

2008-4P



Mitra Bisnis Keluarga
“Family Business Partners”
Indonesia

Provisional
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Ruko Asiatic Blok B 15/59, Jalan Permata Sari, Lippo Karawaci Barat, Tangerang,
INDONESIA 15810. Telephone: +62 21 5949 2234. Fax: +62 21 598 4320
www.mbk-ventura.com

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1 Introduction

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

Indonesia was hit hard by the global financial crisis and credit crunch starting in October 2008. Funding for on-lending dried out completely during this quarter. As a result, outreach expanded by just 4,364 clients compared to 11,532 clients (4 vs. 13 percent) in the previous quarter. The financial crunch limited growth to reach 106,000 by the end of the year. Portfolio at risk remained negligible (PAR>30 of 0.003 percent). Another two new branches became operational this quarter. The total number of branches was 55 by the end of the year.

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. M-CRIL, the best-known 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).

MBK won three awards in the last six months:

- (a) Unitus Inc. award for reaching 100,000 clients in August
- (b) Grameen Foundation USA Excellence Award 2008
- (c) MIXMarket (World Bank Consultative Group for Alleviation of Poverty CGAP) ranking number 1 out of 1,300 MFIs in the world in 2008.

Mitra Bisnis Keluarga (MBK) is essentially a Grameen Bank Replicator with some adaptations from the ASA programme in Bangladesh. MBK provides basic working capital over 50 weeks on a predetermined profit-sharing basis. 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 funds 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.

Table 1. Quarterly Outreach Indicators

	Dec-07	Mar-08	Jun-08	Sept-08	Dec-08
Net clients ¹	65,528	79,525	89,794	101,326	105,690
Percent growth in clients	18%	21%	13%	13%	4%
Branches	31	36	45	53	55
Total centres	3,747	4,428	5,010	5,616	5,849
Total active clients	64,548	78,989	88,937	99,317	103,734
Clients in 1 st cycle	42,740	53,627	56,720	56,601	55,373
% in 1 st cycle	66.2	67.9	63.8	56%	52%
Total portfolio outstanding (Rp 000s)	25,191,547	31,332,461	42,201,109	58,777,306	57,013,869
Total portfolio outstanding (US\$) ²	2,679,952	3,400,159	4,572,168	6,267,574	5,206,746
Growth in portfolio (in Rp)	4%	24%	35%	39%	-3%
Average portfolio outstanding/client (Rp 000)	384	397	475	592	550
Average portfolio outstanding/client (US\$)	41	43	51	62	50
Dropouts & push-outs per quarter	1,328	2,429	4,629	6,071	6,029
Quarterly dropout & push-out rate (%) ³	2.0%	3.1%	5.2%	6.0%	5.7%
Year-on-year dropout & push-out rate (%) ⁴	9.2%	8.3%	10.1%	12.5%	15.3%
CRF as % of working capital outstanding ⁵	9%	9%	8%	8%	9%

Note:

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

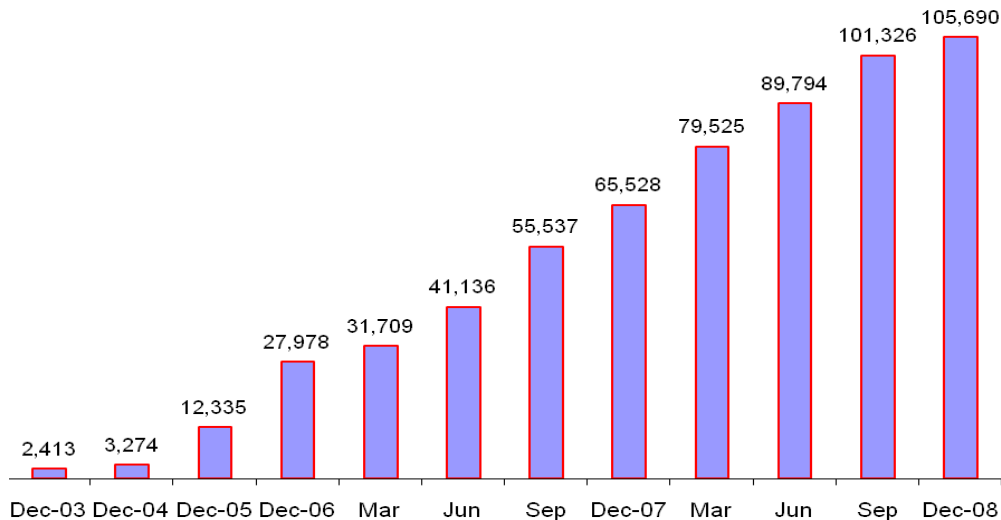
² US\$ 1 = Rp. 10,950 as of 30 December 2008

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 31 December 2008



2.1 Outreach

Another 4,300 clients added. The total number of clients increased by 4,364 this quarter, or 4 percent from 101,326 to 105,690 since last quarter (see table 1 and figure 1). In the previous quarter, outreach expanded by 11,532 clients (13 percent).

Two new branches added. MBK opened two new branches, one in each of the two newest rural districts of South Garut and Tasikmalaya. MBK operated 55 branches by the end of 2008.

Portfolio outstanding. The total portfolio outstanding remained essentially the same at Rp. 58 billion (around \$6 million) following the global financial crisis and ensuing credit crunch.

2.2 Dropouts and Push-outs

The total share of clients leaving the programme (as a result of being pushed out, dropping out voluntarily and for other reasons) increased from 12.5 to 15.3 percent between the last quarter and this one, using the M-CRIL definition. Of the total 6,029 clients leaving the programme, 80 died (1.3 percent) and 918 (15.2 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 share of clients who left voluntarily decreased from 49.3 to 36.6 percent of the total.

Table 2. Clients leaving MBK Programme by Reason

	Q3/2008	% Share	Q/42008	% Share
Voluntary Dropouts	2,994	49.3	2,208	36.6
Push-out by MBK	1,927	31.7	2,823	46.8
Died	60	1.0	80	1.3
<u>Taken paid employment</u>	<u>1090</u>	<u>18.0</u>	<u>918</u>	<u>15.2</u>
Total leaving programme	6,071	100.0	6,029	100.0
Voluntary dropouts (% p.a.)	6.2%		5.6%	
<u>Push-outs/other reasons (% p.a.)</u>	<u>6.3%</u>		<u>9.7%</u>	
Total leaving programme	12.5%		15.3%	

Voluntary Dropouts. Dropouts left the programme on their own for a variety of reasons: (a) bankruptcy, (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. Some clients rejoined the programme when they felt comfortable in taking further working capital from MBK; they 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 decreased from 6.2 to 5.6 percent between this quarter and the last.

Push-outs. A number of 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 6.3 to 9.7% percent between the third and fourth quarters.

2.3 Portfolio Quality

Portfolio at risk. Portfolio at risk (PAR > 30 days) was stable and negligible (0.004-0.005 percent) between this quarter and last (table 3). Some 20 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. 2,733,000 (\$290), 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

	Dec-07	Mar-08	Jun-08	Sept-08	Dec-08
<u>Portfolio at risk (Rp. 000)</u>					
0 -30 days	3,192	1,871	695	-	-
31-60 days		455		1,537	-
61-90 days		923	387	-	-
91-180 days	249	437	1,050	118	1,154
> 180 days			<u>414</u>	<u>1,078</u>	<u>333</u>
Total portfolio with arrears	3,441	3,686	2,546	2,733	1,487
Portfolio at risk (PAR > 30 days)	249	1,815	1,851	2,733	1,487
% PAR (>30 days)	0.001%	0.006%	0.004%	0.005%	0.003%
<u>Overdue principal (Rp. 000)</u>					
0 -30 days	222	297	123	-	-
31-60 days		285	257	367	-
61-90 days		663	48	-	-
91-180 days	249	397	1,050	118	796
> 180 days			<u>414</u>	<u>1,078</u>	<u>333</u>
Total	471	1,641	1,642	1,563	1,129
<u>Clients in arrears</u>					
0 -30 days	15	8	1	-	-
31-60 days		4		4	-
61-90 days		6	6	-	-
91-180 days	1	2	9	8	3
> 180 days			<u>2</u>	<u>8</u>	<u>15</u>
Total clients with overdue	16	20	18	20	18
Clients at risk (>30)	1	12	17	20	18
Portfolio write-off	0	0	0	0	314
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) increased 347 to 376 in this quarter (table 4). This reflects the increased number of mature branches at the end of the year which had reached their target number of clients.

Clients per staff. The client per staff ratio, including all field staff, head office and probationary staff, again increased slightly from 245 to 252 per staff.

Table 4. Quarterly Productivity and Efficiency Indicators

	Dec-07	Mar-08	Jun-08	Sept-08	Dec-08
<u>Outreach</u>					
Clients	65,528	79,525	89,794	101,326	105,690
Branches	31	36	45	53	55
Centres	3,747	4,428	5,010	5,616	5,849
<u>Total staff (field + head office)</u>	<u>258</u>	<u>295</u>	<u>371</u>	<u>413</u>	<u>420</u>
Head office staff	11	9	13	16	14
Field staff	<u>247</u>	<u>286</u>	<u>358</u>	<u>397</u>	<u>406</u>
MIS & District staff (incl. 1 driver)	28	28	29	32	37
<u>Total branch staff</u>	<u>219</u>	<u>258</u>	<u>329</u>	<u>365</u>	<u>369</u>
Branch managers	31	36	45	53	55
Total Field Officers	<u>188</u>	<u>222</u>	<u>284</u>	<u>312</u>	<u>314</u>
Field officers (> 2 months)	152	190	230	292	281
Probationary field officers (<2 mths)	36	32	54	20	33
<u>Efficiency ratios</u> ¹					
Clients per field officer (> 2 months)	431	419	390	347	376
Clients/total staff (field and HO)	254	270	242	245	252
Centres per field officer (>2 months)	20	20	18	18	19
Portfolio/loan officer (> 2 months) (\$)	17,631	17,896	19,879	21,464	18,529
Overhead ratio (HO/All admin expenses)	27%	16%	15%	15%	14%
Field officers as % of total staff	73	75	77	76%	75%
HO staff as % of total staff	4	3	4	4	3

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

Portfolio per field officer. The outstanding portfolio per confirmed field officer increased from Rp. 201 to 203 million.

Centres per field officer. The ratio of centres per field officer increased by one percent to 19 percent this quarter, reflecting increased efficiency. This ratio excludes the 33 probationary field officers.

Field officers as a share of total staff. The ratio of field officers to total staff again declined by one percent to 75 percent, due to the recruitment of new MIS and head office staff.

Overhead ratio and HO/field staff ratio. The head office to total administration expense ratio declined a little from 15 to 14 percent between last quarter and this one. The HO/total staff ratio also decreased by one percent from 4 to 3 percent.

2.5 Viability and Sustainability

Operating expense ratio. The operating expense ratio declined from 25 to 23 percent between last quarter and this quarter (table 5), mainly as a result of larger loan sizes, and more branches with their full complement of 2,000 to 2,500 clients per branch.

Table 5. Quarterly Viability and Sustainability Indicators

	Dec-07	Mar-08	June-08	Sept-08	Dec-08
Operating expense ratio (Operating expenses/Average portfolio outstanding)	31.5%	28.5%	27.3%	24.7%	23.5%
Total cost ratio (Operating + financial expenses/avg. portfolio outs.)	41.2%	39.4%	38.8%	37.1%	36.4%
Quarterly yield on portfolio (Average quarterly income from portfolio/ Average portfolio outstanding in past 4 quarters)	37.4%	37.0%	36.9%	37.0%	38.6%
Annual yield on portfolio (Annual income/average portfolio last June and this June)	41.5%	42.5%	39.1%	35.0%	44.5%
Operational self sufficiency (Total income/operating + financial expenses)	93%	108%	104%	104%	108%

Total cost ratio. The total cost ratio (operating expenses plus financial expenses as a percentage of portfolio outstanding) continued to decline from 37 to 36 percent due to the lower operating ratio, even though the financial expense ratio rose from 12 to 13 percent.

Yield on portfolio. The average quarterly yield on portfolio rose from 37 to 39 percent, calculated using the average outstanding portfolio for the four preceding quarters. The annual average yield on portfolio also rose from 35 to 44 percent, and reached nearly the theoretical maximum of 47.3% (flat interest rate of 25 percent until October 2008).

Operational self-sufficiency. Operational self-sufficiency rose from 104 to 108 percent as the result of larger loan sizes.

3 Income Statement and Balance Sheet

The global financial crisis hit Indonesia in October 2008. The stock market lost half of its value, and the rupiah depreciated by nearly 30 percent in just two months. Although the rupiah regained some ground, it was still down 15 percent compared to before the crisis. Since MBK has relied on foreign exchange borrowing for half of its loans for on-lending (around \$3.6 million in US dollar loan exposure), the impact of the crisis has been severe, especially on three fronts:

- (a) Credit crunch: MBK found it impossible to continue borrowing from abroad or from domestic sources in the last quarter, therefore precluding any significant programme expansion and economies of scale
- (b) Higher cost of domestic borrowing: local lenders increased their lending rates to MBK, so MBK was forced to raise the profit-sharing rates with its clients from 25% to 35% per year for the time being.
- (c) Unrealized foreign exchange losses: the 15 percent depreciation of the rupiah means that MBK has to set aside nearly Rp. 5 billion or \$445,000 to cover foreign exchange losses on foreign exchange loans to be repaid in 2010, assuming that the rupiah exchange rate has now stabilized at Rp. 11,000 to the US dollar, down from Rp 9,400 before the crisis.

3.1 Income Statement

Gross income. Cumulative gross income increased from \$1.3 to 1.7 million (26 percent) between the third and final quarter of this year, mainly due to the larger loan size implemented since March 2008, and the higher interest rate on new loans from 25 to 35 percent flat starting in October 2008.

Finance costs. Cumulative financial costs also rose by 24 percent, of which \$514,723 were paid for the cost of funds, and \$39,454 set aside for portfolio loss provision expenses in 2008. MBK now relies almost exclusively on commercial loans.

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

Description	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
INCOME					
Profit Sharing	1,670,354	1,320,917	775,007	346,141	756,393
Interest on bank accounts	29,003	18,016	13,946	5,072	12,136
Other income	4,402	3,625	2,082	810	3,589
Total Income	1,703,759	1,342,558	791,035	352,024	772,118
FINANCIAL COSTS					
Cost of funds	514,723	403,708	228,583	102,602	175,845
Portfolio loss reserve exps.	39,454	43,515	21,898	7,491	18,907
Total Financial Costs	554,178	447,223	250,481	110,093	194,752
Gross Financial Margin	1,189,035	938,851	562,451	249,421	596,272
Net Financial Margin	1,149,581	895,335	540,553	241,930	577,366
OPERATING EXPENSES					
Salaries, incentive, benefits	652,562	525,305	311,922	126,345	370,780
Travelling & transport	45,963	40,015	24,927	11,687	32,553
Administrative/office exps	212,887	190,129	123,049	53,589	153,119
Depreciation	94,203	78,237	48,898	22,642	59,971
Mgt information system	1,400	654			12,870
Staff development	10,693	5,698	3,421	1,233	8,039
Total operating expenses	1,017,709	840,037	512,217	215,496	637,333
OPERATING PROFIT	131,872	55,299	28,336	26,434	-59,967
Operational grants					69,794
Profit/Loss	131,872	55,299	28,336	26,434	9,827
Fiscal additional income	10,452	25,499	7,952	2,419	6,770
Taxable Income	142,324	80,797	36,288	28,853	16,597
Tax	53,995	22,353	8,968	6,757	3,117
NET PROFIT AFTER TAX	77,877	32,946	19,368	19,677	6,709
Adjust, unrealized forex losses	-444,895				
Profit/loss after unrealized foreign exchange losses	-367,018				

Note: US\$1 = Rp 000

10.950

9.378

9.225

9.217

9.400

Operating expenses. Cumulative operating expenses increased by 64 percent from 840,133 to \$1,017,709 between this quarter and last quarter, to the opening of two new branches as noted earlier.

Net income. Cumulative net income rose by 241% from \$55,229 to 131,872 before tax between this quarter and last quarter. As already mentioned above, operational self-sufficiency was 108 percent this quarter. A significant amount was set aside to pay for unrealized foreign exchange losses due in 2010, if the exchange rate does not recover to pre-global crisis level. In the absence of the large depreciation of the rupiah, MBK displayed a good profit performance this quarter.

3.2 Balance Sheet

Total assets. MBK's total assets remained unchanged at around Rp. 80 billion between this quarter and last, but dropped in dollar terms due to the depreciated rupiah (table 7).

Total liabilities. Total liabilities increased from Rp. 6 to 7 billion, but declined in US dollar terms from around \$7 to 6 million due to the rupiah depreciation.

Equity. MBK's equity increased in rupiah terms from Rp. 9.5 to 10 billion before the unrealized foreign exchange losses. In dollar terms, it declined from \$1.0 to 0.9 million due to the currency depreciation.

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

Description	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
ASSETS					
Current Assets					
Cash-in-hand & in banks	204,889	212,002	274,242	380,108	165,721
Short-term savings/deposit accounts	<u>1,397,461</u>	<u>1,512,499</u>	<u>782,054</u>	<u>1,148,177</u>	<u>740,031</u>
Cash and near cash	1,602,350	1,724,501	1,056,296	1,528,285	905,752
Other current assets	71,919	91,087	85,046	73,359	29,837
Loans Outstanding					
Gross loans outstanding	5,206,746	6,267,574	4,574,646	3,399,421	2,679,952
(Loan loss reserve)	-52,067	-62,676	-45,746	-33,994	-26,799
Net loans outstanding	<u>5,154,679</u>	<u>6,204,898</u>	<u>4,528,900</u>	<u>3,365,427</u>	<u>2,653,152</u>
Total current assets	6,828,948	8,020,486	5,670,242	4,967,070	3,588,741
Long-term Assets					
Property and equipment	546,130	610,222	578,758	498,788	453,632
(Accumulated depreciation)	<u>-180,275</u>	<u>-178,737</u>	<u>-152,175</u>	<u>-128,269</u>	<u>-110,027</u>
Net property & equipment	365,854	431,486	426,583	370,519	343,605
Total long-term assets	365,854	431,486	426,583	370,519	343,605
Other Assets					
Company establishment	2,100	2,453	2,493	2,495	2,447
(Amortization)	<u>-1,182</u>	<u>-1,226</u>	<u>-1,091</u>	<u>-936</u>	<u>-765</u>
Net company establishment	919	1,226	1,402	1,560	1,682
Total other assets	919	1,226	1,402	1,560	1,682
Total Assets	7,195,722	8,453,198	6,098,228	5,339,148	3,934,028
LIABILITIES & EQUITY					
Other Liabilities					
Short-term Loans	4,384	9,416	39,426	2,311	
Interest payable on loans	64,400	65,397	24,822	51,579	10,596
Client responsibility fund	474,559	500,025	386,425	301,293	229,691
Withholding tax	47,751	27,826	9,249	10,425	3,397
Other current liabilities	<u>53,563</u>	<u>44,962</u>	<u>65,768</u>	<u>57,010</u>	<u>66,352</u>
Total current liabilities	644,657	647,624	525,692	422,619	310,036
Debt					
Debt	6,076,989	6,790,545	4,554,797	3,897,615	2,644,207
Total Liabilities	6,721,646	7,438,169	5,080,489	4,320,234	2,954,243
Shareholders' Equity					
Paid up Capital	273,973	319,898	325,203	325,486	319,149
Additional Paid up Capital	558,360	651,956	662,769	663,344	650,430
Retained earnings	8,761	10,230	10,399	10,408	3,496
Current net profit/loss	<u>77,877</u>	<u>32,946</u>	<u>19,368</u>	<u>19,677</u>	<u>6,709</u>
Total Equity	918,971	1,015,029	1,017,739	1,018,914	979,784
Adjust. for unrealized forex losses	<u>-444,895</u>				
Adjusted total equity	474,076				
Total Liabilities & Equity	7,195,722	8,453,198	6,098,228	5,339,148	3,934,028

4 Institutional Strengthening

4.1 Staff Development

Table 8. Classroom Training and Workshops

Date	Location	Trainees	Topic	Trainers / Organizer
Oct	Bali	Chief Commissioner Commissioner (2)	Leadership Summit	Unitus Inc., Seattle
Oct	HO	Area Supervisor-Trainers (7)	MBK response to global financial crisis. New “profit-sharing” rate for clients receiving new “working capital”	Chief, personnel manager, CEO, operations supervisor, internal audit manager
Nov	HO	Branch managers from Tangerang (12) plus their Supervisors (2)	Implementation of new “profit-sharing” rate for clients receiving new “working capital”	Chief, CEO, personnel manager, operations supervisor, IA manager
Nov	Yogya	Chief Commissioner Commissioner (2)	Second National Microfinance Meeting	GEMA-PKM
Nov	Manila	Benny Kosinda, Commissioner	Experience sharing Workshop	CORDAID
Dec	HO	Area Supervisor-Trainers (8)	Funds planning for end-of-year, branch security during year-end holidays	CEO, personnel manager operations supervisor
2008	Jakarta	Professional training scholarships (2)	Certificate of Competence in Taxation (Brevet A and B)	
Total		36 Persons		

Classroom Training by Training Task Force. Formal, classroom training was provided by MBK to 31 staff (see table 8). Of these, two senior accounting staff received scholarships for the professional training certification course in taxation (week-end class).

Workshops. The two commissioners attended a leadership training in Bali organized by Unitus Inc, and a national meeting on microfinance in Yogyakarta organized by GEMA-PKM, the Indonesian movement for the development of microfinance. Finally, Mr. Benny Kosinda attended a 3-day Cordaid workshop in Manila, Philippines in November 2008.

5 Governance and Management

5.1 Governance

In compliance with the new Company Act Number 40 of August 2007, MBK modified its articles of association in August 2008. These articles of association were approved by the Ministry of Justice and Human Rights in November 2008. The new articles of association require a board of commissioners for policy making and supervision, and a board of directors for company management. This division of labour no longer allows dual functions. There is formally no longer a governing board, however MBK has maintained the Audit Committee and the Advisory Committee. The previous members of the Governing Board have been transferred to the Advisory Committee, while the previous Chair of the Audit Committee has now been promoted to full Commissioner.

As of this quarter, MBK has adopted the following governance structure:

(a) Board of Commissioners

1. Shafiq Dhanani, Chief Commissioner
2. Benny Kosinda, Commissioner

(b) Board of Directors

1. Elizabeth Sweeting, President Director and Chief Executive Officer

(c) Audit Committee

1. Benny Kosinda, Chair, Audit Committee
2. Dahlya Desyany, member, Internal Audit Manager

(d) Advisory Committee

1. David Gibbons, Chair, Advisory Committee (Chair Cashpor India)
2. Hasti Tarekat, member (Founding Member, POKMAS Foundation, Medan)
3. Helen Todd, member (Chair, Moris Rasik Foundation, Timor Leste)
4. Clair Jenkins, member (Vice Chair, Unitus Inc.)

5.2 Internal Audit and Management

Internal audit visits. Branch and area office audits continued throughout this quarter under the general coordination of the Internal Audit Manager. Again, the internal audits of MBK's operations were undertaken by field supervisors accompanied by a member of the financial audit team from head office who undertook the financial audit of the branch and its district office. The two operations supervisors (newly recruited last quarter) accompanied the internal audit manager to learn the processes, and assisted directly with the financial audit of a number of branches. The IA manager again summarized the major, pertinent findings and reported to the Chair, Audit Committee, and Commissioner.

Promotion of deputy branch manager trainees to branch manager posts. The more capable and experienced of the directly recruited deputy branch manager trainees continue to be promoted to trainee branch manager positions in the newly opened branches.

Internal promotion to deputy branch manager trainees. Several field staff with the potential to become branch managers were promoted to deputy branch manager trainee status. At the beginning of next year, one of them will take over a mature branch in Tangerang.

5.3 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
<u>Oct</u>			
10	Abdul Salam	Managing Director BRI	Funding possibilities for MBK
16	Sofyan Basir	President Director BRI	Funding possibilities for MBK
21	Yos Elliana	Allianz Life Indonesia	Microinsurance
22	Martin Hintz Prasad Vswanatha, Ravi Narashimham	Grass Roots Capital	Equity participation enquiry
27-29	Luigi Bernal Charles, George and Tanel	TLM, Nusa Tenggara Timur	Study tour of MBK
<u>Nov</u>			
3-6	Sarah Djari	Blue Orchard Equity	Equity participation enquiry
10-12	President, Board and staff	GF-USA, Washington	Annual Excellence Award for MBK
13-18	Commissioner	Cordaid, in Philipines	Annual partners' workshop
20	Jean Philippe Schrevel	Director, Blue Orchard Equity	Equity participation enquiry
21	Try Sumaryanto Libertus Sitorus	SGS Law Firm	Hivos-sponsored study
28	Shariq Mukhtar, Tigor Siahan, Ditta Amahorseya	CEO Citibank, Jakarta Managing Director Director, Corp. Affairs	Funding possibilities
27	Agus Rachmadi	Head of BRI-IVP Micro- banking	Funding possibilities
<u>Dec</u>			
3	David Fina, Tri, Rudi and Hebert	Habitat Indonesia	Cooperation in low cost housing improvements, renovation
4	Frank Sindoro, Dino Hadjarati, Metti, D. Rahmat	Dian Mandiri, Tangerang	Study tour of MBK
10	Etty Susilowati, Faizal Nasution	PT PNM	Funding possibilities
9-11	Nyoman Irianto (Alit) & colleagues	Dinari Fioundation, Bali	Study tour of MBK
16	Budi Purwanto Rendy Putra Jaya, Eryo, Etty, Faizal	President Director PNM VC General Manager	Funding possibilities
17	Elizabeth Mariani	Bank Danamon Risk Officer	Routine semi-annual monitoring
18	Achmad Effendy	APRCA CS, Jakarta	Study tour for participants
22	Sutan Sinaga	Bank Andara	Due Diligence
22	Debbie Watkins & Suharto	Consultant Bank Andara	MIS needs analysis
31	Sutan Sinaga	Bank Andara	Due diligence for funding

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 in early 2008, MBK will operate a total of 600 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 25-30 percent calculated on a flat basis (35% in 2009). Compulsory Client Responsibility Fund (CRF) will collect 5 percent of the working capital at the time of disbursement. Finally, MBK will gradually increase the loan officer to client ratio from 363 to 400 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 14 percent interest rate per annum for loans throughout the forecasting period.

6.2 Key Features

1. *Outreach.* MBK's client base will double almost every year, except for 2009, from around 65,000 at the beginning of 2008 to 1.2 million at 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 2009, and to launch operations in 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 working capital size rising from \$100 in 2009 to \$117 in 2012, the gross portfolio outstanding will increase from Rp. 65 to 1,524 billion (\$6 to 152 million).
3. *Branches.* The number of branches will double every year from 31 in early 2008 to reach a total of 600 by 2012 (except in 2009). Each branch will have around 6-8 staff.
4. *Staff.* By the end of the projection period, the programme will employ 4,067 employees in total, of which 26-30 people will be located in head office, and the rest in the 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 15 percent between early 2008 and end 2012, due to economies of scale.
6. *Sustainability.* After-tax operating self-sustainability will rise from 93 to 145 percent, while after tax financial self-sustainability will rise from 86 to 139 percent between 2008 and 2012.

Table 9. Summary of Financial Projections 2008-2012

	FY07	FY08	FY09	FY10	FY11	FY12
I Overall Targets						
Total clients	65,378	110,073	150,100	300,200	600,400	1,200,801
Total branches	31	57	75	150	300	600
Field employees	258	386	537	1,023	2,038	4,067
Head office employees	10	19	25	28	29	30
Clients per loan officer	349	377	376	400	400	400
Outstanding loan size per client (Rp.000)	385	593	772	1,103	1,184	1,270
Operating cost ratio (% of outstanding)	35	26	19	18	15	14
II Key Assumptions						
Profit-sharing rate with clients % p.a flat	25	25	35	30	25	25
Net Incr. in borrowed funds (Rp. billion)		46	41	167	296	648
III Balance Sheet (Rp billion)						
<u>Assets</u>	<u>37</u>	<u>75</u>	<u>126</u>	<u>354</u>	<u>757</u>	<u>1,618</u>
Gross outstanding portfolio	25	65	116	331	711	1,524
<u>Liabilities</u>	<u>27</u>	<u>66</u>	<u>91</u>	<u>269</u>	<u>592</u>	<u>1,299</u>
Client responsibility fund	2	5	10	23	52	113
Commercial loans	23	58	91	244	540	1,186
<u>Equity</u>	<u>9</u>	<u>10</u>	<u>36</u>	<u>85</u>	<u>165</u>	<u>319</u>
<u>Total liabilities and equity</u>	<u>37</u>	<u>75</u>	<u>126</u>	<u>354</u>	<u>757</u>	<u>1,618</u>
IV Income Statement (Rp billion)						
Financial income	7	21	59	132	243	495
Financial costs	2	8	19	25	50	112
Gross financial margin	6	13	40	107	192	383
Provision for loan losses	0	0	1	4	10	22
Net financial margin	5	12	39	103	182	362
Programme operating expenses	4	10	17	34	72	153
Administrative operating expenses	2	2	3	3	3	4
Amount of taxes paid	0	0	5	17	27	51
Net income from operations (after tax)	0	0	15	50	80	154
V Ratio Analysis						
<u>Efficiency</u>						
Yield on portfolio (%)		45.8	59.2	65.3	47.7	45.4
Average cost of debt (%)		17.6	23.8	18.3	14.7	14.7
Overhead percentage (%)		14.7	13.6	8.4	4.5	2.3
<u>Returns</u>						
Gross returns on average total assets		35.1	53.7	56.1	45.0	42.9
- Financial costs (%)		<u>13.6</u>	<u>16.5</u>	<u>10.8</u>	<u>9.3</u>	<u>9.7</u>
= Gross Financial margin (%)		21.5	37.2	45.3	35.7	33.2
- Loan loss provision (%)		<u>0.7</u>	<u>0.7</u>	<u>1.5</u>	<u>1.9</u>	<u>1.9</u>
Net financial margin (%)		20.8	36.5	43.8	33.8	31.3
- Operating costs		19.8	17.5	15.7	14.0	13.6
- Taxes paid		<u>0.3</u>	<u>5.3</u>	<u>7.0</u>	<u>5.0</u>	<u>4.4</u>
= Operating margin after tax (ROA)		0.7	13.7	21.1	14.8	13.3
- Adjustments to Operations		<u>-1.9</u>	<u>-5.0</u>	<u>-0.7</u>	<u>1.4</u>	<u>1.2</u>
= Net Margin, after-tax (adj. ROA)		2.6	18.7	21.8	13.4	12.1
After tax Return on Total Equity (%)		16.6	80.0	86.1	55.8	56.5
Operational sustainability after-tax (%)	93	102	134	160	149	145
Financial sustainability after-tax (%)	86	108	153	163	143	139
VI Debt-Equity Ratio	2.5	6.0	2.6	2.9	3.3	3.7

7. *Break-even.* The MBK programme already produced a surplus in 2004-2006. In 2007 and 2008, heavy investment in the new MIS system, the recruitment of senior management, accelerated field staff recruitment temporarily, and salary rises across the board resulted in a break-even. The programme will once generate a healthy surplus starting in financial year 2009.

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 (\$1 = Rp 10,000):

2009	Rp	41	billion	(US\$	4	million)
2010	Rp	167	billion	(US\$	17	million)
2011	Rp	296	billion	(US\$	30	million)
2012	Rp	648	billion	(US\$	65	million)

7 Planned Activities for First Quarter 2009

7.1 Outreach

- Continue to open and staff a further 1-2 branches in the new districts of Garut Selatan and Central Tasikmalaya.
- Open and staff 5-6 new branches in Tasikmalaya area 2
- Survey southern rural districts of Central Java, and prepare for opening 5-6 branches in one area

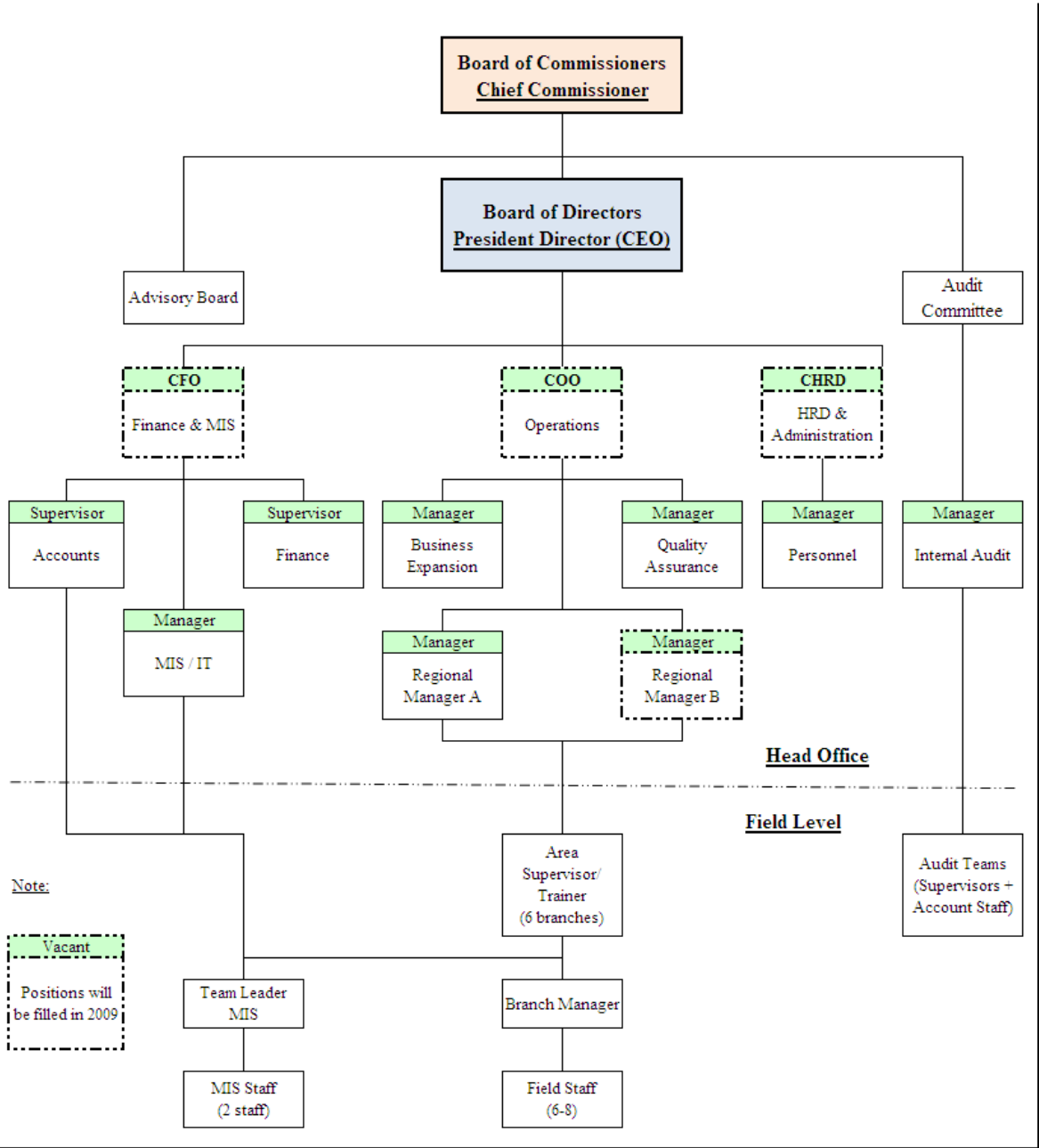
7.2 Institutional Strengthening

- Open and staff one new area office in the new district of Tasikmalaya 2 to handle MIS data entry and production of Disbursement Collection Sheets.
- Contact selected Central Java universities and recruit trainee deputy branch managers to fill the new openings in that province. Place and train them in mature branches in West Java.
- Hold refresher training sessions throughout the period for branch managers and one senior staff from all branches, plus their area supervisor.
- Hold branch manager training session for deputy branch managers with potential for promotion.

7.3 Management and Governance

- *Internal audits of branches.* Continue with regular internal audits of all established branches by the three internal auditors, accompanied by Area Supervisors (who will audit branches in areas other than their own) and head office financial audit team staff.
- *Internal audits of Area offices.* The financial audit team in head office will continue to audit area offices.
- *Internal audits of Supervisors.* This will be introduced this quarter, as a further step in MBK's cost control procedures.

Annex A: Organization chart



Annex B: Quarterly Financial Statements – Dec 2008

Quarterly Income Statement (Rp 000s, Preliminary)

Description	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
INCOME					
Profit-sharing from clients	18,290,380.9	12,387,555.0	7,149,435.8	3,190,381.5	7,110,093.8
Interest on bank accounts	317,578.2	168,957.2	128,655.6	46,751.4	114,081.2
Other income	48,198.3	33,997.7	19,202.3	7,468.0	33,732.6
Total Income	18,656,157.4	12,590,509.9	7,297,293.7	3,244,600.9	7,257,907.7
FINANCIAL COSTS					
Cost of funds	5,636,222.3	3,785,969.2	2,108,681.4	945,683.1	1,652,947.4
Portfolio loss reserve exps.	432,023.0	408,085.4	202,010.3	69,045.7	177,723.5
Total Financial Costs	6,068,245.3	4,194,054.6	2,310,691.7	1,014,728.8	1,830,670.9
Gross Financial Margin	13,019,935.0	8,804,540.7	5,188,612.3	2,298,917.8	5,604,960.3
Net Financial Margin	12,587,912.1	8,396,455.4	4,986,602.0	2,229,872.1	5,427,236.8
OPERATING EXPENSES					
Salaries, incentive, benefits	7,145,554.4	4,926,308.6	2,877,483.6	1,164,521.8	3,485,331.3
Travelling & transport	503,293.1	375,256.8	229,948.2	107,723.5	306,002.3
Office and other expenses	2,331,117.2	1,783,025.9	1,135,126.9	493,931.9	1,439,314.7
Depreciation	1,031,527.8	733,706.3	451,081.6	208,690.7	563,731.6
Mgt information system	15,333.5	6,133.4			120,979.6
Staff development	117,087.4	53,434.0	31,559.5	11363.3	75,569.8
Total operating expenses	11,143,913.5	7,877,865.0	4,725,199.9	1,986,231.2	5,990,929.3
OPERATING PROFIT	1,443,998.6	518,590.3	261,402.2	243,640.9	-563,692.5
Operational grants	-	-	-	-	<u>656,062.5</u>
Profit/Loss	1,443,998.6	518,590.3	261,402.2	243,640.9	92,370.0
Fiscal additional income	<u>114,444.8</u>	<u>239,128.1</u>	<u>73,354.7</u>	<u>22,294.4</u>	<u>63,642.3</u>
Taxable Income	1,558,443.4	757,718.4	334,756.9	265,935.2	156,012.2
Tax	<u>591,244.3</u>	<u>209,622.8</u>	<u>82,734.4</u>	<u>62,280.6</u>	<u>29,303.7</u>
PROFIT/LOSS AFTER TAX	852,754.3	308,967.5	178,667.8	181,360.3	63,066.3
<u>Adjust. unrealized forex losses</u>	<u>-4,871,601.4</u>	-	-	-	-
Profit/loss after unrealized foreign exchange losses	-4,018,847.1				

Quarterly Balance Sheet (Rp 000s, Preliminary)

Description	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07
ASSETS					
<u>Current Assets</u>					
Cash-in-hand & in banks	2,243,538.7	1,988,159.3	2,529,886.9	3,503,453.6	1,557,773.3
<u>Short-term savings/deposit accounts</u>	<u>15,302,196.2</u>	<u>14,184,211.9</u>	<u>7,214,448.1</u>	<u>10,582,744.7</u>	<u>6,956,292.1</u>
Cash and near cash	17,545,734.9	16,172,371.2	9,744,335.0	14,086,198.3	8,514,065.4
Other current assets	787,517.6	854,211.1	784,549.9	676,146.2	280,464.0
<u>Loans Outstanding</u>					
Gross loans outstanding	57,013,868.8	58,777,306.2	42,201,109.2	31,332,460.7	25,191,546.7
(Loan loss reserve)	<u>-570,138.1</u>	<u>-587,772.7</u>	<u>-422,010.3</u>	<u>-313,324.1</u>	<u>-251,914.9</u>
Net loans outstanding	56,443,730.7	58,189,533.5	41,779,098.9	31,019,136.6	24,939,631.8
Total current assets	74,776,983.1	75,216,115.8	52,307,983.8	45,781,481.1	33,734,161.2
<u>Long-term Assets</u>					
Property and equipment	5,980,118.5	5,722,666.5	5,339,045.1	4,597,328.6	4,264,136.9
(Accumulated depreciation)	<u>-1,974,012.8</u>	<u>-1,676,191.3</u>	<u>-1,403,816.5</u>	<u>-1,182,256.9</u>	<u>-1,034,249.7</u>
Net property & equipment	4,006,105.8	4,046,475.2	3,935,228.6	3,415,071.7	3,229,887.2
Total long-term assets	4,006,105.8	4,046,475.2	3,935,228.6	3,415,071.7	3,229,887.2
<u>Other Assets</u>					
Company establishment	23,000.0	23,000.0	23,000.0	23,000.0	23,000.0
(Amortization)	<u>-12,938.3</u>	<u>-11,500.7</u>	<u>-10,063.1</u>	<u>-8,625.5</u>	<u>-7,187.9</u>
Net company establishment	<u>10,061.7</u>	<u>11,499.3</u>	<u>12,936.9</u>	<u>14,374.5</u>	<u>15,812.1</u>
Total other assets	10,061.7	11,499.3	12,936.9	14,374.5	15,812.1
Total Assets	78,793,150.6	79,274,090.4	56,256,149.3	49,210,927.3	36,979,860.4
LIABILITIES & EQUITY					
<u>Other Liabilities</u>					
Short-term loans	48,000.0	88,300.0	363,708.3	21,300.0	
Interest payable on loans	705,184.9	613,290.5	228,986.7	475,402.5	99,602.1
Client responsibility fund	5,196,425.0	4,689,230.0	3,564,775.0	2,777,020.0	2,159,095.0
Withholding tax	522,873.2	260,947.7	85,323.8	96,089.5	31,928.6
Other liabilities	<u>586,512.3</u>	<u>421,653.7</u>	<u>606,712.3</u>	<u>525,462.7</u>	<u>623,711.1</u>
Total current liabilities	7,058,995.3	6,073,422.0	4,849,506.0	3,895,274.7	2,914,336.8
<u>Debt</u>					
Debt	66,543,028.4	63,681,726.8	42,018,001.6	35,924,318.6	24,855,549.3
Total Liabilities	73,602,023.8	69,755,148.8	46,867,507.5	39,819,593.4	27,769,886.1
<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	6,114,040.6	6,114,040.6
Retained earnings	95,933.3	95,933.3	95,933.3	95,933.3	32,867.0
Current net profit/loss	852,754.3	308,967.5	178,667.8	181,360.3	63,066.3
Total Equity	10,062,728.1	9,518,941.3	9,388,641.7	9,391,334.1	9,209,973.8
Adjust. for unrealized forex losses	<u>-4,871,601.4</u>				
Adjusted total equity	5,191,126.7				
Total Liabilities & Equity	78,793,150.5	79,274,090.2	56,256,149.2	49,210,927.5	36,979,859.9

Annex C: Quarterly Performance Indicators – Dec 2008

	2007	2008			
	Dec	Mar	Jun	Sept	Dec
<i>Exchange rate: US\$1 =</i>	9,400	9,217	9,225	9,378	10,950
1.0 Outreach Indicators					
1.1 Cumulative clients recruited	76,504	92,815	107,828	125,431	135,824
1.2 Cumulative dropouts	<u>10,976</u>	<u>13,405</u>	<u>18,034</u>	<u>24,105</u>	<u>30,134</u>
1.3 Net Clients	65,528	79,410	89,794	101,326	105,690
1.4.1 % Growth in clients (over prv period)	18%	21%	13%	13%	4%
1.4.2 New clients recruited year-on-year	44,219	54,879	58,713	60,246	59,320
1.5 Net active clients by loan cycle	64,548	78,989	88,937	99,317	103,734
1.5.1 1st cycle	42,740	53,627	56,720	56,601	54,673
1.5.2 2nd cycle	14,381	15,792	18,105	25,749	30,280
1.5.3 3rd cycle	5,441	6,820	9,510	10,746	11,629
1.5.4 4th cycle	1,986	1,318	2,234	3,630	4,674
1.5.5 5th cycle		1,283	1,128	717	772
1.5.6 6th cycle and above		149	431	883	1,006
1.5.7 In process (existing clients)			809	991	700
1.5.8 % in 2nd cycle and above	35%	32%	37%	44%	48%
1.6 Dropout					
1.6.1 Total dropouts this quarter	1,328	2,429	4,629	6,071	6,029
1.6.2 Quarterly dropout rate	2.0%	3.1%	5.2%	6.0%	5.7%
1.6.3 Year-on-year dropout rate (M-CRIL)	9.2%	8.3%	10.1%	12.5%	15.3%
1.7 Branches	31	36	45	53	55
1.8.1 Cumulative centres formed	<u>3,884</u>	<u>4,586</u>	<u>5,216</u>	<u>5,851</u>	<u>6,364</u>
1.8.2 Centres closed	137	160	206	235	515
1.8.2 Net number of centres	3,747	4,426	5,010	5,616	5,849
1.9 Average clients per centre	17	18	18	18	18
1.10 Max. working capital size (Rp. 000)					
1.10.1 1st cycle	800	800	1,000	1,000	1,000
1.10.2 2nd cycle	1,200	1,200	1,200	1,200	1,200
1.10.3 3rd cycle	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
1.10.5 5th cycle	2,200	2,200	2,200	2,200	2,200
1.10.6 6th cycle					2,600
1.10.7 7th cycle					3,100
1.11 Max. working capital size (US\$)					
1.11.1 1st cycle	85	87	108	107	91
1.11.2 2nd cycle	128	130	130	128	110
1.11.3 3rd cycle	160	163	163	160	137
1.11.4 4th cycle	191	195	195	192	164
1.11.5 5th cycle	234	239	238	235	201
1.11.6 6th cycle					237
1.11.7 7th cycle					283
1.12 Portfolio					
1.12.1 Total portfolio outstanding (Rp. 000)	25,191,547	31,332,461	42,201,109	58,777,306	57,013,869
1.12.2 Total portf. outstanding (\$)	2,679,952	3,399,421	4,574,646	6,267,574	5,206,746
1.12.3 Average portf. outstanding Rp. 000	390	397	475	592	550
1.12.4 Average portf. outstanding (\$)	41	43	51	62	49
1.12.5 % Growth (over prev. quarter)	4%	24%	35%	39%	-3%
1.12.1 Disbursement this quarter	10,168,270	19,067,044	27,030,530	37,924,322	22,524,418

		2007	2008			
		Dec	Mar	Jun	Sept	Dec
	<i>Exchange rate: US\$1 =</i>	9.400	9.217	9.225	9.378	10.950
1.12.5	Repayment this quarter	9,287,998	12,926,130	16,161,882	21,348,125	23,387,855
1.12.6	Current Portfolio size (Kredits)		55,402,900	70,798,900	92,642,650	103,349,150
1.12.7	Repayment from current portfolio		24,070,439	28,597,791	33,865,344	46,335,281
1.19.1	Clients in responsibility fund	64,548	78,989	88,937	99,317	103,734
1.19.2	Total client responsibility fund (CRF)	2,159,095	2,777,020	3,564,775	4,689,085	5,196,425
1.19.3	CRF as % of portfolio outstanding	9%	9%	8%	8%	9%
2.0	<u>Portfolio quality</u>					
	<u>Portfolio in arrears (Rp. 000)</u>					
	0 -30 days	3,192	1,871	695	-	-
	31-60 days		455		1,537	-
	61-90 days		923	387	-	-
	91-180 days	249	188	1,050	118	1,154
	<u>> 180 days</u>		<u>249</u>	<u>414</u>	<u>1,078</u>	<u>333</u>
	Total	3,441	3,686	2,546	2,733	1,487
	Portfolio at risk (>30)	249	1,815	1,851	2,733	1,487
	% PAR (>30)	0.001%	0.006%	0.004%	0.005%	0.003%
	<u>Overdue principal (Rp. 000)</u>					
	0 -30 days	222	297	123	-	-
	31-60 days		285	257	367	-
	61-90 days		663	48	-	-
	91-180 days	249	397	1,050	118	796
	<u>> 180 days</u>			<u>414</u>	<u>1,078</u>	<u>333</u>
	Total	471	1,641	1,891	1,563	1,129
	<u>Client with arrears</u>					
	0 -30 days	15	8	1	-	-
	31-60 days		4		4	-
	61-90 days		6	6	-	-
	91-180 days	1	2	9	8	3
	<u>> 180 days</u>			<u>2</u>	<u>8</u>	<u>15</u>
	Total	16	20	18	20	18
	Clients at risk (>30)	1	12	17	20	18
2.1	<u>Repayment Rate</u>					
2.1.1	Quarterly Repayment Rate					
2.1.2	Cumulative Repayment Rate	99.99%	99.99%	99.99%	99.995%	99.998%
3.0	<u>Productivity and Efficiency</u>					
3.1	<u>Total Staff (field + head office)</u>	<u>258</u>	<u>295</u>	<u>371</u>	<u>413</u>	<u>420</u>
3.1.1	Head office staff	11	9	13	16	14
3.1.2	<u>Field staff</u>	<u>247</u>	<u>286</u>	<u>358</u>	<u>397</u>	<u>406</u>
3.1.2.1	District staff (incl. 1 driver)	28	28	29	32	37
3.1.2.2	Branch managers	31	36	45	53	55
3.1.2.3	<u>Field officers</u>	<u>188</u>	<u>222</u>	<u>284</u>	<u>312</u>	<u>314</u>
	Field officers confirmed (>2 mths)	152	190	230	292	281
	Field officers trainee (2-6 mths)					
	Probationary field officers (<2 mths)	36	32	54	20	33
3.2.1	Clients/field officer (>2mths)	431	418	390	347	376
3.2.2	Clients per staff (field + HO)	254	269	242	245	252
3.3.1	Portfolio/field officer > 2mths (Rp.000)	165,734	164,908	183,483	201,292	202,896
3.3.2	Portfolio/field officer > 2 mths (US\$)	17,631	17,892	19,890	21,464	18,529
3.4	Centres per field officer	20	20	18	18	19
3.5	Operating expense ratio (% Port. Out)	31.5%	28.5%	27.3%	24.7%	23.5%
3.6	Financial expense ratio (% Port. Out)	9.6%	11.0%	11.6%	12.4%	12.8%
3.7	Total cost ratio (% Port. Outstanding)	41.2%	39.4%	38.8%	37.1%	36.4%

		2007	2008			
		Dec	Mar	Jun	Sept	Dec
	<i>Exchange rate: US\$1 =</i>	9.400	9.217	9.225	9.378	10.950
3.9	Overhead ratio (HO/Total expenses)	26%	16%	15%	15%	14%
3.10	Field officers as % of total staff	73%	75%	77%	76%	75%
3.11	Ratio HO staff to total staff (%)	4%	3%	4%	4%	3%
4.0	<u>Viability and Sustainability</u>					
4.1	Average quarterly yield on portf.	37.4%	37.0%	36.9%	37.0%	38.6%
4.2	Average annual yield on portf.	41.5%	42.5%	39.1%	35.0%	44.5%
4.3	Operational self-sufficiency	93%	108%	104%	104%	108%
4.4	Financial self-sufficiency					
4.5	Return on average assets (ROA)	0.3%	0.6%	0.4%	0.6%	1.5%
4.6	Debt to equity ratio (inc. quasi-equity)	2.1	3.1	3.6	5.5	9.3
5.0	<u>Impact on Poverty</u>					
5.1	% Poor (Cashpor housing Index)	80%	80%	80%	80%	80%
5.2	Moderately poor	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	90.8%	91.7%	89.9%	87.5%	84.7%