



OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.
(An Affiliate Controlled by Opportunity International, Inc.)

Consolidated Financial Statements and Supplementary Schedules

December 31, 2012 and 2011

(With Independent Auditors' Report Thereon)

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.
(An Affiliate Controlled by Opportunity International, Inc.)

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Independent Auditors' Report

The Board of Directors
Opportunity Transformation Investments, Inc.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Opportunity Transformation Investments, Inc., which comprise the consolidated statements of financial position as of December 31, 2012 and 2011, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We did not audit the financial statements of Oportunidad Microfinanzas, S.A. DE C.V., a wholly owned subsidiary, which statements reflect total assets constituting 0.65% and 0.77%, respectively, of consolidated total assets at December 31, 2012 and 2011, and total revenues constituting 1.09% and 1.34%, respectively, of consolidated total revenues for the years then ended. Those statements were audited by other auditors, whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Oportunidad Microfinanzas, S.A. DE C.V., is based solely on the report of the other auditors. We did not audit the financial statements of certain wholly owned subsidiaries, which statements reflect total assets constituting 17% and 12%, respectively, of consolidated total assets at December 31, 2012 and 2011, and total revenues constituting 14% and 12%, respectively, of consolidated total revenues for the years then ended. Those statements, which were prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, were audited by other auditors, whose reports have been furnished to us. We have applied audit procedures on the conversion adjustments to the financial statements of the wholly owned subsidiaries, which conform those financial statements to U.S. generally accepted accounting principles. Our opinion, insofar as it relates to the amounts included for those wholly owned subsidiaries prior to these conversion adjustments, is based solely on the report of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the



entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audits and the reports of the other auditors, the consolidated financial statements referred to above present fairly in all material respects, the financial position of Opportunity Transformation Investments, Inc. as of December 31, 2012 and 2011, and the changes in its financial position and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matter

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedules of statements of financial position – banking operations only, the consolidating schedules of statements of activities – banking operations only, and the schedules of statements of activities and statements of financial position – OTI parent only are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

KPMG LLP

October 29, 2013
Chicago, Illinois

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.
(An Affiliate Controlled by Opportunity International, Inc.)

Consolidated Statements of Financial Position

December 31, 2012 and 2011

Assets	2012	2011
Investing assets:		
Cash and cash equivalents	\$ 12,476	269,642
Restricted cash and investments	4,486,669	9,284,788
Other receivables and prepaid expenses	101,201	105,154
Due from parent	4,959,466	4,285,174
Notes receivable	3,244,879	1,624,110
Investment in other financial institutions	6,714,626	6,881,502
Total investing assets	19,519,317	22,450,370
Banking assets:		
Cash and cash equivalents	65,950,609	64,123,214
Loans receivable, net of allowance of \$10,560,469 and \$15,007,287, in 2012 and 2011, respectively	171,398,214	153,451,743
Prepaid expenses	19,739,103	18,570,770
Building, furniture, and equipment, net of accumulated depreciation of \$16,327,966 and \$14,893,331, respectively	25,438,076	29,021,384
Total banking assets	282,526,002	265,167,111
Total assets	\$ 302,045,319	287,617,481
Liabilities and Net Assets		
Investing liabilities:		
Accounts payable and accrued liabilities	\$ 2,204,405	2,609,114
Notes payable	16,162,720	17,448,435
Total investing liabilities	18,367,125	20,057,549
Banking liabilities:		
Accounts payable and accrued liabilities	16,085,451	15,696,908
Deposits from customers	126,644,618	113,635,314
Notes payable	48,680,890	63,621,869
Deferred revenue	5,026,579	3,658,227
Total banking liabilities	196,437,538	196,612,318
Total liabilities	214,804,663	216,669,867
Noncontrolling interest	21,174,489	17,668,627
Unrestricted net assets	66,066,167	53,278,987
Total liabilities and net assets	\$ 302,045,319	287,617,481

See accompanying notes to consolidated financial statements.

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.
(An Affiliate Controlled by Opportunity International, Inc.)

Consolidated Statements of Activities

Years ended December 31, 2012 and 2011

	2012	2011
Investing activities:		
Revenue, support, gains, and losses:		
Contributions	\$ 21,477,477	11,568,046
Equity in loss from investment in other institutions	(557,189)	(1,205,702)
Miscellaneous income	1,046,912	354,350
Total investing revenue, support, gains, and losses	21,967,200	10,716,694
Expenses:		
Management and general	2,399,857	3,359,579
Increase in net assets from investing activities	19,567,343	7,357,115
Banking activities:		
Revenue:		
Loan interest income	61,866,977	56,327,810
Other fees and income	14,238,771	12,764,736
Total banking revenue	76,105,748	69,092,546
Expenses:		
Interest on notes payable	5,738,059	5,548,285
Interest on customer deposits	5,036,615	5,230,981
Provision for loan losses	5,950,772	8,935,456
Unrealized loss on foreign currency translation	7,665,353	1,258,899
Management and general	62,619,575	57,648,608
Total banking expenses	87,010,374	78,622,229
Net loss attributable to noncontrolling interests	(4,124,463)	(3,108,887)
Decrease in net assets from banking activities	(6,780,163)	(6,420,796)
Increase in net assets	12,787,180	936,319
Net assets, beginning of year	53,278,987	52,342,668
Net assets, end of year	\$ 66,066,167	53,278,987

See accompanying notes to consolidated financial statements.

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.
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Consolidated Statements of Cash Flows
Years ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Cash flows from operating activities:		
Change in net assets	\$ 12,787,180	936,319
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,159,040	4,885,577
Foreign currency translation loss	7,665,353	1,258,899
Equity in loss of investment in other institutions	557,189	316,055
Realized gain on restricted cash and investments	—	39,511
Unrealized gain on restricted cash and investments	45,308	10,478
Goodwill impairment	—	889,647
Net loss attributable to noncontrolling interests	(4,124,463)	(3,108,887)
Provision for loan losses	5,950,772	8,935,456
Changes in assets and liabilities:		
Accounts and other receivables	3,953	199,615
Due to/from parent	(674,292)	1,605,234
Prepaid expenses	(1,168,333)	(5,814,568)
Accounts payable and accrued liabilities	(16,166)	4,167,583
Deferred revenue	1,368,352	130,354
Noncontrolling interest	7,630,326	4,910,094
Net cash provided by operating activities	<u>35,184,219</u>	<u>19,361,367</u>
Cash flows from investing activities:		
Loan originations, net of principal collections	(23,897,243)	(36,111,733)
Purchase of investments in unconsolidated affiliates	(3,764,725)	(2,144,217)
Purchase of restricted cash and investments	—	(3,519,258)
Sale of restricted cash and investments	8,127,223	5,420,503
Net additions of building, furniture, and equipment	(1,575,732)	(9,657,660)
Collection (issuance) of notes receivable	(1,620,769)	1,055,287
Net cash used in investing activities	<u>(22,731,246)</u>	<u>(44,957,078)</u>
Cash flows from financing activities:		
Proceeds from notes payable	10,910,606	30,291,948
Principal payments of notes payable	(27,137,301)	(19,802,314)
Deposits from customers, net	13,009,304	22,975,256
Net cash (used in) provided by financing activities	<u>(3,217,391)</u>	<u>33,464,890</u>
Effect of exchange rate changes on cash	<u>(7,665,353)</u>	<u>(1,258,899)</u>
Net increase in cash and cash equivalents	1,570,229	6,610,280
Cash and cash equivalents at beginning of year	<u>64,392,856</u>	<u>57,782,576</u>
Cash and cash equivalents at end of year	<u>\$ 65,963,085</u>	<u>64,392,856</u>
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 9,044,852	6,418,689
Cash paid for taxes	657,828	169,013
Supplemental disclosure of noncash investing and financing activities:		
Conversion of notes receivable into investment in subsidiaries	\$ 256,362	7,634,203

See accompanying notes to consolidated financial statements.

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(1) Organization

Opportunity Transformation Investments, Inc. (OTI) is an affiliate controlled by Opportunity International, Inc. (Opportunity). Opportunity is a tax-exempt, publicly supported Christian-based corporation whose purpose is to create employment and improve income for the poor by assisting in the establishment of small and micro businesses in developing countries. Opportunity's programs are financed through direct solicitation of funds from individuals, corporations, foundations, churches, and government grants.

Opportunity fulfills its mission through nongovernmental organizations and commercial microfinance institution partners in developing countries. A partner organization is an implementer of microenterprise development and provider of financial services within the Opportunity network. Funds are disbursed to partner organizations to capitalize various local commercial start-up ventures and to fund their own operations. While partner organizations are critical in assisting Opportunity to achieve its purpose, they are not legally affiliated with Opportunity, with the exception of the eighteen institutions as described below in which Opportunity Transformation Investments, Inc. (OTI) is a shareholder. Effective June 19, 2000, Opportunity incorporated OTI, which is intended to invest in and hold ownership positions in microfinance institutions as they convert from nongovernmental organizations to commercial microfinance institutions.

Effective January 1, 1998, all affiliated partner organizations of Opportunity signed a membership agreement formalizing the Opportunity International Network (the Network). The Network was established to coordinate a common strategy among all partners, to develop an accreditation process for participating partners, and to manage standardization and quality throughout the Network member organizations. The Network operates a service organization that provides training, consulting, and other services to member organizations. The Network is not consolidated in the accompanying financial statements, as the Network is not a legal subsidiary of OTI.

OTI's board of directors is controlled by Opportunity. Accordingly, OTI's financial statements are consolidated in Opportunity's financial statements.

OTI held majority interests in thirteen banks or financial institutions at December 31, 2012 as described below, and thus, those institutions are consolidated in OTI's financial statements. If a majority interest is acquired in more than one transaction at different dates, cost is determined separately for the percentage of ownership interest in net assets acquired at the date of each transaction. All intercompany transactions have been eliminated in consolidation.

At December 31, 2012, OTI had minority equity positions in six institutions as follows: Opportunity Kauswagan Bank in the Philippines, BFSE General Partner B.V., Zambuko Trust Limited in Zimbabwe, Growing Opportunity Finance Private Limited in India, the Balkan Financial Sector Equity Fund C.V. and MFX Solutions LLC.

At December 31, 2012, OTI held several notes receivable from partners who were in the process of either becoming a commercial lending institution or increasing their capitalization. During 2012, OTI converted several notes receivable into equity, providing additional capital for financial institutions in which OTI had ownership interests.

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On January 14, 2011, Opportunity transferred 100% of the equity of Opportunity Loan Guarantee Fund I, Inc. (the Fund) to OTI. Opportunity established the Fund in January 2005 for the purpose of supporting microfinance institutions in developing countries to increase the availability of loans and related microfinance services to the poor by providing collateral support or similar means to enable microfinance institutions to borrow or otherwise acquire funds in local currency. The transfer of assets was accounted for similar to a pooling-of-interests. The Fund's financial information is reflected within investing activities in the accompanying financial statements.

The acquired majority interests in the microfinance organizations are as follows:

- (i) In July 2002, Opportunity International Stock Savings Bank, Novi Sad (Opportunity Bank Serbia) was capitalized with an initial investment of \$1,100,000 from OTI to acquire all outstanding shares of common stock of Opportunity Bank Serbia. In December 2002, additional common stock was sold for \$1,000,000, of which an investment was made by OTI in the amount of \$200,000. This resulted in OTI's ownership percentage decreasing to 62.0% at December 31, 2002. In December 2003, OTI made an additional investment in Opportunity Bank Serbia, increasing its ownership percentage to 77.0%. During 2005, OTI made a \$2.4 million investment in Opportunity Bank Serbia, bringing its ownership percentage up to 93.6%. OTI made an additional investment of \$5.7 million in December 2005. In 2006, in compliance with the National Bank of Serbia's (NBS) new law recognizing only banks, Opportunity Bank Serbia was dissolved, and Opportunity Bank a.d. Novi Sad became the legal successor of all Opportunity Bank Serbia's rights and obligations. On February 7, 2007, NBS issued the permanent banking license to Opportunity Bank a.d. Novi Sad (Opportunity Bank Serbia). During 2007, two institutions purchased shares in Opportunity Bank Serbia, which diluted OTI's ownership to 63.5%. During 2010 OTI made an additional equity investment of \$2,480,127. In 2012, OTI made an equity investment of \$1,591,193. As of December 31, 2012 and 2011, OTI owned 67.0% and 63.5% of the outstanding shares of Opportunity Bank Serbia, respectively.
- (ii) In February 2003, Oportunidad Microfinanzas, S.A. de C.V., SOFOM ENR (Opportunity Mexico) was capitalized with an initial investment of \$4,558 for 99% ownership in Opportunity Mexico by OTI; Opportunity owned the other 1%. Subsequently, OTI made an additional investment of \$353,067 in December 2003. OTI made an additional investment of \$625,000 during 2004, bringing its total investment up to almost \$1 million. During 2005 and 2006, OTI advanced \$664,979 and \$1,102,917 to Opportunity Mexico, respectively, which was converted to equity in 2007. In 2008, OTI advanced \$330,936, which was converted to equity in 2008. During 2011, OTI made an additional equity investment of \$11,583. As of December 31, 2012 and 2011, OTI owned essentially 100% of the outstanding shares of Opportunity Mexico.
- (iii) In February 2005, Banco Oportunidade de Mocambique, SARL (Opportunity Bank Mozambique) was capitalized with an initial OTI investment of \$1,220,900 for 58.7% ownership in Opportunity Bank Mozambique. During 2006, OTI made an additional investment of \$839,142 in Opportunity Bank Mozambique to maintain 58.7% ownership. During 2008, OTI purchased 292 shares from minority investors for \$392,635. During 2009 and 2008, respectively, OTI advanced \$280,489 and \$326,520 in convertible loans. During 2010, OTI invested an additional \$556,413 and converted the outstanding loans to equity. During 2011, OTI made an additional equity investment of \$482,824.

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During 2012, additional investments by minority shareholders diluted OTI's ownership stake. As of December 31, 2012 and 2011, OTI owned 60.6% and 71.4% of the outstanding shares of Opportunity Bank Mozambique, respectively.

- (iv) As of December 31, 2005, OTI had an investment of \$1,139,725 or 35.1% of Opportunity International Savings & Loans Limited in Ghana (Opportunity Bank Ghana). In May 2006, OTI made an additional investment of \$1,082,332 in Opportunity Bank Ghana increasing its percentage of ownership to 44.9%. In July 2006, OTI made another investment of \$933,268, which included the conversion of notes receivable of \$323,753, in Opportunity Bank Ghana further increasing its percentage of ownership to 59.6%, making OTI the majority shareholder. The results of operations of Opportunity Bank Ghana were included in the consolidated financial statements of OTI starting in the year 2006. Even though OTI invested an additional \$1,030,349 of equity in Opportunity Bank Ghana during 2007, its percentage of ownership was diluted by other shareholder investments to 51.5%. During 2010 and 2009, respectively, OTI advanced \$843,504 and \$186,000 in convertible loans. During 2011, OTI made a \$2,107,641 equity investment and converted \$1,029,504 of loans to equity. In 2012, OTI made an additional \$1,416,756 equity investment. As of December 31, 2012 and 2011, OTI owned 66.7% and 62.5%, respectively, of the outstanding shares of Opportunity Bank Ghana.
- (v) As of December 31, 2005, OTI had a net investment of \$1,011,020 or 27.1% in Opportunity International Bank of Malawi, Ltd. (Opportunity Bank Malawi). During 2006, OTI made investments totaling \$1,567,087 in Opportunity Bank Malawi through conversion of notes receivable to equity and additional cash payments increasing its ownership to 53.7%. The results of Opportunity Bank Malawi were included in the consolidated financial statements beginning in 2006. During March 2008, OTI converted \$362,764 of loans to equity and made an additional equity investment of \$1,404,878, increasing share ownership by 6.9%. During 2011, OTI converted \$1,069,000 of loans to equity and made an equity investment of \$1,992,929. During 2012, OTI made an equity investment of \$1,784,965. As of December 31, 2012 and 2011, OTI owned 53.5% and 51.2%, respectively.
- (vi) In June 2006, OTI made an initial investment of \$178,336 in Opportunity International Bank Rwanda, S.A. (Opportunity Bank Rwanda) for which it received 961 shares or 96.6% of the common stock of Opportunity Bank Rwanda. Opportunity International – Deutschland and the officers and directors owned the other shares. In July 2006, OTI was gifted equity totaling \$249,975 from Opportunity International Canada. In September 2006, OTI made an additional investment of \$2,450,000, which increased its ownership percentage to 99.8%. The financial statements of Opportunity Bank Rwanda are included in the consolidated financial statements of OTI beginning in the year 2006. On July 1, 2007, Opportunity International Bank Rwanda merged with Urwego Community Banking S.A. A new entity called Urwego Opportunity Microfinance Bank S.A. (Opportunity Bank Rwanda) was formed and its financial statements were included in the OTI consolidated financial statements beginning in 2007. During March 2008, minority shareholders purchased 9.6% of outstanding shares of Opportunity Bank Rwanda from OTI for \$331,821. During 2009, OTI issued \$321,000 in convertible loans. OTI advanced \$613,900 and \$88,362 as convertible loans during 2012 and 2011, respectively. During 2012, OTI also made an equity investment of

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\$250,000. As of December 31, 2012 and 2011, OTI owned 49.9% of the outstanding stock of Opportunity Bank Rwanda.

- (vii) In 2006, OTI made an initial capital investment of \$15, along with \$1,266,000 of loans convertible to equity, in Opportunity Finance (Proprietary) Limited, South Africa (Opportunity South Africa). OTI owns 100% of Opportunity South Africa and its financial statements were included in the OTI consolidated financial statements beginning in 2006. The 2006 loans totaling \$1,266,000 plus 2007 convertible loans of \$418,658 were converted to equity in November 2007. During 2008, additional convertible loans of \$2,071,000 were made to Opportunity South Africa, which were converted to equity in March 2009. During 2009, OTI's ownership percentage was diluted by an equity investment from a new shareholder. During 2012 and 2011, OTI made additional investments of \$164,966 and \$1,000,000, respectively. As of December 31, 2012 and 2011, OTI owned 76.5% and 73.7%, respectively, of the outstanding shares of Opportunity South Africa.
- (viii) On July 31, 2006, OTI acquired specific assets of Wedco Enterprises Development Ltd. for \$700,000. A new entity was formed in Kenya, Opportunity International-Wedco Limited (Opportunity Kenya). During 2008, the company changed its name to Opportunity Kenya Limited. OTI owns 51% of the common shares and Wedco Enterprises owns 49% of the common shares. The financial statements of Opportunity Kenya were included in the consolidated financial statements of OTI beginning in 2006. During 2008 and 2007, convertible loans of \$98,776 and \$1,900,000 were made to Opportunity Kenya, respectively. During 2009, \$354,662 of the loans was converted to equity and OTI advanced additional convertible loans of approximately \$1,000,000. During 2010, OTI advanced additional convertible loans of approximately \$1,200,000. During 2011, \$3,850,894 of convertible loans was converted to equity and an additional \$462,545, of convertible loans were advanced. During 2012, OTI advanced additional convertible loans of \$1,228,317. As of December 31, 2012 and 2011, OTI owned 84% of the outstanding shares of Opportunity Kenya.
- (ix) On December 15, 2006, OTI purchased 31.5% of the common shares of Faulu Uganda Limited for \$347,870. During May 2007, OTI acquired another 31.5% of the outstanding common shares of Faulu Uganda from Opportunity International Australia for \$300,000 making it majority owner with 63.0% ownership. During May 2007, OTI made an additional equity investment of \$750,000. The results of operations of Faulu Uganda were included in the consolidated financial statements beginning in the year 2007. During October 2008, OTI made an additional equity investment of \$1,115,000. On December 16, 2008, the company acquired a license from the Bank of Uganda as a two tier financial institution. During 2009, the company changed its registered name to Opportunity Uganda Limited (Opportunity Uganda) and OTI made an equity investment of \$500,000 and advanced an additional \$200,000 of convertible loans. During 2010, the \$200,000 of convertible loans was converted to equity, and OTI made an additional equity investment of \$1,334,309. During 2012 and 2011, OTI made equity investments of \$2,091,434 and \$2,213,285, respectively. As of December 31, 2012 and 2011, OTI owned 84.6% and 83.2% of the outstanding shares of Opportunity Uganda, respectively.
- (x) On December 20, 2007, OTI acquired 60% of the stock of Faulu Tanzania Limited for \$1. During 2008, the company changed its name to Opportunity Tanzania Limited (Opportunity Tanzania). The results of operations of Opportunity Tanzania were included in the consolidated financial statements

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of OTI beginning in 2007. During 2008, OTI made convertible loans of \$1,700,000 to Opportunity Tanzania, which were converted to equity in May 2009. Additional equity investments of \$887,415, \$1,712,040, \$749,217, and \$1,500,000 were made by OTI in 2012, 2011, 2010, and 2009, respectively. During 2012, \$920,080 of convertible loans were also converted to equity. As of December 31, 2012 and 2011, OTI owned 66.1% and 64.4%, respectively, of the outstanding shares of Opportunity Tanzania.

- (xi) As of December 31, 2009, OTI had a net investment of \$193,976, or 34.5% of the shares in Opportunity Microcredit Romania IFN SA (Opportunity Romania). On October 27, 2010, OTI purchased an additional interest in Opportunity Romania for \$1,482,910 increasing its ownership position to 57.2%. The results of Opportunity Romania are included in the consolidated financial statements as of October 2010. During 2012, OTI made an additional equity investment of \$900,000. As of December 31, 2012 and 2011, OTI owned 66.5% and 57.2%, respectively, of the outstanding shares of Opportunity Romania.
- (xii) During 2010, OTI invested \$2,000,000 to establish a microfinance company, Opportunity International DRC SPRL (Opportunity DRC) in the Democratic Republic of Congo. Opportunity DRC was incorporated and 32,400 shares were issued to OTI for its \$2,000,000 investment. The financial statements of Opportunity DRC were included in the consolidated financial statements during 2010. During 2012 and 2011, OTI invested an additional \$1,544,695 and \$1,500,000, respectively. As of December 31, 2012 and 2011, OTI owned 100% of the outstanding shares of Opportunity DRC.
- (xiii) During 2012, OTI invested \$7,636,220 to establish a microfinance company, Opportunity International Colombia S.A. Compania de Financiamiento (Opportunity Colombia) in Colombia. Opportunity Colombia became legally authorized to operate as a regulated financial intermediary in June 2012 and issued 1,351,731,310 shares to OTI for its initial investment. As of December 31, 2012, OTI owned 71.1% of the outstanding shares of Opportunity Colombia.

(2) Summary of Significant Accounting Policies

(a) *Basis of Presentation*

OTI's consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles and are presented on the accrual basis of accounting. Assets and liabilities of foreign investments are translated at year-end exchange rates with the related translation adjustments reported as a change in unrestricted net assets. Income statement accounts are translated at the average exchange rate during the period. Minority investors own portions of twelve microfinance institutions that OTI has majority interest in: Opportunity Bank Malawi, Opportunity Mexico, Opportunity Bank Mozambique, Opportunity Bank Serbia, Opportunity Bank Ghana, Opportunity Bank Rwanda, Opportunity Kenya, Opportunity Uganda, Opportunity South Africa, Opportunity Tanzania, Opportunity Romania, and Opportunity Colombia. Opportunity International owns approximately 0.001% of Opportunity Mexico. The outside investors' shares are shown in OTI's consolidated financial statements as a noncontrolling interest.

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The investing assets, liabilities, revenues, and expenses represent the activity for OTI as the parent. The banking assets, liabilities, revenues, and expenses represent the activity for the overseas bank subsidiaries.

(b) *Accrued Interest Receivable on Loans*

Interest is accrued on loans when earned. Accrual of interest is ceased on loans when interest is more than six months delinquent. Interest accrued at the date a loan is placed on nonaccrual status is reversed and charged against income. Fee and commission income are recognized when earned.

(c) *Allowance for Loan Losses*

Allowances have been established for probable loan losses. While the allowance calculation varies by country, each OTI member assesses exposure to their loan portfolio on both an individual and group level. Individually significant loans are evaluated for specific impairment based on management's best estimate of the timing and amount of future cash flows that will be collected. Groups of loans with similar credit risk characteristics that are not individually significant are collectively evaluated for impairment on the basis of historical loss experience adjusted for current economic conditions, the value of the underlying collateral and management's judgement.

Management believes that these allowances represent the best estimate of the credit losses inherent in the loan portfolio. While management uses available information to recognize losses on loans, future additions to the allowances may be necessary based on changes in economic or political conditions or significant changes in the borrower's financial position. OTI monitors credit risk exposure by product and customer and regularly reviews the methodology and assumptions used for estimating future cash flows in order to reduce any differences between loss estimates and actual loss experience.

A loan is considered impaired when it is probable that all principal and interest amounts due will not be collected in accordance with the loan's contractual terms. Impairment is recognized by allocating a portion of the allowance for loan losses to such a loan to the extent that the recorded investment of an impaired loan exceeds its value. A loan's value is based on the loan's underlying collateral or the calculated present value of projected cash flows discounted at the contractual interest rate. Allocations on impaired loans are considered in relation to the overall adequacy of the allowance for loan losses and adjustments are made to the provision for loan losses as deemed necessary.

The recorded investment in impaired loans is periodically adjusted to reflect cash payments, revised estimates of future cash flows, and increases in the present value of expected future cash flows due to the passage of time. Cash payments representing interest income are reported as such. Other cash payments are reported as reductions in recorded investment. Increases or decreases due to changes in estimates of future payments and the passage of time are considered in relation to the overall adequacy of the allowance for loan losses.

(d) *Cash and Cash Equivalents*

Cash and cash equivalents consist of cash and highly liquid, short-term investments.

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(e) *Restricted Cash and Investments*

Restricted cash and investments consist of loan proceeds lent to OTI from the Bill and Melinda Gates Foundation (the Gates Foundation) and restricted investments of the Fund. Investments in securities are reported at fair value based on quoted market process for publically traded securities.

(f) *Investments in Other Institutions*

Investments in other institutions in which OTI holds less than 50% are recorded using the equity method of accounting. Accordingly, the initial investment is increased or decreased by OTI's proportionate share of income or loss.

(g) *Building, Furniture, and Equipment*

Building, furniture, and equipment are recorded at cost and depreciated on a straight-line basis over their estimated useful lives, ranging from 3 to 50 years.

(h) *Revenue and Expense*

Revenue is reported as an increase in unrestricted net assets unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulation or law.

The consolidated results of the banks presented in the accompanying consolidated financial statements recognize fee and commission income for the services provided by each bank. Fee and commission income is recognized when the related service is performed. Loan fees are offset by the costs of originating such loans.

Revenue from governmental grant agreements is recognized as it is earned through expenditure in accordance with the agreement. Revenue from governmental grant agreements to operate and maintain loan portfolios over an extended period of time under specific conditions is recognized on a straight-line basis over the grant period until the conditions are fulfilled. Amounts received in advance of expenditure are recorded as deferred revenue and recognized over the grant period.

(i) *Allocation of Expenses*

OTI considers Network and Opportunity management fee expenses a component of its management and general expense. The amounts related to the Network are dues, which in turn support the Network partners and the OTI program objectives. The management fee expenses paid to Opportunity relate to certain management services provided to OTI by Opportunity.

(j) *Income Taxes*

OTI's U.S. operations has received a determination letter from the Internal Revenue Service dated December 21, 2000 indicating that OTI is exempt from federal income taxes under Section 501(c)(3) of Internal Revenue Code, and accordingly, no tax provision has been made in the accompanying consolidated financial statements for charitable activities.

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OTI has adopted the requirements for accounting for uncertain tax positions in accordance with ASC 740-10 *formerly known as FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes*. The only significant tax position management has identified is that of OTI's tax-exempt status. No other tax positions, certain or uncertain, have been identified.

The microfinance institutions included in these consolidated financial statements pay taxes in accordance with their respective country's laws at rates ranging from 9% to 32% of taxable income and current tax expense is recorded for these amounts. Income taxes for the overseas for-profit microfinance institutions are accounted for under the asset and liability method. Deferred taxes and liabilities are recognized for the future consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and tax carryforwards. Deferred tax assets and liabilities are measured using currently enacted tax rates. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

(k) Goodwill

Goodwill is tested for impairment using a two-step process on an annual basis or when current facts or circumstances indicate that a potential impairment may exist. The first step is to identify a potential impairment and the second step measures the amount of the impairment loss, if any. Goodwill is deemed to be impaired if the carrying amount of a reporting unit's goodwill exceeds its estimated fair value. Please refer to note 5 for further discussion on goodwill and recognition of impairment charges.

(l) Derivatives

Derivatives (swap agreements) are used by OTI principally in the management of its foreign currency exposure. OTI records the swap agreements on the balance sheet at fair value in investments, and records the changes in the fair value through the statement of activities in investment income. OTI does not hold or issue derivatives for speculative purposes.

(m) Use of Estimates/Risks and Uncertainties

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may differ from those estimates.

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(n) *New Accounting Pronouncements*

In April 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-02, *Receivables (Topic 310): A Creditor's Determination of Whether a Restructuring is a Troubled Debt Restructuring*. The purpose of this update is to clarify which loan modifications constitute a troubled debt restructuring, for the purposes of recording an impairment loss and for disclosure of the troubled debt restructuring. The new guidance in this update is effective for nonpublic entities for annual periods ending on or after December 15, 2012. OTI adopted this standard for the year ended December 31, 2012.

In May 2011, the FASB issued ASU No. 2011-04, *Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS*. ASU No. 2011-04 provides guidance as to how fair value should be applied clarifying the existing measurement and disclosure requirements and expanding the disclosure requirements for certain fair value measurements. ASU No. 2011-04 is effective for OTI in the year beginning January 1, 2012. OTI adopted this standard and has included the required disclosures in note 3.

In September 2010, the FASB issued ASU No. 2010-20, *Disclosures about the Credit Quality of Financing Receivables and the Allowance for Credit Losses*. The amended disclosures are designed to provide more information to financial statement users about the credit quality of a creditor's financing receivables and the adequacy of its allowance for credit losses. Most of the existing disclosures have been amended to require information on a more disaggregated basis, which includes by portfolio segment and class of financing receivables. In addition, the amended guidance requires disclosure of the following: aging of past-due receivables, the nature and extent of troubled debt restructurings and their effect on the allowance for credit losses, significant purchases, and sales of financing receivables. OTI adopted this standard for the year ended December 31, 2011, and has included the required disclosures in note 7. In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities*. ASU 2011-11 requires an entity to disclose information about offsetting and related arrangements to enable users of financial statements to understand the effect of those arrangements on its financial position, and to allow investors to better compare financial statements prepared under U.S. GAAP with financial statements prepared under International Financial Reporting Standards (IFRS). The new standards are effective for annual periods beginning January 1, 2013, and interim periods within those annual periods. Retrospective application is required. OTI will implement the provisions of ASU 2011-11 in the year beginning January 1, 2013. Management does not expect the adoption of this ASU to significantly affect OTI's financial statements.

(o) *Subsequent Events*

Management has evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through October 29, 2013, the date the financial statements were issued.

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(3) Fair Value of Financial Instruments

Effective January 1, 2008, OTI adopted Accounting Standards Codification (ASC) Topic 820, *Fair Value Measurements and Disclosures*, as amended, which requires use of a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels: quoted market prices in active markets for identical assets or liabilities (Level 1); inputs other than quoted market prices that are observable for the asset or liability, either directly or indirectly (Level 2); and unobservable inputs for an asset or liability (Level 3).

OTI's loans receivable and notes payable in the accompanying consolidated financial statements are generated by the charitable activities of OTI. The terms of these receivables and loans are not commensurate with current market terms in a commercial environment as they are executed for the purpose of furthering OTI's mission. Fair value cannot be determined for these loans and notes due to their charitable nature and they are carried at book value in OTI's financial statements.

OTI's other financial instruments, including cash, other receivables and prepaid expenses, accounts payable and accrued liabilities, and deferred revenue are carried at historical cost, which approximates their fair values because of the short-term nature of these instruments.

Funds totaling \$901,016 related to the Gates Foundation loan remain in a segregated, interest-bearing account, and will be utilized to extend partner loans in accordance with the loan agreement. All interest earned on funds in the segregated account and 1% interest on the amounts withdrawn from the segregated account for partner loans is remitted quarterly to the Gates Foundation.

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The following table classifies OTI's restricted cash and investments, within the fair value hierarchy, as of December 31, 2012 and 2011 as follows:

		December 31, 2012		
		Level 1	Level 2	Level 3
Money-market funds	\$	901,016	—	—
Short-term investments		843,433	—	—
U.S. government securities & bonds		—	1,507,630	—
U.S. corporate bonds		—	1,058,700	—
Foreign currency swap asset		—	173,748	—
Non-US government securities & bonds		365,374	—	—
Total	\$	<u>2,109,823</u>	<u>2,740,078</u>	<u>—</u>
		December 31, 2011		
		Level 1	Level 2	Level 3
Money-market funds	\$	2,771,643	—	—
Short-term investments		1,303,859	—	—
U.S. government securities & bonds		271,977	4,764,688	—
U.S. corporate bonds		—	—	—
Foreign currency swap asset		—	172,621	—
Non-US government securities & bonds		10,906,089	—	—
Total	\$	<u>15,253,568</u>	<u>4,937,309</u>	<u>—</u>

(4) Notes Receivable

Notes receivable as of December 31, 2012 and 2011 are as follows:

	2012	2011
Microfinance Loan Obligations S.A. (MLO), interest rate at 0%	\$ 200,429	196,390
Association de Oportunidad y Desarrollo Economico de Nicaragua (ASODENIC), interest rate 0%	130,000	130,000
Sinapi Aba Trust (SAT), Ghana, interest rate at 0%	1,250,000	1,250,000
Opportunity International (An Hui) Guaranteed Company Limited, China, interest rate at 0%	1,864,879	40,250
Asociacion Opportunity International para Lationamerica, interest rate 0%	—	203,860
Subtotal	3,445,308	1,820,500
Less amounts reserved	(200,429)	(196,390)
Net notes receivable	<u>\$ 3,244,879</u>	<u>1,624,110</u>

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The MLO, ASODENIC, and Opportunity International Guaranteed Company Limited, China (OI China) notes are all convertible to equity upon demand. The OI China convertible loan agreement states that the loan will be converted into common equity if OI China is able to attract further funds in the amount of \$2,767,371 from outside sources by December 10, 2014 otherwise the loan will be converted to a grant provided all deliverables of the agreement have been met.

(5) Goodwill

Goodwill impairment testing was performed as of December 31, 2011 using a two-step process. The fair value of the net assets of Opportunity Romania was compared to the carrying value, and as the fair value was less than the carrying value, an impairment loss was recognized in the statement of activities totaling \$889,647 during the year ended December 31, 2011, which eliminated all goodwill recorded in the consolidated financial statements as of December 31, 2011.

(6) Investment in Other Financial Institutions

OTI holds varying minority interests in other financial institutions, three of which are members of the Opportunity Network, as follows:

	<u>2012</u>	<u>2011</u>
Zambuko Trust Limited – Zimbabwe (25.0%)	\$ 250,000	250,000
BFSE General Partner BV (40%)	42,299	96,964
Balkan Financial Sector Equity Fund C.V. (4.3%)	1,550,730	1,693,558
MFX Solutions LLC (1.9%)	199,796	199,405
Opportunity Kauswagan Bank, Inc. (18%)	584,213	896,910
Growing Opportunity Finance (India) Pvt. Ltd (25.6%)	320,363	313,280
Growing Opportunity Finance (India) Pvt. Ltd (preferred shares)	2,036,044	2,036,044
Redeemable noncontrolling interest in Opportunity Serbia	1,981,181	1,645,341
Subtotal	<u>6,964,626</u>	<u>7,131,502</u>
Less amounts reserved	<u>(250,000)</u>	<u>(250,000)</u>
Total investment in other institutions	<u><u>\$ 6,714,626</u></u>	<u><u>6,881,502</u></u>

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Equity income (loss) from the investments in the other institutions consists of the following:

	<u>2012</u>	<u>2011</u>
Opportunity Microcredit Romania IFN SA – goodwill impairment	\$ —	(889,647)
Development Finance Equity Partners AG	—	(99,800)
BFSE General Partner BV	(54,666)	(2,978)
Balkan Financial Sector Equity Fund C.V.	(197,299)	(98,810)
MFX Solutions LLC	391	(595)
Opportunity Kauswagan Bank, Inc.	(312,698)	(112,594)
Growing Opportunity Finance (India) Pvt. Ltd	7,083	(1,278)
Total equity loss from other institutions	<u>\$ (557,189)</u>	<u>(1,205,702)</u>

(7) Loans Receivable

Loans represent microloans granted to individuals and private entrepreneurs by microfinance banks for the purpose of providing financing support to small enterprises. In addition, loans may be made for the purpose of financing agriculture activities. These loans are granted generally for a period of between one month and eight years at interest rates of between 1% and 60%. Certain loans may be collateralized by security such as cash or mortgages. Loans outstanding as of December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Loans receivable	\$ 181,958,683	168,459,030
Less loan loss allowance	<u>(10,560,469)</u>	<u>(15,007,287)</u>
Net loan portfolio	<u>\$ 171,398,214</u>	<u>153,451,743</u>

Gross loan portfolio by product for the years ended December 31, 2012 and 2011 is as follows:

	<u>2012</u>	<u>2011</u>
Individual	\$ 79,285,360	70,449,360
Small and medium enterprise (SME)	52,118,861	53,724,077
Individual groups	44,055,050	43,541,646
Nonbusiness	1,863,980	84,047
Other	<u>4,635,432</u>	<u>659,900</u>
Total gross loans	<u>\$ 181,958,683</u>	<u>168,459,030</u>

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A summary of the activity in the allowance for loan losses for the years ended December 31, 2012 and 2011 is as follows:

	2012	2011
Balance at beginning of year	\$ 15,007,287	11,878,722
Provision for loan losses	5,950,772	8,935,456
All other subsidiary loans charged off	(6,452,061)	(5,275,709)
All other subsidiary loans foreign currency translation loss	(3,945,529)	(531,182)
Balance at end of year	\$ 10,560,469	15,007,287

The following table summarizes the activity in the loan loss allowance by product for the year ended December 31, 2012:

Year ended December 31, 2012	Individual	SME	Individual groups	Nonbusiness	Other	Total
Balance at beginning of year	\$ 8,379,622	5,861,708	572,182	1,859	191,916	15,007,287
Provision for loan losses	2,482,345	1,832,755	753,146	181,447	701,079	5,950,772
Loans charged off, net	(2,774,078)	(2,787,792)	(355,367)	(110,136)	(424,688)	(6,452,061)
Foreign currency translation loss	(2,552,183)	(1,052,907)	(161,025)	(48,011)	(131,403)	(3,945,529)
Balance at end of year	\$ 5,535,706	3,853,764	808,936	25,159	336,904	10,560,469
Reserve components:						
Individually evaluated for impairment	\$ 5,598,876	790,494	419,945	9,984	183,017	7,002,316
Collectively evaluated for impairment	(63,170)	3,063,270	388,991	15,175	153,887	3,558,153
Total	\$ 5,535,706	3,853,764	808,936	25,159	336,904	10,560,469
Year ended December 31, 2011						
Balance at beginning of year	\$ 9,868,308	1,267,009	654,782	—	88,623	11,878,722
Provision for loan losses	852,141	7,519,742	449,013	1,724	112,836	8,935,456
Loans charged off, net	(2,162,809)	(2,633,659)	(472,706)	—	(6,535)	(5,275,709)
Foreign currency translation loss	(178,018)	(291,384)	(58,907)	135	(3,008)	(531,182)
Balance at end of year	\$ 8,379,622	5,861,708	572,182	1,859	191,916	15,007,287
Reserve components:						
Individually evaluated for impairment	\$ 3,761,339	5,425,739	188,514	387	182,641	9,558,620
Collectively evaluated for impairment	4,618,283	435,969	383,668	1,472	9,275	5,448,667
Total	\$ 8,379,622	5,861,708	572,182	1,859	191,916	15,007,287

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OTI's banks' lending activities are primarily conducted within their respective countries. The following is a summary of loans outstanding, net of the related allowance, by country as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Opportunity Bank Serbia	\$ 62,822,759	51,011,461
Opportunity Mexico	1,181,493	942,731
Opportunity Bank Mozambique	7,035,932	6,854,069
Opportunity Bank Ghana	27,533,933	24,299,848
Opportunity Bank Malawi	11,704,445	20,068,997
Opportunity Bank Rwanda	16,550,055	12,219,430
Opportunity Romania	13,504,134	12,769,573
Opportunity South Africa	3,541,180	4,577,866
Opportunity Kenya	5,054,322	4,884,070
Opportunity Uganda	12,045,757	13,576,082
Opportunity Tanzania	3,138,367	1,762,734
Opportunity DRC	928,500	484,882
Opportunity Colombia	6,357,337	—
Balance at end of year	<u>\$ 171,398,214</u>	<u>153,451,743</u>

The following is a summary of expected loan maturities as of December 31, 2012 and 2011:

	<u>2012</u>	<u>2011</u>
Less than 1 month	\$ 21,153,105	25,478,727
From 1 to 3 months	24,540,870	30,554,751
From 3 to 12 months	57,651,662	46,782,529
Over 1 year	68,052,577	50,635,736
Balance at end of year	<u>\$ 171,398,214</u>	<u>153,451,743</u>

Aging analysis of past-due gross loans receivable as of December 31, 2012 is as follows:

Current	\$ 164,963,697
30 – 59 days past due	2,914,616
60 – 89 days past due	1,677,471
90 days and over past due	12,402,899
Total gross loans receivable	<u>\$ 181,958,683</u>

Loans to employees and officers of these banks totaled \$2,813,064 and \$2,173,228 at December 31, 2012 and 2011, respectively.

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OTI's banks will often make loans to borrowers that would be unable to secure financing from commercial sources. The ability of each borrower to repay its respective bank depends on the entrepreneurial success of each borrower. In addition, payments to OTI banks depend on the economic and political environment of each locality in which loans are made.

OTI's banks carry their impaired loans based on the present value of expected future cash flows discounted at the loan's effective interest rate. The balance of impaired loans at OTI's banks at December 31, 2012 and 2011 was \$32.1 million and \$19.3 million, respectively. Impaired loan statistics are summarized in the following table:

	<u>Amount with impairment reserves</u>	<u>Amount without impairment</u>	<u>Total impaired loans</u>	<u>Impairment reserve</u>	<u>Interest income recognized</u>
Individual	\$ 15,829,500	958,191	16,787,691	1,618,029	308,218
SME	2,598,311	109,767	2,708,078	2,809,046	—
Groups	7,551,563	4,456,142	12,007,705	633,813	38,786
Nonbusiness	504,707	43,516	548,223	832	466
Other	14,905	47,241	62,146	2,365	255
Total	<u>\$ 26,498,986</u>	<u>5,614,857</u>	<u>32,113,843</u>	<u>5,064,085</u>	<u>347,725</u>

Troubled debt restructurings (TDR) represent loans for which the original contractual terms have been modified to provide for terms that are less than what we would be willing to accept for new loans with comparable risk because of deterioration in the borrower's financial condition. Loan restructurings occur for reasons including delinquency or anticipation of financial difficulty due to seasonal issues or natural disasters (such as the earthquake in Kraljevo Serbia). Modifications may include one or more of the following changes to the terms of the loan, including, but not limited to, a change in interest rate, reduction in the payment amount, or an extension of the reimbursement period. Once a loan is restructured, loss provision is determined in the same manner as that of a regular loan. The following table presents information about receivables for which the original contractual terms were modified during the year ended December 31, 2012 and as a result became classified as TDR's:

	<u>Amount with allowance</u>	<u>Amount without allowance</u>	<u>Total TDR loans</u>	<u>Related allowance</u>	<u>Average TDR balance</u>	<u>Interest income recognized</u>
Individual	\$ 3,629,783	—	3,629,783	627,785	8,808	823
SME	1,486,843	264,611	1,751,454	1,093,274	622,016	52,202
Total	<u>\$ 5,116,626</u>	<u>264,611</u>	<u>5,381,237</u>	<u>1,721,059</u>	<u>630,824</u>	<u>53,025</u>

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The commercial microfinance banks in which OTI holds an interest are exposed to a number of risks. The following outlines some of these risks:

(a) Credit Risk

Credit risk is the risk of financial loss arising from the failure of a customer to settle financial obligations to the bank as they fall due. This is an inherent risk associated with the microfinance industry.

(b) Foreign Currency Risk

Foreign currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign currency exchange rates. The risk is managed by each OTI financial institution by controlling the size of the difference in value between its foreign assets and foreign liabilities. The exposure to exchange rate risk is continually monitored to ensure compliance with regulatory and bank policy limits.

(c) Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in the market interest rates. OTI financial institutions manage interest rate risk by monitoring market conditions and applying pricing based on the cost analysis of each product. The majority of loans are short term in nature; about 60% and 67% of the loans fall due within one year as of December 31, 2012 and 2011, respectively.

(d) Liquidity Risk

Liquidity risk is the risk that the banks will encounter difficulty in raising funds to meet the commitment associated with financial instruments. Each country has minimum capital requirements that the microfinance institutions must adhere to. Additionally, each institution monitors liquidity on a daily basis to meet its internal liquidity requirements. Total cash on hand of the combined banks is \$66 million and \$64 million as of December 31, 2012 and 2011, respectively, which is 23% and 24% of total assets of the combined banks in 2012 and 2011, respectively.

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(8) Deposits from Customers

Deposits from customers as of December 31, 2012 and 2011 consist of the following:

	<u>2012</u>	<u>2011</u>
Opportunity Bank Mozambique:		
Demand deposits	\$ 3,808,042	3,227,324
Short-term deposits	1,037,728	812,494
Total Opportunity Bank Mozambique	<u>4,845,770</u>	<u>4,039,818</u>
Opportunity Bank Serbia:		
Demand deposits	9,937,011	2,738,925
Short-term deposits	24,457,835	24,599,864
Long-term deposits	16,712,289	6,581,860
Total Opportunity Bank Serbia	<u>51,107,135</u>	<u>33,920,649</u>
Opportunity Bank Ghana:		
Demand deposits	3,525,915	2,404,198
Short-term deposits	14,255,254	12,301,815
Long-term deposits	8,202,521	6,488,337
Total Opportunity Bank Ghana	<u>25,983,690</u>	<u>21,194,350</u>
Opportunity Kenya:		
Demand deposits	2,620,770	2,477,945
Opportunity Bank Malawi:		
Demand deposits	17,827,915	31,158,530
Short-term deposits	3,231,172	8,293,437
Total Opportunity Bank Malawi	<u>21,059,087</u>	<u>39,451,967</u>
Opportunity Bank Rwanda:		
Demand deposits	10,491,686	7,852,895
Short-term deposits	245,397	174,461
Total Opportunity Bank Rwanda	<u>10,737,083</u>	<u>8,027,356</u>
Opportunity Uganda:		
Demand deposits	2,754,121	2,273,247
Short-term deposits	1,440,960	1,394,833
Long-term deposits	193,314	98,906
Total Opportunity Uganda	<u>4,388,395</u>	<u>3,766,986</u>

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	<u>2012</u>	<u>2011</u>
Opportunity Tanzania:		
Demand deposits	\$ 836,670	586,209
Opportunity DRC:		
Demand deposits	283,807	170,034
Opportunity Colombia:		
Demand deposits	180,972	—
Short-term deposits	4,601,164	—
Long-term deposits	75	—
	<u>4,782,211</u>	<u>—</u>
Total Opportunity Colombia		
Total deposits from customers	\$ <u>126,644,618</u>	<u>113,635,314</u>

(9) Notes Payable

Notes payable as of December 31, 2012 and 2011 include the following:

	<u>2012</u>	<u>2011</u>
Opportunity Bank Serbia:		
Note payable, 7.70% interest, maturity – equal semiannual installments from July 2009 to January 2013	\$ 66,306	710,192
Note payable, 6-month Euribor + 5.50% interest, maturity – equal semiannual installments from January 2011 to January 2014	2,841,331	4,611,681
Note payable, 5.50% interest, maturity – equal annual installments from March 2015 to March 2020	7,955,724	7,747,608
Note payable, 8.78% interest until 2014; 12.68% interest thereafter, maturity July 2018 to December 2018	7,955,745	7,747,620
Note payable, 7.5% interest – equal semiannual installments from June 2013 to June 2014	1,325,945	1,291,262
Note payable, 12-month Euribor + 1.5% interest, maturity – January 2015	662,976	645,629
Note payable, 7.75% interest, maturity Jan 2013 – July 2014	2,651,905	—
	<u>23,459,932</u>	<u>22,753,992</u>
Opportunity Bank Ghana:		
Note payable, 5.00% interest, maturity September 2013	484,529	506,924
Note payable, 12.5% interest, maturity November 2013	20,288	23,881
Note payable, 15% interest, maturity July 2014	1,050,400	1,236,400

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.
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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

	2012	2011
Note payable, 182 day T-bill rate + 4.70% interest, maturity September 2014	\$ 751,830	1,108,519
Note payable, 16.00% interest, maturity May 2015	1,301,971	—
Note payable, 18.00% interest, maturity September 2014	1,970,025	—
Subtotal Opportunity Bank Ghana	5,579,043	2,875,724
Opportunity Bank Malawi:		
Note payable, 8.50% interest, maturity March 2012	—	3,110,000
Note payable, 0.00% interest, maturity March 2013	880,218	1,264,682
Note payable, 7.00% interest, maturity December 2012	—	3,043,720
Note payable, 9.00% interest, maturity January 2012	—	3,043,664
Note payable, 2.50% interest, maturity June 2012	—	101,461
Note payable, 8.5% interest, maturity June 2012	—	3,078,900
Note payable, 9.0% interest, maturity September 2012	—	3,043,707
Subtotal Opportunity Bank Malawi	880,218	16,686,134
Opportunity Mozambique:		
Note payable, 21.00% interest, maturity June 2012	—	775,355
Note payable, FPC + 3.00% interest, maturity December 2012	—	42,665
Note payable, 14.00% interest, maturity October 2014	475,440	792,540
Note payable, 5.00% interest, maturity December 2016	—	286,617
Subtotal Opportunity Mozambique	475,440	1,897,177
Opportunity Kenya:		
Note payable, 2.00% interest, maturity March 2012	—	85,813
Note payable, 14.00% interest, maturity July 2014	589,840	603,980
Subtotal Opportunity Kenya	589,840	689,793
Opportunity South Africa:		
Note payable, 0.00% interest, maturity December 2013	590,000	—
Opportunity Uganda:		
Note payable, interest T-bill rate +5% but never less than 14.00%, maturity September 2012	—	335,455
Note payable, 13.20% interest, maturity July 2012	—	312,410
Note payable, 13.20% interest, maturity December 2013	380,000	820,000
Note payable, 13.00% interest, maturity September 2013	213,637	537,840

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.
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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

	2012	2011
Note payable, 13.00% interest, maturity March 2014	\$ 108,572	585,715
Note payable, 12.00% interest, maturity June 2014	621,818	1,118,182
Note payable, 15.30% interest, maturity June 2014	932,915	1,677,610
Note payable, 14.00% interest 1st quarter then T-bill rate + 2.75% up to Max of 12.00%, maturity May 2017	1,140,000	—
Subtotal Opportunity Uganda	3,396,942	5,387,212
Opportunity Rwanda:		
Note payable, T-bill rate + 5.50% interest, maturity November 2013	1,469,735	1,514,819
Note payable, 12.00% interest, maturity November 2013	2,192,539	1,014,013
Note payable, 6.00% interest + SWAP cost, maturity December 2014	490,750	505,803
Note payable, 12.00% interest, maturity December 2014	—	971,040
Note payable, 5.00% interest, maturity May 2016	187,494	193,245
Note payable, 12.10% interest, maturity April 2012	—	1,010,105
Subtotal Opportunity Rwanda	4,340,518	5,209,025
Opportunity Romania:		
Note payable, 10.50% interest, maturity June 2013	975,950	983,155
Note payable, 10.50% interest, maturity December 2013	975,950	983,155
Note payable, 6-month Bubor + 3.00%, maturity March 2013	151,980	153,102
Note payable, 6-month Bubor + 4.00%, maturity September 2013	579,312	583,589
Note payable, Euro Swap Rate + 5.17% maturity June 2013	1,759,690	1,729,452
Note payable, 3-month Bubor + 4.60% maturity January 2013	366,838	739,393
Note payable, 3-month Bubor + 4.6%, maturity May 2013	998,896	1,006,270
Coopest – Note payable, 6-month Bubor + 4.6%, maturity May 2015	1,319,753	1,296,564
Coopest – Note payable, 6-month Euribor + 4.00% maturity February 2016	659,876	648,132
Note payable, 6-month Bubor + 4.6%, maturity November 2013	476,800	—
Subtotal Opportunity Romania	8,265,045	8,122,812

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.
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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

	2012	2011
Opportunity Colombia:		
Note payable, 9.13% interest, maturity November 2014	\$ 335,960	—
Note payable, 8.73% interest, maturity December 2014	182,400	—
Note payable, 8.73% interest, maturity November 2014	273,125	—
Note payable, 9.16% interest, maturity November 2014	163,875	—
Note payable, 8.91% interest, maturity November 2015	36,298	—
Note payable, 8.91% interest, maturity November 2014	112,254	—
	1,103,912	—
Subtotal Opportunity Colombia	1,103,912	—
Total banking notes payable	48,680,890	63,621,869
Investing notes payable:		
Opportunity Transformation Investments Inc.:		
Note payable, 0.00% interest, maturity July 2013	250,000	250,000
Notes payable, 1.0% interest, maturity November 2016	10,000,000	10,000,000
Note payable, 15.75% interest on KES/MZN prime +3.75% interest on MZN, maturity October 2014	2,562,720	2,698,435
Note payable, 3.25% interest, maturity September 2012	—	400,000
Note payable, 3.25% interest, maturity September 2012	—	200,000
Note payable, 3.00% interest, maturity September 2012	—	100,000
Note payable, 3.25% interest, maturity September 2012	—	100,000
Note payable, 2.75% interest, maturity September 2012	—	100,000
Note payable, 2.00% interest, maturity September 2012	—	250,000
Note payable, 3.00% interest, maturity September 2013	100,000	100,000
Note payable, 3.00% interest, maturity September 2013	1,000,000	1,000,000
Note payable, 2.00% interest, maturity September 2013	125,000	125,000
Note payable, 2.00% interest, maturity September 2013	125,000	125,000
Notes payable, 2.00% interest, maturity December 2013	2,000,000	2,000,000
	16,162,720	17,448,435
Total investing notes payable	16,162,720	17,448,435
Total notes payable	\$ 64,843,610	81,070,304

The banking notes payable are the obligations of each individual bank. These borrowings are nonrecourse to OTI.

On November 22, 2006, OTI entered into a \$10 million loan agreement with the Gates Foundation. The proceeds are used to support microfinance initiatives in the impoverished regions in Africa. As of December 31, 2012 and 2011, there was \$8,500,000 in notes receivable outstanding to six majority-owned partners in Africa, with terms in accordance with the Gates Foundation agreement, which were eliminated in consolidation.

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

On October 2, 2011, OTI entered into a \$2.5 million loan agreement with Minlam, a microfinance lending company, which provides loans in local currency. The proceeds are used to support microfinance initiatives in Kenya and Mozambique. As of December 31, 2012, \$1,000,000 and \$1,500,000 in note receivables were outstanding from Opportunity Kenya and Opportunity Mozambique, respectively, which were eliminated in consolidation. As of December 31, 2011, \$1,000,000 in a note receivable from Opportunity Kenya was outstanding, which was eliminated in consolidation.

As of December 31, 2012, the rights of the note holder of two \$1,000,000 notes with 2% interest maturing December 2013 have been subordinated to the rights of the other former Loan Guarantee Fund note holders. The remaining \$1,350,000 of notes payable is senior to these subordinated notes in priority of payment. Interest payments on the subordinated debt may be deferred at the election of OTI but all interest has been paid as of December 31, 2012.

Aggregate maturities of notes payable as of December 31, 2012 are as follows:

2013	\$	19,210,627
2014		13,292,768
2015		5,177,328
2016		12,173,322
2017		2,465,952
Thereafter		<u>12,523,613</u>
Total notes payable	\$	<u>64,843,610</u>

All debt due prior to September 30, 2013 was renewed, extended, or paid off at maturity.

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(10) Noncontrolling Interest

Below is the activity of the noncontrolling interest for the years ending December 31, 2012 and 2011:

December 31, 2012				
	Beginning balance	Interest in net gain (loss) of consolidated subsidiaries	Increase (decrease) in share capital	Ending balance
Opportunity Bank Ghana	\$ 2,602,560	33,215	17,000	2,652,775
Opportunity Kenya	(943,083)	(26,671)	—	(969,754)
Opportunity Bank Malawi	2,338,157	(2,726,551)	1,955,868	1,567,474
Opportunity Mexico	(19,231)	—	—	(19,231)
Opportunity Bank Mozambique	345,714	(391,432)	1,156,240	1,110,522
Opportunity Romania	2,117,679	66,012	(268,267)	1,915,424
Opportunity Bank Rwanda	1,800,392	264,342	513,275	2,578,009
Opportunity Bank Serbia	5,758,878	(90,615)	—	5,668,263
Opportunity South Africa	1,246,762	(249,122)	—	997,640
Opportunity Tanzania	1,559,146	(113,443)	726,770	2,172,473
Opportunity Uganda	861,653	(54,849)	403,740	1,210,544
Opportunity Colombia	—	(835,349)	3,125,699	2,290,350
Total	\$ <u>17,668,627</u>	<u>(4,124,463)</u>	<u>7,630,325</u>	<u>21,174,489</u>

December 31, 2011				
	Beginning balance	Interest in net gain (loss) of consolidated subsidiaries	Increase (decrease) in share capital	Ending balance
Opportunity Bank Ghana	\$ 1,927,187	(196,285)	871,658	2,602,560
Opportunity Kenya	(853,824)	(89,259)	—	(943,083)
Opportunity Bank Malawi	2,903,356	(1,698,908)	1,133,709	2,338,157
Opportunity Mexico	(19,231)	—	—	(19,231)
Opportunity Bank Mozambique	354,100	(8,386)	—	345,714
Opportunity Romania	2,170,690	(53,011)	—	2,117,679
Opportunity Bank Rwanda	1,423,310	127,714	249,368	1,800,392
Opportunity Bank Serbia	5,806,065	(47,187)	—	5,758,878
Opportunity South Africa	1,612,067	(365,305)	—	1,246,762
Opportunity Tanzania	(386,003)	(710,162)	2,655,311	1,559,146
Opportunity Uganda	929,703	(68,100)	50	861,653
Total	\$ <u>15,867,420</u>	<u>(3,108,889)</u>	<u>4,910,096</u>	<u>17,668,627</u>

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.

(An Affiliate Controlled by Opportunity International, Inc.)

Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(11) Management and General Expenses

Management and general expenses for banking activities consist of the following:

	<u>2012</u>	<u>2011</u>
Salaries and benefits	\$ 32,127,069	28,785,803
Rent and utilities	6,714,491	5,532,652
Professional fees	4,129,856	4,752,840
Depreciation expense	5,159,040	4,885,577
Miscellaneous expense	6,991,282	7,203,183
Postage and shipping	164,077	233,260
Printing and copying	870,719	946,384
Travel and hosting	2,896,432	2,661,993
Income tax expense (benefit)	145,251	(2,691,101)
Supplies and office equipment	1,036,855	1,009,303
Telephone	1,893,154	1,774,852
Insurance	1,519,336	1,568,087
Promotional materials	1,021,552	1,302,558
Training	662,351	592,723
Board meetings and conferences	474,403	311,074
Foreign exchange gain	(3,186,293)	(1,220,580)
Total management and general expenses	<u>\$ 62,619,575</u>	<u>57,648,608</u>

(12) Related-Party Transactions

During the years ended December 31, 2012 and 2011, OTI paid the Network dues totaling \$888,417 and \$851,000, respectively. During the years ended December 31, 2012 and 2011, OTI paid Opportunity management service fees of \$480,717 and \$454,000, respectively.

Notes payable totaling \$250,000 as of December 31, 2012 and 2011 were due to Opportunity and a director of OTI and Opportunity.

(13) Commitments and Contingencies

(a) Reserve and Regulatory Capital Requirements

OTI's foreign for-profit microfinance companies have certain regulatory capital requirements that they must maintain.

The Bank of Ghana requires Opportunity Bank Ghana to maintain a prescribed ratio of total capital to total risk-weighted assets. A minimum capital adequacy ratio of 10% must be maintained. As of December 31, 2012 and 2011, Opportunity Bank Ghana met these regulatory requirements.

The Reserve Bank of Malawi requires Opportunity Bank Malawi to maintain a 1% general provision against risk assets and a minimum capital of 10% of risk-weighted assets. As of December 31, 2012 and 2011, Opportunity Bank Malawi met these regulatory requirements.

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

The Central Bank of Mozambique requires Opportunity Bank Mozambique to maintain a reserve of 8% of total qualifying liabilities in terms of Law number 02/GBM/2012 of July 4, 2012 and to maintain a prescribed ratio of total capital to total risk-weighted assets of not less than 8%. As of December 31, 2012 and 2011, Opportunity Bank Mozambique met these regulatory requirements.

The National Bank of Rwanda requires Opportunity Bank Rwanda to maintain minimum reserves of 8% of deposits, 100% liquidity of three-month assets to three-month liabilities, and 10% capital adequacy. As of December 31, 2012 and 2011, Opportunity Bank Rwanda met these regulatory requirements.

Opportunity Bank Serbia is required to maintain a minimum capital adequacy ratio of 12% as established by the National Bank of Serbia. Pursuant to the Law on Banks and Other Financial Institutions, savings banks registered in Serbia are required to maintain total qualifying capital at a minimum amount of €10 million in dinar counter-value. As of December 31, 2012 and 2011, Opportunity Bank Serbia met these regulatory requirements.

Opportunity Uganda is required to maintain a core capital ratio of 8% and a total capital ratio of 12% under the Financial Institutions Act 2004 of Uganda. As of December 31, 2012 and 2011, Opportunity Uganda met these regulatory requirements.

(b) Lease Obligations

The banks lease office space and equipment in the various countries in which they are located under operating leases. Lease expense for the years ended December 31, 2012 and 2011 was \$3,464,127 and \$2,628,372, respectively. Future minimum operating lease payments as of December 31, 2012 are as follows:

2013	\$	2,080,020
2014		1,924,202
2015		1,428,445
2016		1,090,030
2017		1,003,951
Thereafter		1,038,268
Total	\$	<u>8,564,916</u>

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.

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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(c) ***Guarantees***

As of December 31, 2012, OTI had three outstanding collateral support agreements. OTI has determined that there is no fair value liability associated with these support agreements because there was no net savings to the banks in 2012, as the amounts paid to OTI for the collateral agreement exceeded what the cost would have been had the bank obtained the financing elsewhere without the collateral support agreement. OTI had stand-by letters of credit outstanding in the amount of \$1,267,941 as of December 31, 2012, which is equivalent to the maximum potential future payments OTI could be required to make under the guarantees. The expiration dates of the stand-by letters of credit range from January 1, 2013 to November 30, 2013. OTI has not recorded any liability for the draws on the stand-by letters of credit because OTI does not believe such guarantees are likely to be drawn.

(14) Subsequent Events

(a) ***Amended Shareholder Agreement***

Under the terms of a shareholder agreement, originally dated September 14, 2006 and amended September 27, 2012, between Opportunity Transformation Investments, Inc. (OTI), its subsidiary Opportunity Bank Serbia (OBS) and three other noncontrolling shareholders, the noncontrolling interest owners have the right to require OTI to purchase (the Put Option) their interest (a total of approximately 36.5%) of the outstanding capital stock of OBS. The Put Option is exercisable from March 31, 2014 to March 31, 2019 provided there has not been a strategic investor in OBS or an exit initial public offering. The price paid upon exercise will be determined based on the greater of established multiples of OBS capital shares and the exchange rate of Serbian Dinar to Euro as calculated on September 30, 2012. Accordingly, OTI recorded approximately \$1.98 million in the investment in other financial institutions and in accrued liabilities in the accompanying statement of financial position. In order to satisfy the terms of this shareholder agreement, OTI is exploring strategic alternatives, such as identifying a strategic investor and a possible initial public offering.

(b) ***Sale of Opportunity Mexico***

On April 30, 2013, OTI entered into a share purchase agreement to sell and transfer 100% of its shares in Opportunity Mexico for a total purchase price of \$550,000. Purchase price is to be paid by buyer in two installments: \$200,000 and \$350,000 on the second and third anniversary of the closing date, respectively.

(c) ***Exchange Rate Fluctuations (Unaudited)***

Through September 30, 2013, exchange rates fluctuated such that foreign assets and liabilities decreased in value by approximately \$10.3 million and \$7.7 million, respectively, resulting in a decrease in net assets of approximately \$2.6 million, due solely to exchange rate.

(d) ***Reserve and Regulatory Capital Requirements (Unaudited)***

As of September 30, 2013, OTI's foreign for-profit microfinance companies in Ghana, Malawi, Mozambique, Rwanda, Serbia, and Uganda met the regulatory requirements in their respective countries.

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.
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Notes to Consolidated Financial Statements

December 31, 2012 and 2011

(e) Debt Extension – Opportunity Romania (Unaudited)

The management of Opportunity Romania (OMRO) has finalized negotiations with their external lenders that resulted in an extension of terms by 12 months for 60% of all notes due and postponement of payments due during the period April to July 2013 until October 2014. OMRO has also entered into a loan agreement with a new lender, Banca Transilvania (BT), which is expected to be finalized in November 2013.

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.

(An Affiliate Controlled by Opportunity International, Inc.)

Consolidating Schedules of Statements of Financial Position – Banking Operations Only

Years ended December 31, 2012 and 2011

	Opportunity Bank Ghana	Opportunity Bank Malawi	Opportunity Bank Mozambique	Opportunity Bank Rwanda	Opportunity Bank Serbia	Opportunity Colombia	Opportunity DRC
December 31, 2012							
Banking assets:							
Cash and cash equivalents	\$ 10,124,090	10,388,957	2,394,339	5,299,029	18,642,428	5,462,368	685,074
Loan portfolio, net of allowance	27,533,933	11,704,445	7,035,932	16,550,055	62,822,759	6,357,337	928,500
Prepaid expenses	4,006,475	4,295,559	548,583	1,566,070	5,308,628	470,339	458,295
Building, furniture, and equipment, net of accumulated depreciation	4,082,242	7,304,457	2,487,656	2,052,277	3,583,119	1,936,755	436,256
Total banking assets	\$ 45,746,740	33,693,418	12,466,510	25,467,431	90,356,934	14,226,799	2,508,125
Banking liabilities:							
Accounts payable and accrued liabilities	\$ 3,156,094	2,008,176	266,157	4,023,662	1,387,294	473,241	2,879,852
Deposits from customers	25,983,690	21,059,087	4,845,770	10,737,083	51,107,135	4,782,211	283,807
Notes payable	6,568,628	4,232,099	2,868,262	4,954,018	23,459,932	1,103,912	—
Deferred revenue	1,950,367	22,392	892,480	429,898	—	—	—
Total banking liabilities	37,658,779	27,321,754	8,872,669	20,144,661	75,954,361	6,359,364	3,163,659
Unrestricted net assets – banking	8,087,961	6,371,664	3,593,841	5,322,770	14,402,573	7,867,435	(655,534)
Total liabilities and net assets	\$ 45,746,740	33,693,418	12,466,510	25,467,431	90,356,934	14,226,799	2,508,125
December 31, 2011							
Banking assets:							
Cash and cash equivalents	\$ 7,991,877	28,687,691	1,837,223	4,160,947	12,527,469	—	638,195
Loan portfolio, net of allowance	24,299,848	20,068,997	6,854,069	12,219,430	51,011,461	—	484,882
Prepaid expenses	2,600,767	7,481,410	354,972	1,063,286	4,003,108	—	431,255
Building, furniture, and equipment, net of accumulated depreciation	3,287,425	14,200,086	2,794,621	1,213,651	3,449,425	—	523,767
Total banking assets	\$ 38,179,917	70,438,184	11,840,885	18,657,314	70,991,463	—	2,078,099
Banking liabilities:							
Accounts payable and accrued liabilities	\$ 4,677,920	2,772,783	342,597	1,072,480	1,231,236	—	1,432,945
Deposits from customers	21,194,350	39,451,967	4,039,818	8,027,356	33,920,649	—	170,035
Notes payable	3,852,789	19,691,863	2,927,855	5,463,038	22,753,997	—	—
Deferred revenue	1,442,879	27,331	1,100,719	312,068	—	—	—
Total banking liabilities	31,167,938	61,943,944	8,410,989	14,874,942	57,905,882	—	1,602,980
Unrestricted net assets – banking	7,011,979	8,494,240	3,429,896	3,782,372	13,085,581	—	475,119
Total liabilities and net assets	\$ 38,179,917	70,438,184	11,840,885	18,657,314	70,991,463	—	2,078,099

See accompanying independent auditors' report.

Supplementary Schedule 1

Opportunity Kenya	Opportunity Mexico	Opportunity Romania	Opportunity South Africa	Opportunity Tanzania	Opportunity Uganda	Eliminations	2012 Banks consolidated
2,963,029	676,544	1,015,584	2,416,050	1,872,275	4,010,842	—	65,950,609
5,054,322	1,181,493	13,504,134	3,541,180	3,138,367	12,045,757	—	171,398,214
280,659	555,842	360,282	66,552	310,879	1,993,748	(482,808)	19,739,103
76,002	40,362	137,448	378,530	850,364	2,072,608	—	25,438,076
<u>8,374,012</u>	<u>2,454,241</u>	<u>15,017,448</u>	<u>6,402,312</u>	<u>6,171,885</u>	<u>20,122,955</u>	<u>(482,808)</u>	<u>282,526,002</u>
341,523	205,731	3,802,778	187,738	267,784	1,360,963	(4,275,542)	16,085,451
2,620,770	—	—	—	836,670	4,388,395	—	126,644,618
3,963,012	—	8,265,045	1,381,780	176,881	5,437,914	(13,730,593)	48,680,890
70,781	—	179,098	748,474	15,858	717,231	—	5,026,579
6,996,086	205,731	12,246,921	2,317,992	1,297,193	11,904,503	(18,006,135)	196,437,538
1,377,926	2,248,510	2,770,527	4,084,320	4,874,692	8,218,452	17,523,327	86,088,464
<u>8,374,012</u>	<u>2,454,241</u>	<u>15,017,448</u>	<u>6,402,312</u>	<u>6,171,885</u>	<u>20,122,955</u>	<u>(482,808)</u>	<u>282,526,002</u>
Opportunity Kenya	Opportunity Mexico	Opportunity Romania	Opportunity South Africa	Opportunity Tanzania	Opportunity Uganda	Eliminations	2011 Banks consolidated
2,027,782	722,184	797,331	875,336	1,127,003	2,730,176	—	64,123,214
4,884,070	942,731	12,769,573	4,577,866	1,762,734	13,576,082	—	153,451,743
221,188	496,269	431,988	57,288	235,719	1,642,504	(448,984)	18,570,770
91,985	49,305	181,992	276,707	971,402	1,981,018	—	29,021,384
<u>7,225,025</u>	<u>2,210,489</u>	<u>14,180,884</u>	<u>5,787,197</u>	<u>4,096,858</u>	<u>19,929,780</u>	<u>(448,984)</u>	<u>265,167,111</u>
328,721	100,756	3,953,364	979,440	824,315	2,817,782	(4,837,430)	15,696,909
2,477,945	—	—	—	586,209	3,766,985	—	113,635,314
2,870,292	—	8,122,812	826,672	—	7,291,251	(10,178,700)	63,621,869
3,169	—	162,708	—	11,639	597,714	—	3,658,227
5,680,127	100,756	12,238,884	1,806,112	1,422,163	14,473,732	(15,016,130)	196,612,319
1,544,898	2,109,733	1,942,000	3,981,085	2,674,695	5,456,048	14,567,146	68,554,792
<u>7,225,025</u>	<u>2,210,489</u>	<u>14,180,884</u>	<u>5,787,197</u>	<u>4,096,858</u>	<u>19,929,780</u>	<u>(448,984)</u>	<u>265,167,111</u>

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.
(An Affiliate Controlled by Opportunity International, Inc.)
Consolidating Schedules of Statements of Activities – Banking Operations Only
Years ended December 31, 2012 and 2011

<u>December 31, 2012</u>	<u>Opportunity Bank Ghana</u>	<u>Opportunity Bank Malawi</u>	<u>Opportunity Bank Mozambique</u>	<u>Opportunity Bank Rwanda</u>	<u>Opportunity Bank Serbia</u>	<u>Opportunity Bank Colombia</u>
Operating activities:						
Revenue:						
Loan interest income	\$ 17,271,219	6,130,832	4,388,962	6,457,014	11,488,468	760,186
Other fees and income	589,653	6,305,083	1,184,033	1,325,136	411,098	76,850
Total revenue	<u>17,860,872</u>	<u>12,435,915</u>	<u>5,572,995</u>	<u>7,782,150</u>	<u>11,899,566</u>	<u>837,036</u>
Expenses:						
Interest on notes payable	709,975	684,813	383,561	683,481	1,707,806	6,833
Interest on client deposits	747,469	1,235,745	185,438	204,088	2,411,534	133,452
Provisions on loan losses	373,324	2,695,773	586,268	223,597	187,791	235,565
Management and general	14,004,911	9,446,009	5,038,428	5,643,204	7,189,347	3,372,337
Total operating expenses before taxes	<u>15,835,679</u>	<u>14,062,340</u>	<u>6,193,695</u>	<u>6,754,370</u>	<u>11,496,478</u>	<u>3,748,187</u>
Income tax expense (benefit)	653,490	(860,179)	—	360,803	23,049	—
Increase (decrease) in operating net assets	<u>1,371,703</u>	<u>(766,246)</u>	<u>(620,700)</u>	<u>666,977</u>	<u>380,039</u>	<u>(2,911,151)</u>
Nonoperating activities:						
Unrealized gain (loss) on foreign currency translation	(1,271,821)	(5,097,163)	(371,595)	(139,854)	(654,239)	16,663
Net income attributable to noncontrolling interests	—	—	—	—	—	—
Total nonoperating activities	<u>(1,271,821)</u>	<u>(5,097,163)</u>	<u>(371,595)</u>	<u>(139,854)</u>	<u>(654,239)</u>	<u>16,663</u>
Increase (decrease) in net assets	<u>\$ 99,882</u>	<u>(5,863,409)</u>	<u>(92,295)</u>	<u>527,123</u>	<u>(274,200)</u>	<u>(2,894,488)</u>
<u>December 31, 2011</u>	<u>Opportunity Bank Ghana</u>	<u>Opportunity Bank Malawi</u>	<u>Opportunity Bank Mozambique</u>	<u>Opportunity Bank Rwanda</u>	<u>Opportunity Bank Serbia</u>	<u>Opportunity Bank Colombia</u>
Operating activities:						
Revenue:						
Loan interest income	\$ 14,637,075	8,860,846	3,170,325	4,767,441	10,173,810	—
Other fees and income	433,904	6,763,680	641,208	844,015	1,397,853	—
Total revenue	<u>15,070,979</u>	<u>15,624,526</u>	<u>3,811,533</u>	<u>5,611,456</u>	<u>11,571,663</u>	<u>—</u>
Expenses:						
Interest on notes payable	212,378	800,656	133,113	445,533	2,052,289	—
Interest on client deposits	585,235	2,333,515	134,787	134,299	1,973,875	—
Provisions on loan losses	231,328	7,258,913	276,681	112,835	(529,924)	—
Management and general	12,525,810	13,862,577	3,979,806	4,393,878	7,892,955	—
Total operating expenses before taxes	<u>13,554,751</u>	<u>24,255,661</u>	<u>4,524,387</u>	<u>5,086,545</u>	<u>11,389,195</u>	<u>—</u>
Income tax expense (benefit)	980,205	(3,618,309)	—	215,147	—	—
Increase (decrease) in operating net assets	<u>536,023</u>	<u>(5,012,826)</u>	<u>(712,854)</u>	<u>309,764</u>	<u>182,468</u>	<u>—</u>
Nonoperating activities:						
Unrealized gain (loss) on foreign currency translation	(1,059,412)	1,530,864	683,555	(55,091)	(311,792)	—
Net income attributable to noncontrolling interests	—	—	—	—	—	—
Total nonoperating activities	<u>(1,059,412)</u>	<u>1,530,864</u>	<u>683,555</u>	<u>(55,091)</u>	<u>(311,792)</u>	<u>—</u>
Increase (decrease) in net assets	<u>\$ (523,389)</u>	<u>(3,481,962)</u>	<u>(29,299)</u>	<u>254,673</u>	<u>(129,324)</u>	<u>—</u>

See accompanying independent auditors' report.

Supplementary Schedule 2

Opportunity DRC	Opportunity Kenya	Opportunity Mexico	Opportunity Romania	Opportunity South Africa	Opportunity Tanzania	Opportunity Uganda	Eliminations	2012 Banks consolidated
643,317	1,997,508	1,058,131	3,322,928	1,347,171	1,164,486	5,864,657	(27,902)	61,866,977
152,386	308,457	12,485	30,335	910,789	1,213,585	1,718,881		14,238,771
795,703	2,305,965	1,070,616	3,353,263	2,257,960	2,378,071	7,583,538	(27,902)	76,105,748
—	372,752	—	917,258	124,593	—	924,523	(777,536)	5,738,059
188	25,549	—	—	—	—	93,152	—	5,036,615
88,067	39,281	62,274	(319,235)	857,235	132,573	788,259	—	5,950,772
1,835,615	2,003,007	1,026,234	2,807,242	1,964,037	2,501,997	5,641,956	—	62,474,324
1,923,870	2,440,589	1,088,508	3,405,265	2,945,865	2,634,570	7,447,890	(777,536)	79,199,770
2,553	—	—	—	—	—	(34,465)	—	145,251
(1,130,720)	(134,624)	(17,892)	(52,002)	(687,905)	(256,499)	170,113	749,634	(3,239,273)
67	(32,348)	156,669	248,797	(373,826)	(77,769)	(525,081)	456,147	(7,665,353)
							4,124,463	4,124,463
67	(32,348)	156,669	248,797	(373,826)	(77,769)	(525,081)	4,580,610	(3,540,890)
(1,130,653)	(166,972)	138,777	196,795	(1,061,731)	(334,268)	(354,968)	5,330,244	(6,780,163)
Opportunity DRC	Opportunity Kenya	Opportunity Mexico	Opportunity Romania	Opportunity South Africa	Opportunity Tanzania	Opportunity Uganda	Eliminations	2011 Banks consolidated
269,260	1,348,709	1,059,863	4,997,490	1,607,232	511,847	4,923,912	—	56,327,810
65,898	205,195	10,025	44,777	1,016,462	187,217	1,154,502	—	12,764,736
335,158	1,553,904	1,069,888	5,042,267	2,623,694	699,064	6,078,414	—	69,092,546
—	154,112	—	1,164,522	105,276	—	793,359	(312,953)	5,548,285
29	20,125	—	—	—	—	49,116	—	5,230,981
31,755	21,011	30,723	667,699	107,640	25,983	700,812	—	8,935,456
1,453,404	1,828,377	972,947	3,273,183	2,865,399	2,424,498	4,866,875	—	60,339,709
1,485,188	2,023,625	1,003,670	5,105,404	3,078,315	2,450,481	6,410,162	(312,953)	80,054,431
2,523	—	—	—	—	—	(270,667)	—	(2,691,101)
(1,152,553)	(469,721)	66,218	(63,137)	(454,621)	(1,751,417)	(61,081)	312,953	(8,270,784)
(39,995)	(89,081)	(273,602)	(60,576)	(933,783)	(243,830)	(343,304)	(62,852)	(1,258,899)
—	—	—	—	—	—	—	3,108,887	3,108,887
(39,995)	(89,081)	(273,602)	(60,576)	(933,783)	(243,830)	(343,304)	3,046,035	1,849,988
(1,192,548)	(558,802)	(207,384)	(123,713)	(1,388,404)	(1,995,247)	(404,385)	3,358,988	(6,420,796)

OPPORTUNITY TRANSFORMATION INVESTMENTS, INC.

Schedules of Statements of Activities and Statements of Financial Position – OTI Parent Only

Years ended December 31, 2012 and 2011

Statements of Activities	2012	2011
	<u> </u>	<u> </u>
Operating activities:		
Revenue:		
Contributions	\$ 21,477,477	11,568,046
Loss from subsidiary banking activities	885,190	(5,161,897)
Unrealized loss on foreign currency translation	(7,665,353)	(1,258,899)
Other, including loss on sale of investment in subsidiary	<u>489,723</u>	<u>(851,352)</u>
Total revenue	15,187,037	4,295,898
Expenses:		
Management and general	<u>2,399,857</u>	<u>3,359,579</u>
Increase in net assets from operating activities	12,787,180	936,319
Net assets:		
Beginning of year	<u>53,278,987</u>	<u>52,342,668</u>
End of year	\$ <u><u>66,066,167</u></u>	\$ <u><u>53,278,987</u></u>
Statements of Financial Position		
Assets:		
Cash and cash equivalents	\$ 12,476	269,642
Restricted cash and investments	4,486,669	9,284,788
Other receivables and prepaid expenses	7,041,848	6,287,380
Notes receivable	3,244,879	1,624,110
Investment in other institutions	<u>69,647,420</u>	<u>55,870,615</u>
Total assets	\$ <u><u>84,433,292</u></u>	\$ <u><u>73,336,535</u></u>
Liabilities:		
Accounts payable and accrued liabilities	\$ 2,204,405	2,609,114
Notes payable	<u>16,162,720</u>	<u>17,448,435</u>
Total liabilities	18,367,125	20,057,549
Unrestricted net assets	<u>66,066,167</u>	<u>53,278,987</u>
Total liabilities and net assets	\$ <u><u>84,433,292</u></u>	\$ <u><u>73,336,536</u></u>

See accompanying independent auditors' report.