

2008 ANNUAL REPORT

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## INVESTING IN A BETTER WORLD

**OPIC, THE OVERSEAS PRIVATE INVESTMENT CORPORATION**, is the only U.S. government agency created specifically to support U.S. private sector investment in the developing world.

OPIC exists because most overseas development is in fact funded not by international aid, but by American capital, foreign investment and trade. But for projects in some parts of the world, private capital can be difficult to obtain or is simply unavailable.

That is where OPIC comes in. OPIC promotes U.S. private overseas investment by making direct loans, issuing loan guarantees and underwriting political risk insurance for developmental projects, or by investing in private equity funds established to finance projects in specific regions, markets or sectors. Through its innovative financial products and services, OPIC helps U.S. businesses of all sizes to compete overseas, fosters economic development in new and emerging markets, complements the private sector in managing risks associated with foreign direct investment and mobilizes the U.S. private sector to advance U.S. foreign policy and development initiatives.

More importantly, OPIC-supported projects make real and measurable differences in their host countries. They expand economic opportunity, which can be the foundation for hope and peace. They encourage the development of democratic institutions and free market reforms, which in turn promote political stability. And they improve the quality of life for local populations, because of OPIC's requirement that projects adhere to international standards on the environment and worker rights.

OPIC projects make a difference here in the U.S. by increasing American exports, strengthening our economy and generating employment. Since its founding in 1971, OPIC has funded, guaranteed or insured more than \$180 billion worth of investments. And because OPIC charges market-based fees for its products, the agency operates on a self-sustaining basis at no net expense to the American taxpayer and with no loss of U.S. jobs.

Building on this history of results both at home and abroad, OPIC reached important milestones in 2008.

Fulfilling its mandate to direct investment to financially-underserved or strategically-important regions and nations, OPIC announced over \$200 million in support for socially- and environmentally-responsible investments across the African



continent, and nearly \$150 million in new financing or insurance for projects and initiatives throughout the greater Middle East.

OPIC support for new lending facilities and private equity funds will leverage additional capital flows into Africa's markets, meeting growing needs for health care, housing, information technology, small business loans and consumer goods and services. In Liberia, in particular, OPIC has risen to support new President Ellen Johnson-Sirleaf's strategy of achieving quick and visible progress that reaches a significant number of the Liberian people and establishes the foundation for sustained economic development. Governments in the Middle East, recognizing that privately-funded growth is an engine of sustainable development, are reforming investment laws and undertaking privatization programs. Progress in that regard enabled OPIC in 2008 to announce support for a new public-private facility that will provide political risk insurance to Palestinian export-related businesses and local and foreign investors. If coverage from the Palestinian Political Risk Insurance Project helps insured exporters to grow by only ten percent annually, the program could facilitate more than \$400 million in exports from Palestinian businesses.

Helping developing nations make the transition to free market economies is a work in progress in a continually changing world. Responding to the dynamic environment in which the agency operates — with services now available in more than 150 countries worldwide — OPIC continues to seek and develop innovative ways to make investment capital more accessible to U.S. businesses and their overseas partners.

For example, an OPIC guaranty to the Calvert Social Investment Foundation, which was finalized in February 2008, is helping to change the way Americans earn investment returns while making socially responsible investments. OPIC's guaranty will enable Calvert Foundation to sell up to \$143 million of its Calvert Community Investment Notes on MicroPlace and through other Calvert Foundation sales channels. MicroPlace is an eBay subsidiary that provides an online microfinance investment marketplace where socially conscious investors can make an impact on global poverty. Calvert Foundation will use the proceeds of Calvert Community Investment Notes sold on MicroPlace to make loans to microfinance institutions, whose clients have typically lacked the same access to capital as those of larger and more established borrowers.

As a repeatable investment model that takes advantage of online technology, this project leverages OPIC's financing to great effect — contributing to another ongoing OPIC objective: maximizing outreach to new markets, partners, investors and potential customers of the agency's services.

OPIC understands that it is not enough that the agency provide innovative financial products, services and support to increase U.S. private investment in developing overseas markets. OPIC must also increase international trade opportunities for small businesses and especially women- and minority-owned enterprises, and must actively reach out to these prospective clients, projects and partners.

Only through continual, aggressive outreach to the U.S. business community can OPIC increase awareness — and thereby utilization — of its diverse financial products. International investment conferences, U.S. regional workshops, one-on-one meetings, an information-rich web site and promotional partnerships with organizations both here and abroad are just a few of the ways OPIC reached out to the world in 2008 to increase access to opportunity.

OPIC also recognizes that sound development supports both economic growth and environmental sustainability. In 2008, OPIC's Small and Medium Finance Department implemented an outreach program that resulted in the agency's consideration of more than 100 proposals for support of projects totaling \$2 billion in every conceivable sub-sector of renewable energy and sustainable development, including biomass, waste-to-energy, solar, hydro, geothermal, wind, reforestation, water purification, green housing, clean fuels and more. OPIC looks forward to enlarging its portfolio of renewable energy projects and partnering with investors to support long term sustainable development in emerging markets.

OPIC's mission grows more important every year, as every day, in every region of the globe, we see new examples of the transformative role of private investment and economic development. To demonstrate the difference that OPIC continues to make for U.S. businesses, their overseas partners and host countries, this year's Annual Report not only describes new projects and funds that received OPIC support in 2008, but updates the progress, success and results of projects initiated earlier in the decade.

As expressed through support for these projects and others, past and present, too numerous to include, OPIC's developmental mission represents the best of what the American people — and American business — can bring to nations striving to realize their full potential by expanding economic opportunity.



## OPENING THE WORLD TO SMALL BUSINESS

**BEYOND ITS BROAD MANDATE** to support the investment of U.S. private capital and skills in the economic and social development of less-developed countries, OPIC recognizes the importance of increasing the participation of U.S. small business in developing markets overseas. Not only does this help small businesses grow, it often provides the fastest transfer of new ideas, innovative technology and best practices to developing markets.

Such is the case with one U.S. small business that received OPIC financing to help provide 25 year-lease purchase financing for low-income housing in Central America. The company will enter into agreements with builders in each country to develop houses costing homebuyers an average of \$10,300, including land and services. The company will cooperate with major employers in each market to facilitate homebuyer education and affordable lease payment plans.

OPIC political risk insurance supported a California small business, which supplied the Pakistan Ministry of Defense with 300 Gamow Mountain Bag portable hyperbaric chambers — medical devices used in treating altitude sickness. This will help support an investment in a country where visible economic progress is critical to maintaining political stability.

In Turkey, a U.S. small business will use an OPIC loan to expand and equip an existing bottling plant, more than doubling its production capacity for home/office delivery of bottled water — from 1,500 bottles per hour to 4,000.

And a Maryland-based small business, after repaying an earlier OPIC loan to expand its cashmere wool export operation in Afghanistan, received new financing to help it acquire more product and increase local employment.





## REACHING OUT TO PARTNERS AND CUSTOMERS WORLDWIDE

**U.S. BUSINESSES THAT WANT** to invest overseas can only avail themselves of OPIC's programs, products and services by first knowing they exist. That is why reaching out to bring the agency's message to prospective customers and partners is an important part of OPIC's mission.

The agency's outreach efforts in 2008 included:

- attracting more than 250 participants from 23 countries to *Access to Opportunity in the Middle East*, a three-day OPIC investment conference in Jordan.
- continuing the highly successful series of *Expanding Horizons* workshops designed specifically to inform women and minority business owners of overseas investment support available from OPIC and other government agencies, and to provide valuable contacts toward fulfilling their international aspirations.
- welcoming Wambia Capital, as an originator of both loans and political risk insurance, to the growing list of Enterprise Development Network partners assisting OPIC in reaching out to U.S. small businesses; and
- signing a new agreement with *ProInversión Perú*, the investment promotion agency of Peru, which will help increase awareness of OPIC support for projects in that country.





## **LEVERAGING RESOURCES TO EXPAND ACCESS TO CAPITAL**

**OPIC REMAINS COMMITTED** to expanding access to capital in emerging markets, especially for small and medium-sized enterprises. Whether from difficulty in attracting foreign direct investment or a lack of domestic lending capacity, economic growth in these nations is inhibited by gaps in access to investment capital.

OPIC works to close those gaps with innovative solutions to leverage investment in areas where the private sector alone cannot fully meet demand. OPIC's investment funds program, in particular, is now a major catalyst for providing equity capital to emerging markets, supporting over 40 funds that have invested almost \$4 billion in more than 400 private enterprises in 53 developing countries. Equally important, OPIC investment funds have demonstrated that significant returns on investment can be realized in emerging markets anywhere. This generates a multiplier effect for OPIC's support, as new capital attracts additional investment and financing in the targeted markets, nations and regions.

This commitment continued with the announcement of several new investment funds in 2008. Reflecting its commitment to support environmentally-friendly investment, OPIC announced it will provide up to \$505 million in financing to the agency's first funds designed to invest in renewable and sustainable energy projects. Three new Latin American funds will also receive up to \$350 million in OPIC guaranteed financing to help to leverage more investment by providing the region's businesses with forms of capital currently in short supply.

And in 2008, the OPIC-sponsored Southeast Europe Equity Fund II made an important investment in the health care system in Albania, with financial support to American Hospital. The U.S. company operates the leading private hospital in Albania, delivering the highest standard of care in cardiac surgery, diagnostic imaging, hemodialysis, ophthalmology and organ transplants.



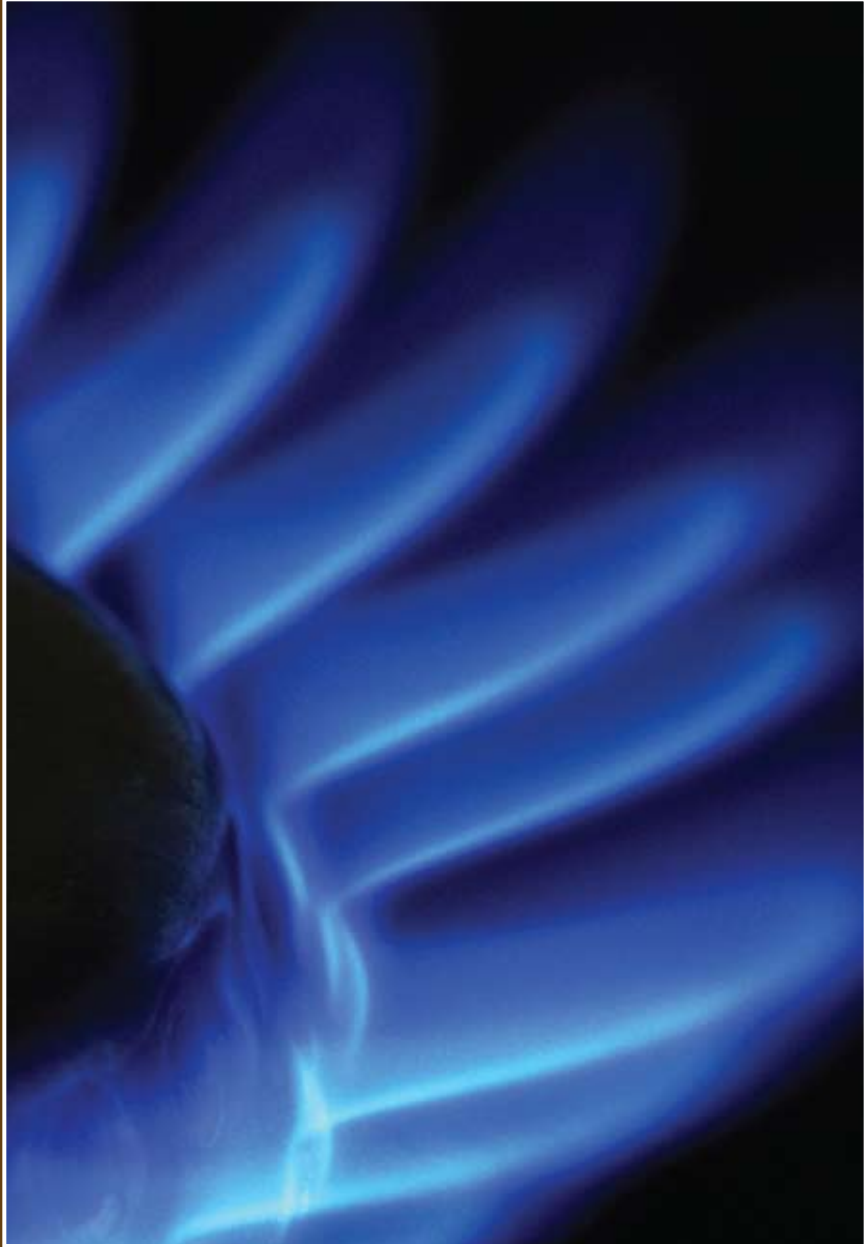
## BRINGING AFRICA INTO THE GLOBAL ECONOMY

**ONE OF OPIC'S TOP** priorities is to increase the flow of foreign direct investment to support economic development throughout Africa.

To that end, OPIC in 2008 provided \$294,000 in additional political risk insurance to help the International Rescue Committee (IRC) carry out its humanitarian aid programs in the Central African Republic to improve health care, provide clean water and sanitation, and offer education for children and adolescents. The new coverage in 2008 expanded a successful relationship that began in 2005 with OPIC's offer of \$5 million in insurance for IRC humanitarian efforts not only in African nations, but in 21 countries worldwide.

To generate even wider impact than what is achieved through the direct support for individual projects such as these, OPIC announced up to \$250 million in financing to help South African banks expand their small business lending, and more than \$635 million in support for new investment funds that could leverage nearly double that amount for investments in every region of the continent. These funds will encourage the growth of sectors critical to Africa's ongoing development, including natural resources, energy, manufacturing, agriculture, transportation, telecommunications, education and consumer goods. Several of the funds will also work to strengthen Africa's capital markets, considered the final frontier of the continent's economic development.

In Liberia, a company named for a local term meaning "all of us" is using OPIC political risk insurance to support the nation's continuing reconstruction following the 1989-2003 civil war. Nearly \$1 million in OPIC coverage will enable Kwaplah International Liberia, Inc., to rent vehicles and equipment to the Liberian government, non-governmental organizations, and development institutions. The project is a tangible down payment on the vision articulated by President Ellen Johnson-Sirleaf, who told the nation in her 2006 inaugural address that "we have the potential to promote a healthy economy in which Liberians and international investors can prosper."



## ENCOURAGING PEACE THROUGH INVESTMENT IN THE MIDDLE EAST

**CONDITIONS ARE RIPE** for a new level of U.S. private sector investment in the broader Middle East, where the infusion of investment capital and transfer of expertise could usher in a dynamic era of economic growth and development.

This was the central message of the 2008 OPIC investment conference *Access to Opportunity in the Middle East*, organized to enable more American companies to tap the great potential of the greater Middle East. More than 250 participants from 23 countries came to Jordan to learn how economic reforms, privatization initiatives and the region's estimated \$630 billion in infrastructure requirements over the next decade could create an increasingly attractive climate for investment.

Through projects announced in 2008, OPIC demonstrated the agency's continuing commitment to encourage and facilitate the private investment that can expand economic opportunity and provide a foundation for peace, hope and stability.

For example, OPIC announced \$19 million in new financing to the Iraq Middle Market Development Foundation, expanding a small and medium-sized enterprises lending project that is already succeeding in helping to rebuild the country's private sector.

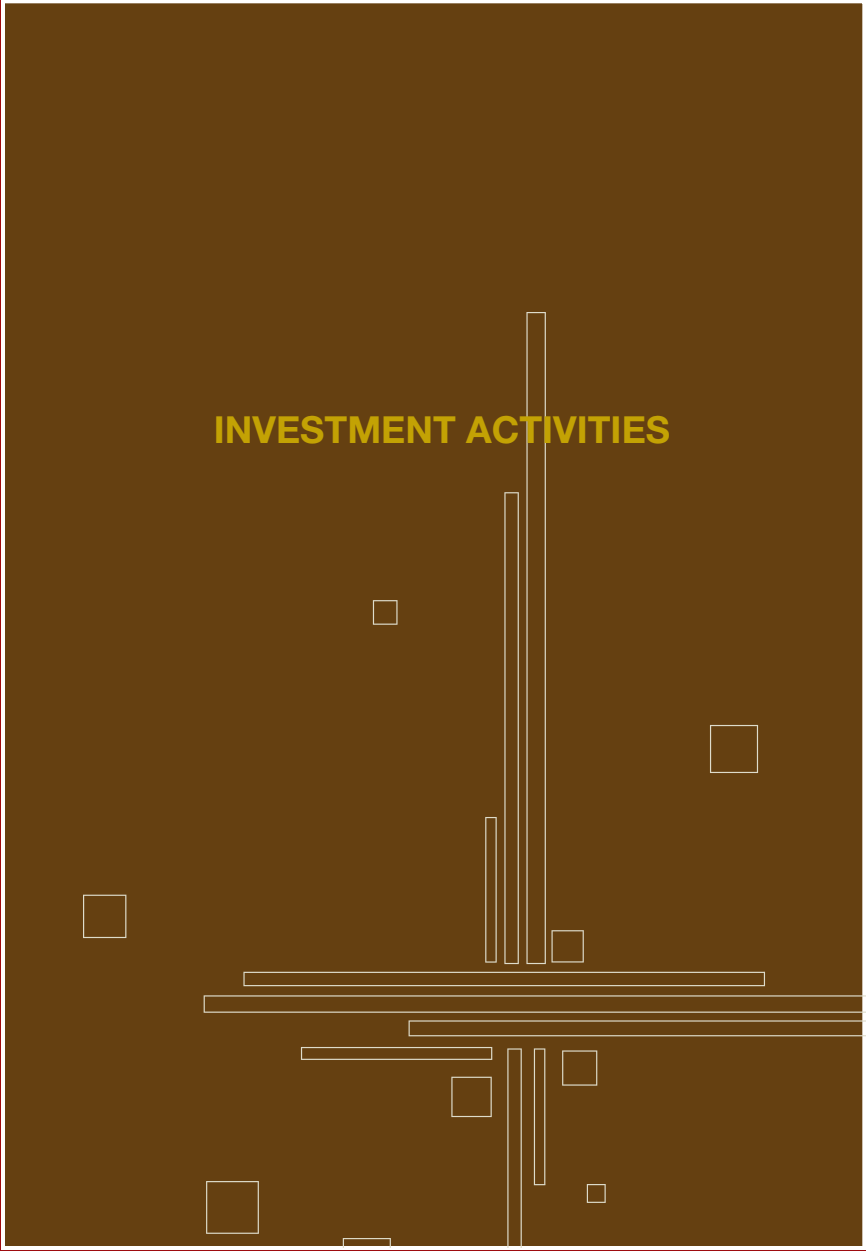
The U.S. nonprofit organization International Foundation of Hope is using OPIC political risk insurance to support its poplar plantation and tree nursery, a vital resource for its tree-planting operations in Afghanistan, and for providing Afghan farmers valuable business opportunities and a viable alternative to poppy cultivation, the source of the country's opium trade.

Because risk mitigation instruments are especially important to help encourage investment, expand the economy and create jobs in the Palestinian territories, OPIC partnered with the non-profit Middle East Investment Initiative (MEII) to fund trade disruption coverage that indemnifies Palestinian exporters against penalties and fees in the event that border or checkpoint closings or delays prevent delivery of their products.

OPIC previously supported the establishment of a loan guaranty facility with MEII. To date, MEII has approved 50 loans to small and medium-sized businesses in the West Bank in a variety of industries. More than half of the guaranteed loans have financed procurement of equipment and machinery. One example is the guaranty of a loan of \$182,000 that will help a Palestinian entrepreneur purchase scrap metal shredding equipment and operate an environmentally friendly metal recycling business — the first of its kind in the West Bank.



# INVESTMENT ACTIVITIES



## 2008 INVESTMENT ACTIVITIES

| US Sponsor / Insured Investor             | Project Name                              | Project Description  |              |                  |
|---|---|--|--------------|------------------|
| <b>AFRICA AND THE MIDDLE EAST</b>         |   |  |              |                  |
| <b>Algeria</b>                            |   |  |              |                  |
| Financial Intermediary                    | Générale Assurance Méditerranéenne        | Private insurance company  |              | Investment Funds |
| <b>Central African Republic</b>           |   |  |              |                  |
| International Rescue Committee, Inc.      | International Rescue Committee            | Humanitarian services and activities                                 | \$294,387    | Insurance        |
| <b>Cote d'Ivoire</b>                      |   |  |              |                  |
| Financial Intermediary                    | Planor Capital International Ltd.         | Wireless telecommunications  |              | Investment Funds |
| <b>East Africa</b>                        |   |  |              |                  |
| Financial Intermediary                    | The East Africa Marine System (TEAMS)     | Deep sea fiber-optic cable   |              | Investment Funds |
| Financial Intermediary                    | Wananchi Group                            | Integrated cable and ISP solutions                                   |              | Investment Funds |
| <b>Iraq</b>                               |   |  |              |                  |
| Baltimore Dredges, LLC                    | Ministry of Water Resources               | Dredging equipment   | \$190,881    | Insurance        |
| Baltimore Dredges, LLC                    | Ministry of Water Resources               | Dredging equipment   | \$432,675    | Insurance        |
| Iraq Middle Market Development Foundation | Iraq Middle Market Development Foundation | Support SME and agricultural loans                                   | \$10,000,000 | Finance          |
| Liquid Waste Technology LLC               | Ministry of Water Resources               | Dredging equipment   | \$84,576     | Insurance        |
| <b>Jordan</b>                             |   |  |              |                  |
| Relief International                      | Relief International Branch Office        | Economic development activities                                      | \$78,545     | Insurance        |
| <b>Kenya</b>                              |   |  |              |                  |
| Citi Institutional Clients Group          | Faulu Kenya*                              | Expansion of microfinance loan portfolio                             | \$4,555,100  | Finance          |
| Citi Institutional Clients Group          | K-Rep Bank*                               | Expansion of microfinance loan portfolio                             | \$7,221,500  | Finance          |
| Financial Intermediary                    | Equity Bank Limited                       | Commercial bank  |              | Investment Funds |
| <b>Lebanon</b>                            |   |  |              |                  |
| Citi Institutional Clients Group          | Bank Audi Sal-Audi Saradar Group*         | Expansion of SME and regional housing portfolios                     | \$30,000,000 | Finance          |
| Relief International                      | Relief International Branch Office        | Economic development activities                                      | \$78,545     | Insurance        |
| <b>Liberia</b>                            |   |  |              |                  |
| Kwaplah International Trading Co., Inc.   | Kwaplah International, Inc.               | Distribution center  | \$1,656,000  | Insurance        |
| Tusk Capital Inc.                         | Cellcom Telecommunications Inc.           | Loan to expand affiliate cellcom Guinea S.A.                         | \$10,000,000 | Finance          |
| <b>Nigeria</b>                            |   |  |              |                  |
| Financial Intermediary                    | First City Monument Bank plc              | Universal banking operation  |              | Investment Funds |
| Financial Intermediary                    | Helios Towers Mauritius Holdings Limited  | Telecommunications towers  |              | Investment Funds |
| <b>South Africa</b>                       |   |  |              |                  |
| AIG Capital Partners, Inc.                | Blue Financial Services Limited (WBC)     | Expansion of mortgage lending to low-income individuals              | \$9,750,000  | Finance          |
| Financial Intermediary                    | Blue Financial Services Limited           | Micro-lending  |              | Investment Funds |
| Financial Intermediary                    | Brandcorp                                 | Distributor of niche industrial and retail products                  |              | Investment Funds |
| Financial Intermediary                    | House of Busby                            | Retailer and wholesaler of apparel, accessories and related products |              | Investment Funds |

\*Downstream transactions committed under framework agreements entered into during prior fiscal years.

| US Sponsor / Insured Investor               | Project Name   | Project Description   |               |                  |
|---|--|---|---------------|------------------|
| Financial Intermediary                      | TiAuto   | Retailer and distributor of wheels and tires                  |               | Investment Funds |
| International Housing Solutions             | South Africa Workforce Housing Fund                      | Private equity fund   | \$80,000,000  | Investment Funds |
| <b>Tunisia</b>                              |  |   |               |                  |
| Financial Intermediary                      | Société d'Articles Hygiéniques                           | Production of personal care products                          |               | Investment Funds |
| <b>Uganda</b>                               |  |   |               |                  |
| Citi Institutional Clients Group            | Uganda Finance Trust*                                    | Expansion of microfinance loan portfolio                      | \$1,166,550   | Finance          |
| <b>West Africa</b>                          |  |   |               |                  |
| Financial Intermediary                      | Cellcom Telecommunications Ltd.                          | GSM mobile telecommunications services                        |               | Investment Funds |
| <b>Africa and the Middle East Regional</b>  |  |   |               |                  |
| Capital Trust Group                         | EuroMENA Fund II, L.P.                                   | Private equity investment fund                                | \$100,000,000 | Investment Funds |
| East Africa Capital Partners Management, LP | Africa Telecommunications, Media and Technology Fund LLC | Closed-end investment fund                                    | \$50,000,000  | Investment Funds |
| Financial Intermediary                      | Africatel B.V.   | Telecommunications company                                    |               | Investment Funds |
| <b>ASIA AND THE PACIFIC</b>                 |  |   |               |                  |
| <b>Afghanistan</b>                          |  |   |               |                  |
| Reha Celikay and Gulnur Celikay             | Summit Associates, Ltd.                                  | Expansion of frozen meat storage and sales business           | \$4,000,000   | Finance          |
| International Foundation of Hope            | International Foundation of Hope                         | Fruits and nut orchard  | \$1,825,583   | Insurance        |
| Mr. Nesar Nusraty                           | American Wool-Cashmere, Inc.                             | Finance production, shipment and sale of Afghan cashmere wool | \$10,000,000  | Finance          |
| <b>Bangladesh</b>                           |  |   |               |                  |
| Citi Institutional Clients Group            | BRAC*  | Expansion of microfinance loan portfolio                      | \$16,665,000  | Finance          |
| <b>India</b>                                |  |   |               |                  |
| Citi Institutional Clients Group            | SKS Microfinance Private Ltd.*                           | Expansion of microfinance loan portfolio                      | \$16,665,000  | Finance          |
| Financial Intermediary                      | Nilgiri's Dairy Farm                                     | Chain of franchised convenience stores                        |               | Investment Funds |
| Financial Intermediary                      | Paras Pharmaceuticals                                    | Health and personal care products                             |               | Investment Funds |
| <b>Pakistan</b>                             |  |   |               |                  |
| CHF International                           | Tameer Microfinance Bank Limited                         | Microfinance lending and liquidity management                 | \$5,000,000   | Finance          |
| Hyperbaric Technologies, Inc.               | Directorate General Procurement                          | Portable hyperbaric chambers                                  | \$27,630      | Insurance        |
| <b>South Korea</b>                          |  |   |               |                  |
| Genworth Mortgage Insurance Corp            | Genworth Mortgage Insurance Corp - Korea                 | Mortgage insurance  | \$5,000,000   | Insurance        |
| <b>Sri Lanka</b>                            |  |   |               |                  |
| Financial Intermediary                      | Ceylon Oxygen Limited                                    | Industrial and medical gas manufacturing                      |               | Investment Funds |
| Relief International                        | Relief International Branch Office                       | Economic development activities                               | \$78,545      | Insurance        |
| Steadfast Insurance Company                 | MaTH Hydro Power (Pvt) Limited                           | Hydroelectric power   | \$1,402,922   | Insurance        |

\*Downstream transactions committed under framework agreements entered into during prior fiscal years.

| US Sponsor / Insured Investor               | Project Name                                 | Project Description                                     |              |                  |
|---|--|---|--------------|------------------|
| <b>EUROPE AND EURASIA</b>                   |  |   |              |                  |
| <b>Albania</b>                              |  |   |              |                  |
| Financial Intermediary                      | Abcom s.a.r.l.                               | Cable television and broadband business                 |              | Investment Funds |
| Financial Intermediary                      | Univers-Alb s.a.r.l. (aka American Hospital) | Health care businesses                                  |              | Investment Funds |
| <b>Azerbaijan</b>                           |  |   |              |                  |
| Financial Services Volunteer Corps ("FSVC") | Rabitabank OJSC (WBC)                        | Expansion of SME loan portfolio                         | \$4,875,000  | Finance          |
| <b>Kazakhstan</b>                           |  |   |              |                  |
| Financial Intermediary                      | Caspian Services Inc.                        | Oil and gas exploration services                        |              | Investment Funds |
| National City Bank                          | ATF Bank JSC*                                | Expansion of SME loan portfolio                         | \$30,000,000 | Finance          |
| National City Bank                          | Bank Center Credit JSC*                      | Expansion of consumer loan portfolio                    | \$30,000,000 | Finance          |
| <b>Kosovo</b>                               |  |   |              |                  |
| Financial Intermediary                      | Kujtesa Max s.a.r.l.                         | Cable television and broadband business                 |              | Investment Funds |
| <b>Moldova</b>                              |  |   |              |                  |
| NCH Property Associates, LLC                | ICS Prime Capital SRL (WBC)                  | Expansion of residential mortgage lending operations    | \$9,750,000  | Finance          |
| <b>Romania</b>                              |  |   |              |                  |
| Citi Institutional Clients Group            | Opportunity Microcredit Romania ("OMRO")*    | Expansion of microfinance loan portfolio                | \$2,721,950  | Finance          |
| Financial Intermediary                      | Hiperdia S.A.                                | Diagnostic health care services                         |              | Investment Funds |
| <b>Russia</b>                               |  |   |              |                  |
| Citi Institutional Clients Group            | CJSC Forus Bank*                             | Expansion of microfinance loan portfolio                | \$3,888,500  | Finance          |
| Financial Intermediary                      | Far East Shipping Company (FESCO)            | Multimodal container transportation and logistics       |              | Investment Funds |
| Firebird Management, LLC                    | Sotsyalniy Gorodskoy Bank (WBC)              | Expansion of SME loan portfolio                         | \$9,750,000  | Finance          |
| National City Bank                          | Roseurobank*                                 | Expansion of SME lending program                        | \$20,000,000 | Finance          |
| National City Bank                          | Transcapital Bank JSC*                       | Expansion of SME lending and retail loan portfolios     | \$15,000,000 | Finance          |
| Russia Partners Management LLC              | Independent Leasing, LLC (WBC)               | Expansion of equipment leasing operations               | \$9,750,000  | Finance          |
| Arkady Starikovskiy                         | Zao Aires (WBC)                              | Expansion of SME lending and retail loan portfolios     | \$2,340,000  | Finance          |
| <b>Turkey</b>                               |  |   |              |                  |
| Taha Selcuk Disli                           | Kaynak Sulari Ve Turizm A.S. (WBC)           | Expand bottled natural spring water production facility | \$9,750,000  | Finance          |
| Wachovia Bank National Association          | Bankpozitif Kredit Ve Kalkinam Bankasi*      | Expansion of residential mortgage portfolio             | \$7,000,000  | Finance          |
| Wachovia Bank National Association          | Sekerbank A.S.*                              | Expansion of microfinance and SME portfolio             | \$10,000,000 | Finance          |

\*Downstream transactions committed under framework agreements entered into during prior fiscal years.

| US Sponsor / Insured Investor                   | Project Name                                     | Project Description   |               |                  |
|---|--|---|---------------|------------------|
| <b>LATIN AMERICA AND THE CARIBBEAN</b>          |  |   |               |                  |
| <b>Brazil</b>                                   |  |   |               |                  |
| National City Bank                              | Banco Pine S.A.*                                 | Expansion of retail loan portfolio                            | \$15,880,000  | Finance          |
| National City Bank                              | Banco Pine                                       | Loan  | \$4,120,000   | Insurance        |
| Wachovia Bank National Association              | Banco Fibra, S.A.*                               | Expansion of consumer loan portfolio                          | \$20,000,000  | Finance          |
| <b>Costa Rica</b>                               |  |   |               |                  |
| Citi Institutional Clients Group                | Banca Promerica, S.A.*                           | Expansion of SME and mortgage lending                         | \$14,000,000  | Finance          |
| Citi Institutional Clients Group                | Grupo M Holding S.A.*                            | Expansion of consumer financing portfolio of retail business  | \$15,000,000  | Finance          |
| Roberto Zamora Llanes                           | Banco Lafise, S.A. (Tranche 3)                   | Expand low income mortgage financing                          | \$15,000,000  | Finance          |
| <b>Ecuador</b>                                  |  |   |               |                  |
| Citi Institutional Clients Group                | Banco Procredit Ecuador*                         | Expansion of portfolio of microfinance lending                | \$15,000,000  | Finance          |
| <b>Guatemala</b>                                |  |   |               |                  |
| Ace Hardware Corporation                        | Nuevos Almacenes S.A. D/B/A/ CEMACO (WBC)        | Expansion of Ace Hardware retail operation                    | \$9,750,000   | Finance          |
| <b>Honduras</b>                                 |  |   |               |                  |
| Citi Institutional Clients Group                | Organizacion de Desarrollo Empresarial Femenino* | Expansion of microfinance loan portfolio                      | \$2,721,950   | Finance          |
| Clark Realty Capital, LLC                       | Inter-Mac International, Inc.                    | Construction and sale/lease of low income housing units       | \$70,000,000  | Finance          |
| Colite Outdoor, LCC                             | Colite Honduras, SA                              | Outdoor advertising/billboard leasing                         | \$2,880,000   | Insurance        |
| <b>Mexico</b>                                   |  |   |               |                  |
| MBIA Insurance Corporation                      | Red Carreteras de Occidente, S. de RL DE CV      | Concession to operate and maintain four existing toll roads   | \$400,000,000 | Finance          |
| Wells Fargo HSBC Trade Bank, N.A.               | Andrew and Williamson Fresh Produce              | Expansion of agricultural operations                          | \$5,000,000   | Finance          |
| <b>Nicaragua</b>                                |  |   |               |                  |
| Roberto J. Zamora                               | Banco de Credito Centroamericano, S.A.           | Expand low-income mortgages for Hurricane Felix relief        | \$7,000,000   | Finance          |
| <b>Paraguay</b>                                 |  |   |               |                  |
| Citi Institutional Clients Group                | Banco Regional, S.A.*                            | Expansion of loan portfolio to local SMEs                     | \$11,250,000  | Finance          |
| Citi Institutional Clients Group                | BBVA Paraguay S.A.*                              | Expansion of loan portfolio to local SMEs                     | \$30,000,000  | Finance          |
| Citi Institutional Clients Group                | Interbanco S.A.*                                 | Expansion of loan portfolio to local SME's                    | \$30,000,000  | Finance          |
| <b>Peru</b>                                     |  |   |               |                  |
| Wachovia Bank National Association              | Banco Financiero del Peru, S.A.*                 | Expansion of SME loan portfolio                               | \$10,000,000  | Finance          |
| Wachovia Bank National Association              | Banco Interamericano de Finanzas, S.A.*          | Expansion of residential mortgage portfolio                   | \$10,000,000  | Finance          |
| <b>Latin America and the Caribbean Regional</b> |  |   |               |                  |
| Alsis Funds, LLC                                | Alsis Latin America Fund, L.P.                   | Investment fund targeting affordable housing and other assets | \$100,000,000 | Investment Funds |
| Financial Intermediary                          | Columbus Communications Inc.                     | Telecommunication and broadband provider                      |               | Investment Funds |

\*Downstream transactions committed under framework agreements entered into during prior fiscal years.

## OPIC COUNTRIES AND AREAS

OPIC services encourage U.S. private investment in some 150 countries and areas around the world, contributing to economic growth at home and abroad.

OPIC services are generally available in the countries and areas listed on the following pages. From time to time, statutory and policy constraints may limit the availability of OPIC services in certain countries, or countries where services were previously unavailable may become eligible. Investors are urged to contact OPIC directly or check the website: [www.opic.gov/doingbusiness/ourwork/index.asp](http://www.opic.gov/doingbusiness/ourwork/index.asp) for up-to-date information regarding the availability of OPIC services in specific countries, as well as information on the availability of OPIC services in countries not listed.

*(As of September 30, 2008)*

### AFRICA AND THE MIDDLE EAST

|                                  |                   |            |                       |
|----------------------------------|-------------------|------------|-----------------------|
| Algeria                          | Côte d'Ivoire     | Kuwait     | Rwanda                |
| Angola                           | Djibouti          | Lebanon    | São Tomé and Príncipe |
| Bahrain                          | Egypt             | Lesotho    | Senegal               |
| Benin                            | Equatorial Guinea | Liberia    | Sierra Leone          |
| Botswana                         | Eritrea           | Madagascar | Somalia               |
| Burkina Faso                     | Ethiopia          | Malawi     | South Africa          |
| Burundi                          | Gabon             | Mali       | Swaziland             |
| Cameroon                         | Gambia            | Mauritania | Tanzania              |
| Cape Verde                       | Ghana             | Mauritius  | Togo                  |
| Central African Republic         | Guinea            | Morocco    | Tunisia               |
| Chad                             | Guinea-Bissau     | Mozambique | Uganda                |
| Congo                            | Iraq              | Namibia    | West Bank and Gaza    |
| Congo, Democratic<br>Republic of | Israel            | Niger      | Yemen                 |
|                                  | Jordan            | Nigeria    | Zambia                |
|                                  | Kenya             | Oman       | Zimbabwe              |

**ASIA AND THE PACIFIC**

Afghanistan  
Bangladesh  
Cambodia  
Cook Islands  
Fiji  
India  
Indonesia  
Kiribati  
Laos  
Malaysia  
Marshall Islands  
Micronesia, Federated States of  
Mongolia  
Nepal  
Pakistan  
Palau  
Papua New Guinea  
Philippines  
Samoa  
Singapore  
South Korea  
Sri Lanka  
Taiwan  
Thailand  
Timor-Leste  
Tonga  
Vietnam

**EUROPE AND EURASIA**

Albania  
Armenia  
Azerbaijan  
Bosnia and Herzegovina  
Bulgaria  
Croatia  
Cyprus  
Czech Republic  
Estonia  
Georgia  
Greece  
Hungary  
Ireland  
Kazakhstan  
Kosovo  
Kyrgyzstan  
Latvia  
Lithuania  
Macedonia  
Malta  
Moldova  
Montenegro  
Northern Ireland  
Poland  
Portugal  
Romania  
Russia  
Serbia  
Slovakia  
Slovenia

Tajikistan  
Turkey  
Turkmenistan  
Ukraine  
Uzbekistan

**LATIN AMERICA AND THE CARIBBEAN**

Anguilla  
Antigua and Barbuda  
Argentina  
Aruba  
Bahamas  
Barbados  
Belize  
Bolivia  
Brazil  
Chile  
Colombia  
Costa Rica  
Dominica  
Dominican Republic  
Ecuador  
El Salvador  
French Guiana  
Grenada  
Guatemala  
Guyana  
Haiti  
Honduras  
Jamaica  
Mexico

Netherlands Antilles  
Nicaragua  
Panama  
Paraguay  
Peru  
Saint Kitts and Nevis  
Saint Lucia  
Saint Vincent and the Grenadines  
Suriname  
Trinidad and Tobago  
Turks and Caicos  
Uruguay



KPMG LLP  
2001 M Street, NW  
Washington, DC 20036

## Independent Auditors' Report on Financial Statements

To the Board of Directors  
Overseas Private Investment Corporation:

We have audited the accompanying balance sheets of the Overseas Private Investment Corporation (OPIC) as of September 30, 2008 and 2007, and the related statements of income, capital and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of OPIC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 07-04 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of OPIC's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Overseas Private Investment Corporation as of September 30, 2008 and 2007, and the results of operations, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 13, 2008, on our consideration of OPIC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 13, 2008

KPMG LLP, a U.S. limited liability partnership, is the U.S. member firm of KPMG International, a Swiss cooperative.



**BALANCE SHEETS**

Overseas Private Investment Corporation—September 30, 2008 and 2007 (\$ in thousands)

| <b>Assets</b>  | <b>2008</b>         | <b>2007</b>         |
|--|---------------------|---------------------|
| Fund Balance with U.S. Treasury (notes 2 and 4)  | \$ 554,818          | \$ 838,364          |
| U.S. Treasury securities, at amortized cost plus related receivables<br>(notes 2 and 7)  | 4,767,168           | 4,543,310           |
| Direct loans outstanding, net (notes 2 and 10)   | 617,356             | 641,123             |
| Accounts receivable resulting from investment guaranties, net<br>(notes 2 and 11)  | 56,786              | 66,698              |
| Assets acquired in insurance claims settlements, net (notes 2 and 11)  | 65,355              | 89,063              |
| Guaranty Receivable (notes 2 and 18)   | 152,485             | 168,482             |
| Accrued interest and fees and other  | 22,734              | 29,162              |
| Furniture, equipment and leasehold improvements at cost less<br>accumulated depreciation and amortization of \$14,263 in FY2008<br>and \$13,899 in FY2007 (note 2) | 2,399               | 2,031               |
| <b>Total assets</b>  | <b>6,239,101</b>    | <b>6,378,233</b>    |
| <br><b>Liabilities, Capital, and Retained Earnings</b>   |                     |                     |
| Liabilities:   |                     |                     |
| Reserve for political risk insurance (note 9)  | 300,000             | 315,000             |
| Reserve for investment guaranties (note 10)  | 625,291             | 486,304             |
| Accounts payable and accrued expenses  | 5,572               | 5,524               |
| Guaranty liability (notes 2 and 18)  | 152,485             | 168,482             |
| Customer deposits and deferred income  | 37,145              | 42,535              |
| Borrowings from U.S. Treasury, and related interest (note 6)   | 861,286             | 793,544             |
| Unearned premiums  | 12,600              | 13,327              |
| Deferred rent & rent incentives from lessor of \$4,449 and<br>\$3,827 net of accumulated amortization of \$1,357 and<br>\$1,004 in FY2008 and FY2007 (note 14)     | 3,092               | 2,822               |
| <b>Total liabilities</b>   | <b>1,997,471</b>    | <b>1,827,538</b>    |
| <br>Contingent liabilities (notes 2 and 17)  |                     |                     |
| Capital and retained earnings:   |                     |                     |
| Contributed capital  | 50,000              | 50,000              |
| Credit funding (note 5)  | 115,765             | 109,641             |
| Interagency transfers (note 2)   | 19,499              | 11,472              |
| Retained earnings and reserves:  |                     |                     |
| Insurance (notes 9 and 12)   | 1,049,510           | 1,321,128           |
| Guaranty (notes 10 and 12)   | 3,006,856           | 3,058,454           |
|  | 4,241,630           | 4,550,695           |
| <b>Total liabilities, capital, and retained earnings</b>   | <b>\$ 6,239,101</b> | <b>\$ 6,378,233</b> |

See accompanying notes to financial statements.

**STATEMENTS OF INCOME**

Overseas Private Investment Corporation—Years ended September 30, 2008 and 2007 (\$ in thousands)

|   | <b>2008</b>       | <b>2007</b>       |
|---|-------------------|-------------------|
| <b>Revenues</b>                                       |                   |                   |
| Political risk insurance premiums and fees (note 9)   | \$ 18,770         | \$ 25,274         |
| Investment financing interest and fees                | 184,495           | 183,925           |
| Interest on finance program deposits                  | 21,855            | 44,608            |
| Other operating income                                | 1                 | 4                 |
| Interest on U.S. Treasury securities                  | 220,231           | 212,225           |
| Total revenues  | <u>445,352</u>    | <u>466,036</u>    |
| <b>Expenses</b>                                       |                   |                   |
| Provisions for reserves:                              |                   |                   |
| Political risk insurance (notes 2 and 9)              | (15,169)          | 4,060             |
| Investment financing (notes 2, 10 and 11)             | 197,334           | (106,589)         |
| Salaries and benefits (note 15)                       | 27,470            | 26,858            |
| Rent, communications and utilities (note 14)          | 7,361             | 6,882             |
| Contractual services                                  | 13,001            | 18,907            |
| Travel  | 3,202             | 2,580             |
| Interest on borrowings from U.S. Treasury (note 6)    | 43,669            | 45,940            |
| Depreciation and amortization (note 2)                | 364               | 537               |
| Write-down of internally developed software (note 19) | —                 | 4,462             |
| Other general and administrative expenses             | 1,619             | 1,568             |
| Total expenses  | <u>278,851</u>    | <u>5,205</u>      |
| Net income  | <u>\$ 166,501</u> | <u>\$ 460,831</u> |

See accompanying notes to financial statements.

**STATEMENTS OF CAPITAL AND RETAINED EARNINGS**

Overseas Private Investment Corporation—Years ended September 30, 2008 and 2007 (\$ in thousands)

|  | Equity reserves     |                |                       |                            |                            |                   | Total        |
|--|---------------------|----------------|-----------------------|----------------------------|----------------------------|-------------------|--------------|
|  | Contributed capital | Credit funding | Interagency transfers | Insurance (notes 9 and 12) | Guaranty (notes 10 and 12) | Retained earnings |              |
| <b>Balance, September 30, 2006</b>     | \$ 50,000           | \$ 123,257     | \$ 5,810              | \$ 1,337,167               | \$ 2,779,373               | \$ —              | \$ 4,295,607 |
| Net income                             | —                   | —              | —                     | (5,675)                    | 466,506                    | —                 | 460,831      |
| Return credit funding to U.S. Treasury | —                   | (14,671)       | —                     | —                          | (321,787)                  | —                 | (336,458)    |
| Credit funding received from:          |                     |                |                       |                            |                            |                   |              |
| Accumulated earnings                   | —                   | 45,330         | —                     | (20,073)                   | —                          | (25,257)          | —            |
| Credit appropriations                  | —                   | 115,344        | —                     | —                          | —                          | —                 | 115,344      |
| Credit funding used                    | —                   | (159,619)      | —                     | —                          | 134,362                    | 25,257            | —            |
| Interagency transfers                  | —                   | —              | 5,662                 | 9,709                      | —                          | —                 | 15,371       |
| <b>Balance, September 30, 2007</b>     | \$ 50,000           | \$ 109,641     | \$ 11,472             | \$ 1,321,128               | \$ 3,058,454               | \$ —              | \$ 4,550,695 |
| Net income                             | —                   | —              | —                     | (250,091)                  | 416,592                    | —                 | 166,501      |
| Return credit funding to U.S. Treasury | —                   | (3,700)        | —                     | —                          | (552,259)                  | —                 | (555,959)    |
| Credit funding received from:          |                     |                |                       |                            |                            |                   |              |
| Accumulated earnings                   | —                   | 52,000         | —                     | (23,500)                   | —                          | (28,500)          | —            |
| Credit appropriations                  | —                   | 70,393         | —                     | —                          | —                          | —                 | 70,393       |
| Credit funding used                    | —                   | (112,569)      | —                     | —                          | 84,069                     | 28,500            | —            |
| Interagency transfers                  | —                   | —              | 8,027                 | 1,973                      | —                          | —                 | 10,000       |
| <b>Balance, September 30, 2008</b>     | \$ 50,000           | \$ 115,765     | \$ 19,499             | \$ 1,049,510               | \$ 3,006,856               | \$ —              | \$ 4,241,630 |

See accompanying notes to financial statements.

**STATEMENTS OF CASH FLOWS**

Overseas Private Investment Corporation—Years ended September 30, 2008 and 2007 (\$ in thousands)

|   | <b>2008</b> | <b>2007</b> |
|---|-------------|-------------|
| Cash flows from operating activities:   |             |             |
| Net income  | \$ 166,501  | \$ 460,831  |
| Adjustments to reconcile net income to net cash provided by operating activities: |             |             |
| Provisions for:   |             |             |
| Political risk insurance  | (15,169)    | 4,060       |
| Investment financing  | 197,334     | (106,589)   |
| Amortization of premiums on U.S. securities                                       | 7,663       | 9,437       |
| Accretion of discounts on U.S. securities   | (14,460)    | (13,546)    |
| Amortization of deferred rent and rental incentives                               | 248         | (579)       |
| Increase in rent incentives   | 21          | 42          |
| Depreciation and amortization   | 364         | 537         |
| Write-down of internally developed software                                       | —           | 4,462       |
| (Increase) decrease in operating assets:  |             |             |
| Accrued interest and fees   | 10,573      | (5,432)     |
| Guaranty receivable   | 15,995      | (1,148)     |
| Assets acquired in insurance claims settlements                                   | (1,980)     | —           |
| Recoveries on assets acquired in insurance claims settlements                     | 25,858      | 28,503      |
| Assets acquired in finance claims settlements                                     | (51,455)    | (172,045)   |
| Recoveries on assets acquired in finance claims settlements                       | 12,364      | 224,249     |
| Increase (decrease) in operating liabilities:                                     |             |             |
| Accounts payable and accrued expenses   | 48          | 159         |
| Customer deposits and deferred income   | (5,390)     | (6,271)     |
| Guaranty liability  | (15,995)    | 1,148       |
| Unearned premiums   | (727)       | 1,361       |
| Insurance claim payments  | —           | (75)        |
| Cash provided by operating activities   | 331,793     | 429,104     |
| Cash flows from investing activities:   |             |             |
| Sale and maturity of U.S. Treasury securities                                     | 1,013,194   | 741,603     |
| Purchase of U.S. Treasury securities  | (1,234,400) | (938,286)   |
| Repayment of direct loans   | 92,051      | 58,675      |
| Disbursement of direct loans  | (77,628)    | (126,796)   |
| Acquisition of furniture and equipment  | (732)       | (90)        |
| Cash used in investing activities   | (207,515)   | (264,894)   |
| Cash flows from financing activities:   |             |             |
| Return credit funding to U.S. Treasury  | (555,959)   | (336,458)   |
| Interagency transfers   | 10,000      | 15,371      |
| Credit appropriations   | 70,393      | 115,344     |
| Credit reform borrowings from U.S. Treasury                                       | 67,742      | 5,288       |
| Cash used in financing activities   | (407,824)   | (200,455)   |
| Net decrease in cash  | (283,546)   | (36,245)    |
| Fund balance with U.S. Treasury at beginning of year                              | 838,364     | 874,609     |
| Fund balance with U.S. Treasury at end of year                                    | \$ 554,818  | \$ 838,364  |

See accompanying notes to financial statements.

## OVERSEAS PRIVATE INVESTMENT CORPORATION

Financial Statements  
September 30, 2008 and 2007

### (1) STATEMENT OF CORPORATE PURPOSE

The Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. Government corporation created under the Foreign Assistance Act of 1961 (FAA), as amended. OPIC facilitates U.S. private investment in developing countries and emerging market economies, primarily by offering political risk insurance, investment guaranties, and direct loans. As a government corporation, OPIC is not subject to income tax.

### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

*Basis of Presentation:* These financial statements have been prepared to report the financial position, results of operations, and cash flows of OPIC. OPIC's accounting policies conform to accounting principles generally accepted in the United States of America. OPIC's financial statements are presented on the accrual basis of accounting. Under the accrual basis, revenues are recognized when earned, and expenses are recognized when a liability is incurred, without regard to receipt or payment of cash.

*Fund Balance with U.S. Treasury:* Substantially all of OPIC's receipts and disbursements are processed by the U.S. Treasury which, in effect, maintains OPIC's bank accounts. For purposes of the Statement of Cash Flows, fund balance with U.S. Treasury is considered cash.

*Investment in U.S. Treasury Securities:* By statute, OPIC is authorized to invest funds derived from fees and other revenues related to its insurance and preinvestment programs in U.S. Treasury securities. Investments are carried at face value, net of unamortized discount or premium, and are held to maturity. OPIC has the ability and intent to hold its investments until maturity or until the carrying cost can be otherwise recovered.

*Assets Acquired in Investment Guaranty and Insurance Claims Settlements:* Assets acquired in claims settlements are valued at the lower of management's estimate of the net realizable value of recovery or the cost of acquisition.

OPIC acquires foreign currency in settlement of inconvertibility claims when an insured foreign enterprise is unable to convert

foreign currency into U.S. dollars, as well as in some direct loan and investment guaranty collection efforts. The initial U.S. dollar equivalent is recorded and revalued annually until the foreign currency is utilized by OPIC or other agencies of the United States Government, or until it is exchanged for U.S. dollars by the foreign government.

*Allowances:* The allowances are based on management's periodic evaluations of the underlying assets. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, asset composition, prior loss experience, the estimated fair value of any collateral, and the present value of expected future cash flows.

*Depreciation and Amortization:* OPIC capitalizes property and equipment at historical cost for acquisitions exceeding \$5,000. Depreciation and amortization of fixed assets, leasehold improvements, and lease incentives are computed using the straight-line method over the estimated useful life of the asset or lease term, whichever is shorter, with periods ranging from 5 to 15 years.

*Reserves for Political Risk Insurance and Investment Guaranties:* The reserves for political risk insurance and investment guaranties provide for losses inherent in those operations using the straight-line method. These reserves are general reserves, available to absorb losses related to the total insurance and guaranties outstanding, which are off-balance-sheet commitments. The reserves are increased by provisions charged to expense and decreased for claims settlements. The provisions for political risk insurance and investment guaranties are based on management's evaluation of the adequacy of the related reserves. This evaluation encompasses consideration of past loss experience, changes in the composition and volume of the insurance and guaranties outstanding, worldwide economic and political conditions, and project-specific risk factors. Also, in the political risk insurance reserve evaluation, OPIC takes into consideration losses incurred but not yet reported.

*FASB Interpretation No. 45:* In November 2002 the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarant-*

*ties, Including Indirect Guaranties of Indebtedness of Others* (FIN 45). FIN 45 requires that upon issuance of a guaranty, the guarantor must disclose and recognize a liability for the fair value of the obligation it assumes under that guaranty. The initial recognition and measurement requirement of FIN 45 applies only to guaranties issued or modified after December 31, 2002. OPIC's initial guarantee obligation reported, represents the fair value of the investment guaranties. This obligation is reduced over the term of the investment guarantee agreements, as OPIC is released from its obligation.

*Revenue Recognition:* Facility fees are received in advance and recognized as deferred income, then amortized over the applicable loan period using the straight line method. Interest on loans and guaranty fees on investment guaranties are accrued based on the principal amount outstanding. Revenue from both loan interest payments and guaranty fees that is more than 90 days past due is recognized only when cash is received. Revenue from political risk insurance premiums is recognized over the contract coverage period. Accretion of premium and discount on investment securities is amortized into income under a method approximating the effective yield method.

*Interagency transfers:* OPIC periodically receives funding from other U.S. Government agencies to be used to support various programs and initiatives.

*Use of Estimates:* The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from these estimates.

*Commitments and Contingencies:* Liabilities from the loss contingencies, other than those related to political risk insurance and investment guaranties, arising from the claims, assessments, litigation, fines and penalties, and other sources, are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Loss contingencies that do not meet these criteria, but are reasonably possible and estimable are not accrued, but are disclosed in Note 17.

### (3) INTRAGOVERNMENTAL FINANCIAL ACTIVITIES

OPIC, as a U.S. Government corporation, is subject to financial decisions and management controls of the Office of Management and Budget. As a result of this relationship, OPIC's operations may not be conducted, nor its financial position reported, as they would be if OPIC were not a government corporation. Furthermore, in accordance with international agreements relating to its programs, as well as internal U.S. Government operating procedures, foreign currency acquired by OPIC can be used for U.S. Government expenses. This facility constitutes an additional means, which would otherwise be unavailable, by which OPIC can recover U.S. dollars with respect to its insurance and investment financing programs.

### (4) FUND BALANCE WITH U.S. TREASURY

OPIC is restricted in its uses of certain cash balances, as described below. The fund balance with U.S. Treasury as of September 30, 2008 and 2007 consists of the following (dollars in thousands):

|                            | 2008             | 2007           |
|----------------------------|------------------|----------------|
| Restricted:                |                  |                |
| Pre-Credit reform          | \$ 7             | 349            |
| Credit reform              | 544,549          | 806,522        |
| Interagency fund transfers | 1                | 1              |
| Unrestricted               | <u>10,261</u>    | <u>31,492</u>  |
| <b>Total</b>               | <u>\$554,818</u> | <u>838,364</u> |

The Federal Credit Reform Act of 1990 established separate accounts for cash flows associated with investment financing activity approved prior to implementation of the Act and investment financing activity subject to the Act. With the advent of Credit Reform, OPIC is not permitted to invest its pre-Credit Reform cash balances. These balances grow over time, and when they are determined to be no longer needed for the liquidation of the remaining pre-Credit Reform direct loans and investment guaranties, they are transferred to OPIC's unrestricted noncredit insurance account. In 2008 and 2007, OPIC transferred \$625,000 and \$13.6 million, respectively, to the noncredit insurance account. Credit Reform balances are also maintained in the form of uninvested funds. The U.S. Treasury pays OPIC interest on those cash balances except for undisbursed credit funding.

## (5) CREDIT FUNDING

OPIC's finance activities are subject to the Federal Credit Reform Act of 1990, which was implemented as of October 1, 1991. Credit Reform requires agencies to estimate the long-term cost to the government of each fiscal year's new credit transactions and to obtain funding through the appropriations process equal to the net present value of such costs at the beginning of the year. OPIC's credit funding for 2008 is available for three years. Prior to 2008, OPIC's credit funding was available for two years. In addition, the Act requires the administrative costs related to its credit program to be displayed.

In fiscal year 2008, OPIC's appropriations legislation authorized the corporation to use \$23.5 million of its accumulated earnings to cover the future costs of credit transactions committed in fiscal years 2008 through 2010. In fiscal year 2007, OPIC was authorized to use \$20.1 million to cover commitments in fiscal years 2007 and 2008. In addition to the credit funding allocated directly to OPIC through the appropriations process, OPIC has received a total of \$67 million in net transfers from other agencies to be used exclusively to finance projects in the New Independent States (NIS).

The following table shows the status of funding for credit activities (dollars in thousands):

|                           | 2008             | 2007             |
|---------------------------|------------------|------------------|
| Balance carried forward   | \$109,641        | 123,257          |
| Upward reestimates        | 70,393           | 115,344          |
| Transferred from earnings | 52,000           | 45,330           |
| Expired credit funding    | (3,700)          | (14,671)         |
| Credit funding used       | <u>(112,569)</u> | <u>(159,619)</u> |
| Credit funding remaining  | \$115,765        | 109,641          |

Changes in financial and economic factors over time can affect the subsidy estimates made at the time of loan and guaranty commitments. Therefore, in accordance with OMB guidelines, OPIC reestimates subsidy costs for each group of loans and guaranties obligated in a given fiscal year to account for those changing factors. Reestimates that result in increases to subsidy costs are funded with additional appropriated funds that are made automatically available, while decreases to subsidy costs result in excess funds that are transferred to the U.S. Treasury. OPIC incurred increased subsidy costs of \$70.4 million and \$115.3 million and decreases in subsidy costs of \$504.9 million and \$283.5 million in fiscal years 2008 and 2007, respectively.

## (6) BORROWINGS FROM THE U.S. TREASURY

In accordance with the Federal Credit Reform Act of 1990, the portion of investment financing activities not funded through the appropriations process must be funded by borrowings from the U.S. Treasury. Borrowings for Credit Reform financings totaled \$258.8 million in 2008 and \$242.7 million in 2007, all of which have been disbursed. OPIC paid a total of \$43.7 million and \$45.9 million in interest to the U.S. Treasury during fiscal years 2008 and 2007, respectively. Repayments of borrowings from the U.S. Treasury totaled \$190.7 million in 2008 and \$237.7 million in 2007. Future payments for borrowing outstanding at September 30, 2008 are as follows (dollars in thousands):

| Payment due in:  |                  |
|------------------|------------------|
| Fiscal year 2009 | \$ 15,180        |
| Fiscal year 2010 | 13,667           |
| Fiscal year 2011 | 75,146           |
| Fiscal year 2012 | 50,942           |
| Fiscal year 2013 | 37,842           |
| Thereafter       | <u>668,509</u>   |
| <b>Total</b>     | <b>\$861,286</b> |

## (7) INVESTMENT IN U.S. TREASURY SECURITIES

The composition of investments and related receivables at September 30, 2008 and 2007 is as follows (dollars in thousands):

|                             | 2008               | 2007             |
|-----------------------------|--------------------|------------------|
| Investments, amortized cost | \$4,718,986        | 4,490,983        |
| Interest receivable         | <u>48,182</u>      | <u>52,327</u>    |
| <b>Total</b>                | <b>\$4,767,168</b> | <b>4,543,310</b> |

The amortized cost and estimated fair value of investments in U.S. Treasury securities are as follows (dollars in thousands):

|                          | Gross<br>amortized<br>cost | Gross<br>unrealized<br>gains | Gross<br>unrealized<br>losses | Estimated<br>fair value |
|--------------------------|----------------------------|------------------------------|-------------------------------|-------------------------|
| At September<br>30, 2008 | \$4,718,986                | 293,977                      | (207)                         | 5,012,756               |
| At September<br>30, 2007 | \$4,490,983                | 176,573                      | (5,968)                       | 4,661,588               |

At September 30, 2008, the securities held had an interest range of 2% to 10.6% and a maturity period from one month to almost 20 years.

OPIC holds its securities to maturity. The amortized cost and estimated fair value of U.S. Treasury securities at September 30, 2008, by contractual maturity, are shown below (dollars in thousands):

|                                       | Amortized<br>cost  | Estimated<br>fair value |
|---------------------------------------|--------------------|-------------------------|
| Due in one year or less               | \$1,083,390        | 1,097,771               |
| Due after one year through five years | 2,590,506          | 2,689,645               |
| Due after five years through 10 years | 678,320            | 767,736                 |
| Due after 10 years                    | <u>366,770</u>     | <u>457,604</u>          |
| <b>Total</b>                          | <b>\$4,718,986</b> | <b>5,012,756</b>        |

#### **(8) STATUTORY LIMITATIONS ON THE ISSUANCE OF INSURANCE AND FINANCE**

OPIC issues insurance and financing under a single limit for both programs, currently \$29 billion, fixed by statute in the FAA. At September 30, 2008, OPIC's insurance and finance programs have collectively utilized \$11.3 billion.

#### **(9) POLITICAL RISK INSURANCE**

Insurance revenues include the following components for the years ended September 30 (dollars in thousands):

|                                   | 2008            | 2007          |
|-----------------------------------|-----------------|---------------|
| Political risk insurance premiums | \$19,633        | 21,853        |
| Miscellaneous insurance income    | <u>(863)</u>    | <u>3,421</u>  |
| <b>Total insurance revenue</b>    | <b>\$18,770</b> | <b>25,274</b> |

OPIC's capital, allowance, retained earnings, and reserves available for insurance at September 30, 2008 and 2007 totaled \$1.4 billion and \$1.7 billion, respectively. Charges against retained earnings could arise from (A) outstanding political risk insurance contracts, (B) pending claims under insurance contracts, and guaranties issued in settlement of claims arising under insurance contracts.

##### **(a) POLITICAL RISK INSURANCE**

OPIC insures investments for up to 20 years against three different risks: inconvertibility of currency, expropriation, and political violence. Insurance coverage against inconvertibility protects the investor from increased restrictions on the investor's ability to convert local currency into U.S. dollars.

Inconvertibility insurance does not protect against devaluation of a country's currency.

Expropriation coverage provides compensation for losses due to confiscation, nationalization, or other governmental actions that deprive investors of their fundamental rights in the investment.

Insurance against political violence insures investors against losses caused by politically motivated acts of violence (war, revolution, insurrection, or civil strife, including terrorism and sabotage).

Under most OPIC insurance contracts, investors may obtain all three coverages, but claim payments may not exceed the single highest coverage amount. Claim payments are limited by the value of the investment and the amount of current coverage in force at the time of the loss and may be reduced by the insured's recoveries from other sources. In addition, in certain contracts, OPIC's requirement to pay up to the single highest coverage amount is further reduced by stop-loss and risk-sharing agreements. Finally, losses on insurance claims may be reduced by recoveries by OPIC as subrogee of the insured's claim against the host government. Payments made under insurance contracts that result in recoverable assets are reported as assets acquired in insurance settlements.

OPIC's Maximum Contingent Liability at September 30, 2008 and 2007 was \$2.9 billion and \$3.4 billion, respectively. This amount is OPIC's estimate of maximum exposure to insurance claims, which includes standby coverage for which OPIC is committed but not currently at risk. A more realistic measure of OPIC's actual exposure to insurance claims is the sum of each single highest "current" coverage for all contracts in force, or Current Exposure to Claims (CEC). OPIC's CEC at September 30, 2008 and 2007 was \$2.2 billion and \$2.4 billion, respectively.

##### **(b) PENDING CLAIMS**

At both September 30, 2008 and 2007 OPIC had no material pending insurance claims. In addition to requiring formal applications for claimed compensation, OPIC's contracts generally require investors to notify OPIC promptly of host



government action that the investor has reason to believe is or may become a claim. Compliance with this notice provision sometimes results in the filing of notices of events that do not mature into claims.

OPIC does not record a specific liability related to such notices in its financial statements, due to the highly speculative nature of such notices, both as to the likelihood that the events referred to will ripen into any claims, and the amounts of compensation, if any, that may become due. Any claims that might arise from these situations are factored into the reserves for political risk insurance.

Changes in the reserve for political risk insurance during fiscal years 2008 and 2007 were as follows (dollars in thousands):

|                                   | 2008             | 2007           |
|-----------------------------------|------------------|----------------|
| Beginning Balance                 | \$315,000        | 315,000        |
| Amounts charged off               | —                | (75)           |
| Increase (decrease) in provisions | (15,169)         | 4,060          |
| Transfers from other reserves     | 169              | (3,985)        |
| <b>Ending balance</b>             | <b>\$300,000</b> | <b>315,000</b> |

## (10) INVESTMENT FINANCING

OPIC is authorized to provide investment financing to projects through direct loans and investment guaranties. Project financing provides medium- to long-term funding through direct loans and investment guaranties to ventures involving significant equity and/or management participation by U.S. businesses. Project financing looks for repayment from the cash flows generated by projects, and as such, sponsors need not pledge their own general credit beyond the required project completion period.

Investment funds use direct loans and investment guaranties to support the creation and capitalization of investment funds that make direct equity and equity-related investments in new, expanding, or privatizing companies in emerging market economies. The fund managers, selected by OPIC, are experienced, private investment professionals. OPIC's participation in a fund takes the form of long-term, secured loans and loan guaranties that supplement the fund's privately raised equity. OPIC's guaranty may be applied only to the debt portion of the fund's capital and, for certain funds, to accrued interest on that debt. OPIC does not guaranty any of the fund's equity, and all equity investments in OPIC-backed funds are fully at risk.

OPIC's authorization to make direct loans and investment guaranties can be found in sections 234(c) and 234(b) of the FAA, respectively. Direct loans and investment guaranties are committed in accordance with the Federal Credit Reform Act of 1990, pursuant to which loan disbursements and any claim payments for these commitments have been funded through appropriations actions, borrowings from the U.S. Treasury, and the accumulation of earnings or collection of fees. In fiscal years 2008 and 2007, \$23.5 million and \$20.1 million was made available for credit funding costs. OPIC is in compliance with all relevant limitations and credit funding appropriations guidance. OPIC's capital, allowances, retained earnings, and reserves available for claims on its investment financing at September 30, 2008 and 2007 totaled \$3.8 billion and \$3.7 billion, respectively.

**Direct Loans:** Direct loans are made for projects in developing and other eligible countries involving U.S. small business or co-operatives, on terms and conditions established by OPIC. Direct loan exposure at September 30, 2008 totaled \$1.2 billion, of which \$766 million was outstanding. Direct loan exposure at September 30, 2007 totaled \$1.3 billion, of which \$794 million was outstanding. Interest income is not accrued on direct loans that have payments that are more than 90 days past due. Loans with payments more than 90 days past due totaled \$147.7 million at September 30, 2008 and \$179.1 million at September 30, 2007. If interest income had been accrued on those loans, it would have approximated \$3.5 million during fiscal year 2008 and \$4.7 million during fiscal year 2007. Interest collected on delinquent loans and recorded as income when received amounted to \$6.9 million and \$7.1 million for fiscal years 2008 and 2007, respectively.

Direct loans outstanding were as follows (dollars in thousands):

|                                      | 2008             | 2007           |
|--------------------------------------|------------------|----------------|
| Direct loans outstanding             | \$765,748        | 794,274        |
| Allowance for uncollectible loans    | (148,392)        | (153,151)      |
| <b>Direct loans outstanding, net</b> | <b>\$617,356</b> | <b>641,123</b> |

Changes in the allowance for uncollectible loans during fiscal years 2008 and 2007 were as follows (dollars in thousands):

|                                    | 2008             | 2007           |
|------------------------------------|------------------|----------------|
| Beginning Balance                  | \$153,151        | 133,327        |
| Amounts charged off                | (13,077)         | (3,085)        |
| Recoveries                         | 163              | 46             |
| Increase in provisions             | 9,344            | 22,498         |
| Provision for capitalized interest | (1,189)          | 365            |
| <b>Ending balance</b>              | <b>\$148,392</b> | <b>153,151</b> |

Investment Guaranties: OPIC's investment guaranty covers the risk of default for any reason. In the event of a claim on OPIC's guaranty, OPIC makes payments of principal and interest to the lender. These payments are recorded as accounts receivable resulting from investment guaranties. The loans that are guaranteed can bear either fixed or floating rates of interest and are payable in U.S. dollars. OPIC's losses on payment of a guaranty are reduced by the amount of any recovery from the borrower, the host government, or through disposition of assets acquired upon payment of a claim. Guaranties extend from 5 to 17 years for project finance and from 10 to 12 years for investment funds.

Credit risk represents the maximum potential loss due to possible nonperformance by borrowers under terms of the contracts. OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was \$7.2 billion at September 30, 2008, of which \$4.8 billion was outstanding. Of the \$7.2 billion of exposure, \$5.5 billion was related to project finance and \$1.7 billion was related to investment fund guaranties. Of the \$4.8 billion outstanding, \$4.2 billion related to project finance and \$600 million related to investment fund guaranties. Included in the \$1.7 billion of investment fund exposure is \$299 million of estimated interest that could accrue to the guaranty lender. This interest generally accrues over a 10-year period, payable upon maturity. Upon complete nonperformance by the borrower, OPIC would be liable for principal outstanding and interest accrued on disbursed investment funds. At September 30, 2008, \$43 million of the \$299 million had actually accrued to the guaranteed lender on disbursed investment funds; the remainder represents an estimate of interest that could accrue to the guaranteed lender over the remaining investment fund term.

At September 30, 2007, OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was \$6.5 billion, of which \$4.2 billion was outstanding. Of the \$6.5 billion of exposure, \$5 billion was related to project finance and \$1.5 billion was related to investment fund guaranties. Of the \$4.2 billion outstanding, \$3.7 billion related to project finance and \$500 million related to investment fund guaranties. Included in the \$1.5 billion of investment fund exposure is \$202 million of estimated interest that could accrue to the guaranty lender. This interest generally accrues over a 10-year period, payable upon maturity. Upon complete nonperformance by the borrower, OPIC would be liable for principal outstanding and interest accrued on disbursed investment funds. At September 30, 2007, \$56 million of the \$202 million had actually accrued to the guaranteed lender on dis-

bursed investment funds; the remainder represents an estimate of interest that could accrue to the guaranteed lender over the remaining investment fund term.

Changes in the reserve for investment guaranties during fiscal years 2008 and 2007 were as follows (dollars in thousands):

|                                   | 2008             | 2007             |
|-----------------------------------|------------------|------------------|
| Beginning Balance                 | \$486,304        | 620,000          |
| Amounts charged off               | (51,455)         | (20,833)         |
| Recoveries                        | —                | 4,754            |
| Increase (decrease) in provisions | <u>190,442</u>   | <u>(117,617)</u> |
| <b>Ending balance</b>             | <b>\$625,291</b> | <b>486,304</b>   |

Mindful that uncertainty in the global economy and volatility in world financial markets can affect loan repayments, it is OPIC policy to regularly review reserve adequacy. Accordingly, to provide for potential future impact to the portfolio OPIC set aside an additional prudential reserve in fiscal year 2008. This reserve is reflected in the above \$190 million "Increase in provisions".

#### (11) ACCOUNTS RECEIVABLE FROM INVESTMENT GUARANTIES AND ASSETS ACQUIRED IN INSURANCE CLAIMS SETTLEMENTS (CLAIM-RELATED ASSETS)

Claim-related assets may result from payments on claims under either the investment financing program or the insurance program. Under the investment financing program, when OPIC pays a guaranteed party, a receivable is created. Under the insurance program, similar receivables reflect the value of assets, generally shares of stock, local currency, or host country notes, that may be acquired as a result of a claim settlement. These receivables are generally collected over a period of 5 to 15 years.

Accounts receivable resulting from investment guaranties were as follows (dollars in thousands):

|  | 2008            | 2007            |
|--|-----------------|-----------------|
| Accounts receivable resulting from investment guaranties | \$70,949        | 83,175          |
| Allowance for doubtful recoveries                        | <u>(14,163)</u> | <u>(16,477)</u> |
| <b>Accounts receivable, net</b>                          | <b>\$56,786</b> | <b>66,698</b>   |

Changes in the allowance for doubtful recoveries for assets resulting from investment guaranties during fiscal years 2008 and 2007 were as follows (dollars in thousands):

|                        | 2008            | 2007          |
|------------------------|-----------------|---------------|
| Beginning Balance      | \$16,477        | 25,213        |
| Decrease in provisions | (2,452)         | (11,469)      |
| Recoveries             | 138             | 2,733         |
| <b>Ending balance</b>  | <b>\$14,163</b> | <b>16,477</b> |

Assets acquired in insurance claims settlements were as follows (dollars in thousands):

|   | 2008            | 2007          |
|---|-----------------|---------------|
| Assets acquired in insurance claims settlements | \$69,378        | 93,255        |
| Allowance for doubtful recoveries               | (4,023)         | (4,192)       |
| <b>Accounts receivable, net</b>                 | <b>\$65,355</b> | <b>89,063</b> |

Changes in the allowance for doubtful recoveries for assets acquired in insurance claims settlements during fiscal years 2008 and 2007 were as follows (dollars in thousands):

|                                   | 2008           | 2007         |
|-----------------------------------|----------------|--------------|
| Beginning Balance                 | \$4,192        | 21,135       |
| Amounts charged off               | —              | (20,928)     |
| Increase (decrease) in provisions | (169)          | 3,985        |
| <b>Ending balance</b>             | <b>\$4,023</b> | <b>4,192</b> |

## (12) RESERVES AND FULL FAITH AND CREDIT

Section 235(c) of the FAA established a fund which shall be available for discharge of liabilities under insurance or reinsurance or under similar predecessor guaranty authority. This fund consists of the Insurance Reserve and the Guaranty Reserve for the respective discharge of potential future liabilities arising from insurance or from guaranties issued under Section 234(b) of the FAA. These amounts may be increased by transfers from retained earnings or by appropriations. In fiscal years 2008 and 2007, OPIC's retained earnings were allocated to these reserves on the basis of maximum exposure outstanding for insurance and guaranties respectively, thereby reflecting OPIC's increased ability to absorb potential losses without having to seek appropriated funds.

All valid claims arising from insurance and guaranties issued by OPIC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. At September 30, 2008 and 2007, the Insurance Reserve totaled \$1 billion and \$1.3 billion, and the Guaranty Reserve totaled \$3 billion and \$3.1 billion, respectively. Should funds in OPIC's reserves not be sufficient to discharge obligations arising under insurance, and if OPIC exceeds its \$100 million borrowing authority authorized by

statute for its insurance program, funds would have to be appropriated to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA. The Federal Credit Reform Act of 1990 authorizes permanent, indefinite appropriations and borrowings from the U.S. Treasury, as appropriate, to carry out all obligations resulting from the investment financing program.

## (13) DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS

The estimated values of each class of financial instrument for which it is practicable to estimate a fair value at September 30, 2008 are as follows (dollars in thousands):

|   | Carrying Amount | Fair Value |
|---|-----------------|------------|
| <b>Financial assets:</b>                        |                 |            |
| Cash  | \$ 554,818      | 554,818    |
| U.S. Treasury securities                        | 4,718,986       | 5,012,756  |
| Interest receivable on securities               | 48,182          | 48,182     |
| Direct loans                                    | 617,356         | 617,356    |
| Accounts receivable from investment guaranties  | 56,786          | 56,786     |
| Assets acquired in insurance claims settlements | 65,355          | 65,355     |
| <b>Financial liabilities:</b>                   |                 |            |
| Borrowings from the U.S. Treasury               | 861,286         | 904,788    |

The methods and assumptions used to estimate the fair value of each class of financial instrument are described below:

*Cash:* The carrying amount approximates fair value because of the liquid nature of the cash, including restricted cash.

*U.S. Treasury Securities:* The fair values of the U.S. Treasury securities are estimated based on quoted prices for Treasury securities of the same maturity available to the public. OPIC is not authorized, however, to sell its securities to the public, but is instead restricted to direct transactions with the U.S. Treasury. Interest receivable on the securities is due within 6 months and is considered to be stated at its fair value.

*Direct Loans, Accounts Receivable Resulting from Investment Guaranties, and Assets Acquired in Insurance Claims Settlements:* These assets are stated on the balance sheet at the present value of the amount expected to be realized. This value is based on management's quarterly review of the portfolio and considers

specific factors related to each individual receivable and its collateral. The stated value on the balance sheet is also management's best estimate of fair value for these instruments.

*Borrowings from the U.S. Treasury:* The fair value of borrowings from the U.S. Treasury is estimated based on the face value of borrowings discounted over their term at year-end rates. These borrowings were required by the Federal Credit Reform Act, and repayment terms are fixed by the U.S. Treasury in accordance with that Act.

*Investment Guaranties Committed and Outstanding:* OPIC's investment guaranties are intended to provide a means of mobilizing private capital in markets where private lenders would be unwilling to lend without the full faith and credit of the U.S. Government. Given the absence of a market for comparable instruments, OPIC determined that the fair value is the present value of future fees expected to be collected.

#### **(14) OPERATING LEASE**

OPIC negotiated a new building lease during fiscal year 2004. Under the lease terms, OPIC received interest-bearing tenant improvement allowances for space refurbishment. Total incentives offered by the lessor to cover these costs were \$3.4 million. The value of these incentives is deferred in the balance sheet and is amortized to reduce rent expense on a straight-line basis over the 15-year life of the lease.

Rental expense for fiscal years 2008 and 2007 was approximately \$3.8 million and \$4.5 million, respectively. Minimum future rental payments under the 15-year lease at 1100 New York Avenue, N.W. are approximately \$4.3 million annually, with additional adjustments tied to the consumer price index.

#### **(15) PENSIONS**

OPIC's permanent employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For CSRS, OPIC withheld 7.0% of employees' gross 2008 earnings and contributed 7.0% of employees' 2008 gross earnings. The sums were transferred to the Civil Service Retirement Fund from which this employee group will receive retirement benefits.

For FERS, OPIC withheld 0.80% of employees' gross earnings. OPIC transferred this sum to the FERS fund from which the em-

ployee group will receive retirement benefits. An additional 6.2% of the FERS employees' gross earnings is withheld, and that, plus matching contributions by OPIC, are sent to the Social Security System from which the FERS employee group will receive social security benefits. OPIC occasionally hires employees on temporary appointments, and those employees are covered by the social security system under which 6.2% of earnings is withheld and matched by OPIC.

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). In January 2006 the TSP contributions limits were eliminated and now both CSRS and FERS employees may elect to contribute up to \$15,500, the IRS elective deferral limit for the tax year. FERS employees receive an automatic 1% contribution from OPIC. Amounts withheld for FERS employees are matched by OPIC, up to an additional 4%, for a total of 5%.

Although OPIC funds a portion of employee pension benefits under the CSRS, the FERS, and the TSP, and makes necessary payroll withholdings, it has no liability for future payments to employees under these programs. Furthermore, separate information related to OPIC's participation in these plans is not available for disclosure in the financial statements. Paying retirement benefits and reporting plan assets and actuarial information is the responsibility of the U.S. Office of Personnel Management and the Federal Retirement Thrift Investment Board, which administer these plans. Data regarding the CSRS and FERS actuarial present value of accumulated benefits, assets available for benefits, and unfunded pension liability are not allocated to individual departments and agencies.

#### **(16) CONCENTRATION OF RISK**

OPIC is subject to certain risks associated with financial instruments not reflected in its balance sheet. These financial instruments include political risk insurance, loan guaranties, and committed-but-undisbursed direct loans.

With respect to political risk insurance, OPIC insures against currency inconvertibility, expropriation of assets, and political violence. Additionally, OPIC provides investment financing through direct loans and investment guaranties.

OPIC's credit policy is to take a senior security position in the assets of the projects or transactions it guaranties. The nature and recoverable value of the collateral pledged to OPIC varies from transaction to transaction and may include tangible assets, cash

collateral or equivalents, and/or a pledge of shares in the project company as well as personal and corporate guaranties. OPIC takes all necessary steps to protect its position in such collateral and retains the ability to enforce its rights as a secured lender if such action becomes necessary.

The following is a summary of OPIC's off-balance-sheet risk at September 30, 2008 and 2007 (dollars in thousands):

| <b>2008</b>              |              |                    |                           |
|--------------------------|--------------|--------------------|---------------------------|
|                          | <b>Total</b> | <b>Outstanding</b> | <b>Unused commitments</b> |
| Guaranties               | \$7,081,511  | 4,731,719          | 2,349,792                 |
| Undisbursed direct loans | 453,076      | —                  | 453,076                   |
| Insurance                | 2,921,905    | 2,245,473          | 676,432                   |

| <b>2007</b>              |              |                    |                           |
|--------------------------|--------------|--------------------|---------------------------|
|                          | <b>Total</b> | <b>Outstanding</b> | <b>Unused commitments</b> |
| Guaranties               | \$6,439,356  | 4,075,153          | 2,364,203                 |
| Undisbursed direct loans | 532,736      | —                  | 532,736                   |
| Insurance                | 3,390,720    | 2,410,166          | 980,554                   |

OPIC's off-balance-sheet finance and insurance exposure involves coverage outside of the United States. The following is a breakdown of such total commitments at September 30, 2008 by major geographical area (dollars in thousands):

|                                | <b>Loan guaranties</b> | <b>Undisbursed portion on direct loans</b> | <b>Insurance</b> |
|--------------------------------|------------------------|--|------------------|
| Africa                         | \$ 949,869             | 88,847                                     | 510,634          |
| Asia                           | 340,997                | 116,106                                    | 502,396          |
| Europe                         | 766,682                | 5,500                                      | 105,298          |
| Latin America                  | 2,521,836              | 128,420                                    | 855,630          |
| Middle East                    | 1,147,056              | 32,237                                     | 610,775          |
| NIS (New Independent States)   | 1,094,819              | 51,382                                     | 352,355          |
| Worldwide                      | 260,252                | 30,584                                     | —                |
| Insurance stop-loss adjustment | —                      | —  | (15,183)         |
|                                | \$7,081,511            | 453,076                                    | 2,921,905        |

OPIC has several client-specific contracts with stop-loss limits that are less than the aggregate coverage amounts. The insurance stop-loss adjustment represents the difference between the aggregate coverage amount and OPIC's actual exposure under these contracts.

At September 30, 2008, OPIC's largest finance and insurance exposure was in the following countries and sectors (dollars in thousands):

| <b>Country</b> |           | <b>Sector</b>        |             |
|----------------|-----------|----------------------|-------------|
| Russia         | \$972,192 | Financial services   | \$4,786,506 |
| Mexico         | 732,892   | Power generation     | 1,654,652   |
| Nigeria        | 581,303   | Oil and gas services | 1,573,760   |
| Turkey         | 523,628   | Transportation       | 707,184     |
| Colombia       | 419,896   | Manufacturing        | 650,124     |

## (17) OTHER CONTINGENCIES

OPIC is currently involved in certain legal claims and has received notifications of potential claims in the normal course of business. There are substantial factual and legal issues that might bar any recovery in these matters. It is not possible to evaluate the likelihood of any unfavorable outcome, nor is it possible to estimate the amount of compensation, if any, that may be determined to be owed in the context of a settlement. Management believes that the resolution of these claims will not have a material adverse impact on OPIC.

## (18) ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTIES

In FY 2008 and FY 2007 pursuant to the requirement of FIN 45, OPIC recognized a guaranty liability and a guaranty fee receivable of \$152.5 million and \$168.5 million, respectively. OPIC collected \$51 million and \$39.2 million of guaranty fees in FY 2008 and FY 2007, respectively, on the investment guaranties issued since December 31, 2002.

## (19) WRITEDOWN OF INTERNALLY DEVELOPED SOFTWARE

In fiscal year 2007, management analyzed previously capitalized costs associated with internally developed software and determined that it would no longer be of future benefit and should be written down by \$4.5 million. The writedown was calculated as the difference between the carrying amount less costs identified by management as having future economic benefit, in accordance with FAS 144, *Accounting for Impairment or Disposal of Long-lived Assets*.

## (20) STATUTORY COVENANTS

OPIC's enabling statute stipulates both operating and financial requirements with which OPIC must comply. In management's opinion, OPIC is in compliance with all such requirements.

## MAKING A DIFFERENCE:

# Generating Powerful Benefits in Nigeria

### AES NIGERIA ELECTRIC POWER PLANT

In 2000, only three of nine planned barge-mounted electric turbines at the 294-megawatt Ebute power plant east of Lagos, Nigeria, had been built, none was operational, and the much-needed project's completion was uncertain.

But with \$200 million in OPIC political risk insurance bolstering investor confidence, Virginia-based AES Corporation acquired the plant from its original developers in June 2001, put the first three gas-powered turbines online in August and brought the entire facility operational in 2002. Today, through its high availability and by remaining the most reliable plant in Nigeria, AES Ebute continues to provide Nigeria with much-needed electricity.

While the delivery of a consistent source of reliable power is an important contributor to Nigeria's economic development, the country's first private power project generates more than electricity.

The plant's 70 full-time employees include at least 65 locals who earn good wages and receive technical training, improving both their current standard of living and their future job prospects. Fueled by natural gas, the project is helping Nigeria to better manage its energy and environmental resources. Nigeria presently flares — burns off with no useful purpose — 75 percent of

the natural gas released in connection with petroleum production activities. And, demonstrating responsible corporate citizenship, the AES Ebute Power Station has supported the community by providing furniture for schools, new fishing nets to the local village and job training to local residents. A Social Responsibility Task Force formed in 2006 has actively looked for other ways to support the community. According to AES, programs now include an apprenticeship program to raise the local workforce's technical skills, a medical clinic to provide much-needed health care and a scholarship program to help more students to attend school.





## MAKING A DIFFERENCE:

# Raising Hotel Standards in Uzbekistan

### SMALL BUSINESS / UZBEKISTAN HOTELS

The owners of five top-rated hotels in Uzbekistan have discovered that OPIC's support for U.S. small businesses looking to compete overseas goes far beyond financial services.

"Of course, the OPIC financing and insurance package has been extremely helpful to us in finishing and running the Malika hotel in Bukhara, as well as providing over 25 full-time positions and supporting local markets and stores," said Erik Owen, co-founder and U.S. offices director of Malika Hotels Group, a U.S.-Uzbek joint venture. "OPIC staff understands there is a unique business environment in Uzbekistan and they have resources on the ground through the U.S. embassy that can do more to help a small business like ours deal with various issues in this unique business environment."

For Malika Hotels, those issues have ranged from the difficulty of converting Uzbek som to U.S. dollars, to understanding and navigating evolving government legislation.

"OPIC has been very flexible in the way they lend," said Ravshan Sabirov, Malika Hotels co-founder and Tashkent Office Director. "Our U.S. LLC and our Tashkent office jointly oversee finances, construction and management and the relationship is uniquely positioned to access many different markets and opportunities."

*continued >>>*





“A benefit of OPIC insurance is that we haven't had to worry about claiming anything,” said Mr. Owen. “If there's a problem OPIC, with the support of the U.S. embassy, will give as much support as they can resolving issues before it is even necessary to make a claim.”

In one instance, a call to OPIC led to the U.S. embassy working with local government officials in helping them to understand the great benefits of the Malika Hotel in Khiva to the local economy.

“Even if we had never done any financing,” said Mr. Owen, “ I am grateful that we have insured the hotels.”

Malika Hotels might not have availed itself of any OPIC services had Mr. Sabirov not met OPIC staff members when he was giving a presentation at the American Chamber of Commerce in Tashkent, where O&S Consulting LLC/Malika Hotels are members.

“We always knew of OPIC as financing \$5 million to \$10 million projects, but they told us we could do as little as \$250,000 and it would be a more streamlined application process,” said Mr. Owen. OPIC's outreach led to Malika Hotels obtaining insurance to cover improvements to its hotel in Tashkent and for the completion of its first and second hotels in Khiva. Subsequently, the company obtained financing to build another hotel in Bukhara. Launched along with a hotel in Samarkand, Malika Hotels Group is now the only company with hotels serving all four of Uzbekistan's Silk Road tourist destination cities.

## MAKING A DIFFERENCE:

# Reaching Out to Minority-Owned Enterprises

### OUTREACH / SAN JOSÉ HISPANIC CHAMBER OF COMMERCE

In less than a year's time, a group of 14 Hispanic business owners from San José, California, has advanced from knowing nothing about OPIC or the agency's programs to creating a corporation they believe will qualify for OPIC financing to build affordable housing in the Dominican Republic, Nicaragua, El Salvador and Kenya. It's all a result of OPIC conferences, workshops and direct outreach efforts.

According to Carlos Figueroa, CEO of the Greater San José Hispanic Chamber of Commerce, the group's pursuit of overseas opportunities began when they attended the OPIC international investment conference, *Access to Opportunity in Central America and the Caribbean*, in El Salvador in May 2007.

"I didn't know what OPIC was," said Mr. Figueroa. "One of our members learned about the conference. We visited the web site and saw that this was exactly the kind of program we were looking for, because several of us were very interested in doing business in those countries."

Besides learning how OPIC helps U.S. businesses participate in Central American economies, the San José entrepreneurs made high-level contacts with representatives of the government of the Dominican Republic. This, in turn, led to a meeting with the country's president and later with its secretary of state in New York to discuss the formation of a corporation to build a 1,000-home community, including housing, schools, a green-belt area, solar energy systems and a water filtration plant.

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As they were establishing Casas del Milenio (Houses of the Millennium), the group continued to increase its knowledge of OPIC programs. Members attended OPIC's *Expanding Horizons* workshop in San Francisco and have traveled nationwide to meet with OPIC representatives. Plus, OPIC's Outreach Coordinator for Minority and Women-Owned Businesses traveled to San José to conduct a workshop tailored to the Chamber members' needs and schedules.

"She actually conducted a seminar for us at five o'clock in the morning," said Mr. Figueroa. "And stayed with us all day and worked with us one-on-one to help us to understand how to take advantage of the services of OPIC to do business outside the U.S."

Through the OPIC conferences and contacts, Casas de Milenio has learned of other housing development opportunities in Nicaragua and El Salvador. In July 2009, the group is scheduled to travel with a U.S. Commerce Department delegation to Kenya to discuss a project in that country.

When finally ready to apply for OPIC support, Casas de Milenio may avail itself of the services of Leonard Gonzales Enterprises, a Chamber member who — as a loan originator in OPIC's Enterprise Development Network — is qualified to help small businesses prepare project applications.

Mr. Figueroa is optimistic about the group's prospects. As he said: "We've been very diligent and OPIC has been very responsive. It's been an excellent relationship."

## MAKING A DIFFERENCE:

# Leveraging Housing Investment in Zambia

### LILAYI HOUSING ESTATE

Sometimes, the mere fact of OPIC's participation can be as important to a project's success as the financing the agency has offered. A commitment of OPIC support to a project acts as a catalyst, giving other investors the confidence to commit the additional capital required to get a project off the ground.

Such has been the case with OPIC financing to support U.S.-style mortgage lending for homebuyers in a residential community being developed in Zambia in sub-Saharan Africa. Developers of the 3,700-home Lilayi Housing Estate community near the capital city of Lusaka obtained the necessary financing for infrastructure and home construction, which began in 2007. And the first 50 homebuyers, who will begin moving in during early 2009, were able to obtain mortgages from Zambian banks, leaving the lending capacity from OPIC's loan to Houses for Africa Zambia Limited available to hundreds of future buyers.

The creation of a retail mortgage market is itself one of the major benefits of OPIC's participation in the Lilayi project. Long-term mortgage financing is a new concept and still relatively scarce in Zambia, where the wealthy buy homes

with cash, others build their homes on a pay-as-you-go basis over years, and everyone else rents housing that is often sub-standard. While only 16 percent of the population have salaried jobs, Zambia now has a growing middle class, driving demand for affordable quality housing and mortgage lending.

The Lilayi community continues to attract interest and new buyers. At one of the participating banks, Zambians working abroad have opened accounts to begin saving for their down payments, another way that money from outside is being brought into the Zambian economy.





## MAKING A DIFFERENCE:

# Insuring U.S. Participation in Egypt's Economy

### APACHE / EGYPT NATURAL GAS

Thanks to the availability of political risk insurance from OPIC, Houston-based Apache Corporation continued to expand production from its Egyptian oil and gas concessions, helping to meet Egypt's rising demand for more environmentally-friendly natural gas.

In both the type and amount of coverage, OPIC insurance for Apache — Egypt's largest U.S. investor — is a prime example of how OPIC's products and services complement, rather than compete with offerings in the private sector.

Apache's largest customer is the government-owned Egyptian General Petroleum Corporation, which is also 50-percent owner of the operating entities for Apache's concessions. As it launched a \$3.2 billion investment program to expand production, Apache sought a unique type of expropriation coverage that proved to be unavailable in the private market. Demonstrating its ability to tailor insurance offerings to customers' requirements, OPIC provided \$300 million of coverage in 2005.

Two years later, Apache approached OPIC with a different need: 24 private insurers in the U.S., Bermuda and London had provided \$839 million of coverage toward the \$1 billion Apache was seeking in order to continue its investments. With no further capacity in the private market, OPIC provided the necessary coverage, obtaining reinsurance to reduce its exposure and stay within the agency's \$300 million limit for oil and gas projects.

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Photo Courtesy of Apache Corporation



Egypt

Apache's continued participation in the Egyptian economy — enabled by OPIC's innovative insurance — has led to benefits beyond increased oil and gas production.

Driven by retired Apache chairman Raymond Plank's commitment to making an impact on the Egyptian community, Apache worked with Egypt's National Council for Childhood and Motherhood to build schools for underprivileged girls in the country's remote rural areas.

Mr. Plank and Apache launched Springboard — Educating the Future, a U.S. non-profit organization that raised \$3 million to build 200 girl-friendly schools throughout Egypt at a cost of about \$16,000 each, fully furnished. Apache and Springboard continue to help sustain the educational experience by providing enhancements of the school buildings and enrichment programs for the girls.