

QUARTERLY SUMMARY REPORT

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Opportunity International

Trust Groups Buck the Trend

Despite declining use among some microfinance institutions, Opportunity continues to provide clients with group lending products. Originally seen as a way to introduce those without banking experience to financial services, the drawbacks of group lending, such as conflict within groups, time requirements, and inflexibility of loan products, are causing many microfinance organizations, particularly those in competitive regions, to transition away from group loans.

In contrast, Opportunity International has resisted this trend, which often leaves behind the poorest borrowers

and makes it more difficult to accompany the loan with training relevant to their needs, such as financial literacy, health and Christian values. Over the last five years, the number of Trust Group clients has grown at an average annual rate of 27%, compared to total client growth of 23%. “By focusing on less competitive environments, those where it is often tougher to do business, and through the use of the Trust Group methodology, we are able to serve the poorest borrowers and do it in a way that maximizes our transformational impact,” says Opportunity International Network CEO Adrian Merryman.

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Notable Numbers

Lending Outreach— Opportunity International partners provided 86% of loans to women and 77% to Trust Group clients.

Savings Outreach— Opportunity International partners increased the number of savings accounts over the previous quarter by 11% to 395,948. Deposits totaled \$240,589,149 (a 6% decline), and average balance is down 16% to \$607.63.

Loan Size— Trust Group loans, 82% of all loans, averaged \$206.92 with initial Trust Group loans averaging \$196. Overall loan size throughout Opportunity averaged \$444.73, and average first loan size was \$477.58.

Sustainability— Combined, Opportunity partners were 106.2% operationally sustainable, with financial sustainability at 96.6%.* Results are roughly similar to the previous quarter.

*Operational sustainability is total income divided by total costs. Financial sustainability includes several adjustments.

Network Summary January–September 2008

LOAN PORTFOLIO							
	Active Clients	Outstanding Portfolio (US\$)	Avg. Loan Size (US\$)		Port. at Risk > 30 Days		Loans to Women
			Network	Outside EE	Network	Outside EE	
Individual	150,671	405,711,633	2,336.71	652.56	4.0%	12.5%	60.6%
Trust Group	799,928	81,322,447	206.92	206.92	6.7%	6.7%	89.7%
Other	85,145	70,451,059	572.24	406.49	4.5%	7.6%	72.7%
Total	1,035,744	557,485,139	444.73	254.58	4.4%	8.2%	85.5%

SUSTAINABILITY	
Operational Sustainability	106.2%
Financial Sustainability	96.6%

SAVINGS	
Accounts	395,948
Average Balance	\$607.63

LOAN ACTIVITY	
Number of Loans Made	1,402,002
Value of Loans Made (US\$)	623,511,925
Average Loan Size (US\$)	444.73

EMPLOYEES	
Number of Loan Officers	4,268
Number of Other Staff	3,968
Total Number of Employees	8,236

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Trust Groups...

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“We’re doing this because it’s best for those we serve. We’re going further down the poverty chain, which is the right thing for our clients.”

Industry withdrawal

While exact numbers are not available, industry leaders say that though group lending still has a role in microfinance

“We’re going further down the poverty chain, which is the right thing for our clients.”

Opportunity International Network
CEO Adrian Merryman.

its proportion is shrinking. Mary Ellen Iskenderian, CEO of Women’s World Banking, told *Time* magazine in December, that one of the most significant changes in the industry has been the transition from group to individual lending. “Group lending... is an excellent introduction to finance for micro-entrepreneurs, but the businesses tend to remain quite small, purely income-generating activities that rarely grow to scale,” because of the standard loan sizes offered to group members.

Xavier Gine of the World Bank and Dean Karlan at Yale University found group lending clients “dislike the tension caused by group liability” and other group dynamics, which leads to lower rates of new clients. Gine and Karlan found that switching from group to individual loans at several branches of a Philippine bank (not affiliated with Opportunity) actually led to higher growth rates.

Despite the drawbacks of the group lending model, there is no replacement technology that allows MFIs to sustainably provide small loans to

poor entrepreneurs. In competitive microfinance environments, lenders tend to move up the income ladder toward individual loans, which can be more profitable but often leaves the poorest clients behind. In addition, not all group lending models are the same, and Opportunity partners are finding ways of developing more flexible, client-friendly group products.

Where Opportunity stands

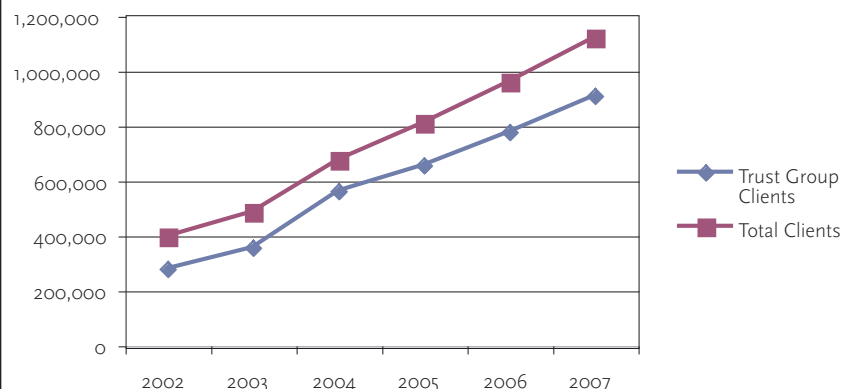
In contrast to other MFIs, Opportunity has slightly increased its proportion of group lending to total lending. Between 2002 and 2007, Trust Group clients varied from 70% to 83% of total clients. Trust Group clients reached their peak in 2004, which, compared to the year before, saw the number of Trust Group clients jump 10% as a percentage of total clients. Since then, Trust Group clients have remained above 80% until this year, during which time Trust Group clients moved to 77% as of the third quarter of 2008.

Though Trust Group clients represent more than three quarters of Opportunity customers, Trust Group loans have represented between 20% and 26% of Opportunity’s loan portfolio. This reflects the substantially smaller value of Trust Group loans, which averaged \$207 in the first three quarters of 2008 versus an average of \$2,337 for individual loans throughout Opportunity and \$653 outside Eastern Europe.

“We are well positioned,” says Merryman, “because we continue to offer Trust Group products. At the same time, we are also fully prepared with graduation strategies as our clients need them.” Opportunity’s continued focus on reaching the poorest of the working poor with financial services will require ongoing use of the Trust Group model as an entry lending product. But, says Merryman, “we have flexibility” in using the Trust Group method to make sure we’re meeting clients’ needs.

This suggests that the Trust Group can remain an effective and efficient means of providing loans and training as well as maximizing Opportunity’s transformational impact. In addition to extending loans, Trust Groups also allow Opportunity to provide business training and services that seek to create an environment where clients’ lives can be transformed. The personal interaction available in the Trust Group model provides more occasions for Opportunity staff to provide Christ-centered and client-focused financial services. The future challenge for Opportunity is learning how Trust Group loans can be even more flexible for clients and recognize individual client performance within the group. These are some of the issues that Richard Marney, senior vice president of product development for Network Services and his team will be looking at in 2009.

Opportunity Trust Groups Climbing



Client Outreach

Country	Partner	Number of Active Clients	Outstanding Portfolio (US\$)	Average Loan Size (US\$)	Loans Made to Women	Portfolio at Risk > 30 Days	Operational Sustainability
AFRICA							
Ghana	OISL	59,122	17,434,126	526.13	84.3%	4.2%	108.0%
	SAT	69,674	13,818,179	631.81	82.3%	2.4%	138.6%
Kenya	OI-Kenya	10,709	2,913,435	489.59	56.4%	21.8%	27.1%
Malawi	OIBM	27,895	19,329,338	523.30	57.7%	3.7%	109.9%
Mozambique	BOM	7,803	2,584,612	459.94	42.3%	5.8%	110.9%
Rwanda	UOMB	35,497	3,524,012	163.04	89.6%	0.1%	71.5%
South Africa	Opp Finance	3,183	2,159,904	617.76	40.5%	12.2%	60.7%
Tanzania	Faulu Tanzania	3,274	693,998	198.13	70.3%	9.0%	55.0%
Uganda	Faulu Uganda	18,371	6,463,896	453.39	50.9%	2.6%	112.0%
	UGAFODE	6,439	2,792,623	535.13	43.9%	10.2%	91.5%
Zambia	CETZAM	5,283	2,697,505	809.34	73.8%	9.7%	114.5%
Zimbabwe	Zambuko Trust'	0	0	41.96	84.9%	0.0%	108.8%
Regional Subtotal		247,250	74,411,626	450.38	75.6%	4.8%	104.6%
ASIA							
China	OI China	387	1,624,293	6,612.75	36.9%	5.4%	95.2%
India	GOF	30,807	2,398,031	132.41	100.0%	1.0%	112.2%
	TBF	12,703	730,997	177.85	98.6%	1.0%	89.8%
Country Subtotal		43,510	3,129,028	138.21	99.8%	1.0%	107.7%
Indonesia	Dian Mandiri	26,366	1,309,517	155.85	88.4%	11.4%	121.4%
	DINARI	9,045	612,334	121.20	83.3%	9.3%	72.9%
	TLM	11,949	2,269,189	192.60	47.6%	10.4%	81.0%
	WKP	1,548	164,202	154.36	82.6%	35.7%	67.4%
Country Subtotal		48,908	4,355,242	165.33	73.2%	11.5%	89.9%
Philippines	ASKI	51,523	7,174,262	247.33	77.4%	3.4%	103.3%
	DSPI	59,847	3,010,207	175.33	93.2%	50.1%	58.3%
	HSPFI	13,778	1,038,136	160.54	90.9%	3.1%	102.3%
	KBank	25,713	3,961,635	225.75	80.6%	9.8%	109.3%
	KMBI	129,183	7,170,248	125.29	100.0%	4.5%	125.8%
	OMB	16,419	1,812,801	172.08	92.1%	32.4%	75.8%
	RSPI	22,704	1,744,504	151.96	86.9%	7.8%	109.9%
	TPKI ²	0	0	168.49	99.1%	0.0%	130.6%
	TSKI ³	0	0	196.98	78.9%	0.0%	107.3%
	TSPI	187,475	19,414,761	184.47	99.9%	1.6%	115.4%
Country Subtotal		506,642	45,326,553	178.67	92.2%	7.8%	108.9%
Regional Subtotal		599,447	54,435,116	178.26	91.5%	7.6%	107.5%
EASTERN EUROPE							
Albania	Opp Albania	15,011	39,629,096	3,744.31	34.9%	4.9%	98.2%
Macedonia	Moznosti	8,178	48,621,622	7,786.60	22.1%	3.7%	109.0%
Montenegro	OBM	44,930	178,313,295	6,966.56	41.3%	1.8%	127.6%
Poland	Initiative Mikro	1,531	10,236,470	7,971.47	48.1%	3.7%	107.8%
Romania	OMRO	3,607	26,645,887	6,899.65	39.0%	7.2%	88.3%
Russia	FORUS	14,274	69,051,644	5,566.04	74.9%	3.6%	95.4%
Serbia	OBS	4,630	39,034,210	11,163.43	35.0%	2.8%	110.3%
Regional Subtotal		92,161	411,532,224	6,202.30	48.2%	3.1%	107.8%
LATIN AMERICA							
Colombia	OILA	8,556	793,704	158.35	82.1%	12.4%	58.8%
	OLC	6,302	1,098,818	359.55	79.3%	14.7%	90.7%
	AGAPE	9,063	1,368,947	211.24	87.0%	14.3%	100.4%
Dominican Rep.	ASPIRE	9,826	3,422,927	439.55	73.3%	10.6%	104.2%
Honduras	IDH	9,277	2,343,575	269.40	83.3%	46.1%	102.1%
Mexico	Oportunidad MF	9,653	1,973,585	443.33	89.6%	4.5%	108.0%
Nicaragua	ASODENIC	38,050	5,377,953	263.44	79.1%	37.0%	95.8%
Peru	ASIDME	6,159	726,663	211.91	86.4%	31.2%	83.0%
Regional Subtotal		96,886	17,106,173	282.59	82.7%	24.6%	96.7%
Network Total		1,035,744	557,485,139	444.73	85.5%	4.4%	106.2%

Please see footnotes on page 4.

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Quarterly Summary Report

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1 Zambuko Trust (Zimbabwe) ceased lending in July 2008; no data is available for 2008 Q2 or Q3, so data provided is only for Jan-Mar 2008.

2 TPKE (Philippines) did not submit a report for 2008 Q3. Data shown is for Jan-Jun 2008.

3 TSKI (Philippines) did not submit a report for 2008 Q3. Data shown is for Jan-Jun 2008.



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