

MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2007

EXECUTIVE SUMMARY

The Export-Import Bank of the United States (Ex-Im Bank or the Bank) is an independent executive agency and a wholly owned U.S. government corporation. Ex-Im Bank is the official export-credit agency of the United States. Its mission is to support U.S. exports by providing export financing through its loan, guarantee and insurance programs in cases where the private sector is unable or unwilling to provide financing or when such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that are in competition for export sales with U.S. exporters. By facilitating the financing of U.S. exports, Ex-Im Bank helps companies create and maintain U.S. jobs. The Bank has provided financing support for export sales in over 150 markets throughout the world. The Bank's charter requires reasonable assurance of repayment for the transactions it authorizes, and the Bank closely monitors credit and other risks in its portfolio.

Ex-Im Bank reports under generally accepted accounting principles in the United States applicable to federal agencies (government GAAP). Under government-GAAP standards, Ex-Im Bank's net excess revenue over costs for FY 2007 was \$200.3 million and \$1,097.7 million for FY 2006.

Ex-Im Bank authorized \$12,569.4 million of loans, guarantees and insurance during FY 2007 in support of an estimated \$16,041.0 million of U.S. export sales. Over the past five fiscal years, annual authorizations have ranged from \$10,507.2 million to \$13,936.2 million, in support of estimated U.S. export sales of \$14,311.4 million to \$17,858.4 million.

New authorizations for direct small-business exports in FY 2007 totaled \$3,351.7 million, representing 26.7 percent of total authorizations. These figures compare to new

small-business authorizations in FY 2006 that totaled \$3,184.7 million, representing 26.2 percent of total authorizations. In FY 2007, Ex-Im Bank authorized 2,390 transactions that were made available for the direct benefit of small-business exporters, compared to 2,253 small-business transactions in FY 2006. Over the past five fiscal years, Ex-Im Bank's direct support for the small-business sector, primarily through working capital guarantees and short-term insurance, has ranged from \$2,075.2 million to \$3,351.7 million.

Ex-Im Bank's exposure at the end of FY 2007 is \$57,424.5 million. Of this total, the Bank's largest exposure is in the air-transportation sector, accounting for 44.5 percent of total exposure. The highest geographic concentration of exposure is in Asia, with 29.2 percent of total exposure.

The program composition of Ex-Im Bank's credit portfolio has changed over the past five fiscal years. Direct loans as a percent of total exposure have decreased from 17.3 percent in FY 2003 to 8.7 percent in FY 2007. The insurance and guarantee programs account for the remainder of the exposure.

While most of Ex-Im Bank's financings are denominated in U.S. dollars, Ex-Im Bank also guarantees notes denominated in certain foreign currencies. In FY 2007, Ex-Im Bank approved \$1,295.1 million in foreign-currency-denominated transactions. Total foreign-currency exposure at September 30, 2007, is \$8,207.0 million, which is 14.3 percent of total exposure. The Bank anticipates that its outstanding exposure for authorizations denominated in a currency other than the U.S. dollar will continue to grow.

The Bank classifies its credits into 11 risk categories, with level one being the least risky. The Bank's overall weighted-average risk rating is 4.00 on new authorizations for FY 2007

compared with a weighted-average risk rating of 3.89 for FY 2006. Seventy-four percent of Ex-Im Bank's medium-term and long-term new authorizations in FY 2007 fell in the level 3-to-5 range. The weighted-average risk rating on the overall outstanding portfolio is 4.40 at September 30, 2007, compared with the weighted-average risk rating of 4.50 at September 30, 2006.

Over the past five fiscal years, there has been a shift in Ex-Im Bank's portfolio from primarily sovereign and other public-sector borrowers to primarily private-sector borrowers. Between FY 2003 and FY 2007, exposure to public-sector obligors has decreased from 54.1 percent to 42.0 percent, while exposure to private-sector obligors has increased from 45.9 percent to 58.0 percent.

I. MISSION AND ORGANIZATIONAL STRUCTURE

Congressional Authorization and Mission

Ex-Im Bank is an independent executive agency and a wholly owned U.S. government corporation that was first organized as a District of Columbia banking corporation in 1934. Ex-Im Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act (FCRA) of 1990 (P.L. 101-508). Congress periodically reauthorizes Ex-Im Bank. The Ex-Im Bank Reauthorization Act of 2006 extended the Bank's authority until September 30, 2011.

Ex-Im Bank's mission is to support U.S. exports by providing export financing through its loan, guarantee and insurance programs in cases where the private sector is unable or unwilling to provide financing or where such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that are in competition for export sales with U.S. exporters. By facilitating the financing of U.S. exports, Ex-Im Bank helps companies create and maintain U.S. jobs. The Bank has provided financing support for export sales in over 150 markets throughout the world. The Bank's charter requires reasonable assurance of repayment for the transactions it authorizes, and the Bank closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. exports, Ex-Im Bank offers four financial products: direct loans, loan guarantees, working capital guarantees and export-credit insurance. All Ex-Im Bank authorizations carry the full faith and credit of the U.S. government.

Products

Ex-Im Bank offers fixed-rate loans directly to foreign buyers of U.S. goods and services. Ex-Im Bank extends to a

company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. Ex-Im Bank's direct loans carry the lowest fixed-interest rate permitted for the importing country and term under the Arrangement on Guidelines for Officially Supported Export Credits negotiated among members of the Organization for Economic Cooperation and Development (OECD).

Ex-Im Bank loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. Ex-Im Bank guarantees to a lender that, in the event of a payment default by the borrower, it will pay to the lender the outstanding principal and interest on the loan. Ex-Im Bank's comprehensive guarantee covers commercial and political risks for up to 85 percent of the U.S. contract value.

Loans and guarantees extended under the medium-term loan program typically have repayment terms of one to seven years, while loans and guarantees extended under the long-term loan program usually have repayment terms in excess of seven years.

Under the Working Capital Guarantee Program, Ex-Im Bank provides repayment guarantees to lenders on secured, short-term working capital loans made to qualified exporters. The working capital guarantee may be approved for a single loan or a revolving line of credit. Ex-Im Bank's working capital guarantee protects the lender from default by the exporter for 90 percent of the loan principal and interest.

Ex-Im Bank's Export-Credit Insurance Program helps U.S. exporters sell their goods overseas by protecting them against the risk of foreign-buyer or other foreign-debtor default for political or commercial reasons, allowing them to extend credit to their international customers. Insurance policies may apply to shipments to one buyer or many buyers, insure comprehensive (commercial and political) credit risks or only political risks, and cover short-term or medium-term sales.

Reasonable Assurance of Repayment

Ex-Im Bank's charter requires a reasonable assurance of repayment for all credit authorizations in order to ensure that Ex-Im Bank balances support for U.S. export transactions with protection of taxpayer resources.

The Bank's Board of Directors, Credit Committee or a Bank officer acting pursuant to delegated-approval authority from the Board of Directors makes the final determination of reasonable assurance of repayment taking into consideration staff recommendations. Transactions resulting in over \$10 million in exposure generally require the approval of the Board of Directors.

Estimated Cost of New Authorizations Under the Federal Credit Reform Act

Under the FCRA, which took effect on October 1, 1991, U.S. government lending agencies are required to estimate the cost of making their loans and loan guarantees and to seek an appropriation from Congress to cover that cost (net of fees). As part of credit reform, the U.S. government budgets for the present value of the estimated cost of credit programs not covered by fees, excluding administrative expenses. This cost is known as “subsidy cost” or “program, budget cost” and is defined as the net present value of all the cash flows of the credits to and from the U.S. government. Agencies must establish cash flow estimates for expected defaults, fees and recoveries to estimate the subsidy cost as a part of the budget process.

Ex-Im Bank loans and guarantees may not be committed unless sufficient appropriations are available to cover the calculated subsidy cost. When calculating the cost of each credit, Ex-Im Bank determines the net present value of expected cash receipts and cash disbursements associated with the credit. Cash receipts typically include fees or premia and loan principal and interest, and cash disbursements typically include claim payments and loan disbursements. When the present value of expected cash receipts exceeds the present value of expected cash disbursements, a “negative” credit subsidy arises. Negative subsidies are remitted to the U.S. Treasury upon disbursement of the underlying credits.

Due to the fact that financial and economic factors affecting the repayment prospects change over time, the net estimated subsidy cost of the outstanding balance of loans, guarantees and insurance financed by the subsidies is re-estimated annually in accordance with Office of Management and Budget (OMB) guidelines. This re-estimate indicates the appropriate level of funds necessary to cover future defaults. Decreases in estimated subsidy costs result in excess funds returned to the U.S. Treasury while increases in subsidy costs are covered by additional appropriations, which become automatically available through permanent and indefinite appropriations, pursuant to the FCRA. Ex-Im Bank calculates an annual re-estimate of the subsidy costs during the last quarter of the fiscal year.

Organizational Structure

Ex-Im Bank is an organization with a nationwide presence. Ex-Im Bank’s headquarters building is located in Washington, D.C., with business-development efforts supported through seven regional offices across the country.

Ex-Im Bank is divided into key functional areas:

Board of Directors: The Board of Directors consists of the president of the Bank, who serves as chairman; the first vice president of the Bank, who serves as vice chairman; and three additional directors appointed by the president of the United States by and with the advice and consent of the Senate. The board authorizes the Bank’s major transactions and includes an Audit Committee.

Office of the President: The president serves as the chief executive officer of the Bank and chairman of the Board of Directors. The president represents the board generally in its relations with other officers of the Bank, with agencies and departments of the government, and with others having business with the Bank. The president has general charge of the business of the Bank.

Credit and Risk Management Group: The Credit and Risk Management Group is responsible for reviewing the creditworthiness of proposed transactions. This group also evaluates both the engineering aspects and environmental impact of proposed projects.

Export Finance Group: The Export Finance Group is responsible for the origination of proposed transactions for all products, services and operations.

Small Business Group: The Small Business Group enhances the Bank’s outreach to small-business exporters and includes Ex-Im Bank’s seven regional offices, which exclusively focus on small-business outreach.

Office of the General Counsel: The Office of the General Counsel provides legal counsel to the Bank’s management and the Board of Directors and negotiates and documents the Bank’s major transactions. The Office of the General Counsel also ensures that the Bank complies with all applicable laws and regulations.

Office of the Chief Financial Officer: The Office of the Chief Financial Officer is responsible for all Bank financial operations, including budget formulation and execution, treasury, internal audit, credit accounting and servicing, asset monitoring and management, claims and recoveries, and portfolio review.

Office of Policy and Planning: The Office of Policy and Planning is responsible for policy development and analysis as well as liaison with the OECD.

Office of Resource Management: The Office of Resource Management directs human resources, contracting, technology management, agency administration and operating services.

Office of Communications: The Office of Communications is responsible for marketing, public affairs and external affairs.

Office of Congressional Affairs: The Office of Congressional Affairs is responsible for the Bank's relations with Congress.

Office of the Inspector General: The Office of the Inspector General is an independent office created within the Bank by law to conduct and supervise audits, inspections and investigations relating to the Bank's programs and supporting operations; to detect and prevent waste, fraud and abuse; and to promote economy, efficiency and effectiveness in the administration and management of the Bank's programs.

II. FINANCIAL ACCOUNTING POLICY

The accompanying FY 2007 and FY 2006 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 with form and content guidance provided in OMB Circular A-136, Financial Reporting Requirements, revised as of June 29, 2007. 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.

Ex-Im Bank follows OMB Circular A-11 as the primary guidance for calculating the subsidy cost associated with the Bank's transactions. In accordance with this guidance, the amount of subsidy cost (net of fees) calculated on the Bank's credit-reform programs also equates to the loss allowance on these transactions and is disclosed as such on the financial statements and related notes.

III. STRATEGIC GOALS

Strategic Goal: Facilitate U.S. Exports To Support U.S. Jobs

Ex-Im Bank's operations are driven by one fundamental goal: to facilitate and increase United States exports in order to support U.S. jobs. Ex-Im Bank programs offer effective financing support, enabling exporters to win export sales where such support is necessary to match officially supported foreign competition and to fill financing gaps due to the lack of available commercial financing. Exports and the associated jobs are a critical component of the U.S. economy, with exports representing over 11 percent of the U.S. gross domestic product.

Exhibit 1: Authorizations by Fiscal Year

(in millions)

Authorizations	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
LONG-TERM					
Loans	\$52.7	\$227.1	\$0.0	\$56.5	\$0.0
Guarantees	6,422.9	7,112.1	8,076.1	6,603.5	7,234.0
Subtotal, Long-Term	6,475.6	7,339.2	8,076.1	6,660.0	7,234.0
MEDIUM-TERM					
Loans	5.6	0.0	0.0	0.0	0.0
Guarantees	554.1	540.5	399.4	387.6	504.2
Insurance	678.4	911.5	451.0	641.4	301.8
Subtotal, Medium-Term	1,238.1	1,452.0	850.4	1,029.0	806.0
SHORT-TERM					
Working Capital	768.0	880.4	1,096.3	1,173.8	1,255.3
Insurance	2,025.5	3,649.3	3,913.4	3,287.7	3,274.1
Subtotal, Short-Term	2,793.5	4,529.7	5,009.7	4,461.5	4,529.4
TOTAL AUTHORIZATIONS	\$10,507.2	\$13,320.9	\$13,936.2	\$12,150.5	\$12,569.4

Results of Operations: FY 2007 Authorizations

Ex-Im Bank fulfills its strategic goal of facilitating U.S. exports. Authorizations have ranged from \$10,507.2 million to \$13,936.2 million during the past five fiscal years (Exhibit 1).

Strategic Goal: Facilitate U.S. Exports by Small Business

Small businesses are major creators of jobs in America. The Bank's mandate from Congress places significant emphasis on supporting small-business exports. In addition, the Bank's charter states: "Ex-Im Bank shall make available, from the aggregate loan, guarantee and insurance authority available to it, an amount to finance exports directly by small-business concerns (as defined under section 3 of the Small Business Act) which shall be not less than 20 percent of such authority for each fiscal year."

In FY 2006, Ex-Im Bank created the Office of Small Business to provide a Bankwide focus on small-business support with overall responsibility for expanding and overseeing small-business outreach. This office is responsible for making small businesses aware of the opportunities available to them and for acting as a liaison with the Small Business Administration and other departments and agencies in matters affecting small businesses.

Ex-Im Bank's programs play an important role in providing export-finance support to small businesses that have the ability to expand and create American jobs. In 1978, Ex-Im Bank introduced its first short-term export-credit insurance policy tailored for small business. Since this introduction, Ex-Im Bank has been designing and implementing programs and policies to meet the needs of the U.S. small-business exporter.

Results of Operations:

FY 2007 Small-Business Authorizations

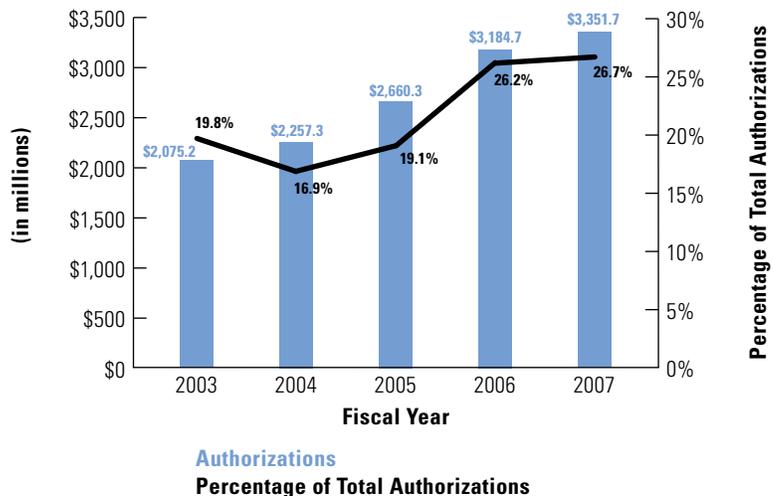
In FY 2007, the Bank authorized \$3,351.7 million in direct support of U.S. small-business exports, representing 26.7 percent of total authorizations, compared to \$3,184.7 million and 26.2 percent for FY 2006. In FY 2007, the Bank authorized 2,390 transactions that were made available for the direct benefit of small businesses, representing approximately 85.6 percent of the total number of transactions. These figures compare to 2,253 transactions in FY 2006, which represented 84.2 percent of the total number of transactions. Ex-Im Bank's objective is to continue to grow small-business

authorizations in the context of a reasonable assurance of repayment and in response to market demand.

Ex-Im Bank offers two products that primarily benefit small businesses: working capital guarantees and short-term insurance. In FY 2007, \$989.6 million, or 78.8 percent, of total authorizations in the Working Capital Guarantee Program supported small businesses. Of total authorizations under the Export-Credit Insurance Program, \$2,087.3 million, or 58.4 percent, supported small businesses. In FY 2006, \$917.9 million, or 78.2 percent, of total authorizations in the Working Capital Guarantee Program supported small businesses. Of total authorizations under the Export-Credit Insurance Program, \$2,038.1 million, or 51.9 percent, supported small businesses.

Exhibit 2 shows the total dollar amount of authorizations for small-business exports for each year since FY 2003, together with the percentage of small-business authorizations to total authorizations for that fiscal year.

Exhibit 2: Small-Business Authorizations



IV. EFFECTIVENESS AND EFFICIENCY

Ex-Im Bank uses various measures to assess the relative efficiency and effectiveness of the Bank's programs. As an overall measure, the Bank's annual Report to the U.S. Congress on Export Credit Competition and the Export-Import Bank of the United States (competitiveness report) compares the Bank's competitiveness with that of the other G-7 export credit agencies

(ECAs). In addition, Ex-Im Bank uses various leverage measures to assess efficiency and to assess cost effectiveness.

**Overall Effectiveness and Efficiency:
Recognition from Customers and Peers**

The Bank’s competitiveness report to Congress showed survey results from exporters and lenders that indicated the Bank’s core business policies and practices were classified as competitive with other officially supported foreign competition, primarily other G-7 ECAs. According to the data, Ex-Im Bank terms, including policy coverage, interest rates, exposure-fee rates and risk premia, consistently matched competitors. In addition, Ex-Im Bank continues to receive recognition from noted international trade journals for its product innovations and customer service. Ex-Im Bank was recently recognized as highly commended among all ECAs and has received numerous “Deal of the Year” awards.

Leverage of Resources: A Good Deal for U.S. Taxpayers

The Bank utilizes four leverage ratios to assess efficiency and to measure returns on U.S. taxpayer resources invested in Ex-Im Bank programs.

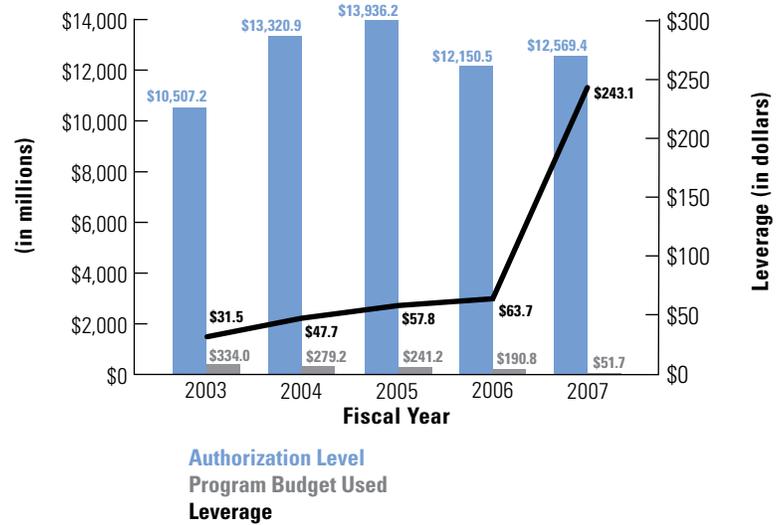
For every taxpayer dollar used for program and administrative expenses in FY 2007, Ex-Im Bank facilitated an estimated \$128.8 of U.S. exports. This multiple compares to \$61.2 of U.S. exports in FY 2006.

The taxpayer value in terms of administrative budget dollars is even greater. For every dollar of administrative budget used in FY 2007, Ex-Im Bank provided financing in support of an estimated \$220.3 of U.S. exports, compared to an estimated \$222.3 of U.S. exports in FY 2006.

Another leverage measure examines the productivity contributed by each employee as measured by the level of authorizations. Since FY 2003, the average level of authorizations per employee has increased 30.4 percent and is \$34.3 million in FY 2007.

The final leverage measure is the amount of authorizations supported by each dollar of program budget. This indicator has continued to improve over the past five years. In FY 2003, each dollar of program budget supported \$31.5 of authorizations; in FY 2007, each dollar of program budget

Exhibit 3: Authorization Levels and Program Budget Required



supported \$243.1 in authorizations. Exhibit 3 shows the total amount authorized, the corresponding usage of program budget and the resulting leverage for the past five fiscal years. Since FY 2003 program budget used has gradually decreased as Ex-Im Bank has moved to using its actual historical default and recovery rates to calculate more precisely the subsidy cost associated with new authorizations. Previously, OMB provided default and recovery rates to all international credit agencies for use in calculating the subsidy cost. However, Ex-Im Bank’s actual default and recovery experience was much better than the rates provided by OMB, which reduced the subsidy cost to where it now more accurately reflects the Bank’s own default and recovery experience. The reduction in program budget significantly contributed to the increase in the Bank’s leverage between FY 2006 and FY 2007.

V. PORTFOLIO ANALYSIS

Ex-Im Bank’s Portfolio by Program, Region, Industry, Obligor Type and Foreign Currency

At September 30, 2007, Ex-Im Bank’s exposure totaled \$57,424.5 million, compared to total exposure of \$57,837.8 million at September 30, 2006. In general, total exposure over

the five-year period has remained relatively constant at an average of approximately \$60 billion. Even though Ex-Im Bank continues to generate new business each year, the Bank's overall portfolio remains at a stable level due to the pay-downs of some of the outstanding transactions. As a percent of total exposure, direct-loan exposure, including undisbursed loans, has declined while guarantee exposure has increased.

Exhibit 4 summarizes total Ex-Im Bank exposure by program and shows each program as a percentage of the total exposure at the end of the respective fiscal year.

Exhibit 5 summarizes total Ex-Im Bank exposure by geographic region. The table shows that the geographic exposure has been relatively stable over the past five fiscal years. The All Other category in Exhibit 5 includes undisbursed balances of

Exhibit 4: Exposure by Program.

(in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Guarantees	\$40,025.7	\$41,361.6	\$43,554.7	\$42,460.0	\$44,039.7
Insurance	6,261.1	6,183.8	7,316.1	6,970.2	6,180.4
Loans	9,998.5	9,288.3	8,354.2	5,954.9	4,933.7
Receivables from Subrogated Claims	3,976.0	3,895.1	3,625.2	2,363.7	2,238.6
Undisbursed Loans	550.7	419.4	102.3	89.0	32.1
TOTAL EXPOSURE	\$60,812.0	\$61,148.2	\$62,952.5	\$57,837.8	\$57,424.5
(% to Total)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Guarantees	65.9%	67.6%	69.2%	73.4%	76.7%
Insurance	10.3%	10.1%	11.6%	12.1%	10.8%
Loans	16.4%	15.2%	13.3%	10.3%	8.6%
Receivables from Subrogated Claims	6.5%	6.4%	5.8%	4.0%	3.8%
Undisbursed Loans	0.9%	0.7%	0.1%	0.2%	0.1%
TOTAL EXPOSURE	100.0%	100.0%	100.0%	100.0%	100.0%

Exhibit 5: Geographic Exposure

(in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Asia	\$20,229.5	\$17,967.5	\$17,517.8	\$17,271.7	\$16,756.8
Latin America	14,983.9	15,570.3	13,924.0	14,423.4	12,583.4
Europe/Canada	10,491.1	10,840.7	11,141.0	10,410.2	11,058.1
Africa/Middle East	9,008.1	9,222.3	10,221.0	7,696.6	7,773.6
All Other	6,099.4	7,547.4	10,148.7	8,035.9	9,252.6
TOTAL EXPOSURE	\$60,812.0	\$61,148.2	\$62,952.5	\$57,837.8	\$57,424.5
(% to Total)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Asia	33.3%	29.4%	27.8%	29.9%	29.2%
Latin America	24.6%	25.5%	22.1%	24.9%	21.9%
Europe/Canada	17.3%	17.7%	17.7%	18.0%	19.3%
Africa/Middle East	14.8%	15.1%	16.2%	13.3%	13.5%
All Other	10.0%	12.3%	16.2%	13.9%	16.1%
TOTAL EXPOSURE	100.0%	100.0%	100.0%	100.0%	100.0%

Exhibit 6: Exposure by Major Industrial Sectors

(in millions)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Air Transportation	\$21,659.1	\$23,475.0	\$24,935.1	\$24,443.0	\$25,551.5
Oil and Gas	6,166.9	6,415.5	6,681.2	7,361.6	7,084.7
Manufacturing	4,320.7	4,309.1	5,465.2	4,418.0	4,405.3
Power Projects	7,067.6	6,577.7	5,696.2	4,876.3	4,085.0
All Other	21,597.7	20,370.9	20,174.8	16,738.9	16,298.0
TOTAL EXPOSURE	\$60,812.0	\$61,148.2	\$62,952.5	\$57,837.8	\$57,424.5
(% to Total)	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Air Transportation	35.6%	38.4%	39.6%	42.3%	44.5%
Oil and Gas	10.1%	10.5%	10.6%	12.7%	12.3%
Manufacturing	7.1%	7.0%	8.8%	7.7%	7.7%
Power Projects	11.6%	10.8%	9.0%	8.4%	7.1%
All Other	35.6%	33.3%	32.0%	28.9%	28.4%
TOTAL EXPOSURE	100.0%	100.0%	100.0%	100.0%	100.0%

Exhibit 7: Public and Private Obligors

Year End	FY 2003	FY 2004	FY 2005	FY 2006	FY 2007
Private Obligors	45.9%	49.5%	52.0%	53.6%	58.0%
Public Obligors	54.1%	50.5%	48.0%	46.4%	42.0%

short-term multibuyer insurance that is not allocated by region until the shipment has taken place and working capital guarantee exposure in the United States.

Exhibit 6 shows exposure by the major industrial sectors in the Bank's portfolio.

Through the past five fiscal years, there has been a shift in Ex-Im Bank's portfolio. As the need for private-sector financing has increased since FY 2003, Ex-Im Bank's portfolio represented by private obligors has increased from 45.9 percent in FY 2003 to 58.0 percent in FY 2007.

Of the portfolio at September 30, 2007, 42.0 percent represents credits to public-sector obligors or guarantors (21.0 percent to sovereign obligors or guarantors and 21.0 percent to public nonsovereign entities); 58.0 percent represents credits to private-sector obligors. A breakdown of public versus private sector exposure is shown in Exhibit 7.

In FY 2007, Ex-Im Bank approved \$1,295.1 million in transactions denominated in a foreign currency, 10.3 per-

cent of all new authorizations, as shown in Exhibit 8. In FY 2006, Ex-Im Bank approved \$1,753.4 million in transactions denominated in a foreign currency, 14.4 percent of all new authorizations. Foreign-currency transactions are booked in U.S. dollars based on the exchange rate at the time of authorization. The U.S.-dollar exposure is adjusted at year end using the latest exchange rates.

At the end of FY 2007, Ex-Im Bank had 86 transactions with outstanding balances denominated in a foreign currency. Using the foreign-currency exchange rate at September 30, 2007, Ex-Im Bank adjusted the dollar amount of the outstanding balance for these transactions. The adjustment was an increase in exposure of \$1,346.7 million for a total outstanding balance of \$8,207.0 million for foreign-currency-denominated guarantees, representing 14.3 percent of total Bank exposure.

At the end of FY 2006, Ex-Im Bank had 65 transactions with outstanding balances denominated in a foreign cur-

rency. Using the foreign-currency exchange rate at September 30, 2006, Ex-Im Bank adjusted the dollar amount of the outstanding balance for these transactions. The adjustment was an increase in exposure of \$559.4 million for a total outstanding balance of \$6,650.0 million for foreign-currency-denominated guarantees, representing 11.5 percent of total Bank exposure.

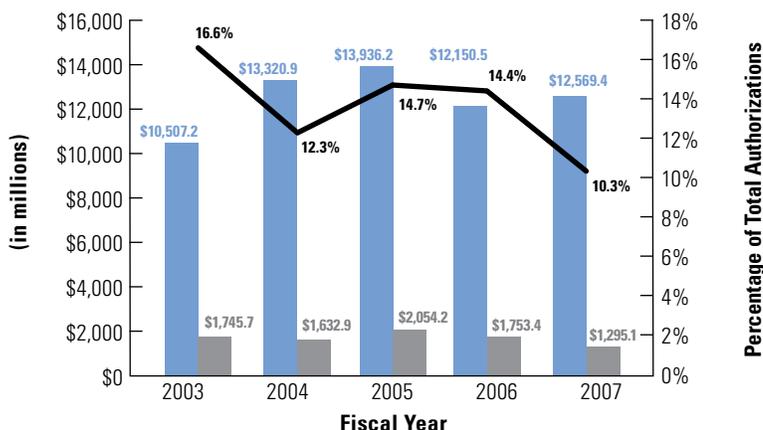
As seen in Exhibit 8, the percentage of foreign-currency authorizations to total authorizations has dropped slightly over the past five years. The level of foreign-currency authorizations is attributable in large part to borrowers' desire to borrow funds in the same currency as they earn funds, in order to mitigate the risk involved with exchange fluctuations. The majority of the foreign currency authorizations support U.S. exports of commercial jet aircraft.

Exhibit 9 shows the U.S. dollar value of the Bank's outstanding foreign-currency exposure by currency.

*Exhibit 9:
U.S. Dollar Value of Outstanding
Foreign-Currency Exposure
as of September 30, 2007*

Currency	Outstanding Balance (in millions)	Percent of Total
Euro	\$4,440.1	54.1%
Canadian Dollar	1,376.0	16.8%
Australian Dollar	867.0	10.5%
Japanese Yen	417.5	5.1%
Mexican Peso	285.7	3.5%
Korean Won	245.3	3.0%
British Pound	224.3	2.7%
New Zealand Dollar	218.6	2.7%
South African Rand	126.9	1.5%
Swiss Franc	5.6	0.1%
TOTAL	\$8,207.0	100.0%

Exhibit 8: Foreign-Currency Transactions



Authorizations
Foreign-Currency Authorizations
Foreign-Currency Authorizations as a Percentage of Total Authorizations

VI. LOSS RESERVES, MAJOR WORKOUT AND PARIS CLUB ACTIVITIES

Allowance for Losses on Loans, Guarantees, Insurance and Subrogated Claims

The total allowance for Ex-Im Bank credits is comprised of the allowance for loss on pre-credit-reform credits and all defaulted guarantees and insurance, and the allowance for subsidy cost for post-credit-reform credits. For pre-credit-reform credits, a provision is charged to earnings as losses are estimated to have occurred.

Write-offs are charged against the allowance when management believes the uncollectibility of a loan or claim balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for Ex-Im Bank credit-reform credits equates to the amount of subsidy cost associated with the applicable credit. This subsidy cost is defined as the net present value of all the cash flows of the credits to and from the U.S. government. Ex-Im Bank has established cash-flow models for expected defaults, fees and recoveries to estimate the subsidy cost for each approved credit. The models incorporate OMB's loss estimates for international credit programs and Ex-Im Bank's actual recovery experience.

Exhibit 10: Loss Reserves and Exposure Summary

(in millions)	FY 2007	FY 2006
LOSS RESERVES		
Allowance for Loan Losses (Including Undisbursed)	\$1,461.1	\$1,533.2
Allowance for Defaulted Guarantees and Insurance	1,459.6	1,373.6
Liability for Outstanding Guarantees and Insurance (Including Undisbursed)	1,386.1	1,541.2
TOTAL RESERVES	\$4,306.8	\$4,448.0
TOTAL EXPOSURE		
Loans Receivable	\$4,933.7	\$5,954.9
Receivables from Defaulted Guarantees and Insurance	2,238.6	2,363.7
Guarantees and Insurance	50,220.1	49,430.2
Undisbursed Loans	32.1	89.0
TOTAL EXPOSURE	\$57,424.5	\$57,837.8
<i>Loss Reserve as Percentage of Total Exposure</i>	7.5%	7.7%

The net subsidy cost of the outstanding balance of loans, guarantees and insurance financed by the subsidies is re-estimated annually in accordance with OMB guidelines. The re-estimate adjusts the allowance for subsidy cost to account for actual activity and changes in the financial and economic factors that affect the repayment prospects over time. As of September 30, 2007, the re-estimate of the subsidy costs of the outstanding and undisbursed balances of FY 1992 through FY 2006 commitments indicated that of the fees, interest and appropriations in the financing accounts, the net amount of \$414.2 million was no longer needed to cover commitments and was due to the U.S. Treasury.

As of September 30, 2006, the re-estimate of the subsidy costs of the outstanding and undisbursed balances of FY 1992 through FY 2005 commitments indicated that of the fees, interest and appropriations in the financing accounts, the net amount of \$1,402.0 million was no longer needed to cover commitments and was due to the U.S. Treasury.

The total allowance for losses (loss reserve) at September 30, 2007, for loans, claims, guarantees and insurance commitments is \$4,306.8 million, which is 7.5 percent of total exposure of \$57,424.5 million (Exhibit 10). This compares to the total loss reserve at September 30, 2006, for loans, claims receivable, guarantees and insurance commitments of \$4,448.0 million, which was 7.7 percent of total exposure of \$57,837.8 million.

Major Workouts

At the end of FY 2007, Ex-Im Bank was in the process of restructuring six major impaired credits (i.e., project finance, transportation and corporate borrowers with outstanding balances greater than \$20 million) with a total exposure of approximately \$682.8 million. The credits currently under restructuring supported the export of U.S. products and services to projects and buyers in Thailand, Pakistan, Venezuela, Turkey and the Philippines. Most of these companies have other lenders with which Ex-Im Bank is participating in the restructuring processes.

Paris Club Activities

The Paris Club is a group of 19 permanent member-creditor countries that meet regularly in Paris to discuss and provide debt relief to qualifying debtor countries. In FY 2007, five countries were eligible for debt forgiveness and/or debt rescheduling, including capitalized interest (Exhibit 11). In FY 2006, 10 countries received either debt forgiveness or debt rescheduling.

At September 30, 2007, Ex-Im Bank's total Paris Club rescheduled exposure is \$1,999.3 million compared with \$2,217.4 million at September 30, 2006.

Exhibit 11: Paris Club Bilateral Agreements

(in thousands)	FY 2007		FY 2006	
	Principal Forgiven	Debt Rescheduled	Principal Forgiven	Debt Rescheduled
COUNTRY				
Cameroon	\$25,130	\$ -	\$3,640	\$2,123
Congo	1,987	839		
DRC (Zaire)			684,660	
Dominican Republic		17,753		18,574
Grenada		1,534		
Haiti	101			
Honduras			1,248	
Indonesia				18,991
Kenya				117
Nigeria			605,894	
Rwanda			560	
Serbia/Montenegro			80,002	2,663
Zambia			142,489	
TOTAL	\$27,218	\$20,126	\$1,518,493	\$42,468

VII. PORTFOLIO-RISK RATING SYSTEM AND RISK PROFILE

The Interagency Country Risk Assessment System (ICRAS)

OMB established the Interagency Country Risk Assessment System (ICRAS) to provide a framework for uniformly measuring the costs of the U.S. government's international credit programs across the various agencies that administer them. To operate this framework, OMB chairs an interagency working group composed of the agencies with international loan programs, as well as the Departments of State and U.S. Treasury, the Federal Deposit Insurance Corp. and the Federal Reserve Board. In addition, OMB consults annually with the Congressional Budget Office.

The ICRAS methodology determines both the risk levels for lending to sovereign governments as well as certain factors to be used in calculating the program-budget cost for transactions at the various risk levels.

One of OMB's key goals in developing this system was to pattern ICRAS after systems in the private sector. Therefore ICRAS adopts similar ratings and rating methodologies as the private rating agencies, such as Moody's, Standard & Poor's and Fitch IBCA.

Risk Ratings

The interagency group rates every country to which U.S. government agencies have outstanding loans or loan guarantees or are anticipating making new credits available. The interagency group has established 11 sovereign and nine nonsovereign risk categories and currently has risk ratings for 193 markets.

Like the private-sector risk-rating agencies, ICRAS rates countries on the basis of economic and political/social variables. Each country receives two ratings: a sovereign-risk rating and a nonsovereign-risk rating. In keeping with the principle of congruence to private ratings, throughout the rating process analysts use private-sector ratings as one of the benchmarks for determining the ICRAS rating. When ICRAS ratings significantly deviate from Moody's, S&P's, Fitch IBCA's or OECD ratings, the reasoning is substantiated in the ICRAS paper and is the subject of interagency discussion. This presumption serves as a key reference point throughout the ICRAS process.

The ratings are based, in general, on a country's (1) ability to make payments, as indicated by relevant economic factors, and (2) willingness to pay, as indicated by payment record and political and social factors. Four categories, ratings 1 through 4, are roughly equivalent to "creditworthy" or "investment

grade” private bond ratings. Three categories, ratings 9 to 11, are for countries either unable to pay fully, even with extended repayment periods, or currently unwilling to make a good faith effort. In between are categories reflecting various degrees of potential or actual payment difficulties.

ICRAS Default Estimates

In order to determine the cost associated with the risk of lending to a category of credits, OMB applies a default estimate to each category that reflects the expected losses.

OMB bases its calculations of the default estimates on investors’ risk-return perceptions on international debt instruments. The default estimates were established using data from international debt markets that reflected changes in financial market conditions over the past seven years. An extensive analysis was done of international lending rates so that the default estimates would most accurately reflect the market’s evaluation of default risk.

Agencies apply these default estimates by comparing the present-value cash flows discounted using a risk-free U.S. Treasury rate against the present value of identical cash flows discounted by a risk-adjusted discount rate built from the risk-free U.S. Treasury rate plus the historical average spread for the risk category of the transaction under evaluation (the risk premia). The difference between these two present values is the present value of estimated defaults. This present-value default amount is spread over the maturity of the proposed transaction and is discounted using the standardized OMB Credit Subsidy Calculator.

In FY 2005, Ex-Im Bank started to incorporate actual recovery experience into these loss percentages to calculate more precisely the Bank’s allowance for loss. In FY 2006 and FY 2007, Ex-Im Bank used actual default and recovery experience to calculate more precisely the Bank’s annual re-estimate.

Portfolio-Risk Monitoring and Evaluation

Ex-Im Bank continuously monitors its portfolio of credits after they have been approved. Monthly reports are prepared for the Board of Directors and management detailing and analyzing the portfolio-risk profile and any significant

changes from the prior report. Credits to obligors with total Ex-Im Bank exposure of \$20 million or more are individually re-evaluated semiannually after authorization.

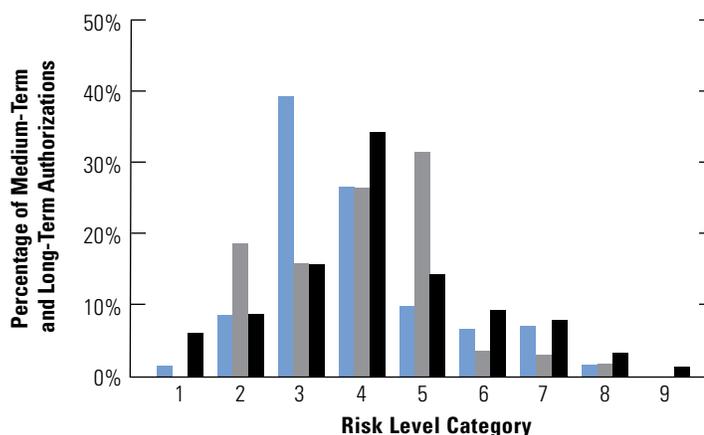
Exposure-Risk Profile

In accordance with the risk-rating system detailed above, Ex-Im Bank classifies credits into 11 risk categories, with level 1 being the lowest risk. Ex-Im Bank generally does not authorize new credits that would be risk-rated worse than level 8. On this scale, level 3 is approximately equivalent to Standard and Poor’s BBB, level 4 approximates BBB- and level 5 approximates BB.

The overall weighted average-risk rating of FY 2007 medium-term and long-term export-credit authorizations was 4.00 compared to a weighted average-risk rating of 3.89 for FY 2006. Seventy-four percent of Ex-Im Bank’s medium-term and long-term new authorizations in FY 2007 fell in the level 3-to-5 range (BBB to BB) while 4.5 percent were rated level 7 or 8 (B or B-).

Exhibit 12 shows the risk profile of Ex-Im Bank’s medium-term and long-term authorizations in FY 2007 and FY 2006 and the past five-year average-risk profile.

Exhibit 12: Medium-Term and Long-Term Authorizations by Risk Category

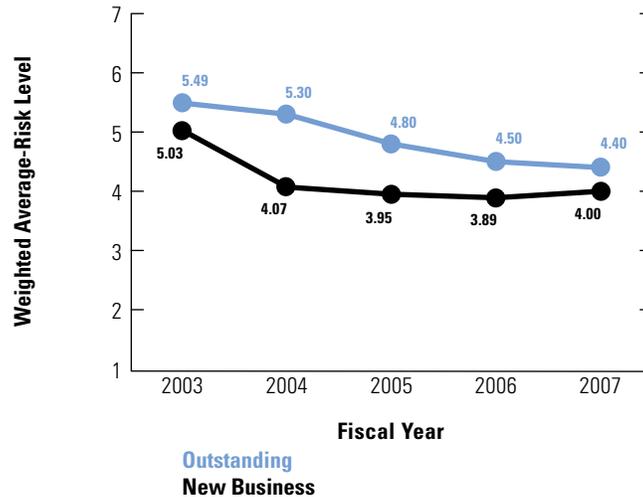


Fiscal Year 2006
 Fiscal Year 2007
 Five-Year Average

Changes in the Portfolio-Risk Level

At September 30, 2007, Ex-Im Bank had a portfolio of \$57,424.5 million of loans, guarantees, insurance and outstanding claims receivable. Exhibit 13 shows the weighted average-risk rating for new authorizations and the outstanding portfolio over the past five fiscal years. The new business risk level includes all medium-term and long-term transactions authorized in each respective fiscal year and reflects the weighted average-risk rating for these authorizations. The outstanding portfolio includes new business transactions and the existing portfolio risk-rated at the end of each fiscal year. As can be seen in Exhibit 13, the risk rating for new business and the outstanding portfolio has gradually improved over the past several fiscal years.

Exhibit 13: Credit-Quality Risk Profile



VII. FINANCIAL STATEMENT ANALYSIS

Significant Financial Data

Exhibit 14 presents certain financial data from the Balance Sheets and the Statements of Net Costs. This financial data is highlighted due to a significant change (15 percent or more) and/or significant dollar difference between FY 2007 and FY 2006. More detailed financial information can be found in the financial statements and notes.

Fund Balance with the U.S. Treasury: The cash balance declined from \$3,230.2 million at September 30, 2006, to \$2,688.9 million at September 30, 2007, due to the March 2007 transfer of the prior-year downward subsidy re-estimate of \$1,402.0 million. The decline due to the subsidy re-estimate was partially offset by current-year collections of exposure fees, interest collections and the receipt of the current-year appropriations.

Exhibit 14: Significant Financial Data

(in millions)	FY 2007	FY 2006
Fund Balance with the U.S. Treasury	\$2,688.9	\$3,230.2
Receivable from the Program Account	609.5	520.4
Loans Receivable, Net	3,578.1	4,526.1
Receivables from Subrogated Claims, Net	785.6	991.2
Amounts Payable to the U.S. Treasury	1,135.2	1,826.8
Liabilities Related to Undisbursed Loans and Guarantees	130.6	279.1
Payable to the Financing Account	478.9	241.3
Payment Certificates	140.7	195.3
<hr/>		
Subsidy Expense, Net*	277.4	(609.6)
Loan Interest Income	542.8	886.6
Guarantee Interest Income	188.5	235.0
Liquidating Account Distribution of Income	130.5	627.5

*Balances shown are combined amounts from the different programs shown on the Statements of Net Cost.

Receivable from the Program Account/Liabilities Related to Undisbursed Loans and Guarantees/Payable to the Financing Account: The Receivable from the Program Account is fully offset by the Liabilities Related to Undisbursed Loans and Guarantees and the Payable to the Financing Account. These amounts are payable to and receivable from different Ex-Im Bank accounts at the U.S. Treasury and net to zero. The Receivable from the Program Account increased from \$520.4 million at September 30, 2006, to \$609.5 million at September 30, 2007. The increase was due to the larger upward portion of the subsidy re-estimate in FY 2007, which was partially offset by the decline in subsidy related to undisbursed loans and guarantees that resulted from a decline in default rates on current-year authorizations.

Loans Receivable, Net: Ex-Im Bank has authorized few direct loans in the past several years, and repayments and prepayments on existing credits have caused the loans receivable balance to decline. Gross loans receivable were \$5,954.9 at September 30, 2006, and dropped to \$4,933.7 at September 30, 2007.

Receivables from Subrogated Claims, Net: During FY 2007, gross claims receivables declined by \$125.1 million while the allowance for loss increased by \$86.0 million. The allowance was increased to recognize additional amounts that are likely to be written off for countries eligible for the Heavily Indebted Poor Countries (HIPC) debt forgiveness initiative as well as an overall increase in the riskiness of the claim portfolio.

Amounts Payable to the U.S. Treasury: Amounts Payable to the U.S. Treasury are made up of expired appropriations no longer available for new obligations and the downward re-estimate. The amount payable decreased from \$1,826.8 million at September 30, 2006, to \$1,135.2 million at September 30, 2007, due to a smaller net downward re-estimate in FY 2007 compared to FY 2006.

Payment Certificates: Payment Certificates decreased from \$195.3 million at September 30, 2006, to \$140.7 million at September 30, 2007, as more payment certificates were repaid than issued.

Subsidy Expense, Net: The Subsidy Expense, Net decreased from a credit of \$609.6 million at September 30, 2006, to a net expense of \$277.4 million at September 30, 2007. This was due to the impact of the re-estimate on current-year subsidy expense. In FY 2006, the net downward re-estimate was \$1,402.0 million, and in FY 2007 the net downward re-estimate was \$414.2 million. A downward re-estimate decreases the subsidy expense for the year.

Loan-Interest Income: The loan-interest income declined from \$886.6 million at September 30, 2006, to \$542.8 million at September 30, 2007. In FY 2006, there were several large repayments and prepayments of rescheduled credits, a portion involving the repayment of capitalized interest. Ex-Im Bank's policy is to recognize the interest income resulting from the capitalization of interest only when the interest is paid. The repayment of the capitalized interest resulted in higher than expected interest income in FY 2006.

Liquidating Account Distribution of Income: For the pre-credit-reform portfolio, this represents cash balances in excess of amounts needed to cover obligations that are transferred to the U.S. Treasury. The decline from \$627.5 million in FY 2006 to \$130.5 million in FY 2007 represents a drop in cash collections on pre-credit-reform credits.

Significant Factors Influencing Financial Results

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

The major risks to the Bank in its credit portfolio are repayment risk and concentration risk. Other risks the Bank must assess and attempt to minimize are foreign-currency risk, operational risk and organizational risk.

Repayment Risk: In fulfilling its mission to facilitate U.S. exports by providing competitive export financing, Ex-Im Bank must balance the risks associated with assuming credit and country risks that the private sector is unable or unwilling to accept with the requirement of reasonable assurance of repayment for its credit authorizations. Repayment risk is the risk that a borrower will not pay according to the original agreement and the Bank may eventually have to write off some or all of the obligation. Repayment risk is primarily composed of:

Credit Risk: The risk that an obligor 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: The risk that payment may not be made to the Bank, its guaranteed lender or an insured as a result of

expropriation of the obligor's property, war or inconvertibility of the borrower's currency into dollars.

Concentration Risk: Risks stemming from the composition of the credit portfolio as opposed to risks related to specific obligors. The Bank has the following concentration risks:

Industry: The risk that events could negatively impact not only one company but many companies simultaneously that are in the same industry. The Bank's credit exposure is highly concentrated by industry: 64.5 percent of the Bank's credit portfolio is in three industries (air transportation, oil and gas, and manufacturing), with air transportation representing 44.5 percent of the Bank's total exposure. Events impacting these industries are frequently international in nature and may not be confined to a specific country or geographic area.

Geographic Region: The risk that events could negatively impact not only one country but many countries simultaneously in an entire region. The Bank's credit exposure is concentrated by geographic region, with 51.1 percent of the portfolio contained in two geographic regions: Asia (29.2 percent) and Latin America (21.9 percent).

Obligor: The risk stemming from portfolio concentration with one or a few obligors such that a default by one or more of those borrowers will have a disproportionate impact. The Bank's 10 largest public-sector obligors make up 22.8 percent of its portfolio, while the 10 largest private-obligors make up 18.6 percent.

Foreign-Currency Risk: Risk stemming from an appreciation or depreciation in the value of a foreign currency in relation to the U.S. dollar in Ex-Im Bank transactions denominated in that foreign currency. At the time of authorization, Ex-Im Bank does not hedge its foreign-currency exposure; however, when the Bank pays claims under foreign-currency guarantees, the notes are converted from a foreign-currency obligation to a U.S.-dollar obligation. The obligor must then repay to Ex-Im Bank the balance in U.S. dollars. This converts the foreign-currency loan to a dollar loan at that point, thereby eliminating any further foreign-exchange risks.

Ex-Im Bank provides support for guarantees and insurance denominated in certain foreign currencies. The foreign currencies approved for Ex-Im Bank transactions as of September 30, 2007, are: Australian dollar, Brazilian real, British pound, Canadian dollar, CFA franc, Colombian peso, Egyptian pound, Euro, Indian rupee, Indonesian rupiah, Japanese yen, Korean won, Malaysian ringgit, Mexican peso, Moroccan

dirham, New Zealand dollar, Pakistan rupee, Philippine peso, Russian ruble, South African rand, Swedish krona, Swiss franc, Taiwanese dollar and Thai baht. At the time of authorization, Ex-Im Bank records as the authorization the U.S.-dollar amount equivalent to the foreign-currency obligation based on the exchange rate at that time.

Operational Risk: Operational risk is the risk of material losses resulting from human error, system deficiencies and control weaknesses. To mitigate the risk of loss stemming from operational dysfunctions, Ex-Im Bank has established a strong internal control environment that is reviewed by an independent internal auditor and has included process documentation, proper supervisory monitoring and technology access/edit controls.

Organizational Risk: The risk of loss to Ex-Im Bank due to the organizational environment: people and skills, incentives, culture and values. Ex-Im Bank hires highly qualified individuals and has a culture of rigorous risk assessment. Continual training opportunities are offered to all employees to maintain and enhance their high skill levels.

Interest-Rate Risk: Ex-Im Bank makes fixed-rate loan commitments prior to borrowing to fund loans and takes the risk that it will have to borrow the funds at an interest rate greater than the rate charged on the credit. In the event this occurs, a permanent indefinite appropriation is available to Ex-Im Bank to cover the funding loss.

VIII. OTHER MANAGEMENT INFORMATION

Statutory Limitations

Ex-Im Bank has several significant financial limitations that are contained in the Export-Import Bank Act of 1945, as amended and in various appropriation acts. Exhibits 15 and 16 (on page 42) summarize the status of those limitations as of September 30, 2007, as well as the utilization of available funding.

Tied aid is government-to-government concessional financing of public-sector capital projects in developing countries. Tied aid terms usually involve total maturities longer than 20 years, lower than market interest rates and/or direct grants.

Exhibit 15: Financial Statutory Limitations

(in millions)

Appropriations	Program Budget	Tied Aid	Administrative Expense
Carry-over from Prior Year	\$142.6	\$227.9	N/A
Cancellations During FY 2007	0.5	0.0	N/A
FY 2007 Appropriation	26.4	0.0	72.8
Inspector General	N/A	N/A	1.0
TOTAL	\$169.5	\$227.9	\$73.8
Obligated	\$51.7	\$0.0	\$72.8
Unobligated Balance Lapsed	0.5	0.0	0.0
Unobligated Balance Available	117.3	227.9	1.0
	Available	Obligated	Balance
Statutory Lending Authority	\$100,000.0	\$57,424.5	\$42,575.5

*Exhibit 16: Nontied-Aid Program Budget
Appropriation, Available and Utilized*

