OVERSEAS PRIVATE INVESTMENT CORPORATION
WASHINGTON, D.C. 20527, USA

OFFICE OF THE
PRESIDENT

November 15, 2012

Pursuant the Chief Financial Officers Act of 1990 and the Government Corporations Control Act and in accordance with the reporting requirements of OMB's Circular A-136, *Financial Reporting Requirements*, I am pleased to provide you with the Overseas Private Investment Corporation's (OPIC's) FY2012 Annual Management Report.

In FY 2012 OPIC once again received an unqualified audit opinion, as it has every year since inception. FY12 is also OPIC's 35th consecutive year of generating profit for the U.S. taxpayer. In addition to its positive financial performance and support of U.S. business investment, OPIC continues to be a leader in development finance with a focus on renewable energy and policy priority regions such as North Africa and the Middle East.

OPIC's internal control program reported no material weaknesses or reportable conditions for the performance period with strong controls over the agency's vendor payments program which once again posed a low risk to U.S. taxpayers for improper payments.

In FY2012, OPIC generated net income of approximately $273million with reserves of $5.75 billion. OPIC's reserves and its underwriting experience protect the U.S. Treasury against potential losses on the agency's insurance and finance exposure.

Included in this report is the FY2012 audited *Independent Auditors' Report on Financial Statements* prepared by CliftonLarsonAllen LLP, the agency's auditing firm. I am proud to submit this report as evidence that OPIC is prudently carrying out its important development mission of mobilizing private investment in developing countries while operating on a sound financial basis at no net cost to taxpayers. If you have questions or would like any further information, please let me know.

Sincerely,

Elizabeth L. Littlefield
President and Chief Executive Officer

1100 NEW YORK AVE., N. W. · WASHINGTON, D. C. 20527 · FAX (202) 408-5133 · (202) 336-8401

ANNUAL MANAGEMENT REPORT OF THE

OVERSEAS PRIVATE INVESTMENT CORPORATION

FOR FISCAL YEAR 2012

SUBMITTED PURSUANT TO

THE CHIEF FINANCIAL OFFICERS ACT OF 1990

(31 U.S.C., Section 9106)

AND IN ACCORDANCE WITH OMB'S CIRCULAR A-136

OPIC ANNUAL MANAGEMENT REPORT FOR FISCAL YEAR 2012

TABLE OF CONTENTS

I. Executive Summary

NOVEMBER 2012

EXECUTIVE SUMMARY

Throughout 2012, the Overseas Private Investment Corporation (OPIC) remained focused on supporting development and stability in strategic regions around the world at no net cost to the U.S. taxpayer and to the benefit of the U.S. economy. During fiscal year 2012 (FY12) portfolio risk remained relatively stable. OPIC continued to be vigilant in the assessment and management of risk in its portfolio.

In FY12 OPIC reports net income of $273 million for the year, capital and reserves of $5.75 billion, and an unqualified audit opinion. OPIC committed over $3.6 billion in finance and insurance including $1.6 billion in financing dedicated to renewable resources and nearly $700 million in new insurance commitments. OPIC’s focus on prudent financial management made FY 2012 the 35th consecutive year in which OPIC contributed to reducing the deficit, and the 41st year in which OPIC generated GAAP net income.

OPIC was created in 1969 under the Foreign Assistance Act of 1961 (FAA), as amended, and began operations in 1971 in accordance with the goals envisioned by Congress and incorporated in OPIC’s authorizing statute. The agency’s mission is to mobilize and facilitate the participation of United States private capital and skills in the economic and social development of less developed countries and areas, and countries in transition from nonmarket to market economies. In accomplishing its mission, OPIC will promote positive U.S. effects and host country developmental effects. OPIC will assure that the projects it supports are consistent with sound environmental and worker rights standards. In conducting its programs, OPIC will also take into account guidance from the Administration and Congress on a country’s observance of, and respect for, human rights. In accomplishing its mission, OPIC will operate on a self-sustaining basis.

To achieve these goals, OPIC provides investment insurance, investment finance through direct loans and loan guaranties, and other investor services. OPIC’s top priority continues to be prudent management of its insurance and finance portfolio to protect the interests of the U.S. Government.

II. Audited Financial Statements

OPIC

OVERSEAS PRIVATE INVESTMENT CORPORATION

Financial Statements

September 30, 2012 and 2011

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

Independent Auditors' Report

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, 2012 and 2011, and the related statements of income, capital and retained earnings, and cash flows for the years then ended. The objective of our audit was to express an opinion on the fairness of these financial statements. In connection with our audit, we also considered the internal control over financial reporting and considered OPIC's compliance with laws, regulations, contracts and grant agreements. In our audit, we found:

- The financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America (U.S.);
- No material weaknesses or significant deficiencies in internal control over financial reporting (including safeguarding of assets) and compliance with laws, regulations, contracts and grant agreements; and
- No instances of reportable noncompliance with selected provisions of laws, regulations, contracts, and grant agreements tested or other matters, including the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA).

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of OPIC as of September 30, 2012 and 2011, and the results of its operations, and its cash flows for the years then ended in conformity with accounting principles generally accepted in the U.S.

Report on Internal Control

In planning and performing our audit, we considered OPIC's internal control over financial reporting and compliance (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of OPIC's internal control. Accordingly, we do not express an opinion on the effectiveness of OPIC's internal control.

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

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

We noted certain matters that we reported to OPIC's management in a separate letter dated November 14, 2012.

Report on Compliance and Other Matters

In connection with our audit, we performed tests of OPIC's compliance with certain provisions of laws, regulations, contracts, and grant agreements. The results of our tests disclosed no instances of noncompliance that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States or Office of Management and Budget (OMB) Bulletin No. 07-04, Audit Requirements for Federal Financial Statements, as amended (OMB Bulletin 07-04). However, the objective of our audit was not to provide an opinion on compliance with laws, regulations, contracts, and grant agreements. Accordingly, we do not express such an opinion.

Under FFMIA, we are required to report whether the financial management systems used by OPIC substantially comply with the (1) Federal financial management systems requirements, (2) applicable Federal accounting standards, and (3) the United States Standard General Ledger (USSGL) at the transaction level. To meet this requirement, we performed tests of compliance with FFMIA Section 803(a) requirements.

The objective of our audit was not to provide an opinion on OPIC's compliance with FFMIA. Accordingly, we do not express such an opinion. However, our work disclosed no instances in which OPIC's financial management systems did not substantially comply with (1) Federal financial management systems requirements, (2) Federal accounting standards, or (3) the USSGL at the transaction level.

Management's Responsibility for the Financial Statements

OPIC's management is responsible for (1) preparing the financial statements in conformity with accounting principles generally accepted in the U.S., (2) designing, implementing, and maintaining internal control to provide reasonable assurance that the broad control objectives of Federal manager's Financial Integrity Act (FMFIA) are met, (3) ensuring that OPIC's financial management systems substantially comply with FFMIA requirements, and (4) complying with other applicable laws, regulations, contracts, and grant agreements.

Auditor's Responsibility

We are responsible for conducting our audit in accordance with auditing standards generally accepted in the U.S.; the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Bulletin 07-04. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the U.S. We are also responsible for: (1) obtaining a sufficient understanding of internal control over financial reporting and compliance to plan the audit, (2) testing whether OPIC's financial management systems substantially comply with the FFMIA requirements referred to above, and (3) testing compliance with selected provisions of laws and regulations that have a direct and material effect on the financial statements and laws for which OMB Bulletin 07-04 requires testing.

In order to fulfill these responsibilities, we (1) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (2) assessed the appropriateness of the accounting policies used and the reasonableness of significant estimates made by management; (3) evaluated the overall presentation of the financial statements; (4) obtained an understanding of OPIC and its operations, including its internal control related to financial reporting (including safeguarding of assets) and compliance with laws, regulations, contracts, and grant agreements (including execution of transactions in accordance with budget authority); (5) evaluated the effectiveness of the design of internal control; (6) tested the operating effectiveness of relevant internal controls over financial reporting and compliance; (7) considered the design of the process for evaluating and reporting on internal control and financial management systems under FMFIA; (8) tested whether OPIC's financial management systems substantially complied with the FFMIA requirements referred to above; and (9) tested compliance with selected provisions of certain laws, regulations, contracts, and grant agreements. The procedures selected depend on the auditors' judgment, including our assessment of risks of material misstatement of the financial statements, whether due to fraud or error. We believe we obtained sufficient and appropriate audit evidence on which to base our opinion.

We did not evaluate all internal controls relevant to operating objectives as broadly defined by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to controls over financial reporting and compliance. Because of inherent limitations in internal control, misstatements due to error or fraud, losses, or noncompliance may nevertheless occur and not be detected. We also caution that projecting our audit results to future periods is subject to risk that controls may become inadequate because of changes in conditions or that the degree of compliance with controls may deteriorate. In addition, we caution that our internal control testing may not be sufficient for other purposes.

We did not test compliance with all laws and regulations applicable to OPIC. We limited our tests of compliance to selected provisions of laws and regulations that have a direct and material effect on the financial statements and those required by OMB Bulletin 07-04 that we deemed applicable to OPIC's financial statements for the fiscal year ended September 30, 2012. We caution that noncompliance with laws and regulations may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

This report is intended solely for the information and use of OPIC's management, OPIC's Board of Directors, OMB, the U.S. Government Accountability Office, and the U.S. Congress, and is not intended to be, and should not be, used by anyone other than these specified parties.

CliftonLarsonAllen LLP

Calverton, Maryland
November 14, 2012

OVERSEAS PRIVATE INVESTMENT CORPORATION

Balance Sheets

September 30, 2012 and 2011

($ in thousands)

Assets	**2012**	**2011**
Fund Balance with U.S. Treasury (notes 2 and 4)	$ 1,076,559	$ 707,257
U.S. Treasury securities, at amortized cost plus related receivables (notes 2 and 7)	5,320,325	5,188,527
Direct loans outstanding, net (notes 2 and 10)	1,363,216	1,326,292
Accounts receivable resulting from investment guaranties, net (notes 2 and 11)	42,394	59,602
Assets acquired in insurance claims settlements, net (notes 2 and 11)	1,507	1,507
Guaranty receivable (notes 2 and 19)	692,000	456,130
Accrued interest and fees and other, net (notes 2 and 10)	32,843	29,481
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization of $17,255 in FY2012 and $15,742 in FY2011 (note 2)	6,223	6,649
Total assets	$ 8,535,067	$ 7,775,445
Liabilities, Capital, and Retained Earnings		
Liabilities:		
Reserve for political risk insurance (note 9)	$ 278,000	$ 275,000
Reserve for investment guaranties (notes 10)	489,320	573,331
Accounts payable and accrued expenses	5,515	4,984
Guaranty liability (notes 2 and 19)	692,000	456,130
Customer deposits and deferred income	52,196	47,465
Borrowings from U.S. Treasury, and related interest (note 6)	2,241,224	1,827,691
Unearned premiums	26,382	8,144
Deferred rent & rent incentives from lessor of $6,413 and $5,779 net of accumulated amortization of $2,660 and $2,421 in FY2012 and FY2011 (note 14)	3,753	3,358
Total liabilities	3,788,390	3,196,103
Contingent liabilities (notes 2 and 17)		
Capital and retained earnings:		
Contributed capital	50,000	50,000
Credit funding (note 5)	107,484	105,788
Interagency transfers (Note 2)	16,312	16,354
Retained earnings and reserves:		
Insurance (notes 9 and 12)	858,251	790,887
Guaranty (notes 10 and 12)	3,714,630	3,616,313
	4,746,677	4,579,342
Total liabilities, capital, and retained earnings	$ 8,535,067	$ 7,775,445

See accompanying notes to financial statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION

Statements of Income

Years ended September 30, 2012 and 2011

($ in thousands)

Revenues	**2012**	**2011**
Political risk insurance premiums and fees (note 9)	$ 15,452	$ 14,281
Investment financing interest and fees	198,699	218,164
Interest on finance program deposits	36,124	31,059
Interest on U.S. Treasury securities	162,113	170,364
Total revenues	412,388	433,868
Expenses		
Provisions for reserves:		
Political risk insurance (notes 2 and 9)	(23,021)	(9,750)
Investment financing (notes 2, 10 and 11)	4,721	34,720
Salaries and benefits (note 15)	33,320	31,608
Rent, communications and utilities (note 14)	7,005	6,953
Contractual services	19,146	13,596
Travel	4,739	3,949
Interest on borrowings from U.S. Treasury (note 6)	90,547	80,824
Depreciation and amortization (note 2)	1,513	885
Other general and administrative expenses	1,848	1,627
Total expenses	139,818	164,412
Net income	$ 272,570	$ 269,456

See accompanying notes to financial statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION

Statements of Capital and Retained Earnings

Years ended September 30, 2012 and 2011

($ 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, 2010	$ 50,000	$ 106,338	$ 8,902	$ 705,410	$ 3,539,596	$ —	$ 4,410,246
Net income	—	—	—	101,008	168,448	—	269,456
Return credit funding to U.S. Treasury	—	—	—	—	(292,376)	—	(292,376)
Credit funding (net) received from:							
Accumulated earnings	—	49,465	—	(18,079)	—	(31,386)	—
Credit appropriations	—	182,016	—	—	—	—	182,016
Credit funding used	—	(232,031)	—	—	200,645	31,386	—
Interagency transfers	—	—	7,452	2,548	—	—	10,000
Balance, September 30, 2011	$ 50,000	$ 105,788	$ 16,354	$ 790,887	$ 3,616,313	$ —	$ 4,579,342
Net income	—	—	—	78,082	194,488	—	272,570
Return credit funding to U.S. Treasury	—	—	—	—	(225,561)	—	(225,561)
Credit funding (net) received from:							
Accumulated earnings	—	45,754	—	(12,760)	—	(32,994)	—
Credit appropriations	—	118,326	—	—	—	—	118,326
Credit funding used	—	(162,384)	—	—	129,390	32,994	—
Interagency transfers	—	—	(42)	2,042	—	—	2,000
Balance, September 30, 2012	$ 50,000	$ 107,484	$ 16,312	$ 858,251	$ 3,714,630	$ —	$ 4,746,677

See accompanying notes to financial statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION

Statements of Cash Flows

Years ended September 30, 2012 and 2011

($ in thousands)

	2012	2011
Cash flows from operating activities:		
Net income	$ 272,570	$ 269,456
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for:		
Political risk insurance	(23,021)	(9,750)
Investment financing	4,721	34,720
Amortization of premiums on U.S. securities	15,908	15,023
Accretion of discounts on U.S. securities	(5,750)	(5,302)
Amortization of deferred rent and rental incentives	(295)	2
Increase in rent incentives	689	5
Depreciation and amortization	1,513	885
(Increase) decrease in operating assets:		
Accrued interest and fees and other	(18,481)	(33,596)
Guaranty receivable	(235,871)	(182,444)
Assets acquired in insurance claims settlements	(38)	(1,034)
Recoveries on assets acquired in insurance claims settlements	26,059	26,059
Assets acquired in finance claims settlements	(23,422)	(59,787)
Recoveries on assets acquired in finance claims settlements	21,592	15,891
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	533	(2,041)
Customer deposits and deferred income	4,731	1,690
Guaranty liability	235,871	182,444
Unearned premiums	18,238	(1,518)
Cash provided by operating activities	295,547	250,703
Cash flows from investing activities:		
Sale and maturity of U.S. Treasury securities	810,893	512,025
Purchase of U.S. Treasury securities	(946,040)	(661,646)
Repayment of direct loans	164,840	135,670
Disbursement of direct loans	(263,148)	(418,560)
Acquisition of furniture and equipment	(1,088)	(1,523)
Cash used in investing activities	(234,543)	(434,034)
Cash flows from financing activities:		
Return credit funding to U.S. Treasury	(225,561)	(292,376)
Interagency transfers	2,000	10,000
Credit appropriations	118,326	182,016
Credit reform borrowings from U.S. Treasury	413,533	424,776
Cash provided by financing activities	308,298	324,416
Net increase in cash	369,302	141,085
Fund balance with U.S. Treasury at beginning of year	707,257	566,172
Fund balance with U.S. Treasury at end of year	$ 1,076,559	$ 707,257

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. OPIC writes off a loan when it believes that viable collection efforts have been exhausted and no further recovery is expected.

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

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

FASB Accounting Standards Codification Topic 460 for the Guarantee Topic (FASB ASC 460): FASB ASC 460 requires that upon issuance of a guaranty, the guarantor must disclose and recognize a liability for the fair value of the obligation it assumes under that guaranty. The initial recognition and measurement requirement of FASB ASC 460 applies only to guaranties issued or modified after December 31, 2002. OPIC's initial 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, for both performing and non-performing (aging more than 90 days past due) projects. Revenue from political risk insurance premiums is recognized over the contract coverage period. Accretion of premium and discount on investment securities is amortized into income under a method approximating the effective yield method.

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

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

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

(3) Intragovernmental Financial Activities

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

(4) Fund Balance with U.S. Treasury

OPIC is restricted in its uses of certain cash balances, as described below. The fund balance with U.S. Treasury as of September 30, 2012 and 2011 consists of the following (dollars in thousands):

		2012	2011
Restricted:			
Pre-Credit reform	$	3	10
Credit reform		1,041,206	692,712
Interagency fund transfers		11,010	10,000
Unrestricted		24,340	4,535
Total	$	1,076,559	707,257

The Federal Credit Reform Act of 1990 established separate accounts for cash flows associated with investment financing activity approved prior to implementation of the Act and investment financing activity subject to the Act. With the advent of Credit Reform, OPIC is not permitted to invest its pre-Credit Reform cash balances. These balances grow over time, and when they are determined to be no longer needed for the liquidation of the remaining pre-Credit Reform direct loans and investment guaranties, they are transferred to OPIC's unrestricted noncredit insurance account. OPIC made transfers totaling $30,000 to the noncredit insurance account in 2012 and in 2011. Credit Reform balances are also maintained in the form of uninvested funds. The U.S. Treasury pays OPIC interest on those cash balances except for undisbursed credit funding.

(5) Credit Funding

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

In fiscal year 2012, OPIC's appropriations legislation authorized the corporation to use $25 million of its accumulated earnings to cover the future costs of credit transactions committed in fiscal years 2012 through 2014. In fiscal year 2011, OPIC was authorized to use $18.1 million to cover commitments in fiscal years 2011 through 2013. In addition to the credit funding allocated directly to OPIC through the appropriations process, OPIC received a total of $67 million in net transfers from other agencies to be used exclusively to finance projects in the New Independent States (NIS).

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

		2012	2011
Balance carried forward	$	105,788	106,338
Upward reestimates		118,326	182,016
Transferred from earnings (net of returns)		45,754	49,465
Credit funding used		(162,384)	(232,031)
Credit funding remaining	$	107,484	105,788

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 $118.3 million and $182 million and decreases in subsidy costs of $99.5 million and $216.6 million in fiscal years 2012 and 2011, respectively. During fiscal year 2010, OPIC received permission from OMB to return expired credit funding to the source of the original funds, OPIC's unrestricted noncredit insurance account, rather than to the U.S. Treasury. Expired credit funding of $12.2 million was transferred back to the noncredit account earnings during fiscal year 2012. No credit funding expired during fiscal year 2011.

(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 $426.7 million in 2012 and $578 million in 2011, all of which have been disbursed. OPIC paid a total of $90.5 million and $80.8 million in interest to the U.S. Treasury during fiscal years 2012 and 2011, respectively. Repayments of borrowings from the U.S. Treasury totaled $13.2 million in 2012 and $153.2 million in 2011. Future payments for borrowing outstanding at September 30, 2012 are as follows (dollars in thousands):

		amount due
Payment due in:		
Fiscal year 2013	$	51,258
Fiscal year 2014		138,483
Fiscal year 2015		439,533
Fiscal year 2016		141,122
Fiscal year 2017		117,230
Thereafter		1,353,598
Total	$	2,241,224

(7) Investment in U.S. Treasury Securities

The composition of investments and related receivables at September 30, 2012 and 2011 is as follows (dollars in thousands):

		2012	2011
Investments, amortized cost	$	5,276,250	5,151,261
Interest receivable		44,075	37,266
Total	$	5,320,325	5,188,527

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

		Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
At September 30, 2012	$	5,276,250	455,842	—	5,732,092
At September 30, 2011	$	5,151,261	488,780	—	5,640,041

At September 30, 2012, the securities held had an interest range of .875% to 10.625% and a maturity period from 31 days to almost 16 years.

OPIC holds its securities to maturity. The amortized cost and estimated fair value of U.S. Treasury securities at September 30, 2012, by contractual maturity, are shown below (dollars in thousands):

		Amortized cost	Estimated fair value
Due in one year or less	$	1,097,014	1,113,363
Due after one year through five years		2,593,118	2,786,952
Due after five years through 10 years		1,463,476	1,654,886
Due after 10 years		122,642	176,891
Total	$	5,276,250	5,732,092

(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, 2012, OPIC's insurance and finance programs have collectively utilized $16.7 billion.

(9) Political Risk Insurance

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

		2012	2011
Political risk insurance premiums	$	15,452	14,281
Miscellaneous insurance income		-	-
Total insurance revenue	$	15,452	14,281

OPIC's capital, allowance, retained earnings, and reserves available for insurance totaled $1.1 billion at both September 30, 2012 and 2011. Charges against retained earnings could arise from (A) outstanding political risk insurance contracts, (B) pending claims under insurance contracts, and guaranties issued in settlement of claims arising under insurance contracts.

(a) Political Risk Insurance

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

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

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

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

OPIC's Maximum Contingent Liability at September 30, 2012 and 2011 was $3.1 billion and $2.6 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, 2012 and 2011 was $2.4 billion and $1.7 billion, respectively.

(b) Pending Claims

At both September 30, 2012 and 2011 OPIC had no material pending insurance claims. In addition to requiring formal applications for claimed compensation, OPIC's contracts generally require investors to notify OPIC promptly of host government action that the investor has reason to believe is or may become a claim. Compliance with this notice provision sometimes results in the filing of notices of events that do not mature into claims.

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

Changes in the reserve for political risk insurance during fiscal years 2012 and 2011 were as follows (dollars in thousands):

		2012	2011
Beginning balance	$	275,000	275,000
Amounts charged off		-	-
Increase/(Decrease) in provisions		3,000	29
Transfers (to)/from other reserves		-	(29)
Ending balance	$	278,000	275,000

(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 fiscal years 2012 and 2011, $25 million and $18.1 million, respectively, 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, 2012 and 2011 totaled $4.6 billion and $4.5 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, 2012 totaled $3.4 billion, of which approximately $1.6 billion was outstanding. Direct loan exposure at September 30, 2011 totaled $3.6 billion, of which approximately $1.5 billion was outstanding. Loans with payments more than 90 days past due totaled $182 million at September 30, 2012 and $192.5 million at September 30, 2011. Interest accrued on these non-performing loans was $8.1 million and $25.2 million during fiscal years 2012 and 2011, respectively; interest and fee receivables from these projects as of each fiscal year end are reserved in full.

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

		2012	**2011**
Direct loans outstanding	$	1,586,602	1,488,487
Allowance for uncollectible loans		(223,386)	(162,195)
Direct loans outstanding, net	$	1,363,216	1,326,292

Changes in the allowance for uncollectible loans during fiscal years 2012 and 2011 were as follows (dollars in thousands):

		2012	**2011**
Beginning balance	$	162,195	139,686
Amounts charged off		(4,288)	(8,987)
Recoveries		—	12
Increase in provisions		65,479	31,484
Ending balance	$	223,386	162,195

Investment Guaranties: OPIC's investment guaranty covers the risk of default for any reason. In the event of a claim on OPIC's guaranty, OPIC makes payments of principal and interest to the lender. These payments are recorded as accounts receivable resulting from investment guaranties. The loans that are guaranteed can bear either fixed or floating rates of interest and are payable in U.S. dollars. OPIC's losses on payment of a guaranty are reduced by the amount of any recovery from the borrower, the host government, or through disposition of assets acquired upon payment of a claim. Guaranties extend from 5 to 21 years for project finance and from 10 to 18 years for investment funds.

Credit risk represents the maximum potential loss due to possible nonperformance by borrowers under terms of the contracts. OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was $10.2 billion at September 30, 2012, of which $5.6 billion was outstanding. Of the $10.2 billion of exposure, $7.7 billion was related to project finance and $2.5 billion was related to investment fund guarantees. Of the $5.6 billion outstanding, $4.7 billion related to project finance and $.9 billion related to investment fund guaranties. Included in the $2.5 billion of investment fund exposure is $216.5 million of estimated interest that could accrue to the guaranty lender. This interest generally accrues over a 10-year period, payable upon maturity. Upon complete nonperformance by the borrower, OPIC would be liable for principal outstanding and interest accrued on disbursed investment funds. At September 30, 2012, $128.8 million of the $216.5 million had actually accrued to the 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, 2011, OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was $8.3 billion, of which $5 billion was outstanding. Of the $8.3 billion of exposure, $5.7 billion was related to project finance and $2.6 billion was related to investment fund guarantees. Of the $5 billion outstanding, $4.1 billion related to project finance and $.9 billion related to investment fund guaranties. Included in the $2.6 billion of investment fund exposure is $241.8 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, 2011, $112.9 million of the $241.8 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 2012 and 2011 were as follows (dollars in thousands):

		2012	2011
Beginning balance	$	573,331	650,229
Decrease in provisions		(84,011)	(76,898)
Ending balance	$	489,320	573,331

Accrued Interest, Fees and Other, net of Allowance: Prior to fiscal year 2011, Interest, Fee and other income was not accrued on direct loans and guarantees that had payments more than 90 days past due. Revenue collected was recorded as income when received. During fiscal year 2011, OPIC implemented a loans accounting system that provided transactional support for recording the revenues associated with these non-performing projects, and any related receivables outstanding at the end of each fiscal year are reserved in full.

		2012	2011
Accrued Interest, Fees and Other, Gross	$	64,474	56,921
Less Allowance		(31,631)	(27,440)
Net	$	32,843	29,481

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

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

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

		2012	2011
Accounts receivable resulting from investment guaranties	$	150,391	162,590
Allowance for doubtful recoveries		(107,997)	(102,988)
Accounts receivable, net	$	42,394	59,602

Changes in the allowance for doubtful recoveries for assets resulting from investment guaranties during fiscal years 2012 and 2011 were as follows (dollars in thousands):

		2012	2011
Beginning balance	$	102,988	64,264
Amounts charged off		(14,179)	(8,801)
Increase in provisions		19,188	47,525
Recoveries		—	—
Ending balance	$	107,997	102,988

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

		2012	2011
Assets acquired in insurance claims settlements	$	3,014	3,014
Allowance for doubtful recoveries		(1,507)	(1,507)
Accounts receivable, net	$	1,507	1,507

Changes in the allowance for doubtful recoveries for assets acquired in insurance claims settlements during fiscal years 2012 and 2011 were as follows (dollars in thousands):

		2012	2011
Beginning balance	$	1,507	1,478
Amounts charged off		—	—
Transfers (to)/from other reserves		—	29
Ending balance	$	1,507	1,507

(12) Reserves and Full Faith and Credit

Section 235(c) of the FAA established a fund which shall be available for discharge of liabilities under insurance or reinsurance or under similar predecessor guaranty authority. This fund consists of the Insurance Reserve and the Guaranty Reserve for the respective discharge of potential future liabilities arising from insurance or from guaranties issued under Section 234(b) of the FAA. These amounts may be increased by transfers from retained earnings or by appropriations. In fiscal years 2012 and 2011, OPIC's retained earnings were allocated to these reserves on the basis of maximum exposure outstanding for insurance and guaranties respectively, thereby reflecting OPIC's increased ability to absorb potential losses without having to seek appropriated funds.

All valid claims arising from insurance and guaranties issued by OPIC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. At September 30, 2012 and 2011, the Insurance Reserve totaled $858 million and $791 million, and the Guaranty Reserve totaled $3.7 billion and $3.6 billion, respectively. Should funds in OPIC's reserves not be sufficient to discharge obligations arising under insurance, and if OPIC exceeds its $100 million borrowing authority authorized by statute for its insurance program, funds would have to be appropriated to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA. The Federal Credit Reform Act of 1990 authorizes permanent, indefinite appropriations and borrowings from the U.S. Treasury, as appropriate, to carry out all obligations resulting from the investment financing program.

(13) Disclosures About Fair Value of Financial Instruments

The estimated values of each class of financial instrument for which it is practicable to estimate a fair value at September 30, 2012 are as follows (dollars in thousands):

		Carrying Amount	Fair Value
Financial assets:			
Cash	$	1,076,559	1,076,557
U.S. Treasury securities		5,276,250	5,732,092
Interest receivable on securities		44,075	44,075
Direct loans		1,363,216	1,363,216
Accounts receivable from investment guaranties		42,394	42,394
Assets acquired in insurance claims settlements		1,507	1,507
Financial liabilities:			
Borrowings from the U.S. Treasury		2,241,224	2,170,691

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.

OPIC executed a lease amendment in November, 2011 to consolidate the leased space onto contiguous floors. An additional non-interest bearing tenant improvement allowance of $300,000 was received as incentive offered by the lessor to cover space refurbishment. The value of this additional incentive is treated as stated above for the original incentives. There was no material change in leased square footage or future minimum rental expense as a result of the lease amendment.

Rental expense for fiscal years 2012 and 2011 was approximately $4.4 million and $4.2 million, respectively. Minimum future rental payments under the remaining term of the 15-year lease at 1100 New York Avenue, N.W. are approximately $4.8 million annually, with additional adjustments tied to the consumer price index.

(15) Pensions

OPIC's permanent employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For CSRS, OPIC withheld 7% of employees' gross 2012 earnings and contributed 7% of employees' 2012 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. For calendar year 2012, a special reduction of 2% is being applied to the Social Security withholding rate, pursuant to the "Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010".

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). In 2012 both CSRS and FERS employees could elect to contribute up to $17,000, the IRS elective deferral limit for the tax year. FERS employees receive an automatic 1% contribution from OPIC. Amounts withheld for FERS employees are matched by OPIC, up to an additional 4%, for a total of 5%.

The amount of employer contributions to these plans for the year ended September 30, 2012 was $3.9 million.

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

(16) Concentration of Risk

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

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

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, 2012 and 2011 (dollars in thousands):

	2012		
	Total	**Outstanding**	**Unused commitments**
Guaranties	$ 10,022,667	5,437,500	4,585,167
Undisbursed direct loans	1,806,812	—	1,806,812
Insurance	3,134,483	2,353,720	780,763

	2011		
	Total	**Outstanding**	**Unused commitments**
Guaranties	$ 8,096,076	4,867,358	3,228,718
Undisbursed direct loans	2,119,809	—	2,119,809
Insurance	2,595,376	1,662,057	933,319

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, 2012 by major geographical area (dollars in thousands):

		Loan guarantees	Undisbursed portion on direct loans	Insurance
Africa	$	1,969,363	275,813	1,301,259
Asia		1,222,502	291,327	627,815
Europe		1,443,842	37,699	4,027
Latin America		2,533,029	220,099	329,518
Middle East		1,806,158	518,527	868,136
NIS (New Independent States)		625,549	143,397	366,746
Worldwide		422,224	319,950	-
Insurance stop-loss adjustment		-	-	(363,018)
	$	10,022,667	1,806,812	3,134,483

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, 2012, OPIC's largest finance and insurance exposure was in the following countries and sectors (dollars in thousands):

Country			Sector		
Turkey	$	1,119,229	Financial services	$	8,143,930
Jordan		1,077,717	Energy - Power		3,368,243
Ghana		834,668	Services		1,335,353
India		728,946	Energy - Oil and Gas		909,591
South Africa		628,967	Manufacturing		722,594

(17) Other Contingencies

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

(18) Subsequent Events

Management evaluated subsequent events through November 14, 2012, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2012, but prior to November 14, 2012, that provided additional evidence about conditions that existed at September 30, 2012, have been recognized in the financial statements for the period ended September 30, 2012. Events or transactions that provided evidence about conditions that did not exist at September 30, 2012, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the period ended September 30, 2012.

As of November 9, 2012, OPIC expected prepayments on several direct loans in the amount of $53 million.

(19) Accounting and Disclosure Requirements for Guaranties

In FY 2012 and FY 2011 pursuant to the requirement of FASB ASC 460, OPIC recognized a guaranty liability and a guaranty fee receivable of $692 million and $456.1 million, respectively. OPIC collected $92.3 million and $89.8 million of guaranty fees in FY 2012 and FY 2011, respectively, on the investment guaranties issued since December 31, 2002. The FY 2011 guaranty fees collections reflect an updated amount from that disclosed in the prior year financial statements, to correct for an immaterial error in the prior year's calculation.

(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.

III. Statement on Internal Accounting and Administrative Controls Systems by Head of the Agency

OVERSEAS PRIVATE INVESTMENT CORPORATION
WASHINGTON, D.C. 20527, USA

OFFICE OF THE
PRESIDENT

Statement on Internal Accounting and Administrative Control System
By the President and Chief Executive Officer of the
Overseas Private Investment Corporation

The Overseas Private Investment Corporation (OPIC) is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the *Federal Managers' Financial Integrity Act* (FMFIA).

Based on the assessments OPIC conducted, the agency expresses an unqualified statement of assurance that, as of June 30, 2012, its internal controls over the effectiveness and efficiency of operations were in compliance with the provisions of Section 2 (internal accounting and administrative controls) of FMFIA and the Office of Management and Budget's Circular A-123, *Management Responsibility for Internal Control*. OPIC can also report that it is in substantial compliance with the requirements of Section 4 of FMFIA. Overall, the agency's internal controls were operating effectively and no material weaknesses were found in their design or operation.

Elizabeth L. Littlefield
President and Chief Executive Officer

1100 NEW YORK AVE., N. W. · WASHINGTON, D. C. 20527 · FAX (202) 408-5133 · (202) 336-8401

IV. Internal Control Activities

INTERNAL CONTROL ACTIVITIES

During FY 2012, OPIC performed its internal control assessment implementing the risk-based testing approach that was adopted by the agency's Board Audit Committee in 2011. Under this approach, six of the twelve key business processes, identified by management, were tested using the guidelines in OMB's Circular A-123, *Management's Responsibility for Internal Control, Internal Control Over Financial Reporting.* Risk was assessed based on both quantitative as well as qualitative factors, including financial materiality, mission orientation, and the complexity and frequency of transactions. OPIC's financial materiality threshold for testing was established using the criteria in the Government Accountability Office's, *Financial Audit Manual (FAM).*

The assessment was performed internally with oversight and accountability of the program provided by the agency's Board Audit Committee and Chief Financial Officer. Nearly one hundred (100) key controls were tested and over four hundred sixty (460) samples were reviewed in the following business processes:

- Direct Loans;
- Investment Guaranties;
- Investment Funds;
- Insurance;
- Purchases and Payables; and
- Financial Reporting.

No reportable conditions or material weaknesses were identified, and the results of this year's assessment, combined with management's role in daily internal controls, allows the agency to assert that there is reasonable assurance that overall, controls were properly designed and operating effectively during the year. However, the results of the assessment identified opportunities for improvement and greater efficiency in the areas of documentation, staffing resources, and communications.

In order to mature the internal control program and the role it plays on developing effective management throughout the agency, OPIC established the Office of Corporate Performance and Strategic Planning in July, 2012. This new office combines the internal control program with the strategic planning function under one division within the Office of the Chief Financial Officer. This new division represents management's commitment to moving beyond merely identifying and remedying deficiencies to creating and implementing meaningful efficiencies that will improve overall corporate performance. Staffing resources dedicated to internal control assessment were increased as will overall control testing in FY 2013.

V. Performance Measures

MEASURING MISSION PERFORMANCE

The Development Matrix

OPIC's Development Matrix is a comprehensive analytical tool for measuring the developmental impact of individual projects that OPIC supports. The Development Matrix provides more than 25 objective benchmarks for quantifying the developmental impact of projects with respect to job creation, technology transfer, human resource development, social benefits, private sector development, infrastructure development, and national benefits. OPIC calculates an anticipated (*ex ante*) development score to assist top management in its consideration of a project, and it calculates an actual (*ex post*) development score after a project has been implemented.

A development matrix score between 50 and 100 is considered developmental and a score above 100 is considered highly developmental. OPIC evaluates both its overall performance and the performance of the individual line departments on the basis of the average development scores of all projects. Appendix D describes the development matrix in further detail.

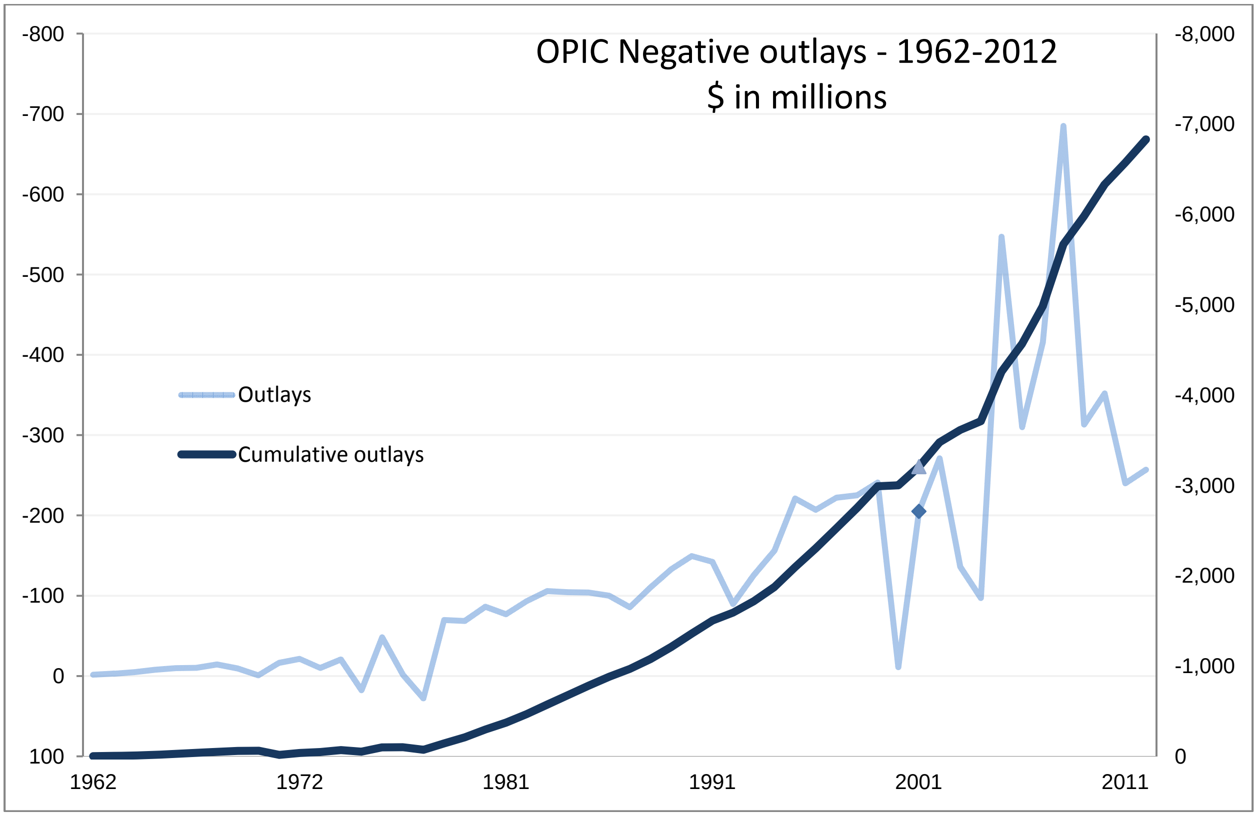
	2010		**2011**		**2012**	
	Target	Actual	Target	Actual	Target	Actual
Number of Projects	.	97	.	92	.	120
Average Score	100	84	100	84	100	84

OPIC continues to target an ambitious average development score of 100, despite significant changes in its overall financial and operating environment. These challenges include the continued slow recovery from the world financial crisis, which has made U.S. private investors more reluctant to participate in projects in general and in particular in emerging markets, and OPIC's refocus of its programs to achieve a significant reduction in greenhouse gas emissions. Despite these adjustments, the average development score in 2012 averaged 84.

Self-Sustaining

By charging fees and focusing on sustainable projects, OPIC has continued to operate at no net cost to the U.S. taxpayer. Since the agency's establishment in 1971, OPIC has generated almost $5 billion in retained earnings and interest. Moreover, it continues to be a net contributor to the U.S. government budget. In FY 2012, for example, OPIC's total outlays on the federal budget were negative $257 million.

OPIC continued to operate on a self-sustaining basis, even as it deployed additional capital in an environment that continues to remain financially challenging, refocuses its origination and partnering in response to new greenhouse gas emissions targets, and utilizes greater administrative resources to support that activity.



The PART Performance Goals information below was reported in the FY 2012 budget. Further detail is provided in the Annual Policy Report at: http://www.opic.gov/media-connections/annual-reports

GPRA	PART PERFORMANCE GOALS Outputs & Outcomes		FY 2010 Target	FY 2010 Actual	FY 2011 Target	FY 2012 Target
Development Effects *Development Matrix score*	Projects	Finance Projects	100	83	100	100
		Insurance Projects	100	91	100	100
	Average		**100**	**86**	**100**	**100**
Efficiency	SBC Cycle Time	Insurance	70	60	70	70
		Finance	70	42	70	70
	Operate in a businesslike manner. Improvement Action: Business Systems Replacement Plan (BSRP) will improve support of integrated business processes and internal controls by replacing legacy systems / technology.		Internal Controls COOP	BSRP	BSRP	
Risk Mitigation and Corporate Citizenship	Maintain or improve monitoring tempo of existing deals for issues which would affect OPIC's development mission and risk of repayment.		Ensure self-monitoring on all active projects.			
	Mitigate risk through sound portfolio management, project development practices, and incentives to encourage good corporate citizenship.		Site monitor sensitive projects no later than 3rd year of operation.			
	% of on-going OPIC Projects monitored for compliance with OPIC's U.S. effects, environmental, and worker rights standards.		100%	63%	100%	100%
Additionality	Ensure additionality and private sector participation to ensure that OPIC leverages, but does not compete with, the private sector.		93%	95%	93%	93%
Policy priority sectors	(See FY Budget narratives)		Broader Middle East Africa Asia		Environmental Solutions & Services Critical Natural Resources including Agriculture & Water Impact Investing	
Small Business	Ensure that OPIC support is provided to small U.S. businesses. Increase Outreach to SMEs; Especially those owned by women and minorities.		Expand Outreach			

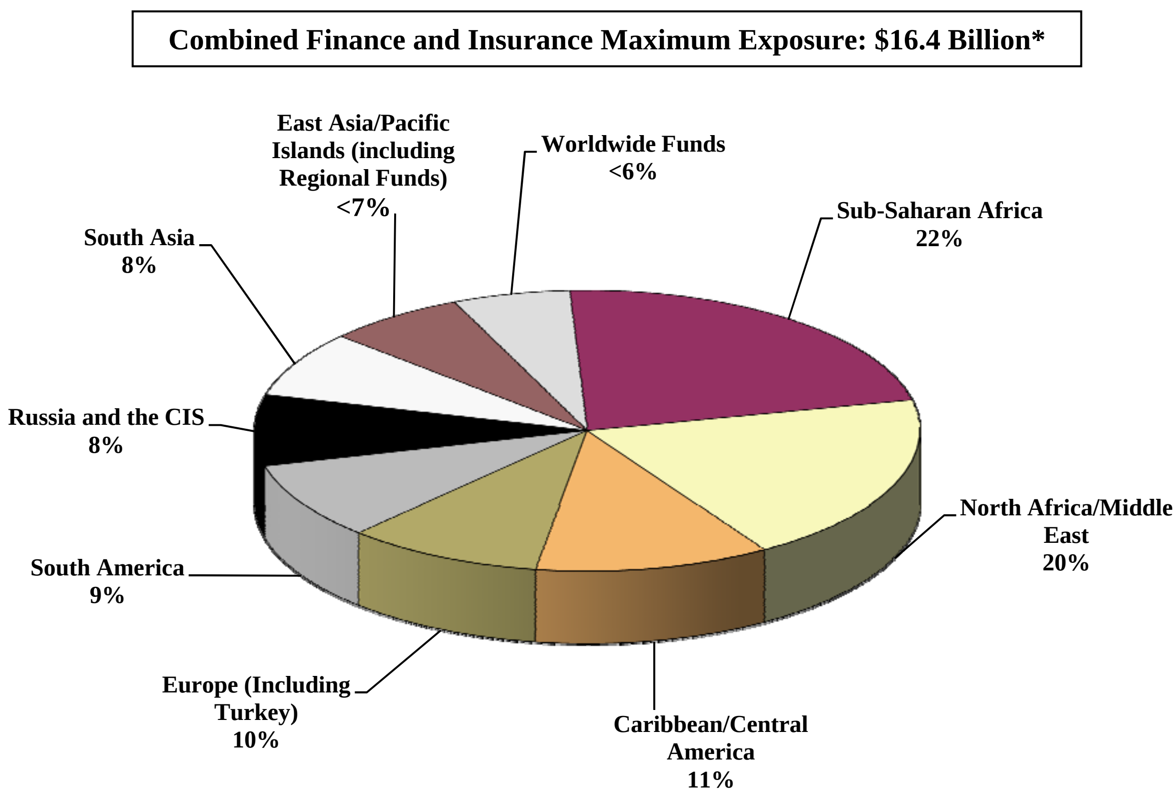
VI. Worldwide Exposure and Financial Position

WORLDWIDE EXPOSURE AND FINANCIAL POSITION
(COMBINED FINANCE AND INSURANCE PORTFOLIO)

Worldwide Exposure

At September 30, 2012, OPIC's combined Finance and Insurance maximum exposure totaled $16.4 billion. Charts 1 and 2 represent the regional and sectoral concentrations of that exposure. This combined figure represents OPIC's use of its $29 billion statutory limit. When the $16.4 billion is adjusted for standby insurance and undisbursed finance commitments, OPIC's current contingent liability at September 30, 2012 was $9.5 billion.

Chart 1: Regional

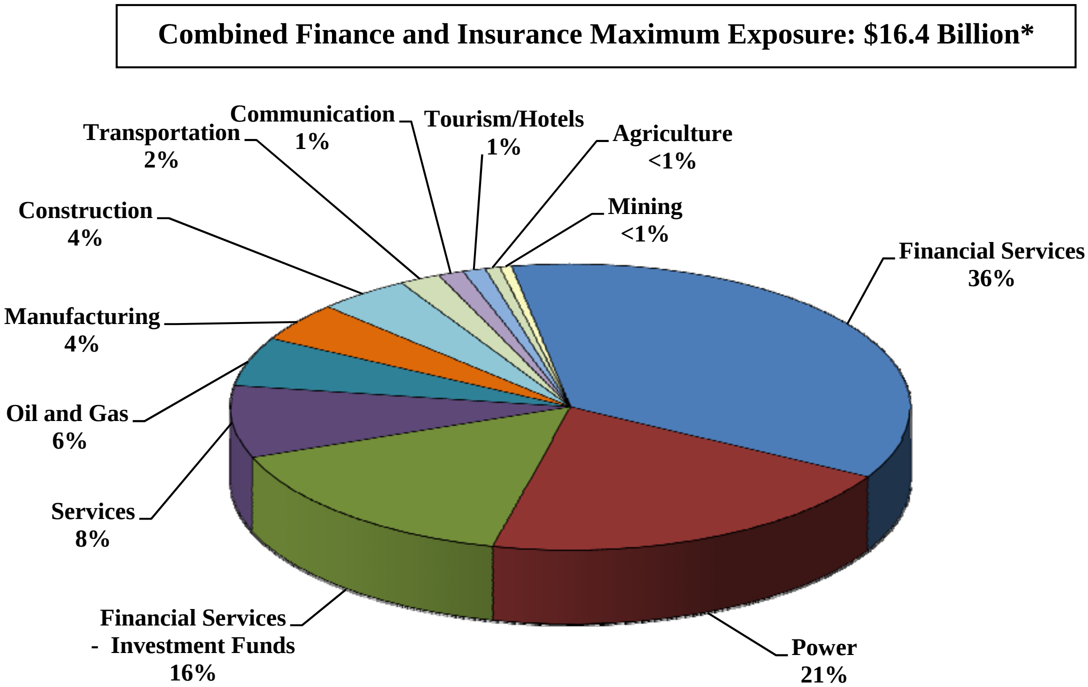


At September 30, 2012 the largest regional concentration of the combined Finance and Insurance exposure was Sub-Saharan Africa with 22 percent of the total exposure.
The second largest concentration was North Africa/Middle East with 20 percent, followed by Caribbean/Central America with 11 percent of total combined exposure. While South America has historically represented a significant share of OPIC's portfolio, due to its geographic accessibility and enormous potential for investment opportunities, Africa/Middle East now represents over 40 percent of combined exposure.

*Maximum Worldwide Exposure represents Maximum Contingent Liability (MCL) for Insurance plus all undisbursed and outstanding direct loans and loan guaranties for Finance, including deferred and accrued interest for Investment Funds. As of September 30, 2012 OPIC's combined utilization of its statutory authority for both Insurance and Finance was $16.4 billion.

Maximum Worldwide Exposure **Geographic Regions**	**September 30, 2012**
Sub-Saharan Africa	$3,742,633,125
North Africa/Middle East	$3,284,915,180
Caribbean/Central America	$1,911,072,606
Europe (Including Turkey)	$1,600,800,948
South America	$1,490,824,446
Russia and the CIS	$1,374,032,416
South Asia	$1,275,223,986
East Asia/Pacific Islands (including Regional Funds)	$1,129,292,880
Worldwide Funds	$955,676,630
Project Specific MCL Limit Adjustment	**($363,017,715)**
Total	**$16,401,454,502**

Chart 2: Industrial Sectors



The most significant industrial sector concentrations at September 30, 2012 were Financial Services at 36 percent, Power at 21 percent, and Investment Funds Financial Services at 16 percent of the total. OPIC investment funds invest in a wide variety of sectors and lending facilities that provide liquidity to various sectors.

*Maximum Worldwide Exposure represents Maximum Contingent Liability (MCL) for Insurance plus all undisbursed and outstanding direct loans and loan guaranties for Finance, including deferred and accrued interest for Investment Funds. As of September 30, 2012 OPIC's combined utilization of its statutory authority for both Insurance and Finance was $16.4 billion.

Maximum Worldwide Exposure	
Industrial Sectors	**September 30, 2012**
Financial Services	$5,888,243,299
Power	$3,368,242,518
Financial Services – Investment Funds	$2,555,686,685
Services	$1,335,352,689
Oil and Gas	$909,590,511
Manufacturing	$722,594,025
Construction	$716,509,521
Transportation	$320,086,196
Communication	$199,170,847
Tourism/Hotels	$178,258,910
Agriculture	$116,750,387
Mining	$90,968,914
Total	**$16,401,454,502**

Financial Position

($ thousands)	9/30/2008	9/30/2009	9/30/2010	9/30/2011	9/30/2012
Cash	554,818	549,470	566,172	707,257	1,076,559
Treasury Securities	4,767,168	4,898,512	5,049,091	5,188,527	5,320,325
Total Cash and Securities	$ 5,321,986	$ 5,447,982	$ 5,615,263	$ 5,895,784	$ 6,396,884
Capital and Reserves:					
Allowances	166,578	144,382	205,428	294,131	364,521
Reserves	925,291	976,421	925,229	848,331	767,320
Statutory Reserves	4,056,366	4,162,212	4,245,006	4,407,200	4,572,881
Capital	50,000	50,000	50,000	50,000	50,000
Retained Earnings	-	-	-	-	-
Total Reserves	$ 5,198,235	$ 5,333,015	$ 5,425,663	$ 5,599,662	$ 5,754,722

OPIC's securities portfolio was built with fees collected s from OPIC clients over the years and reinvested interenst income and principal. By statute, OPIC can only invest in U.S. Treasury securities.

VII. Report on Improper Payments

NOVEMBER 2012

REPORT ON IMPROPER PAYMENTS
FISCAL YEAR 2012

In accordance with Office of Management and Budget (OMB) guidance on the implementation of the Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, OPIC's review of its programs and activities confirms that the agency has adequate internal controls in place over program and administrative disbursements to ensure that the risk of improper payments is extremely low.

OPIC has two principal programs that result in disbursements: the finance program and the political risk insurance program. OPIC's finance program disbursements consist of direct loan disbursements in which OPIC disburses funds to a borrower, and guaranties of third party disbursements under OPIC investment guaranties. OPIC also disburses funds in the event of investment guaranty or political risk insurance claim payments.

In FY 2012, OPIC's direct loan disbursements and approvals for third party disbursements under OPIC guaranties averaged sixteen transactions per month. Each disbursement request goes through a clearance process that requires the signature of the Project Officer, the Project Attorney, a Director from the requesting Department, the Director of Credit Policy, and the Director of Financial Management. Projects with a Risk Rating of Substandard or worse are also cleared by the Associate General Counsel for Special Assets. Clearances for disbursements are received subsequent to due diligence, statutory review, and management approval of the project.

OPIC's vendor payment process includes controls that ensure obligations are in place before vendor disbursements can be made. The majority of OPIC's vendor disbursements must be approved by: the requesting department's budget officer, who ensures funds have been obligated; the official who requested the goods or services and certifies that the goods or services have been received; and the requesting official's supervisor.

Based on the number of OPIC programs, the relatively small number of annual disbursements, the multiple clearances required for each disbursement, and the internal controls in place for all disbursements, OPIC's programs and activities have a very low risk of improper payments.