



About OPIC

The Overseas Private Investment Corporation (OPIC) is the primary U.S. government agency focused on supporting and encouraging private sector investment in the developing world. OPIC helps U.S. businesses invest overseas by providing financing and insuring eligible projects against political risk, fosters economic development in new and emerging markets, helps expand the availability of equity capital, and supports U.S. foreign policy goals. Because OPIC charges market-based fees for its products, it operates on a self-sustaining basis at no net cost to taxpayers.

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Unlocking **POTENTIAL**,

so that it opens the door to growth
that is shared widely, is the very best
definition of development.

President's Letter

I am honored to be writing to you, in my first annual report as President and CEO of the Overseas Private Investment Corporation, that OPIC's commitment to its developmental mission remains as strong as ever. We partnered with American investors to seek out projects that maximized both their benefits to local communities and their potential to stimulate economic growth — all in the most challenging and traditionally underserved markets across the globe. In 2005, OPIC worked as it was intended, and worked extraordinarily well.

This year the agency provided financing, guaranties and political risk insurance to 99 new projects in 46 countries around the world, with commitments totaling \$1.4 billion. OPIC projects in turn raised living standards in their host countries, enabling ordinary citizens to summon their entrepreneurial talents in meaningful ways, often for the very first time.

Unlocking potential, so that it opens the door to growth that is shared widely, is the very best definition of development. In its role as a self-sustaining government agency that supports U.S. investment in emerging markets, OPIC is truly unique. It has extraordinary potential to do good. We realized our own potential to an unprecedented degree, as demonstrated by the many positive developmental benefits our projects delivered.

- **OPIC supported U.S. foreign policy by facilitating investment in strategically important nations**, especially those at the front lines of the international war on terrorism. On behalf of our respective governments, OPIC and the Iraqi finance ministry signed a new bilateral agreement formally making all of OPIC's services and support available for projects in Iraq. This first-ever investment incentive agreement undertaken by OPIC in Iraq should pave the way for increased U.S. business activities in the Iraqi economy. In a year that brought elections, a new constitution, and expanding markets, OPIC was proud to play a role in Iraq's return to international commerce and its entry into the community of democratic nations.

- **OPIC increased participation of U.S. small businesses in international commerce**. Besides providing higher total dollar support in direct loans or insurance for small businesses competing overseas, the agency continued to improve the way it delivers services to small business. Fundamental changes included a shift from financing based on collateral to financing based on cash-flow analysis, restructured fees, and reduced documentation requirements. OPIC called on the private sector to join a new Enterprise Development Network and assist the agency in administering \$100 million in OPIC financing specifically earmarked for U.S. small and medium-sized enterprises. I can tell you from my first-hand experience as an OPIC customer whose company purchased political risk insurance, that businesses appreciate working with an efficient, user-friendly government agency that understands their needs.



- **OPIC helped to expand home ownership across the world** by supporting projects that create mortgage markets where none existed, fund construction of affordable housing, and bring the dream of home ownership within reach of more people. In 2005, we supported the first securitization platform in Central America; by providing access to U.S. capital market funding, we helped 1,500 Guatemalans to purchase homes. We supported the Bush Administration's African Mortgage Market Initiative with a commitment for long-term mortgage funds in Zambia, enabling the construction of 5,000 low-cost homes. In South Africa we finalized a unique project that links mortgage guaranties and AIDS treatment funding, so that as many as 350,000 home buyers who may later test HIV-positive will not lose their homes over missed mortgage payments. OPIC also made its first commitment to an affordable housing fund, which will invest \$130 million in several projects with a goal of developing more than 80,000 affordable homes in Latin America.

- **OPIC directed substantial investment to the least-developed and traditionally underserved markets.** In 2005, OPIC placed particular importance on channeling private capital to projects in Africa, where nations facing critical economic development needs have attracted relatively little foreign direct investment (FDI). While continuing to focus on projects that develop transportation infrastructure, energy resources, local industries, and affordable housing in the sub-Saharan region, OPIC also turned its attention in 2005 to North Africa and the Middle East — a region that receives just over one percent of all the FDI flowing to developing countries. To try to turn that situation around, OPIC hosted *Expanding Horizons in North Africa*, a trade and investment conference in Morocco, which introduced more than 250 participants to the region's improving investment climate, potential returns, and available support from OPIC, multilateral institutions, and other government agencies.

- **OPIC served as a catalyst for investment in emerging markets where the private sector would not or could not act alone.** Whether in post-war central and southeastern Europe, the former Soviet Union states, remote areas of Latin America, or just across the border in Mexico, there are developing markets where many projects came about only because OPIC was available to encourage the investment of private capital with financing that complements, rather than competes with, support from the private sector. OPIC also played a significant role in bringing scarce equity capital into emerging markets. OPIC is now one of the largest capital providers to emerging markets private equity funds, with \$505 million of commitments to six funds in 2005. OPIC's expanded on-lending framework agreements with National City Bank, Wachovia Bank, Citigroup, and other leading financial institutions, for example, have generated strong developmental benefits in host countries by leveraging private capital, increasing bank-market liquidity, and transferring banking skills and assets.

- **OPIC provided the foundation for meaningful development in host countries** by supporting projects that are highly developmental, provide necessary infrastructure, or — in areas recovering from the ravages of war or natural disaster — rebuild the infrastructure on which growth depends. OPIC's participation in energy, shipping, and transportation projects in Kosovo, Serbia, and the Congo were only the most recent examples of the agency's tradition of seeking maxi-

mum developmental benefit for every dollar invested. With another year's experience in applying our developmental impact scoring matrix, we have increased our ability to measure both the expected and delivered benefits of the projects we support.

I am proud of OPIC's accomplishments in 2005, and excited by the prospect of expanding on them. OPIC's developmental mission, now demonstrably part of every project we undertake, will continue to guide us, helping to unleash the transformative power of the free market in even more emerging markets.

Looking ahead, we will work in closer collaboration with other agencies to continue to refine the government's support of economic development, identifying projects that extend their benefits to the widest possible audiences. As President Bush has pointed out, economic development is perhaps the best tool to promote rule of law and international security. I look forward to working with my colleagues in the Executive Branch to make this creative collaboration a reality.

We will continue to ensure not only that we undertake development broadly, but properly. That is why OPIC recently created an Office of Accountability, which reviews OPIC's compliance with environmental, social, worker rights, and human rights policies and procedures and provides a forum for local communities to voice their concerns about OPIC-supported projects. The office enhances OPIC's effectiveness by assuring that its problem-solving and compliance review functions are fair, objective, and transparent.

And we will continue to strive to meet the needs of our clients. This includes effective outreach, innovative products, and the most efficient process possible. It is what our clients have come to expect from us and we can do no less.

Economic development — undertaken responsibly and with the support of American businesses, large and small — is OPIC's mission. It also happens to represent one of the great challenges of the 21st century, and, ultimately, the best path to a better world. I look forward to working with OPIC management and staff, other trade-related agencies, Congress, and our partners in the private sector, to widening that path, so that more may walk it.



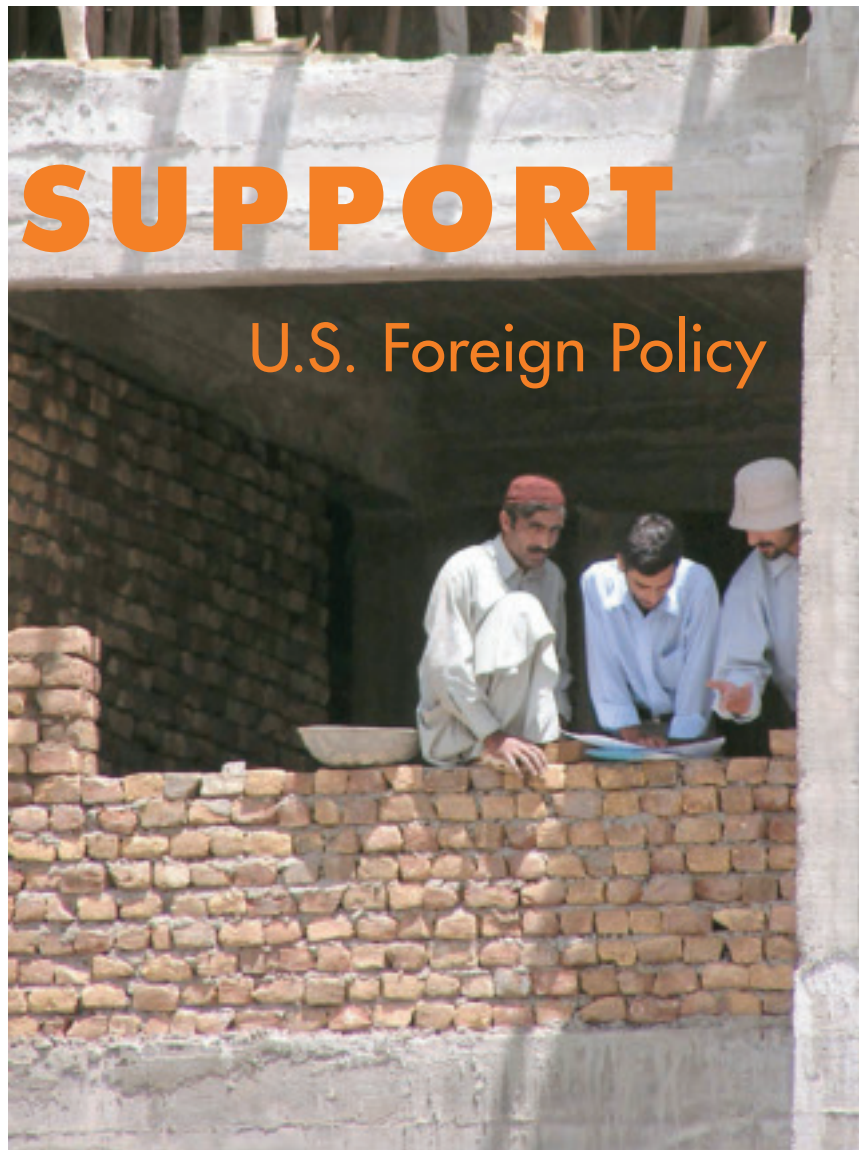
Robert Mosbacher, Jr.
President and CEO

As an instrument of U.S. foreign policy, OPIC has a special obligation to direct investment into projects that further America's strategic objectives to support good governance and free markets. Clearly, the nation's current top priority is winning the international war on terrorism. OPIC supports that goal by financing or insuring developmental, reconstruction, and humanitarian projects in host countries at the front lines in this conflict.

OPIC's efforts to encourage greater U.S. investment in Pakistan have paralleled that country's improving investment climate, evidenced by strong economic growth and political stability. In 2005, OPIC leaders traveled to Pakistan to sign an agreement providing up to \$75 million of a \$100 million Citigroup lending facility to be lent to businesses located in Pakistan. The new guaranty supplements an existing \$75 million OPIC investment guaranty with Citigroup that has been fully used to support loans to local businesses. OPIC also committed \$35 million to a \$150 million fund focused on investments in Pakistan and South Asia. U.S. investors are starting to recognize the potential of the Pakistani market. OPIC is confident their interest will be rewarded by positive returns.

Investing to **SUPPORT**

U.S. Foreign Policy





PIC is also helping to increase investment in Iraq. Since 2003, working first with transitional

authorities and now with the nation's elected officials, OPIC has committed more than \$301 million in financing and political risk insurance to 11 projects there.

OPIC provided nearly \$200,000 in political risk insurance to Baltimore Dredges, LLC for its bid to win a contract to supply Iraq's Ministry of Water Resources with dredging equipment that will be used in southern Iraq to clear waterways, improve irrigation, and restore wetlands that were drained during the regime of Saddam Hussein. The ministry was one of the first to return to full Iraqi control under the administration of the Coalition Provisional Authority.

OPIC also established an investment fund that will invest in Iraq or Iraq-related businesses located in adjacent, OPIC-eligible countries, with a focus on the manufacturing, food processing, building materials, construction, tourism, infrastructure, transportation, finance and distribution sectors. Target capitalization of the fund is \$115 million.

Meanwhile, OPIC's work is far from complete in Afghanistan, where the U.S. remains committed to fostering economic growth and political stability — and enlisting friends and allies toward that end.

One of OPIC's newest projects in Afghanistan will directly help to establish a sustainable domestic generic medicines factory, providing citizens access to much-needed, affordable and high-quality medicines, valuable new technology, and job skills. OPIC political risk insurance will enable an Afghan doctor to launch the company with medical equipment donated by the European Generic Medicines Association (EGA). In a complex multi-partner endeavor some three years in the making, OPIC is providing up to \$556,000 of coverage to National Union Fire Insurance Company of Pittsburgh to support a policy issued to the Swiss-based non-profit association Business Humanitarian Forum (BHF), which ultimately insures the EGA's equipment donation to Baz International Pharmaceutical Company Ltd. Other project partners include Deutsche Post World Net/DHL (DPWN/DHL), which provided financial support and logistical assistance in shipping the equipment to Kabul; the German Investment



and Development Corporation, and the United Nations Development Programme Afghanistan. BHF, which initiated the project, is responsible for overall project management and coordination. To guarantee the project's sustainability, EGA will train the local Afghan staff in production techniques while DPWN/DHL will provide training in logistics.

Long-term benefits are expected from OPIC's support of the Afghanistan Renewal Fund, believed to be the first private equity fund to concentrate its investment efforts entirely in Afghanistan. The new fund will promote economic growth by expanding availability of equity capital to Afghanistan's small and medium-sized enterprises.

OPENING A NEW ERA IN IRAQ

Soon after installation of the new democratically-elected government in Iraq, OPIC signed a bilateral accord formally opening all of the agency's programs and services to that country. Besides providing the legal foundation for OPIC to expand its efforts in Iraq, the agreement signals Iraq's re-entry into the international finance and trade community after decades of isolation. It demonstrates how both American and Iraqi companies can work together to revitalize the Iraqi economy and improve the nation's living standards. In partnership with the government of Iraq, OPIC expects to demonstrate a much-improved investment climate for U.S. businesses.





Extending the **REACH**

of U.S. Small Business

The developing world needs the entrepreneurial know-how and economic power of U.S. small business. Unleashed overseas to generate jobs, revenue, and innovations just as they do here at home, U.S. small businesses can deliver the developmental benefits of private-sector investment, employment, and ownership to individuals and nations around the world.

But small businesses have to overcome big challenges in trying to enter international markets. It can be difficult for small business owners to identify opportunities in foreign lands or to qualify for the financing and insurance to pursue them.

That's where OPIC comes in. OPIC offers financial products and services that enable small businesses to extend their horizons. In 2005, U.S. small businesses received \$558 million in OPIC loans, guaranties, or insurance for 81 projects in a wide range of industries in every corner of the globe. Through its highly successful Small Business Center, expanding OPIC Partners Program, and outreach efforts to women and minority-owned small businesses, the agency continues to seek and encourage qualified businesses to apply for OPIC services and support.



PIC-supported projects in 2005 demonstrated the wide-ranging talents and capabilities of

U.S. small business, with several projects displaying the resources smaller enterprises can bring to bear on even the largest infrastructure needs.

For example, American-owned Baku Oil Tools received a \$540,000 insurance wrap for their project to manufacture advanced oil field equipment in Azerbaijan, helping both to privatize and modernize the country's oil and gas sector. Another small business, Triangle General Contractors of Brooklyn, New York, will use its \$5.5 million OPIC loan and \$1 million in political risk insurance to rebuild a war-damaged hydropower facility in the western Decan region of Kosovo.

Through an OPIC loan to a subsidiary of Minnesota-based Lemna Corporation, construction of a treatment plant that converts local wastewater to usable agricultural water will provide relief from a 12-year drought adversely affecting agriculture in northern Mexico and Texas, and will enable this important agricultural center in Chihuahua State to comply with a federal mandate to provide wastewater treatment. With OPIC insurance to mitigate a number of political risks,

the company signed a service contract with the local water utility.

At the leading edge of the industrial spectrum, OPIC loans announced in 2005 are helping U.S. small businesses to bring new communications technologies to underserved markets in two hemispheres. Asylum Telecom LLC of New York received a \$1.5 million loan to deliver Internet-based telephone service to business customers globally from its research-and-development facility in Budapest, Hungary. Ruralfone, Inc., will use an insurance wrap for its project to provide affordable fixed wireless service to low-income residents in northeastern Brazil. Success of this innovative concept there will enable Ruralfone to replicate its experience in other underserved areas.

When it comes to helping small business, OPIC can always do more. An analysis commissioned by OPIC last year concluded that a public-private network teaming OPIC with financial institutions, business associations, educators, and other interested parties would be the most cost-effective way to meet growing demand from U.S.

small and medium-sized enterprises (SMEs) for the agency's support. OPIC acted on that recommendation in 2005 by inviting the U.S. private sector to join the new Enterprise Development Network. OPIC will work



with selected lenders and loan originators to help administer \$100 million in new OPIC financing designed to give U.S. small and medium-sized enterprises access to a type of overseas credit they often find difficult to obtain. Financing will be administered through OPIC's Small and Medium Enterprise Finance Department, which in its first year of operation increased the agency's SME productivity by 61 percent and reduced processing time by 42 percent.

IT'S A WRAP. SMALL BUSINESS SIGNS UP FOR OPIC COVERAGE

To invest overseas, U.S. small businesses need protection against political risks they cannot control. And they would like to obtain that protection without becoming mired in bureaucratic processes. OPIC's political risk insurance "wrap" has simplified access to comprehensive coverage, eased the entry of small business into new markets, and emerged as one of OPIC's most successful products ever. U.S. companies receiving Small Business Center loans of up to \$10 million can purchase protection featuring discounted rates, one-time premiums, and shorter tenors, typically matching the term of the loan. Because the projects are already approved, time-consuming application and due diligence processes are averted; wrap contracts are a mere five pages long.

It is virtually impossible for a developing nation to build a free market economy without a healthy and functioning private housing industry. Home ownership is a key component of economic development not only because adequate housing is a basic human necessity, but because home equity serves as collateral to start small businesses. That's been proven in country after country throughout the world.

Unfortunately, in many developing nations, mortgage financing remains in short supply. Nations in transition to market economies may not yet have in place the legal framework for private home ownership and financing. Their economic volatility makes it difficult for workers to meet regular mortgage payments. And the lack of local loan management experience or processing infrastructure increases transaction costs and risks for potential private investors.

All of which is why OPIC works so hard to find and support projects designed to address housing shortages, provide housing-related construction and jobs, and create viable housing markets.

Building the Housing Markets that



Expanded by a range of construction and mortgage projects approved in 2005, OPIC's international housing portfolio now totals \$825 million of support for investments in over 20 countries. Each project demonstrates the agency's growing ability to identify markets ripe for innovative support, and to assemble the partners necessary to bring the projects home — wherever in the world that may be.

For example, Guatemala Mortgage Corporation will amass loans from four Guatemalan banks; then, using OPIC's guaranty — \$7.5 million for the first transaction — the company will access the large pool of long-term funding available in the U.S. This transaction is the first under a three-year program expected to provide Guatemala with substantial U.S. securitization technology, up to \$100 million in mortgages, and at least \$25 million in U.S. investment.

The OPIC-supported \$175 million, Darby-BBVA Latin American Private Equity Fund has invested over \$25 million in a company developing affordable housing in Mexico. With 11 projects currently under construction and 12 others planned, Grupo Empresarial Metropolitano, S.A. is on track to deliver 7,000 units over the next two years.

Helping to establish a model for future housing projects in sub-Saharan Africa, OPIC provided a \$46 million loan to Houses for Africa Mortgage Finance Zambia for a housing development that will leverage \$80 million of new housing construction to produce 5,000 affordable homes. OPIC financing for the Lilayi Housing Estate near Zambia's capital city, Lusaka, will help address a critical

housing shortage while also supporting the Bush Administration's African Mortgage Market Initiative to encourage development of mortgage markets in the sub-Saharan region. Zambia has virtually no retail mortgage market, so the project required an innovative lending structure for managing local currency risk for low-cost housing. The project was also unique for its extensive inter-agency coordination between OPIC, the Treasury Department and the U.S. Agency for International Development, which will provide technical assistance to modernize Zambia's title deeds registry system.

A \$2.5 million OPIC loan will finance an Afghan-American company's construction of three modern residential buildings in Kabul, increasing the supply of quality housing for Afghanistan's growing middle-income population. Maskan Ltd. is basing its eventual 17-building development on the successful mixed-



used residential-commercial model found throughout the U.S. Offering features unique in the Afghan market, including central heating and hot water systems, the Maskan project will provide residents affordable housing that meets international standards.

Demonstrating that even small investments can have meaningful impact, less than \$200,000 in OPIC financing and political risk insurance will enable Ferreteria Morales, a Nicaraguan hardware supplier, to build a modern warehouse that will introduce efficient U.S.-style distribution of construction materials to the local housing industry.

AN ENTIRE REGION CAN BENEFIT FROM GUATEMALA'S EXPERIENCE

Mortgage-backed securities are a proven means in the U.S. for generating both new home loans and capital for other purposes. For OPIC, the opportunity to introduce the secondary market model to Central America offered the right elements at the right time: a country — Guatemala — with a relatively strong primary mortgage market and a reliable mortgage database from the local housing authority; experienced U.S. and Guatemalan project counterparts; a pool of dollar-denominated mortgages to back the notes; and the willingness by Moody's Investors Service to provide a provisional rating that enabled effective pricing. Several Central American ambassadors who attended the project's signing ceremony at the Inter-American Development Bank expressed interest in this initiative.

Africa is at once a continent of unlimited economic need and an emerging market of unlimited potential.

Per capita income continent-wide is lower today than it was in 1980. The region's share of world output and world trade has trended downward for three decades. And based on political risks, either real or imagined, Africa attracts far less than its appropriate share of foreign direct investment.

That's why it remains an OPIC priority to support and increase the private investment that is essential to the growth of African economies.

In truth, Africa is already ripe with attractive investment opportunities. The U.N. Conference on Trade and Development reported average returns of 29 percent for foreign companies investing in Africa in the 1990s. To make more businesses aware of this potential, OPIC in 2005 expanded its efforts to promote investment-led development throughout the entire continent.

Helping Africa to **ATTRACT**

the Investment it Needs



In the weeks leading up to the agency's first-ever and highly successful North Africa investment conference, OPIC announced several major projects in the region.

In the Algerian capital of Algiers, where half the city's population receives potable water only once every three days, Hamma Water Desalination SpA, sponsored by GE Ionics Incorporated of Watertown, Massachusetts, will use up to \$200 million in OPIC financing to build and operate the nation's first reverse osmosis seawater desalination plant. As a joint venture with the state-owned Algerian Energy Company, the facility will deliver 200,000 cubic meters of water daily and support the Algerian government's effort to attract private capital to future water projects.

OPIC moved forward with its commitment to insure Egypt's largest U.S. investor, Houston-based Apache Corporation, which is helping shift the country's energy emphasis from oil to more environmentally-friendly natural gas. With Egypt's crude oil production declining, Apache's continued investment in the sector will be critical to Egypt's ability to meet both domestic and export demand.

The largest single foreign investment the West African nations of Benin, Ghana, and Togo have ever attracted will help them meet their demand for natural gas for the next 20 years and in the process generate jobs, protect the environment, and save up to \$500 million in energy costs. Zurich – Political Risk and Trade Credit received \$50 million of OPIC facultative reinsurance to cover investments by the West African Gas Pipeline Company in the construction of a 372-mile pipeline that will transport natural gas from Lagos State in Nigeria to Benin, Togo, and Ghana.

Through its investment funds program, OPIC is also playing a critical role in the economic development of Africa by expanding the availability of equity capital in the region, which in turn is helping new businesses to grow and thrive. Two OPIC funds, EMP Africa Fund II and Ethos Fund V, are raising collectively over \$1 billion for equity investments in Africa, focusing on such sectors as telecommunications, power, transportation and agribusiness.



Infrastructure repair is the objective of a project in the Democratic Republic of Congo, where Number One Contracting Corporation, a U.S. small business, will rebuild and resurface major highways — and generate over \$9.5 million in U.S. procurement — with the support of \$12 million in OPIC political risk insurance.

OPIC political risk insurance covering equipment and supplies will enable the International Rescue Committee (IRC) to provide emergency shelter, food, and medical care to many of the more than two million refugees fleeing violence in the Darfur region of Sudan into neighboring Chad. The project is part of a contract through which OPIC is providing \$5 million in similar coverage for IRC offices in 21 countries worldwide.

SOUTH AFRICA: A HEALTHY MORTGAGE MARKET

Following World AIDS Day last year, OPIC finalized a groundbreaking project — first announced two years ago — that stands to help up to 350,000 South Africans obtain new mortgages and keep their homes, by funding treatment of HIV-positive homeowners and guaranteeing banks against the risk of defaulted mortgages. In an innovative multi-party transaction, OPIC provided a \$250 million loan to Housing for HIV Inc., a nonprofit joint venture between New York-based Shared Interest, Inc. and South African-based Home Loan Guaranty Company (HLGC). Net proceeds from a \$300 million investment pool will be used to purchase medication for HIV-positive South African homeowners holding HLGC-guaranteed mortgages. Treatment and education for affected homeowners will be provided through additional agreements with South African clinics.

OPIC's mission is to mitigate political risks and build private sector confidence for investing in new, developing, or transitioning markets. Through direct loans, insurance contracts, and sponsored equity funds, OPIC helps to mobilize private capital and human resources that would not otherwise be committed to projects that would not otherwise happen.

Of even greater long-term importance than any individual project, OPIC helps host countries make themselves more attractive to private investment by linking the availability of OPIC support to the fostering of market-oriented environments of good governance, fair competition, and economic incentives.

In the end, this process is about the realization of economic potential. Countries stand at different points of the economic spectrum, some well aware of their best prospects and boasting an entrepreneurial energy to match, others only starting to feel their way. But they all share a desire to succeed — and the assurance that OPIC is committed to help.

Leading U.S. Investment Into the World's

EMERGING Markets





PIC is in fact one of the world's largest providers of private equity for projects in emerging markets. OPIC-sponsored investment funds, in particular, have become an increasingly significant source of capital for new business development, expansion, restructuring, and privatization. In 2005, OPIC committed \$505 million of new or expanded investments in funds targeting specific regions or industrial sectors throughout the world.

New fund commitments in 2005 included \$90 million in financing to establish Southeast Europe Equity Fund II, targeted to reach capitalization of approximately \$250 million for investments in companies in Albania, Bosnia & Herzegovina, Bulgaria, Croatia, Macedonia, Romania, Serbia & Montenegro, Slovenia, and Turkey. The first Southeast Europe Equity Fund is one of the region's top performers. With improving economic prospects and the management team's regional experience, OPIC expects similar success from this fund.

Additional financing will become available for projects in Turkey through an expanded risk-sharing

partnership between OPIC and Wachovia Bank, N.A. OPIC is providing \$250 million in financing for a global framework agreement that has enabled Wachovia to increase its lending to banks in emerging markets, with over 50 percent of that capacity going to Turkey.



Encouraging significant private investment in Latin America, OPIC political risk insurance will cover \$212 million in financing for ISAGEN, a Colombian government power company, in order to upgrade and repair its power facilities in Colombia. This will enable ISAGEN to increase Colombia's electricity generation. Additionally, the financing will support projects that will generate additional tax revenues for the Government of Colombia, and provide equal employment opportunities including diversity policies, health care, housing and transportation for a largely rural workforce.

To meet tremendous demand for international-quality hotel accommodations on the Asian side of Istanbul, Turkey, a U.S. small business will use a \$3 million OPIC loan to convert an

historic 19th century building to a small hotel.

In Afghanistan, a U.S. small business and a private investor formed a company, IBS Holdings, LLC, that received an OPIC loan to open the first business solutions facility in Kabul. The company will assist visiting representatives with needs ranging from office leasing, meeting services, business registration, and staff support to facilitating services with Afghan ministries on licenses, customs, and other government-regulated matters. By helping clients navigate local procedures, this project signals an important advance in Afghanistan's economic development and reflects the distance already traveled. OPIC looks forward to helping Afghanistan accelerate that process even more.

CONFERENCE FOCUSES ON NORTH AFRICA

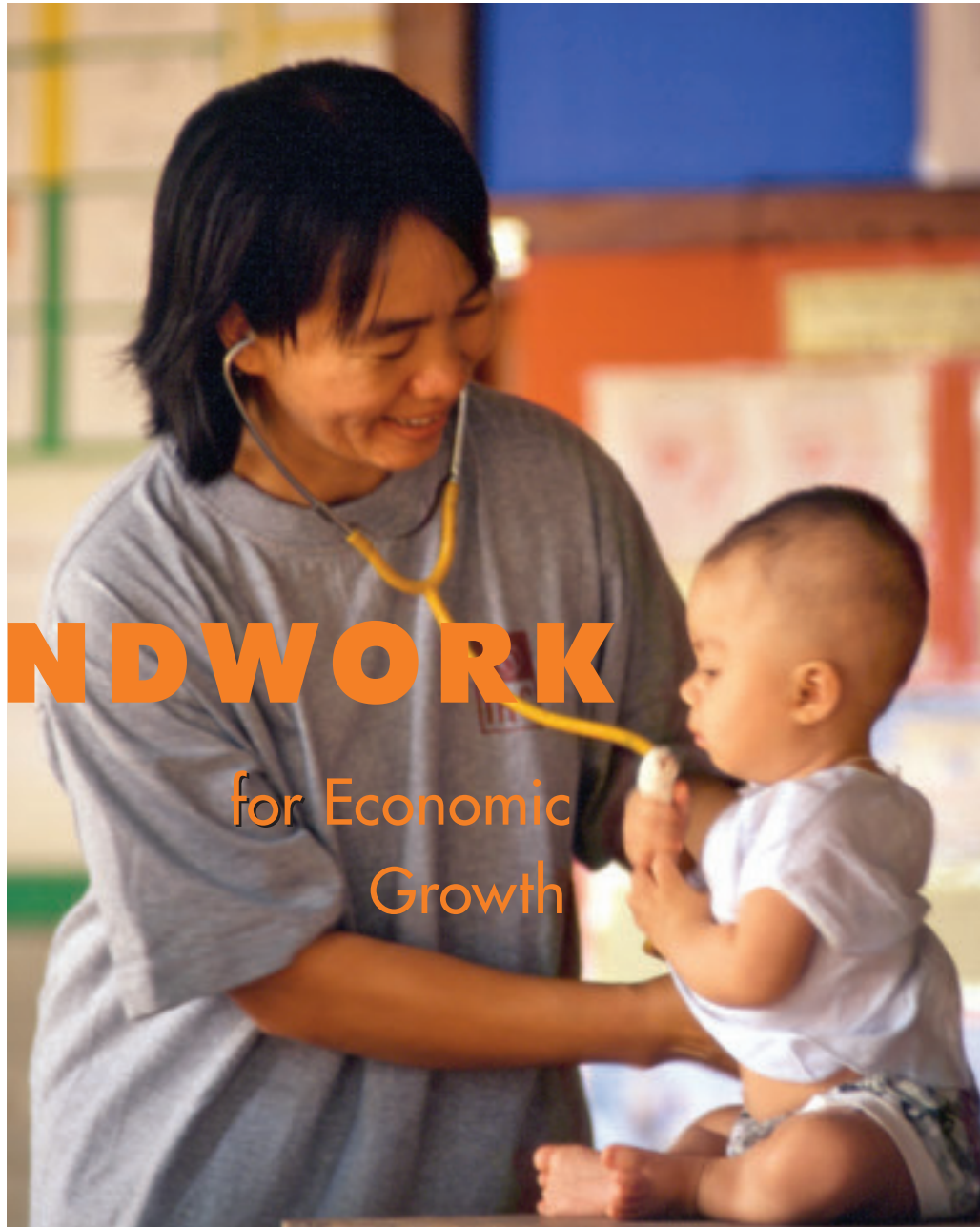
One of the most visible ways that OPIC helps to direct private investment into emerging markets is by sponsoring and participating in investment conferences in the very nations or regions that stand to benefit. That was the case with OPIC's September 2005 *Expanding Horizons in North Africa* conference in Marrakech, Morocco. More than 250 American and local attendees learned of the investment opportunities being created in numerous sectors as the economies of Algeria, Egypt, Libya, Mauritania, Morocco, and Tunisia grow and diversify.



Because OPIC's core mission is to promote private U.S. investment that contributes to economic development in the world's less-developed countries, the projects OPIC chooses to support are no random matter. With an eye to maximizing its developmental reach, OPIC works hard to select projects likely to serve as foundations for long-term growth — particularly those that help to strengthen and expand host-country economies.

To support that focus, OPIC evaluates and scores every proposed project in 26 key areas across three broad categories that objectively quantify its expected contribution to host-country development. A project must score at least 40 on the matrix to be considered *developmental* and clearly eligible for OPIC support; a score of 100 or more qualifies a project as *highly developmental*. OPIC's goal is for all projects in any one year to average 100. Bringing us ever closer to that goal, OPIC projects supported in 2005 averaged an impressive 93.3 on the agency's developmental scoring matrix.

Laying the
GROUNDWORK
for Economic
Growth





PIC strives to increase investment in countries that have not yet achieved significant development,

as well as to realize greater developmental impact from investments in growing countries or regions struggling to distribute more evenly the benefits of economic growth.

For example, OPIC is supporting the start-up and initial capitalization of a micro-finance bank in Pakistan that will focus on providing products and services to underserved low-income workers and micro-entrepreneurs in the country's major metropolitan centers, starting in Karachi and Lahore.

In Central America, OPIC is building on the efforts of the Central American Free Trade Agreement (CAFTA) to encourage economic development. Following a U.S. government-sponsored trade mission to the region, OPIC announced a forthcoming call for proposals to manage new private equity investment funds targeting the nations of Central America and the Caribbean. In establishing the new funds, OPIC hopes to expand regional economic development by providing new and existing private companies with access to the kind of long-term capital that is crucial to their development and growth.

Throughout Latin America, from Colombia to Mexico, energy infrastructure necessary for economic development will be expanded by a range of OPIC loans, insurance, and finance initiatives. As just one example, a \$41.6 million loan to Hidroeléctrica Rio Hondo, S.A. will support construction of a 32-megawatt hydropower facility in the rural Zacapa region of southeastern Guatemala, replacing a much smaller plant damaged by

Hurricane Mitch in 1998. Because electrification itself stimulates additional economic development, the overall impact of this project, sponsored by a subsidiary of U.S. small business Alaska Power & Telephone, far outweighs its size.

It is difficult for people to participate in or benefit from development until their most basic needs are met. So OPIC continually seeks projects that improve the production and delivery of food, water and health care.

In one such project, a U.S.-Kazakh team with a successful track record in the central Asian dairy industry will use a \$5.5 million OPIC loan to build and operate a dairy processing plant that will eventually produce and distribute over 25 million liters of shelf-stable, ultra-high temperature milk, bottled water and fruit juice in Afghanistan. A USAID initiative with Land O'Lakes, Inc., will help finance the development of a milk collection system with local milk producers and help develop the retail trade for products of the new Moun-



tain Pastures Dairy Company. Land O'Lakes will additionally work to form a cooperative with Afghan farmers, which will gain an equity stake in Mountain Pastures over time.

A subsidiary of a small New York-based agribusiness will use an OPIC loan to establish the only flour mill in the southeastern Nigerian state of Akwa Ibom, providing bread flour for local bakers and a staple food to an underserved population. The mill will also produce wheat offal as a by-product for livestock feed. The project will have a profound impact on nutritional development in Akwa Ibom, where fewer than two-thirds of the population has access to sufficient supplies of bread flour.

IN RUSSIA, A PRESCRIPTION FOR GROWTH

OPIC political risk insurance is injecting much-needed investment into the Russian economy's least-developed sector: health care. With \$46.7 million of OPIC coverage, Staten Island-based ACD Research, Inc., is providing the equipment and training that will enable Russia's most advanced oncology center to begin delivering cancer treatment. The project addresses three pressing national concerns: the aging Russian population, lack of effective diagnostics and treatment, and Soviet-era health care financing. Russia's per capita health care spending is only five percent of that in most developed countries, making ACD's OPIC-enabled support of the 550-bed Samara Oncology Center that much more critical to rehabilitating Russian health care infrastructure.

2005 Investment Activities

AFRICA AND THE MIDDLE EAST

ALGERIA

GE Ionics, Inc.	Fixed Rate Funding & Liquidity, Ltd. (HWD SPA)	Reverse osmosis water desalination plant	\$200,000,000	Finance
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ANGOLA

Sabena Yohannes	Afritrack Angola LDA	Housing materials manufacturing & supply	\$5,679,000	Insurance
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BENIN

Steadfast Insurance Company	West African Gas Pipeline Company Limited	Natural gas pipeline	\$2,500,000	Insurance
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BOTSWANA

Westwood International School Foundation	Westwood International School	International school expansion	\$6,000,000	Finance
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CAMEROON

Hubert Kepsu	Finesse Group, LLC	Water bottling facility	\$330,000	Finance
Hurbert Kepsu	Finesse Group, LLC	Water bottling facility	\$118,530	Insurance

CHAD

International Rescue Committee	International Rescue Committee, Inc.	Humanitarian services	\$130,680	Insurance
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CONGO, DEMOCRATIC REPUBLIC OF

International Rescue Committee	International Rescue Committee, Inc.	Humanitarian services	\$3,333,047	Insurance
Number One Contracting Corp.	Ministry of Finance of the Democratic Republic of Congo	Road rehabilitation & resurfacing	\$977,931	Insurance
Number One Contracting Corp.	Ministry of Finance of the Democratic Republic of Congo	Road rehabilitation & resurfacing	\$3,911,718	Insurance
Number One Contracting Corp.	Ministry of Finance of the Democratic Republic of Congo	Road rehabilitation & resurfacing	\$6,300,000	Insurance
Number One Contracting Corp.	Ministry of Finance of the Democratic Republic of Congo	Bid bond/Road rehabilitation & resurfacing	\$360,000	Insurance

CONGO, REPUBLIC OF

Seaboard Overseas, Ltd.	Minoterie du Congo, S.A.	Flour mill & animal feed facilities operation	\$4,207,644	Insurance
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ETHIOPIA

International Rescue Committee	International Rescue Committee, Inc.	Humanitarian services	\$738,011	Insurance
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GHANA

Citibank, N.A.	Millicom Ghana Limited*	Private telephone service	\$15,000,000	Finance
Steadfast Insurance Company	West African Gas Pipeline Company Limited	Natural gas pipeline	\$45,000,000	Insurance

GUINEA

International Rescue Committee	International Rescue Committee, Inc.	Humanitarian services	\$756,711	Insurance
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IRAQ

Baltimore Dredges, LLC	Ministry of Water Resources (MWR)	Bid bond/Dredging equipment	\$198,000	Insurance
Citibank, N.A.	Trade Bank of Iraq	Issue financial guaranties to confirm letters of credit	\$52,500,000	Finance
Cooperative Housing Foundation	Iraq Middle Market Development Foundation	Loans to middle-market enterprises	\$46,000,000	Finance

ISRAEL

Citibank, N.A.	The Israel Electric Corporation Limited	Offshore natural gas pipeline	\$320,000,000	Insurance
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KENYA

Jopa Villas, LLC	N/A	Housing	\$14,500,000	Insurance
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NIGERIA

American International School of Abuja	American International School of Abuja	School	\$5,000,000	Insurance
Board of Directors of American International School of Abuja	American International School of Abuja	Expansion of the Pre-K thru 12th grade campus	\$3,250,000	Finance
Paul C. Morgan/Deamar Group, LLC	Deamar Nigeria, LLC	Bread flour & bran mill	\$6,770,000	Finance
ThirdWave Networks Holdings, Inc.	Sirius Wireless, Ltd.	Fixed, wireless, broadband telecommunications network	\$7,637,000	Finance

RWANDA

Alfred G. Kalisa	Bay Contractors and Builders, Inc.	Purchase bank headquarters building	\$10,000,000	Finance
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SIERRA LEONE

International Rescue Committee	International Rescue Committee, Inc.	Humanitarian services	\$1,922,992	Insurance
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TOGO

Steadfast Insurance Company	West African Gas Pipeline Company Limited	Natural gas pipeline	\$2,500,000	Insurance
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TUNISIA

American Cooperative School of Tunisia ACST Association	The American Cooperative School of Tunisia	School	\$10,000,000	Insurance
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UGANDA

International Rescue Committee	International Rescue Committee, Inc.	Humanitarian services	\$932,028	Insurance
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WEST BANK AND GAZA

The Aspen Institute	Middle East Investment Initiative	Investment in small & medium-sized enterprises in West Bank and Gaza	\$55,000,000	Finance
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ZAMBIA

Houses for Africa, Inc.	HFA Zambia Limited	5,000 low/middle-income houses	\$46,300,000	Finance
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AFRICA AND THE MIDDLE EAST REGIONAL

Emerging Markets Partners	EMP Africa Fund II, L.P.	Private equity fund	\$100,000,000	Investment Funds
Ethos Private Equity, Ltd.	Ethos Private Equity Fund V	Private equity fund	\$150,000,000	Investment Funds

ASIA AND THE PACIFIC

AFGHANISTAN

America First Companies, LLC	Mountain Pastures Holdings, LLC	Dairy processing plant	\$5,500,000	Finance
IBS Holdings, LLC	International Business Services	Office solutions/support services	\$254,290	Insurance
Lawrence Doll	Maskan, Inc. (Tranche A)	Development of three residential apartment buildings	\$2,470,000	Finance
Lawrence Doll	Maskan, Inc. (Tranche B)	Development of three residential apartment buildings	\$400,000	Finance
Maskan, Inc.	Kabul Maskan Company, Ltd. (KMC)	Development of three residential apartment buildings	\$703,980	Insurance
National Union Fire Insurance Company of Pittsburgh, PA	Baz Pharmaceuticals Company, Ltd.	Medical equipment storage	\$556,405	Insurance
RSL Capital, Ltd; Glennavy Capital, Ltd & Infinity Holding, Ltd	Afghanistan Renewal Fund	Fund investing in small & medium-sized enterprises in Afghanistan	\$6,000,000	Finance
Safi Apparel Corporation	Safi Apparel Corporation	Manufacture men's apparel (for export to Europe)	\$1,550,000	Finance
Sheffield Advisors, LLC	IBS Holdings, LLC	Short-term office space & business support services	\$300,000	Finance

INDIA

Ashok Vasudevan, Meera Vasudevan, Hans Taparia et al.	Preferred Brands International, LLC (WBC)	Expansion of plant manufacturing "Tasty Bite" food products	\$4,777,500	Finance
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INDONESIA

Francisco Gali, Jr	PT. Tucan Pumpco Services Indonesia	Oil & gas services business	\$4,500,000	Finance
GE Energy Rentals, Inc.	PT Trans-Pacific Petrochemical Indotama II, TG	Mobile generators	\$1,056,627	Insurance
International Rescue Committee	International Rescue Committee, Inc.	Humanitarian services	\$1,457,757	Insurance
Robert Totah	PT. Padi Murni Indonesia	Greenfield rice milling & drying plant	\$14,500,000	Finance

PAKISTAN

Acumen Fund, Inc.	Pakistan Mortgage Guaranty Trust	Guarantee low-income mortgages through local banks	\$3,750,000	Finance
Cooperative Housing Foundation	Emerging Markets Consulting (Private) Ltd.	Funding of paid-in-capital for micro-finance bank	\$6,500,000	Finance
Sweetwater International, Inc.	Sweetwater Pakistan (Private) Limited	Manufacturing of water-treatment equipment	\$3,000,000	Finance

PHILIPPINES

GE Energy Rentals, Inc.	FABMIK Construction & Equipment Co., Inc.	Mobile generators	\$1,395,000	Insurance
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SOUTH KOREA

Nam Koo Kim	Majestic Group Korea, Ltd.	Franchising of Ruby Tuesday restaurant in South Korea	\$1,500,000	Finance
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THAILAND

International Rescue Committee	International Rescue Committee, Inc.	Humanitarian services	\$339,213	Insurance
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ASIA AND THE PACIFIC REGIONAL

Actis Capital, LLC	Actis South Asia Fund 2, L.P.	Private equity fund	\$35,000,000	Investment Funds
Clearwater Capital Partners, LLC	Clearwater Capital Partners Investments II, L.P.	Debt equity fund	\$20,000,000	Investment Funds
Olympus Capital Holdings, Asia	Asia Development Partners II, L.P.	Private equity fund	\$50,000,000	Investment Funds
Financial Intermediary	Asia Development Finance, LTD	Financial Services	—	Investment Funds

EUROPE AND THE NEW INDEPENDENT STATES

AZERBAIJAN

Baku Oil Tools, Ltd.	Baku Oil Tools, Ltd.	Oil well perforating equipment	\$540,000	Insurance
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GEORGIA

Jenik Radon	Georgian Leasing Company, LLC	Lease financing	\$45,000	Insurance
Scott A. Sarran	Georgian Leasing Company, LLC	Lease financing	\$67,500	Insurance

HUNGARY

iEurope Fund, LLC; Paul Cheng & Rajiv Kapoor	Asylum Telecom, LLC	Internet broadband communications service	\$1,500,000	Finance
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KAZAKHSTAN

National City Bank	JSC Bank Turan Alem*	Expand the retail & consumer lending activities	\$25,000,000	Finance
Susanne L. & Justin D. Pelham-Webb	TNT Productions International, Inc.	Exhibition stands for international trade shows	\$100,000	Finance
Wachovia Bank	JSC Bank Turan Alem*	Fund retail loan portfolio	\$25,000,000	Finance

KOSOVO

Florin Krasniqi	Triangle General Contractors, Inc.	Expansion & operation of 8.3 MW hydropower facility	\$5,500,000	Finance
Triangle General Contractors, Inc.	Khazner HPP	Power plant	\$1,000,000	Insurance

MOLDOVA

Western NIS Enterprise Fund	Procredit, S.A.	Expansion of micro-lending program	\$3,000,000	Finance
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POLAND

Tad Niedzielski, Anthony Zmuda & Andrzej Kurdyla	Sunday Hotels International Group, LLC	Franchise of Super 8 hotels to independent hotel owners	\$650,000	Finance
Polish Enterprise Fund, LLC	Medycyna Rodzinna S.A.	Network of private health care clinics	\$5,500,000	Finance
Richard G. Taylor & John W. Taylor	Taylor Prunes SP. ZO.O.	Prune processing facility	\$400,000	Finance

ROMANIA

Sanjay and Nita Bhasin	S.C. Empire Tower S.R.L.	Office building	\$2,160,000	Insurance
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RUSSIA

ACD Research, Inc.	Samara Oblast	Medical equipment	\$46,727,203	Insurance
Agribusiness Partners Int'l/The US Russia Investment Fund	OOO Polygrafoformlenie (WBC)	Expansion of packaging materials manufacturer (WBC)	\$9,750,000	Finance
Vladimir & Arlys Gribovsky	V G Enterprises, Inc.	Meat processing facility for wholesale market	\$1,500,000	Finance
Alexander G. Kogan c/o IPD Sales & Marketing, LLC	OOO "Air Structures American Technologies"	Production & sale of air-supported structures & buildings	\$1,950,000	Finance
Samuel B. Lipman	Stromyn Breeders, LLC	Poultry broiler parent breeding facility	\$3,000,000	Finance
Morgan Stanley, Inc.	OOO Morgan Stanley Bank	Bank	\$40,500,000	Insurance
National City Bank	OJSC Sibacadembank*	Expand consumer lending portfolio	\$14,000,000	Finance
New Siberian Restaurants, LLC	New York Pizza Co., Ltd.	Expansion of food-related business: restaurants, catering, etc.	\$5,000,000	Finance
James M. Quinn	Hermitage Hospitality Franchising Limited	Cendant hotel brand franchises; management of hotels	\$2,800,000	Finance
Radio Communications International Corp.	ZAO Ms-Spetstelekom	Terrestrial trunked radio communications network	\$6,000,000	Finance
Russian Ventures, LLC	ZAO SK "Aston"	Residential & commercial real estate	\$10,000,000	Insurance
Siberian Frontier Farms, LLC	Siberian Farms, LLC	Dairy farm	\$4,500,000	Insurance
The U.S. Russia Investment Fund	ZAO Deltaleasing (WBC)	Equipment leasing to SMEs	\$9,750,000	Finance
VG Enterprises, Inc.	ZAO VG Enterprises, Inc.	Meat processing plant	\$1,530,000	Insurance

SERBIA AND MONTENEGRO

DynCorp International, LLC	Javno Preduzece <<Aerodrom Beograd>>	Bid bond/Cargo facility/industrial park	\$990,000	Insurance
Motorola Israel, Ltd.	Ministry of Interior Affairs of the Republic of Serbia	Radio communications network	\$2,400,000	Insurance

TURKEY

Mark H. Butler, Yasha Butler & Tayyibe Eren Butler	M/N Butler Mimarlar Arastirma Tasari ve Yapi Ltd. Sti.	Hotel	\$3,015,000	Finance
Mark Butler	M/N Butler Mimarlar Arastirma Tasari ve Yapi Ltd. Sti.	Hotel	\$395,550	Insurance
Tayyibe Eren Butler	M/N Butler Mimarlar Arastirma Tasari ve Yapi Ltd. Sti.	Hotel	\$197,775	Insurance
Yasha Butler	M/N Butler Mimarlar Arastirma Tasari ve Yapi Ltd. Sti.	Hotel	\$197,775	Insurance
National City Bank	Oyak Bank A.S.*	Small & medium-sized business loan portfolio	\$10,035,000	Finance
National City Bank	Turk Ekonomi Bankasi A.S.*	Consumer loans	\$30,150,000	Finance
Wachovia Bank	Akbank T.A.S.*	Fund residential mortgage portfolio	\$30,000,000	Finance
Wachovia Bank	Finansbank A.S.*	Fund operations of natural gas lines	\$12,000,000	Finance
Wachovia Bank	Oyak Bank A.S.*	Fund residential mortgage loan portfolio	\$25,000,000	Finance
Wachovia Bank	Turkiye Garanti Bankasi A.S.*	Fund residential mortgage & retail loan portfolio	\$30,000,000	Finance

UKRAINE

Hansen, Inc.	A. Stucki - Rail	Suspension systems for freight railroad cars	\$810,000	Insurance
Hansen, Inc.	A. Stucki - Rail	Suspension systems for freight railroad cars	\$2,257,457	Insurance

Hansen, Inc.	A. Stucki - Rail	Suspension systems for freight railroad cars	\$810,000	Insurance
Western NIS Enterprise Fund	Closed Joint Stock Company Shvydko-Ukraine 1	Expand network of quick-service restaurants	\$3,500,000	Finance
Western NIS Enterprise Fund	Closed Joint Stock Company Shvydko-Ukraine 2	Expand network of quick-service restaurants	\$3,300,000	Finance
Western NIS Enterprise Fund	Procredit Bank (Tranche 2)	Expand micro-lending program for small & medium-sized enterprises	\$5,000,000	Finance

UZBEKISTAN

Erik Brooks Owen	Malika Barikhasi, LLC/Malika Hotel Bukhara	Hotel - Bukhara	\$211,500	Insurance
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EUROPE AND THE NEW INDEPENDENT STATES REGIONAL

Bedminster Capital Management, LLC	Southeast Europe Equity Fund II, L.P.	Private equity fund	\$90,000,000	Investment Funds
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LATIN AMERICA AND THE CARIBBEAN

ANTIGUA AND BARBUDA

Stewart Information International, Inc.	Government of Antigua and Barbuda	Modernization of land registry & property tax system	\$669,375	Insurance
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ARGENTINA

Philip C. Martinez	Finca Calle Larga, Calle Larga Vieja	Vineyard & plum orchard	\$126,000	Insurance
Philip C. Martinez	Finca La Cruz	Vineyard & plum orchard	\$90,000	Insurance

BRAZIL

Elaine M. Beidatsch	Ruralfone do Brasil, Ltda.	Telecommunications	\$11,250	Insurance
Michele D. Bomont	Ruralfone do Brasil, Ltda.	Telecommunications	\$45,000	Insurance
Donald, Jane, Travis, Lance, Justin & Tyler Bruch	Bruch Side Farms Agropecuaria do Brazil, Ltda.	Purchase of land to grow rice, beans & sorghum	\$1,000,000	Finance
GMD Solutions, Inc.	Ruralfone do Brasil, Ltda.	Telecommunications	\$18,000	Insurance
Paladin Realty Partners, LLC	Amebrasil Construcoes Limitada	Development, construction & sale of houses/commercial units	\$5,000,000	Finance
Port Security International, LLC	Teconvi, S.A.	Scanning equipment & services	\$5,000,000	Insurance
Robin Foor	Ruralfone do Brasil, Ltda.	Telecommunications	\$45,000	Insurance

COLOMBIA

Barriefield, Inc.	Leawood Investments, Inc.	Production of fresh cut flowers	\$20,000,000	Finance
Citibank, N.A.	ISAGEN S.A.	Power generation	\$310,000,000	Insurance
Sharon Parks Gurtler & Charles D. Parks	Parko Services, S.A.	Expansion of oil production	\$1,350,000	Finance
K&M Engineering and Consulting Corp.	Aguas de Manizales, S.A., E.S.P.	Bid bond/Environmental study for water treatment plant	\$163,566	Insurance

COSTA RICA

Colite Outdoor, LLC	Colite Costa Rica, S.A.	Commercial billboard leasing	\$94,863	Insurance
Lemna International, Inc.	Condominios Riverside Etapa II, S.A.	Construction of residential & commercial condominiums	\$6,677,000	Finance
Ervin F. Portman	Weststar Precision, Inc.	Manufacturer of precision tools & parts	\$500,000	Finance

ECUADOR

Citibank, N.A.	Rey Banano del Pacifico C.A.*	Expansion of banana plantation	\$15,000,000	Finance
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EL SALVADOR

Colite Outdoor, LLC	Colite El Salvador, S.A.	Commercial billboard leasing	\$99,530	Insurance
Navarro Trading, LLC	Baja Transportation/Baja Salt	Distribution of salt to Central America	\$1,036,000	Finance

GUATEMALA

Alaska Power and Telephone Company	Hidroeléctrica Río Hondo S.A.	32 MW hydropower project	\$41,600,000	Finance
Colite Outdoor, LLC	Colite Guatemala, S.A.	Commercial billboard leasing	\$152,708	Insurance
Mercury Mortgage Finance Guatemala, Ltd	Guatemala Mortgage Corporation	Guarantee of a mortgage-backed security	\$7,500,000	Finance

HONDURAS

Colite Outdoor, LLC	Colite Honduras, S.A.	Commercial billboard leasing	\$101,130	Insurance
M Homes, LLC	Honduras Homes, S.A.	Financing lease-purchase program for low-income homes	\$9,219,000	Finance

MEXICO

Baring Latin America Partners	Baring Mexico Private Equity II Fund	Private equity fund	\$60,000,000	Investment Funds
Citibank, N.A.	Financiera Compartamos, S.A.*	Micro-lending to micro-entrepreneurs	\$5,200,000	Finance
Fluor Corp.	ICA-Fluor Daniel S. de R.L. de C.V.	Guarantee medium-term capital & standby letters of credit	\$250,000,000	Finance
Lemna International, Inc.	Lemna de Mexico, S.A. de C.V.	Wastewater treatment plant	\$4,000,000	Insurance
Lemna International, Inc.	Lemna de Mexico, S.A. de C.V.	Wastewater treatment facility & sewage influent pipeline	\$3,320,000	Finance
Financial Intermediary	GEMet	Affordable housing	—	Investment Funds

NICARAGUA

Colite Outdoor, LLC	Colite Nicaragua, S.A.	Commercial billboard leasing	\$150,975	Insurance
Corea Group, Inc. on Behalf of Eligible US Investors	Sacuanjoche Adventure Lodge S.A.	Lodge	\$2,123,779	Insurance
Gilberto J. Morales Gonzales	Gilberto Juan Morales Gonzalez, d/b/a Ferreteria Morales	Hardware & building material store & distribution center	\$104,000	Finance
Gilberto J. Morales Gonzales	Gilberto Juan Morales Gonzalez, d/b/a Ferreteria Morales	Hardware store	\$59,850	Insurance
Infinity, Inc.	To be established	Oil & gas exploration - Tyra Block	\$3,778,084	Insurance
Infinity, Inc.	To be established	Oil & gas exploration - Perlas Block	\$2,806,887	Insurance
Carlos J. Rondon & Melva Jo Winger de Rondon	Inversiones Agropecuarias, S.A.	Coffee plantation	\$5,000,000	Insurance

PANAMA

Colite Outdoor, LLC	Colite Panama, S.A.	Commercial billboard leasing	\$91,462	Insurance
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PERU

El Saladero USA, LLC	El Saladero UY S.R.L.	Acquisition & development of cattle ranch & grain farm	\$550,000	Finance
LFLP Holdings, LLC	Financiera Total, S.A.	Consumer credit	\$10,800,000	Insurance
LFLP Holdings, LLC	Total Artefactos, S.A.	Retail stores	\$25,000,000	Insurance

LATIN AMERICA AND THE CARIBBEAN REGIONAL

ACCION International	Emergency Liquidity Facility, L.P.	Financing facility available during liquidity emergencies	\$1,000,000	Finance
Citibank, N.A.	Digicel Int'l Finance, Ltd. (Tranche A)*	Telecommunication expansion	\$4,000,000	Finance
Citibank, N.A.	Digicel Int'l Finance, Ltd.(Tranche B)*	Telecommunication expansion	\$11,000,000	Finance

ALL OPIC COUNTRIES

Frontier Finance International	Procredit Holding A.G.	On-lending to project companies for micro-lending	\$25,000,000	Finance
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*Downstream transactions committed under framework agreements entered into during prior fiscal years.

OPIC Countries and Areas

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

OPIC programs are generally available in the countries and areas listed below. From time to time, statutory and policy constraints may limit the availability of OPIC programs in certain countries, or countries where programs were previously unavailable may become eligible. Investors are urged to contact OPIC directly or check the Web site www.opic.gov/GeneralOPIC/ctrylist.htm for up-to-date information regarding the availability of OPIC services in specific countries, as well as information on program availability in countries not listed.

(As of September 30, 2005)



AFRICA AND THE MIDDLE EAST

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

Zambia
Zimbabwe

ASIA AND THE PACIFIC

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

EUROPE AND THE NEW INDEPENDENT STATES

Albania
Armenia
Azerbaijan
Bosnia and Herzegovina
Bulgaria
Croatia
Cyprus
Czech Republic
Estonia
Georgia
Greece
Hungary
Ireland
Kazakhstan
Kosovo
Kyrgyzstan
Latvia
Lithuania
Macedonia
Malta

Moldova
Northern Ireland
Poland
Portugal
Romania
Russia
Serbia and Montenegro
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
St. Kitts and Nevis
St. Lucia
St. Vincent and the Grenadines
Suriname
Trinidad and Tobago
Turks and Caicos
Uruguay

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS



KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report

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, 2005 and 2004, 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. 01-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 01-02 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 the 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. An audit also includes 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, 2005 and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 11, 2005 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 11, 2005

KPMG LLP, KPMG LLP is a U.S. limited liability partnership, is a member of KPMG Network, a Swiss entity.

BALANCE SHEETS

Overseas Private Investment Corporation — September 30, 2005 and 2004
(\$ in thousands)

ASSETS

	<u>2005</u>	<u>2004</u>
Fund Balance with U.S. Treasury (notes 2 and 4)	\$ 892,823	\$ 1,084,107
U.S. Treasury securities, at amortized cost plus related receivables (notes 2 and 7)	4,119,837	3,910,895
Direct loans outstanding of \$619,255 and \$499,859 less allowance for uncollectible loans of \$127,655 and \$52,462 in FY2005 and FY2004 (notes 2 and 10)	491,570	447,397
Accounts receivable resulting from investment guaranties of \$101,834 and \$184,335 less allowance for doubtful recoveries of \$36,480 and \$83,142 in FY2005 and FY2004 (notes 2 and 11)	65,354	101,193
Assets acquired in insurance claims settlements of \$221,482 and \$309,709 less allowance for doubtful recoveries of \$50,898 and \$98,609 in FY2005 and FY2004 (notes 2 and 11)	170,584	211,100
Guaranty Receivable (notes 2 and 18)	152,741	132,107
Accrued interest and fees and other	30,130	24,655
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization of \$12,810 in FY2005 and \$12,357 in FY2004 (notes 2 and 14)	5,513	1,353
Total assets	\$ 5,928,552	\$ 5,912,807

LIABILITIES, CAPITAL, AND RETAINED EARNINGS

Liabilities:

Reserve for political risk insurance (note 9)	\$ 315,000	\$ 270,000
Reserve for investment guaranties (notes 10)	625,000	667,000
Accounts payable and accrued expenses	3,836	5,963
Guaranty liability (Notes 2 and 18)	152,741	132,107
Customer deposits and deferred income	52,527	37,373
Borrowings from U.S. Treasury, and related interest (note 6)	673,398	593,761
Unearned premiums	12,971	15,499
Deferred rent & rent incentives from lessor of \$4,108 and \$2,827 net of accumulated amortization of \$340 and \$145 in FY2005 and FY2004 (note 14)	3,768	2,682
Contingent liabilities (notes 9, 10, 17 and 18)	1,839,241	1,724,385
Capital and retained earnings:		
Contributed capital	50,000	50,000
Credit funding (note 5)	171,432	173,238
Interagency transfers (Note 2)	5,811	18,631
Retained earnings and reserves:		
Insurance (notes 9 and 12)	1,347,890	1,767,145
Guaranty (notes 10 and 12)	2,514,178	2,179,408
	<u>4,089,311</u>	<u>4,188,422</u>
Total liabilities, capital, and retained earnings	\$ 5,928,552	\$ 5,912,807

See accompanying notes to financial statements.

STATEMENTS OF INCOME

Overseas Private Investment Corporation — September 30, 2005 and 2004
(\$ in thousands)

REVENUES

	<u>2005</u>	<u>2004</u>
Political risk insurance premiums and fees (note 9)	\$ 30,782	\$ 43,782
Investment financing interest and fees	135,632	97,177
Interest on finance program deposits	49,265	55,289
Other operating income	2	4,278
Interest on U.S. Treasury securities	188,130	193,149
	<u>403,811</u>	<u>393,675</u>

EXPENSES

Provisions for reserves:		
Political risk insurance (notes 2 and 9)	11,367	54,000
Investment financing (notes 2 and 10)	70,051	85,404
Salaries and benefits (note 15)	25,598	24,544
Rent, communications and utilities (note 14)	6,934	6,399
Contractual services	26,678	24,873
Travel	2,813	3,028
Interest on borrowings from U.S. Treasury (note 6)	37,156	30,335
Depreciation and amortization (note 2)	452	433
Other general and administrative expenses	1,573	1,603
	<u>182,622</u>	<u>230,619</u>
Net income	<u>\$ 221,189</u>	<u>\$ 163,056</u>

See accompanying notes to financial statements.

STATEMENTS OF CAPITAL AND RETAINED EARNINGS

Overseas Private Investment Corporation—September 30, 2005 and 2004
(\$ in thousands)

	Contributed capital	Credit funding	Interagency transfers	Equity reserves		Retained earnings	Total
				Insurance (notes 9 and 12)	Guaranty (notes 10 and 12)		
Balance, September 30, 2003	\$ 50,000	\$ 166,082	\$ 814	\$ 1,965,841	\$ 1,816,740	\$ —	\$ 3,999,477
Net income	—	—	—	(182,428)	345,484	—	163,056
Return credit funding to U.S. Treasury	—	(5,579)	—	—	(127,231)	—	(132,810)
Credit funding received from:							
Accumulated earnings	—	48,635	—	(23,951)	—	(24,684)	—
Credit appropriations	—	133,699	—	—	—	—	133,699
Credit funding used	—	(169,099)	—	—	144,415	24,684	—
Interagency transfers	—	(500)	17,817	7,683	—	—	25,000
Balance, September 30, 2004	\$ 50,000	\$ 173,238	\$ 18,631	\$ 1,767,145	\$ 2,179,408	\$ —	\$ 4,188,422
Net income	—	—	—	(414,467)	635,656	—	221,189
Return credit funding to U.S. Treasury	—	—	—	—	(446,916)	—	(446,916)
Credit funding received from:							
Accumulated earnings	—	49,333	—	(23,808)	—	(25,525)	—
Credit appropriations	—	120,416	—	—	—	—	120,416
Credit funding used	—	(171,555)	—	—	146,030	25,525	—
Interagency transfers	—	—	(12,820)	19,020	—	—	6,200
Balance, September 30, 2005	\$ 50,000	\$ 171,432	\$ 5,811	\$ 1,347,890	\$ 2,514,178	\$ —	\$ 4,089,311

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Overseas Private Investment Corporation—Years ended September 30, 2005 and 2004
(\$ in thousands)

CASH FLOWS FROM OPERATING ACTIVITIES

	2005	2004
Net income	\$ 221,189	\$ 163,056
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for:		
Political risk insurance	11,367	54,000
Investment financing	70,051	85,404
Amortization of premiums on U.S. securities	17,657	22,988
Accretion of discounts on U.S. securities	(5,931)	(3,227)
Amortization of deferred rent and rental incentives	(561)	(684)
Increase (decrease) in rent incentives	1,647	(4,266)
Depreciation and amortization of furniture, equipment and leasehold improvements	452	433
(Increase) decrease in assets:		
Accrued interest and fees	(707)	4,873
Accounts receivable	10	(3)
Assets acquired in insurance claims settlements	(50,000)	(96,241)
Recoveries on assets acquired in insurance claims settlements	124,149	19,525
Assets acquired in finance claims settlements	(37,636)	(77,869)
Recoveries on assets acquired in finance claims settlements	36,517	23,757
Increase (decrease) in liabilities:		
Accounts payable and accrued expenses	(2,127)	520
Customer deposits and deferred income	15,154	2,093
Unearned premiums	(2,528)	1,602
Capitalized interest	385	—
Insurance claim payments	—	(296)
Cash provided by operating activities	399,088	195,665
CASH FLOWS FROM INVESTING ACTIVITIES		
Sale and maturity of U.S. Treasury securities	1,321,186	1,129,059
Purchase of U.S. Treasury securities	(1,546,631)	(1,264,015)
Repayment of direct loans	19,802	9,967
Disbursement of direct loans	(139,455)	(319,305)
Acquisition of furniture and equipment	(4,612)	(396)
Cash used in investing activities	(349,710)	(444,690)
CASH FLOWS FROM FINANCING ACTIVITIES		
Return credit funding to U.S. Treasury	(446,915)	(40,425)
Interagency transfers	6,200	25,000
Credit appropriations	120,416	41,315
Credit reform borrowings from U.S. Treasury	79,637	397,308
Cash provided by (used in) financing activities	(240,662)	423,198
Net increase (decrease) in cash	(191,284)	174,173
Fund balance with U.S. Treasury at beginning of year	1,084,107	909,934
Fund balance with U.S. Treasury at end of year	\$ 892,823	\$ 1,084,107

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Overseas Private Investment Corporation — September 30, 2005 and 2004

(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 convertibility 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.

Contingent Liabilities Related to Investment Guaranties: The fair value of investment guaranties entered into after December 31, 2002 is recognized as a liability. A corresponding amount is recorded as an asset to reflect the fact that

OPIC is compensated for the assumption of the liability. See also note 18.

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

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.

(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, 2005 and 2004 consists of the following (dollars in thousands):

	2005	2004
Restricted:		
Pre-Credit reform	\$ 241	66
Credit reform	877,825	1,067,631
Interagency fund transfers	1	1
Unrestricted	14,756	16,409
Total	\$ 892,823	1,084,107

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 2005 and 2004, OPIC transferred \$4 million and \$3.5 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 is available for two years. In addition, the Act requires the administrative costs related to its credit program to be displayed.

In fiscal year 2005, OPIC's appropriations legislation authorized the corporation to use \$23.8 million of its accumulated earnings to cover the future costs of credit transactions committed in fiscal years 2005 and 2006. In fiscal year 2004, OPIC was authorized to use \$23.9 million to cover commitments in fiscal years 2004 and 2005. 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):

	2005	2004
Balance carried forward	\$ 173,238	166,082
Upward reestimates	120,416	133,699
Transferred from earnings	49,333	48,635
Transferred to earnings	—	(5,579)
Interagency transfers (net)	—	(500)
Credit funding used	(171,555)	(169,099)
Credit funding remaining	\$ 171,432	173,238

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 \$120.4 million and \$133.7 million and decreases in subsidy costs of \$417.9 million and \$92.4 million in fiscal years 2005 and 2004, respectively.

The way in which OPIC calculates the subsidy cost of its loans and guaranties for Credit Reform purposes differs from the way it calculates its loss reserves and net finance income in accordance with GAAP for financial statement purposes. While both the subsidy calculations and the GAAP loss allowances factor into the risk of individual credits, the GAAP loss allowances do not recognize the present value of future interest and fees, as to do so would effectively record revenue prior to realization.

(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 financing totaled \$152.4 million in 2005 and \$402.6 million in 2004, all of which have been disbursed. OPIC paid a total of \$37.2 million and \$30.3 million in interest to the U.S. Treasury during fiscal years 2005 and 2004, respectively. Repayments of borrowings from the U.S. Treasury totaled \$74.8 million in 2005 and \$5.3 million in 2004. Future payments, excluding interest of \$1.9 million, for borrowings outstanding at September 30, 2005 are as follows (dollars in thousands):

Payment due in:		
Fiscal year 2006	\$	9,868
Fiscal year 2007		37,040
Fiscal year 2008		27,139
Fiscal year 2009		24,555
Fiscal year 2010		46,199
Thereafter		526,699
Total	\$	671,500

(7) Investment in U.S. Treasury Securities

The composition of investments and related receivables at September 30, 2005 and 2004 is as follows (dollars in thousands):

	2005	2004
Investments, amortized cost	\$ 4,074,403	3,860,684
Interest receivable	45,434	50,211
Total	\$ 4,119,837	3,910,895

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

	Gross amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
At Sept. 30, 2005	\$ 4,074,403	209,010	(30,872)	4,252,541
At Sept. 30, 2004	\$ 3,860,684	280,584	(3,852)	4,137,416

At September 30, 2005, the securities held had an interest range of 2% to 14% and a maturity period from two months to almost 23 years.

OPIC holds its securities to maturity. The amortized cost and estimated fair value of U.S. Treasury securities at September 30, 2005, by contractual maturity, are shown below (dollars in thousands):

	Amortized cost	Estimated fair value
Due in one year or less	\$ 629,307	629,648
Due after one year through five years	1,872,246	1,866,410
Due after five years through 10 years	934,698	960,625
Due after 10 years	638,152	795,858
Total	\$ 4,074,403	4,252,541

(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, 2005, OPIC's insurance and finance programs have collectively utilized \$12.9 billion.

(9) Political Risk Insurance

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

	2005	2004
Political risk insurance premiums	\$ 30,711	43,680
Miscellaneous insurance income	71	102
Total	\$ 30,782	43,782

OPIC's capital, retained earnings, and reserves available for insurance at September 30, 2005 and 2004 totaled \$1.7 billion and \$2.2 billion, respectively. Charges against retained earnings could arise from (A) outstanding political risk insurance contracts, (B) pending claims under insurance contracts, and (C) 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, 2005 and 2004 was \$4.5 billion and \$6.3 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, 2005 and 2004 was \$3.1 billion and \$3.8 billion, respectively.

(b) Pending Claims

At September 30, 2005 and 2004, the total amount of compensation formally requested in insurance claims for which no determination of specific liability had yet been made was approximately \$2.9 million and \$50.7 million, respectively. 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.

(c) Claims Settlement Guaranties and Indemnities

OPIC also has off-balance-sheet risk in connection with one claim settlement. OPIC settled a claim in 1991 through a guaranty of \$30 million of host government obligations. Payments by the host government have reduced OPIC's exposure to \$3.6 million and \$5.8 million at September 30, 2005 and 2004, respectively. Any claims that might arise from this settlement are factored into the nonspecific reserve for political risk insurance.

Changes in the reserve for political risk insurance during fiscal years 2005 and 2004 were as follows (dollars in thousands):

	2005	2004
Beginning balance	\$ 270,000	260,000
Charge offs	—	(296)
Increase in provisions	11,367	54,001
Transfers from (to) other reserves	33,633	(43,705)
Total	\$ 315,000	270,000

(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 2005 and 2004, \$23.8 million and \$23.9 million, respectively, was made available for credit funding costs. OPIC is in compliance with all relevant limitations and credit funding appropriations guidance. OPIC's capital, retained earnings, and reserves available for claims on its investment financing at September 30, 2005 and 2004 totaled \$3.3 billion and \$3 billion, respectively.

Direct Loans: Direct loans are made for projects in developing and other eligible countries involving U.S. small business or cooperatives, on terms and conditions established by OPIC. Direct loan exposure at September 30, 2005 totaled \$1.2 billion, of which \$619 million was outstanding. Direct loan exposure at September 30, 2004 totaled \$897 million, of which \$500 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 \$51.2 million at September 30, 2005 and \$35.1 million at September 30, 2004. If interest income had been accrued on those loans, it would have approximated \$2.1 million during fiscal year 2005 and \$1.1 million during fiscal year 2004. Interest collected on delinquent loans and recorded as income when received amounted to \$1.1 million and \$1 million for fiscal years 2005 and 2004, respectively.

Changes in the allowance for uncollectible loans during fiscal years 2005 and 2004 were as follows (dollars in thousands):

	2005	2004
Beginning balance	\$ 52,462	34,766
Charge offs	(324)	—
Recoveries	38	254
Increase in provisions	75,094	17,441
Provision for capitalized interest	385	1
Ending balance	\$ 127,655	52,462

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, 2005, of which \$3.7 billion was outstanding. Of the \$7.2 billion of exposure, \$5 billion was related to project finance and \$2.2 billion was related to investment fund guarantees. Of the \$3.7 billion outstanding, \$2.9 billion related to project finance and \$782 million related to investment fund guaranties. Included in the \$2.2 billion of investment fund exposure is \$488 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, 2005, \$274.5 million of the \$488 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, 2004, OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was \$6.8 billion, of which \$3.8 billion was outstanding. Of the \$6.8 billion of exposure, \$4.4 billion was related to project finance and \$2.4 billion was related to investment fund guarantees. Of the \$3.8 billion outstanding, \$2.7

billion related to project finance and \$1.1 billion related to investment fund guaranties. Included in the \$2.4 billion of investment fund exposure is \$642 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, 2004, \$309 million of the \$642 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.

Changes in the reserve for investment guaranties during fiscal years 2005 and 2004 were as follows (dollars in thousands):

	2005	2004
Beginning balance	\$ 667,000	630,000
Charge offs	(87,455)	(2,555)
Recoveries	3,180	5,518
Increase in provisions	42,275	34,037
Ending balance	\$ 625,000	667,000

(11) 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.

Changes in the allowance for doubtful recoveries for assets resulting from investment guaranties during fiscal years 2005 and 2004 were as follows (dollars in thousands):

	2005	2004
Beginning balance	\$ 83,142	44,675
Increase (decrease) in provisions	(47,318)	33,925
Recoveries	656	2,420
Increase in capitalized interest	—	2,122
Ending balance	\$ 36,480	83,142

Changes in the allowance for doubtful recoveries for assets acquired in insurance claims settlements during

fiscal years 2005 and 2004 were as follows (dollars in thousands):

	2005	2004
Beginning balance	\$ 98,609	62,477
Charge offs	(14,078)	(7,573)
Transfers to (from) other reserves	(33,633)	43,705
Ending balance	\$ 50,898	98,609

(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 FY2005 and FY2004, 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, 2005 and 2004, the Insurance Reserve totaled \$1.3 billion and \$1.8 billion, respectively, and the Guaranty Reserve totaled \$2.5 billion and \$2.2 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, 2005 are as follows (dollars in thousands):

	Carrying amount	Fair value
Financial assets:		
Cash	\$ 892,823	892,823
U.S. Treasury securities	4,074,403	4,252,541
Interest receivable on securities	45,434	45,434
Direct loans	491,570	491,570
Accounts receivable from investment guaranties	65,354	65,354
Assets acquired in insurance claims settlements	170,581	170,584
Financial liabilities:		
Borrowings from the U.S. Treasury and related interest	673,398	649,697

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 2005 and 2004 was approximately \$4.9 million and \$4.7 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 either by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For CSRS employees, OPIC withheld 7.0% of gross 2005 earnings and contributed 7.0% of gross 2005 earnings. For FERS employees, OPIC withheld 0.80% of gross 2005 earnings and contributed 10.7% of gross 2005 earnings. Withholdings and contributions are transferred appropriately to the Civil Service Retirement Fund and FERS fund, from which the applicable employee groups will receive retirement benefits. An additional 6.2% of the FERS employees' gross earnings is withheld, matched by OPIC, and sent to the Social Security system, from which the FERS employee group will also 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 (after an initial eligibility period) and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). Based on employee elections, 0% to 10% of gross CSRS earnings is withheld and 0% to 15% of gross FERS earnings is withheld, subject to 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, 2005 and 2004 (dollars in thousands):

	2005		
	Total	Outstanding	Unused commitments
Guaranties	\$ 7,127,950	3,594,490	3,533,460
Undisbursed direct loans	568,863	—	568,863
Insurance	4,512,216	3,122,869	1,389,347

	2004		
	Total	Outstanding	Unused commitments
Guaranties	\$ 6,633,786	3,664,447	2,969,339
Undisbursed direct loans	397,172	—	397,172
Insurance	6,254,516	3,845,516	2,409,000

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, 2005 by major geographical area (dollars in thousands):

	Loan guaranties	Undisbursed portion on direct loans	Insurance
Africa	\$ 724,033	123,927	575,789
Asia	646,014	94,693	802,177
Europe	1,005,809	14,922	482,599
Latin America	2,315,873	163,385	1,544,792
Middle East	728,639	46,250	581,962
NIS (New Independent States)	1,039,399	78,857	536,805
Worldwide	668,183	46,829	—
Insurance stop-loss adjustment	—	—	(11,908)
	\$ 7,127,950	568,863	4,512,216

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, 2005, OPIC's largest finance and insurance exposure was in the following countries and sectors (dollars in thousands):

Country		Sector	
Turkey	\$ 1,042,465	Financial services	\$ 4,060,259
Colombia	692,763	Power generation	2,963,727
Venezuela	690,134	Oil and gas services	2,300,826
Russia	645,443	Manufacturing	1,094,050
Nigeria	608,317	Construction	752,375

(17) Other Contingencies

OPIC is currently involved in certain legal claims and has received notifications of potential claims in the normal course of business. OPIC is a part of an expropriation claim brought against it. The amount of active coverage is \$50 million. 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 2005 and FY 2004 OPIC recognized a guaranty liability and a guaranty fee receivable of \$152.7 million and \$132.1 million, respectively. OPIC collected \$17.2 million and \$2.3 million of guaranty fees in FY 2005 and FY 2004, respectively, on the investment guaranties issued since December 31, 2002.

(19) 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.

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