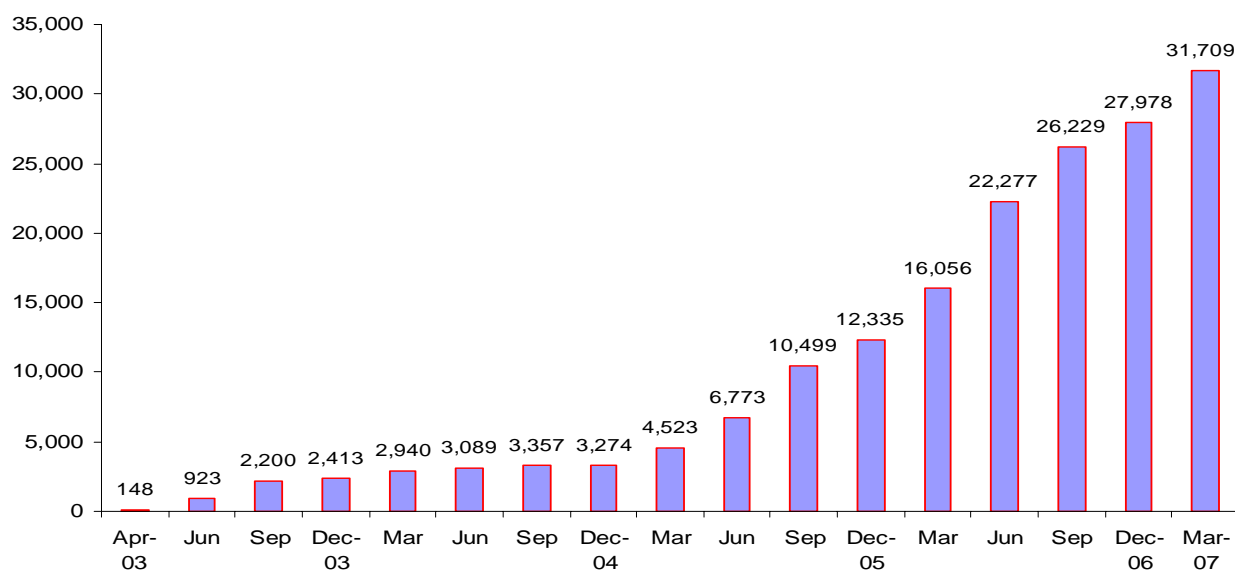
¹ Includes new clients waiting for first working capital (3-2 staggered disbursement), and existing clients waiting for follow-up working capital.

² US\$ 1 = Rp. 9,125 as of 31 March 2007

³ As percent of active clients

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

Figure 1. MBK Clients as of 31 March 2007



Number of districts covered by MBK increased by two. During this quarter, MBK extended its coverage to a further two rural districts, Sukabumi and Bandung, bringing the total number of operational districts to four. Rural district Sukabumi is adjacent to rural district Bogor, while rural district Bandung adjoins Sukabumi.

Number of branches increased by five. MBK opened a further five branches in these two districts, with one becoming operational in the final weeks of March, in Bandung. Thus, the number of operational branches reached sixteen while the total number of branches rose to twenty. The remaining four new branches were also staffed and will begin extending their first working capital early in April.

Portfolio Outstanding. The total portfolio outstanding increased from US\$ 1,007,776 to US\$ 1,171,405 or by 17 percent (in Rupiah terms) during this first quarter of 2007.

2.2 Dropout

Drop-out rate increased this quarter. The number of drop-outs this quarter increased from 834 to 1,920. The quarterly drop-out rate doubled to 6.1 percent, and the year-on-year dropout rate rose from 11.7 to 14.9 percent. Of the 1,920 clients who left the programme this quarter, just under one percent or 18 clients died, 864 were asked to leave (45 percent), 201 took up paid employment and could not attend weekly meetings (10.4 percent), and the remaining 837 left the programme voluntarily (43.5 percent). A majority of the latter were clients 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 valid reason (such as too sick to attend, family urgency or child birth). The remaining clients in centres in Teluk Naga and Kebon Cau lived in houses on land belonging to the Air Force. The latter has decided to reclaim their land after the 25-year lease period has expired. It is almost certain now that these clients will be forced to move soon after their working capital period to unknown addresses. A few clients who have already moved have been accepted in other centres, where one was available. The clients who have been discontinued have however been issued with a letter stating their past history with MBK, 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 working capital and left the programme rejoined to take up their second working capital. 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 MBK (for the reasons cited above).

2.3 Portfolio Quality

Portfolio at risk. Portfolio at risk (PAR > 4 weeks) remained stable at zero percent this quarter. Only three clients were in arrears this quarter, for between one and three weeks only. The quarterly repayment rate increased slightly from 99.7 percent to 99.8 percent this quarter, while the cumulative repayment rate remained stable at 99.9 percent. Outstanding working capital with 1-4 weeks arrears increased from Rp. 0.26 million (\$28.7) to Rp. 1.14 million (\$124.5).

Table 2. Quarterly Portfolio Quality Indicators

	Mar-06	Jun-06	Sept-06	Dec-06	Mar-07
<u>% Portfolio at risk (>4 weeks)</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.01%</u>	<u>0.0%</u>	<u>0.0%</u>
Arrears over 4 weeks (Rp. 000)	0	0	400	0	0
Outstanding portfolio over 4 weeks (Rp. 000)	0	0	760	0	0
Clients in arrears over 4 weeks	0	0	4	0	0
<u>Arrears 1-4 weeks (Rp. 000)</u>		<u>240</u>	<u>80</u>	<u>10</u>	<u>116</u>
1 week in arrear		80	50	10	10
2 week in arrear		40	0		52
3 week in arrear		0	30		54
4 week in arrear		120	0		
5+ week in arrear		0	400		
Outstanding portfolio 1-4 weeks (Rp. 000)		2,280	400	260	1.136
<u>Aging of Arrears</u>		<u>12</u>	<u>10</u>	<u>1</u>	<u>3</u>
1 week in arrear		7	5	1	1
2 week in arrear		2	0		1
3 week in arrear		0	1		1
4 week in arrear		3	0		0
5+ week in arrear		0	4		0
Quarterly repayment rate	100%	99.99%	99.42%	99.74%	99.80%
Cumulative repayment rate	100%	100%	99.86%	99.83%	99.83%
Portfolio loss provision ratio	5.0%	5.0%	5.0%	5.0%	4.26%

2.4 Productivity and Efficiency

Clients per field officer ratio. The average number of clients per field officer (excluding probationary staff) declined from 354 in the last quarter to 341 this quarter (table 3), due mainly to the opening of the new branches and the recruitment of additional field officers. There were a total of 110 field officers serving some 31,058 active clients by the end of the period. Of these, 17 were probationary field officers (less than two months in MBK), while another 34 had between 2 and 6 months' experience. The number of confirmed field officers, with more than 6 months experience working in MBK, rose to 59. Only the last two categories (93 field officers) are used to calculate the client to field officer ratio.

Clients per staff. The client per staff ratio, including all field staff, head office and probationary staff, decreased slightly from 229 to 217 per staff, due to recruitment of new field officers.

Change in reporting of district office staff. Beginning this quarter, MBK's three district offices two in Tangerang (east and west) and the one in Bogor district, have individual budget lines for accounting purposes. The four district staff per office (area coordinator and three data entry/accounting staff) are grouped under district staff, even though Tangerang west office for the time being sits in head office. Thus, the number of district staff appears to rise this quarter to 13 (including one driver) while those in head office decline from 9 to 7.

Table 3. Quarterly Productivity and Efficiency Indicators

	Mar-06	Jun-06	Sept-06	Dec-06	Mar-07
<u>Outreach</u>					
Clients	16,056	22,277	26,229	27,978	31,709
Branches	9	11	13	15	16
Centres	808	1,143	1,418	1,554	1,820
<u>Total staff (field + head office)</u>	<u>70</u>	<u>83</u>	<u>114</u>	<u>122</u>	<u>146</u>
Head office staff	6	9	8	9	7
<u>Field staff</u>	<u>64</u>	<u>74</u>	<u>106</u>	<u>113</u>	<u>139</u>
District staff (incl. 1 driver)	3	3	5	5	13
<u>Total branch staff</u>	<u>61</u>	<u>71</u>	<u>101</u>	<u>108</u>	<u>126</u>
Branch managers	7	9	13	15	16
Total loan officers	54	62	88	93	110
Confirmed field officers (>6 mths)	23	37	37	49	59
Trainee field officers (2-6 mths)	19	18	30	30	34
Probationary field officers (<2 mths)	12	7	21	14	17
<u>Efficiency ratios</u> ¹					
Clients per field officer	382	387	382	354	341
Clients/total staff (field and HO)	277	256	225	229	217
Centres per field officer	20	21	22	20	20
Portfolio/loan officer (\$)	14,289	15,253	15,982	12,757	12,596
Overhead ratio (HO/All admin expenses)	37%	34%	30%	30%	28%
Field officers as % of total staff	77	75	77	76	75
HO staff as % of total staff	9	11	7	7	5

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

Portfolio per field officer. The outstanding portfolio per confirmed field officer declined a little from \$12,757 to \$12,596 as a result of opening five new branches in the two new districts of Sukabumi and Bandung.

Centres per field officer. The ratio of centres per field officer remained stable at 20 this quarter. This ratio also excludes the 17 probationary field officers.

Field officers as a share of total staff. The ratio of field officers to total staff declined slightly to 75 percent.

Overhead ratio and HO/field staff ratio. The head office to total administration expense ratio continued to decline from 29 percent to 28 percent between the last quarter and this one. The HO/total staff ratio declined from 7 percent to 5 percent.

2.5 Viability and Sustainability

Operating expense ratio. The operating expense ratio rose from 31.0 percent to 33.1 percent between last quarter and this quarter, due to the expansion of branches and recruitment of staff.

Table 4. Quarterly Viability and Sustainability Indicators

	Mar-06	June-06	Sept-06	Dec-06	Mar-07
Operating expense ratio (Operating expenses/Average portfolio outstanding)	31.2%	29.8%	28.9%	31.0%	33.1%
Total cost ratio (Operating + financial expenses/avg. portfolio outs.)	36.0%	35.4%	35.0%	37.9%	40.2%
Quarterly yield on portfolio (Average quarterly income from portfolio/ Average portfolio outstanding in past 4 quarters)	43.5%	44.3%	45.8%	46.8%	48.7%
Annual yield on portfolio (Annual income/average portfolio last December and this December)	47.6%	44.8%	43.7%	55.6%	54.5%
Yield gap: 100% - (% annual yield/exp. yield) ¹	15%	20%	22%	1%	3%
Operational self sufficiency (Total income/operating + financial expenses)	119%	127%	132%	124%	114%

Total cost ratio. The total cost ratio also increased by 2.3 percent from 37.9 to 40.2 percent. This ratio includes financial costs.

Yield on portfolio. The average quarterly yield on portfolio rose by 1.9 percent from 46.8 to 48.7 percent, calculated using the average outstanding portfolio for the four preceding quarters.

Yield gap. The yield on gross portfolio calculated conventionally, i.e., the ratio of the annual income (April 2006-March 2007) over the average outstanding working capital portfolio this March and last March, was 54.5 percent. Since MBK charged an interest rate of 30 percent on a flat basis until October 2006, and took 5 percent of the working capital as guarantee (client responsibility fund), the expected annual yield on a declining basis is 56 percent. So the yield gap in March 2007 was just $100\% - [(54.5/100)]*100$, or $100\% - 97\% = 3$ percent.

Operational self-sufficiency. Operational self-sufficiency declined from 132 to 124 and 114 percent as the result of the drop in interest rate from 30 percent to 25 percent in October 2007.

3 Income Statement and Balance Sheet

3.1 Income Statement

Net Income. The net operating income this quarter rose from \$8,302 to \$19,114 (table 5), due to income increasing by \$35,972, as a result of larger portfolio especially of the branches in Rural Bogor District.

Financial expenses. Cumulative financial expenses consisted of interest payment and working capital loss provision expenses. Starting from January 2007, MBK decided not to add working capital loss reserve until we reach approximately of 3 percent of the outstanding portfolio. Though no interest payment was due in this quarter, provision was nevertheless made for the Cordaid loan interest payable in the second quarter.

Cumulative net operating income. Before tax, net operating income so far this quarter was \$19,114, up from \$8,302 last quarter.

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

	Dec-05	<i>Revised</i> Mar-06	<i>Revised</i> June-06	<i>Revised</i> Sept-06	<i>Revised</i> Dec-06	<i>Prelim.</i> Mar-07
1. <u>Quarterly Income & Expenses</u>	<u>10,466</u>	<u>11,488</u>	<u>24,171</u>	<u>34,149</u>	<u>8,302</u>	<u>19,114</u>
1.1 Quarterly total income	47,923	71,538	95,004	123,740	121,470	157,442
1.2 Quarterly total expenses	37,457	60,050	70,834	89,591	113,168	138,328
2. <u>Total Income (cumulative)</u>	<u>141,634</u>	<u>71,538</u>	<u>165,693</u>	<u>290,043</u>	<u>417,645</u>	<u>157,442</u>
2.1 Income on portfolio (cumulative)	138,626	69,621	161,949	282,973	407,222	149,617
2.2 Income from bank accounts	2,138	1,231	2,401	5,160	7,860	7,087
2.3 Other income (penalty)	870	686	1,343	1,911	2,562	738
3. <u>Total Expenses (cumulative)</u>	<u>124,713</u>	<u>60,050</u>	<u>130,170</u>	<u>220,241</u>	<u>338,065</u>	<u>138,328</u>
3.1 <u>Financial expenses</u>	<u>24,026</u>	<u>6,734</u>	<u>22,119</u>	<u>43,269</u>	<u>61,099</u>	<u>19,101</u>
(a) Interest expenses	854	393	3,882	13,635	34,814	19181
(b) Portfolio loss provision expense	23,172	6,341	18,236	29,634	26,285	(80)
3.2 <u>Operating expenses</u>	<u>100,687</u>	<u>53,315</u>	<u>108,051</u>	<u>176,972</u>	<u>276,966</u>	<u>119,227</u>
(a) Personnel expense	44,387	21,407	48,377	86,417	143,089	69,657
(b) Administrative expense	56,301	31,908	59,675	89,550	133,877	49,571
(c) Head office operating expense	41,825	19,803	36,505	53,392	81,899	33,369
(d) Branch operating expense	58,862	33,512	71,546	123,575	195,067	85,858
4. <u>Net Operating income</u>	<u>16,921</u>	<u>11,488</u>	<u>35,523</u>	<u>69,802</u>	<u>79,580</u>	<u>19,114</u>
(a) Tax	<u>2,929</u>	<u>1,120</u>	<u>1,991</u>	<u>3,293</u>	<u>21,364</u>	<u>6,511</u>
(b) Net surplus/deficit after tax	<u>13,315</u>	<u>10,368</u>	<u>33,531</u>	<u>66,509</u>	<u>58,216</u>	<u>12,603</u>

3.2 Balance Sheet

Total assets. Total assets of MBK increased from \$1.3 million to \$1.7 during this quarter due mainly to increase in portfolio (\$163), increase in cash (\$165) and fixed assets (\$3).

Current liabilities. Current liabilities increased mainly as a result of company's withholding tax.

Long-term liabilities. Long-term liabilities consisted only of Loan from Cordaid since Hivos contribution was converted as part of MBK's Equity and contribution of the founders had repaid fully.

Equity. MBK's equity increased around 10 times from \$106,030 to \$1,047,791 as a result of transforming Ganesha as a Foundation to Mitra Bisnis Keluarga as a Venture Capital Company and converting contribution from Hivos to equity.

Table 6. Quarterly Balance Sheet (US\$)

		<i>Revised</i>	<i>Revised</i>	<i>Revised</i>	<i>Prelim.</i>	<i>Prelim</i>
	Dec-05	Mar-06	June-06	Sept-06	Dec-06	Mar-07
<u>Assets</u>	<u>684,920</u>	<u>744,185</u>	<u>1,139,602</u>	<u>1,302,413</u>	<u>1,295,897</u>	<u>1,678,785</u>
Outstanding portfolio	440,754	600,135	838,905	1,070,811	1,007,776	1,171,405
(Portfolio loss reserve)	(23,140)	(29,984)	(41,923)	(53,518)	(50,366)	(49,869)
Net outstanding portfolio	417,615	570,151	796,982	1,017,293	957,411	1,121,536
Cash and bank accounts	203,898	91,824	249,396	174,107	230,142	395,498
Other current assets	4,997	7,176	8,114	10,758	8,504	26,627
Net fixed assets	58,410	75,034	85,109	100,255	99,841	132,918
<u>Current Liabilities</u>	<u>47,927</u>	<u>80,394</u>	<u>126,585</u>	<u>100,436</u>	<u>95,674</u>	<u>138,678</u>
Client responsibility fund (savings)	39,272	51,783	69,945	86,489	95,517	109,865
Temporary loan, Founders	-	21,858	51,339	-	-	-
Interest payable on loans		393	3,882	13,635	-	19,181
Withholding income tax, staff	48	-	141	7	157	(83)
Withholding income tax, foundation	8,607	6,360	1,278	305	-	4,819
Withholding tax, pension contribution	-	-	-	-	-	767
Withholding tax, PPh 23	-	-	-	-	-	178
Withholding tax, PPh 4 (2)	-	-	-	-	-	22
Other Current liabilities	-	-	-	-	-	3,931
<u>Long-term Liabilities</u>	<u>590,966</u>	<u>606,209</u>	<u>932,832</u>	<u>1,188,644</u>	<u>1,094,193</u>	<u>511,496</u>
Loan, Dhanani (founder) ¹	148,548	152,379	150,569	67,924	69,360	
Loan, Sweeting (founder) ¹	39,155	40,165	39,688	23,576	24,074	
Contribution, Hivos, Netherlands ¹	373,816	383,458	459,596	461,290	484,168	
Loan, Grameen Trust	29,447	30,207	29,848	29,958	-	
Loan, Cordaid, Netherlands			253,132	505,896	516,591	511,496
<u>Equity</u>	<u>46,026</u>	<u>57,582</u>	<u>80,184</u>	<u>113,334</u>	<u>106,030</u>	<u>1,028,611</u>
Paid-up capital	10,654	10,929	10,799	10,839	11,068	339,726
Equity, PT Bina Usaha Keluarga	-	-	-	-	-	99,198
Profit/loss, end of previous quarter	21,380	36,285	35,854	35,986	36,746	577,084
Profit/loss, this quarter	13,992	10,368	33,531	66,509	58,216	12,603
<u>Total Equity and Liabilities</u>	<u>684,920</u>	<u>744,185</u>	<u>1,139,602</u>	<u>1,302,413</u>	<u>1,295,897</u>	<u>1,678,784</u>

4 Institutional Strengthening

4.1 Staff Recruitment

Total staff. The total number of staff increased by 24 this quarter to 146 with the addition of probationary field officers and three data entry trainees.

Trainee deputy branch managers. MBK recruited a number of young women graduates for this position. They had to pass a motorbike riding test as well as the arithmetic test. The former proved problematic for quite a number of applicants. Several reported back to MBK 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. The new recruitment strategy introduced last quarter, whereby senior staff visit several university campuses to post job advertisements and conduct “walk-in” on-campus interviews for fresh female graduates, provided MBK with most of its trainee deputy managers this quarter. The posting of job vacancies on university websites continued however. MBK staff were able to successfully recruit from a number of higher education establishments in Bandung town. The objective of this was first, to expand the source of new recruits so that it does not become concentrated in only a small number of universities, and second, to recruit trainee managers who could eventually be placed in branches in the new districts.

Staffing new branches. The personnel manager suggested that newly opened branches be staffed by a deputy branch manager (usually with between 4-6 months work experience with MBK) in 1-2 branches. She would be supported by the area coordinator and directly assisted in the branch by a senior, experienced field officer. In this way, the branch manager would have to implement her previous on-the-job training received as a trainee in 1-2 established branches.

MIS staff policy. Another four senior technical secondary school leavers (SSL) with accounting/computing backgrounds were recruited as data entry staff. This had proven successful in the last quarter. Each of the three district offices now comprise 2 SSL for portfolio data entry, led by a Diploma 3 staff who is responsible for all accounting tasks.

English language training. In preparation for the forth coming implementation of the new portfolio MIS system “KREDITS”, English language lessons has been given every Friday afternoon in HO to the Tangerang data entry staff. The two area coordinators for Tangerang also joined to revise and improve their language capabilities in preparation for an overseas study tour to see the Grameen and ASA programmes in operation.

5 Management and Governance

5.1 Internal Audit Compliance

Internal audit compliance by branches. The Internal Auditor continued with her schedule of compliance visits to all the branches audited in 2006. She reported her findings to the CEO and to the Head of Audit of the Governing Board in March.

5.2 Area level MIS

New area office opened in Bogor. Accounting and member data entry for all 6 Bogor branches are handled by three MIS staff in the area office. Located in the first branch, this office was newly opened in January. By the end of this reporting period, two senior school leavers had been recruited and trained in data entry. This will allow one of the Diploma 3 staff to be moved to Sukabumi in the next 1-2 months to set up the area office there.

5.3 Staff

Promotion of staff to middle level management. Three good and experienced branch managers were promoted to fill the three area coordinator positions, two in Tangerang (East and West

Tangerang) and one in Bogor. Two of the existing area coordinators were transferred to open up the two new districts of Sukabumi and Bandung. The third became the personnel manager, but retained area coordinator responsibilities for the Legok branch in Tangerang.

Promotion of field officer staff to branch manager posts. One capable and experienced senior field officer was promoted to become the deputy branch manager of Pakuhaji branch in Tangerang, with branch manager responsibilities. In addition, five direct entry deputy branch managers were moved as candidate managers of the 5 new branches opened in Sukabumi and Bandung districts. All are closely supervised and supported by their respective area coordinator. Next quarter, their managerial capabilities will be assessed, prior to their confirmation as new branch managers.

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

1. January 11: *Gema PKM, Microfinance Conference in Cimanggis, West Java.*
2. January 26: *KIVA organization, USA, Mr. Aldi Haryoprato, Southeast Asian Microfinance Partnerships Coordinator*
3. January 30 : *Department of Agriculture, Mr. DR. Ardi Jayawinata*
4. February 01 : *Gema PKM interview, Dutch Journalists in Jakarta*
5. February 16 : *Bina Swadaya, Mr. Sigit dan Mr. Agus*
6. March 01: *Boston Consulting Group (Jakarta), Ms. Nancy and Mr. Edwin*
7. March 07 : *Hivos (Jakarta), Mr. Panca Pramudya*
8. March 07 : *“Pengusaha” Entrepreneur Magazine, Mr. Ryan S., Head Editor*
9. March 13 : *GTZ and Allianz Insurance, Mrs. Gabrielle and Mr. Martin Hintz*
10. March 14 : *Bank Mandiri Directorate of Microfinance, Mr. Denny Admiral Nasir, Business Products Development Director*
11. March 15 : *Bank Danamon, Mr. Djemi Suhenda, Mr. Karim Siregar, Mrs. Ratih, Mr. Roy, Ms. Susanti, Mr. Michael*
12. March 23 : *Telkomsel, Ms. Rosie, Account Executive.*
13. March 28 – 29 : *Grameen Foundation USA and Qualcomm : Mr. Sean DeWitt, Mrs. Linda Lee, Mr. Janito*

Strategic 5-year Business Plan 2007-2011

5.1 Key Features

Towards the end of December 2006, MBK produced revised five-year financial projections for the period 2007-2011. Its key expansion features in this period can be summarized as follows (table 7):

1. *Outreach.* Clients to 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. 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. Now MBK will expand westwards to cover West Java in 2008, Central Java in 2009 and East Java in 2010. The majority of MBK clients will continue to come from very poor households.
2. *Outstanding portfolio.* With average outstanding working capital 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, serving an average of clients of 2,500 clients per branch, and with around 6-8 staff each.
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 from 322 to 380 clients per field officer, while improving 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.

5.2 External funding requirements

Income and dividends. After breaking even in 2008, MBK 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, MBK's policy is not to make dividend payments, and to plough whatever surplus it can make to expand the number of its poor clients.

Savings. MBK is not legally allowed to raise savings from its clients. 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. In line with best practices, grants will continue to play an important part in capacity building, especially for MIS. In 2007, MBK 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	
Total branches	15	30	54	110	200	400	
Total employees	122	255	509	880	1,696	3,361	
I Balance Sheet (Rp billion)							
Assets (Rp billion)							
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	<u>0.9</u>	<u>2.5</u>	<u>5.1</u>	<u>10.6</u>	<u>20.4</u>	<u>41.3</u>	<u>5.4</u>
Total assets	11.7	27.5	57.5	161.6	354.2	764.7	100.0
Liabilities (Rp billion)							
Client responsibility fund	0.9	2.1	4.9	11.4	25.3	54.9	8.1
Concessional working capital	5.2						-
Commercial working capital	<u>4.7</u>	<u>15.1</u>	<u>41.1</u>	<u>133.5</u>	<u>292.1</u>	<u>622.4</u>	<u>91.9</u>
Total liabilities	10.7	17.2	46.0	144.9	317.4	677.4	100.0
Equity (Rp billion)							
Acc. donated equity, prv 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	<u>0.9</u>	<u>0.4</u>	<u>0.4</u>	<u>5.6</u>	<u>25.7</u>	<u>76.2</u>	<u>87.3</u>
Total equity	1.0	10.3	11.5	16.7	36.8	87.3	100.0
Total liabilities and equity	11.7	27.5	57.5	161.6	354.2	764.7	
II Balance Sheet (US\$ million)							
Assets (Rp billion)							
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	<u>0.1</u>	<u>0.3</u>	<u>0.6</u>	<u>1.2</u>	<u>2.3</u>	<u>4.6</u>	<u>5.4</u>
Total assets	1.3	3.1	6.4	18.0	39.4	85.0	100.0
Liabilities (Rp billion)							
Client responsibility fund	0.1	0.2	0.5	1.3	2.8	6.1	8.1
Concessional working capital	0.6	0	0	0	0	0	-
Commercial working capital	<u>0.5</u>	<u>1.7</u>	<u>4.6</u>	<u>14.8</u>	<u>32.4</u>	<u>69.2</u>	<u>91.9</u>
Total liabilities	1.2	1.9	5.1	16.1	35.2	75.3	100.0
Equity (Rp billion)							
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	<u>0.1</u>	<u>-</u>	<u>0.1</u>	<u>0.6</u>	<u>2.9</u>	<u>8.5</u>	<u>87.3</u>
Total equity	0.1	1.1	1.3	1.9	4.1	9.7	100.0
Total liabilities and equity	1.3	3.0	6.4	18.0	39.3	85.0	
III Fresh Commercial working capital							
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: *Microfin* projections, navigator

Note: US\$ 1 = Rupiah 9,000

Concessional loans. MBK does not expect to raise concessional loans.

Fresh commercial loans. After taking into account surplus reinvested, client responsibility fund and small grants in the first two years, MBK will need to raise fresh loans of 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).

6 Planned Activities for Second Quarter 2007

6.1 Outreach

- Identify locations for 3-4 more branches in Sukabumi and Bandung rural districts, as part of MBK's expansion plans to open a total of 15 new branches this year.

6.2 Institutional Strengthening

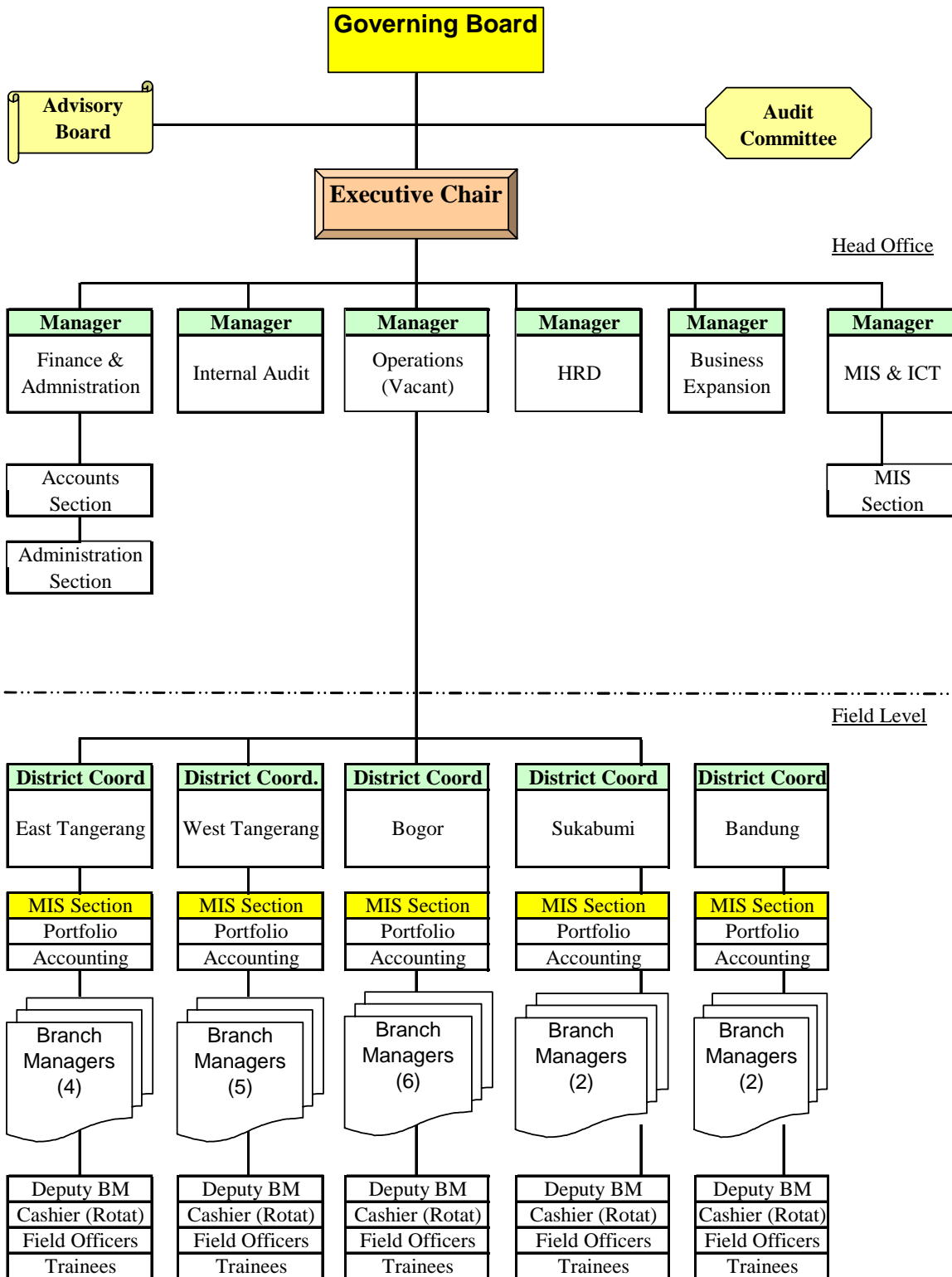
- Replace Portfolio Tracker with the "Kredits" programme. TA will train data entry staff for 6 weeks beginning mid May
- Open and staff area offices in Sukabumi and Bandung to handle MIS data entry at the district level.
- Continue with staff recruitment to fill the many new openings for both field officers and branch managers as a result of expansion plans.
- Hold further refresher training sessions throughout the period for new branch managers and cashiers, and for MIS/ accounts staff (HO and DO).

6.3 Management and Governance

- *General Governing Board Meeting.* Identify two more Governing Board Clients with suitable backgrounds.
- *Internal audits.* A further round of internal audits of all 15 established branches will be conducted by the internal auditor, accompanied by area coordinators (who will audit branches in areas other than their own) and some head office staff.

Annex A: Organisation chart

Mitra Bisnis Keluarga Organization Chart, March 2007



Annex B: Financial Statements – March 07

Provisional Income Statement as of March 2007

Description	Mar-07	Dec-06 Ganesha	Dec-05
INCOME			
Profit Sharing on Portfolio	1,365,254	3,679,253	1,301,147
Interest on Bank Accounts	64,671	71,015	20,063
Other Income	6,735	23,151	<u>8,166</u>
Total Income	1,436,660	3,773,419	1,329,377
FINANCIAL COSTS			
Interest on Borrowings	175,028	314,542	8,012
Gross Financial Margin	1,261,632	3,458,877	1,321,365
Loan Loss Expenses	-734	237,484	<u>217,495</u>
Net Financial Margin	1,262,366	3,221,393	1,103,870
OPERATING EXPENSES			
Salaries, incentive, benefits	635,619	1,292,811	416,613
Travelling & transport	73,217	137,040	44,472
Administrative/office exps	283,057	698,995	244,517
Depreciation	93,154	280,984	135,927
Mgt Information System		14,340	37,452
Staff development	<u>2,903</u>	<u>78,221</u>	<u>66,071</u>
	1,087,950	2,502,391	945,051
SURPLUS/DEFICIT	174,416	719,002	158,819
Tax	<u>59,412</u>	<u>193,022</u>	<u>27,492</u>
NET SURPLUS/BENEFIT AFTER TAX	115,004	525,979	131,327

OPERATING EXPENSES

<u>Salaries, incentive, benefits</u>	<u>635,619</u>	<u>1,292,811</u>
Salaries & Benefits	635,619	1,164,681
Incentive & Bonus		128,131
<u>Travel & Transport</u>	<u>73,217</u>	<u>137,040</u>
Travel & Conveyance	12,988	18,916
Vehicle Running Expenses	60,229	118,124
<u>Admin/Office Expenses</u>	<u>283,057</u>	<u>698,995</u>
Communications	8,623	21,636
Rent & Rates	33,325	102,105
Utilities	6,128	14,172
Office Running Expenses	118,396	210,602
Repairs	41,255	81,591
Insurance Premia	26,779	70,519
Publications	1,833	1,776
Bank Charges	1,379	6,277
Professional Fees	38,500	47,575
Other Expenses	6,840	37,039
Technical support		105,703
<u>Staff Development</u>	<u>2,903</u>	<u>78,221</u>
Recruitment & Training	2,903	10,548
Professional Development		67,673
<u>Tax</u>	<u>59,412</u>	<u>193,022</u>
Corporate Income Tax	43,969	175,876
Tax on Bank Interest	13,037	14,146
Airport Exit Tax (Fiskal)		3,000
Other Tax	2,407	

Provisional Balance Sheet as of March 2007

Description	Mar-07	1 Jan-07 MBK	Dec-06 MBK	Dec-06 Ganesha	Dec-05
ASSETS					
Current Assets					
Cash in hand and in Banks	3,608,926	5,114,701	3,035,367	2,079,334	1,913,789
Other current assets	242,971	97,834	21,000	76,834	46,906
Loans Outstanding					
Gross loans outstanding	10,689,068	9,105,260		9,105,260	4,136,919
(Loan loss reserve)	-455,055	-455,055		-455,055	-217,188
Net Loans outstanding	<u>10,234,013</u>	<u>8,650,205</u>	<u>0</u>	<u>8,650,205</u>	<u>3,919,731</u>
Total current assets	14,085,910	13,862,739	3,056,367	10,806,372	5,880,426
Long-term Assets					
Property and equipment	1,803,294	1,425,538	17,000	1,408,538	784,825
(Accumulated depreciation)	-590,413	-507,540	-1,063	-506,478	-236,592
Net property & equipment	<u>1,212,881</u>	<u>917,998</u>	<u>15,938</u>	<u>902,060</u>	<u>548,233</u>
Total long-term assets	1,212,881	917,998	15,938	902,060	548,233
Other Assets					
Company Establishment	20,604	23,000	23,000		
(Amortization of Company Estab.)	-479	-1,438	-1,438		
Net Company's Establishment	<u>20,125</u>	<u>21,563</u>	<u>21,563</u>		
Total Other assets	20,125	21,563	21,563		
Total Assets	15,318,915	14,802,299	3,093,867	11,708,432	6,428,659
LIABILITIES & EQUITY					
Current Liabilities					
Short-term Loan, Dhanani					
Short-term Loan, Sweeting					
Interest payable on loans	175,028				
Client responsibility fund	1,002,515	862,995		862,995	368,610
Withholding tax	52,026	1,416	0	1,416	81,237
Other current liabilities	35,870				
Short Term Loan, PT BUK			61,000		
Total current liabilities	1,265,439	864,411	61,000	864,411	449,847
Long-term Liabilities					
Loan, S. Dhanani (int. free)				626,667	1,394,267
Loan, E. Sweeting (int. free)				217,513	367,513
Loan, Hivos (interest free)				4,374,457	3,508,638
Loan, Grameen Trust				0	276,390
Loan, Cordaid	<u>4,667,400</u>	<u>4,667,400</u>		<u>4,667,400</u>	
Total long-term liabilities	4,667,400	4,667,400	0	9,886,037	5,546,808
Total Liabilities	5,932,839	5,531,811	61,000	10,750,448	5,996,655
Shareholders' Equity					
Paid up Capital	3,100,000	3,100,000	3,000,000	100,000	100,000
Equity, PT Bina Usaha Keluarga	905,180	905,180			
Retained earnings	5,265,890	5,265,307		332,004	200,677
Current net surplus/deficit	115,004		32,867	525,979	131,327
Total Equity	9,386,074	9,270,487	3,032,867	957,983	432,004
Total Liabilities & Equity	15,318,913	14,802,298	3,093,867	11,708,431	6,428,658
[Check]	-2	-1	0	-1	0
DETAILS					
Cash in hand and in Banks	3,608,926	5,114,701	3,035,367	2,079,334	
Cash-in-hand	259,987	339,420	19,000	320,420	
Bank Accounts	3,348,940	4,775,281	3,016,367	1,758,914	
Other Current Assets	242,971	97,834	21,000	76,834	
Pre-paid Rent	163,009	96,834	21,000	75,834	
Other Advance	1,000	1,000		1,000	
Advance, Jamsostek Ins.	-5				
Advance, Office Building Purch.	78,966				
Fixed Assets	1,803,294	1,425,538	17,000	1,408,538	
Furniture & Fixtures	259,432	162,233		162,233	
Computer Hardware	164,085	144,523	17,000	127,523	

Annex C: Quarterly Performance Indicators – March 07

		2004	2005	2006			2007	
		Dec	Dec	Mar	Jun	Sep	Dec	Mar
	<i>Exchange rate: US\$1 =</i>	9.300	9.386	9.150	9.260	9.226	9.035	9.125
1.0	Outreach Indicators							
1.1	Cumulative clients recruited	3,768	13,377	17,571	24,462	29,702	32,285	37,502
1.2	Cumulative dropouts	<u>494</u>	<u>1,042</u>	<u>1,515</u>	<u>2,185</u>	<u>3,473</u>	<u>4,307</u>	<u>6,227</u>
1.3	Net members	3,274	12,335	16,056	22,277	26,229	27,978	31,709
1.4	% Growth in clients (over previous period)	-2%	17%	30%	39%	18%	7%	13%
	Net active clients	3,274	12,335	16,056	21,267	25,623	27,372	31,058
1.5.1	1st cycle	1,282	9,593	12,418	16,201	18,071	19,264	20,363
1.5.2	2nd cycle	1,988	1,222	1,727	2,993	5,294	6,036	7,703
1.5.3	3rd cycle	4	1,517	1,713	1,540	1,226	903	1,370
1.5.4	4th cycle		3	198	533	1,032	1,169	1,622
1.5.5	% in 2nd cycle and above	61%	10%	23%	24%	31%	31%	36%
1.6.1	Total dropouts this quarter	178	105	473	670	1,288	834	1,920
1.6.2	Quarterly dropout rate	5.4%	0.9%	2.9%	3.0%	4.9%	3.0%	6.1%
1.6.3	Year-on-year dropout rate	14.9%	4.4%	4.5%	6.1%	9.7%	11.7%	14.9%
1.7	Branches	1	5	9	11	13	15	20
1.8.1	Cumulative centres formed	<u>142</u>	<u>613</u>	<u>821</u>	<u>1,164</u>	<u>1,445</u>	<u>1,594</u>	<u>1,880</u>
1.8.2	Centres closed	6		13	21	27	40	60
1.8.2	Net number of centres	136	613	808	1,143	1,418	1,554	1,820
1.9	Average members per centre	24	20	20	19	18	18	17
1.10	Max. working capital 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	1,000
1.10.3	3rd cycle	1,500	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
1.11	Max. working capital size (US\$)							
1.11.1	1st cycle	54	53	55	54	54	55	55
1.11.2	2nd cycle	108	107	109	108	108	111	110
1.11.3	3rd cycle	161	160	164	162	163	166	164
1.11.4	4th cycle	-	192	197	194	195	199	197
1.11.5	5th cycle							241
1.12.1	Cum working capital disbursed	3,335,100	10,752,300	14,198,800	19,416,103	25,273,613	28,138,593	33,903,135
1.12.2	Cum working capital provided	5,258	16,588	21,011	28,992	35,810	34,045	39,879
1.12.3	Avg working capital (Rp.000)	634	648	676	670	706	827	850
1.12.4	Avg working capital (US\$)	68	69	74	72	76	91	93
1.12.5	New Portfolio this quarter	421,700	1,518,700	3,446,500	5,217,303	5,857,510	2,864,980	5,764,542
1.12.6	New portfolio provided this quarter	643	1,291	4,423	7,981	6,818	-1,765	5,834
1.12.7	Avg new working capital size (Rp.000)	656	1,176	779	654	859	-1,623	988
1.12.8	Avg new working capital size (US\$)	71	125	85	71	93	-180	108
1.13.1	Total amount due this quarter	478,738	1,482,992	2,092,184	2,940,516	3,768,404	3,648,504	4,189,280
1.13.2	Total amount collected this qtr	478,638	1,482,992	2,092,184	2,940,276	3,746,468	3,639,024	4,180,734
1.13.3	Arears this quarter	100	0	0	240	240	0	116
1.13.4	Unpaid portf. deceased clients this qtr	1,146	2,842	854	2,300	7,024	9,950	8,440
1.14.4	Unpaid portf. deceased clients, cumul.	3,876	11,518	12,372	14,672	21,696	31,646	40,086
1.14.1	Cumulative amount due	2,214,297	6,615,381	8,707,565	11,648,081	15,416,485	19,064,989	23,254,269
1.14.2	Cumulative amount collected	2,214,007	6,615,381	8,707,565	11,647,841	15,394,309	19,033,333	23,214,067
1.14.3	Cumulative arrears	290	0	0	240	480	10	116
1.14.4	Amount due this quarter	478,738	1,482,992	2,092,184	2,940,516	3,768,404	3,648,504	4,189,280

		2004	2005	2006			2007	
		Dec	Dec	Mar	Jun	Sep	Dec	Mar
	Exchange rate: US\$1 =	9.300	9.386	9.150	9.260	9.226	9.035	9.125
1.14.5	Amount collected this quarter	478,638	1,482,992	2,092,184	2,940,276	3,746,468	3,639,024	4,180,734
1.15	Total outstand. W.C. (Rp. 000)	1,121,093	4,136,919	5,491,235	7,768,262	9,879,304	9,105,260	10,689,068
1.16	Total outstanding W.C. (\$)	120,548	440,754	600,135	838,905	1,070,811	1,007,776	1,171,405
1.17	Average W.C. outstanding (\$)	37	36	37	39	42	36	37
1.18	% Growth (over prev qt)	-5%	1%	33%	41%	27%	-8%	17%
1.19.1	Client responsibility fund (Clients)	3,274	12,335	16,056	21,267	25,623	27,372	31,058
1.19.2	Total client responsibility fund (CRF)	109,040	368,610	473,815	647,690	797,945	862,995	1,002,515
1.19.3	CRF as % of portfolio outstanding	10%	9%	9%	8%	8%	9%	9%
2.0	<u>Portfolio quality</u>							
2.1	<u>Repayment Rate</u>							
2.1.1	Quarterly Repayment Rate	99.98%	100.00%	100.00%	99.99%	99.42%	99.74%	99.80%
2.1.2	Cumulative Repayment Rate	99.99%	100.00%	100.00%	100.00%	99.86%	99.83%	99.83%
2.1	<u>Arrears 1-4 wks (Rp.000)</u>			-	<u>240</u>	<u>80</u>	<u>10</u>	<u>116</u>
2.1.1	1 week				80	50	10	10
2.1.2	2 weeks				40			52
2.1.3	3 weeks					30		54
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 portf. 1-4 wks (Rp.000)</u>			-	<u>2,280</u>	<u>400</u>	<u>260</u>	<u>1,136</u>
2.3.1	1 week				1,070	250	260	180
2.3.2	2 weeks				420			416
2.3.3	3 weeks					150		540
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>12</u>	<u>6</u>	<u>1</u>	<u>3</u>
2.4.1	1 week				7	5	1	1
2.4.2	2 weeks				2			1
2.4.3	3 weeks					1		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>11</u>	<u>57</u>	<u>70</u>	<u>83</u>	<u>114</u>	<u>122</u>	<u>146</u>
3.1.1	Head office staff	2	6	6	9	8	9	7
3.1.2	<u>Field staff</u>	<u>9</u>	<u>51</u>	<u>64</u>	<u>74</u>	<u>106</u>	<u>113</u>	<u>139</u>
3.1.2.1	District staff (incl. 1 driver)		2	3	3	5	5	13
3.1.2.2	Branch managers	1	5	7	9	13	15	16
3.1.2.3	<u>Field officers</u>	<u>8</u>	<u>44</u>	<u>54</u>	<u>62</u>	<u>88</u>	<u>93</u>	<u>110</u>
	Field officers confirmed (>6 mths)	8	21	23	37	37	49	59
	Field officers trainee (2-6 mths)		16	19	18	30	30	34
	Probationary field officers (<2 mths)		7	12	7	21	14	17

		2004	2005	2006			2007	
		Dec	Dec	Mar	Jun	Sep	Dec	Mar
	<i>Exchange rate: US\$1 =</i>	9.300	9.386	9.150	9.260	9.226	9.035	9.125
3.2.1	Clients/field officer (>2mths)	409	333	382	387	382	354	341
3.2.2	Clients per staff (field + HO)	298	247	277	256	225	229	217
3.3.1	Portfolio/field officer (Rp.000)	140,137	111,809	130,744	141,241	147,452	115,256	114,936
3.3.2	Portfolio/field officer (US\$)	15,068	11,912	14,289	15,253	15,982	12,757	12,596
3.4	Centres per field officer	18	17	20	21	22	20	20
3.5	Operating expense ratio	25.6%	29.7%	31.2%	29.9%	28.9%	31.0%	33.1%
3.6	Total cost ratio	26.0%	36.7%	36.0%	35.4%	35.0%	37.9%	40.2%
3.7	Debt to equity ratio							
3.8	Overhead ratio (HO/Total expenses)	33%	42%	37%	34%	30%	30%	28%
3.9	Field officers as % of total staff	73%	77%	77%	75%	77%	76%	75%
3.10	Ratio HO staff to total staff (%)	18%	11%	9%	11%	7%	7%	5%
4.0	<u>Viability and Sustainability</u>							
4.1	Average quarterly yield on portf.	52.9%	41.7%	43.5%	44.3%	45.8%	46.8%	48.7%
4.2	Average annual yield on portf.	57.1%	49.5%	47.6%	44.8%	43.7%	55.6%	54.5%
4.3	Operational self-sufficiency	204%	114%	119%	127%	132%	124%	114%
4.4	Financial self-sufficiency							
4.5	Return on average assets (ROA)	12%	3%				8%	2%
5.0	<u>Impact on Poverty</u>							
5.1	% Very Poor (based on Housing Index)	90%	90%	90%	76%	79%	80%	81%
5.2	Moderately poor	10%	10%	10%	24%	21%	20%	20%
5.3	Non-poor	-	-	-	-	-	-	-
5.4	Current repayment rate this quart.	99.98%	100.00%	100.00%	99.99%	99.42%	99.74%	99.80%
5.5	Cumulative repayment rate	99.99%	100.00%	100.00%	100.00%	99.86%	99.83%	99.83%
5.6	Client retention rate	85.1%	95.6%	95.5%	93.9%	90.3%	88.3%	85.1%
6.0	<u>Balance Sheet (Rp. 000)</u>							
6.1	<u>Total assets</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>	<u>15,318,915</u>
6.1.1	Outstanding portfolio	1,121,093	4,136,919	5,491,235	7,768,262	9,879,304	9,105,260	10,689,068
6.1.2	(Portfolio loss reserve)	-7,335	-217,188	-274,354	-388,205	-493,758	-455,055	-455,055
6.1.3	Net outstanding portfolio	1,113,758	3,919,731	5,216,881	7,380,057	9,385,547	8,650,205	10,234,013
6.1.4	% Portfolio loss reserve ratio	0.65%	5.25%	5.00%	5.00%	5.00%	5.00%	4.26%
6.1.5	Cash and bank accounts	1,716,117	1,913,789	840,189	2,309,404	1,606,316	2,079,334	3,608,926
6.1.6	Other current assets	11,917	46,906	65,658	75,139	99,250	76,834	242,971
6.1.7	<u>Net fixed assets</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>	<u>1,212,881</u>
6.1.7.1	Property and equipment	315,578	784,825	965,296	1,132,214	1,346,005	1,408,538	1,803,294
6.1.7.2	Accumulated depreciation	100,665	236,592	278,733	344,101	421,052	506,478	590,413
6.1.8	Company establishment							20,125
6.2	<u>Current Liabilities</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>	<u>1,265,439</u>
6.2.1	Client responsibility fund	109,040	368,610	473,815	647,690	797,945	862,995	1,002,515
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		175,028
6.2.7	Withholding tax, employee	1,566	453		1,304	64	1,416	-757
6.2.8	Withholding tax, Foundation	56,098	80,783	58,193	11,837	2,810		43,969
6.2.9	Withholding tax, Pension Contribution							6,995
6.2.10	Withholding tax, PPh 23							1,620
6.2.11	Withholding tax, PPh 4 (2)							200

		2004	2005	2006			2007	
		Dec	Dec	Mar	Jun	Sep	Dec	Mar
	<i>Exchange rate: US\$1 =</i>	9.300	9.386	9.150	9.260	9.226	9.035	9.125
6.2.12	Other current liabilities	672						35,870
	Long-term Liabilities	2,588,653	5,546,808	5,546,808	8,638,027	10,043,827	9,886,037	4,667,400
6.2.2	Loan, Dhanani (int. free)	1,102,400	1,394,267	1,394,267	1,394,267	626,667	626,667	
6.2.3	Loan, Sweeting (int. free)	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		
6.2.5	Loan, Cordaid				2,344,000	4,667,400	4,667,400	4,667,400
6.4	Total equity	300,677	432,004	526,875	742,504	1,045,618	957,983	9,386,074
6.4.1	Paid-up Capital	100,000	100,000	100,000	100,000	100,000	100,000	3,100,000
6.4.2	Equity, PT Bina Usaha Keluarga							905,180
6.4.3	Retained Earnings	-12,744	200,677	332,004	332,004	332,004	332,004	5,265,890
6.4.4	Surplus/deficit, end of quarter	213,421	131,327	94,871	310,501	613,614	525,979	115,004
6.4	Total liabilities & equities	3,056,705	6,428,658	6,809,291	10,552,713	12,016,064	11,708,432	15,318,913
	[Cross-check]	0.0	0.4	0.5	0.5	0.5	0.9	2.1
7.0	Income Statement (Rp.000)							
7.1.1	Profit sharing Ratio	30%	30%	30%	30%	30%	25%	25%
7.1.2	Quarterly Net Operating Income	56,268	98,232	105,117	223,822	315,056	75,007	174,416
7.1.2.1	Quarterly total income	144,506	449,805	654,574	879,741	1,141,626	1,097,479	1,436,660
7.1.2.2	Quarterly Income on Portfolio	141,646	442,103	637,028	862,619	1,111,059	1,068,547	1,365,254
7.1.2.3	Quarterly operating expenses	88,808	338,676	487,837	512,720	632,190	869,646	1,087,950
7.1.2.4	Quarterly total expenses	88,239	351,573	549,456	655,919	826,570	1,022,473	1,262,244
7.2	Total income	529,393	1,329,377	654,574	1,534,314	2,675,940	3,773,419	1,436,660
7.2.1	Income on Portfolio	516,022	1,301,147	637,028	1,499,648	2,610,707	3,679,253	1,365,254
7.2.2	Income on bank accounts	13,269	20,063	11,267	22,230	47,602	71,015	64,671
7.2.3	Other income	102	8,166	6,279	12,437	17,631	23,151	6,735
7.2.4	Grant income							
7.3	Total expenses	259,874	1,170,558	549,456	1,205,375	2,031,945	3,054,418	1,262,244
7.3.1	Financial expenses	4,337	225,507	61,620	204,819	399,200	552,026	174,294
7.3.1.1	Interest expense		8,012	3,600	35,950	125,800	314,542	175,028
7.3.1.2	Portfolio loss reserve expenses	4,337	217,495	58,020	168,869	273,400	237,484	-734
7.3.2	Operating expenses	255,538	945,051	487,837	1,000,556	1,632,746	2,502,391	1,087,950
7.3.2.1	Personnel expense	116,247	416,613	195,032	447,970	794,756	1,292,811	635,619
7.3.2.2	All other expenses	139,290	528,438	292,805	552,586	837,989	1,209,580	452,331
7.3.2.3	HO Operating Expense	84,445	392,574	181,201	338,038	492,596	739,957	304,493
7.3.2.4	Branch Operating Expense	171,093	552,477	306,636	662,518	1,140,105	1,762,434	783,457
7.3.2.4	Overhead ratio (HO/total operating expenses)	33%	42%	37%	34%	30%	30%	28%
7.4	Net Operating Income before tax	269,519	158,819	105,117	328,939	643,995	719,002	174,416
7.4.1	Tax	56,098	27,492	10,246	18,439	30,381	193,022	59,412
7.4.2	Net Income after Tax	213,421	131,327	94,871	310,501	613,614	525,979	115,004
8.0	Balance Sheet (US\$)							
8.1	Total assets	328,678	684,920	744,185	1,139,602	1,302,413	1,295,897	1,678,785
8.1.1	Outstanding portfolio	120,548	440,754	600,135	838,905	1,070,811	1,007,776	1,171,405
8.1.2	(Portfolio loss reserve)	-789	-23,140	-29,984	-41,923	-53,518	-50,366	-49,869
8.1.3	Net outstanding portfolio	119,759	417,615	570,151	796,982	1,017,293	957,411	1,121,536
8.1.4	% Portfolio loss reserve ratio	0.65%	5.25%	5.00%	5.00%	5.00%	5.00%	4.26%

	2004	2005	2006				2007
	Dec	Dec	Mar	Jun	Sep	Dec	Mar
<i>Exchange rate: US\$1 =</i>	9.300	9.386	9.150	9.260	9.226	9.035	9.125
8.1.5 Cash and bank accounts	184,529	203,898	91,824	249,396	174,107	230,142	395,499
8.1.6 Other current assets	1,281	4,997	7,176	8,114	10,758	8,504	26,627
8.1.7 <u>Net fixed assets</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>	<u>132,918</u>
8.1.7.1 Property and equipment	33,933	83,617	105,497	122,269	145,893	155,898	197,621
8.1.7.2 Accumulated depreciation	10,824	25,207	30,463	37,160	45,638	56,057	64,703
8.1.8 Company's Establishment							2,205
6.2 <u>Current Liabilities</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>	<u>138,678</u>
6.2.1 Client responsibility fund	11,725	39,272	51,783	69,945	86,489	95,517	109,865
6.2.2 Temporary loan, Dhanani (int. free)				19,482			
6.2.3 Temporary loan, Sweeting (int. free)			21,858	31,857			
6.2.6 Interest payable on loans			393	3,882	13,635		19,181
6.2.7 Withholding tax, employee	168	48		141	7	157	-83
6.2.8 Withholding tax, Foundation	6,032	8,607	6,360	1,278	305		4,819
6.2.9 Withholding tax, Pension Contribution							767
6.2.10 Withholding tax, PPh 23							178
6.2.11 Withholding tax, PPh 4 (2)							22
6.2.9 Other current liabilities	72						3,931
<u>Long-term Liabilities</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>	<u>511,496</u>
6.2.2 Loan, Dhanani (int. free)	118,538	148,548	152,379	150,569	67,924	69,360	
6.2.3 Loan, Sweeting (int. free)	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	511,496
6.4 <u>Total equity</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>	<u>1,028,611</u>
6.4.1 Paid-up Capital	10,753	10,654	10,929	10,799	10,839	11,068	339,726
6.4.2 Equity, PT Bina Usaha Keluarga							99,198
6.4.3 Retained Earnings	-1,370	21,380	36,285	35,854	35,986	36,746	577,084
6.4.4 Surplus/deficit, end of quarter	22,948	13,992	10,368	33,531	66,509	58,216	12,603
6.4 <u>Total liabilities & equities</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>	<u>1,678,785</u>
9.0 <u>Income Statement (US\$)</u>			-			-	
9.1.1 Profit sharing ratio	30%	30%	30%	30%	30%	25%	25%
9.1.2 <u>Quarterly Net Operating Income</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>	<u>19,114</u>
9.1.2.1 Quarterly total income	15,538	47,923	71,538	95,004	123,740	121,470	157,442
9.1.2.2 Quarterly operating expenses	9,549	36,083	53,315	55,369	68,523	96,253	119,227
9.1.2.3 Quarterly total expenses	9,488	37,457	60,050	70,834	89,591	113,168	138,328
9.2 <u>Total income (cumulative)</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>	<u>157,442</u>
9.2.1 Income on Portfolio	55,486	138,626	69,621	161,949	282,973	407,222	149,617
9.2.2 Income on bank accounts	1,427	2,138	1,231	2,401	5,160	7,860	7,087
9.2.3 Other income	11	870	686	1,343	1,911	2,562	738
9.2.4 Grant income							
9.3 <u>Total expenses (cumulative)</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>	<u>138,328</u>
9.3.1 <u>Financial expenses</u>	<u>466</u>	<u>24,026</u>	<u>6,734</u>	<u>22,119</u>	<u>43,269</u>	<u>61,099</u>	<u>19,101</u>
9.3.1.1 Interest expenses		854	393	3,882	13,635	34,814	19,181
9.3.2.2 Portfolio loss provision expenses	466	23,172	6,341	18,236	29,634	26,285	-80
9.3.2 <u>Operating expenses</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>	<u>119,227</u>
9.3.2.1 Personnel expense	12,500	44,387	21,315	48,377	86,143	143,089	69,657
9.3.2.2 Administrative expense	14,977	56,301	32,001	59,675	90,829	133,877	49,571
<u>Operating expenses</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>	<u>119,227</u>
9.3.2.3 HO Operating Expense	9,080	41,825	19,803	36,505	53,392	81,899	33,369

	2004	2005	2006				2007
	Dec	Dec	Mar	Jun	Sep	Dec	Mar
<i>Exchange rate: US\$1 =</i>	9.300	9.386	9.150	9.260	9.226	9.035	9.125
9.3.2.4 Branch Operating Expense	18,397	58,862	33,512	71,546	123,575	195,067	85,858
7.3.2.4 Overhead ratio (HO/Total Op. expenses)	33%	42%	37%	34%	30%	30%	28%
9.4 <u>Net Operating Income before tax</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>	<u>19,114</u>
9.4.1 <u>Tax</u>	<u>6,032</u>	<u>2,929</u>	<u>1,120</u>	<u>1,991</u>	<u>3,293</u>	<u>21,364</u>	<u>6,511</u>
9.4.2 Net Income after Tax	22,948	13,992	10,368	33,531	66,509	58,216	12,603