Annual Report 07

Overseas Private Investment Corporation

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Congress created OPIC in 1971 to enable U.S. businesses to invest and compete in emerging market countries around the world. As the pioneer of government-backed political risk insurance, direct loans, guaranties and equity funds, OPIC has helped mobilize and facilitate more than $177 billion in U.S. private capital investment. It has done so at no net expense to the American taxpayer, and without the loss of U.S. jobs.

Not content to rest on its laurels in 2007, OPIC continued to refine, improve, and expand its programs and services. Based upon the premise that regardless of the culture or political system, there is a common desire to provide for one's family, OPIC constantly looks for creative new ways to channel U.S. private investment into places where economic hope and opportunity are essential to establishing political stability and peace. Groundbreaking projects that promise to expand economic opportunity in Africa and Palestine are just two of many examples.

In Africa, four new OPIC-supported investment funds totaling over $1 billion will create access to capital markets for African businesses with the potential to grow, but limited ability to raise funds. In the West Bank, OPIC is a critical part of a $228 million public/private partnership involving the Aspen Institute, the Palestinian Investment Fund, and local banks that will enable Palestinian small businesses to obtain affordable term loans.

Applying this same level of creativity here in the Americas, OPIC launched a new initiative with the U.S. Department of the Treasury and the InterAmerican Development Bank to encourage more Latin American commercial banks and other financial institutions to increase their lending to small and medium-sized businesses (SMEs). These are the businesses that create the vast majority of new jobs.

promise

In 2007, OPIC continued its support for low and moderate income home ownership. The agency now has committed over $1 billion of its resources, which will leverage over $7 billion in private capital and will result in the construction of 450,000 units of housing around the world. Among the approaches pursued to facilitate lower income home ownership are employer-sponsored lease-to-own arrangements and the utilization of remittance flows as sources of both down payments and credit qualification.

Encouraging and facilitating private investment in sectors such as housing and financial services helps job creation and economic growth, two basic objectives of American foreign policy. Building upon the Rapid Economic Development Initiative (REDI) launched last year, OPIC increased significantly its profile in the broader Middle East. In addition to the lending program for small businesses in the West Bank, OPIC also announced a variety of investments in Jordan, Lebanon, Afghanistan, and Iraq.

As Secretary of State Condoleezza Rice said at the Lebanon Donor's Conference in Paris in December, 2006, Lebanon's "reconstruction effort would not be possible without the help of the private sector. American businesses are delivering on their promise to support the Lebanese people. A key part of this public-private partnership is the Overseas Private Investment Corporation."

Almost $600 million in new investments this year for countries in Central America and the Caribbean brought to more than $900 million the total regional support OPIC has announced in the past two years. These investments demonstrate OPIC's commitment to the success of CAFTA-DR and are proof that U.S. companies consider Central America and the Caribbean attractive destinations for their capital.

As President and CEO of OPIC, I have come to understand that this agency has multiple mandates: to mobilize and facilitate U.S. investment in emerging markets; to be financially self-sustaining; to encourage economic and social development around the world; and to support and enhance American foreign policy.

In recognition of the progress that has been made in Central America toward opening markets, expanding trade, and leveling the playing field for foreign direct investment, OPIC hosted its annual conference in El Salvador. The conference was well attended and included representatives of the investment promotion agencies in Guatemala, Honduras, El Salvador, and Nicaragua. Over the past two years, OPIC has signed cooperative agreements with each of those agencies and has trained their staffs in OPIC programs and services. This training has resulted in a number of project referrals to OPIC and is the type of creative outreach that increases both access to OPIC services and deal flow.

Another example of OPIC's outreach is the Enterprise Development Network (EDN), which was launched in 2007. EDN is a strategic alliance with qualified financial institutions, business consultants, associations, law firms, and regional investment promotion agencies, all of whom have been trained in how to originate more projects for OPIC's consideration.

Among those who will benefit from increased access to OPIC services are women and minority-owned businesses. To that end, OPIC continued a series of very successful outreach workshops that provide women and minority business owners with information and contacts that can help them enter the global marketplace. More than 500 attendees in Miami, Newark, Houston and San Francisco learned about OPIC and other government support programs, and the experiences of U.S. small businesses that are already investing overseas. Like the 2006 series, these workshops were held in cooperation with the U.S. Department of Commerce's Minority Business Development Agency and the National Women's Business Council.

While OPIC remains deeply committed to its development mission, it is also cognizant of its duty to operate in an environmentally responsible manner. Given the growing awareness of climate change issues, OPIC launched an initiative to significantly reduce greenhouse gas emissions in OPIC-supported projects. Under the Greenhouse Gas Initiative, the agency is committed to reduce by 20 percent over the next 10 years the aggregate CO2eq emissions from OPIC-supported projects. It will do so by establishing an annual emissions cap for all new projects, developing market-based incentives to encourage U.S. investment in renewable energy and energy efficient technology projects, and switching to project-based, rather than aggregate, annual emissions reporting and projections.

As President and CEO of OPIC, I have come to understand that this agency has multiple mandates: to mobilize and facilitate U.S. investment in emerging markets; to be financially self-sustaining; to encourage economic and social development around the world; and to support and enhance American foreign policy. We aspire to meet all those mandates in a manner which is as comparable to the way private sector businesses operate as possible. Whether it is improving technology systems, standardizing and documenting processes and controls, or marketing our products and services better, we are committed to operating as efficiently and productively as possible. In the past year, significant strides have been made in that regard, but more work remains to be done. With the talent and dedication of the team at this agency, I am confident that OPIC will not only fulfill its mandates, but contribute to market-driven economic growth and prosperity around the world.

Robert Mosbacher, Jr.
President and CEO

commitment

Regional Priorities

While OPIC is ready to support highly developmental investment projects in any OPIC-eligible country, it proactively seeks out projects in high-priority areas and countries that are important from a U.S. foreign policy perspective, or where OPIC support can make a real difference.

OPIC's regional priorities are the broader Middle East (including Afghanistan and Pakistan), certain countries in Latin America, and sub-Saharan Africa. OPIC's focus on the broader Middle East is driven by a belief that an improvement in economic conditions is a requirement for greater peace, stability, and democratic reform in the region. OPIC's focus on Central America/Mexico and Peru/Colombia is driven by a desire to demonstrate that the policy choice these countries have made to pursue a closer economic relationship with the United States will yield economic benefits. OPIC's focus on sub-Saharan Africa is driven by a global recognition that Africa needs to engage further with the global economy in order to overcome poverty and lack of economic progress.

To energize economic activity in countries that seek to overcome the legacy of conflict, OPIC has developed the Rapid Economic Development Initiative (REDI), aimed at countries torn by current conflict or seeking to recover from recent conflict. In these countries, OPIC seeks out and works with investors and partner organizations to launch projects that together will help the country to jumpstart economic growth.

The REDI program is best illustrated in Liberia, where OPIC developed a comprehensive strategy for attracting private investment. To identify the strategic challenges and opportunities in that country, OPIC sent a multi-disciplinary team to Liberia to evaluate potential investments and the obstacles to their success. OPIC then organized a meeting with representatives of more than 40 government agencies, private foundations, non-governmental organizations, private corporations and academics involved in Liberia, and helped to organize a private sector investment forum for Liberia in collaboration with the World Bank's International Finance Corporation and the Corporate Council on Africa.

The tangible results included a joint initiative involving OPIC, CHF International and RLJ Companies LLC to establish the Liberia Enterprise Development Finance Company, which will provide financing for small and medium-sized enterprises. OPIC also provided political risk insurance to the International Rescue Committee for humanitarian assistance and to Maryland-

based LACHAMCO International, which is establishing a light construction equipment and tool rental company to assist in rebuilding Liberia's infrastructure, with a particular emphasis on employment-generating rural development projects.

OPIC has also used the REDI program to launch projects in Lebanon and the West Bank. In Lebanon, OPIC and Citigroup Corporate and Investment Bank are working together to aid the country's recovery by channeling private capital to Lebanese banks to fund $120 million in loans. OPIC's political risk insurance will enable American University of Beirut, Lebanese American University and International College to weather Lebanon's challenging political environment in order to expand their academic programs and continue their mission of educating Lebanon's future leaders.

In the West Bank, OPIC teamed up with the Aspen Institute and the Palestinian Investment Fund to create a small business lending facility that will make capital available to local financial institutions, so they can lend to Palestinian borrowers on affordable terms.

OPIC also works to encourage U.S. investment in other priority regions. In 2007, OPIC organized *Access to Opportunity in Central America and the Caribbean*, an international investment conference held in El Salvador that attracted more than 300 participants from 15 nations.

Small Business

OPIC continues to place a special emphasis on helping small businesses become investors in the developing world. Helping small businesses to invest overseas is an important way to distribute the benefits of international commerce more broadly throughout the U.S. economy. The U.S. Small Business Administraion reports that small businesses employ about 50 percent of all private sector workers and create 75 percent of the net new jobs in the American economy.

As a vital source of innovation and economic growth, U.S. small businesses are increasingly looking for opportunities in the global marketplace. But for a U.S. small business looking to engage globally, the obstacles can be formidable: limited access to capital, perceived investment risk, and lack of knowledge about opportunities in international markets can all undermine their investment options. One of OPIC's ongoing goals is to increase small business participation in global markets by reducing the obstacles to investment and by cultivating better small business projects.

innovation

An example of this is an OPIC-supported agricultural project in the country of Georgia, where a loan to a U.S. small business will enable the expansion of manufacturing operations at the nation's largest dairy and juice products producer. Construction of milk collection centers will enable Sante GMT Products to convert from use of powdered milk to less expensive natural milk and milk by-products, thus expanding its production of butter and cheese and reviving production of yogurt and mayonnaise.

Two U.S. small businesses in the energy industry will use OPIC insurance to mitigate the risks of constructing new wind turbines in India and hydroelectric power plants in Serbia. Besides generating power, employment and tax revenues in their host countries, these projects support OPIC's new Greenhouse Gas Initiative, which encourages U.S. investment in renewable energy products.

In FY 2006, OPIC supported 61 projects involving small enterprises, which accounted for 87 percent of the 70 projects OPIC approved that year. In FY 2007, OPIC supported 110 projects involving small enterprises, which accounted for 79 percent of the agency's139 projects.

In OPIC's portfolio of active projects, there are 13 small businesses that are self-identified as being owned by women or minorities. To increase that number further, OPIC has appointed an Outreach Coordinator for Minority and Women-Owned Businesses, and organized an active program of workshops and speakers to reach out to women and minority entrepreneurs around the country.

OPIC's Expanding Horizons workshop series helped hundreds of U.S. minority and women small business owners to learn how OPIC can help them to invest in emerging markets successfully. Wide-ranging one-day programs attracted over 500 participants in Atlanta, Miami, Chicago, Los Angeles, Newark, Houston, and San Francisco. These workshops enabled participants to deepen their understanding of overseas investment opportunities and challenges, financial issues such as political risk insurance and access to capital, and federal assistance programs available to minority- and women-owned businesses from OPIC and other agencies. OPIC organized the Expanding Horizons workshops in cooperation with the U.S. Department of Commerce's Minority Business Development Agency and the National Women's Business Council.

Housing satisfies a fundamental human need and is a major generator of jobs, but it also creates a framework for the accumulation of capital. Most notably, home ownership creates an asset that the homeowner can use to secure small business loans and other investments such as training or education. In 2007, OPIC continued to expand its support for low- and medium-income housing in Africa, Central America and the Middle East.

During the past three years OPIC has built an African housing portfolio of nearly $400 million. As a result of outreach efforts over the past few years, including a very successful investor housing conference in South Africa, OPIC has now generated a significant pipeline of projects and investor relationships that is expected to result in a steady volume of new projects in 2008 and beyond. Countries in which OPIC has supported housing projects include South Africa, Ghana, Kenya, Zambia, Uganda, and Tanzania.

growth

International Housing Solutions manages the new Emerging Markets Housing Fund, a $300 million fund that will provide private investment capital and affordable housing finance experience to markets experiencing rapid growth in housing demand with acute housing needs at the lower end of the income spectrum. The fund will have a primary focus on the supply-constrained housing markets in South Africa and Jordan. OPIC will provide up to a third of the total capital of the fund.

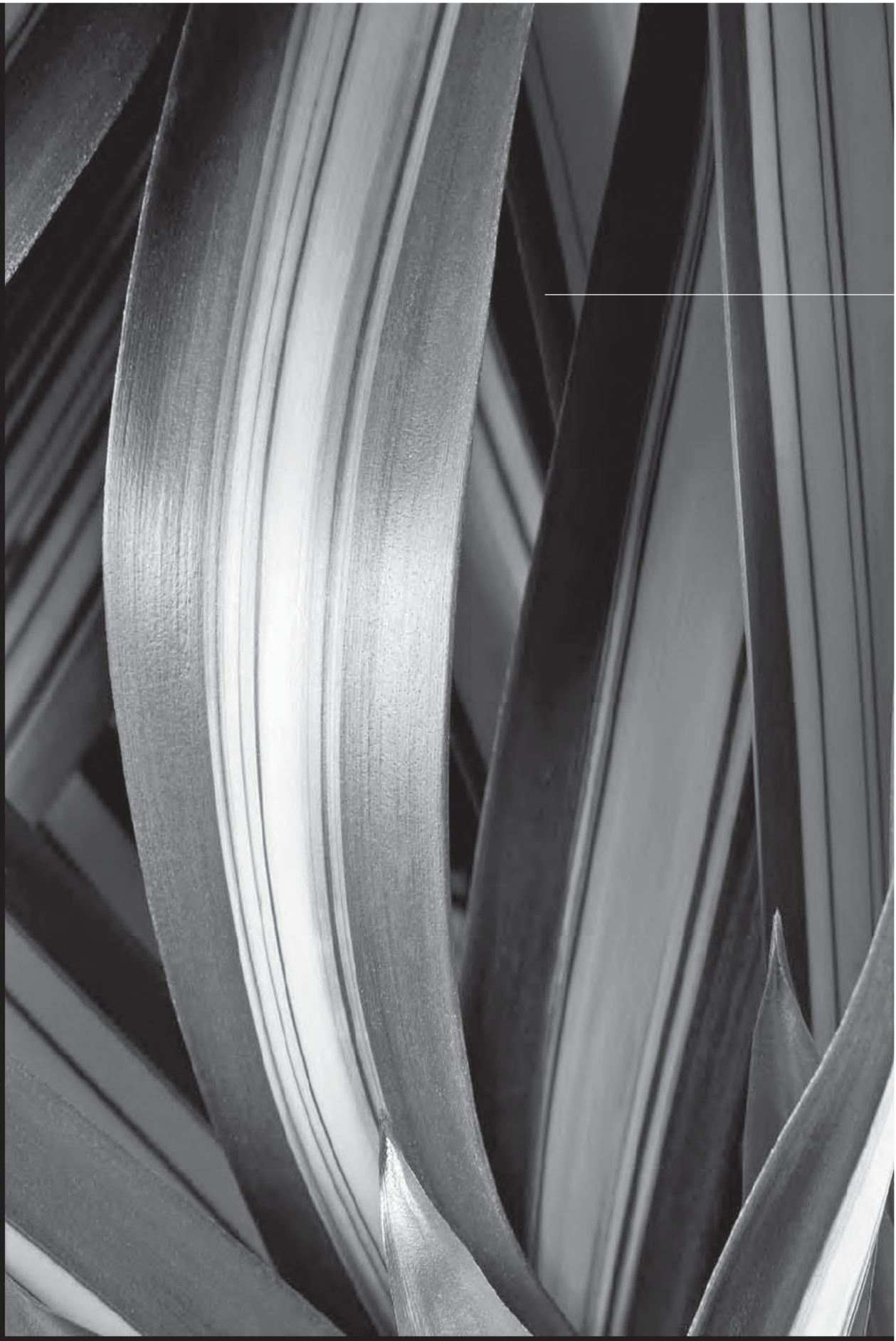
OPIC launched a number of new initiatives in the housing sector in Central America over the past few years, and the OPIC investment conference in El Salvador is generating additional new housing opportunities in Guatemala, El Salvador, Honduras, Nicaragua, and elsewhere in the region. Overall, OPIC has received $350 million in new housing project applications in Central America over the past year.

OPIC's signature Central American project is Inter-Mac International, which will provide $70 million in lease purchase and mortgage financing for low-income homebuyers throughout Central America, enabling, for example, workers in Honduras to lease-purchase $10,000 homes.

OPIC has also joined forces with the U.S. owner of a group of banks in the region known as the Lafise Group to help fill the shortfall in long-term, fixed-rate financing for housing mortgages in Honduras, Costa Rica, and Nicaragua. This model of working through established, local financial institutions has proved both successful and efficient. To date, OPIC has committed or approved a total of $152 million for mortgages, through nine separate corporate finance loans and political risk insurance contracts.

OPIC will provide up to one third of the capital for the Alsis Latin American Mortgage Fund (Alsis). This $300 million fund will seek to stimulate new housing by originating and investing in residential mortgages in Latin America. Alsis will expand and advance local capital markets by securitizing mortgage pools targeted at both domestic and international investors. The fund will invest in OPIC-eligible countries, with initial focus on Mexico and Central America.

OPIC has been able to generate significant interest in opportunities for housing projects in the Middle East. Two housing/mortgage facilities were approved for Lebanon and OPIC also finalized a construction loan for a 385-unit housing project in Erbil, Iraq. The Israeli Mortgage Bond Securitization project, approved in 2007, will support the development of long-term capital markets funding for mortgages in Israel and the OPIC-supported new Emerging Markets Housing Fund will invest a total of $60 million in Jordan.



Many developing countries lack financial institutions that are prepared to take the risk of lending to small and medium-sized enterprises without excessive collateral. Since SMEs are the principal creators of jobs in these countries, filling this gap is important. As part of its overall strategy to support grassroots capitalism, OPIC has taken on a pioneering role in expanding access to capital by developing a number of different approaches for supporting SME lending in developing countries.

OPIC has partnered with the Treasury Department and the Multilateral Investment Fund of the Inter-American Development Bank (IDB) to increase lending to SMEs in Latin America. The Treasury Department will provide technical assistance to Latin American governments for legal and regulatory reforms designed to facilitate small business lending. The IDB will provide technical assistance to local financial institutions in Latin America to enhance their ability to evaluate the credit quality of small business loans and to strengthen their institutional capacity to make SME loans. And OPIC will make $150 million available to support SME lending in Latin America through loan guarantees to U.S. banks which will lend to local financial institution in the host countries for the purpose of funding SME loans.

Microfinance institutions (MFIs) provide a broad range of financial services, including access to credit by the un-banked and under-banked populations in developing countries. By offering high-quality financial services to grassroots entrepreneurs who do not have access to credit, MFIs enable individuals with little capital to start and expand a business. It also helps those with modest means to finance home improvements, health care and education for family members. Women, who typically must overcome many barriers to participate in the formal economy, represent the majority of MFI clients.

As of the end of 2007, OPIC had provided financing in the amount of $250 million to 31 microfinance projects. Examples of some innovative transactions include:

- Global Partnerships Microfinance Fund 2006 — In 2006 OPIC made a $4.4 million loan to help capitalize Global Partnerships Microfinance Fund, a $8.5 million microfinance investment vehicle sponsored by Global Partnerships, a Seattle-based non-profit organization. This fund has now made loans to 14 MFIs in Bolivia, El Salvador, Guatemala, Honduras, Nicaragua, and Peru.

- Calvert Social Investment Foundation — OPIC made a $10 million commitment to provide a senior subordinated standby facility to Calvert Social Investment Foundation. The OPIC guaranty facility will support the Calvert Social Investment Foundation as it expands the sale of its Calvert Community Investment Notes through MicroPlace. MicroPlace is a wholly-owned subsidiary of eBay and provides an on-line system connecting social investors with microfinance projects overseas.

- Citi Global Microfinance Program — OPIC will provide up to $70 million for this $100 million framework agreement with Citi. OPIC has committed over $25 million to 11 microfinance institutions in nine different countries: El Salvador, Philippines, Honduras, Morocco, Mexico, Kenya, Kazakhstan, and Uganda.

Leveraging Resources

OPIC recognizes that it can better achieve its developmental mandates if it pursues its mission in close collaboration with its sister agencies in the government. Policy reforms and social investments supported by grant-funded technical assistance provided by the Millennium Challenge Corporation, the U.S. Agency for International Development, the Department of Treasury, the Department of State, and the Trade and Development Agency complement OPIC-backed private investments.

OPIC has also leveraged resources by making extensive use of framework agreements with banks, other financial intermediaries, and non-profit organizations. In the framework agreements OPIC has negotiated with a number of U.S. banks, under which these banks channel funds to correspondent banks in recipient countries, one of OPIC's primary goals has been to channel capital to lower-income market segments. The framework agreements with OPIC provide that the correspondent banks will allocate a percentage of the funds to specific priority sectors, regions, and lower-income segments of the market. In this way, OPIC continues to strengthen the developmental quality of these projects by ensuring that a portion of funds are targeting the more developmental segments of the specific markets.

potential

In 2007, OPIC formally launched the Enterprise Development Network (EDN), an alliance between OPIC and the private sector that will greatly expand the number of U.S. small businesses receiving OPIC support. By tapping their extensive grassroots networks and knowledge of individual markets across the country, EDN empowers American banks and small business consultants to increase SMEs' access to OPIC financing and insurance — thereby resulting in more efficient, cost-effective delivery of services to American and host-country companies.

Twenty-one organizations collectively covering a broad range of sectors have agreed to serve as EDN Loan/Insurance Originators largely throughout the U.S. with some additional representation in Africa and Asia. OPIC launched EDN with a two-day conference, which provided in-depth training to EDN Originators on OPIC policies and investment criteria. They were also taught how to improve their effectiveness in packaging applications in order to expedite the review and approval process for financing by OPIC or the other designated lenders. Wells Fargo HSBC Trade Bank became the first EDN designated lender through its agreement with OPIC to establish a $100 million lending facility expected to generate over its life up to 50 loans ranging from $2 million to $15 million for micro-, small- and medium-sized enterprises.

Leveraging resources is a key objective of OPIC's Investment Funds program. That's why OPIC launched eight new private equity funds for Africa which will mobilize over $1.6 billion of additional investment.

As part of the Africa Financial Sector Initiative, President Bush announced that OPIC will provide up to $350 million in financing for four investment funds that will broaden and deepen capital markets in sub-Saharan Africa. These funds, part of the overall Africa Financial Sector Initiative, will offer new financial instruments and services to African businesses, and new investment vehicles for investors. The overall targeted capital for these funds exceeds $1 billion.

To tap the growing pool of investment capital seeking both social and financial returns, OPIC is also supporting three investment funds designed to invest in companies that will make a significant contribution to improve employment opportunities and the social well-being of people in Africa while delivering positive financial returns for investors: *The African Telecoms Media and Technology Fund,* which has a targeted total capitalization of up to $100 million, with an OPIC guarantee of up to $50 million, for investment in East African technology, media and communications companies; the *Africa Healthcare Fund,* which has a targeted total Fund capitalization of $100 million, with an OPIC guarantee of up to $50 million, to invest in small and medium-sized private healthcare delivery businesses in Sub-Saharan Africa; and the *AfricInvest II Ltd Fund,* which has a targeted total Fund capitalization of $175 million, with an OPIC guarantee of up to $60 million, to invest in small and medium-sized enterprises in OPIC-eligible countries in North Africa and Sub-Saharan Africa. The Investment Funds program also announced its support for Capital Alliance Property Investment Company, L.P., which will focus on housing projects for lower-middle and upper-middle income populations; commercial, retail, mixed-use and hospitality development projects; and, potentially, publicly-traded real estate companies in West Africa.

US SPONSOR/INSURED INVESTOR	PROJECT NAME	PROJECT DESCRIPTION		
Africa and the Middle East				
CAMEROON				
Transnational Automotive Group, Inc.	Transnational Automotive Group-Cameroon S.A.	Urban and intercity passenger bus operation	$10,000,000	Finance
CONGO, DEMOCRATIC REPUBLIC OF				
Seaboard Overseas Limited	Minoterie de Matadi, S.A.R.L.	Flour mill and associated facilities expansion	$24,500,000	Insurance
EGYPT				
Apache Corporation	N/A	Oil and gas exploration, development and production	$200,000,000	Insurance
Michael Brodowski	American Manufacturing Company	Electrostatic coating powder production facility	$600,000	Finance
GHANA				
GHL USA Investment Partners, LLC	Ghana Home Loans (Fund I) Limited	Residential mortgage loans	$675,360	Insurance
Three E Kumasi Investment Co., LLC	International Community School, Limited	Private school	$319,500	Insurance
IRAQ				
Baltimore Dredges Enterprises, LLC	Ellicott Dredges Iraq, LLC	Dredge construction and shipment to Iraq	$5,500,000	Finance
Baltimore Dredges, LLC	Ministry of Water Resources	Dredging equipment	$488,457	Insurance
Hemin Dizayee	Sigma International Construction LLC	Financing 396 middle-class housing units in Erbil, Iraq	$10,000,000	Finance
International Homes, LLC	International Development Trust Iraq	Construction of approximately 800 houses	$9,285,000	Finance
JORDAN				
AES Corporation	AES Jordan PSC	370 MW gas/oil-fired electric power plant	$70,000,000	Finance
Central Gas Technologies, Inc.	Advanced Central Gas Company Limited	Liquid propane gas distribution	$1,750,000	Finance
Eligible U.S. Investors	Foursan Capital Partners I	Private equity investment fund targeting SME's	$50,000,000	Investment Funds
International Rescue Committee, Inc.	International Rescue Committee	Humanitarian services	$22,500	Insurance
Markets and Banking, Citi	Middle East Complex for Engineering*	Household appliance business equipment	$15,000,000	Finance
Markets and Banking, Citi	Tamweelcom*	Microfinance institution	$1,244,320	Finance
LEBANON				
American University of Beirut	American University of Beirut	University	$19,000,000	Insurance
Cooperative Housing Foundation	Cooperative Housing Foundation Lebanon	Local bank loans supporting microfinance, SME and housing	$23,000,000	Finance
Development Innovations Group	NHCAPSTONE Holding Group Limited	Microfinance service company equity contribution	$975,000	Finance
International College	N/A	School	$5,000,000	Insurance
Lebanese American University	N/A	University	$20,000,000	Insurance
Markets and Banking, Citi	Banque Libano-Francaise S.A.L.*	Fund SME lending\low-income home mortgages\consumer finance	$18,000,000	Finance
Markets and Banking, Citi	Byblos Bank S.A.L.*	Fund SME lending\low-income home mortgages\consumer finance	$45,000,000	Finance
LIBERIA				
Cellcom USA LLC	Cellcom Telecommunications Inc.	GSM cellular network expansion	$20,000,000	Finance
Cooperative Housing Foundation	Liberia Enterprise Development Finance Co.	Lending to Liberian SMEs	$20,000,000	Finance
International Rescue Committee, Inc.	International Rescue Committee	Humanitarian services	$1,442,942	Insurance
LACHAMCO, Inc.	Nationwide Group of Companies, Inc.	Construction equipment rental	$90,000	Insurance

NIGERIA				
Financial Intermediary	Continental Reinsurance	A privately-owned reinsurance company		Investment Funds
Financial Intermediary	Intercontinental Bank	Banking services		Investment Funds
Financial Intermediary	Oceanic Bank	Expansion of Tier I bank		Investment Funds
SOMALIA				
Relief International	Relief International Branch Office	Economic development activities, emergency response and humanitarian programs	$78,545	Insurance
SOUTH AFRICA				
Financial Intermediary	Alexander Forbes	Financial and risk services		Investment Funds
Financial Intermediary	Moresport	Sporting goods and outdoors goods retailer		Investment Funds
Financial Intermediary	Plumblink	Retail plumbing and sanitary ware		Investment Funds
Financial Intermediary	Transaction Capital	ATM supply chain and stored value cards		Investment Funds
TANZANIA				
Markets and Banking, Citi	Tanzania Limited*	Cellular telephone network expansion	$17,250,000	Finance
Pan African Management and Development Co.	Mutual Ventures Limited	Affordable housing construction	$575,000	Insurance
TOGO				
ContourGlobal Togo LLC	ContourGlobal Togo S.A.	Power plant	$23,924,060	Insurance
UGANDA				
Markets and Banking, Citi	Pride Uganda*	Microfinance institution	$1,555,400	Finance
Markets and Banking, Citi	Uganda Microfinance Limited*	Microfinance institution	$1,944,250	Finance
MBI Group, Inc.	Atlantic Group (Uganda) Ltd.	Construction of 159 affordable housing units	$3,850,000	Finance
WEST BANK AND GAZA				
The Aspen Institute	Middle East Investment Initiative, Inc.	Expand SME lending portfolios	$55,000,000	Finance
Relief International	Relief International Hebron Center of Excellence	Economic development activities, emergency response and humanitarian programs	$78,545	Insurance
EAST AFRICA REGIONAL				
Financial Intermediary	Spencon	Construction and civil engineering		Investment Funds
WEST AFRICA REGIONAL				
Financial Intermediary	Ecobank	Consumer, institutional and investment banking		Investment Funds
AFRICA REGIONAL				
Financial Intermediary	African Financial Holding	Banking, life insurance and investment management		Investment Funds
AFRICA AND THE MIDDLE EAST REGIONAL				
Helios Investment Partners	Helios Sub-Saharan Africa Fund I, L.P.	Private equity investment fund	$50,000,000	Investment Funds

Asia and the Pacific

AFGHANISTAN				
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** Information has been Redacted in accordance with the two principled exceptions of the Foreign Aid Transparency and Accountability Act (FATAA) of 2016; including the health and security of implementing partners, as well as national interest of the United States.*

BANGLADESH				
The Asia Foundation	The Asia Foundation	Economic development	$458,393	Insurance
Relief International	Relief International Branch Office	Economic development activities, emergency response and humanitarian programs	$78,545	Insurance
CAMBODIA				
The Asia Foundation	The Asia Foundation	Economic development	$155,053	Insurance
EAST TIMOR				
The Asia Foundation	The Asia Foundation	Economic development	$168,542	Insurance
FIJI				
The Asia Foundation	The Asia Foundation	Economic development	$8,100	Insurance
INDIA				
Mr Kesani Chandrasekhar	Transindia Airlines Private Ltd. (India)	Regional passenger airline start-up in southern India	$7,500,000	Finance
Southern Energy Partners LLC	SEP Energy India Pvt. Ltd.	Wind energy - Tamil Nadu	$1,150,000	Insurance
Southern Energy Partners LLC	SEP Energy India Pvt. Ltd.	Wind energy - Maharashtra	$721,035	Insurance
INDONESIA				
The Asia Foundation	The Asia Foundation	Economic development	$764,390	Insurance
Relief International	Relief International Branch Office	Economic development activities, emergency response and humanitarian programs	$78,545	Insurance
MONGOLIA				
The Asia Foundation	The Asia Foundation	Economic development	$61,596	Insurance
NEPAL				
The Asia Foundation	The Asia Foundation	Economic development	$159,612	Insurance
PAKISTAN				
American International School System, Inc.	American International School System Private Limited	School	$3,500,000	Insurance
The Asia Foundation	The Asia Foundation	Economic development	$144,947	Insurance
CHF International	Tameer Mirco Finance Bank Limited	Liquidity facility to support expansion of loan portfolio	$10,000,000	Finance
GE International	Pakistan Water and Power Development Authority	Mobile power generation	$29,820,000	Insurance
Dr. Munr Kazmir	American International School System, Inc.	Pre-K through 3rd grade elementary school	$2,500,000	Finance
Markets and Banking, Citi	Kashf Foundation*	Micro finance loans portfolio expansion	$4,999,500	Finance
Markets and Banking, Citi	Engro Vopak Terminal Ltd.*	Ethylene storage facility	$16,500,000	Finance
Relief International	Relief International Branch Office	Economic development activities, emergency response and humanitarian programs	$139,014	Insurance
PHILIPPINES				
The Asia Foundation	The Asia Foundation	Economic development	$214,916	Insurance
Markets and Banking, Citi	Center for Agriculture and Rural Development*	Microfinance institution	$1,555,400	Finance
SOUTH KOREA				
The Asia Foundation	The Asia Foundation	Economic development	$378,516	Insurance
SRI LANKA				
The Asia Foundation	The Asia Foundation	Economic development	$272,136	Insurance

South Asia Energy Management Systems, Inc	Math Hydro Power (PVT) Ltd.	5 MW hydro-power plant construction and operation	$4,306,000	Finance
THAILAND				
The Asia Foundation	The Asia Foundation	Economic development	$281,441	Insurance
VIETNAM				
The Asia Foundation	The Asia Foundation	Economic development	$118,561	Insurance

Europe and Eurasia

ARMENIA				
Nishan Atinizian	First Mortgage Company UCO, LLC	Low and middle-income mortgage loan origination expansion	$5,000,000	Finance
AZERBAIJAN				
Relief International	Relief International Branch Office	Economic development activities, emergency response and humanitarian programs	$115,210	Insurance
BULGARIA				
Financial Intermediary	United Healthcare Bulgaria	Integrated healthcare company		Investment Funds
GEORGIA				
Firebird Management LLC	Georgian Leasing Company, LLC (WBC)	Equipment leasing\portfolio\loan refinance expansion	$7,312,500	Finance
Edward & Kay Sturdivant/Jerome T. Jerome/Jerome Baruffi	Sante GMT Products Ltd.	Dairy manufacturing facility expansion	$4,000,000	Finance
KAZAKHSTAN				
Markets and Banking, Citi	Kazmicrofinance LLC*	Microfinance institution	$3,888,500	Finance
National City Bank	Alliance Bank JSC*	Consumer loan portfolio expansion	$30,000,000	Finance
KYRGYZSTAN				
Microvest I, L.P.	Kompanion Financial Group	Microfinance loans	$1,280,076	Insurance
POLAND				
David B. Kaiser & Associates LLC	Onkomed Klinika Oncologii SP.ZO.O	Oncology-related diagnostic and therapeutic treatment center	$16,800,000	Finance
Robert M. Purgert & Brian A. Purgert	PALCO SP.ZO.O.	Multi-pak aluminum recycling facility	$4,500,000	Finance
RUSSIA				
ACD Research Inc	Ministry of Health of Samara Oblast	Medical equipment	$47,700,000	Insurance
Steven Brown, Amelia Oliver, Jeremy Huck & James Arneson	ZAO SOLNTSE Mexico	Tex-Mex food manufacturing facility expansion	$3,000,000	Finance
Financial Intermediary	Strakhovaya Kompaniya SOK	Regional insurance company		Investment Funds
Financial Intermediary	Iskra Telecom	Broadband internet access provider		Investment Funds
Financial Intermediary	WestCall Telecommunications	Independent local exchange carrier		Investment Funds
Financial Intermediary	Russian Logistic Service	Freight forwarding, transportation and warehousing services		Investment Funds
Financial Intermediary	STS Logistics	Multi-modal freight forwarding, project logistics and customs and warehouse services		Investment Funds
Firebird Management LLC	NBD Bank (WBC)	SME loan portfolio expansion	$6,825,000	Finance
Greenwich Financial Services, L.L.C.	Russian Asset MBS, S.A.	Russian residential mortgage-backed securities financing	$200,000,000	Finance
Intercomp Technologies LLC	Intercomp CJSC	Payroll processing business expansion	$4,250,000	Finance
National City Bank	Center-Invest Bank JSC*	Retail and mortgage loan portfolio expansion	$16,000,000	Finance

National City Bank	Locko Bank*	SME lending portfolio expansion	$15,000,000	Finance
Aleksander Smukler	Agroterminal Ltd.	Warehouse and cold storage facility	$30,000,000	Finance
The U.S.- Russia Investment Fund "TUSRIF" & DL Holding Ltd	Closed Joint Stock Company Deltaleasing	Equipment leasing operation expansion	$20,000,000	Finance
Wachovia Bank National Association	Probusinessbank*	Retail lending and SME loan portfolio expansion	$15,000,000	Finance
SERBIA				
DV Technologies	DV Technologies d.o.o. Belgrade	Hydroelectric power plant - SHPP Vrutci	$153,000	Insurance
DV Technologies	DV Technologies d.o.o. Belgrade	Hydroelectric power plant - SHPP Bovan	$153,000	Insurance
Financial Intermediary	Serbia Broadband d.o.o	Cable television and broadband internet services provider		Investment Funds
TAJIKISTAN				
Relief International	Relief International Branch Office	Economic development activities, emergency response and humanitarian programs	$78,545	Insurance
TURKEY				
Kenan Demirer	Delta Plastik Endustrisi A.S. (WBC)	Rigid and semi-rigid PVC film manufacture	$8,190,000	Finance
Financial Intermediary	Balnak Logistics Group	Freight forwarding, transportation and warehousing services		Investment Funds
Financial Intermediary	Hedef Arac Kiralama ve Servis	Automotive fleet leasing company		Investment Funds
National City Bank	Asya Katilim Bankasi A.S.*	SME loan portfolio expansion	$12,069,000	Finance
National City Bank	Asya Katilim Bankasi A.S.	SME loan portfolio expansion	$2,831,000	Insurance
Wachovia Bank National Association	Turkiye Garanti Bankasi A.S.*	Residential mortgages to low-income households	$21,000,000	Finance
N/A	Interfarma Tibbi Malzemeler Sanayi ve Tl (WBC)	Medical and surgical products distribution expansion	$8,092,500	Finance
UKRAINE				
Apollo European Real Estate Fund II, LP	Universal Star Co.	Shopping center	$6,717,600	Insurance
Financial Intermediary	Ukraine Insurance	Motor insurance products		Investment Funds
Ukraine Methane Partners, LLC	Closed Joint Stock Co Ukraine Methane Group	Recovery and processing of methane gas from coal mines	$9,950,000	Finance
UZBEKISTAN				
O & S Consulting, LLC	Khiva Malikasi, LLC	Construction and expansion of 2 hotels	$533,202	Insurance

Latin America and the Caribbean

BRAZIL				
Wachovia Bank National Association	Banco Pine, S.A.*	SME loan portfolio expansion	$15,000,000	Finance
Wells Fargo HSBC Trade Bank, N.A.	Wisenbaker Building Services, Ltd.*	Finance building of equipment for granite finishing plant	$5,250,000	Finance
COLOMBIA				
International Rescue Committee, Inc.	International Rescue Committee	Humanitarian services	$8,597	Insurance
COSTA RICA				
Markets and Banking, Citi	Banco Improsa, S.A.*	SME and low to middle-income mortgage loans	$15,000,000	Finance
ECUADOR				
American Home Assurance Company	Corporacion Quiport S.A.	Airport	$9,100,000	Insurance
EL SALVADOR				
Markets and Banking, Citi	Apoyo Integral, S.A. de C.V.*	Microfinance institution	$2,100,000	Finance

GUATEMALA				
Markets and Banking, Citi	Banrural S.A.*	Low-middle income residential mortgage loans	$30,000,000	Finance
Wachovia Bank National Association	Banco Reformador, S.A.*	Low-income residential mortgage portfolio expansion	$15,000,000	Finance
HAITI				
Markets and Banking, Citi	Unigestion Holding S.A. (Digicel Haiti)*	Greenfield telecommunications operation expansion	$6,300,000	Finance
HONDURAS				
Markets and Banking, Citi	Banco Financiera Commercial Hondurena*	Low-middle income residential mortgage portfolio funding	$22,500,000	Finance
Markets and Banking, Citi	Financiera Solidaria (FINSOL)*	Microfinance institution	$2,333,100	Finance
Wachovia Bank National Association	Banco del Pais, S.A.*	SME and consumer lending portfolio expansion	$15,000,000	Finance
Roberto J. Zamora	Banco Lafise Honduras, S.A.	Refinance fixed rate, long-term USD residential mortgages	$15,000,000	Finance
N/A	Comercial Laeisz, S.A. de C.V.(WBC)	Equipment rental operation expansion	$9,750,000	Finance
MEXICO				
Colegio Mexico-Americano Association	Vallarta Vision y Mision A.C.(WBC)	Non-profit school expansion	$5,167,500	Finance
Delgado Consultants International LLC	Energia Escalona S. de R.L. de C.V. (WBC)	8.5 MW hydroelectric power generation facility	$12,675,000	Finance
Financial Intermediary	Grupo Baja Cero	Packaged ice producer		Investment Funds
Mr. Kent Hamilton	Southern Valley Fruit and Vegetable, Inc. (WBC)	Vegetable farm	$6,825,000	Finance
Markets and Banking, Citi	Financiera Compartamos, S.A. II*	Administrative systems\microfinance loan portfolio expansion	$7,913,973	Finance
Markets and Banking, Citi	Fundacion Integral Comunitaria (FINCA)*	Microfinance institution	$2,333,100	Finance
Mexican Enhanced Residential Bridge Loan CDO Holding Corp.	Reforma Bln-Backed I	Construction and land development financing	$250,000,000	Finance
National City Bank	Umbralcapital, S.A.P.I. de C.V.	Housing-land development company financing	$10,000,000	Finance
NICARAGUA				
Roberto Conrado	Instituto Culinario Santa Lucia,S.A.	Culinary school and restaurant	$170,000	Finance
Markets and Banking, Citi	Banco de la Produccion S.A.*	Low-middle income residential mortgage portfolio funding	$22,500,000	Finance
Roberto J. Zamora	Banco de Credito Centroamericano, S.A.	Refinance fixed rate, long-term USD residential mortgages	$10,000,000	Finance
The Zamora Family	Banco de Credito Centroamericano, S.A.	Bank	$45,000,000	Insurance
PANAMA				
Wachovia Bank National Association	Credicorp Bank, S.A.*	SME and retail lending portfolio expansion	$7,500,000	Finance
LATIN AMERICA AND THE CARIBBEAN REGIONAL				
AIC International Investments Limited	ACF Investments, Ltd.	Private equity investment fund	$42,500,000	Investment Funds
AIC International Investments Limited	ACF Investments, Ltd.	Private equity investment fund	$12,500,000	Investment Funds
AIC International Investments Limited	ACF Investments B, Ltd.	Private equity investment fund	$25,000,000	Investment Funds
Global Partnerships	Global Partnerships Microfinance Fund 2006 LLC	Loans to MFI's to expand existing lending portfolios	$4,650,000	Finance

All OPIC Countries

Calvert Social Investment Foundation	Calvert Social Investment Foundation	Lending program to microfinance institutions	$10,000,000	Finance

*Downstream transactions committed under framework agreements entered into during prior fiscal years.

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

OPIC services are generally available in the countries and areas listed on the following pages. From time to time, statutory and policy constraints may limit the availability of OPIC services in certain countries, or countries where services were previously unavailable may become eligible. Investors are urged to contact OPIC directly or check the website: **www.opic.gov/doingbusiness/ourwork/index.asp** for up-to-date information regarding the availability of OPIC services in specific countries, as well as information on the availability of OPIC services in countries not listed. *(As of September 30, 2007)*

Africa and the Middle East

Algeria
Angola
Bahrain
Benin
Botswana
Burkina Faso
Burundi
Cameroon
Cape Verde
Central African Republic
Chad
Congo
Congo, Democratic Republic of
Côte d'Ivoire
Djibouti
Egypt
Equatorial Guinea
Eritrea
Ethiopia
Gabon
Gambia
Ghana
Guinea
Guinea-Bissau
Iraq
Israel
Jordan
Kenya
Kuwait
Lebanon
Lesotho
Liberia
Madagascar
Malawi
Mali
Mauritania
Mauritius
Morocco
Mozambique
Namibia
Niger
Nigeria
Oman
Rwanda

São Tomé and Príncipe
Senegal
Sierra Leone
Somalia
South Africa
Swaziland
Tanzania
Togo
Tunisia
Uganda
West Bank and Gaza
Yemen
Zambia
Zimbabwe

Asia and the Pacific

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

Europe and Eurasia

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

Latin America and the Caribbean

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

KPMG LLP
2001 M Street, NW
Washington, DC 20036

Independent Auditors' Report on Financial Statements

To the Board of Directors
Overseas Private Investment Corporation:

We have audited the accompanying balance sheets of the Overseas Private Investment Corporation (OPIC) as of September 30, 2007 and 2006, and the related statements of income, capital and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of OPIC's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Overseas Private Investment Corporation as of September 30, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued our reports dated November 14, 2007, on our consideration of the OPIC's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audits.

KPMG LLP

November 14, 2007

KPMG LLP, a U.S. limited liability partnership, is the U.S.
member firm of KPMG International, a Swiss cooperative.

Balance Sheets

Overseas Private Investment Corporation—September 30, 2007 and 2006 ($ in thousands)

Assets	2007	2006
Fund Balance with U.S. Treasury (notes 2 and 4)	$ 838,364	$ 874,609
U.S. Treasury securities, at amortized cost plus related receivables (notes 2 and 7)	4,543,310	4,337,225
Direct loans outstanding, net (notes 2 and 10)	641,123	595,500
Accounts receivable resulting from investment guaranties, net (notes 2 and 11)	66,698	123,512
Assets acquired in insurance claims settlements, net (notes 2 and 11)	89,063	121,550
Guaranty Receivable (notes 2 and 18)	168,482	167,334
Accrued interest and fees and other	29,162	29,023
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization of $13,899 in FY2007 and $13,363 in FY2006 (note 2)	2,031	6,939
Total assets	$ 6,378,233	$ 6,255,692
Liabilities, Capital, and Retained Earnings		
Liabilities:		
Reserve for political risk insurance (note 9)	$ 315,000	$ 315,000
Reserve for investment guaranties (notes 10)	486,304	620,000
Accounts payable and accrued expenses	5,524	5,365
Guaranty liability (notes 2 and 18)	168,482	167,334
Customer deposits and deferred income	42,535	48,806
Borrowings from U.S. Treasury, and related interest (note 6)	793,544	788,255
Unearned premiums	13,327	11,966
Deferred rent & rent incentives from lessor of $3,827 and $4,014 net of accumulated amortization of $1,004 and $655 in FY2007 and FY2006 (note 14)	2,822	3,359
Total liabilities	1,827,538	1,960,085
Contingent liabilities (notes 2 and 17)		
Capital and retained earnings:		
Contributed capital	50,000	50,000
Credit funding (note 5)	109,641	123,257
Interagency transfers (note 2)	11,472	5,810
Retained earnings and reserves:		
Insurance (notes 9 and 12)	1,321,128	1,337,167
Guaranty (notes 10 and 12)	3,058,454	2,779,373
	4,550,695	4,295,607
Total liabilities, capital, and retained earnings	$ 6,378,233	$ 6,255,692

See accompanying notes to financial statements.

Statements of Income

Overseas Private Investment Corporation—Years ended September 30, 2007 and 2006 ($ in thousands)

Revenues	2007	2006
Political risk insurance premiums and fees (note 9)	$ 25,274	$ 24,671
Investment financing interest and fees	183,925	140,212
Interest on finance program deposits	44,608	42,584
Other operating income	4	2
Interest on U.S. Treasury securities	212,225	195,971
Total revenues	466,036	403,440
Expenses		
Provisions for reserves:		
Political risk insurance (notes 2 and 9)	4,060	(23,709)
Investment financing (notes 2, 10 and 11)	(106,589)	7,023
Salaries and benefits (note 15)	26,858	26,552
Rent, communications and utilities (note 14)	6,882	6,811
Contractual services	18,907	10,246
Travel	2,580	2,672
Interest on borrowings from U.S. Treasury (note 6)	45,940	41,274
Depreciation and amortization (note 2)	537	553
Write-down of internally developed software (note 19)	4,462	—
Other general and administrative expenses	1,568	1,549
Total expenses	5,205	72,971
Net income	$ 460,831	$ 330,469

See accompanying notes to financial statements.

Statements of Capital and Retained Earnings

Overseas Private Investment Corporation—Years ended September 30, 2007 and 2006 ($ in thousands)

	Contributed capital	Credit funding	Interagency transfers	Equity reserves: Insurance (notes 9 and 12)	Equity reserves: Guaranty (notes 10 and 12)	Retained earnings	Total
Balance, September 30, 2005	$ 50,000	$ 171,432	$ 5,811	$ 1,347,890	$ 2,514,178	$ —	$ 4,089,311
Net income	—	—	—	13,350	317,119	—	330,469
Return credit funding to U.S. Treasury	—	(45,605)	—	—	(213,171)	—	(258,776)
Credit funding received from:							
Accumulated earnings	—	45,438	—	(20,074)	—	(25,364)	—
Credit appropriations	—	134,603	—	—	—	—	134,603
Credit funding used	—	(181,611)	—	—	156,247	25,364	—
Interagency transfers	—	(1,000)	(1)	(3,999)	5,000	—	—
Balance, September 30, 2006	$ 50,000	$ 123,257	$ 5,810	$ 1,337,167	$ 2,779,373	$ —	$ 4,295,607
Net income	—	—	—	(5,675)	466,506	—	460,831
Return credit funding to U.S. Treasury	—	(14,671)	—	—	(321,787)	—	(336,458)
Credit funding received from:							
Accumulated earnings	—	45,330	—	(20,073)	—	(25,257)	—
Credit appropriations	—	115,344	—	—	—	—	115,344
Credit funding used	—	(159,619)	—	—	134,362	25,257	—
Interagency transfers	—	—	5,662	9,709	—	—	15,371
Balance, September 30, 2007	$ 50,000	$ 109,641	$ 11,472	$ 1,321,128	$ 3,058,454	$ —	$ 4,550,695

See accompanying notes to financial statements.

Statements of Cash Flows

Overseas Private Investment Corporation—Years ended September 30, 2007 and 2006

($ in thousands)

	2007	2006
Cash flows from operating activities:		
Net income	$ 460,831	$ 330,469
Adjustments to reconcile net income to net cash provided by operating activities		
Provisions for:		
Political risk insurance	4,060	(23,709)
Investment financing	(106,589)	7,023
Amortization of premiums on U.S. securities	9,437	11,710
Accretion of discounts on U.S. securities	(13,546)	(9,949)
Amortization of deferred rent and rental incentives	(579)	(864)
Increase in rent incentives	42	455
Depreciation and amortization	537	553
Write-down of internally developed software	4,462	—
(Increase) decrease in operating assets:		
Accrued interest and fees	(5,433)	(493)
Accounts receivable	1	1
Guaranty receivable	(1,148)	(14,593)
Assets acquired in insurance claims settlements	—	(2,650)
Recoveries on assets acquired in insurance claims settlements	28,503	75,559
Assets acquired in finance claims settlements	(172,045)	(118,196)
Recoveries on assets aquired in finance claims settlements	224,249	68,096
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	159	1,529
Customer deposits and deferred income	(6,271)	(3,721)
Guaranty liability	1,148	14,593
Unearned premiums	1,361	(1,005)
Insurance claim payments	(75)	(167)
Cash provided by operating activities	429,104	334,641
Cash flows from investing activities:		
Sale and maturity of U.S. Treasury securities	741,603	661,450
Purchase of U.S. Treasury securities	(938,286)	(879,000)
Repayment of direct loans	58,675	35,570
Disbursement of direct loans	(126,796)	(159,580)
Acquisition of furniture and equipment	(90)	(1,979)
Cash used in investing activities	(264,894)	(343,539)
Cash flows from financing activities:		
Return credit funding to U.S. Treasury	(336,458)	(258,776)
Interagency transfers	15,371	—
Credit appropriations	115,344	134,603
Credit reform borrowings from U.S. Treasury	5,288	114,857
Cash provided by (used in) financing activities	(200,455)	(9,316)
Net decrease in cash	(36,245)	(18,214)
Fund banance with U.S. Treasury at beginning of year	874,609	892,823
Fund banance with U.S. Treasury at end of year	$ 838,364	$ 874,609

See accompanying notes to financial statements.

(1) Statement of Corporate Purpose

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

(2) Summary of Significant Accounting Policies

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

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

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

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

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

Allowances: The allowances are based on management's periodic evaluations of the underlying assets. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, asset composition, prior loss experience, the estimated fair value of any collateral, and the present value of expected future cash flows.

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

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

FASB Interpretation No. 45: In November 2002 the Financial Accounting Standards Board (FASB) issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guaranties, Including Indirect Guaranties of Indebtedness of Others* (FIN 45). FIN 45 requires that upon issuance of a guaranty, the guarantor must disclose and recognize a liability for the fair value of the obligation it assumes under that guaranty. The initial recognition and measurement requirement of FIN 45 applies only to guaranties issued or modified after December 31, 2002. OPIC's initial

guarantee obligation reported, represents the fair value of the investment guaranties. This obligation is reduced over the term of the investment guarantee agreements, as OPIC is released from its obligation.

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

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

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

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

(3) Intragovernmental Financial Activities

OPIC, as a U.S. Government corporation, is subject to financial decisions and management controls of the Office of Management and Budget. As a result of this relationship, OPIC's operations may not be conducted, nor its financial position reported, as they would be if OPIC were not a government corporation. Furthermore, in accordance with international agreements relating to its programs, as well as internal U.S. Government operating procedures, foreign currency acquired by OPIC can be used for U.S. Government expenses. This facility constitutes an additional means, which would otherwise be unavailable, by which OPIC can recover U.S. dollars with respect to its insurance and investment financing programs.

(4) Fund Balance with U.S. Treasury

OPIC is restricted in its uses of certain cash balances, as described below. The fund balance with U.S. Treasury as of September 30, 2007 and 2006 consists of the following (dollars in thousands):

	2007	2006
Restricted:		
Pre-Credit reform	$ 349	$ 311
Credit reform	806,522	852,408
Interagency fund transfers	1	1
Unrestricted	31,492	21,889
TOTAL	$ 838,364	$ 874,609

The Federal Credit Reform Act of 1990 established separate accounts for cash flows associated with investment financing activity approved prior to implementation of the Act and investment financing activity subject to the Act. With the advent of Credit Reform, OPIC is not permitted to invest its pre-Credit Reform cash balances. These balances grow over time, and when they are determined to be no longer needed for the liquidation of the remaining pre-Credit Reform direct loans and investment guaranties, they are transferred to OPIC's unrestricted noncredit insurance account. In 2007 and 2006, OPIC transferred $13.6 million and $1.2 million, respectively, to the noncredit insurance account. Credit Reform balances are also maintained in the form of uninvested funds. The U.S. Treasury pays OPIC interest on those cash balances except for undisbursed credit funding.

(5) Credit Funding

OPIC's finance activities are subject to the Federal Credit Reform Act of 1990, which was implemented as of October 1, 1991. Credit Reform requires agencies to estimate the long-term cost to the government of each fiscal year's new credit transactions and to obtain funding through the appropriations process equal to the net present value of such costs at the beginning of the year. OPIC's credit funding is available for two years. In addition, the Act requires the administrative costs related to its credit program to be displayed.

In fiscal year 2007, OPIC's appropriations legislation authorized the corporation to use $20.1 million of its accumulated earnings to cover the future costs of credit transactions committed in fiscal years 2007 and 2008. In fiscal year 2006, OPIC was also authorized to use $20.1 million to cover commitments in fiscal years 2006 and 2007. In addition to the credit funding allocated directly to OPIC through the appropriations process, OPIC has received a total of $67 million in net transfers from other agencies to be used exclusively to finance projects in the New Independent States (NIS).

The following table shows the status of funding for credit activities (dollars in thousands):

	2007	2006
Balance carried forward	$ 123,257	$ 171,432
Upward reestimates	115,344	134,603
Transferred from earnings	45,330	45,438
Expired credit funding	(14,671)	(45,605)
Interagency transfers (net)	—	(1,000)
Credit funding used	(159,619)	(181,611)
Credit funding remaining	$ 109,641	$ 123,257

Changes in financial and economic factors over time can affect the subsidy estimates made at the time of loan and guaranty commitments. Therefore, in accordance with OMB guidelines, OPIC reestimates subsidy costs for each group of loans and guaranties obligated in a given fiscal year to account for those changing factors. Reestimates that result in increases to subsidy costs are funded with additional appropriated funds that are made automatically available, while decreases to subsidy costs result in excess funds that are transferred to the U.S. Treasury. OPIC incurred increased subsidy costs of $115.3 million and $134.6 million and decreases in subsidy costs of $283.5 million and $258.8 million in fiscal years 2007 and 2006, respectively.

(6) Borrowings From the U.S. Treasury

In accordance with the Federal Credit Reform Act of 1990, the portion of investment financing activities not funded through the appropriations process must be funded by borrowings from the U.S. Treasury. Borrowings for Credit Reform financings totaled $242.7 million in 2007 and $210.1 million in 2006, all of which have been disbursed. OPIC paid a total of $45.9 million and $41.3 million in interest to the U.S. Treasury during fiscal years 2007 and 2006, respectively. Repayments of borrowings from the U.S. Treasury totaled $237.7 million in 2007 and $93.4 million in 2006. Future payments, excluding interest of $385 thousand, for borrowing outstanding at September 30, 2007 are as follows (dollars in thousands):

Payment due in:	
Fiscal year 2008	$ 10,552
Fiscal year 2009	38,306
Fiscal year 2010	39,095
Fiscal year 2011	70,636
Fiscal year 2012	60,576
Thereafter	573,994
TOTAL	$ 793,159

(7) Investment in U.S. Treasury Securities

The composition of investments and related receivables at September 30, 2007 and 2006 is as follows (dollars in thousands):

	2007	2006
Investments, amortized cost	$ 4,490,983	$ 4,290,192
Interest receivable	52,327	47,033
TOTAL	$ 4,543,310	$ 4,337,225

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

	Gross amortized cost	Gross unrealized gains	Gross unrealized losses	Estimated fair value
At September 30, 2007	$ 4,490,983	176,573	(5,968)	4,661,588
At September 30, 2006	$ 4,290,192	161,207	(34,041)	4,417,358

At September 30, 2007, the securities held had an interest range of 2.6% to 12.5% and a maturity period from one month to almost 21 years.

OPIC holds its securities to maturity. The amortized cost and estimated fair value of U.S. Treasury securities at September 30, 2007, by contractual maturity, are shown below (dollars in thousands):

	Amortized cost	Estimated fair value
Due in one year or less	$ 866,824	$ 866,087
Due after one year through five years	2,498,241	2,533,000
Due after five years through 10 years	701,724	755,921
Due after 10 years	424,194	506,580
TOTAL	$ 4,490,983	$ 4,661,588

(8) Statutory Limitations on the Issuance of Insurance and Finance

OPIC issues insurance and financing under a single limit for both programs, currently $29 billion, fixed by statute in the FAA. At September 30, 2007, OPIC's insurance and finance programs have collectively utilized $11.2 billion.

(9) Political Risk Insurance

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

	2007	2006
Political risk insurance premiums	$ 21,853	$ 22,341
Miscellaneous insurance income	3,421	2,330
Total insurance revenue	$ 25,274	$ 24,671

OPIC's capital, allowance, retained earnings, and reserves available for insurance at both September 30, 2007 and 2006 totaled $1.7 billion. Charges against retained earnings could arise from (A) outstanding political risk insurance contracts, (B) pending claims under insurance contracts, and (C) guaranties issued in settlement of claims arising under insurance contracts.

(a) Political Risk Insurance

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

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

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

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

OPIC's Maximum Contingent Liability at September 30, 2007 and 2006 was $3.4 billion and $3.7 billion, respectively. This amount is OPIC's estimate of maximum exposure to insurance claims, which includes standby coverage for which OPIC is committed but not currently at risk. A more realistic measure of OPIC's actual exposure to insurance claims is the sum of each single highest "current" coverage for all contracts in force, or Current Exposure to Claims (CEC). OPIC's CEC at September 30, 2007 and 2006 was $2.4 billion and $2.5 billion, respectively.

(b) Pending Claims

At September 30, 2007 OPIC had no material pending insurance claims. At September 30, 2006, the total amount of compensation formally requested in insurance claims for which no determination of specific liability had yet been made was approximately $3 million. In addition to requiring formal applications for claimed compensation, OPIC's contracts generally require investors to notify OPIC promptly of host government action that the investor has reason to believe is or may become a claim. Compliance with this notice provision sometimes results in the filing of notices of events that do not mature into claims.

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

(c) *Claims Settlement Guaranties and Indemnities*

At September 30, 2006 OPIC also had off-balance-sheet risk in connection with one claim settlement. OPIC settled a claim in 1991 through a guaranty of $30 million of host government obligations. Payments by the host government reduced OPIC's exposure to $1.4 million at September 30, 2006. The claim was repaid in full in fiscal year 2007. Any claims that might have arisen from this settlement were factored into the nonspecific reserve for political risk insurance for 2006.

Changes in the reserve for political risk insurance during fiscal years 2007 and 2006 were as follows (dollars in thousands):

	2007	2006
Beginning balance	$ 315,000	$ 315,000
Amounts charged off	(75)	(166)
Increase (decrease) in provisions	4,060	(23,709)
Transfers from other reserves	(3,985)	23,875
Ending balance	$ 315,000	$ 315,000

(10) Investment Financing

OPIC is authorized to provide investment financing to projects through direct loans and investment guaranties. Project financing provides medium- to long-term funding through direct loans and investment guaranties to ventures involving significant equity and/or management participation by U.S. businesses. Project financing looks for repayment from the cash flows generated by projects, and as such, sponsors need not pledge their own general credit beyond the required project completion period.

Investment funds use direct loans and investment guaranties to support the creation and capitalization of investment funds that make direct equity and equity-related investments in new, expanding, or privatizing companies in emerging market economies. The fund managers, selected by OPIC, are experienced, private investment professionals. OPIC's participation in a fund takes the form of long-term, secured loans and loan guaranties that supplement the fund's privately raised equity. OPIC's guaranty may be applied only to the debt portion of the fund's capital and, for certain funds, to accrued interest on that debt. OPIC does not guaranty any of the fund's equity, and all equity investments in OPIC-backed funds are fully at risk.

OPIC's authorization to make direct loans and investment guaranties can be found in sections 234(c) and 234 (b) of the FAA, respectively. Direct loans and investment guaranties are committed in accordance with the Federal Credit Reform Act of 1990, pursuant to which loan disbursements and any claim payments for these commitments have been funded through appropriations actions, borrowings from the U.S. Treasury, and the accumulation of earnings or collection of fees. In both fiscal years 2007 and 2006, $20.1 million was made available for credit funding costs. OPIC is in compliance with all relevant limitations and credit funding appropriations guidance. OPIC's capital, allowances, retained earnings, and reserves available for claims on its investment financing at September 30, 2007 and 2006 totaled $3.7 billion and $3.6 billion, respectively.

Direct Loans: Direct loans are made for projects in developing and other eligible countries involving U.S. small business or cooperatives, on terms and conditions established by OPIC. Direct loan exposure at September 30, 2007 totaled $1.3 billion, of which $794 million was outstanding. Direct loan exposure at September 30, 2006 totaled $1.2 billion, of which $729 million was outstanding. Interest income is not accrued on direct loans that have payments that are more than 90 days past due. Loans with payments more than 90 days past due totaled $179.1 million at September 30, 2007 and $138.5 million at September 30, 2006. If interest income had been accrued on those loans, it would have approximated $4.7 million during fiscal year 2007 and $3.6 million during fiscal year 2006. Interest collected on delinquent loans and recorded as income when received amounted to $7.1 million and $3.5 million for fiscal years 2007 and 2006, respectively.

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

	2007	2006
Direct loans outstanding	$ 794,274	$ 728,827
Allowance for uncollectible loans	(153,151)	(133,327)
Direct loans outstanding, net	$ 641,123	$ 595,500

Changes in the allowance for uncollectible loans during fiscal years 2007 and 2006 were as follows (dollars in thousands):

	2007	2006
Beginning balance	$ 133,327	$ 127,655
Amounts charged off	(3,085)	(14,416)
Recoveries	46	8
Increase in provisions	22,498	20,080
Provision for capitalized interest	365	—
Ending balance	$ 153,151	$ 133,327

Investment Guaranties: OPIC's investment guaranty covers the risk of default for any reason. In the event of a claim on OPIC's guaranty, OPIC makes payments of principal and interest to the lender. These payments are recorded as accounts receivable resulting from investment guaranties. The loans that are guaranteed can bear either fixed or floating rates of interest and are payable in U.S. dollars. OPIC's losses on payment of a guaranty are reduced by the amount of any recovery from the borrower, the host government, or through disposition of assets acquired upon payment of a claim. Guaranties extend from 5 to 17 years for project finance and from 10 to 12 years for investment funds.

Credit risk represents the maximum potential loss due to possible nonperformance by borrowers under terms of the contracts. OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was $6.5 billion at September 30, 2007, of which $4.2 billion was outstanding. Of the $6.5 billion of exposure, $5 billion was related to project finance and $1.5 billion was related to investment fund guarantees. Of the $4.2 billion outstanding, $3.7 billion related to project finance and $500 million related to investment fund guaranties. Included in the $1.5 billion of investment fund exposure is $202 million of estimated interest that could accrue to the guaranty lender. This interest generally accrues over a 10-year period, payable upon maturity. Upon complete nonperformance by the borrower, OPIC would be liable for principal outstanding and interest accrued on disbursed investment funds. At September 30, 2007, $56 million of the $202 million had actually accrued to the guaranteed lender on disbursed investment funds; the remainder represents an estimate of interest that could accrue to the guaranteed lender over the remaining investment fund term.

At September 30, 2006, OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was $5.5 billion, of which $3.4 billion was outstanding. Of the $5.5 billion of exposure, $3.5 billion was related to project finance and $2 billion was related to investment fund guarantees. Of the $3.4 billion outstanding, $2.8 billion related to project finance and $686 million related to investment fund guaranties. Included in the $2 billion of investment fund exposure is $353 million of estimated interest that could accrue to the guaranty lender. This interest generally accrues over a 10-year period, payable upon maturity. Upon complete nonperformance by the borrower, OPIC would be liable for principal outstanding and interest accrued on disbursed investment funds. At September 30, 2006, $186.5 million of the $353 million had actually accrued to the guaranteed lender on disbursed investment funds; the remainder represents an estimate of interest that could accrue to the guaranteed lender over the remaining investment fund term.

Changes in the reserve for investment guaranties during fiscal years 2007 and 2006 were as follows (dollars in thousands):

	2007	2006
Beginning balance	$ 620,000	$ 625,000
Amounts charged off	(20,833)	—
Recoveries	4,754	9
(Decrease) increase in provisions	(117,617)	(5,009)
Ending balance	$ 486,304	$ 620,000

(11) Accounts Receivable from Investment Guaranties and Assets Acquired in Insurance Claims Settlements (Claim-Related Assets)

Claim-related assets may result from payments on claims under either the investment financing program or the insurance program. Under the investment financing program, when OPIC pays a guaranteed party, a receivable is created. Under the insurance program, similar receivables reflect the value of assets, generally shares of stock, local currency, or host country notes, that may be acquired as a result of a claim settlement. These receivables are generally collected over a period of 5 to 15 years.

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

	2007	2006
Accounts receivable resulting from investment guaranties	$ 83,175	$ 148,725
Allowance for doubtful recoveries	(16,477)	(25,213)
Accounts receivable, net	$ 66,698	$ 123,512

Changes in the allowance for doubtful recoveries for assets resulting from investment guaranties during fiscal years 2007 and 2006 were as follows (dollars in thousands):

	2007	2006
Beginning balance	$ 25,213	$ 36,480
Amounts charged off	—	(3,950)
Decrease in provisions	(11,469)	(8,049)
Recoveries	2,733	732
Ending balance	$ 16,477	$ 25,213

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

	2007	2006
Assets acquired in insurance claims settlements	$ 93,255	$ 142,685
Allowance for doubtful recoveries	(4,192)	(21,135)
Accounts receivable, net	$ 89,063	$ 121,550

Changes in the allowance for doubtful recoveries for assets acquired in insurance claims settlements during fiscal years 2007 and 2006 were as follows (dollars in thousands):

	2007	2006
Beginning balance	$ 21,135	$ 50,898
Amounts charged off	(20,928)	(5,888)
Transfers to other reserves	3,985	(23,875)
Ending balance	$ 4,192	$ 21,135

(12) Reserves and Full Faith and Credit

Section 235(c) of the FAA established a fund which shall be available for discharge of liabilities under insurance or reinsurance or under similar predecessor guaranty authority. This fund consists of the Insurance Reserve and the Guaranty Reserve for the respective discharge of potential future liabilities arising from insurance or from guaranties issued under Section 234(b) of the FAA. These amounts may be increased by transfers from retained earnings or by appropriations. In FY2007 and FY2006, OPIC's retained earnings were allocated to these reserves on the basis of maximum exposure outstanding for insurance and guaranties respectively, thereby reflecting OPIC's increased ability to absorb potential losses without having to seek appropriated funds.

All valid claims arising from insurance and guaranties issued by OPIC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. At both September 30, 2007 and 2006, the Insurance Reserve totaled $1.3 billion, and the Guaranty Reserve totaled $3.1 billion at September 2007 and $2.8 billion at September 30, 2006. Should funds in OPIC's reserves not be sufficient to discharge obligations arising under insurance, and if OPIC exceeds its $100 million borrowing authority authorized by statute for its insurance program, funds would have to be appropriated to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA. The Federal Credit Reform Act of 1990 authorizes permanent, indefinite appropriations and borrowings from the U.S. Treasury, as appropriate, to carry out all obligations resulting from the investment financing program.

(13) Disclosures About Fair Value of Financial Instruments

The estimated values of each class of financial instrument for which it is practicable to estimate a fair value at September 30, 2007 are as follows (dollars in thousands):

	Carrying Amount	Fair Value
Financial assets:		
Cash	$ 838,364	$ 838,364
U.S. Treasury securities	4,490,983	4,661,588
Interest receivable on securities	52,327	52,327
Direct loans	641,123	641,123
Accounts receivable from investment guaranties	66,698	66,698
Assets acquired in insurance claims settlements	89,063	89,063
Financial liabilities:		
Borrowings from the U.S. Treasury and related interest	793,544	822,233

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

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

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

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

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

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

(14) Operating Lease

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

Rental expense for 2007 and 2006 was approximately $4.5 million and $5.1 million, respectively. Minimum future rental payments under the 15-year lease at 1100 New York Avenue, N.W. are approximately $4.1 million annually, with additional adjustments tied to the consumer price index.

(15) Pensions

OPIC's permanent employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For CSRS, OPIC withheld 7.0% of employees' gross 2007 earnings and contributed 7.0% of employees' 2007 gross earnings. The sums were transferred to the Civil Service Retirement Fund from which this employee group will receive retirement benefits.

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

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). In January 2006 the TSP contributions limits were eliminated and now both CSRS and FERS employees may elect to contribute up to $15,500, the IRS elective deferral limit for the tax year. FERS employees receive an automatic 1% contribution from OPIC. Amounts withheld for FERS employees are matched by OPIC, up to an additional 4%, for a total of 5%.

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

(16) Concentration of Risk

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

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

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

and retains the ability to enforce its rights as a secured lender if such action becomes necessary.

The following is a summary of OPIC's off-balance-sheet risk at September 30, 2007 and 2006 (dollars in thousands):

	2007		
	Total	Outstanding	Unused commitments
Guaranties	$ 6,439,356	4,075,153	2,364,203
Undisbursed direct loans	532,736	—	532,736
Insurance	3,390,720	2,410,166	980,554

	2006		
	Total	Outstanding	Unused commitments
Guaranties	$ 6,259,122	4,114,295	2,144,827
Undisbursed direct loans	513,613	—	513,613
Insurance	3,679,952	2,490,365	1,189,587

OPIC's off-balance-sheet finance and insurance exposure involves coverage outside of the United States. The following is a breakdown of such total commitments at September 30, 2007 by major geographical area (dollars in thousands):

	Loan guaranties	Undisbursed portion on direct loans	Insurance
Africa	$ 803,421	162,983	545,089
Asia	389,396	128,129	564,575
Europe	853,936	11,000	120,908
Latin America	1,996,808	73,524	1,188,413
Middle East	1,069,724	45,594	624,364
NIS (New Independent States)	1,058,936	80,622	362,313
Worldwide	267,135	30,884	—
Insurance stop-loss adjustment	—	—	(14,942)
	$ 6,439,356	532,736	3,390,720

OPIC has several client-specific contracts with stop-loss limits that are less than the aggregate coverage amounts. The insurance stop-loss adjustment represents the difference between the aggregate coverage amount and OPIC's actual exposure under these contracts.

At September 30, 2007, OPIC's largest finance and insurance exposure was in the following countries and sectors (dollars in thousands):

Country		Sector	
Russia	$ 983,602	Financial services	$ 4,416,755
Columbia	643,262	Power generation	2,040,594
Turkey	612,504	Oil and gas services	1,651,696
Nigeria	601,366	Manufacturing	772,879
Philippines	444,037	Construction	678,691

(17) Other Contingencies

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

(18) Accounting and Disclosure Requirements for Guaranties

In FY 2007 and FY 2006 pursuant to the requirement of FIN 45, OPIC recognized a guaranty liability and a guaranty fee receivable of $168.5 million and $167.3 million, respectively. OPIC collected $39.2 million and $28.4 million of guaranty fees in FY 2007 and FY 2006, respectively, on the investment guaranties issued since December 31, 2002.

(19) Writedown of Internally Developed Software

In fiscal year 2007, management analyzed previously capitalized costs associated with internally developed software and determined that it would no longer be of future benefit and should be written down by $4.5 million. The writedown was calculated as the difference between the carrying amount less costs identified by management as having future economic benefit, in accordance with FAS 144, "Accounting for Impairment or Disposal of Long-lived Assets."

(20) Statutory Covenants

OPIC's enabling statute stipulates both operating and financial requirements with which OPIC must comply. In management's opinion, OPIC is in compliance with all such requirements.

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