EXPORT-IMPORT BANK
of the UNITED STATES

March 2010

Report to the Congress

FY 2011 Budget Estimates

Fiscal Year 2011 Budget Request

Contents

Executive Summary

The Export-Import Bank of the United States ("Ex-Im Bank" or "Bank") is an independent executive agency and a wholly owned U.S. government corporation. Ex-Im Bank is the official export credit agency of the United States. Its mission is to support U.S. jobs by providing export financing through its loan, guarantee, and insurance programs in cases where the private sector is unable or unwilling to provide financing. Ex-Im Bank also steps in when export financing support is necessary to level the playing field due to financing provided by foreign governments to their exporters that are in competition for export sales with U.S. exporters.

By facilitating the financing of U.S. exports, Ex-Im Bank helps companies create and maintain U.S. jobs. The Bank has provided financing support for export sales in over 150 markets throughout the world. The Bank's Charter requires reasonable assurance of repayment for the transactions it authorizes, and the Bank closely monitors credit and other risks in its portfolio. Ex-Im Bank has proven itself to be a responsible steward of the taxpayers' resources as a self-financing agency.

Ex-Im Bank has succeeded in this mission over the past 75 years, most especially in FY 2009. During FY 2009, Ex-Im Bank addressed the market failure where private banks and other lending institutions were unwilling or unable to meet the trade finance needs within the United States. Ex-Im Bank authorizations totaled $21.0 billion, an increase of over 50 percent above recent historical activity. Ex-Im Bank authorizations supported an estimated $26.4 billion in U.S. exports to nearly 70 countries.

- $21.0 billion in Authorizations: Highest level of authorizations in the Bank's 75 year history

- $4.4 billion in Small Business Authorizations: Highest level of small business authorizations in the Bank's 75 year history

- $293 million in offsetting collections (i.e. fees in excess of prudent reserves) earned: Highest level of offsetting collections earned in the Bank's 75 year history.

The FY 2011 President's Budget continues the Bank's self-financing status, which was implemented for the first time in FY 2008. This funds the Bank's operations, including program subsidy (or program budget) and administrative expenses, entirely from receipts collected from the Bank's borrowers. Congress will continue its oversight of Ex-Im Bank's budget, setting annual limits on its use of funds for program subsidy and administrative expense obligations.

The self-financing initiative is based on the Bank's performance since the implementation of Credit Reform in FY 1992. Since then, the Bank has returned in excess of $5.2 billion more to the U.S. Treasury than it has received in program and administrative expense appropriations. The Bank uses actual loss experience that accurately reflects the true cost of the Bank's operations to U.S. taxpayers. It also demonstrates alignment with recently emerging WTO principles and criteria relating to prohibited subsidies.

The FY 2011 Budget estimates that the Bank's export credit support will total $19.4billion in new authorizations. We estimate that in FY 2011 we will collect $262.8 million of fees in excess of expected losses on transactions authorized in FY 2010 and prior years. These amounts will be used: (1) to cover the estimated costs for that portion of new authorizations where fees are insufficient to cover expected losses, in an amount not to exceed $92.7 million, and (2) to cover administrative expenses, in an amount not to exceed $105.6 million. The budget request reflects significant new investments to grow exports, especially small business exports, and spur job creation.

Ex-Im Bank's FY 2011 Budget request reflects a careful estimate of the potential demand for the Bank's direct loan, guarantee and insurance authority for FY 2011 and the minimum administrative resources necessary to carry out its mission.

Introduction

Congressional Authorization and Mission

The Export-Import Bank of the United States 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 is the official export credit agency of the United States. Ex-Im Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act of 1990 (P.L. 101-508), (the "FCRA"), which became effective October 1, 1991. Congress periodically re-authorizes Ex-Im Bank. The Export-Import Bank Reauthorization Act of 2006 extended the Bank's Charter until September 30, 2011.

Ex-Im Bank's mission is to support U.S. jobs by providing export financing through its loan, guarantee, and insurance programs in cases where either the private sector is unable or unwilling to provide financing, or when such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that are in competition for export sales with U.S. exporters. By facilitating the financing of U.S. exports, Ex-Im Bank helps companies create and maintain U.S. jobs. Ex-Im Bank is especially committed to its Congressional mandates to provide reliable and competitive financing for U.S. small businesses, women- and minority-owned exporters, exports to sub-Saharan Africa, and environmentally-beneficial exports.

Products

Ex-Im Bank offers four financial products: direct loans, loan guarantees, working capital guarantees, and export credit insurance. All Ex-Im Bank products carry the full faith and credit of the U.S. government.

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

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

Ex-Im Bank extends medium-term and long-term direct loans and loan guarantees to foreign buyers of U.S. exports. 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.

Two of the Bank's financial products – Working Capital Guarantees and Export Credit Insurance – primarily benefit small businesses.

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

Ex-Im Bank's export credit insurance 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.

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 protection of taxpayer resources with support for U.S. export transactions.

The Bank's Board of Directors, Credit Committee, or a Bank Officer acting pursuant to delegated approval authority from the Board makes the final determination of reasonable assurance of repayment taking into consideration staff recommendations. Transactions resulting in over $10.0 million in exposure generally require the approval of the Board of Directors.

Estimated Cost of New Authorizations Under the Federal Credit Reform Act

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

Ex-Im Bank loans and guarantees may not be committed unless sufficient budget authority is available to cover the calculated subsidy cost. When calculating the cost of each credit, Ex-Im Bank determines the net present value of expected cash receipts and cash disbursements associated with the credit. Cash receipts typically include fees or premiums and loan principal and interest, and cash disbursements typically include claim payments and loan disbursements. When the present value of expected cash receipts exceeds the present value of expected cash disbursements, a "negative" program subsidy arises.

Due to the fact that financial and economic factors affecting the repayment prospects change over time, the net estimated program subsidy cost of the outstanding balance of loans, guarantees, and insurance financed by the subsidies is re-estimated annually in accordance with U.S. Office of Management and Budget ("OMB") guidelines. This re-estimate indicates the appropriate level of funds necessary to cover future defaults. Decreases in estimated program subsidy costs result in excess funds returned to the U.S. Treasury while increases in program subsidy costs are covered by appropriations which become automatically available through permanent and indefinite authority pursuant to the FCRA. Ex-Im Bank calculates an annual re-estimate of the program subsidy costs during the last quarter of each fiscal year. As of September 30, 2009,a re-estimate of the program subsidy costs of the outstanding balances of fiscal year 1992 through 2008 commitments indicated that of the fees, interest and appropriations in the financing accounts, the net amount of $641.0 million was needed to cover commitments and is a receivable from the U.S. Treasury. As of September 30, 2008 a re-estimate of the program subsidy costs of the outstanding balances of fiscal year 1992 through 2007 commitments indicated that of the fees, interest and appropriations in the financing accounts, the net amount of $128.0 million was no longer needed to cover commitments and was payable to the U.S. Treasury.

Organizational Structure

The Export-Import Bank of the United States is an organization with a nationwide presence. Ex-Im Bank's headquarters building is located in Washington D.C. with business development efforts supported through seven regional offices across the country.

Ex-Im Bank is divided into key functional areas:

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

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

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

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

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

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

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

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

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

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

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

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

Fiscal Year 2011 Budget Request

Self-Financing Status in FY 2011

The FY 2011 President's Budget continues the Bank's self-financing status, which was implemented for the first time in FY 2008. This funds the Bank's operations, including program subsidy (or program budget) and administrative expenses, entirely from receipts collected from the Bank's borrowers. This self-financing status uses Ex-Im Bank's actual loss experience; and, therefore, accurately reflects the true cost of the Bank's operations to U.S. taxpayers. It also demonstrates alignment with recently emerging WTO principles and criteria relating to prohibited subsidies.

Not only is Ex-Im Bank self-sustaining but it will continue to show a 'profit' for the U.S. Government. Ex-Im Bank will return a net $9.5 million in negative subsidies to the U.S. Treasury at the end of FY 2011.

Self-Financing status is based on the Bank's performance since the implementation of Credit Reform in FY 1992. From FY 1992 through FY 2007, in lieu of readily available loss data, the Bank used OMB's ICRAS default and recovery assumptions to calculate its loss reserves. In keeping with FCRA's core principles of using actual loss experience to estimate budget costs, over the past several years, the Bank has collected sufficient historical data to analyze claims and recovery experience in relation to the fees collected from Ex-Im Bank's programs. As a result, Ex-Im Bank developed default and recovery assumptions based on historical experience. These assumptions have replaced OMB's ICRAS default and recovery assumptions. This analysis shows that while Ex-Im Bank received program subsidy and administrative appropriations, its fee income more than covered net claims and administrative costs over that time period. This analysis was audited by the Bank's outside auditors, Deloitte and Touche, and reviewed by OMB.

As a result, since FY 1992, Ex-Im Bank has returned to the U.S. Treasury approximately $5.2 billion more than the total amount of appropriations received during this period.[1] These funds were not needed to cover net claims, further evidence that Ex-Im Bank's fees have more than covered net claims over this period.

Under self-financing status, the Bank analyzes its historical data on net claim payments and fee income to ensure that its fees continue to cover estimated net claims and administrative costs. This yearly analysis is subject to Ex-Im Bank's annual financial audit and OMB review and approval. Ex-Im Bank will continue to submit budget estimates to OMB for inclusion in the President's annual budget proposal to Congress. Congress will continue its oversight of Ex-Im Bank's budget, setting annual limits on its use of funds for program subsidy and administrative expense obligations. Finally, Ex-Im Bank's obligations will continue to carry the full faith and credit of the U.S. government.

The FY 2011 Budget estimates that the Bank's export credit support will total $19.4 billion in new authorizations. We estimate that in FY 2011 we will collect $260.8 million of fees in excess of expected losses on transactions authorized in FY 2011 and prior years. These amounts will be used to fund total Bank expenses of $198.3 million which consists of: (1) the estimated costs for that portion of new authorizations where fees are insufficient to cover expected losses in an amount not to exceed $92.7 million, and (2) the administrative expenses in an amount not to exceed $105.6 million.

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[1] From FY 1992 through FY 2009, the Bank has received approximately $9.8 billion in program budget and administrative expense appropriations but has returned $15.0 billion in resources to the U.S. Treasury through the annual OMB program subsidy reestimate process. This amount includes the interest earned on Financing Account cash balances.

As in the past, Ex-Im Bank would continue to carry sufficient resources in its financing accounts to cover estimated future claims. In the unlikely event that major defaults occur across Ex-Im Bank's portfolio simultaneously in excess of Ex-Im Bank's reserves, the Bank would be able to draw additional funds from the U.S. Treasury to satisfy those claims just as it is able to do currently.

Generally, under self-sustaining, at the start of fiscal year, the U.S. Treasury will give Ex-Im Bank a warrant for $198.3 million to cover its FY 2011 limitations on program budget and administrative expenses. As Ex-Im Bank collects negative subsidy receipts in FY 2011, the Bank will use these offsetting collections to repay the Treasury warrant received at the start of FY 2011. If the offsetting collections amount to more than $198.3 million in FY 2011, any amount up to $50.0 million will be retained in Ex-Im Bank's Program Account and be available for three additional years. If Ex-Im Bank receives negative subsidy receipts in excess of $248.3 million ($198.3 million + $50.0 million) in FY 2011, the excess receipts will be transferred to Ex-Im Bank's Negative subsidy receipt account and will be returned to Treasury at the end of FY 2011.

The President's FY 2011 budget request also includes $3.0 million in General Fund appropriation for the Office of the Inspector General (OIG) of the Export Import Bank to support personnel costs for 13 FTEs as well as necessary operating costs. The OIG, established in August 2006, is responsible for: (1) investigating and deterring loan fraud and other wrongful conduct relating to Ex-Im Bank supported transactions; (2) performing effective oversight of multiple Ex-Im Bank export credit programs through audits, inspections and evaluation; and (3) advising Ex-Im Bank of opportunities and methodologies to increase efficiency in meeting the dynamic requirements of expanding international trade.

The following table summarizes Ex-Im Bank's program budget and administrative expense request:

($ millions)	FY 2009 Actual	FY 2010 Enacted	FY 2011 Request
TOTAL	-177.0	2.5	-9.5
Program	[25.4]	[58.0]	[92.7]
Administrative Expenses	[81.5]	[83.9]	[105.6]
Inspector General	2.5	2.5	3.0
Offsetting Collections	-292.0	-193.9	-260.8

Tied Aid

Beginning in FY 1992, the Bank's annual Appropriation Act has provided that a certain amount of the program budget appropriated may be used for Tied Aid purposes. Tied Aid is concessional financial support provided by donor governments in the form of a grant or "soft" loan for which capital goods procurement by developing countries is contractually linked to procurement from firms located in the donor country (or in some way benefiting the economy of the donor country). Congress last provided new Tied Aid funds in FY 1998 totaling $50.0 million. As of September 30, 2009, Ex-Im Bank had a balance of $178.2 million in Tied Aid funds. If not used for Tied Aid, the funds are available for non-Tied Aid transactions.

The Bank is projecting that $8.3 million will be obligated to support $25.0 million in Tied Aid authorizations in FY 2011, and coupled with a projected FY 2010 Tied Aid usage of $16 million, will leave a balance in the fund of $153.1 million at the end of FY 2011. The Bank believes that a fund balance of $153.1 million is sufficient to provide support for potential Tied Aid cases that may arise in the near future and as such does not request any additional Tied Aid funds for FY 2011.

Response to Global Financial Crisis

The severe economic recession which began in 2008 has created a liquidity crisis in the private sector, and has spurred Ex-Im Bank to step in and help fill the financing gap in such markets where the private sector has pulled back. The IMF called the economic U.S. financial crisis of 2008/2009 "the largest financial shock since the Great Depression". As a result of this crisis, liquidity provided by the banking sector largely dried up. This had a dramatic impact on Trade Finance as private sector lenders withdrew from the market and those that remained charged significantly higher spreads. Ex-Im Bank saw Libor spreads increase by over 200 bp.

Exports are a critical component of the U.S. economy. Their share of the Gross Domestic Product has increased by 35 percent over the past 5 years from approximately 10 percent to over 13 percent. Additionally, exports have grown strongly as a share of recent U.S. economic activity. In the near term the current economic crisis has resulted in decreased domestic consumer spending. This shift serves to increase the importance of exports for fueling future economic growth and job creation.

Countering the liquidity crisis, Ex-Im Bank, in FY 2009, significantly increased capacity and supported a record level of authorizations while reducing interest spreads among the remaining banks involved in Trade Finance.

As demand for Ex-Im Bank financing increases in this economic environment, a significant amount of new business has occurred and is forecasted to continue across Bank programs.

Increased capacity allowed Ex-Im Bank to achieve record authorization levels in FY 2009.

	FY 2009 Authorizations	Increase from FY 2008	Previous Record High
Total Authorizations	$21.0 billion	45%	$14.4 billion
Aircraft Authorizations	$9.5 billion	75%	$6.3 billion
Small Business Authorizations	$4.4 billion	37%	$3.4 billion
Working Capital Authorizations	$1.5 billion	9%	$1.4 billion

In addition to increasing capacity to meet demand, the Bank implemented various actions in FY 2009 to help mitigate the current liquidity/credit crisis:

Direct Loan Increases

- In the 5 years prior to FY 2009 Ex-Im Bank had an average annual Direct Loan amount of $127 million. Due to the economic crisis Ex-Im Bank filled the void left by private institutions and provided $3.0 billion in Direct Loans in FY 2009.

Korea Bank

- Ex-Im Bank addressed a market failure related to Korean financial institutions. In FY 2009, Ex-Im bank provided over $1 billion in guarantees due to U.S. lenders unwilling to take Korean bank risk related to export letters of credit. This withdrawal by U.S. lenders was considered an overreaction to and seriously jeopardized U.S. exports. Ex-Im Bank's actions served to correct this market failure and ensure support for U.S. exports. Recently FITCH reported that "South Korea's banking environment has proved to be much better than generally expected in the aftermath of the Lehman Brothers collapse." Ex-Im Bank is expected to withdraw its support as U.S. lenders increase their risk appetite to include Korean Banks.

Loan ‘Take-Out’ Option

- In FY 2009 Ex-Im Bank implemented the Loan ‘Take-Out’ Option which allowed commercial banks to sell their Ex-Im Bank guaranteed medium and long term loans back to Ex-Im Bank. This action allowed commercial banks to reduce their liquidity risks, lower borrowing rates, and made U.S. exports more competitive. Evidence showed that the Libor spreads decreased by 75 bp with this option.

Working Capital

- In order to help small businesses obtain credit during the economic crisis Ex-Im bank relaxed credit standards for these businesses to help stimulate U.S. exports and maintain jobs. These actions have lead to a record year in Working Capital support, eclipsing the former record for authorizations by over $70 million. This portfolio is actively monitored by the Bank to minimize default risk.

Small Business Improvements

- The Bank implemented new products and services such as premium rate reduction for U.S. small businesses. They now receive a 15 percent premium rate reduction on two types of Ex-Im Bank export credit insurance: short-term small business multi-buyer policies, and short-term small business environmental multi-buyer policies. The premium rate reduction affects approximately half of all Ex-Im Bank insurance policy holders. The new policies are available to financially viable businesses that are designated as "small" by the U.S. Small Business Administration's standards and that are either new to export or seeking to expand overseas sales.

Emerging Markets

- Ex-Im Bank has played a unique role in filling financing gaps, due to market failures such as the current liquidity/credit crisis, for U.S. exports to reach the markets of emerging nations[2]. As an example, Ex-Im Bank, in FY 2009, supported approximately 10 percent of the total U.S. exports to the emerging markets of Nigeria and Indonesia.

Increase in Reserves

- Ex-Im Bank is significantly increasing reserves for transactions authorized in FY 2011. This increase is highlighted by the significant increase in positive subsidy costs in this budget request. The increase is due primarily to a more conservative methodology for calculating reserves. Other factors influencing this change including overall volume increases and expected increases in riskier transactions. Regarding the primary factor, due to the global recession, Ex-Im Bank re-evaluated its method for calculating prudent reserves and developed a more conservative method for estimating credit loss. This method is consistent with U.S. Government statements and actions requiring private banks to increase reserves. This change will basically result in a doubling of reserves.

[2] IIE Special Report #14

Fiscal Year 2011 Administrative Expense Request

The administrative expense budget of the Bank provides funding for personnel, support services, and operating expenses. Ex-Im Bank seeks authority to spend offsetting collections in an amount not to exceed $105.6 million for administrative expenses. The request represents a significant new investment over the prior year and reflects the Administration's effort to support American jobs through exports.

The FY 2011 administrative budget limitation request is $105.6 million, compared to the FY 2010 enacted limitation level of $83.9 million, a 25 percent increase. At this level, the Bank will continue to facilitate trade finance during this liquidity/credit crisis and finance exports well above our historical level. Reductions below the requested level would severely impede the Bank from implementing its mission to support U.S. jobs through export support with a variety of loan, guarantee and insurance programs. In order to carry out this mission, the Bank will:

- Invest in Small Business Exporters
- Enhance products
- Improve efficiencies
- Meet the increased needs of our customers
- Monitor effectively the existing credit portfolio
- Sustain other necessary administrative support functions

- **Employees:** Ex-Im Bank strives to provide the best customer service to all users of the Bank in order to fulfill its stated mission of creating jobs through U.S. exports. The Bank's personnel have demonstrated exemplary performance, and have been recognized for such performance over the past five years through the receipt of nineteen "Deal of the Year" awards granted by various finance journals. As personnel are an integral element of the Bank's success, the Bank has in the past and will continue to proactively utilize available personnel compensation tools to recruit and retain qualified staff.

- **Outreach:** The FY 2011 budget request for outreach efforts is designed to inform and communicate with the key Ex-Im Bank audiences including financial institutions (such as lenders, insurance brokers, trade associations and partners), U.S. exporters, and international buyers as well as the Congress and other government agencies.

- **Technology:** The funding request for information technology (IT) seeks to maintain a robust and secure infrastructure, expand the use of online systems for Bank transactions, and complete systems' modernization initiatives from previous years that enable the Bank to serve its customers and meet administration policy objectives. Over the next two years, the modernization initiatives will enhance transparency of the information available to our customers, as well as facilitate recoveries for the Ex-Im Bank staff to more effectively monitor and account for assets, liabilities, income, and expenditures.

  Ex-Im Online: The Ex-Im Online Applications and Systems (Ex-Im Online) is a multi-year project to re-engineer, automate, and modernize the Export-Import Bank's primary business transaction processes, including export insurance, export loan guarantees, and electronic claim filing. The Bank has adopted three performance measures that meet this mandate: (a) transaction efficiency and cycle time; (b) productivity and resource utilization; and (c) customer satisfaction.

  In FY 2006 and FY 2007, core system components were deployed and have to-date been very successful. In FY 2008, the Bank made the majority of Ex-Im Bank loan and guarantee transactions available on the internet, through a web site supporting the Federal Funding Accountability and Transparency Act (FFATA). In FY 2009, the Bank implemented new products and services requiring significant IT investment, most notably the premium rate reduction for U.S. small businesses, which affects approximately half of all Ex-Im Bank insurance policy holders. Currently and in FY 2011, the Bank will continue to extend the versatility and service components of the Ex-Im Online systems, specifically targeting small business users, which will improve services and enhance transparency of claims' procedures through ongoing feedback from customers.

Financial and Administrative Services: The financial and administrative services portfolio provides for the operation, maintenance, data quality, and upgrades to the Bank's major legacy financial management and claim and loan recovery systems. It also includes all operation and maintenance of records. This portfolio provides the following products and services:

- Operation and maintenance of the Bank's mainframe services.
- Disaster recovery planning and execution of mainframe environment.
- Contractor support to maintain and update legacy mainframe applications using natural programming.
- Upgrades to improve performance of the Integrated Information System (IIS) and facilitate data maintenance.
- Records operations including records retention, records filing, and maintenance of electronic records including scanning and indexing.
- Records management and data quality enhancements
- Update and maintenance of the Bank's public Internet website and the Intranet site.
- Operations and maintenance support for new and upgraded internal administrative online forms and applications.

IT Infrastructure Operations and Security: The request for IT Infrastructure Operations and Security portfolio carries forward and enhances the Bank's priority to strengthen its service delivery and technology governance. It includes major areas of IT infrastructure operations, readiness, and modernization for Ex-Im Bank and comprises four major program "thrusts": (a) modernization of the Bank's IT infrastructure assets; (b) IT services support of the Bank's IT infrastructure assets; (c) system and information assurance and security of all IT assets; and (d) implementation of an enterprise-wide architecture. A network center operation is located in the Bank's headquarters to provide IT technical services to staff and five field offices located around the country. Consistent with other IT organizations, this demands a significant proportion of the Bank's annual IT budget. In FY 2009, part of the remaining IT budget was utilized to expand and solidify the capabilities supporting a mobile commuting workforce, as well as to build a reliable Disaster Recovery and Continuity of Operations for both the EOL and F&A systems.

Administrative Expenses – New Investments

The Administrative Expense request includes $21.7 million in new investments, paid for by the Bank's offsetting collections, targeting three areas/functions: 1] Small Business; 2] Increased Demand; and 3] Process Improvements.

I. Small Business

> This investment reflects the Bank's commitment to do more than just meet our Small Business 20% target.

The FY 2011 Administrative Expense request supports a $13.5 million investment, paid by our offsetting collections, to foster job creation by targeting small business exporters. The request provides funding to expand U.S. small business usage of the Bank's financial export assistance. Only 1 percent of small businesses currently export, and of those that do export, 58 percent export to only one country. Additionally, U.S. small businesses have been, and continue to be adversely affected by, the current financial crisis. Small businesses are having problems accessing credit as not only the number of financial institutions providing trade finance decreased, but also those that continue to provide trade finance have reduced amounts available. The goal of this investment is to support job creation by 1] increasing the number of small businesses that export and 2] increasing the number of export markets for those small businesses that currently export.

Congress states: "Ex-Im Bank shall make available, from the aggregate loan, guarantee, and insurance authority available to it, an amount to finance exports directly by small business concerns (as defined under section 3 of the Small Business Act) which shall be not less than 20 percent of such authority for each fiscal year." In FY 2009, Ex-Im Bank met this target:

- The dollar value of small business transactions increased from $1.7 billion in FY 2001 to $4.4 billion in FY 2009.
- The number of small business transactions supported by the Bank was 2,540, representing 88 percent of all transactions authorized by the Bank.
- In FY 2009 the Bank supported 515 small business first time users.

Ex-Im Bank has always played a critical role in supporting U.S. small business exporters. Small businesses are a major source of job creation in America. We recognize the importance of U.S. small businesses in terms of our mission to sustain and increase jobs. With this investment, the Bank will increase by 75 percent support to small businesses to reach a level of $7.5 billion within 24 months. We further estimate that 25 thousand jobs will be created and supported by this increase in small business exporting activity or roughly equating to $540 per job. The jobs estimate is based on the Bank's analysis showing that 7,400 jobs are supported per billion dollars in Ex-Im Bank exports. The TPCC is also using this same methodology to estimate jobs supported for general U.S. exports.

Ex-Im Bank proposes a comprehensive three-track approach to responsibly growing small business authorizations by $3.1 billion by the end of FY 2012.

- Outreach: The first approach involves significant expansion of our business development efforts. The Bank will increase our field presence to reach out to a greater proportion of the 250,000 exporting small businesses across the country. We will increase our partnership with private sector banks and lenders to leverage existing channels to small businesses. Finally we will expand our successful marketing efforts to spread the message of export support to the country's small businesses.

- Products: The second approach involves product enhancement for the small business market. Not only will we make our existing products easier to use with quicker turn-around times, we are also seeking to increase liquidity to this market. Commercial bank lending to small businesses declined in 2009. The bankruptcy of CIT and the shrinking balance sheets of many financial institutions have adversely affected small businesses. Ex-Im Bank will seek to increase liquidity for small business through SME credit facilities, low interest direct loans, factoring and supply chain financing, and reinsurance.

- Operations: The third and final approach involves bolstering internal capabilities to meet the increased needs for small businesses. This includes processing staff to manage the increased volume, IT solutions to increase efficiency, and finally portfolio monitoring staff to limit potential net claims.

II. Increased Demand

The FY 2011 Administrative Expense request includes approximately $5.2 million, paid from our offsetting collections, to meet the increased trade finance needs of U.S. exporters. As discussed earlier, Ex-Im Bank's authorizations are 50 percent above recent historical averages. The financial crisis continues to adversely affect trade finance liquidity. The Bank requires this small investment to meet the increased demand, including in areas deemed critical by the U.S. Congress – Sub-Saharan Africa and Renewable Energy, and help mitigate the liquidity crisis. Since FY 2002, Bank staff has decreased by over 10 percent from 401 FTEs to 358 FTES. This investment allows the Bank to rebuild our staff and better meet the needs of U.S. exporters.

III. Process Improvements

The FY 2011 Administrative Expense request includes approximately $3.0 million, paid from our offsetting collections, for process improvements. Credit subsidy is forecasted to increase from $58.0 million appropriated in FY 2010 to the FY 2011 requested level of $92.7 million, a $34.7 million increase. The overall credit subsidy budget would have been $103.7 however due to the Bank's proposed processing improvements the subsidy will decrease by $11 million resulting in the $92.7 M requested level. The $34.7 million increase incorporates an $11 million decrease associated with process improvements to be implemented in FY 2011 provided the requested administrative budget levels are approved. These process improvements will be aimed at identifying efforts to mitigate risk to reduce losses and better realign pricing to cover higher risk transactions. In addition, these improvements will result in faster turnaround times which will help exporters prevent lost orders. This $11 million subsidy decrease would also apply to out years past FY 2011, thus maintaining Ex-Im Bank's self-sustaining position.   In order to achieve these decreases one of the changes that Ex-Im Bank proposes would be to implement a triaging methodology for potential new authorizations. In this new process, all applications will be routed to staff according to the complexity, default risk, and potential competition for each deal. Low risk transactions will be routed to one queue, while riskier transactions will be routed to a different queue. Bank staff will then be managed to work each queue based on their particular level of expertise. This process improvement is not only expected to improve service and cycle times, but it is also expected to decrease default risk by having the more experienced staff working the riskier cases and in turn allowing Ex-Im to charge fees appropriate to the risk and level of competition for each case.

Fiscal Year 2010 Requested Appropriations Language

EXPORT-IMPORT BANK PROGRAM ACCOUNT

The Export-Import Bank of the United States is authorized to make such expenditures within the limits of funds and borrowing authority available to such corporation, and in accordance with law, and to make such contracts and commitments without regard to fiscal year limitations, as provided by section 104 of the Government Corporation Control Act, as may be necessary in carrying out the program for the current fiscal year for such corporation: Provided, That none of the funds available during the current fiscal year may be used to make expenditures, contracts, or commitments for the export of nuclear equipment, fuel, or technology to any country, other than a nuclear-weapon state as defined in Article IX of the Treaty on the Non-Proliferation of Nuclear Weapons eligible to receive economic or military assistance under this Act, that has detonated a nuclear explosive after the date of the enactment of this Act.

For the cost of direct loans, loan guarantees, insurance, and tied-aid grants as authorized by section 10 of the Export-Import Bank Act of 1945, as amended, not to exceed $92,700,000: Provided, That such costs, including the cost of modifying such loans, shall be as defined in section 502 of the Congressional Budget Act of 1974: Provided further, That such funds shall remain available until September 30, 2026, for the disbursement of direct loans, loan guarantees, insurance and tied-aid grants obligated in fiscal year 2011, 2012, 2013, and 2014.

For administrative expenses to carry out the direct and guaranteed loan and insurance programs (including hire of passenger motor vehicles and services as authorized by 5 U.S.C. 3109, and not to exceed $30,000 for official reception and representation expenses for members of the Board of Directors not to exceed $105,600,000: Provided, That the Export-Import Bank may accept, and use, payment or services provided by transaction participants for legal, financial, or technical services in connection with any transaction for which an application for a loan, guarantee or insurance commitment has been made: Provided further, That, notwithstanding subsection (b) of section 117 of the Export Enhancement Act of 1992, subsection (a) thereof shall remain in effect until October 1, 2011.

Receipts collected pursuant to the Export-Import Bank Act of 1945, as amended, and the Federal Credit Reform Act of 1990, as amended, in an amount not to exceed the amount appropriated herein, shall be credited as offsetting collections to this account: Provided, That the sums herein appropriated from the General Fund shall be reduced on a dollar-for-dollar basis by such offsetting collections so as to result in a final fiscal year appropriation from the General Fund estimated at $0: Provided further, That amounts collected in fiscal year 2011 in excess of obligations, up to $50,000,000, shall become available September 1, 2011 and shall remain available until September 30, 2014.

INSPECTOR GENERAL OF THE EXPORT-IMPORT BANK

For necessary expenses of the Office of the Inspector General in carrying out the provisions of the Inspector General Act of 1948, as amended, 3,000,000 to remain available until September 30, 2012.

EXPORT-IMPORT BANK OF THE UNITED STATES
FY 2011 Program Budget Request
($ millions)

	Amount	Subsidy	
	Authorized	Negative	Positive
Long Term Loans	-	-	-
Medium Term Loans	-	-	-
Total Loans	-	-	-
Long Term Guarantees	12,198	(260.8)	1.0
Medium Term Guarantees	535	-	44.8
Working Capital Guarantees	1,550	-	1.6
Total Guarantees	14,283	(260.8)	47.4
Medium Term Insurance	295	-	25.9
Short Term Insurance	4,595	-	11.4
Total Insurance	4,890	-	37.3
Modifications & Other	160	-	8.0
Total FY 2011 Demand Excluding Tied Aid	19,333	(260.8)	92.7 [1/]
Budget Authority Request Tied-Aid	25	-	8.3 [2/]
Total	19,358	(260.8) [3/]	101.0

1/ - Ex-Im Bank proposes to use offsetting collections from negative subsidies disbursed to fund the positive subsidy requirements in FY 2011.

2/ - Estimated Tied Aid demand for FY 2011 is $8.3 million. There will be sufficient unobligated Tied Aid Funds carried over from prior years to cover estimated demands. Therefore no additional Tied Aid Funds are requested in the FY 2011 Budget.

3/ - Negative Subsidy is earned on FY 2011 and prior year authorizations disbursed in that year.

Export-Import Bank of the United States
Program Activity
($ millions)

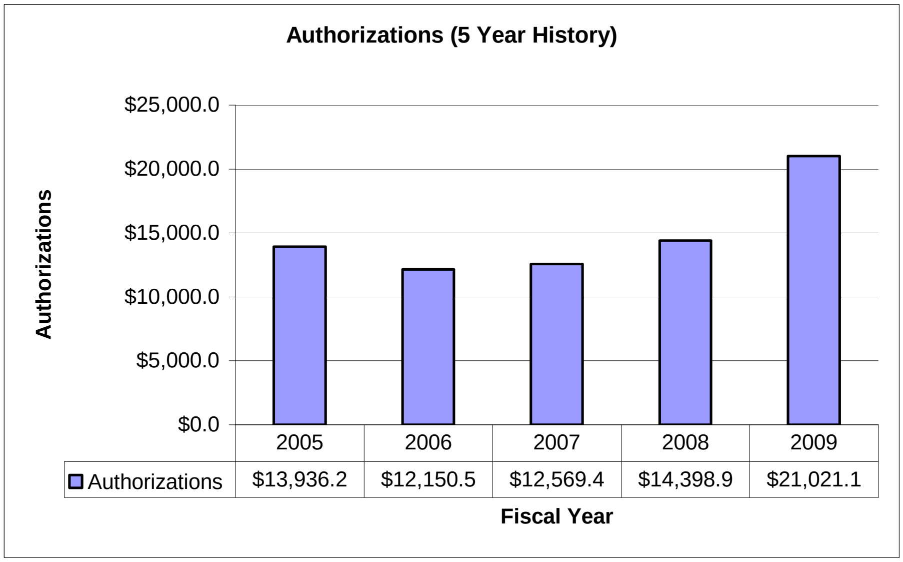
	FY 2009		FY 2010 Estimate		FY 2011 Request	
	Authorizations	Subsidy	Authorizations	Subsidy	Authorizations	Subsidy
Demand						
Loans						
Loans	$ 3,310.8	$ 0.4	$ -	$ -	$ -	$ -
Guarantee and Insurance						
Guarantees	11,189.4	10.2	11,592.0	39.9	14,283.0	47.4
Insurance	6,513.1	19.0	4,349.7	10.4	4,889.9	37.3
Total	17,702.5	29.2	15,941.7	50.3	19,172.9	84.7
Modifications	-		150.0	8.0	160.3	8.0
Total Non Tied Aid	21,013.3	29.6	16,091.7	58.3	19,333.2	92.7
Tied Aid	7.8	7.8	50.0	16.5	25.0	8.3

Export-Import Bank of the United States
FY 2011 Administrative Budget Request
($ million)

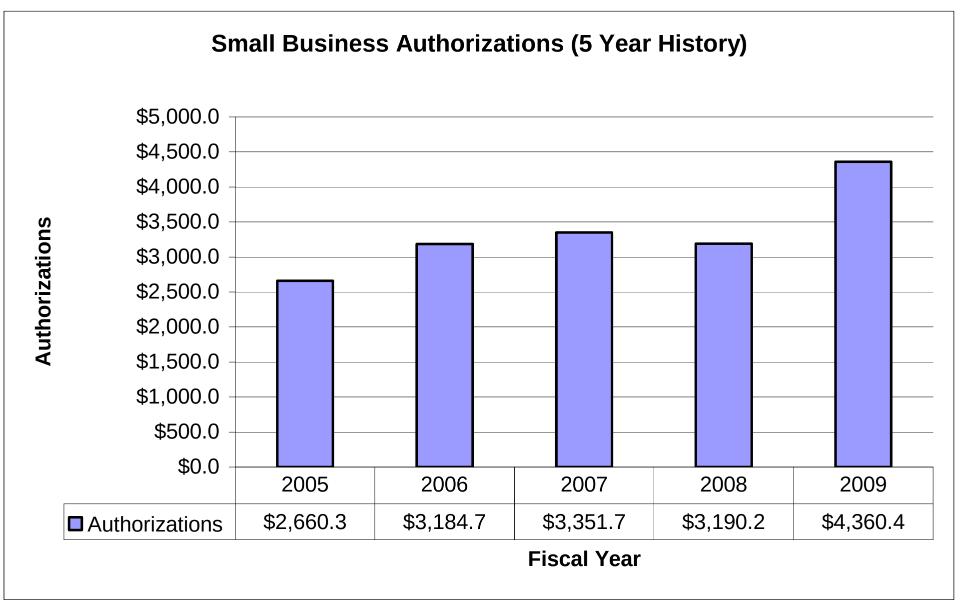
	FY 2009 Budget	**FY 2010 Re-Estimate**	**FY 2011 Request**
Personnel Compensation	41,099,794	43,617,937	52,981,086
Personnel Benefits	11,201,810	12,523,503	15,900,787
Travel and Transportation of Persons	1,800,455	1,800,000	1,900,000
Transportation of Things	182,057	183,060	192,213
Rental Payments for Space	5,046,885	5,798,491	7,088,415
Communication & Utilities	1,351,774	1,160,141	1,601,998
Printing and Reproduction	315,869	353,979	861,753
Other Services	16,076,849	15,439,366	19,224,653
Supplies and Materials	988,711	1,174,773	1,233,512
Entertainment / Representation	30,000	30,000	30,000
Software and Equipment	3,405,796	1,798,750	3,585,583
Move/Renovation Costs	-		1,000,000
Grand Total Expenses - Ex-Im Bank	81,500,000	83,880,000	105,600,000
Office of Inspector General	2,500,000	2,500,000	3,000,000

Fiscal Year 2009 - Summary of Program Results

Total Authorizations
Ex-Im Bank authorized $21,021.1 million of loans, guarantees, and insurance during FY 2009 in support of an estimated $26,440.8 million of U.S. export sales.



Small Business Authorizations
New authorizations for direct small business exports totaled $4,360.4 million, representing 20.7 percent of total authorizations compared to $3,190.2 million. In FY 2009, Ex-Im Bank authorized 2,540 transactions that were made available for the direct benefit of small business exporters.



Minority-Owned and Woman-Owned Business Support
In FY 2009, Ex-Im Bank authorized $563 million to support 485 export sales by 429 U.S. businesses known to be minority-owned or woman-owned

Sub-Saharan Africa Support
Ex-Im Bank authorized $380 million in export credit insurance and guarantees to support U.S. export of goods and services to Sub-Saharan Africa. In addition, the Bank authorized $32 million in working capital guarantees to support U.S. exports to these markets.

Environment
Ex-Im Bank authorized $363 million in financing to support an estimated $640 million of U.S. exports of environmentally beneficial goods and services. Included in this total are 22 working capital guarantees totaling $116 million to support an estimated $403 million of U.S. environmentally beneficial exports, and five loans and six financial guarantees totaling $166 million to support $157 million of these exports. Also included in this total were 55 export credit insurance transactions to support $80 million of U.S. environmentally beneficial exports. More than 1820 shipments of U.S. environmentally beneficial exports were supported by Ex-Im Bank's insurance.

Portfolio
Ex-Im Bank's exposure at the end of FY 2009 was $67,987.8 million, which represents an increase of 16 percent from the Bank's exposure level as of the end of FY 2008, reflecting the Bank's increasing capacity during the financial crisis. Of this total, the Bank's largest exposure is in the air transportation sector, accounting for 48.8 percent of total exposure. The highest geographic concentration of exposure is in Asia, with 41.6 percent of the total.

The Bank classifies its credits into 11 risk categories, with level one being the least risky. Using this scale, level 3 approximates Standard and Poor's BBB, level 4 approximates BBB-, and level 5 approximates BB. The Bank's overall weighted-average risk rating is 3.43 percent on new authorizations for FY 2009 compared with a weighted average risk rating of 3.77 for FY 2008. In FY 2009 76.7 percent of Ex-Im Bank's short-term rated, medium- and long-term new authorizations were in the level 1 to 4 range (AAA to BBB-) while 23.3 percent were rated levels 5 to 8 (BB+ to B-). The weighted-average risk rating on the overall outstanding portfolio increased slightly to 4.31 at September 30, 2009 compared with the weighted average risk rating of 4.25 at September 30, 2008.

Additional information on the Bank's results and operations and financial condition can be found in the Bank's FY 2008 Annual Report.