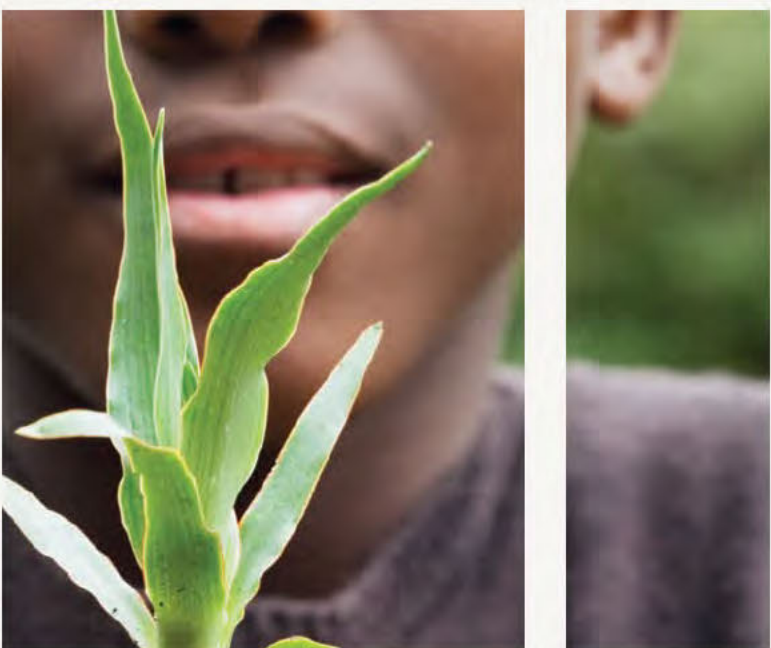


2010

OVERSEAS PRIVATE INVESTMENT CORPORATION

Annual Report



OPIC



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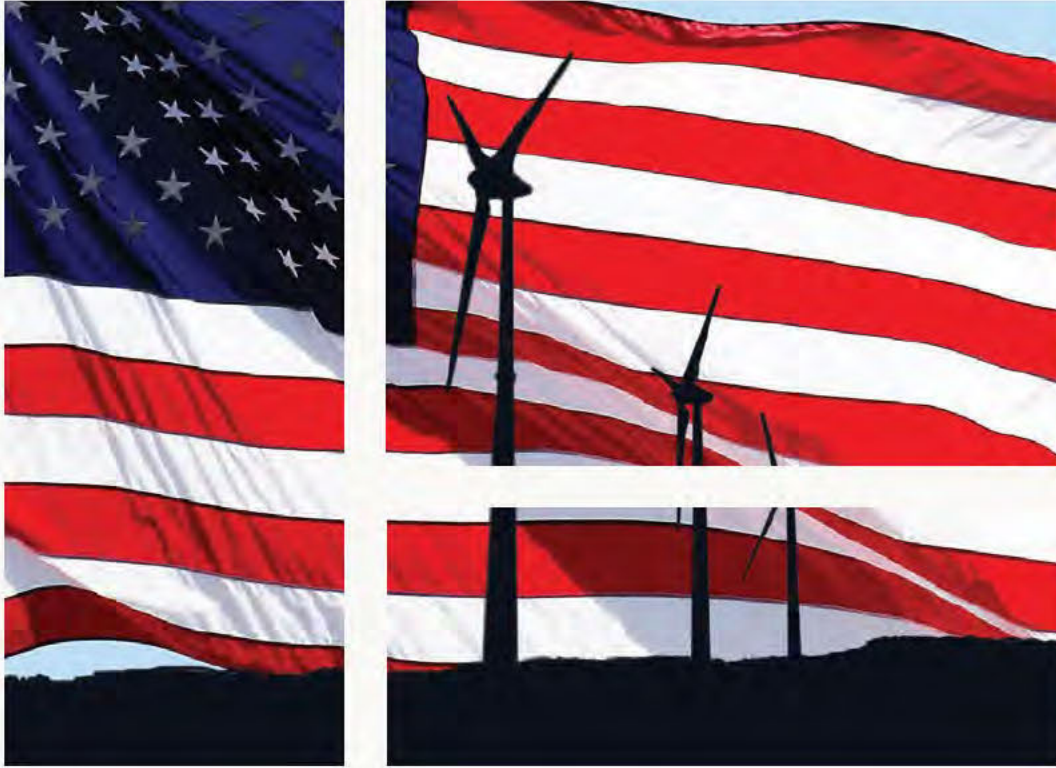
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## OPIC: DEVELOPING A SUSTAINABLE FUTURE

**TODAY, MORE THAN EVER, AMERICA** needs OPIC to carry out its mission to mobilize the participation of U. S. private capital and innovation in the economic and social development of less-developed countries and those in transition from non-market to market economies. It needs OPIC to provide risk capital and insurance to U.S. companies seeking to do business in nations and regions where private lenders are not yet ready to go. It needs OPIC to help open new markets for U.S. companies — small businesses in particular — so that they can grow and support jobs both at home and abroad. It needs OPIC to help finance the global commercialization of American innovations and technologies that may hold the promise for

better stewardship of our natural resources. It needs OPIC to increase the volume of its investments, which since 1971 have already helped generate over \$74 billion in U.S. exports and support more than 274,000 American jobs, while creating economic opportunities in the host developing country. It needs OPIC, together with partner agencies, to find, encourage and support sustainable solutions that will enable the people and the planet to survive — and prosper — together, for generations to come. *And America needs OPIC, at a time of limited resources, to continue to do all of this— as it has throughout its history—at no cost to U.S. taxpayers.*

As President Obama said at the United Nations in announcing the Administration's new global development policy, only development offers nations and peoples a path out of poverty to prosperity, freedom and peace.

"In our global economy," the President said, "progress in even the poorest countries can advance the prosperity and security of people far beyond their borders." Sustainable development, in the President's words, is "what's needed most right now." And to bring it about, "we need to harness all the tools at our disposal — from our diplomacy to our trade policies to our investment policies."

As the primary government agency supporting U.S. private sector investment overseas, OPIC demonstrated throughout 2010 that it is one of the most important tools for realizing this goal.

- **OPIC fulfills its mission in a cost effective way.** In FY2010, OPIC provided \$2.4 billion in new market-based financing and political risk insurance to U.S. businesses. By charging fees and earning interest on its accumulated



reserves, OPIC had a net income of \$259.9 million and returned money to the U.S. treasury for the 33rd consecutive year.

- **OPIC crafts innovative solutions to the specific challenges of real projects in difficult markets.** For example, in 2010, OPIC expanded the ability of Mexico's capital markets to support much-needed infrastructure improvements, by guaranteeing AAA-rated bonds in Mexican pesos in the agency's first-ever support of a local currency capital market bond issuance.
- **OPIC is a force multiplier, mobilizing many times the capital it puts at risk.** That is especially true of OPIC-supported investment funds, through which OPIC support typically leverages three to ten times as much in private investment in targeted geographic markets or industrial sectors. Such was the case in 2010 with OPIC-supported investment funds in Southeast Asia, Pakistan, West Africa and the Middle East and North Africa — all in support of President Obama's announcement the previous year of increased U.S. support for technological development in Muslim-majority countries.
- **OPIC is an effective and reliable development partner.** Throughout its history, OPIC has worked successfully with other U.S. agencies in the development, foreign policy and trade arenas and has earned the respect of the international development community and a growing profile among U.S. small businesses. In 2010, OPIC joined with the White House, the State Department, the U.S. Trade and Development Agency (USTDA) and other organizations in helping the U.S. to host the Summit on Entrepreneurship. Also



in 2010, USTDA, the Export-Import Bank of the U.S., the Department of Commerce and the Small Business Administration partnered with OPIC in continuing the agency's popular *Expanding Horizons* workshops, through which more than 1,000 minority and women small business owners nationwide have learned how OPIC can help them participate in the global economy.

- **OPIC has a highly skilled, talented and creative team.** The agency's exceptional management and staff are the resources that have built OPIC into a sharp, smart and efficient developmental tool. They are the reason that OPIC's investments have produced measurable results in more than 150 countries and consistent profitability for the U.S. By charging market-based fees on its \$14 billion portfolio of projects, OPIC operates on a self-sustaining basis at no net cost to the American taxpayer, and contributes revenues to the U.S. treasury every year. In a remarkable display of efficiency, OPIC achieves these results with the smallest staff, managing the highest level of exposure per

employee, of any governmental or multilateral development finance institution in the world.

To ensure that OPIC investments remain sound and sustainable for decades to come, the agency in 2010 released a revised and strengthened Environment and Social Policy Statement, the first major revision of these policies in 12 years which includes for the first time OPIC's policies on labor and human rights. Adopting the International Finance Corporation's Performance Standards on Social and Environmental Sustainability, and reflecting thoughtful input from various OPIC stakeholders, the new Statement reinforces OPIC's commitment to global challenges, including climate change, and is consistent with our attentiveness to the economic impacts of OPIC investments at home and overseas. Even before finalization of the new Environment and Social Policy Statement, OPIC was already taking the lead in promoting the use of highly sustainable green energy and alternative technologies in the developing world. The OPIC conference *Renewable Energy & Clean Technology: Access to Investment Opportunities in Emerging Markets* drew nearly 300 participants from 26 countries to New Delhi to learn of specific opportunities in solar, wind, hydro, biomass and other clean technologies. In projects announced in 2010, OPIC committed to directly finance solar power generation in India, an ethanol plant in Hungary and aluminum recycling in Turkey. These efforts of OPIC's Renewable Energy and Sustainable Energy Finance Group are in addition to projects financed through OPIC-supported investment funds targeting clean and renewable energy projects worldwide.

Going forward, OPIC will seek to expand its growing success in renewable energy to encompass renewable resources of all kinds, such as water, fuel, fiber and food — the entire range of goods and services that nature provides. We will look for innovative strategies and opportunities to promote sustainability, by financing projects that develop new resources or allow more efficient use of existing resources, and by creating innovative ways to encourage investment — such as insuring against government breach of contract for carbon credits.

In a real sense, we have already begun. OPIC projects announced in 2010, as well as those in the pipeline for 2011, exemplify the kind of sustainable development the world needs, not only in renewable energy, but in infrastructure, housing, manufacturing and microfinance. These projects, like all OPIC investments, are designed both to provide developmental benefits to host communities and to demonstrate to U.S. and other investors that profitable investments may be made in emerging markets.

As President Obama has said, “We will invest in programs that work; we’ll end those that don’t. We need to be big-hearted but also



hard-headed in our approach to development.” Therefore OPIC will continue to lead us to respond with speed and agility to unexpected humanitarian crises as we did in 2010 in Haiti and Pakistan, but also remain focused on our nation’s development and foreign policy priorities in South Asia, Africa and the broader Middle East.

Accomplishing these aims will require internal investments within OPIC to improve efficiency, while achieving the optimum balance of impact, risk and revenue. A new series of staff development and management programs will enhance staff experience and productivity and help to maintain a working environment that led to OPIC’s second consecutive second-place ranking in the annual *Best Places to Work in the Federal Government* survey among 34 agencies with fewer than 2,000 employees.

Finally, to create more opportunities to make a difference, OPIC will invest in making key influential circles and potential customers more aware of the agency, its offerings and results.

When we look to the Middle East and see OPIC-supported programs financing both Israeli and Palestinian entrepreneurs; when we see OPIC helping to increase housing opportunities from Ghana to Afghanistan; when we see countries as far flung as Ukraine and Indonesia working with the U.S. to reopen or expand their access to OPIC services, it becomes clear that we are all connected and the social and economic challenges we face demand international solutions and generous partnerships. OPIC is committed to assuring the U.S. remains the development partner the world needs it to be and demonstrating — one project at a time — that smart, cooperative U.S. private investment can make the world a better place.



#### FINANCING THE RENEWABLE FUTURE

*Globally, the clean energy industry has defied the economic downturn and is growing at astounding rates. This is good news for developing countries where obstacles to distribution of energy generated from fossil fuels make renewable energy such a perfect solution to their developmental needs. Kenya, for example, has the world's highest household solar ownership rate with roughly 30,000 small solar power systems sold per year.*

*Established in 2008 to spearhead OPIC's efforts to identify investment prospects in emerging markets, the Renewable Energy and Sustainable Energy Finance Group has yielded immediate results. In the first two years of the group's operation, OPIC committed a total of \$642 million in financing and political risk insurance to 19 renewable energy projects in emerging markets ranging from India and Poland to Afghanistan and Liberia.*



## FINDING RENEWABLE ENERGY TO FUEL LIMITLESS NEEDS

### HARNESSING NEW AND RENEWABLE FORMS

of energy is the defining challenge of the 21st century. It holds the key to assuring that today's emerging economies, and future generations the world over, will have the resources sufficient for their needs and a sustainable environment in which to enjoy them. That is why supporting projects in renewable and clean technologies has become OPIC's top priority.

While the challenges of developing new forms of energy in emerging markets might seem especially daunting, the opportunities are, in fact, nowhere greater. That was the central message of the OPIC conference *Renewable Energy & Clean Technology: Access to Investment Opportunities in Emerging Markets* in New Delhi. Nearly 300 attendees from 26 countries received tangible real-world information about the resources available to transform their project ideas from abstraction into reality. OPIC's most definitive effort yet to facilitate new U.S. investment in the fast-growing green energy and alternative technology sectors, the three-day conference provided prospective project sponsors with opportunities to meet future partners and identify potential sources of funding.

OPIC projects announced in 2010 reflected the incredible creativity, innovation and entrepreneurship of companies seeking to bring clean energy projects to emerging markets.

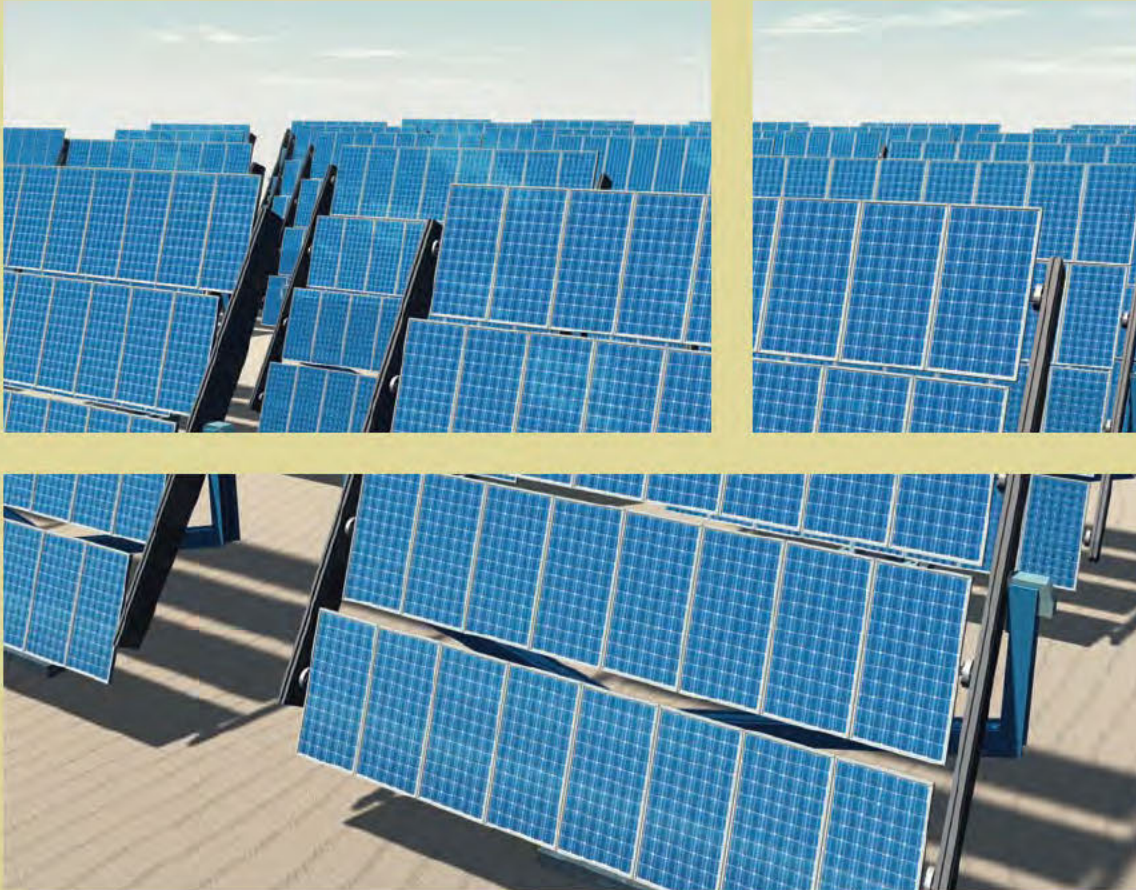
For example, New York-based ContourGlobal will receive OPIC financing and political risk insurance to support development worldwide of its advanced "trigeneration" plants that produce heat, power and chilled-water and "quad-generation" facilities that capture carbon dioxide (CO<sub>2</sub>) emissions for commercial and

industrial uses. In one project promoting sustainable production of consumer goods, a Coca Cola bottler with plants in Eastern Europe and Nigeria will use ContourGlobal's QuadGen™ process to reduce CO<sub>2</sub> emissions and then use the captured and purified gas for its carbonated beverages. At the end of 2010, there were three facilities in operation and five facilities under construction.

OPIC political risk insurance will help [REDACTED] through Pakistan [REDACTED] Afghanistan. [REDACTED]

A venture involving Fagen, Inc. of Granite Falls, Minnesota, one of the leading design builders of corn ethanol plants in the United States, will use an OPIC loan guaranty to help build a 200 million liter per year corn ethanol production facility in Dunaföldvár, Hungary. Besides cutting greenhouse gas emissions and producing more energy than it consumes, the project will support 135 U.S. jobs and generate \$79.6 million in U.S. procurement.

OPIC also continued to support the expansion of private equity investment in the clean and renewable energy sectors, moving forward with \$100 million commitments to both the USRG Emerging Markets Fund and the SACEF Fund. Focusing on investment in clean and renewable energy projects worldwide, these funds were among six private equity funds approved in 2008 by OPIC's Board of Directors.



#### REACHING OUT, DRAWING IN

Driven by the slower U.S. economy, the global credit crunch and OPIC's continuing outreach efforts, the number of business plan summaries submitted by small- and medium-sized enterprises for initial financing consideration increased **by over 150 percent since the financial crisis began**. General inquiries about OPIC products also increased significantly, with the Office of External Affairs fielding over 2,000 public requests this year.

In perfect alignment with OPIC's priorities, small businesses are submitting increasing numbers of proposals for projects in renewable energy and clean technology. Africa led all regions, with approximately 40 percent of total inquiries, followed by the Caribbean and Latin America at 35 percent, Eurasia with approximately 13 percent, and Asia and the Middle East-North Africa region both under 10 percent.

## REMOVING OBSTACLES BETWEEN SMALL BUSINESS AND OPPORTUNITY

**FOR U.S. SMALL BUSINESSES THAT WANT** to compete in emerging markets overseas, scarcity of investment capital in tough economic times is just one more obstacle between them and full participation in the global economy.

OPIC removes obstacles and opens opportunities by offering eligible small businesses affordable project financing and political risk insurance not available in the private markets. Supporting small business is an OPIC priority, and not only because it is one of the agency's mandates. The fact is, U.S. small businesses are among the most valuable, innovative and capable partners in achieving OPIC's developmental goals.

For example, Azure Power India Private Limited, a company with California-based U.S. investors, has built the first megawatt-scale solar independent power project to sell clean, sustainably generated electricity into India's national electric grid. The two-megawatt photovoltaic plant provides power to 4,000 rural homes in Punjab State.

To help meet Ghana's pressing need for affordable housing, a subsidiary of Ghana Home Loans (GHL), sponsored by Boston-based Broad Cove Housing Investment Partners, LLC, will use OPIC financing to support additional mortgage lending to low- and middle-income borrowers. One of only two mortgage lenders

in Ghana, where lack of both capital and a liquid real estate market drives self-funded home builders and many developers to build only high-income homes, GHL is working with other international development agencies, including FMO and the International Finance Corporation to promote affordability. The company has already used a 2006 OPIC loan to originate 545 mortgages worth more than \$26 million.

In Tbilisi, Georgia, with the lowest residential housing stock per capita and the highest average residents per household of any capital in Eastern Europe, \$10 million in OPIC financing will enable a venture involving Firebird Avroa Advisors LLC to build four residential apartment buildings totaling 328 units.

Bringing projects such as these to fruition begins with OPIC reaching out and working at a retail level with small businesses nationwide to make them aware of the agency's financial products. In addition to continuing the highly popular *Expanding Horizons* workshops for women- and minority-owned enterprises and participating in conferences, business meetings and direct conversations, OPIC took more of its outreach online in 2010. The agency expanded the small business resources available on the OPIC website, launched an OPIC blog and communicated with stakeholders through Facebook and Twitter.



#### A FRESH START IN UKRAINE

*With an agreement resolving a longstanding insurance claim dispute with Ukraine, OPIC financing and insurance are once again available for U.S. investment projects there. Small- and medium-sized enterprises (SMEs) especially stand to benefit from the hundreds of millions of dollars in U.S. investment that could soon begin flowing. To reach out to entrepreneurs in Ukraine and their U.S. partners, OPIC partnered with the U.S.-Ukraine Business Council, holding workshops on OPIC programs in Washington, D.C. and Kyiv that drew over 250 business representatives. In 2010, the agency also welcomed the Ukrainian Development Network as a member of OPIC's Enterprise Development Network which is designed to support small and medium-sized enterprises expanding into emerging markets.*

## PROMOTING ENTREPRENEURSHIP IN COMMUNITIES AROUND THE WORLD

**CENTRAL TO UNITED STATES POLICY** — and, thus, to OPIC’s mission — to bring sustainable growth to developing nations is the certainty, as expressed by President Obama, that countries are more likely to prosper when they encourage entrepreneurship.

That shared belief drew delegates from more than 50 nations to Washington in April 2010 to participate in the Summit on Entrepreneurship, designed to connect American stakeholders in mutually-supportive partnerships. The summit also highlighted and celebrated the work and talents of entrepreneurs from Muslim majority countries around the world — in particular those where, in the President’s words, “we’re forging new partnerships to isolate violent extremists, but also to combat corruption and foster the development that improves lives and communities.”

OPIC is a vital component in those new entrepreneurship-promoting public-private partnerships. In response to President Obama’s Cairo speech last June, OPIC issued a call for proposals to manage Global Technology and Innovation Funds intended to catalyze private sector investments in OPIC-eligible countries in Asia, the Middle East and Africa. After reviewing 87 responses, OPIC approved \$830 million in funding for nine new funds that could eventually channel \$2.4 billion in investments into those regions, with a significant percentage targeted to start-ups, small- and medium-sized enterprises and other entrepreneurial ventures.

Even more significant than the financing provided to any individual entrepreneur is that OPIC projects and OPIC-supported funds work to strengthen or sometimes even create stable and functioning financial infrastructures at the national, local or micro-financing level. Where private capital or financial institutions are strained or virtually non-existent, it is often OPIC that provides the capacity to lend.

That is the expected benefit of several OPIC projects announced in 2010, including a \$10 million loan guaranty for Koret Israel Economic Development Funds that will generate up to \$140 million in new lending to Jewish and Israeli-Arab small businesses and at least 7,000 new jobs in the impoverished Gilboa and Negev regions.

Responding to the impact of the global financial crisis on the availability of finance for micro and small businesses, an OPIC-supported fund announced by President Obama at the Summit of the Americas will help to restore microfinance lending in Latin America and the Caribbean. Fund manager Blue Orchard Finance will use its \$125 million OPIC loan, together with equity contributions from other sponsors, to make loans to regional microfinance institutions, rebuilding their capacity to lend in turn to the micro and small businesses that provide a majority of the jobs in the hemisphere.

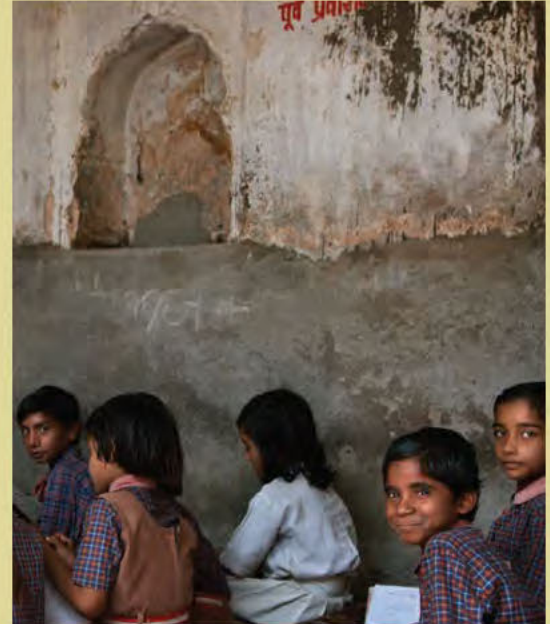
OPIC-supported MicroVest I, LLP exemplifies the new types of partnerships that can harness the power of markets to increase access to capital and create opportunities for people to

improve their lives. MicroVest is the first North American microfinance investment fund to raise capital entirely from socially-motivated individuals and institutional investors. Its unique sponsorship team includes CARE USA, the global humanitarian organization; MEDA Investments Inc., the investment arm of Mennonite Economic Development Associates; Omidyar Network, a philanthropic investment firm created by eBay founder Pierre Omidyar and his wife Pam; The Perls Foundation, a small family foundation active in social enterprise and social justice; and Seed Capital Development Fund, a U.S. non-profit organization dedicated to economic development through the creation of mechanisms that link microfinance institutions to capital markets. MicroVest will use a \$10 million OPIC loan to leverage investments that are estimated to generate nearly 100,000 new loans for micro borrowers, affect the lives of up to a half-million individuals in developing countries, and seize strategic opportunities to address the vast unmet needs of the world's working poor.

In OPIC's experience, governments and the private sector can accomplish more working together than either can working alone. One example is a lending project in Turkey which is helping women entrepreneurs in particular gain

access to the kind of long-term credit that has been lacking for small businesses: while SMEs account for more than 99 percent of total enterprises in Turkey and 78 percent of total employment, they obtain less than 14 percent of bank loans. Turkey's Garanti Bank, owned in part by GE Capital, is using a \$100 million OPIC facility to expand its SME lending in sectors such as manufacturing, tourism, services, and construction. A portion of the OPIC financing is dedicated specifically to Garanti's women entrepreneurship program, created in collaboration with the Women Entrepreneurship Association of Turkey to support women SME-owners through tailored products and services, as well as training to assist in the growth of their businesses.

Whether supporting micro-business startups or helping nations to invest in their human capital, OPIC projects such as these embody the Administration's belief that real change comes from the bottom up, from the grassroots, starting with the dreams and passions of single individuals serving their communities; that countries are more likely to prosper when they tap the talents of all their people; and that throughout history, the market has been the most powerful force the world has ever known for creating opportunity and lifting people out of poverty.



#### STRIVING FOR COMMON GOALS

*"We've come together today because of what we share — a belief that we are all bound together by certain common aspirations. To live with dignity. To get an education. To live healthy lives. Maybe to start a business, without having to pay a bribe to anybody. To speak freely and have a say in how we are governed. To live in peace and security and to give our children a better future."*

— President Barack Obama  
Presidential Summit on Entrepreneurship  
April 26, 2010



#### PERU AIRPORT PRIVATIZATION TAKES FLIGHT

*In one of the most successful airport privatization initiatives in all of South America, OPIC-supported expansion and modernization of Peru's Jorge Chávez International Airport (JCIA) helped transform an aging and inefficient facility into a modern national gateway, an international hub serving 10 million passengers a year, and selected as "South America's Leading Airport" in 2009 and 2010 by World Travel Awards.*

*OPIC's loan guaranty to Lima Airport Partners (LAP) supported the first phase of the modernization program from 2003 to 2006 that more than doubled the airport's size. Up to now, LAP has generated \$700 million in concession fees and taxes paid to the Peruvian government. Airport management has forecast a total return to the government of \$4.5 billion over the airport's 30-year concession. The project, as of October 2010, has increased airport staff to 476 and has generated an estimated 11,000 jobs in third-party services, construction, and other employment opportunities through the airlines, commercial concessionaires, ramp services providers, and government agencies operating there.*

*As if to punctuate the facility's success, LAP pre-paid and refinanced its OPIC-guaranteed loan 11 years early, in July 2007.*



## LAYING THE GROUNDWORK FOR SUSTAINABLE GROWTH

**COUNTRIES ARE MORE LIKELY TO PROSPER** when they expand trade, welcome investment and — as an enabler of growth — invest in their physical infrastructure. But developing countries, while accounting for 80 percent of the world's population, hold only 15 percent of global infrastructure. And in many cases, even this remaining infrastructure has been weakened by years of conflict. The result is that the lack of infrastructure is an obstacle to development and economic growth. OPIC is committed to solving that problem. In developing countries throughout the world, OPIC-supported public and private investment is transforming the quality, sustainability and reach of infrastructure, enabling economies to grow.

For example, OPIC is providing expanded political risk insurance coverage for The International Rescue Committee, a nonprofit organization engaged in humanitarian activities and services in 21 countries. The new OPIC insurance contract adds expropriation to the current coverage against loss of assets due to political violence and forced abandonment and expands coverage to five new countries.

Because people can only pursue the longer term benefits of development after their basic needs are met, OPIC has made it a priority to help emerging markets develop the most individualized unit of physical infrastructure — housing. While OPIC can help create homes by providing loans, guaranties or political risk insurance for U.S. investors directly involved in

local housing construction, more significant impact is possible through OPIC investments that support more broad-based solutions.

For example, OPIC will be providing \$241 million in financing as one of five development finance institutions and local banks funding a landmark \$500 million Palestinian mortgage finance program that will provide affordable long-term loans, doubling the number of working and middle class families who can purchase homes. A \$98 million OPIC loan will help to establish a regional lending facility that will provide loans to build up to 5,000 affordable, high-quality and environmentally sustainable homes in Brazil, Chile, Colombia and Costa Rica.

In Pakistan, OPIC will be providing a \$9.8 million loan to TowerShare which will acquire, construct and operate up to 140 telecommunications towers that will be made available to private wireless companies to rent space. This business model lowers the cost of the infrastructure to the wireless companies which in turn will be able to add transmitting capacity for local users.

Year after year, OPIC's best infrastructure projects represent the best of OPIC: identifying a developmental need in an emerging market, utilizing American entrepreneurial skill to address it to the benefit of everyone involved, and furthering the shared goal of sustainable development.



#### A CONTINUAL FOCUS ON RESULTS

*OPIC is required by statute to monitor the actual effects of the projects it supports. To confirm project estimates, OPIC's Office of Investment Policy (OIP) monitors the actual economic impact of every project from inception to conclusion. OIP uses modern sampling theory to randomly select projects for on-site staff monitoring during a three-year period. OIP also visits projects considered to be economically or environmentally sensitive or sensitive on labor-related grounds. All site-visited projects are evaluated for their effects on the host country economies and employment, their environmental impact, and consistency with OPIC's labor requirements. OPIC also operates a self-monitoring process in which each investor completes an annual questionnaire on the project's U.S. and host country economic impact.*

## ANALYZING, MEASURING AND MONITORING TO ASSURE PERFORMANCE

**OPIC IS OBLIGATED BY STATUTE TO ENSURE** that the projects it supports deliver positive developmental benefits, apply consistent and sound environmental and social impacts standards and protect worker and human rights in their host countries — all while having no adverse impact on jobs or the economy here in the U.S.

Providing this assurance is the responsibility of OPIC's Office of Investment Policy (OIP). Through a rigorous and objective process of analysis, measurement and monitoring, OIP ensures that OPIC and the projects it supports comply with the agency's statutory and policy requirements. Regardless of the host country, project size, or U.S. investor, every project is reviewed with the same level of diligence and attention to detail with regard to environmental and social impact, worker and human rights and economic benefits.

OPIC's new Environmental and Social Policy Statement, issued in 2010, adopts the International Finance Corporation's Performance Standards on Social and Environmental Sustainability, offering greater certainty to investors while ensuring the highest standards in responsible investment policy. The Policy Statement also makes public for the first time OPIC's policies

on labor and human rights, including policies related to project prohibitions and country eligibility on labor-related grounds. To provide all stakeholders ample opportunity to participate in OPIC's transparent decision-making process, projects that are likely to have significant adverse environmental or social impacts are published on the OPIC website and open to public comment for 60 days.

Of course, what matters most is results. And because OPIC is a development agency, one of OIP's most important functions is analyzing the potential development impact of each proposed project and then monitoring select projects to assure their adherence to OPIC requirements. Documented every year in OPIC's Annual Development Report to Congress, OIP's economic analysis uses objective measurements to demonstrate projects' developmental impact in terms of human capacity building and job creation, social policies and corporate social responsibility initiatives, infrastructure improvements, and technology and knowledge transfer. OIP also analyzes every project's expected impact on U.S. employment and balance of payments because OPIC cannot support any project that would reduce or eliminate U.S. operations by moving production overseas.



#### HELPING LIBERIA BOUNCE BACK FROM WAR

*An OPIC-funded project in Liberia is reviving war-ravaged plantations and turning non-productive rubber trees into biomass for power plants, demonstrating exactly the type of environmentally, socially and economically sustainable development that can result when public and private stakeholders work together to achieve common goals. OPIC worked closely with Buchanan Renewables Fuel Inc. and Buchanan Renewables (Monrovia) Power Inc. and the government of Liberia to assure the projects would meet all of the agency's environmental, social, human and worker rights, and developmental standards and requirements.*

*Old trees converted to wood chips are powering biomass power plants in Europe and will provide the fuel for Buchanan's 35MW power plant in Monrovia once commissioned. The harvested trees are replaced with rubber tree saplings, planted by Buchanan for tens of thousands of independent rubber farmers. In its first year and a half of operation, the project harvested 200,000 trees, planted 100,000 saplings, and had directly or indirectly created 1,350 jobs. Buchanan even planted cash crops such as beans and peanuts to provide its contract farmers with income until their new rubber saplings begin producing in five to seven years.*

## A NEW COMMITMENT TO THE HIGHEST STANDARDS

**EVEN BEFORE PRESIDENT OBAMA ISSUED** his Executive Order on Leadership in Environmental, Energy, and Economic Performance, OPIC was nearing completion of a year-long process that culminated in the 2010 release of its revised and strengthened Environmental and Social Policy Statement.

The first major revision of these policies in 12 years, the new statement maintains OPIC's leadership in developing and applying environmental and social policies that advance long-term, sustainable economic development. By adopting the International Finance Corporation's Performance Standards on Social and Environmental Sustainability — which govern 70 percent of emerging market project finance activity worldwide — OPIC more effectively aligns itself with the development finance community, offers greater certainty to investors and ensures the highest standards in responsible investment policy.

The Statement outlines OPIC, investor and host country requirements and describes the processes by which OPIC ensures that the projects it supports:

- Are environmentally and socially sustainable
- Are compatible with low- and no-carbon economic development
- Respect human rights, including the rights of workers and affected communities

- Avoid — or provide mitigation and compensation for — any negative impacts
- Provide timely project information to affected people.
- Are undertaken in countries that are taking steps to adopt and implement laws that extend internationally recognized worker rights

The new Statement also codifies previously established OPIC environmental and social policy commitments or practices. These include the goal to reduce greenhouse gas emissions of OPIC projects by 30 percent in the period of 2008 to 2018 and by 50 percent from 2008 to 2023, and the public disclosure on the agency website of information on the most environmentally or socially-sensitive projects at least 60 days before the OPIC Board makes any decision on supporting them. The new Environmental and Social Policy Statement is itself available on the OPIC website.

OPIC is particularly proud that the Statement's final language incorporates most of the public comments that were received, demonstrating how OPIC and its partners and stakeholders can work together to further the common aim of bringing sustainable prosperity to developing countries around the world.

# INVESTMENT ACTIVITIES



## 2010 INVESTMENT ACTIVITIES

US SPONSOR/ INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION	
<b>AFRICA AND THE MIDDLE EAST</b>			
<b>ANGOLA</b>			
N/A	Banco Regional do Keve S.A.	Expansion of SME loan portfolio	\$9,750,000 Finance
<b>BURUNDI</b>			
Chemonics International	Chemonics	Consulting services	\$304,838 Insurance
<b>CONGO, DEMOCRATIC REPUBLIC OF</b>			
Chemonics International	Chemonics	Consulting services	\$208,330 Insurance
<b>DJIBOUTI</b>			
Chemonics International	Chemonics	Consulting services	\$10,078 Insurance
<b>EGYPT</b>			
Chemonics International	Chemonics	Consulting services	\$2,027,797 Insurance
<b>GHANA</b>			
Broad Cove Housing Investment Partners	Ghana Home Loans (Fund 1) Limited	Purchase residential mortgages originated by GHL	\$30,000,000 Finance
<b>IRAQ</b>			
International Rescue Committee	International Rescue Committee	Humanitarian activities and services	\$212,065 Insurance
<b>ISRAEL</b>			
American Friends of Koret Israel Economic Development Funds	Koret Israel Economic Development Funds	Support SME lending in the Negev and Gilboa regions	\$10,000,000 Finance
<b>LEBANON</b>			
Chemonics International	unknown	Business consulting services	\$451,806 Insurance
Citibank, N.A.	Bankmed S.A.L.	Loans to SME; low/middle income mortgages; consumer lending	\$34,000,000 Finance
<b>MALAWI</b>			
Chemonics International	Chemonics	Consulting services	\$127,581 Insurance
<b>NAMIBIA</b>			
Microvest I, L.P.	Trustco Finance (PTY) Ltd	Education services	\$1,062,500 Insurance
<b>NIGER</b>			
Chemonics International	Chemonics	Business consulting services	\$28,940 Insurance
<b>NIGERIA</b>			
CG Solutions Global Holding Co.	ContourGlobal Solutions (Nigeria) Ltd.	Electric services	\$21,195,000 Insurance
CG Solutions Global Holding Co.	ContourGlobal Solutions (Nigeria) Ltd.	Electric services	\$8,082,000 Insurance
CG Solutions Global Holding Co.	ContourGlobal Solutions (Nigeria) Ltd.	Electric services	\$8,559,000 Insurance
Pacific Tri-Star, Inc.	PTSM Holdings Limited/PTS Equipment Limited	Heavy equipment sales, leasing and maintenance services	\$750,000 Finance
<b>RWANDA</b>			
Chemonics International	Chemonics	Consulting services	\$151,470 Insurance
Tea Importers, Inc	Sorwathe S.A.R.L.	Expansion of existing tea processing facilities	\$5,704,306 Insurance
<b>SOMALIA</b>			
International Rescue Committee	International Rescue Committee	Humanitarian activities and services	\$52,115 Insurance
<b>SOUTH AFRICA</b>			
Net 1 UEPS Technologies	Finbond Group Limited	Support expansion of microfinance lending	\$9,750,000 Finance
Shared Interest, Inc.	Shared Interest, Inc.	Guaranties to financial institutions for low-income loans	\$3,000,000 Finance
<b>TANZANIA</b>			
Wilbur O Colom	M/S Nashera Limited	Hotel	\$384,000 Insurance

US SPONSOR/ INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION		
<b>ZIMBABWE</b>				
International Rescue Committee	International Rescue Committee	Serves refugees and communities	\$35,033	Insurance
<b>AFRICA AND THE MIDDLE EAST REGIONAL</b>				
Emerging Capital Partners	ECP Africa FIII Investments LLC	Closed-end investment fund	\$40,000,000	Investment Funds
Helios Investors Genpar II, L.P.	Helios Investors II Africa, Ltd.	Closed-end investment fund	\$100,000,000	Investment Funds
InfraCo Management Services Ltd & eleQtra Ltd	InfraCo Sub-Sahara Infrastructure Fund	Closed-end investment fund	\$100,000,000	Investment Funds
Small Enterprise Assistance Funds	SEAF-Silatech MENA SME Finance Company LLC	Financing of SME businesses	\$30,000,000	Finance
Cooperative Housing Foundation	CHF Middle East Microfinance	Fund microfinance or SME downstream loans	\$90,000,000	Finance
<b>ASIA AND THE PACIFIC</b>				
<b>AFGHANISTAN</b>				
				*
<b>CAMBODIA</b>				
Microvest I, L.P.	Credit Limited	Loan	\$1,000,000	Insurance
<b>INDIA</b>				
Asim C. Bose	Tripos International School, Pvt. Ltd.	Greenfield private, for profit, residential school	\$2,500,000	Finance
GEF Clean Technology Fund, LP	Reva Electric Car Company	Construction of assembly facility for electric vehicles	\$9,800,000	Finance
Mr. Inderpreet Wadhwa	Azure Power Haryana Private Limited	10 MW Photovoltaic Solar Power Plant	\$26,835,436	Finance
Mr. Inderpreet Wadhwa	Azure Power Punjab Private Limited	3mw expansion of existing photovoltaic solar power system	\$7,700,000	Finance
QuantumID Technologies, Inc.	Quantumid Technologies (India) Pvt. Ltd.	Radio frequency identification (RFID) for shipping/handling	\$3,000,000	Finance
Southern Energy Partners	SEP Energy India Pvt. Ltd	Wind energy production	\$1,150,000	Insurance
Unitus, Inc.	Mimoza Finance Enterprises Pvt. Ltd.	Expand microfinance loan portfolio	\$1,650,000	Finance
Wachovia Bank N.A.	Yes Bank Limited	Expansion of SME loan portfolio	\$25,000,000	Finance
<b>INDONESIA</b>				
Chemonics International	Chemonics	Consulting services	\$405,188	Insurance
<b>MONGOLIA</b>				
Chemonics International	Chemonics	Business consulting services	\$44,325	Insurance
<b>PAKISTAN</b>				
Chemonics International	Chemonics	Consulting services	\$3,125,000	Insurance
Hyperbaric Technologies, Inc.	N/A	Medical equipment	\$21,600	Insurance
Mustafa Koita	Towershare (Pvt) Ltd.	Construction of telecommunications towers	\$9,792,000	Finance
<b>ASIA AND THE PACIFIC REGIONAL</b>				
GEF Management Corporation	SACEF Holdings	Closed-end investment fund	\$100,000,000	Investment Funds
<b>EUROPE AND EURASIA</b>				
<b>ALBANIA</b>				
Chemonics International	Chemonics	Consulting services	\$476,958	Insurance



US SPONSOR/ INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION	
<b>AZERBAIJAN</b>			
Financial Services Volunteer Corps	Rabitabank OJSC	Expansion of SME lending activities	\$4,875,000 Finance
ShoreBank International Ltd.	TBC Kredit Non-Banking Credit Organizati LLC	Expansion of SME & real estate lending	\$12,000,000 Finance
<b>GEORGIA</b>			
International Rescue Committee	International Rescue Committee	Humanitarian activities and services	\$35,000 Insurance
N/A	JSC Basisbank	Expansion of SME loan portfolio	\$4,875,000 Finance
Omidyar Tufts Microfinance Fund	JSC Procredit Bank Georgia	Expand SME loans/augment tier II capital (subordinated loan)	\$15,000,000 Finance
Omidyar Tufts Microfinance Fund	JSC Procredit Bank Georgia	Expansion of SME lending portfolio (senior loan)	\$15,000,000 Finance
Precision Auto Care, Inc.	Auto Service Caucasus Ltd	Establish automobile care franchise operation	\$2,000,000 Finance
Steven Johnson	Betsy, LLC	Expansion of hotel	\$3,750,000 Finance
<b>HUNGARY</b>			
Roland & Diane Fagen	Pannonia Ethanol Zrt.	Ethanol production facility	\$60,000,000 Finance
<b>KOSOVO</b>			
Church Development Fund, Inc.	American Schools International, Kosova	Loan for expansion of high school	\$1,372,842 Insurance
Microvest I, L.P.	World Relief (known as Beselidjha Micro Finance)	Microfinance loan	\$784,344 Insurance
<b>POLAND</b>			
Small Enterprise Assistance Funds	SEAF SME Debt Facility LLC (Matras SA)	Expansion of book distributor & retailer	\$3,000,000 Finance
<b>RUSSIA</b>			
Boris Nepoe/Boris Kemelman	Credit-Moscow Bank Joint Stock Company	Expansion of SME lending portfolio	\$4,875,000 Finance
Financial Services Volunteer Corps	Petersburg Social Commercial Bank OJSC	Expansion of SME loan portfolio	\$9,750,000 Finance
N/A	NBD Bank Joint Stock Company	Expansion of SME loan portfolio	\$3,900,000 Finance
Russia Partners III	Dataspace Partners, LLC	Operation of tier III commercial data centers	\$150,000,000 Finance
The U.S. Russia Investment Fund (TUSRIF)	Closed Joint Stock Company Deltaleasing	Expansion of equipment lease portfolio to SME's	\$90,000,000 Finance
Western Retail Development LLC	Real Estate Development Group LLC	Restaurant	\$14,580,000 Insurance
<b>TAJKISTAN</b>			
Chemonics International	Chemonics	Consulting services	\$67,500 Insurance
<b>TURKEY</b>			
Rahmi Sayder	Istanbul Mortgage Finansman A.S.	Origination of residential mortgage loans	\$200,000,000 Finance
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
<b>EUROPE AND EURASIA REGIONAL</b>			
OpenRevolution, LLC	Joint Stock Company Open Revolution Georgia	Subscriber electronic payment and transfer service network	\$2,800,000 Finance
<b>LATIN AMERICA AND THE CARIBBEAN</b>			
<b>ANTIGUA</b>			
Chemonics International	Chemonics	Consulting services	\$48,135 Insurance
<b>ARGENTINA</b>			
Blue Water Worldwide LLC	Plaza Logistica S.R.L.	Expansion of warehousing operation	\$10,000,000 Finance

\*Information has temporarily been redacted, including to protect the safety of implementing partners.

US SPONSOR/ INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION	
<b>BOLIVIA</b>			
Chemonics International	Chemonics	Consulting services	\$603,307 Insurance
<b>BRAZIL</b>			
David Lewis Moyer	C21 Brasil Desenvolvimento Imobiliario Ltda	Expansion of Century 21 real estate brand franchise	\$3,000,000 Finance
Wachovia Bank National Association	Banco Industrial e Commercial S.A.	Expansion of SME loan portfolio	\$15,000,000 Finance
<b>COLOMBIA</b>			
Microvest I, L.P.	Fundación Mundo Mujer	Loan	\$4,000,000 Insurance
Microvest I, L.P.	Fundación Mundo Mujer	Loan	\$600,000 Insurance
<b>COSTA RICA</b>			
Carlos J. Rodriguez Living Trust c/o RodBlu Investments	Rodblu Partners CRP S.A.	Construction of 240 condominium housing units	\$10,000,000 Finance
HAS Development Corporation	Aeris Holding Costa Rica S.A.	Modernization & operation of airport	\$55,000,000 Finance
<b>DOMINICA</b>			
Chemonics International	Chemonics	Business consulting services	\$18,069 Insurance
<b>ECUADOR</b>			
Chemonics International	Chemonics	Consulting services	\$61,473 Insurance
<b>GUATEMALA</b>			
Microvest I, L.P.	Fundacion Para el Desarrollo Empresarial y Agricola	Microfinance loan	\$1,500,000 Insurance
Microvest I, L.P.	Fundacion Para el Desarrollo Empresarial y Agricola	Microfinance loan	\$500,000 Insurance
<b>HAITI</b>			
Claudio Osorio	Innovida Holdings LLC	Production of composite structural panels	\$10,000,000 Finance
<b>HONDURAS</b>			
Citibank, N.A.	Grupo Jaremar (UFINSA, INDASA, OLEPSA)	Diversified crude palm oil production & renewable energy co.	\$15,000,000 Finance
<b>MEXICO</b>			
CSI Latina Financial, Inc.	CSI Latina Financial, Inc./CSI Leasing Mexic	Expansion of the company's lease origination activities	\$10,000,000 Finance
Navistar International Corporation	Navistar Financial, S.A.DE C.V.SOFOM ENR	Expansion of SME leasing and loan portfolio	\$9,750,000 Finance
<b>PANAMA</b>			
Eligible US Investors	La Hipotecaria Panamanian Mortgage Trust 10	Securitized pool of low income mortgages	\$75,000,000 Finance
Wachovia/Wells Fargo	Global Bank Corporation	Expansion of SME portfolio	\$20,000,000 Finance
<b>PARAGUAY</b>			
Citibank, N.A.	Banco Continental S.A.E.C.A.	Expansion of SME loan portfolio	\$30,000,000 Finance
Citibank, N.A.	Banco Regional S.A.E.C.A.	Expansion of SME portfolio	\$22,500,000 Finance
Citibank, N.A.	Banco Familiar	Microfinance institution	\$4,666,200 Finance
Citibank, N.A.	Vision Banco S.A.E.C.A.	Microfinance institution	\$4,666,200 Finance
<b>PERU</b>			
LFLP Holdings, LLC	Financiera Tfc, S.A.	Expand portfolio of SME, micro-credit & consumer loans	\$10,000,000 Finance
Small Enterprise Assistance Funds	SEAF SME Debt Facility LLC (Outsourcing Peru)	Provider of logistics support to importers & exporters	\$3,000,000 Finance
Small Enterprise Assistance Funds	SEAF SME Debt Facility LLC (Sunshine Export)	Exporter of mangos & tropical fruits	\$3,000,000 Finance
<b>LATIN AMERICA AND THE CARIBBEAN REGIONAL</b>			
Carlos Rodriguez	Casanovo Affordable Housing Fund I, L.P.	Build affordable housing in Latin America	\$97,889,400 Finance

US SPONSOR/ INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION	
Global Partnerships	Global Partnerships Social Inv. Fund 2010 LLC	Microfinance investment vehicle (senior loan)	\$1,375,000 Finance
Global Partnerships	Global Partnerships Social Inv. Fund 2010 LLC	Microfinance investment vehicle (subordinated loan)	\$5,500,000 Finance
Omidyar Tufts Microfinance Fund	Microfinance Growth Fund, LLC	Loans to MFI's to increase lending to micro-entrepreneurs	\$125,000,000 Finance
<b>ALL OPIC COUNTRIES</b>			
ContourGlobal	Contourglobal Solutions Holdings Limited	Combined heat & power plants with CO <sub>2</sub> capturing and purification for beverage bottling facilities	\$250,000,000 Finance
Cyrano USA LLC	Global Microfinance Facility Ltd.	Expansion of borrower's capital for MFI loans (senior loan)	\$34,000,000 Finance
Cyrano USA LLC	Global Microfinance Facility Ltd.	Expansion of capital for MFI loans (subordinated loan)	\$20,000,000 Finance
Deutsche Bank Trust Company America	Eye Fund 1, LLC	Financing to eye care organizations supporting vision care	\$5,090,000 Finance
Root Capital Inc.	Root Capital Inc.	Loans to fairtrade certified coffee cooperatives	\$10,000,000 Finance
Teachers Insurance and Annuity Association of America	Procredit Holding A.G.	Subordinated loan to support SME lending by subsidiaries	\$25,000,000 Finance
USRG Management Company, LLC	USRG Emerging Markets Fund, LP	Closed-end investment fund	\$100,000,000 Investment Funds

## 2010 INVESTMENT FUNDS PORTFOLIO ACTIVITIES

FUND NAME	PORTFOLIO COMPANY	DESCRIPTION	COUNTRY/ REGION
AIC Caribbean Fund, L.P.	Advantage General Insurance	Insurance	Jamaica
	Las Olas-MCC	Housing	Dominican Republic
Alsip Latin America Fund, L.P.	Apoyo Financiero Versatil S.A. de C.V.	Financial Services	Mexico
	BBVA-Bancomer NPL Portfolio II	Financial Services	Mexico
	BBVA-Bancomer NPL Portfolio III	Financial Services	Mexico
	Grupo Alde S.A. de C.V.	Housing	Mexico
	Grupo Alde S.A. de C.V.-Campo Sur Development	Housing	Mexico
	Grupo Alde S.A. de C.V.-Los Juncos Development	Housing	Mexico
	Grupo Inmobiliario Tu Casa, S.A. de C.V.	Housing	Mexico
	Prestaciones Finmart-Crediamigo	Financial Services	Mexico
	Integradora de Apoyo Municipal	Financial Services	Mexico
	Leasing Operations de Mexico, S.A. de C.V.	Equipment Leasing	Mexico
Darby ProBanco Holdings, L.P.	Banco Multiple Leon, S.A.	Financial Services	Dominican Republic
	Unity Group Holdings Corporation	Financial Services	Latin America Regional
	Controladora Vertice S.A. de C.V.	Financial Services	Mexico
ECP Africa FIII Investments, LLC	Financial BC SA	Banking	Africa Regional
	NSIA Participations SA	Insurance	Côte d'Ivoire
	Thunuss Overseas Group	Tuna Processing and Distribution	Africa Regional
Helios Sub-Saharan Africa Fund I, Ltd.	Continental Outdoor Media, Ltd.	Media-Outdoor Advertising	Pan Africa
Latin Power III, L.P.	Impulsora de Proyectos Hidroelectricos, S. de R.L. de C.V.-Electricidad de Oriente S. de R.L. de C.V.	Renewable Energy-Hydroelectric Power	Mexico
	Impulsora de Proyectos Hidroelectricos, S. de R.L. de C.V.-Electricidad del Golfo S. de R.L. de C.V.	Renewable Energy-Hydroelectric Power	Mexico
Paladin Realty Latin America Investors II, L.P.	GVL Homebuilding Platform	Housing	Costa Rica
Russia Partners II O Series, L.P.	MDM Bank	Financial Services	Russia
	Parallels Holdings, Ltd.	IT-Software Development	Russia
	DataSpace Partners	Data & IT Services	Russia

## OPIC COUNTRIES AND AREAS *As of September 30, 2010*

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

OPIC services are generally available in the countries and areas listed below. From time to time, statutory and policy constraints may limit the availability of

OPIC services in certain countries, or countries where services were previously unavailable may become eligible. Investors are urged to contact OPIC directly or check the website: [www.opic.gov/doing-business/where-we-work](http://www.opic.gov/doing-business/where-we-work) for up-to-date information regarding the availability of OPIC services in specific countries, as well as information on the availability of OPIC services in countries not listed.

### AFRICA AND THE MIDDLE EAST

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

### ASIA AND THE PACIFIC

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

### EUROPE AND EURASIA

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

### LATIN AMERICA AND THE CARIBBEAN

Anguilla	Chile	Guatemala	Paraguay
Antigua and Barbuda	Colombia	Guyana	Peru
Argentina	Costa Rica	Haiti	St. Kitts and Nevis
Aruba	Dominica	Honduras	St. Lucia
Bahamas	Dominican Republic	Jamaica	St. Vincent and the Grenadines
Barbados	Ecuador	Mexico	Suriname
Belize	El Salvador	Netherlands Antilles	Trinidad and Tobago
Bolivia	French Guiana	Nicaragua	Turks and Caicos
Brazil	Grenada	Panama	Uruguay



**KPMG LLP**  
2001 M Street, NW  
Washington, DC 20036-3389

## Independent Auditors' Report on Financial Statements

To the Board of Directors  
Overseas Private Investment Corporation:

We have audited the accompanying balance sheets of the Overseas Private Investment Corporation (OPIC) as of September 30, 2010 and 2009, and the related statements of income, capital and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of OPIC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Overseas Private Investments Corporation as of September 30, 2010 and 2009, and the results of operations, and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 15, 2010, 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 15, 2010

## BALANCE SHEETS

Overseas Private Investment Corporation—September 30, 2010 and 2009 (\$ in thousands)

<b>Assets</b>	<b>2010</b>	<b>2009</b>
Fund Balance with U.S. Treasury (notes 2 and 4)	\$ 566,172	\$ 549,470
U.S. Treasury securities, at amortized cost plus related receivables (notes 2 and 7)	5,049,091	4,898,512
Direct loans outstanding, net (notes 2 and 10)	1,076,217	808,363
Accounts receivable resulting from investment guaranties, net (notes 2 and 11)	63,231	50,523
Assets acquired in insurance claims settlements, net (notes 2 and 11)	16,782	40,946
Guaranty receivable (notes 2 and 18)	273,686	233,959
Accrued interest and fees and other	26,699	25,496
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization of \$14,881 in FY2010 and \$14,566 in FY2009 (note 2)	6,011	4,069
<b>Total assets</b>	<b><u>\$ 7,077,889</u></b>	<b><u>\$ 6,611,338</u></b>
<b>Liabilities, Capital, and Retained Earnings</b>		
Liabilities:		
Reserve for political risk insurance (note 9)	\$ 275,000	\$ 300,000
Reserve for investment guaranties (note 10)	650,229	676,422
Accounts payable and accrued expenses	7,025	5,986
Guaranty liability (notes 2 and 18)	273,686	233,959
Customer deposits and deferred income	45,775	40,517
Borrowings from U.S. Treasury, and related interest (note 6)	1,402,915	1,006,520
Unearned premiums	9,662	10,590
Deferred rent & rent incentives from lessor of \$5,416 and \$4,975 net of accumulated amortization of \$2,065 and \$1,709 in FY2010 and FY2009 (note 14)	3,351	3,266
<b>Total liabilities</b>	<b>2,667,643</b>	<b>2,277,260</b>
Contingent liabilities (notes 2 and 17)		
Capital and retained earnings:		
Contributed capital	\$ 50,000	\$ 50,000
Credit funding (note 5)	106,338	111,056
Interagency transfers (note 2)	8,902	10,810
Retained earnings and reserves:		
Insurance (notes 9 and 12)	705,410	839,271
Guaranty (notes 10 and 12)	3,539,596	3,322,941
	<b>4,410,246</b>	<b>4,334,078</b>
<b>Total liabilities, capital, and retained earnings</b>	<b><u>\$ 7,077,889</u></b>	<b><u>\$ 6,611,338</u></b>

See accompanying notes to financial statements.

## STATEMENTS OF INCOME

Overseas Private Investment Corporation—Years ended September 30, 2010 and 2009 (\$ in thousands)

<b>Revenues</b>	<b>2010</b>	<b>2009</b>
Political risk insurance premiums and fees (note 9)	\$ 15,419	\$ 17,415
Investment financing interest and fees	170,151	149,053
Interest on finance program deposits	33,410	20,197
Interest on U.S. Treasury securities	178,516	202,781
Total revenues	397,496	389,446
<b>Expenses</b>		
Provisions for reserves:		
Political risk insurance (notes 2 and 9)	\$ (26,394)	\$ (944)
Investment financing (notes 2, 10 and 11)	35,271	32,683
Salaries and benefits (note 15)	30,574	28,844
Rent, communications and utilities (note 14)	7,581	7,501
Contractual services	14,812	23,401
Travel	3,298	3,051
Interest on borrowings from U.S. Treasury (note 6)	70,343	50,356
Depreciation and amortization (note 2)	315	303
Other general and administrative expenses	1,821	1,698
Total expenses	137,621	146,893
Net income	<u>\$ 259,875</u>	<u>\$ 242,553</u>

See accompanying notes to financial statements.

## STATEMENTS OF CAPITAL AND RETAINED EARNINGS

Overseas Private Investment Corporation—Years ended September 30, 2010 and 2009 (\$ in thousands)

	Contributed capital	Credit funding	Interagency transfers	Equity reserves		Retained earnings	Total
				Insurance (notes 9 & 12)	Guaranty (notes 10 & 12)		
<b>Balance, Sept. 30, 2008</b>	\$ <u>50,000</u>	\$ <u>115,765</u>	\$ <u>19,499</u>	\$ <u>1,049,510</u>	\$ <u>3,006,856</u>	\$ <u>—</u>	\$ <u>4,241,630</u>
Net income	—	—	—	(161,928)	404,481	—	242,553
Return credit funding to U.S. Treasury	—	(18,370)	—	—	(223,122)	—	(241,492)
Intra-agency transfers	—	—	—	(30,000)	30,000	—	—
Credit funding received from:							
Accumulated earnings	—	59,360	—	(29,000)	—	(30,360)	—
Credit appropriations	—	89,387	—	—	—	—	89,387
Credit funding used	—	(135,086)	—	—	104,726	30,360	—
Interagency transfers	—	—	(8,689)	10,689	—	—	2,000
<b>Balance, Sept. 30, 2009</b>	\$ <u>50,000</u>	\$ <u>111,056</u>	\$ <u>10,810</u>	\$ <u>839,271</u>	\$ <u>3,322,941</u>	\$ <u>—</u>	\$ <u>4,334,078</u>
Net income	—	—	—	(121,793)	381,668	—	259,875
Return credit funding to U.S. Treasury	—	—	—	—	(199,594)	—	(199,594)
Credit funding (net) received from:							
Accumulated earnings	—	45,361	—	(13,975)	—	(31,386)	—
Credit appropriations	—	15,888	—	—	—	—	15,888
Credit funding used	—	(65,967)	—	—	34,581	31,386	—
Interagency transfers	—	—	(1,908)	1,907	—	—	(1)
<b>Balance, Sept. 30, 2010</b>	\$ <u>50,000</u>	\$ <u>106,338</u>	\$ <u>8,902</u>	\$ <u>705,410</u>	\$ <u>3,539,596</u>	\$ <u>—</u>	\$ <u>4,410,246</u>

See accompanying notes to financial statements.



## STATEMENTS OF CASH FLOWS

Overseas Private Investment Corporation—Years ended September 30, 2010 and 2009 (\$ in thousands)

	2010	2009
Cash flows from operating activities:		
Net income	\$ 259,875	\$ 242,553
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for:		
Political risk insurance	(26,395)	(944)
Investment financing	35,271	32,683
Amortization of premiums on U.S. securities	15,029	13,268
Accretion of discounts on U.S. securities	(6,359)	(11,733)
Amortization of deferred rent and rental incentives	85	169
Increase in rent incentives	—	5
Depreciation and amortization	315	303
(Increase) decrease in operating assets:		
Accrued interest and fees and other	1,744	4,742
Guaranty receivable	(39,727)	(81,474)
Assets acquired in insurance claims settlements	—	(206)
Recoveries on assets acquired in insurance claims settlements	25,559	25,559
Assets acquired in finance claims settlements	(69,800)	(11,654)
Recoveries on assets acquired in finance claims settlements	14,094	11,895
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	1,039	414
Customer deposits and deferred income	5,258	3,372
Guaranty liability	39,727	81,474
Unearned premiums	(928)	(2,010)
Cash provided by operating activities	254,787	308,416
Cash flows from investing activities:		
Sale and maturity of U.S. Treasury securities	1,289,188	1,231,877
Purchase of U.S. Treasury securities	(1,451,385)	(1,372,260)
Repayment of direct loans	167,844	104,603
Disbursement of direct loans	(454,163)	(271,139)
Acquisition of furniture and equipment	(2,257)	(1,973)
Cash used in investing activities	(450,773)	(308,892)
Cash flows from financing activities:		
Return credit funding to U.S. Treasury	(199,594)	(241,493)
Interagency transfers	(1)	2,000
Credit appropriations	15,888	89,387
Credit reform borrowings from U.S. Treasury	396,395	145,234
Cash provided by (used in) financing activities	212,688	(4,872)
Net increase (decrease) in cash	16,702	(5,348)
Fund Balance with U.S. Treasury at beginning of year	549,470	554,818
Fund Balance with U.S. Treasury at end of year	\$ 566,172	\$ 549,470

See accompanying notes to financial statements.

## NOTES TO FINANCIAL STATEMENTS September 30, 2010 and 2009

### (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 liability is incurred, without regard to receipt or payment of cash.

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

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

#### Assets Acquired in Investment Guaranty and Insurance

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

OPIC acquires foreign currency in settlement of inconvertibility claims when an insured foreign enterprise is unable to convert foreign currency into U.S. dollars, as well as in some direct loan and investment guaranty collection efforts. The initial U.S. dollar equivalent is recorded and revalued annually until the foreign currency is utilized by OPIC or other agencies of the United States Government, or until it is exchanged for U.S. dollars by the foreign government.

**Allowances:** The allowances are based on management's periodic evaluations of the underlying assets. In its evaluation, management considers numerous factors, including, but not limited to,

general economic conditions, asset composition, prior loss experience, the estimated fair value of any collateral, and the present value of expected future cash flows.

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

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

**FASB Accounting Standards Codification Topic 460 for the Guaranty Topic (FASB ASC 460):** FASB ASC 460 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 FASB ASC 460 applies only to guaranties issued or modified after December 31, 2002. OPIC's initial guaranty obligation reported, represents the fair value of the investment guaranties. This obligation is reduced over the term of the investment guaranty agreements, as OPIC is released from its obligation.

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

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

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

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

### (3) INTRAGOVERNMENTAL FINANCIAL ACTIVITIES

OPIC, as a U.S. Government corporation, is subject to financial decisions and management controls of the Office of Management and Budget. As a result of this relationship, OPIC's operations may not be conducted, nor its financial position reported, as they would be if OPIC were not a government corporation. Furthermore, in accordance with international agreements relating to its programs, foreign currency acquired by OPIC can be used for U.S. Government expenses. This 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, 2010 and 2009 consists of the following (dollars in thousands):

	2010	2009
Restricted:		
Pre-Credit reform	\$ 10	1,537
Credit reform	557,751	541,965
Interagency fund transfers	—	1
Unrestricted	8,411	5,967
Total	\$ <u>566,172</u>	<u>549,470</u>

The Federal Credit Reform Act of 1990 established separate accounts for cash flows associated with investment financing activity approved prior to implementation of the Act and investment financing activity subject to the Act. With the advent of Credit Reform, OPIC is not permitted to invest its pre-Credit Reform cash balances. These balances grow over time, and when they are determined to be no longer needed for the liquidation of the remaining pre-Credit Reform direct loans and investment guaranties, they are transferred to OPIC's unrestricted noncredit insurance account. OPIC made transfers totaling \$1,556,369 to the noncredit insurance account in 2010; no transfers were made in 2009. 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 three years. In addition, the Act requires the administrative costs related to its credit program to be displayed.

In fiscal year 2010, OPIC's appropriations legislation authorized the corporation to use \$29 million of its accumulated earnings to cover the future costs of credit transactions committed in fiscal years 2010 through 2012. In fiscal year 2009, OPIC was authorized to use \$29 million to cover commitments in fiscal years 2009 through 2011. In addition to the credit funding allocated directly to OPIC through the appropriations process, OPIC 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):

	2010	2009
Balance carried forward	\$ 111,056	115,765
Upward reestimates	15,888	89,387
Transferred from earnings (net of returns)	45,361	59,360
Expired credit funding	—	(18,370)
Credit funding used	(65,967)	(135,086)
Credit funding remaining	\$ <u>106,338</u>	<u>111,056</u>

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 \$15.9 million and \$89.4 million and decreases in subsidy costs of \$123.4 million and \$175.7 million in fiscal years 2010 and 2009, respectively. During fiscal year 2010, OPIC received permission from OMB to return expired credit funding to the source of the original funds, OPIC's unrestricted noncredit insurance account, rather than to the U.S. Treasury. Expired credit funding of \$15 million was therefore transferred back to the noncredit account earnings during fiscal year 2010.

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

In accordance with the Federal Credit Reform Act of 1990, the portion of investment financing activities not funded through the appropriations process must be funded by borrowings from the U.S. Treasury. Borrowings for Credit Reform financings totaled \$593.5 million in 2010 and \$335.4 million in 2009, all of which have been disbursed. OPIC paid a total of \$70.3 million and \$50.4 million in interest to the U.S. Treasury during fiscal years 2010 and 2009, respectively. Repayments of borrowings from the U.S. Treasury totaled \$197.1 million in 2010 and \$190.2 million in 2009. Future payments for borrowing outstanding at September 30, 2010 are as follows (dollars in thousands):

Payment due in:	Principal amount due
Fiscal Year 2011	\$ 16,378
Fiscal Year 2012	39,806
Fiscal Year 2013	50,616
Fiscal Year 2014	68,653
Fiscal Year 2015	370,690
Thereafter	856,772
Total	\$ <u>1,402,915</u>

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

The composition of investments and related receivables at September 30, 2010 and 2009 is as follows (dollars in thousands):

	2010	2009
Investments, amortized cost	\$ 5,011,361	4,857,835
Interest receivable	37,730	40,677
Total	\$ <u>5,049,091</u>	<u>4,898,512</u>

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

	Sept. 30, 2010	Sept. 30, 2009
Amortized cost	\$ 5,011,361	4,857,835
Unrealized gains	474,943	342,457
Unrealized losses	—	(651)
Estimated fair value	\$ <u>5,486,304</u>	<u>5,199,641</u>

At September 30, 2010, the securities held had an interest range of .875% to 10.625% and a maturity period from two weeks to almost 18 years.

OPIC holds its securities to maturity. The amortized cost and estimated fair value of U.S. Treasury securities at September 30, 2010, by contractual maturity, are shown below (dollars in thousands):

	Amortized cost	Estimated fair value
Due in one year or less	\$ 475,229	484,596
Due after one year through five years	3,140,459	3,323,159
Due after five years through 10 years	1,142,594	1,324,835
Due after 10 years	253,079	353,714
Total	\$ <u>5,011,361</u>	<u>5,486,304</u>

## (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, 2010, OPIC's insurance and finance programs have collectively utilized \$14 billion.

## (9) POLITICAL RISK INSURANCE

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

	2010	2009
Political risk insurance premiums	\$ 15,419	17,411
Miscellaneous insurance income	—	4
Total insurance revenue	\$ <u>15,419</u>	<u>17,415</u>

OPIC's capital, allowance, retained earnings, and reserves available for insurance at September 30, 2010 and 2009 totaled \$1 billion and \$1.2 billion, respectively. Charges against retained earnings could arise from (A) outstanding political risk insurance contracts, (B) pending claims under insurance contracts, and guaranties issued in settlement of claims arising under insurance contracts.

### (a) Political Risk Insurance

OPIC insures investments for up to 20 years against three different risks: inconvertibility of currency, expropriation, and political violence. Insurance coverage against inconvertibility protects the investor from increased restrictions on the investor's ability to convert local currency into U.S. dollars. Inconvertibility insurance does not protect against devaluation of a country's currency.

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

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

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

OPIC's Maximum Contingent Liability at September 30, 2010 and 2009 was \$2.3 billion and \$2.7 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, 2010 and 2009 was \$1.6 billion and \$1.9 billion, respectively.

**(b) Pending Claims**

At both September 30, 2010 and 2009 OPIC had no material pending insurance claims. In addition to requiring formal applications for claimed compensation, OPIC's contracts generally require investors to notify OPIC promptly of host government action that the investor has reason to believe is or may become a claim. Compliance with this notice provision sometimes results in the filing of notices of events that do not mature into claims.

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

Changes in the reserve for political risk insurance during fiscal years 2010 and 2009 were as follows (dollars in thousands):

	2010	2009
Beginning balance	\$ 300,000	300,000
Amounts charged off	—	(206)
Decrease in provisions	(26,394)	(944)
Transfers from other reserves	1,394	1,150
Ending balance	<u>\$ 275,000</u>	<u>300,000</u>

**(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 both fiscal years 2010 and 2009, \$29 million was made available for credit funding costs. OPIC is in compliance with all relevant limitations and credit funding appropriations guidance. OPIC's capital, allowances, retained earnings, and reserves available for claims on its investment financing at September 30, 2010 and 2009 totaled \$4.3 billion and \$4.1 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, 2010 totaled \$3.2 billion, of which approximately \$1.2 billion was outstanding. Direct loan exposure at September 30, 2009 totaled \$2.4 billion, of which approximately \$929 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 \$127 million at September 30, 2010 and \$115.2 million at September 30, 2009. If interest income had been accrued on those loans, it would have approximated \$6.5 million during fiscal year 2010 and \$4.6 million during fiscal year 2009. Interest collected on delinquent loans and recorded as income when received amounted to \$18.1 million and \$17.7 million for fiscal years 2010 and 2009, respectively.

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

	2010	2009
Direct loans outstanding	\$ 1,215,903	928,589
Allowance for uncollectible loans	(139,686)	(120,226)
Direct loans outstanding, net	<u>\$ 1,076,217</u>	<u>808,363</u>

Changes in the allowance for uncollectible loans during fiscal years 2010 and 2009 were as follows (dollars in thousands):

	2010	2009
Beginning balance	\$ 120,226	148,392
Amounts charged off	(903)	(5,065)
Recoveries	15	1,513
Increase(decrease) in provisions	18,559	(24,470)
Provision for capitalized interest	1,789	(144)
Ending balance	<u>\$ 139,686</u>	<u>120,226</u>

**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 21 years for project finance and from 10 to 18 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 \$8.5 billion at September 30, 2010, of which \$5.1 billion was outstanding. Of the \$8.5 billion of exposure, \$6.1 billion was related to project finance and

\$2.4 billion was related to investment fund guaranties. Of the \$5.1 billion outstanding, \$4.2 billion related to project finance and \$0.9 billion related to investment fund guaranties. Included in the \$2.4 billion of investment fund exposure is \$309 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, 2010, \$91 million of the \$309 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, 2009, OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was \$8.2 billion, of which \$5 billion was outstanding. Of the \$8.2 billion of exposure, \$6 billion was related to project finance and \$2.2 billion was related to investment fund guaranties. Of the \$5 billion outstanding, \$4.3 billion related to project finance and \$700 million related to investment fund guaranties. Included in the \$2.2 billion of investment fund exposure is \$328 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, 2009, \$76 million of the \$328 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 2010 and 2009 were as follows (dollars in thousands):

	2010	2009
Beginning balance	\$ 676,422	625,291
Amounts charged off	(16)	—
Recoveries	—	1,098
(Decrease) increase in provisions	(26,177)	50,033
Ending balance	<u>\$ 650,229</u>	<u>676,422</u>

Mindful that uncertainty in the global economy and volatility in world financial markets can affect loan repayments, it is OPIC policy to regularly review reserve adequacy. Accordingly, to provide for potential future impact to the portfolio OPIC set aside an additional prudential reserve in fiscal year 2009. This reserve is reflected in the above \$50 million "Increase in provisions."

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

Claim-related assets may result from payments on claims under either the investment financing program or the insurance program. Under the investment financing program, when OPIC pays a guaranteed party, a receivable is created. Under the insurance program, similar receivables reflect the value of assets, generally shares of stock, local currency, or host country notes, that may be acquired as a result of a claim settlement. These receivables are generally collected over a period of 1 to 15 years.

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

	2010	2009
Accounts receivable resulting from investment guaranties	\$ 127,495	71,806
Allowance for doubtful recoveries	(64,264)	(21,283)
Accounts receivable, net	<u>\$ 63,231</u>	<u>50,523</u>

Changes in the allowance for doubtful recoveries for assets resulting from investment guaranties during fiscal years 2010 and 2009 were as follows (dollars in thousands):

	2010	2009
Beginning balance	\$ 21,283	14,163
Increase in provisions	42,981	7,120
Recoveries	—	—
Ending balance	<u>\$ 64,264</u>	<u>21,283</u>

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

	2010	2009
Assets acquired in insurance claims settlements	\$ 18,260	43,819
Allowance for doubtful recoveries	(1,478)	(2,873)
Accounts receivable, net	<u>\$ 16,782</u>	<u>40,946</u>

Changes in the allowance for doubtful recoveries for assets acquired in insurance claims settlements during fiscal years 2010 and 2009 were as follows (dollars in thousands):

	2010	2009
Beginning balance	\$ 2,873	4,023
Amounts charged off	—	—
Transfers to other reserves	(1,395)	(1,150)
Ending balance	<u>\$ 1,478</u>	<u>2,873</u>

### (12) RESERVES AND FULL FAITH AND CREDIT

Section 235(c) of the FAA established a fund which shall be available for discharge of liabilities under insurance or reinsurance or under similar predecessor guaranty authority. This fund consists of the Insurance Reserve and the Guaranty Reserve for the respective discharge of potential future liabilities arising from insurance or from guaranties issued under Section 234(b) of the FAA. These amounts may be increased by transfers from retained earnings or by appropriations. In fiscal years 2010 and 2009, 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, 2010 and 2009, the Insurance Reserve totaled \$705 million and \$839 million, and the Guaranty Reserve totaled \$3.5 billion and \$3.3 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, 2010 are as follows (dollars in thousands):

	Carrying amount	Fair value
Financial assets:		
Cash	\$ 566,172	566,172
U.S. Treasury securities	5,011,361	5,486,304
Interest receivable on securities	37,730	37,730
Direct loans	1,076,217	1,076,217
Accounts receivable		
from investment guaranties	63,231	63,231
Assets acquired in insurance claims settlements	16,782	16,782
Financial liabilities:		
Borrowings from the U.S. Treasury	<u>\$ 1,402,915</u>	<u>1,777,967</u>

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

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

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

**Direct Loans, Accounts Receivable Resulting from Investment Guaranties, and Assets Acquired in Insurance Claims Settlements:** These assets are stated on the balance sheet at the present value of the amount expected to be realized. This value is based on management's quarterly review of the portfolio and considers specific factors related to each individual receivable and its collateral. The stated value on the balance sheet is also management's best estimate of fair value for these instruments.

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

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

## (14) OPERATING LEASE

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

Rental expense for fiscal years 2010 and 2009 was approximately \$4.1 million and \$4 million, respectively. Minimum future rental payments under the 15-year lease at 1100 New York Avenue, N.W. are approximately \$4.6 million annually, with additional adjustments tied to the consumer price index.

## (15) PENSIONS

OPIC's permanent employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For CSRS, OPIC withheld 7.0% of employees' gross 2010 earnings and contributed 7.0% of employees' 2010 gross earnings. The sums were transferred to the Civil Service Retirement Fund from which this employee group will receive retirement benefits.

For FERS, OPIC withheld 0.80% of employees' gross earnings. OPIC transferred this sum to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2% of the FERS employees' gross earnings is withheld, and that, plus matching contributions by OPIC, are sent to the Social Security System from which the FERS employee group will receive social security benefits. OPIC occasionally hires employees on temporary appointments, and those employees are covered by the social security system under which 6.2% of earnings is withheld and matched by OPIC.

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). In January 2006 the TSP contributions limits were eliminated. In 2010 both CSRS and FERS employees could elect to contribute up to \$16,500, the IRS elective deferral limit for the tax year. FERS employees receive an automatic 1% contribution from OPIC. Amounts withheld for FERS employees are matched by OPIC, up to an additional 4%, for a total of 5%.

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



## (16) CONCENTRATION OF RISK

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

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

OPIC's credit policy is to take a senior security position in the assets of the projects or transactions it guaranties. The nature and recoverable value of the collateral pledged to OPIC varies from transaction to transaction and may include tangible assets, cash collateral or equivalents, and/or a pledge of shares in the project company as well as personal and corporate guaranties. OPIC takes all necessary steps to protect its position in such collateral and retains the ability to enforce its rights as a secured lender if such action becomes necessary.

The following is a summary of OPIC's off-balance-sheet risk at September 30, 2010 and 2009 (dollars in thousands):

<b>2010</b>	<b>Total</b>	<b>Outstanding</b>	<b>Unused commitments</b>
Guaranties	\$ 8,372,377	4,968,684	3,403,693
Undisbursed direct loans	1,976,376	—	1,976,376
Insurance	2,330,144	1,649,619	680,525
<b>2009</b>			
Guaranties	\$ 8,162,644	4,919,118	3,243,526
Undisbursed direct loans	1,483,239	—	1,483,239
Insurance	2,688,916	1,945,076	743,840

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, 2010 by major geographical area (dollars in thousands):

	<b>Loan guaranties</b>	<b>Undisbursed portion of direct loans</b>	<b>Insurance</b>
Africa	\$1,374,440	265,886	555,845
Asia	439,497	157,542	449,861
Europe	948,709	70,261	50,146
Latin America	3,055,886	340,633	383,200
Middle East	1,279,445	588,154	585,976
NIS (New Independent States)	910,445	241,250	336,331
Worldwide	363,955	312,650	—
Insurance stop-loss adjustment	—	—	(31,215)
	<u>\$8,372,377</u>	<u>1,976,376</u>	<u>2,330,144</u>

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, 2010, OPIC's largest finance and insurance exposure was in the following countries and sectors (dollars in thousands):

<b>Country</b>		<b>Sector</b>	
Mexico	\$1,009,808	Financial services	\$7,485,956
Russia	857,381	Energy—Power	1,989,063
Turkey	683,544	Services	998,746
Jordan	673,890	Energy—Oil and Gas	816,681
Nigeria	509,130	Transportation	720,858

### **(17) OTHER CONTINGENCIES**

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

### **(18) ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTIES**

In FY 2010 and FY 2009 pursuant to the requirement of FASB ASC 460, OPIC recognized a guaranty liability and a guaranty fee receivable of \$273.7 million and \$234 million, respectively. OPIC collected \$73.4 million and \$63.9 million of guaranty fees in FY 2010 and FY 2009, 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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