OFFICE OF INSPECTOR GENERAL
EXPORT-IMPORT BANK
of the UNITED STATES

Audit of the Export-Import Bank of the United States Fiscal Year 2016 Financial Statements

November 15, 2016
OIG-AR-17-01

To: Fred P. Hochberg, Chairman and President
David M. Sena, Senior Vice President and Chief Financial Officer

From: Terry L. Settle TLS
Assistant Inspector General for Audits

Subject: Audit of the Export-Import Bank's Financial Statements for Fiscal Year 2016 (Report No. OIG-AR-17-01)

Date: November 15, 2016

This memorandum transmits Deloitte and Touche LLP's audit reports of the Export-Import Bank of the United States' (EXIM Bank) financial statements for fiscal year 2016. Under a contract monitored by this office, we engaged the independent public accounting firm of Deloitte and Touche LLP to perform the audit. The contract required the audit to be performed in accordance with United States generally accepted government auditing standards and Office of Management and Budget Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*.

In its audit of EXIM Bank, Deloitte and Touche LLP found:

- the financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles,
- there were no material weaknesses or significant deficiencies in internal control, and
- there were no instances of reportable noncompliance with laws and regulations or other matters it tested.

Deloitte and Touche LLP is responsible for the attached auditor's reports dated November 10, 2016, and the conclusions expressed in the reports. We do not express opinions on EXIM Bank's financial statements, internal control or conclusions on compliance with laws and regulations.

We appreciate the cooperation and courtesies provided to Deloitte and Touche LLP and this office during the audit. If you have questions, please contact me at (202) 565-3498 or terry.settle@exim.gov. You can obtain additional information about the Export-Import Bank Office of Inspector General and the Inspector General Act of 1978 at www.exim.gov/about/oig.

cc: C.J. Hall, Executive Vice President and Chief Operating Officer
Angela Freyre, General Counsel
Kenneth Tinsley, Senior Vice President and Chief Risk Officer
Howard Spira, Senior Vice President and Chief Information Officer
Michael Cushing, Senior Vice President, Resource Management Group
Nathalie Herman, Treasurer, Office of the Chief Financial Officer
Patricia Wolf, Controller, Office of the Chief Financial Officer
Inci Tonguch-Murray, Deputy Chief Financial Officer
Duncan Barks, Partner, Deloitte and Touche LLP

Export-Import Bank of the United States

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Export-Import Bank of the United States

SECTION 1

INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors and the Inspector General of the Export-Import Bank of the United States

We have audited the accompanying financial statements of the Export-Import Bank of the United States ("EXIM Bank" or the "Bank"), which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of net costs and changes in net position and the combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EXIM Bank as of September 30, 2016 and 2015, and its net costs of operations and changes in net position, and combined budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information included in the sections entitled "Management's Discussion and Analysis" and "Required Supplementary Information" be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016, on our consideration of EXIM Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EXIM Bank's internal control over financial reporting and compliance.

Deloitte + Touche LLP

McLean, Virginia
November 10, 2016

Export-Import Bank of the United States

SECTION 2

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

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

To the Board of Directors and the Inspector General of the Export-Import Bank of the United States

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*, the financial statements of the Export-Import Bank of the United States ("EXIM Bank" or the "Bank") as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2016.

Internal Control over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EXIM Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 15-02.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the EXIM Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, in considering EXIM Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte + Touche LLP

McLean, Virginia
November 10, 2016

Export-Import Bank of the United States

SECTION 3

FINANCIAL STATEMENTS

Balance Sheets

(in millions)	As of September 30, 2016	As of September 30, 2015
ASSETS		
Intragovernmental		
Fund Balance with the U.S. Treasury (Note 2)	$4,513.4	$4,892.5
Total Assets - Intragovernmental	**4,513.4**	**4,892.5**
Public		
Loans Receivable, Net (Note 3A)	23,575.9	21,370.9
Receivables from Subrogated Claims, Net (Note 3E)	145.4	172.1
Other Assets (Note 7)	17.8	29.1
Total Assets - Public	**23,739.1**	**21,572.1**
Total Assets	**$28,252.5**	**$26,464.6**
LIABILITIES		
Intragovernmental		
Borrowings from the U.S. Treasury (Note 9)	25,021.6	$22,725.4
Accounts Payable to the U.S. Treasury	1,277.5	1,778.5
Total Liabilities - Intragovernmental	**26,299.1**	**24,503.9**
Public		
Payment Certificates (Note 9)	41.5	29.0
Claims Payable	2.9	4.7
Guaranteed Loan Liability (Note 3G)	1,359.2	1,435.6
Other Liabilities (Note 10)	195.5	269.7
Total Liabilities - Public	**1,599.1**	**1,739.0**
Total Liabilities	**$27,898.2**	**$26,242.9**
NET POSITION		
Capital Stock	$1,000.0	$1,000.0
Unexpended Appropriations	216.5	216.2
Cumulative Results of Operations	(862.2)	(994.5)
Total Net Position	**354.3**	**221.7**
Total Liabilities and Net Postion	**$28,252.5**	**$26,464.6**

The accompanying notes are an integral part of the financial statements.

Statements of Net Costs

(in millions)	Loans	Guarantees	Insurance	Total
For the Period Ended September 30, 2016				
Costs				
Interest Expense	$763.6	$ -	$ -	$763.6
Claim Expenses	-	2.2	1.2	3.4
Provision for Credit Losses	(723.7)	413.8	(48.8)	(358.7)
Broker Commissions	-	-	3.0	3.0
Total Costs (Note 13)	**39.9**	**416.0**	**(44.6)**	**411.3**
Earned Revenue				
Interest Income	(810.5)	(92.3)	-	(902.8)
Fee and Other Income	(29.2)	(429.7)	-	(458.9)
Insurance Premium and Other Income	-	-	(13.3)	(13.3)
Total Earned Revenue (Note 13)	**(839.7)**	**(522.0)**	**(13.3)**	**(1,375.0)**
Net Excess Program (Revenue) over Cost	**(799.8)**	**(106.0)**	**(57.9)**	**(963.7)**
Administrative Costs (Note 3K, 13)				114.3
Total Net Excess Program (Revenue) over Cost (Note 13)				**($849.4)**

(in millions)	Loans	Guarantees	Insurance	Total
For the Period Ended September 30, 2015				
Costs				
Interest Expense	$727.1	$ -	$ -	$727.1
Claim Expenses	-	3.0	0.6	3.6
Provision for Credit Losses	(853.1)	200.9	(104.2)	(756.4)
Broker Commissions	-	-	5.2	5.2
Total Costs (Note 13)	**(126.0)**	**203.9**	**(98.4)**	**(20.5)**
Earned Revenue				
Interest Income	(842.2)	(67.6)	-	(909.8)
Fee and Other Income	(47.3)	(431.5)	-	(478.8)
Insurance Premium and Other Income	-	-	(26.9)	(26.9)
Total Earned Revenue (Note 13)	**(889.5)**	**(499.1)**	**(26.9)**	**(1,415.5)**
Net Excess Program (Revenue) over Cost	**(1,015.5)**	**(295.2)**	**(125.3)**	**(1,436.0)**
Administrative Costs (Note 3K, 13)				131.9
Total Net Excess Program (Revenue) over Cost (Note 13)				**($1,304.1)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Position

(in millions)	For the Period Ended September 30, 2016 Capital Stock	Unexpended Appropriations	Cumultative Results of Operations	Total
Beginning Net Position	$1,000.0	$216.2	($994.5)	$221.7
Budgetary Financing Sources (Uses)				
Appropriations Received - Inspector General	-	6.0	-	6.0
Appropriations Received - Reestimate	-	239.9	-	239.9
Transfer Out Without Reimbursement	-		(1,071.3)	(1,071.3)
Other Adjustments	-	-	(0.2)	(0.2)
Appropriations Used	-	(245.6)	245.6	-
Offsetting Collections	-	-	105.1	105.1
Other Financing Sources				
Imputed Financing	-	-	3.7	3.7
Total Financing Sources (Uses)	-	0.3	(717.1)	(716.8)
Adjusted Net Position	1,000.0	216.5	(1,711.6)	(495.1)
Less: Excess of Program Costs Over Revenue	-	-	(849.4)	(849.4)
Ending Net Position	$1,000.0	$216.5	($862.2)	$354.3

(in millions)	For the Year Ended September 30, 2015 Capital Stock	Unexpended Appropriations	Cumultative Results of Operations	Total
Beginning Net Position	$1,000.0	$214.4	($2,244.9)	($1,030.5)
Budgetary Financing Sources (Uses)				
Appropriations Received - Inspector General	-	5.8	-	5.8
Appropriations Received - Reestimate	-	1,331.4	-	1,331.4
Transfer Out Without Reimbursement	-	-	(1,540.2)	(1,540.2)
Other Adjustments	-	0.8	(0.2)	0.6
Appropriations Used	-	(1,336.2)	1,336.2	-
Offsetting Collections	-	-	146.9	146.9
Other Financing Sources				
Imputed Financing	-	-	3.6	3.6
Total Financing Sources (Uses)	-	1.8	(53.7)	(51.9)
Adjusted Net Position	1,000.0	216.2	(2,298.6)	(1,082.4)
Less: Excess of Program Costs Over Revenue	-	-	(1,304.1)	(1,304.1)
Ending Net Position	$1,000.0	$216.2	($994.5)	$221.7

The accompanying notes are an integral part of the financial statements.

Combined Statements of Budgetary Resources

(in millions)	For the Year Ended September 30,2016			For the Year Ended September 30,2015		
	Budgetary	Non-Budgetary Credit Reform Financing Account	Total	Budgetary	Non-Budgetary Credit Reform Financing Account	Total
Budgetary Resources:						
Unobligated Balance Brought Forward, October 1	$556.9	$2,780.9	$3,337.8	$534.7	$1,869.7	$2,404.4
Adjustment to Unobligated Balance Brought Forward (Note 14)	-	(62.7)	(62.7)	-	-	-
Unobligated Balance Brought Forward, October 1 as Adjusted	556.9	2,718.2	3,275.1	534.7	1,869.7	2,404.4
Recoveries of Prior Year Unpaid Obligations	2.3	1,043.0	1,045.3	9.7	1,965.4	1,975.1
Other Changes in Unobligated Balance	(0.4)	(1.9)	(2.3)	(0.9)	-	(0.9)
Unobligated Balance From Prior Year Budget Authority, Net	558.8	3,759.3	4,318.1	543.5	3,835.1	4,378.6
Appropriations (discretionary and mandatory)	245.9	-	245.9	1,307.1	-	1,307.1
Borrowing Authority (discretionary and mandatory) (Note 14)	-	(1,022.9)	(1,022.9)	-	(3,345.5)	(3,345.5)
Spending Authority From Offsetting Collections (mandatory and discretionary)	126.8	2,037.7	2,164.5	187.1	4,316.7	4,503.8
Total Budgetary Resources (Note 14)	$931.5	$4,774.1	$5,705.6	$2,037.7	$4,806.3	$6,844.0
Status of Budgetary Resources:						
Obligations Incurred (Note 14)	$412.0	$2,622.8	$3,034.8	$1,480.8	$2,025.4	$3,506.2
Unobligated Balance, End of Year:						-
Apportioned	260.3	2,151.3	2,411.6	299.7	2,780.9	3,080.6
Unapportioned	259.2	-	259.2	257.2	-	257.2
Total Unobligated Balance, End of Year (Note 14)	519.5	2,151.3	2,670.8	556.9	2,780.9	3,337.8
Total Status of Budgetary Resources	$931.5	$4,774.1	$5,705.6	$2,037.7	$4,806.3	$6,844.0
Change in Obligated Balance:						
Unpaid Obligations, Brought Forward, October 1	$126.8	$7,495.7	$7,622.5	$130.6	$12,057.6	$12,188.2
Adjustment to Unpaid Obligations Start of Year (Note 14)	-	62.7	62.7			
Obligations Incurred	412.0	2,622.8	3,034.8	1,480.8	2,025.4	3,506.2
Outlays (Gross)	(390.1)	(6,049.7)	(6,439.8)	(1,474.9)	(4,621.9)	(6,096.8)
Recoveries of Prior Year Unpaid Obligations	(2.3)	(1,043.0)	(1,045.3)	(9.7)	(1,965.4)	(1,975.1)
Unpaid Obligations, End of Year	146.4	3,088.5	3,234.9	126.8	7,495.7	7,622.5
Uncollected Payments:						
Uncollected payments, Federal sources brought forward, Oct 1	-	(104.6)	(104.6)	-	(103.0)	(103.0)
Change in uncollected payments, Federal sources	-	0.6	0.6	-	(1.6)	(1.6)
Uncollected Customer Payments From Federal Sources, End of Year	-	(104.0)	(104.0)	-	(104.6)	(104.6)
Memorandum (non-add) entries						
Obligated balance, start of year	126.8	7,391.1	7,517.9	$130.6	$11,954.6	$12,085.2
Obligated Balance, End of Year, Net	$146.4	$2,984.5	$3,130.9	$126.8	7,391.1	$7,517.9
Budget Authority and Outlays, Net:						
Budget Authority, Gross (discretionary and mandatory)	$372.7	$2,037.7	$2,410.4	$1,494.2	$2,859.5	$4,353.7
Actual Offsetting Collections (discretionary and mandatory)	(142.5)	(3,483.6)	(3,626.1)	(187.1)	(4,333.9)	(4,521.0)
Change in Uncollected Customer Payments From Federal Sources (discretionary and mandatory)	-	0.6	0.6	-	(1.6)	(1.6)
Budget Authority, Net (discretionary and mandatory)	$230.2	($1,445.3)	($1,215.1)	$1,307.1	($1,476.0)	($168.9)
Outlays, Gross (discretionary and mandatory)	390.1	6,049.7	6,439.8	$1,474.9	$4,621.9	$6,096.8
Actual Offsetting Collections (discretionary and mandatory)	(142.5)	(3,483.6)	(3,626.1)	(187.1)	(4,333.9)	(4,521.0)
Outlays, Net (discretionary and mandatory)	$247.6	$2,566.1	$2,813.7	$1,287.8	$288.0	$1,575.8

Export-Import Bank of the United States
Notes to the Financial Statements
For the Year Ended September 30, 2016 and Year Ended September 30, 2015

1. Summary of Significant Accounting and Reporting Policies

Enabling Legislation and Mission

The Export-Import Bank of the United States ("EXIM", "EXIM Bank", or "the Bank") is an independent executive branch agency and a wholly owned U.S. government corporation that was first organized as a District of Columbia banking corporation in 1934. EXIM Bank is the official export credit agency of the United States. EXIM Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act (FCRA) of 1990, Public Law (P.L.) 101-508, which became effective October 1, 1991. In accordance with its Charter (12 USC 635 et seq.), continuation of EXIM Bank's functions in furtherance of its objectives and purposes is subject to periodic extensions granted by Congress. The Export-Import Bank Reauthorization Act of 2015 extended the Bank's charter until September 30, 2019. The mission of EXIM Bank 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. 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, EXIM Bank offers four financial products: loan guarantees, working capital guarantees, direct loans and export credit insurance. All EXIM Bank obligations carry the full faith and credit of the U.S. government.

During Fiscal Year (FY) 2015 and FY 2016, the Bank's authority to approve transactions lapsed from July 1, 2015 to December 4, 2015. In addition, since July 20, 2015, the Board of Directors of the Bank has lacked a quorum for the transaction of business and, as a result, the Bank is unable to approve medium and long term transactions over $10.0 million.

EXIM Services

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. Generally, both the medium-term and long-term loan and guarantee programs cover up to 85 percent of the U.S. contract value of shipped goods.

Under the Working Capital Guarantee Program, EXIM 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. EXIM Bank's working capital guarantee protects the lender from default by the exporter for 90 percent of the loan principal and interest.

EXIM Bank's export-credit insurance policies help 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.

Basis of Accounting

EXIM Bank reports under generally accepted accounting principles in the United States applicable to federal agencies (government GAAP). The format of the financial statements and footnotes is in accordance with form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised as of October 7, 2016.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and net position and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and costs during the reporting period. The most significant of these estimates are the allowances for losses on loans receivable, subrogated claims receivable, and guarantees and insurance. EXIM Bank uses its historical default and recovery experience to calculate loss estimates. Actual results may differ from those estimates.

Loans Receivables, Net

Loan obligations are carried at principal and interest receivable amounts less an allowance for credit losses.

From time to time, EXIM Bank restructures financial terms because the obligor or country has encountered financial difficulty and EXIM Bank has determined that providing relief in this manner will enhance the ability to collect the loan.

Receivables from Subrogated Claims, Net

Receivables from subrogated claims represent the outstanding balance of payments that were made on claims that were submitted to EXIM Bank in its capacity as guarantor or insurer under EXIM Bank's export guarantee or insurance programs. Receivables from subrogated claims are carried at principal and interest receivable amounts less an allowance for claim losses. Under the subrogation clauses in its guarantee and insurance contracts, EXIM Bank receives all rights, title and interest in all amounts relating to claims paid under insurance policies and guarantees and therefore establishes an asset to reflect such rights.

Accrued Interest

Interest is accrued on loans and claims as it is earned. Generally, loans and subrogated claims receivable delinquent 90 days or more are placed on a nonaccrual status unless they are well-secured and significant collections have been received. At the time that a loan or claim is placed on nonaccrual status, any accrued but unpaid interest previously recorded is reversed against current-period interest income. The interest on these loans is accounted for on a cash basis until qualifying for return to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Accounting for Capitalized Interest on Rescheduled Loans and Subrogated Claims

Rescheduling agreements frequently allow for EXIM Bank to add uncollected interest to the principal balance of rescheduled loans and subrogated claims receivable (i.e., capitalized interest). When capitalized, any accrued interest receivable is reversed against current period's interest income. The amount of interest that was capitalized and included in the principal balance is recorded as income when cash collections occur and only after all principal not related to the capitalized interest is paid. An allowance is established for all uncollected capitalized interest.

Allowance for Losses on Loans, Guarantees, Insurance and Subrogated Claims
The allowance for losses provides for estimated losses inherent in the loan, claim, guarantee and insurance portfolios. The allowance is established through a provision charged to earnings. 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 is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the credits in light of historical and market experience, the nature and volume of the credit portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing worldwide economic and political conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance for EXIM Bank credit-reform credits represents the amount of estimated credit loss associated with the applicable credit. The credit loss is defined as the net present value of estimated loan, guarantee and insurance defaults less subsequent estimated recoveries. EXIM Bank has established cash-flow models for expected defaults, fees and recoveries to estimate the credit loss for each approved credit. EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors.

The net credit loss of credit-reform loans, guarantees and insurance is re-estimated annually in accordance with OMB guidelines and Statement of Federal Financial Accounting Standards (SFFAS) 18, Amendments to Accounting Standards for Direct Loans and Loan Guarantees. The re-estimates adjust the allowance for credit losses to account for actual activity and changes in the financial and economic factors that affect the repayment prospects over time.

Accounting for Guarantees in a Foreign Currency
EXIM Bank provides guarantees and insurance denominated in certain foreign currencies. The foreign currencies approved for EXIM Bank guarantees as of September 30, 2016, are: Australian dollar, Brazilian real, British pound, Canadian dollar, CFA franc, Chinese yuan, Colombian peso, Egyptian pound, euro, Hong Kong dollar, 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, Singapore dollar, South African rand, Swedish krona, Swiss franc, Taiwanese dollar, Thai baht, United Arab Emirates dirham. At the time of authorization, EXIM Bank records the authorization amount as the U.S.-dollar equivalent of the foreign-currency obligation based on the exchange rate at that time. At the end of each fiscal year, EXIM Bank determines the dollar equivalent of the outstanding balance for each foreign-currency guarantee based on the exchange rate at the end of the year and adjusts the guarantee loan liability accordingly.

Borrowings from the U.S. Treasury

The main source of EXIM Bank's outstanding debt is borrowings from the U.S. Treasury. Borrowings from the U.S. Treasury are used to finance medium-term and long-term loans. These borrowings carry a fixed rate of interest. They are further discussed in Note 9.

Payment Certificates

Payment certificates represent EXIM Bank's outstanding liability related to specific claims for which EXIM Bank is paying the guaranteed lender as the guaranteed installments become due. Payment certificates are issued by EXIM Bank in exchange for the foreign importer's defaulted note which was guaranteed by EXIM Bank and the payment certificates carry the same repayment terms and interest rate as the guaranteed foreign importer's note. Payment certificates are backed by the full faith and credit of the government and are freely transferable.

Claims Payable

Liabilities for claims arising from EXIM Bank's guarantee and insurance activities and the related estimated losses and claim recovery expenses are accrued upon approval of a claim.

Accounts Payable to the U.S. Treasury

Accounts payable to the U.S. Treasury include the results of the re-estimate of the portfolio's expected losses as required under the Federal Credit Reform Act of 1990 (FCRA). The payable represents funds that are held in credit-reform financing accounts that are determined to be in excess of amounts needed to cover future defaults. The payable also includes expired budget authority no longer available for obligation that will be returned to the U.S. Treasury.

Fees and Premia

EXIM Bank charges a risk-related exposure fee under both the loan and guarantee programs that is collected on each loan disbursement or shipment of goods under the guarantee policy. This fee is amortized over the life of the credit using the effective yield method.

On working capital guarantees, EXIM Bank charges an up-front facility fee, which, due to the short-term nature of the contracts, is credited to income as collected. Premia charged under insurance policies are recognized as income using a method that generally reflects the exposure over the term of the policy.

Appropriated Capital

Appropriations received by EXIM Bank pursuant to the FCRA are recorded as paid-in-capital. Beginning in FY 2008, fees collected in excess of expected credit losses are used to reimburse the U.S. Treasury for appropriations provided for program and administrative costs, resulting in a net appropriation of zero. Appropriations received are sent to the U.S. Treasury when the period of availability ends.

Congress has appropriated certain sums specifically for EXIM Bank's tied-aid activities. 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.

Imputed Financing
A financing source is imputed by EXIM Bank to provide for pension and other retirement benefit expenses recognized by EXIM Bank but financed by the Office of Personnel Management (OPM). EXIM Bank follows OPM guidance released annually when calculating the imputed cost (OPM Benefits Administration Letter, Number 16-304 dated July 2016).

Liquidating Account Distribution of Income
EXIM Bank maintains a liquidating account which accumulates the repayment on loans and claims issued prior to the FCRA. At the end of each fiscal year, EXIM Bank transfers the cash balance in this account to the U.S. Treasury.

2. Fund Balance with the U.S. Treasury

Fund balances as of September 30, 2016 and September 30, 2015 were as follows:

(in millions)	FY 2016	FY 2015
Revolving Funds	$3,847.6	$4,181.0
General Funds - Unexpended Appropriations	538.9	528.1
General Funds - Offsetting Collections	126.9	118.7
Other Funds - Unallocated Cash	-	64.7
Total	$4,513.4	$4,892.5
Status of Fund Balance with the U.S. Treasury		
Unobligated Balance		
Available	$2,411.6	$3,080.6
Expired	$259.2	257.2
Canceled and Unavailable	0.5	3.4
Obligated Balance Not Yet Disbursed	1,842.1	1,486.6
Funds Pending Application	-	64.7
Total	$4,513.4	$4,892.5

Revolving funds are credit-reform financing accounts. Included in the credit-reform financing accounts are disbursed appropriations, exposure fees collected, and interest paid by the U.S. Treasury to EXIM Bank on the balances in the account. These funds are available to cover losses in EXIM Bank's credit programs. Unexpended appropriated funds and unexpended offsetting collections are deposited in a noninterest-bearing account at the U.S. Treasury. These funds are available to EXIM Bank when the credit activity to which they relate takes place or to finance administrative expenses. Upon disbursement of the related loans or shipment of goods under guarantee or insurance policies, the funds become available to either subsidize the related loan disbursement or to be invested in the credit-reform financing accounts to fund the credit costs of the guarantee and insurance policies. Unallocated cash represents collections pending final application to the applicable loan or guarantee.

Unobligated available funds represent unexpired appropriations and offsetting collections and funds held in credit-reform financing accounts. Unobligated expired funds represent appropriations and offsetting collections that are no longer available for new obligations.

Unobligated canceled funds represent appropriations that are no longer available and are returned to the U.S. Treasury in subsequent years. Obligated balance not yet disbursed represents appropriations, offsetting collections and funds held in the loan financing account awaiting disbursement.

As of September 30, 2016 and September 30, 2015, there were no unreconciled differences between U.S. Treasury records and balances reported on EXIM Bank's general ledger.

3. Direct Loan, Loan Guarantees and Export-Credit Insurance Programs, Nonfederal Borrowers

EXIM Bank offers fixed-rate loans directly to foreign buyers of U.S. goods and services. EXIM Bank extends to a company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. The buyer must make a cash payment to the U.S. exporter of at least 15 percent of the U.S. contract value. EXIM Bank's direct loans generally carry the 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 Organisation for Economic Co-operation and Development (OECD).

EXIM Bank loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. EXIM 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. EXIM Bank's comprehensive guarantee covers all of the commercial and political risks for 85 percent of the U.S. contract value.

EXIM Bank's export-credit insurance 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.

Credit Reform

The primary purpose of the FCRA is to measure more accurately the cost of federal credit programs and to place the cost of such credit programs on a basis equivalent with other federal spending.

As part of the FCRA, OMB established the Interagency Country Risk Assessment System (ICRAS) to provide a framework for uniformly measuring country risk for the U.S. government's international credit programs across the various agencies that administer them. The ICRAS methodology determines the risk levels for lending to both sovereign governments and non-sovereign borrowers.

ICRAS rates every country to which U.S. government agencies have outstanding loans or loan guarantees or are anticipating making new credits available. ICRAS rates countries on the basis of economic and political/social variables. There are 11 sovereign and 9 non-sovereign risk categories and each country receives two ratings: a sovereign-risk rating and a private-risk rating. ICRAS currently has risk ratings for 204 sovereign and 202 non-sovereign markets.

FY 2016 and FY 2015 Activity

Beginning in FY 2008, fees collected in excess of expected credit losses (offsetting collections) are used to cover the Bank's administrative costs and credit program needs for providing new direct loans, guarantees.

EXIM Bank received a $6.0 million appropriation in FY 2016 and $5.8 million in FY 2015 for the Office of Inspector General (OIG) administrative costs.

The following table summarizes offsetting collections and appropriations received and used in FY 2016 and in FY 2015:

(in millions)	FY 2016	FY 2015
RECEIVED AND AVAILABLE		
Appropriation from Offsetting Collections for Ex-Im Bank	$122.2	$141.9
Appropriation from U.S. Treasury for OIG	6.0	5.8
Total Received	128.2	147.7
Unobligated Balance Carried Over from Prior Year	288.6	303.9
Recission of Unobligated Balances	-	(30.0)
Total Available	416.8	421.6
OBLIGATED		
For Credit-Related Administrative Costs	139.7	128.4
Total Obligated	139.7	128.4
UNOBLIGATED BALANCE		
Unobligated Balance	276.4	293.2
Unobligated Balance Lapsed	(27.5)	(4.6)
Remaining Balance	$248.9	$288.6

Of the remaining balance of $276.4 million at September 30, 2016, $10.7 is available until September 30, 2017; $10.0 million is available until September 30, 2018; $10.0 million is available until September 30, 2019, and $218.2 is available until expended and may be used for tied-aid programs or other mandated costs.

New loans, guarantees and insurance result in a program cost (or subsidy cost) when the net present value of expected cash disbursements exceeds expected cash receipts. Cash receipts typically include fees or premia, loan principal and interest, and cash disbursements typically include claim payments and loan disbursements. EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors.

When the present value of expected cash receipts exceeds the present value of expected cash disbursements, a "negative" credit subsidy (or program revenue) arises.

Starting in FY 2008, EXIM Bank has operated on a self-sustaining basis using program revenue to fund current year administrative expenses and program costs. During FY 2016, EXIM Bank collected $400.8 million of receipts in excess of estimated credit losses. Out of these offsetting collections, $106.9 million was used to fund administrative expenses, $283.9 million was sent to the U.S Treasury, and $10.0 million was retained and is available for obligation until September 30, 2019. During FY 2015, EXIM Bank collected $548.7 million of receipts in excess of estimated credit losses. Out of these offsetting collections, $107.1 million was used to fund administrative expenses, $431.6

million was sent to the U.S. Treasury, and $10.0 million was retained and is available for obligation until September 30, 2016.

Administrative costs are the costs to administer and service EXIM Bank's entire credit portfolio. The program costs are obligated to cover the estimated subsidy costs at the time loans, guarantees and insurance are committed. As the loans are disbursed, or when the insured or guaranteed event has taken place (generally when the related goods are shipped), the obligated amounts are used to cover the estimated subsidy costs related to the disbursements and shipments. The portion of the obligated amounts related to EXIM Bank's lending programs is used to partially fund the loan disbursements, while the portions related to EXIM Bank's guarantee and insurance programs are invested in an interest-bearing account with the U.S. Treasury. Prior to loan disbursement or the insured or guaranteed event, all of the appropriated funds and offsetting collections are held in a non-interest-bearing U.S. Treasury account.

Allowances for Losses

The process by which EXIM Bank determines its allowances for losses for each fiscal year involves assessing the repayment risk of the credit, which includes both commercial and political risk factors, then calculating the loss reserve based on the percentage of loss associated with the risk level assigned to the credit.

Sovereign risk is associated with an obligor that conveys the full faith and credit of its country. To rate sovereign obligors, EXIM Bank relies on the risk levels assigned to sovereign countries by ICRAS.

Non-sovereign obligors are divided into four categories for risk assessment purpose: (1) obligors in workout status; (2) obligors rated by third-party rating agencies, such as, Standard & Poor's and Moody's; (3) obligors not rated but publicly traded on local exchanges; and (4) obligors neither rated nor publicly traded on local exchanges.

After the political and commercial risks of the transaction are assessed, the transaction is assigned a risk rating based on the standard ICRAS classification. A major determinant of the risk rating is the sovereign-risk rating of the country in which the obligor is located. Credit enhancements such as the availability of liens and off-shore escrow accounts are taken into account.

For pre-credit-reform and non-impaired loans receivable, EXIM Bank determines the allowance using historical default and recovery rates. The allowance for losses on this exposure is calculated using the credit loss estimate method. This is an estimate of the loss expected due to credit risk and does not include non-credit factors that are included in the fair value method.

Loss reserves on pre-credit-reform impaired credits are determined using the fair value method. Impaired credits are defined as those transactions risk rated from 9 to 11, or on the verge of impairment due to political, commercial, operational and/or technical events or unforeseeable circumstances that have affected the borrower's ability to service repayment of EXIM Bank credits.

The allowance for losses for post credit-reform loans, guarantees and insurance are determined by the credit loss calculated at authorization and subsequent adjustments made to the allowance as a result of the annual re-estimate.

Re-Estimate on Portfolio Expected Losses

The estimated credit loss of the outstanding balance of loans, guarantees and insurance is re-estimated annually in accordance with OMB guidelines and SFFAS 18. This re-estimate indicates the appropriate balance necessary in the financing accounts to ensure sufficient funds to pay future estimated claims.

EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors. In the event that the balance in the financing accounts exceeds the re-estimate level, the difference will not be needed to cover future estimated claims and will be returned to the U.S. Treasury. In the event that the balance in the financing accounts is less than the re-estimate level, the FCRA provides that the difference will be transferred to EXIM Bank from a general appropriation account authorized for this purpose.

Every year, EXIM Bank re-evaluates the methods used for calculating the reserves needed to cover expected losses. The Bank uses historical experience to estimate the probability of default as well as the loss given default. The probability of default (PD) is the likelihood that a transaction would go into default while the loss given default (LGD) gives the estimated loss, net of recoveries and expenses, if a default were to occur. Multiplying PD times LGD provides expected loss factors across programs and budget cost level (BCL) categories. EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors.

EXIM Bank incorporates a quantitative and qualitative framework to calculate loss reserves. This framework has continuously evolved and been refined over the years. In FY 2016, EXIM Bank updated qualitative adjustments in its loss model, of which a subset are built into the quantitative framework. Those built into the quantitative framework include factors such as loss curves for sovereign guaranteed transactions and asset backed aircraft. Those not built into the quantitative framework look at minimum levels of expected losses, the global macroeconomic environment, and the recent growth in the Bank’s portfolio.

As of September 30, 2016, the credit loss re-estimate of FY 1992 through FY 2016 commitments outstanding balances indicated that there was a net excess of $932.5 million in the financing accounts. This downward re-estimate will be transferred to the U.S. Treasury in FY 2017.

As of September 30, 2015, the credit loss re-estimate of FY 1992 through FY 2015 commitments outstanding balances indicated that a net excess of $1,280.9 million in the financing accounts. This downward re-estimate was transferred to the U.S. Treasury in FY 2016.

A. Direct Loans

EXIM Bank's loans receivable, as shown on the Balance Sheets, are net of an allowance for loan losses.

To calculate the allowance for loan losses for direct loans obligated prior to FY 1992, each of the 11 risk levels is identified with a loss percentage to determine the overall allowance for credit losses as described above. In addition, certain credits and capitalized interest included in gross loans receivable are reserved at 100 percent. The total allowance for direct loans obligated prior to FY 1992, including capitalized interest, equaled 29.0 percent and 29.6 percent, respectively, of gross loans and interest receivable.

The allowance for loss calculated for direct loans obligated since the commencement of FY 1992 equals the amount of credit loss incurred to support the loan obligation. The credit loss is the amount of loss estimated to be incurred on the transaction, as previously described. At September 30, 2016, and September 30, 2015, the allowance for loan losses on credit-reform credits equaled 1.8 percent and 6.3 percent, respectively, of the outstanding loans and interest receivable balance.

At September 30, 2016, and September 30, 2015, the allowance for both pre-credit-reform and post credit-reform loans equaled 2.2 percent and 6.7 percent, respectively, of the total loans and interest receivable.

The outstanding balances related to rescheduled installments included in loans receivable at September 30, 2016 and September 30, 2015, were $633.0 million and $780.7 million, respectively. In FY 2016, EXIM had a rescheduling of Grenada debt. The Government of Grenada has agreed to repay the full rescheduled debt amount of $1.8 million to EXIM Bank based on negotiated terms. The agreement between the Government of the United States and the Government of Grenada became effective on July 18, 2016.

The net balance of loans receivable at September 30, 2016, and September 30, 2015, consists of the following:

FY 2016 (in millions)	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Loans Obligated Prior to FY 1992	$339.6	$1.4	($98.9)	$242.1
Loans Obligated After FY 1991	23,611.0	158.3	(435.5)	23,333.8
Total	$23,950.6	$159.7	($534.4)	$23,575.9

FY 2015 (in millions)	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Loans Obligated Prior to FY 1992	$350.2	$2.6	($104.4)	$248.4
Loans Obligated After FY 1991	22,413.4	134.6	(1,425.5)	21,122.5
Total	$22,763.6	$137.2	($1,529.9)	$21,370.9

(in millions)	FY 2016	FY 2015
Direct Loans Disbursed During Year (Post-1991)	$3,415.8	$2,386.1

B. Program Cost and Re-Estimate Expense for Direct Loans by Component

The table below discloses the interest, defaults, fees and re-estimate amounts associated with program cost disbursed in the current fiscal year on loan authorizations made in the current and prior fiscal years and the current year loss re-estimate.

(in millions)	FY 2016	FY 2015
Interest	($233.6)	($232.4)
Defaults	100.3	69.4
Fees and Other Collections	(163.7)	(139.3)
Total Program Cost	(297.0)	(302.3)
Net Re-estimate – Principal	(560.4)	(652.4)
Net Re-estimate – Interest	(210.3)	(189.6)
Total Net Re-estimate	(770.7)	(842.0)
Total Direct Loan Program (Cost) and Re-Estimate Expense	($1,067.7)	($1,144.3)

C. Program Cost Rates for Direct Loans by Program and Component

The program cost rates disclosed below relate to the percentage of program costs on loan authorizations made in the reporting fiscal year. Because these rates only pertain to authorizations from the reporting fiscal year, these rates cannot be applied to loan disbursements in the reporting fiscal year to yield the program cost, which could result from disbursements of loans from both current and prior years. In FY 2016, EXIM did not authorize direct loans.

	FY 2016	FY 2015
Interest	-	(4.3)%
Defaults	-	4.7%
Fees and Other Collections	-	(8.1)%
Total	-	(7.7)%

D. Schedule for Reconciling Direct Loan Allowance Balances

The table below discloses the components of the direct-loan allowance.

(in millions)	FY 2016	FY 2015
Post-1991 Direct Loans		
Beginning Balance of the Allowance Account	$1,425.5	$2,168.3
Current Year Program Cost *(see Note 3B for Component Breakdown)*	(297.0)	(302.3)
Fees Received	113.7	110.0
Loans Written Off	(42.6)	-
Program-Cost Allowance Amortization	64.6	163.6
Miscellaneous Recoveries and (Costs)	(58.0)	127.9
Ending Balance Before Re-estimate	(1,206.2)	2,267.5
Re-estimate	(770.7)	(842.0)
Ending Balance of the Allowance Account	$435.5	$1,425.5

Program-cost allowance amortization is calculated, as required by SFFAS 18, Amendments to Accounting Standards for Direct Loans and Loan Guarantees, as the difference between interest revenue and interest expense.

E. Defaulted Guaranteed Loans

The allowance for defaulted guaranteed loans is calculated using the fair-market value method as formerly described. Capitalized interest included in gross defaulted guaranteed loans receivable is reserved at 100 percent. The total allowance equaled 87.9 percent and 85.9 percent of gross defaulted guaranteed loans and interest receivable at September 30, 2016, and September 30, 2015, respectively.

FY 2016 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Defaulted Guaranteed Loans				
Obligated Prior to FY 1992	$52.1	$1.5	($27.3)	$26.3
Obligated After FY 1991	1,149.2	0.0	(1,030.1)	119.10
Total	$1,201.3	$1.5	($1,057.4)	$145.4

FY 2015 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Defaulted Guaranteed Loans				
Obligated Prior to FY 1992	$55.4	$1.5	($29.5)	$27.4
Obligated After FY 1991	1,166.9	0.5	(1,022.7)	144.70
Total	$1,222.3	$2.0	($1,052.2)	$172.1

F. Guaranteed Loans and Insurance

EXIM Bank is exposed to credit loss with respect to the amount of outstanding guaranteed loans and insurance policies in the event of nonpayment by obligors under the agreements. The commitments shown below are agreements to lend monies and issue guarantees and insurance as long as there is no violation of the conditions established in the credit agreement.

(in millions)	FY 2016	FY 2015
Gross Outstanding Principal of Guaranteed Loans and Insurance, Face Value	$55,173.5	$61,495.3
Undisbursed Principal of Guaranteed Loans and Insurance, Face Value	5,280.5	10,730.5
Total Principal of Guaranteed Loans and Insurance, Face Value	$60,454.0	$72,225.8
Amount of Principal That is Guaranteed and Insured by EXIM Bank	$60,454.0	$72,225.8
Gross Amount of Guaranteed Loans and Insurance Disbursed During Year, Face Value	$7,221.5	$12,983.7
Amount of Guaranteed Loans and Insurance Disbursed During Year that is Guaranteed and Insured by EXIM Bank	$7,221.5	$12,983.7

G. Liability for Loan Guarantees and Insurance

The liability for loan guarantees and insurance balances of $1,359.2 million at September 30, 2016 and $1,435.6 million at September 30, 2015 represent post FY 1991 guarantees and insurance credits.

H. Program Cost and Re-Estimate Expense for Loan Guarantees and Insurance by Component

The table below discloses defaults, fees and re-estimate amounts associated with the program cost disbursed in the current year on loan guarantee and insurance authorizations made in the current and prior fiscal years and the current year loss re-estimate. The total program cost also includes modifications made on these authorizations.

(in millions)	FY 2016	FY 2015
Defaults	$91.3	$252.9
Fees and Other Collections	(176.2)	(477.7)
Total Program Costs	(84.9)	(224.8)
Net Re-estimate – Principal	(127.1)	(304.1)
Net Re-estimate – Interest	(34.7)	(134.8)
Total Net Re-estimate	(161.8)	(438.9)
Total Loan Guarantee and Insurance Program (Cost) and Re-Estimate Expense	($246.7)	($663.7)

I. Program Cost Rates for Loan Guarantees and Insurance by Component

The program cost rates disclosed below relate to the percent of program costs on loan guarantee and insurance authorizations made in the reporting fiscal year. Because these rates only pertain to authorizations from the reporting fiscal year, these rates cannot be applied to the guarantees of loans disbursed during the reporting fiscal year to yield the program cost, which could result from disbursements of loans from both current and prior years.

	FY 2016	FY 2015
Defaults	1.3%	8.5%
Fees and Other Collections	(2.3)	(5.9)
Total	(1.0)%	2.6%

J. Schedule for Reconciling the Allowance for Loan Guarantee Balances

The table below discloses the components of the allowance for loan guarantees.

(in millions)	FY 2016	FY 2015
Post-1991 Loan Guarantees		
Beginning Balance of the Allowance Account	$ 1,435.6	$ 1,620.7
Current Year Program Cost	(84.9)	(224.8)
(See Note 3H for Component Breakdown)		
Fees Received	210.6	402.6
Claim Expenses and Write-Offs	(1.4)	(1.3)
Interest Accumulation	60.3	58.4
Other	(99.2)	18.9
Ending Balance Before Re-estimate	1,521.0	1,874.5
Re-estimate	(161.8)	(438.9)
Ending Balance of the Allowance Account	$ 1,359.2	$ 1,435.6

K. Administrative Costs

All of the Bank's administrative expenses are attributed to the support of the Bank's loan, guarantee and insurance programs. Administrative expenses are not allocated to individual programs.

(in millions)	FY 2016	FY 2015
Total Administrative Expense	$114.3	$131.9

L. Outstanding Exposure and Allowance by Program

(in millions)	FY 2016	FY 2015
Outstanding Loans	$23,950.6	$22,763.6
Allowance for Loan Losses	534.4	1,529.9
Percent Allowance of Outstanding Balance	2.2%	6.7%
Outstanding Defaulted Guarantees and Insurance	1,201.3	1,222.3
Allowance for Outstanding Defaulted Guarantees and Insurance	1,057.4	1,052.2
Percent Allowance of Outstanding Balance	88.0%	86.1%
Outstanding Guarantees & Insurance	55,173.5	61,495.3
Liability for Guarantees & Insurance	1,359.2	1,435.6
Percent Allowance of Outstanding Balance	2.5%	2.3%

The allowance for losses for EXIM Bank credits authorized after the FCRA equates to the amount of estimated credit loss associated with the applicable loans, claims, guarantees, and insurance. According to SFFAS 2, *Accounting for Direct Loans and Guarantees*, direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash flows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as the allowance for credit losses. For guaranteed loans outstanding, the present value of estimated net cash flows of the loan guarantee is recognized as a guaranteed loan liability.

EXIM Bank's credit programs generally have fees and interest rates higher than the expected default and funding costs, resulting in the net present value of cash inflows to be greater than the outstanding principal of the credit.

M. Allowance and Exposure Summary

(in millions)	FY 2016	FY 2015
Pre-Credit-Reform Allowance		
Allowance for Loan Losses	$98.9	$104.4
Allowance for Defaulted Guarantees	27.3	29.5
Total Pre-Credit-Reform Allowance	126.2	133.9
Credit-Reform Allowance		
Allowance for Loan Losses	435.5	1,425.5
Allowance for Defaulted Guarantees and Insurance	1,030.1	1,022.7
Liability for Loan Guarantees and Insurance	1,359.2	1,435.6
Total Credit-Reform Allowance	2,824.8	3,883.8
Total Allowance for Loan Losses	534.4	1,529.9
Total Allowance for Guarantees and Insurance	2,416.6	2,487.8
Total Allowance	$2,951.0	$4,017.7
Total Outstanding Balance of Loans, Guarantees and Insurance	$80,325.4	$85,481.2
Percent Allowance to Outstanding Balance	3.7%	4.7%
Total Exposure	$87,262.4	$102,210.7
Percent Allowance to Exposure	3.4%	3.9%

4. Accrual of Interest

The weighted-average interest rate on EXIM Bank's loan and rescheduled claim portfolio at September 30, 2016, was 2.67 percent (2.77 percent on performing loans and rescheduled claims). The weighted-average interest rate on EXIM Bank's loan and rescheduled claim portfolio at September 30, 2015, was 2.69 percent (2.80 percent on performing loans and rescheduled claims). Interest income is recognized when collected on non-rescheduled claims.

Generally, the accrual of interest on loans and rescheduled claims is discontinued when the credit is delinquent for more than 90 days. EXIM Bank had a total of $843.2 million and $41.5 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2016. EXIM Bank had $807.9 million and $46.1 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2015. Had these credits been in accrual status, interest income would have been $11.72 million higher as of September 30, 2016 (amount is net of interest received of $17.2 million), and $37.9 million higher in FY 2015 (amount is net of interest received of $10.7 million).

5. Statutory Limitations on Lending Authority

Under its Charter, EXIM Bank's statutory lending limit in FY 2016 was $135.0 billion of loans, guarantees and insurance exposure at any one time. In FY 2015 it was $140.0 billion. At September 30, 2016, and September 30, 2015, EXIM Bank's statutory authority used was as follows:

(in millions)	FY 2016	FY 2015
Outstanding Guarantees	$54,057.7	$59,810.1
Outstanding Loans	23,950.6	22,763.6
Outstanding Insurance	1,115.8	1,685.2
Outstanding Claims	1,201.3	1,222.3
Total Outstanding	80,325.4	85,481.2
Undisbursed Loans	1,656.5	5,999.0
Undisbursed Guarantees	1,341.1	6,070.1
Undisbursed Insurance	3,939.4	4,660.4
Total Undisbursed	6,937.0	16,729.5
Total Exposure	$87,262.4	$102,210.7

Transactions can be committed only to the extent that budget authority is available to cover program costs. For FY 2016 and FY 2015, Congress placed no limit on the total amount of loans, guarantees and insurance that could be committed in those years, provided that the statutory authority established by the EXIM Bank's Charter was not exceeded.

During FY 2016, EXIM Bank committed $5,037.1 million for guarantees and insurance, using no budget authority and no tied-aid funds. During FY 2015, EXIM Bank committed $72.6 million for direct loans, $12,310.6 million for guarantees and insurance, using no budget authority and no tied-aid funds.

EXIM Bank has authorized guarantee transactions denominated in a foreign currency during FY 2016 totaling $17.6 million, and authorized $1,470.0 million during FY 2015, as calculated at the exchange rate at the time of authorization. EXIM Bank adjusts the allowance for all transactions denominated in a foreign currency using the various foreign-currency exchange rates at the end of the fiscal year.

For financial statement purposes, EXIM 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 EXIM 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 $135.0 billion statutory lending limit imposed by Section 6(a)(2) of EXIM 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 EXIM Bank, the entire credit is assumed to be "disbursed" when the fee is paid to the Bank. The credit is recorded as repaid in one installment 180 days 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 EXIM 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 120 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.

6. Portfolio Analysis

EXIM Bank support is available to U.S. businesses exporting to countries around the world. The Bank's portfolio is concentrated more heavily in certain regions, industries and obligors. In reviewing each transaction, EXIM Bank considers the option of using various credit enhancements to support its finding of reasonable assurance of repayment. Various types of collateral, including liens on commercial aircraft, may or may not be appropriate or available in support of a credit. Overall authorization levels were affected by EXIM's ability to approve transactions. During FY 2015 and FY 2016, the Bank's authority to approve transactions lapsed from July 1, 2015 to December 4, 2015. In addition, since July 20, 2015, the Board of Directors of the Bank has lacked a quorum for the transaction of business and, as a result, the Bank is unable to approve medium and long term transactions over $10.0 million.

The volatility in commodity prices, the fluctuation in currency exchange rates, and the tightening of credit markets may have an impact on a borrower's ability to service their obligations. EXIM Bank proactively monitors the portfolio to prevent defaults and to make appropriate rating and loss reserve adjustments as necessary.

In FY 2016, management elected to reclassify exposure of regional country groupings of its loan, guarantee and insurance portfolio to better align EXIM's reporting with other entities with international exposure such as the World Bank, the United Nations and the U.S Treasury. Results of prior periods have been reclassified to conform to the current year presentation.

The following tables summarize total exposure by geographic region as of September 30, 2016 and September 30, 2015:

2016 (in millions)

Region	Amount	Percentage
Asia	$22,130.1	25.4%
Latin America and the Caribbean	15,902.9	18.2%
Europe	15,680.3	18.0%
Middle-East and North Africa	12,432.3	14.2%
Oceania	7,186.0	8.2%
North America	5,312.1	6.1%
Sub-Saharan Africa	4,881.7	5.6%
Other	3,737.0	4.3%
Total Exposure	$87,262.4	100.0%

2015 (in millions)

Region	Amount	Percentage
Asia	$26,130.3	25.7%
Latin America and the Caribbean	18,853.6	18.4%
Europe	18,613.4	18.2%
Middle-East and North Africa	13,743.4	13.4%
Oceania	7,514.4	7.4%
North America	7,202.7	7.0%
Sub-Saharan Africa	5,740.4	5.6%
Other	4,412.5	4.3%
Total Exposure	$102,210.7	100.0%

The following tables summarize total exposure by industry as of September 30, 2016 and September 30, 2015:

2016 (in millions)

Industry	Amount	Percentage
Air Tranportation	$42,062.2	48.2%
Oil & Gas	14,331.2	16.4%
Manufacturing	14,042.1	16.1%
Power Projects	4,780.2	5.5%
All Other	12,046.7	13.8%
	$87,262.4	100.0%

2015 (in millions)

Industry	Amount	Percentage
Air Tranportation	$49,031.0	48.0%
Manufacturing	16,323.9	16.0%
Oil & Gas	15,965.7	15.6%
Power Projects	5,800.7	5.7%
All Other	15,089.4	14.7%
	$102,210.7	100.0%

The following tables summarize the five largest public and private obligors at September 30, 2016 and September 30, 2015:

2016 (in millions)

Obligor	Amount	Percentage
Pemex	$5,813.9	6.6%
Sadara Chemical Company	4,180.0	4.8%
Australia Pacific LNG Csg Processing Pty Ltd	2,865.5	3.3%
Korean Air Lines	2,750.5	3.2%
Papua New Guinea LNG Global Comp.	2,480.6	2.8%
All Other	69,171.9	79.3%
	$87,262.4	100.0%

2015 (in millions)

Obligor	Amount	Percentage
Pemex	$6,754.4	6.6%
Sadara Chemical Company	4,180.0	4.1%
Korean Air Lines	3,110.0	3.0%
Australia Pacific LNG Csg Processing Pty	2,865.5	2.8%
Papua New Guinea LNG Global Comp.	2,594.9	2.5%
All Other	82,705.9	81.0%
	$102,210.7	100.0%

The following tables summarize total exposure by country as of September 30, 2016 and September 30, 2015:

2016 (in millions)

Country	Amount	Percentage
Mexico	$8,019.1	9.2%
Saudi Arabia	6,012.7	6.9%
China	5,103.4	5.8%
India	4,494.9	5.2%
Australia	4,361.9	5.0%
All Other	59,270.4	67.9%
	$87,262.4	100.0%

2015 (in millions)

Country	Amount	Percentage
Mexico	$9,411.9	9.2%
Saudi Arabia	6,214.3	6.1%
India	5,844.8	5.7%
China	5,562.8	5.4%
United Arab Emirates	4,668.2	4.6%
All Other	70,508.7	69.0%
	$102,210.7	100.0%

The following tables summarize the largest exposures by program by country as of September 30, 2016 and September 30, 2015:

Loans Outstanding and Undisbursed:

2016 (in millions)

Country	Amount	Percentage
Saudi Arabia	$5,555.6	21.6%
Australia	3,559.6	13.9%
United Kingdom	2,599.9	10.2%
Colombia	2,190.2	8.6%
All Other	11,701.8	45.7%
Total	$25,607.1	100.0%

2015 (in millions)

Country	Amount	Percentage
Saudi Arabia	$5,708.5	19.6%
Australia	3,639.6	13.0%
United Kingdom	3,120.1	10.8%
Colombia	2,415.5	8.3%
All Other	13,878.9	48.3%
Total	$28,762.6	100.0%

Subrogated Claims:

2016 (in millions)

Country	Amount	Percentage
Mexico	$272.1	22.6%
Indonesia	92.1	7.7%
Serbia	86.4	7.2%
United States	75.1	6.3%
All Other	675.6	56.2%
Total	$1,201.3	100.0%

2015 (in millions)

Country	Amount	Percentage
Mexico	$276.1	22.6%
Indonesia	128.8	10.5%
Kazakhstan	96.2	7.9%
Brazil	70.3	5.8%
All Other	650.9	53.2%
Total	$1,222.3	100.0%

Guarantees and Insurance:

2016 (in millions)

Country	Amount	Percentage
Mexico	$6,884.0	11.3%
China	4,991.6	8.3%
United Arab Emirates	3,600.5	6.0%
United States	3,180.0	5.3%
All Other	41,797.9	69.1%
Total	$60,454.0	100.0%

2015 (in millions)

Country	Amount	Percentage
Mexico	$8,072.6	11.2%
China	5,709.0	7.9%
United States	4,485.1	6.2%
United Arab Emirates	4,152.3	5.7%
All Other	49,806.8	69.0%
Total	$72,225.8	100.0%

7. Other Assets

(in millions)	FY 2016	FY 2015
Fee Receivables	$ 17.8	$28.6
Other	-	0.5
Total Other Assets	$17.8	$29.1

Commitment fees are charged on the undisbursed, unexpired balance of loans and certain guarantees. The Other category includes miscellaneous receivables, including assets acquired through claims recovery.

8. Liabilities Not Covered by Budgetary Resources

Liabilities not covered by budgetary resources are included in Other Liabilities on the Balance Sheet as follows:

EXIM Bank's liability to employees for accrued unfunded annual leave, included in Other Liabilities on the Balance Sheets, was $4.5 million as of September 30, 2016 and $4.5

million as of September 30, 2015. The liability will be paid from future administrative expense budget authority.

9. Debt

EXIM Bank's outstanding borrowings come from two sources: direct borrowing from the U.S. Treasury, and the assumption of repayment obligations of defaulted guarantees under EXIM Bank's guarantee program via payment certificates.

EXIM Bank's total debt at September 30, 2016, and September 30, 2015, is as follows:

(in millions)	FY 2016	FY 2015
U.S. Treasury Debt		
Beginning Balance	$22,725.4	$21,633.6
New Borrowings	3,705.7	2,548.9
Repayments	(1,409.5)	(1,457.1)
Ending Balance	$25,021.6	$22,725.4
Debt Held by the Public		
Beginning Balance	$29.0	$21.4
New Borrowings	37.0	18.2
Repayments	(24.5)	(10.6)
Ending Balance	$41.5	$29.0
Total Debt	$25,063.1	$22,754.4

EXIM Bank had $25,021.6 million of borrowings outstanding with the U.S. Treasury at September 30, 2016, and $22,725.4 million at September 30, 2015, with a weighted-average interest rate of 3.0 percent at September 30, 2016, and 3.11 percent at September 30, 2015.

U.S. Treasury borrowings are repaid primarily with the repayments of medium-term and long-term loans. To the extent repayments on the underlying loans, combined with commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, appropriated funds are available to EXIM Bank through the re-estimation process for this purpose. The full amount of the borrowings is expected to be repaid by FY 2033.

Payment certificates are issued by EXIM Bank in exchange for the foreign obligor's original note that was guaranteed by EXIM Bank on which EXIM Bank has paid a claim and carries the same repayment term and interest rate as the foreign obligor's note. Payment certificates are backed by the full faith and credit of the U.S. government and are freely transferable.

Outstanding payment certificates at September 30, 2016, and September 30, 2015, were $41.5 million, and $29.0 million, respectively. Maturities of payment certificates at September 30, 2016, are as follows:

(in millions) Fiscal Year	Amount
2017	$16.4
2018	13.6
2019	9.7
2020	1.8
Total	$41.5

The weighted-average interest rate on EXIM Bank's outstanding payment certificates at September 30, 2016, and September 30, 2015, was 3.08 percent and 3.65 percent, respectively.

10. Other Liabilities

(in millions)	FY 2016	FY 2015
Current		
Funds Held Pending Application	$2.3	$100.4
Administrative Expenses Payable	10.9	12.9
Miscellaneous Accrued Payables	0.9	1.3
Non-Current		
Deferred Revenue	181.4	155.1
Total Other Liabilities	$195.5	$269.7

As of September 30, 2016 and September 30, 2015, $181.4 million and $155.1 million respectively represent deferred revenue in the form of offsetting collections which are available to cover administrative expenses and program costs.

11. Leases

EXIM Bank's office space is leased from the General Services Administration through the Public Buildings Fund. Lease expenses, included in Administrative Costs on the Statements of Net Costs, were $8.1 million in FY 2016 and $7.7 million in FY 2015. EXIM headquarters lease will be up for renewal in 2018. Both leases are cancellable. Future payments under the two leases are as follows:

(in millions) Fiscal Year	Amount
2017	$8.8
2018	8.8
2019	1.9
2020	1.6
Total	$21.1

12. Commitments and Contingencies

Pending Litigation

As of September 30, 2016, EXIM Bank was named in several legal actions, most of which involved claims under the guarantee and insurance programs, and others being tort claims. It is not possible to predict the eventual outcome of the various actions; however, it is management's opinion that there is a remote likelihood that these claims will result in a future outflow or other sacrifice of resources to such an extent that they would materially affect the financial position or results of operations of EXIM Bank.

13. Disclosures Related to the Statements of Net Costs

EXIM Bank's Statements of Net Costs list the costs and revenues associated with each of the Bank's lines of business, namely the loan, guarantee and insurance programs. The intragovernmental and public costs and revenues associated with each program, and administrative expenses, are disclosed below. EXIM Bank does not allocate administrative expenses by program.

Public Costs and Public Revenue
(in millions)

	Loans	Guarantees	Insurance	Administrative Expenses	Total
For the Year Ended September 30, 2016					
Intragovernmental Costs	$763.6	$ -	$ -	$7.8	$771.4
Public Costs	(723.7)	416.0	(44.6)	106.5	(245.8)
Total Costs	$39.9	$416.0	($44.6)	$114.3	$525.6
Intragovernmental Revenue	($106.4)	($61.2)	$0.9	-	($166.7)
Public Revenue	(733.3)	(460.8)	(14.2)	0.0	(1,208.3)
Total Revenue	($839.7)	($522.0)	($13.3)	-	($1,375.0)
Net Excess of Program (Revenue) Over Cost					**($849.4)**
For the Year Ended September 30, 2015					
Intragovernmental Costs	$727.1	$ -	$ -	$8.3	$735.4
Public Costs	(853.1)	203.9	(98.4)	123.6	(624.0)
Total Costs	($126.0)	$203.9	($98.4)	$131.9	$111.4
Intragovernmental Revenue	($115.5)	($58.4)	($1.6)	$ -	($175.5)
Public Revenue	(774.0)	(440.7)	(25.3)	-	(1240.0)
Total Revenue	($889.5)	($499.1)	($26.9)	$0.0	($1,415.5)
Net Excess of Program (Revenue) Over Cost					**($1,304.1)**

Intragovernmental costs include interest expense paid to the U.S. Treasury related to borrowings associated with the funding of credit-reform direct loans and administrative costs paid to other government agencies. Intragovernmental revenues represent interest from the U.S. Treasury on cash balances in the credit-reform financing accounts. Public costs represent costs which the Bank incurs to support the business programs. These costs are comprised primarily of the provision for loss on the loan and guarantee portfolio, and administrative costs paid to the public. Public revenue represents income items which are generated as a result of operating the loan, guarantee and insurance programs. This revenue primarily relates to the fee and interest income on the outstanding credits.

14. Disclosures Related to the Combined Statements of Budgetary Resources

Combined Statements of Budgetary Resources disclose total budgetary resources available to the Bank and the status of such resources at September 30, 2016 and September 30, 2015. Activity impacting budget totals of the overall U.S. government budget is recorded in EXIM Bank's Combined Statements of Budgetary Resources budgetary accounts. Activity which does not impact budget totals is recorded in EXIM Bank's Combined Statements of Budgetary Resources nonbudgetary accounts. As of September 30, 2016 and September 30, 2015, the Bank's resources in budgetary accounts totaled $931.5 million and $2,037.7 million respectively. As of September 30, 2016 and September 30, 2015, the Bank's resources in non-budgetary accounts totaled $4,774.1 million, and $4,806.3 million respectively.

Adjustments to Beginning Balance of Budgetary Resources
EXIM Bank made a $62.7 million adjustment to the beginning budgetary resources during the year ended September 30, 2016. EXIM Bank made no adjustments to the beginning budgetary resources during the year ended September 30, 2015.

Apportionment Categories of Obligations Incurred
EXIM Bank funds are apportioned in Category B, which restricts the use of funds by program. The amount of Category B apportionments that were obligated in FY 2016 and FY 2015 totaled $3,034.8 million and $3,506.2 million, respectively.

Permanent Indefinite Appropriations
The FCRA requires an annual re-estimate of the credit loss allowance. In the event that there is an increase in estimated defaults, there is permanent and indefinite budget authority available for this purpose. The FY 2015 upward re-estimate received from the U.S. Treasury in FY 2016 was $239.9 million; while the downward re-estimate sent to the U.S. Treasury was $1,518.6 million. The FY 2014 upward re-estimate received from the U.S. Treasury in FY 2015 was $1,331.3 million; while the downward re-estimate sent to the U.S. Treasury was $852.7 million.

Available Borrowing Authority and Terms of Borrowing
EXIM Bank in part relies on borrowings from the U.S. Treasury to help fund the Bank's loan program. U.S. Treasury borrowings are repaid primarily with the repayments of medium-term and long-term loans. To the extent repayments on the underlying loans, combined with commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, permanent and indefinite appropriated funds are available to EXIM Bank through the re-estimation process for this purpose. The full amount of the borrowings is expected to be repaid by FY 2033.

For FY 2016 EXIM Bank had a net decrease in overall borrowing authority of $1,022.9 million while in FY 2015 EXIM Bank had a net decrease in overall borrowing authority of $3,345.5 million.

Unobligated Balances
Unobligated balances at September 30, 2016 totaled $2,670.8 million. Of the $2,670.8 million, $248.9 million is available to cover program costs for new credits, $2,151.3 million represents the amount in the loan, guarantee and insurance financing accounts that is available to cover future defaults, and $259.2 million is unavailable for new obligations.

Unobligated balances at September 30, 2015 totaled $3,337.8 million. Of the $3,337.8 million, $288.6 million was available to cover program costs for new credits, $2,780.9 million represents the amount in the guarantee and insurance financing account that is available to cover future defaults, and $257.2 million is unavailable for new obligations.

Differences between Combined Statements of Budgetary Resources and Budget of U.S. Government
There are no differences between the budgetary resources shown on the Combined Statements of Budgetary Resources and the Budget of the U.S. Government.

15. Reconciliation of Net Cost of Operations to Budget

The following schedule reconciles the Net Cost of Operations to the Bank's budgetary and financial accounting. The reconciliation illustrates the relationship between net obligations derived from EXIM Bank's budgetary accounts and the net cost of operations derived from EXIM Bank's proprietary accounts by identifying and explaining key differences between the two numbers.

Export-Import Bank of the United States
Notes to the Financial Statements
For the Year Ended September 30, 2016 and Year Ended September 30, 2015

(in millions)	For the Year Ended September 30, 2016	For the Year Ended September 30, 2015
Resources Used To Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$3,034.8	$3,506.2
Less: Spending Authority from Offsetting Collections and Recoveries	4,619.3	6,478.9
Net Obligations	(1,584.5)	(2,972.7)
Other Resources		
Imputed Financing from Costs Absorbed by Others	3.7	3.5
Total Resources Used To Finance Activities	**(1,580.8)**	**(2,969.2)**
Resources Used To Finance Items Not Part of Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	$4,450.3	$4,565.7
Resources That Fund Expenses in Prior Periods	(239.9)	(1,332.0)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
- Credit-Program Collections	2,199.7	3,119.7
Resources That Finance the Acquisition of Assets	(5,298.6)	(3,890.4)
Total Resources That Do Not Finance Net Cost of Operations	1,111.5	2,463.0
Total Resources Used To Finance the Net Cost of Operations	**(469.3)**	**(506.2)**
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Allowance Amortization	$504.5	$655.8
Provision for Loss -- Pre-Credit-Reform Credits	89.0	(130.0)
Downward Re-estimate of Credit-Losses	(1,055.5)	(1,539.7)
Upward Re-estimate of Credit-Losses	87.2	239.9
Change in Receivables	(1.0)	(32.0)
Change in Payables	(4.3)	8.1
Total Components Requiring or Generating Resources in Future Periods	**(380.1)**	**(797.9)**
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**($380.1)**	**($797.9)**
Net Excess Program Costs Over (Revenue)	**($849.4)**	**($1,304.1)**

16. Related-Party Transactions

The financial statements reflect the results of agreements with the Private Export Funding Corporation (PEFCO). PEFCO, which is owned by a consortium of private-sector banks, industrial companies and financial services institutions, makes and purchases from private sector lenders, medium-term and long-term fixed-rate and variable-rate loans guaranteed by EXIM Bank to foreign borrowers to purchase U.S. made equipment “export loans”.

EXIM Bank’s credit and guarantee agreement with PEFCO provides that EXIM Bank will guarantee the due and punctual payment of interest on PEFCO’s secured debt obligations which EXIM Bank has approved, and grants to EXIM Bank a broad measure of supervision over PEFCO's major financial management decisions, including entitlement to have representatives and attend and participate in all meetings of PEFCO’s board of directors, advisory board, and exporters’ council, and to review PEFCO’s financials and other records. This agreement extends through December 31, 2020.

In addition, PEFCO has an agreement with EXIM Bank which provides that EXIM Bank will generally provide PEFCO with an unconditional guarantee covering the due and punctual payment of principal and interest on export loans PEFCO makes and purchases. PEFCO’s guarantees on the export loans plus the guarantees on the secured debt obligations aggregating $5,721.3 million at September 30, 2016 ($4,991.0 million related to export loans and $730.3 million related to secured debt obligations) and $12,633.6 million at September 30, 2015 ($11,690.3 million related to export loans and $943.3 million related to secured debt obligations), are included by EXIM Bank in the total for guarantee, insurance and undisbursed loans and the allowance related to these transactions is included in the Guaranteed Loan Liability on the Balance Sheets. EXIM Bank received fees totaling $51.6 million in FY 2016 ($51.3 million related to export loans and 0.3 million related to secured debt obligations) and $34.2 million in FY 2015 ($33.9 million related to export loans and $0.3 million related to secured debt obligations) for the agreements, which are included in Fee and Other Revenue on the Statements of Net Costs.

EXIM Bank has significant transactions with the U.S. Treasury such as borrowings, borrowings repayments, interest income on financing accounts, interest expense on borrowings. The U.S. Treasury, although not exercising control over EXIM Bank, holds the capital stock of EXIM Bank creating a related-party relationship between EXIM Bank and the U.S. Treasury.

17. Contributions to Employee Retirement Systems

All of EXIM Bank's employees whose appointments have federal status are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

In FY 2016 and FY 2015, EXIM Bank withheld 7.0 percent of CSRS employees' gross earnings. EXIM Bank's contribution was 7.0 percent of employees' gross earnings. This sum was transferred to the CSRS fund from which this employee group will receive retirement benefits.

For FERS, EXIM Bank withheld 0.8 percent of employees' gross earnings. EXIM Bank's contribution was 13.2 percent and 11.2 percent of employees' gross earnings in FY 2016 and FY 2015, respectively. This sum was transferred to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2 percent of gross earnings, after pre-tax deductions are withheld up to the 2016 and 2015 limit of $118,500; that sum plus matching contributions by EXIM Bank are sent to the Social Security System from which the FERS employee group will receive Social Security benefits.

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). CSRS and FERS employees may contribute up to $18,000 of gross earnings. In addition, FERS employees receive an automatic 1 percent contribution from EXIM Bank. Amounts withheld for FERS employees are matched by EXIM Bank up to 4 percent for a maximum EXIM Bank contribution to the TSP of 5 percent.

Total EXIM Bank (employer) matching contributions to the TSP, CSRS and FERS for all employees, included in Administrative Costs in the Statements of Net Costs, were approximately $7.8 million in FY 2016 and $8.0 million in FY 2015. Although EXIM Bank funds a portion of pension benefits under the CSRS and FERS relating to its employees and makes the necessary payroll withholdings for them, it has no liability for future payments to employees under these programs and does not account for the assets of the CSRS and FERS, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. These amounts are reported by the OPM for the Retirement Systems and are not allocated to the individual employers. The excess of total pension expense over the amount contributed by EXIM Bank and its employees represents the amount of pension expense which must be financed directly by OPM. EXIM Bank recognizes an imputed cost and an imputed financing source, calculated using cost factors supplied by OPM, equal to the excess amount.

OPM also accounts for the health and life insurance programs for current and retired civilian federal employees. Similar to the accounting treatment afforded the retirement programs, the actuarial data related to the health and life insurance programs is maintained by OPM and is not available on an individual-employer basis. EXIM Bank recognizes an imputed cost and an imputed financing source for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense is calculated using cost factors supplied by OPM and must be financed by OPM.

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