KOPERASI KASIH INDONESIA

ANNUAL REPORT 2012

KOPERASI KASIH INDONESIA

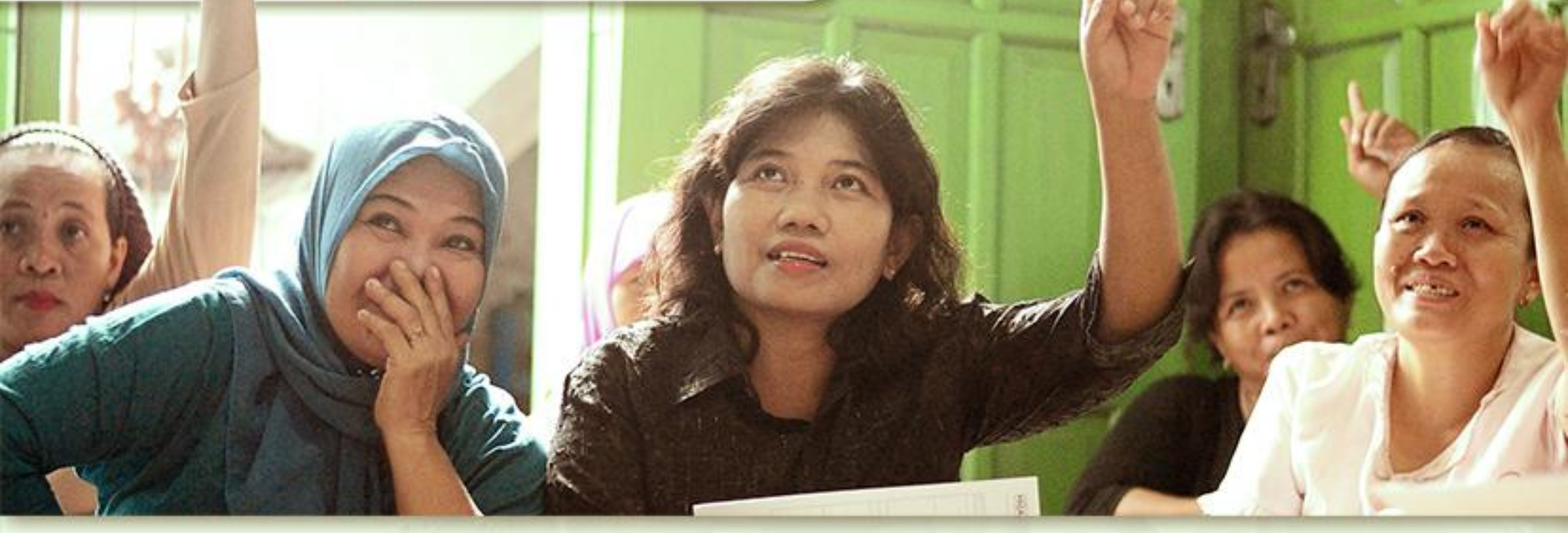
KKI exists to empower millions of poor Indonesian to exit poverty permanently

(KKI's new vision, set in Management Meeting in September 2012)

"To climb steep hills requires a slow pace at first"

Shakespeare

CONTENTS



Letters to KKI Supporters

Dear KKI supporters,

First, KKI team hope and pray so that **all is well with you, your family and your work**.

Second, I feel **grateful** that I could write this letter to you, as it marks the 2nd year in our journey to empower the poor.

As many wise men said, the beginning is often the most difficult and determining period. After the stormy 1st year, we had gone through our 2nd, which is the deciding year for management team: To continue or not to continue.

Lucyana Siregar, Ferry Setiawan and myself, we decided to put our life at KKI. We were all questioned by our family and sometimes even questioning ourselves. You might do it as well if you work probably harder, at much more noble working condition than your peers, yet paid a third of their salary or even less. I found that my wife was pregnant when my salary was zero and almost running out of savings. But we thrived, we continued the journey, stronger than ever.

In September 2012, we set our new vision: **Empowering millions of poor Indonesian to exit poverty permanently**. We believe that if GOD wants us to do this, then it must be for big impact. As funny as the target might be seen by a pessimist when looking at this report, we have set our mind and heart. One important realization after going through all the storms was: KKI is not our work – the management or the team. It is GOD's work. Because of that, GOD will guide us to achieve what HE wants us to – the vision. And we all knew that nothing is impossible for GOD. So is the case with KKI.

In a line, KKI in **2012** is like **an airplane moving towards take-off runway**. We are yet taking off, but certainly going to.

Operational performance. KKI empowered 682 active members at the end of 2012, increased by 138% from 2011, but below 2012 target of 2,000. During 2012, 713 members joined and 317 left, both are higher by 288 and 178 compared to 2011, consecutively. Issues with product, personnel and their productivity are the 3 key bottlenecks in 2012. On education part, KKI built on its learning in 2011 and launched 3 initiatives: (1) increased compulsory savings and required part of it to be saved in KKI to instill savings habit better, (2) gave mindset-changing session to all new members, and (3) provided Frame of Dreams to all members.

Financial performance. KKI still recorded loss, ~37.6 million IDR. Net Interest Income grew 224% to ~162 million IDR but it was not enough to cover salary expenses, which grew 209% to ~162 million IDR. High employee turnover gave additional burden to KKI's financial condition. Blessed, we could still cover cashflow using founder's capital participation and donations. In 2012, KKI received donations amounted 152 million IDR from 29 donors and some unidentified donors.

Welcoming **2013**, **we will** do our best to – in a line description – **making it a "take-off" year** for KKI.

Target: Empowering 3,000 members through 2 branches by adding 2,318 members and opening 1 branch in Jakarta.

Operational plans. We planned 14 operations-related initiatives to tackle issues identified in 2011 performance analysis. Amongst all, launching of new product, modification of performance management system, increase in salary to support recruitment and application of contract system for new employees are our key amunitions for 2013. In addition, 16 other initiatives would be executed to empower our member further and to become a better formal institution and cooperative.

Financial projections. We target break-even-point to be reached in the 4th quarter. However, loss would still be recorded and potentially a bit higher than 2012 as salary will be increased to follow the jump in Jakarta's minimum wage level. To support the growth, we would do our best to raise donations amounted 1,500 million IDR. Loan or investment is still not preferred as KKI is still testing its systems and procedures. Once fully proved, we will start accessing loans.

Glimpse of 2013. As we develop this annual report, active members had reached 1,148, jumped 68% from 682 in the end of 2012. The growth was supported by 11 personnel and 7 operations-related initiatives that had been executed.

WE THANK ALL OF YOU, EACH OF YOU whom we can not name one by one, who continuously sending your prayer, donating, connecting, spreading our announcement and giving attention. KKI stayed strong also because of your support.

We hope you would continue supporting us in 2013 and beyond, and together we help millions of poor to exit poverty.

May GOD bless you, your family and your work abundantly.

With heart and prayers,

Leonardo Kamilius and KKI team

KKI personnel in 2012

KKI ended the year with 11 personnel, increased by 3 from 2011. Most of the additions joined at the 4th quarter of 2012. High turnover remained an issue, with 16 joined and 13 quit along 2012.

Leonardo Kamilius
- Co-founder and Managing Director
- Graduated in 2008 from University of Indonesia, Faculty of Economics (valedictorian)
- Previously worked as Business Analyst at McKinsey & Company (2008 – 2011)

Lucyana Siregar
- Co-founder, Operations Director, Branch Manager
- Graduated in 2010 from University of Indonesia, Faculty of Economics
- Currently studying public policy at University of Indonesia, master's degree, evening class

Ferry Setiawan
- Assistant Branch Manager
- Graduated in 2011 from University of Indonesia, Faculty of Economics
- Joined KKI in September 2011 as Operations Supervisor, directly after graduation

Anang (resigned in 2013)
- Management Trainee, from ITB
- 35 years old
- Joined KKI in October 2012

Putu Anggara Diva
- A-TEAM, from Bakrie University
- 23 years old
- Joined KKI in October 2012

Sri Suryati (Nining)
- *Pembimbing* (Field Officer)
- 39 years old
- Joined KKI in October 2011

Ida Farida
- *Pembimbing* (Field Officer)
- 39 years old
- Joined KKI in February 2012

Denni Pasaribu
- *Pembimbing* (Field Officer)
- 22 years old
- Joined KKI in October 2012

Indah melati
- *Pembimbing* (Field Officer)
- 21 years old
- Joined KKI in December 2012

Rosmida Mangunsong
- Public Relation Officer (Part-time)
- 58 years old
- Joined KKI in March 2011

Muchamad Thohir (resigned in 2013)
- Admin Officer
- 19 years old
- Joined KKI in November 2012

High turnover remains and brought adverse implications. Solutions will be applied in 2013.

- KKI recruited 16 people but 13 quit, including one of the most senior Field Officer
- 3 reasons for high churn rate were unable to cope with the work and target, family issue and asked to resign due to poor performance

- Lack of people was one of key reasons behind below-target achievement in 2012
- People working for short-term means loss in invested time and money without any returns
- Solutions are going to be applied in 2013

2012 Supports for Members

KKI supported members through 3 complementing and integrated supports: Education, loans and savings. Each plays different role in helping members to improve their family's life.

EDUCATIONS: Motivate and instill the needed mindset

Mindset-changing session (free)

- **Target**: Compulsory for all borowers, before they receive loan
- **Goal:** Help members to realize they could exit poverty by first set their dream and de-construct their belief that praying and working hard are enough. They must also manage and save their money well.

Pigura Impian (free)

- **Target:** Optional for all borrowers, after the mindset-changing session
- **Goal:** Get members' family to determine what they want to achieve and provide tool for them to always remember it. They put their dreams on "Frame of Dreams" and then put it on their wall (started in October)

Loans: Help members in improving their income

TUMBUH (main product)

- **Target**: Poor women who has micro business with **low** income
- **Product arrangement**: Started from 500k IDR, 25-40% interest p.a., decreased as loan size increased (25% for ≥ 1 million IDR loan), 12-20 people per group with join liability, paid weekly in group meeting, has compulsory savings of 8-12k IDR per week, repaid in 25 weeks

MAJU (pilot product)

- **Target**: Poor women who has micro business with **moderate** income
- **Product arrangement**: Started from 1 million IDR, optional repayment time, 25%-35% interest p.a., higher if repaid quicker, group loan with join liability, paid weekly without meeting, has compulsory savings

PRIBADI (full member)

- **Target**: Full member of KKI (had saved 200k IDR)
- **Product arrangement**: 3% administration fee, 2% interest per month, loan amount is 1.5 times savings amount to encourage savings

BULAN PUASA (top members)

- **Target**: High performing borrowers, to support business during high-consumption and high-price fasting month
- **Product arrangement**: 300k IDR, no administration fee, 5% interest for 1.5 month, group loan with join liability (in July-August 2012)

SAVINGS: Support members who want to save their money

Embedded savings (free)

- **Target**: Optional for all borrowers
- Borrowers could save voluntarily when paying weekly installment
- Totally free, no minimum saving and withdrawal amount, no interest

2012 Operations-Related Initiatives

KKI executed 8 operations-related initiatives in 2012, all of which aimed to improve KKI's ability to attract more people to join and to empower them more effectively.

Operations-Related Initiatives

Field-Officer recruitment (Along 2012)

- **Goal**: Build internal capacity to reach and empower more people
- **Result**: 16 people were successfully recruited. However, only 5 out of 16 new recruits remained at the end of 2012

Salary improvement (Jan and May)

- **Goal**: Attract more and better talents and retain good performers by increasing salary from 700k to 1 million and then to 1.6 million IDR
- **Result**: More people applied every time salary level raised. Increased the spirit of personnel who decided to stay at KKI

Performance management system (April)

- **Goal**: Push field officers to be productive and result-oriented
- **Result**: Better push from field officers to recruit new members, but this system had not pushed them to maintain existing members

Information system (May)

- **Goal**: Improve efficiency and accuracy of data recording and processing by recording data in this information system
- **Result**: Still at testing phase, the system had proved to be highly accurate, easy-to-use. It will be fully implemented in 2013

Undergraduate recruitment (July)

- **Goal**: Recruit fast-track manager (Management Trainee program) and high potential young talent to serve in KKI for 1 year (A-TEAM)
- **Result**: 2 were recruited for both MT and A-TEAM program. 1 MT resigned and 1 A-TEAM was asked to resign

Fasting Month Loan (July)

- **Goal**: Support high performing members to sell additional foods during Fasting Month. 2nd year of this program.
- **Result**: 27.6 million extended to 92 members, 98% repaid on-time

New product testing (October)

- **Goal**: Support KKI in facing fierce competition in Cilincing. KKI main product, TUMBUH, has compulsory weekly meeting which is idealistic but do not liked by borrowers. Competitors do not have such meeting.
- **Result**: The tested product more easily attract people and had much better risk profile, with 0% NPL and portfolio-at-risk at the end of Dec

Pigura Impian launching (October)

- **Goal**: Help members and their family to set, remember and be energized by their dream by displaying it on this "Frame of Dreams"
- **Result**: ~225 members had displayed their dreams at their home

2012 Non-Operations Initiatives

KKI executed 8 non-operations initiatives in 2012, mainly focusing on education for members (educational video) and their children (scholarship if they got accepted at University of Indonesia).

Non-Operations Initiatives

Free medication (February)

- **Goal**: Support sick members to get checked and medication for free. This was Project Indonesia's program and KKI was invited to join
- **Result**: ~150 KKI members get free medication

UI scholarship (April)

- **Goal**: Provide full tuition-living cost scholarship for KKI members' child if they got accepted at University of Indonesia, given by Alumni Organization of Faculty of Economics University of Indonesia (FE UI)
- **Result**: 15 people did the 1st round of test (SNMPTN) and 8 people did the 2nd round (SIMAK UI), but none got accepted yet

UI test preparation (May)

- **Goal**: Help KKI members' child who want to apply to UI in relation with scholarship opportunity to prepare for the difficult test
- **Result**: ~15 people joined but were not successful at the test yet

Monthly report publication (May)

- **Goal**: Provide routine update to KKI donors and supporters so they know how KKI progresses and how donations are being used
- **Result**: 8 monthly reports had been published since May 2012

Annual recreation trip (June)

- **Goal**: Provide refreshing moment for members who usually work Mon-sun. It was arranged by Project Indonesia, NGO partner for this project. Participants paid 50k IDR with no profit taken from them.
- **Result**: ~28 people joined along with their children. All get generous goody bags and very friendly service from Project Indonesia

Moving to new office (July)

- KKI moved to new office as the one previously rented was sold
- KKI contracted the new office for 1 year, cost 13 million IDR

Visiting other institutions (July)

- **Goal**: Learn best practices from other, similar organizations
- **Result**: KKI visited 3 institutions: Mitra Bisnis Keluarga (Indonesia's largest microfinance institution), CU Pancur Kasih (West Kalimantan's 2nd largest credit union) and YCAB (fast-growing microfinance) and learned valuable lessons that could be applied in KKI

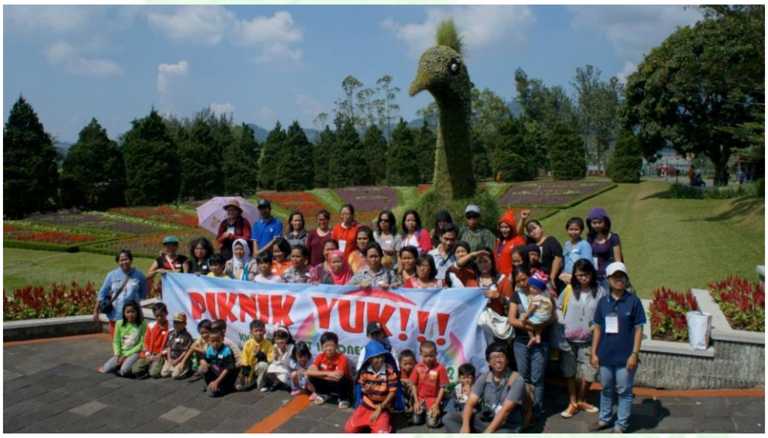
Financial education video (November)

- **Goal**: Replace KKI's 2011 intensive training model for members which was very costly and difficult to be replicated. The video is soap-opera like, consists of 5 episodes and could be watched using DVD
- **Result**: Video was not done yet. It will be given to all KKI groups and other cooperatives which might need it. It does not carry KKI name

2012 Pictures Gallery

Pigura Impian ("Frame of Dreams") Launching (October)

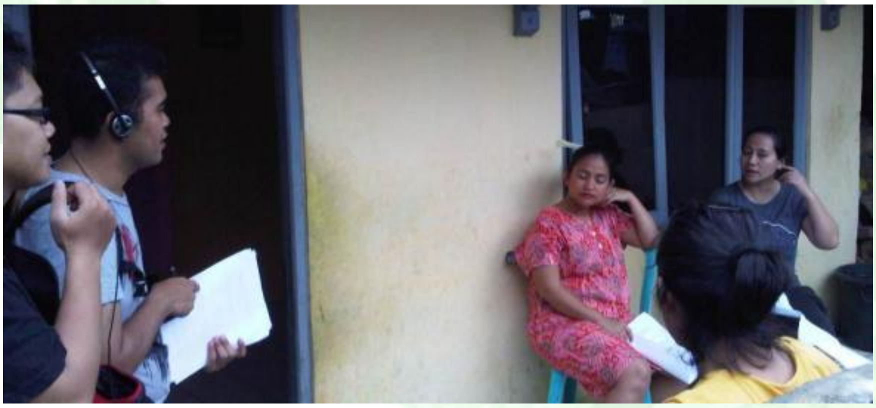
Recreation to Taman Bunga Nusantara (June)



Fasting Month Loan Disbursement (July)

New office (June)

The making of Financial education video (November)



Direct Outreach

KKI supported 682 active members at the end of 2012, increased from 286 at the end of 2011. During 2012, 713 members joined and 317 left. High discontinue rate remained an issue.

Educations

- Members receiving mindset-changing session since started in August: ~547
- Members receiving Pigura Impian since started in October: ~225

Savings

- Number of members routinely saved voluntarily: 61.7% (impact assesment result)
- Average voluntary savings per week per borrowers: ~5,000 IDR per week

Weekly Loans (*TUMBUH* and *MAJU*)	2012	2011	Difference	In %
In number; mn = million IDR; k = thousand IDR. Colored red = unfavorable development				
People:				
• Unique borrowers receiving loan (end of year)	1,138	425	+713	+168%
• Active borrowers (end of year)	682	286	+396	+138%
• Discontinued borrowers (cummulative)	456	139	+317	+228%
• % of discontinued borrowers (cummulative)	40%	33%	+7%	
• Number of active groups (end of year)	56	16	+40	+250%
• % of woman (cummulative)	~96%	~97%	(1%)	
• % live with <2 USD/day/person (cummulative)	~84%*	~98%	(11%)	
Geography:				
• Number of branch (end of year)	1	1	0	
• Number of district served (end of year)	1	1	0	
• Number of sub-district served (end of year)	3	3	0	
Value:				
• Number of disbursed loan (for the year)	1,184	491	+693	+141%
• Total value of disbursed loan (for the year)	~814 mn	~266 mn	+548 mn	+206%
• Average value of disbursed loan (for the year)	~687 k	~542 k	+145 k	+27%
• Outstanding portfolio (end of year)	~331mn	~109 mn	+221 mn	+202%
• Average loan per active borrowers (end of year)	~485 k	~383 k	+102 k	+27%
• Total loan per total borrowers (cummulative)	~949 k	~626 k	+323 k	+52%
Risk profiles:				
• Average portfolio at risk > 30 days (for the year)	~1.4%	~1.3%	+0.1%	
• Average NPL (unpaid >90 days, for the year)	~0.4%	~0.3%	+0.1%	

*More members have income of ~2-3 USD/person/day in 2012 although living condition shows they are still poor

Note: Sign ~ on 'Value" section shows that only 1st 3 digits of actual numbers were used. On others, it shows that no actual data were recorded, so numbers were estimated using reasonable bases and in conservative manner.

Indirect Outreach

KKI spreaded "let's-do-good virus" to future leaders and public, with >4,000 participants in 22 events. In addition, 14 medias covered KKI story: 2 TVs, 3 radios, 9 magazines / newspapers.

Sharing to Future Leaders and Public (non commercial)	**Participants / time**
1. Annual member meeting of CU Kopdit Sadar	100-120 (January)
2. Youth Parliament by Indonesia Future Leader	150-200 (January)
3. Routine forum of Catholic priest responsible for youth development, KWI	20-30 (February)
4. Indonesia Young Changemaker Summit	190-200 (February)
5. Prasetiya Mulya's Social Entrepreneurship Forum	30-40 (March)
6. TEDx Universitas Indonesia	60-70 (March)
7. Indonesia Young Entrepreneur birthday event	60-70 (April)
8. AIESEC Indonesia Social Entrepreneurship Pbox	40-50 (April)
9. Pengajar Muda preparation camp by Indonesia Mengajar	50-60 (May)
10. Social Entrepreneurship Training by Indonesia's Social Entrepreneur Asc. (AKSI)	18-20 (May)
11. Nutrifood Leadership Forum by Nutrifood (internal)	110 (June)
12. Future Leader Summit by Universitas Diponegoro	50-60 (June)
13. FE UI Alumni Organization breakfast forum	80-90 (July)
14. New student orientation, Faculty of Economics UI	800 (August)
15. New student orientation, Faculty of Law UI	200 (August)
16. Pengajar Muda preparation camp by Indonesia Mengajar	50-60 (September)
17. Indonesian Youth Day by youth Catholic Division KWI	~1,900 (October)
18. CEDPA by Exxon, women leader from 8 countries	22 (October)
19. Nutrifood Leadership Award	22 (November)
20. Microfinance in Indonesia, Ministry of Marine Affairs and Fisheries	30-40 (November)
21. Financial management training by Indonesia's Social Entrepreneur Asc. (AKSI)	35-45 (December)
22. Danone Young Social Entrepreneur mentor training	12 (December)

Media exposures

- Kick Andy Magazine (Jan)
- Tabloid Nova (Jan 7)
- Sindo Radio (Apr 16)
- Swa magazine (May)
- TV One: Radio Show (Jun 11) & Apa Kabar Indonesia (Aug 28)
- Fimela online magazine (July 24)
- Hard Rock FM (Aug)
- Pas FM (Aug)
- Kartika magazine (Aug)
- Jurnal Nasional (Aug 17)
- Campus Life magazine (Sep)
- HIDUP magazine (Sep edition)
- Market Plus magazine (Dec)

Analyses on Operational Performance

Uncompetitive loan product, lack of personnel and low productivity were the 3 main reasons behind KKI's below target achievement in 2012. We have planned needed actions for 2013.

Issue tree analysis for KKI 2012 performance

xx % contribution, based on data and estimations

xx Top 5 contributors

- KKI ended 2012 with 682 active members, lack 1,318 members to achieve 2,000 members target — **100**
  - There is an issue with **member retention**, with only 682 of 1,138 who had received loan remained with KKI (contribution = 456, 35% from 1,318) — **35**
    - Members no longer borrow from KKI because they **could not** — **28**
      - Due to bad payment — **3**
      - Due to bad attendance — **15**
      - Due to paying with compulsory savings — **8**
      - Due to both bad payment and attendance — **2**
    - Members no longer borrow from KKI because they **do not want to** — **7**
      - There are better options — **2**
      - Do not like KKI systems, especially weekly meeting — **2**
      - Do not like KKI approach / action towards them, e.g., too tight — **1**
      - External reasons, e.g., no longer need a loan — **2**
  - There is an issue with **member acquisition**. Only 1,138 had received loan while the target is 2,000 (contribution = 862, 65% from 1,318) — **65**
    - There is an issue with **personnel** — **33**
      - Not enough personnel — **22**
      - Personnel lack productivity — **11**
    - There is an issue with **product** — **19**
      - Product does not fit with market needs and preferences — **9**
      - Competitors' product are better — **10**
    - There is an issue with **strategy** — **13**
      - Area covered is too narrow — **7**
      - Performance management is not very effective — **5**
      - Marketing strategy is not very effective — **1**

Key insights

- Product-related issue contributed 51%, lack of personnel issue contributed 22% and low productivity issue contributed 11% to KKI's below target achievement in 2012. Their total contribution is 84%
- These issues were broken down further and solutions were identified to be implemented in 2013

Analyses on Financial Performance

KKI's assets and income grew in 2012. Loan disbursement increased but still was not enough to cover expenses, mainly contributed by salary, resulted in loss of ~37.6 million IDR.

Stated in IDR unless stated otherwise; mn = million; ~ = only first 3 digits were used

Overall Performance Analyses

- **Net income increased faster than expenses (230% vs. 179%) but it still was not enough to avoid loss.** It was because total expenses were bigger than net income in 2011 (~69 mn vs. ~47 mn). In 2013, loan disbursement will be expedited so KKI could reach break-even-point (income could cover all expenses).
- **Loan porfolio growth was not enough to cover field officer salary growth, which is burdened by high frequency of people who quit (turnover)**. Total outstanding loan portfolio grew 161%, from ~131 mn to ~343 mn and Net Interest Income grew 224%, from ~45 mn to ~148 mn. However, salary expenses grew by 209%, from ~52 mn to ~162 mn. High turnover burdened salary expenses because each new joiner will gone through training for 3 months, in which they have received ~80% salary while not producing income for KKI. When they then quit, the loss is increased further. Contract system will be used in 2013 to reduce turnover.
- **Balanced sheets remained strong and asset usage measure improved**. Assets grown by 55%, from ~502 mn to ~765 mn. It was driven mainly by growth in loan portfolio, which grew by ~211 mn (161% increased from 2011). Asset usage measures, shown by loan-to-cash ratio, improved significantly although still not ideal. It improves from 36% in 2011 to 82% in 2012. Ideally most of the cash is used as loan so it produces income. We aim to improve this ratio to ~800% in 2013.

Other Insights from Balance Sheets (BS) and Income Statements (IS)

- **(BS) Current liabilities had grown significantly (518%) but not something to be worried of.** It was driven by growth in members' deposits, which grew by 466%, from ~24 mn to ~141 mn IDR. It was mainly driven by increase in compulsory savings requirements and increasing trust from members who saved voluntarily in KKI. Current liabilities-to-current assets ratio increased from 5% in 2011 to 21% in 2012. KKI will reserve some of its cash to repay the voluntary savings and compulsory savings as they due.
- **(BS) Loss had deepen negative Retained Earnings but not hurting Balance Sheets' health due to donations**. Negative RE had grown by 176% from -22 mn to -61 mn. It did not hurt KKI's balance sheets' health as KKI received ~152 mn donations. This loss will be covered by Leonardo Kamilius's capital participation and would be recovered once KKI has profits.
- **(BS) Fixed assets had grown significantly (253%) although still constitutes very small percentage of assets (3%).** Growth was driven mainly by motorcycle and bicycles purchase to support KKI's growth.
- **(IS) Other expenses grew normally**. Expenses other than salary grew by 14 mn, mainly contributed by more expensive office rental fee (6.5 mn) and bigger depreciation (~5 mn).

2013 Financial Projection

- **KKI is expected to reach break-even-point (BEP) in the 4th quarter of 2013** as it reached 2,100 members.
- **Loss is still anticipated in 2013. Income will grow significantly, racing with growth in salary expenses**. BEP is expected to be reached in the 4th quarter, but the profits would not be sufficient to cover loss from the first 3 quarters. Highest pressure on KKI's financial will come from field officer's salary, which would be increased further to 2.3 mn / month as region's minimum wage was increased to 2.2 mn.This is required in order to get good talents, which is needed to support and sustain KKI's organic growth.
- **Assets will grow significantly, driven by increase in loan portfolio. It will accompanied by growth in donations equity**. KKI will do its 2nd donations fund raising and expect to raise ~1,500 million IDR. This funding will then be disbursed as loan. Fixed assets on vehicles and current liabilities from members' deposits are also expected to grow further.

Unaudited Balance Sheets

Koperasi KASIH Indonesia
Balance Sheets
31 December 2012 and 2011
(expressed in Rupiah, unless stated otherwise)

	Notes	2012	2011	Changes	In %
ASSETS					
Current Assets					
Cash and equivalents		35,752,000	11,027,650	24,724,350	224%
Cash in bank		380,525,596	356,204,367	24,321,229	7%
TUMBUH Loan oustanding portfolio	2	208,898,139	109,532,688	99,365,452	91%
Other loans oustanding portfolio	2, 12	134,103,934	22,035,270	112,068,664	509%
Prepaid office rental		6,500,000	3,500,000	3,000,000	86%
Total Current Assets		**765,779,669**	**502,299,974**	**263,479,695**	**52%**
Fixed Assets					
Motorcycle	3	11,500,000	0	11,500,000	
Accumulated depreciation – motorcycle	3	(684,525)	0	(684,525)	
Bicycles	3, 4	8,774,500	6,404,500	2,370,000	37%
Accumulated depreciation – bicycle	3, 4	(5,538,460)	(577,688)	(4,960,772)	859%
Office equipments	3, 5	7,028,000	0	7,028,000	
Accumulated depreciation - office equipments	3, 5	(536,246)	0	(536,246)	
Total Fixed Assets		**20,543,270**	**5,826,813**	**14,716,457**	**253%**
Total Assets		**786,322,939**	**508,126,787**	**278,196,152**	**55%**
LIABILITIES AND EQUITY					
Liabilities					
Deposits - members and employees	6	141,314,425	24,949,850	116,364,575	466%
Current liabilities - unpaid reimbursement	7	14,865,520	0	14,865,520	
Other liabilities		820,000	461,000	359,000	78%
Total Liabilities		**156,999,945**	**25,410,850**	**131,589,095**	**518%**
Equity					
Member principal deposits	8	6,757,000	692,000	6,065,000	876%
Member periodical deposits	8	110,000	60,000	50,000	83%
Capital participation - Leonardo Kamilius	9	110,050,260	82,750,210	27,300,050	33%
Donations	10	573,510,777	421,350,000	152,160,777	36%
Retained earnings from previous year		(22,136,274)	0	(22,136,274)	
Retained earnings from current year	11	(38,968,768)	(22,136,273)	(16,832,495)	76%
Total Equity		**629,322,994**	**482,715,937**	**146,607,057**	**30%**
Total Liabilities and Equity		**786,322,939**	**508,126,787**	**278,196,152**	**55%**

Unaudited Income Statements

Koperasi KASIH Indonesia
Income Statements
For the years ended 31 December 2012 and 2011
(expressed in Rupiah, unless stated otherwise)

	Notes	2012	2011	Changes	In %
INCOME					
Income from Operations					
Income from TUMBUH Loan		100,007,627	29,824,300	70,183,327	235%
Income from other loans	12	7,118,914	1,753,407	5,365,507	306%
Income from administration fees	13	41,564,000	14,470,000	27,094,000	187%
Interest Expense					
Interest given to compulsory savings		96,000	204,600	(108,600)	(53%)
Net Interest Income		**148,594,541**	**45,843,107**	**102,751,434**	**224%**
Other Income					
Income from late payment fine		441,000	38,500	402,500	1045%
Income from bank's interest, net of admin. and tax	14	6,217,367	1,117,367	5,100,000	456%
Other income		0	16,000	(16,000)	(100%)
Net Income		**155,252,908**	**47,014,974**	**108,237,934**	**230%**
EXPENSES					
Operating Expenses					
Salary	15	162,205,000	52,514,300	109,690,700	209%
Office rental	16	10,000,000	3,500,000	6,500,000	186%
Photocopy and printing	17	5,525,010	2,467,650	3,057,360	124%
Consumption	18	1,717,200	1,192,707	524,493	44%
Office supplies	18	2,647,770	1,839,048	808,722	44%
Office reparation and maintenance	18	1,471,164	1,021,819	449,345	44%
Other office expenses	18	3,117,891	2,165,578	952,313	44%
Vehicle depreciation		5,645,297	577,688	5,067,610	877%
Office equipment depreciation	18	536,246	372,457	163,788	44%
Other Expenses					
Legal support		0	3,500,000	(3,500,000)	(100%)
Total Expenses		**192,865,578**	**69,151,248**	**123,714,330**	**179%**
Net Profit (Loss) Before Tax		**(37,612,670)**	**(22,136,273)**	**(15,476,397)**	**70%**
Tax paid		**0**	**0**	**0**	
Net Profit (Loss)		**(37,612,670)**	**(22,136,273)**	**(15,476,397)**	**70%**

Koperasi KASIH Indonesia
Notes to Financial Statements
31 December 2012 and 2011
(expressed in Rupiah, unless stated otherwise)

1. **Basis of Preparation of the Consolidated Financial Statements**. This financial statements were prepared based on standards in "Standar Akuntansi-Keuangan Entitas Tanpa Akuntabilitas Publik" (SAK-ETAP, accounting standard for entity without public accountability requirement), in conformity with announcement from deputy of organization division of Ministry of Cooperative, Small and Medium Enterprises. Estimations and assumptions were used and will effect some areas in this financial statement. Estimations and assumptions with significant value will be explained within this notes.
2. **Allowance for Doubtful Accounts (AFDA)**: KKI had not set AFDA both in 2012 and 2011. It will be set in 2013 based on historical bad debts in 2011 and 2012.
3. **Depreciation**. Straight-line method was used for depreciation and following economic life assumptions were used: 7 years for motorcycle, 5 years for safety deposit box, 2 years for office equipments, 2 years for bicycle.
4. **Bicycle**. In 2011 financial statements, there were some months where depreciation expenses for bicycle were not recorded. They were included in depreciation expenses in 2012 financial statements.
5. **Office equipments**. In 2011, printer as the only office equipment was not categorized as long term assets and thus was not depreciated. In 2012, the new printer along with new safe deposit box and locker were recorded and depreciated.
6. **Deposits - members and employees**. This account is a grouping from 3 different deposit types: (1) members' compulsory and voluntary savings that are not related with membership at KKI, ~113 million IDR, (2) members' initial savings that will be returned once the installment is done, ~24 million IDR, (3) employees' savings, ~4 million IDR.
7. **Current liabilities - unpaid reimbursement**. This account came from expenses that should be but were not reimbursed yet in 2012. It had been included as expenses in Income Statements and thus did not cause understatement of loss. However, as they should have paid with cash, it caused temporary overstatement of both assets (cash) and current liabilities. It did not done intentionally and will be paid in 2013.
8. **Member principal and periodical deposits**. Both accounts consists of full members' deposits that are related to their membership at KKI. Borrowers are not obligated to become full member of KKI.
9. **Capital participation - Leonardo Kamilius**. There were missing records on the source of 31.2 million IDR cash which potentially came from donations and injection of capital participation from Leonardo Kamilius and is included in this account. The data will be searched further in 2013 and if it founds, above amount will be adjusted accordingly.
10. **Donations**. KKI received total donations of 152,160,777 IDR from 29 identified donors and some unidentified donors in 2012, adding to 421,350,000 IDR received in 2011.
11. **Retained earnings from current year**. This is a loss in 2012 based on 2012 Income Statements.
12. **Other loans**. In 2012 KKI had 6 other loans: (1) MAJU, piloted loan, (2) PRIBADI, loan for full member, (3) Housing Loan, (4) Education Loan, (5) Employee Loan, (6) Mandiri, loan that was no longer offered but had unpaid installments. MAJU was the biggest contributor in "Other loans oustanding portfolio" and 2nd in "Income from other loans".
13. **Income from administration fees**. This income covered administration fees from all loan products.
14. **Income from bank's interest, net of admin. and tax**. Amount of interest income was 8,474,552 IDR, administration was 1,074,277 IDR and tax was 1,182,908 IDR, resulting in net bank interest income of 6,217,367 IDR.
15. **Salary**. In 2012 KKI increased field officer's fixed part of the salary 2 times, 1st was to 1,000,000 IDR (Jan) and 2nd was to 1,600,000 / month (May). Branch Manager's salary was increased 1 time in Jan, from 2.5 million to 3.5 million IDR. Assistant Branch Manager's salary was increased 1 time in Feb, from 1.5 to 2.5 million IDR / month. A-TEAM's salary was 2.5 million IDR / month and Management Trainee's salary was 2 million IDR / month.
16. **Office rental**. KKI moved to new office in July 2012. The rental cost increased from 7 to 10 million IDR / month.
17. **Photocopy and printing**. Photocopy and printing costs were big because KKI is still paper-based. Biggest contributors to this cost were printing costs of savings book (2 million IDR, 500 books), Pigura Impian (Frame of Dreams), payment receipt for MAJU Loan and savings, and payment receipt and member's recording sheet for TUMBUH Loan.
18. **Consumption, office supplies, office reparation and maintenance, other office expenses, vehicle depreciation, office equipment depreciation**. In 2011, theses costs were not separately categorized and it was not cost-effective to be tracked. Therefore, in this report we allocated 2011 costs amounted 6,591,610 IDR using actual proportion of those categories in 2012. 2012 office supplies, amounted 2,647,770 IDR, mainly consisted of purchase of small equipments for field officers, for example calculator, raincoat, tumbler, and office needs like printer ink and paper. Main contributors to Other office expenses, amounted 3,117,891 IDR, was electricity, water and publication costs for recruitment.

Social Impact Assessment Results

Independent social impact assessment was done in July by Yuliana, 4th year Sociology student from University of Indonesia. Result: Impact was identified but still limited to income aspect.

Context

- KKI has not able to execute routine impact assessment yet due to limited resources
- In addition, significant impact from loan and education could usually be seen only in mid-term, 3-5 years after someone joining KKI
- Therefore, KKI leveraged the support from volunteers, Yuliana

Assessor

- Yuliana Martha Tresia
- University of Indonesia, Sociology, 8th semester
- Has strong interest in poverty
- Volunteered in Jun-Aug 2012
- Steven Lin joined Yuli for 1-week

Goals

A. To identify and describe potential impact of KKI programs to its members in 4 aspects:
   1. Income
   2. Savings behavior
   3. Spending behavior
   4. Asset ownership

B. To identify if difference in borrowing period affects result on 4 above aspects

Method

- **Approach**: Quantitative, accompanied by simple qualitative approach
- **Population**: All members whom already at the 4th week of the 1st loan cycle or longer
- **Sample**: 15% (74 respondents), chosen using stratified method
- **Data**: Primary (interviews) & secondary (records)
- **Limitation**: During fasting month, some has lower income and most price increased

Results

A. To identify and describe potential impact of KKI programs to its members

1. Impact on income: IDENTIFIED

- **Family income** of **64%** respondents **increased** and **business income** of **57%** respondents **increased** after joining KKI
- **41.89%** respondents said their **total working capital increased** after getting loan from KKI
- **75.68% still run the same business** and the rest changed their business. 3% no longer run a business due to different reasons.
- Qualitative: **68.5%** respondents **felt** that **their income increased** after getting loan from KKI

2. Impact on savings behavior: MINOR

- **82.9%** respondents **who have savings outside KKI had already done it before joining KKI**. **Only 17.2% done it after joining KKI**, showing limited impact as result of **financial education freeze** between June 2011-July 2012
- **61.7% saved voluntarily** in addition to the compulsory savings, **but still for short term reasons** like "just to have savings" and "to pay installment if we lack of money in the future"

3. Impact on spending behavior: MINOR

- **51% of respondents had their overall family spending decreased**, **but 62% respondents had their spending for food and snacks increased**. This might partially be affected by consumption trend during fasting month
- **Only 23% respondents still borrowing from other source** than KKI, mainly loan sharks, showing they were more careful in borrowing

4. Impact on asset ownership: VERY MINOR

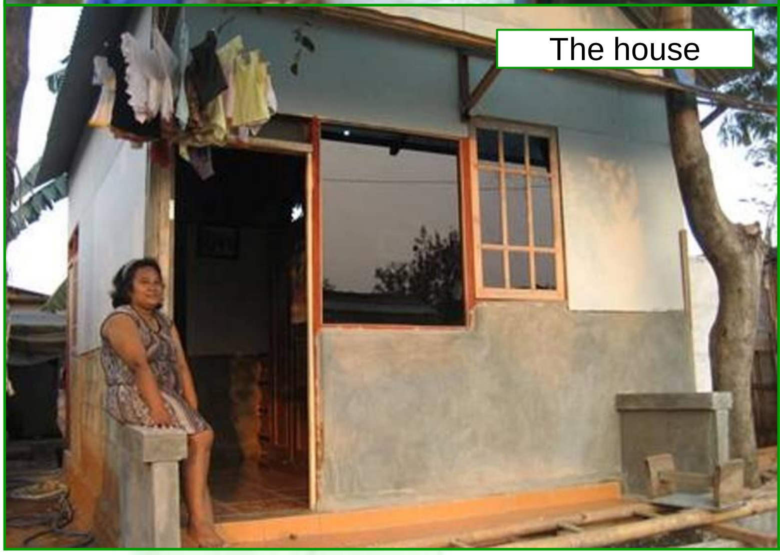
- **Only 24% had their housing status improved** after joining KKI, of which **only 2 people changed from "renting" to "owning"**. One of the stories, Ita Rosita, will be shared in next page.
- In terms of **other assets condition**, e.g., house floor, wall, toilet, clean water, there were some changes but still minor. **Most had not changed yet after joining KKI**

B. To identify if difference in borrowing period affects result on 4 above aspects: No effect from differing periods

Selected Success Stories

KKI has not executed full and routine impact assessment yet. However, some stories surfaced and they really energized us. We believe as we go on, more impact will be created.

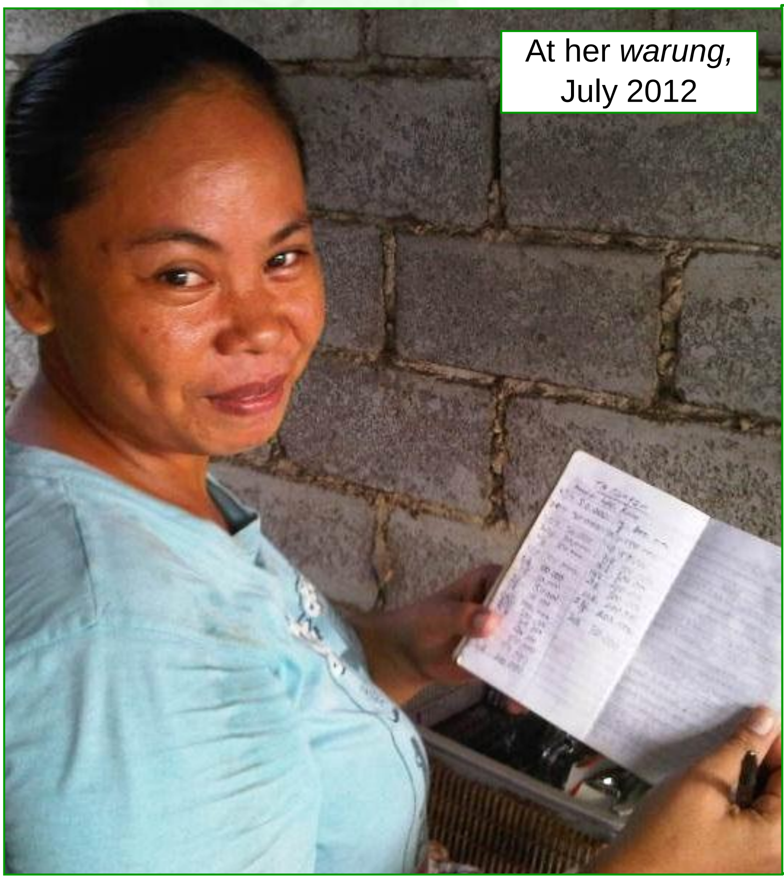
The *warung*



The house

Ita Rosita (joined in 2011, still active)

- Ita Rosita 1st borrowed 1 mn IDR to fill her newly set-up stall (*warung*). She got training on “dream” and set her 2 dreams: To have a house and send her 2nd child to university.
- She started to save money and chance came when her mother want to sell her “no-certificate” land for ~5 mn IDR. She used her savings and borrowed 2 mn IDR from KKI to buy it.
- She continued saving in form of building materials while paying loan installments. After a year, the house was almost ready and she borrowed 4 mn IDR to finish it (July 2012)
- After 19 year, she now have a house. Her next target is to send her daughter to university. We believe she could do it and will support her.
- Ita Rosita progressed very fast as she used the lessons taught by KKI. When asked by Yuliana, the assessor, on how she could do it so fast, she said “KKI taught me to have a dream and remember it every day. So when I woke up everyday, I dreamed the house”. She has it now.



At her *warung*, July 2012

Barkah (joined in 2011, no longer active)

- Ibu Barkah ran a small food stall (*warung*) and had borrowed from loan shark for ~5 years before joining KKI. She got 1 mn IDR loan and training on “saving money”.
- Repaying it for 6 months, she then quit KKI. We came months later (Aug 2011) to check why, as she was a good borrower. We thought she did not like our weekly compulsory meeting.
- She said she no longer borrowed from anywhere and pulled out a small book that shows her daily savings, 70,000 IDR! She saved her moderate income everyday and used it for her cash needs, so no loan was needed.
- We checked whether she had done this good habit before and she said “I started doing this after I joined KKI. Although I no longer borrowing from KKI, I still use the lessons”.
- We visited her again in Jul 2012 and she was still doing it. No loan. Great job Ibu Barkah!

Supports Received in 2012

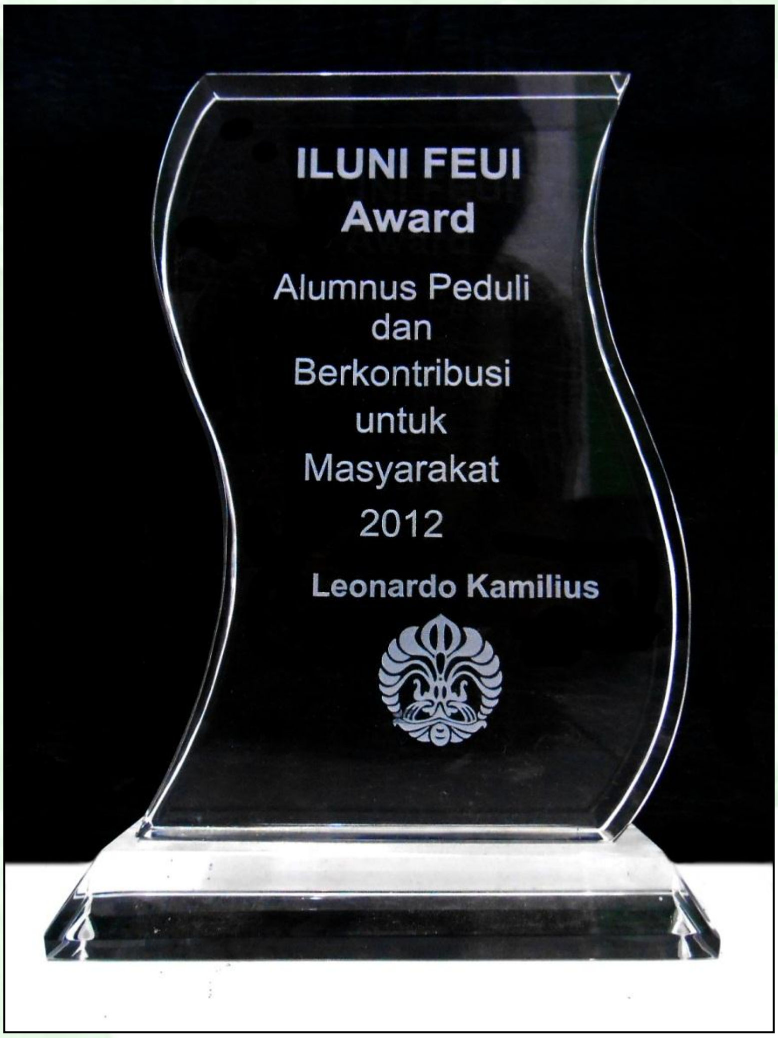
KKI stood strong not on its own, but supported by many people that GOD sent. We would like to thank all of you who had sincerely gave time, energy, donations and beyond all, your heart.

	Description	Support for KKI
Individual donors	• 29 individuals donated to KKI in 2012, 4 of whom donated monthly • Many unidentified donors	• Total donations of 152,160,777 IDR, ~120 mn* from identified donors and ~32 mn* from unidentified donors
Project Indonesia (PI)	• PI is a youth-led NGO focusing on development, relief and education. Web: www.project-indonesia.com	• ~150 free medications (Feb) • Arranged 2012 annual fun trip (Jun) • Set up tutorial class at Cilincing
FE UI Alumni Organization	• Organization of FE UI Alumni which has strong interest in supporting education and social development	• Scholarship covering tuition and living costs for KKI members' children who got accepted at UI
Willy Yunnal	• Volunteer programmer	• Information system that records and analyzes transactions data and produce necessary reports
Ubaidillah Nugraha	• Mr. Ubaidillah was a CFO at Trimegah and part of FE UI Alumni Organization and Bright Foundation	• Endorsing KKI to get the UI scholarship and 2 elementary school scholarships
Yuliana Martha and Steven Lin	• Yuliana and Steven was 4th year student at University of Indonesia and President University	• Executed KKI's first independent social impact assessment and produced great reports
Roy and team	• Mr. Roy is FE UI Alumni that joined Indonesia Mengajar program and now received Fullbright Scholarship	• Preparation class for >15 KKI members' children who applied for UI in 2012
Thilma, Petrus and team	• Ms. Thilma is a social business consultant and Mr. Petrus is a great movie director in-the-making	• Financial education video on saving. Soap opera-like, 5 episodes • Thilma also donated money for this
UKM Center FE UI	• UKM Center FE UI focuses on SME development and is an influential institution in this area	• Donated 5 million IDR to support the making of financial education video • Endorsing KKI within FE UI alumni
KKI members	• Members who felt the benefit of joining KKI and want to support KKI to grow bigger	• Continuous prayers • Sharing recruitment announcement • Encouragements
KKI supporters	• There are a lot of KKI supporters both whom we know and could not named here one-by-one and whom we have not known in-person but continuously support us in silence	• Knowledge, e.g., legal, tax, audit • Connecting KKI with needed people • Continuous prayers • Sharing KKI announcements • Encouragements

* mn = million IDR

Award

We ended 2012 with an award from Alumni Organization of Faculty of Economics University of Indonesia. This is a bonus as in 2012 KKI management pledged they will never apply for award.



5 FE UI Alumni with Biggest Contribution to Society in 2012

http://finance.detik.com/read/2012/12/18/112352/2121223/4/5-alumni-feui-paling-berkontribusi-ke-masyarakat-di-2012

Detikfinance, Tuesday, 18/12/2012 11:23 (translated and shortened)

Jakarta – Alumni Organization of Faculty of Economics University of Indonesia (FE UI) gave awards to its 5 alumni who are considered as a strong contributor to society in 2012.

The awards were given in 'ILUNI FEUI Award' event held at Graha CIMB Niaga, Jakarta, at Tuesday, December 18, 2012. The 5 awards recipient were:

1. Pahala N. Mansyuri (CFO of Bank Mandiri)
2. Rhenald Kasali (Honorary Professor at FE UI, founder of Rumah Perubahan)
3. Leonardo Kamilius (Koperasi KASIH Indonesia)
4. Mubariq Ahmad (environmental activits)
5. Arif Fiyanto (Greenpeace activits)

2013 Targets

2013 will be the "take-off" year for KKI. Empowering 3,000 members through 2 branches are 2 key targets. Achieving it means KKI empower many people, prove its replicability and reach BEP

	Variables	2012	2013
	In number unless stated otherwise. mn = million IDR; k = thousand IDR		
General, education, savings	**Number of branch (end of year)**	**1**	**2**
	Number of employees	10	17
	Employee turnover (for the year)	81%	30%
	# get mindset-changing session (for the year)	~547	2,400
	# using Pigura Impian (for the year)	~225	1,600
	Savings account opened (end of year)	<10	300
	Data stored at information system & computer	No	90%
	Financial statement development	One-time	Continuous
Loan-related	**Active borrowers (end of year)**	**682**	**3,000**
	% of discontinued borrowers (cummulative)	40%	30%
	% of woman (cummulative)	~96%	~95%
	% live with <2 USD/day/person (cummulative)	~84%*	~50%*
	% live with <3 USD/day/person (cummulative)	~98%	~93%
	Total value of disbursed loan (for the year)	~814 mn	~3,000 mn
	Average value of disbursed loan (for the year)	~687 k	~1,000 k
	Average portfolio at risk > 30 days (for the year)	~1.4%	0.7%
	Average NPL (unpaid >90 days, for the year)	~0.4%	0.2%
Financial	Break-even-point reached?	No	Yes
	Donations raised (for the year)	120.6 mn	1,500 mn
	Loan-to-cash ratio (end of year)	82%	~400%

*More members have income of ~2-3 USD/person/day in 2012 although their living condition shows they are still poor. In 2013, KKI will widen its portfolio to productive-poor segment, poor but has higher income

Note: Sign ~ on monetary values shows that only 1st 3 digits of actual numbers were used. On others, it shows that no actual data were recorded, so numbers were estimated using reasonable bases and in conservative manner.

2013 Initiatives

KKI will execute 30 initiatives in 2013, 18 to support achievement of 2013 key targets, 10 on educations and institutional requirements and 2 on cooperative development.

Operations-related Initiatives	Non-Operations Initiatives
1. **Raising salary** to support recruitment as minimum wage increased and support employees retention (January) 2. **Recruiting 7 people** to have a total of 17 employees to achieve growth target in 2 offices (February, May, August) 3. **Applying new contract** system to increase employee retention (February) 4. **Revising performance management** system to focus and motivate team to achieve active member target (February) 5. **Launching 2nd pilot product** that will replace TUMBUH in the future (February) 6. **Modifying** some aspects of **TUMBUH Loan** to make it more competitive while the new product is being tested (March) 7. **Covering new**, farther **area** (March) 8. **Starting Assistant Branch Manager preparation** for 1st and 2nd office (April) 9. **Starting** usage of **KKI information system** in 1st and 2nd office (April, August) 10. **Rolling out educational video** to all groups and other cooperatives (June) 11. **Evaluating 1st pilot product** that was launched in October 2012 (July) 12. **Starting 2nd office** in another big slum area in Jakarta (July) 13. **Disbursing Fasting Month Loan** (July) 14. **Finalizing and launching** KKI's new **main product** (August)	1. **Continuing** publication of **monthly report** (January) 2. **Executing 1st Annual Members Meeting** for full-member (March) 3. **Publishing Annual Report** 2012 (March) 4. **Setting up** KKI and employees' **tax account** (March, May) 5. **Setting up KKI's bank account** (April) 6. **Starting preparation class** for members' children who want to apply to UI in relation with the UI scholarship, collaborating with group of FE UI alumni and FE UI alumni organization (April) 7. **Launching stand-alone savings** (May) 8. **Finalizing educational video**, collaborating with a group friends led by Thilma Komaling and Petrus (May) 9. **Launching** financial management **class**, collaborating with CIMB Niaga (June) 10. **Moving to new**, no-flood **office** (July) 11. **Launching scholarship** program for 10 vocational high school "**SMK**", collaborating with CIMB Niaga (July) 12. **Launching scholarship** program for 2 **elementary school** students, collaborating with Bright Foundation (July) 13. **Executing** annual **fun trip**, collaborating with Project Indonesia (October) 14. **Developing 2013 evaluation** and **2014 strategy and work plan** (December)

Cooperative-related Initiatives
1. **Revising cooperative procedures** to cope with new Cooperative Law issued in 2012 2. **Improving cooperative administration**, .e.g, full member list, full member savings

Areas for Collaboration

To be able to empower 3,000 members through 2 branches, we need your prayers and supports.

	Needed supports	Reason
Funding for loan	• **1,500 million IDR** • **Form:** Donation • **Compulsory** for growth	• This funding is needed to be extended as loan to additional ~2,000 borrowers in 2013 and help KKI achieve BEP • KKI will start accessing loans for its 3rd and consecutive offices. For 2nd office, we still focus on donations
Motorcycle	• **5 motorcycles**, new or used in good condition • 1 new motorcycle costs 11 million IDR (Honda revo fit) • **Form:** Donation • **Compulsory** for growth	• KKI continues its expansion to areas that are not feasible to be reached by bicycle. We need 5 more motorcycles and with current financial condition we could not procure it with own funding yet
Connecting with potential supporters	• Connecting KKI with people who might be interested to support one of the needs above • **Compulsory for growth**	• Funding for loan and motorcycle is compulsory to support KKI growth. As it needs a lot of funding, we need to reach out to as many potential donors as possible
Funding for video production	• **5 million IDR** • **Form:** Donation • **Nice to have**	• Financial education video editing has almost finished and we plan to produce ~500 copies to be given to KKI members (2 per group) and other cooperatives
Funding for UI test preparation class	• **3 million IDR** • **Form:** Donation • **Nice to have**	• Preparation class for KKI members' children who are applying to UI will start and supported by Acha and team, pro bono. We plan to cover their consumption and transportation costs for 27 classes, to be held at KKI office
University scholarship	• One person supports 1 poor child to pursue S1 degree at good public university (4 years, ~1.5 million / month) • **Form:** Direct to recipient • **Nice to have**	• KKI continuously encourage members to send their children to university, as it will help their family to exit poverty. However, lack of money funding for both tuition and living costs has been hindering them.=
Office	• One person buy a house in Cilincing under her/his name and rent it to KKI • **Form:** Rent to KKI • **Nice to have**	• KKI will move to new office for the 4th time in July 2013. As we contracted house for office, we are in weak position if the house is sold / used. Moving office costs a lot of time, energy and money

THANK YOU

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