

2007-2



Mitra Bisnis Keluarga
“Family Business Partners”
Indonesia

Quarterly Report No. 2007-2
April – June 2007

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1 Introduction

This report covers the second quarter of 2007 (April to June). This is also the second 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* (MBK), which means *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 to provide economic services after August 2007.

During this quarter, outreach expanded by just under 10,000 clients to a reach a total of 41,136 clients. Loan portfolio stood at \$1.75 million with portfolio at risk (PAR>30) at 0.01%. Four new branches were set up in the two newer districts of Sukabumi and Bandung, bringing the total number of branches to 24. Of these, three became operational in April, while the fourth will become operational in July. Most new clients originated in these two new rural districts.

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

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

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 for its efficient and transparent operations. 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 progress reports, audit reports and rating reports are all available from MBK’s website as well as from the MIXMarket website (www.mixmarket.org).

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 up by 30 percent. The total number of clients increased by 30 percent from 31,709 to 41,136 during this quarter (see table 1 and figure 1).

Table 1. Quarterly Outreach Indicators

	Jun-06	Sept-06	Dec-06	Mar-07	Jun-07
Net clients ¹	22,277	26,229	27,978	31,709	41,136
Percent growth in clients	39%	18%	7%	13%	30%
Branches	11	13	15	20	24
Total centres	1,143	1,418	1,554	1,820	2,127
Total active clients	21,267	25,623	27,372	31,058	40,600
Clients in 1 st cycle	16,201	18,071	19,264	20,363	24,912
Clients in 2 nd cycle	2,993	5,294	6,036	7,703	11,484
Clients in 3 rd cycle	1,540	1,226	903	1,370	2,445
Clients in 4 th cycle and above	533	1,032	1,169	1,622	1,759
Total portfolio outstanding (Rp 000s)	7,768,262	9,879,304	9,105,260	10,689,068	15,799,797
Total portfolio outstanding (US\$) ²	838,905	1,070,811	1,007,776	1,171,405	1,753,585
Growth in portfolio (in Rp)	41%	27%	-8%	17%	48%
Average portfolio outstanding/client (US\$)	39	42	36	37	43
Dropouts per quarter	670	1,288	834	1,920	1,752
Quarterly dropout rate (%) ³	3.0%	4.9%	3.0%	6.1%	4.3%
Year-on-year dropout rate (%)	6.1%	9.7%	11.7%	14.9%	14.1%
CRF as % of working capital outstanding ⁴	8%	8%	9%	9%	8%

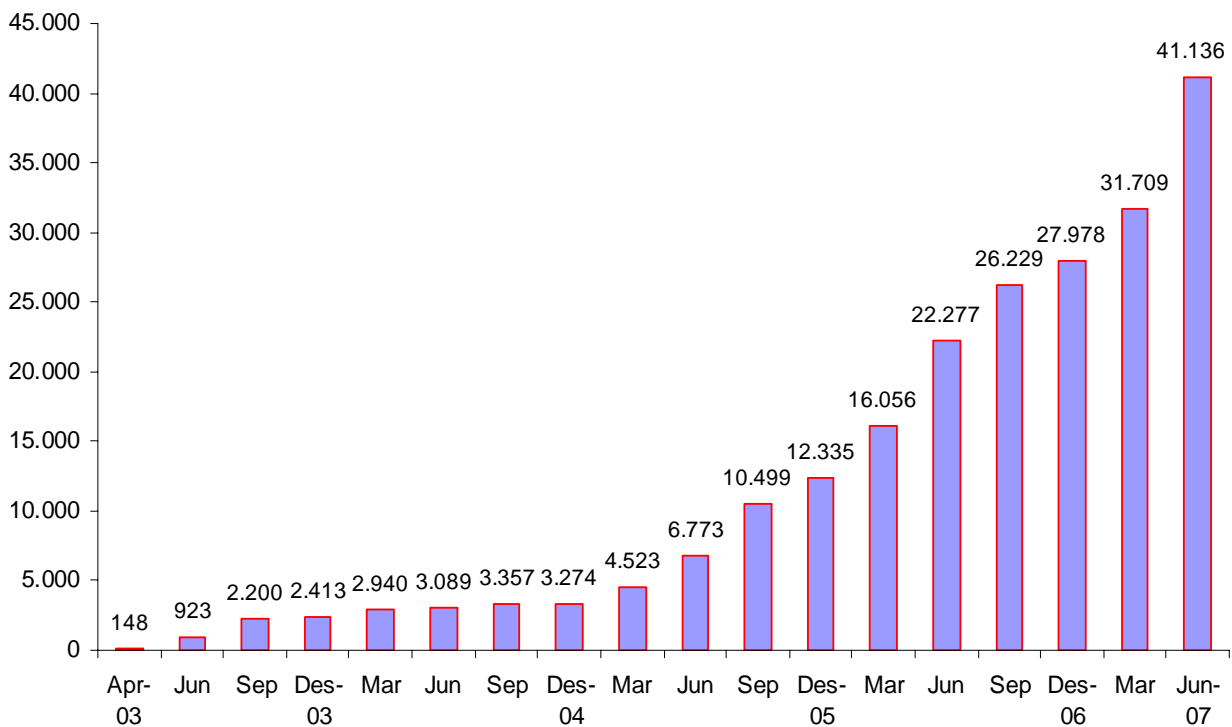
Note:

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. 9,010 as of 30 June 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 30 June 2007

Number of active clients up by 31 percent. The total number of active clients increased by 31 percent from 31,058 to 40,600 during this quarter. The number of centres in the programme increased from 1,820 to 2,127 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).

Number of branches increased by four. MBK opened four new branches in these two districts, with all but one becoming operational in the first weeks of April. Thus, the number of branches rose to twenty four. The one remaining new branch was staffed and will begin extending its first working capital in early July.

Portfolio Outstanding. The total portfolio outstanding increased from US\$ 1,171,405 to US\$ 1,753,585 or by 48 percent (in Rupiah terms) during this second quarter of 2007.

2.2 Dropout

Drop-out rate decreased this quarter. The number of drop-outs this quarter decreased from 1,920 to 1,752. This represented a drop in the quarterly drop-out rate from 6.1 to 4.3 percent, while the year-on-year dropout rate also fell from 14.9 to 14.1 percent. Of the 1,752 clients who left the programme this quarter, just over one percent or 25 clients died, 691 were asked to leave (40 percent), 223 took up paid employment and could not attend weekly meetings (13 percent), and the remaining 813 left the programme voluntarily (46 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 or were looking after a new baby or very small children. Some 40 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, in other words, they did not attend more than 25 percent of the meetings without a valid reason (such as too sick to attend, family urgency or child birth).

Returning borrowers. As in previous quarters, 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).

During this quarter, MBK requested its field officers to actively canvass clients who had dropped out voluntarily to return to the programme. Clients who were dropped by the programme due to absenteeism from weekly meetings were also contacted if they had been out of the programme for more than one year, but they had to undergo a one-day training before rejoining.

2.3 Portfolio Quality

Portfolio at risk. Portfolio at risk (PAR > 30 days) remained at 0.01% this quarter. Only four clients were in arrears over 30 days this quarter. The cumulative repayment rate remained stable at 99.99 percent. Outstanding portfolio at risk increased from Rp. 1.0 million (\$111) to Rp. 1.8 million (\$200).

Table 2. Quarterly Portfolio Quality Indicators

	Jun-06	Sept-06	Dec-06	Mar-07	Jun-07
<u>Portfolio at risk (Rp. 000)</u>					
0 -30 days	2,280			956	0
31-60 days					465
61-90 days					812
<u>> 90 days</u>					<u>540</u>
PAR (>30 days)				956	1,817
% PAR (>30 days)			0	0.01%	0.01%
<u>Overdue principal (Rp. 000)</u>					
0 -30 days	240	80		106	
31-60 days		400			165
61-90 days					506
<u>> 90 days</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>288</u>
Total	240	480	0	106	959
<u>Clients in Arrears</u>					
0 -30 days	12	6	1	2	
31-60 days		4			1
61-90 days					2
<u>> 90 days</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1</u>
Total	12	10	1	2	4
Cumulative repayment rate				99.99%	99.99%
Portfolio loss provision ratio	5.0%	5.0%	5.0%	1.0%	1.0%

2.4 Productivity and Efficiency

Increase in clients per field officer ratio. The average number of clients per field officer (excluding probationary staff) increased from 341 in the previous quarter to 361 in this quarter (table 3). There were a total of 138 field officers serving some 41,136 active clients by the end of the period. Of these, 24 were probationary field officers (less than two months in MBK), while another 43 had between 2 and 6 months' experience. The number of confirmed field officers, with more than 6 months experience working in MBK, rose to 71. Only the last two categories (114 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, rose slightly from 217 to 219 per staff.

Portfolio per field officer. The outstanding portfolio per confirmed field officer increased from \$12,956 to \$15,382 as a result of larger follow-up loans in the older districts of Tangerang and Bogor.

Centres per field officer. The ratio of centres per field officer declined a little from 20 to 19 this quarter. This ratio also excludes the 24 probationary field officers.

Field officers as a share of total staff. The ratio of field officers to total staff declined slightly from 75 to 73 percent.

Table 3. Quarterly Productivity and Efficiency Indicators

	Jun-06	Sept-06	Dec-06	Mar-07	Jun-07
<u>Outreach</u>					
Clients	22,277	26,229	27,978	31,709	41,136
Branches	11	13	15	16	24
Centres	1,143	1,418	1,554	1,820	2,127
<u>Total staff (field + head office)</u>	<u>83</u>	<u>114</u>	<u>122</u>	<u>146</u>	<u>189</u>
Head office staff	9	8	9	7	9
<u>Field staff</u>	<u>74</u>	<u>106</u>	<u>113</u>	<u>139</u>	<u>180</u>
MIS & District staff (incl. 1 driver)	3	5	5	13	18
<u>Total branch staff</u>	<u>71</u>	<u>101</u>	<u>108</u>	<u>126</u>	<u>162</u>
Branch managers	9	13	15	20	24
Total loan officers	62	88	93	110	138
Confirmed field officers (>6 mths)	37	37	49	59	71
Trainee field officers (2-6 mths)	18	30	30	34	43
Probationary field officers (<2 mths)	7	21	14	17	24
<u>Efficiency ratios</u> ¹					
Clients per field officer	387	382	354	341	361
Clients/total staff (field and HO)	256	225	229	217	219
Centres per field officer	21	22	20	20	19
Portfolio/loan officer (\$)	15,253	15,982	12,757	12,596	15,382
Overhead ratio (HO/All admin expenses)	34%	30%	30%	28%	27%
Field officers as % of total staff	75	77	76	75	73
HO staff as % of total staff	11	7	7	5	5

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

Overhead ratio and HO/field staff ratio. The head office to total administration expense ratio continued to decline from 28 to 27 percent between the last quarter and this one. The HO/total staff ratio remained stable at 5 percent.

2.5 Viability and Sustainability

Operating expense ratio. The operating expense ratio slightly increased from 33.1 percent to 33.4 percent between last quarter and this quarter, due to the rapid expansion in the number of branches and new staff.

Total cost ratio. The total cost ratio also increased by 1.2 percent from 41 to 42.2 percent. This ratio includes financial costs.

Yield on portfolio. The average quarterly yield on portfolio declined by 2.4 percent from 48.7 to 46.3 percent, calculated using the average outstanding portfolio for the four preceding quarters.

Table 4. Quarterly Viability and Sustainability Indicators

	June-06	Sept-06	Dec-06	Mar-07	June-07
Operating expense ratio (Operating expenses/Average portfolio outstanding)	29.8%	28.9%	31.0%	33.1%	33.4%
Total cost ratio (Operating + financial expenses/avg. portfolio outs.)	35.4%	35.0%	37.9%	41.0%	42.2%
Quarterly yield on portfolio (Average quarterly income from portfolio/ Average portfolio outstanding in past 4 quarters)	44.3%	45.8%	46.8%	48.7%	46.3%
Annual yield on portfolio (Annual income/average portfolio last December and this December)	44.8%	43.7%	55.6%	54.5%	43.2%
Yield gap: 100% - (% annual yield/exp. yield) ¹	20%	22%	1%	3%	8%
Operational self sufficiency (Total income/operating + financial expenses)	127%	132%	124%	108%	102%

Yield gap. The yield on gross portfolio calculated conventionally, i.e., the ratio of the annual income (July 2006 - June 2007) over the average outstanding working capital portfolio this June and last June, was 43.2 percent. Since MBK charged an interest rate of 25 percent on a flat basis, and kept 5 percent of the working capital as guarantee (client responsibility fund), the expected annual yield on a declining basis is 47.2 percent. So the yield gap in June 2007 was 100% - [(43.2/47.2)]*100, or 100% - 92% = 8 percent.

Operational self-sufficiency. Operational self-sufficiency declined from 108 to 102 percent as the result of higher operating costs at the head office level (new MIS department). the decline between this year and last was mainly due to the drop in interest rate from 30 to 25 percent in October 2006.

3 Income Statement and Balance Sheet

3.1 Income Statement

Net Income. The net operating income this quarter declined from \$11,685 to -\$4,120 (table 5), due to higher operating costs at the head office level noted above, including the addition of new MIS staff.

Financial expenses. Cumulative financial expenses consisted of interest payment and portfolio loss provision expenses. Starting January 2007, and in compliance with banking regulations, MBK lowered portfolio loss reserve from 5 to 1 percent of outstanding portfolio. Interest payment for Cordaid loan was due in this quarter, and provisions were made for the interest payable for newly contracted loans from US-based Dignity Fund and Micro Credit Enterprise Fund.

Cumulative net operating income. Operating income before tax declined from \$11,685 to \$7,713 this quarter.

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

	Dec-05	<i>Revised</i> June-06	<i>Revised</i> Sept-06	<i>Revised</i> Dec-06	<i>Revised</i> Mar-07	<i>Prelim</i> June-07
1. <u>Quarterly Income & Expenses</u>	<u>10,466</u>	<u>24,171</u>	<u>34,149</u>	<u>8,302</u>	<u>11,685</u>	<u>-4,120</u>
1.1 Quarterly total income	47,923	95,004	123,740	121,470	157,442	176,111
1.2 Quarterly total expenses	37,457	70,834	89,591	113,168	145,665	180,231
2. <u>Total Income (cumulative)</u>	<u>141,634</u>	<u>165,693</u>	<u>290,043</u>	<u>417,645</u>	<u>157,442</u>	<u>335,562</u>
2.1 Income on portfolio (cumulative)	138,626	161,949	282,973	407,222	149,617	322,830
2.2 Income from bank accounts	2,138	2,401	5,160	7,860	7,087	10,605
2.3 Other income (penalty)	870	1,343	1,911	2,562	738	2,127
3. <u>Total Expenses (cumulative)</u>	<u>124,713</u>	<u>130,170</u>	<u>220,241</u>	<u>338,065</u>	<u>145,757</u>	<u>327,849</u>
3.1 <u>Financial expenses</u>	<u>24,026</u>	<u>22,119</u>	<u>43,269</u>	<u>61,099</u>	<u>26,560</u>	<u>72,922</u>
(a) Interest expenses	854	3,882	13,635	34,814	23,699	63,710
(b) Portfolio loss provision expense	23,172	18,236	29,634	26,285	2,861	9,213
3.2 <u>Operating expenses</u>	<u>100,687</u>	<u>108,051</u>	<u>176,972</u>	<u>276,966</u>	<u>119,105</u>	<u>254,927</u>
(a) Personnel expense	44,387	48,377	86,417	143,089	69,737	154,635
(b) Administrative expense	56,301	59,675	89,550	133,877	49,460	100,292
(c) Head office operating expense	41,825	36,505	53,392	81,899	33,369	69,169
(d) Branch operating expense	58,862	71,546	123,575	195,067	85,828	185,758
4. <u>Net Operating income</u>	<u>16,921</u>	<u>35,523</u>	<u>69,802</u>	<u>79,580</u>	<u>11,685</u>	<u>7,713</u>
(a) Tax	<u>2,929</u>	<u>1,991</u>	<u>3,293</u>	<u>21,364</u>	<u>1,851</u>	<u>1,147</u>
(b) Net profit/loss after tax	13,315	33,531	66,509	58,216	9,833	6,567

3.2 Balance Sheet

Total assets. MBK's total assets increased from \$1.7 million to \$2.7 million during this quarter due mainly to the increase in portfolio (\$582,180), cash (\$291,432, mainly due to the new Dignity Fund tranche disbursed on 29 June 2007) and fixed assets (\$39,569).

Current liabilities. Current liabilities increased mainly as a result of company's withholding tax and loan interest payable.

Long-term liabilities. Long-term liabilities consisted of Loans from Cordaid, Hivos, Dignity Fund and Micro Credit Enterprise, as well as a small loan from the Kiva Micro-fund.

Equity. MBK's equity remained stable in Rupiah terms, but increased by \$6,629 from \$785,147 to \$791,776 in dollar terms as a result of the stronger Rupiah.

Table 6. Quarterly Balance Sheet (US\$)

	<i>Revised</i>	<i>Revised</i>	<i>Revised</i>	<i>Revised</i>	<i>Prelim.</i>	
	Dec-05	June-06	Sept-06	Dec-06	Mar-07	June-07
<u>Assets</u>	<u>684,920</u>	<u>1,139,602</u>	<u>1,302,413</u>	<u>1,295,897</u>	<u>1,717,286</u>	<u>2,665,281</u>
Outstanding portfolio	440,754	838,905	1,070,811	1,007,776	1,171,405	1,753,585
(Portfolio loss reserve)	(23,140)	(41,923)	(53,518)	(50,366)	(11,714)	(17,536)
Net outstanding portfolio	417,615	796,982	1,017,293	957,411	1,159,691	1,736,049
Cash and bank accounts	203,898	249,396	174,107	230,142	395,499	686,931
Other current assets	4,997	8,114	10,758	8,504	28,056	68,822
Company's establishment	-	-	-	-	2,205	2,048
Net fixed assets	58,410	85,109	100,255	99,841	131,835	171,404
<u>Current Liabilities</u>	<u>47,927</u>	<u>126,585</u>	<u>100,436</u>	<u>95,674</u>	<u>164,579</u>	<u>227,521</u>
Client responsibility fund (savings)	39,272	69,945	86,489	95,517	109,865	144,329
Temporary loan, Founders	-	51,339	-	-	-	-
Interest payable on loans	-	3,882	13,635	-	23,699	26,904
Withholding income tax, staff	48	141	7	157	(83)	-
Withholding income tax, Corporate'07	8,607	1,278	305	-	1,588	880
Withholding income tax, Corporate'06	-	-	-	-	85,203	86,291
Withholding tax, PPh 23	-	-	-	-	178	-
Withholding tax, PPh 4 (2)	-	-	-	-	22	-
Other Current liabilities	-	-	-	-	4,790	4,809
<u>Long-term Liabilities</u>	<u>590,966</u>	<u>932,832</u>	<u>1,188,644</u>	<u>1,094,193</u>	<u>706,877</u>	<u>1,610,231</u>
Loan, Dhanani (founder) ¹	148,548	150,569	67,924	69,360	-	-
Loan, Sweeting (founder) ¹	39,155	39,688	23,576	24,074	-	-
Contribution, Hivos, Netherlands ¹	373,816	459,596	461,290	484,168	195,381	197,875
Loan, Grameen Trust	29,447	29,848	29,958	-	-	-
Loan, Cordaid, Netherlands	-	253,132	505,896	516,591	511,496	518,024
Loan, The Dignity Fund	-	-	-	-	-	596,762
Loan, Micro Credit Enterprise	-	-	-	-	-	289,743
Loan, Kiva Micro Fund	-	-	-	-	-	7,827
<u>Equity</u>	<u>46,026</u>	<u>80,184</u>	<u>113,334</u>	<u>106,030</u>	<u>785,147</u>	<u>791,776</u>
Paid-up capital	10,654	10,799	10,839	11,068	328,767	332,963
Additional Paid-up Capital	-	-	-	-	442,945	442,945
Retained Earnings	21,380	35,854	35,986	36,746	3,602	3,648
Profit/loss, this quarter	13,992	33,531	66,509	58,216	9,833	6,567
<u>Total Equity & Liabilities</u>	<u>684,920</u>	<u>1,139,602</u>	<u>1,302,413</u>	<u>1,295,897</u>	<u>1,717,286</u>	<u>2,665,281</u>

4 Institutional Strengthening

4.1 Staff Recruitment and Development

Total staff. The total number of staff increased by 43 this quarter to 189 with the addition of probationary field officers and three area office MIS staff, one for data entry.

Trainee deputy branch managers. MBK continued to recruit a number of young women graduates for this position and place them in stable branches for training. There was virtually no competition from government or the banking sector for such graduates this quarter; this had been

a constraint to recruitment in previous months. As a result, MBK now has a reservoir of suitable candidates and will have a well prepared cadre of trainee branch managers to place in new areas in the final quarter of this year, after the annual religious holiday in early October.

Harvard Business School Management Training. The Chair attended a one-week course for microfinance leaders at the Harvard Business School in early April 2007.

4.2 Implementation of the new portfolio MIS system “KREDITS”

Three consultants from the US-based Technical Development Solutions software company spent about one and half month in MBK to install the KREDITS banking and microfinance software. During this time, they also trained 12 MIS staff in data entry and table formation. Head office MIS staff received additional training in MIS management and trouble shooting.

5 Management and Governance

5.1 Internal Audit Visits

Internal audit visits. The Internal Auditor continued with her audit compliance visits this quarter. She also visited the three operational branches in Bandung area to assess poverty-targeting based on the CASHPOR housing index. The Area Coordinator had requested that it be raised to 10 for this area due the colder climate which makes bamboo housing unfeasible. She reported her findings to the CEO at the end of June and will meet the Head of Audit of the Governing Board in early July.

5.2 New area level MIS offices

Preparation for opening another 2 MIS offices. Three new staff were recruited with the intention that after training they will join one of the new area offices as data entry staff. Two continue to be trained at head office, while the third joined the east Tangerang office for training. Existing MIS staff were reallocated according to their experience, skills and preferences so that it will become possible to open the two new offices next quarter with a combination of experienced and newer staff.

5.3 Staff

Promotion of deputy branch manager trainees to branch manager posts. The more capable and experienced of the direct-recruitment deputy branch manager trainees were promoted to trainee branch manager in the newly opened branches. They were closely supported by their Area Coordinator in all activities. After their managerial capabilities were assessed by the Area Coordinators, several were confirmed as new branch managers and their responsibilities extended to include inter-branch testing of candidate clients. In addition, one very experienced senior secondary school leaver was promoted to branch manager in the fourth, newly opened branch in Sukabumi, having displayed her capabilities as a deputy trainee in the first Sukabumi branch during last quarter.

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

- April 2. *MBK Governing Board Meeting*: Mr. David Gibbons and Mrs. Helen Todd
- April 3. *Bank Danamon Indonesia*, Mr. Djemi Suhenda, Jakarta.
- April 5. *Department of Agriculture*: MBK presentation at Microfinance Seminar, Jakarta
- April 9. *Unitus Inc.*: Geoff “Chester” Woolley, Board of Directors, Capital Markets
- April 12. *Share Microfin India*: Mr. Udaya Kumar, Boston
- April 12. *Unitus Inc.*: Katherine Switz and Tamar Migdal, Boston
- April 12. *Oikocredit*: Florian Grohs, Boston
- April 13. *Micro Insurance Agency*: Richard Leftley, Boston
- April 14. *Cordaid*: Mr. Gauke Andriessse, Mr. Jan Postmus and Mr. Marc van de Linden
- April 16. *The Dignity Fund*: Maya Chorengel, San Francisco, Steve Funk, Vancouver (April 22)
- April 16. *Kiva Organization*: Premal Shah, Chelsa Bocci and Michelle Kreger, San Francisco.
- April 16. *Micro Credit Enterprise Fund*: Kyle Salyer, Gregg Schoen, Janet A. McKinley, George A. Miller, and Arthur Rock, San Francisco
- April 18. *Gema PKM*: Microfinance Forum meeting, Jakarta
- April 22. *Unitus Inc.* Elizabeth Funk, Vancouver.
- May 01. *Grameen Foundation USA*: Mr. Sean DeWitt and Mr. Peter Bladin
- May 01. *Dian Mandiri Foundation*: Ms. Monique Thenu & Ms. Metti
- May 01. *Bumiputera Insurance*: Mr. Tono
- May 02. *Gema PKM*: Microfinance Forum meeting, Jakarta
- May 02. *Bank Danamon Indonesia*: Mr. Djemi Suhenda and Mr. Karim Siregar, Jakarta
- May 05. *International Finance Corporation*: Mr. Harold Rosen and Mr. Andy Do, Jakarta
- May 05. *Bakrie Telecom and Grameen Foundation USA* : Mr. Anindya N. Bakrie, Mr. Rakhmat Junaidi, Mr. Yuri and Mr. Sean DeWitt, Jakarta
- May 07. *Department of Finance*, Directorate for Financing Institutions, Mr. Maman.
- May 10. *Bank Islam Rif’Atul Ummah* and Yayasan Peramu: Mr. Mulyadih
- May 11. *Grameen Foundation USA*: Mr. Alex Counts, Mr. Sean DeWitt and Ms. Erin Connor, Jakarta

- May 13. *Technical Development Solutions*: Mr. Donald H. Eggert, Mr. Hans Novakovic, Ms. France Barral and Mrs. Nancy (KREDITS software team)
- May 21. *Citibank*: Mr. Bagoes Tanurahardja and Mr. Zia H. Ahmad, Jakarta
- May 22. *Bank Mandiri*: Mr. Deny Admiral, Jakarta
- May 22. *Yayasan Mitra Dhuafa*: Mr. Slamet Riyadi and Ms. Elin Halimah
- May 23. *Bank Danamon Indonesia*: Mr. Karim Siregar and Ms. Santi
- May 23. *Tangerang Tax Office*: Mr. Rudy, Serpong
- May 29. *Tangerang Tax Office*: Mr. Rudy, Serpong
- June 04. *Bank Danamon Indonesia*: Mr. Sebastian Paredes, Mr. Sanjiv Malhotra, Mr. Djemi Suhenda and Mr. Karim Siregar, Jakarta
- June 07. *Bank Danamon Indonesia*: Mr. Sanjiv Malhotra, field visit
- June 11. *PT. Wahana Rona Semesta Consultant (Tax Consultant)*: Mr. Sanny Warokka and Mr. Rizky Hartawan, Jakarta
- June 18. *Unitus Inc. India & LifeBank Foundation Philippine*: Mr. Vikas Jhunjhunwala, Mr. Vincent Perlas and Mr. Manny Perlas
- June 29. *PT. Wahana Rona Semesta Consultant (Tax Consultant)*: Mr. Sanny Warokka and Mr. Rizky Hartawan, Jakarta

6 Strategic 5-year Business Plan 2007-2011

6.1 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.

6.2 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							
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							
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							
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							
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							
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							
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).

7 Planned Activities for Second Quarter 2007

7.1 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.

7.2 Institutional Strengthening

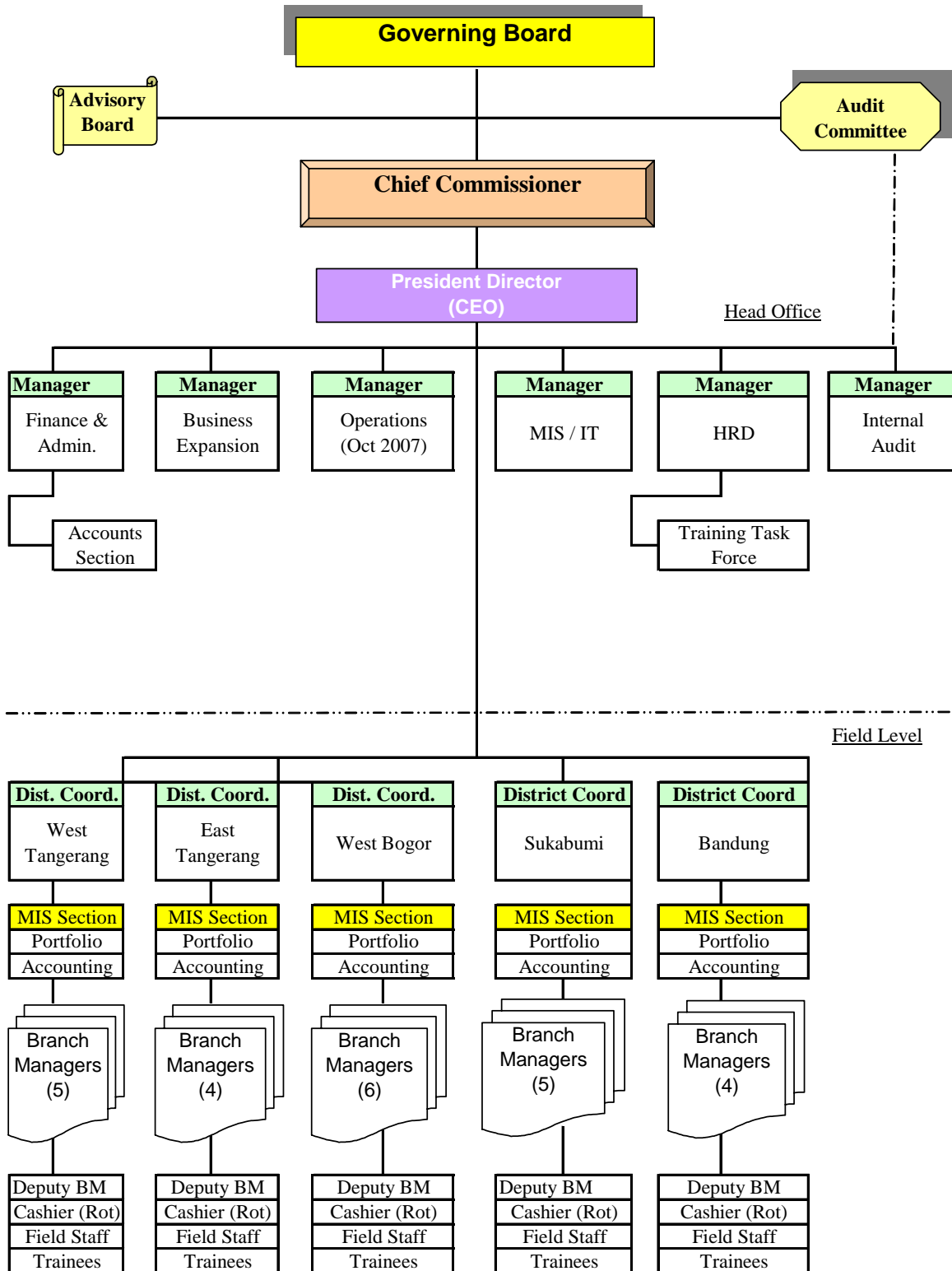
- Implement the "Kredits" MIS system in all 5 areas by mid-August. This includes supporting data entry staff to produce the weekly collection and disbursement sheets on time, and training field staff in their use.
- Open and staff area offices in Sukabumi and Bandung to handle MIS data entry at the district 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).

7.3 Management and Governance

- *General Governing Board Meeting.* Identify two more Governing Board Members 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 (MBK) Organization Chart, June 2007



Annex B: Financial Statements – June 07

Provisional Income Statement as of June 2007

Provisional Income Statement - 30 June 2007

(Thousand Rupiah)

Description	Jun-07	Mar-07	1 Jan-07 PT. MBK	Dec-06 MBK	Dec-06 Ganेशha	Dec-05
INCOME						
Interest on Loans	2,908,695.7	1,365,253.8	3,679,253.30		3,679,253.3	1,301,147.2
Interest on Bank Accounts	95,554.2	64,671.4	109,782.11	38,767.0	71,015.2	20,063.2
Other Income	19,168.1	6,734.5	23,151.02		23,151.0	<u>8,166.4</u>
Total Income	3,023,418.0	1,436,659.7	3,812,186.4	38,767.0	3,773,419.5	1,329,376.8
FINANCIAL COSTS						
Interest on Borrowings	574,024.0	216,256.0	314,542.16		314,542.2	8,012.0
Gross Financial Margin	2,449,394.0	1,220,403.7	3,497,644.3	38,767.0	3,458,877.3	1,321,364.8
Portfolio Loss Expenses	83,006.1	26,104.2	237,484.23		237,484.2	<u>217,495.3</u>
Net Financial Margin	2,366,387.9	1,194,299.5	3,260,160.0	38,767.0	3,221,393.1	1,103,869.5
OPERATING EXPENSES						
Salaries, incentive, benefits	1,393,258.2	636,353.4	1,292,811.20	-	1,292,811.2	416,612.7
Travelling & transport	139,764.3	73,216.5	137,040.30	-	137,040.3	44,471.8
Administrative/office exps	505,275.4	282,464.6	702,394.98	3,400.0	698,995.0	244,516.5
Depreciation	207,998.3	92,739.4	283,484.16	2,500.0	280,984.2	135,927.1
Mgt Information System	17,181.8		14,340.20		14,340.2	37,451.9
Staff development	33,411.6	2,903.0	78,220.65	-	78,220.7	<u>66,071.0</u>
	2,296,889.5	1,087,676.9	2,508,291.5	5,900.0	2,502,391.5	945,050.9
PROFIT/LOSS	69,498.4	106,622.6	751,868.5	32,867.0	719,001.6	158,818.6
Tax	<u>10,331.6</u>	<u>16,893.6</u>	<u>193,022.1</u>		<u>193,022.1</u>	<u>27,491.5</u>
NET PROFIT/LOSS AFTER TAX	59,166.9	89,729.0	558,846.4	32,867.0	525,979.4	131,327.1

Provisional Balance Sheet as of June 2007

Provisional Balance Sheet - as at 30 June 2007

(Thousand Rupiah)

Description	Jun-07	Mar-07	1 Jan-07 MBK	Dec 2006 PT.MBK	Dec-06 Ganेशha	Dec-05
ASSETS						
Current Assets						
Cash in hand and in Banks	6,189,250.5	3,608,926.3	5,114,700.6	3,035,367.00	2,079,333.6	1,913,788.9
Other current assets	620,090.2	256,007.2	97,834.1	21,000.00	76,834.1	46,906.0
Loans Outstanding						
Gross loans outstanding	15,799,797.0	10,689,068.0	9,105,260.0		9,105,260.0	4,136,919.0
(Loan loss reserve)	-157,997.6	-106,890.7	-91,052.7		-455,055.3	-217,188.3
Net Loans outstanding	<u>15,641,799.4</u>	<u>10,582,177.3</u>	<u>9,014,207.3</u>	<u>0.0</u>	<u>8,650,204.7</u>	<u>3,919,730.7</u>
Total current assets	22,451,140.0	14,447,110.8	14,226,742.0	3,056,367.0	10,806,372.4	5,880,425.6
Long-term Assets						
Property and equipment	2,239,527.7	1,792,993.7	1,425,537.6	17,000.00	1,408,537.6	784,825.2
(Accumulated depreciation)	-695,173.8	-589,998.2	-507,540.0	-1062.5	-506477.5	-236,592.3
Net property & equipment	<u>1,544,353.9</u>	<u>1,202,995.5</u>	<u>917,997.6</u>	<u>15,937.5</u>	<u>902,060.1</u>	<u>548,232.9</u>
Total long-term assets	1,544,353.9	1,202,995.5	917,997.6	15,937.5	902,060.1	548,232.9
Other Assets						
Company's Establishment	19,166.6	20,604.1	23,000.0	23,000.00		
(Amortization of Company's Estab.)	-479.2	-479.2	-1,437.5	1,437.50		
Net Company's Establishment	<u>18,687.4</u>	<u>20,124.9</u>	<u>21,562.5</u>	<u>21,562.5</u>		
Total Other assets	18,687.4	20,124.9	21,562.5	21,562.5		
Total Assets	24,014,181.3	15,670,231.2	15,166,302.0	3,093,867.0	11,708,432.4	6,428,658.5
LIABILITIES & EQUITY						
Current Liabilities						
Short-term Loan, Dhanani						
Short-term Loan, Sweeting						
Interest payable on loans	242,405.22	216,256.00				
Client responsibility fund	1,300,400.0	1,002,515.0	862,995.0		862,995.00	368,610.0
Withholding tax	785,407.4	793,030.1	778,896.6		1,415.98	81,236.5
Other current liabilities	43,881.20	43,706.30				
Short Term Loan, PT BUK				61,000.00		
Total current liabilities	2,372,093.8	2,055,507.4	1,641,891.6	61,000.0	864,411.0	449,846.5
Long-term Liabilities						
Loan, S. Dhanani (int. free)					626,667.30	1,394,267.2
Loan, E. Sweeting (int. free)					217,513.00	367,513.0
Loan, Hivos	1,782,855.00	1,782,855.00	1,782,855.0		4,374,457.00	3,508,638.0
Loan, Grameen Trust	-	-			-	276,389.9
Loan, Cordaid	4,667,400.0	4,667,400.0	4,667,400.0		4,667,400.00	
The Dignity Fund	5,376,822.9					
MC Enterprise Fund	2,610,586.1					
KIVA Microfunds	70,516.8					
Total long-term liabilities	14,508,180.7	6,450,255.0	6,450,255.0	-	9,886,037.3	5,546,808.1
Total Liabilities	16,880,274.5	8,505,762.4	8,092,146.6	61,000.0	10,750,448.3	5,996,654.6
Shareholders' Equity						
Paid up Capital	3,000,000.0	3,000,000.0	3,000,000.0	3,000,000.00	100,000.00	100,000.0
Additional Paid up Capital	4,041,871.9	4,041,871.9	4,041,288.4			
Retained earnings	32,867.0	32,867.0	32,867.0		332,003.60	200,676.7
Current net surplus/deficit	59,166.9	89,729.0		32,866.96	525,979.44	131,327.1
Total Equity	7,133,905.7	7,164,467.8	7,074,155.4	3,032,867.0	957,983.0	432,003.8
Total Liabilities & Equity	24,014,180.2	15,670,230.1	15,166,302.0	3,093,867.0	11,708,431.3	6,428,658.4

Annex C: Quarterly Performance Indicators – June 2007

		2005	2006				2007	
		Dec	Mar	Jun	Sep	Dec	Mar	Jun
	<i>Exchange rate: US\$1 =</i>	9.386	9.150	9.260	9.226	9.035	9.125	9.010
1.0	<u>Outreach Indicators</u>							
1.1	Cumulative clients recruited	13,377	17,571	24,462	29,702	32,285	37,936	49,115
1.2	Cumulative dropouts	<u>1,042</u>	<u>1,515</u>	<u>2,185</u>	<u>3,473</u>	<u>4,307</u>	<u>6,227</u>	<u>7,979</u>
1.3	Net members	12,335	16,056	22,277	26,229	27,978	31,709	41,136
1.4	% Growth in clients (over previous period)	17%	30%	39%	18%	7%	13%	30%
	Net active clients	12,335	16,056	21,267	25,623	27,372	31,058	40,600
1.5.1	1st cycle	9,593	12,418	16,201	18,071	19,264	20,363	24,912
1.5.2	2nd cycle	1,222	1,727	2,993	5,294	6,036	7,703	11,484
1.5.3	3rd cycle	1,517	1,713	1,540	1,226	903	1,370	2,445
1.5.4	4th cycle and above	3	198	533	1,032	1,169	1,622	1,759
1.5.5	% in 2nd cycle and above	10%	23%	24%	31%	31%	36%	39%
1.6.1	Total dropouts this quarter	105	473	670	1,288	834	1,920	1,752
1.6.2	Quarterly dropout rate	0.9%	2.9%	3.0%	4.9%	3.0%	6.1%	4.3%
1.6.3	Year-on-year dropout rate	4.4%	4.5%	6.1%	9.7%	11.7%	14.9%	14.1%
1.7	Branches	5	9	11	13	15	20	24
1.8.1	Cumulative centres formed	<u>613</u>	<u>821</u>	<u>1,164</u>	<u>1,445</u>	<u>1,594</u>	<u>1,880</u>	<u>2,211</u>
1.8.2	Centres closed		13	21	27	40	60	84
1.8.2	Net number of centres	613	808	1,143	1,418	1,554	1,820	2,127
1.9	Average members per centre	20	20	19	18	18	17	19
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	1,800
1.10.5	5th cycle						2,200	2,200
1.11	Max. working capital size (US\$)							
1.11.1	1st cycle	53	55	54	54	55	55	55
1.11.2	2nd cycle	107	109	108	108	111	110	111
1.11.3	3rd cycle	160	164	162	163	166	164	166
1.11.4	4th cycle	192	197	194	195	199	197	200
1.11.5	5th cycle						241	241
1.12.1	Cum working capital disbursed	10,752,300	14,198,800	19,416,103	25,273,613	28,138,593	33,903,135	45,518,659
1.12.2	Cum WK provided	16,588	21,011	28,992	35,810	34,045	39,879	55,215
1.12.3	Avg working capital (Rp.000)	648	676	670	706	827	850	824
1.12.4	Avg working capital (US\$)	69	74	72	76	91	93	90
1.12.5	New Portfolio this quarter	1,518,700	3,446,500	5,217,303	5,857,510	2,864,980	5,764,542	11,615,524
1.12.6	New WC provided this quarter	1,291	4,423	7,981	6,818	-1,765	5,834	15,336
1.12.7	Avg new working capital size (Rp.000)	1,176	779	654	859	-1,623	988	757
1.12.8	Avg new working capital size (US\$)	125	85	71	93	-180	108	84
1.13.1	Total amount due this quarter	1,482,992	2,092,184	2,940,516	3,746,708	3,638,544	4,180,840	6,505,648
1.13.2	Total amount collected this qtrtr	1,482,992	2,092,184	2,940,276	3,746,468	3,639,024	4,180,734	6,504,795
1.13.3	Arrears this quarter	0		240	240		106	853
1.14.1	Cumulative amount due	6,615,381	8,707,565	11,648,081	15,394,789	19,033,333	23,214,173	29,719,821
1.14.2	Cumulative amount collected	6,615,381	8,707,565	11,647,841	15,394,309	19,033,333	23,214,067	29,718,862
1.14.3	Cumulative arrears	0		240	480		106	959
1.14.4	Amount due this quarter	1,482,992	2,092,184	2,940,516	3,746,708	3,638,544	4,180,840	6,505,648
1.14.5	Amount collected this quarter	1,482,992	2,092,184	2,940,276	3,746,468	3,639,024	4,180,734	6,504,795

		2005	2006				2007	
		Dec	Mar	Jun	Sep	Dec	Mar	Jun
	Exchange rate: US\$1 =	9.386	9.150	9.260	9.226	9.035	9.125	9.010
1.15	Total portfolio outstanding (Rp. 000)	4,136,919	5,491,235	7,768,262	9,879,304	9,105,260	10,689,068	15,799,797
1.16	Total portf. outstanding (\$)	440,754	600,135	838,905	1,070,811	1,007,776	1,171,405	1,753,585
1.17	Average portf. outstanding (\$)	36	37	39	42	36	37	43
1.18	% Growth (over prev qt)	1%	33%	41%	27%	-8%	17%	48%
1.19.1	Client responsibility fund (Clients)	12,335	16,056	21,267	25,623	27,372	31,058	40,600
	Total client responsibility fund							
1.19.2	(CRF)	368,610	473,815	647,690	797,945	862,995	1,002,515	1,300,400
1.19.3	CRF as % of portfolio outstanding	9%	9%	8%	8%	9%	9%	8%
2.0	<u>Portfolio quality</u>							
	<u>Portfolio at Risk (Rp. 000)</u>							
	0 -30 days			2,280			956	-
	31-60 days							465
	61-90 days							812
	<u>≥ 90 days</u>							<u>540</u>
	Total			2,280			956	1,817
	Portfolio at risk (>30)							1,817
	% PAR (>30)							0.01%
	<u>Overdue principal (Rp. 000)</u>							
	0 -30 days			240	80		106	
	31-60 days				400			165
	61-90 days							506
	<u>≥ 90 days</u>							<u>288</u>
	Total			240	480		106	959
	<u>Client in arrear</u>							
	0 -30 days			12	6	1	2	
	31-60 days				4			1
	61-90 days							2
	<u>≥ 90 days</u>			<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	Total							4
2.1	<u>Repayment Rate</u>							
2.1.1	Quarterly Repayment Rate						99.99%	99.99%
2.1.2	Cumulative Repayment Rate						99.99%	99.99%
3.0	<u>Productivity and Efficiency</u>							
3.1	<u>Total Staff (field + head office)</u>	<u>57</u>	<u>70</u>	<u>83</u>	<u>114</u>	<u>122</u>	<u>146</u>	<u>189</u>
3.1.1	Head office staff	6	6	9	8	9	7	9
3.1.2	<u>Field staff</u>	<u>51</u>	<u>64</u>	<u>74</u>	<u>106</u>	<u>113</u>	<u>139</u>	<u>180</u>
3.1.2.1	District staff (incl. 1 driver)	2	3	3	5	5	13	18
3.1.2.2	Branch managers	5	7	9	13	15	16	24
3.1.2.3	<u>Field officers</u>	<u>44</u>	<u>54</u>	<u>62</u>	<u>88</u>	<u>93</u>	<u>110</u>	<u>138</u>
	Field officers confirmed (>6 mths)	21	23	37	37	49	59	71
	Field officers trainee (2-6 mths)	16	19	18	30	30	34	43
	Probationary field officers (<2 mths)	7	12	7	21	14	17	24
3.2.1	Clients/field officer (>2mths)	333	382	387	382	354	341	361
3.2.2	Clients per staff (field + HO)	247	277	256	225	229	217	218
3.3.1	Portfolio/field officer (Rp.000)	111,809	130,744	141,241	147,452	115,256	114,936	138,595
3.3.2	Portfolio/field officer (US\$)	11,912	14,289	15,253	15,982	12,757	12,596	15,382
3.4	Centres per field officer	17	20	21	22	20	20	19
3.5	Operating expense ratio	29.7%	31.2%	29.9%	28.9%	31.0%	33.1%	33.4%
3.6	Total cost ratio	36.7%	36.0%	35.4%	35.0%	37.9%	41.0%	42.2%
3.7	Debt to equity ratio							
3.8	Overhead ratio (HO/Total expenses)	42%	37%	34%	30%	30%	28%	27%
3.9	Field officers as % of total staff	77%	77%	75%	77%	76%	75%	73%
3.10	Ratio HO staff to total staff (%)	11%	9%	11%	7%	7%	5%	5%

		2005	2006				2007	
		Dec	Mar	Jun	Sep	Dec	Mar	Jun
	Exchange rate: US\$1 =	9.386	9.150	9.260	9.226	9.035	9.125	9.010
4.0	<u>Viability and Sustainability</u>							
4.1	Average quarterly yield on portf.	41.7%	43.5%	44.3%	45.8%	46.8%	48.7%	46.3%
4.2	Average annual yield on portf.	49.5%	47.6%	44.8%	43.7%	55.6%	54.5%	43.2%
4.3	Operational self-sufficiency	114%	119%	127%	132%	124%	108%	102%
4.4	Financial self-sufficiency							
4.5	Return on average assets (ROA)	3%				8%	1%	0%
5.0	<u>Impact on Poverty</u>							
	% Very Poor (based on Housing Ind)	90%	90%	76%	79%	80%	80%	80%
5.1	Moderately poor	10%	10%	24%	21%	20%	20%	20%
5.2	Non-poor	-	-	-	-	-	-	-
5.3								
5.4	Current repayment rate this quart.	100.00%	100.00%	99.99%	99.99%	100.01%	100.00%	99.99%
5.5	Cumulative repayment rate	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
5.6	Client retention rate	95.6%	95.5%	93.9%	90.3%	88.3%	85.1%	85.9%
6.0	<u>Balance Sheet (Rp. 000)</u>							
6.1	<u>Total assets</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>15,670,231</u>	<u>24,014,181</u>
6.1.1	Outstanding portfolio	4,136,919	5,491,235	7,768,262	9,879,304	9,105,260	10,689,068	15,799,797
6.1.2	(Portfolio loss reserve)	-217,188	-274,354	-388,205	-493,758	-455,055	-106,891	-157,998
6.1.3	Net outstanding portfolio	3,919,731	5,216,881	7,380,057	9,385,547	8,650,205	10,582,177	15,641,799
6.1.4	% Portfolio loss reserve ratio	5.25%	5.00%	5.00%	5.00%	5.00%	1.00%	1.00%
6.1.5	Cash and bank accounts	1,913,789	840,189	2,309,404	1,606,316	2,079,334	3,608,926	6,189,251
6.1.6	Other current assets	46,906	65,658	75,139	99,250	76,834	256,007	620,090
6.1.7	<u>Net fixed assets</u>	<u>548,233</u>	<u>686,563</u>	<u>788,114</u>	<u>924,952</u>	<u>902,060</u>	<u>1,202,996</u>	<u>1,544,354</u>
6.1.7.1	Property and equipment	784,825	965,296	1,132,214	1,346,005	1,408,538	1,792,994	2,239,528
6.1.7.2	Accumulated depreciation	236,592	278,733	344,101	421,052	506,478	589,998	695,174
6.1.8	Company establishment						20,125	18,687
6.2	<u>Current Liabilities</u>	<u>449,847</u>	<u>735,608</u>	<u>1,172,181</u>	<u>926,619</u>	<u>864,411</u>	<u>2,055,507</u>	<u>2,372,094</u>
6.2.1	Client responsibility fund	368,610	473,815	647,690	797,945	862,995	1,002,515	1,300,400
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		216,256	242,405
6.2.7	Withholding tax, employee	453		1,304	64	1,416	-757	2
6.2.8	Withholding tax, Corporate (2007)	80,783	58,193	11,837	2,810		14,487	7,925
6.2.9	Withholding tax, Corporate (2006)						777,481	777,481
6.2.10	Withholding tax, PPh 23						1,620	
6.2.11	Withholding tax, PPh 4 (2)						200	
6.2.12	Other current liabilities						43,706	43,881
	<u>Long-term Liabilities</u>	<u>5,546,808</u>	<u>5,546,808</u>	<u>8,638,027</u>	<u>10,043,827</u>	<u>9,886,037</u>	<u>6,450,255</u>	<u>14,508,181</u>
6.2.2	Loan, Dhanani (int. free)	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	217,513	217,513		
6.2.4	Loan, Hivos Netherlands	3,508,638	3,508,638	4,255,857	4,255,857	4,374,457	1,782,855	1,782,855
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	4,667,400
6.2.6	Loan, The Dignity Fund							5,376,823
6.2.7	Loan, Micro Credit Enterprise							2,610,586
6.2.8	Loan, Kiva Microfund							70,517
6.4	<u>Total equity</u>	<u>432,004</u>	<u>526,875</u>	<u>742,504</u>	<u>1,045,618</u>	<u>957,983</u>	<u>7,164,468</u>	<u>7,133,906</u>
6.4.1	Paid-up Capital	100,000	100,000	100,000	100,000	100,000	3,000,000	3,000,000

		2005	2006				2007	
		Dec	Mar	Jun	Sep	Dec	Mar	Jun
6.4.2	Exchange rate: US\$1 =	9.386	9.150	9.260	9.226	9.035	9.125	9.010
	Additional Paid up capital						4,041,872	4,041,872
6.4.3	Retained Earnings	200,677	332,004	332,004	332,004	332,004	32,867	32,867
6.4.4	Profit/loss, end of quarter	131,327	94,871	310,501	613,614	525,979	89,729	59,167
6.4	Total liabilities & equity	6,428,658	6,809,291	10,552,713	12,016,064	11,708,432	15,670,230	24,014,180
	[Cross-check]	0.4	0.5	0.5	0.5	0.9	0.9	1.1
7.0	Income Statement (Rp.000)							
7.1.1	Profit sharing Ratio	30%	30%	30%	30%	25%	25%	25%
7.1.2	Quarterly Net Operating Income	98,232	105,117	223,822	315,056	75,007	106,623	-37,124
7.1.2.1	Quarterly total income	449,805	654,574	879,741	1,141,626	1,097,479	1,436,660	1,586,758
7.1.2.2	Quarterly Income on Portfolio	442,103	637,028	862,619	1,111,059	1,068,547	1,365,254	1,543,442
7.1.2.3	Quarterly operating expenses	338,676	487,837	512,720	632,190	869,646	1,087,677	1,209,213
7.1.2.4	Quarterly total expenses	351,573	549,456	655,919	826,570	1,022,473	1,330,037	1,623,883
7.2	Total income	1,329,377	654,574	1,534,314	2,675,940	3,773,419	1,436,660	3,023,418
7.2.1	Income on Portfolio	1,301,147	637,028	1,499,648	2,610,707	3,679,253	1,365,254	2,908,696
7.2.2	Income on bank accounts	20,063	11,267	22,230	47,602	71,015	64,671	95,554
7.2.3	Other income	8,166	6,279	12,437	17,631	23,151	6,735	19,168
7.2.4	Grant income							
7.3	Total expenses	1,170,558	549,456	1,205,375	2,031,945	3,054,418	1,330,037	2,953,920
7.3.1	Financial expenses	225,507	61,620	204,819	399,200	552,026	242,360	657,030
7.3.1.1	Interest expense	8,012	3,600	35,950	125,800	314,542	216,256	574,024
7.3.1.2	Portfolio loss reserve expenses	217,495	58,020	168,869	273,400	237,484	26,104	83,006
7.3.2	Operating expenses	945,051	487,837	1,000,556	1,632,746	2,502,391	1,087,677	2,296,890
7.3.2.1	Personnel expense	416,613	195,032	447,970	794,756	1,292,811	636,353	1,393,258
7.3.2.2	All other expenses	528,438	292,805	552,586	837,989	1,209,580	451,324	903,631
7.3.2.3	Operating expenses	945,051	487,837	1,000,556	1,632,746	2,502,391	1,087,677	2,296,890
7.3.2.3	HO Operating Expense	392,574	181,201	338,038	492,596	739,957	304,493	623,210
7.3.2.4	Branch Operating Expense	552,477	306,636	662,518	1,140,105	1,762,434	783,184	1,673,680
7.3.2.4	Overhead ratio (HO/total operating expenses)	42%	37%	34%	30%	30%	28%	27%
7.4	Net Operating Income before tax	158,819	105,117	328,939	643,995	719,002	106,623	69,498
7.4.1	Tax	27,492	10,246	18,439	30,381	193,022	16,894	10,332
7.4.2	Net Income after Tax	131,327	94,871	310,501	613,614	525,979	89,729	59,167
8.0	Balance Sheet (US\$)							
8.1	Total assets	684,920	744,185	1,139,602	1,302,413	1,295,897	1,717,286	2,665,281
8.1.1	Outstanding portfolio	440,754	600,135	838,905	1,070,811	1,007,776	1,171,405	1,753,585
8.1.2	(Portfolio loss reserve)	-23,140	-29,984	-41,923	-53,518	-50,366	-11,714	-17,536
8.1.3	Net outstanding portfolio	417,615	570,151	796,982	1,017,293	957,411	1,159,691	1,736,049
8.1.4	% Portfolio loss reserve ratio	5.25%	5.00%	5.00%	5.00%	5.00%	1.00%	1.00%
8.1.5	Cash and bank accounts	203,898	91,824	249,396	174,107	230,142	395,499	686,931
8.1.6	Other current assets	4,997	7,176	8,114	10,758	8,504	28,056	68,822
8.1.7	Net fixed assets	58,410	75,034	85,109	100,255	99,841	131,835	171,404
8.1.7.1	Property and equipment	83,617	105,497	122,269	145,893	155,898	196,492	248,560
8.1.7.2	Accumulated depreciation	25,207	30,463	37,160	45,638	56,057	64,657	77,156
8.1.8	Company's Establishment						2,205	2,048
6.2	Current Liabilities	47,927	80,394	126,585	100,436	95,674	225,261	263,273
6.2.1	Client responsibility fund	39,272	51,783	69,945	86,489	95,517	109,865	144,329
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		23,699	26,904

		2005	2006				2007	
		Dec	Mar	Jun	Sep	Dec	Mar	Jun
	<i>Exchange rate: US\$1 =</i>	9.386	9.150	9.260	9.226	9.035	9.125	9.010
6.2.7	Withholding tax, employee	48		141	7	157	-83	0
6.2.8	Withholding tax, Corporate (2007)	8,607	6,360	1,278	305		1,588	880
6.2.9	Withholding tax, Corporate (2006)						85,203	86,291
6.2.10	Withholding tax, PPh 23						178	
6.2.11	Withholding tax, PPh 4 (2)						22	
6.2.9	Other current liabilities						4,790	4,809
	Long-term Liabilities	590,966	606,209	932,832	1,088,644	1,094,193	706,877	1,610,231
6.2.2	Loan, Dhanani (int. free)	148,548	152,379	150,569	67,924	69,360		
6.2.3	Loan, Sweeting (int. free)	39,155	40,165	39,688	23,576	24,074		
6.2.4	Loan, Hivos Netherlands	373,816	383,458	459,596	461,290	484,168	195,381	197,875
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	518,024
6.2.6	Loan, The Dignity Fund							596,762
6.2.7	Loan, Micro Credit Enterprise							289,743
6.2.8	Loan, Kiva Microfund							7,827
6.4	Total equity	46,026	57,582	80,184	113,334	106,030	785,147	791,776
6.4.1	Paid-up Capital	10,654	10,929	10,799	10,839	11,068	328,767	332,963
6.4.2	Additional Paid-up Capital						442,945	442,945
6.4.3	Retained Earnings	21,380	36,285	35,854	35,986	36,746	3,602	3,648
6.4.4	Profit/Loss, end of quarter	13,992	10,368	33,531	66,509	58,216	9,833	6,567
6.4	Total liabilities & equities	684,920	744,185	1,139,602	1,302,413	1,295,897	1,717,286	2,665,281
9.0	Income Statement (US\$)							
9.1.1	Profit sharing ratio	30%	30%	30%	30%	25%	25%	25%
9.1.2	Quarterly Net Operating Income	10,466	11,488	24,171	34,149	8,302	11,685	-4,120
9.1.2.1	Quarterly total income	47,923	71,538	95,004	123,740	121,470	157,442	176,111
9.1.2.2	Quarterly operating expenses	36,083	53,315	55,369	68,523	96,253	119,197	134,208
9.1.2.3	Quarterly total expenses	37,457	60,050	70,834	89,591	113,168	145,757	180,231
9.2	Total income (cumulative)	141,634	71,538	165,693	290,043	417,645	157,442	335,562
9.2.1	Income on Portfolio	138,626	69,621	161,949	282,973	407,222	149,617	322,830
9.2.2	Income on bank accounts	2,138	1,231	2,401	5,160	7,860	7,087	10,605
9.2.3	Other income	870	686	1,343	1,911	2,562	738	2,127
9.2.4	Grant income							
9.3	Total expenses (cumulative)	124,713	60,050	130,170	220,241	338,065	145,757	327,849
9.3.1	Financial expenses	24,026	6,734	22,119	43,269	61,099	26,560	72,922
9.3.1.1	Interest expenses	854	393	3,882	13,635	34,814	23,699	63,710
9.3.2.2	Portfolio loss provision expenses	23,172	6,341	18,236	29,634	26,285	2,861	9,213
9.3.2	Operating expenses	100,687	53,315	108,051	176,972	276,966	119,197	254,927
9.3.2.1	Personnel expense	44,387	21,315	48,377	86,143	143,089	69,737	154,635
9.3.2.2	Administrative expense	56,301	32,001	59,675	90,829	133,877	49,460	100,292
9.3.2.3	HO Operating Expense	41,825	19,803	36,505	53,392	81,899	33,369	69,169
9.3.2.4	Branch Operating Expense	58,862	33,512	71,546	123,575	195,067	85,828	185,758
7.3.2.4	Overhead ratio (HO/Total Op. expenses)	42%	37%	34%	30%	30%	28%	27%
9.4	Net Operating Income before tax	16,921	11,488	35,523	69,802	79,580	11,685	7,713
9.4.1	Tax	2,929	1,120	1,991	3,293	21,364	1,851	1,147
9.4.2	Net Income after Tax	13,992	10,368	33,531	66,509	58,216	9,833	6,567