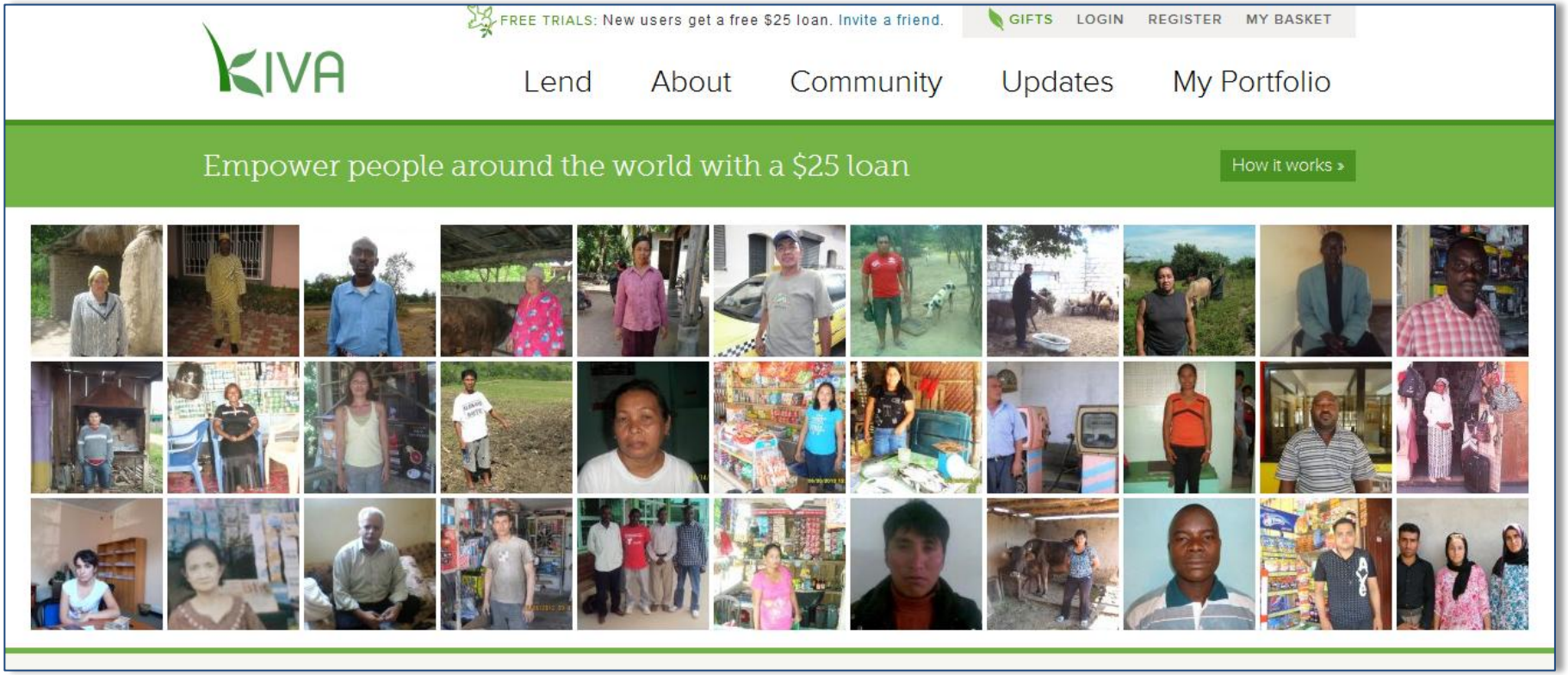
Spring, 2013

US Trustee Introduction

Welcome to Kiva

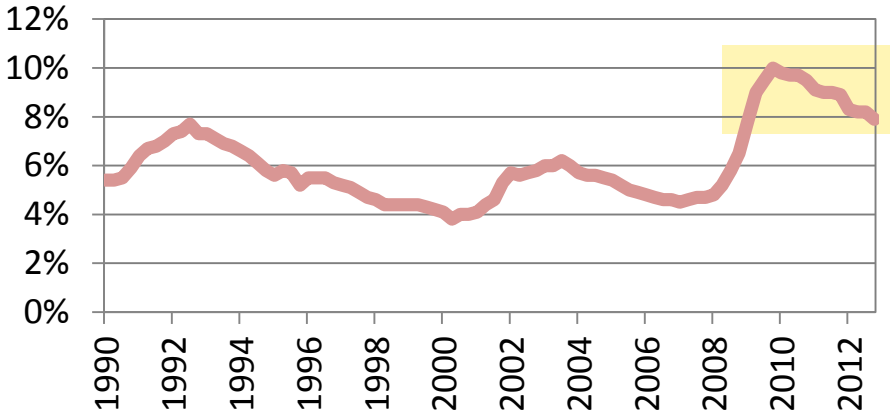
Kiva is a non-profit, based in San Francisco, that helps small business owners start or grow their business. We provide micro loans to borrowers around the world that are crowd funded on our platform.

Kiva made its first loan in Uganda in 2005, and has since made over one million loans in 67 countries.



What's the problem? Unemployment and Unbanked

U.S. **unemployment** at its highest for 30 years



16% of Americans are currently living in **poverty**

2.8m U.S. children live in households earning less than $2 per day

7.7% of Americans are **unbanked**[1]

17.9% of Americans are **underbanked**[2]

40m Americans took out a **payday loan** in 2010

with typical APRs of 300-750%

[1] Unbanked = "Those without an account at a bank or other financial institution"; [2] Underbanked = "People or businesses that have poor access to mainstream financial services normally offered by retail banks"

What's the problem? Lack of small business lending

Over the past few decades, U.S. microfinance has struggled to meet the demands of small businesses

20m American micro-enterprises exist

18k microfinance loans made in the U.S. in 2010[1]

"Only 2% of potential U.S. microfinance customers are being served, compared to 17% in the developing world"[2]

And it's been getting worse…

The Miserable State of Small Business Banking

The state of small business banking at most banks, that is, their ability and willingness to serve the needs of small companies, is at its nadir. Despite all the hype from banks about how they support small businesses, the reality is substantially different and more businesses are recognizing this gap.

Dec 2012

Federal budget squeeze could slash $540M from SBA lending

Feb 2013

Small business loans[3]	2008	2011	Delta
$1m or less	$712b	$607b	-15%
$100k or less	$170b	$140b	-18%

And loans less than $50k are virtually non-existent

[1] http://fieldus.org/publications/2011CensusFacts.pdf;
[2] http://www.tsys.com/Downloads/upload/fall-ngenuity-journal-2012.pdf;
[3] http://www.sba.gov/sites/default/files/sbl_11study%20FINAL.pdf

Our solution to these problems is called Kiva Zip

The biggest challenge for expanding access to microloans is the **scale** at which the 400 U.S. MFIs are able to operate.

So we asked ourselves whether there was a way to bring **internet virality mechanics** to address this challenge.

At the end of 2011, Kiva began a pilot program, Kiva Zip, to dramatically expand the number of small business entrepreneurs who can access our crowdfunding platform.

In the conventional Kiva model, Micro Finance Institutions (MFI's) are the financial intermediary, facilitating loans on Kiva's behalf. On Kiva Zip we use PayPal to distribute and collect the loans and partner with Trustees who identify and endorse entrepreneurs that could benefit from the program.

Why are we so excited about Kiva Zip?

1 Cultivation of Community through 'Conversations'

For the first time ever on Kiva, the Kiva Zip model enables lenders and borrowers to communicate directly with each other on our website. Support networks are fundamental to small businesses' success, but so often lacked by the borrowers that Kiva strives to serve. With Kiva Zip, we are connecting our borrowers with hundreds of lenders, who are becoming brand ambassadors and customers, dispensing business advice, or simply sending messages of encouragement and support to the borrowers they are funding with their $25 loans.

2 Radical Expansion of Access to Capital

Because Kiva Zip loans are sent directly to the borrower, the model enables Kiva to partner with a vast number of community organizations and committed citizens, that have relationships with small business owners, but don't have the capacity or desire to administer loans themselves. There are literally millions of these 'Trustees' throughout America, and their work in remote regions and with excluded populations enables Kiva to significantly improve financial access for small business owners who would otherwise be excluded by the limited reach of conventional capital.

3 Development and Leveraging of Trust Networks

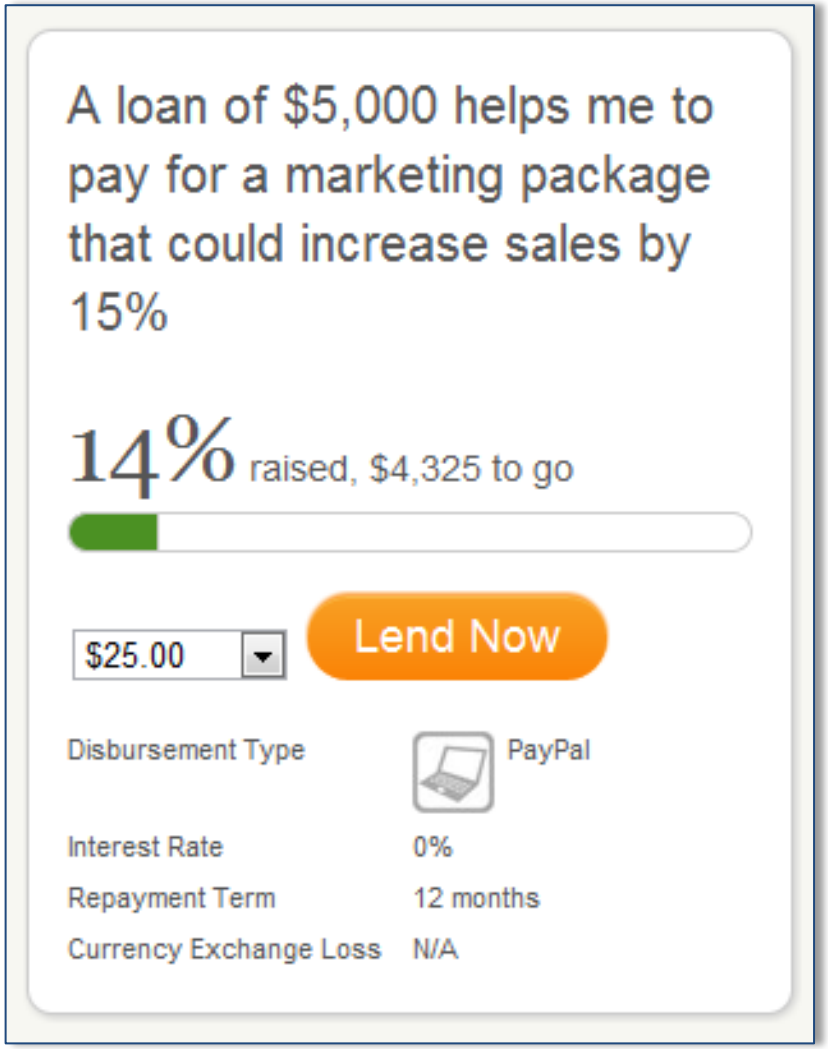
Over time, successful Zip borrowers are themselves becoming Trustees, 'endorsing' other aspiring entrepreneurs in their own communities. As these trust networks begin to virally spread, the reach of Kiva Zip's 0% interest, crowd-funded capital into previously untapped markets will be extended further and further. Robust repayment rates will be maintained, as credit scores and cashflow statements are supplemented by the character assessment and deep, long-standing relationships that permeate these trust networks.

Promising Early Results

- We have now posted over **200 US loans** to the Zip website
- …Working with over **120 trustees** in 35 states
- Around half of those loans have been to businesses within their first year of operation; and about a third have been to **startups**
- So far we have a very strong **repayment rate**
- Perhaps most exciting are the **connections** and **community** that we are building between our borrowers and our lenders

What the loans look like

- 0% interest
- Business loans
- Small size – first loan can be up to $5k; subsequent loans up to $50k
- Up to 24 months term
- Grace periods available for startups and agricultural businesses
- Repayments made in regular weekly or monthly installments
- Disbursals and repayments made electronically via Paypal
- Posted and 'crowd-funded' online



What's in it for borrowers?

- Ability to access capital
- Zero interest or fees
- Easy, online application
- Flexible loan terms
- Building community

But don't take our word for it. Hear what Kiva Zip borrowers have to say:

"Kiva Zip is an invaluable resource for entrepreneurs", Emiliana

"I didn't think character based lending existed anymore. It's an amazing use of technology to bring us back to the basics", Cristian

"Having 45 people invest in Pac Brew Labs is like hiring 45 brand ambassadors", Bryan

What is a Trustee?

There are approximately 400 MFIs in the U.S. but there are **millions of community-based organizations** with deep ties in their communities.

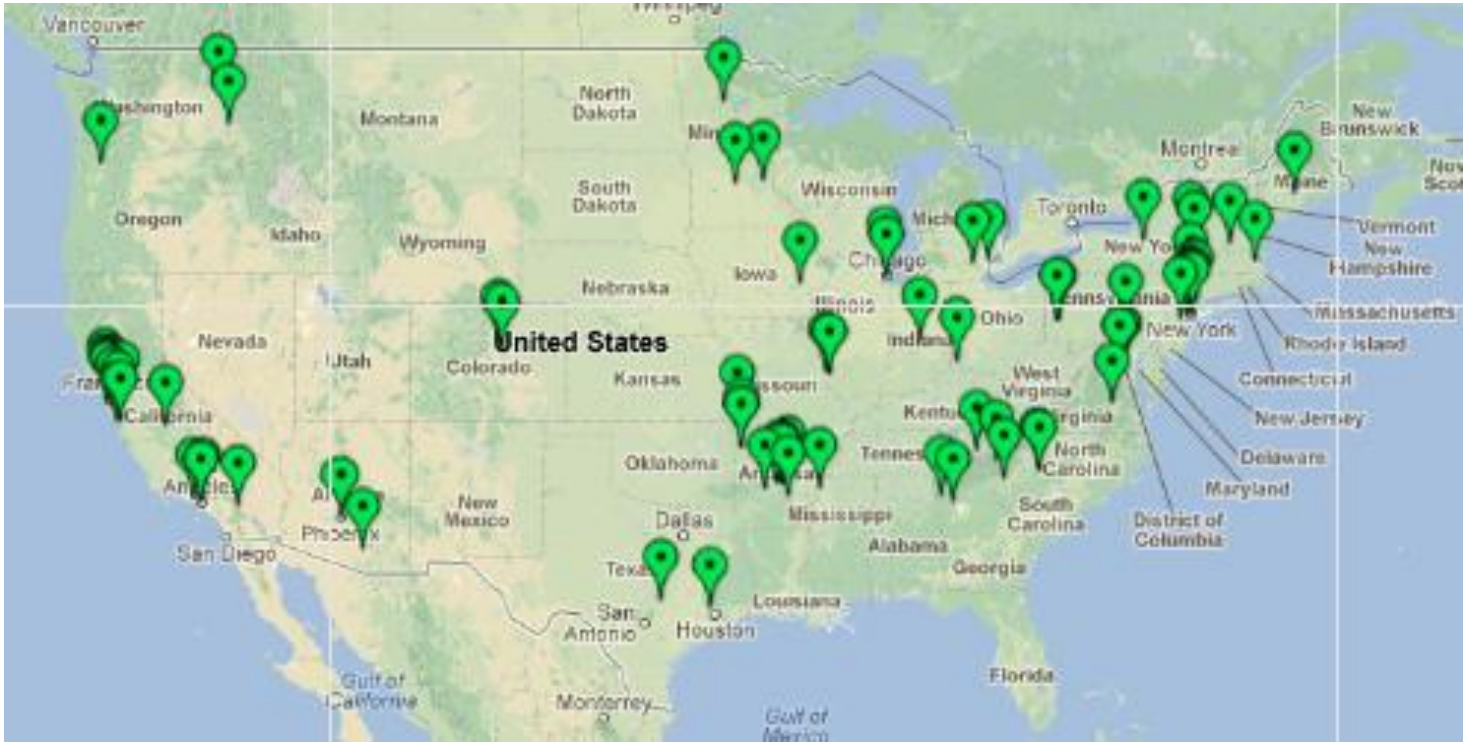
Through Kiva Zip, these groups **do not have to create their own loan programs**. Instead, they can become Trustees and bring borrowers onto Zip.

It is the responsibility of the trustee to:

- Find eligible borrowers for a Kiva Zip loan
- Publicly endorse them on the Kiva Zip website
- And provide ongoing support throughout the loan term

Trustees have no money at risk if a borrower they endorse does not repay, but their reputation is tied to borrowers' performance.

What types of Trustees are on Kiva Zip?



Small Business Development Centers

Economic Development Corporations

Non Profits

Neighborhood Associations

Startup Incubators

CFFI's

Local Businesses

Student Groups and Professors

Community Development Corporations

Religious Groups

SCORE Advisors

….among many others

What's in it for you?

Empower

Enable your clients to engage with their crowd of lenders, and access interest-free capital they otherwise could not.

Engage

Engage with Kiva's network of a million lenders. Showcase your impact and build awareness of your organization.

Promote

Promote your success stories and benefit from the positive publicity and PR that collaboration with Kiva's brand can bring.

Fundraise

Demonstrate tangible impact to potential funders in terms of loans endorsed, revenue generated, and jobs created.

Borrower Assessment

Borrower selection is the most significant role that trustees play in their relationship with Kiva Zip, and there are several criteria that borrowers must meet, in order to qualify for a loan:

Assessment

Kiva Zip leaves it up to trustees to make a judgment call in these areas

- **Do you deeply trust that they are the kind of person who will commit to repaying their loan?**
- **Do they have a viable business or business plan?**
- **Do you know what they will use the loan for and how it will impact their business?**
- **Will this loan have a positive social impact?**
- **Do they meet the minimum criteria for a Kiva Zip loan?**

Minimum requirements

Must be met unless there are exceptional circumstances

- **The borrower's debt : income ratio must be less than 35%**
- **The borrower cannot have past-due debt**
- **The borrower cannot currently be in foreclosure or bankruptcy**
- **The borrower's annual income must be less than $100,000**
- **The borrower must be over 16**
- **The borrower must have a PayPal Account**

The Process

Once a trustee has identified a borrower they want to endorse, there are five principal steps before the borrower can begin fundraising for an interest-free, crowd-funded loan on the Kiva Zip website:

1 Trustee application

Trustee fills out a 'trustee application' form, telling Kiva Zip (and lenders) why they want to be a trustee

This is a one-time, online form, and takes only about 30 minutes to complete

2 Trustee endorsement

For every borrower they endorse, a trustee writes a 'trustee endorsement'

An endorsement is only a few questions long, and takes only about 10 minutes to complete

3 Loan application

When the trustee has submitted the endorsement, the borrower completes a 'loan application'

This is a longer application form, and can take a couple of hours to fill out. Again, it is all online to make life easier!

4 Trustee review

Once the loan application is submitted, the trustee gets a chance to review the loan

The trustee can approve it if they are happy with it, or suggest changes if they prefer

5 Kiva Zip team review

Finally, the Kiva Zip team will review the loan, before posting it to the website to begin fundraising

From there, most loans take about 3-4 weeks to fully fund

Meet Victor

Victor could not get a business loan from a bank or MFI…

…but he received a $5k Kiva Zip loan in December 2011 from 67 people on Kiva

Victor
Cafeto Coffee Shop
San Francisco, CA

OVERVIEW | ENDORSEMENT | REPAYMENTS | LENDERS | CONVERSATIONS 14

Personal Story

My name is Victor, I am soon to become business owner with my partner Abel, in the opening of our coffee shop Cafeto in San Francisco. We are seeking financing options to help us in our last efforts to launch this lifelong dream in providing a better way of life and future for my family.

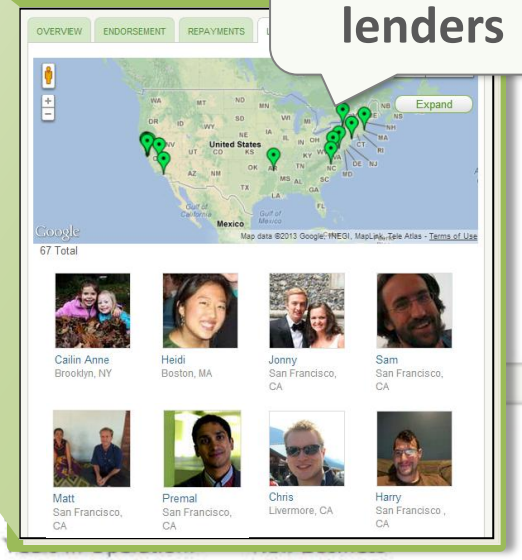
I was born in a very poor and numerous family in Cordoba, Mexico, and was forced to start working at the age of 9 to help provide for the family. I had to abandon school to emigrate from my home town to Mexico City, where I thought I would find better employment and more money for my family; but with my low level of education my options were limited.

In my continuous quest of a better life I moved to North Carolina in 2001, working in whatever type of job came in hand. I remember the first time I got paid $120.- dollars, it seemed like an immense fortune to me. I had never had so much money in my life. Luckily ten years ago someone introduced me to a Coffee Shop owner through my church; at this place I finally found a good place to be for many years. This job gave me the opportunity of a consistent and reliable income and the opportunity to learn, develop my knowledge of…

A loan of $5,000 helps me to finish construction and decoration of my coffee shop.

0% repaid

Victor's 67 lenders



Follow:

These 67 lenders were able to express their support to Victor, and receive updates on his progress

Lenders expressing encouragement, providing business advice, and even becoming customers…

OVERVIEW | ENDORSEMENT | REPAYMENTS | LENDERS | CONVERSATIONS 14

Thanks for the tip, Ali! Victor, I'm looking forward to coming and checking it out. See you soon!

Alec, Zip Lender — Feb 28, 2012

If you guys haven't seen this, Victor's coffee shop, Cafeto is on Yelp, and they've gotten great reviews so far: http://www.yelp.com/biz/cafeto-san-francisco

I had the chance of trying a coffee from Cafeto a little while ago, and I really enjoyed it. The address is on Yelp if you're in San Francisco and want to go check it out.

Ali, Zip Lender — Feb 28, 2012

Hello Victor! I am excited to swing by and purchase a cup of coffee - best of luck to you.

Timothy, Zip Lender — Feb 28, 2012

…And Victor updating them on how the Zip loan helped him to launch his coffee shop Cafeto.

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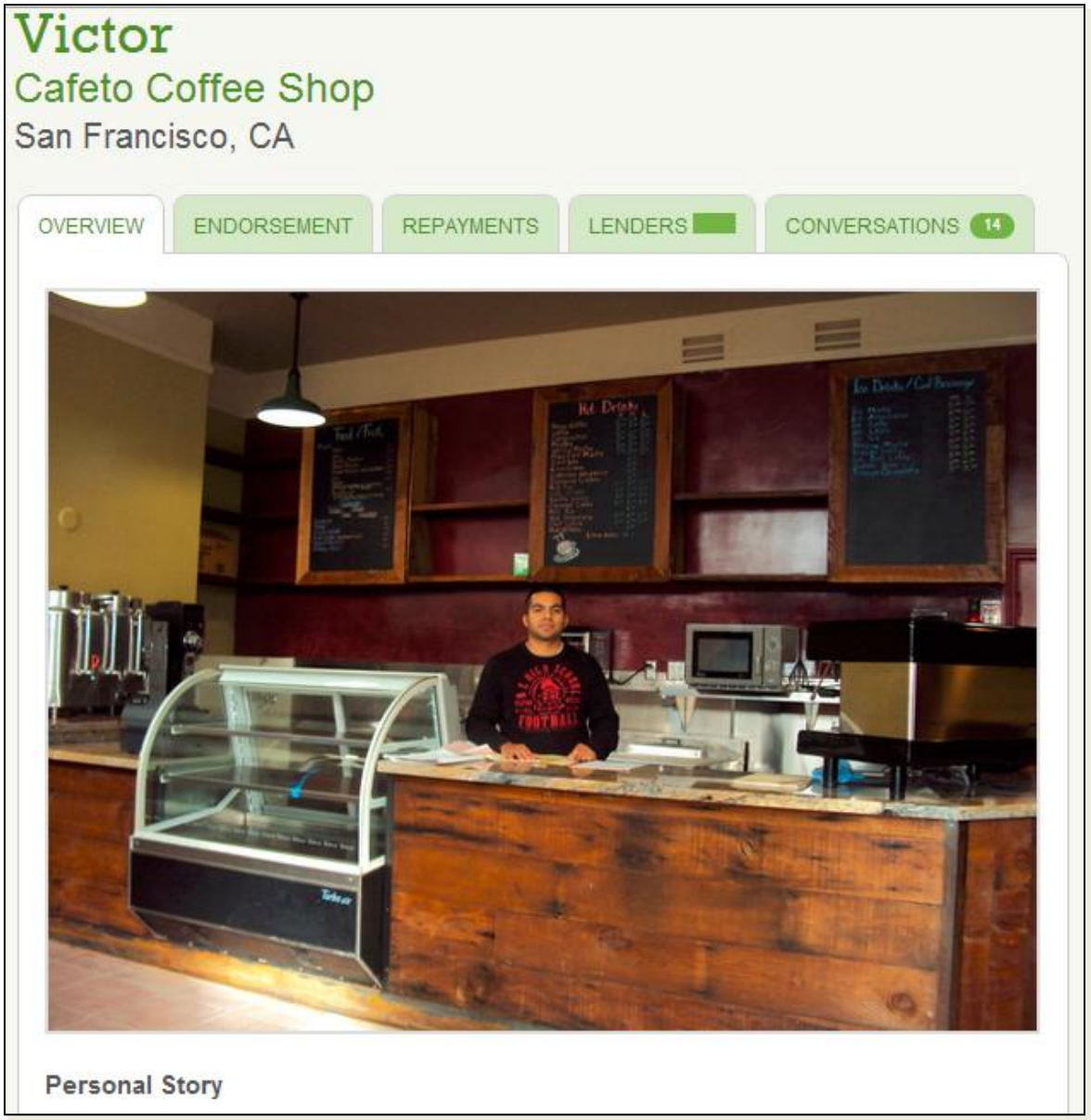
Victor, Zip Borrower

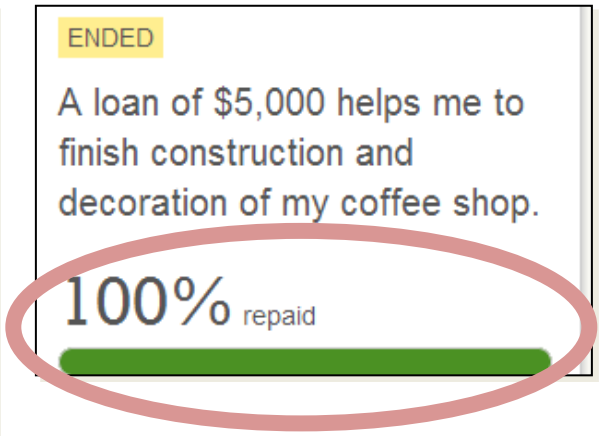
"Hello to all my lenders! I just wanted to say a huge thank you to all of you for lending me this money and allowing me to launch Cafeto!"

"We have hired 5 people, so we have created 5 jobs!"

"Thank you to all for trusting me and helping me pursue my American dream!"

Victor has now repaid his first loan





Two things happen as a result:

1) **Victor builds his credit history in order to access capital from a mainstream bank.**
2) **Victor can now endorse someone else in need of a loan.**

By repaying his loan, Victor can vouch for Rocio...

OVERVIEW | ENDORSEMENT | LENDERS | CONVERSATIONS 8

Personal Story

My name is Rocio Hernandez. My goal is to have my own house cleaning business to help my kids study and progress. I haven't been able to send my oldest one to college, for financial reasons and I'm hoping I can help my younger two.

I currently take the bus to all the houses I clean, and I bring the vacuum on the bus. I also spend a lot of time taking my kids to school.

Transportation is my biggest challenge. At Christmas I had a lot of appointments but I had to cancel some of them because the bus ride took too long and I couldn't make it.

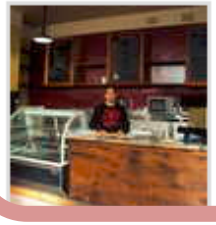
I'd like to grow my business and take more houses and hire other honest people that are looking to work as house cleaners. My dream is to have my own house cleaning service, and have all my employees wear uniforms with my company name.

PAYING BACK

A loan of $3,000 helps me to buy a car so I can clean more houses per day.

68% repaid

This loan is endorsed by



Victor (Cafeto)

Trustee Type:	Individual
Location:	South San Francisco, CA
Badges:	
On Zip Since:	Apr 14, 2012 (11 months)
Loans Endorsed:	3
Total Value:	$11,000
Fundraising/Raised:	0
Paying on Time:	3
Paying Back Late:	0

…And by repaying her loan, Rocio can vouch for Eva

OVERVIEW | ENDORSEMENT | LENDERS | CONVERSATIONS 8

Personal story

The purpose of this loan is to insert new products that about 50% of my customers have requested a lot such as electronics and art supplies. By upgrading my store my family will have more revenue and also I could start saving more for my daughter's college education. I know my business will gain more popularity and profits faster after I enhance it by adding new articles to it

PAYING BACK

A loan of $3,000 helps me to buy electronics and art supplies already requested by about 50% of my customers.

8% repaid

This loan is endorsed by

Rocio Hernandez

Trustee Type:	Individual
Location:	San Francisco, CA
Badges:	None
On Zip Since:	Oct 22, 2012 (5 months)
Loans Endorsed:	1
Total Value:	$3,000
Fundraising/Raised:	0
Paying on Time:	Not enough data
Paying Back Late:	Not enough data

Victor has now extended the trust he earned to others in his community

Victor, endorsed by MEDA

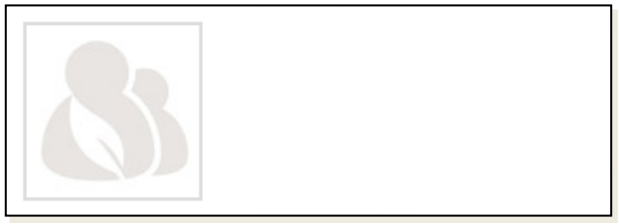
Loan disbursed: December 2011

Rocio, endorsed by Victor

July 2012

Eva, endorsed by Rocio

January 2013



Victor's loan and the trust network he created is just one example of many

There is no shortage of smart, dedicated people like Victor who have the passion and the plan, but who simply lack the capital to launch or expand their small business. Many Zip borrowers are using their small business to advance social good and strengthen their communities.

Teresa

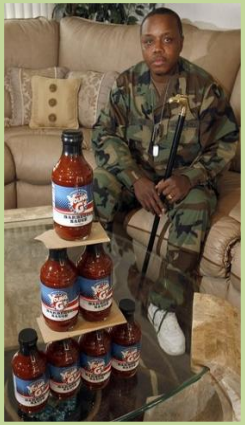
Teresa runs Old Skool Café, a violence prevention program, providing jobs and training for at-risk youth, ages 16-22, at her 1940s styled supper club.

James

Mandela Foods is a worker-owned cooperative, providing local, natural products and nutrition education to a healthy food desert in Oakland's West Side.

Tulio

As a formerly incarcerated, Tulio started Collaborative Benefit to assist prisoners in finding employment when they are released.



Gerald

Gerald is a veteran. Upon returning from Afghanistan, he started his own business producing barbecue sauce according to an old family recipe.

Crystal

Crystal was our first Native American borrower on Kiva Zip. Crystal's $5,000 loan enabled her to launch her Native American food catering business.

We believe that Kiva Zip can double the reach and the impact of U.S. microfinance in just three years

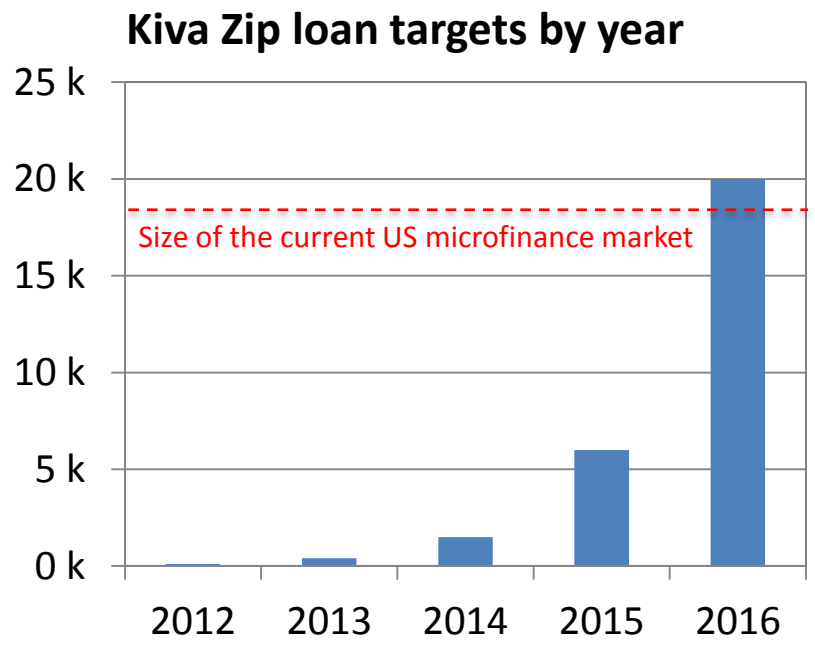
With millions of organizations eligible to become Trustees…

…And a growing number of borrowers endorsing other borrowers…

…Kiva Zip has the potential to achieve explosive, viral growth over the next few years.

Kiva Zip has doubled in size for each of the last four quarters.

And we are aiming to make 20,000 loans per year by 2016.



Please join us.

To learn more about Kiva Zip please visit zip.kiva.org

To speak with a Kiva Zip representative please email contactzip@kiva.org

KIVA
Loans that change lives