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

OFFICE OF THE
PRESIDENT

December 16, 2013

Pursuant the Chief Financial Officers Act of 1990 and the Government Corporations Control Act and in accordance with the reporting requirements of OMB's Circular A-136, *Financial Reporting Requirements*, I am pleased to provide you with the Overseas Private Investment Corporation's (OPIC's) FY2013 Annual Management Report.

In FY 2013 OPIC once again received an unqualified audit opinion, as it has every year since inception. FY 2013 is also OPIC's 36th consecutive year of generating profit for the U.S. taxpayer. In addition to its positive financial performance and support of U.S. business investment, OPIC continues to be a leader in development finance with a focus on renewable energy and policy priority regions such as North Africa and the Middle East. Additionally, OPIC's internal control program reported no material weaknesses for the performance period.

In FY 2013, OPIC generated net income of approximately $162 million with capital and reserves of over $5.6 billion. OPIC's reserves and its underwriting experience protect the U.S. Treasury against potential losses on the agency's insurance and finance exposure.

Included in this report is the FY 2013 audited *Independent Auditors' Report* prepared by CliftonLarsonAllen, LLP, the agency's auditing firm. I am proud to submit this report as evidence that OPIC is prudently carrying out its important development mission of mobilizing private investment in developing countries while operating on a sound financial basis at no net cost to taxpayers. If you have questions or would like any further information, please let me know.

Sincerely,

Elizabeth L. Littlefield

Elizabeth L. Littlefield
President and Chief Executive Officer

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

ANNUAL MANAGEMENT REPORT OF THE

OVERSEAS PRIVATE INVESTMENT CORPORATION

FOR FISCAL YEAR 2013

SUBMITTED PURSUANT TO

THE CHIEF FINANCIAL OFFICERS ACT OF 1990

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

AND IN ACCORDANCE WITH OMB'S CIRCULAR A-136

OPIC ANNUAL MANAGEMENT REPORT FOR FISCAL YEAR 2013

TABLE OF CONTENTS

I. Executive Summary

EXECUTIVE SUMMARY

Throughout 2013, the Overseas Private Investment Corporation (OPIC) remained focused on supporting development and stability in strategic regions around the world at no net cost to the U.S. taxpayer and to the benefit of the U.S. economy. During fiscal year 2013 (FY12) portfolio risk remained relatively stable. OPIC continued to be vigilant in the assessment and management of risk in its portfolio.

In FY13 OPIC reports net income of $162 million for the year, capital and reserves of $5.68 billion, and an unqualified audit opinion. OPIC committed over $3.9 billion in finance and insurance including $1.2 billion in financing dedicated to renewable resources and $171 million in new insurance commitments. OPIC's focus on prudent financial management made FY 2013 the 36th consecutive year in which OPIC contributed to reducing the deficit, and the 42nd year in which OPIC generated GAAP net income.

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

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

II. Audited Financial Statements

OVERSEAS PRIVATE INVESTMENT CORPORATION

Financial Statements

September 30, 2013 and 2012

CliftonLarsonAllen LLP
11710 Beltsville Drive, Suite 300
Calverton, MD 20705
301-931-2050 | fax 301-931-1710
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
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, 2013 and 2012, and the related statements of income, capital and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements. The objective of our audits was to express an opinion on the fairness of these financial statements.

Management's Responsibility for the Financial Statements

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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. We also conducted our audits in accordance with Office of Management and Budget (OMB) Bulletin No. 14-02*, Audit Requirements for Federal Financial Statements* (OMB Bulletin 14-02). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In order to fulfill these responsibilities, we (1) obtained an understanding of OPIC and its operations, including its internal control over financial reporting; (2) assessed the risk of financial statement misstatement; (3) evaluated the design and operating effectiveness of internal control based on the assessed risk; (4) considered OPIC's process for evaluating and reporting on internal control; (5) tested compliance with certain provisions of laws and regulations, (6) examined, on a test basis, evidence supporting the amounts and disclosures in the financial statements; (7) evaluated the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management; (8) evaluated the overall presentation of the financial statements; and (9) performed such other procedures as we considered necessary in the circumstances.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Overseas Private Investment Corporation as of September 30, 2013 and 2012, and the results of its operations, and its cash flows for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 13, 2013, on our consideration of OPIC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering OPIC's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

Calverton, Maryland
December 13, 2013

CliftonLarsonAllen LLP
11710 Beltsville Drive, Suite 300
Calverton, MD 20705
301-931-2050 | fax 301-931-1710
www.cliftonlarsonallen.com

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Overseas Private Investment Corporation

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Overseas Private Investment Corporation (OPIC), which comprise the balance sheets as of September 30, 2013 and 2012, and the related statements of income, capital and retained earnings, and cash flows for the years then ended, and the related notes to the financial statements and have issued our report thereon dated December 13, 2013.

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. Accordingly, we do not express an opinion on the effectiveness of OPIC's internal control.

A *deficiency in internal* control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Appendix A that we consider to be a significant deficiency.

Compliance and Other Matters

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 and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported in accordance with *Government Auditing Standards*, issued by the Comptroller General of the United States or OMB Bulletin No. 14-02.

OPIC's Response to Finding and Our Evaluation

OPIC's response to the finding identified in our audit is described in the accompanying Appendix B. Although OPIC concurred with our findings individually, they did not concur that the findings collectively represent a significant deficiency. Based on our professional judgment, we believe the identified weaknesses, when taken together, constitute a significant deficiency. The specific actions taken and proposed appear to adequately respond to our recommendations. OPIC's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

Calverton, Maryland
December 13, 2013

SIGNIFICANT DEFICIENCY AND RECOMMENDATION
OVERSEAS PRIVATE INVESTMENT CORPORATION
Fiscal Year 2013

INFORMATION SYSTEM CONTROLS NEED IMPROVEMENT

All business processes today are impacted in some respects by information systems, applications, policies and controls. Information systems are key to financial information collection, classification, allocations and reporting. Information system controls must be in place to ensure that critical data, transactions and programs are processed in a timely manner. These include controls over OPIC's general support system which are utilized to access OPIC financial applications and data.

Our review of IT controls covered general controls and selected business process application controls. General controls are the structure, policies, and procedures that apply to an entity's overall computer systems. They include entity-wide security management, access controls, configuration management, segregation of duties and contingency planning controls. Business process application controls are those controls over the completeness, accuracy, validity, confidentiality, and availability of transactions and data during application processing. The American Institute of Certified Public Accountants (AICPA) AU Section 314 *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* states that while general controls do not, by themselves, cause misstatements, they may permit application controls to operate improperly and allow misstatements to occur and not be detected. Furthermore, GAO *Financial Audit Manual* (FAM) states that the effectiveness of general controls is a significant factor in determining the effectiveness of application controls and certain user controls. Without effective general controls, application controls may be rendered ineffective by circumvention or modification.

OPIC has remediated specific IT findings identified in prior year audits. However, continued efforts are needed to implement entity-wide controls for effective security management, access controls, and configuration management.

Our current year audit noted that web design, configuration and patch management controls were not effective. Controls were inadequate to protect OPIC's network, servers and databases from compromise. Configuration management remains a control issue that requires concerted effort for improvement and continuous monitoring. Our evaluation of the general and application controls of OPIC's key information technology infrastructure and financial management applications identified the following weaknesses, which taken together, constitute a significant deficiency.

During the Fiscal Year 2013 Audit of OPIC's compliance with provisions of the Federal Information Security Management Act of 2002, eight general control weaknesses were reported in the areas of security management, access controls, configuration management and continuity planning, which we determined represent a risk to the information technology general control environment of OPIC's financial applications and data. Several of these weaknesses, specifically related to account management controls, vulnerability assessments, operating system patches and audit logging we previously reported to management during fiscal years 2011 and 2012 financial statement audits, thus indicating weaknesses in these areas still exist and root causes were not completely remediated by management.

SIGNIFICANT DEFICIENCY AND RECOMMENDATION
OVERSEAS PRIVATE INVESTMENT CORPORATION
Fiscal Year 2013

Additionally, during the Fiscal Year 2013 financial statement audit, we noted the following general control weaknesses, which were discussed with and agreed to by management, in the following areas:

Security Management

- Background Investigations were not performed for several individuals with access to OPIC systems. We identified nine individuals (mostly interns) with access to OPIC systems (hired between Jan-June 2013), for whom a background investigation was not completed:

Access Controls

- Several major application password configuration settings were not configured in accordance with OPIC policies. Specifically, based upon a review of the major application's password settings, we noted that the password expiration and history settings were not in compliance with OPIC policy (OPIC 800-53 Org Parameters Signed).

Configuration Management

- Web design, configuration and patch management controls were not effective. High severity risk vulnerabilities were found in FY 2013.

- Based upon reviews of reports of OPIC network vulnerability scans performed during FY13, we noted instances of five servers still running on an unsupported operating system. On July 13, 2010, extended support for this operating system ended and from that date, this product no longer received assisted support or security updates from the vendor.

These findings highlight OPIC's lack of compliance with various NIST publications, OMB Circulars, and FISMA requirements as listed below:

OMB Circular A-130, Management of Federal Information Resources, Appendix III,

The Federal Information Security Management Act of 2002 (FISMA)

The National Institute of Standards and Technology (NIST) Special Publication 800-53 Revision 3, Boundary Protection SC-7."

OPIC NIST 800-53 Organizational Parameters for LOW and MODERATE Impact Systems (PARM-2013-V1) May 14, 2013, IA-5 (1) Authenticator Management. Information systems, for password-based authentication.

By not effectively implementing and enforcing IT policies and procedures, there is an increased risk that financial and sensitive information may be inadvertently or deliberately misused and may result in improper disclosure or theft without detection.

APPENDIX A

SIGNIFICANT DEFICIENCY AND RECOMMENDATION
OVERSEAS PRIVATE INVESTMENT CORPORATION
Fiscal Year 2013

Recommendation:

Although we are not repeating the recommendations which are included in the USAID OIG Report titled "Audit of Overseas Private Investment Corporation's Fiscal Year 2013 Compliance with Federal Information Security Management Act of 2002," Audit Report M-000-13-00X-P, dated August 30, 2013, we recommend the following:

- OPIC change its policy to comply with NIST guidance outlined in 800-53, rev. 3 and require all individuals to complete a background investigation (e.g. security screening) prior to obtaining access to OPIC systems.

- The Office of the Chief Information Officer revise its major applications password settings for length, history and expiration so they are in accordance with OPIC policies.

- The Office of the Chief Information Officer implement the recommendations identified within the Security Incident report including the following:

  - Performing ongoing reviews and increasing the capacity of audit and activity logs
  - ensuring all Internet-facing systems are running the most recent server operating system and are fully patched and hardened using best-practices. AND
  - ensuring the configuration of its demilitarized zone (DMZ - the network with publicly-facing web services) follow best-practices to reduce the exposure of internal OPIC systems in the event one of the public systems is compromised.

- The Office of the Chief Information Officer, identify unsupported operating systems, notify the owners, and implement corrective actions to remove or replace the systems in order to prevent and reduce risks to OPIC networks.

Appendix B

OPIC
Overseas
Private
Investment
Corporation

1100 New York Avenue, N.W.
Washington, D.C. 20527-0001
(202) 336-8400
FAX (202) 408-9859

December 13, 2013

TO Greg Bussink, Partner
CliftonLarsonAllen, LLP

FROM Allan Villabroza, VP/CFO
Dennis Lauer, VP/OAS

The purpose of this memorandum is to provide OPIC's management response to the 2013 CliftonLarsonAllen, LLP *Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards,* provided to OPIC on December 9, 2013.

While OPIC concurred with the individual CLA findings presented on October 23, 2013, these findings are not significant deficiencies, individually or collectively. Specifically, the event that lead to the security incident report was identified by the OPIC security monitoring program; control processes contained the incident, and incident response procedures remediated it in a timely manner. OPIC's actions are indicative of effective controls and processes.

Prior to the issuance of this report, OPIC management implemented immediate and comprehensive action to respond and remediate the key findings within the CLA report, and developed a Plan of Actions and Milestones (POAM) to address the FISMA 2013 Audit Report M-000-13-00X-P findings. OPIC implemented corrective action that ensures the data contained in OPIC business systems are appropriately protected in accordance with Federal regulations and guidelines. To date, OPIC has implemented 42% of corrective action related to the recommendations noted above and anticipates full implementation of the recommendations in this fiscal year.

OVERSEAS PRIVATE INVESTMENT CORPORATION

Balance Sheets

September 30, 2013 and 2012

($ in thousands)

Assets		**2013**		**2012**
Fund Balance with U.S. Treasury (notes 2 and 4)	$	993,500	$	1,076,559
U.S. Treasury securities, at amortized cost plus related receivables (notes 2 and 7)		5,442,066		5,320,325
Direct loans outstanding, net (notes 2 and 10)		1,303,606		1,363,216
Accounts receivable resulting from investment guaranties, net (notes 2 and 11)		45,733		42,394
Assets acquired in insurance claims settlements, net (notes 2 and 11)		3,787		1,507
Guaranty receivable (notes 2 and 19)		571,742		692,000
Derivatives (note 20)		105,140		—
Accrued interest and fees and other, net (notes 2 and 10)		46,082		32,843
Furniture, equipment and leasehold improvements at cost less accumulated depreciation and amortization of $18,944 in FY2013 and $17,255 in FY2012 (note 2)		5,512		6,223
Total assets	$	8,517,168	$	8,535,067
Liabilities, Capital, and Retained Earnings				
Liabilities:				
Reserve for political risk insurance (note 9)	$	278,000	$	278,000
Reserve for investment guaranties (notes 10)		555,914		489,320
Accounts payable and accrued expenses		4,781		5,515
Guaranty liability (notes 2 and 19)		571,742		692,000
Derivatives (note 20)		108,854		—
Customer deposits and deferred income		60,447		52,196
Borrowings from U.S. Treasury, and related interest (note 6)		2,292,674		2,241,224
Unearned premiums		25,332		26,382
Deferred rent & rent incentives from lessor of $6,979 and $6,413 net of accumulated amortization of $3,159 and $2,660 in FY2013 and FY2012 (note 14)		3,820		3,753
Total liabilities		3,901,564		3,788,390
Contingent liabilities (notes 2 and 17)				
Capital and retained earnings:				
Contributed capital		50,000		50,000
Credit funding (note 5)		116,063		107,484
Interagency transfers (Note 2)		18,917		16,312
Retained earnings and reserves:				
Insurance (notes 9 and 12)		770,382		858,251
Guaranty (notes 10 and 12)		3,660,242		3,714,630
		4,615,604		4,746,677
Total liabilities, capital, and retained earnings	$	8,517,168	$	8,535,067

See accompanying notes to financial statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION

Statements of Income

Years ended September 30, 2013 and 2012

($ in thousands)

Revenues		**2013**		**2012**
Political risk insurance premiums and fees (note 9)	$	17,030	$	15,452
Investment financing interest and fees		231,413		198,699
Other operating income		115		0
Interest on finance program deposits		51,239		36,124
Interest on U.S. Treasury securities		150,315		162,113
Unrealized gains, derivatives (Note 20)		0		0
Total revenues		450,112		412,388
Expenses				
Provisions for reserves:				
Political risk insurance (notes 2 and 9)		(22,394)		(23,021)
Investment financing (notes 2, 10 and 11)		131,633		4,721
Salaries and benefits (note 15)		35,040		33,320
Rent, communications and utilities (note 14)		7,603		7,005
Contractual services		18,464		19,146
Travel		4,386		4,739
Interest on borrowings from U.S. Treasury (note 6)		105,738		90,547
Depreciation and amortization (note 2)		1,689		1,513
Other general and administrative expenses		1,883		1,848
Unrealized losses, derivatives (Note 20)		3,714		0
Total expenses		287,756		139,818
Net income	$	162,356	$	272,570

See accompanying notes to financial statements.

OVERSEAS PRIVATE INVESTMENT CORPORATION

Statements of Capital and Retained Earnings

Years ended September 30, 2013 and 2012

($ in thousands)

	Contributed capital	Credit funding	Interagency transfers	Equity reserves: Insurance (notes 9 and 12)	Equity reserves: Guaranty (notes 10 and 12)	Retained earnings	Total
Balance, September 30, 2011	$ 50,000	$ 105,788	$ 16,354	$ 790,887	$ 3,616,313	$ —	$ 4,579,342
Net income	—	—	—	78,082	194,488	—	272,570
Return credit funding to U.S. Treasury	—	—	—	—	(225,561)	—	(225,561)
Credit funding (net) received from:							
Accumulated earnings	—	45,754	—	(12,760)	—	(32,994)	—
Credit appropriations	—	118,326	—	—	—	—	118,326
Credit funding used	—	(162,384)	—	—	129,390	32,994	—
Interagency transfers	—	—	(42)	2,042	—	—	2,000
Balance, September 30, 2012	$ 50,000	$ 107,484	$ 16,312	$ 858,251	$ 3,714,630	$ —	$ 4,746,677
Net income	—	—	—	(74,414)	236,770	—	162,356
Return credit funding to U.S. Treasury	—	—	—	—	(516,771)	—	(516,771)
Credit funding (net) received from:							
Accumulated earnings	—	49,844	—	(16,850)	—	(32,994)	—
Credit appropriations	—	217,342	—	—	—	—	217,342
Credit funding used	—	(258,607)	—	—	225,613	32,994	—
Interagency transfers	—	—	2,605	3,395	—	—	6,000
Balance, September 30, 2013	$ 50,000	$ 116,063	$ 18,917	$ 770,382	$ 3,660,242	$ —	$ 4,615,604

OVERSEAS PRIVATE INVESTMENT CORPORATION

Statements of Cash Flows

Years ended September 30, 2013 and 2012

($ in thousands)

	2013	2012
Cash flows from operating activities:		
Net income	$ 162,356	$ 272,570
Adjustments to reconcile net income to net cash provided by operating activities:		
Provisions for:		
Political risk insurance	(22,394)	(23,021)
Investment financing	131,633	4,721
Net unrealized (gains)/losses, derivatives	3,714	
Amortization of premiums on U.S. securities	14,565	15,908
Accretion of discounts on U.S. securities	(5,895)	(5,750)
Amortization of deferred rent and rental incentives	(443)	(295)
Increase in rent incentives	510	689
Depreciation and amortization	1,689	1,513
(Increase) decrease in operating assets:		
Accrued interest and fees and other	(6,521)	(18,481)
Guaranty receivable	120,258	(235,871)
Assets acquired in insurance claims settlements	(5,945)	(38)
Recoveries on assets acquired in insurance claims settlements	26,059	26,059
Assets acquired in finance claims settlements	(68,466)	(23,422)
Recoveries on assets acquired in finance claims settlements	22,475	21,592
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(734)	533
Customer deposits and deferred income	8,250	4,731
Guaranty liability	(120,258)	235,871
Unearned premiums	(1,050)	18,238
Cash provided by operating activities	259,803	295,547
Cash flows from investing activities:		
Sale and maturity of U.S. Treasury securities	1,146,729	810,893
Purchase of U.S. Treasury securities	(1,287,170)	(946,040)
Repayment of direct loans	410,477	164,840
Disbursement of direct loans	(369,942)	(263,148)
Acquisition of furniture and equipment	(977)	(1,088)
Cash used in investing activities	(100,883)	(234,543)
Cash flows from financing activities:		
Return credit funding to U.S. Treasury	(516,771)	(225,561)
Interagency transfers	6,000	2,000
Credit appropriations	217,342	118,326
Credit reform borrowings from U.S. Treasury	51,450	413,533
Cash provided by financing activities	(241,979)	308,298
Net increase in cash	(83,059)	369,302
Fund balance with U.S. Treasury at beginning of year	1,076,559	707,257
Fund balance with U.S. Treasury at end of year	$ 993,500	$ 1,076,559

See accompanying notes to financial statements.

(1) Statement of Corporate Purpose

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

(2) Summary of Significant Accounting Policies

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

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

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

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

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

Allowances: The allowances are based on management's periodic evaluations of the underlying assets. In its evaluation, management considers numerous factors, including, but not limited to, general economic conditions, asset composition, prior loss experience, the estimated fair value of any collateral, and the present value of expected future cash flows. OPIC writes off a loan when it believes that viable collection efforts have been exhausted and no further recovery is expected.

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

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

FASB Accounting Standards Codification Topic 460 for the Guarantee Topic (FASB ASC 460): FASB ASC 460 requires that upon issuance of a guaranty, the guarantor must disclose and recognize a liability for the fair value of the obligation it assumes under that guaranty. The initial recognition and measurement requirement of FASB ASC 460 applies only to guaranties issued or modified after December 31, 2002. OPIC's initial guaranty obligation reported, represents the fair value of the investment guaranties. This obligation is reduced over the term of the investment guaranty agreements, as OPIC is released from its obligation.

FASB Accounting Standards Codification Topic 815 Derivatives and Hedging (FASB ASC 815): FASB ASC 815, implemented by OPIC during fiscal year 2013, provides the disclosure requirements for derivatives and hedging activities with the intent to provide users of financial statements with an enhanced understanding of: (a) how and why an entity uses derivative instruments, (b) how the entity accounts for derivative instruments and related hedged items, and (c) how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. Further, qualitative disclosures are required that explain the objectives and strategies for using derivatives, as well as quantitative disclosures about the fair value of and gains and losses on derivative instruments, and disclosures about credit-risk-related contingent features in derivative instruments. As required by FASB ASC 815, OPIC records all derivatives on the balance sheet at fair value. In accordance with the FASB's fair value measurement guidance OPIC made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio.

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

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

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

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

(3) Intragovernmental Financial Activities

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

(4) Fund Balance with U.S. Treasury

OPIC is restricted in its uses of certain cash balances, as described below. The fund balance with U.S. Treasury as of September 30, 2013 and 2012 consists of the following (dollars in thousands):

		2013	2012
Restricted:			
Pre-Credit reform	$	1	3
Credit reform		969,141	1,041,206
Interagency fund transfers		14,737	11,010
Unrestricted		9,621	24,340
Total	$	993,500	1,076,559

The Federal Credit Reform Act of 1990 established separate accounts for cash flows associated with investment financing activity approved prior to implementation of the Act and investment financing activity subject to the Act. With the advent of Credit Reform, OPIC is not permitted to invest its pre-Credit Reform cash balances. These balances grow over time, and when they are determined to be no longer needed for the liquidation of the remaining pre-Credit Reform direct loans and investment guaranties, they are transferred to OPIC’s unrestricted noncredit insurance account. OPIC made transfers totaling $24,500 and $30,000 to the noncredit insurance account in 2013 and 2012, respectively. Credit Reform balances are also maintained in the form of uninvested funds. The U.S. Treasury pays OPIC interest on those cash balances except for undisbursed credit funding.

(5) Credit Funding

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

In fiscal year 2013, OPIC’s appropriations legislation authorized the corporation to use $25 million of its accumulated earnings to cover the future costs of credit transactions committed in fiscal years 2013 through 2015. However, pursuant to the sequester mandated by the “Budget Control Act of 2011”, $1.3 million of this has been made temporarily unavailable. In fiscal year 2012, OPIC was authorized to use $25 million to cover commitments in fiscal years 2012 through 2014. In addition to the credit funding allocated directly to OPIC through the appropriations process, OPIC received a total of $67 million in net transfers from other agencies to be used exclusively to finance projects in the New Independent States (NIS).

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

		2013	2012
Balance carried forward	$	107,484	105,788
Upward reestimates		217,342	118,326
Transferred from earnings (net of returns)		49,844	45,754
Credit funding used		(258,607)	(162,384)
Credit funding remaining	$	116,063	107,484

Changes in financial and economic factors over time can affect the subsidy estimates made at the time of loan and guaranty commitments. Therefore, in accordance with OMB guidelines, OPIC reestimates subsidy costs for each group of loans and guaranties obligated in a given fiscal year to account for those changing factors. Reestimates that result in increases to subsidy costs are funded with additional appropriated funds that are made automatically available, while decreases to subsidy costs result in excess funds that are transferred to the U.S. Treasury. OPIC incurred increased subsidy costs of $217.3 million and $118.3 million and decreases in subsidy costs of $306 million and $99.5 million in fiscal years 2013 and 2012, respectively. OPIC has received permission from OMB to return expired credit funding to the source of the original funds, OPIC's unrestricted noncredit insurance account, rather than to the U.S. Treasury. Expired credit funding of $8.2 million and $12.2 million was transferred back to the noncredit account during fiscal years 2013 and 2012, respectively.

(6) Borrowings From the U.S. Treasury

In accordance with the Federal Credit Reform Act of 1990, the portion of investment financing activities not funded through the appropriations process must be funded by borrowings from the U.S. Treasury. Borrowings for Credit Reform financings totaled $699.7 million in 2013 and $426.7 million in 2012, all of which have been disbursed. OPIC paid a total of $105.7 million and $90.5 million in interest to the U.S. Treasury during fiscal years 2013 and 2012, respectively. Repayments of borrowings from the U.S. Treasury totaled $648.3 million in 2013 and $13.2 million in 2012. Future payments for borrowings outstanding at September 30, 2013 are as follows (dollars in thousands):

		Principal amount due
Payment due in:		
Fiscal year 2014	$	88,020
Fiscal year 2015		135,335
Fiscal year 2016		119,387
Fiscal year 2017		133,232
Fiscal year 2018		72,159
Thereafter		1,744,541
Total	$	2,292,674

(7) Investment in U.S. Treasury Securities

The composition of investments and related receivables at September 30, 2013 and 2012 is as follows (dollars in thousands):

		2013	2012
Investments, amortized cost	$	5,408,021	5,276,250
Interest receivable		34,045	44,075
Total	$	5,442,066	5,320,325

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

		Amortized cost	Unrealized gains	Unrealized losses	Estimated fair value
At September 30, 2013	$	5,408,021	284,103	(45,830)	5,646,294
At September 30, 2012	$	5,276,250	455,842	—	5,732,092

At September 30, 2013, the securities held had an interest range of 0.875% to 10.625% and a maturity period from 1 month to almost 15 years.

OPIC holds its securities to maturity. The amortized cost and estimated fair value of U.S. Treasury securities at September 30, 2013, by contractual maturity, are shown below (dollars in thousands):

		Amortized cost	Estimated fair value
Due in one year or less	$	718,039	725,225
Due after one year through five years		2,401,647	2,553,175
Due after five years through 10 years		2,248,549	2,316,702
Due after 10 years		39,786	51,192
Total	$	5,408,021	5,646,294

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

OPIC issues insurance and financing under a single limit for both programs, currently $29 billion, fixed by statute in the FAA. At September 30, 2013, OPIC's insurance and finance programs have collectively utilized $18 billion.

(9) Political Risk Insurance

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

		2013	2012
Political risk insurance premiums	$	17,030	15,452
Miscellaneous insurance income		-	-
Total insurance revenue	$	17,030	15,452

OPIC's capital, allowance, retained earnings, and reserves available for insurance totaled $1.1 billion at both September 30, 2013 and 2012. Charges against retained earnings could arise from (A) outstanding political risk insurance contracts, (B) pending claims under insurance contracts, and guaranties issued in settlement of claims arising under insurance contracts.

(a) Political Risk Insurance

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

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

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

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

OPIC's Maximum Contingent Liability at September 30, 2013 and 2012 was $3.1 billion at September 30, 2013 and 2012. This amount is OPIC's estimate of maximum exposure to insurance claims, which includes standby coverage for which OPIC is committed but not currently at risk. A more realistic measure of OPIC's actual exposure to insurance claims is the sum of each single highest "current" coverage for all contracts in force, or Current Exposure to Claims (CEC). OPIC's CEC at September 30, 2013 and 2012 was $2 billion and $2.4 billion, respectively.

(b) Pending Claims

At both September 30, 2013 and 2012 OPIC had no material pending insurance claims. In addition to requiring formal applications for claimed compensation, OPIC's contracts generally require investors to notify OPIC promptly of host government action that the investor has reason to believe is or may become a claim. Compliance with this notice provision sometimes results in the filing of notices of events that do not mature into claims.

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

Changes in the reserve for political risk insurance during fiscal years 2013 and 2012 were as follows (dollars in thousands):

		2013	2012
Beginning balance	$	278,000	275,000
Amounts charged off		-	-
Increase/(Decrease) in provisions		2,280	3,000
Transfers (to)/from other reserves		(2,280)	-
Ending balance	$	278,000	278,000

(10) Investment Financing

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

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

OPIC's authorization to make direct loans and investment guaranties can be found in sections 234(c) and 234(b) of the FAA, respectively. Direct loans and investment guaranties are committed in accordance with the Federal Credit Reform Act of 1990, pursuant to which loan disbursements and any claim payments for these commitments have been funded through appropriations actions, borrowings from the U.S. Treasury, and the accumulation of earnings or collection of fees. In fiscal years 2013 and 2012, $25 million was made available each year for credit funding costs, although for 2013 $1.3 million of the $25 million was made temporarily unavailable due to the sequester mandated by the "Budget Control Act of 2011". OPIC is in compliance with all relevant limitations and credit funding appropriations guidance. OPIC's capital, allowances, retained earnings, and reserves available for claims on its investment financing totaled $4.6 billion at both September 30, 2013 and 2012.

Direct Loans: Direct loans are made for projects in developing and other eligible countries involving U.S. small business or cooperatives, on terms and conditions established by OPIC. Direct loan exposure at September 30, 2013 totaled $3.4 billion, of which approximately $1.5 billion was outstanding. Direct loan exposure at September 30, 2012 also totaled $3.4 billion, of which approximately $1.6 billion was outstanding. Loans with payments more than 90 days past due totaled $178.9 million at September 30, 2013 and $182 million at September 30, 2012; interest and fee receivables from these projects as of each fiscal year end are reserved in full. Interest accrued on non-performing loans was $7 million and $8.5 million during fiscal years 2013 and 2012, respectively.

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

		2013	2012
Direct loans outstanding	$	1,524,169	1,586,602
Allowance for uncollectible loans		(220,563)	(223,386)
Direct loans outstanding, net	$	1,303,606	1,363,216

Changes in the allowance for uncollectible loans during fiscal years 2013 and 2012 were as follows (dollars in thousands):

		2013	2012
Beginning balance	$	223,386	162,195
Amounts charged off		(22,849)	(4,288)
Recoveries		—	—
Increase in provisions		20,026	65,479
Ending balance	$	220,563	223,386

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

Credit risk represents the maximum potential loss due to possible nonperformance by borrowers under terms of the contracts. OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was $11.5 billion at September 30, 2013, of which $6.6 billion was outstanding. Of the $11.5 billion of exposure, $9.3 billion was related to project finance and $2.2 billion was related to investment fund guaranties. Of the $6.6 billion outstanding, $5.7 billion related to project finance and $0.9 billion related to investment fund guaranties. Included in the $2.2 billion of investment fund exposure is $194.1 million of estimated interest that could accrue to the guaranty lender. This interest generally accrues over a 10-year period, payable upon maturity. Upon complete nonperformance by the borrower, OPIC would be liable for principal outstanding and interest accrued on disbursed investment funds. At September 30, 2013, $128.2 million of the $194.1 million had actually accrued to the guaranty lender on disbursed investment funds; the remainder represents an estimate of interest that could accrue to the guaranty lender over the remaining investment fund term.

At September 30, 2012, OPIC's exposure to credit risk under investment guaranties, including claim-related assets, was $10.2 billion, of which $5.6 billion was outstanding. Of the $10.2 billion of exposure, $7.7 billion was related to project finance and $2.5 billion was related to investment fund guaranties. Of the $5.6 billion outstanding, $4.7 billion related to project finance and $0.9 billion related to investment fund guaranties. Included in the $2.5 billion of investment fund exposure is $216.5 million of estimated interest that could accrue to the guaranty lender. This interest generally accrues over a 10-year period, payable upon maturity. Upon complete nonperformance by the borrower, OPIC would be liable for principal outstanding and interest accrued on disbursed investment funds. At September 30, 2012, $128.8 million of the $216.5 million had actually accrued to the guaranty lender on disbursed investment funds; the remainder represents an estimate of interest that could accrue to the guaranty lender over the remaining investment fund term.

Changes in the reserve for investment guaranties during fiscal years 2013 and 2012 were as follows (dollars in thousands):

		2013	2012
Beginning balance	$	489,320	573,331
Decrease in provisions		66,594	(84,011)
Ending balance	$	555,914	489,320

Accrued Interest, Fees and Other, net of Allowance: OPIC accrues revenues associated with direct loans and guaranties. For those non-performing projects that have payments more than 90 days past due, any related receivables outstanding at the end of each fiscal year are reserved in full.

		2013	2012
Accrued Interest, Fees and Other, Gross	$	80,459	64,474
Less Allowance		(34,377)	(31,631)
Net	$	46,082	32,843

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

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

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

		2013	2012
Accounts receivable resulting from investment guaranties	$	157,192	150,391
Allowance for doubtful recoveries		(111,459)	(107,997)
Accounts receivable, net	$	45,733	42,394

Changes in the allowance for doubtful recoveries for assets resulting from investment guaranties during fiscal years 2013 and 2012 were as follows (dollars in thousands):

		2013	2012
Beginning balance	$	107,997	102,988
Amounts charged off		(39,190)	(14,179)
Increase in provisions		42,652	19,188
Recoveries		—	—
Ending balance	$	111,459	107,997

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

		2013	2012
Assets acquired in insurance claims settlements	$	7,574	3,014
Allowance for doubtful recoveries		(3,787)	(1,507)
Accounts receivable, net	$	3,787	1,507

Changes in the allowance for doubtful recoveries for assets acquired in insurance claims settlements during fiscal years 2013 and 2012 were as follows (dollars in thousands):

		2013	2012
Beginning balance	$	1,507	1,507
Amounts charged off		—	—
Transfers (to)/from other reserves		2,280	—
Ending balance	$	3,787	1,507

(12) Reserves and Full Faith and Credit

Section 235(c) of the FAA established a fund which shall be available for discharge of liabilities under insurance or reinsurance or under similar predecessor guaranty authority. This fund consists of the Insurance Reserve and the Guaranty Reserve for the respective discharge of potential future liabilities arising from insurance or from guaranties issued under Section 234(b) of the FAA. These amounts may be increased by transfers from retained earnings or by appropriations. In fiscal years 2013 and 2012, OPIC's retained earnings were allocated to these reserves on the basis of maximum exposure outstanding for insurance and guaranties respectively, thereby reflecting OPIC's increased ability to absorb potential losses without having to seek appropriated funds.

All valid claims arising from insurance and guaranties issued by OPIC constitute obligations on which the full faith and credit of the United States of America is pledged for full payment. At September 30, 2013 and 2012, the Insurance Reserve totaled $770.4 million and $858.3 million, respectively, and the Guaranty Reserve totaled $3.7 billion at the end of each of these fiscal years. Should funds in OPIC's reserves not be sufficient to discharge obligations arising under insurance, and if OPIC exceeds its $100 million borrowing authority authorized by statute for its insurance program, funds would have to be appropriated to fulfill the pledge of full faith and credit to which such obligations are entitled. Standing authority for such appropriations is contained in Section 235(f) of the FAA. The Federal Credit Reform Act of 1990 authorizes permanent, indefinite appropriations and borrowings from the U.S. Treasury, as appropriate, to carry out all obligations resulting from the investment financing program.

(13) Disclosures About Fair Value of Financial Instruments

OPIC adheres to *FASB Accounting Standards Codification Topic 820 Fair Value Measurements and Disclosure (FASB ASC 820)*. FASB ASC 820 defines fair value, establishes a framework for measuring fair value, and expands disclosures about fair value measurements. FASB ASC 820 applies to reported balances that are required or permitted to be measured at fair value under existing accounting pronouncements; accordingly, the standard does not require any new fair value measurements of reported balances.

The estimated values of each class of financial instrument for which it is practicable to estimate a fair value at September 30, 2013 are as follows (dollars in thousands):

	Carrying Amount	Fair Value
Financial assets:		
Cash	$ 993,500	993,500
U.S. Treasury securities	5,408,021	5,646,294
Interest receivable on securities	34,045	34,045
Direct loans	1,303,606	1,303,606
Accounts receivable from investment guaranties	45,733	45,733
Assets acquired in insurance claims settlements	3,787	3,787
Derivative financial instruments	105,140	105,140
Financial liabilities:		
Borrowings from the U.S. Treasury	2,292,674	2,057,638
Derivative financial instruments	108,854	108,854

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

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

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

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

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

Derivative financial instruments: Currently, OPIC is counterparty to interest rate and cross currency swaps to manage interest rate and foreign currency risk. The valuation of these instruments is determined using widely accepted valuation techniques including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate curves and option volatility. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash receipts (or payments) and the discounted expected variable cash payments (or receipts). The variable cash payments (or receipts) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. The fair value of cross currency swaps are determined by constructing the cashflows of each side and then discounting them back to the present using appropriate discount factors in the applicable currencies. The cashflows of the more liquidly quoted currency pair are discounted using standard discount factors, while the cashflows of the less liquid currency pair are discounted using cross-currency basis-adjusted discount factors. Following discounting, the spot rate is used to convert the PV amount of the non-valuation currency into the valuation currency.

OPIC has determined that the majority of the inputs used to value its derivatives fall within the fair value hierarchy utilizing quoted prices for similar assets and liabilities in active markets. The credit valuation adjustments associated with its derivatives are based on risk assumptions, such as estimates of current credit spreads to evaluate the likelihood of default by itself and its counterparties.

(14) Operating Lease

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

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

Rental expense for fiscal years 2013 and 2012 was approximately $4.5 million and $4.4 million, respectively. Minimum future rental payments under the remaining term of the 15-year lease at 1100 New York Avenue, N.W. are approximately $4.8 million annually, with additional adjustments tied to the consumer price index.

(15) Pensions

OPIC’s permanent employees are covered by the Civil Service Retirement System (CSRS) or the Federal Employee Retirement System (FERS). For CSRS, OPIC withheld 7% of employees’ gross 2013 earnings and contributed 7% of employees’ 2013 gross earnings. The sums were transferred to the Civil Service Retirement Fund from which this employee group will receive retirement benefits.

For FERS personnel employed prior to 2013, OPIC withheld 0.8% and contributed 11.9% of the employees’ 2013 gross earnings. For personnel starting federal government service on or after January 1, 2013, OPIC withheld 3.1% and contributed 9.6% of employees’ 2013 gross earnings. OPIC transferred this sum to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2% of the FERS employees’ gross earnings is withheld, and that, plus matching contributions by OPIC, are sent to the Social Security System from which the FERS employee group will receive social security benefits. OPIC occasionally hires employees on temporary appointments, and those employees are covered by the social security system under which 6.2% of earnings is withheld and matched by OPIC. For calendar year 2012, a special reduction of 2% was being applied to the Social Security withholding rate, pursuant to the “Tax Relief, Unemployment Insurance Reauthorization, and Job Creation Act of 2010”; this reduction did not apply for calendar year 2013.

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). In 2013 both CSRS and FERS employees could elect to contribute up to $17,500, the IRS elective deferral limit for the tax year. FERS employees receive an automatic 1% contribution from OPIC. Amounts withheld for FERS employees are matched by OPIC, up to an additional 4%, for a total of 5%.

The amount of employer contributions to these plans for the year ended September 30, 2013 was $4.2 million.

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

(16) Concentration of Risk

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

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

In general, OPIC's credit policy is to take a senior creditor position in the assets of the projects or transactions it guaranties. The nature and recoverable value of any collateral pledged to OPIC varies from transaction to transaction and may include tangible assets, cash collateral or equivalents, and/or a pledge of shares in the project company as well as personal and corporate guaranties. OPIC takes all necessary steps to protect its position in such collateral and retains the ability to enforce its rights as a secured lender if such action becomes necessary.

The following is a summary of OPIC's off-balance-sheet risk at September 30, 2013 and 2012 (dollars in thousands):

		2013	
	Total	**Outstanding**	**Unused commitments**
Guaranties	$ 11,337,140	6,430,268	4,906,872
Undisbursed direct loans	1,892,824	—	1,892,824
Insurance	3,138,362	1,968,876	1,169,486

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

OPIC's off-balance-sheet finance and insurance exposure involves coverage outside of the United States. The following is a breakdown of such total commitments at September 30, 2013 by major geographical area (dollars in thousands):

		Loan guaranties	Undisbursed portion on direct loans	Insurance
Africa	$	2,110,602	192,313	1,296,150
Asia		1,581,631	239,750	625,647
Europe		1,470,573	59,844	4,027
Latin America		3,868,854	517,888	285,334
Middle East		1,526,518	463,629	949,199
NIS (New Independent States)		556,795	109,500	378,565
Worldwide		222,167	309,900	-
Insurance stop-loss adjustment		-	-	(400,561)
	$	11,337,140	1,892,824	3,138,361

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

At September 30, 2013, OPIC's largest finance and insurance exposure was in the following countries and sectors (dollars in thousands):

Country		
Turkey	$	1,194,187
Jordan		1,083,029
Nigeria		860,866
Chile		857,500
Ghana		834,182

Sector		
Financial services	$	8,407,035
Energy - Power		4,164,884
Services		2,130,162
Manufacturing		1,058,791
Energy - Oil and Gas		761,223

(17) Other Contingencies

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

(18) Subsequent Events

Management evaluated subsequent events through November 27, 2013, the date the financial statements were available to be issued. Events or transactions occurring after September 30, 2013, but prior to November 27, 2013, that provided additional evidence about conditions that existed at September 30, 2013, have been recognized in the financial statements for the period ended September 30, 2013. Events or transactions that provided evidence about conditions that did not exist at September 30, 2013, but arose before the financial statements were available to be issued, have not been recognized in the financial statements for the period ended September 30, 2013.

(19) Accounting and Disclosure Requirements for Guaranties

Pursuant to the requirement of FASB ASC 460, OPIC recognized a guaranty liability and a guaranty fee receivable of $571.7 million and $692 million at September 30, 2013 and 2012, respectively. The balances at September 30, 2013 were determined by the unamortized anticipated fees for investment guaranties issued since December 31, 2002. Prior to FY 2013, OPIC determined these balances using a comparison of anticipated versus actual fees collected; in FY 2012, OPIC collected $92.3 million of guaranty fees on these investment guaranties.

(20) Derivative Instruments and Hedging Activities

OPIC is exposed to certain risks arising from both its business operations and economic conditions. It principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. OPIC entered into these swap arrangements as a cost effective way to mitigate and cap the underlying project-specific foreign currency exchange rate and interest rate risk.

The derivatives to which OPIC is a counterparty are not designated as hedges, are not speculative, and are used to manage OPIC's exposure to interest rate movements and foreign currency movements, but do not meet the strict hedge accounting requirements as defined in FASB ASC 815. OPIC has entered into a series of offsetting derivatives such that the changes in fair value largely offset one another. Changes in the fair value of derivatives, not designated in hedging relationships, are recorded directly in earnings as unrealized losses equal to $3.7 million for the year ended September 30, 2013. OPIC did not have any derivatives in FY 2012.

As of September 30, 2013, OPIC had the following outstanding derivatives that were not designated as hedges in qualifying hedging relationships:

Product	Number of Instruments	Pay Leg Notional		Receive Leg Notional	
Interest rate swaps	1	ZAR (fixed)	1,856,142,000	ZAR (variable)	1,856,142,000
	1	ZAR (variable)	1,856,142,000	ZAR (fixed)	1,856,142,000
	1	USD (fixed)	185,800,000	USD (variable)	185,800,000
	1	USD (variable)	185,800,000	USD (fixed)	185,800,000

Product	Number of Instruments	Pay Fixed Notional		Receive Floating Notional	
Cross-currency interest rate swaps	2	ZAR	3,712,284,000	USD	371,600,000
	2	USD	371,600,000	ZAR	3,712,284,000

The table below presents the fair value of OPIC's derivative financial instruments as well as their classification on the Balance Sheet as of September 30, 2013 (dollars in thousands). There is no prior year comparison, as this is the first year with these instruments.

Derivatives **not** designated as hedging instruments	Asset Derivatives As of September 30, 2013 Balance Sheet location	Fair Value	Liability Derivatives As of September 30, 2013 Balance Sheet location	Fair Value
Interest rate products	Other assets	$ (61)	Other liabilities	1,263
Foreign exchange contracts	Other assets	105,201	Other liabilities	107,591
Total derivatives **not** designated as hedging instruments		$ 105,140		108,854

The table below presents the effect of OPIC's derivative financial instruments on the Statement of Income for the year ended September 30, 2013 (dollars in thousands). There is no prior year comparison, as this is the first year with these instruments.

Derivatives **not** designated as hedging instruments	Location of Gain or (Loss) recognized in Income on Derivative	Amount of Gain or (Loss) recognized in Income on Derivative for the year ended September 30, 2013
Interest rate products	Other income/(expense)	$ (1,324)
Foreign exchange contracts	Other income/(expense)	(2,390)
Total		$ (3,714)

The tables below present a gross presentation, the effects of offsetting, and a net presentation of OPIC's derivatives as of September 30, 2013 (dollars in thousands). OPIC did not have any derivatives in fiscal year 2012. The net amounts of derivative assets or liabilities can be reconciled to the tabular disclosure of fair value. The tabular disclosure of fair value provides the location that derivative assets and liabilities are presented on the Balance Sheet.

Offsetting of Derivative Assets
As of September 30, 2013

					Gross amounts not offset in the Balance Sheet		
		Gross amounts of recognized assets	Gross amounts offset in the Balance Sheet	Net amounts of assets presented in the Balance Sheet	Financial instruments	Cash collateral received	Net amount
Derivatives	$	105,140	-	105,140	(88,484)	-	16,656

Offsetting of Derivative Liabilities
As of September 30, 2013

					Gross amounts not offset in the Balance Sheet		
		Gross Amounts of recognized liabilities	Gross amounts offset in the Balance Sheet	Net amounts of liabilities presented in the Balance Sheet	Financial instruments	Cash collateral received	Net amount
Derivatives	$	108,854	-	108,854	(88,484)	-	20,370

(21) Statutory Covenants

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

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

OVERSEAS PRIVATE INVESTMENT CORPORATION

WASHINGTON, D.C. 20527, USA

OFFICE OF THE
PRESIDENT

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

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

Based on the assessments OPIC conducted, the agency expresses an unqualified statement of assurance that, as of June 30, 2013, its internal controls over the effectiveness and efficiency of operations were in compliance with the provisions of Section 2 (internal accounting and administrative controls) of FMFIA and the Office of Management and Budget's Circular A-123, *Management Responsibility for Internal Control*. OPIC can also report that it is in substantial compliance with the requirements of Section 4 of FMFIA. Overall, the agency's internal controls were operating effectively and no material weaknesses were found in their design or operation.

Elizabeth L. Littlefield
President and Chief Executive Officer

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

IV. Internal Control Activities

INTERNAL CONTROL ACTIVITIES

During FY 2013, OPIC performed its internal control assessment implementing the risk-based testing approach that was adopted by OPIC's Board of Directors Audit Committee in 2011. Under this approach, eight of the twelve key business processes identified by management were tested using the guidelines in OMB's Circular A-123, *Management's Responsibility for Internal Control, Internal Control Over Financial Reporting.* Risk was assessed based on both quantitative as well as qualitative factors, including financial materiality, mission orientation, and the complexity and frequency of transactions. OPIC's financial materiality threshold for testing was established using the criteria in the Government Accountability Office's, *Financial Audit Manual (FAM).*

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

- Direct Loans;
- Investment Guaranties;
- Investment Funds;
- Payroll;
- Revenue and Receivables;
- Travel;
- Budget; and
- Legal.

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

V. Performance Measures

MEASURING MISSION PERFORMANCE

Self-Sustaining

By charging fees and focusing on sustainable projects, OPIC has continued to operate at no net cost to the U.S. taxpayer. Since the agency's establishment in 1971, OPIC has generated almost $5 billion in retained earnings. Moreover, it continues to be a net contributor to the U.S. government budget. In FY 2013, for example, OPIC's total outlays on the federal budget were negative $259 million.

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

GPRA Annual Performance Plan/Report

GPRA Strategic Goal	Strategic Objective	Performance Plan Outputs and Outcomes	FY 2012		FY 2013	FY 2014
			Target	Actual	Target	Target
Grow Portfolio Impact	Aim for high development impact	Projects with development scores evidencing	80	84	50[1]	50
	Increase commitments	Millions of dollars in finance and insurance project commitments	$2,000	$3,629	$3,750	$5,700
Increase Environmental Benefit	Maintain focus on renewable resources and energy efficiency	Millions of dollars in finance and insurance commitments in projects that are dedicated to renewable resources and energy efficiency	$700	$1,572	$750	$800
	Minimize GHG emissions across portfolio	Millions of tons of CO_2 emitted by projects in the OPIC portfolio[2]	36	32.7[3]	36	36

[1] In FY 2013, OPIC updated its development scoring methodology. The update included decreasing the full range of development scores from a rating range of 1-160 to a rating range of 1-100. This change was implemented to streamline the scoring process and standardize the agency's rating methodology with industry best practices. The new target in FY 2013 reflects the change in scoring methodology and normalizes it to past targets. Projects that receive a score in the range of 25-59 are considered developmental.

[2] Targets are based on an anticipated reduction in CO2 emissions, from 2008 baseline levels by 2014.

[3] Estimate as of April 1, 2013.#

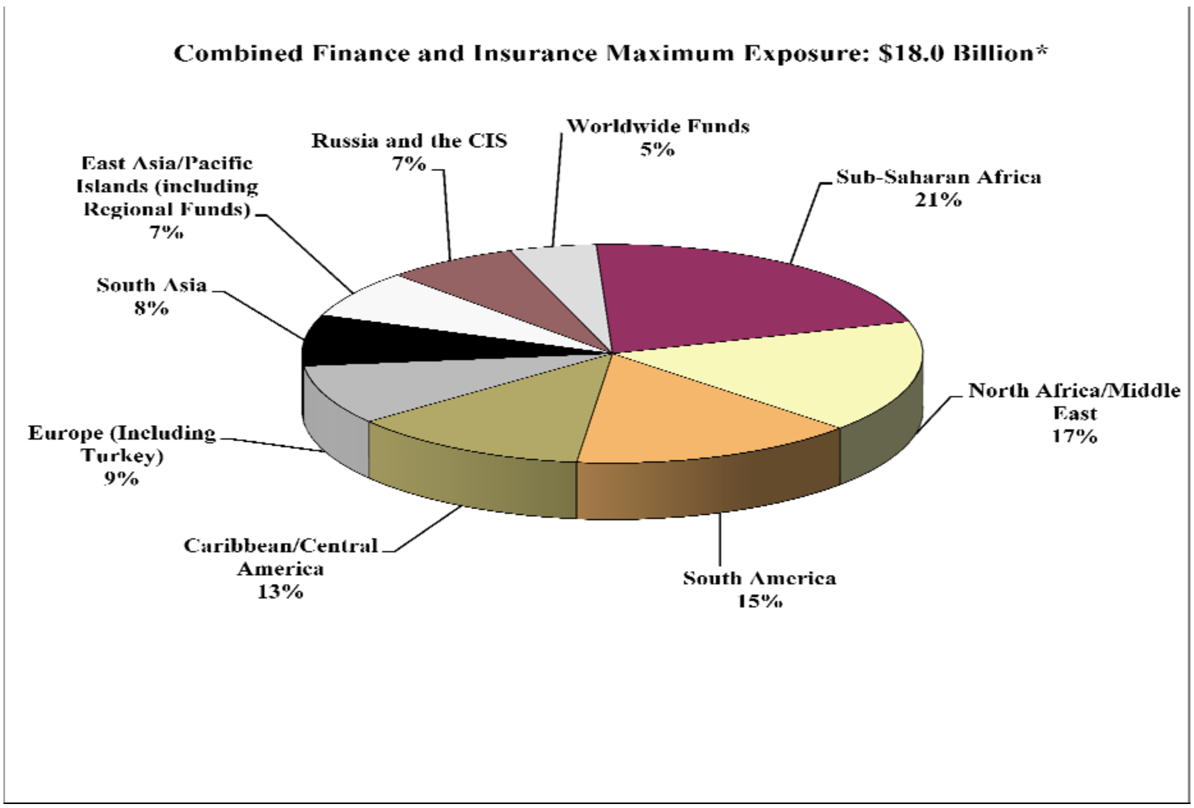
VI. Worldwide Exposure and Financial Position

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

Worldwide Exposure

At September 30, 2013, OPIC's combined Finance and Insurance maximum exposure totaled $18.0 billion. Charts 1 and 2 represent the regional and sectoral concentrations of that exposure. This combined figure represents OPIC's use of its $29 billion statutory limit. When the $18.0 billion is adjusted for standby insurance and undisbursed finance commitments, OPIC's current contingent liability at September 30, 2013 was $10.1 billion.

Chart 1: Regional

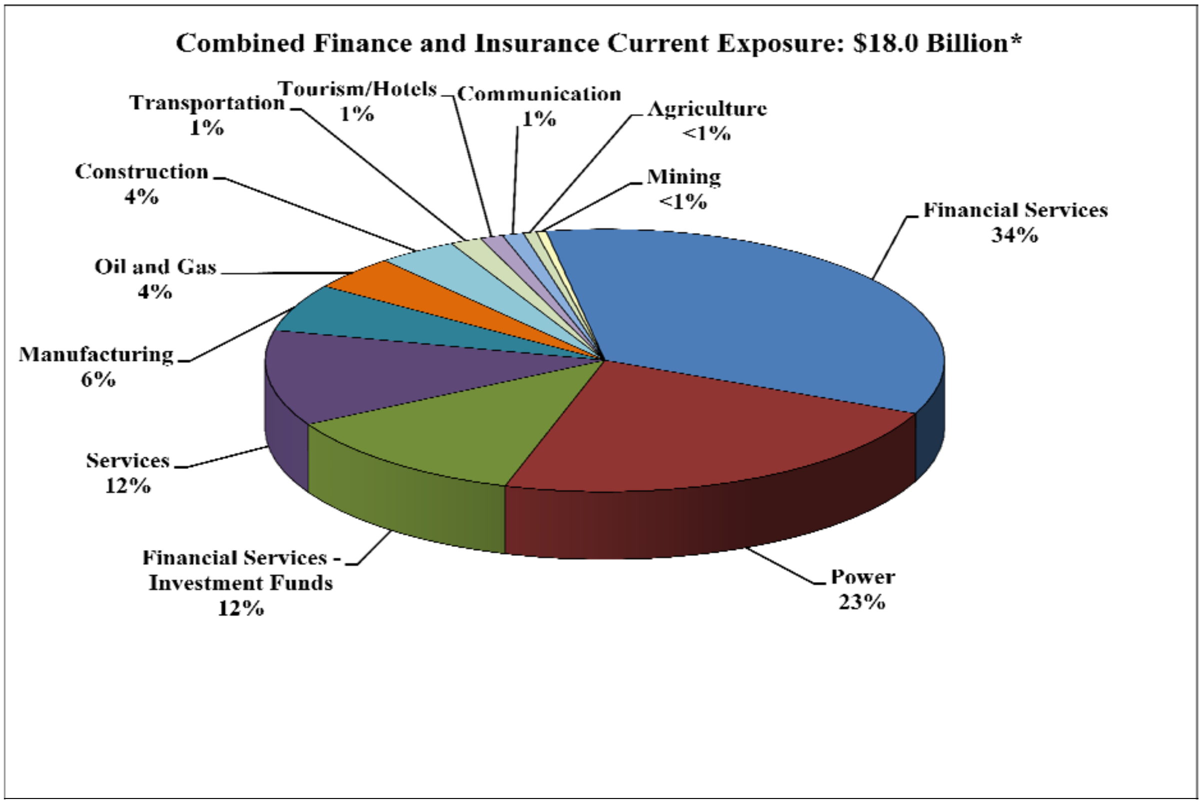


At September 30, 2013 the largest regional concentration of the combined Finance and Insurance exposure was Sub-Saharan Africa with 21 percent of the total exposure. The second largest concentration was North Africa/Middle East with 17 percent, followed by South America with 15 percent of total combined exposure. While South America has historically represented a significant share of OPIC's portfolio, due to its geographic accessibility and enormous potential for investment opportunities, Africa/Middle East now represents up to 40 percent of combined exposure.

*Maximum Worldwide Exposure represents Maximum Contingent Liability (MCL) for Insurance plus all undisbursed and outstanding direct loans and loan guaranties for Finance, including deferred and accrued interest for Investment Funds. As of September 30, 2013 OPIC's combined utilization of its statutory authority for both Insurance and Finance was $18.0 billion.

Maximum Worldwide Exposure **Geographic Regions**	**September 30, 2013**
Sub-Saharan Africa	$3,891,210,230
North Africa/Middle East	$3,075,300,699
South America	$2,752,590,961
Caribbean/Central America	$2,302,795,035
Europe (Including Turkey)	$1,634,348,694
South Asia	$1,394,091,428
East Asia/Pacific Islands (including Regional Funds)	$1,299,517,381
Russia and the CIS	$1,265,523,862
Worldwide Funds	$834,536,453
Project Specific MCL Limit Adjustment	**($400,561,118)**
Total	**$18,049,353,625**

Chart 2: Industrial Sectors



The most significant industrial sector concentrations at September 30, 2013 were Financial Services at 34 percent, Power at 23 percent, and Investment Funds Financial Services at 12 percent of the total. OPIC investment funds invest in a wide variety of sectors and lending facilities that provide liquidity to various sectors.

*Maximum Worldwide Exposure represents Maximum Contingent Liability (MCL) for Insurance plus all undisbursed and outstanding direct loans and loan guaranties for Finance, including deferred and accrued interest for Investment Funds. As of September 30, 2013 OPIC's combined utilization of its statutory authority for both Insurance and Finance was $18.0 billion.

Maximum Worldwide Exposure	
Industrial Sectors	**September 30, 2013**
Financial Services	$6,214,951,580
Power	$4,164,883,856
Financial Services – Investment Funds	$2,192,083,404
Services	$2,130,162,308
Manufacturing	$1,058,790,669
Oil and Gas	$761,223,323
Construction	$679,389,363
Transportation	$270,480,979
Tourism/Hotels	$196,886,425
Communication	$183,162,174
Agriculture	$113,667,656
Mining	$83,671,889
Total	**$18,049,353,625**

VII. Report on Improper Payments

REPORT ON IMPROPER PAYMENTS
FISCAL YEAR 2013

In accordance with Office of Management and Budget (OMB) guidance on the implementation of the Improper Payments Information Act (IPIA) of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010and the Improper Payments Elimination and Recovery Improvement Act of 2012, OPIC's review of its programs and activities confirms that the agency has adequate internal controls in place over program and administrative disbursements to ensure that the risk of improper payments is extremely low.

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

OPIC has established internal controls over each form of outgoing payments to prevent improper payments or to detect them in a timely manner. In FY 2013, OPIC's direct loan disbursements and approvals for third party disbursements under OPIC guaranties averaged 20 transactions per month. Each disbursement goes through a significant clearance process and projects with a Risk Rating of Substandard or worse receive additional review by the Associate General Counsel for Special Assets. Clearances for disbursements are received subsequent to due diligence, statutory review, and management approval of the project.

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