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

For the Year Ended September 30, 2010 and Year Ended September 30, 2009

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 enable U.S. companies – large and small – to turn export opportunities into real sales that help to maintain and create U.S. jobs and contribute to a stronger national economy. Ex-Im Bank does not compete with private-sector lenders but provides export-financing products that fill gaps in trade financing. We assume credit and country risks that the private sector is unable or unwilling to accept. We also help to level the playing field for U.S. exporters by matching the financing that other governments provide to their exporters. 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 fiscal year (FY) 2010 was $75.5 million and net excess costs over revenue for FY 2009 was $802.9 million. The largest driver of the decrease in net excess costs was the decrease in FY 2010 reserves, which are used to cover potential credit losses.

Ex-Im Bank authorized $24,467.8 million of loans, guarantees and insurance for FY 2010 in support of an estimated $34,373.4 million of U.S. export sales and of an estimated 227,000 U.S. jobs. This is a 16.4 percent increase over authorizations for FY 2009 of $21,021.1 million and the highest level of authorizations in any fiscal year of the Bank's 76-year history. This change stems from an increase in demand driven primarily by the lack of available private-sector liquidity, the Bank's ability to respond to the resulting financing gaps and its implementation of a five-year strategic plan. Over the past five fiscal years, annual authorizations have ranged from $12,150.5 million to $24,467.8 million, in support of estimated U.S. export sales of $16,041.0 million to $34,373.4 million.

New small-business authorizations increased by 15.9 percent in FY 2010 and totaled $5,052.9 million, representing 20.7 percent of total authorizations. These totals compare to new small-business authorizations in FY 2009 that totaled $4,360.4 million representing 20.7 percent of total authorizations. In FY 2010, the number of transactions that were made available for the direct benefit of small-business exporters increased by 21.7 percent to 3,091 transactions (87.5 percent of total transactions), compared to 2,540 small-business transactions (87.9 percent of total transactions) in FY 2009. Due to the continued financial crisis and the resulting credit crunch, private insurers stopped offering coverage to many of their previous customers. Small businesses were especially hard hit as they often did not generate sufficient premium income to keep the private insurers interested during these difficult times. When they lost their private-sector insurance coverage, many of the small-business exporters turned to Ex-Im Bank for insurance, which increased authorizations in FY 2009 and FY 2010.

Over the past five fiscal years, Ex-Im Bank's direct support for the small-business sector has ranged from $3,184.7 million to $5,052.9 million. Of the total small-business support, $4,094.3 million (81.0 percent) in FY 2010 and $3,932.0 million (90.2 percent) in FY 2009, is from working capital guarantees and export-credit insurance authorizations.

Ex-Im Bank currently has exposure in over 164 countries throughout the world. Total exposure increased by 10.6 percent to $75,213.9 million at September 30, 2010, compared to $67,987.8 million at September 30, 2009. Of this total, the Bank's largest exposure is in the air-transportation sector, accounting for 47.0 percent of total exposure in FY 2010 and 48.8 percent in FY 2009. The highest geographic concentration of exposure is in Asia, with 36.8 percent of total exposure in FY 2010 and 41.6 percent in FY 2009.

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 2010, Ex-Im Bank approved $1,529.3 million in foreign-currency-denominated transactions. Total outstanding foreign-currency exposure at September 30, 2010, was $8,969.2 million, which is 11.9 percent of total exposure. The Bank expects that its demand for authorizations denominated in a currency other than the U.S. dollar will continue to be strong, given its borrowers' interest in matching debt-service costs with their earnings.

The overall weighted-average risk rating for FY 2010 short-term rated, medium-term, and long-term export-credit authorizations was 3.87 compared to a weighted-average risk rating of 3.43 for FY 2009. The increase in the new authorization weighted-average risk rating is primarily related to the increase in demand for Ex-Im Bank-supported financing among riskier-rated obligors which resulted from the continued economic problems in FY 2010. In FY 2010, 59.5

percent of Ex-Im Bank's short-term rated, medium-term and long-term new authorizations were in the level 1 to 4 range (AAA to BBB-) while 40.5 percent were rated level 5 to 8 (BB+ to B-).

The overall weighted-average risk rating for the outstanding portfolio decreased from 4.31 in FY 2009 to 4.13 in FY 2010. The decrease in the weighted-average risk rating is a result of repayments and prepayments of riskier credits.

Over the 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 2006 and FY 2010, exposure to public-sector obligors has decreased from 46.4 percent to 32.8 percent, while exposure to private-sector obligors has increased from 53.6 percent to 67.2 percent.

In FY 2010, Ex-Im Bank began implementing a strategic plan that reinforces the Bank's ability to accomplish its mission, serve a prominent role in the Obama Administration's National Export Initiative and meet its congressional mandates in future years. The Bank's vision is to create and sustain U.S. jobs by substantially increasing the number of companies it serves and expanding their access to global markets. The strategic plan consists of three primary goals:

- Expand awareness of Ex-Im Bank services through focused business development and effective partnerships
- Improve ease of doing business for customers
- Create an environment that fosters high performance and innovation

Through implementation of its strategic plan, Ex-Im Bank hopes to get more U.S. companies to export to more countries and more customers, and thereby create more jobs here at home.

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 Export-Import Bank Reauthorization Act of 2006 (the charter) extended the Bank's authority until September 30, 2011, at which time the Bank will again seek reauthorization from Congress.

Ex-Im Bank's mission is to enable U.S. companies – large and small – to turn export opportunities into real sales that help to maintain and create U.S. jobs and contribute to a stronger national economy. Ex-Im Bank supports 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. The Bank's charter requires reasonable assurance of repayment for the transactions the Bank 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 obligations carry the full faith and credit of the U.S. government.

Products

From a portfolio perspective, guarantees made up the largest portion (68.9 percent) of Ex-Im Bank's exposure at September 30, 2010.

(in millions)	FY 2010		FY 2009	
Guarantees	$51,828.9	68.9%	$48,301.3	71.0%
Insurance	9,866.5	13.1%	9,365.9	13.8%
Outstanding Loans	6,447.0	8.6%	5,211.3	7.7%
Undisbursed Loans	4,753.3	6.3%	2,699.2	4.0%
Outstanding Claims	2,318.2	3.1%	2,410.1	3.5%
Total	***$75,213.9***	***100.0%***	***$67,987.8***	***100.0%***

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.

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. Generally, 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).

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. In FY 2010, Ex-Im Bank initiated a Supply-Chain Finance Guarantee Program (SCF Program), which is designed to support U.S. exporters and their U.S. based suppliers many of whom are small and medium-sized companies. Under the SCF Program, lenders will purchase accounts receivable owned by the suppliers and due from the exporter. Ex-Im Bank provides a 90 percent guarantee on the repayment obligation of the exporter. The purchase of accounts receivable allows suppliers to receive immediate payment of their invoices, decreases their cost of funds, allows them to bid more competitively and enables them to better fulfill new orders and maintain or add jobs. The exporters benefit by having the option to extend payment terms without imposing undue financial hardship on their suppliers.

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, 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.

Budgeting for New Authorizations Under the FCRA

Under the FCRA, the U.S. government budgets for the present value of the estimated cost of credit programs. For Ex-Im Bank, the cost is determined by analyzing the net present value of expected cash receipts and cash disbursements associated with all credits authorized during the year. Cash receipts typically include fees or premia and loan principal and interest, and cash disbursements typically include claim payments and loan disbursements. Ex-Im Bank typically collects fees that cover program obligations and administrative costs.

When expected cash disbursements exceed cash receipts, there is a net outflow of funds, resulting in a "cost" to the Bank. This cost is sometimes referred to as subsidy or program cost. Ex-Im Bank is required to annually estimate this cost and to seek budget authority from Congress to cover that cost. New loans and guarantees with a program cost cannot be committed unless sufficient budget authority is available to cover the calculated credit cost.

When expected cash receipts exceed cash disbursements, there is a net inflow of funds to Ex-Im Bank. The net inflow to the Bank is a "negative" subsidy or program revenue. Prior to FY 2008, the amount of program revenue was not credited or retained by the Bank but instead was transferred to a general fund receipt account at the U.S. Treasury upon disbursement of the underlying credit.

In FY 2008, Congress changed the way budget authority is provided to the Bank to cover: (1) the estimated costs for that portion of new authorizations where fees are insufficient to cover expected losses (subsidy or program cost) and (2) administrative expenses. At the start of the fiscal year, the U.S. Treasury provides Ex-Im Bank with an appropriation warrant for program costs as well as administrative expenses. The amount of the warrant is established by spending limits set by Congress. Fees collected during the year that are in excess of expected losses (offsetting collections) are retained by Ex-Im Bank and used to repay the warrant received at the start of the year, resulting in a net appropriation of zero and the Bank being self-financing for budgetary purposes.

This change occurred as a result of an ongoing in-depth analysis of the Bank's historical net-default experience in relation to the fees collected on its credit programs. The analysis shows that fees collected were not only sufficient to cover credit losses, they were also sufficient to cover administrative costs. In fact, since the inception of FCRA, the Bank has returned to the U.S. Treasury $4.6 billion more than it received in appropriations for program and administrative costs.

In FY 2010, Ex-Im had $479.4 million in offsetting collections, of which $83.9 million was used to cover administrative expense obligations. Program costs of $44.0 million were obligated from available funds carried over from prior years. Following statutory guidelines, the remaining balance of $395.5 million was retained by Ex-Im Bank and is available for obligation of program costs until FY 2013.

In FY 2009, Ex-Im had $292.1 million in offsetting collections, of which $81.5 million was used to cover administrative-expense obligations. Program costs of $29.6 million were obligated from available funds carried over from prior years. Of the remaining balance of $210.6 million, $75.0 million (the maximum amount authorized by Congress) was retained by Ex-Im and is available for obligation of program costs until FY 2012, and $135.6 million was transferred to the U.S. Treasury.

Although Ex-Im Bank no longer receives appropriations, Congress continues its oversight of the Bank's budget, setting annual limits on its use of funds for program and administrative-expense obligations.

Organizational Structure

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

Ex-Im Bank is divided into the following key functional areas:

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

Office of the Chairman: 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 over the business of the Bank.

Credit Management Group: The Credit Management Group is responsible for reviewing the creditworthiness of certain proposed transactions and reviewing transactions for compliance with the Bank's individual authority by-laws. This group also evaluates the technical aspects and environmental impact of proposed projects, and is responsible for country risk and economic analysis.

Export Finance Group: The Export Finance Group is responsible for the origination and processing of transactions for most lines of business (except for Small Business products), as well as transaction servicing, operations, and business development.

Small Business Group: The Small Business Group leads the Bank's outreach to small business exporters and includes Ex-Im Bank's eight regional offices, which focus on small-business outreach as well as the Business Credit and Short-Term Trade Finance groups.

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 financial operations of the Bank, including budget formulation and execution, treasury, internal audit, credit accounting and servicing, financial reporting, 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 and serves as the Bank's liaison with the OECD and Berne Union.

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 Inspector General: The Office of Inspector General is an independent office within the Bank created 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 2010 and FY 2009 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 Circular A-136, Financial Reporting Requirements, revised as of September 29, 2010, issued by the Office of Management and Budget (OMB). Circular A-136 details the financial data required to be disclosed, the assertions and reviews over financial information that must be performed and suggests the presentation of such information.

Ex-Im Bank follows OMB Circular A-11 as the primary guidance for calculating the program cost associated with the Bank's transactions. In accordance with this guidance, the amount of program cost calculated on the Bank's transactions authorized after FCRA and the associated fees collected equates to the loss allowance on these transactions and is disclosed as such on the financial statements and related notes.

III. Mission and Congressional Mandates

Facilitate U.S. Exports To Support U.S. Jobs

Ex-Im Bank's operations are driven by one fundamental goal: to support U.S. jobs by facilitating the export of U.S. goods and services to international markets. Ex-Im Bank's 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 jobs they support are a critical component of the U.S. economy, with exports representing over 12.5 percent of the U.S. gross domestic product.

In FY 2010, Ex-Im Bank's chairman established a five-year strategic plan designed to build on the strengths of the organization, substantially increasing the number of companies it serves and expanding their access to global markets, as well as meet its congressional mandates in future years. The strategic plan consists of three primary goals:

- Expand awareness of Ex-Im Bank services through focused business development and effective partnerships
- Improve ease of doing business for customers
- Create an environment that fosters high performance and innovation

This strategic plan is designed to help guide efforts at all levels of the organization and is used as a foundation for strategic and operational discussions internally. During FY 2010, the Bank identified nine target countries and is developing business plans and outreach efforts for each, realigned its procedures to be more customer-focused and developed new products, such as the Supply Chain Finance Program, to improve ease of use and leverage Bank resources. The Bank will continue to measure the progress towards its strategic goals using the success of the programs and initiatives mentioned above, as well as new quantitative metrics such as the number of new exporters supported and new programs developed. In FY 2010, Ex-Im Bank supported 1,148 new participants (737 small businesses) including 991 new exporters (704 small businesses).

Results of Operations: FY 2010 Authorizations

For FY 2010, Ex-Im Bank extended $24,467.8 million in authorizations. This is a 16.4 percent increase over authorizations of $21,021.1 million for FY 2009. The authorizations support an estimated U.S. export value of $34,373.4 million in FY 2010 and $26,440.8 million in FY 2009 and an estimated 227,000 U.S. jobs in FY 2010 and 195,000 U.S jobs in FY 2009. This change stems from an increase in demand primarily driven by the lack of available private-sector liquidity, the Bank's ability to respond to the resulting financing gaps and implementation of a five-year strategic plan. Full year authorizations have ranged from $12,150.5 million to $24,467.8 million during the past five fiscal years as shown in Exhibit 1.

Exhibit 1: Authorizations by Fiscal Year

(in millions)

Authorizations	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Long-Term					
Loans	$56.5	$–	$356.0	$3,025.5	$4,255.5
Guarantees	6,603.5	7,234.0	8,101.5	9,628.5	10,225.0
Subtotal, Long-Term	***6,660.0***	***7,234.0***	***8,457.5***	***12,654.0***	***14,480.5***
Medium-Term					
Loans	–	–	–	–	5.1
Guarantees	387.6	504.2	697.0	315.2	702.5
Insurance	641.4	301.8	228.0	237.3	312.9
Subtotal, Medium-Term	***1,029.0***	***806.0***	***925.0***	***552.5***	***1,020.5***
Short-Term					
Working Capital	1,173.8	1,255.3	1,380.9	1,531.0	2,178.5
Insurance	3,287.7	3,274.1	3,635.5	6,275.8	6,788.3
Subtotal, Short-Term	***4,461.5***	***4,529.4***	***5,016.4***	***7,806.8***	***8,966.8***
Tied Aid	–	–	–	7.8	–
TOTAL AUTHORIZATIONS	**$12,150.5**	**$12,569.4**	**$14,398.9**	**$21,021.1**	**$24,467.8**

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: "The 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."

Ex-Im Bank's Small Business Group provides a bankwide focus on small-business support with overall responsibility for expanding and overseeing small business outreach. This group 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 the U.S. government 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 2010 Small-Business Authorizations

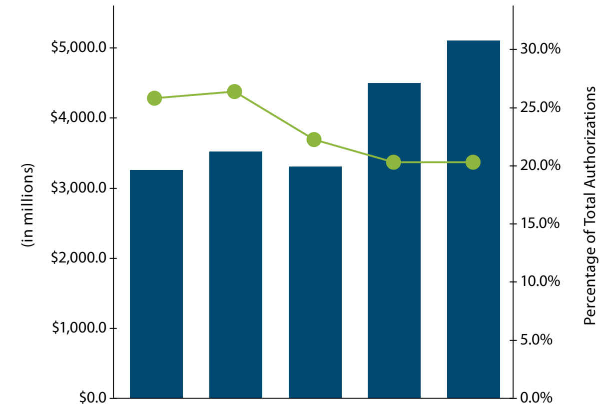
Ex-Im Bank's objective is to grow small-business authorizations in the context of a reasonable assurance of repayment and in response to market demand. New small-business authorizations in FY 2010 increased 15.9 percent to $5,052.9 million as compared with new small-business authorizations for the same period in FY 2009 of $4,360.4 million. In FY 2010, small-business authorizations represented 20.7 percent of total authorizations compared to 20.7 percent of total authorizations in FY 2009. During FY 2010, the number of transactions that were made available for the direct benefit of small-business exporters increased by 21.7 percent to 3,091 transactions (87.5 percent of the total number of transactions), compared to 2,540 transactions (87.9 percent of the total number of transactions) in FY 2009. Over the past five fiscal years, Ex-Im Bank's direct support for the small-business sector has ranged from $3,184.7 million to $5,052.9 million, a 58.7 percent increase over the five-year period.

Ex-Im Bank offers two products that primarily benefit small businesses: working capital guarantees (including supply-chain finance guarantees) and export-credit insurance. During FY 2010, $1,450.3 million, or 66.6 percent of total authorizations in the Working Capital Guarantee Program supported small businesses. In FY 2009, $1,232.9 million, or 80.5 percent, of total authorizations in the Working Capital Guarantee Program supported small businesses. The decrease in small-business working capital authorizations as a percentage of total working capital authorizations, is partially attributed to a large $250 million authorization for Ford Motor Corporation. Additionally, more working capital guarantees were made to middle-market companies. With the exception of Ford, the majority of working capital guarantees were authorized for small and medium-sized companies.

In FY 2010, of total authorizations under the export-credit insurance program, $2,644.0 million, or 37.2 percent, supported small businesses, compared to $2,699.1 million, or 41.4 percent, in FY 2009.

Exhibit 2 shows the total dollar amount of authorizations for small-business exports for each year since FY 2006, together with the percentage of small-business authorizations to total authorizations for that fiscal year.

Exhibit 2: Small-Business Authorizations



Fiscal Year	2006	2007	2008	2009	2010
Authorizations	$3,184.7	$3,351.7	$3,190.2	$4,360.4	$5,052.9
Percentage of Authorizations	26.2%	26.7%	22.2%	20.7%	20.7%

Facilitate U.S. Exports for Environmentally Beneficial Goods and Services

Ex-Im Bank's financing helps mitigate risk for U.S. companies that offer environmentally beneficial goods and services and also offers competitive financing terms to international buyers for the purchase of these goods and services. Ex-Im Bank has an active portfolio that includes financing for U.S. exports of renewable-energy equipment, wastewater-treatment projects, air-pollution technologies, waste-management services and other various environmental goods and services.

Ex-Im Bank support for U.S. environmental companies ultimately fuels U.S. job creation and the innovative research and development that allow the U.S. environmental industry to remain at the forefront worldwide.

Results of Operations: FY 2010 Environmentally Beneficial Authorizations

The total number of environmentally beneficial authorizations increased 22.7 percent to 108 in FY 2010 from 88 in FY 2009. In FY 2010, Ex-Im Bank authorizations of environmentally beneficial goods and services increased 36.1 percent to $535.8 million (2.2 percent of total transactions) from $393.6 million (1.9 percent in FY 2009). The large increase in authorizations for environmentally beneficial exports reflects growing worldwide demand for goods and services that benefit the environment, including renewable-energy and energy-efficient exports.

Ex-Im Bank's total number of renewable-energy authorizations increased 107.7 percent to 27 in FY 2010 from 13 in FY 2009. In FY 2010, Ex-Im Bank authorizations that support U.S.

renewable-energy exports and services increased 256.6 percent to $331.6 million (1.4 percent of total transactions) from $93.0 million (0.4 percent in FY 2009). Most of the authorized amount was to support large wind-energy projects in Mexico and Honduras.

According to data collected by the Department of Commerce and the International Trade Commission, the total U.S. renewable-energy export market was $2.1 billion in calendar year 2009. Ex-Im Bank-supported transactions represented 4.4% of that total. With Ex-Im Bank's substantial increase in FY 2010 renewable-energy authorizations, the Bank expects to increase its share in the United States renewable energy export market.

Facilitate U.S. Exports to Sub-Saharan Africa

Ex-Im Bank provides U.S. exporters with the financing tools they need to successfully compete for business in Africa. Ex-Im Bank's products and initiatives help U.S. exporters in all regions of Africa, including high-risk and emerging markets.

Results of Operations: FY 2010 Sub-Saharan Africa Authorizations

The total number of Sub-Saharan Africa authorizations increased 18.3 percent to 129 in FY 2010 from 109 in FY 2009. The dollar amount of authorizations increased 97.2 percent to $812.5 million (3.3 percent of total authorizations) in FY 2010 from $412.2 million (2.0 percent of total authorizations) in FY 2009. The increase was mostly attributable to a $604.8 million authorization for Ethiopian Airlines.

IV. Effectiveness and Efficiency

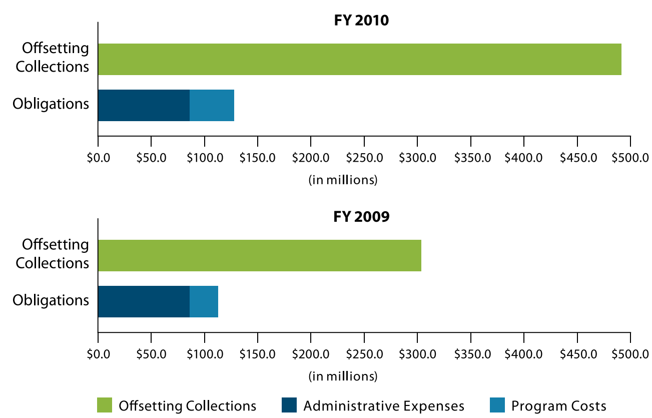
Ex-Im Bank uses various measures to assess the relative efficiency and effectiveness of the Bank's programs. As an overall measure, the Bank's annual Report to the U.S. Congress on Export Credit Competition and the Export-Import Bank of the United States (competitiveness report) compares the Bank's competitiveness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

Efficient: Ex-Im Bank Self-Sustaining Since FY 2008

Ex-Im Bank has been self-sustaining for budgetary purposes since FY 2008. As a result, the Bank does not rely on congressional appropriation to sustain operations, which is critical in a tight budgetary environment. Ex-Im Bank's program revenue (i.e., in a given year, fee collections from transactions that exceed the forecasted loss on those transactions) is retained as offsetting collections and used to offset new obligations in the fiscal year, including prudent reserves to cover future losses as well as all administrative costs. In FY 2010, Ex-Im Bank received $479.4 million in offsetting collections, while new obligations totaled $127.9 million; compared with $292.1 million offsetting collections and $111.1 million new obligations in FY 2009. The 64.2 percent increase in offsetting collections is primarily attributable to the increase in FY 2010 authorizations, particularly long-term authorizations which increased 14.4 percent from FY 2009.

As a quantitative efficiency measure, $3.75 of offsetting collections during FY 2010 were generated by each dollar of administrative and program costs used, as depicted in Exhibit 3, versus $2.63 in the corresponding period in FY 2009.

Exhibit 3: Offsetting Collections and New Obligations



Overall Effectiveness: 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.

The landscape of export-credit agencies is shifting. Many of Ex-Im Bank's competitor ECAs are moving away from their traditional roles and are evolving into quasi-market players. They are doing this by allowing greater nondomestic content in the projects that they support and by venturing into more commercial endeavors, such as financing into high-income markets. Also, Ex-Im Bank's public-policy constraints – economic-impact analysis, foreign-content policy, local-costs policy, tied aid policies and procedures, and U.S. shipping requirements – have the potential to create tensions between the goals of maximizing U.S. exporter competitiveness vis-a-vis foreign ECA-backed competition (and maximizing Ex-Im Bank financing) and satisfying public mandates (which may limit Ex-Im Bank financing).

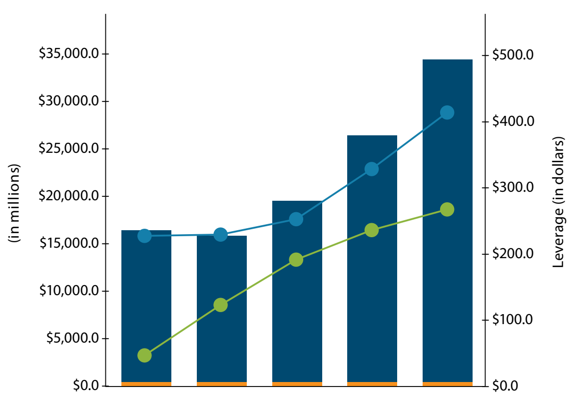
Leverage of Resources: A Good Deal for U.S. Taxpayers

The Bank uses leverage ratios to assess efficiency and to measure the return on resources invested in Ex-Im Bank programs. Prior to FY 2008, resources to cover Ex-Im Bank's program costs (excess of expected credit losses over fees for individual credits) and administrative costs were in the form of appropriations from Congress. Beginning in FY 2008, resources available to the Bank are collections (mostly exposure fees) in excess of amounts needed to cover estimated credit losses.

For every dollar of budget authority used for program and administrative expenses during FY 2010, Ex-Im Bank facilitated an estimated $269 of U.S. exports. This multiple compares to $237 of U.S. exports in FY 2009.

The leverage in terms of administrative budget authority is even greater. For every dollar of administrative budget authority used during FY 2010, Ex-Im Bank provided financing in support of an estimated $410 of U.S. exports, compared to an estimated $323 of U.S. exports in the same period of FY 2009. Exhibit 4 shows the total estimated U.S. exports, the corresponding total budget authority, the corresponding administrative budget authority, and resulting leverage measures for the past five fiscal years. From FY 2006 through FY 2008, program-budget authority (a component of total budget authority) used gradually decreased as Ex-Im Bank moved to using its actual historical default and recovery rates to calculate more precisely the program cost associated with new authorizations. Previously, OMB provided default and recovery rates to all U.S. government international credit agencies for use in calculating the program cost. However, Ex-Im Bank's actual default and recovery rates reduced the program cost to where it now more accurately reflects the Bank's own default and recovery experience.

Exhibit 4: Budget Authority to Export Value

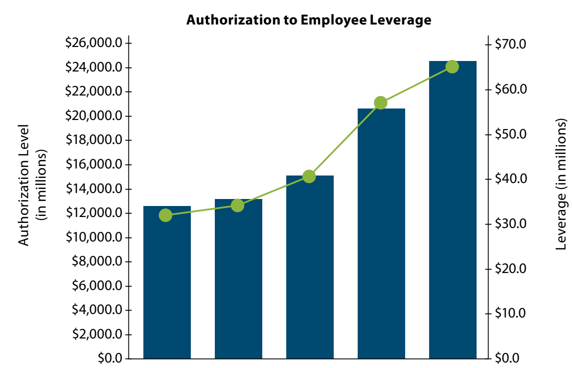


Fiscal Year	2006	2007	2008	2009	2010
Export Value	$16,119.4	$16,041.0	$19,597.2	$26,440.8	$34,373.4
Total Budget Authority	$263.3	$124.5	$103.4	$111.4	$127.9
Export to Total Budget Authority Leverage	$61	$129	$190	$237	$269
Export to Admin Budget Authority Leverage	$222	$220	$251	$323	$410

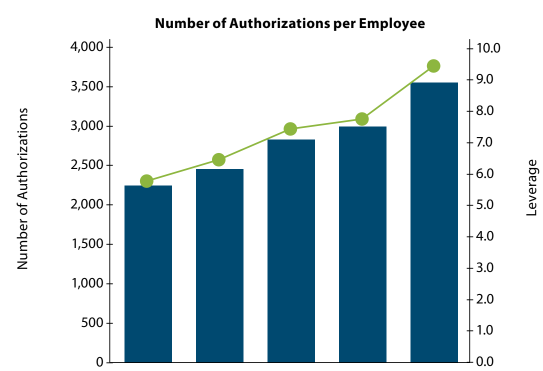
Ex-Im Bank's default rate net of recoveries, whether measured from the inception of the Bank or the beginning of credit reform, has been less than two percent of loan disbursements and shipments guaranteed. Future claim activity in the short term can be very volatile. Although Ex-Im Bank's long-term experience does include periods of instability as well as periods of relative constancy, to account for the current economic environment in FY 2010, the Bank applied a more conservative methodology to predict the probability of defaults. Any material deterioration from historical experience in future default and recovery rates would require the Bank to adjust it reserves accordingly, which could have a negative impact on leverage ratios in future periods.

Another efficiency measure (Exhibit 5) examines the productivity contributed by each employee as measured by the dollar amount and number of authorizations. In FY 2010, the average dollar amount of authorizations per employee was $65.9 million, up from $57.6 million in FY 2009. The average number of authorizations per employee was 9.5 in FY 2010, up from 7.9 in FY 2009. Ex-Im Bank credits these increases to its current focus on streamlining bank-wide operations, which it will continue into the next fiscal year.

Exhibit 5: Employee Leverage



Fiscal Year	2006	2007	2008	2009	2010
Authorization Level	$12,150.5	$12,569.4	$14,398.9	$21,021.1	$24,467.8
Authorization to Employee Leverage (in millions)	$32.0	$34.3	$40.1	$57.6	$65.9



Fiscal Year	2006	2007	2008	2009	2010
Number of Authorizations	2,253	2,390	2,704	2,891	3,532
Authorizations per Employee	5.9	6.5	7.5	7.9	9.5

V. Portfolio Analysis

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

For financial statement purposes, Ex-Im Bank defines exposure as the authorized outstanding and undisbursed principal balance of loans, guarantees and insurance. It also includes the unrecovered balance of payments made on claims that were submitted to Ex-Im Bank in its capacity as guarantor or insurer under the export guarantee and insurance programs. Exposure does not include accrued interest or transactions pending final approval. This corresponds to the way activity is charged against the Bank's overall $100 billion lending limit imposed by Section 6(a)(2) of Ex-Im Bank's charter.

Working capital guarantees may be approved for a single loan or a revolving line of credit, with an availability generally of one year. Guaranteed lenders do not report activity to Ex-Im Bank; the entire credit is assumed to be "disbursed" when the fee is paid to Ex-Im Bank. The credit is recorded as repaid in one installment six months after the expiry date of the credit unless the controller's office is notified before that time that a claim has been paid. Under the assumption that the exporter is using the credit up to the end of the expiry period, six months provides sufficient time for the guaranteed lender to report defaults to Ex-Im Bank in the event that the exporter does not repay the credit. If a claim is paid, the remaining outstanding balance of the credit associated with the claim is reduced to zero. Exposure is then reflected as an unrecovered claim.

Since there is typically a delay in reporting shipments under the insurance program, undisbursed balances remain on the books for 90 days after the expiry date to allow for the posting of shipments that took place within the period covered by the policy but were reported after the expiry date. These unreported shipments pose some liability in the form of claims that have been incurred but not yet reported (IBNR). Leaving the policy open past the expiry date provides a reserve for IBNR.

Ex-Im Bank currently has exposure in 164 countries throughout the world totaling $75,213.9 million at September 30, 2010. In general, total exposure over the five-year period has averaged $63.8 billion.

Exhibit 6 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 6: Exposure by Program

(in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Guarantees	$42,460.0	$44,039.7	$45,417.0	$48,301.3	$51,828.9
Loans	6,043.9	4,965.8	4,546.0	7,910.5	11,200.3
Insurance	6,970.2	6,180.4	6,364.1	9,365.9	9,866.5
Receivables from Subrogated Claims	2,363.7	2,238.6	2,145.7	2,410.1	2,318.2
Total Exposure	***$57,837.8***	***$57,424.5***	***$58,472.8***	***$67,987.8***	***$75,213.9***

(% of Total)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Guarantees	73.4%	76.7%	77.6%	71.0%	68.9%
Loans	10.5%	8.7%	7.8%	11.6%	14.9%
Insurance	12.1%	10.8%	10.9%	13.8%	13.1%
Receivables from Subrogated Claims	4.0%	3.8%	3.7%	3.6%	3.1%
Total Exposure	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

Exhibit 7 summarizes total Ex-Im Bank exposure by geographic region. The All Other category in Exhibit 7 includes undisbursed balances of short-term multibuyer insurance that is not allocated by region until the shipment has taken place.

Exhibit 7: Geographic Exposure

(in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Asia	$24,297.4	$24,009.0	$23,925.6	$28,271.2	$27,655.2
Latin America and Caribbean	14.416.7	13.226.5	13,618.1	14,222.2	15,606.3
Europe	5,806.0	6,173.9	6,447.1	6,897.2	7,907.3
North America	3,410.7	4,841.1	5.152.2	6,136.1	7,773.9
Africa	3,933.5	3,819.9	4,011.0	4,555.8	4,949.4
Oceania	1,423.9	1,377.0	1,135.9	1,394.5	4,601.9
All Other	4,549.6	3,977.1	4,183.8	6,510.8	6,719.9
Total Exposure	***$57,837.8***	***$57,424.5***	***$58,472.8***	***$67,987.8***	***$75,213.9***

(% of Total)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Asia	42.0%	41.8%	40.9%	41.6%	36.8%
Latin American and Caribbean	24.9%	23.0%	23.3%	20.9%	20.7%
Europe	10.0%	10.8%	11.0%	10.1%	10.5%
North America	5.9%	8.4%	8.8%	9.0%	10.3%
Africa	6.8%	6.7%	6.9%	6.7%	6.6%
Oceania	2.5%	2.4%	1.0%	2.1%	6.1%
All Other	7.9%	6.9%	7.2%	9.6%	9.0%
Total Exposure	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

Exhibit 8 shows exposure by the major industrial sectors in the Bank's portfolio.

Exhibit 8: Exposure by Major Industrial Sectors

(in millions)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Air Transportation	$24,443.0	$25,551.5	$27,671.2	$33,203.0	$35,370.6
Oil and Gas	7,361.6	7,084.7	7,482.6	8,014.7	10,408.5
Manufacturing	4,418.0	4,405.3	4,915.9	4,614.5	8,904.7
Power Projects	4,876.3	4,085.0	3,830.1	4,448.5	4,599.1
All Other	16,738.9	16,298.0	14,573.0	17,707.1	15,931.0
Total Exposure	***$57,837.8***	***$57,424.5***	***$58,472.8***	***$67,987.8***	***$75,213.9***

(% of Total)	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Air Transportation	42.3%	44.5%	47.3%	48.8%	47.0%
Oil and Gas	12.7%	12.3%	12.8%	11.8%	13.8%
Manufacturing	7.7%	7.7%	8.4%	6.8%	11.8%
Power Projects	8.4%	7.1%	6.6%	6.5%	6.1%
All Other	28.9%	28.4%	24.9%	26.1%	21.3%
Total Exposure	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

Through the years, there has been a shift in Ex-Im Bank's portfolio. As the need for private-sector financing has increased, the percentage of Ex-Im Bank's portfolio represented by private obligors has increased from 53.6 percent in FY 2006 to 67.2 percent in FY 2010.

Of the portfolio at September 30, 2010, 32.8 percent represents credits to public-sector obligors or guarantors (12.4 percent to sovereign obligors or guarantors and 20.4 percent to public nonsovereign entities); 67.2 percent represents credits to private-sector obligors. A breakdown of public-sector versus private-sector exposure is shown in Exhibit 9.

Exhibit 9: Public and Private Obligators

Year End	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Private Obligators	53.6%	58.0%	59.5%	61.1%	67.2%
Public Obligators	46.4%	42.0%	40.5%	38.9%	32.8%

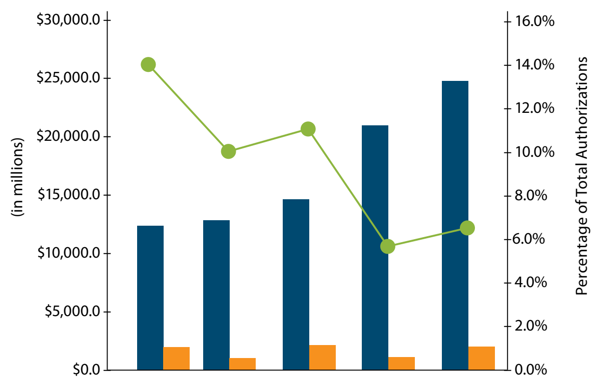
Ex-Im Bank provides guarantees in foreign currency to allow borrowers to better match debt-service costs with earnings. Ex-Im Bank adjusts its reserves to reflect the potential risk of foreign-currency fluctuation.

In FY 2010, Ex-Im Bank approved $1,529.3 million in transactions denominated in a foreign currency, 6.3 percent of all new authorizations, as shown in Exhibit 10. In FY 2009, Ex-Im Bank approved $1,217.5 million in transactions denominated in a foreign currency, 5.8 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 September 30, 2010, Ex-Im Bank had 105 guarantee transactions with outstanding balances denominated in a foreign currency. Using the foreign-currency exchange rates at September 30, 2010, Ex-Im Bank adjusted the dollar amount of the outstanding balances for these transactions. The adjustment was a net increase in exposure of $890.2 million for a total outstanding balance of $8,969.2 million of foreign-currency denominated guarantees, representing 11.9 percent of total Bank exposure.

At the end of FY 2009, Ex-Im Bank had 79 transactions with outstanding balances denominated in a foreign currency. Using the foreign-currency exchange rates at September 30, 2009, Ex-Im Bank adjusted the dollar amount of the outstanding balances for these transactions. The adjustment was a net increase in exposure of $1,130.9 million for a total outstanding balance of $8,554.6 million of foreign-currency denominated guarantees, representing 12.6 percent of total Bank exposure.

Exhibit 10: Foreign-Currency Transactions



Fiscal Year	2006	2007	2008	2009	2010
Authorization Level	$12,150.5	$12,569.4	$14,398.9	$21,021.1	$24,467.8
Foreign Currency Authorizations	$1,753.4	$1,295.1	$1,618.8	$1,217.5	$1,529.3
Foreign Currency Authorizations as a Percentage of Total Authorizations	14.4%	10.3%	11.2%	5.8%	6.3%

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-rate fluctuations. The majority of the foreign-currency authorizations support U.S. exports of commercial jet aircraft. Exhibit 11 shows the U.S. dollar value of the Bank's outstanding foreign-currency exposure by currency.

Exhibit 11: U.S. Dollar Value of Outstanding Foreign-Currency Exposure

	FY 2010		FY 2009	
Currency	Outstanding Balance (in millions)	Percentage of Total	Outstanding Balance (in millions)	Percentage of Total
Euro	$6,063.7	67.7%	$5,460.1	63.8%
Canadian Dollar	1,022.2	11.4%	1,113.8	13.0%
Australian Dollar	634.2	7.1%	670.3	7.8%
Japanese Yen	514.7	5.7%	581.4	6.8%
Mexican Peso	244.2	2.7%	175.1	2.0%
New Zealand Dollar	165.6	1.8%	177.3	2.1%
Korean Won	158.2	1.8%	164.8	1.9%
British Pound	109.9	1.2%	133.0	1.6%
South African Rand	52.7	0.6%	74.3	0.9%
Swiss Franc	3.8	0.0%	4.5	0.1%
Total	***$8,969.2***	***100.0%***	***$8,554.6***	***100.0%***

VI. Loss Reserves, Major Impaired Assets 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 an allowance for loss on all credits and defaulted guarantees and insurance policies. A provision is charged to earnings as losses are estimated to have occurred. Write-offs are charged against the allowance when management determines that a loan or claim balance is uncollectable. Subsequent recoveries, if any, are credited to the allowance.

The allowance for Ex-Im Bank credits authorized after FCRA equates to the amount of credit loss associated with the applicable credit. Ex-Im Bank has established cash flow models for expected defaults, fees and recoveries to estimate the credit loss for allowance purposes. The models incorporate Ex-Im Bank's actual historical loss and recovery experience.

Due to the fact that financial and economic factors affecting credit-repayment prospects change over time, the net estimated credit loss of loans, guarantees and insurance is re-estimated annually in accordance with OMB guidelines and Statement of Federal Financial Accounting Standards 18, Amendments to Accounting Standards for Direct Loans and Loan Guarantees. This re-estimate indicates the appropriate level of funds necessary to cover projected future claims. Decreases in estimated credit losses result in excess funds returned to the U.S. Treasury while increases in estimated credit losses are covered by additional appropriations that become automatically available through permanent and indefinite authority, pursuant to the FCRA.

As in FY 2009, the Bank's default experience this fiscal year has been higher than historical averages. This trend will likely continue at least through FY 2011. The uncertain economic environment has caused Ex-Im Bank to re-evaluate the methods used for calculating the reserves needed to cover expected losses. Consistent with the U.S. government statements and actions requiring banks to increase reserves and after reviewing FY 2010 default experience, Ex-Im Bank will continue to calculate risk default requirements conservatively. As of September 30, 2010, a re-estimate of the credit loss of the exposure of FY 1992 through FY 2010 commitments indicated that of the balances in the financing accounts, the net amount of $36.4 million was no longer needed to cover commitments and was due to the U.S. Treasury. This amount is included in the Accounts Payable to the U.S. Treasury on the Balance Sheet.

As of September 30, 2009, the re-estimate of the credit loss of the outstanding balances of FY 1992 through FY 2009 commitments indicated that a net of $595.4 million of additional funds were needed in the financing accounts. Subsequent to September 30, 2009, the re-estimate was adjusted using updated assumptions in conjunction with the preparation of the FY 2011 President's Budget Request to Congress. As a result, it was determined that a net of $44.5 million of additional funds were needed in the financing accounts. A total of $639.9 million was received from the U.S. Treasury in FY 2010.

The total allowance for losses at September 30, 2010, for loans, claims, guarantees and insurance commitments is $5,118.7 million, which is 6.8 percent of total exposure of $75,213.9 million (Exhibit 12). This compares to the allowance for losses at September 30, 2009, for loans, claims receivable, guarantees and insurance commitments of $5,450.9 million that was 8.0 percent of total exposure of $67,987.8 million.

Exhibit 12: Loss Reserves and Exposure Summary

(in millions)	FY 2010	FY 2009
Loss Reserves		
Allowance for Loan Losses (Including Undisbursed)	$1,687.8	$1,371.6
Allowance for Defaulted Guarantees and Insurance	1,882.1	1,751.7
Liability for Guarantees and Insurance (Including Undisbursed)	1,548.7	2,327.6
Total Reserves	***$5,118.6***	***$5,450.9***
Total Exposure		
Loans	$11,200.3	$7,910.5
Receivables from Defaulted Guarantees and Insurance	2,318.2	2,410.1
Guarantees and Insurance	61,695.4	57,667.2
Total Exposure	***$75,213.9***	***$67,987.8***
Loss Reserve as Percentage of Total Exposure	***6.8%***	***8.0%***

Major Impaired Assets

At September 30, 2010, Ex-Im Bank had three project financings, five transportation credits, and nine major corporate borrowers (those having an outstanding balance greater than $15 million) that had been classified as impaired. The aggregate amount of exposure was $666.2 million. The global economic crisis had an adverse impact on the banking sector in Kazakhstan and the Ukraine. The global economic crisis eventually rippled into the Kazakhstan and Ukrainian banking sectors such that in early 2010, four corporate borrowers in the banking sector (three in Kazakhstan and one in the Ukraine) either had to restructure or were performing but were experiencing financial distress. Two of them were successfully restructured at the end of FY 2010 and one other is in the midst of negotiations. All remaining credits in the impaired category are in various stages of recovery, from being on "Negative Watch" to that of performing loan but under close monitoring status. When entering into these credit facilities, Ex-Im Bank was supporting the export of U.S. products and services to purchasers in Brazil, Ecuador, Indonesia, Jordan, Kazakhstan, Mexico, Pakistan, Philippines, Senegal, Turkey and Ukraine.

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. The U.S. Treasury and State Department are members of the organization and represent the interests of all U.S. agencies that hold international debt. In both FY 2010 and FY 2009, four countries were eligible for debt forgiveness and/or debt rescheduling of their debt owed to Ex-Im Bank, including capitalized interest (Exhibit 13).

Exhibit 13: Paris Club Bilateral Agreements

(in thousands)	FY 2010		FY 2009	
Country	Principal Forgiven	Debt Rescheduled	Principal Forgiven	Debt Rescheduled
Central African Republic	$8,145	$–	$1,899	$–
Congo	3,929	–	5,592	–
Côte d'Ivoire	43,151	–	–	–
Haiti	3,393	–	907	–
Togo	–	–	6	–
Total	***$58,618***	***$–***	***$8,404***	***$–***

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 U.S. departments of State and 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 and nonsovereign borrowers. The nonsovereign levels can be adjusted.

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

ICRAS 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 eleven sovereign and nine nonsovereign risk categories and currently has risk ratings for 197 markets.

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

Ex-Im Bank has established cash-flow models for expected defaults, fees and recoveries to estimate the credit loss for each approved credit. For new authorizations in FY 2010 and FY 2009, the models incorporated Ex-Im Bank's actual historical loss and recovery experience.

Portfolio-Risk Monitoring and Evaluation

The recent volatility in commodity prices, the fluctuation in currency exchange rates, the general level of economic activity, and the tightening credit markets have had an impact on the Bank's operations. Ex-Im Bank, like most participants in the market, is not immune from the effect of this crisis as evidenced by increased requests for Ex-Im Bank support.

The global banking sector has been directly impacted by the current financial crisis. Ex-Im Bank's exposure to the banking sector across the globe is approximately $2.1 billion. Over the last two years, a number of governments have stepped in to bail out banks within their individual systems. Ex-Im Bank continues to closely monitor this sector, including sending teams to various markets for direct conversations with regulatory authorities as well as individual banks.

Ex-Im Bank continuously monitors its portfolio of credits after they have been approved. This entails scheduled risk-based review of the debt service capacity of the obligors taking into account internal and external factors that directly impact ability and willingness to pay. These periodic reviews allow staff to build greater familiarity with the businesses to which Ex-Im Bank is exposed and the information obtained through this effort allows staff to identify vulnerabilities or weaknesses in the credit. Consequently, the ability to develop and implement remediation actions is greatly enhanced, which ultimately has a positive impact on the quality of the portfolio and final outcome. Most importantly, the information thus gathered serves as a very critical variable as the Bank reviews new requests for support.

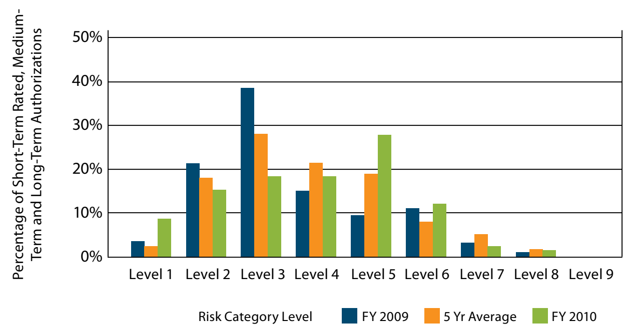
Exposure-Risk Profile

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. In addition, certain credits and capitalized interest included in gross loans receivable are reserved at 100 percent. 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.

Ex-Im Bank's activity increased in FY 2010 from an already elevated level in FY 2009 due primarily to the private sector's continued inability to finance export credits. The quality of the transactions that were financed by Ex-Im Bank deteriorated slightly as evidenced by the weighted-average risk rating of new activity. The overall weighted-average risk rating for FY 2010 short-term rated, medium-term, and long-term export-credit authorizations was 3.87 compared to a weighted-average risk rating of 3.43 in FY 2009 and 3.79 on average for the last five years. This increase was expected given that the prior year's new authorization weighted-average risk rating was substantially lower than the five-year average due to the increased credit quality of new obligors which sought Ex-Im Bank financing in light of the financial crisis. For FY 2010, 59.5 percent of Ex-Im Bank's short-term rated, medium-term and long-term new authorizations were in the level 1 to 4 range (AAA to BBB-) while 40.5 percent were rated level 5 to 8 (BB+ to B-).

Exhibit 14 shows the risk profile of Ex-Im Bank's short-term rated, medium-term and long-term authorizations in FY 2010 and FY 2009 and the past five-year average-risk profile.

Exhibit 14: Short-Term Rated, Medium-Term and Long-Term Authorizations by Risk Category

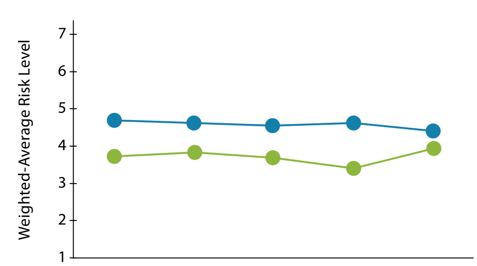


Changes in the Portfolio-Risk Level

At September 30, 2010, Ex-Im Bank had a portfolio of $75,213.9 million of loans, guarantees, insurance and outstanding claims receivable. Exhibit 15 shows the weighted-average risk rating for new authorizations and the outstanding portfolio over the past five fiscal years. The new business risk rating includes all short-term rated, 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.

The risk rating for the outstanding portfolio decreased slightly to 4.13 in FY 2010 as compared to 4.31 in FY 2009 (Exhibit 15). The decrease in the weighted-average risk rating is a result of the repayments and prepayments of riskier credits.

Exhibit 15: Credit-Quality Risk Profile



Fiscal Year	2006	2007	2008	2009	2010
Total Exposure	4.50	4.40	4.25	4.31	4.13
New Business	3.89	4.00	3.77	3.43	3.87

VIII. Financial Statement Analysis

Significant Financial Data

Exhibit 16 presents certain financial data from the Balance Sheets and the Statements of Net Costs. This financial data is highlighted due to a significant change (10 percent or more) and/or significant dollar difference between the applicable periods for FY 2010 and FY 2009. More detailed financial information can be found in the financial statements and footnotes.

Exhibit 16: Significant Financial Data

(in millions)	FY 2010	FY 2009
Fund Balance with the U.S. Treasury	$4,630.4	$1,792.5
Receivable from Program Account	842.8	1,396.6
Loans Receivable, Net	4,868.7	3,936.3
Receivables from Subrogated Claims, Net	437.5	659.5
Other Assets	32.3	7.7
Borrowings from the U.S. Treasury	7,254.5	3,805.2
Payable to the Financing Account	842.8	1,396.6
Claims Payable	14.4	11.8
Guaranteed Loan Liability	1,419.6	2,234.1
Other Liabilities	565.5	176.1
Unexpected Appropriations	255.1	293.1
Cumulative Results of Operations	(1,609.0)	(2,135.4)
Total Net Position	(353.9)	(842.3)
Interest Expense	424.2	256.3
Provision for Credit Losses	280.8	1,305.4
Liquidating Account Distribution of Income	22.9	46.9

Fund Balance with the U.S. Treasury: The Fund Balance increased by $2,837.9 million from $1,792.5 million at the end of FY 2009 to $4,630.4 million as of September 30, 2010. The balance has primarily changed as a result of approximately $1,146.3 million in loan principal and interest repayments, $477.1 million in exposure fee collections, $249.5 million of interest received on Treasury financing accounts, $392.1 net funds transferred from Treasury due to FY 2009 re-estimate and FY 2010 capital transfers and $381.0 million in funds borrowed from Treasury for future loan disbursements authorized. The increase is partially offset by $134.3 million in net claim payments.

Receivable from the Program Account: The Receivable from the Program Account decreased by $553.8 million from $1,396.6 million at the end of FY 2009 to $842.8 million as of September 30, 2010. The balance has primarily changed due to the FY 2010 upward re-estimate partially offset by the funds transfer received for the FY 2009 upward re-estimate.

Loans Receivable: Loans Receivable increased $932.4 million from $3,936.3 million at September 30, 2009, to $4,868.7 million at September 30, 2010. Most of the increase can be explained by $2,199.2 million additional direct-loan disbursements partially offset by $352.1 million increase in the allowance for loan losses, $939.9 million repayments and prepayments and write-offs of $30.8 million.

Receivables from Subrogated Claims, Net: Receivables from Subrogated Claims, Net decreased $222.0 million from $659.5 million at the end of FY 2009 to $437.5 million at September 30, 2010. The decrease is primarily related to the increase in the allowance for credit losses on claims receivable.

Other Assets: Other Assets increased $24.6 million from $7.7 million at September 30, 2009, to $32.3 million as of September 30, 2010. The increase relates mostly to bonds issued to Ex-Im Bank as part of claim recovery efforts and additional commitment fees earned on new authorizations.

Borrowings from the U.S. Treasury: Borrowings from the U.S. Treasury increased $3,449.3 million from $3,805.2 million at the end of FY 2009 to $7,254.5 million as of September 30, 2010. The increase is attributable to additional borrowings used to fund loan disbursements partially offset by the repayment of borrowings at the end of the fiscal year.

Payable to the Financing Account: The Payable to the Financing Account decreased by $553.8 million from $1,396.6 million at September 30, 2009, to $842.8 million at September 30, 2010. The balance has primarily changed due to the FY 2010 upward reestimate partially offset by the funds transfer received for the FY 2009 upward reestimate.

Claims Payable: Claims Payable increased $2.6 million from $11.8 million at September 30, 2009, to $14.4 million at September 30, 2010. The balance increased mostly due to new Guarantee and Insurance Claims Payable, mostly recorded in September 2010 but not yet paid. This is more reflective of a timing issue than an identifiable trend.

Guaranteed Loan Liability: Guaranteed Loan Liability decreased by $814.5 million from $2,234.1 million at September 30, 2009, to $1,419.6 million at September 30, 2010. The decrease is mostly related to the FY 2010 downward re-estimate.

Other Liabilities: Other Liabilities increased $389.4 million from $176.1 million at September 30, 2009, to $565.5 million at September 30, 2010. The variance is primarily related to an increase in offsetting collections of $480.0 million, partially offset by usage of $85.3 million offsetting collections and other miscellaneous activities.

Unexpended Appropriations: Unexpended Appropriations decreased $38.0 million from $293.1 million at September 30, 2009, to $255.1 million at September 30, 2010. The decrease is primarily related to disbursements of unexpended subsidy due to increased authorization disbursements in FY 2010 and subsidy canceled.

Cumulative Results of Operations: Cumulative Results of Operations increased $526.4 million from ($2,135.4) million at September 30, 2009 to ($1,609.0) million at September 30, 2010. The increase is due mostly to the receipt of the appropriations of $1,121.1 million for the FY 2009 upward re-estimate from Treasury in March 2010 offset by the income statement impact of the net FY 2010 downward reestimate.

Interest Expense: Interest Expense increased $167.9 million from $256.3 million at September 30, 2009, to $424.2 million at September 30, 2010. This increase is due mostly to the increase in borrowings from the U.S. Treasury due to a higher level of authorizations and subsequent disbursements.

Provision for Credit Losses: Provision for Credit Losses decreased $1,024.6 million from $1,305.4 million in the year ended September 30, 2009, to $280.8 million at September 30, 2010. The decrease primarily reflects the FY 2010 net downward reestimate as well as differing portfolio risks over the corresponding time periods.

Liquidating Account Distribution of Income: For the portfolio authorized prior to the FCRA, this line item represents cash balances in excess of amounts needed to cover obligations, which are transferred to the U.S. Treasury. The $24.0 million decrease from $46.9 million as of September 30, 2009, to $22.9 million during the same period in FY 2010 reflects the decrease in the pre-FCRA portfolio.

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 unexpected 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, organizational risk and interest-rate 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 the entire 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 its insured as a result of expropriation of the obligor's property, war or inconvertibility of the borrower's currency into U.S. 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 in the same industry. The Bank's credit exposure is highly concentrated by industry: 72.6 percent of the Bank's credit portfolio is in three industries (air transportation, oil and gas, and manufacturing), with air transportation representing 47.0 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 57.5 percent of the portfolio contained in two geographic regions: Asia (36.8 percent) and Latin America and Caribbean (20.7 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 21.0 percent of its portfolio, while the 10 largest private-sector obligors make up 20.3 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 have the authority to 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, 2010 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, Norwegian krone, Pakistani rupee, Philippine peso, Polish zloty, Russian ruble, South African rand, Swedish krona, Swiss franc, Taiwanese dollar and Thai baht. At the time of authorization, Ex-Im Bank records the authorization amount as the U.S. dollar equivalent of 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. Ex-Im Bank also has an Office of Inspector General that conducts audits, inspections and investigations relating to the Bank's program and support operations.

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. Any interest rate disparity would be accounted for in the subsidy re-estimate.

IX. Other Management Information

Statutory Limitations

Ex-Im Bank has several significant financial limitations that are contained in the charter and in various appropriation acts. The following exhibits (Exhibit 17 and Exhibit 18) summarize the status of those limitations as of September 30, 2010, as well as the utilization of available funding.

Exhibit 17: Financial Statutory Limitations

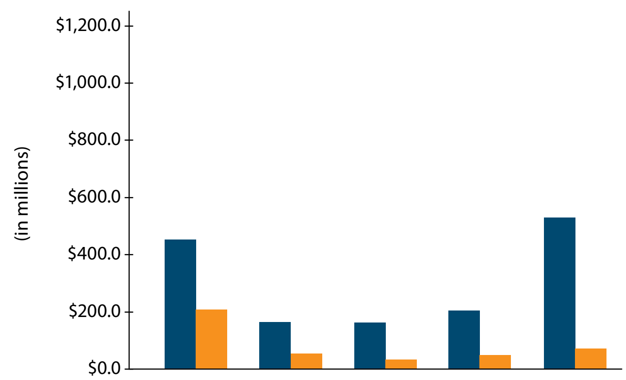
(in millions)

Spending Authority	Program Budget	Tied-Aid	Admin. Expense
Carry-Over From Prior Year	$146.1	$178.0	$1.5
Rescission of Carry-Over Funds	–	–	N/A
Cancellations during FY 2010	–	–	N/A
Offsetting Collections	395.5	–	83.9
Inspector General	N/A	N/A	2.5
Total	***$541.6***	***$178.0***	***$87.9***
Obligated	$44.0	$0.0	$86.1
Unobligated Balance Lapsed	0.6	–	0.3
Unobligated Balance Available	**$497.0**	**$178.0**	**$1.5**

	Available	*Obligated*	*Balance*
Statutory Lending Authority	$100,000.0	$75,213.9	$24,786.1

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 18: Program Budget (excluding Tied Aid) Available and Utilized



Fiscal Year	2006	2007	2008	2009	2010
Available	$421.5	$169.5	$165.6	$192.2	$541.6
Utilized	$190.8	$51.7	$25.4	$29.6	$44.0

X. Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of Ex-Im Bank, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of Ex-Im Bank in accordance with government GAAP and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

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

XI. Required Supplementary Information

Exhibit 19 presents the Statement of Budgetary Resources by Ex-Im Bank's major budget accounts.

Improper Payments Information Act

The Improper Payments Information Act (IPIA) of 2002 (P.L. No. 107-300) requires agencies to review their programs and activities to identify those susceptible to significant improper payments. In accordance with IPIA, Ex-Im Bank assessed its risk of a significant erroneous payment (defined for this purpose as annual erroneous payments in a program exceeding both 2.5 percent of the program payments and $10 million). The scope of this assessment included all program payments. For this purpose the term "payment" is defined as any payment that is:

- Derived from federal funds or other federal sources;
- Ultimately reimbursed from federal funds or resources; or
- Made by a federal agency, a federal contractor, a governmental or other organization administering a federal program or activity.

Ex-Im Bank identified three areas of payments which qualify under the above definition and therefore, warranted a risk assessment: administrative payments, claim payments and loan disbursements. Ex-Im Bank assessed the risk of improper payments associated with these programs to be low due to its internal controls in place, the nature of these disbursements and the results of an internal risk-assessment questionnaire.

The questionnaire includes questions categorized per the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework (control environment, risk assessment, control activities, information and communication and monitoring). Inclusion of the questionnaire incorporates additional quantitative components into the risk assessment. Based on this assessment, under the IPIA, no further action was required.

Exhibit 19: Disaggregated Statement of Budgetary Resources
For the Year Ended September 30, 2010

(in millions)	Program Account	Direct-Loan Financing Account	Guaranteed-Loan Financing Account	Pre-Credit Reform Financing Account	Other	Total
BUDGETARY RESOURCES						
Unobligated Balance, Brought Forward October 1	$555.6	$–	$857.4	$1.1	$83.9	$1,498.0
Recoveries of Prior-Year Unpaid Obligations	20.6	10.0	–	–	0.2	30.8
Budget Authority:						
Appropriation	1,121.1	–	–	–	2.5	1,123.6
Borrowing Authority	–	5,131.0	–	–	–	5,131.0
Spending Authority from Offsetting Collection	478.1	1,474.6	1,532.4	34.1	24.8	3,544.0
Permanently Not Available	(11.2)	(872.1)	(30.6)	(22.9)	(95.9)	(1,032.7)
Total Budgetary Resources	***$2,164.2***	***$5,743.5***	***$2,359.2***	***$12.3***	***$15.5***	***$10,294.7***
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred, Direct	$1,257.5	$5,743.5	$814.1	$12.1	$3.5	$7,830.7
Unobligated Balance, Apportioned	678.7	–	1,545.1	0.2	11.0	2,235.0
Unobligated Balance Not Available	228.0	–	–	–	1.0	229.0
Total Status of Budgetary Resources	***$2,164.2***	***$5,743.5***	***$2,359.2***	***$12.3***	***$15.5***	***$10,294.7***
CHANGE IN OBLIGATED BALANCE						
Obligated Balance, Net						
Unpaid Obligations, Brought Forward October 1	$96.4	$2,699.2	$11.8	–	$0.2	$2,807.6
Obligations Incurred, Net	1,257.5	5,743.5	814.1	12.1	3.5	7,830.7
Gross Outlays	(1,226.4)	(2,936.4)	(811.5)	(12.1)	(2.1)	(4,988.5)
Recoveries of Prior-Year Unpaid Obligations	(20.6)	(10.0)	–	–	(0.2)	(30.8)
Total, Unpaid Obligated Balance, Net, End of Period	***$106.9***	***$5,496.3***	***$14.4***	***$–***	***$1.4***	***$5,619.0***
NET OUTLAYS						
Gross Outlays	$1,226.4	$2,936.4	$811.5	$12.1	$2.1	$4,988.4
Less: Offsetting Collections	(478.1)	(1,474.6)	(1,532.4)	(34.1)	(24.8)	(3,544.0)
Net Outlays	**$748.3**	**$1,461.8**	**($720.9)**	**($22.0)**	**($22.7)**	**$1,444.5**