In 2013, I came to OPIC optimistic about the potential of U.S. private investment—in partnership with public support—in bringing economic and social development to the world’s least-developed countries. Today, I still see continually expanding horizons and an endless stream of opportunities throughout the developing world for entrepreneurial businesses to apply their boundless creativity to help nations grow and their populations prosper. And I see OPIC as the catalyst for making it happen.

OPIC is the U.S. government’s principal tool for promoting development, by encouraging the flow of private investment to developing countries and emerging economies. Expanding horizons is our mission. In 2013, we fulfilled that mission by reengineering, rethinking and retooling the mechanisms by which we deliver our financial products and services. As a result, we brought the benefits of economic development to more people, in more places, through more innovative loans, guarantees, and political risk insurance products, and with more business participants, than ever before.

- **We expanded our development impact potential by evaluating new projects against a measurable set of developmental standards.** To ensure that we are fulfilling our mandate, every project is now objectively scored for its expected results on 26 developmental indicators within broad areas such as human capacity building, private sector development, and infrastructure improvements. On a scale on which reaching zero defines a project as highly developmental, OPIC-supported projects scored in 2014 averaged 9+%. Our long-term goal is to achieve an average development score of 100 for all projects. To help us do that, we’re developing scores that evaluate not only individual projects, but our overall performance as well.

- **We expanded international opportunities for U.S. small businesses.** In its second year of operation, our Small Business Center (SBC) again enabled more small businesses than ever to bring their entrepreneurial skills and know-how to projects in the developing world. Small business projects accounted for three-quarters of OPIC’s commitments in 2013. Entrepreneurs feel comfortable with the SBC because it is responsive to their needs, with reduced documentation requirements and a streamlined approval process. We are expanding our outreach to this community by partnering with financial institutions throughout the United States that serve the small and medium-sized enterprise (SME) market. We’re committed to finding ways to do more to help small businesses invest overseas because of what small business does for the U.S.: sparking innovation and creating jobs at home, while delivering efficiency and effectiveness in helping to achieve our targeted developmental objectives abroad.
• We expanded investment in emerging markets, underserved regions, and strategically important nations in all areas of the world. OPIC took the lead in 2004 in directing private investment across borders and around the globe into geographic territories where business would not otherwise have the confidence to go. Foremost among these was Iraq, where OPIC has provided over $100 million in insurance coverage for vital reconstruction projects, and supported the creation of a middle market lending facility. We finalized a bilateral agreement that makes all of OPIC’s services available for projects in Mexico. And we attracted more than 100 participants to a conference on opportunities for private investment in eastern Europe—the largest OPIC-sponsored conference ever.

• We expanded the availability of housing and the development of mortgage markets worldwide. Marketable household assets play a critical role in helping poor societies to accumulate capital. In funding, guaranteeing, or insuring housing-related projects, we not only help host countries meet a pressing social need, we also unleash local savings to spur further economic development, as many families borrow against their homes to finance small enterprises. New projects in Mexico, Iraq, Ukraine, Russia and Latin America expanded OPIC’s housing portfolio to over $660 million in support of investments in 21 countries.

• We expanded cooperation and partnerships with the private sector. Central to OPIC’s mission is the directive that our insurance and financial products and services complement, rather than compete with, offerings in the private markets. One way we have accomplished this is through a protocol with the insurance industry that gives private insurers first right of refusal on new political risk insurance contracts and seeks complementarity through coinsurance and reinsurance coverage. Large infrastructure projects, with hundreds of millions of dollars of private capital at risk, often depend on this type of public-private partnership. At the same time, OPIC has also re-focused its efforts on smaller projects, especially SBC-eligible projects frequently overlooked by the private sector. Approximately half of OPIC’s FY 2004 insurance contracts were issued through the SBC, with over 80 percent of those SBC contracts providing coverage under $5 million.

• We expanded our methods for leveraging the power of private investment. Political risk insurance has long been one of OPIC’s most powerful tools for attracting private capital to projects in emerging economies. In 2004, we expanded our support to include coverage against the non-honoring of a sovereign guaranty. For small businesses, we now offer a reduced-rate political risk insurance “wrap” on eligible equity investments. At year’s end, we utilized a private carrier to market and underwrite OPIC’s new stand-alone terrorism coverage, helping us to broaden the distribution of our terrorism insurance products and further protect American businesses abroad.

The overall decline of foreign private investment in the developing world makes it that much more important for the U.S. to remain committed to OPIC’s developmental mission. Expanding economic development around the globe ultimately improves our own security and prosperity at home. Recognizing OPIC’s value as a development tool, our role as an instrument of U.S. foreign policy, and the progress we have made in strengthening and refocusing our programs, both houses of Congress this past year agreed — on a bipartisan and unanimous basis — to reauthorize OPIC for another four years.

And so OPIC will continue to implement what was from its very beginnings a revolutionary concept. Before OPIC, foreign economic assistance meant aid. Government was not positioned to invest in developing economies and the private sector was not willing to go where perceived risks outweighed potential rewards. In a donor-recipient cycle, developing countries’ only incentive was to perpetuate grants as income. OPIC was created to expand those limited horizons. By introducing political risk insurance and working with host countries to establish environments of good governance, we built investor confidence in developing nations and helped make those markets attractive to private investment.

But the task is not complete. Much work remains ahead of us. That is why it was so important these past four years to re-focus OPIC on its developmental mission, to build partnerships to achieve our objectives, and return the agency to its intended role as an innovator in the delivery of developmental financial services. For a future of peace and security, it is imperative that we realize the full potential of private investment as a powerful engine for expanding the horizons of people and nations throughout the developing world.

Peter S. Watson  
President and CEO
FOR SEVERAL YEARS NOW, STRENGTHENING OPIC'S developmental mandate has been the agency’s top priority. Achieving this goal has required OPIC to examine critically the development impact of each proposed investment.

This renewed emphasis continued into 2004. More importantly, our annual performance plan for this past year was the first in which OPIC incorporated the new developmental measures and supporting scoring matrix that we formulated through consultation with other developmental organizations and with our stakeholders. Now, we can — and will — quantitatively measure and demonstrate that OPIC’s products and services are more than anecdotally raising living standards and increasing productivity, but attaining truly developmental results on projects throughout the developing world.

Genuine development results from many different, and often interrelated factors. That is why OPIC’s development matrix objectively measures the foreseen developmental impact of each proposed project on the basis of 26 indicators in three broad categories:

- **Category I** covers job creation, training, local procurement, corporate social responsibility, and equal employment opportunity — five highly-weighted impacts that should be achievable on any project, regardless of sector or the host country’s level of development.

- **Category II** covers additional, and more variable, development indicators within such broad areas as human capacity building, private sector development, resource leveraging, social effects, infrastructure improvements, macroeconomic and institutional effects, and technology and knowledge transfer.

- **Category III** adjusts for the host country’s per capita GNP reflecting both OPIC’s priority to steer investment into the poorest counties and the reality that nations in need often lack the capacity to support the higher level benefits of economic development.

Scoring for most indicators is based on quantitative information and documentation provided by project sponsors and validated as needed by OPIC staff during monitoring missions once the project becomes operational. The minimum score for a project to be considered developmental, and clearly eligible for OPIC support, is 40. Subject to senior management review, support can be extended to lower scoring projects with overriding foreign policy or other policy justifications. A score of 100 or more rates a project as highly developmental.

OPIC’s long-term goal is to achieve an average developmental rating of 100 across all projects. In just the first year of fully applying the scoring matrix, OPIC projects were already approaching that goal, with an average developmental score of 94. The tab-

Besides using the new scoring matrix to rate the development impact of every supported project, OPIC is applying two additional indicators derived from project scores to measure the agency’s own performance. The first of these indicators is the development dollar, which measures the amount of development that results from OPIC-supported projects. It is calculated by adjusting the dollar value of OPIC projects by the development score, where 100 represents a highly developmental project. Adjusting the $5.1 billion total value of OPIC’s 2004 projects scored on the matrix by the year’s weighted average development score yields $4.87 billion in development dollars — a useful measure in the agency’s performance-based budgeting.

The second of these new indicators measures development dollars per administrative dollar, which is the amount OPIC spends to make a project happen. The FY 2004 ratio of 117.8 development dollars to one administrative dollar speaks to the efficiency with which OPIC is delivering its products and services.
Small businesses in the western United States are now finding it even easier to apply for OPIC support, as financial consultant Interlink Capital Strategies will prepare their OPIC applications. The first approved project from Interlink’s fast-track approach promises to revolutionize the production of quality, low-income housing in Mexico. Prefabricados y Modulares de Monterey, S de R.L. de C.V., will use a $2 million OPIC loan to expand production of prefabricated concrete homes in Monterey, Mexico. These will be sold to low-income buyers through Mexico’s Infonavit program, which collects payroll deductions both for employees’ eventual down payments and to provide long-term mortgage financing. The project is expected to produce up to 50,000 homes over the next ten years.

As demonstrated by this project, and many others, small businesses are valuable contributors to international development through their proven ability to bring globally competitive technologies and business practices to developing and underdeveloped markets.

R.O.T.A. International, for example, will use an OPIC loan to expand and modernize the cashew industry in Guiana-Bissau. Although it is the world’s fifth-largest exporter of processed cashews, Guiana-Bissau unfortunately derives little value from an economic resource that accounts for 90 percent of its annual exports. This project will introduce organic processing to an industry that currently exports only raw cashews. And the U.S. Department of Agriculture-certified 100 percent organic cashews will be exported to the U.S., expanding Guiana-Bissau’s markets.

R.O.T.A. International was a finalist for the 2004 State Department Award for Corporate Excellence, which recognizes U.S. businesses that exemplify good corporate citizenship abroad.

Technology transfer was also a key developmental factor in OPIC’s first project in Ukraine in five years: political risk insurance for Hansen, Inc., of Pittsburgh, for a joint venture that will manufacture railroad freight car suspension systems for use on Ukraine’s domestic rail system. The OPIC insurance will also cover the lease of Hansen’s manufacturing equipment and use of its patented technology. The project will provide substantial benefits to the Ukrainian economy, which relies on both its rail system and heavy industry.

Prioritization was a significant benefit of an OPIC-supported project in Rwanda. SOL-WATHE, one of the nation’s largest employers, will use a $1.4 million OPIC loan to expand an existing plantation and grow its own eucalyptus trees for tea drying, reducing its dependency on local firewood. Employing over 5,000 people, SOL-WATHE was founded by Tea Importers, Inc., a Connecticut small business that has been an OPIC client since 1976.

In the Philippines, which lacks adequate, reliable, and safe municipal water systems, an OPIC loan and insurance will support the start-up of a small business to sell purified, bottled water to residential and commercial customers on Mactan Island.

Nimbly, efficient and innovative, U.S. small businesses can be highly effective role models for local entrepreneurs in developing countries. And like their U.S. counterparts, small business operators overseas often lack access to commercial lending. OPIC is working to change that, by supporting an innovative approach to financing small businesses among the working poor.

A $26 million loan to BlueOrchard Microfinance Securities (I) will help to establish the first-ever securitized lending facility that raises money in private U.S. capital markets for lending to microfinance institutions in developing countries. Project sponsors predict the facility will finance 40,000 new micro-entrepreneurs in Latin America, eastern Europe and southeast Asia.
A pervasive problem throughout the developing world is the vicious cycle in which the lack of basic infrastructure or services makes it difficult for poor countries to attract investment or benefit from the development they need.

In Botswana, for example, less than one-fourth of the population has access to electricity, even though the nation has coal resources that could be better exploited for power generation. To help meet the country’s need for electricity, Kgalagadi Gas Corporation, owned in part by Convergent Energy Corporation of Arlington, Virginia, will use OPIC financing to support the deep drilling of coal-bed methane (CBM) gas. CBM contains no particulate pollutants, and the by-product of producing it is water, which can be used for irrigation or industrial processes. This reduces competition for drinking water — another benefit to the African nation. Significant impacts in training, corporate social responsibility, U.S. procurement, environmental protection, and technology transfer rated this one of the year’s most highly developmental projects.

OPIC provided a $152 million guarantee to a joint venture of Mobil Producing Nigeria Unlimited and the Nigerian National Petroleum Corporation to build and operate an offshore extraction platform, undersize pipeline infrastructure, and onshore facilities. This offshore natural gas liquids project in Nigeria will annually produce some 2044 million worth of propane, butane and pentane plus for export while reducing gas flaring and carbon dioxide emissions.

In an underserved area of the Middle East, an affiliate of a Connecticut company, Montani Group, Inc., will use OPIC political risk insurance to operate a 75-megawatt power plant in the Gaza Strip, the first under the regulatory control of the Palestinian Energy Authority (PEA).

Free trade and free markets can lift whole societies out of poverty. Which is why OPIC’s authorizing legislation specifically directs us to support developmental U.S. private investment in the world’s neediest countries. In 2004, OPIC supported projects or announced new investment funds intended to provide housing, improve health care, and lay the groundwork for growth in traditionally underserved and least-developed regions of Africa, Latin America, Central Asia, and the Middle East.

For example, a new investment fund serving all of Latin America will create one of the few sources of investment capital for housing in markets where demand dramatically exceeds supply. Managed by an affiliate of Paladin Realty Partners of Los Angeles, the fund is backed by a $35 million OPIC guaranty.

OPIC support for the project has helped to further mutually-beneficial regional economic interdependence with the economy of Israel. The power plant will help to provide a reliable source of power for the Gaza Strip and free up electricity generation capacity in Israel that is needed to meet its own growing demand.

Uzbekistan’s important tourism industry will get a significant boost from the new 50-room Malika Hotel Baldara being built by a joint venture led by OXIS Consulting, a Washington state small business. The new hotel will offer moderately-priced, Western-quality accommodations as well as modern conference facilities. Lack of amenities such as these is one reason the nation’s annual tourism has declined to less than one-third of its level before the fall of the Soviet Union. An OPIC loan will support construction of the hotel as well as the purchase of two buses to carry guests between Baldara, Tashkent, Samarkand, and Khiva.

Environmentally clean and renewable energy technologies are often the most cost-effective means to generate electricity in developing countries, particularly those with few fossil fuel resources. So OPIC and the U.S. Department of Energy have created a new partnership to promote the export of advanced U.S. energy technologies to emerging markets. The two agencies are already identifying the best opportunities for developing and investing in wind energy systems. The new Efficient Energy and Renewable Program advances goals of the U.S. Clean Energy Initiative and the Clean Energy Technology Export Initiative, which seeks to provide developing nations a foundation for environmentally friendly economic growth.
OPIC has already begun to mobilize private capital into Iraq. Over $200 million in direct loans, guarantees, and political risk insurance will help to support construction equipment sales and leasing companies, build cellular communications networks, design a new hotel, cinema and retail center, reconstruct and develop new housing, and provide personnel placement and training services. These projects will pro-

vide the economy with hundreds of jobs and tens of millions of dollars in annual tax revenues and duties. OPIC is also providing financing to support the establishment of a middle market lending facility to provide much-needed capital for Iraqi businesses and to encourage the growth of Iraqi financial institutions.

OPIC is also committed to supporting reconstruction efforts in Afghanistan, where one priority is depressed rural regions of Pakistan. Farmers will gain access to advanced soil treatment technology that could help them increase crop yields by more than 30 percent. Sweetwater International, Inc., of Salt Lake City, will use $1.6 million in political risk insurance to sell or lease its patented Sulphurous Acid Generator equipment, which increases production by reducing soil salinity and sodicity. The company has also established a research and training institute. Estimated to hire 71 permanent employees in its first five years, the project will begin in Punjab province, where the soil is particularly affected by high saline and saline/sodic content.
OPIC also promotes private investment through market-specific international conferences. At OPIC’s conference in Bucharest, Forging New Partnerships in Emerging Europe, companies eager to access investment opportunities in one of the world’s leading new markets met with experts who can help them realize their ambitions. Through its support for the international war against terrorism, emerging Europe has already demonstrated its commitment and strength as a U.S. ally. With solid economic growth projected for the near-term, the region’s 15 nations offer significant returns to U.S. investors.

Following the Europe conference, OPIC announced its intention to provide a debt facility of $35 million in support of a private equity investment fund for projects in Albania, Bosnia and Herzegovina, Bulgaria, Croatia, Czech Republic, Hungary, Macedonia, Moldova, Poland, Romania, Serbia and Montenegro, Slovakia, Slovenia, Turkey, and Ukraine. OPIC has also selected Redfiner Capital Management, LLC to manage the new $200 million Southeast Europe Equity Fund II (SEEF II).

In one major project in the region, OPIC is providing $250 million in political risk insurance for the financing of a new four-lane highway in Croatia that will help to improve the country’s infrastructure, reduce transportation costs, and develop the tourist potential of the Dalmatian coast. Private Export Funding Corporation received the coverage on its loan to Hrvatske Autocestne d.o.o (Croatian Motorways Ltd.).

Throughout the world, nothing equals the power of robust housing and mortgage markets for building domestic wealth and unleashing local savings, which can in turn be leveraged to generate economic growth. That is why OPIC places such a high priority on projects that support or create housing markets in developing countries.

In the first project completed under the auspices of an agreement between OPIC and the government of Kenya to specifically develop the country’s housing market, Texas-based developer JNP Properties, Inc. will use a $87.2 million loan to build 400 affordable housing units in Nairobi. Besides introducing higher-quality amenities not typically associated with affordable housing, the homes will be offered under a unique long-term lease-for-purchase program that makes them more accessible to people for whom the dream of homeownership seemed previously unattainable.

Making the project itself attainable is Kenya’s commitment to work with OPIC in realizing the prospects to create wealth, generate employment, and improve the nation’s investment climate. Based on its own demonstrated commitment to rule justly, invest in its people, and encourage economic freedom, Mongolia has earned eligibility for Millennium Challenge Corporation assistance. To encourage U.S. investment there, OPIC announced a $20 million support facility for U.S. involvement in projects that promise significant benefits to Mongolia’s economic and social development.

At OPIC, we strive to bring the added value we call “additionality” to every project. We bring additionality when a developmental project can only be completed by OPIC providing the financing or insurance that the private market cannot. We bring additionality when a host country receives real and measurable developmental benefits that would not have occurred without OPIC participation. And we bring additionality when OPIC’s involvement assures that a project is structured to preserve both worker rights and the environment.

With these standards always in mind, OPIC has, since 1971, supported over $164 billion of investments that have helped developing countries generate $33 billion in host-government revenues and created more than 732,000 new country jobs. At the same time, these projects have supported more than 264,000 American jobs and generated over $69 billion in U.S. exports.
LEVERING THE POWER OF PRIVATE INVESTMENT

PRIVATE INVESTMENT IS THE KEY ENGINE OF ECONOMIC development. But largely because of perceived risk, the flow of private capital into developing countries has slowed considerably in recent years. In 2004, OPIC introduced new products, revitalized traditional programs, and expanded its use of available tools and techniques to attract private investment to emerging markets.

To protect investors against one potential risk in developing nations, OPIC launched new insurance coverage for the non-honoring of a sovereign guaranty (NHSG). Private investments have been lost on infrastructure projects, in particular, when host governments find it politically expedient to renego on their commitments. Now, on projects backed by an unconditional and irrevocable sovereign guaranty, NHSG coverage provides lenders an assurance of debt service payments should the guarantor default on its obligations for any number of political or financial reasons.

OPIC also launched a stand-alone terrorism facility in partnership with Montpelier Reinsurance, Ltd. Under the program, Montpelier will market and underwrite OPIC’s terrorism coverage, consistent with our statutory and policy guidelines. This important initiative helps to broaden the distribution of our terrorism insurance products and further protect American businesses abroad.

Partnerships such as this are essential in fulfilling OPIC’s mission because neither government nor the private sector acting alone can achieve meaningful development in less-developed countries. The most effective partnerships are those in which OPIC and our private sector counterparts focus on what we each do best. For example, on several OPIC-guaranteed lending facilities we have turned loan making decisions over to our partners in leading international banks, with OPIC reviewing each downstream loan to ensure compliance with our policies on U.S. effects, worker and human rights, and the environment.

Likewise, we have continued to improve OPIC’s investment funds program, which in its 17 years has evolved into a flexible instrument for catalyzing equity capital into emerging markets. A new $20 million fund, managed by Clearwater Capital Partners, LLC, will purchase and restructure the credits of financially distressed small and medium-sized enterprises (SMEs) in South Korea, India, Indonesia, Malaysia, Thailand, and the Philippines. Many of those countries are making needed regulatory changes to create the infrastructure for long-term debt markets, but need the market stimulation of private sector investment. Supported with an OPIC guarantee of up to $40 million, the fund is unique for focusing on the SME market and local currency credits, parts of the Asian market not served by large global firms.

Because crossing the digital divide has become a basic requirement for sustainable development and economic growth, OPIC announced the creation of a $40 million support facility to encourage U.S. investment specifically in the telecommunications and information technology sectors of the world’s emerging markets. This followed by two months our announcement of a similar $70 million facility targeting projects in Brazil, in support of President Bush’s One Hemisphere initiative.

But what if a small business needs nothing more than new computers or telephones? OPIC is meeting even that need, through the creativity of entrepreneurs in the countries of Georgia and Mexico who are using loans of $11 million and $22 million to establish or expand the leasing of state-of-the-art equipment to small businesses in their respective markets. Georgian Leasing Company of Tbilisi, and CSI Latina Financial, Inc., a subsidiary of Computer Sales International, Inc. of St. Louis, are each providing an important and affordable financing alternative to bank loans, which for many SME customers can be difficult and expensive to obtain.

Through its Investment Funds Program, OPIC is one of the largest providers of emerging market private equity in the world. The beneficial impact OPIC has on the companies and countries in which its funds invest is significantly greater than the amount of capital that OPIC contributes directly. This occurs because private equity creates a “multiplier effect” whereby new capital attracts additional investment and financing in companies. A recent study performed by an OPIC-supported fund indicated that the $100 million invested by OPIC in the fund generated an additional $542 million in investments, at both the fund and portfolio company levels.
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<tr>
<td></td>
<td></td>
<td>Riggs Bank N.A.</td>
<td>$1,260,052</td>
<td>Insurance</td>
</tr>
</tbody>
</table>

2004 INVESTMENT ACTIVITIES
### 2004 Investment Activities

#### West Bank & Gaza

- **Gaza Power Generating Private Limited Company**
  - Power Generation: $48,150,000
  - Insurance

#### Asia and the Pacific

- **Morganti Development, LLC**
  - Gaza Power Generating Private Limited Company: Toothpaste & over-the-counter statements & laterities: $14,294
  - Insurance

- **Zimbabwe**
  - **K&S International, Inc.**
    - **Merodent Zimbabwe (Pvt.), Ltd.**
      - Toothpaste & over-the-counterointments & toiletries: Ins

- **Asia and the Pacific**

  - **Bangladesh**
    - **Citibank, N.A.**
      - Pacific Bangladesh Telecommunications, Ltd.: Cellular Telephone Network: $18,000,000
      - Finance

  - **India**
    - **Dolway International, Inc.**
      - Dames International, Inc.: Modular Home Manufacturing: $360,000
      - Insurance

  - **Indonesia**
    - **ITT Power Corporation**
      - General Electric Energy Rentals, Inc.: Power Generation: $12,236,088
      - Insurance

- **Mongolia**
  - **Edwards Net**
    - Santis Educational Services, LLC: English Language Instruction School: $158,000
    - Finance

  - **Pakistan**
    - **International Rescue Committee**
      - Pacific Bangladesh Telecommunications, Ltd.: Cellular Telephone Network: $360,000
      - Insurance

- **Philippines**
  - **Zimmerman Insurance Co. of Hartford, PA**
    - CBML Power Company Limited: Power Generation: $52,000,000
    - Insurance

  - **Croatia**
    - **International Rescue Committee**
      - Humanitarian Services: $360,565
      - Insurance

- **Vietnam**
  - **Kimberly-Clark Corp.**
    - Kimberly-Clark Vietnam Co., Ltd.: Hygienic Products: $4,240,600
    - Finance

#### Europe and Independent States

- **Azerbaijan**
  - **BTC Pipeline Project 2003 Trust**
    - The Baku-Tbilisi-Ceyhan Pipeline Company: Oil Pipeline: $143,800,000
    - Insurance

  - **International Rescue Committee**
    - American Rescue Committee, Inc.: Humanitarian services: $350,863
    - Insurance

- **Turkey**
  - **Turkish-American Development Partners, LLC ("TADP")**
    - EPC Enterprise Group: Sanayi Ve Tic AS: Fiberboard products: $9,452,500
    - Finance

- **Ukraine**
  - **International Rescue Committee**
    - Humanitarian Services: $360,565
    - Insurance

- **Bosnia-Herzegovina**
  - **International Rescue Committee**
    - International Rescue Committee, Inc.: Humanitarian Services: $360,565
    - Insurance

- **Georgia**
  - **South A. Ghazi & Turk Road**
    - Ecolite Power Generating Private Limited Company: Toothpaste & over-the-counter statements & laterities: $14,294
    - Insurance

- **Ireland (Republic of)**
  - **Agroventures, Inc.**
    - Organic Waste Return, Ltd.: Organic Waste Processing: $2,940,000
    - Finance

- **Poland**
  - **SEAF, LLC**
    - Biuro Projekta: Systemsa Cyfrowa S.A.: Business Software Services: $1,300,000
    - Finance

- **Russia**
  - **International Rescue Committee**
    - Humanitarian Services: $360,565
    - Insurance

- **Ukraine**
  - **International Rescue Committee**
    - Humanitarian Services: $360,565
    - Insurance

*Information has temporarily been redacted, including to protect the safety of implementing partners.*
## 2004 Investment Activities

**UZBEKISTAN**
- Erik Brooks Owen &S Consulting
  - Malika Hotel Bukhara, LLC
    - Tourist Hotel & Buses
    - $400,000
    - Finance
  - Tashkent International School
    - School
    - $1,657,000
    - Finance

**THE AMERICAS**

### ARGENTINA
- Brown Energy Latin America, LLC
  - Brown Energy Argentina S.A.
    - Fuel Oil Recycling
    - $3,500,000
    - Finance

### BOLIVIA
- Cuerd’Alaine Mines Corporation
  - Empresa Minera Mamapuri, S.A.
    - Silver Mining
    - $60,000,000
    - Insurance

### BRAZIL
- Bank of New York
  - Brazil Telecom, S.A.
    - Telecommunications
    - $16,875,000
    - Insurance
- Douglas Carlgren
  - Cellphone, Inc.
    - Cellular Telephone Network
    - $202,500
    - Insurance
- Prontolife Healthcare, Inc.
  - Prontoline Healthcare
    - Medical Consulting Practice
    - $350,000
    - Insurance
- USB Securities, Ltd.
  - Petroleo Brasileiro S.A.
    - Oil & Gas Exploration
    - $110,000,000
    - Insurance

### CHILE
- Stephan W. Houghton
  - South American Gold & Copper, Ltd.
    - Gold Mining
    - $2,800,000
    - Finance

### COLOMBIA
- Sada Joshi & Claudette Joshi
  - Joshi Technology International, Inc.
    - Oil Well Drilling
    - $2,800,000
    - Finance

### COSTA RICA
- Colite Outdoor, LLC
  - Colite Costa Rica, S.A.
    - Commercial Billboard Leasing
    - $90,000
    - Insurance

### GUATEMALA
- Alvaro Enrique Luna, Alvaro Luna
  - Administrador De Inversiones Pregy, S.A.
    - Commercial/Residential Building
    - $1,246,539
    - Finance
- Colite Outdoor, LLC
  - Colite Guatemala, S.A.
    - Commercial Billboard Leasing
    - $90,000
    - Insurance

### HONDURAS
- Colite Outdoor, LLC
  - Colite Honduras, S.A.
    - Commercial Billboard Leasing
    - $135,000
    - Insurance
- E+C, Inc.
  - E+C, Inc.
    - Power Generation
    - $100,000
    - Finance

### PANAMA
- Colite Outdoor, LLC
  - Colite Panama, S.A.
    - Commercial Billboard Leasing
    - $450,000
    - Insurance
- National Union Fire Insurance Co.
  - Alterra Partners, LLC
    - Airport
    - $9,160,000
    - Insurance

### PERU
- National Union Fire Insurance Co.
  - Alterra Partners, LLC
    - Airport
    - $9,160,000
    - Insurance

### TRINIDAD & TOBAGO
- Christopher Moglia & Barry Bhiro
  - Leonard Island Ferry Transport, Inc.
    - Ferry Transport
    - $8,450,000
    - Finance

### LATIN AMERICA REGIONAL
- Joseph Koeneman
  - Amexindia Internacional, Inc.
    - Tourism
    - $1,657,000
    - Finance
- Credik 1 N.A.
  - Credik 1CA1 Framework
    - Framework Agreement
    - $10,00,000
    - Insurance
- Darwin Overseas Partners, Ltd.
  - Darwin BVI/ LA American Holdings, LLC
    - Direct Equity Fund
    - $55,000,000
    - Insurance
- Sylvia Blanchet, Jack Budge
  - FarmTrade, Inc.
    - Agriculture
    - $5,460,000
    - Finance
- Telewoks Group, Inc.
  - Newcom, Ltd.
    - Telecommunications
    - $9,447,750
    - Finance
- Palmer-Realty-Investors-LLP
  - Palamar Realty Latin America Investors LLP
    - Direct Equity Fund
    - $35,000,000
    - Finance

### ALL ORIC COUNTRIES
- Anga Capital Corporation, LLC
  - Anga Investment Company
    - Mezzanine Debt/Equity in Companies Enhancing Global Security
    - $50,000,000
    - Finance
- AIG Capital Partners, Inc.
  - AIG Global Emerging Markets Fund II, L.P.
    - Direct Equity Fund
    - $10,00,000
    - Finance
- Developing World Markets
  - Micro-lending
    - $53,900,000
    - Finance
- National City Bank
  - National City Bank Global Framework
    - Framework Agreement
    - $200,000,000
    - Finance
- Wachovia Bank
  - Wachovia Bank Global Framework
    - Framework Agreement
    - $100,000,000
    - Finance
- UPS Capital Corp.
  - UPS Capital Corp Framework
    - Framework Agreement
    - $6,000,000
    - Finance

*Information has temporarily been redacted, including to protect the safety of implementing partners.*
**OPIC COUNTRIES AND AREAS**

**OPIC PROGRAMS ENCOURAGE U.S. PRIVATE INVESTMENT** in some 150 countries and areas around the world, contributing to economic growth at home and abroad.

OPIC programs are generally available in the approximately 150 countries and areas listed below. From time to time, statutory and policy constraints may limit the availability of OPIC programs in certain countries, or countries where programs were previously unavailable may become eligible. Investors are urged to contact OPIC directly for up-to-date information on the availability of OPIC services in specific countries, as well as information on program availability in countries not listed.

### Africa and the Middle East
- Afghanistan
- Algeria
- Angola
- Benin
- Botswana
- Burundi
- Comoros
- Cote d’Ivoire
- Djibouti
- Chad
- Congo
- Ethiopia
- Eritrea
- Ghana
- Guinea
- Guiana
- Iraq
- Jordan
- Kenya
- Kuwait

### Asia and the Pacific
- Bangladesh
- Cambodia
- Cook Islands
- East Timor
- Fiji
- Indonesia
- Iran
- Laos
- Macau
- Malaysia
- Marshall Islands
- Micronesia
- Mongolia
- Nepal
- North Korea
- New Caledonia
- Sri Lanka
- Solomon Islands
- Tahiti
- Tonga
- Vietnam

### Europe and the New Independent States
- Albania
- Armenia
- Azerbaijan
- Belarus
- Bosnia and Herzegovina
- Bulgaria
- Czech Republic
- Estonia
- Georgia
- Hungary
- Ireland
- Kazakhstan
- Kyrgyzstan
- Latvia
- Lithuania
- Macedonia
- Moldova
- Montenegro
- Netherlands
- Norway
- Pakistan
- Poland
- Portugal
- Romania
- Russia

### The Americas
- Argentina
- Antigua & Barbuda
- Argentina
- Austria
- Bangladesh
- Barbados
- Belgium
- Belize
- Brazil
- Chile
- Colombia
- Costa Rica
- Cuba
- Dominica
- Dominican Republic
- Ecuador
- El Salvador
- French Guiana
- Georgia
- Guatamala
- Guyana
- Haiti
- Honduras
- Jamaica
- Mexico
- Netherlands
- Nicaragua
- Panama
- Peru
- Sri Lanka
- St. Lucia
- St. Vincent & The Grenadines
- Suriname
- Trinidad & Tobago
- Turks & Caicos Islands
- Uruguay
- Venezuela
- United States
INDEPENDENT AUDITORS’ REPORT ON
FINANCIAL STATEMENTS

KPMG LLP
2001 M Street, NW
Washington, DC 20036

To the Board of Directors
Overseas Private Investment Corporation:

We have audited the accompanying balance sheets of the Overseas Private Investment Corporation (OPIC) as of September 30, 2004 and 2003, and the related statements of income, capital and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of OPIC’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OPIC as of September 30, 2004 and 2003, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 10, 2004 on our consideration of OPIC’s internal control over financial reporting and its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of these reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards, and should be read in conjunction with this report in considering the results of our audit.

November 10, 2004
# Balance Sheets

**Overseas Private Investment Corporation — September 30, 2004 and 2003**

($ in thousands)

<table>
<thead>
<tr>
<th>Assets</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and Cash Equivalents</td>
<td>$1,084,367</td>
<td>$949,954</td>
</tr>
<tr>
<td>U.S. Treasury Securities, at amortized cost plus related receivables (notes 2 and 7)</td>
<td>3,963,445</td>
<td>3,603,445</td>
</tr>
<tr>
<td>Direct loans outstanding: 616,449,614 and 590,246 less allowance for uncollectible loans of $33,442 and $14,146 in FY2004 and FY2003 (notes 2 and 10)</td>
<td>447,397</td>
<td>155,669</td>
</tr>
<tr>
<td>Accounts receivable resulting from investment guaranties of $128,021 and $64,375 for doubtful recoveries of $63,325 and $64,440 in FY2004 and FY2003 (notes 2 and 11)</td>
<td>137,675</td>
<td>76,544</td>
</tr>
<tr>
<td>Assets acquired in insurance claims settlements: $336,709 and $285,350 less allowance for doubtful recoveries of $196,699 and $12,147 in FY2004 and FY2003 (notes 2 and 11)</td>
<td>211,190</td>
<td>178,188</td>
</tr>
<tr>
<td>Guaranty Reserve (notes 2 and 10)</td>
<td>132,317</td>
<td>70,890</td>
</tr>
<tr>
<td>Accrued Interest and Fees and Other</td>
<td>26,555</td>
<td>23,532</td>
</tr>
<tr>
<td>Furniture, equipment and household improvements at cost less accumulated depreciation and amortization of $12,637 in FY2004 and $11,905 in FY2003 (notes 2, 14, and 16)</td>
<td>1,433</td>
<td>1,960</td>
</tr>
<tr>
<td>Total assets</td>
<td>$5,912,887</td>
<td>$5,218,182</td>
</tr>
</tbody>
</table>

# Statements of Income

**Overseas Private Investment Corporation — September 30, 2004 and 2003**

($ in thousands)

<table>
<thead>
<tr>
<th>Revenues</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political risk insurance premiums and fees (note 9)</td>
<td>$43,742</td>
<td>$46,706</td>
</tr>
<tr>
<td>Management fees and interest</td>
<td>177,177</td>
<td>183,730</td>
</tr>
<tr>
<td>Interest on financial programs deposits</td>
<td>55,289</td>
<td>57,304</td>
</tr>
<tr>
<td>Other operating income</td>
<td>2,678</td>
<td>1,164</td>
</tr>
<tr>
<td>Interest on U.S. Treasury securities</td>
<td>193,549</td>
<td>185,168</td>
</tr>
<tr>
<td>Total revenue</td>
<td>238,675</td>
<td>259,290</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Expenses</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Prepayments for reserves:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Political risk insurance (notes 2 and 10)</td>
<td>54,155</td>
<td>(41,877)</td>
</tr>
<tr>
<td>Investment financing (notes 2 and 10)</td>
<td>65,484</td>
<td>72,163</td>
</tr>
<tr>
<td>Salaries and benefits (note 15)</td>
<td>64,564</td>
<td>72,421</td>
</tr>
<tr>
<td>Rent, communication and utilities (note 14)</td>
<td>4,249</td>
<td>5,360</td>
</tr>
<tr>
<td>Contractual services</td>
<td>24,873</td>
<td>13,933</td>
</tr>
<tr>
<td>Tenant</td>
<td>3,618</td>
<td>2,814</td>
</tr>
<tr>
<td>Interest on borrowings from U.S. Treasury (note 6)</td>
<td>30,315</td>
<td>10,774</td>
</tr>
<tr>
<td>Depreciation and amortization (note 12)</td>
<td>423</td>
<td>425</td>
</tr>
<tr>
<td>Write-off of internally developed software (note 10)</td>
<td>—</td>
<td>1,400</td>
</tr>
<tr>
<td>Other general and administrative expenses</td>
<td>2,442</td>
<td>2,442</td>
</tr>
<tr>
<td>Total expenses</td>
<td>226,119</td>
<td>67,975</td>
</tr>
</tbody>
</table>

Net income before cumulative effect of change in amortization method of discounts and premiums: 163,056 277,814
Cumulative effect on prior year of change to straight-line amortization method of discounts and premiums (note 2) 23,992

Net income $186,056 295,736

See accompanying notes to financial statements.
### Statements of Capital and Retained Earnings

**Overseas Private Investment Corporation — September 30, 2004 and 2003**  
($ in thousands)

<table>
<thead>
<tr>
<th>EQUITY RESERVES</th>
<th>CONTRIBUTED CAPITAL</th>
<th>CREDIT RESERVES</th>
<th>INTERAGENCY TRANSFERS</th>
<th>INSURANCE RESERVES (NOTES 9 AND 12)</th>
<th>GUARANTEE RESERVES (NOTES 10 AND 32)</th>
<th>RETAINED EARNINGS</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Balance, September 30, 2002</strong></td>
<td>$ 10,000</td>
<td>$ 108,627</td>
<td>$ 1,017</td>
<td>$ 1,801,177</td>
<td>$ 1,418,115</td>
<td>$ 374,790</td>
<td>$ 3,293,094</td>
</tr>
<tr>
<td><strong>Net income</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>101,151</td>
<td>115,585</td>
<td>—</td>
<td>296,736</td>
</tr>
<tr>
<td><strong>Additions to retained earnings</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Return credit funding to U.S. Treasury</strong></td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Credit funding received from Accumulated earnings</strong></td>
<td>41,725</td>
<td>—</td>
<td>(23,864)</td>
<td>—</td>
<td>(23,911)</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td><strong>Credit appropriations</strong></td>
<td>140,392</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>140,392</td>
</tr>
<tr>
<td><strong>Credit funding used</strong></td>
<td>(197,993)</td>
<td>—</td>
<td>—</td>
<td>174,441</td>
<td>23,951</td>
<td>—</td>
<td>250</td>
</tr>
<tr>
<td><strong>Interagency transfers</strong></td>
<td>(2,540)</td>
<td>(5,358)</td>
<td>958</td>
<td>—</td>
<td>—</td>
<td>—</td>
<td>(2,596)</td>
</tr>
<tr>
<td><strong>Balance, September 30, 2003</strong></td>
<td>$ 10,000</td>
<td>$ 164,002</td>
<td>$ 634</td>
<td>$ 1,965,941</td>
<td>$ 1,816,780</td>
<td>$ 3,999,027</td>
<td>—</td>
</tr>
</tbody>
</table>

**Notes to Financial Statements:**

- See accompanying notes to financial statements.

### Statements of Cash Flows

**Overseas Private Investment Corporation — September 30, 2004 and 2003**  
($ in thousands)

#### CASH FLOWS FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net Income</td>
<td>$ 163,056</td>
<td>$ 295,736</td>
</tr>
<tr>
<td>Adjustments to reconcile net income to net cash provided by operating activities:</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td></td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Political risk insurance</td>
<td>(54,040)</td>
<td>(41,037)</td>
</tr>
<tr>
<td>Investment financing</td>
<td>85,464</td>
<td>72,113</td>
</tr>
<tr>
<td>Amortization of premiums on U.S. securities</td>
<td>22,000</td>
<td>20,746</td>
</tr>
<tr>
<td>Accretion of discounts on U.S. securities</td>
<td>(2,227)</td>
<td>(2,618)</td>
</tr>
<tr>
<td>Amortization of deferred rent and rental tax abatements</td>
<td>16,450</td>
<td>(1,840)</td>
</tr>
<tr>
<td>Depreciation and amortization of furniture, equipment and leasehold improvements</td>
<td>413</td>
<td>925</td>
</tr>
<tr>
<td>Write-downs of internally developed software</td>
<td>(5,400)</td>
<td>—</td>
</tr>
<tr>
<td>Decrease in accrued and other assets:</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Accrued interest and fees</td>
<td>4,856</td>
<td>1,957</td>
</tr>
<tr>
<td>Assets acquired in insurance services settlements</td>
<td>96,243</td>
<td>(32,912)</td>
</tr>
<tr>
<td>Receivables on assets acquired in insurance services settlements</td>
<td>19,929</td>
<td>12,790</td>
</tr>
<tr>
<td>Assets acquired in finance claims settlements</td>
<td>67,240</td>
<td>(32,794)</td>
</tr>
<tr>
<td>Receivables on assets acquired in finance claims settlements</td>
<td>23,757</td>
<td>26,923</td>
</tr>
<tr>
<td>Increase (decrease) in liabilities:</td>
<td>—</td>
<td>—</td>
</tr>
<tr>
<td>Accounts payable and accrued expenses</td>
<td>520</td>
<td>(2,962)</td>
</tr>
<tr>
<td>Customer deposits and deferred income</td>
<td>2,957</td>
<td>2,342</td>
</tr>
<tr>
<td>Accrued premiums</td>
<td>1,462</td>
<td>876</td>
</tr>
<tr>
<td>Capitalized interest</td>
<td>—</td>
<td>580</td>
</tr>
<tr>
<td>Insurance claims payments</td>
<td>(1,964)</td>
<td>(516)</td>
</tr>
<tr>
<td><strong>Cash provided by operating activities</strong></td>
<td>$ 195,665</td>
<td>$ 328,609</td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sale and maturity of U.S. Treasury securities</td>
<td>1,176,079</td>
<td>898,186</td>
</tr>
<tr>
<td>Purchase of U.S. Treasury securities</td>
<td>(2,646,120)</td>
<td>(695,121)</td>
</tr>
<tr>
<td>Investment of direct loans</td>
<td>9,967</td>
<td>7,089</td>
</tr>
<tr>
<td>Disbursement of direct loans</td>
<td>(319,010)</td>
<td>(317,564)</td>
</tr>
<tr>
<td>Acquisition of furniture and equipment</td>
<td>(596)</td>
<td>(294)</td>
</tr>
<tr>
<td><strong>Cash used in investing activities</strong></td>
<td>(448,690)</td>
<td>(681,514)</td>
</tr>
</tbody>
</table>

#### CASH FLOWS FROM FINANCING ACTIVITIES:

<table>
<thead>
<tr>
<th>Activity</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td>Return credit funding to U.S. Treasury</td>
<td>46,423</td>
<td>(58,423)</td>
</tr>
<tr>
<td>Interagency transfers</td>
<td>25,000</td>
<td>25,000</td>
</tr>
<tr>
<td>Credit appropriations</td>
<td>43,315</td>
<td>368,322</td>
</tr>
<tr>
<td>Credit reform borrowings from U.S. Treasury</td>
<td>397,310</td>
<td>64,924</td>
</tr>
<tr>
<td><strong>Cash provided by financing activities</strong></td>
<td>$ 422,389</td>
<td>175,002</td>
</tr>
</tbody>
</table>

**Net Increase in Cash**

<table>
<thead>
<tr>
<th>Activity</th>
<th>2004</th>
<th>2003</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Increase in Cash</strong></td>
<td>$ 174,173</td>
<td>$ 248,238</td>
</tr>
<tr>
<td><strong>Cash balance with U.S. Treasury at beginning of year</strong></td>
<td>$ 609,914</td>
<td>$ 641,416</td>
</tr>
<tr>
<td><strong>Cash balance with U.S. Treasury at end of year</strong></td>
<td>$ 1,084,387</td>
<td>$ 990,654</td>
</tr>
</tbody>
</table>

**Notes to Financial Statements:**

- See accompanying notes to financial statements.
NOTES TO FINANCIAL STATEMENTS

OVERSEAS PRIVATE INVESTMENT CORPORATION — SEPTEMBER 30, 2004 AND 2003

1. STATEMENT OF CONCEPTIVE PURPOSE

The Overseas Private Investment Corporation (OPIC) is a self-sustaining U.S. government agency under the Foreign Assistance Act of 1951 (FAA), as amended, to facilitate U.S. private investment in developing countries and emerging market economies, primarily by offering political risk insurance, investment guarantees, and direct loans. As a governmental 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 the related liability is incurred without regard to the receipt or payment of cash.

Financial balance with U.S. Treasury: Substantially all of OPIC’s assets and liabilities are purchased or guaranteed by the U.S. Treasury which, in effect, maintains OPIC’s book capital. For purposes of the Statement of Cash Flows, funds held with 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 guarantee programs in U.S. Treasury securities. Investments are carried at fair value, net of unamortized discount or premium, and are amortized to maturity. OPIC has the ability and intent to hold investments until maturity or until the carrying amount can be realized as market value.

Assets Acquired in Insurance and Investment Guarantee Claim Resolutions: Assets acquired in claim resolutions are valued at the lower of management’s estimate of the net realizable value of security or the cost of acquisition.

OPIC acquires foreign currency in settlement of insolvency claims when an insured foreign enterprise is unable to convert foreign currency into U.S. dollars as well as in some direct loans and investment guarantee 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 returned for U.S. dollars by the foreign guarantors.

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 losses experienced, the estimated fair value of any collateral, and the present value of expected future cash flows.

Depreciation and Amortization: OPIC capital property and equipment is at historical cost for acquisitions exceeding $5,000. Depreciation and amortization of fixed assets, household improvements, and lease incentives are computed using the straight-line method over the estimated useful life of the asset or up to ten years, whichever is shorter, with period ranges of 1 to 15 years.

Receivables for Political Risk Insurance and Investment Guarantees: The receivables for political risk insurance and investment guarantee policies for losses incurred in those operations using the straight-line method. These receivables are general reserves, available to absorb losses related to the uncollected insurance and guarantee premiums, which are off-balance-sheet commitments. The reserve is increased by provisions charged to expense and decreased for claims settlement. The provisions for political risk insurance and investment guarantees are based on management’s evaluation of the adequacy of the related receivables. This evaluation considers management’s consideration of past loss experience, changes in the composition and volume of the insurance and guarantee portfolios, worldwide economic and political conditions, and other specific risk factors. Also, in the political risk insurance reserve estimate evaluations, OPIC takes into consideration losses incurred but not yet reported.

Net accounting pronouncements: In November 2003, the Financial Accounting Standards Board (FASB) issued Interpretation No. 43, ‘‘Accounting for the Implications of an Internal Transfer of an Asset from an Investment Fund to a Guaranty Fund’’ (FIN 43). FIN 43 requires that upon issuance of a guaranty, the guarantor must disclose and recognize a liability for the fair value of the obligation it assumes under that guaranty. The initial recognition and measurement requirement of FIN 43 applies only to guarantees issued or meet after December 31, 2002.

Contingent Liabilities Related to Investment Guarantees: The fair value of the investment guarantee written into December 31, 2003, is recognized as a liability with a corresponding asset recorded as a receivable to reflect the fact that OPIC is committed for the assumption of the liability. See also Note 24.

Recovery Recognitions: 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 guarantee fees on investment guarantees are accrued based on the principal amount outstanding. Revenue from both loan interest payments and guarantee fees that is more than 90 days past due is recognized only when cash is received. Interest from political risk insurance premiums is recognized over the contract coverage period. Revenue from both loan interest payments and guarantee fees that is more than 90 days past due is recognized only when cash is received. Interest from political risk insurance premiums is recognized over the contract coverage period.

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

3. INTRAGOVERNMENTAL FINANCIAL ACTIVITIES

OPIC, as a U.S. Government corporation, is subject to financial decisions and management controls of the Office of Management and Budget (OMB). As a result of this relationship, OPIC’s operations may not be conducted, nor are its financial positions reported, as they would be if OPIC were not a Govern- ment corporation. Furthermore, in accordance with intragovernmental agreements relating to its programs, as well as internal U.S. Government operating procedures, foreign currency acquired by OPIC can be used by the U.S. Treasury. This for-ex exchange creates an additional source, which would otherwise be unavailable, by which OPIC can recover U.S. dollars with respect to its insurance and investment financing programs.

4. FUNDS BALANCE WITH U.S. TREASURY

OPIC is measured in its states of certain cash balances, as described below. The fund balance with U.S. Treasury as of September 30, 2004 and 2003 comprises the following (dollars in thousands):

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Cash Balance</th>
<th>Non-Cash Funds</th>
<th>Non-Operating Funds</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>1,584,297</td>
<td>262,095</td>
<td>128,992</td>
</tr>
</tbody>
</table>

5. CREDIT FUNDING

OPIC’s foreign exposure is subject to the Federal Credit Reform Act of 1990, which was implemented as of January 1, 1992. Credit Reform requires agencies to estimate the long-run cost of the government’s cash flow’s future year’s new credit transactions and to obtain funding through the appropriations process equal to the net present value of such costs at the beginning of the year OPIC’s credit funding is available for two years. In addition, the Act requires the administrative costs related to its credit pro- gram to be displayed.

6. DISCUSSIONS FROM THE U.S. TREASURY

In accordance with the Federal Credit Reform Act of 1990, the portion of financing activities not funded through the appropriations process must be funded by borrowing from the U.S. Treasury. Borrowings for Credit Reform financing totaled $1,484.6 million in 2004 and $864.9 million in 2003, of which have been disbursed. OPIC paid a total of $516.7 million and $240.7 million in interest to the U.S. Treasury during fiscal years 2004 and 2003, respectively. (In fiscal year 2004, OPIC repaid $516.7 million in borrowings from the U.S. Treasury. No repayments were made in 2003. Future payments, including interest, for borrowings outstanding at September 30, 2004 as follows (dollars in thousands):
6. STATUTORY LIMITATIONS ON THE ISSUANCE OF INSURANCE AND FINANCE

OPIC issues insurance and financing, under a single limit for both programs, specified in the FCC. At September 30, 2004, and 2003, OPIC’s single limit was $20 billion, of which $14 billion and $10 billion were in insurance and finance, respectively.

7. INVESTMENT IN U.S. TREASURY SECURITIES

The composition and related maturities at September 30, 2004 and 2003 are as follows (dollars in thousands):

<table>
<thead>
<tr>
<th>INVESTMENT AMORTIZED COST</th>
<th>INTEREST INCOME</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>3,530,095</td>
</tr>
<tr>
<td>2003</td>
<td>3,510,655</td>
</tr>
</tbody>
</table>

The amortized cost and estimated fair value of investments as of September 30, 2004, are as follows (dollars in thousands):

<table>
<thead>
<tr>
<th>AMORTIZED COST</th>
<th>ESTIMATED FAIR VALUE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$2,580,042</td>
<td>$2,750,042</td>
</tr>
<tr>
<td>7,082,000</td>
<td>7,082,000</td>
</tr>
<tr>
<td>5,522,000</td>
<td>5,522,000</td>
</tr>
<tr>
<td>11,144,000</td>
<td>11,144,000</td>
</tr>
<tr>
<td>43,177,000</td>
<td>43,177,000</td>
</tr>
<tr>
<td>86,008,000</td>
<td>86,008,000</td>
</tr>
<tr>
<td>147,177,000</td>
<td>147,177,000</td>
</tr>
</tbody>
</table>

GROSS GROSS AMORTIZED INITIALIZED UNREALIZED INVEST- ACQUISITION DECREASES TOTAL FAIR VALUE

<table>
<thead>
<tr>
<th>AT COST</th>
<th>AT DEPTH</th>
<th>AT DEPTH</th>
<th>AT DEPTH</th>
</tr>
</thead>
<tbody>
<tr>
<td>$9,000,000</td>
<td>$9,000,000</td>
<td>$9,000,000</td>
<td>$9,000,000</td>
</tr>
<tr>
<td>$2,580,042</td>
<td>$2,580,042</td>
<td>$2,580,042</td>
<td>$2,580,042</td>
</tr>
<tr>
<td>$7,082,000</td>
<td>$7,082,000</td>
<td>$7,082,000</td>
<td>$7,082,000</td>
</tr>
<tr>
<td>$5,522,000</td>
<td>$5,522,000</td>
<td>$5,522,000</td>
<td>$5,522,000</td>
</tr>
<tr>
<td>$11,144,000</td>
<td>$11,144,000</td>
<td>$11,144,000</td>
<td>$11,144,000</td>
</tr>
<tr>
<td>$43,177,000</td>
<td>$43,177,000</td>
<td>$43,177,000</td>
<td>$43,177,000</td>
</tr>
<tr>
<td>$86,008,000</td>
<td>$86,008,000</td>
<td>$86,008,000</td>
<td>$86,008,000</td>
</tr>
<tr>
<td>$147,177,000</td>
<td>$147,177,000</td>
<td>$147,177,000</td>
<td>$147,177,000</td>
</tr>
</tbody>
</table>

At September 30, 2004, the securities held at year end had an interest rate of 6.7% of the principal and a maturity period from one year to almost 24 years. OPIC holds its securities to maturity. The amortized cost and estimated fair value of U.S. Treasury securities at September 30, 2004, by contractual maturity, are shown below (dollars in thousands):

<table>
<thead>
<tr>
<th>DUE AFTER ONE YEAR THROUGH</th>
<th>DUE AFTER ONE THROUGH</th>
<th>DUE AFTER FIVE THROUGH</th>
<th>DUE AFTER SEVEN THROUGH</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOTE PAYABLE</td>
<td>$3,412,800</td>
<td>$3,412,800</td>
<td>$3,412,800</td>
<td>$10,238,400</td>
</tr>
<tr>
<td>FEDERAL DEBT</td>
<td>$2,580,042</td>
<td>$2,580,042</td>
<td>$2,580,042</td>
<td>$7,740,128</td>
</tr>
<tr>
<td>STATE DEBT</td>
<td>$5,063,000</td>
<td>$5,063,000</td>
<td>$5,063,000</td>
<td>$15,189,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$10,055,842</td>
<td>$10,055,842</td>
<td>$10,055,842</td>
<td>$30,264,714</td>
</tr>
</tbody>
</table>

8. OFFSHELTER INSURANCE

OPIC’s maximum contingent liability at September 30, 2004 and 2003 was $6.9 billion and $5.6 billion. This amount is OPIC’s estimate of maximum exposure to insurance claims, which includes statutory 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 higher “contingent” coverage for all contracts in force, or Contingent Exposure to Claims (CEC). OPIC’s CEC at September 30, 2004 and 2003 was $5.8 billion and $4.9 billion, respectively.

(b) Prudential Claims

In September 2002 and 2003, the total amount of claims presented on OPIC forms for which no determination of specific liability had been made was approximately $20 million and $26 million, respectively. In addition to requiring formal applications for claims consideration, OPIC consistently requests information to notify OPIC promptly of any government action that the insurer 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.

The high nature of the national and international environment that OPIC is in, and the likelihood that the event referred to will open the insurer to a claim, and the amount, if any, of compensation that may be due, and the ability of OPIC to follow a policy of not recording a specific liability related to such matters in its financial statements, vary widely. Any claims that might arise from these situations are factored into the reserves for political risk insurance.

(c) Credit Exposures and Guarantees

OPIC also has a balance sheet risk in connection with one claim settlement. OPIC settled a claim in 1995 through a $30 million government guarantee obligation. By the terms of the guarantee, OPIC has reduced OPIC’s exposure to $20 million at September 30, 1995, and 2004, respectively. Any claim that might arise from these situations are factored into the reserves for political risk insurance.

Losses in the reserve for political risk insurance during fiscal years 2004 and 2003 were as follows (dollars in thousands):

<table>
<thead>
<tr>
<th>FISCAL YEAR</th>
<th>RESERVES RELEASED</th>
<th>CHARGE OFFS</th>
<th>WRITE-OFFS</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>$174,980</td>
<td>$260,000</td>
<td>$900,000</td>
</tr>
<tr>
<td>2003</td>
<td>$174,980</td>
<td>$260,000</td>
<td>$900,000</td>
</tr>
</tbody>
</table>

Investment funds are direct loans and investment guarantees to support the creation and expansion of investment funds that make direct equity and equity-linked investments in new, expanding, or privatizing companies in emerging market economies. The fund managers, selected by OPIC, are experienced, proven investment professionals. OPIC’s participation in a fund takes the form of a second-loss, second-loss and loss guarantee that supplements the fund’s primary risk capital. OPIC’s guarantee 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 guarantee any of the fund’s equity and all equity investments in OPIC-held funds are fully at risk.

OPIC’s authorization to make direct loans and investment guarantees can be found in sections 9(a)(3) and 232 of the ‘Foreign Assistance Act (FAA),’ respectively. Direct loans and investment guarantees are committed in accordance with the ‘Guidelines for Foreign Aid’ of 1961, pursuant to which losses determined are claim payments for releases from the guarantees have been funded through appropriation actions, loaning from the U.S. Treasury, and the accumulation of earnings on collections of fees. In fiscal years 2003 and 2004, $14 million was made available each year for credit lending costs. OPIC is in compliance with all relevant limitations and credit lending appropriations guidance. OPIC’s capital, earned earnings, and reserves available for claims on its investment financing at September 30, 2004 and 2003 totaled $17 million and $16 million, respectively.

10. INVESTMENT FINANCING

OPIC is authorized to provide investment financing to projects through direct loans and investment guarantees. Project financing provides medium- to long-term funding through direct loans and investment guarantees to ventures involving significant equity and/or management ownership participation by U.S. businesses. Project financing for amounts from the cash flows generated by projects, and in such amounts and not pledge their own general credit beyond the required project completion period.
NOTES TO FINANCIAL STATEMENTS
OVERSEAS PRIVATE INVESTMENT CORPORATION — SEPTEMBER 30, 2004 AND 2003

Changes in the allowance for uncollectible loans during fiscal years 2004 and 2003 were as follows (dollars in thousands):

2004 2003
BEGINNING BALANCE $ 154,716 $ 117,573
DURING THE YEAR $ — $ 1,640
FORECLOSURES 258 1,318
INCREASE IN PROVISIONS 12,045 13,383
PROVISION PER CAPITALIZED INTEREST 3 988
ENDING BALANCE $ 161,042 $ 152,616

Investment Guarantees. OPIC’s investment guarantees cover the risk of default for up to 10 years. In the event of a claim on a GUARANTEE, OPIC makes payments of principal and interest to the lender. These payments are recorded in accounts receivable arising from investment guarantees. The loans that are guaranteed are non-accrual short-term floating rate interest and are payable in U.S. dollars. OPIC’s losses on payment of a guarantee are reduced by the amount of any recovery from the borrower, the host government, or through disposition of assets acquired pursuant to a claim. Guarantees can extend for 15 to 27 years for project finance and from 10 to 25 years for investment funds.

Credit Risk. The maximum potential loss due to probable nonperformance by borrowers under terms of the contract, OPIC’s exposure to credit risk under investment guarantees, including claims related assets, was $66.5 million at September 30, 2004, of which $38.9 million was outstanding. Of the $66.5 million, $16 million was related to project finance and $42.4 million was related to investment fund guarantees. Of the $38.9 million outstanding, $20.5 million related to project finance and $18.4 million related to investment fund guarantees. Included in the $20.5 million of investment fund exposure is $9.0 million of outstanding interest that could accrue to the guarantor’s benefit. This interest generally accrues over a 10 year period for a project of maturity. Upon complete nonperformance by the borrower, OPIC would be liable for principal outstanding and interest accrued on defaulted investment funds. At September 30, 2004, 697 million of the $66.5 million had actually accrued to the guaranteed lender as defaulted investment funds. The remaining represents estimated interest of amounts that could accrue to the guaranteed lender over the remaining investment fund terms. Changes in the reserves for investment guarantees during fiscal years 2004 and 2003 were as follows (dollars in thousands):

2004 2003
BEGINNING BALANCE $ 63,000 $ 37,000
CHARGED-OFFS $ 11,841 $ 10,302
RECOVERIES $ 310 79
INCREASE IN PROVISIONS 26,307 58,512
ENDING BALANCE $ 101,869 $ 153,503

13. DEBT-RELATED ASSETS

Claim-related assets may result from payments on claims under either the insurance program or the investment guarantee program. Under the investment guarantee program, when OPIC pays a guaranteed party, a reserve is created. Under the insurance program, such payments are made without a reserve. The allowance for such obligations is determined by management based on estimates of future claims and the probability of recovery. The allowance is reviewed on a periodic basis, and the amount of the reserve is adjusted accordingly. The estimated amounts have been reduced by $2.5 million and $2.6 million for fiscal years 2004 and 2003, respectively.

Changes in the allowance for doubtful accounts for receivables resulting from insurance guarantees during fiscal years 2004 and 2003 were as follows (dollars in thousands):

2004 2003
BEGINNING BALANCE $ 16,573 $ 15,512
INCREDIBLE DETERMINED IN PROVISIONS 24,162 13,428
RECOVERIES 4,549 409
INCREASE IN CAPITALIZED INTEREST 1,212 —
ENDING BALANCE $ 39,498 $ 33,552

Changes in the allowance for doubtful accounts for receivables acquired in acquisition—claims guarantees during fiscal years 2004 and 2003 were as follows (dollars in thousands):

2004 2003
BEGINNING BALANCE $ 47,477 $ 49,808
INCREDIBLE DETERMINED IN PROVISIONS 2,079 —
TRANSFER TO—NO RECOVERY OTHER RESERVES 43,396 (27,332)
ENDING BALANCE $ 9,093 $ 12,542

14. LEASES

OPIC negotiated a new building lease during fiscal year 2004. Under the lease terms, OPIC received interest-bearing lease improvement allowances for space refurbishment. Total incentive allowances offered to the lessor to cover these costs were $1.4 million. The value of these incentives is included in the balance sheet and will be amortized into rental expense on a straight-line basis over the 95-year life of the lease.

15. LIQUIDITY

OPIC’s primary competitors are covered by the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FEPS). For CSRS, OPIC withheld 10% of employees’ gross 2004 earnings and contributions of 5% of employers’ gross earnings. For FEPS, OPIC witheld 8% of employees’ gross earnings. In 2004, OPIC contributed 10% of employers’ gross earnings. This sum is transferred to the FEPS fund, which the employer group will receive retirement benefits. An additional 6.2% of the FERS employees’ gross earnings is withheld, but that portion is matched contributions by OPIC, not to the Social Security System from which the FERS employee group will receive social security benefits. OPIC occasionally hires employees on temporary appointments, and these employees are covered by the social security system under which 6.2% of earnings is withheld and matched by OPIC.

FEPS (after the initial eligibility period) and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). Based on employee elections, 10% to 15% of gross CSRS earnings is withheld and 10% to 15% of gross FERS earnings is withheld subject to the IRS elective deferral limits for the tax year. FEPS employees receive an automatic 4% contribution from OPIC. Associates hired as FERS employees are matched by OPIC, up to an additional 4%, for a total of 8%.
NOTES TO FINANCIAL STATEMENTS

OVERSEAS PRIVATE INVESTMENT CORPORATION — SEPTEMBER 30, 2004 AND 2003

Although OPIC holds a portion of employee pension benefits under the DCRS, the PERS, and the TRS, 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 accrued benefits is the responsibility of the U.S. Office of Personnel Management and the Federal Retirement Thrift Investment Board which administers these plans. Data regarding the DCRS and PERS account present value of accumulated benefits, assets available for benefits, and unfunded pension liability are not allowed to independent auditors and agencies.

34. 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 guarantees, and custodianship for undrawn direct loans.

With respect to political risk insurance, OPIC assesses the creditworthiness of the issuing country, the issuer, and the recipient. Additionally, OPIC provides insurance financing through direct loans and loan guarantees.

OPIC’s underwriting policy is to take a strategic position in the assets of the project or transaction it guarantees. The nature and reserving values of the collateral pledged to OPIC varies from transaction to transaction and may include tangible assets, or collateral on securities, or a pledge of shares in the project company as well as personal and corporate guarantees. OPIC may also reserve the right to protect its position in non-collateralized and retains the ability to exercise its rights as a secured lender if such actions become necessary.

The following is a summary of OPIC’s off-balance-sheet risk at September 30, 2004 and 2003 (dollars in thousands):

<table>
<thead>
<tr>
<th>LOAN GUARANTEES</th>
<th>UNINSURED PROJECTS</th>
<th>PORTFOLIO LOANS</th>
<th>INSURANCE</th>
</tr>
</thead>
<tbody>
<tr>
<td>$209,250</td>
<td>$6,330,796</td>
<td>$2,040,800</td>
<td>$3,300,000</td>
</tr>
</tbody>
</table>

2004 TOTAL: $209,250 OUTSTANDING $6,330,796 INSURED COMMITMENTS $2,040,800

2003 TOTAL: $209,250 OUTSTANDING $6,330,796 INSURED COMMITMENTS $2,040,800

OPIC’s on-balance-sheet finance and insurance exposure involves covering claims of the United States. The following is a breakdown of such total commitments at September 30, 2004, by major geographical areas (dollars in thousands):

<table>
<thead>
<tr>
<th>AREA</th>
<th>TOTAL COMMITMENTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>AFRICA</td>
<td>$309,250</td>
</tr>
<tr>
<td>ASIA</td>
<td>991,040</td>
</tr>
<tr>
<td>EUROPE</td>
<td>646,473</td>
</tr>
<tr>
<td>LATIN AMERICA</td>
<td>2,646,473</td>
</tr>
<tr>
<td>MIDDLE EAST</td>
<td>238,058</td>
</tr>
<tr>
<td>MIDDLE EAST (continued)</td>
<td>209,250</td>
</tr>
<tr>
<td>WORLDWIDE</td>
<td>1,870,250</td>
</tr>
</tbody>
</table>

37. OTHER CONTINGENCIES

OPIC is currently involved in certain legal claims and has received notices of potential claims in the normal course of business. OPIC is a party to a number of representations claims brought against it. The amount of active coverage is $978 million. However, it is not possible to evaluate the likelihood or the potential financial impact of any one claim. The amount of active coverage may be increased to $200 million. In addition, other claims are pending and the effect on OPIC cannot be predicted at this time. Management believes that the resolution of these claims will not have a material adverse impact on OPIC.

38. ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES

In FY 2004 and FY 2003 OPIC recognized a guaranty liability and a guaranty for receivables of $204.2 million and $707 million, respectively. OPIC recognized $6.7 million and $67.9 million of guaranty fee and other income in FY 2004 and FY 2003, respectively. The guaranty investments issued since December 31, 1999, all of which represent guaranty fees for income.

39. WRITE-OFF OF INTERNALLY DEVELOPED SOFTWARE

In fiscal year 2003, management analyzed previously capitalized costs associated with internally developed software and determined that portions of those costs would no longer be of future benefit and should be written down by $6.9 million. The write-down was calculated as the difference between the carrying amount less cost identified by management as having future economic benefit, in accordance with SFAS No. 86, “Accounting for the Costs of Computer Software” No costs were written down in fiscal year 2004.

40. STATUTORY COVENANTS

OPIC’s enabling statute establishes both operating and financial requirements which OPIC must meet. For example, in management’s opinion, OPIC is in compliance with all such requirements.
OPIC BOARD AND STAFF MEMBERS

Board of Directors

ANNE M. KASSER
Administrator
U.S. Agency for International Development

JOYCE DHEERAN WIEHNER
Deputy U.S. Trade Representative
Office of the U.S. Trade Representative

PETER S. NATEW
President & Chief Executive Officer
Overseas Private Investment Corporation

GARY W. ALBRIGHT
Under Secretary for Commerce
for International Trade
U.S. Department of Commerce

ALAN P. LARSON
Under Secretary for Economic,
Business, and Agricultural Affairs
U.S. Department of State

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