Annual Report

2017

Foreword

Jakarta, December 26, 2018

Dear KKI supporters, we are very happy to greet you again with our 2017 Annual Report ☺

We hope you are all well – happy and healthy – as we entered last days of 2018.

Firstly, we apologize for another delay in sending our annual report. We aim to publish 2018 Annual Report a lot earlier.

Secondly, we want to share that this annual report used similar version as 2015-2016 joint Annual Report, which provides less pages with more graphics and pictures. Hopefully it is still informative while being easier to read.

Thirdly, we want to share about KKI in 2017. Overall, KKI (a) started to rebound from the tough year of 2016, (b) though still at a low pace, and (c) recorded its highest-ever loss. This is the reason we picked the picture on the cover. Although our surrounding is still dark, we have seen light on the sky.

Member started to rebound after a decline in 2016, from 7,048 to 7,772 members (10% increase). Branch increased by 25% (from 4 to 5), average loan size increased by 7% (from IDR 1.66 to 1.78 million) and assets increased by 23% (from IDR 7.7 to 9.5 billion). Bad debts and Portfolio at Risks >30 days continued to remain at 0%.

The main highlights of 2017 is our loss. We recorded highest ever loss of IDR 862 million, continuing loss of IDR 224 million in 2016. Main reason for this is a significant imbalance between salary growth (in August 2016, salary of supervisors and above were increased significantly) and growth of member and average loan size (which grew by only 10% and 7% in 2017). We realized about this in August 2018, when 2017 financial statements were completed.

Fourthly, entering 2018, our 3 main focus were to (a) get new information system (it was supposed to be BR.net) up and running, (b) continue grooming Branch Manager so we could support more members and (c) increase average loan size.

We decided not to have a dedicated page in this report to explain 2018 plan, firstly because it's almost ended and more importantly because many things went unexpected in 2018: 7 of KKI's supervisors or above positions left; Information system vendor was changed in last minute, potentially bringing KKI to an almost paperless operation in 2019; Huge loss from 2017 and 2016 are expected to be fully recovered by December; Restructuring of many things started and had brought significant efficiency and effectiveness; Members are expected to be at around 9,200, our highest ever.

As we close 2018 and this foreword, I wanted to share that GOD is so good and HIS companion allowed us to still be able to greet you with this report. Without HIS grace, we would not make it through 2016, might be bankrupt by end of 2017 and surely would not be able to cover 2016 and 2017's loss altogether in 2018. But it happened ☺

And surely, HIS grace is being channeled through each of you, people who supports us and continue to believe in us. Ending this note and representing KKI team and members, I wanted to thank each of you for continue to support KKI. Thank you, very much. We hope you would continue to support us in coming years. Blessings to all of us.

Leonardo Kamilius
Founder and Chairman
Representing team and members of Koperasi KASIH Indonesia

About KKI

KKI's mission is to empower the poor to exit poverty for good, by providing a combination of microfinance services and mindset-motivation training. Our vision is to reach and empower the poor, wherever they are.

Founded by Leonardo Kamilius in 2011, with Lucyana Siregar as co-founder, KKI started as a microfinance adopting Grameen model, pioneered by Mohammad Yunus who won a Nobel Prize for developing microcredit. In subsequent years, the model was adjusted to serve urban poor in Jakarta slums. They started at the toughest area in Jakarta, Cilincing, that is home to 20 thousand poor households.

By end of 2017, KKI serves 7,772 members in our 5 branches that cover Cilincing, Priok, Sukapura, and Koja areas in North Jakarta. KKI members are women who earn 10-50 thousand Rupiah and run micro businesses. KKI has grown to 50 employees today, and disbursed more than 83 billion Rupiah in microloan since establishment.

Mindset - Motivation Training

Many poverty-stricken members (a) did not believe they could achieve dreams of a better life and (b) it partially comes from not having the right mindsets. Our trainings aim to address these two challenges.

Frame of Dreams

Members cut and paste images of their dreams on a paper frame. Then, hang the frame on a visible spot in their house. The purpose is to continuously remind them of their life dreams and motivate them to act on it.

Group Loan (Pinjaman Sejahtera)

Loans are disbursed after members attended 2 training sessions. They have to form a group of 7-10 to obtain loans between 500 thousand to 5 million Rupiah. Tenor is 25 or 40 weeks.

Life & Loan Insurance

Our borrowers and their spouse are covered by life insurance. Should the spouse pass away, her remaining loan will be waived and her family will receive support of 3 million Rupiah.

Compulsory Savings

To instill savings habit, we require members to save weekly, alongside repayment. The compulsory savings will accumulate to reach around 35% of loan size and will be returned in full once the loan cycle ends.

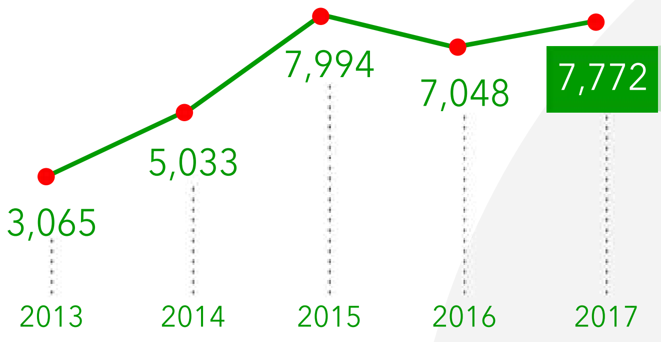
Voluntary Savings

Members can voluntarily save starting from 5 thousand Rupiah and it's withdrawable on working days at KKI's office. Every day, around 30 members withdrew their savings, sometimes as little as 20 thousand Rupiah, to buy rice.

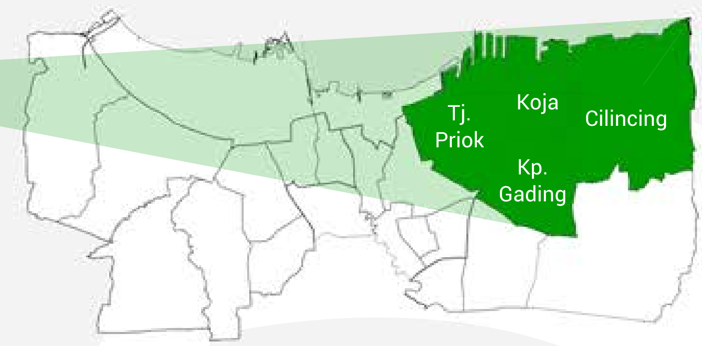
KKI in Figures

All currencies are in IDR

MEMBER GROWTH



COVERAGE AREA



KEY OPERATIONAL FIGURES

82.8 billion
Loans disbursed (cumulative since 2011)

6.9 billion
Loan outstanding (end of year)

1.8 million
Average loan (end of year)

956 million
Voluntary savings (end of year)

103 thousand
Voluntary savings transactions (for the year)

49
Permanent employees (end of year)

5
Branches (end of year)

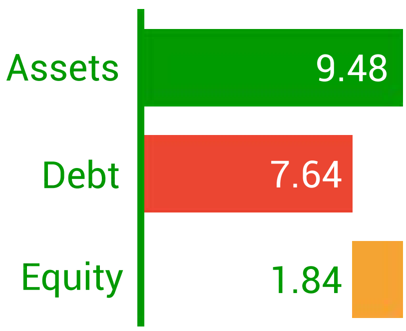
1,468
Groups received training (for the year)

0%
Non performing loan (end of year)

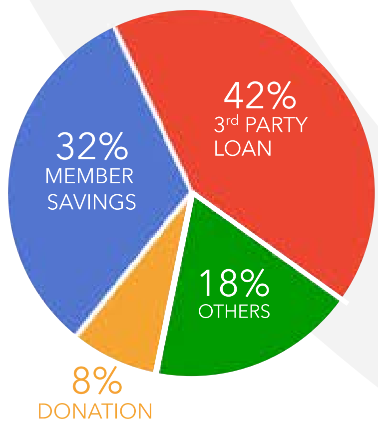
0%
PAR > 30 days (end of year)

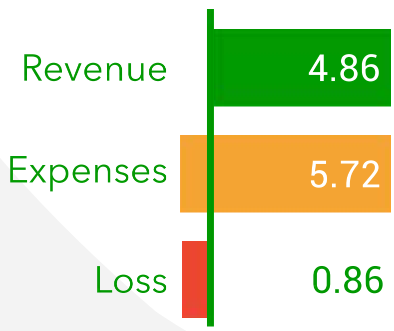
FINANCIALS

All currencies are in billions IDR



Total Funding = IDR 9.5 Billion





OTHER SUPPORTS

Delivered in 2017

MICRO INSURANCE

Amount of IDR 3 million supports disbursed to family of deceased member: 135 million

Amount of loan principal waived: 81 million

SCHOLARSHIPS

Scholarships are provided by PT Bank CIMB Niaga Tbk

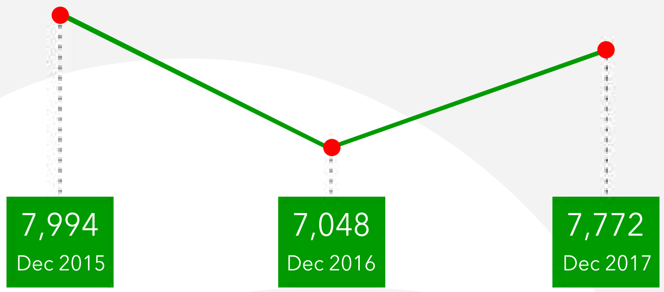
No. of recipient (high school students): 9

Amount of scholarship disbursed: 40.1 million

2017 In Review

OUTREACH

Define as active borrowing members at end of month



2017 is a rebounding year. After being hit by a tough 2016 – were our member declined by almost a thousand – KKI rebounded to serve 7,772 members by end of year.

However, we also recorded highest ever financial loss, of IDR 862 million.

HIGHLIGHTS

Outreach Metrics *All currencies are in IDR*	Dec 2016	Dec 2017
Total members	7,048	7,772
Branch	4 (2 satellites)	5 (2 satellites)
Total loan disbursed for the year	22.8 billion	25.3 billion
Average Loan Size	1.7 million	1.8 million
% PAR > 30 days	0	0

Employees Metrics *BM = Branch Manager*	Dec 2016	Dec 2017
No. of full time employees	48	49
No. of BM & BM Candidate (BMC)	2 BMs + 2 BMCs	3 BMs + 2 BMCs
Employee turnover	30%	12%
No. of Supervisors & above	8	8

Financial Metrics *All currencies are in IDR*	Dec 2016	Dec 2017
Assets	7.7 billion	9.5 billion
Debts	5.5 billion	7.7 billion
Equity	2.2 billion	1.8 billion
Revenues	4.6 billion	4.8 billion
Expenses	4.8 billion	5.7 billion
Profit (Loss)	(0.2 billion)	(0.9 billion)

Highlights on members and leaders growth

- Member grew by 724 people (10%), mainly driven by one additional branch established in 2017, which was made possible by an addition of 1 Branch Manager.
- Learning from 2015-2016 experience, management decided that member growth shall be dictated by number of available Branch Manager. This is done to avoid unhealthy ratio of member per branch, which was the main reason behind some Branch Managers quitting in the past, which in turn reduced KKI members in 2016. Another option is to find ways to healthily expand member per branch ratio, which was also explored.
- Another key highlight is the subtle growth of average loan size, of only 7% in 2017 (compared to 16% in both 2016 and 2015). It's mainly because (a) loan size for 1st time borrower was not increased while it's normally done every 2-3 years and (b) KKI team was being too conservative when deciding loan amount for members (which we realized thanks to Mekaar, a very aggressive government-backed program, whose initial loan amount was IDR 2 million vs. IDR 1 million of KKI).

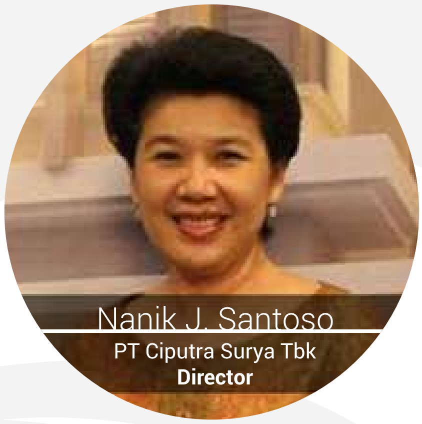
Highlights on financial metrics

- Assets growth of 23% from IDR 7.7 to 9.5 billion was mainly driven by growth in outstanding loan to members, from IDR 5.9 billion to IDR 7.9 billion (34%).
- This assets growth was financed by growth in debt, specifically loan from 3rd party, which doubled from IDR 2 billion to almost IDR 4 billion. This underlines a strong trust that KKI received from its supporters as these loans are unsecured.
- The significant loss of IDR 862 million was caused by the imbalance growth of expenses (16%) and revenues (4% only). Growth in expenses was driven mainly from salary increase of supervisor and above positions in 2016, which was done to "give more sustainable income" to people at those positions, as they initially had salary cut of minimum 50% when first joining KKI. However, it's proven to be unsustainable. This issue is resolved as 7 supervisors / above positions left KKI in 2018.

Board of Commissioners

Prijono Tjiptoherijanto
Universitas Indonesia
Professor

John Lumban Tobing
PT Sinabung Jaya Sejahtera
Director



Nanik J. Santoso
PT Ciputra Surya Tbk
Director

Board of Advisors

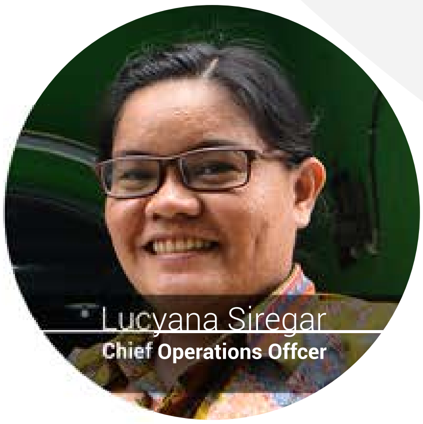
Silverius Oscar Unggul
Perkumpulan Telapak
Co-founder & President

Henny Purnamawati
PT Egon Zehnder
Partner

Dewi Meisari
SME Center UI
Director

Leadership Team

Leonardo Kamilius
Chief Executive Officer



Lucyana Siregar
Chief Operations Offcer

Sandra Surya
Chief Development Officer

Achieving Dreams (1 of 2)

"....Seandainya saya ketemu KKI dari dulu, mungkin saya udah punya tabungan. Terus bisa nyekolahin anak saya yang pertama sampai sarjana...."

Ibu Tuti

With a table, thermos, and a piece of 20 thousand rupiahs bill in her hand, Bu Tuti started her struggle. Her husband, a sand carry porter, was lying weak due to typhoid. She tried to sell hot coffee and tea at a sandfill near Cilincing. It turned out her effort paid off. The following weeks, in addition to selling drinks, she also added fried foods, traditional cakes, and cold drinks. With her friend's help, she built a semi-permanent stall at the sandfill. Then her husband helped her built "bale-bale", a kind of traditional seat in Indonesia, from old used woods to make the stall bigger. Life went well for a while for Bu Tuti and family.

Life is like a test to make someone stronger. So did Bu Tuti. Her husband got ill again and she was pregnant. These made her cannot open the stall and the cashflow stopped. At that time Bu Tuti was a money keeper for her neighborhood daily savings. Because of the difficult economic conditions, she was forced to use that saving amounted 3,7 million rupiahs and made her in debt.

It was not a pleasant time for Bu Tuti since she must pay the debt and considered untrustworthy by neighbors. "If I remember that moment, I felt like crying" said Bu Tuti with teary eyes. After ten months she managed to settle the debt.

Paying off debt did not automatically recover her name. It was difficult to find capital loan to start new business. Rumors from neighbors also worsen the condition. It was that time that she met with KKI. They decided to give Bu Tuti opportunity and provided loan for her food stalls. She attended loan group preparation. Her mind opened after attending the session. What she thought impossible, is not really impossible if she follows the right steps. "I was moved by their stories. Bu Lucy's stories about her family struggle made me believe that if we want to fight, there is nothing impossible" said Bu Tuti while wiping her tears that kept falling from her eyes.

She made initial loan of five hundred thousand rupiahs and used it to open food and drinks stalls. Everytime she paid installments, she also try to save some. Group preparation also encourage her to apply the knowledge in daily life. She teaches her children to save pocket money. Her hard work paid off and she can buy televisions and washing machine. Two things that are impossible to buy if she did not manage financial correctly.

Like a spinning wheel, life continues to spin. After various ordeals that hit Mrs. Tuti's life, now she has begun to enjoy the results of her labor. In 2013, one of her children got high school scholarship from KKI. "I once said to Pak Leon, why I did not meet KKI sooner. Maybe I will have a lot of savings and get my children to graduate without worry. I am grateful to God to let her come across KKI" said Bu Tuti with teary eyes. This time with a smile.

Achieving Dreams (2 of 2)

"....Menjalani hidup memang tidak selalu mulus. Selalu ada lika-liku yang mewarnai setiap episodenya...."

Ibu Ita Yanti

Bu Ita Yanti, a mother of three children, is an example of a versatile mother. From selling Indonesian pastry to selling garments, she will do anything to support her family. Begins from her habit to save excess money, Ibu Ita tried to make and sell traditional cookies at her environment. Her husband encouraged her to take bigger opportunities. She took garments from a factory and sell them herself. After going smoothly for a while, she is cheated by one of her business partner. She is forced to borrow money from a bank to cover the debt. Not giving up, she put aside some of the loan to open a food stall. Surprisingly, the result of her stall is pretty good. She can made a profit of 300 thousand Rupiah a day.

Another trials came. Her husband business closed and he became unemployed. She must bear all her family expenses by herself. Then on 2008, her stall must be closed because she didn't have any capitals left. Lacking money and all the stress piling up made this pair's emotion explodes. Her husband left without any messages. At that time, Bu Ita only hold 75 thousand Rupiah with her 3 children to raise. She was so depressed she shut herself in the house for 3 days.

"After shutting myself, I thought I cannot be like this. I have children to feed. I must survive. Life goes on." said Bu Ita swiping tears. She goes outside to get some ideas. Impulsively, she bought used fabrics and sew them into clothes. Then she sold them around bringing her smallest child with her. "I have traveled to every corner of Cilincing" she said laughing.

Then she met KKI officer who asked her to join KKI. Ibu Ita is very interested since she really needed money for her capital. She received training from branch manager and social impact officer. It pumped her spirit and opened her eyes on how to get out of poverty. From initial loan of 800 thousand, she bought 80 metres cloth and made them into pillow cases.

Bu Ita daily schedule is very tight. At 5 AM, she sells clothes in Mencos market. Then, she open clothes repair in her house until evening. At 3 PM, she went to a flea market in Cilincing to open a semi-permanent stall until 7 AM. On a day, she can get a net profit of 200-300 thousand rupiahs.

Bu Ita has a unique habit to save her money. She would put her money hidden around her house. "Once in a while, I will try to find them when I need money. But I didn't do it again since my children knew where to find it before me" she said laughing.

Bu Ita can smile now since her life is more stable. She can send her 3 children to school and bought television and washing machine. Her husband also already came back home. She is gratefull to met KKI. Not only for the loan but also to taught her on how to manage money and how she can reach her dream. One small step at a time.

Make a Difference

100% donations made to KKI go directly as micro loans to our members, unless a specific purpose is specified. You can donate to:

Bank: Bank Rakyat Indonesia (BRI)
Account Name: **Koperasi KASIH Indonesia**
Account No.: **1223.01.000112.30.9**
Branch: Mall Ambasador (Rasuna Said)

Kindly inform us at koperasi.KASIH.indonesia@gmail.com if you make donation to KKI. We will provide receipt of your donation and include your email address in our monthly report.

Every 100 million rupiah fund lent to KKI for 1 year translates into:

- Around **275** women receiving loans,
- Around **275** women attending mindset motivation training,
- Around **220** women receiving Frame of Dreams (not everyone asks for Frame of Dreams),
- Around **275** women having savings access and facilities, and.....

.....the INTANGIBLE POSITIVE RIPPLE EFFECTS to Indonesia's next generation whose mothers are educated through our program.

We offer **attractive returns** to our supporters: 200 million loan yields 10.8% gross interest rate, equivalent to 9.5% bank deposit rate

50-99 million — **8% p.a., gross** interest	**100-199** million — **9% p.a., gross** interest	**200-299** million — **10.8% p.a., gross** interest
300-599 million — **11.5% p.a., gross** interest	**600-999** million — **12% p.a., gross** interest	**>999** million — **12.5% p.a., gross** interest

Gallery

KKI 2017 Annual Member Meeting

KKI member withdrawing voluntary savings at Head Office

KKI member showing her Frame of Dream

Gallery

Testing session about KKI rules held by Branch Manager

Group preparation from KKI Social Impact Officer

Loan Disbursement by Branch Manager

Thank you *for all your supports*

all photos credit to **@stwnfrry**