



EXPORT-IMPORT BANK
of the UNITED STATES

May 2011

Report to the Congress
FY 2012 Budget Estimates

Contents

Executive Summary.....	3
Introduction.....	6
Fiscal Year 2012 Budget Request.....	10
National Export Initiative.....	13
Small Business Initiative.....	14
Increased Demand for Ex-Im Bank.....	16
Fiscal Year 2012 Administrative Request.....	17
Administrative Expenses – New Investments.....	18
Fiscal Year 2012 Requested Appropriation Language.....	21
Summary of Authorizations and Program Budget.....	22
Summary of Administrative Expenses.....	24
Appendix: Fiscal Year Summary of 2010 Program Results.....	25

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. Ex-Im Bank’s mission is to enable U.S. companies – large and small – to turn export opportunities into real sales that help maintain and create U.S. jobs and contribute to a stronger national economy. The Bank achieves this mission 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. Since FY 2008 Ex-Im Bank has operated in self-sustaining status while achieving its mission.

No Cost to U.S. Taxpayers

Ex-Im Bank’s self-financing effort is consistent with the other Federal Agencies that charge fees for services. These fees are credited as offsetting collections so that the amount appropriated by the U.S. Congress from the general fund is ‘estimated at not more than \$0’. By using these self – generated fees, Ex-Im Bank is able to support an estimated \$40 billion of U.S. exports at no cost to the U.S. taxpayer.

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 165 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. As a self-sustaining agency, Ex-Im Bank has proven itself to be a fiscally responsible independent agency of the U.S. Government.

Ex-Im Bank has succeeded in this mission over the past 77 years, most especially in FY 2009 and 2010. Over the past two years, Ex-Im Bank addressed the market failure caused by the financial crisis by stepping in 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 supported an estimated \$34.3 billion in U.S. exports to nearly 70 countries, supporting an estimated 227,000 U.S. jobs at more than 3,300 U.S. companies.

Authorizations

- \$24.5 billion in Authorizations: Highest level of authorizations in the Bank’s 77 year history
- \$5.0 billion in Small Business Authorizations: Highest level of small business authorizations in the Bank’s 77 year history

Fees Earned

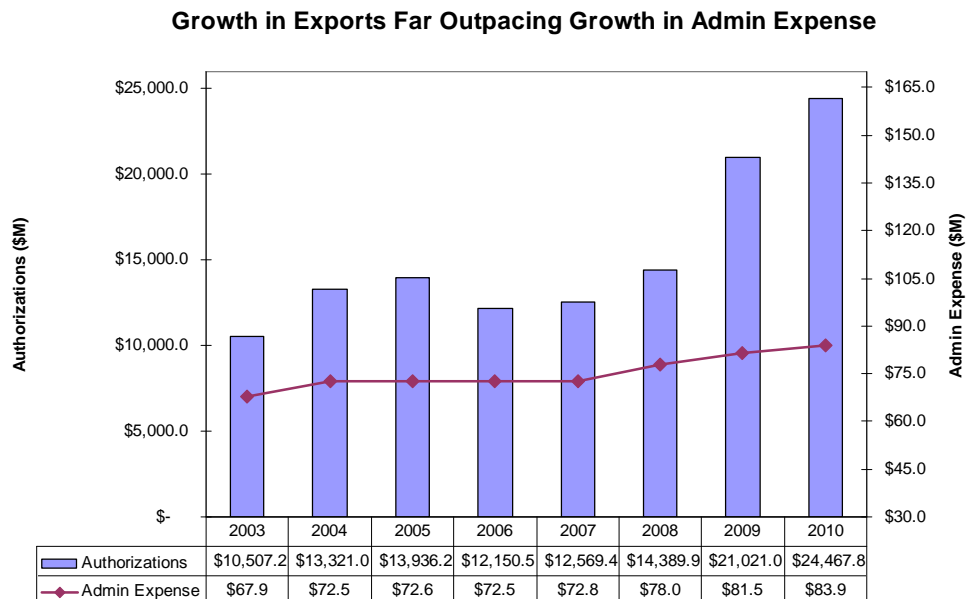
- \$479.4 million in offsetting collections earned (i.e. fees in excess of prudent reserves): Highest level of offsetting collections earned in the Bank’s 77 year history.

The FY 2012 President's Budget continues the Bank's self-sustaining status, which was achieved for the first time in FY 2008. Self-sustaining status allows for funding of the Bank's operations, including program subsidy (or program budget) and administrative expenses, entirely from receipts collected from the Bank's borrowers. As a result, the Bank does not rely on taxpayer resources to sustain operations, which is critical in a tight budgetary environment. 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-sustaining 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 \$4.56 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.

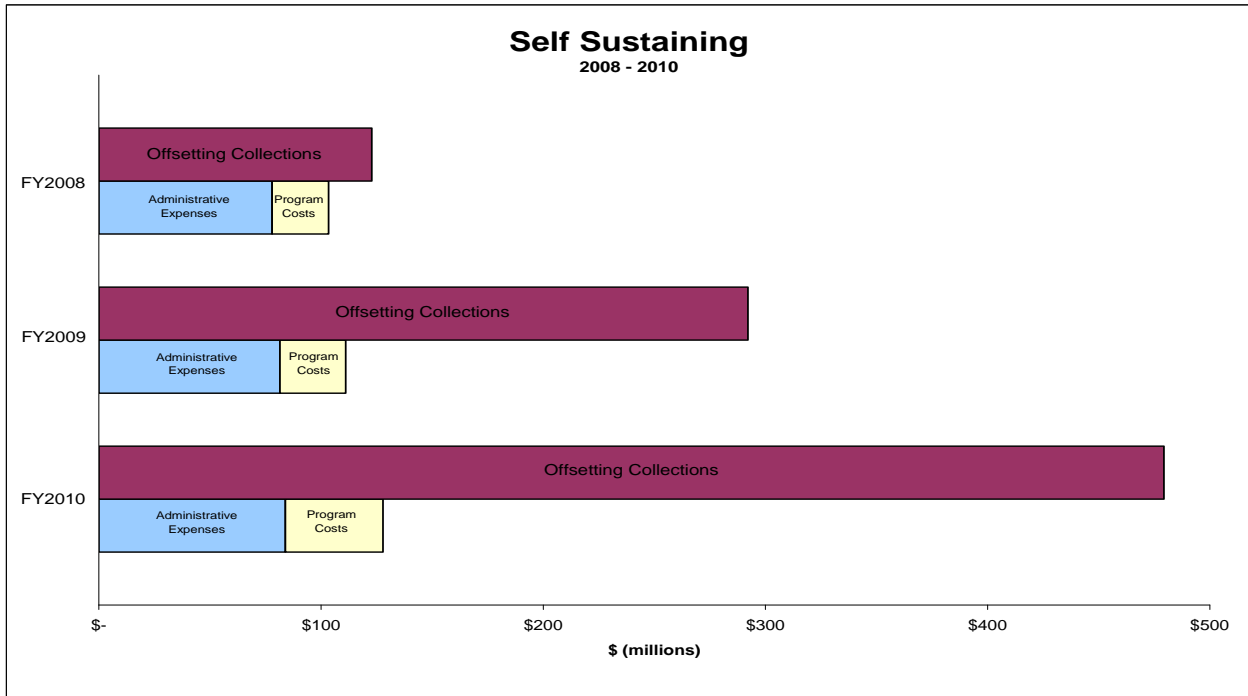
The FY 2012 Budget estimates that the Bank's export credit support will total \$32.0 billion in new authorizations. We estimate that in FY 2012 we will collect \$467.9 million of fees in excess of expected losses on transactions authorized in FY 2011 and prior years. These amounts will be used: (1) to cover the estimated costs for that portion of new authorizations where fees are insufficient to cover expected losses, in an amount not to exceed \$76.4 million, and (2) to cover administrative expenses, in an amount not to exceed \$124.6 million. The budget request reflects significant strategic investments aimed at supporting export growth in the U.S., especially in the small business sector.

Although a small agency of less than 400 FTEs, the Bank has significant responsibility to the taxpayer and to the U.S. Government. Since FY 2008, Ex-Im Bank has seen its annual authorizations levels increase by 70 percent while only receiving a 7.6 percent increase in Administrative Expenses. This substantial growth in authorization compared to expense has the Bank operating significantly over its sustainable capacity in both FTEs and systems. Ex-Im Bank has historically supported \$14 billion in yearly authorizations compared to supporting \$24.5 billion in FY 2010.



No Cost to U.S. Taxpayers

Ex-Im Bank has been self-sustaining for budgetary purposes since FY 2008. As a result, the Bank does not rely on Congressional appropriation to sustain operations, which is critical in a tight budgetary environment. Ex-Im Bank’s program revenue (i.e., in a given year, fee collections from transactions that exceed the forecasted loss on those transactions) is retained as offsetting collections and used to offset new obligations in the fiscal year, including prudent reserves to cover future losses and all administrative costs.



Ex-Im Bank’s FY 2012 Budget request reflects a careful estimate of the potential demand for the Bank’s direct loan, guarantee and insurance authority for FY 2012 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. Ex-Im's Bank's mission is also to provide financing when 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 potential losses 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, 2010, a re-estimate of the program subsidy costs of the outstanding balances of fiscal year 1992 through 2010 commitments indicated that of the fees, interest and appropriations in the financing accounts, the net amount of \$36.4 million was no longer needed and returned to 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 2012 Budget Request

Self-Financing Status in FY 2012

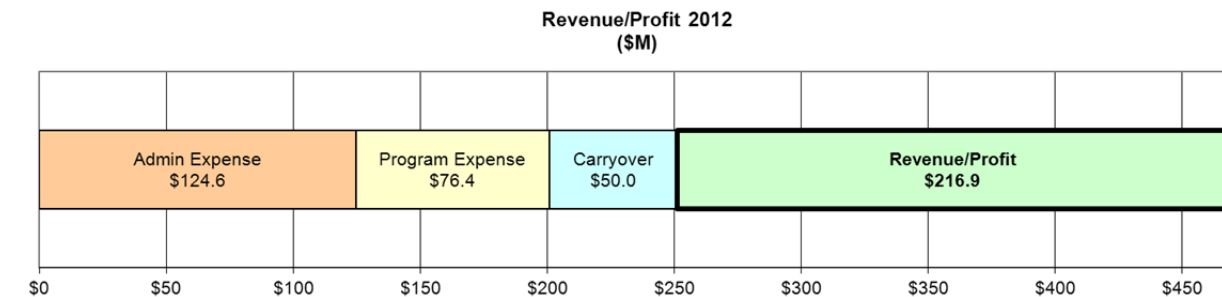
The FY 2012 President's Budget continues the Bank's self-financing status, which was implemented for the first time in FY 2008. This funds the Bank's operations, including program subsidy (or program budget) and administrative expenses, entirely from receipts collected from the Bank's borrowers. This 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.

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.

Historical Budgetary Expense

Since FY 1992, Ex-Im Bank has returned to the U.S. Treasury approximately \$4.56 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.

In FY 2012, Ex-Im Bank expects to return \$216.9 million (excluding Inspector general expenses) of the \$467.9 million in revenue to the U.S. Treasury. This and future substantial returns to the U.S Treasury hinges upon increased administrative expense investments for an FTE base currently stretched to its limits, while also installing new IT systems to replace current systems which are in critical need of upgrades.



¹ From FY 1992 through FY 2010, the Bank has received approximately \$10.5 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.

Annual Self Sustaining Experience

Under self-sustaining 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 Bank estimates that in FY 2012 it will collect \$467.9 million of fees in excess of expected losses on transactions authorized in FY 2011 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 \$76.4 million, and (2) to cover administrative expenses, in an amount not to exceed \$124.6 million. The budget request reflects significant new investments to grow exports, especially small business exports, and spur job creation.

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 \$201.0 million to cover its FY 2012 limitations on program budget and administrative expenses. As Ex-Im Bank collects negative subsidy receipts in FY 2012, the Bank will use these offsetting collections to repay the Treasury warrant received at the start of FY 2012. If the offsetting collections are greater than \$201.0 million in FY 2012, 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 \$251.0 million (\$124.6 + \$76.4 million + \$50.0 million) in FY 2012, 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 2012.

The President's FY 2012 budget request also includes \$4.0 million in General Fund appropriation for the Office of the Inspector General (OIG) of the Export Import Bank to support personnel costs for 17 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.

Tied Aid

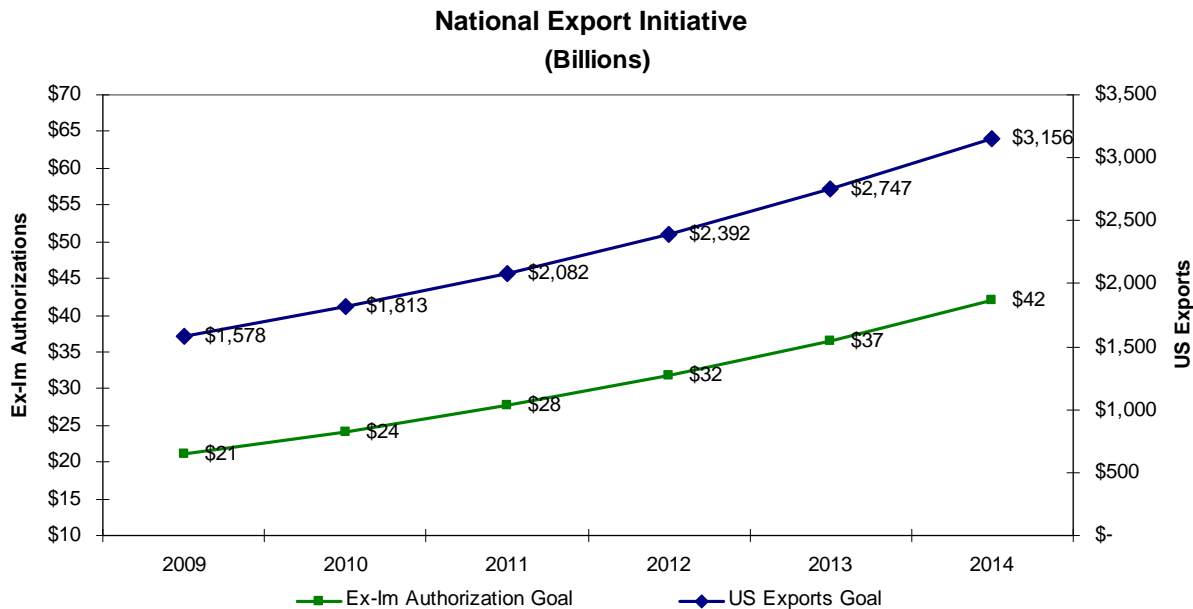
Beginning in FY 1992, the Bank's annual Appropriation Act has provided that a certain amount of the program budget appropriated may be used for Tied Aid purposes. Tied Aid is concessional financial support provided by donor governments in the form of a grant or "soft" loan for which capital goods procurement 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, 2010, 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.

National Export Initiative (NEI)

Exports are a critical component of the U.S. economy. Proof of U.S. export growth is illustrated by the fact that through July FY 2010 exports have grown by 17.9 percent when compared to the same time period of FY 2009. Furthermore, exports as a share of the Gross Domestic Product has increased by 11 percent from 11.2 percent in 2009 to 12.5 percent in 2010. Exports of \$1.7 trillion in FY 2010 supported an estimated 11.9 million U.S. jobs. In addition to overall macro economic growth, the jobs supported from exports tend to be of higher quality. Production workers at exporting plants earn 15 percent higher compensation more than similar workers at firms that do not export. Exports already support over a third of our manufacturing jobs.

The Export-Import Bank of the United States supports President Obama’s National Export Initiative which aims to double exports over the next 5 years by providing export financing to firms - especially small businesses. Ex-Im Bank expects to grow authorizations proportionally to U.S. exports to ensure that the additional export financing needs of businesses are met. Thus, Ex-Im Bank aims to double authorizations from the FY 2009 level of \$21 billion to \$42 billion in FY 2014, requiring a year over year growth rate of 14.9 percent. This growth rate is in line with doubling of US exports to 3.2 trillion.



In order to meet this goal, Ex-Im Bank needs to increase financing to support \$32 billion in authorizations for FY 2012. However, Ex-Im Bank is constrained by its current infrastructure (i.e. staff and systems). With the \$19 million in administrative expense investments, the Bank will support \$32 billion in estimated authorizations.

Ex-Im Bank also understands the importance of the growth of small and medium sized business exports. Within the order, the President specifically cited the Ex-Im Bank in “Section 3, Increasing Export Credit: The President of the Export-Import Bank, in consultation with other members of the Export Promotion Cabinet, shall take steps to increase the availability of credit to small and medium sized enterprises” and placed the Chairman of the Bank on the Export Promotion Cabinet to “develop and coordinate the implementation of the NEI.”

Small Business Initiatives

Ex-Im Bank has always played a critical role in supporting U.S. small business exporters. Small businesses are a major creator of jobs in America. With the Bank's mission to sustain and increase jobs, Ex-Im Bank recognizes the importance of U.S. small businesses. 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 no less than 20 percent of such authority for each fiscal year."

Small Business Support

Small Business manufacturer Holland LP, with 250 employees, recently exported \$1.7 million of railway supply equipment to Brazil. CEO Frank Francis stated "Without Ex-Im Bank, this transaction would not have come to life."

To execute this objective, Ex-Im Bank increased support for the small business sector during the past five years. Ex-Im Bank offers two products that primarily benefit small businesses: Working Capital Guarantees and Short-Term Insurance. The dollar value of small business transactions increased from \$1.7 billion in FY 2001 to \$5.0 billion in FY 2010. The number of small business transactions supported by the Bank in FY 2010 was 3,091, representing over 87.5 percent of all transactions authorized by the Bank. Ex-Im Bank's fundamental objective is to continue to grow small business authorizations in the context of a reasonable assurance of repayment. In FY 2010, the Bank approved two new initiatives designed to benefit SMEs: Supply Chain Finance and Reinsurance.

Global Access

In FY 2011, Ex-Im Bank launched its Global Access for Small Business initiative, which will help more than 5,000 small companies export goods and services produced by U.S. workers. Global Access is part of the Administration's multiagency National Export Initiative outreach program. Along with Ex-Im Bank, the U.S. Trade Representative, the Small Business Administration and the Department of Agriculture will be working with the Department of Commerce to combine efforts to build awareness in the private sector regarding exporting opportunities.

Ex-Im Bank aims to double annual small-business export finance volume from \$4.5 billion to \$9 billion add a total of 5,000 small businesses to its portfolio and approve at least \$30 billion in small-business transactions by 2015. To reach these benchmarks, Ex-Im Bank is offering new financing and insurance products that complement existing Bank programs, as well as streamlining product delivery.

To increase small business outreach, Ex-Im Bank will collaborate with U.S. Chamber of Commerce to organize twenty outreach forums across the country, directly inform small businesses about export opportunities and highlight companies that have increased sales, profits and jobs through exports. Ex-Im will work with other federal agencies, business organizations and private banks to expand its small business network.

Small Business Budget

The FY 2011 President's Administrative Expense request supports a \$13.5 million investment, paid by our offsetting collections, to foster job creation by targeting small business exporters. With this investment, the Bank will increase support to small businesses by 50 percent, which

will increase total small business authorizations for FY 2012 to reach a level of \$7.5 billion. Ex-Im Bank is set to meet its 20% target for the baseline \$32.0 billion in authorizations. The Bank's justification for this investment was to increase exports by small business. 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 FY 2011 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.

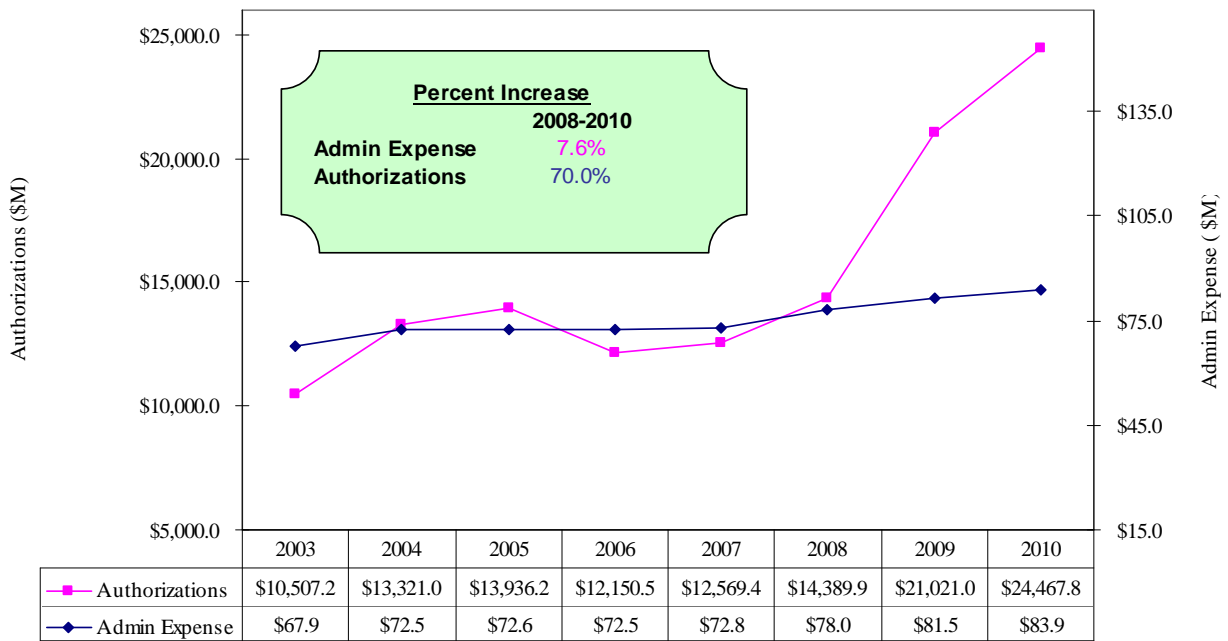
A component of the National Export Initiative, Ex-Im Bank's Global Access Initiative is expected to generate a total of \$30 billion in small business authorizations by FY 2015. The Bank requires an additional investment of \$6.5 million of administrative expense in FY 2012 in order to successfully launch this initiative. Without the investment, Ex-Im Bank will not meet the Small Business Congressional Mandate. With the FY 2012 Administrative Expense Investment, Ex-Im Bank will be able to provide the additional staff and regional offices needed to focus on the needs of small businesses.

Increased Demand

Since FY 2008 there has been a significant shift in demand for the services provided by Ex-Im Bank. During this time the Bank has seen its authorization levels increase by 70 percent. Ex-Im Bank was able to handle this significant increase in authorizations, while only receiving a 7.6% increase in Administrative Expense appropriations.

Ex-Im Bank forecasts authorization demand of \$32.0 billion in FY 2012. At the current administrative expense baseline of \$105.6 million, Ex-Im Bank would only be able to support an estimated baseline of \$28.0 billion of authorizations. If granted an increase in the administrative expense appropriation Ex-Im Bank would be able to meet the additional \$4.0 billion in authorization demand, of which approximately \$1 billion would benefit SMEs.

Growth in Exports Far Outpacing Growth in Admin Expense



Fiscal Year 2012 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 \$124.6 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 2012 administrative budget limitation request is \$124.6 million, compared to the FY 2010 enacted limitation level of \$83.9 million, a 48 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.

Under the current budget level, Ex-Im Bank is leveraged to its limits. In order to meet the Administration's National Export Initiative and continue to fuel job growth through exports, the Bank requires an increase in its budget authority level. This increase would be at no cost to tax payers as it will be entirely covered by user fees.

Administrative Expenses – New Investments

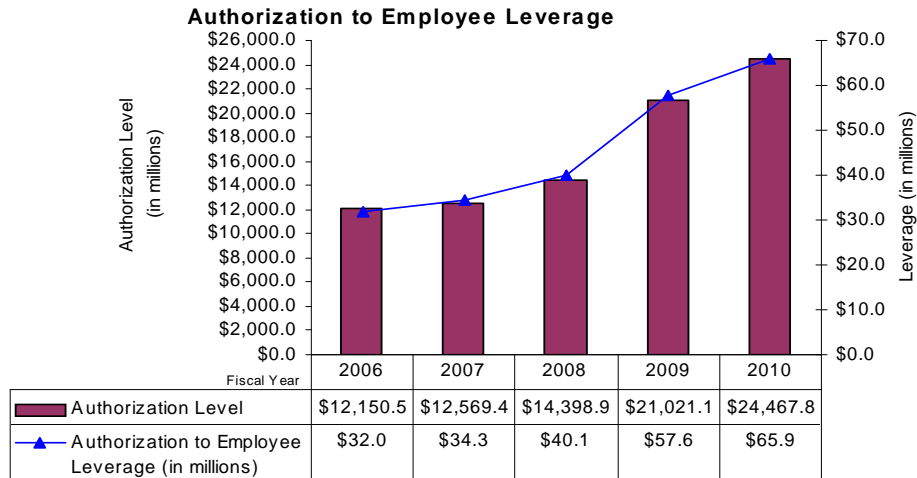
In order to fully meet forecasted authorization demand in FY 2012, Ex-Im Bank is requesting an additional \$19 million in administrative expense funding. This proposed increase will be at no cost to U.S. taxpayers as it will be fully funded from fees collected from customers associated with the \$4.0 billion increase in authorizations.

The investment would be broken out into 3 distinct areas being:

- #1) Increase of existing staffing levels by \$6 million would be to meet increased demand
- #2) Increase Small Business Offices and Staffing Levels to be able to better meet the needs of this important sector. The \$6.5 million increase would be spent on adding new regional offices.
- #3) Modernize outdated IT systems using \$6.5 million
 - Implement new core systems (which are greater than 15 years old)
 - First installment of 3 year plan

I. Increase FTE

Ex-Im Bank strives to provide the best customer service to all users of the Bank in order to fulfill its stated mission of supporting 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. The Bank is highly leveraged in terms of employees. In FY 2010, the average dollar amount of authorizations per employee was \$65.9 million, up from \$57.6 million in FY 2009. The average number of authorizations per employee was 9.5 in FY 2010, up from 7.9 in FY 2009.



The FY 2012 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 70 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 7 percent from 401 FTEs to 372 FTEs. This investment allows the Bank to rebuild our staff and better meet the needs of U.S. exporters.

II. Small Business

The FY 2012 Administrative Expense request supports a \$6.5 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, 58 percent export to only one country.

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

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. Not only has 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 2010, Ex-Im Bank met this target:

- The dollar value of small business transactions increased from \$1.7 billion in FY 2001 to \$5.0 billion in FY 2010 representing 17.9% and 20.6% of Ex-Im's portfolio respectively.
- With this investment, we expect transactions to reach \$7.5 billion in FY 2012, which will create and support over 50,000 jobs in the Small Business segment.
- The number of small business transactions supported by the Bank in FY 2010 was 3,091, representing over 87.5 percent of all transactions authorized by the Bank.
- In FY 2010, the Bank worked with more than 700 new small business customers.

In order to meet the National Export Initiative, the Bank will need to significantly increase the number of small business transaction. For a \$1 billion transaction, the Bank needs to generate over 600 small business transactions. Without the investment of \$6.5 million, Ex-Im Bank will not meet the Small Business Congressional Mandate. With the FY 2012 Administrative Expense Investment, Ex-Im Bank will be able to provide the additional staff and regional offices needed to focus on small business and reach \$7.5 billion in authorizations.

III. Technology Enhancements

The 3-year plan for Information Technology (IT) enhancements seeks to upgrade the core automated capabilities and enterprise architecture supporting the Bank's processes. The current core financial systems are outdated and provide limited capabilities to support the range of products being contemplated by Ex-Im Bank. These systems were developed in 1988 around transactions with very little focus on the customer and were intended to support authorizations in the \$10-\$15 billion range. It is difficult for staff to accurately identify repeat customers, volume

of business done with a customer, various contacts a customer has had with Ex-Im Bank, and to effectively track the success rate of various outreach strategies.

The objective of the 3-year plan is to establish a modern, integrated, stable, robust and secure IT infrastructure and application environment as Ex-Im Bank works towards (1) the implementation of the National Export Initiative of doubling U.S. exports; (2) the expansion of products and services targeting small businesses; (3) the expansion of products available and using the Ex-Im Bank online systems, and (4) the continuation of system modernization initiatives that enable the Ex-Im Bank to enhance its automated and financial processes while maintaining effective risk management and claims processing capabilities, and meeting government-wide policy objectives.

Fiscal Year 2012 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 \$76.4 million: 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, 2027, for the disbursement of direct loans, loan guarantees, insurance and tied-aid grants obligated in fiscal year 2012, 2013, 2014, and 2015.

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 \$124.6 million: 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, 2012.

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 \$50.0 million, shall become available September 1, 2011 and shall remain available until September 30, 2015.

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, \$4.0 million to remain available until September 30, 2013.

EXPORT-IMPORT BANK OF THE UNITED STATES
FY 2012 Program Budget Request
(\$ millions)

	Amount	Subsidy	
	<u>Authorized</u>	<u>Negative</u>	<u>Positive</u>
Long Term Guarantees	20,641	(467.9)	-
Medium Term Guarantees	824	-	34.0
Working Capital Guarantees	2,350	-	2.4
Total Guarantees	<u>23,815</u>	<u>(467.9)</u>	<u>36.4</u>
Medium Term Insurance	341	-	27.7
Short Term Insurance	7,639	-	12.3
Total Insurance	<u>7,980</u>	<u>-</u>	<u>40.0</u>
Modifications & Other	205	-	-
Total FY 2012 Demand Excluding Tied Aid	<u><u>32,000</u></u>	<u><u>(467.9)</u></u>	<u><u>76.4</u></u> ^{1/}
Budget Authority Request Tied-Aid	<u>25</u>	<u>-</u>	<u>8.3</u> ^{2/}
Total	32,025	(467.9) ^{3/}	84.7

1/ - Ex-Im Bank proposes to use offsetting collections from negative subsidies disbursed to fund the positive subsidy requirements in FY 2012.

2/ - Estimated Tied Aid demand for FY 2012 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 2012 Budget.

3/ - Negative Subsidy is earned on FY 2012 and prior year authorizations disbursed in that year.

EXPORT-IMPORT BANK OF THE UNITED STATES
Summary Schedule of Authorizations and Subsidy
FY 2010 - FY 2012
(\$ millions)

	FY 2010 Estimate		FY 2011 Re-Estimate		FY 2012 Est Demand	
	Authorization	Subsidy	Authorization	Subsidy	Authorization	Subsidy
Large Aircraft	7,101.4	-	8,015.0	17.8	10,250.0	-
Other Transportation	154.7	-	900.0	-	1,250.0	-
Total Transportation	7,256.1	-	8,915.0	17.8	11,500.0	-
Structured Finance	6,733.7	-	6,032.0	-	8,418.8	-
Long Term Trade Finance	285.7	1.7	545.0	-	722.3	-
Medium Term Loans	5.1	-	-	-	-	-
Medium Term Guarantees	702.5	21.9	785.0	32.8	824.3	34.0
Medium Term Insurance	312.9	13.8	325.0	21.0	341.3	27.7
Total Medium Term	1,020.5	35.7	1,110.0	53.8	1,165.5	61.7
Working Capital	2,178.5	-	2,150.0	2.2	2,350.0	2.4
Short Term Insurance	6,788.3	5.5	7,021.2	13.7	7,638.5	12.3
Other	205.0	1.1	205.0	-	205.0	-
Total Short Term	9,171.8	6.6	9,376.2	15.9	10,193.5	14.7
Total (Non Tied Aid)	24,467.8	44.0	25,978.2	87.5	32,000.0	76.4
Tied Aid	-	-	25.0	8.3	25.0	8.3
Total Estimated Demand	24,467.8	44.0	26,003.2	95.8	32,025.0	84.7

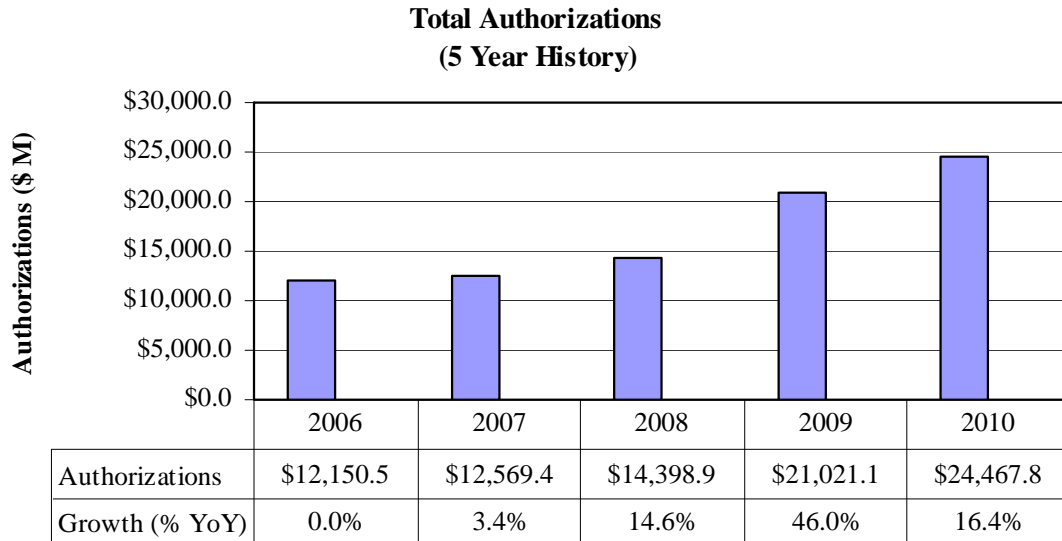
EXPORT-IMPORT BANK OF THE UNITED STATES
FY 2012 Administrative Budget Request
(\$ millions)

	FY 2010 Budget	FY 2011 Re-Estimate	FY 2012 Request
Personnel Compensation	43,617,938	50,325,607	60,366,653
Personnel Benefits	12,523,503	13,148,052	15,502,386
Travel and Transportation of Persons	1,800,000	2,381,400	2,531,400
Transportation of Things	183,060	201,824	201,824
Rental Payments for Space	5,798,491	9,161,926	9,411,926
Communication & Utilities	1,160,141	1,157,098	1,007,098
Printing and Reproduction	353,979	311,590	311,590
Other Services	15,439,366	25,704,558	30,759,177
Supplies and Materials	1,174,773	1,337,249	1,337,249
Entertainment / Representation	30,000	30,000	30,000
Software and Equipment	1,798,750	1,840,696	3,140,696
 Grand Total Expenses - Ex-Im Bank	 <u>83,880,000</u>	 <u>105,600,000</u>	 <u>124,600,000</u>
 Office of Inspector General	 <u>2,500,000</u>	 <u>3,000,000</u>	 <u>4,000,000</u>

Fiscal Year 2010 - Summary of Program Results

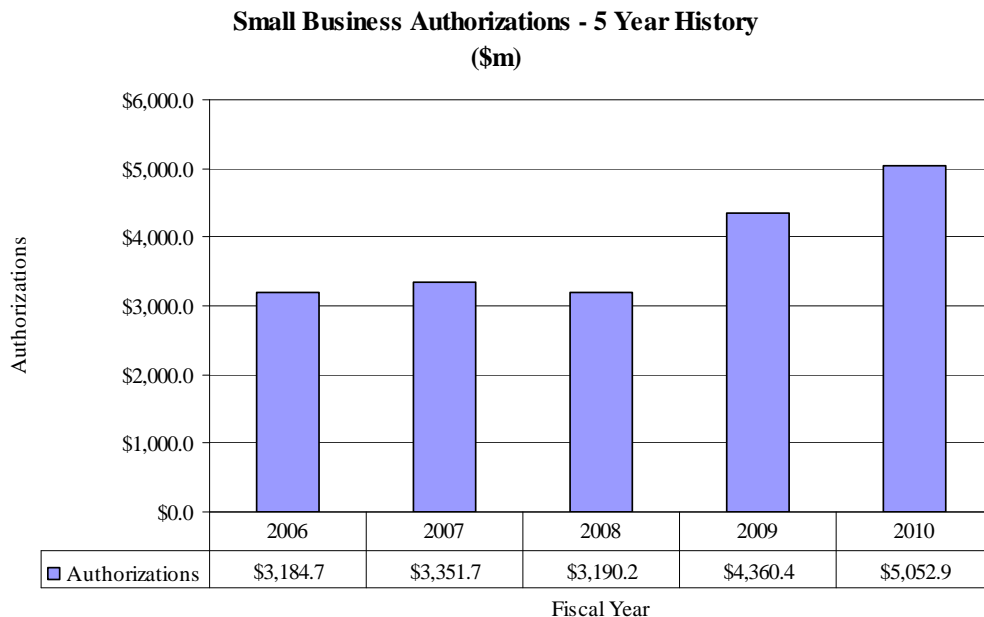
Total Authorizations

Ex-Im Bank authorized \$24,468 million of loans, guarantees, and insurance during FY 2010 in support of an estimated \$34,343 million of U.S. export sales.



Small Business Authorizations

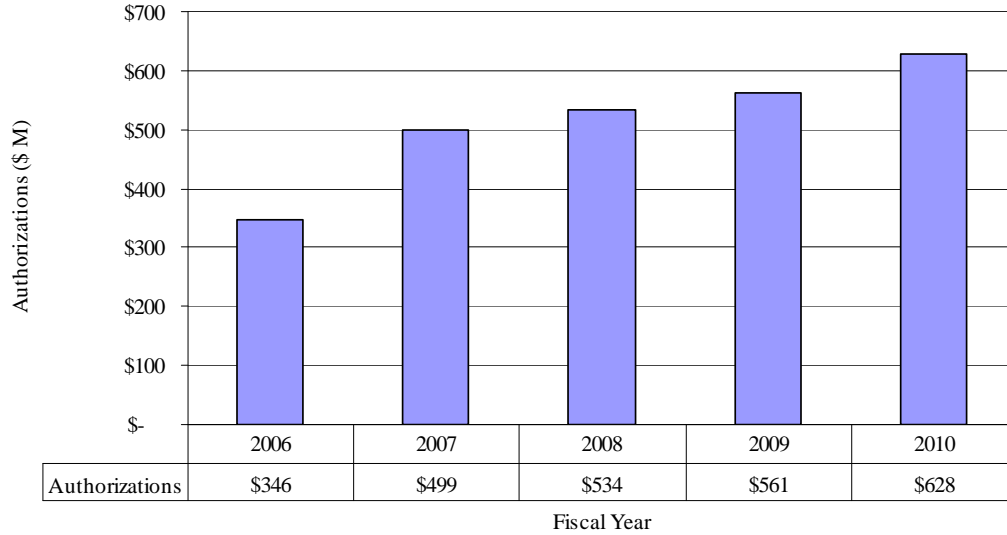
New authorizations for direct small business exports totaled \$5,052.9 million, representing 20.7 percent of total authorizations compared to \$4,360.2 million in FY 2009. In FY 2010, Ex-Im Bank authorized 3,091 transactions that were made available for the direct benefit of small business exporters.



Minority-Owned and Woman-Owned Business Support

In FY 2010, Ex-Im Bank authorized \$628 million to support 582 export sales by 493 U.S. businesses known to be minority-owned or woman-owned. Of these authorizations, \$254 million was in working capital guarantees, accounting for 12 percent of total working capital authorizations.

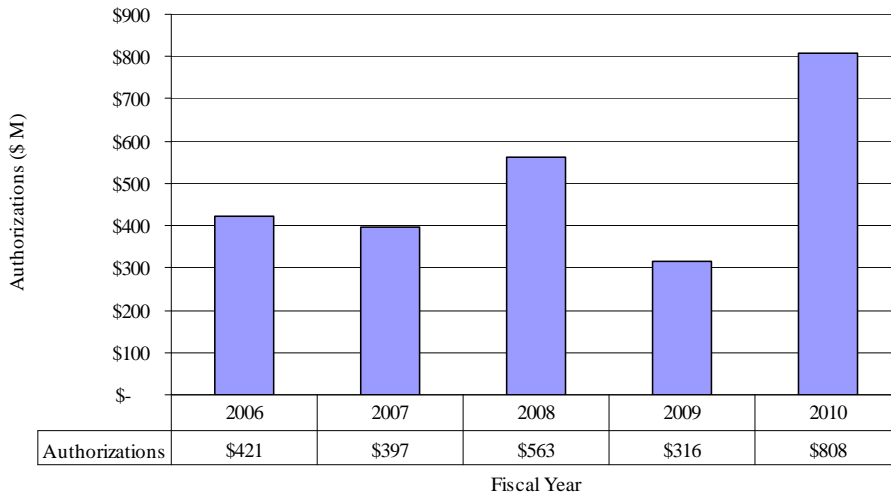
Minority/Woman Owned Business - 5 Year History



Sub-Saharan Africa Support

Ex-Im Bank authorized \$763 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 \$45 million in working capital guarantees to support U.S. exports to these markets. Over the past three years Ex-Im Bank supported over \$1 billion in U.S. exports to this market.

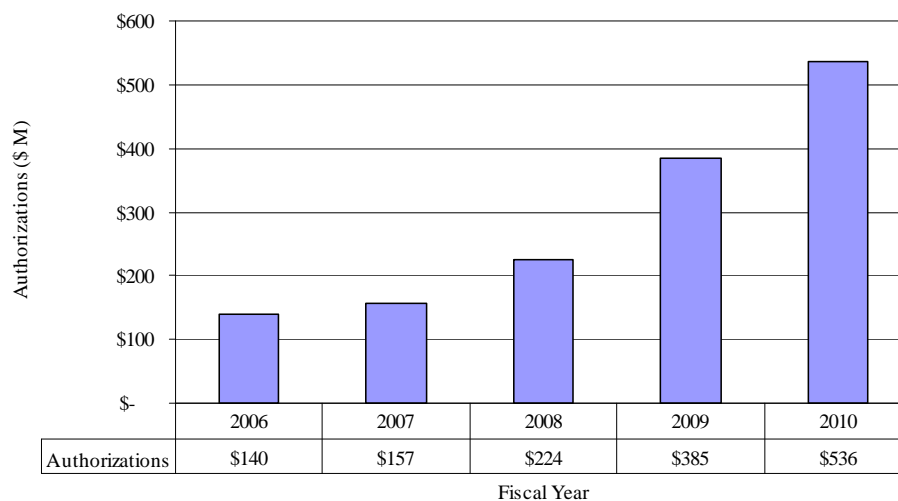
Sub-Saharan Africa - 5 Year History



Environment

In FY 2010, Ex-Im Bank authorized a record \$536 million to support over \$1 billion of U.S. exports of environmentally beneficial goods and services. Included in this total are 22 working capital guarantees totaling \$123 million to support an estimated \$670 million of U.S. environmentally beneficial exports, and 11 loans and financial guarantees to support \$300 million of these exports. Also included in this total were 76 export credit insurance transactions to support \$96 million of U.S. environmentally beneficial exports. More than 1,050 shipments of U.S. environmentally beneficial exports were supported by Ex-Im Bank's insurance. Ex-Im Bank also more than tripled its authorization for renewable-energy export to \$332 million from \$101 million in FY 2009. This includes more than \$160 million in financing to support sales of U.S. good and services to major wind-power projects.

Environmentally Beneficial - 5 Year History



Portfolio

Ex-Im Bank's exposure at the end of FY 2010 was \$75,213.9 million, which represents an increase of 10.6 percent from the Bank's exposure level as of the end of FY 2009, 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 47.0 percent of total exposure. The highest geographic concentration of exposure is in Asia, with 36.8 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 3.9 on new authorizations for FY 2010 compared with a weighted average risk rating of 3.4 for FY 2009. In FY 2010, 59.5 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 40.5 percent were rated levels 5 to 8 (BB+ to B-). The weighted-average risk rating on the overall outstanding portfolio decreased slightly to 4.1 at September 30, 2010 compared with the weighted average risk rating of 4.3 at September 30, 2009.

Additional information on the Bank's results and operations and financial condition can be found in the Bank's FY 2010 Annual Report.