OVERSEAS PRIVATE INVESTMENT CORPORATION
MINUTES OF THE OPEN SESSION OF THE DECEMBER 6, 2012
BOARD OF DIRECTORS MEETING

Directors:
Elizabeth L. Littlefield, President & CEO, Overseas Private Investment Corporation, Chair
Dr. Rajiv Shah, Administrator, U.S. Agency for International Development
Seth D. Harris, Deputy Secretary of Labor, U.S. Department of Labor
Katherine M. Gehl, President & CEO, Gehl Foods, Inc.
Terry Lewis, Principal, LLA Advisors, LLC
Michael J. Warren, Principal & Managing Board Member, the Albright Stonebridge Group
Kevin G. Nealer, Principal and Partner, The Scowcroft Group
Maxwell T. Kennedy, Director, Kennedy Enterprises
Roberto R. Herencia, President & CEO, BXM Holdings, Inc.
James A. Torrey, General Partner, BioPharma Growth Fund, LLC

Other Attendees:
Cecily David, Program Analyst, EGAT, U.S. Agency for International Development
Thomas H. Fine, Director, Services and Investment, Office of the U.S. Trade Representative
Michael C. Fuchs, Team Leader, Trade and Project Finance, U.S. Department of Commerce
Karen F. Travis, International Economist, U.S. Department of Labor
Janet MacLaughlin, International Economist, U.S. Department of the Treasury
Chris Grant, International Economist, U.S. Department of the Treasury
Debra Benavidez, Financial Economist, U.S. Department of State
Rhonda Sinkfield, Program Examiner – International Trade, Office of Management & Budget

Office of the President
Mimi Alemayehou, Executive Vice President
John E. Morton, Chief of Staff
Paula Tufro, Deputy Chief of Staff
Missy Ryan, White House Fellow

Office of the Chief Financial Officer
Allan Villabroza, Vice President and Chief Financial Officer

Office of Investment Policy
Margaret Kuhlow, Acting Vice President, Investment Policy
Mary S. Boomgard, Director, Environmental Group
Tara L. Guelig, Labor and Human Rights Analyst
Dr. Patrick D. Carleton, Director, Economic Impact Analysis Group

Structured Finance
Danielle Montgomery, Managing Director, Structured Finance
Stephen Morel, Analyst, Structured Finance

SME Finance
James C. Polan, Vice President, SME Finance
John R. Aldonas, Deputy Vice President, SME Finance
Suresh Samuel, Analyst, SME Finance
Dara Iserson, Analyst, SME Finance

Investment Funds
William R. Pearce, Acting Vice President, Investment Funds

Insurance
John F. Moran, Vice President, Insurance
Justin Elswit, Manager, Insurance
Jennifer Zurek, Analyst, Insurance

Office of External Affairs
Judith D. Pryor, Vice President, External Affairs
Larry Spinelli, Director of Public Affairs
Aysha House-Moshi, Director of Congressional Affairs
James W. Morrison, Special Assistant (Congressional and Intergovernmental Affairs)
Nancy Payne, Communications Director
Timothy Harwood, Public Affairs Specialist

Department of Legal Affairs
Don S. De Amicis, Vice President & General Counsel and Counsel to the Board
Robert C. O'Sullivan, Acting Deputy General Counsel, and Associate General Counsel, Insurance and Claims
Brian Christaldi, Associate General Counsel, Project Finance
Merlin Liu, Associate General Counsel, Direct Loans and Housing Finance
Barbara K. Day, Associate General Counsel, Investment Funds
Nicole D. Soulanille, Assistant General Counsel
Harriette (Rette) Lopp, Assistant General Counsel
Ruth Ann Nicastri, Senior Commercial Counsel
Connie M. Downs, Corporate Secretary

Office of Administrative Services
Dennis Lauer, Vice President, Office of Administrative Services and Chief Information Officer

MEETING CALLED TO ORDER

Ms. Littlefield called the meeting to order at 10:11 AM.

A. PRESIDENT'S REPORT

Ms. Littlefield called on Ms. Downs to report on the outcome of OPIC's Public Hearing in Conjunction with each Board meeting. Ms. Downs reported that OPIC published notice of its Public Hearing in conjunction with the December 6, 2012 Board meeting in the Federal Register. No requests were received to speak or to submit copy for the record, so the meeting was not held.

Ms. Littlefield then presented her President's Report, a copy of which is incorporated by reference into these minutes as Attachment A.

Mr. Harris joined the meeting at 10:23 AM.

B. APPROVAL OF MINUTES

Ms. Littlefield turned to the approval of the minutes of the open session of the September 13, 2012 Board meeting. Ms. Lewis moved to approve the minutes and Mr. Nealer seconded the motion, and by a unanimous voice vote the minutes were approved.

There being no further business to come before the Board, Mr. Harris moved to adjourn, and Mr. Nealer seconded the motion. The meeting adjourned at 10:22 AM.

Respectfully submitted,

Connie M. Downs

Connie M. Downs
Corporate Secretary

PRESIDENT'S REPORT

By
Elizabeth L. Littlefield
President & Chief Executive Officer
December 6, 2012

Because this is our first Board meeting since the fiscal year formally ended, I want to give you a sense as to how we ended up the year, and provide a few comments about what we see going forward. Allen Villabroza will then go into more granular detail about the financial results of the year.

We had a banner year in many regards, and a record year in many, many dimensions. OPIC last year committed $3.6 billion in 120 deals, representing about a 30% increase over last year. We disbursed about $1.6 billion, which, combined with the interest on our reserves, meant that we contributed $257 million to deficit reduction last year. That's a very important thing to be able to say in Washington these days. We are proud to keep repeating that fact that OPIC contributes toward reducing the deficit, and has done so for 35 straight years. Most important of all, our work will over time have a very material and positive development impact in the countries in which we invest.

In terms of portfolio performance, OPIC's net charge-offs have averaged just below 1% of our average outstanding portfolio. Last year, net charge-offs were $19 million or 0.27% of our outstanding loan portfolio. This clearly underscores that while it is our agency's mandate take risk in order to make good things happen that would not otherwise happen, our staff has the expertise to do so while managing risks prudently and maintaining an impressively high portfolio quality.

While development impact occurs over many years, one early measurement of OPIC's development performance is the amount of business we are doing in low income countries. Last year, about 25% of OPIC's new projects were in low income countries, both by value and number of transactions. That's down significantly from last year, which was an outlier year at 61% by value (39% by number of new projects), but we are going to continue to aim for roughly a third to half of our portfolio in lower income countries going forward.

Now, let's double click on how those results were generated. OPIC's two finance departments – Structured Finance and Small and Medium Enterprise Finance – committed about $2.3 billion in about 80 projects, many highly impactful financings in key sectors in low-income countries. The Insurance Department, after a reorganization and strategic re-boot, had a really terrific year and reversed a downward trend in its business. The insurance team's 36 transactions fell in a kind of barbell profile, with a few very big deals that most Board members will remember – in Ghana, in food security and health – and at the other end a large number of very small transactions, many of them with Microfinance institutions and with relief NGOs.

In the Investment Funds Department, you will remember that we carried out our Global Engagement Call, which had a record uptake. The objective of this was to balance out our portfolio by focusing on more mature funds that would achieve their first close relatively quickly. I'm very pleased to say that seven out of the 10 transaction funds that the Board approved coming out of that call have already begun to raise equity. In 2012, the Funds Department committed $287 million in three separate deals and disbursed $160 million.

Of course, supporting this impressive set of numbers are the legal, financial, technical and human resource experts and professionals within OPIC that make all this happen, and the communication experts that tell our story. Overall, the whole OPIC team has focused on increasing productivity and efficiency while reducing risks, costs and resources. To that end, OAS, OCFO, OIP and other departments focused on a number of important undertakings, including upgrading and modernizing systems and upgrading risk measurement and risk management. For example, as the Audit Committee will tell you later on, we raised the bar on internal audit standards, which generated a rich set of recommendations that we are now acting on. We have also invested in a new development matrix, to improve the way we measure our development impact. You will be seeing this new matrix, which has been in the works for two years now, applied at this Board meeting for the first time.

OPIC has also invested in building long-term support for the agency at many levels and through many channels. One such channel is our fabulous new web site and rapidly growing social media presence and outreach. We've seen a lot of success in this arena, in addition, of course, to the old fashioned one-to-one outreach we conduct every day with influencers on the Hill and around town. We hear that there is a very good buzz about OPIC from all corners that is gaining momentum and strength.

Finally, we continue to invest heartily in staff and staff development, which is extremely important to Mimi and me. We have rolled out a number of new training programs, such as training to ensure all OPIC supervisors have the skills that they need to be effective managers. We have also invested in mobility. That means giving staff the opportunity to grow and develop by taking on new challenges in different departments. Because advancement opportunities are limited in a small agency, we have made a big investment in helping people move within the agency. Almost a quarter of staff – 31 people – managed to move from one department to the next this year. We are very proud of that record.

All of this contributed to an extremely strong employee viewpoint survey this year. Although we don't yet know the final ranking, the survey once again put OPIC among the top small government agencies. A full three quarters of the scores from the employees were higher this year than they were the previous year. We take that very seriously and are very pleased.

I'd like to mention a couple of specific deals that OPIC staff put together in 2012 to lend some texture to our story. These are, for me, iconic of the kind of development impact we as this development agency seek to have. In Afghanistan, John Aldonas and the SMEF team have done some really groundbreaking work. One such project, with a dynamic American by the name of Tony Woods, involves a $3 million loan to roll out 1 MW solar installations, in areas with no electricity as well as on the rooftops at the US Embassy in Kabul. The Insurance Department provided political risk insurance to rehabilitate a flour mill in Haiti. The mill, which used to provide 95% of the country's flour, was completely destroyed in the 2010 earthquake. The OPIC insurance has helped us rebuild and expand that mill, which as of December 2011 is once again producing flour. Another insurance deal covers the relief work of the US NGOs working on post-conflict zones. It covers, for example, the equipment and vehicles the International Rescue Committee uses in South Sudan.

I'd now like to touch briefly on how OPIC's results this year fit within overall Administration priorities. With respect to climate finance, we are proud to have seen our renewable energy portfolio continue to grow at a staggeringly fast pace. We've discussed this in the past, but to remind you: we committed

$1 billion last year in renewable energy projects, representing a three-fold increase in the last two years, and a 10-fold increase since 2008.

We have also leaned into agriculture and the Administration's Feed the Future initiative. We have built up a strong and growing portfolio in agriculture and food. Last year, $575 million was committed to the agriculture sector. I know that Raj Shah, as the Administration's champion of the Feed the Future, is very happy to hear that.

Regionally, we put a lot of energy into supporting the Administration's response to the Arab Spring. I think you all will remember the commitments we made in response to the Arab Spring – Secretary Clinton's announcement of $2 billion of OPIC financing for the MENA region and the President's commitment of $1 billion specifically for Egypt. I am proud to say we are half way there already on those two commitments, despite the fact that it has been a very difficult time to find US investors to accompany us in Egypt and the Middle East. We will continue to work to use our financing and insurance tools bring private investment into the region.

At the same time, we are focusing on Africa, which will be a growing priority for the President in his second term. We are proud that, together, the Middle East, North Africa and Sub-Saharan Africa represent more than a half of our portfolio. That marks a major shift for us, in lockstep with Administration priorities. We would like to see that Africa portfolio continue to grow.

Looking ahead, in terms of strategic direction, our plans are to stay the course, maintaining a steady path on our regional and sectoral priorities, and guided by the consistent four strategic priorities with which you are all familiar. We are will, of course, continually balance and re-balance in order to optimize our portfolio and respond to market opportunities and Administration priorities as they emerge. We will, for example, look to develop more in East Asia, as that has been an under-represented area in our portfolio, and will be a focus of the Administration in the second term. I think our renewable energy portfolio is roughly where it should be– about 30% of our portfolio – but within the broader renewable resource category, we would like to continue to build the agriculture, water, forestry, the non-energy dimension.

So that is on balancing and optimizing our portfolio. What about growing our portfolio and thus our impact? As the Board knows, we submitted a very bold and aggressive growth scenario to OMB this year, reminding everyone that, frankly, the more resources we have, the more we can do and the more revenues we can generate to reduce the deficit. We are very pleased to have strong support at the highest levels within the administration for that bold new budget. We are expecting to hear back from OMB any day now, and we are hoping that the budget that will be submitted by the President to the Hill in February will represent a significant increase for OPIC.

However, because we don't know what will happen with these budgets, we have set conservative financial targets for FY2013, essentially just very modest increases over 2012. We do, of course, have to plan for the worst case scenario – a sequester -- although we know that is the black swan event that no one thinks will happen. So, with the risk of a continued CR and flat-line budget, we need to address our resource constraints in three ways in FY2013.

The first is gains in innovation and efficiency for improved productivity. We have done some analysis around the fact that we have a significant drop-off between deal approval and disbursement. For example, over the last 10-15 years, 25% of what our finance and 45% of what our Funds teams commit and approve are not actually disbursed. A third of what the Office of Investment Policy clears does not actually disburse. We want to shrink that ratio to make OPIC as productive as possible.

The second way of addressing resource constraints is expanding our partnerships and aligning ourselves with philanthropists that can help our deals come together and execute by invesing the grant or equity money they often lack. This also means finding new ways to outsource origination to partners, including investment bankers and others.

The third area of addressing resource constraints, of course, is building long-term support for the agency so that there is broad based support for OPIC budget increases in the future.

Today's tight budgetary environment makes it clearer than ever before that the private sector must play a central and growing role in development. This puts OPIC at the right place at the right moment. The performance and reputation of OPIC is at an all-time high. We are gaining in recognition, meaning that opportunities abound for us. With such a positive and promising environment for OPIC – both internally and externally – in the coming years, we are looking forward to grasping those many opportunities for the agency with you in the coming year.

Thank you very much. That concludes my report.