

OPIC

ANNUAL REPORT 2013 ■ OVERSEAS PRIVATE INVESTMENT CORPORATION



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LETTER FROM ELIZABETH L. LITTLEFIELD, OPIC PRESIDENT AND CEO



All over the world, governments, industry and development experts are recognizing business as a force for good in development. From Rwanda to Cambodia, from Chile to Jordan, countries are harnessing private sector capital to address social and environmental problems, creating local jobs and

growing economies in ways that are sustainable and inclusive.

This has long been OPIC's mission. By financing and insuring American businesses investing in developing countries, OPIC supports sustainable economic development abroad, and helps U.S. companies access fast growing markets overseas which supports U.S. jobs. Our business model is efficient, enabling us to operate at no net cost to American taxpayers and to generate income for them for 36 consecutive years. It is also effective, because it is based on forming partnerships — business to business and people to people, built on mutual trust and accountability — that make a positive and lasting impact and project the best of American values, ingenuity and goodwill.

In 2013, OPIC's work forging these partnerships and catalyzing private sector investment produced a year of record performance:

- ▶ We committed an unprecedented \$3.75 billion in finance to our world-class clients. Not only do our clients' projects provide a critical boost to local development and local economies, these investments are expected to create almost 18,000 local jobs in their host countries.
- ▶ We supported projects in low-income and fragile countries, with a focus on high-impact sectors such as infrastructure, low-income housing, microfinance, small business lending and agriculture.
- ▶ We set a new record for renewable energy projects, committing \$1.2 billion to projects in the wind, solar, hydropower, and biomass sectors—a 100-fold increase over just five years.
- ▶ As we have done for 36 consecutive years, OPIC generated enough income to support our operations and contribute to federal deficit reduction, contributing \$426 million in 2013 alone.

These numbers reflect hundreds of innovative, successful partnerships between OPIC and the private sector, between

investors and investees, and between global actors and local communities: partnerships forged around a common belief that it is possible to invest with the agility and rigor required by private markets while fulfilling a commitment to a public developmental mission. And as you will read in this report, these partnerships are having a clear, positive and tangible impact throughout the developing world.

Students in Kenya are accessing world-class textbooks for the first time, using tablet computers, thanks to OPIC's financial support for an impact investor who is building a chain of affordable private schools throughout the country.

In Togo, businesses can stay open and children can study after dark because of a large power plant built with OPIC financing and insurance that has tripled the country's energy generation capacity.

Newborns in Pakistan have a better chance of living long healthy lives, in part because OPIC helped finance the expansion of a major Karachi hospital.

In Indonesia, small business owners will be able to expand their enterprises by borrowing in local currency and avoiding foreign exchange risks because of a collaboration between OPIC, a leading U.S. bank and a local microfinance lender.

Each of these projects illustrates OPIC's success in supporting private sector investment to help solve some of our planet's immense challenges. And our future path is promising as we seek to increase our portfolio in areas key to President Obama's development initiatives, such as health, agriculture, education and energy.

OPIC is playing a central role in the President's Power Africa Initiative, which harnesses the power of private capital to dramatically increase power generation—on-grid, off-grid, conventional and renewable—to remedy the continent's energy deficit. Because of our long history of supporting projects in Africa, in financing large, complex power projects, and in supporting renewable energy and off-grid solutions, we are already delivering results to move this important initiative forward.

As the world embraces sustainable market solutions, it sets off a virtuous cycle of investment, growth and prosperity. It is an honor to serve at the helm of an agency that collaborates so effectively with our partners. I want to thank OPIC's extraordinary staff for the work they do every day and our clients and partners across the globe whom it is a privilege to serve.

A handwritten signature in black ink, appearing to read 'Elizabeth Littlefield', with a long horizontal flourish extending to the right.

EFFICIENT, EFFECTIVE, INNOVATIVE

When private capital is channeled to major world development challenges such as poverty, hunger and the need for more modern infrastructure, the results can be transformative. For 42 years, the Overseas Private Investment Corporation has supported private sector investment across the globe — from Sub-Saharan Africa to the Middle East, Asia and Latin America — in projects that have erected schools, improved farm yields, enhanced small business lending and constructed roads, airports and power plants. And like a drop of water landing in a still pond, this support has had far-reaching effects, improving lives, creating jobs and fostering economic growth and stability while at the same time advancing U.S. foreign policy.

As the U.S. Government's development finance institution, OPIC works with American businesses that recognize the vast

opportunities in the developing world, but need support to operate in these challenging frontier markets. OPIC provides that support with tools including loans and guaranties to projects that cannot obtain sufficient private capital, political risk insurance that the private sector cannot offer, and debt financing for emerging market private equity funds.

The results of this collaborative partnership are evident everywhere OPIC works: from India, where OPIC financing has helped bring a clean source of electricity to hundreds of remote villages; to Rwanda, where political risk insurance is supporting a project to modernize the country's coffee industry and provide steady income for thousands of local farmers; and Brazil, where an OPIC guaranty is supporting lending — often in amounts less than \$1,000 — to thousands of small- and medium-sized

OPIC BY THE NUMBERS IN 2013

2013 COMMITMENTS

TOTAL 2013 COMMITMENTS: **\$3.9 BILLION**

2013 FINANCING COMMITMENTS: **\$3.75 BILLION**

FUNDS COMMITMENTS: **\$178 MILLION**

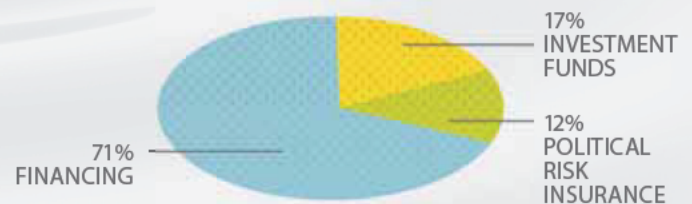
2013 INSURANCE COMMITMENTS: **\$171 MILLION**

TOTAL PORTFOLIO: \$18 BILLION

OPIC OPERATES AT
NO NET COST
TO AMERICAN TAXPAYERS
AND HAS RETURNED MONEY TO
THE U.S. TREASURY FOR
36 STRAIGHT YEARS

HOW OPIC SUPPORTS DEVELOPMENT

A BREAKDOWN OF OPIC'S \$18 BILLION PORTFOLIO



AROUND THE WORLD

AUTHORIZED TO DO BUSINESS IN **161 COUNTRIES**

ACTIVE PROJECTS IN **102 COUNTRIES**

OPIC-COMMITTED PROJECTS IN 2013 ARE PROJECTED TO CREATE ALMOST **18,000** LOCAL JOBS — NEARLY **80** JOBS PER OPIC EMPLOYEE

35% OF NEW PROJECTS COMMITTED IN 2013 WERE IN POOR COUNTRIES*

*Poor countries as defined by The World Bank's International Development Association.

enterprises. OPIC-supported infrastructure projects throughout much of the world have quite literally laid the groundwork for additional business activity and growth.

OPIC partners with innovative businesses that have developed new solutions to longstanding challenges. And as the developing world and the business world evolve, OPIC has changed with them, tailoring its products and services to meet the needs of its individual clients and projects.

As the numbers below show, there are many ways of measuring OPIC's success, from the positive impact in developing countries, to its support for American small businesses, to the strength and sustainability of the Agency's business model, which have enabled it to consistently earn a net profit and operate at no net cost to American taxpayers.



IN THE UNITED STATES

OPIC EMPLOYEES: **229**

NET PROFIT PER EMPLOYEE: **\$709,000**

SUPPORT FOR SMALL BUSINESSES: **APPROX. 75%**
OF NEW PROJECTS WERE WITH A U.S. SMALL- OR MEDIUM-
SIZED BUSINESS

GOOD VALUE:
EVERY DOLLAR OF OPIC'S BUDGET
SUPPORTS ALMOST
\$175 OF INVESTMENT

A RECORD-SETTING YEAR

NEW FINANCING COMMITMENTS REACHED A RECORD
\$3.75 BILLION

RENEWABLE ENERGY COMMITMENTS REACHED A RECORD
\$1.2 BILLION

SUPPORT FOR KEY SECTORS AND AGENCY PRIORITIES

NEW PROJECTS ARE EXPECTED TO GENERATE MORE THAN
1,000 MW OF CLEAN ENERGY

\$222 MILLION WITH IMPACT INTENT
\$2.7 BILLION IN IMPACT SECTORS

COMMITMENTS IN SUB-SAHARAN AFRICA:
\$640 MILLION, UP ALMOST FIVE-FOLD SINCE 2006

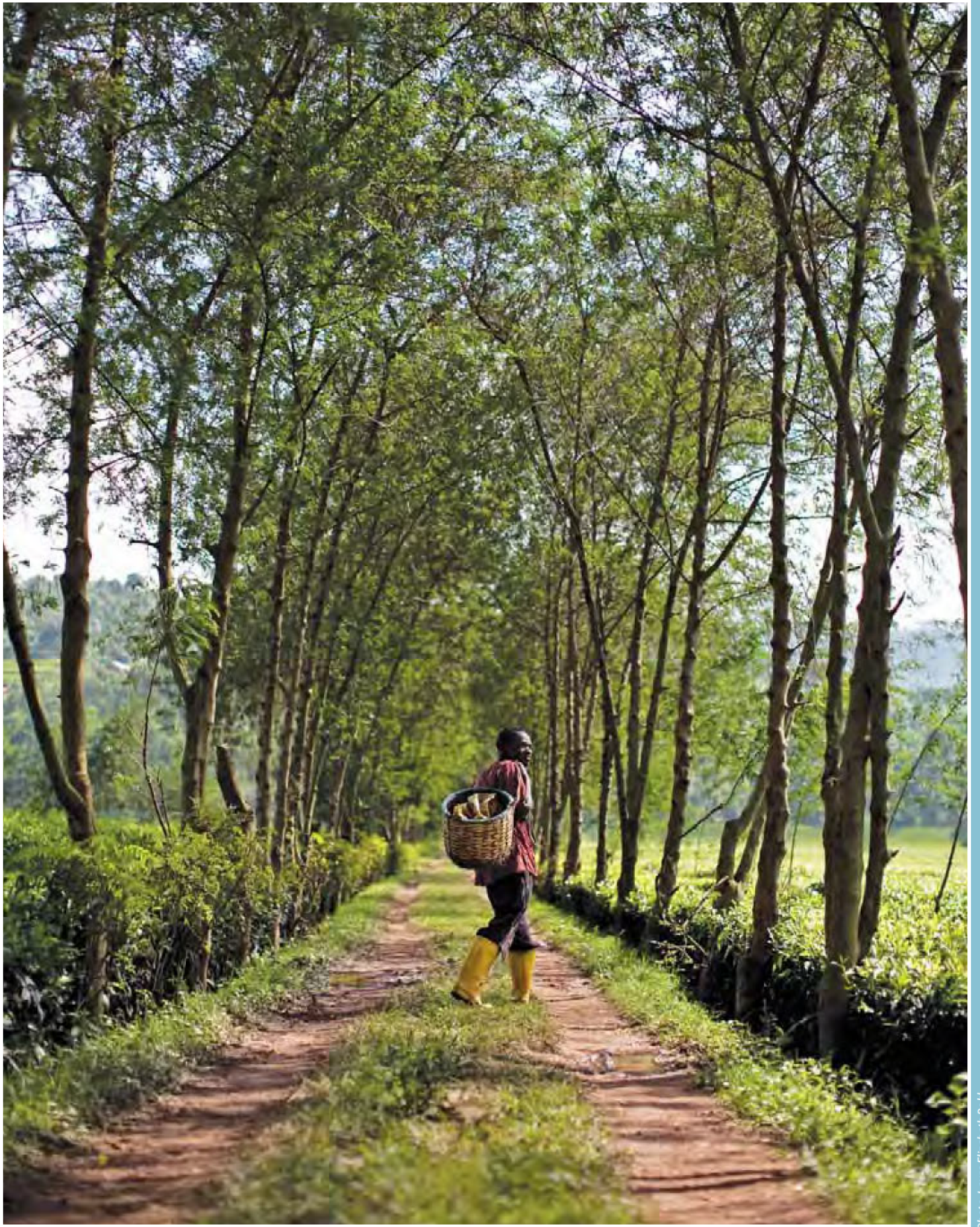


Photo: Laura Elizabeth Pohl

SECTORS WE SUPPORT

RENEWABLE RESOURCES

In 2013, OPIC continued to grow its portfolio of renewable energy projects, with commitments reaching a record \$1.2 billion. Since 2007, OPIC's renewable energy portfolio has grown 50-fold. These projects span many types of power generation including solar and wind power, geothermal, biomass and hydropower in both utility-scale and distributed power projects and include innovative solutions for remote communities that are not connected to the central grid.

OPIC is committed to supporting projects that advance a sustainable lower-carbon economy, greater resource efficiency, and a cleaner and more secure energy supply. In developing countries around the world, these projects are improving lives and supporting economic growth by illuminating remote communities and providing electricity for homes, farms and small businesses. By helping American businesses to develop and deliver these critical resources, OPIC is also helping them tap into a fast growing sector.

- ▶ In **CHILE**, OPIC agreed to provide over **\$200 million** to two separate solar projects sponsored by SunEdison LLC in support of a Chilean government initiative to diversify away from traditional fuel sources.
- ▶ In **PAKISTAN**, OPIC committed a total of **\$196.5 million** to two separate wind power plants to help tap the country's extensive wind resources and bring power to underserved populations.
- ▶ In **TANZANIA**, OPIC is helping address power shortages in a rural area of Kigoma by providing a **\$10 million** loan for the construction of a five megawatt solar plant.
- ▶ In **PERU**, OPIC committed to a **\$193 million** loan to support construction of the country's first large-scale wind project linked to the national power grid.

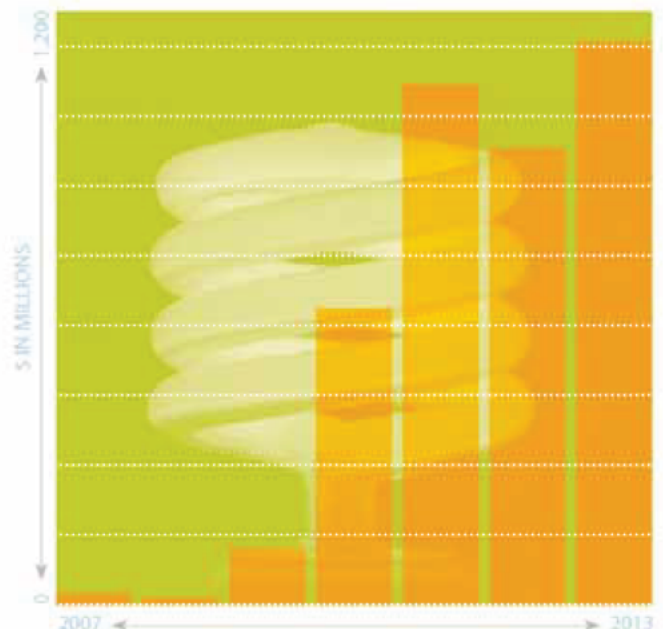
POWER FROM RICE HUSKS IN INDIA

In India, where rice is a staple of the diet, discarded rice husks have traditionally gone to the landfill, generating waste. Now, thanks to an OPIC-supported project, they are generating electricity. Startup company Husk Power Systems Inc., used a \$750,000 OPIC loan in 2009 to build a series of mini-power plants that burn the rice husks and bring power to remote villages far from the main electricity grid. Today, Husk has more than 80 mini-power plants in India providing power and light to more than 200,000 rural villagers.



NEW RECORD FOR RENEWABLE ENERGY

OPIC'S GROWING COMMITMENT TO RENEWABLE RESOURCES



IMPACT INVESTING

OPIC has a long history of transforming private capital into solutions for common social and environmental challenges around the world, and is today the U.S. Government's largest impact investor, and supports impact projects in sectors including education, food security, healthcare, clean water and small business lending.

In one recent investment, OPIC agreed to provide a \$10 million loan to Bridge International Academies, which is building 237 schools throughout Kenya under an innovative curriculum and business model designed to reach large numbers of low income students. The schools provide a single standardized curriculum that instructors access from a tablet computer. By keeping tuition payments to less than \$6 per month per student, Bridge expects to educate 300,000 children by 2022.

MEASURING INVESTMENTS

As a leader in this relatively new investment sector, OPIC has worked to create tools to support impact investors and carefully examine what constitutes an impact investment.

The following are three measures by which the Agency considers the impact of its investments.

\$3.9 BILLION All of OPIC's annual financial commitments, which last year totaled \$3.9 billion, aim to have a positive development impact.

\$2.7 BILLION A smaller subset of these projects are in "impact sectors," that face the most difficult challenges raising capital.



These include agriculture, education, access to finance, housing for the poor, small and medium enterprise finance, healthcare, renewable energy, water and sanitation.

\$222 MILLION Certain investments such as OPIC's investment in Bridge International Academies, are distinguished by the fact that they had "impact intent," meaning that the explicit aim of the project was to address a social or environmental challenge, while also generating stable financial returns. In fiscal year 2013, \$222 million of OPIC's commitments fall into this most narrow definition.

HEALTHCARE

From a major teaching hospital in Pakistan to local clinics in Sub-Saharan Africa, OPIC-supported healthcare projects are bringing much-needed health services to communities throughout the developing world. In 2013, OPIC approved a \$250 million loan that will help build a modern medical complex in Malaysia, complete with a 600-bed teaching hospital and a research center that is a collaboration between The Johns Hopkins University School of Medicine, the Royal College of Surgeons in Ireland and

a local private development company in Malaysia. Academic Medical Center will offer services and treatments that meet the highest international standards, serve people of all income levels and advance Malaysia's goal of becoming a regional and worldwide healthcare hub. In addition to increasing access to quality healthcare, the project is expected to create about 2,600 local jobs.

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“With OPIC’s support,
we’ve been able to
extend mortgage credit
on affordable terms, and
manage the risk effectively.”

— Tom Livelli, President of Inter-Mac International Inc.

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CRITICAL INFRASTRUCTURE

The figurative road to widespread economic growth, development and job creation often begins with an actual road, a power plant or some other piece of major infrastructure. OPIC has a long history of supporting the construction of power plants, airports, water purification systems, hotels, housing and other infrastructure that provides the backbone of a country’s economy and improves the way people live and do business.

By offering financing in long tenors and large amounts that are often not available from private lenders, OPIC is well poised to support these projects and in 2013 the Agency was widely recognized for its work. Two OPIC-supported projects — a ContourGlobal power plant in Togo and an AES Corporation power plant in Jordan — were included on a list of the top 40 public private partnerships in emerging markets published by International Finance Corporation and *Infrastructure Journal*. The Amman East Power Plant in Jordan, which was built with the support of OPIC financing, was also named one of the world’s top five gas-fired plants by *Power Magazine*.



OPIC FINANCING SUPPORTED CONSTRUCTION OF THE LOS CASTAÑOS DE CHOLOMA HOUSING COMMUNITY IN HONDURAS, WHICH PROVIDES LOW INCOME FAMILIES WITH SAFE AND AFFORDABLE HOUSING AND A PATH TO HOME OWNERSHIP.



MICROFINANCE

For entrepreneurs in the furthest reaches of many emerging markets, loans of as little as a few hundred dollars can often make the difference between a business being only a dream and actually getting off the ground. Because OPIC is not structured to lend in such small amounts or connect directly with business owners in remote communities, it invests in microfinance institutions, that in turn lend to small businesses and individuals, many of whom have little or no access to formal banking. OPIC’s partners in this effort include financial intermediaries such as Seattle-based Global Partnerships, which combines traditional lending with non-financial services such as education and training for poor communities in Latin America; and Citibank Jordan, which has used OPIC financing to support the expansion of Tamweelcom, the country’s largest microfinance institution, which has served more than 141,000 clients, most of them women, with average loans of \$600.

Expanding the Agency’s microfinance portfolio, OPIC in 2013 committed a \$45 million loan to FINCA Microfinance Holding Company to support lending to its microfinance subsidiaries in 23 developing countries in Latin America and the Caribbean, Africa, Eastern Europe and the Middle East, where FINCA provides average individual loans of \$750. OPIC’s financing is expected to support 60,000 individual loans to the lowest-income entrepreneurs, including many women. Also in 2013, OPIC committed \$7.3 million in financing to India’s Grama Vidiyal Microfinance Ltd. to support additional lending to women borrowers in southern India.

POWERING AFRICA'S NEXT WAVE OF GROWTH

In 2013, OPIC committed to provide \$1.5 billion to develop energy projects in Africa over the next five years, in support of President Obama's new Power Africa initiative to double the number of people on the continent who have access to electricity.

Sub-Saharan Africa has seen significant economic progress in recent years with growth rates in many countries that are among the highest in the world. But this progress sits against a backdrop

of severe energy shortages that leave more than half the continent — about 600 million people — in the dark.

It's a staggering number that roughly equals the population of all of Western Europe ... plus Japan and South Korea. Having that many people living without power severely limits the region's economic productivity, agricultural production, quality of healthcare, small business activity and other aspects of daily life and work that many people take for granted.



U.S. AFRICA CLEAN
ENERGY FINANCE
INITIATIVE HELPS
KICKSTART CLEAN
ENERGY PROJECTS



TAPPING
RENEWABLE
RESOURCES
IN KENYA



TRIPLING ENERGY
PRODUCTION
CAPACITY
IN TOGO



SOLAR POWER
IN RURAL
SOUTH AFRICA

The Power Africa initiative will help African countries develop more of their extensive energy resources, including oil and gas, geothermal, hydro, wind, solar and biomass, while also building out power generation and transmission infrastructure. OPIC, with its long and successful history in Africa, is poised to support energy projects that require large investments of time and money. OPIC currently has over \$500 million invested in about 120 megawatts of energy in Sub-Saharan Africa.

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“This was one of those ‘Let’s do something great’ projects. It was brash and the odds were long. Without the support of OPIC, it never would have been a success.”

— *Joe Brandt, ContourGlobal President and CEO on the Lomé Thermal Power Plant in Togo*

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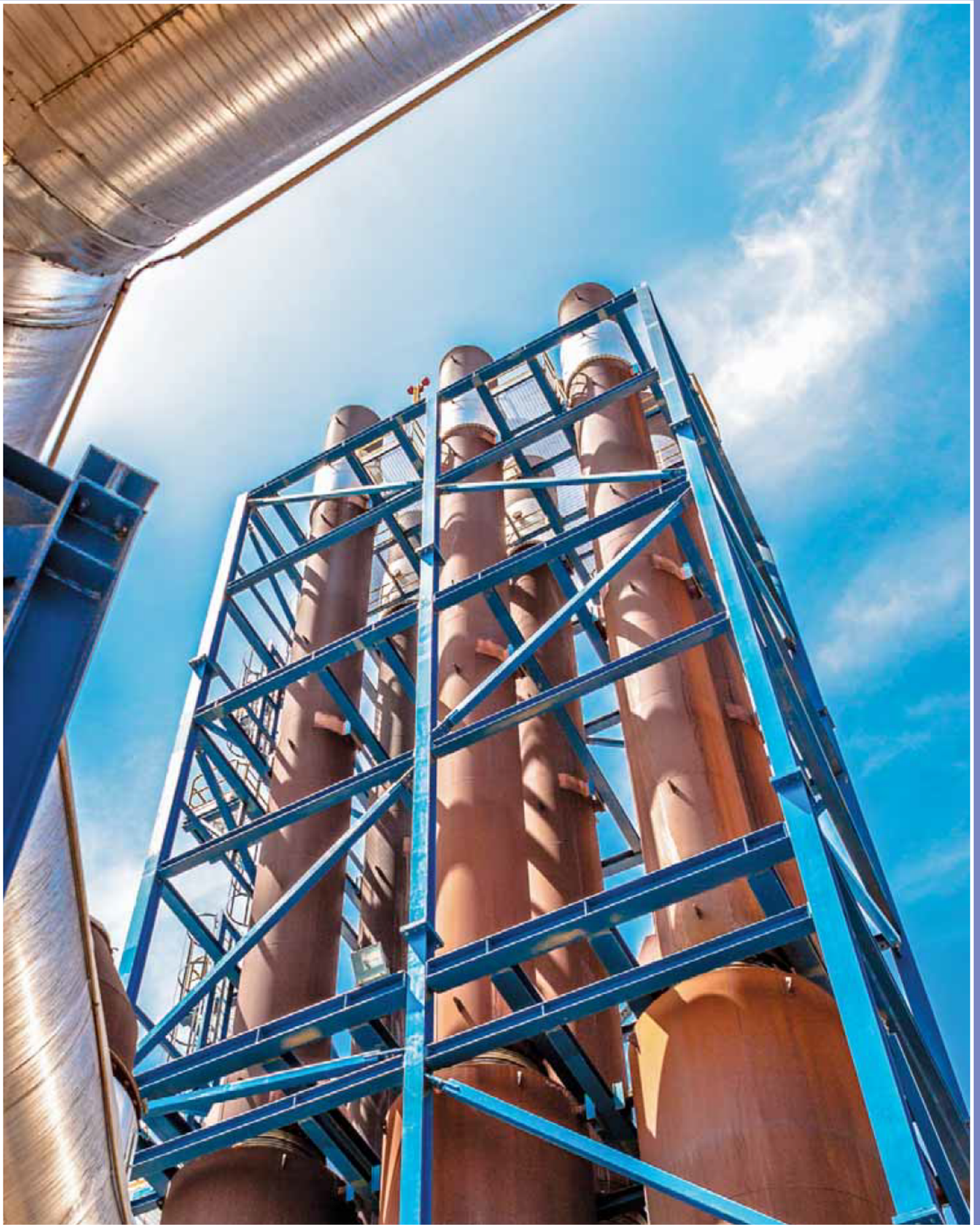
Early stage projects often show promise but lack capital and other essential resources to become reality. One way OPIC supports development of African energy resources is through its work with the U.S.-Africa Clean Energy Finance Initiative (US-ACEF), which provides funding for early stage project development costs related to project preparation, feasibility and technical assistance. US-ACEF is a partnership between OPIC, the U.S. State Department, the U.S. Trade and Development Agency and the U.S. Agency for International Development.

In 2013, the program’s inaugural year, US-ACEF approved a total of \$2.3 million in early-stage project support for six clean energy projects in Ethiopia, Morocco, Rwanda and Tanzania. These projects consisted of both renewable energy power generation projects and innovative solutions for delivering off-grid energy to Africans living in remote communities.

The Olkaria geothermal power plant in Hell’s Gate National Park in Kenya was recently expanded with the support of OPIC financing. The plant sits on the site of abundant hot springs and volcanoes, which are tapped to produce electricity. Olkaria has significantly expanded Kenya’s electricity supply and helped it to generate more than 12 percent of its electricity from geothermal power, advancing the goal of the Kenyan government to generate more than a quarter of its electricity from geothermal power by the year 2030.

In Togo, one of the world’s least developed countries, ContourGlobal LLC used OPIC financing and political risk insurance to build a 100 megawatt power plant outside the capital city of Lomé. Built in a region that initially lacked roads and bridges strong enough to support the weight of the equipment used in construction, the project is emblematic of both the challenges of working in undeveloped regions and how a single power plant can be transformative. In addition to providing a reliable source of power to a country that had suffered regular rolling blackouts, the plant has provided the foundation for sustained economic activity and growth.

Boshof, a small town in the rural center of South Africa, is the site of a 60 megawatt solar power plant SunEdison LLC is building with the support of \$250 million in OPIC financing. The project not only advances OPIC’s own goals for supporting renewable resources but also supports South Africa’s ambitious renewable energy program.



OPIC SUPPORTED CONSTRUCTION OF **THE LOMÉ THERMAL POWER PLANT IN TOGO**, WHICH HAS TRIPLED ENERGY GENERATION CAPACITY, IMPROVING QUALITY OF LIFE AND PAVING THE WAY FOR INCREASED ECONOMIC ACTIVITY IN ONE OF THE WORLD'S LEAST DEVELOPED COUNTRIES.

WHERE WE OPERATE

OPIC supports private sector investment in developing countries around the world. The Agency is authorized to do business in more than 160 countries, and in 2013 maintained active projects in over 100 countries, including many low-income and post-conflict nations. While many of these regions are challenging places in which to operate, U.S. businesses supported by OPIC financing, guaranties or political risk insurance can tap into some of the fastest-growing economies in the world.

SUB-SAHARAN AFRICA

A priority region for OPIC for several years, Sub-Saharan Africa has grown sharply as a share of OPIC's portfolio: from 9% in 2002 to 22% in 2013. Projects driving OPIC's engagement in the region during this period have included political risk insurance to support water infrastructure modernization in Ghana and financing through a Citi framework agreement to support a paper processing and recycling plant in Nigeria, as well as major power plants (See: Powering Africa's Next Wave of Growth, page 8).

In 2013, OPIC committed \$640 million to new projects in Sub-Saharan Africa including \$19.4 million in political risk insurance to the Rwanda Trading Company (RTC) to support its investment in modernizing a coffee milling and processing plant in Kigali. RTC, a subsidiary of Westrock Coffee Holdings LLC of Little Rock, Arkansas, has supported local farmers in multiple ways: from providing training, free coffee seedlings and fertilizer, to deploying a new computer network to improve visibility on pricing trends, which has led to higher and more stable coffee prices for the farmers. The company has also connected these small farmers with international coffee buyers and today RTC's coffee is available for sale in several major U.S. retail chains.

LATIN AMERICA

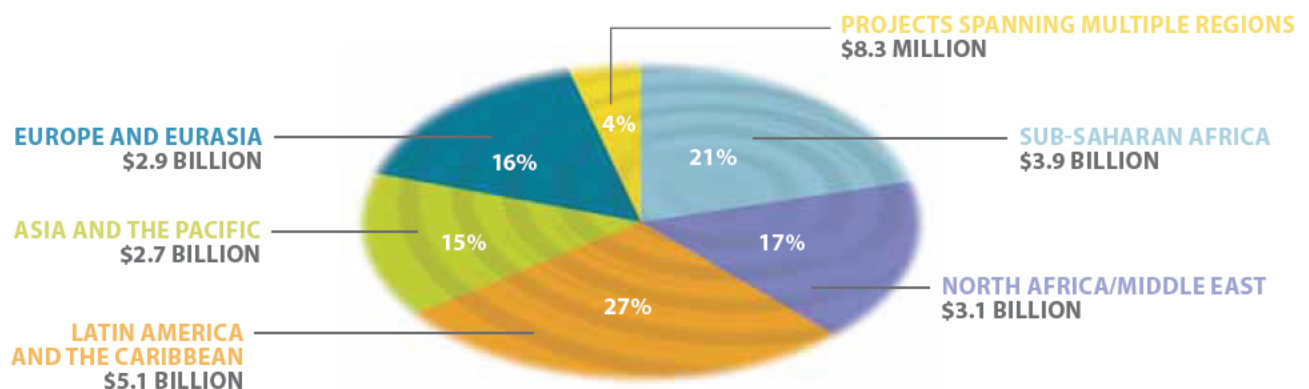
Latin America accounts for the greatest share of OPIC's portfolio and a significant share of its renewable resources portfolio. In 2013 OPIC committed \$965 million to renewable energy projects in the region.

One of OPIC's most striking successes in Latin America is its 2008 loan to Inter-Mac International Inc. to support construction and financing for up to 10,000 homes for low-wage workers throughout Central America. Inter-Mac began this project in Honduras, where it has so far provided safe and affordable housing to about 5,000 people in the Los Castaños de Choloma community. Providing access to education with an on-site elementary school and helping minimum wage earners start on a path toward home ownership, the project won a Gold Nugget award in 2013 from the Pacific Coast Builders Conference.



CHILDREN IN LA MERCED, PERU, ONE OF THE COMMUNITIES SERVED BY OPIC CLIENT GLOBAL PARTNERSHIPS, WHICH PROVIDES MICROFINANCE LENDING AND TECHNICAL ASSISTANCE TO HELP LOCAL FARMERS OPTIMIZE THEIR YIELDS AND ACCESS COMMERCIAL MARKETS.
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REGIONAL BREAKDOWN OF OPIC'S PORTFOLIO



“OPIC played a leading role in this project and its presence gave comfort to other lenders, and made this project happen.”

— Anil Sevinc, General Manager, Disi Water

MIDDLE EAST AND NORTH AFRICA

The MENA region has long been a U.S. strategic priority and an area of strong focus for OPIC, which works to promote overall stability through projects that spur economic growth and job creation. In the wake of the Arab Spring uprisings of recent years, OPIC has redoubled its commitment to the region.

The OPIC-supported Disi Water pipeline in Jordan is a sparkling symbol of the ways that OPIC’s commitment to major infrastructure projects has a positive impact on people’s lives. OPIC supported construction of the 202-mile Disi pipeline, running from southern Jordan to Amman, with both financing and political risk insurance. After years of construction, the pipeline was inaugurated in 2013, providing clean drinking water in one of the most water-deprived countries in the world.

Another way OPIC has helped advance development in the region is through support of private equity funds, including Emerging Capital Partners (ECP), that invest in local businesses. In 2008, ECP invested in Societe d’Articles Hygieniques (SAH), a woman-owned manufacturer of feminine and baby hygiene products. That support helped the business expand its customer base into 17 countries in Africa and employ 2,000 people. In early 2014, the business went public in the largest listing ever on the Tunis Stock Exchange.



ASIA

OPIC’s work in Asia spans multiple industries and countries from power projects and small business lending in India, to a hospital expansion in Pakistan, to support for microfinance lending in Indonesia.

In Cambodia in 2012 OPIC committed a \$5 million loan to Thaneakea Phum Ltd., a microfinance institution that will use the funds to expand lending to low-income borrowers. The new lending supported by OPIC financing is expected to generate about 5,000 home improvement loans for Cambodian borrowers, which in turn can improve the income generation potential of home businesses and reduce economic vulnerability.

In 2013, OPIC committed to increase its focus on the Asia Pacific region by working with the U.S. Trade and Development Agency (USTDA) and the U.S. Department of State to establish the Asia Pacific Clean Energy Program at the U.S. Embassy in Bangkok. OPIC will dedicate a staff member to the region in 2014 in support of the program, which aims to catalyze private U.S. investment in the region.

POST-CONFLICT REGIONS

OPIC's work in post-conflict countries helps them to stabilize and grow their economies while also supporting U.S. foreign policy priorities. The Agency currently supports nine active projects in Iraq and 17 in Afghanistan in sectors ranging from construction and housing to small business financing, and also supports development in other countries that have experienced political instability. In Lebanon, OPIC has long supported microfinance lending and its partnerships with Global Communities has disbursed \$20 million to more than 3,500 borrowers since 2007. The program was so successful that when it expired in 2012, OPIC was asked to replicate it with a second \$25 million facility.

OPIC political risk insurance has also supported the emergency aid work of the International Rescue Committee, one of the world's largest humanitarian organizations, in more than a dozen post-conflict countries such as Iraq, where IRC has rebuilt schools that reach close to 50,000 students. OPIC insurance also supported IRC's work providing health care and child survival programs in newly independent South Sudan, where in recent years, hundreds of thousands of Sudanese refugees fled decades of war and food shortages.



S. 39/40 N.60
EXP. DATE: 27-02-16
PACK. DATE: 27-02-14

36/40 N.60
EXP. DATE: 27-02-16
PACK. DATE: 27-02-14

 **RUKERI** INV. 5195
GRADE: 18

INV 5195 G.60.70 KGS
PKGS. N.60
24/40
EXP. DATE: 27-02-16
PACK. DATE: 27-02-14

INV 5195 G.60.70
PKGS. N.60
38/40
EXP. DATE: 27-02-16
PACK. DATE: 27-02-14

 **RUKERI** INV. 5195
GRADE: BP

INV 5195 G.60.70 KGS
PKGS. N.60
32/40
EXP. DATE: 27-02-16
PACK. DATE: 27-02-14

INV 5195 G.60.
PKGS. N.60
35/40
EXP. DATE: 27-02-16
PACK. DATE: 27-02-14



OUR CLIENTS

OPIC recognizes that businesses of all sizes can make a significant developmental impact while also benefiting from the extensive opportunities in high-growth emerging markets. To bring the fullest spectrum of U.S. business skills, strengths and know-how to the developing world, the Agency partners with a wide range of clients.

SMALL BUSINESSES

OPIC actively works to partner with small businesses. U.S. small and medium enterprises accounted for almost 75% of the deals the Agency committed in 2013. These small businesses play a critical role in the U.S. economy and have the potential to deliver a significant impact worldwide. With OPIC's support, they can also tap into new sources of growth by expanding into developing countries, which are home to a large and growing portion of the world's consumers.

In 2013, OPIC continued its successful Expanding Horizons workshop series, which travels nationwide to educate small businesses about the ways that it and other U.S. government agencies can support U.S. companies expanding into emerging markets. OPIC held workshops in San Jose, California; Fort Worth, Texas; Charleston, South Carolina; and Cleveland, Ohio. The popular and always well-attended series has reached more than 2,500 small businesses across the country since 2006.



OPIC SUPPORT HELPS MARYLAND COMPANY EXPAND INTO NEW MARKETS

Ellicott Dredges is a 128 year old U.S. small business whose dredging equipment helped build the Panama Canal more than 100 years ago. In more recent years, the company has sold its equipment to more than 100 countries around the world, including Iraq. In 2013, OPIC provided political risk insurance to Ellicott in its project to sell two dredges to Iraq's Ministry of Water Resources, which is using the equipment to maintain waterways.

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"I don't think we could be in some of the countries where we operate without OPIC. The risks are significant and OPIC has enabled us to cover them."

— Peter Bowe, President, Ellicott Dredges

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LARGE BUSINESSES

Many of the challenges facing the developing world, such as insufficient electricity and infrastructure, are of a magnitude so great that they are best addressed by large corporations that have experience with major complex projects. SunEdison LLC, for example, has partnered with OPIC on multiple projects, and in 2013 OPIC committed to provide more than \$200 million to two separate SunEdison solar projects in Chile (see *Renewable Resources*, page 5). One of those projects, the San Andres photovoltaic plant, under construction in Chile's Atacama Desert, will produce over 50 megawatts of electricity, which will make it the largest solar facility in all of Latin America. Project Finance International named the San Andres project the *Latin American Solar Deal of the Year* for 2013.

INVESTMENT FUNDS

By providing financing to investment funds focused on emerging markets, OPIC can deploy additional capital into new, expanding and privatizing companies. For example, OPIC has committed to provide financing to the African Agriculture Fund (AAF), which is investing in a broad range of agricultural businesses — from farming and storage to processing and distribution — to help improve both productivity and profitability. AAF is one of a group of funds selected from a 2011 call for funds.

FINANCIAL INTERMEDIARIES

Because many individuals and businesses in developing countries are often located in remote areas that are difficult to reach, OPIC partners with major banks such as Citi that have a deeper presence in these regions. In 2013 OPIC built on its long and successful partnership with Citi to support the expansion of telecommunications networks in Guatemala. OPIC committed to a loan guaranty of \$30 million and Citi committed an additional \$30 million to Comunicaciones Celulares S.A., which will use the financing to enhance its existing 2G network and expand 3G mobile telecommunications services to both urban and rural populations throughout the country, including areas not covered by any cellular service.

INNOVATION AND PARTNERSHIPS

A CULTURE OF INNOVATION

Rather than taking a one-size-fits-all approach in offering project financing, guaranties and political risk insurance, OPIC listens to its clients, understands their special needs and, whenever feasible, tailors its products and services to the specific situation. Delivering on its commitment to flexibility and innovation, the Agency has developed several new tools and entered partnerships to address a shifting investment climate and evolving client needs.

► **INSURANCE FOR NON-HONORING OF A SOVEREIGN GUARANTY** This political risk insurance product protects against the abrogation of sovereign guaranties of debt made for U.S. capital market investors or to banks providing debt financing to OPIC-supported projects. It assures that bondholders or banks will continue to receive timely debt payments if the borrower defaults as a result of the host government failing to honor its guaranty of the debt.

► **INSURANCE FOR ARBITRAL AWARD DEFAULT (AAD)** This political risk insurance protects banks and other investors against the default of an arbitral award in the event of a breach of contract and provides for accelerated arbitration when breach of contract disputes arise.

► **INTERMEDIATED CURRENCY SWAPS** This currency hedge solution, with OPIC as an intermediary for a borrower's currency swap arrangement, enabled a solar power project in South Africa to obtain long-term local currency financing and fully hedge the currency risk associated with its U.S. dollar financing from OPIC.



Photo: Laura Elizabeth Pohl

PARTNERING FOR GREATER IMPACT

OPIC extends its impact by working closely with other U.S. government agencies and supporting multiple initiatives. These include:

► **POWER AFRICA** OPIC will play a key role in President Obama's Power Africa initiative aimed at doubling the number of people on the continent who have access to electricity. (See page 8 for more information)

► **U.S.-AFRICA CLEAN ENERGY FINANCE INITIATIVE** US-ACEF is a partnership of OPIC, the U.S. Department of State and the U.S. Trade and Development Agency to drive private-sector investment to bring more clean energy to Africa.

► **FEED THE FUTURE** Many of OPIC's clean water and sustainable agriculture projects support the Obama Administration's Feed the Future global hunger and food security initiative, which aims to help countries produce enough food to feed growing populations.

► **BUSINESSUSA** OPIC supports the BusinessUSA initiative to provide a one-stop platform of the government programs available to American businesses, and makes information about its products and services available on the BusinessUSA.gov website.

► **NATIONAL EXPORT INITIATIVE** In 2010 President Obama set a target of doubling America's exports by 2015. OPIC supports these goals, largely through its Expanding Horizons workshop series aimed at educating small businesses about the values of expanding into developing markets.

► **TRADE PROMOTION COORDINATING COMMITTEE** The TPCC is an interagency committee established under the Export Enhancement Act of 1992 to provide a unifying framework to coordinate the export promotion and export financing activities of the U.S. government and to develop a government-wide strategic plan for carrying out such programs.

► **PARTNERSHIP FOR GROWTH** OPIC supports this U.S. partnership with select countries that aims to accelerate and sustain broad-based economic growth by putting into practice the principles of President Obama's 2010 Policy Initiative on Global Development.



Photo: Laura Elizabeth Pohl

THE SORWATHE TEA PLANTATION AND PROCESSING FACILITY IN RWANDA WAS BUILT IN 1978 AND REBUILT ALMOST TWO DECADES LATER WITH THE SUPPORT OF OPIC POLITICAL RISK INSURANCE. THE FACILITY PURCHASES TEA LEAVES FROM **THOUSANDS OF SMALL LANDHOLDERS**, GENERATING AN IMPORTANT SOURCE OF INCOME FOR THE LOCAL POPULATION.

OPIC'S FAR-REACHING IMPACT

OPIC is focused on supporting projects that deliver real and measurable benefits in their host countries. One of the biggest impacts of OPIC projects is job creation: The projects OPIC committed to support in 2013 are projected to create almost 18,000 jobs. More important than that number alone, these jobs typically pay higher wages and provide more benefits than the local standard.

As the infographic on the next page shows, these projects support development in a multitude of ways, from generating local tax revenue and procurement of local goods and services, to introducing a new technology into a country, and providing services that deliver environmental and community benefits.

OPIC analysts and economists measure the likely developmental impact of every potential project and closely monitor active projects through self-monitoring questionnaires and on-site monitoring of randomly-selected projects. As part of its ongoing effort to refine its impact measurement, OPIC in 2013 worked with 25 other development agencies and organizations to begin to harmonize the indicators used to track development results.



FINANCIAL SERVICES PROJECT TO YIELD FAR-REACHING RESULTS

One of the biggest challenges of investing to achieve a significant economic, social or environmental impact is finding a way to get the investment to the individuals and communities that need it most. OPIC regularly seeks innovative ways to reach many of the world's poor who live in rural areas with no access to formal banks. The Agency often collaborates with financial intermediaries that have a strong local presence to increase lending to these remote and underserved populations.

In 2013, the Agency committed to provide up to \$400 million in financing to Brazil's Itaú Unibanco S.A. to support expansion of the bank's small and medium enterprise portfolio. Itaú Unibanco earned the highest development score among all the projects OPIC committed last year, a testament to the broad development impact of loans to financial intermediaries.

OPIC's financing is expected to support 5,000 loans to businesses with assets or annual sales of up to \$15 million, with individual loans ranging in size from \$1,000 to \$2 million. Most of the new funds injected into the country will go to underdeveloped regions, reaching the thousands of small businesses that are so critical to the country's economic growth and job creation.

In addition to focusing its lending to small enterprises that would otherwise be hampered by limited access to financing, Itaú Unibanco plans to provide loans with longer tenors than are typically available, and to complement its loans with business development services such as account management tools that are traditionally offered only to larger clients.

CHARTING OPIC'S DEVELOPMENT IMPACT

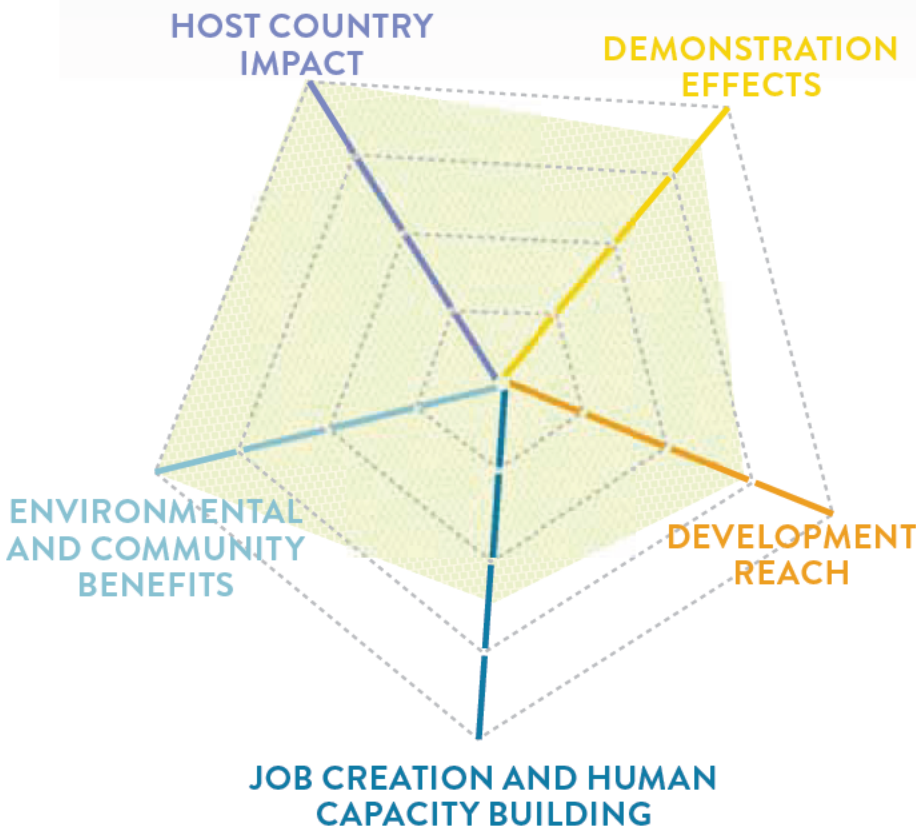
While many of the benefits of OPIC-supported projects are clear from the start, these same projects often produce indirect benefits such as creating jobs, increasing a country's tax revenue or generating procurement of local goods and services.

In reviewing potential projects, OPIC uses a spider graph to measure and chart the potential developmental impact in five key categories.

JOB CREATION AND HUMAN CAPACITY BUILDING

SAMPLE SCORING OF A RECENT PROJECT

This sample spider graph from a hospital project in Asia that OPIC scored before committing financing illustrates the detailed nature of the review, which examines all the different ways the introduction of a new health center will have a positive impact—from improving the quality of health care in the country, to providing professional and technical training to employees, to fostering the development of a “medical tourism” sector that will result in additional revenues for the host country government.



DEMONSTRATION EFFECTS

HOST COUNTRY IMPACT

DEVELOPMENT REACH

ENVIRONMENTAL AND COMMUNITY BENEFITS

New projects OPIC committed to support in fiscal year 2013 are expected to create almost 18,000 host-country jobs, most of them paying higher wages and providing more benefits than the local standard. For example:

- ▶ A hospital construction project in Malaysia is expected to create more than **2,600 local jobs, about 95 percent of them professional or technical.**
- ▶ A loan to support the construction of 237 schools in Kenya is projected to create more than **12,000 local jobs.**

A development project often results in the introduction of new products or services, or business or production processes that benefit the host country economy. For example:

- ▶ A small business lending project will support **onlending to small businesses in multiple African countries where businesses cannot obtain traditional bank loans.**
- ▶ A hydroelectric power plant in Chile will, in addition to **providing a new source of renewable power, also introduce a new production technology that will lead to improved efficiency.**

OPIC projects often generate macroeconomic benefits to the host country in the form of additional tax revenue and local procurement of goods and services. For example:

- ▶ A major Nigerian producer of juices and baked goods estimates it will pay an additional **\$3 million annually in taxes as a result of an OPIC-supported expansion.**
- ▶ An OPIC financing guaranty for expansion of a Medjool date production farm in the West Bank **will enable procurement of local goods and services.**

OPIC seeks projects targeting those with the greatest need. For example:

- ▶ A deal with a major bank in Brazil will support **an estimated 5,000 loans to small- and medium-sized businesses**, the majority of them either owned by women or located in rural areas.
- ▶ A deal supporting investment in Rwanda's coffee sector will **provide steady income for thousands of small farmers.**

OPIC puts a premium on projects that support the planet and its people. Last year OPIC committed to projects that are projected to generate **more than 1,000 MW of clean energy and avoid emissions equivalent to more than 2.3 million tons of CO₂.** In addition:

- ▶ An OPIC-supported Indian microfinance company is collaborating with a local eye hospital to **help borrowers obtain healthcare.**
- ▶ Wind power plants in rural Pakistan will provide **clean sources of electricity to the country's national power grid, helping to alleviate shortages.**

INAUGURAL OPIC IMPACT AWARDS RECOGNIZE EXCELLENCE IN DEVELOPMENT

OPIC clients do outstanding work in challenging conditions, often developing innovative approaches to carry out complex projects. In 2013, OPIC set out to formally recognize the outstanding work of some of the Agency's clients around the world.

As this report was going to press, OPIC held the inaugural OPIC Impact Awards. More than 100 guests from the Obama Administration, Capitol Hill and the development and business communities attended the ceremony at the U.S. Chamber of Commerce, and the reception that followed.

Awards were presented in the following categories:

- ▶ **CRITICAL INFRASTRUCTURE: *ContourGlobal LLC***, which used OPIC financing and political risk insurance to build the Lomé Thermal Power Plant in Togo.
- ▶ **DEVELOPMENT IMPACT: *International Rescue Committee***, which uses OPIC political risk insurance to support its work responding to humanitarian crises around the world.
- ▶ **PRIVATE EQUITY: *Helios Investment Partners LLC***, for its work investing in African business, which was supported by OPIC's investment funds financing.
- ▶ **RENEWABLE RESOURCES: *SunEdison LLC***, OPIC loan recipient, for its work constructing a 60 MW solar plant in rural South Africa.
- ▶ **AMERICAN SMALL BUSINESS: *Ellicott Dredges LLC***, which used OPIC political risk insurance when selling American made dredging equipment in Iraq.
- ▶ **ACCESS TO FINANCE** (*this award produced a three-way tie*):
 - > ***Global Partnerships***, which used OPIC financing to support microfinance lending in Latin America.
 - > ***Inter-Mac International Inc.***, which used OPIC financing to build safe and affordable housing and provide low-income Hondurans a path to home ownership.
 - > ***Medical Credit Fund***, which used OPIC financing to provide loans to small health clinics in Sub-Saharan Africa.

OTHER HONORS

OPIC projects also received several outside honors.

Project Finance International's Latin American Solar Deal of the Year 2013: SunEdison LLC's San Andres photovoltaic plant in Chile.

Project Finance International's Latin American Power Deal of the Year 2013: Alto Maipo SpA's hydroelectric plant in Chile.

Trade Finance Magazine's Trade Finance Deal of the Year 2013 for the Americas: Latin America Export Finance Fund.

ROPSEA Gold Award & British Safety Award 2013: AES Jordan's Amman East Power Plant.

Africa investor (Ai) Investment and Business Leader Awards 2013 as Venture Capital/Private Equity Deal of the Year: Phatisa, Manager of African Agriculture Fund.

Pacific Coast Builders Conference's Gold Nugget Award 2013: Inter-Mac International Inc.'s Los Castaños de Choloma low-income housing community in Honduras.

Emerging Partnership's 40 Best PPPs in Emerging Markets Today 2013: ContourGlobal's Lomé Thermal Power Plant in Togo, and AES Jordan's Amman East Power Plant.



OPIC President and CEO Elizabeth Littlefield presents the awards.

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**“Public-private partnerships
are at the core of all OPIC does.
You are all shining examples
of what private enterprise
can do for development.”**

— OPIC President and CEO Elizabeth L. Littlefield

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(left to right) Dia Martin, OPIC Senior Investment Officer; Richard Greenberg, OPIC Managing Director, Micro and SME Finance; Monique Dolfig-Vogelenzang, Managing Director, Medical Credit Fund.



White House Counselor to the President John Podesta introduces the Renewable Resources Impact Award winner.



U.S. Congressman Gregory Meeks presents the Private Equity Impact Award to Henry Obi, Chief Operations Officer of Helios Investment Partners LLC.



U.S. Agency for International Development Administrator Dr. Rajiv Shah presents the Impact Award for Access to Finance to Global Partnerships CEO Rick Beckett.

COUNTRIES AND AREAS

OPIC IS AUTHORIZED TO DO BUSINESS IN THE FOLLOWING COUNTRIES AND AREAS:



AFRICA AND THE MIDDLE EAST

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

ASIA AND THE PACIFIC

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

LATIN AMERICA AND THE CARIBBEAN

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

EUROPE AND EURASIA

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

INVESTMENT ACTIVITIES

US SPONSOR/ INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION	AMOUNT	NOTE
AFRICA AND THE MIDDLE EAST				
CAMEROON				
Access Africa Fund LLC	Advans Cameroun, Douala, Akwa At Rond Point	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,500,000	Insurance
EGYPT				
CHF International	Al Watany Bank	Sub Guaranty Framework Agreement under the MENA LGF	25,000,000	Finance
CHF International	Commercial International Bank	Expansion of SME portfolio	50,000,000	Finance
GHANA				
Access Africa Fund LLC	Advans Ghana Saving And Loans Limited	Investment fund's loan to an MFI for the purpose of microfinance on-lending	750,000	Insurance
Access Africa Fund LLC	Procredit Savings And Loans Company Limited	Investment fund's loan to an MFI for the purpose of microfinance on-lending	900,000	Insurance
Access Africa Fund LLC	Opportunity International Savings And Loans Limited	Investment fund's loan to an MFI for the purpose of microfinance on-lending	2,000,000	Insurance
IRAQ				
Ellicot Dredges, LLC	Ministry Of Water Resources	Performance bond for the export of dredging equipment	505,575	Insurance
Lindsay International Sales and Service LLC	Ministry Of Agriculture/State Co. For Agricultural Supplies	Irrigation system sales and installation	32,697,210	Insurance
Ellicot Dredges, LLC	Ministry Of Electricity	Performance bond for the export of dredging equipment	111,870	Insurance
ISRAEL				
Farid Jaber	Miranda Falcon Realty Limited	Construction and operation of mixed use residential and commercial buildings	17,000,000	Finance
JORDAN				
CHF	Jordan-Capital Bank Of Jordan	Expansion of SME portfolio	5,000,000	Finance
CHF	Jordan-Housing Bank For Trade And Finance	Expansion of SME portfolio	40,000,000	Finance
CHF	Jordan-Jordan Kuwait Bank	Expansion of SME Portfolio	15,000,000	Finance
The AES Corporation	AES Levant Holdings B.V/Jordan	240 MW Power Plant	48,600,000	Insurance
KENYA				
New Globe School, Inc.	Bridge International Academies	Construction and operation of low-cost private schools for low-income students.	10,000,000	Finance
International School of Kenya Foundation	International School Of Kenya Limited	Campus expansion of the International School of Kenya	12,000,000	Finance
MOZAMBIQUE				
Access Africa Fund LLC	Banco Procredit, S.A.	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,052,425	Insurance
NIGERIA				
Citibank, N.A.	CGLOB-Chi Limited	Expansion and modernization of food and beverage production facilities	30,000,000	Finance
Agrium Inc.	Greenpark Petrochemical Company	Ammonia-Urea Plant	250,000,000	Finance
RWANDA				
Westrock Coffee Holdings, LLC	Rwanda Trading Company	Coffee processing operation with agricultural extension and technical assistance programs	19,400,000	Insurance
SOUTH SUDAN				
Barbara Gibian	Grant Hotel Juba LLC	Business class hotel in Juba, South Sudan	19,500,000	Finance
TANZANIA				
KMR Infrastructure LLC	KMRI Asset Company Tanzania Ltd.	Construction and operation of two small scale renewable energy plants	13,350,000	Finance
Calvert Social Investment Foundation	Mtanga Farms Limited	Expand current livestock activities	3,500,000	Finance

THIS LIST REPRESENTS PROJECTS TO WHICH OPIC COMMITTED IN FISCAL YEAR 2013.

US SPONSOR/ INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION	AMOUNT	NOTE
Mayank Bhargava and Anil Nanji	NextGen Solawazi Limited	Develop an up to 5 MW solar power project in Kigoma, Tanzania	9,740,000	Finance
UGANDA				
Access Africa Fund LLC	Ugafode Microfinance Limited (Mdi)	Investment fund's loan to an MFI for the purpose of microfinance on-lending	585,944	Insurance
WEST BANK				
Middle East Investment Initiative (MEII)	Palestinian Political Risk Insurance Project	Partial Guaranties OPIC and a Reinsurance Policy-MEII & NIC	1,000,000	Finance
ZAMBIA				
Access Africa Fund LLC	Cetzam Financial Services Plc Limited, Cetzam House	Investment fund's loan to an MFI for the purpose of microfinance on-lending	500,000	Insurance
Access Africa Fund LLC	Agora Microfinance Zambia Limited	Investment fund's loan to an MFI for the purpose of microfinance on-lending	500,000	Insurance
AFRICA AND MIDDLE EAST REGIONAL				
SHY LLC (a Delaware LLC)	Amethis Africa Finance Limited	Debt facility to provide loans to businesses in Africa	150,000,000	Finance
Calvert Foundation	BRAC Africa Microfinance Limited	Recapitalization of the BRAC Africa facility	9,568,320	Finance
Microvest II-A, LP"	SFC Finance Limited	Debt facility for SMEs in Sub-Saharan Africa	50,000,000	Finance
TunInvest Financial Group	Maghreb Private Equity III, LLC	Fund investing in high growth SMEs in the Maghreb region	52,500,000	Investment Fund
Peter Scott	Burn Manufacturing Company	Clean cookstove assembly and manufacturing	3,000,000	Finance
ASIA AND THE PACIFIC				
CAMBODIA				
RMA Holdings, LLC	RMA Financial Services (Cambodia) Plc	Expansion of an existing SME leasing business in Cambodia	10,000,000	Finance
INDIA				
Unitus and Microvest	WBC - Grama Vidiyal Microfinance	Expansion of GVMFL's microfinance lending business	3,656,250	Finance
Unitus and Microvest	WBC - Grama Vidiyal Microfinance (Subdebt)	Expansion of GVMFL's microfinance lending business	3,656,250	Finance
INDONESIA				
Wells Fargo, N.A.	Pt Bank Danamon Indonesia Tbk	Facility to help expand SME Lending	50,000,000	Finance
MALAYSIA				
John Hopkins University	Academic Medical Center Sdn Bhd	Research Center, Medical School, and Teaching Hospital	250,000,000	Finance
MONGOLIA				
Schultze Global Investments Limited	Schultze Mongolia Debt Facility Limited	Debt facility for SMEs in Mongolia	9,999,999	Finance
PAKISTAN				
GE International	Dewan Energy (Pvt) Limited	49.6 MW wind power project at Jhimpher, Sind in Pakistan	101,500,000	Finance
General Electric	Sapphire Wind Power Company Limited	Construction and Operation of a 50 MW wind power plant	95,000,000	Finance
TPL Holdings Limited	TPL Trakker	Expansion of cargo security business	3,500,000	Finance
PHILIPPINES				
Specialty Cheese Company	Fresh Cheese Company-Philippines	New specialty cheese factory.	1,050,000	Finance
EUROPE AND EURASIA				
ARMENIA				
AK Development LLC, Haig LLC	Armenia Hotel Complex-2	Thirty-two room expansion of the Armenia Marriott Hotel	6,755,000	Finance
Bankworld	WBC-Ardshinvestbank CJSC 2	Expansion of bank's SME loan portfolio in Armenia	9,750,000	Finance
AZERBAIJAN				
BankWorld Inc.	WBC-Muganbank OJSC	Second loan to support expansion of SME lending activities	4,875,000	Finance

US SPONSOR/ INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION	AMOUNT	NOTE
Microvest Short Duration Fund LP	Demirbank OJSC	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,175,075	Insurance
Microvest Short Duration Fund LP	NBCO Vision Fund Azercredit LLC	Investment fund's loan to an MFI for the purpose of microfinance on-lending	2,000,000	Insurance
Microvest Short Duration Fund LP	TBC Kredit Non-Banking Credit Organization LLC	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,500,000	Insurance
Microvest + Plus LP	TBC Kredit Non-Banking Credit Organization LLC	Investment fund's loan to an MFI for the purpose of microfinance on-lending	2,500,000	Insurance
GEORGIA				
Silk Road Partners	GMT Hotels, LLC	Recapitalization and external refurbishment of two properties	29,000,000	Finance
Wendy's International	JSC Wengeorgia	Wendy's brand master franchise operation in Georgia	18,900,000	Finance
Firebird Management LLC	WBC-Georgian Leasing Company	Expansion of leasing operations of Georgian Leasing Company	6,825,000	Finance
Microvest Short Duration Fund LP	JSC TBC Bank	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,231,335	Insurance
Microvest + Plus LP	JSC TBC Bank, Head Office & Marjanishvili Branch	Investment fund's loan to an MFI for the purpose of microfinance on-lending	416,438	Insurance
KAZAKHSTAN				
Microvest Short Duration Fund LP	Microcredit Organization Arnur Credit LLP, House 47	Investment fund's loan to an MFI for the purpose of microfinance on-lending	900,000	Insurance
Microvest + Plus LP	Microcredit Organization Arnur Credit LLP	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,800,000	Insurance
ROMANIA				
Treetops Capital LP	Treetops Capital Agribusiness Facility	Debt facility for agribusiness projects in Romania	10,000,000	Finance
Dorian B. Klein	Verida Credit IFN S.A. II	Mortgage financial services for low/middle-income market	20,000,000	Finance
RUSSIA				
Boris Nepoe; Boris Kemelman	WBC-Credit Moscow Bank	Expansion of Credit-Moscow's SME lending business.	4,875,000	Finance
Microvest + Plus LP	CJSC Microfinance Organization "FINCA"	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,000,000	Insurance
Microvest Short Duration Fund LP	Closed Joint Stock Company Microfinance Organization	Investment fund's loan to an MFI for the purpose of microfinance on-lending	2,000,000	Insurance
Microvest Short Duration Fund LP	Closed Joint Stock Company Fora-Opportunity Russian Bank	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,000,000	Insurance
Microvest Short Duration Fund LP	Closed Joint Stock Company Fora-Opportunity Russian Bank	Investment fund's loan to an MFI for the purpose of microfinance on-lending	2,205,000	Insurance
TAJIKISTAN				
Microvest + Plus LP	Mlo Oxus Microfinance LLC	Investment fund's loan to an MFI for the purpose of microfinance on-lending	750,000	Insurance
Microvest + Plus LP	"FINCA" MDO LLC	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,000,000	Insurance
Microvest Short Duration Fund LP	"FINCA" MDO LLC	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,000,000	Insurance
TURKEY				
Bilkent Ankara Entegre Saglik Hizmetleri Yatirim Ve Isletme A	Bilkent Ankara Entegre Saglik Hospital	Construction and operation of an integrated health campus	250,000,000	Finance
				*
LATIN AMERICA AND THE CARIBBEAN				
BRAZIL				
CSI Latina Financial Inc.	CSI Latina Arrendamento Mercantil S.A.P.I.	Support expansion of IT leasing portfolio in Brazil.	10,000,000	Finance
Wells Fargo	Itau Unibanco	Expansion of SME lending portfolio	400,000,000	Finance
Laco Management	St. Marche Supermercados (Brazil)	Expansion of retail supermarket operation	19,800,000	Finance

US SPONSOR/ INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION	AMOUNT	NOTE
Assurant, Inc.	Assurant Seguradora, S.A.	Expansion of bank to increase product range and accessibility of credit	40,000,000	Insurance
CHILE				
AES	Alto Maipo SpA	530 MW Run of River Hydro Power Project	250,000,000	Finance
SunEdison	Amanecer SpA	100MW Solar PV Power Plant	147,500,000	Finance
SunPower Corporation	PV Salvador	A 70MW solar plant in Diego de Almagro	155,000,000	Finance
SunEdison	San Andres SpA	A 50MW solar PV plant located in the Atacama region of Chile	105,000,000	Finance
COLOMBIA				
Sada Joshi/Claudette Joshi	Joshi Technologies International, Inc.	Expansion of oil production	14,500,000	Finance
Sharon Gurtler; Charles Parks; Milton Ruiz; Henry Van Der Linde	Parko Services S.A.	Expansion oil production	4,500,000	Finance
COSTA RICA				
Citibank, N.A.	Crediq, S.A. de C.V. & Creditz Inversiones	Expansion of SME portfolios	30,000,000	Finance
ECUADOR				
Citibank, N.A.	Banco Pichincha	Microfinance Institution	10,500,000	Finance
EL SALVADOR				
Citibank	Compania Azucarera Salvadorena, S.A. de	Purchase Equipment for Energy Generation at Facility	30,000,000	Finance
Eligible U.S. investors that purchased the OPIC-guaranteed notes	La Hipotecaria El Salvadoran Mortgage Trust	Credit enhance senior notes of a mortgage-backed security transaction	33,750,000	Finance
GUATEMALA				
Wells Fargo	Industrial DPR Funding Ltd.	Facility to Support Expansion of Banco Industrial's SME loan	250,000,000	Finance
HONDURAS				
Citi, Export & Agency Finance	Banco Del Pais, S.A.	Expansion of SME lending portfolio	30,000,000	Finance
MEXICO				
True North Venture Capital	Celsol S.A.P.I. de C.V.	Installation and implementation of municipal streetlighting	50,000,000	Finance
DWM Holdings LLC	Financiera Educativa de Mexico S.A. de C.V.	Expansion of school loan portfolio of non-bank financial institution	8,000,000	Finance
Amembal & Associates Inc.	WBC - Arrendadora y Comercializadora Lingo S.A. de C.V. SOFOM E.N.R.	Expansion of SME leasing portfolio	4,875,000	Finance
Latin Idea Ventures III, LLC	Latin Idea Mexico Venture Capital Fund III	Fund investing in Mexican SMEs, mostly in technology, media and telecom	25,000,000	Investment Fund
NICARAGUA				
Microvest Short Duration Fund LP	Credifactor S.A.	Investment fund's loan to an MFI for the purpose of microfinance on-lending	1,000,000	Insurance
PERU				
Citibank, N.A.	Financiera Creditos Arequipos, S.A.	Microfinance Institution	7,777,000	Finance
Citibank, N.A.	Financiera Edyficar, S.A.	Microfinance institution	7,777,000	Finance
ContourGlobal	Humboldt Current (Peru)	114 MW Wind Power Generation Project at two sites in NW Peru	192,755,250	Finance
URUGUAY				
Nordex USA	Melowind	50 MW wind power generation project.	96,000,000	Finance
LATIN AMERICA REGIONAL				
Credera Finance Management Company, LLC	Latin America Export Finance Fund Limited	Debt facility to provide loans to underserved enterprises in agriculture	50,000,000	Finance
Global Partnerships	Global Partnerships Social Investment Fund 5.0	Microfinance investment vehicle	15,000,000	Finance

US SPONSOR/ INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION	AMOUNT	NOTE
Paladin Realty Partners LLC	Paladin Latin America Investors IV LP	Fund targeting real estate development opportunities in Latin America	50,000,000	Investment Fund
Paladin Realty Partners, LLC	Paladin Realty Latin America Investors IV, LP - CI	Fund targeting real estate development opportunities in Latin America	50,000,000	Investment Fund

ALL OPIC COUNTRIES

Finca International	Finca Microfinance Holding Company	Finance portfolio growth of its network of 21 affiliates	45,000,000	Finance
Kalos Group LLC; Code Family Foundation; Craig Wainscott, Gregory Smith, Bellefeuille Family Trust	The Paradigm Project, L3C	Working capital facility to support cookstove distribution	4,000,000	Finance

INVESTMENT FUND PORTFOLIO ACTIVITIES 2013

FUND NAME	PORTFOLIO COMPANY	DESCRIPTION	COUNTRY/REGION
Darby ProBanco Holdings, L.P.	Acrecent Financial Corporation	Commercial Finance	Central America Regional
	Cobis Systems Corporation	Banking Software	Latin America Regional
SAWHF PVE (SA)	StudentDigz	Housing	South Africa
	Pincer Property Developments—The Mews	Housing	South Africa
	Business Venture Invest. 1486—Parklands	Housing	South Africa
	SAWHF Rental 4 Trust—Aurora Villas	Housing	South Africa
	SAWHF Rental 3 Trust—Kosmosdal	Housing	South Africa
CAPIC SPV L.P.	CAPIC Hexagon Nigeria Ltd.	Hospitality	Nigeria
	Skye CAPIC Select Ltd.	Hospitality	Nigeria
	Fountain Springville Estate Ltd.	Real Estate Development	Nigeria
	Sara Capital Ltd.	Real Estate	Ghana
FCP Fund	Al Qaser for Touristic Investments Company (Fakhreldin)	Hospitality— Food and Hotels	Jordan
AIC Caribbean Fund, L.P.	World Foods Global	Agro-processing	Jamaica
Helios Sub-Saharan Africa Fund II, Ltd.	Continental Outdoor Media, Ltd.	Media—Outdoor Advertising	Pan Africa
	Interswitch Ltd.	Electronic Payment processing	Nigeria
	Helios Towers Africa Limited	Telecommunications infrastructure services	Ghana

This list reflects the investments made by OPIC-supported funds in Fiscal Year 2013.

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Overseas Private Investment Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Overseas Private Investment Corporation (OPIC), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of income, capital and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements. The objective of our audits was to express an opinion on the fairness of these financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We also conducted our audits in accordance with Office of Management and Budget (OMB) Bulletin No. 14 02, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 14 02). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In order to fulfill these responsibilities, we (1) obtained an understanding of OPIC and its operations, including its internal control over financial reporting; (2) assessed the risk of financial statement misstatement; (3) evaluated the design and operating effectiveness of internal control based on the assessed risk; (4) considered OPIC's process for evaluating and reporting on internal control; (5) tested compliance with certain provisions of laws and regulations, (6) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (7) evaluated the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management; (8) evaluated the overall presentation of the financial statements; and (9) performed such other procedures as we considered necessary in the circumstances.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Overseas Private Investment Corporation as of September 30, 2013 and 2012, and the results of its operations, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of OPIC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OPIC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Calverton, Maryland
December 13, 2013



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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Directors
Overseas Private Investment Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Overseas Private Investment Corporation (OPIC), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of income, capital and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated December 13, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered OPIC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OPIC's internal control. Accordingly, we do not express an opinion on the effectiveness of OPIC's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Appendix A that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether OPIC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States or OMB Bulletin No. 14-02.

OPIC's Response to Finding and Our Evaluation

OPIC's response to the finding identified in our audit is described in the accompanying Appendix B. Although OPIC concurred with our findings individually, they did not concur that the findings collectively represent a significant deficiency. Based on our professional judgment, we believe the identified weaknesses, when taken together, constitute a significant deficiency. The specific actions taken and proposed appear to adequately respond to our recommendations. OPIC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "CliftonLarsonAllen LLP". The signature is written in a cursive, flowing style.

Calverton, Maryland
December 13, 2013

APPENDIX A

Significant Deficiency and Recommendation Overseas Private Investment Corporation Fiscal Year 2013

Information System Controls Need Improvement

All business processes today are impacted in some respects by information systems, applications, policies and controls. Information systems are key to financial information collection, classification, allocations and reporting. Information system controls must be in place to ensure that critical data, transactions and programs are processed in a timely manner. These include controls over OPIC's general support system which are utilized to access OPIC financial applications and data.

Our review of IT controls covered general controls and selected business process application controls. General controls are the structure, policies, and procedures that apply to an entity's overall computer systems. They include entity-wide security management, access controls, configuration management, segregation of duties and contingency planning controls. Business process application controls are those controls over the completeness, accuracy, validity, confidentiality, and availability of transactions and data during application processing. The American Institute of Certified Public Accountants (AICPA) AU Section 314 Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement states that while general controls do not, by themselves, cause misstatements, they may permit application controls to operate improperly and allow misstatements to occur and not be detected. Furthermore, GAO Financial Audit Manual (FAM) states that the effectiveness of general controls is a significant factor in determining the effectiveness of application controls and certain user controls. Without effective general controls, application controls may be rendered ineffective by circumvention or modification.

OPIC has remediated specific IT findings identified in prior year audits. However, continued efforts are needed to implement entity-wide controls for effective security management, access controls, and configuration management.

Our current year audit noted that web design, configuration and patch management controls were not effective. Controls were inadequate to protect OPIC's network, servers and databases from compromise. Configuration management remains a control issue that requires concerted effort for improvement and continuous monitoring. Our evaluation of the general and application controls of OPIC's key information technology infrastructure and financial management applications identified the following weaknesses, which taken together, constitute a significant deficiency.

During the Fiscal Year 2013 Audit of OPIC's compliance with provisions of the Federal Information Security Management Act of 2002, eight general control weaknesses were reported in the areas of security management, access controls, configuration management and continuity planning, which we determined represent a risk to the information technology general control environment of OPIC's financial applications and data. Several of these weaknesses, specifically related to account management controls, vulnerability assessments, operating system patches and audit logging we previously reported to management during fiscal years 2011 and 2012 financial statement audits, thus indicating weaknesses in these areas still exist and root causes were not completely remediated by management.

Additionally, during the Fiscal Year 2013 financial statement audit, we noted the following general control weaknesses, which were discussed with and agreed to by management, in the following areas:

Security Management

- Background Investigations were not performed for several individuals with access to OPIC systems. We identified nine individuals (mostly interns) with access to OPIC systems (hired between Jan–June 2013), for whom a background investigation was not completed:

Access Controls

- Several major application password configuration settings were not configured in accordance with OPIC policies. Specifically, based upon a review of the major application's password settings, we noted that the password expiration and history settings were not in compliance with OPIC policy (OPIC 800-53 Org Parameters Signed).

Configuration Management

- Web design, configuration and patch management controls were not effective. High severity risk vulnerabilities were found in FY 2013.
- Based upon reviews of reports of OPIC network vulnerability scans performed during FY13, we noted instances of five servers still running on an unsupported operating system. On July 13, 2010, extended support for this operating system ended and from that date, this product no longer received assisted support or security updates from the vendor.

These findings highlight OPIC's lack of compliance with various NIST publications, OMB Circulars, and FISMA requirements as listed below:

- OMB Circular A-130, Management of Federal Information Resources, Appendix III,

- The Federal Information Security Management Act of 2002 (FISMA)
- The National Institute of Standards and Technology (NIST) Special Publication 800-53 Revision 3, Boundary Protection SC-7.
- OPIC NIST 800-53 Organizational Parameters for LOW and MODERATE Impact Systems (PARM-2013-V1) May 14, 2013, IA-5 (1) Authenticator Management. Information systems, for passwordbased authentication.

By not effectively implementing and enforcing IT policies and procedures, there is an increased risk that financial and sensitive information may be inadvertently or deliberately misused and may result in improper disclosure or theft without detection.

Recommendation:

Although we are not repeating the recommendations which are included in the USAID OIG Report titled “Audit of Overseas Private Investment Corporation’s Fiscal Year 2013 Compliance with Federal Information Security Management Act of 2002,” Audit Report M-000-13-00X-P, dated August 30, 2013, we recommend the following:

- OPIC change its policy to comply with NIST guidance outlined in 800-53, rev. 3 and require all individuals to complete a background investigation (e.g. security screening) prior to obtaining access to OPIC systems.
- The Office of the Chief Information Officer revise its major applications password settings for length, history and expiration so they are in accordance with OPIC policies.
- The Office of the Chief Information Officer implement the recommendations identified within the Security Incident report including the following:
 - Performing ongoing reviews and increasing the capacity of audit and activity logs
 - Ensuring all Internet-facing systems are running the most recent server operating system and are fully patched and hardened using best-practices. AND
 - Ensuring the configuration of its demilitarized zone (DMZ—the network with publicly-facing web services) follow best-practices to reduce the exposure of internal OPIC systems in the event one of the public systems is compromised.
- The Office of the Chief Information Officer, identify unsupported operating systems, notify the owners, and implement corrective actions to remove or replace the systems in order to prevent and reduce risks to OPIC networks.



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December 13, 2013

TO Greg Bussink, Partner
 CliftonLarsonAllen, LLP

FROM Allan Villabroza, VP/CFO
 Dennis Lauer, VP/OAS

The purpose of this memorandum is to provide OPIC's management response to the 2013 CliftonLarsonAllen, LLP *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, provided to OPIC on December 9, 2013.

While OPIC concurred with the individual CLA findings presented on October 23, 2013, these findings are not significant deficiencies, individually or collectively. Specifically, the event that lead to the security incident report was identified by the OPIC security monitoring program; control processes contained the incident, and incident response procedures remediated it in a timely manner. OPIC's actions are indicative of effective controls and processes.

Prior to the issuance of this report, OPIC management implemented immediate and comprehensive action to respond and remediate the key findings within the CLA report, and developed a Plan of Actions and Milestones (POAM) to address the FISMA 2013 Audit Report M-000-13-00X-P findings. OPIC implemented corrective action that ensures the data contained in OPIC business systems are appropriately protected in accordance with Federal regulations and guidelines. To date, OPIC has implemented 42% of corrective action related to the recommendations noted above and anticipates full implementation of the recommendations in this fiscal year.

BALANCE SHEETS

Overseas Private Investment Corporation—Years ended September 30, 2013 and 2012 (\$ in thousands)

Assets	2013	2012
Fund Balance with U.S. Treasury (notes 2 and 4)	\$ 993,500	\$1,076,559
U.S. Treasury securities, at amortized cost plus related receivables (notes 2 and 7)	5,442,066	5,320,325
Direct loans outstanding, net (notes 2 and 10)	1,303,606	1,363,216
Accounts receivable resulting from investment guaranties, net (notes 2 and 11)	45,733	42,394
Assets acquired in insurance claims settlements, net (notes 2 and 11)	3,787	1,507
Guaranty receivable (notes 2 and 19)	571,742	692,000
Derivatives (note 20)	105,140	—
Accrued interest and fees and other, net (notes 2 and 10)	46,082	32,843
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization of \$18,944 in FY2013 and \$17,255 in FY2012 (note 2)	5,512	6,223
Total assets	<u>\$8,517,168</u>	<u>\$8,535,067</u>
 Liabilities, Capital, and Retained Earnings		
Liabilities:		
Reserve for political risk insurance (note 9)	\$278,000	\$278,000
Reserve for investment guaranties (notes 10)	555,914	489,320
Accounts payable and accrued expenses	4,781	5,515
Guaranty liability (notes 2 and 19)	571,742	692,000
Derivatives (note 20)	108,854	—
Customer deposits and deferred income	60,447	52,196
Borrowings from U.S. Treasury, and related interest (note 6)	2,292,674	2,241,224
Unearned premiums	25,332	26,382
Deferred rent & rent incentives from lessor of \$6,979 and \$6,413 net of accumulated amortization of \$3,159 and \$2,660 in FY2013 and FY2012 (note 14)	3,820	3,753
Total liabilities	<u>3,901,564</u>	<u>3,788,390</u>
 Contingent liabilities (notes 2 and 17)		
Capital and retained earnings:		
Contributed capital	50,000	50,000
Credit funding (note 5)	116,063	107,484
Interagency transfers (Note 2)	18,917	16,312
Retained earnings and reserves:		
Insurance (notes 9 and 12)	770,382	858,251
Guaranty (notes 10 and 12)	3,660,242	3,714,630
	4,615,604	4,746,677
Total liabilities, capital, and retained earnings	<u>\$8,517,168</u>	<u>\$8,535,067</u>

See accompanying notes to financial statements.

STATEMENTS OF INCOME

Overseas Private Investment Corporation—Years ended September 30, 2013 and 2012 (\$ in thousands)

	2013	2012
Revenues		
Political risk insurance premiums and fees (note 9)	\$ 17,030	\$ 15,452
Investment financing interest and fees	231,413	198,699
Other operating income	115	0
Interest on finance program deposits	51,239	36,124
Interest on U.S. Treasury securities	150,315	162,113
Unrealized gains, derivatives (note 20)	<u>0</u>	<u>0</u>
Total revenues	<u>450,112</u>	<u>412,388</u>
Expenses		
Provisions for reserves:		
Political risk insurance (notes 2 and 9)	(22,394)	(23,021)
Investment financing (notes 2, 10 and 11)	131,633	4,721
Salaries and benefits (note 15)	35,040	33,320
Rent, communications and utilities (note 14)	7,603	7,005
Contractual services	18,464	19,146
Travel	4,386	4,739
Interest on borrowings from U.S. Treasury (note 6)	105,738	90,547
Depreciation and amortization (note 2)	1,689	1,513
Other general and administrative expenses	1,883	1,848
Unrealized losses, derivatives (note 20)	<u>3,714</u>	<u>0</u>
Total expenses	<u>287,756</u>	<u>139,818</u>
Net income	<u>\$162,356</u>	<u>\$272,570</u>

See accompanying notes to financial statements.

STATEMENTS OF CAPITAL AND RETAINED EARNINGS

Overseas Private Investment Corporation—Years ended September 30, 2013 and 2012 (\$ in thousands)

	Contributed Capital	Credit Funding	Interagency Transfers	Equity reserves		Retained Earnings	Total
				Insurance (Notes 9 & 12)	Guaranty (Notes 10 & 12)		
Balance, September 30, 2011	<u>\$50,000</u>	<u>\$ 105,788</u>	<u>\$16,354</u>	<u>\$ 790,887</u>	<u>\$ 3,616,313</u>	<u>\$ —</u>	<u>\$4,579,342</u>
Net income	—	—	—	78,082	194,488	—	272,570
Return credit funding to U.S. Treasury	—	—	—	—	(225,561)	—	((225,561))
Credit funding (net) received from:							
Accumulated earnings	—	45,754	—	(12,760)	—	(32,994)	—
Credit appropriations	—	118,326	—	—	—	—	118,326
Credit funding used	—	(162,384)	—	—	129,390	32,994	—
Interagency transfers	—	—	(42)	2,042	—	—	2,000
Balance, September 30, 2012	<u>\$50,000</u>	<u>\$ 107,484</u>	<u>\$ 16,312</u>	<u>\$ 858,251</u>	<u>\$ 3,714,630</u>	<u>\$ —</u>	<u>\$4,746,677</u>
Net income	—	—	—	(74,414)	236,770	—	162,356
Return credit funding to U.S. Treasury	—	—	—	—	(516,771)	—	(516,771)
Credit funding (net) received from:							
Accumulated earnings	—	49,844	—	(16,850)	—	(32,994)	—
Credit appropriations	—	217,342	—	—	—	—	217,342
Credit funding used	—	(258,607)	—	—	225,613	32,994	—
Interagency transfers	—	—	2,605	3,395	—	—	6,000
Balance, September 30, 2013	<u>\$50,000</u>	<u>\$ 116,063</u>	<u>\$ 18,917</u>	<u>\$ 770,382</u>	<u>\$ 3,660,242</u>	<u>\$ —</u>	<u>\$4,615,604</u>

See accompanying notes to financial statements.

STATEMENTS OF CASH FLOWS

Overseas Private Investment Corporation—September 30, 2013 and 2012 (\$ in thousands)

	<u>2013</u>	<u>2012</u>
Cash flows from operating activities:		
Net income	\$ 162,356	\$272,570
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for:		
Political risk insurance	(22,394)	(23,021)
Investment financing	131,633	4,721
Net unrealized (gains)/losses, derivatives	3,714	—
Amortization of premiums on U.S. securities	14,565	15,908
Accretion of discounts on U.S. securities	(5,895)	(5,750)
Amortization of deferred rent and rental incentives	(443)	(295)
Increase in rent incentives	510	689
Depreciation and amortization	1,689	1,513
(Increase) decrease in operating assets:		
Accrued interest and fees and other	(6,521)	(18,481)
Guaranty receivable	120,258	(235,871)
Assets acquired in insurance claims settlements	(5,945)	(38)
Recoveries on assets acquired in insurance claims settlements	26,059	26,059
Assets acquired in finance claims settlements	(68,466)	(23,422)
Recoveries on assets acquired in finance claims settlements	22,475	21,592
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(734)	533
Customer deposits and deferred income	8,250	4,731
Guaranty liability	(120,258)	235,871
Unearned premiums	(1,050)	18,238
Cash provided by operating activities	<u>259,803</u>	<u>295,547</u>
Cash flows from investing activities:		
Sale and maturity of U.S. Treasury securities	1,146,729	810,893
Purchase of U.S. Treasury securities	(1,287,170)	(946,040)
Repayment of direct loans	410,477	164,840
Disbursement of direct loans	(369,942)	(263,148)
Acquisition of furniture and equipment	(977)	(1,088)
Cash used in investing activities	<u>(100,883)</u>	<u>(234,543)</u>
Cash flows from financing activities:		
Return credit funding to U.S. Treasury	(516,771)	(225,561)
Interagency transfers	6,000	2,000
Credit appropriations	217,342	118,326
Credit reform borrowings from U.S. Treasury	51,450	413,533
Cash provided by financing activities	<u>(241,979)</u>	<u>308,298</u>
Net increase in cash	(83,059)	369,302
Fund Balance with U.S. Treasury at beginning of year	1,076,559	707,257
Fund Balance with U.S. Treasury at end of year	<u>\$ 993,500</u>	<u>\$1,076,559</u>

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Overseas Private Investment Corporation—Years ended September 30, 2013 and 2012

(1) Statement of Corporate Purpose

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

(2) Summary of Significant Accounting Policies

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

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

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

Assets Acquired in Investment Guaranty and Insurance

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

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

it is exchanged for U.S. dollars by the foreign government.

Allowances: The allowances are based on management's periodic evaluations of the underlying assets. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, asset composition, prior loss experience, the estimated fair value of any collateral, and the present value of expected future cash flows. OPIC writes off a loan when it believes that viable collection efforts have been exhausted and no further recovery is expected.

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

Guarantee 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.

FASB Accounting Standards Codification Topic 815

Derivatives and Hedging (FASB ASC 815): FASB ASC 815, implemented by OPIC during fiscal year 2013, provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments. As required by FASB ASC 815, OPIC records all derivatives on the balance sheet at fair value. In accordance with the FASB's fair value measurement guidance OPIC made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

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, for both performing and non-performing (aging more than 90 days past due) projects. 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, 2013 and 2012 consists of the following (dollars in thousands):

	2013	2012
Restricted:		
Pre-Credit reform	\$ 1	3
Credit reform	969,141	1,041,206
Interagency fund transfers	14,737	11,010
Unrestricted	9,621	24,340
Total	<u>\$993,500</u>	<u>1,076,559</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 \$24,500 and \$30,000 to the noncredit insurance account in 2013 and 2012, respectively. 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 2013, OPIC's appropriations legislation authorized the corporation to use \$25 million of its accumulated earnings to cover the future costs of credit transactions committed in fiscal years 2013 through 2015. However, pursuant to the sequester mandated by the "Budget Control Act of 2011", \$1.3 million of this has been made temporarily unavailable. In fiscal year 2012, OPIC was authorized to use \$25 million to cover commitments in fiscal years 2012 through 2014. 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):

	2013	2012
Balance carried forward	\$107,484	105,788
Upward reestimates	217,342	118,326
Transferred from earnings (net of returns)	49,844	45,754
Credit funding used	(258,607)	(162,384)
Credit funding remaining	<u>\$116,063</u>	<u>107,484</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 \$217.3 million and \$118.3 million and decreases in subsidy costs of \$306 million and \$99.5 million in fiscal years 2013 and 2012, respectively. OPIC has 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 \$8.2 million and \$12.2 million was transferred back to the noncredit account during fiscal years 2013 and 2012, respectively.

(6) Borrowings From the U.S. Treasury

In accordance with the Federal Credit Reform Act of 1990, the portion of investment financing activities not funded through the appropriations process must be funded by borrowings from the U.S. Treasury. Borrowings for Credit Reform financings totaled \$699.7 million in 2013 and \$426.7 million in 2012, all of which have been disbursed. OPIC paid a total of \$105.7 million and \$90.5 million in interest to the U.S. Treasury during fiscal years 2013 and 2012, respectively. Repayments of borrowings from the U.S. Treasury totaled \$648.3 million in 2013 and \$13.2 million in 2012. Future payments for borrowings outstanding at September 30, 2013 are as follows (dollars in thousands):

	Principal amount due
Payment due in:	
Fiscal year 2014	\$88,020
Fiscal year 2015	135,335
Fiscal year 2016	119,387
Fiscal year 2017	133,232
Fiscal year 2018	72,159
Thereafter	1,744,541
Total	<u>\$2,292,674</u>

(7) Investment in U.S. Treasury Securities

The composition of investments and related receivables at September 30, 2013 and 2012 is as follows (dollars in thousands):

	2013	2012
Investments, amortized cost	\$5,408,021	5,276,250
Interest receivable	34,045	44,075
Total	<u>\$5,442,066</u>	<u>5,320,325</u>

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

	Amortized Cost	Unrealized Gains	Unrealized Losses	Estimated Fair Value
At September 30, 2013	\$5,408,021	284,103	(45,830)	5,646,294
At September 30, 2012	\$5,276,250	455,842	—	5,732,092

At September 30, 2013, the securities held had an interest range of 0.875% to 10.625% and a maturity period from 1 month to almost 15 years.

OPIC holds its securities to maturity. The amortized cost and estimated fair value of U.S. Treasury securities at September 30, 2013, by contractual maturity, are shown below (dollars in thousands):

	Amortized cost	Estimated fair value
Due in one year or less	\$ 718,039	725,225
Due after one year through five years	2,401,647	2,553,175
Due after five years through 10 years	2,248,549	2,316,702
Due after 10 years	39,786	51,192
Total	<u>\$5,408,021</u>	<u>5,646,294</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, 2013, OPIC's insurance and finance programs have collectively utilized \$18 billion.

(9) Political Risk Insurance

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

	2013	2012
Political risk insurance premiums	\$17,030	15,452
Miscellaneous insurance income	—	—
Total insurance revenue	<u>\$17,030</u>	<u>15,452</u>

OPIC's capital, allowance, retained earnings, and reserves available for insurance totaled \$1.1 billion at both September 30, 2013 and 2012. 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, 2013 and 2012 was \$3.1 billion at September 30, 2013 and 2012. 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, 2013 and 2012 was \$2 billion and \$2.4 billion, respectively.

(b) Pending Claims

At both September 30, 2013 and 2012 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 2013 and 2012 were as follows (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Beginning balance	\$278,000	275,000
Amounts charged off	—	—
Increase/(Decrease) in provisions	2,280	3,000
Transfers (to)/from other reserves	(2,280)	—
Ending balance	<u>\$278,000</u>	<u>278,000</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 fiscal years 2013 and 2012, \$25 million was made available each year for credit funding costs, although for 2013 \$1.3 million of the \$25 million was made temporarily unavailable due to the sequester mandated by the "Budget Control Act of 2011". 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 totaled \$4.6 billion at both September 30, 2013 and 2012.

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, 2013 totaled \$3.4 billion, of which approximately \$1.5 billion was outstanding. Direct loan exposure at September 30, 2012 also totaled \$3.4 billion, of which approximately \$1.6 billion was outstanding. Loans with payments more than 90 days past due totaled \$178.9 million at September 30, 2013 and \$182 million at September 30, 2012; interest and fee receivables from these projects as of each fiscal year end are reserved in full. Interest accrued on non-performing loans was \$7 million and \$8.5 million during fiscal years 2013 and 2012, respectively.

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

	<u>2013</u>	<u>2012</u>
Direct loans outstanding	\$1,524,169	1,586,602
Allowance for uncollectible loans	(220,563)	(223,386)
Direct loans outstanding, net	<u>\$1,303,606</u>	<u>1,363,216</u>

Changes in the allowance for uncollectible loans during fiscal years 2013 and 2012 were as follows (dollars in thousands):

	<u>2013</u>	<u>2012</u>
Beginning balance	\$223,386	162,195
Amounts charged off	(22,849)	(4,288)
Recoveries	—	—
Increase in provisions	20,026	65,479
Ending balance	<u>\$220,563</u>	<u>223,386</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 \$11.5 billion at September 30, 2013, of which \$6.6 billion was outstanding. Of the \$11.5 billion of exposure, \$9.3 billion was related to project finance and \$2.2 billion was related to investment fund

guaranties. Of the \$6.6 billion outstanding, \$5.7 billion related to project finance and \$0.9 billion related to investment fund guaranties. Included in the \$2.2 billion of investment fund exposure is \$194.1 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, 2013, \$128.2 million of the \$194.1 million had actually accrued to the guaranty lender on disbursed investment funds; the remainder represents an estimate of interest that could accrue to the guaranty lender over the remaining investment fund term.

At September 30, 2012, OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was \$10.2 billion, of which \$5.6 billion was outstanding. Of the \$10.2 billion of exposure, \$7.7 billion was related to project finance and \$2.5 billion was related to investment fund guaranties. Of the \$5.6 billion outstanding, \$4.7 billion related to project finance and \$0.9 billion related to investment fund guaranties. Included in the \$2.5 billion of investment fund exposure is \$216.5 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, 2012, \$128.8 million of the \$216.5 million had actually accrued to the guaranty lender on disbursed investment funds; the remainder represents an estimate of interest that could accrue to the guaranty lender over the remaining investment fund term.

Changes in the reserve for investment guaranties during fiscal years 2013 and 2012 were as follows (dollars in thousands):

	2013	2012
Beginning balance	\$489,320	573,331
Decrease in provisions	66,594	(84,011)
Ending balance	<u>\$555,914</u>	<u>489,320</u>

Accrued Interest, Fees and Other, net of Allowance: OPIC accrues revenues associated with direct loans and guaranties. For those non-performing projects that have payments more than 90 days past due, any related receivables outstanding at the end of each fiscal year are reserved in full.

	2013	2012
Accrued Interest, Fees and Other, Gross	\$80,459	64,474
Less Allowance	(34,377)	(31,631)
Net	<u>\$46,082</u>	<u>32,843</u>

(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):

	2013	2012
Accounts receivable resulting from investment guaranties	\$157,192	150,391
Allowance for doubtful recoveries	(111,459)	(107,997)
Accounts receivable, net	<u>\$45,733</u>	<u>42,394</u>

Changes in the allowance for doubtful recoveries for assets resulting from investment guaranties during fiscal years 2013 and 2012 were as follows (dollars in thousands):

	2013	2012
Beginning balance	\$107,997	102,988
Amounts charged off	(39,190)	(14,179)
Increase in provisions	42,652	19,188
Recoveries	—	—
Ending balance	<u>\$111,459</u>	<u>107,997</u>

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

	2013	2012
Assets acquired in insurance claims settlements	\$7,574	3,014
Allowance for doubtful recoveries	(3,787)	(1,507)
Accounts receivable, net	<u>\$3,787</u>	<u>1,507</u>

Changes in the allowance for doubtful recoveries for assets acquired in insurance claims settlements during fiscal years 2013 and 2012 were as follows (dollars in thousands):

	2013	2012
Beginning balance	\$1,507	1,507
Amounts charged off	—	—
Transfers (to)/from other reserves	2,280	—
Ending balance	\$3,787	1,507

(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 2013 and 2012, 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, 2013 and 2012, the Insurance Reserve totaled \$770.4 million and \$858.3 million, respectively, and the Guaranty Reserve totaled \$3.7 billion at the end of each of these fiscal years. 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

OPIC adheres to *FASB Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosure (FASB ASC 820)*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB ASC 820 applies to reported balances that are required or permitted to be measured

at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

The estimated values of each class of financial instrument for which it is practicable to estimate a fair value at September 30, 2013 are as follows (dollars in thousands):

	Carrying Amount	Fair Value
Financial assets:		
Cash	\$ 993,500	993,500
U.S. Treasury securities	5,408,021	5,646,294
Interest receivable on securities	34,045	34,045
Direct loans	1,303,606	1,303,606
Accounts receivable from investment guaranties	45,733	45,733
Assets acquired in insurance claims settlements	3,787	3,787
Derivative financial instruments	105,140	105,140
Financial liabilities:		
Borrowings from the U.S. Treasury	2,292,674	2,057,638
Derivative financial instruments	108,854	108,854

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.

Derivative financial instruments: Currently, OPIC is counterparty to interest rate and cross currency swaps to manage interest rate and foreign currency risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and option volatility. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair value of cross currency swaps are determined by constructing the cashflows of each side and then discounting them back to the present using appropriate discount factors in the applicable currencies. The cashflows of the more liquidly quoted currency pair are discounted using standard discount factors, while the cashflows of the less liquid currency pair are discounted using cross-currency basis-adjusted discount factors. Following discounting, the spot rate is used to convert the PV amount of the non-valuation currency into the valuation currency.

OPIC has determined that the majority of the inputs used to value its derivatives fall within the fair value hierarchy utilizing quoted prices for similar assets and liabilities in active markets. The credit valuation adjustments associated with its derivatives are based on risk assumptions, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties.

(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.

OPIC executed a lease amendment in November, 2011 to consolidate the leased space onto contiguous floors. An additional non-interest bearing tenant improvement allowance of \$300,000 was received as incentive offered by the lessor to cover space refurbishment. The value of

this additional incentive is treated as stated above for the original incentives. There was no material change in leased square footage or future minimum rental expense as a result of the lease amendment.

Rental expense for fiscal years 2013 and 2012 was approximately \$4.5 million and \$4.4 million, respectively. Minimum future rental payments under the remaining term of the 15-year lease at 1100 New York Avenue, N.W. are approximately \$4.8 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% of employees' gross 2013 earnings and contributed 7% of employees' 2013 gross earnings. The sums were transferred to the Civil Service Retirement Fund from which this employee group will receive retirement benefits.

For FERS personnel employed prior to 2013, OPIC withheld 0.8% and contributed 11.9% of the employees' 2013 gross earnings. For personnel starting federal government service on or after January 1, 2013, OPIC withheld 3.1% and contributed 9.6% of employees' 2013 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. For calendar year 2012, a special reduction of 2% was being applied to the Social Security withholding rate, pursuant to the "Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010"; this reduction did not apply for calendar year 2013.

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). In 2013 both CSRS and FERS employees could elect to contribute up to \$17,500, 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%.

The amount of employer contributions to these plans for the year ended September 30, 2013 was \$4.2 million.

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.

In general, OPIC's credit policy is to take a senior creditor position in the assets of the projects or transactions it guaranties. The nature and recoverable value of any 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, 2013 and 2012 (dollars in thousands):

	2013		
	Total	Outstanding	Unused commitments
Guaranties	\$11,337,140	6,430,268	4,906,872
Undisbursed direct loans	1,892,824	—	1,892,824
Insurance	3,138,362	1,968,876	1,169,486
	2012		
	Total	Outstanding	Unused commitments
Guaranties	10,022,667	5,437,500	4,585,167
Undisbursed direct loans	1,806,812	—	1,806,812
Insurance	3,134,483	2,353,720	780,763

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, 2013 by major geographical area (dollars in thousands):

	Loan guaranties	Undisbursed portion on direct loans	Insurance
Africa	2,110,602	192,313	1,296,150
Asia	1,581,631	239,750	625,647
Europe	1,470,573	59,844	4,027
Latin America	3,868,854	517,888	285,334
Middle East	1,526,518	463,629	949,199
NIS (New Independent States)	556,795	109,500	378,565
Worldwide	222,167	309,900	—
Insurance stop loss adjustment	—	—	(400,561)
	<u>\$11,337,140</u>	<u>1,892,824</u>	<u>3,138,361</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, 2013, OPIC's largest finance and insurance exposure was in the following countries and sectors (dollars in thousands):

Country	
Turkey	\$1,194,187
Jordan	1,083,029
Nigeria	860,866
Chile	857,500
Ghana	834,182
Sector	
Financial services	\$8,407,035
Energy - Power	4,164,884
Services	2,130,162
Manufacturing	1,058,791
Energy - Oil and Gas	761,223

(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) Subsequent Events

Management evaluated subsequent events through November 27, 2013, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2013, but prior to November 27, 2013, that provided additional evidence about conditions that existed at September 30, 2013, have been recognized in the financial statements for the period ended September 30, 2013. Events or transactions that provided evidence about conditions that did not exist at September 30, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the period ended September 30, 2013.

(19) Accounting and Disclosure Requirements for Guaranties

Pursuant to the requirement of FASB ASC 460, OPIC recognized a guaranty liability and a guaranty fee receivable of \$571.7 million and \$692 million at September 30, 2013 and 2012, respectively. The balances at September 30, 2013 were determined by the unamortized anticipated fees for investment guaranties issued since December 31, 2002. Prior to FY 2013, OPIC

determined these balances using a comparison of anticipated versus actual fees collected; in FY 2012, OPIC collected \$92.3 million of guaranty fees on these investment guaranties.

(20) Derivative Instruments and Hedging Activities

OPIC is exposed to certain risks arising from both its business operations and economic conditions. It principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. OPIC entered into these swap arrangements as a cost effective way to mitigate and cap the underlying project-specific foreign currency exchange rate and interest rate risk.

The derivatives to which OPIC is a counterparty are not designated as hedges, are not speculative, and are used to manage OPIC's exposure to interest rate movements and foreign currency movements, but do not meet the strict hedge accounting requirements as defined in FASB ASC 815. OPIC has entered into a series of offsetting derivatives such that the changes in fair value largely offset one another. Changes in the fair value of derivatives, not designated in hedging relationships, are recorded directly in earnings as unrealized losses equal to \$3.7 million for the year ended September 30, 2013. OPIC did not have any derivatives in FY 2012.

As of September 30, 2013, OPIC had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships:

Product	Number of Instruments	Pay Leg Notional		Receive Leg Notional	
	1	ZAR (fixed)	1,856,142,000	ZAR (variable)	1,856,142,000
Interest	1	ZAR (variable)	1,856,142,000	ZAR (fixed)	1,856,142,000
rate swaps	1	USD (fixed)	185,800,000	USD (variable)	185,800,000
	1	USD (variable)	185,800,000	USD (fixed)	185,800,000

Product	Number of Instruments	Pay Fixed Notional		Receive Floating Notional	
Cross-currency	2	ZAR	3,712,284,000	USD	371,600,000
interest rate swaps	2	USD	371,600,000	ZAR	3,712,284,000

The table below presents the fair value of OPIC's derivative financial instruments as well as their classification on the Balance Sheet as of September 30, 2013 (dollars in thousands). There is no prior year comparison, as this is the first year with these instruments.

Derivatives not designated as hedging instruments	Asset Derivatives As of September 30, 2013		Liability Derivatives As of September 30, 2013	
	Balance Sheet location	Fair Value	Balance Sheet location	Fair Value
Interest rate products	Other assets	\$ (61)	Other liabilities	1,263
Foreign exchange contracts	Other assets	105,201	Other liabilities	107,591
Total derivatives not designated as hedging instruments		<u>\$105,140</u>		<u>108,854</u>

The table below presents the effect of OPIC's derivative financial instruments on the Statement of Income for the year ended September 30, 2013 (dollars in thousands). There is no prior year comparison, as this is the first year with these instruments.

Derivatives not designated as hedging instruments	Location of Gain or (Loss) recognized in Income on Derivative	Amount of Gain or (Loss) recognized in Income on Derivative for the year ended September 30, 2013
Interest rate products	Other income/(expense)	\$(1,324)
Foreign exchange contracts	Other income/(expense)	(2,390)
Total		<u>(3,714)</u>

The tables below present a gross presentation, the effects of offsetting, and a net presentation of OPIC's derivatives as of September 30, 2013 (dollars in thousands). OPIC did not have any derivatives in fiscal year 2012. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented on the Balance Sheet.

Offsetting of Derivative Assets As of September 30, 2013

	Gross amounts of recognized assets	Gross amounts offset in the Balance Sheet	Net amounts of assets presented in the Balance Sheet	Gross amounts not offset in the Balance Sheet		
				Financial instruments	Cash collateral received	Net amount
Derivatives	\$105,140	—	105,140	(88,484)	—	16,656

Offsetting of Derivative Liabilities As of September 30, 2013

	Gross amounts of recognized liabilities	Gross amounts offset in the Balance Sheet	Net amounts of liabilities presented in the Balance Sheet	Gross amounts not offset in the Balance Sheet		
				Financial instruments	Cash collateral received	Net amount
Derivatives	\$108,854	—	108,854	(88,484)	—	20,370

(21) 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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These lists reflect positions held at the end of the fiscal year, on September 30, 2013

OPIC mobilizes private capital to help solve critical development challenges and in doing so, advances U.S. foreign policy. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets, catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC achieves its mission by providing investors with financing, guarantees, political risk insurance, and support for private equity investment funds.

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