ANNUAL MANAGEMENT REPORT OF THE

OVERSEAS PRIVATE INVESTMENT CORPORATION

FOR FISCAL YEARS 2018 AND 2017

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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November 9, 2018

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 prudently manage exposure and risks through a combination of investment in core systems, bolstered governance, and targeted business development.

In FY 2018, OPIC had combined total exposure of $22.8 billion. OPIC reported net costs of operations of ($149) million while maintaining corporate reserves of $5.8 billion in Treasury securities. FY 2018 marks the 41st consecutive year that OPIC's revenues have exceeded its costs thereby reducing the deficit. OPIC achieved these financial results by adding new commitments of $3.3 billion in development financing and political risk insurance to its diverse portfolio.

These FY 2018 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 2019.

Sincerely,

Ray W. Washburne

Overseas Private Investment Corporation
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Washington, D.C. 20527
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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 workers' 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 and currently has active projects in 88 countries.

With FY 2018, OPIC completed its 41st consecutive year of generating negative outlays for the U.S. taxpayer while executing on its mission of development finance. Overall, the agency produced $3.3 billion in finance and insurance commitments and reduced the deficit to the benefit of the Treasury by $116 million.

As of September 30, 2018, the Corporation had combined total exposure of $22.8 billion or, 79% of a total authorized exposure limit of $29 billion. 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.

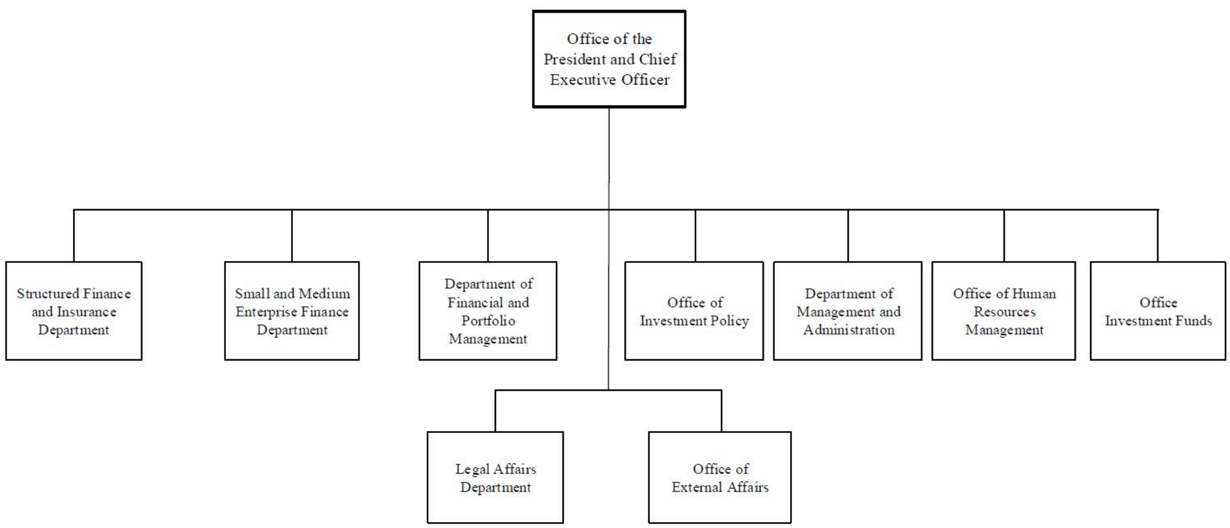
The Board of Directors, which meets four times per year, provides policy guidance to the Corporation and approves all major insurance, project finance and investment funds projects. The Board of Directors has instituted two committees to assist it in its oversight responsibilities.

Audit Committee
The Audit Committee has oversight responsibility of OPIC's financial reporting, internal control, and internal and external audit processes.

Risk Management Committee
The Risk Management Committee is responsible for reviewing, evaluating, coordinating, and making recommendations to the P&CEO and senior management on financial, credit, legal, operational, reputational, and other risks.

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.

Key Challenge: *Reauthorization of the Corporation* – As of September 30, 2018, the Corporation is operating under the provisions of a Continuing Resolution (Public Law 115-245), which as of this report, extends OPIC's core programs through December 7, 2018. Authorization for OPIC to continue operating during the remainder of fiscal year 2019 depends upon Congress enacting legislation to extend the authority of the Corporation.

OPIC Response: On October 5, 2018 the President of the United States signed the BUILD Act (Public Law 115-254) establishing the United States International Development Finance Corporation which will assume the assets and obligations of OPIC, as well as the responsibility for its programs. OPIC welcomes the creation of the new, reformed Corporation which extends the authority for OPIC's legacy programs through 2025.

Key Challenge: *Regional Concentrations* - OPIC must meet its mission to support the mobilization of private capital in the most challenging regions of the world while at the same time remaining self-sustaining and managing its exposure. In addition, OPIC must support U.S. development policy and broad national security strategy such as economic recovery in post-conflict areas. This could lead to particular concentrations of risk and exposure which OPIC must reconcile to its self-sustaining mandate.

OPIC Response: As of September 30, 2018, OPIC's exposure is $22.8 billion. OPIC actively monitors and manages its 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
As of September 30, 2018
Dollars, Millions

Latin America and the Caribbean	$6,042	26%
Sub-Saharan Africa	$5,796	25%
North Africa/Middle East	$3,509	15%
Eastern Europe & NIS	$3,229	15%
Asia	$3,731	16%
Worldwide Funds	$1,227	5%
Stop Loss Adjustments	($690)	-3%
TOTAL	$22,844	100%
Statutory Limitation	$29,000	

The Corporation meets a straightforward measure of its self-sustaining mandate through prudent risk management, sound underwriting, a diversified portfolio, and maintaining collections in excess of its revenues.

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.

OPIC Response: *Risk Governance and Management* – While the past is never a guarantee for the future, for the last 41 years of OPIC's 47-year history, collections have exceeded costs. There were only two years in the first six years of OPIC's history in which the Corporation expended more cash than it collected.

The Corporation and its governing legislation anticipates the potential risk of net losses 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 $5.8 billion in reserves held in Treasury securities.

In addition, OPIC management continues to improve its 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. Achieving projected levels of collections is dependent upon the Corporation having the budgetary resources necessary to support these activities. Under current programs, transactions on average generate more income than they use – producing income which is credited during the appropriations process.

OPIC Response: 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 $5.8 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.

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 2017 results available as of this report:

Projected Development Impacts of New FY 2017 Projects

Managerial, Professional and Technical Jobs*	11,242
Unskilled labor*	1,967
Initial host country procurement	$6.75 billion
Host country operational procurement*	$1.47 billion
Net annual taxes, revenues, duties paid to the host country*	$825.6 million
Annual host country current account impact	
Exports generated & imports replaced*	$1.84 million
Project-related imports	$0.28 million

* Average annual amount projected over a 5-year period

FINANCIAL STATEMENTS

The accompanying FY 2018 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.

Table of Key Measures *(in thousands)*

BALANCE SHEET: SUMMARY DATA	2018	2017	Percent Change
Fund Balance with Treasury	$ 960,439	$ 579,543	66%
Investments	5,828,307	5,759,429	1%
Credit Program Receivable, Net	2,688,903	2,484,543	8%
Negative Loan Guarantee Liability	153,279	250,133	(39)%
Other Assets	939	2,431	(61)%
Total Assets	**$ 9,631,867**	**$ 9,076,079**	**6%**
Borrowings from Treasury	3,475,086	3,014,833	15%
Downward Reestimate Payable to Treasury	204,271	270,295	-24%
Unearned Revenue	121,532	119,987	1%
Other Liabilities	7,123	7,118	0%
Total Liabilities	**3,808,012**	**3,412,233**	**12%**
Total Net Position	**5,823,855**	**5,663,846**	**3%**
Total Liabilities and Net Position	**$ 9,631,867**	**$ 9,076,079**	**6%**

STATEMENT OF NET COST: SUMMARY DATA	2018	2017	Percent Change
Gross Costs	101,292	43,732	132%
Less: Earned Revenue	(249,814)	(243,512)	3%
Net Cost of Operations	**$ (148,522)**	**$ (199,780)**	**(26)%**

STATEMENT OF BUDGETARY RESOURCES: SUMMARY DATA	2018	2017	Percent Change
Unobligated Balance from Prior Year Budget Authority	6,190,618	6,107,472	1%
Appropriations	376,573	282,604	33%
Borrowing Authority	724,489	945,989	(23)%
Spending Authority from Offsetting Collections	869,710	504,497	72%
Total Budgetary Resources	**$ 8,161,390**	**$ 7,840,562**	**4%**

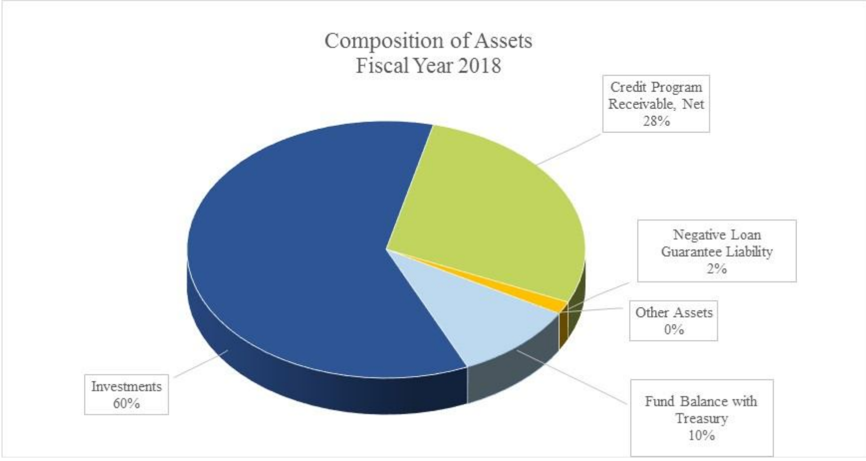
Overview of Financial Position
In accordance with the Chief Financial Officers Act of 1990 and the Government Management Reform Act of 1994, OPIC prepared financial statements, which include the Balance Sheet, Statement of Net Cost, Statement of Changes in Net Position, and the Statement of Budgetary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

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 2018 and 2017, OPIC held $9.6 billion and $9.08 billion in assets respectively. The majority of OPIC's assets are Fund Balance with Treasury (FBWT), Investments in Securities, and Credit Program Receivables. The Balance Sheet separately identifies intragovernmental assets from all other assets. The largest category of assets is investments at $5.8 billion, which represents 60% of all OPIC assets.

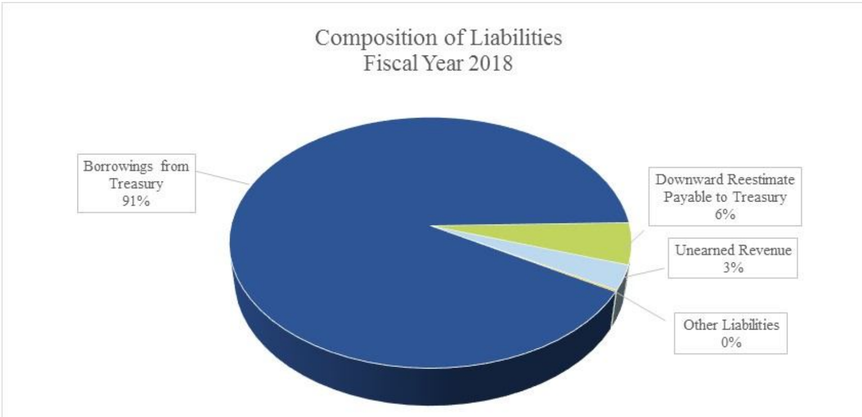
Fund Balance with the U.S. Treasury: The Fund Balance with the U.S. Treasury increased by $381 million from $580 million at September 30, 2017 to $960 million at September 30, 2018. This 66% increase is primarily attributed to the net effect of new direct loan disbursements, principal, interest and fee collections, and interest on Treasury investments.

Credit Program Receivable, Net: Loans Receivable increased by $204 million from $2.48 billion at September 30, 2017 to $2.69 billion at September 30, 2018. This is driven primarily by $392 million in direct loan disbursements, offset by repayments and other adjustments.



Liabilities
OPIC liabilities, or amounts owed from past transactions or events, were $3.81 billion and $3.41 billion as of and for the years ended September 30, 2018 and 2017 respectively. The bulk of these liabilities are $3.48 billion in borrowings used to fund credit transactions and $204 million in downward reestimates payable.

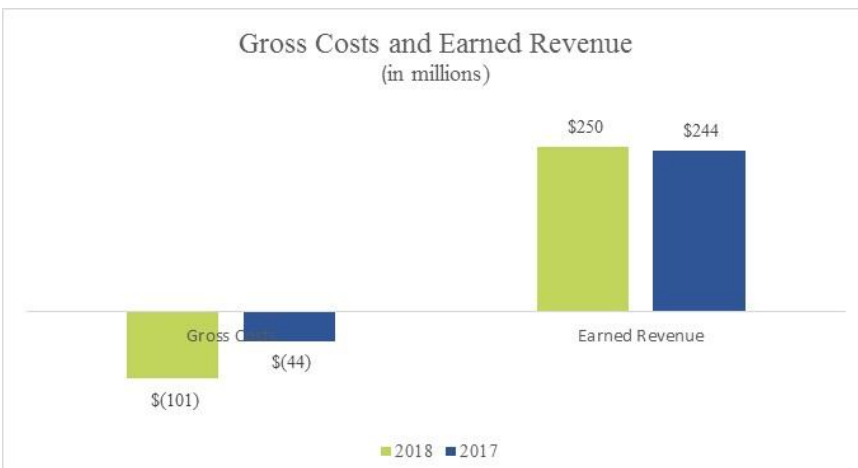
Borrowings from the U.S. Treasury: Borrowings from the U.S. Treasury increased $460 million from $3.01 billion at the end of fiscal year 2017 to $3.48 billion as of September 30, 2018. The net increase is attributable to borrowings required to fund increased credit program receivables.



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 and Unexpended Appropriations. Cumulative Results of Operations were $5.82 billion and $5.66 billion as of September 30, 2018 and 2017, respectively. Unexpended Appropriations were $4 million and $0 as of September 30, 2018 and 2017, respectively. OPIC's Net Position as of September 30, 2018 represents 60% of Total Assets.

Statement of Net Cost

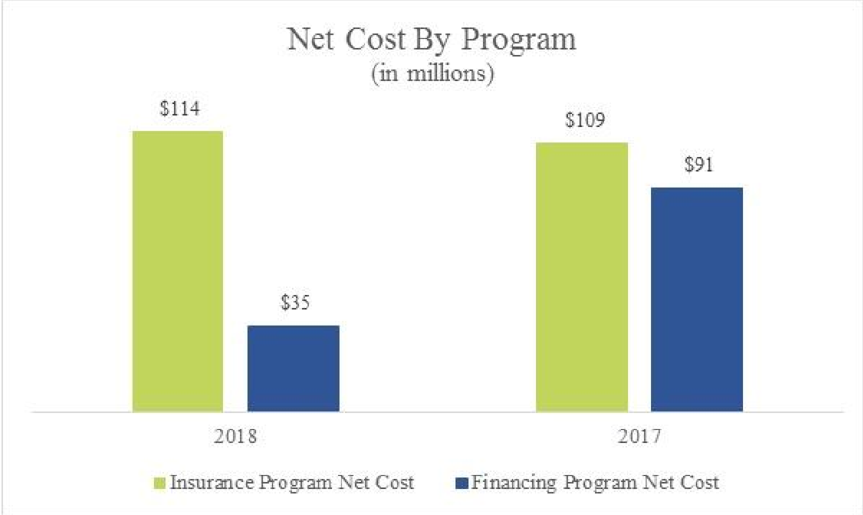
As mentioned, OPIC's Statement of Net Costs follows generally accepted accounting principles in the United States applicable to federal agencies. The statement of net cost typically captures the use of appropriated funds and measures the program costs to the taxpayer. OPIC has historically operated in 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 2018 was $149 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 recognition of subsidy costs and the accrual of annual reestimates of subsidy expense/income. In FY 2018 OPIC incurred net negative subsidy costs of $150 million and a net upward subsidy reestimate of $75 million.

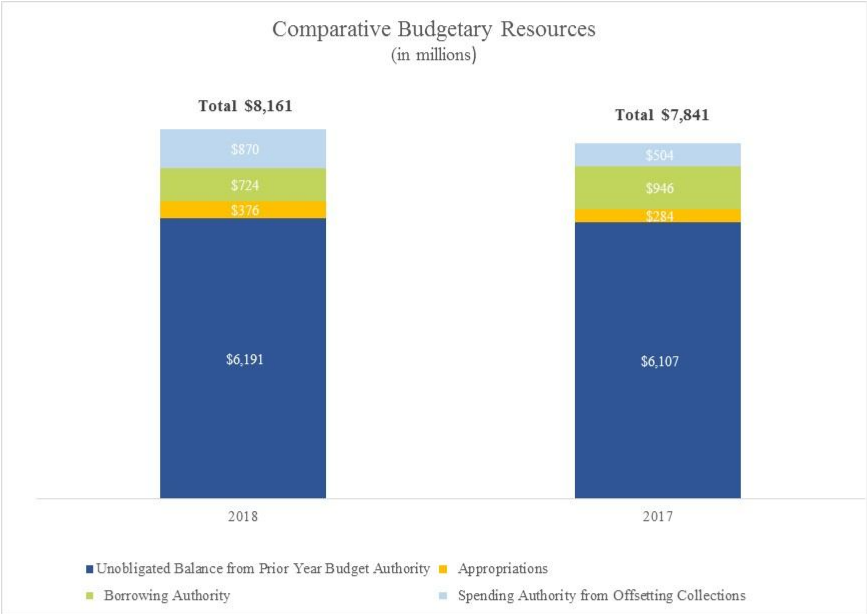
Fees and interest collections flow through the Statement of Net Cost. However, they have no impact as these subsidy related fees are fully offset in the provision for credit losses in the Balance Sheet.

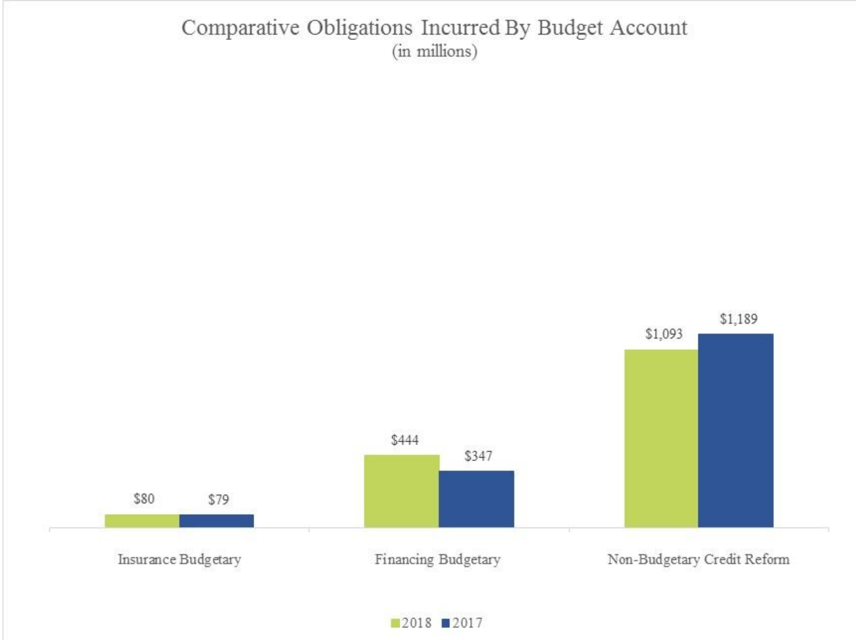
Net Insurance Program Costs: Insurance program activities in this statement represent premiums earned by the political risk insurance program as well as revenue from reserves invested in Treasury securities, net of administrative expenses. Net Insurance Program Costs were negative $114 million and negative $109 million as of September 30, 2018 and 2017 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, and net outlays. Obligations represent direct loan commitments, related positive and negative subsidy commitments, contractual commitments and other reservations of funds.





Significant Factors Influencing Financial Results

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 the Federal Credit Reform Act, direct loan and loan guarantee subsidy costs are determined as the estimated net present value of the future projected cash flows in the year the loan is obligated. Subsidy costs are reestimated on an annual basis. OPIC's financial results are dominated by these estimates of subsidy costs and year-to-year adjustments to the valuation of its portfolio.

Subsidy Costs of New Disbursements

To calculate subsidy costs for new loans or guarantees, estimates are developed of the expected cash outflows and inflows over the life of the direct loans obligated or loan guarantees committed. Historical information and various assumptions are used, including the probabilities of default, borrower prepayments, or recoveries, and the projected timing of these events, to make informed predictions about expected future cash flows. These expected cash flows are then discounted to the point of loan disbursement to determine the net present value. If the present value of estimated cash outflows exceeds cash inflows, there is a positive subsidy cost. If the present value of estimated cash inflows exceeds cash outflows, there is a negative subsidy.

When loans are disbursed OPIC recognizes this subsidy cost (or negative subsidy) in the Statement of Net Costs. In FY 2018, OPIC recognized net subsidy costs of ($150) million.

Reestimated Subsidy Costs

The data used for subsidy cost estimates are updated—or reestimated—annually at the end of each fiscal year to reflect actual loan performance and to incorporate any changes in expectations about future loan performance. Reestimates that increase subsidy costs are referred to as upward reestimates, while reestimates that decrease subsidy costs are referred to as downward reestimates. The following are the primary drivers of OPIC's annual reestimated subsidy costs.

Reevaluation of Risk Ratings

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 other emerging market risks that the private sector is unable or unwilling to accept. 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.

Each year, these factors are considered and ratings on all active loans are reevaluated and corresponding default and recovery assumptions are updated accordingly.

Updates to Loan Level Discount Rates

Actual project cash flows and the estimation of the timing of future inflows and outflows are discounted with respect to the time value of money using the Office of Management and Budget's Credit Subsidy Calculator (CSC). The CSC is a tool that converts actual and future project cash flows to their net present value in order to determine the reestimated credit subsidy cost. The CSC produces the single effective rate, equivalent to the rate at which OPIC owes interest on debt held by the Treasury and earns interest on cash balances held at the Treasury. This single effective rate is a loan-specific discount rate first calculated at obligation. At the end of each fiscal year, revised rates are calculated for loans that became at least 90 percent disbursed in the current fiscal year, using actual loan activity, updated forecasts, and all available actual interest rates. While on a portfolio level, revised discount rates are calculated annually, each loan only receives a revised discount rate once in its lifetime.

Updates to Interest Rates

Each year, the Office of Management and Budget updates the President's Economic Assumptions (PEA) and releases their associated PEA curves, one for Treasury and one for LIBOR rates according to those assumptions. These rates are used to project future interest for loans with floating interest rates. Updating these rates will only have an effect on loans with floating Treasury or floating LIBOR interest rates which need to be updated each year.

Updates to Projected Cash Flows with Actual Data

Loan level accounting transactions are captured from the General Ledger and used in the current year (FY 2018) of the cash flows. This replaces the FY 2018 projections developed from the FY 2017 reestimates and thus captures all amortization changes including timing of disbursements; collection of principal, interest, fees, and recoveries; as well as write-off and the realization of defaults.

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 INVESTMENT CORPORATION
WASHINGTON, D.C. 20527, USA

OFFICE OF THE PRESIDENT

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

The Overseas Private Investment Corporation (OPIC) 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 Enterprise Risk Management and 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, 2018 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, 2018 was operating effectively and no material weaknesses were found in the design or operation of the internal control over financial reporting.

Ray W Wa

Ray Willets Washburne
President and Chief Executive Officer

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INTERNAL CONTROLS

During FY 2018, OPIC performed its internal control assessment over reporting using the risk-based testing approach that was adopted by OPIC's Board of Directors Audit Committee. Under this approach, 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 55 key controls in the following 5 business processes:

- Finance - Direct Loans and Loan Guarantees
- Credit Reform
- Budget
- Purchases and Payables
- Personal Service Contracts

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 and designed to provide OPIC with funds consistent with OPIC's authorities in appropriations and authorization legislation. OPIC's financial management system records apportionments and establishes automated funds controls. All obligations are centralized in the financial management system, and through those processes, OPIC maintains control of its funding.

Federal Credit Reform Act of 1990

The Federal Credit Reform Act of 1990 (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, and maintains data and modeling capabilities for each stage of its life cycle from budgetary formulation, to obligation, and throughout actual execution. In FY 2018, the Corporation continued enhancement of its reestimate process, while maintaining compliance with the Federal Credit Reform Act of 1990.

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, 2018 and 2017, 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 audit. We conducted our audit 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. 19-01, *Audit Requirements for Federal Financial Statements* (OMB Bulletin 19-01). Those standards and OMB Bulletin 19-01 require that we plan and perform the audit 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, 2018 and 2017, 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), and other Required Supplementary Information (RSI), 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 audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The other information contained under the headings of "Report on Improper Payments" is presented for purposes of additional analysis and is not a required part of the financial statements. This information has not been subjected to the auditing procedures applied in the audit 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*

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.

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. 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 19-01.

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 on Compliance

The purpose of the Report on Internal Control over Financial Reporting and on Compliance 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 8, 2018

OVERSEAS PRIVATE INVESTMENT CORPORATION

Financial Statements

As of and for the Years Ended

September 30, 2018 and 2017

OVERSEAS PRIVATE INVESTMENT CORPORATION
BALANCE SHEET
As of September 30, 2018 and 2017

(*in thousands)*	2018	2017
Assets		
Intragovernmental:		
Fund Balance with Treasury (Note 2)	$ 960,439	$ 579,543
Investments (Note 3)	5,828,307	5,759,429
Accounts Receivable, Net (Note 4)	42	75
Total Intragovernmental	6,788,788	6,339,047
With the Public:		
Accounts Receivable, Net (Note 4)	400	1,109
Credit Program Receivable, Net (Note 5)	2,688,903	2,484,543
Negative Loan Guarantee Liability (Note 5)	153,279	250,133
Property and Equipment, Net (Note 6)	497	1,247
Total Assets	$ 9,631,867	$ 9,076,079
Liabilities		
Intragovernmental:		
Borrowings from Treasury (Note 8)	$ 3,475,086	$ 3,014,833
Downward Reestimate Payable to Treasury (Note 9)	204,271	270,295
Other Liabilities (Note 12)	570	304
Total Intragovernmental	3,679,927	3,285,432
With the Public:		
Unearned Revenue (Note 10)	121,532	119,987
Other Liabilities (Note 12)	6,553	6,814
Total Liabilities	3,808,012	3,412,233
Net Position		
Unexpended Appropriations	4,000	-
Cumulative Results of Operations	5,819,855	5,663,846
Total Net Position	5,823,855	5,663,846
Total Liabilities and Net Position	$ 9,631,867	$ 9,076,079

The accompanying notes are an integral part of these statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION
STATEMENT OF NET COST
For the years ended September 30, 2018 and 2017

(in thousands)	2018	2017
Insurance Program		
Gross Costs		
Operating Costs	$ 32,787	$ 40,371
Insurance Claim Recovery (Note 11)	(500)	(500)
Total Gross Costs	32,287	39,871
Less: Earned Revenue	(145,860)	(149,013)
Net Insurance Program Costs	(113,573)	(109,142)
Financing Program		
Gross Costs		
Operating Costs	144,457	124,489
Subsidy Costs/(Reduction)	(150,025)	(239,043)
Re-estimates	74,573	118,415
Total Gross Costs	69,005	3,861
Less: Earned Revenue	(103,954)	(94,499)
Net Financing Program Costs	(34,949)	(90,638)
Net Cost of Operations	$ (148,522)	$ (199,780)

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, 2018 and 2017

(in thousands)	2018	2017
Unexpended Appropriations		
Beginning Unexpended Appropriations	$ -	$ 307
Appropriations Received	376,573	282,604
Appropriations Transferred-In	4,000	-
Appropriations Used	(376,573)	(282,911)
Total Unexpended Appropriations	4,000	-
Cumulative Results of Operations		
Beginning Balance	5,663,846	5,702,061
Budgetary Financing Sources		
Appropriations Used	376,573	282,911
Transfers In/Out Without Reimbursement	-	1,000
Other Financing Sources (Non-exchange)		
Imputed Financing	2,147	353
Offset to Non-entity Collections	(371,233)	(522,259)
Total Financing Sources	7,487	(237,995)
Net Cost of Operations	148,522	199,780
Net Change	156,009	(38,215)
Cumulative Results of Operations	$ 5,819,855	$ 5,663,846
Net Position	$ 5,823,855	$ 5,663,846

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, 2018 and 2017

(in thousands)	2018 Budgetary	2018 Non-Budgetary Credit Reform Financing Accounts	2017 Budgetary	2017 Non-Budgetary Credit Reform Financing Accounts
Budgetary Resources				
Unobligated Balance from Prior Year Budget Authority, Net	$ 5,798,203	$ 392,415	$ 5,741,353	$ 366,119
Appropriations	376,573	-	282,604	-
Borrowing Authority	-	724,489	-	945,989
Spending Authority from Offsetting Collections	211,768	657,942	183,151	321,346
Total Budgetary Resources	$ 6,386,544	$ 1,774,846	$ 6,207,108	$ 1,633,454
Status of Budgetary Resources				
New obligations and upward adjustments (total) (Note 14)	$ 523,729	$ 1,093,209	$ 426,577	$ 1,188,339
Unobligated Balance, End of Year				
Apportioned, unexpired accounts	66,773	-	31,818	325,708
Unapportioned, unexpired accounts	5,745,737	681,637	5,704,342	119,407
Unexpired unobligated balance, end of year	$ 5,812,510	$ 681,637	$ 5,736,160	$ 445,115
Expired unobligated balance, end of year	50,305	-	44,371	-
Unobligated Balance, end of year (total)	5,862,815	681,637	5,780,531	445,115
Total Budgetary Resources	$ 6,386,544	$ 1,774,846	$ 6,207,108	$ 1,633,454
Outlays (Net)				
Outlays, net	$ 309,335	$ 73,115	$ 222,863	$ 517,556
Distributed Offsetting Receipts	-	(425,120)	-	(484,722)
Agency Outlays, Net	$ 309,335	$ (352,005)	$ 222,863	$ 32,834

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. On October 5, 2018 the President of the United States signed the BUILD Act (Public Law 115-254) establishing the United States International Development Finance Corporation (DFC) which will assume the assets and obligations of OPIC, as well as the responsibility for its programs. The creation of the DFC extends the authority for OPIC's legacy programs through 2025.

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 Changes in Net Position, 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.

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.

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 that have an estimated useful life of two years or more. OPIC has a capitalization threshold of $50,000 for equipment, furniture, vehicles and leasehold improvement, and $250,000 for internal use software. 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.

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, 2018 and September 30, 2017, 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, 2018 and 2017 consists of the following:

(in thousands)	2018	2017
Status of Fund Balance with Treasury:		
Unobligated Balance		
Available	$ 803,982	$ 416,487
Unavailable	53,223	47,288
Obligated Balance not yet Disbursed	103,227	115,766
Non-budgetary Fund Balance with Treasury	7	2
Total	$ 960,439	$ 579,543

OPIC's fund balance with Treasury is classified as unobligated balance available, unobligated balance unavailable, obligated balance not yet disbursed, and non-budgetary FBWT. Unobligated available balances represent amounts that are apportioned for obligation in the current fiscal year and unexpired appropriations available for incurring new obligations. Unobligated unavailable balances represent amounts that are in expired appropriations and not available for incurring new obligations. Obligated balances not yet disbursed include undelivered orders or delivered orders received but not yet paid. Non-budgetary Fund Balance with Treasury includes deposit 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 program~~s~~ 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 compounded semi-annually by Treasury and adjusted to include an accrual for interest earned to September 30. 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, 2018 and 2017 is as follows:

	2018				
(in thousands)	Cost	Amortized (Premium)/ Discount	Interest Receivable	Investments, Net	Market Value
U.S. Treasury Marketable Securities:					
Notes	$ 5,380,787	$ 9,900	$ 28,199	$ 5,418,886	$ 5,236,823
Bonds	421,137	(15,316)	3,600	409,421	449,217
Total U.S. Treasury Marketable Securities	$ 5,801,924	$ (5,416)	$ 31,799	$ 5,828,307	$ 5,686,040

	2017				
(in thousands)	Cost	Amortized (Premium)/ Discount	Interest Receivable	Investments, Net	Market Value
U.S. Treasury Marketable Securities:					
Notes	$5,259,757	$ 11,171	$ 27,569	$ 5,298,497	$ 5,278,646
Bonds	483,051	(27,359)	5,240	460,932	533,203
Total U.S. Treasury Marketable Securities	$ 5,742,808	$ (16,188)	$ 32,809	$ 5,759,429	$ 5,811,849

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, 2018 and 2017 are as follows:

(in thousands)	2018	2017
Intragovernmental:		
Accounts Receivable	$ 42	$ 75
With the Public:		
Accounts Receivable	1,839	1,726
Insurance Settlement	162	4,560
Allowance for Uncollectible Amounts	(1,601)	(5,177)
Accounts Receivable, Net	$ 442	$ 1,184

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 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 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 reestimate increase of subsidy costs that occurs after the year in which a loan is disbursed. Reestimate 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 reestimates are received in program accounts and transferred to non-budgetary credit reform 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 and 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. OPIC records subsidy expenses when loans are disbursed. 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

The value of direct loans and loan guarantees is based on the net present value of their expected future cash flows. 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 the Office of Management and Budget's Credit Subsidy Calculator that has 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 Federal Credit Reform reestimates is based on industry best practices and the expert judgment of a core panel of officers 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.

The primary drivers of the yearly reestimated subsidy costs include:

- Reevaluation of repayment risks such as credit risk and political risk
- Updates to loan level discount rates for loans that are at least 90 percent disbursed in the current fiscal year
- Updates to projected cash flows with actual cash flows for the current fiscal year
- Updates to interest rates for loans with floating interest rates.

A. Direct Loans, Net

2018

(in thousands)	Loans Receivable, Gross	Fees & Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Direct Loans, Net
Direct Loans	$ 2,630,867	$ 69,853	$ (171,870)	$ 2,528,850

2017

(in thousands)	Loans Receivable, Gross	Fees & Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Direct Loans, Net
Direct Loans	$ 2,430,096	$ 65,801	$ (163,636)	$ 2,332,261

B. Total Amount of Direct Loans Disbursed

(in thousands)	2018	2017
Direct Loan Disbursements	$ 392,383	$ 759,067

C. Schedule for Reconciling Direct Loan Subsidy Cost Allowance

(in thousands)	2018	2017
Beginning balance of the subsidy cost allowance	$ (163,636)	$ (206,016)
Add: subsidy expense for direct loans disbursed during the year by component:		
Interest rate differential costs	91	1,171
Default costs (net of recoveries)	(40,987)	(84,510)
Fees and other collections	87,255	159,227
Other subsidy costs	(4,136)	(2,883)
Total of the above subsidy expense components	42,223	73,005
Adjustments:		
Fees accrued	(4,721)	(5,355)
Loans written off	12,250	6,783
Subsidy allowance amortization	(75,690)	(67,467)
Other	(107)	(57)
Total adjustments	(68,268)	(66,096)
Total subsidy cost allowance before reestimates	(189,681)	(199,107)
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	5,985	(57)
Technical/default reestimate	11,826	35,528
Total reestimates	17,811	35,471
Ending balance of the subsidy cost allowance	$ (171,870)	$ (163,636)

D. Defaulted Loan Guarantees

(in thousands)	2018			
	Defaulted Loan Guarantees Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Defaulted Loan Guarantees Receivable, Net
Loan Guarantees	$ 325,815	$ 6,675	$ (219,658)	$ 112,832

(in thousands)	2017			
	Defaulted Loan Guarantees Receivable, Gross	Interest Receivable	Allowance for Subsidy Cost	Value of Assets Related to Defaulted Loan Guarantees Receivable, Net
Loan Guarantees	$ 227,151	$ 3,340	$ (125,590)	$ 104,901

E. Outstanding Principal of Loan Guarantees

(in thousands)	2018	2017
Loan Guarantees	$ 8,424,215	$ 8,231,215

F. New Loan Guarantees Disbursed

(in thousands)	2018	2017
Loan Guarantees	$ 1,115,395	$ 1,534,361

G. Schedule for Reconciling the Negative Loan Guarantee Liability

(in thousands)	2018	2017
Beginning balance of the negative loan guarantee liability	$ 250,133	$ 370,442
Add: subsidy income/(expense) for guaranteed loans disbursed during the year by component:		
Default costs (net of recoveries)	(74,604)	(99,909)
Fees and other collections	196,437	275,608
Other subsidy costs	(14,031)	(13,105)
Total of the above subsidy income/(expense) components	107,802	162,594
Adjustments:		
Fees accrued	(200,278)	(197,664)
Actual claims paid	122,080	120,841
Loans acquired	(26,520)	(59,203)
Subsidy allowance amortization	4,583	7,011
Total adjustments	(100,135)	(129,015)
Ending balance of the negative loan guarantee liability before reestimates	257,800	404,021
Add or subtract subsidy reestimates by component:		
Interest rate reestimate	(22,660)	(15,975)
Technical/default reestimate	(81,861)	(137,913)
Total of the above reestimate components	(104,521)	(153,888)
Ending balance of the negative loan guarantee liability	$ 153,279	$ 250,133

H. Subsidy Rates by Program and Component

	2018				
	Interest	Defaults	Fees & Other Collections	Other	Total
Direct Loans	-	7.95%	(18.82)%	-	(10.87)%
Loan Guarantees:					
Finance Guarantees	-	5.68%	(16.61)%	-	(10.93)%
Investment Funds	-	11.85%	(17.32)%	-	(5.47)%
Limited Arbitral Award Coverage	-	3.82%	(5.99)%	-	(2.17)%
Non-Honoring of Sovereign Guarantees	-	2.54%	(8.45)%	-	(5.91)%

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)	2018	2017
Direct Loan and Loan Guarantee Administrative Expense	$ 47,520	$ 42,000

NOTE 6: PROPERTY AND EQUIPMENT, NET

The components of property and equipment as of September 30, 2018 and 2017 are as follows:

	2018		
(in thousands)	Cost	Accumulated Depreciation	Net Book Value
With the Public:			
Property and Equipment			
Equipment	$ 3,296	$ (2,821)	$ 475
Leasehold Improvements	11,375	(11,370)	5
Internal-Use Software	9,584	(9,567)	17
Total Property and Equipment, Net	$ 24,255	$ (23,758)	$ 497

	2017		
(in thousands)	Cost	Accumulated Depreciation	Net Book Value
With the Public:			
Property and Equipment			
Equipment	$ 3,145	$ (2,465)	$ 680
Leasehold Improvements	11,374	(10,852)	522
Internal-Use Software	9,584	(9,539)	45
Total Property and Equipment, Net	$ 24,103	$ (22,856)	$ 1,247

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. OPIC's liabilities not requiring budgetary resources consists of primarily of rent incentives. As of September 30, 2018 and 2017, liabilities not covered by budgetary resources were as follows:

(in thousands)	2018	2017
Intragovernmental Liabilities Not Covered By Budgetary Resources		
Unfunded FECA Liability	$ 101	$ 74
Total Intragovernmental Liabilities Not Covered By Budgetary Resources	101	74
Liabilities with the Public Not Covered By Budgetary Resources		
Unfunded Annual Leave	2,912	2,884
Actuarial FECA Liability	48	48
Total Liabilities with the Public Not Covered By Budgetary Resources	2,960	2,932
Total Liabilities Not Covered by Budgetary Resources	3,061	3,006
Total Liabilities Covered by Budgetary Resources	3,791,373	3,402,249
Total Liabilities Not Requiring Budgetary Resources	13,578	6,978
Total Liabilities	$ 3,808,012	$ 3,412,233

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, 2018 and 2017 consisted of the following:

(in thousands)	2018	2017
Debt to the Treasury		
Beginning Balance	$ 3,014,833	$ 2,490,911
Net Borrowings	460,253	523,922
Ending Balance	$ 3,475,086	$ 3,014,833

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, 2018 and 2017 was $204,271 and $270,295, respectively.

NOTE 10: UNEARNED REVENUE

Unearned revenue consists of the following:

(in thousands)	2018	2017
Finance Retainer Fees and Deferred Facility Fees	$ 90,788	$ 95,275
Insurance Retainer Fees and Unearned Insurance Premiums	17,166	17,793
Rent Incentives	13,578	6,919
Total Unearned Revenue:	$ 121,532	$ 119,987

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 fees collected in excess of $5,000 are amortized over the life of the project. Insurance premiums received are amortized over the coverage period.

NOTE 11: INSURANCE LIABILITIES AND CLAIM RECOVERIES

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. As of September 30, 2018, and 2017, insurance claims where the likelihood of loss is reasonably possible are estimated to be $12.4 million, and zero, respectively. Recoveries on insurance claims in the amount of $500 thousand were received by OPIC as of September 30, 2018 and 2017.

NOTE 12: OTHER LIABILITIES

OPIC's total other liabilities as of September 30, 2018, is as follows:

(in thousands)	Non-Current Liabilities	2018 Current Liabilities	Total Liabilities
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	$ -	$ 469	$ 469
Unfunded FECA Liability	86	15	101
Total Intragovernmental	86	484	570
With the Public:			
Accounts Payable	-	1,207	1,207
Accrued Funded Payroll & Benefits	-	2,287	2,287
Accrued Unfunded Annual Leave	-	2,912	2,912
Liability for Deposit Funds	-	99	99
Actuarial FECA Liability	48	-	48
Total Liabilities With the Public	48	6,505	6,553
Total Other Liabilities	$ 134	$ 6,989	$ 7,123

OPIC's total other liabilities as of September 30, 2017, is as follows:

(in thousands)	Non-Current Liabilities	2017 Current Liabilities	Total Liabilities
Intragovernmental:			
Employer Contributions & Payroll Taxes Payable	$ -	$ 230	$ 230
Unfunded FECA Liability	21	53	74
Total Intragovernmental	21	283	304
With the Public:			
Accounts Payable	-	1,590	1,590
Accrued Funded Payroll & Benefits	-	2,202	2,202
Accrued Unfunded Annual Leave	-	2,884	2,884
Liability for Deposit Funds	-	90	90
Actuarial FECA Liability	48	-	48
Total Liabilities With the Public	48	6,766	6,814
Total Other Liabilities	$ 69	$ 7,049	$ 7,118

NOTE 13: LEASES

Operating Leases

OPIC leases commercial facilities under a multi-year operating lease agreement, as amended, which expires in May 2029. Under the terms of the lease, OPIC receives a tenant improvement allowance for space refurbishment as well as other incentives. The value of these incentives are deferred in the balance sheet and are amortized to recognize rent expense on a straight-line basis over the life of the lease. Rental expense was approximately $6.5 million for fiscal years 2018 and 2017. Future rental payments are as follows:

(in thousands) Fiscal Year	Non-federal Lease Payments
2019	$ 6,855
2020	7,027
2021	7,202
2022	7,382
2023	7,565
After 2023	45,829
Total Future Lease Payments	$ 81,860

NOTE 14: 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 financing funds. At the end of fiscal year 2018 and 2017, OPIC had $2,370 million and $2,959 million, respectively, in borrowing authority carried over to fund direct loans and pay future claims.

Apportionment Categories of New Obligations and Upward Adjustments

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 new obligations and upward adjustments 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 new obligations and upward adjustments by apportionment type and category, as of September 30, 2018 and 2017 consisted of the following:

Consolidated New Obligations and Upward Adjustments through September 30

	2018			2017		
(*in thousands*)	Category A	Category B	Total	Category A	Category B	Total
Direct	$ 116,787	$ 1,499,350	$ 1,616,137	$ 67,618	$ 1,541,616	$1,609,234
Reimbursable	-	801	801	-	5,682	5,682
Total Obligations	$116,787	$1,500,151	$1,616,938	$67,618	$ 1,547,298	$1,614,916

Undelivered Orders at the End of the Period

Undelivered Orders include loan and related subsidy obligations that have been issued but not disbursed and obligations for goods and services ordered that have not been received. OPIC's undelivered orders, paid and unpaid, as of September 30, 2018 and 2017 consisted of the following:

Undelivered Orders through September 30

	2018			2017		
(*in thousands*)	Federal	Non-Federal	Total	Federal	Non-Federal	Total
Unpaid	$ 840,913	$ 1,822,632	$ 2,663,545	$ 934,412	$ 2,161,531	$ 3,095,943
Paid	42	21	63	-	21	21
Total Obligations	$ 840,955	$ 1,822,653	$ 2,663,608	$ 934,412	$ 2,161,552	$ 3,095,964

NOTE 15: 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 2020 President's Budget which presents the actual amounts for the year ended September 30, 2018, 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 2019 and can be found on the OMB website: http://www.whitehouse.gov/omb.

Balances reported in the FY 2017 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.*

	2017			
(in millions)	Budgetary Resources	New Obligations & Upward Adjustments	Distributed Offsetting Receipts	Net Outlays
Combined Statement of Budgetary Resources	$ 7,841	$ 1,615	$ 485	$ 256
Included in SBR, not in President's Budget				
Expired Accounts	(44)	-	-	-
Distributed Offsetting Receipts	-	-	(485)	485
Rounding	3	(3)	-	(1)
Budget of the United States Government	$ 7,800	$ 1,612	$ -	$ 740

NOTE 16: RECONCILIATION OF NET COST OF OPERATIONS TO OUTLAYS

Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

For the year ended September 30, 2018

(in thousands)	Intra governmental	With the public	Total
Net Cost	**$ (13,208)**	**$ (135,313)**	**$ (148,522)**
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	-	(902)	(902)
Year-end Credit Reform subsidy Re-estimates	(86,710)	166,961	80,251
Increase/(decrease) in assets:			
Accounts Receivable	(97,762)	(709)	(98,471)
Credit Program Receivable	-	204,360	204,360
Negative Loan Guarantee Liability	-	(96,854)	(96,854)
Investments	(8,608)	-	(8,608)
(Increase)/decrease in liabilities:			
Unearned Revenue	-	(1,545)	(1,545)
Subsidy Payable to the Financing Account	388,710	-	388,710
Downward Reestimate Payable to Treasury	66,024	-	66,024
Other Liabilities	(266)	268	2
Other Financing Sources:			
Imputed Costs	(2,147)	-	(2,147)
Total Components of Net Cost That Are Not Part of Net Outlays	**259,241**	**271,579**	**530,820**
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Property and Equipment	-	151	151
Distributed Offsetting Receipts	(425,120)	-	(425,120)
Total Components of Net Outlays That Are Not Part of Net Cost	**(425,120)**	**151**	**(425,271)**
Net Outlays	**$ (179,087)**	**$ 136,417**	**$ (42,670)**
Related Amounts on the Statement of Budgetary Resources			
Outlays, net			382,450
Distributed Offsetting Receipts			(425,120)
Agency Outlays, Net			**(42,670)**

NOTE 16: RECONCILIATION OF NET COST OF OPERATIONS TO OUTLAYS *(continued)*

For the year ended September 30, 2017

(in thousands)	Intra governmental	With the public	Total
Net Cost	**$ (37,529)**	**$ (162,251)**	**$ (199,780)**
Components of Net Cost That Are Not Part of Net Outlays:			
Property and Equipment Depreciation	-	(976)	(976)
Year-end Credit Reform subsidy Re-estimates	(118,415)	251,965	133,550
Increase/(decrease) in assets:			
Accounts Receivable	102,729	(539)	102,190
Credit Program Receivable	-	598,555	598,555
Negative Loan Guarantee Liability	-	(120,309)	(120,309)
Investments	(6,258)	-	(6,258)
(Increase)/decrease in liabilities:			
Unearned Revenue	-	(18,268)	(18,268)
Subsidy Payable to the Financing Account	286,048	-	286,048
Downward Reestimate Payable to Treasury	(34,093)	-	(34,093)
Insurance Program Liabilities	-	128	128
Other Liabilities	(61)	28	(33)
Other Financing Sources:			
Imputed Costs	(353)	-	(353)
Total Components of Net Cost That Are Not Part of Net Outlays	**229,597**	**710,584**	**940,181**
Components of Net Outlays That Are Not Part of Net Cost:			
Acquisition of Property and Equipment	-	18	18
Distributed Offsetting Receipts	(484,722)	-	(484,722)
Total Components of Net Outlays That Are Not Part of Net Cost	**(484,722)**	**18**	**(484,704)**
Net Outlays	**$ (292,654)**	**$ 548,351**	**$ 255,697**
Related Amounts on the Statement of Budgetary Resources			
Outlays, net			740,419
Distributed Offsetting Receipts			(484,722)
Agency Outlays, Net			**255,697**

OVERSEAS PRIVATE INVESTMENT CORPORATION
REQUIRED SUPPLEMENTARY INFORMATION - UNAUDITED

COMBINING STATEMENT OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT
For the year ended September 30, 2018

	2018		
(in thousands)	**Insurance Budgetary**	**Financing Budgetary**	**Non-Budgetary Credit Reform Accounts**
Budgetary Resources			
Unobligated Balance from Prior Year Budget Authority, Net	$ 5,715,018	$ 83,185	$ 392,415
Appropriations	-	376,573	-
Borrowing Authority	-	-	724,489
Spending Authority from Offsetting Collections	144,248	67,520	657,942
Total Budgetary Resources	$ 5,859,266	$ 527,278	$ 1,774,846
Status of Budgetary Resources			
New obligations and upward adjustments (total) (Note 15)	$ 79,939	$ 443,790	$ 1,093,209
Unobligated Balance, End of Year			
Apportioned, unexpired accounts	33,684	33,089	-
Unapportioned, unexpired accounts	5,745,594	143	681,637
Unexpired unobligated balance, end of year	5,779,278	33,232	681,637
Expired unobligated balance, end of year	49	50,256	-
Unobligated Balance, end of year (total)	5,779,327	83,488	681,637
Total Budgetary Resources	$ 5,859,266	$ 527,278	$ 1,774,846
Outlays, net	(131,696)	441,031	73,115
Distributed Offsetting Receipts	-	-	(425,120)
Agency Outlays, Net	$ (131,696)	$ 441,031	$ (352,005)

COMBINING STATEMENT OF BUDGETARY RESOURCES BY MAJOR BUDGET ACCOUNT
For the year ended September 30, 2017

	2017		
(in thousands)	**Insurance Budgetary**	**Financing Budgetary**	**Non-Budgetary Credit Reform Accounts**
Budgetary Resources			
Unobligated Balance from Prior Year Budget Authority, Net	5,662,316	79,037	366,119
Appropriations	-	282,604	-
Borrowing Authority	-	-	945,989
Spending Authority from Offsetting Collections	121,151	62,000	321,346
Total Budgetary Resources	$ 5,783,467	$ 423,641	$ 1,633,454
Status of Budgetary Resources			
New obligations and upward adjustments (total) (Note 15)	$ 79,191	$ 347,386	$ 1,188,339
Unobligated Balance, End of Year			
Apportioned, unexpired accounts	-	31,818	325,708
Unapportioned, unexpired accounts	5,704,227	115	119,407
Unexpired unobligated balance, end of year	5,704,227	31,933	445,115
Expired unobligated balance, end of year	49	44,322	0
Unobligated Balance, end of year (total)	5,704,276	76,255	445,115
Total Budgetary Resources	$ 5,783,467	$ 423,641	$ 1,633,454
Outlays, net	(118,106)	340,969	517,556
Distributed Offsetting Receipts	-	-	(484,722)
Agency Outlays, Net	$ (118,106)	$ 340,969	$ 32,834

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, 2018 and 2017 was $2.1 billion and $1.8 billion, respectively. OPIC's broader measure of exposure is limited to "Maximum Contingent Liability" as defined in legislation as $3.9 billion and $4.1 billion at September 30, 2018 and 2017, respectively. This amount is OPIC's estimate of maximum exposure to insurance claims, which includes standby coverage for which OPIC is committed but not currently at risk.

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's review includes an evaluation of OMB identified risk factors, as well OPIC's internal business processes and controls.

Based on the number of OPIC programs, the relatively small number of annual disbursements, the multiple clearances required for each disbursement, the risk assessment, and the internal controls in place for all disbursements OPIC has concluded that its payment processes are not susceptible to significant improper payment risks and OPIC's overall risk rating is low.