ANNUAL MANAGEMENT REPORT OF THE

OVERSEAS PRIVATE INVESTMENT CORPORATION

FOR FISCAL YEARS 2016 AND 2015

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

OVERSEAS PRIVATE INVESTMENT CORPORATION

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

OFFICE OF THE
PRESIDENT

November 15, 2016

On behalf of the Overseas Private Investment Corporation, I am pleased to provide you with the Corporation's Annual Management Report and Financial Statements, which provides important information about the Corporation and its finances.

I am pleased that OPIC has successfully received another unmodified audit opinion. OPIC continued to grow its portfolio while prudently managing exposures and risks through a combination of investment in core systems, bolstered governance, and targeted business development.

In FY 2016, OPIC had combined total exposure of $21.5 billion – the largest portfolio ever for the Corporation. OPIC generated net deficit reduction for the U.S. Government of $239 million while maintaining corporate reserves of $5.69 billion in Treasury securities. FY 2016 marks the 39th consecutive year that OPIC has reduced the deficit. OPIC achieved these financial results by adding new commitments of $3.69 billion in development financing and political risk insurance to its diverse portfolio.

These FY 2016 achievements are a testament to the value OPIC brings to U.S. taxpayers as a small agency that engages the private sector through its effective, scalable business model using the revenues it earns to cover the costs of its operations and making a contribution to deficit reduction.

We welcome any questions you may have, and we look forward to working with you in Fiscal Year 2017.

Sincerely,

Elizabeth L. Littlefield

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

MANAGEMENT'S DISCUSSION & ANALYSIS

MISSION

The Overseas Private Investment Corporation is the U.S. Government's development finance institution. OPIC was created in 1969 under the Foreign Assistance Act of 1961 (FAA), as amended, as an agency of the U.S. Government 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 private capital to help address critical development challenges and in doing so, advance U.S. foreign policy and national security priorities. Because OPIC works with the U.S. private sector, it helps U.S. businesses gain footholds in emerging markets, catalyzing revenues, jobs and growth opportunities both at home and abroad. OPIC achieves its mission by providing investors with financing, political risk insurance, and support for private equity investment funds, when commercial funding cannot be obtained elsewhere. OPIC operates on a self-sustaining basis at no net cost to American taxpayers.

All OPIC projects adhere to high environmental and social standards and respect human rights, including worker's rights. By mandating high standards, OPIC aims to raise the industry and regional standards in countries where it funds projects. OPIC services are available for new and expanding business enterprises in more than 160 countries worldwide.

With FY 2016, OPIC completed its 39th consecutive year of generating negative outlays for the U.S. taxpayer while executing on its mission of development finance. Overall the agency produced $3.69 billion in finance and insurance and reduced the deficit to the benefit of the Treasury, by $239 million.

As of September 30, 2016 the Corporation had combined total exposure of $21.5 billion or, 74% of a total authorized exposure limit of $29 billion. This is the largest portfolio ever for the Corporation. Consistent with OPIC's legislated limitation, this amount includes undisbursed commitments (obligations) and maximum contingent liability under OPIC's current insurance contracts.

ORGANIZATIONAL STRUCTURE

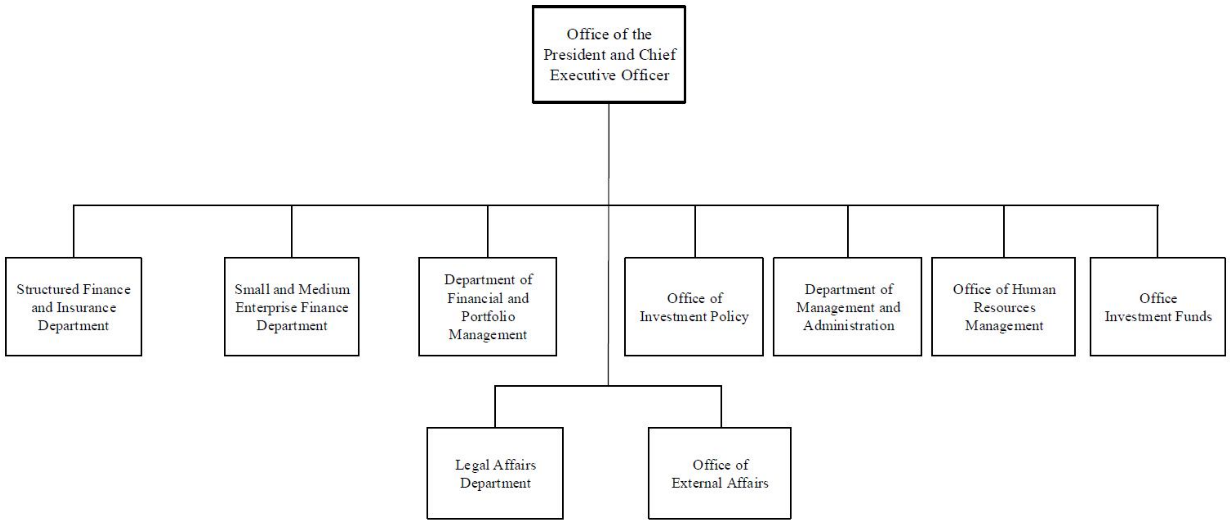
Board of Directors

OPIC's Board of Directors consists of fifteen members - eight from the private sector and seven from the federal government. At least two of the private sector directors must be experienced in small business, one must represent organized labor, and another must have experience in cooperatives. Government members include the Administrator of the Agency for International Development, the United States Trade Representative or Deputy U.S. Trade Representative, the President of OPIC, and four additional members who are senior officials of other government agencies, including the Department of Labor. All members are appointed by the President of the United States and confirmed by the Senate.

The Board of Directors, which meets four times per year, provides policy guidance to the Corporation and approves all major insurance, project finance and investment funds projects.

Executive Offices

OPIC Organization Chart



Office of the President and Chief Executive Officer – The President and CEO of the Corporation provides overall leadership, and chairs the Board of Directors. The Office includes the Senate-confirmed Executive Vice President, the Chief of Staff, and the Office of Accountability.

Office of External Affairs - The Office of External Affairs engages all of OPIC's stakeholders in Congress, the Executive Branch, and the public at large. OEA conducts outreach to potential investors, provides internal support and resources for information needs, and addresses press inquiries.

Department of Financial and Portfolio Management – This office is responsible for the financial leadership of OPIC through financial management, controls, risk and portfolio management. FPM works with Senior Management to link financial and performance information to decision-making and ensure that strong internal control remains a part of all key management processes. FPM is comprised of 6 units that together, ensure the agency maintains the highest level of stewardship over OPIC's accounting, portfolio, and risk management systems.

- Financial Management
- Budget and Resource Planning
- Credit Policy
- Portfolio Management Division
- Development Partnerships Frameworks Division
- Risk Management

Small and Medium Enterprise Finance (SMEF) - SMEF lends to small and mid-market companies in developing overseas projects. SMEF works in a wide variety of industries. Sectors that receive special emphasis are renewable energy, impact investing, housing, and microfinance.

Structured Finance and Insurance (SFI) - Structured Finance and Insurance provides financing and insurance for larger and more complex projects due to either size, complexity, or location in high-priority foreign policy areas. SFI also offers eligible investors and projects insurance or reinsurance against risks of Currency Inconvertibility, Expropriation, or Political Violence. OPIC also provides more specialized forms of insurance such as cover for capital markets, contractors, or institutional lenders with exposure in an eligible country.

Investment Funds - The Investment Funds Department supports through its lending the creation of privately owned, privately managed investment funds that make direct equity and equity-related investments in new, expanding, or privatizing companies. By providing long-term, patient growth capital and facilitating critically needed technology and management skills development, these funds act as a catalyst for private sector economic activity in the developing countries served.

Office of Human Resources Management – Provides the range of services and strategic support for OPICs key resource – its people. HRM provides for all human capital needs of the Corporation including: hiring, performance management, learning management, benefits, labor relations, and workforce planning.

Office of Investment Policy - The Office of Investment Policy (OIP) implements statutory and policy requirements on OPIC's programs and lending. OIP screens, evaluates, and monitors projects for risks to the environment, respect for worker and human rights as well as impacts on US employment and the US economy.

Legal Affairs - The Department of Legal Affairs provides in-house legal counsel and advice for all of OPIC including counsel to the Board of Directors and senior management, support for all transactions, interpretation and advice on laws, and negotiation of bilateral agreements with foreign governments.

Department of Management & Administration - The Department of Management and Administration (DMA) offers a wide variety of programs to manage the agency's facilities and assets, and provides a wide range of support services.

- Chief Information Officer
- Security, Continuity and Emergency Preparedness
- Facilities and Administrative Services
- Planning, Risk and Controls

KEY ISSUES

Summarized below are key issues to a reader of OPIC's Financial Statements. Not all matters material to the Financial Statements are discussed below.

<u>Key Challenge:</u> *Reauthorization of the Corporation* – As of September 30, 2016, the Corporation is operating under the provisions of a Continuing Resolution (Public Law 114-223), which as of this report, extends OPIC's core programs through December 9, 2016. Congress is presently considering legislation under various vehicles that would extend the authority of the Corporation for a longer period of time. Without reauthorization and appropriations, the Corporation will be unable to operate or generate net collections projected in the President's Budget.

<u>OPIC Initiative:</u> OPIC continues to work with authorizers, appropriators and the policy community to work towards reauthorization and modernization of OPIC's capabilities.

Key Challenge: *OPIC Statutory Limit and Regional Concentrations* - OPIC has a statutory maximum contingent liability limit of $29 billion per 22 USC 2195(a). OPIC must meet its mission to support the mobilization of private capital in the most challenging regions of the world at the same time remaining self-sustaining and managing its exposure under its statutory cap. In addition, OPIC must support U.S. policy objectives such as: the promotion of the availability of electricity in Africa, and economic recovery in post-conflict areas. This leads to particular concentrations of risk and exposure which OPIC must reconcile to its self-sustaining mandate.

OPIC Initiative: As of September 30, 2016, OPIC's exposure under this measure is $21.5 billion. OPIC actively monitors and manages it pipeline and exposure to balance its mission against its responsibility to operate in a self-sustaining manner. OPIC's exposure has a geographic distribution as follows.

Maximum Worldwide Exposure by Geographic Region
Maximum Contingent Liability
As of September 30, 2016
Dollars, Millions

Latin America and the Caribbean	$5,088	24%
Sub-Saharan Africa	$5,959	28%
North Africa/Middle East	$3,145	15%
Eastern Europe & NIS	$3,221	15%
Asia	$3,928	18%
Worldwide Funds	$835	4%
Stop Loss Adjustments	($673)	-3%
TOTAL	$21,503	100%
Statutory Limitation	$29,000	

Based on the depth of corporate reserves, prudent risk management, underwriting, and a diversified portfolio, the Corporation generally collects more revenue from all sources than it expends in costs, meeting a straightforward measure of its self-sustaining mandate.

Key Challenge: *Portfolio Risks* - As a lender and insurer in developing countries, OPIC faces and manages the possibility that a significant credit or insurance event affecting multiple transactions could trigger net losses in OPIC's portfolio. While unlikely, it is possible that these events could result in costs exceeding collections in a future fiscal year. However, only two of the Corporation's 45 years resulted in the Corporation expending more cash than it collected. The Corporation and its governing legislation anticipates this risk by (1) budgeting and accounting for risks in the credit portfolio through the Federal Credit Reform Act of 1990 (2) drawing on OPIC's long experience with managing any losses then mitigating them through recoveries, and (3) counterbalancing any potential event with OPIC's actual cumulative record, and $5.6 billion in reserves held in Treasury securities.

OPIC Initiative: *Risk Governance and Management* – OPIC management has been working for the last several years on new methods and processes to better manage risk – ranging from more detailed accounting under the Federal Credit Reform Act of 1990, to new financial risk analysis platforms, to a more comprehensive Enterprise-wide risk process at OPIC. Management's investments in risk analytics, processes, and operational risk management will enable the

Corporation to continue its development mission even while protecting the taxpayer and contributing to the deficit reduction through self-sustaining operations.

Key Challenge: *Relationship of Collections to Appropriations* – OPIC's resources are appropriated from its own earnings and not from the General Fund of the U.S. Treasury. These resources are used to staff and support the teams which conduct, underwrite, monitor, support and account for transactions. Under current programs, transactions on average generate more income than they use – producing income which is credited during the appropriations process. All else equal, to the extent that appropriations proposed by the President's Budget are not enacted as requested, then the Corporation will lack the staff and systems to generate projected collections and to properly support the portfolio.

OPIC Initiative: OPIC carefully screens its projects so as to focus its limited resources on the most valued-added and mission-relevant projects. OPIC works with its appropriators, the Office of Management and Budget, and its existing flexibilities to ensure it has the resources necessary to manage and support its existing portfolio and OPIC works within its legislative authorities to maximize the resources available for its use.

PERFORMANCE GOALS, OBJECTIVE, AND RESULTS

By charging fees and focusing on sustainable projects, OPIC operates at no net cost to the Treasury or taxpayer. Since the agency's establishment in 1971, OPIC has generated cumulative results of operations of $5.7 billion.

OPIC continued to be a net contributor to the budget and to operate on a self-sustaining basis, even as it deployed additional capital in an environment that continues to remain financially challenging. OPIC refocused its origination and partnering in response to new clean energy targets.

The following table summarizes the Corporation's performance measures for the Government Performance and Results Act. The strategic goals represent steps towards enhancing the operating environment.

GPRA Strategic Goal	Strategic Objective	Performance Plan Outputs and Outcomes	FY 2015		FY 2016		FY 2017
			Target	Actual	Target	Actual	Target (Assuming Current Law)
Grow Portfolio Impact	Aim for high development impact	Projects with development scores evidencing impact[1]	50	55	50	37	50
	Increase commitments	Millions of dollars in finance and insurance project commitments	$3,000	$4,386	$3,500	$3,691	$3,500
Increase Environmental Benefit	Maintain focus on renewable resources and energy efficiency	Millions of dollars in finance and insurance commitments in projects that are dedicated to renewable resources and energy efficiency	$1,000 or 1/3 total commitments	$1,039	$1,000 or 1/4 total commitments	$504	---
	Minimize GHG emissions across portfolio	Millions of tons of CO_2 emitted by projects in the OPIC portfolio[2]	36		36		36

OPIC provides significant development benefits in fulfillment of its mission. OPIC's reporting under Section 240 of the Foreign Assistance Act highlights several measures. Listed below are FY 2015 results available as of this report:

Projected Development Impacts of New FY 2015 Projects

Managerial, Professional and Technical Jobs*	7,931
Unskilled labor*	11,665
Initial host country procurement	$6.6billion
Host country operational procurement*	$1.9 billion
Net annual taxes, revenues, duties paid to the host country*	$110 million
Annual host country current account impact	
Exports generated & imports replaced*	$4.4 billion
Project-related imports	$25 million

* Average annual amount projected over a 5-year period

[1] Number of projects that receive a score in the range of 60-100 are considered highly developmental.
[2] Targets are based on an anticipated reduction in CO2 emissions, from 2008 baseline levels by 2018.

FINANCIAL STATEMENTS

The accompanying FY 2016 financial statements have been prepared in accordance with generally accepted accounting principles in the United States applicable to federal agencies. The format of the financial statements and footnotes are in accordance the form and content guidance provided in Circular A-136, Financial Reporting Requirements, issued by the Office of Management and Budget (OMB). Circular A-136 details the financial data required to be disclosed, the assertions and reviews over financial information that must be performed and suggests the presentation of such information.

Overview of Financial Position

In accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994, OPIC prepared financial statements, which include the Balance Sheet, Statement of Net Cost, Statement of Change in Net Position, and the Statement of Budgetary Resources.

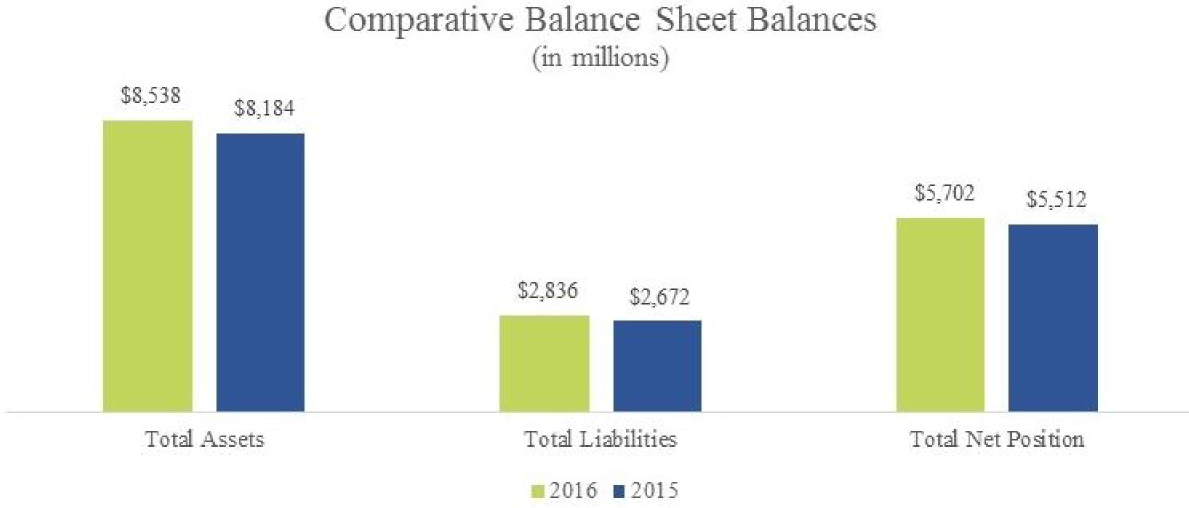
Table of Key Measures *(in thousands)*

BALANCE SHEET: SUMMARY DATA	2016	2015	Percent Change
Fund Balance with Treasury	$ 583,907	$ 551,414	6%
Investments	5,694,214	5,641,528	1%
Credit Program Receivable, Net	1,885,988	1,621,848	16%
Negative Loan Guarantee Liability	370,442	361,205	3%
Other Assets	3,862	8,363	(54)%
Total Assets	**$ 8,538,413**	**$ 8,184,358**	**4%**
Borrowings from Treasury	2,490,911	2,157,350	15%
Downward Reestimate Payable to Treasury	236,202	393,962	(40)%
Unearned Revenue	101,719	114,202	(11)%
Other Liabilities	7,213	6,655	8%
Total Liabilities	**2,836,045**	**2,672,169**	**6%**
Total Net Position	**5,702,368**	**5,512,189**	**3%**
Total Liabilities and Net Position	**$ 8,538,413**	**$ 8,184,358**	**4%**

STATEMENT OF NET COST: SUMMARY DATA	2016	2015	Percent Change
Gross Costs	53,124	(16,528)	(421)%
Less: Earned Revenue	(263,227)	(253,139)	4%
Net Cost of Operations	**$ (210,103)**	**$ (269,667)**	**(22)%**

STATEMENT OF BUDGETARY RESOURCES: SUMMARY DATA	2016	2015	Percent Change
Unobligated Balance from Prior Year Budget Authority	6,051,136	5,908,452	2%
Appropriations	392,367	387,561	1%
Borrowing Authority	2,102,325	1,731,125	21%
Spending Authority from Offsetting Collections	658,212	876,371	(25)%
Total Budgetary Resources	**$ 9,204,040**	**$ 8,903,509**	**3%**

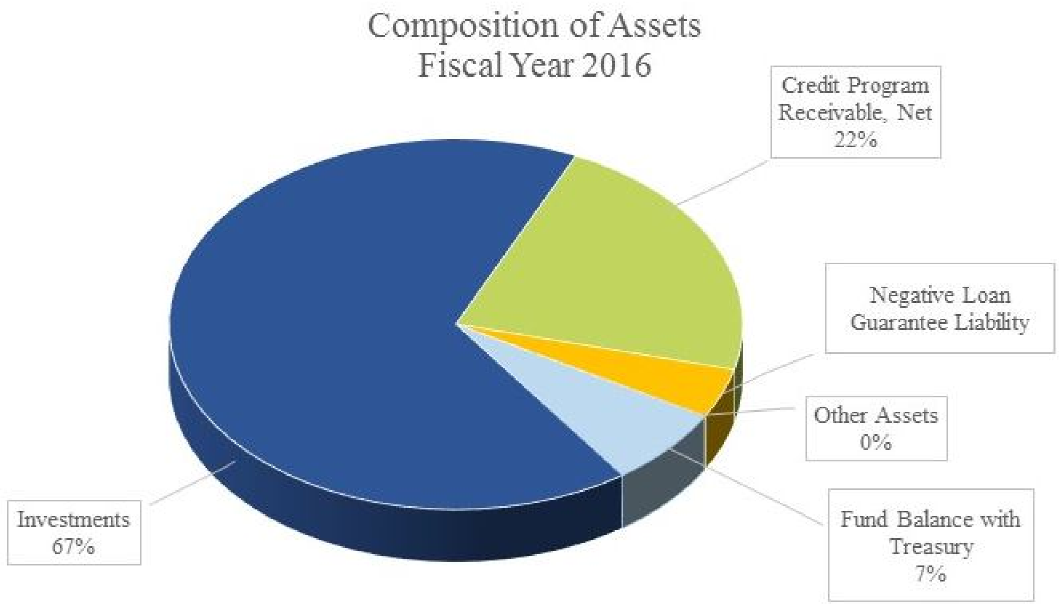
Balance Sheet
The balance sheet is a representation of OPIC's financial condition at the end of the fiscal year. It shows the resources available to meet its statutory requirements (Assets); the amounts it owes that will require payment from the available resources (Liabilities); and, the difference between Assets and Liabilities is OPIC's Net Position.



Assets
At the end of FY 2016 and 2015, OPIC held $8.54 billion and $8.18 billion in assets respectively. The majority of OPIC's assets are Fund Balance with Treasury (FBWT), Investments in Securities, and Loans Receivables. The Balance Sheet separately identifies intragovernmental assets from all other assets. The largest category of assets is investments at $5.69 billion, which represents 67% of all OPIC assets.

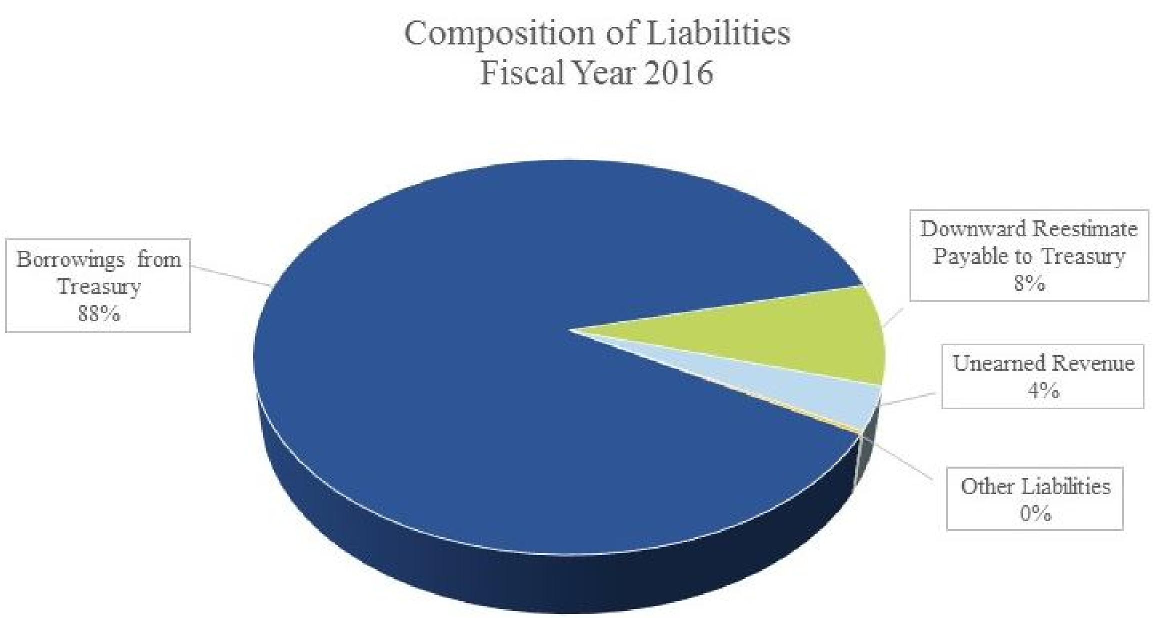
Fund Balance with the U.S. Treasury: The Fund Balance with the U.S. Treasury increased by $32 million from $551 million at September 30, 2015 to $584 million at September 30, 2016. This 6% increase is primarily attributed to the net effect of new direct loan disbursements, principal, interest and fee collections, and interest on Treasury investments.

Credit Program Receivable, Net: Loans Receivable increased by $264 million from $1.62 billion at September 30, 2015 to $1.89 billion at September 30, 2016. This is driven primarily by $579 million in direct loan disbursements, offset by a $308 million of repayments and other adjustments.



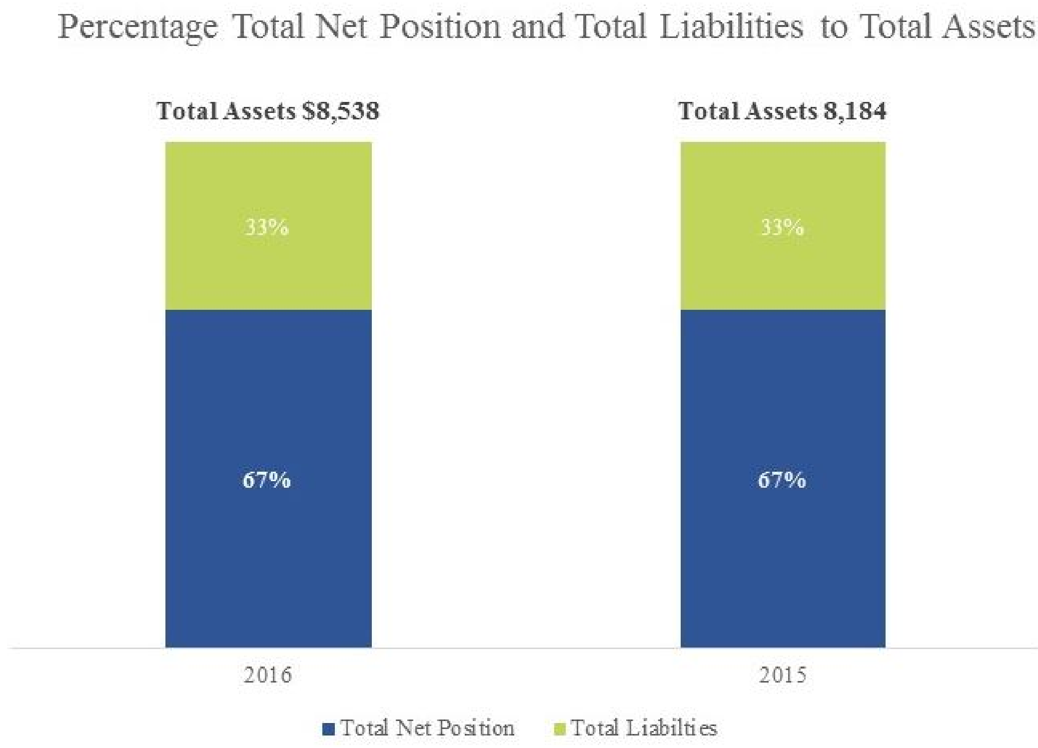
Liabilities
OPIC liabilities, or amounts owed from past transactions or events, were $2.84 billion and $2.67 billion as of and for the years ended September 30, 2016 and 2015 respectively. The bulk of these liabilities are $2.49 billion in borrowings used to fund credit transactions and $236 million in downward reestimates payable.

Borrowings from the U.S. Treasury: Borrowings from the U.S. Treasury increased $334 million from $2.16 billion at the end of fiscal year 2015 to $2.49 billion as of September 30, 2016. The net increase is attributable to borrowings required to fund increased credit program receivables.



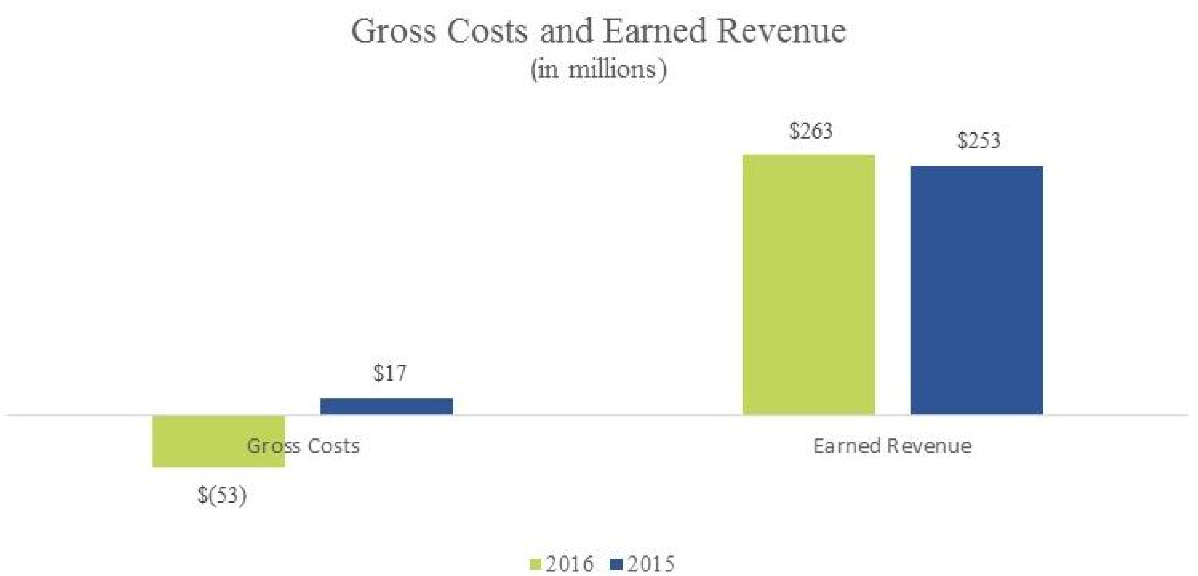
Net Position

OPIC's Net Position represents the difference between assets and liabilities. Changes in OPIC net position results from changes that occur within the Cumulative Results of Operations. Cumulative Results of Operations were $5.70 billion and $5.51 billion as of September 30, 2016 and 2015, respectively. OPIC's Net Position as of September 30, 2016 represents 67% of Total Assets.



Statement of Net Cost

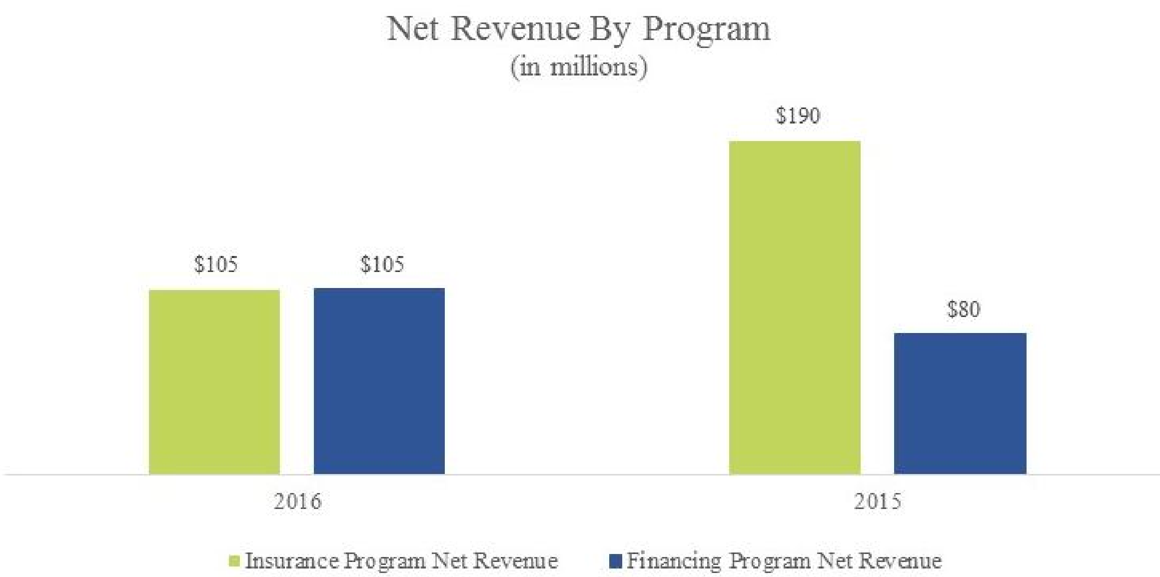
As mentioned, OPIC's Statement of Net Costs follows generally accepted accounting principles in the United States applicable to federal agencies. The statement of net cost typically captures the use of appropriated funds and measures the program costs to the taxpayer. OPIC has historically operated in a "negative net cost" to the taxpayer and routinely contributes to the overall reduction of the budget deficit. OPIC's net excess revenue over cost for FY 2016 was $210 million. Subject to the appropriations process, some of the funds were used to cover administrative and program expenses.



The main driver of the Statement of Net Cost is the accrual and execution of annual re-estimates of subsidy expense/income. OPIC incurred negative subsidy costs of $182 million in FY 2016, and a net increase of $2 million for execution of FY 2015 subsidy reestimates.

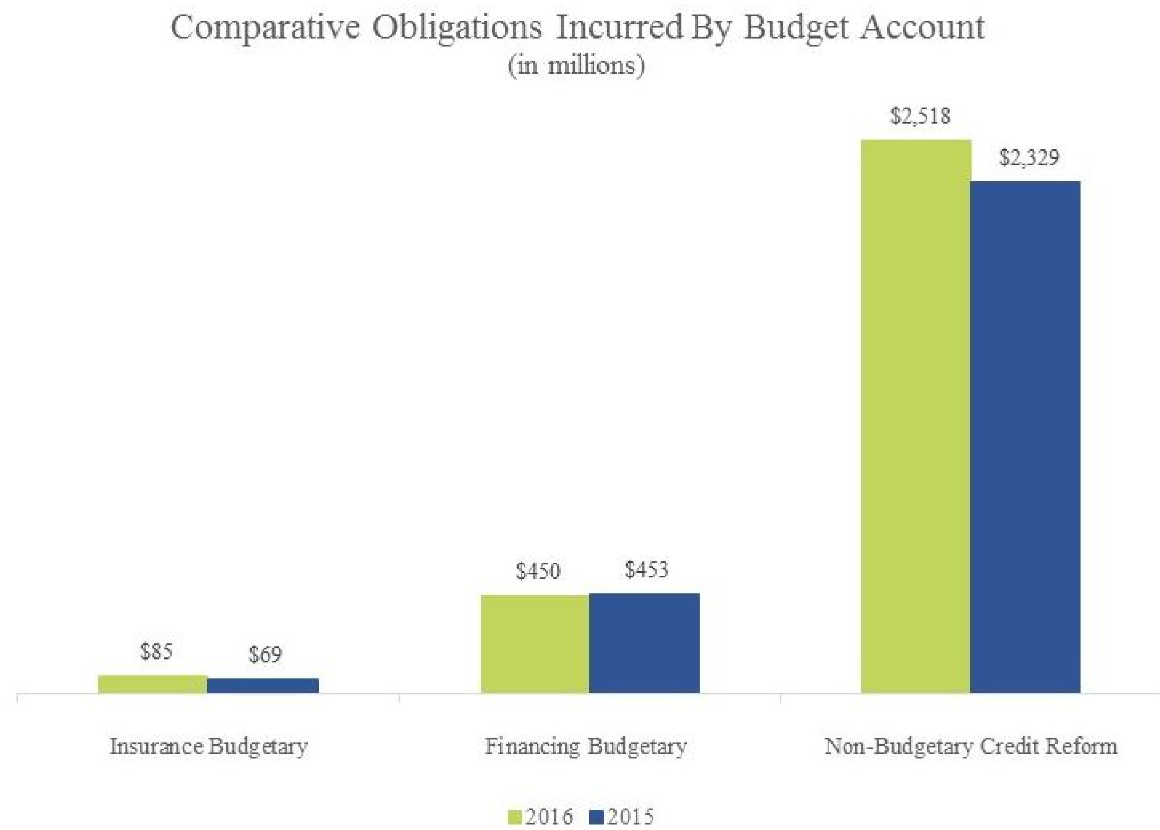
Fees and interest collections flow through the Statement of Net Cost. However, they have no impact as these subsidy related fees are fully offset in the provision for credit losses in the Balance Sheet.

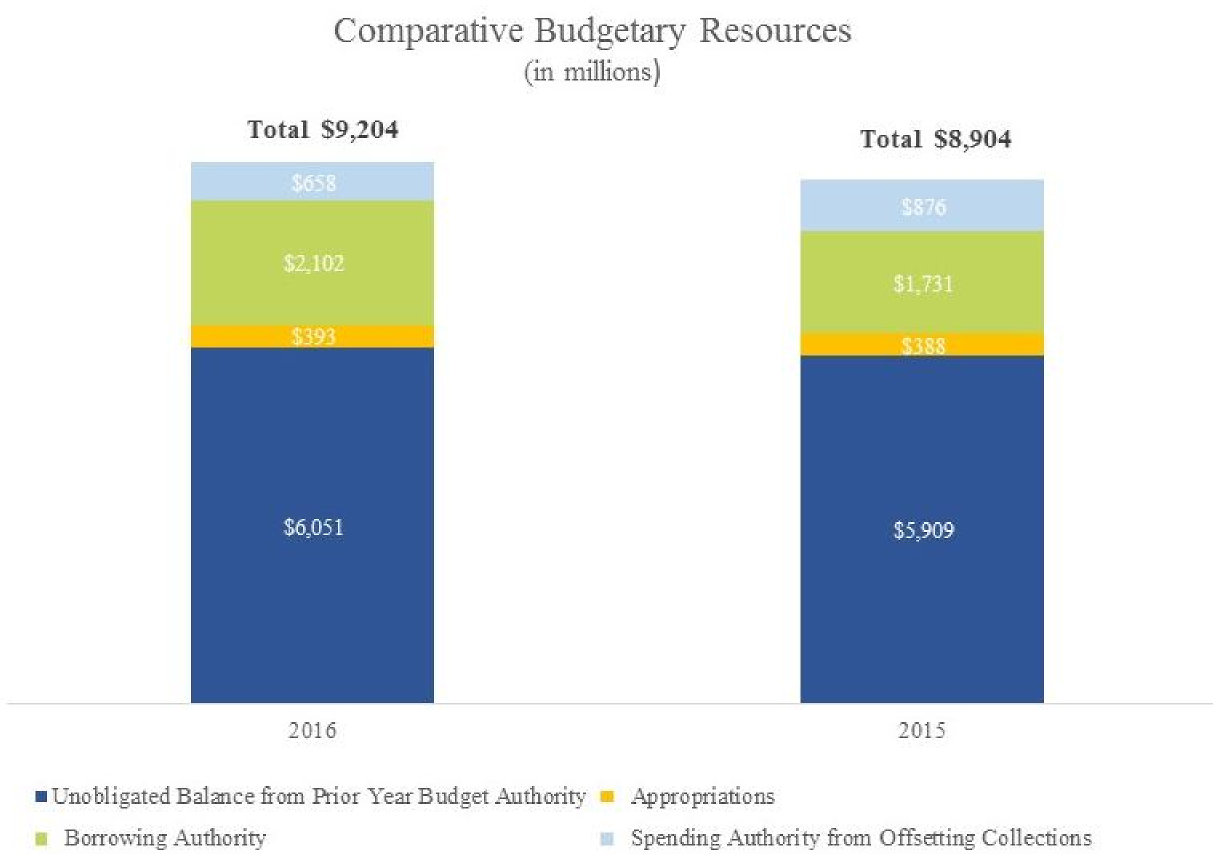
Net Insurance Program Costs: Insurance program activities in this statement represent premiums earned by the political risk insurance program as well as revenue from reserves invested in Treasury securities, net of administrative expenses. Net Insurance Program Costs were negative $105 million and negative $190 million as of September 30, 2016 and 2015 respectively.



Statement of Budgetary Resources
In accordance with Federal statutes and implementing regulations, OPIC may incur obligations and make payments to the extent it has budgetary resources to cover such items. The Statement of Budgetary Resources (SBR) presents the sources of OPIC's budgetary resources, their status at the end of the year, obligated balances, and the relationship between its budgetary resources and the outlays made against them. Obligations represent direct loan commitments, related positive and negative subsidy commitments, contractual commitments and other reservations of funds.

OPIC's obligated balances increased by $401 million to $3.43 billion from $3.03 billion as of September 30, 2016 and 2015, respectively.


Comparative Obligations Incurred By Budget Account
(in millions)
$85
$69
$450
$453
$2,518
$2,329
Insurance Budgetary
Financing Budgetary
Non-Budgetary Credit Reform
2016
2015


Comparative Budgetary Resources
(in millions)
Total $9,204
$658
$2,102
$393
$6,051
Total $8,904
$876
$1,731
$388
$5,909
2016
2015
Unobligated Balance from Prior Year Budget Authority
Appropriations
Borrowing Authority
Spending Authority from Offsetting Collections

Significant Factors Influencing Financial Results
The most significant factor that determines OPIC's financial results and condition is a change in the risk level of OPIC's loan, guarantee and insurance portfolio, and the adjustment to the allowance for credit losses that must be made to reflect the change in risk. The level of risk of individual credits or groups of credits may change in an unexpected manner as a result of international financial, economic and political events. Consequently, significant and unanticipated changes in OPIC's allowance for credit losses may occur in any year.

The major risks to OPIC in its credit portfolio are repayment risk and market risk, other risks include operational risk.

Repayment Risk: In fulfilling its mission to mobilize and facilitate the participation of United States private capital in the economic and social development of less developed countries and areas, OPIC must balance the risks associated with assuming credit and country risks that the private sector is unable or unwilling to accept with the requirement of reasonable assurance of repayment for its credit authorizations. Repayment risk is the risk that a borrower will not pay according to the original agreement and OPIC may eventually have to write-off some or all of the obligation. Repayment risk is primarily composed of:

- Credit Risk: The risk that a borrower may not have sufficient funds to service its debt or may not be willing to service its debt even if sufficient funds are available.
- Political Risk/Country Risk: The risk that payment may not be made to OPIC, its guaranteed lender, or its insured as a result of expropriation of the obligor's property, war, or inconvertibility of the borrower's currency into U.S. dollars.
- Market Risk: Risks stemming from the nature of the markets in which OPIC operates. Principal components of market risk are:
    - Concentration Risk: Risks from the composition of the credit portfolio as opposed to risks related to specific borrowers. OPIC has the following concentration risks:
    - Industry: The risk that events could negatively impact not only one company but many companies simultaneously in the same industry.
    - Geographic Region Concentration: The risk that events could negatively impact not only one country but many countries simultaneously in an entire region.
    - Borrower Concentration: The risk stemming from portfolio concentration with one or a few borrowers such that a default by one or more of those borrowers will have a disproportionate impact.
    - Foreign-Currency Risk: Risk stemming from an appreciation or depreciation in the value of a foreign currency in relation to the U.S. dollar in OPIC transactions.
- Interest Rate Risk: OPIC makes fixed-rate loan commitments prior to borrowing to fund loans and takes the risk that it will have to borrow the funds at an interest rate greater than the rate charged on the credit.
- Operational Risk: Operational risk is the risk of material losses resulting from human error, system deficiencies and control weaknesses. To mitigate the risk of loss stemming from operational dysfunctions, OPIC has established a strong internal control environment that is reviewed by an independent internal auditor and has included process documentation, proper supervisory monitoring and technology access/edit controls.

Other Management Information

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of OPIC, pursuant to the requirements of 31 USC 3515(b). While the statements have been prepared from the books and records of the entity in accordance with GAAP for Federal entities and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

ANALYSIS OF SYSTEMS, CONTROLS, AND LEGAL COMPLIANCE

STATEMENT OF ASSURANCE

The OPIC President and CEO's Annual Assurance Statement follows below. To support this statement and to meet the requirements of applicable law and OMB Guidance in Circular A-123, OPIC conducts assessments of its programs and systems.

OVERSEAS PRIVATE INSURANCE CORPORATION
ASSURANCE STATEMENT

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) management is responsible for establishing and maintaining effective internal control and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act (FMFIA). OPIC conducted its assessment of the effectiveness of internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations in accordance with OMB Circular A-123, Management's Responsibility for Internal Control. Based on the results of this evaluation, OPIC can provide reasonable assurance that its internal control over the effectiveness and efficiency of operations and compliance with applicable laws and regulations as of September 30, 2016 was operating effectively and no material weaknesses were found in the design or operation of the internal controls.

In addition, OPIC conducted its assessment of the effectiveness of internal control over financial reporting, which includes safeguarding of assets and compliance with applicable laws and regulations, in accordance with the requirements of Appendix A of OMB Circular A-123. Based on the results of this evaluation, OPIC can provide reasonable assurance that its internal control over financial reporting as of June 30, 2016 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Elizabeth L. Littlefield
President and Chief Executive Officer

INTERNAL CONTROLS

During FY 2016, OPIC performed its internal control assessment over financial reporting using the risk-based testing approach that was adopted by OPIC's Board of Directors Audit Committee. Under this approach, seven of the agency's thirteen key business processes identified by management were tested using the guidelines in OMB's Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control.* 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).*

OPIC assessed approximately 120 key controls in the following 7 business processes:

- Finance - Direct Loans and Loan Guarantees;
- Investment Funds;
- Credit Reform;
- Insurance;
- Budget;
- Travel Management; and
- Purchases and Payables.

No 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 of control occurrence and standard operating procedures.

LEGAL COMPLIANCE

Anti-Deficiency Act

OPIC maintains compliance with the Anti-Deficiency Act (codified as amended in 31 U.S.C. §§ 1341, 1342, 1351, 1517) through several tiers of process and system controls to maintain funds control. Apportionments are developed in consultation with OMB, designed to provide OPIC's funds consistent with OPIC's authorities in appropriations and authorization legislation.
Once funds are apportioned, OPIC's Financial Management unit establishes funds controls in the Oracle financial system. All obligations are centralized in the Oracle system, and through those processes, OPIC maintains control of its funding.

Federal Credit Reform Act of 1990

The Credit Reform Act (Public Law 101-508) establishes the accounting, budgeting, analysis, and display of loans and guarantees. Credit Reform is therefore central to the budgetary and financial operation of the Corporation and its operations with Treasury.

The Corporation maintains several key processes and platforms in support of its Credit Reform Implementation. The Corporation maintains data and modeling capabilities for each stage of the life cycle of Credit Reform implementation from budgetary formulation, to obligation, and throughout actual execution. Lending records and operations are maintained in an Oracle extension with direct integration to Oracle Government Financials. In Fiscal Year 2016, the Corporation continued implementation of new risk tools and enhanced re-estimates, which provides higher resolution data for management of the portfolio and reporting to Treasury and OMB.

CliftonLarsonAllen LLP
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

Chief Executive Officer
Overseas Private Investment Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Overseas Private Investment Corporation (OPIC), which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of net cost and changes in net position, the combined statements of budgetary resources for the years then ended, and the related notes to the financial statements (financial statements).

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the U.S.; 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. 15-02*, Audit Requirements for Federal Financial Statements* (OMB Bulletin 15-02). Those standards and OMB Bulletin 15-02 require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

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, 2016 and 2015, and its net costs, changes in net position, and budgetary resources for the years then ended, in accordance with accounting principles generally accepted in the U.S.

Required Supplementary Information

Accounting principles generally accepted in the U.S. require that OPIC's Management Discussion and Analysis (MD&A), Combining Statement of Budgetary Resources and Risk Assumed Information be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by Federal Accounting Standards Advisory Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to this information in accordance with auditing standards generally accepted in the U.S., which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audits of the financial statements. We do not express an opinion or provide any assurance on this information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The other information contained under the headings of "Internal Controls, Legal Compliance and Report on Improper Payments" is presented for purposes of additional analysis and is not a required part of the financial statements or RSI. This information has not been subjected to the auditing procedures applied in the audits of the financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Report on Internal Control over Financial Reporting and on Compliance Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

Report on Internal Control over Financial Reporting

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

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 OPIC's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Accounting and Reporting for Defaulted Guaranteed Loans Need Improvement

In fiscal year 2016, we found that OPIC did not have a process in place to reclassify amounts which represent the difference between the face value and present value of defaulted guaranteed loans upon their assignment to OPIC. Federal accounting standards on preparing subsidy estimates[1] require that all future cash flows (e.g. claims, fees and recoveries) from guaranteed loans be valued at their discounted present value and presented as a Liability for Loan Guarantees on the balance sheet. Upon default, guaranteed loans are to be recorded as a credit program receivable at their discounted present value. The corresponding allowance should be transferred from the Liability for Loan Guarantee account to the Allowance for Subsidy account concurrently.

Additionally, we found OPIC lacked financial reporting monitoring controls to ensure that the value of its defaulted guaranteed loans were properly disclosed and reported separately from direct loans in their footnotes. The accompanying financial statements have been reclassified to properly disclose the gross and net value of defaulted guaranteed loans and related activity. Further, OPIC management found that the agency's core financial management system is not currently programmed to record this type of transaction without manual intervention.

We recommend OPIC management: 1) modify their general ledger transaction system coding and processes to properly record the net value of defaulted guaranteed loans upon their acquisition and 2) enhance their financial reporting controls to adequately ensure substantial compliance with federal financial reporting requirements.

[1] *Federal Financial Accounting and Auditing Technical Release 6: Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act – Amendments to Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies Under the Federal Credit Reform Act*

Report on Compliance with Laws, Regulations, Contracts and Grant Agreements

As part of obtaining reasonable assurance about whether OPIC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements noncompliance with which could have a direct effect on the determination of material financial statement amounts and disclosures. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards* or OMB Bulletin 15-02.

Management's Responsibility for Internal Control and Compliance

Management is responsible for (1) evaluating the effectiveness of internal control over financial reporting based on criteria established under the Federal Managers Financial Integrity Act (FMFIA), (2) providing a statement of assurance on the overall effectiveness on internal control over financial reporting, and (3) complying with other applicable laws, regulations, contracts, and grant agreements.

Auditors' Responsibilities

We are responsible for obtaining a sufficient understanding of internal control over financial reporting to plan the audit and testing compliance with certain provisions of laws, regulations, contracts and grant agreements.

We did not evaluate all internal controls relevant to operating objectives as broadly established by the FMFIA, such as those controls relevant to preparing statistical reports and ensuring efficient operations. We limited our internal control testing to testing controls over financial reporting. 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, regulations, contracts and grant agreements applicable to OPIC. We limited our tests of compliance to certain provisions of laws, regulations, and contracts noncompliance with which could have a direct effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. We caution that noncompliance may occur and not be detected by these tests and that such testing may not be sufficient for other purposes.

Purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance

The purpose of the Report on Internal Control over Financial Reporting and the Report on Compliance sections of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of OPIC's internal control or on compliance. These reports are an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OPIC's internal control and compliance. Accordingly, these reports are not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Arlington, Virginia
November 15, 2016

OVERSEAS PRIVATE INVESTMENT CORPORATION

Financial Statements

As of and for the Years Ended

September 30, 2016 and 2015

OVERSEAS PRIVATE INVESTMENT CORPORATION
BALANCE SHEET
As of September 30, 2016 and 2015

(*in thousands)*	2016	2015
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 583,907	$ 551,414
Investments (Note 3)	5,694,214	5,641,528
Accounts Receivable, Net (Note 4)	8	357
Total Intragovernmental	6,278,129	6,193,299
With the Public:		
Accounts Receivable, Net (Note 4)	1,627	4,231
Credit Program Receivable, Net (Note 5)	1,885,988	1,621,848
Negative Loan Guarantee Liability (Note 5)	370,442	361,205
Property and Equipment, Net (Note 6)	2,206	3,747
Advances	21	28
Total Assets	$ 8,538,413	$ 8,184,358
Liabilities (Note 7)		
Intragovernmental:		
Borrowings from Treasury (Note 8)	$ 2,490,911	$ 2,157,350
Downward Reestimate Payable to Treasury (Note 9)	236,202	393,962
Other Liabilities (Note 12)	243	179
Total Intragovernmental	2,727,356	2,551,491
With the Public:		
Unearned Revenue (Note 10)	101,719	114,202
Insurance Program Liabilities (Note 11)	128	0
Other Liabilities (Note 12)	6,842	6,476
Total Liabilities	2,836,045	2,672,169
Net Position		
Cumulative Results of Operations	5,702,061	5,512,189
Unexpended Appropriations	307	0
Total Net Position	5,702,368	5,512,189
Total Liabilities and Net Position	$ 8,538,413	$ 8,184,358

The accompanying notes are an integral part of these statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION
STATEMENT OF NET COST
For the years ended September 30, 2016 and 2015

(in thousands)	2016	2015
Insurance Program		
Gross Costs (Note 14)		
Operating Costs	$ 55,133	$ 32,824
Insurance Claim Recovery	(500)	(60,492)
Total Gross Costs	54,633	(27,668)
Less: Earned Revenue	(160,079)	(162,660)
Net Insurance Program Costs	(105,446)	(190,328)
Financing Program		
Gross Costs		
Operating Costs	117,053	123,349
Subsidy Costs/(Reduction)	(170,004)	(316,266)
Future Funded Costs/(Reduction)	51,442	204,057
Total Gross Costs	(1,509)	11,140
Less: Earned Revenue	(103,148)	(90,479)
Net Financing Program Costs	(104,657)	(79,339)
Net Cost of Operations	$ (210,103)	$ (269,667)

The accompanying notes are an integral part of these statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION
STATEMENT OF CHANGES IN NET POSITION
For the years ended September 30, 2016 and 2015

(in thousands)	2016	2015
Cumulative Results of Operations		
Beginning Balance	$ 5,512,189	$ 5,373,313
Budgetary Financing Sources		
Appropriations Used	393,060	387,561
Transfers In/Out Without Reimbursement	4,400	400
Other Financing Sources (Non-exchange)		
Imputed Financing	586	758
Offset to Non-entity Collections	(418,277)	(519,510)
Total Financing Sources	(20,231)	(130,791)
Net Cost of Operations	210,103	269,667
Net Change	189,872	138,876
Cumulative Results of Operations	$ 5,702,061	$ 5,512,189
Unexpended Appropriations		
Appropriations Received	392,367	387,561
Appropriations Transferred In	1,000	0
Appropriations Used	(393,060)	(387,561)
Total Unexpended Appropriations	307	0
Net Position	$ 5,702,368	$ 5,512,189

The accompanying notes are an integral part of these statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION
COMBINED STATEMENT OF BUDGETARY RESOURCES
For the years ended September 30, 2016 and 2015

(in thousands)	2016 Budgetary	2016 Non-Budgetary Credit Reform Financing Accounts	2015 Budgetary	2015 Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources				
Unobligated Balance Brought Forward, October 1	$ 5,660,373	$ 392,052	$ 5,547,975	$ 1,315,693
Recoveries of Prior Year Unpaid Obligations	16,131	821,052	9,599	590,390
Other Changes in Unobligated Balance	5,900	(844,372)	26,464	(1,581,669)
Unobligated Balance from Prior Year Budget Authority, Net	5,682,404	368,732	5,584,038	324,414
Appropriations	392,367	0	387,561	0
Borrowing Authority	0	2,102,325	0	1,731,125
Spending Authority from Offsetting Collections	195,941	462,271	211,343	665,028
Total Budgetary Resources	$ 6,270,712	$ 2,933,328	$ 6,182,942	$ 2,720,567
Status of Budgetary Resources				
New obligations and upward adjustments (total) (Note 15)	$ 534,873	$ 2,517,728	$ 522,569	$ 2,328,515
Unobligated Balance, End of Year				
Apportioned, unexpired accounts	35,133	-	56,020	7,761
Unapportioned, unexpired accounts	5,660,258	415,600	5,576,712	384,291
Unexpired unobligated balance, end of year	5,695,391	415,600	5,632,732	392,052
Expired unobligated balance, end of year	40,448	-	27,641	-
Unobligated Balance, end of year (total)	5,735,839	415,600	5,660,373	392,052
Total Budgetary Resources	$ 6,270,712	$ 2,933,328	$ 6,182,942	$ 2,720,567
Change in Obligated Balance				
Unpaid Obligations, Brought Forward, October 1	$ 98,368	$ 3,062,583	$ 96,008	$ 2,436,176
Obligations Incurred	534,873	2,517,728	522,569	2,328,515
Gross Outlays	(530,261)	(1,299,155)	(510,610)	(1,111,718)
Recoveries of Prior Year Unpaid Obligations	(16,131)	(821,052)	(9,599)	(590,390)
Unpaid Obligations, End of Year	86,849	3,460,104	98,368	3,062,583
Uncollected Customer Payments, Federal Sources Brought Forward, October 1	(56,281)	(74,636)	(44,454)	(69,920)
Change in Uncollected Customer Payments from Federal Sources	(2,922)	17,648	(11,827)	(4,716)
Uncollected Customer Payments from Federal Sources, End of Year	(59,203)	(56,988)	(56,281)	(74,636)
Memorandum (non-add) entry				
Obligated Balance, Start of Year	42,087	2,987,947	51,554	2,366,256
Obligated Balance, End of Year (Net)	$ 27,646	$ 3,403,116	$ 42,087	$ 2,987,947
Budget Authority and Outlays (Net)				
Budget Authority, Gross	$ 588,308	$ 2,564,596	$ 598,904	$ 2,396,153
Actual Offsetting Collections	(193,519)	(988,459)	(225,580)	(845,492)
Change in Uncollected Customer Payments	(2,922)	17,648	(11,827)	(4,716)
Recoveries of prior year paid obligations	500	-	26,064	-
Budget Authority (Net)	$ 392,367	$ 1,593,785	$ 387,561	$ 1,545,945
Outlays, Gross	$ 530,261	$ 1,299,155	$ 510,610	$ 1,111,718
Actual Offsetting Collections	(193,519)	(988,459)	(225,580)	(845,492)
Distributed Offsetting Receipts	-	(576,038)	-	(719,261)
Agency Outlays, Net	$ 336,742	$ (265,342)	$ 285,030	$ (453,035)

The accompanying notes are an integral part of these statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Established in 1971, the Overseas Private Investment Corporation (OPIC) is a self-sustaining United States (U.S.) Government corporation created under the Foreign Assistance Act of 1961, as amended. OPIC facilitates U.S. private investment in developing countries and emerging market economies, primarily by providing direct loans, loan guarantees, and political risk insurance.

B. Basis of Accounting and Presentation

The format of the financial statements and footnotes are presented in accordance with the form and content guidance provided in OMB Circular A-136, *Financial Reporting Requirements*. OPIC's financial statements are presented on the accrual and budgetary basis of accounting in accordance with U.S. GAAP promulgated by the Financial Accounting Standards Advisory Board (FASAB). 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. Budgetary accounting recognizes the legal commitment or obligation of funds in advance of the proprietary accruals and facilitates compliance with legal constraints and controls over the use of federal funds. The accompanying Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position have been prepared on an accrual basis. The Statement of Budgetary Resources has been prepared in accordance with budgetary accounting rules.

Significant intra-agency transactions and balances have been eliminated from the principal statements for presentation on a consolidated basis, except for the Statement of Budgetary Resources, which is presented on a combined basis in accordance with OMB Circular No. A-136, *Financial Reporting Requirements*. As such, intra-agency transactions have not been eliminated from the Statement of Budgetary Resources.

Certain prior year amounts in the Balance Sheet, Statement of Budgetary Resources, and footnotes have been reclassified to conform to the current year presentation.

C. 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 as of the date the financial statements, and the reported amounts of revenue and expenses during the reporting period. OPIC management makes assumptions and uses estimates to prepare the financial statements based upon the facts that exist when the statements are prepared. Actual results may differ from those estimates.

The largest estimates are a result of the Federal Credit Reform Act of 1990 (FCRA) requirements. FCRA underlies the proprietary and budgetary accounting treatment of direct loans and loan guarantees. The long-term cost to the government for direct loans and loan guarantees, other than for general administration of the programs, is referred to as "subsidy cost." Under FCRA, direct loan and loan guarantee subsidy costs are determined as the estimated net present value of the future projected cash flows and obligated at the time the loan is approved. Future projected cash flows are developed from assumptions that include, but are not limited to, collections, repayments, default rates, and prevailing interest rates. OPIC recognizes the sensitivity of its projections to certain assumptions and therefore continually reviews the structure and functionality of its credit reform models to reflect the most accurate information at the date of the financial statements. Subsidy costs are reestimated on an annual basis.

Other estimates made by management are reflected in the liability for insurance programs. The loss experience of OPIC's Political Risk Insurance Program is characterized by high impact low frequency events. Due to the high number of variables that influence projection of the ultimate payments to cover insurance liabilities, actual incurred losses and loss adjustment expenses may not conform to the assumptions inherent in the estimation of the liability.

D. Fund Balance with Treasury

Fund balance with Treasury (FBWT) is the aggregate amount of funds in OPIC's accounts with Treasury. Treasury processes cash receipts and disbursements on OPIC's behalf to pay liabilities and finance authorized purchases, and OPIC's accounting records are reconciled with those of Treasury on a regular basis. OPIC's fund balance with Treasury includes all of its general, revolving, and deposit funds. (See Note 2, Fund Balance with Treasury).

E. Investments

Investments are in U.S. Treasury securities and 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 (See Note 3, Investments).

F. Property and Equipment, Net

OPIC'S property and equipment consists of general-purpose equipment used by the agency, leasehold improvements made to office spaces leased by OPIC, assets acquired under capital lease, internal use software, and, when applicable, internal-use software development costs for projects in development. OPIC capitalizes property and equipment at historical cost for acquisitions exceeding $5,000 that have an estimated useful life of two years or more. OPIC expenses property and equipment acquisition that do not meet the capitalization criteria when purchased, as well as normal repairs and maintenance. The cost of property and equipment acquired under a capital lease is the amount recognized as a liability for the capital lease at its inception. Depreciation and amortization of property and equipment 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 (See Note 6, Property and Equipment, Net).

G. Federal Employee Benefits

Leave

Employee annual leave is accrued as it is earned and reduced as leave is taken. Each year the balance of accrued annual leave is adjusted to reflect current pay rates as well as forfeited "use or lose" leave. Amounts are reported as unfunded to the extent current or prior year appropriations are not available to fund annual leave earned but not taken. Sick leave and other types of non-vested leave are expensed as taken.

Employee Health and Life Insurance Benefits

OPIC employees may choose to participate in the contributory Federal Employees Health Benefit and the Federal Employees Group Life Insurance programs. OPIC matches a portion of the employee contributions to each program. Such matching contributions are recognized as current operating expenses.

Employee Pension Benefits

OPIC employees participate in either the Civil Service Retirement System or the Federal Employees Retirement System (FERS) and Social Security. These systems provide benefits upon retirement and in the event of death, disability or other termination of employment and may also provide pre-retirement benefits. They may also include benefits to survivors and their dependents, and they may contain early retirement or other special features. OPIC's contributions to both retirement plans, as well as to the government-wide Federal Insurance Contribution Act, administered by the Social Security Administration, are recognized as current operating expenses. Federal employee benefits also include the Thrift Savings Plan. For FERS employees, OPIC matches employee contributions to the plan, subject to limitations. The matching contributions are recognized as current operating expenses.

Imputed Financing Costs

OPIC recognizes the full cost of providing all employee benefits and future retirement benefits, including life and health insurance, at the time employee services are rendered. Eligible retired OPIC employees can continue to participate in health and life insurance plans. The cost of these benefits is funded through Agency contributions, employee compensation to the extent withheld from employee and retiree pay, from matching of employee withholding for Thrift Savings Plan and Federal Insurance Contributions Act (FICA), and by the Office of Personnel Management (OPM) which administers the retirement programs for OPIC employees. The OPM calculates imputed costs as the actuarial present value of future benefits attributed to services rendered by covered employees and eligible retired OPIC employees during the accounting period, net of the amounts contributed by employees, retirees and the Agency. OPIC recognizes these imputed costs in the statement of net cost and imputed financing in the statement of changes in net position.

Federal Employees' Compensation Act

The Federal Employees' Compensation Act provides income and medical cost protection to covered federal civilian employees injured on the job and to beneficiaries of employees whose deaths are attributable to job-related injury or disease. The FECA program is administered by the Department of Labor. The Department of Labor pays valid claims as they occur, which are billed to OPIC annually and funded and paid approximately 15 months later. The Department of Labor also calculates an estimated actuarial liability for future benefits based upon historical experience and other economic variables.

H. Insurance Program

The Insurance Program liability represents claims incurred but not reported, resulting from insured events that have occurred as of the reporting date and from claims submitted but not yet paid. The amount recognized in the balance sheet is a liability known with certainty; plus, an accrual for a contingent liability to be recognized when an existing condition, situation, or set of circumstances involving uncertainty is resolved. Possible losses are determined when one or more future events occur or fail to occur; a future outflow or other sacrifice of resources becomes probable, and the future outflow or sacrifice of resources is measurable.

I. Commitments and 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.

NOTE 2: FUND BALANCE WITH TREASURY

Treasury processes cash receipts and disbursements on OPIC's behalf to pay liabilities and finance authorized purchases. The fund balance with Treasury includes general, revolving, and deposit funds in OPIC's accounts. The general fund is used for subsidy and reestimates, revolving funds are used for operating expenses and OPIC's finance and insurance programs, and deposit funds are for taxes withheld on payments to contractors. OPIC's fund balance with Treasury accounts are reconciled with those of Treasury on a regular basis. At September 30, 2016 and September 30, 2015, there were no unreconciled differences between Treasury records and balances reported on OPIC's general ledger. The fund balance with Treasury as of September 30, 2016 and 2015 consists of the following:

(in thousands)	2016	2015
Fund Balances:		
Revolving Funds	$ 448,075	$ 419,875
General Funds	135,832	131,536
Deposit Funds	-	3
Total	$ 583,907	$ 551,414
Status of Fund Balance with Treasury:		
Unobligated Balance Available	$ 467,685	$ 456,296
Obligated Balance not yet Disbursed	116,222	95,115
Non-Budgetary Fund Balance with Treasury	-	3
Total	$ 583,907	$ 551,414

OPIC's fund balance with Treasury is classified as unobligated balance available, obligated balance not yet disbursed, and non-budgetary fund balance with Treasury. Unobligated available balances represent amounts that are apportioned for obligation in the current fiscal year and unexpired appropriations available for incurring new obligations. Obligated balances not yet disbursed include undelivered orders or orders received but not yet paid. Non-budgetary fund balance with Treasury includes unavailable receipt accounts, and clearing accounts that do not have budget authority.

NOTE 3: INVESTMENTS

By statute, OPIC is authorized to invest funds derived from fees and other revenues related to its insurance programs in U.S. Treasury Marketable Securities. Investments are carried at face value, net of unamortized discount or premium, and are held to maturity. Premiums or discounts are amortized using the effective yield method. Interest income is calculated daily and paid semi-annually by Treasury on June 30th and December 31st. OPIC financial statements include accrued interest earned through September 30th. OPIC has the ability and intent to hold its investments until maturity or until the carrying cost can be otherwise recovered. The composition of investments and amortized cost at September 30, 2016 and 2015 is as follows:

	2016				
(in thousands)	Cost	Amortized (Premium)/ Discount	Interest Receivable	Investments, Net	Market Value
U.S. Treasury Marketable Securities:					
Notes	$ 5,110,568	$ (4,458)	$ 23,585	$ 5,129,695	$ 5,265,335
Bonds	578,341	(21,836)	8,014	564,519	673,655
Total U.S. Treasury Marketable Securities	$ 5,688,909	$ (26,294)	$ 31,599	$5,694,214	$ 5,938,990

	2015				
(in thousands)	Cost	Amortized (Premium)/ Discount	Interest Receivable	Investments, Net	Market Value
U.S. Treasury Marketable Securities:					
Notes	$ 4,924,736	$ (5,345)	$ 23,223	$ 4,942,614	$ 5,027,314
Bonds	694,746	(22,891)	11,112	682,967	806,986
Bills	15,947	-	-	15,947	15,948
Total U.S. Treasury Marketable Securities	$ 5,635,429	$ (28,236)	$ 34,335	$ 5,641,528	$ 5,850,248

NOTE 4: ACCOUNTS RECEIVABLE, NET

Accounts receivable are amounts due to OPIC from the public and other Federal agencies. Receivables from the public result from maintenance fees from loans and loan guarantees, and assets acquired in insurance claims settlements. Amounts due from Federal agencies result from reimbursable agreements entered into by OPIC with other agencies to provide various services. Accounts receivable are reduced to net realizable value by an allowance for uncollectible amounts. 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, and prior loss experience. The primary components of OPIC's accounts receivable as of September 30, 2016 and 2015 are as follows:

(in thousands)	2016	2015
Intragovernmental:		
Accounts Receivable	$ 8	$ 357
With the Public:		
Accounts Receivable	1,873	1,663
Insurance Settlement	6,540	7,574
Allowance for Uncollectible Amounts	(6,786)	(5,006)
Accounts Receivable, Net	$ 1,635	$ 4,588

NOTE 5: DIRECT LOANS AND LOAN GUARANTEES, NON-FEDERAL BORROWERS

Direct Loan and Loan Guarantee Programs

The Federal Credit Reform Act of 1990 (FCRA) governs direct loans made after fiscal year 1991. FCRA loans are valued at the present value of expected future cash flows, discounted at the interest rate of U.S. Treasury Marketable Securities. The subsidy allowance represents the difference between the outstanding loans receivable balance and the net present value of the estimated cash flows of the loans over their remaining term. The subsidy allowance is subtracted from the outstanding loans receivable balance to obtain the net loans receivable balance. FCRA also governs loan guarantees made after fiscal year 1991. The Loan Guarantee Liability is determined by calculating the net present value of expected future cash flows for outstanding guarantees in a manner similar to that used to determine the subsidy allowance for direct loans. Loan guarantee liability can be positive or negative and if negative is reported as an asset on the Balance Sheet. Guaranteed loans acquired by OPIC upon borrower total or partial default are established as loans receivable and are valued in a similar manner as direct loans under FCRA.

Budgetary Accounting for Loan Programs

OPIC's loan disbursements are financed by Agency self-funded appropriation authority for long-term loan subsidy cost and borrowings from Treasury for the remaining non-subsidized portion of the loans. The Congress may authorize one year, multi-year or no year appropriation authority to cover the estimated long-term costs of the loan programs. The non-subsidized portion of each loan disbursement, financed initially under permanent indefinite authority to borrow funds from Treasury, is repaid from collections of loan fees, repayments and default recoveries. Permanent indefinite authority is available to fund any reestimated increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimated reductions of subsidy costs are returned to Treasury and are unavailable to OPIC. As required by the Federal Credit Reform Act of 1990, OPIC uses budgetary "program accounts" to account for appropriation authority in its credit programs and non-budgetary "financing accounts" to account for credit program cash flow. Estimates and reestimates of credit program subsidy expenses are recorded in OPIC's program accounts.

Non-Budgetary Credit Reform Financing Accounts

Actual cash flows for direct loan and loan guarantee programs are recorded in separate Credit Reform financing accounts within Treasury. These accounts borrow funds from Treasury, make direct loan disbursements, pay claims on guaranteed loans, collect principal, interest, and fees from borrowers, earn interest from Treasury on any uninvested funds, pay interest expense on outstanding borrowings and transfer negative subsidy to Treasury's general fund receipt account. New subsidy funded from OPIC's non-credit spending authority and appropriated upward subsidy re-estimates are received in program accounts and transferred to financing accounts. The budgetary resources and activities for these accounts are presented separately in the Statement of Budgetary Resources and the Budget of the United States as non-budgetary since these funds are excluded from the determination of the budget deficit or surplus. OPIC also has the authority to collect and retain fees in the non-budgetary credit reform financing accounts designated for oversight and due diligence of the portfolio management.

Subsidy Funding under Federal Credit Reform

FCRA requires that the credit subsidy costs of direct loans and loan guarantees be expensed in the year loans are disbursed. The credit subsidy cost is the net present value of expected cash inflows and outflows over the life of a guaranteed loan, or the difference between the net present value of expected cash flows and the face value of a direct loan. The cost expressed as a percentage of loans disbursed is termed the subsidy rate. OPIC receives annual authority from Congress to self-fund its credit program subsidy. In accordance with FCRA, subsidy costs are reestimated annually.

Interest Receivable

Interest receivable is comprised of accrued interest on loans receivable (direct loans and defaulted loan guarantees). Initial unpaid interest on defaulted loan guarantees that OPIC acquires with the loan, is treated as part of the principal of the loan receivable. Interest income is accrued at the contractual rate on the outstanding principal. Purchased interest is carried at cost.

Valuation Methodology for Direct Loans and Loan Guarantees

OPIC estimates future cash flows for direct loans and loan guarantees using economic and financial credit subsidy models. OPIC's models vary in the specific methodologies employed to forecast future program cash flows. In general, however, models for all major credit programs use historical data as the basis for assumptions about future program performance and then translate these assumptions into nominal cash flow estimates by applying rules about program structure. Nominal cash flow forecasts are discounted using both forecasted and actual Treasury interest rates.

Historical data is used as the basis for program performance assumptions. The historical data undergoes quality review and analysis prior to its use in developing model assumptions. Key input to the subsidy models varies by program and includes items such as:

- Contractual terms of the loan or guarantee such as loan amount, interest rate, maturity and grace period
- Borrower characteristics
- Loan performance assumptions, such as default and recovery rates
- Loan fee rates

OPIC's rating methodology for its subsidy reestimates is based on industry best practices and the expert judgment of a panel from origination, monitoring, credit policy and risk management who worked in conjunction with Moody's Analytics. The methodology rates the portfolio risk with a consistent and standardized approach.

A. Direct Loans, Net

	2016			
(in thousands)	Loans Receivable, Gross	Fees & Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Direct Loans, Net
Direct Loans	$ 1,903,064	$ 56,249	$ (206,016)	$ 1,753,297

	2015			
(in thousands)	Loans Receivable, Gross	Fees & Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Direct Loans, Net
Direct Loans	$ 1,631,600	$ 50,938	$ (172,497)	$ 1,510,041

B. Total Amount of Direct Loans Disbursed

(in thousands)	2016	2015
Direct Loan Disbursements	$ 527,341	$ 261,838

C. Schedule for Reconciling Direct Loan Subsidy Cost Allowance

(in thousands)	2016	2015
Beginning balance of the subsidy cost allowance	$ (172,497)	$ (118,608)
Add: subsidy expense for direct loans disbursed during the year by component:		
Interest rate differential costs	976	433
Default costs (net of recoveries)	(62,788)	(28,799)
Fees and other collections	124,456	43,669
Other subsidy costs	(2,712)	(1,629)
Total of the above subsidy expense components	59,932	13,674
Adjustments:		
Fees received	(4,107)	(2,712)
Loans written off	4,265	15,458
Subsidy allowance amortization	(50,936)	(46,202)
Other	(106)	(727)
Total adjustments	(50,884)	(34,183)
Total subsidy cost allowance before reestimates	(163,449)	(139,117)
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	(7,356)	3,238
Technical reestimate (with interest)	(35,211)	(36,618)
Total reestimates	(42,567)	(33,380)
Ending balance of the subsidy cost allowance	$ (206,016)	$ (172,497)

D. Defaulted Loan Guarantees

	2016			
(in thousands)	Defaulted Loan Guarantees Receivable, Gross	Fees & Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Defaulted Loan Guarantees Receivable, Net
Defaulted Loan Guarantees	$ 157,010	$ 47,583	$ (71,902)	$ 132,691

	2015			
(in thousands)	Defaulted Loan Guarantees Receivable, Gross	Fees & Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Defaulted Loan Guarantees Receivable, Net
Defaulted Loan Guarantees	$ 80,902	$ 48,833	$ (17,929)	$ 111,806

E. Outstanding Principal of Loan Guarantees

(in thousands)	2016	2015
Loan Guarantees	$ 8,112,098	$ 7,735,076

F. New Loan Guarantees Disbursed

(in thousands)	2016	2015
Loan Guarantees	$ 1,394,847	$ 1,040,401

G. Schedule for Reconciling the Negative Loan Guarantee Liability

(in thousands)	2016	2015
Beginning balance of the negative loan guarantee liability	$ 361,205	$ 298,266
Add: subsidy income/(expense) for guaranteed loans disbursed during the year by component:		
Default costs (net of recoveries)	(79,845)	(82,855)
Fees and other collections	194,259	179,760
Other subsidy costs	(5,937)	35
Total of the above subsidy income/(expense) components	108,477	96,940
Adjustments:		
Fees received	(180,753)	(171,156)
Actual claims paid	118,941	45,635
Loans acquired	(64,968)	(27,706)
Subsidy allowance amortization	15,126	10,608
Other	19,693	73,643
Total adjustments	(91,961)	(68,976)
Ending balance of the negative loan guarantee liability before reestimates	377,721	326,230
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	(10,248)	(32,347)
Technical reestimate (with interest)	2,969	67,322
Total of the above reestimate components	(7,279)	34,975
Ending balance of the negative loan guarantee liability	$ 370,442	$ 361,205

H. Subsidy Rates by Program and Component

	2016				
	Interest	Defaults	Fees & Other Collections	Other	Total
Direct Loans	-	9.78%	(15.59)%	-	(5.81)%
Loan Guarantees:					
Finance Guarantees	-	5.40%	(11.33)%	-	(5.93)%
Investment Funds	-	-	(10.91)%	-	(10.91)%
Limited Arbitral Award Coverage	-	3.45%	(5.99)%	-	(2.54)%
Non-Honoring of Sovereign Guarantees	-	2.51%	(8.56)%	-	(6.05)%

The subsidy rates presented above are consistent with the estimated subsidy rates published in the Federal Credit Supplement to the Budget of the U.S. Government except for differences due to rounding. The published budget formulation subsidy rates are notional, for illustrative purposes only, as OPIC estimates subsidy on a loan-by-loan basis at the time of obligation. These rates cannot be applied to the direct loans and loan guarantees disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from the disbursements of loans obligated in the current and prior fiscal years. Subsidy expense reported in the current year also includes the cost of subsidy reestimates.

I. Administrative Expenses

OPIC incurs administrative expenses to carry out its credit reform programs. This amount is determined by annual appropriation legislation and self-funded by OPIC's budget authority.

(in thousands)	2016	2015
Direct Loan and Loan Guarantee Administrative Expense	$ 37,672	$ 37,672

NOTE 6: PROPERTY AND EQUIPMENT, NET

The components of property and equipment as of September 30, 2016 and 2015 are as follows:

	2016		
(in thousands)	Cost	Accumulated Depreciation	Net Book Value
With the Public:			
Property and Equipment			
Equipment	$ 4,495	$ (3,456)	$ 1,039
Leasehold Improvements	11,374	(10,301)	1,073
Internal-Use Software	9,584	(9,490)	94
Total Property and Equipment, Net	$ 25,453	$ (23,247)	$ 2,206

	2015		
(in thousands)	Cost	Accumulated Depreciation	Net Book Value
With the Public:			
Property and Equipment			
Equipment	$ 4,389	$ (3,088)	$ 1,301
Leasehold Improvements	12,550	(10,918)	1,632
Internal-Use Software	9,673	(8,859)	814
Total Property and Equipment, Net	$ 26,612	$ (22,865)	$ 3,747

NOTE 7: LIABILITIES COVERED AND NOT COVERED BY BUDGETARY RESOURCES

Liabilities of Federal agencies are classified as liabilities covered or not covered by budgetary resources. OPIC's liabilities not covered by budgetary resources primarily consist of accrued unfunded annual leave and unearned revenue. As of September 30, 2016 and 2015, liabilities not covered by budgetary resources were as follows:

(in thousands)	2016	2015
Intragovernmental Liabilities Not Covered By Budgetary Resources		
Unfunded FECA Liability	$ 13	$ 12
Total Intragovernmental Liabilities Not Covered By Budgetary Resources	13	12
Liabilities with the Public Not Covered By Budgetary Resources		
Unfunded Annual Leave	2,965	2,723
Rent Incentives and Unpaid Insurance Premiums	4,166	2,827
Actuarial FECA Liability	48	13
Total Liabilities with the Public Not Covered By Budgetary Resources	7,179	5,563
Total Liabilities Not Covered by Budgetary Resources	7,192	5,575
Total Liabilities Covered by Budgetary Resources	2,828,853	2,666,594
Total Liabilities	$ 2,836,045	$ 2,672,169

Liabilities covered by budgetary resources consist of liabilities incurred which are covered by realized budgetary resources as of the Balance Sheet date. Budgetary resources encompass not only new budget authority but also other resources available to cover liabilities for specified purposes in a given year. Available budgetary resources include: (1) new budget authority; (2) unobligated balances of budgetary resources at the beginning of the year or net transfers of prior year balances during the year; (3) spending authority from offsetting collections (credited to an appropriation or fund account); and (4) recoveries of unexpired budget authority through downward adjustments of prior year obligations. Liabilities are considered covered by budgetary resources if they are to be funded by permanent indefinite appropriations, which have been enacted and signed into law and are available for use as of the Balance Sheet date, provided that the resources may be apportioned by OMB without further action by the Congress and without a contingency having to be met first.

NOTE 8: BORROWINGS FROM TREASURY

OPIC's debt comes from direct borrowings from the U.S. Treasury to fund the portion of direct loans not covered by subsidy appropriations, disbursements of downward subsidy reestimates and pay claims in excess of the amount of subsidy and collections maintained in the non-budgetary financing funds. OPIC's debt as of September 30, 2016 and 2015 consisted of the following:

(in thousands)	2016	2015
Debt to the Treasury		
Beginning Balance	$ 2,157,350	$ 2,806,608
Net Borrowings	333,561	(649,258)
Ending Balance	$ 2,490,911	$ 2,157,350

NOTE 9: DOWNWARD REESTIMATE PAYABLE TO TREASURY

Federal credit programs are required to transfer to Treasury excess funding. OPIC cannot transfer these funds until they receive authority from OMB which will occur in the succeeding fiscal year. The balance of the downward reestimate for OPIC's finance programs as of September 30, 2016 and 2015 was $236,202 and $393,962, respectively.

NOTE 10: UNEARNED REVENUE

Unearned revenue consists of the following:

(in thousands)	2016	2015
Finance Retainer Fees and Deferred Working Capital	$ 77,886	$ 88,047
Insurance Retainer Fees and Unearned Insurance Premiums	20,066	23,618
Rent Incentives	3,767	2,537
Total Unearned Revenue:	$ 101,719	$ 114,202

OPIC may charge a retainer and other working capital fees in conjunction with each project. Working capital fees are maintained in non-budgetary financing funds. Facility fee collected in excess of $5,000 are amortized over the life of the project. Unearned insurance premiums are amortized over the coverage period.

NOTE 11: INSURANCE PROGRAM LIABILITIES

OPIC provides Political Risk Insurance for overseas investments of 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 certain instances, OPIC's requirement to pay up to the single highest coverage amount may be 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 included in Accounts Receivable net of an allowance for uncollectible amounts.

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. The Insurance Program contingent liability is $128 thousand, and zero, as of September 30, 2016, and 2015, respectively, based on pending insurance claims and the occurrence of insurable events. Recoveries on insurance claims in the amount of $500 thousand were received by OPIC as of September 30, 2016. Recoveries of $60.5 million recorded in fiscal year 2015 include the reduction of a $34.4 million contingent liability recorded in fiscal year 2014 that did not materialize into a claim, and actual insurance claim recoveries of $26.1 million.

NOTE 12: OTHER LIABILITIES

OPIC's total other liabilities as of September 30, 2016, is as follows:

	2016		
(in thousands)	Non-Current Liabilities	Current Liabilities	Total Liabilities
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	$ -	$ 230	$ 230
Unfunded FECA Liability	11	2	13
Total Intragovernmental	11	232	243
With the Public:			
Accounts Payable	-	1,509	1,509
Accrued Funded Payroll & Benefits	-	1,872	1,872
Accrued Unfunded Annual Leave	-	2,965	2,965
Liability for Deposit Funds	-	83	83
Actuarial FECA Liability	48	-	48
Capital Lease Liability	-	365	365
Total Liabilities With the Public	48	6,794	6,842
Total Other Liabilities	$ 59	$ 7,026	$ 7,085

OPIC's total other liabilities as of September 30, 2015, is as follows:

	2015		
(in thousands)	Non-Current Liabilities	Current Liabilities	Total Liabilities
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	$ -	$ 166	$ 166
Unfunded FECA Liability	3	10	13
Total Intragovernmental	3	176	179
With the Public:			
Accounts Payable	-	1,479	1,479
Accrued Funded Payroll & Benefits	-	1,453	1,453
Accrued Unfunded Annual Leave	-	2,723	2,723
Liability for Deposit Funds	-	84	84
Actuarial FECA Liability	13	-	13
Capital Lease Liability	365	359	724
Total Liabilities With the Public	378	6,098	6,476
Total Other Liabilities	$ 381	$ 6,274	$ 6,655

NOTE 13: LEASES

Capital Leases

Assets under capital lease consist of $1,271 thousand of computer equipment with associated accumulated depreciation of $508 and $254 thousand as of September 30, 2016 and 2015, respectively. OPIC leases the computer equipment under a three and one half year, lease to own agreement, which expires in March 2017. At the end of the lease agreement, OPIC will own the equipment.

The depreciation is computed using the straight-line method over a 5 years estimated useful life of the equipment. Future payments are as follows:

(in thousands) Fiscal Year	Lease Payments	
2017	$	372
After 2017		-
Total Future Lease Payments		372
Less: Imputed Interest		(7)
Net Capital Lease Liability	$	365
Capital lease liabilities covered by budgetary resources	$	365

Operating Leases

OPIC leases commercial facilities under a 15 year operating lease agreement, as amended, which expires in May 2029. Under the terms of the lease, OPIC receives interest-bearing tenant improvement allowances for space refurbishment. 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 life of the lease. Rental expense was approximately $4.8 million for fiscal years 2016 and 2015. Future rental payments are as follows, with additional adjustments tied to the consumer price index:

(in thousands) Fiscal Year	Lease Payments	
2017	$	3,299
2018		3,743
2019		2,906
2020		7,027
2021		7,202
After 2021		60,776
Total Future Lease Payments	$	84,953

NOTE 14: INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

OPIC's Statements of Net Costs lists the costs and revenues associated with each of OPIC's lines of business, namely the Insurance and Finance programs. Intragovernmental costs include interest expense paid to the Treasury related to borrowings associated with the funding of credit programs and administrative costs paid to other government agencies. Intragovernmental exchange revenues represent interest earned on U.S. Treasury Marketable Securities and interest earned on credit reform financing account balances.

(in thousands)	2016	2015
Insurance Program		
Intragovernmental Costs	$ 7,888	$ 6,489
Public Costs	46,745	(34,157)
Total Insurance Program Costs	54,633	(27,668)
Intragovernmental Earned Revenue	$ (147,163)	$ (149,021)
Public Earned Revenue	(12,916)	(13,639)
Total Insurance Program Earned Revenue	(160,079)	(162,660)
Financing Program		
Intragovernmental Costs	106,147	71,773
Public Costs	(107,656)	(60,633)
Total Financing Program Costs	(1,509)	11,140
Intragovernmental Earned Revenue	(18,138)	(28,267)
Public Earned Revenue	(85,010)	(62,212)
Total Financing Program Earned Revenue	(103,148)	(90,479)
Net Cost of/(Income) from Operations	$ (210,103)	$ (269,667)

NOTE 15: BUDGETARY RESOURCES

Permanent Indefinite Appropriations

The Federal Credit Reform Act of 1990 authorizes permanent, indefinite appropriations from Treasury, as appropriate, to carry out all obligations resulting from the financing program. Permanent indefinite authority is available to fund any reestimated increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimated reductions of subsidy costs are returned to Treasury and are unavailable to OPIC.

Section 235(c) of the Foreign Assistance Act of 1961 (FAA) established a fund which shall be available for discharge of liabilities under insurance or reinsurance or under similar predecessor authority. All valid claims arising from insurance issued by OPIC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. 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.

Borrowing Authority

OPIC is required to borrow from the U.S. Treasury's Bureau of the Fiscal Service to fund the unsubsidized portion of direct loan disbursements, and is authorized to borrow when funds are needed to disburse negative subsidy and pay claims in excess of the amount of subsidy and collections maintained in the non-budgetary financing funds. At the end of fiscal year 2016 and 2015, OPIC had $3,409 million and $2,993 million, respectively, in borrowing authority carried over to fund direct loans and pay future claims.

Apportionment Categories of Obligations Incurred

OPIC funds are apportioned in category A and B. Category A apportionments are restricted by time; category B apportionments are restricted by project. OPIC's obligations incurred can be either Reimbursable or direct. Reimbursable obligations are financed by offsetting collections received in return for goods and services provided, while direct obligations are not financed from reimbursements.

OPIC's obligations incurred by apportionment type and category, as of September 30, 2016 and 2015 consisted of the following:

Consolidated Obligations Incurred through September 30

	2016			2015		
(*in thousands*)	Category A	Category B	Total	Category A	Category B	Total
Direct	$ 61,116	$ 2,981,217	$ 3,042,333	$ 61,005	$ 2,782,932	$ 2,843,937
Reimbursable	-	10,268	10,268	-	7,148	7,148
Total Obligations	$ 61,116	$ 2,991,485	$ 3,052,601	$ 61,005	$ 2,790,080	$ 2,851,085

Undelivered Orders at the End of the Period

Undelivered Orders are substantially comprised of obligations for direct loans and related subsidy for loans awarded but not yet disbursed and obligations for goods and services ordered that have not been received. OPIC reported $3,543 million and $3,157 million of budgetary resources obligated for undelivered orders for the period ended September 30, 2016 and 2015, respectively.

NOTE 16: EXPLANATION OF DIFFERENCES BETWEEN THE STATEMENT OF BUDGETARY RESOURCES AND THE BUDGET OF THE UNITED STATES GOVERNMENT

SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, requires federal agencies and entities to explain material differences between amounts reported in the Statement of Budgetary Resources and the actual amounts reported in the Budget of the U.S. Government (the President's Budget). The FY 2018 President's Budget which presents the actual amounts for the year ended September 30, 2016, has not been published as of the issue date of these financial statements. The President's Budget is scheduled for publication in the spring of FY 2017 and can be found on the OMB website: http://www.whitehouse.gov/omb.

Balances reported in the FY 2015 Statement of Budgetary Resources and the related President's Budget are shown in a table below for *Budgetary Resources, Obligations, Distributed Offsetting Receipts*, *Net Outlays* and any related differences. The differences reported are due to differing reporting requirements for expired and unexpired appropriations between the Treasury guidance used to prepare the SBR and the OMB guidance used to prepare the President's Budget. The SBR includes both unexpired and expired appropriations, while the President's Budget discloses only unexpired budgetary resources that are available for new obligations. Additionally differences exist due to *Distributed Offsetting Receipts* reported on the SBR, but not on the President's Budget and due to rounding variances for *Budgetary Resources* and *Obligations.*

	2015			
(in millions)	Budgetary Resources	Obligations Incurred	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 8,904	$ 2,851	$ 719	$ (168)
Included in SBR, not in President's Budget				
Expired Accounts	(28)	-	-	-
Distributed Offsetting Receipts	-	-	(719)	719
Rounding	1	2	-	-
Budget of the United States Government	$ 8,877	$ 2,853	$ -	$ 551

NOTE 17: RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

(in thousands)	2016	2015
Resources used to finance activities		
Obligations Incurred	$ 3,052,601	$ 2,851,084
Spending Authority from offsetting collections and recoveries	(1,495,894)	(1,502,424)
Obligations net of offsetting collections and recoveries	1,556,707	1,348,660
Offsetting receipts	(576,038)	(719,261)
Net Obligations	980,669	629,399
Other Resources		
Imputed Financing Sources	586	758
Net Other Resources Used to Finance Activities	586	758
Total resources used to finance activities	981,255	630,157
Resources Used to Finance Items Not Part of the Net Cost of Operations		
Change in goods, services and benefits ordered but not yet received or provided	(397,847)	(611,432)
Budgetary Offsetting Collections and Receipts that do not Affect Net Cost of Operations	620,801	838,210
Resources that fund the acquisition of assets	(1,288,788)	(1,100,541)
Total Resources Used to Finance Items Not Part of the Net Cost of Operations	(1,065,834)	(873,763)
Components Requiring or Generating Resources in Future Periods		
Increase in annual leave liability	370	66
Upward/Downward reestimates of credit subsidy expense	(106,319)	4,307
Change in Receivables from the Public	(6,916)	(5,532)
Insurance Contingent Liability	128	(34,428)
Unfunded Benefits	35	10
Deferred Revenues	(12,403)	7,281
Total Components Requiring or Generating Resources in Future Periods	(125,105)	(28,296)
Costs that do not require resources in current period:		
Depreciation and amortization	1,664	2,156
Bad Debt Expense	2,814	702
Other	(4,897)	(623)
Total Costs that do not require resources in the current period	(419)	2,235
Net Cost of Operations	$ (210,103)	$ (269,667)

OVERSEAS PRIVATE INVESTMENT CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

COMBINING STATEMENT OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT
For the year ended September 30, 2016

	2016		
(in thousands)	**Insurance Budgetary**	**Financing Budgetary**	**Non-Budgetary Credit Reform Accounts**
Budgetary Resources			
Unobligated Balance Brought Forward, October 1	$ 5,595,618	$ 64,755	$ 392,052
Recoveries of Prior Year Unpaid Obligations	1,704	14,427	821,052
Other Changes in Unobligated Balance	7,938	(2,038)	(844,372)
Unobligated Balance from Prior Year Budget Authority, Net	5,605,260	77,144	368,732
Appropriations	0	392,367	0
Borrowing Authority	0	0	2,102,325
Spending Authority from Offsetting Collections	138,269	57,672	462,271
Total Budgetary Resources	$ 5,743,529	$ 527,183	$ 2,933,328
Status of Budgetary Resources			
New obligations and upward adjustments (total) (Note 15)	$ 84,730	$ 450,143	$ 2,517,728
Unobligated Balance, End of Year			
Apportioned, unexpired funds	0	35,133	0
Unapportioned, unexpired funds	5,658,750	1,508	415,600
Unexpired unobligated balance, end of year	5,658,750	36,641	415,600
Expired unobligated balance, end of year	49	40,399	0
Unobligated Balance, end of year (total)	5,658,799	77,040	415,600
Total Budgetary Resources	$ 5,743,529	$ 527,183	$ 2,933,328
Change in Obligated Balance			
Unpaid Obligations, Brought Forward, October 1	$ 34,503	$ 63,865	$ 3,062,583
Obligations Incurred	84,730	450,143	2,517,728
Gross Outlays	(86,556)	(443,705)	(1,299,155)
Recoveries of Prior Year Unpaid Obligations	(1,704)	(14,427)	(821,052)
Unpaid Obligations, End of Year	30,973	55,876	3,460,104
Uncollected Customer Payments, Federal Sources Brought Forward, October 1	(56,281)	0	(74,636)
Change in Uncollected Customer Payments from Federal Sources	(2,922)	0	17,648
Uncollected Customer Payments from Federal Sources, End of Year	(59,203)	0	(56,988)
Memorandum (non-add) entry			
Obligated Balance, Start of Year	(21,778)	63,865	2,987,947
Obligated Balance, End of Year (Net)	$ (28,230)	$ 55,876	$ 3,403,116
Budget Authority and Outlays (Net)			
Budget Authority, Gross	$ 138,269	$ 450,039	$ 2,564,596
Actual Offsetting Collections	(193,519)	0	(988,459)
Change in Uncollected Customer Payments	(2,922)	0	17,648
Recoveries of prior year paid obligations	500	0	0
Budget Authority (Net)	$ (57,672)	$ 450,039	$ 1,593,785
Outlays, Gross	$ 86,556	$ 443,705	$ 1,299,155
Actual Offsetting Collections	(193,519)	0	(988,459)
Distributed Offsetting Receipts	0	0	(576,038)
Agency Outlays, Net	$ (106,963)	$ 443,705	$ (265,342)

OVERSEAS PRIVATE INVESTMENT CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

COMBINING STATEMENT OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT
For the year ended September 30, 2015

(in thousands)	2015 Insurance Budgetary	2015 Financing Budgetary	2015 Non-Budgetary Credit Reform Accounts
Budgetary Resources			
Unobligated Balance Brought Forward, October 1	$ 5,480,056	$ 67,919	$ 1,315,693
Recoveries of Prior Year Unpaid Obligations	1,808	7,791	590,390
Other Changes in Unobligated Balance	34,143	(7,679)	(1,581,669)
Unobligated Balance from Prior Year Budget Authority, Net	5,516,007	68,031	324,414
Appropriations	0	387,561	0
Borrowing Authority	0	0	1,731,125
Spending Authority from Offsetting Collections	148,670	62,673	665,028
Total Budgetary Resources	$ 5,664,677	$ 518,265	$ 2,720,567
Status of Budgetary Resources			
New obligations and upward adjustments (total) (Note 15)	$ 69,058	$ 453,511	$ 2,328,515
Unobligated Balance, End of Year			
Apportioned, unexpired funds	19,061	36,959	7,761
Unapportioned, unexpired funds	5,576,538	174	384,291
Unexpired unobligated balance, end of year	5,595,599	37,133	392,052
Expired unobligated balance, end of year	20	27,621	-
Unobligated Balance, end of year (total)	5,595,619	64,754	392,052
Total Budgetary Resources	$ 5,664,677	$ 518,265	$ 2,720,567
Change in Obligated Balance			
Unpaid Obligations, Brought Forward, October 1	$ 37,195	$ 58,813	$ 2,436,176
Obligations Incurred	69,058	453,511	2,328,515
Gross Outlays	(69,942)	(440,668)	(1,111,718)
Recoveries of Prior Year Unpaid Obligations	(1,808)	(7,791)	(590,390)
Unpaid Obligations, End of Year	34,503	63,865	3,062,583
Uncollected Customer Payments, Federal Sources Brought Forward, October 1	(44,454)	0	(69,920)
Change in Uncollected Customer Payments from Federal Sources	(11,827)	0	(4,716)
Uncollected Customer Payments from Federal Sources, End of Year	(56,281)	0	(74,636)
Memorandum (non-add) entry			
Obligated Balance, Start of Year	(7,259)	58,813	2,366,256
Obligated Balance, End of Year (Net)	$ (21,778)	$ 63,865	$ 2,987,947
Budget Authority and Outlays (Net)			
Budget Authority, Gross	$ 148,670	$ 450,234	$ 2,396,153
Actual Offsetting Collections	(225,580)	0	(845,492)
Change in Uncollected Customer Payments	(11,827)	0	(4,716)
Recoveries of prior year paid obligations	26,064	0	-
Budget Authority (Net)	$ (62,673)	$ 450,234	$ 1,545,945
Outlays, Gross	$ 69,942	$ 440,668	$ 1,111,718
Actual Offsetting Collections	(225,580)	0	(845,492)
Distributed Offsetting Receipts	0	0	(719,261)
Agency Outlays, Net	$ (155,638)	$ 440,668	$ (453,035)

RISK ASSUMED INFORMATION

OPIC's measure of risk assumed on insurance claims is equitable to the current exposure for all policies in force, or Current Exposure to Claims (CEC). OPIC's CEC at September 30, 2016 and 2015 was $1.7 billion and $1.8 billion, respectively. OPIC's broader measure of exposure is limited to "Maximum Contingent Liability" as defined in legislation as $2.8 billion at September 30, 2016 and 2015. 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.

REPORT ON IMPROPER PAYMENTS

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 and Elimination and Recovery Act of 2010 and the Improper Payments and Elimination and Recovery Improvement Act of 2012, 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 consists of direct loans in which OPIC disburses funds to a borrower, and investment guaranties of third party disbursements. OPIC also disburses funds in the event of investment guaranty or political risk insurance claim payments and for general administrative expenses.

OPIC has established internal controls over each form of outgoing payments to prevent improper payments or to detect them in a timely manner. In FY 2016, OPIC's direct loan disbursements and approvals for third party disbursements under OPIC guaranties averaged 18 transactions per month. Each disbursement goes through a significant clearance process and projects with a Risk Rating of Substandard or worse receive additional review 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.

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 has concluded that its payment processes are not susceptible to significant improper payment risks.