



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

**Audit of the
Export-Import Bank
of the United States
Fiscal Year 2012
Financial Statements**

November 15, 2012
OIG-AR-13-01



**EXPORT-IMPORT BANK
OF THE UNITED STATES**

OFFICE OF INSPECTOR GENERAL

November 15, 2012

MEMORANDUM

TO: Fred P. Hochberg
Chairman and President

David M. Sena
Senior Vice President and Chief Financial Officer

FROM: Rebecca L. Sharek 
Assistant Inspector General for Audit

SUBJECT: Audit of the Export-Import Bank's Financial Statements for Fiscal Year 2012

This memorandum transmits Deloitte and Touche LLP's audit reports of the Export-Import Bank of the United States (Ex-Im Bank) financial statements for fiscal year ended 2012. Under a contract monitored by this office, we engaged the independent public accounting firm of Deloitte and Touche to perform the audit. The contract required the audit to be done in accordance with: United States generally accepted government auditing standards; Office of Management and Budget audit guidance; and the Government Accountability Office/President's Council on Integrity and Efficiency *Financial Audit Manual*.

Deloitte and Touche issued an unqualified opinion on Ex-Im Bank's financial statements. Also, Deloitte and Touche reported no control deficiency in Ex-Im Bank's internal control over financial reporting and no reportable noncompliance with laws and regulations.

Deloitte and Touche is responsible for the attached auditor's reports dated November 14, 2012 and the conclusions expressed in the reports. We do not express opinions on Ex-Im Bank's financial statements or internal control or conclusions on compliance with laws and regulations.

We appreciate the cooperation and courtesies provided to Deloitte and Touche and this office during the audit.

Attachment

cc: Alice Albright, Senior Vice President and Chief Operating Officer
Audit Committee
Joseph Sorbera, Vice President - Controller
Nathalie Herman, Vice President - Treasurer

Export-Import Bank on the United States Fiscal Year 2012 Financial Statements

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Export-Import Bank of the United States

SECTION 1

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying balance sheets of the Export-Import Bank of the United States (Ex-Im Bank) as of September 30, 2012 and 2011, and the related statements of net costs, changes in net position, and the combined statements of budgetary resources for the years then ended (collectively referred to as the "financial statements"). These financial statements are the responsibility of Ex-Im Bank's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Ex-Im Bank's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of Ex-Im Bank as of September 30, 2012 and 2011, and its net costs of operations and changes in net position, and combined budgetary resources for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1 to the financial statements, according to the guidance in the revised OMB Circular A-136, *Financial Reporting Requirements*, the presentation of the Combined Statements of Budgetary Resources (SBR) for the years ended September 30, 2012 and 2011, was reformatted to better align with information presented in the Budget of the United States Government.

The accompanying required supplementary information included in the sections entitled "Management's Discussion and Analysis" and "Required Supplementary Information" are not required parts of the basic financial statements but are supplementary information required by OMB Circular A-136, as amended, and the Federal Accounting Standards Advisory Board. This supplementary information is the responsibility of Ex-Im Bank's management. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of required supplementary information. However, we did not audit such supplementary information and we do not express an opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2012, on our consideration of Ex-Im Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be considered in assessing the results of our audits.

Deloitte & Touche LLP

McLean, Virginia

November 14, 2012

Export-Import Bank of the United States

SECTION 2

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

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

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

We have audited the financial statements of the Export-Import Bank of the United States (Ex-Im Bank) as of and for the year ended September 30, 2012, and have issued our report thereon dated November 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and Office of Management and Budget (OMB) Bulletin No. 07-04, *Audit Requirements for Federal Financial Statements*, as amended.

Internal Control Over Financial Reporting

Management of Ex-Im Bank is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Ex-Im Bank's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Ex-Im Bank's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Ex-Im Bank's internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

We noted other matters involving the internal control over financial reporting that will be reported to Ex-Im Bank in a separate letter.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Ex-Im Bank's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts and certain other laws and regulations specified in OMB Bulletin No. 07-04, as amended. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 07-04, as amended.

This report is intended solely for the information and use of Ex-Im Bank, the Audit Committee, the Board of Directors, the Inspector General, the OMB, the Government Accountability Office, and the United States Congress and is not intended to be, and should not be, used by anyone other than these specified parties.

Deloitte & Touche LLP

McLean, Virginia

November 14, 2012

Export-Import Bank of the United States

SECTION 3

FINANCIAL STATEMENTS

Export-Import Bank of the United States

Balance Sheets

(in millions)	As of September 30, 2012	As of September 30, 2011
ASSETS		
Intragovernmental		
Fund Balance with the U.S. Treasury (Note 2)	\$2,477.3	\$3,842.3
Receivable from the Program Account (Note 5)	-	789.3
Total Assets - Intragovernmental	2,477.3	4,631.6
Public		
Cash (Note 3)	0.1	0.1
Loans Receivable, Net (Note 4A)	10,865.4	6,701.0
Receivables from Subrogated Claims, Net (Note 4E)	303.7	367.2
Other Assets (Note 9)	22.8	11.2
Total Assets - Public	11,192.0	7,079.5
Total Assets	\$13,669.3	\$11,711.1
LIABILITIES		
Intragovernmental		
Borrowings from the U.S. Treasury (Note 11)	\$11,301.3	\$8,279.3
Accounts Payable to the U.S. Treasury	704.0	939.6
Payable to the Financing Account (Note 5)	-	789.3
Total Liabilities - Intragovernmental	12,005.3	10,008.2
Public		
Payment Certificates (Note 11)	47.5	64.3
Claims Payable	2.5	2.1
Guaranteed Loan Liability (Note 4G)	1,814.0	1,219.5
Other Liabilities (Note 10,12)	563.0	876.7
Total Liabilities - Public	2,427.0	2,162.6
Total Liabilities	14,432.3	12,170.8
NET POSITION		
Capital Stock	1,000.0	1,000.0
Unexpended Appropriations	212.9	215.8
Cumulative Results of Operations	(1,975.9)	(1,675.5)
Total Net Position	(763.0)	(459.7)
Total Liabilities and Net Position	\$13,669.3	\$11,711.1

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

Statements of Net Costs

(in millions)	<u>Loans</u>	<u>Guarantees</u>	<u>Insurance</u>	<u>Total</u>
For the Year Ended September 30, 2012				
Costs				
Interest Expense	\$523.9	\$ -	\$ -	\$523.9
Claim Expenses	-	7.2	3.8	11.0
Provision for Credit Losses	341.4	644.6	36.9	1,022.9
Broker Commissions	-	-	6.5	6.5
Total Costs	865.3	651.8	47.2	1,564.3
Earned Revenue				
Interest Income	(459.5)	(66.6)	-	(526.1)
Fee and Other Income	(39.3)	(327.1)	-	(366.4)
Insurance Premium and Other Income	-	-	(42.4)	(42.4)
Total Earned Revenue	(498.8)	(393.7)	(42.4)	(934.9)
Net Excess of Program Costs over (Revenue)	366.5	258.1	4.8	629.4
Administrative Costs (Note 4K, 13)				98.7
Liquidating Account Distribution of Income				23.4
Total Net Excess Program Costs Over (Revenue)				\$751.5
(in millions)				
For the Year Ended September 30, 2011				
Costs				
Interest Expense	\$439.0	\$ -	\$ -	\$439.0
Claim Expenses	-	11.7	5.3	17.0
Provision for Credit Losses	528.2	(55.8)	9.7	482.1
Broker Commissions	-	-	6.1	6.1
Total Costs	967.2	(44.1)	21.1	944.2
Earned Revenue				
Interest Income	(461.5)	(41.2)	-	(502.7)
Fee and Other Income	(23.2)	(282.5)	-	(305.7)
Insurance Premium and Other Income	-	-	(41.4)	(41.4)
Total Earned Revenue	(484.7)	(323.7)	(41.4)	(849.8)
Net Excess of Program Costs over (Revenue)	482.5	(367.8)	(20.3)	94.4
Administrative Costs (Note 4K, 13)				91.1
Liquidating Account Distribution of Income				21.9
Total Net Excess Program Costs Over (Revenue)				\$207.4

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

Statements of Changes in Net Position

(in millions)	For the Year Ended September 30, 2012			
	Capital Stock	Unexpended Appropriations	Cumulative Results of Operations	Total
Beginning Net Position	\$1,000.0	\$215.8	(\$1,675.5)	(\$459.7)
Budgetary Financing Sources (Uses)				
Appropriations Received - Inspector General	-	4.0	-	4.0
Appropriations Received - Reestimate	-	793.5	-	793.5
Cancelled Authority	-	(0.4)	-	(0.4)
Transfer Out Without Reimbursement	-	-	(486.4)	(486.4)
Other Adjustments	-	0.6	(0.3)	0.3
Appropriations Used	-	(800.6)	800.6	-
Offsetting Collections	-	-	134.1	134.1
Other Financing Sources				
Imputed Financing	-	-	3.1	3.1
Total Financing Sources (Uses)	-	(2.9)	451.1	448.2
Adjusted Net Position	1,000.0	212.9	(1,224.4)	(11.5)
Less: Excess of Program Costs Over Revenue	-	-	751.5	751.5
Ending Net Position	\$1,000.0	\$212.9	(\$1,975.9)	(\$763.0)

(in millions)	For the Year Ended September 30, 2011			
	Capital Stock	Unexpended Appropriations	Cumulative Results of Operations	Total
Beginning Net Position	\$1,000.0	\$255.1	(\$1,609.0)	(\$353.9)
Budgetary Financing Sources (Uses)				
Appropriations Received - Inspector General	-	2.5	-	2.5
Appropriations Received - Reestimate	-	717.9	-	717.9
Cancelled Authority	-	(21.9)	-	(21.9)
Transfer Out Without Reimbursement	-	-	(721.9)	(721.9)
Other Adjustments	-	-	0.8	0.8
Appropriations Used	-	(737.8)	737.8	-
Offsetting Collections	-	-	120.7	120.7
Other Financing Sources				
Imputed Financing	-	-	3.5	3.5
Total Financing Sources (Uses)	-	(39.3)	140.9	101.6
Adjusted Net Position	1,000.0	215.8	(1,468.1)	(252.3)
Less: Excess of Program Costs Over Revenue	-	-	207.4	207.4
Ending Net Position	\$1,000.0	\$215.8	(\$1,675.5)	(\$459.7)

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

Combined Statements of Budgetary Resources

	For the Year Ended September 30, 2012			For the Year Ended September 30, 2011		
	Budgetary	Non-Budgetary Credit Reform Financing Account	Total	Budgetary	Non-Budgetary Credit Reform Financing Account	Total
Budgetary Resources:						
Unobligated Balance Brought Forward, October 1	\$1,198.7	\$1,283.6	\$2,482.3	\$908.8	\$1,555.2	\$2,464.0
Recoveries of Prior Year Unpaid Obligations	21.4	215.5	236.9	20.7	45.1	65.8
Other Changes in Unobligated Balance	(3.0)	(1,919.3)	(1,922.3)	(3.7)	(727.3)	(731.0)
Unobligated Balance From Prior Year Budget Authority, Net	1,217.1	(420.2)	796.9	925.8	873.0	1,798.8
Appropriations	397.5	-	397.5	445.4	-	445.4
Borrowing Authority (Note 16)	-	13,640.5	13,640.5	-	6,612.1	6,612.1
Spending Authority From Offsetting Collections	229.7	3,238.3	3,468.0	713.9	2,561.5	3,275.4
Total Budgetary Resources (Note 16)	\$1,844.3	\$16,458.6	\$18,302.9	\$2,085.1	\$10,046.6	\$12,131.7
Status of Budgetary Resources:						
Obligations Incurred (Note 16)	\$986.6	\$15,049.3	\$16,035.9	\$886.4	\$8,763.0	\$9,649.4
Unobligated Balance, End of Year:						
Apportioned	607.7	1,409.3	2,017.0	957.5	1,283.6	2,241.1
Unapportioned	250.0	-	250.0	241.2	-	241.2
Total Unobligated Balance, End of Year (Note 16)	857.7	1,409.3	2,267.0	1,198.7	1,283.6	2,482.3
Total Budgetary Resources	\$1,844.3	\$16,458.6	\$18,302.9	\$2,085.1	\$10,046.6	\$12,131.7
Change in Obligated Balance:						
Unpaid Obligations, Brought Forward, October 1	\$99.2	\$9,574.2	\$9,673.4	\$108.4	\$5,510.6	\$5,619.0
Obligations Incurred	986.6	15,049.3	16,035.9	886.4	8,763.0	9,649.4
Outlays, Gross	(945.1)	(7,176.4)	(8,121.5)	(874.9)	(4,654.3)	(5,529.2)
Recoveries of Prior Year Unpaid Obligations	(21.4)	(215.5)	(236.9)	(20.7)	(45.1)	(65.8)
Obligated Balance, End of Year						
Unpaid Obligations, End of Year, Gross	119.3	17,231.6	17,350.9	99.2	9,574.2	9,673.4
Uncollected Customer Payments From Federal Sources, End of Year	-	(141.7)	(141.7)	-	-	-
Obligated Balance, End of Year, Net	\$119.3	\$17,089.9	\$17,209.2	\$99.2	\$9,574.2	\$9,673.4
Budget Authority and Outlays, Net:						
Budget Authority, Gross	\$627.1	\$16,878.9	\$17,506.0	\$1,159.2	\$8,456.4	\$9,615.6
Actual Offsetting Collections	(253.1)	(3,133.0)	(3,386.1)	(735.8)	(2,586.2)	(3,322.0)
Change in Uncollected Customer Payments From Federal Sources	-	(141.7)	(141.7)	-	-	-
Budget Authority, Net	\$374.0	\$13,604.2	\$13,978.2	\$423.4	\$5,870.2	\$6,293.6
Outlays, Gross	\$945.1	\$7,176.4	\$8,121.5	\$874.9	\$4,654.3	\$5,529.2
Actual Offsetting Collections	(253.1)	(3,133.0)	(3,386.1)	(735.8)	(2,586.2)	(3,322.0)
Outlays, Net	\$692.0	\$4,043.4	\$4,735.4	\$139.1	\$2,068.1	\$2,207.2

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

Export-Import Bank of the United States
Notes to the Financial Statements
For the Year Ended September 30, 2012 and Year Ended September 30, 2011

1. Summary of Significant Accounting and Reporting Policies

Enabling Legislation and Mission

The Export-Import Bank of the United States (Ex-Im Bank or the Bank) is an independent executive agency and a wholly-owned U.S. government corporation 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 (FCRA) of 1990 (P.L. 101-508), which became effective October 1, 1991. The Export-Import Bank Reauthorization Act of 2012 extended the Bank's charter until September 30, 2014.

Ex-Im Bank's mission is to support U.S. jobs by facilitating the export of U.S. goods and services, by providing competitive export financing, and ensuring a level playing field for U.S. goods and services in the global marketplace. Ex-Im Bank supports U.S. exports by providing export financing through its loan, guarantee and insurance programs in cases where the private sector is unable or unwilling to provide financing or when such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that compete with U.S. exporters. The Bank's charter requires reasonable assurance of repayment for the transactions it authorizes, and the Bank closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. exports, Ex-Im Bank offers four financial products: direct loans, loan guarantees, working capital guarantees and export credit insurance. All Ex-Im Bank obligations carry the full faith and credit of the U.S. government.

Loans and guarantees extended under the medium-term loan program typically have repayment terms of one to seven years, while loans and guarantees extended under the long-term loan program usually have repayment terms in excess of seven years. Generally, both the medium-term and long-term loan and guarantee programs cover up to 85 percent of the U.S. contract value of shipped goods.

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

Ex-Im Bank's export-credit insurance 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

Export-Import Bank of the United States
Notes to the Financial Statements
For the Year Ended September 30, 2012 and Year Ended September 30, 2011

many buyers, insure comprehensive (commercial and political) credit risks or only political risks, and cover short-term or medium-term sales.

Basis of Accounting

The format of the financial statements and footnotes is in accordance with form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised as of August 3, 2012.

According to the guidance in the revised Circular A-136, the presentation of the Combined Statements of Budgetary Resources (SBR) for the year ended September 30, 2012 and 2011 was reformatted to better align with information presented in the Budget of the United States Government.

Use of Estimates

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

Loans Receivables, Net

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

From time to time, Ex-Im Bank extends the repayment date and may modify the interest rate of some or all principal installments of a loan because the obligor or country has encountered financial difficulty and Ex-Im Bank has determined that providing relief in this manner will enhance the ability to collect the loan.

Receivables from Subrogated Claims, Net

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

Accrued Interest

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

Export-Import Bank of the United States
Notes to the Financial Statements
For the Year Ended September 30, 2012 and Year Ended September 30, 2011

Accounting for Capitalized Interest on Rescheduled Loans and Subrogated Claims

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

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

The allowance for losses provides for estimated losses inherent in the loan, claim, guarantee and insurance portfolios. The allowance is established through a provision charged to earnings. Write-offs are charged against the allowance when management believes the uncollectibility of a loan or claim balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the credits in light of historical and market experience, the nature and volume of the credit portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing worldwide economic and political conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance for Ex-Im Bank credit-reform credits represents the amount of estimated credit loss associated with the applicable credit. The credit loss is defined as the net present value of estimated loan, guarantee and insurance defaults less subsequent estimated recoveries. Ex-Im Bank has established cash-flow models for expected defaults, fees and recoveries to estimate the credit loss for each approved credit. For new authorizations, the models incorporate Ex-Im Bank's actual historical loss and recovery experience.

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

Accounting for Guarantees in a Foreign Currency

Ex-Im Bank provides guarantees and insurance denominated in certain foreign currencies. The foreign currencies approved for Ex-Im Bank guarantees as of September 30, 2012, are: Australian dollar, Brazilian real, British pound, Canadian dollar, CFA franc, Colombian peso, Egyptian pound, euro, Indian rupee, Indonesian rupiah, Japanese yen, Korean won, Malaysian ringgit, Mexican peso, Moroccan dirham, New Zealand dollar, Norwegian krone, Pakistani rupee, Philippine peso, Polish zloty, Russian ruble, South African rand, Swedish krona, Swiss franc, Taiwanese dollar and Thai baht. At the time of authorization, Ex-Im Bank records the authorization amount as the U.S. dollar equivalent of the foreign-currency obligation based on the exchange rate

Export-Import Bank of the United States
Notes to the Financial Statements
For the Year Ended September 30, 2012 and Year Ended September 30, 2011

at that time. At the end of each fiscal year, Ex-Im Bank determines the dollar equivalent of the outstanding balance for each foreign-currency guarantee based on the exchange rate at the end of the year and adjusts the guarantee loan liability accordingly.

Borrowings from the U.S. Treasury

The main source of Ex-Im Bank's outstanding debt is borrowings from the U.S. Treasury. Borrowings from the U.S. Treasury are used to finance medium-term and long-term loans. These borrowings carry a fixed rate of interest. They are further discussed in Note 11.

Payment Certificates

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

Claims Payable

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

Accounts Payable to the U.S. Treasury

Accounts payable to the U.S. Treasury include the results of the credit-loss re-estimate required under the FCRA. The payable represents funds that are held in credit-reform financing accounts that are determined to be in excess of amounts needed to cover future defaults. The payable also includes expired appropriations no longer available for obligation that will be returned to the U.S. Treasury.

Fees and Premia

Ex-Im Bank charges a risk-related exposure fee under both the loan and guarantee programs that is collected on each loan disbursement or shipment of goods under the guarantee policy.

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

Appropriated Capital

Appropriations received by Ex-Im Bank pursuant to the FCRA are recorded as paid-in-capital. Beginning in FY 2008, fees collected in excess of expected credit losses are used to reimburse the U.S. Treasury for appropriations provided for program and administrative costs, resulting in a net appropriation of zero. Appropriations received prior to FY 2008 and not required to finance credit activities are returned to the U.S. Treasury when the period of availability ends.

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Congress has appropriated certain sums specifically for Ex-Im Bank's tied-aid activities. Tied-aid is government-to-government concessional financing of public sector capital projects in developing countries. Tied-aid terms usually involve total maturities longer than 20 years, lower than market interest rates and/or direct grants.

Imputed Financing

A financing source is imputed by Ex-Im Bank to provide for pension and other retirement benefit expenses recognized by Ex-Im Bank but financed by the Office of Personnel Management (OPM).

Liquidating Account Distribution of Income

Ex-Im Bank maintains a liquidating account which accumulates the repayment on loans and claims issued prior to the FCRA. At the end of each fiscal year, Ex-Im Bank transfers the cash balance in this account to the U.S. Treasury. The amount transferred is detailed on the accompanying Statements of Net Costs.

2. Fund Balance with the U.S. Treasury

Fund balances as of September 30, 2012 and September 30, 2011 were as follows:

(in millions)	FY 2012	FY 2011
Revolving Funds	\$1,448.5	\$2,506.2
General Funds - Unexpended Appropriations	465.5	462.7
General Funds - Offsetting Collections	514.3	839.4
Other Funds - Unallocated Cash	49.0	34.0
Total	\$2,477.3	\$3,842.3

Status of Fund Balance with the U.S. Treasury

Unobligated Balance		
Available	\$2,017.1	\$2,241.1
Expired	250.0	241.2
Canceled and Unavailable	2.9	3.7
Obligated Balance Not Yet Disbursed	158.3	1,322.3
Funds Pending Application	49.0	34.0
Total	\$2,477.3	\$3,842.3

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

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guarantee and insurance policies. Unallocated cash represents collections pending final application to the applicable loan or guarantee.

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

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

As of September 30, 2012 and September 30, 2011, there were no unreconciled differences between U.S. Treasury records and balances reported on Ex-Im Bank's general ledger.

3. Cash

As of September 30, 2012 and September 30, 2011 there was \$0.1 million in cash balances held outside the U.S. Treasury. The amount represents receipts for collection of insurance premia that are transferred to one of Ex-Im Bank's U.S. Treasury accounts upon application to the appropriate credit.

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

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. The buyer must make a cash payment to the U.S. exporter of at least 15 percent of the U.S. contract value. Ex-Im Bank's direct loans generally carry the lowest fixed-interest rate permitted for the importing country and term under the "Arrangement on Guidelines for Officially Supported Export Credits" negotiated among members of the 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 all of the commercial and political risks for 85 percent of the U.S. contract value.

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

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Credit Reform

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

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

ICRAS rates every country to which U.S. government agencies have outstanding loans or loan guarantees or are anticipating making new credits available. ICRAS rates countries on the basis of economic and political/social variables. There are 11 sovereign and 9 non-sovereign risk categories and each country receives two ratings: a sovereign-risk rating and a private-risk rating. ICRAS currently has risk ratings for 198 sovereign and 200 non-sovereign markets.

FY 2012 and FY 2011 Activity

Ex-Im Bank received a \$4.0 million appropriation in FY 2012 and \$2.5 million in FY 2011 for the Inspector General administrative costs.

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

The following table summarizes offsetting collections and appropriations received and used in FY 2012 and in FY 2011:

(in millions)	FY 2012	FY 2011
RECEIVED AND AVAILABLE		
Appropriation for Inspector General Administrative Costs	\$4.0	\$2.5
Offsetting Collections	197.9	701.1
Total Received	201.9	703.6
Unobligated Balance Carried Over from Prior Year	950.2	676.5
Recission of Unobligated Balances	(400.0)	(275.0)
Cancellations of Prior-Year Obligations	9.7	4.5
Total Available	761.8	1,109.6
OBLIGATED		
For Credit Program Costs Excluding Tied Aid	72.1	68.1
For Credit-Related Administrative Costs	90.3	91.3
Total Obligated	162.4	159.4
UNOBLIGATED BALANCE		
Unobligated Balance	599.4	950.2
Unobligated Balance Lapsed	(3.5)	0.0
Remaining Balance	\$595.9	\$950.2

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Of the remaining balance of \$595.9 million at September 30, 2012, \$92.5 million is available until September 30, 2013; \$217.0 million is available until September 30, 2014; \$108.0 million is available until September 30, 2015, and \$178.4 million is available until expended and may be used for tied aid programs.

New loans, guarantees and insurance result in a program cost (or subsidy cost) when the net present value of expected cash disbursements exceeds expected cash receipts. Cash receipts typically include fees or premia, loan principal and interest, and cash disbursements typically include claim payments and loan disbursements. For new authorizations, Ex-Im uses both its own historical default and recovery rates in its cash flow models to calculate program cost.

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

Starting in FY 2008, Ex-Im Bank has operated on a self-sustaining basis using program revenue to fund current year administrative expenses and program costs. During FY 2012, Ex-Im Bank collected \$1,001.6 million of receipts in excess of estimated credit losses. Of these offsetting collections, \$89.9 million was used to fund administrative expenses, \$803.7 million was returned to the U.S Treasury and \$108.0 million was retained and is available for obligation until September 30, 2015. During FY 2011, Ex-Im Bank collected \$701.1 million of receipts in excess of estimated credit losses. Of these offsetting collections, \$83.9 million was used to fund administrative expenses, \$0.2 million was used to fund subsidy expense, and \$617.0 million was retained. In FY 2012, \$400.0 million of the FY 2011 offsetting collections were rescinded, leaving \$217.0 million available for obligation until September 30, 2014.

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

Allowance for Loss

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

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

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

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

For pre-credit-reform and nonimpaired loans receivable, Ex-Im Bank determines the allowance using historical default and recovery rates. The allowance for losses on this exposure is calculated using the credit loss estimate method. Consistent with industry practice in the private sector, this is an estimate of the loss expected due to credit risk and does not include non-credit factors that are included in the fair-market value method.

Loss reserves on pre-credit-reform impaired credits are determined using the fair-value method. Ex-Im Bank generally considers a credit impaired if it meets one or more of the following: (1) delinquent loans and claims with an amount of \$50,000 or more past due at least 90 days, (2) rescheduled loans and rescheduled claims, or (3) nondelinquent loans and claims above a certain risk rating.

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

Credit Loss Re-Estimate

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

Ex-Im Bank uses its actual historical default and recovery rates to calculate the re-estimated future credit losses. In the event that the balance in the financing accounts exceeds the re-estimate level, the difference will not be needed to cover future estimated claims and will be returned to the U.S. Treasury. In the event that the balance in the financing accounts is less than the re-estimate level, the FCRA provides that the difference will be transferred to Ex-Im Bank from a general appropriation account authorized for this purpose.

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

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Prior to FY 2012, Ex-Im Bank relied primarily on quantitative factors to calculate loss reserves. Because the portfolio grew significantly over the past few years and the composition of the portfolio became more complex, the Bank analyzed and developed for FY 2012 credit loss factors that incorporated both a quantitative and an enhanced qualitative framework. The additional qualitative factors are based on the risk profile of the Bank's portfolio and were added to the quantitative factors to better and more accurately measure risk through the reserve process. Fourteen qualitative adjustments were identified that fall into three broad categories; 1) model risk, 2) concentration risk, and 3) global economic risk.

As of September 30, 2012, the re-estimate of the credit loss of the outstanding balances of FY 1992 through FY 2012 commitments indicated that a net of \$577.3 million of additional funds were needed in the financing accounts, mostly to cover funding costs on direct loans, which had exceeded original budgeted estimates. This upward re-estimate will be received from the U.S. Treasury in FY 2013.

As of September 30, 2011, a re-estimate of the credit loss of the exposure of FY 1992 through FY 2011 commitments indicated that a net amount of \$102.2 million was needed in the financing accounts. The amount was received from the U.S. Treasury in FY 2012.

A. Direct Loans

Ex-Im Bank's loans receivable, as shown on the Balance Sheet, are net of an allowance for loan losses.

To calculate the allowance for loan losses for direct loans obligated prior to FY1992, each of the 11 risk levels is identified with a loss percentage to determine the overall allowance for credit losses as described above. In addition, certain credits and capitalized interest included in gross loans receivable are reserved at 100 percent. At September 30, 2012, and September 30, 2011, capitalized interest on credits obligated prior to FY 1992 was \$137.2 million and \$142.1 million, respectively. The total allowance for direct loans obligated prior to FY 1992, including capitalized interest, equaled 82.6 percent and 72.2 percent, respectively, of gross loans and interest receivable.

The allowance for loss calculated for direct loans obligated since the commencement of FY 1992 equals the amount of credit loss incurred to support the loan obligation. The credit loss is the amount of loss estimated to be incurred on the transaction, as previously described. At September 30, 2012, and September 30, 2011, the allowance for loan losses on credit-reform credits equaled 10.1 percent and 14.9 percent, respectively, of the outstanding loans and interest receivable balance.

At September 30, 2012, and September 30, 2011, the allowance for both pre-credit-reform and credit-reform loans equaled 12.7 percent and 18.7 percent, respectively, of the total loans and interest receivable.

The outstanding balances related to rescheduled installments included in loans receivable at September 30, 2012 and September 30, 2011, were \$704.7 million and \$748.6 million, respectively. No loan principal installments were rescheduled in FY 2012

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and FY 2011. Loan installments of interest rescheduled in FY 2012 and FY 2011 were \$69.0 million and \$19.5 million, respectively. The interest rate on rescheduled loans is generally a floating rate of interest, which is 50.0 basis points over the six-month U.S. Treasury rate.

The net balance of loans receivable at September 30, 2012, and September 30, 2011, consists of the following:

FY 2012 (in millions)	Loans	Interest	Allowance	Value of Assets
	Receivable	Receivable	for Loan	Related to
	Gross		Losses	Direct Loans, Net
Loans Obligated Prior to FY 1992	\$459.3	\$0.4	(\$379.8)	\$79.9
Loans Obligated After FY 1991	11,894.8	96.5	(1,205.8)	10,785.5
Total	\$12,354.1	\$96.9	(\$1,585.6)	\$10,865.4

FY 2011 (in millions)	Loans	Interest	Allowance	Value of Assets
	Receivable	Receivable	for Loan	Related to
	Gross		Losses	Direct Loans, Net
Loans Obligated Prior to FY 1992	\$478.9	\$59.8	(\$388.8)	\$149.9
Loans Obligated After FY 1991	7,630.8	69.7	(1,149.4)	6,551.1
Total	\$8,109.7	\$129.5	(\$1,538.2)	\$6,701.0

(in millions)	FY 2012	FY 2011
Direct Loans Disbursed During Year (Post-1991)	\$4,873.4	\$2,589.7

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

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

(in millions)	FY 2012	FY 2011
Interest	(\$255.9)	(\$278.4)
Defaults	54.1	103.3
Fees and Other Collections	(391.2)	(230.9)
Total	(593.0)	(406.0)
Net Re-estimate – Principal	353.7	382.7
Net Re-estimate – Interest	(10.2)	136.6
Total Net Re-estimate	343.5	519.3
Total Direct Loan Program Cost and Re-Estimate Expense	(\$249.5)	\$113.3

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

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

	FY 2012	FY 2011
Interest	(13.7)%	(6.7)%
Defaults	1.7 %	3.6 %
Fees and Other Collections	(4.9)%	(9.2)%
Total	(16.9)%	(12.3)%

D. Schedule for Reconciling Direct Loan Allowance Balances

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

(in millions)	FY 2012	FY 2011
Post-1991 Direct Loans		
Beginning Balance of the Allowance Account	\$1,149.4	\$1,210.0
Current Year Program Cost Modifications	(593.0)	(406.0)
Subtotal Program Cost <i>(see Note 4B for Component Breakdown)</i>	(593.0)	(406.0)
Fees Received	395.3	200.1
Loans Written Off	(0.9)	(290.9)
Program Cost Allowance Amortization	233.3	197.3
Miscellaneous Recoveries and Costs	(321.8)	(280.4)
Ending Balance Before Re-estimate	862.3	630.1
Re-estimate	343.5	519.3
Ending Balance of the Allowance Account	\$1,205.8	\$1,149.4

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

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E. Defaulted Guaranteed Loans

The allowance for defaulted guaranteed loans is calculated using the fair-market value method. Capitalized interest included in gross defaulted guaranteed loans receivable is reserved at 100 percent. At September 30, 2012 and September 30, 2011, capitalized interest on pre-credit reform defaulted guaranteed loans was \$33.5 million and \$37.4 million, respectively. At September 30, 2012 and September 30, 2011, capitalized interest on credit reform defaulted guaranteed loans was \$119.2 million and \$122.8 million, respectively. The total allowance equaled 79.8 percent and 78.1 percent of gross defaulted guaranteed loans and interest receivable at September 30, 2012, and September 30, 2011, respectively.

FY 2012 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Defaulted Guaranteed Loans				
Obligated Prior to FY 1992	\$73.8	\$ -	(\$60.8)	\$13.0
Obligated After FY 1991	1,425.4	1.4	(1,136.1)	290.7
Total	\$1,499.2	\$1.4	(\$1,196.9)	\$303.7

FY 2011 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Defaulted Guaranteed Loans				
Obligated Prior to FY 1992	\$93.5	\$ -	(\$73.8)	\$19.7
Obligated After FY 1991	1,584.1	1.1	(1,237.7)	347.5
Total	\$1,677.6	\$1.1	(\$1,311.5)	\$367.2

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F. Guaranteed Loans & Insurance

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

(in millions)	FY 2012	FY 2011
Gross Outstanding Principal of Guaranteed Loans and Insurance, Face Value	\$56,822.9	\$50,288.8
Gross Undisbursed Principal of Guaranteed Loans and Insurance, Face Value	<u>19,566.0</u>	<u>20,453.2</u>
Total Gross Principal of Guaranteed Loans and Insurance, Face Value	\$76,388.9	\$70,742.0
Amount of Principal That is Guaranteed and Insured by Ex-Im	\$76,388.9	\$70,742.0
Gross Amount of Guaranteed Loans and Insurance Disbursed During Year, Face Value	\$21,879.7	\$17,892.9
Amount of Guaranteed Loans and Insurance Disbursed During Year That is Guaranteed and Insured by Ex-Im	\$21,879.7	\$17,892.9

G. Liability for Loan Guarantees and Insurance

The Liability for Loan Guarantees and Insurance of \$1,814.0 million at September 30, 2012 and \$1,219.5 million at September 30, 2011 represents the liability for Post FY 1991 guarantees and insurance credits. Since FY 2011, Ex-Im no longer has Pre FY 1992 liabilities for loan guarantees and insurance.

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

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

(in millions)	FY 2012	FY 2011
Defaults	\$829.0	\$549.8
Fees and Other Collections	(1,195.5)	(792.3)
Total	(366.5)	(242.5)
Net Re-estimate – Principal	290.8	(312.5)
Net Re-estimate – Interest	(57.0)	(104.6)
Total Net Re-estimate	233.8	(417.1)
Total Loan Guarantee and Insurance Program Cost and Re-Estimate Expense	(\$132.7)	(\$659.6)

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

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

	FY 2012	FY 2011
Defaults	2.2%	2.1%
Fees and Other Collections	(4.8)%	(4.5)%
Total	(2.6)%	(2.4)%

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J. Schedule for Reconciling the Allowance for Loan Guarantee Balances

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

(in millions)	FY 2012	FY 2011
<hr/>		
Post-1991 Loan Guarantees		
Beginning Balance of the Allowance Account	\$1,219.5	\$1,418.4
Current Year Program Cost	(367.7)	(242.7)
Modifications	1.2	0.2
Subtotal Program Cost	(366.5)	(242.5)
<i>(See Note 4H for Component Breakdown)</i>		
Fees Received	666.0	464.1
Claim Expenses and Write-Offs	21.7	(22.0)
Interest Accumulation	45.6	51.7
Other	(6.1)	(33.1)
Ending Balance Before Re-estimate	1,580.2	1,636.6
Re-estimate	233.8	(417.1)
Ending Balance of the Allowance Account	<u>\$1,814.0</u>	<u>\$1,219.5</u>

K. Administrative Costs

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

(in millions)	FY 2012	FY 2011
Total Administrative Expense	\$98.7	\$91.1

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L. Allowance and Exposure Summary

(in millions)	FY 2012	FY 2011
<u>Pre-Credit-Reform Allowance</u>		
Allowance for Loan Losses	\$379.8	\$388.8
Allowance for Defaulted Guarantees	60.8	73.8
Total Pre-Credit-Reform Allowance	440.6	462.6
<u>Credit-Reform Allowance</u>		
Allowance for Loan Losses	1,205.8	1,149.4
Allowance for Defaulted Guarantees and Insurance	1,136.1	1,237.7
Liability for Loan Guarantees and Insurance	1,814.0	1,219.5
Total Credit-Reform Allowance	4,155.9	3,606.6
Total Allowance for Loan Loss	1,585.6	1,538.2
Total Allowance for Guarantees and Insurance	3,010.9	2,531.0
Total Allowance	\$4,596.5	\$4,069.2
Total Outstanding Balance of Loans, Guarantees and Insurance	\$70,676.2	\$60,076.1
Percent Allowance to Outstanding Balance	6.5%	6.8%
Total Exposure	\$106,646.4	\$89,152.0
Percent Allowance to Exposure	4.3%	4.6%

5. Receivable from the Program Account and Payable to the Financing Account

The Receivable from the Program Account is fully offset by the Payable to the Financing Account, the amounts are payable to and receivable from different Ex-Im Bank accounts at the U.S. Treasury and net to zero. As a result, for Balance Sheet presentation purposes these balances are being eliminated beginning in FY 2012. The elimination does not affect the Statements of Net Costs, the Statements of Changes in Net Position, or the Combined Statements of Budgetary Resources.

6. Accrual of Interest

The weighted-average interest rate on Ex-Im Bank's loan and rescheduled claim portfolio at September 30, 2012, was 3.00 percent (3.13 percent on performing loans and rescheduled claims). The weighted-average interest rate on Ex-Im Bank's loan and rescheduled claim portfolio at September 30, 2011, was 3.37 percent (3.58 percent on performing loans and rescheduled claims). Interest income is recognized when collected on nonrescheduled claims.

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Generally, the accrual of interest on loans and rescheduled claims is discontinued when the credit is delinquent for more than 90 days. Ex-Im Bank had a total of \$481.7 million and \$60.2 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2012. Ex-Im Bank had \$447.1 million and \$64.2 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2011. Had these credits been in accrual status, interest income would have been \$25.1 million higher as of September 30, 2012 (amount is net of interest received of \$2.6 million), and \$27.7 million higher in FY 2011 (amount is net of interest received of \$0.4 million).

In FY 2012, interest accruals on certain rescheduled debt were adjusted, reducing interest receivable and interest income by \$59.2 million. This was a prior year error that was immaterial and corrected in the current year.

Ex-Im Bank calculates the amount of interest income on the cash balances in the credit-reform financing accounts and the interest expense on outstanding borrowings from the U.S. Treasury under a method prescribed by OMB and the U.S. Treasury. In FY 2012, the calculation more accurately aligned the cash balances and outstanding borrowings to the interest rates in effect at the time the underlying credits were obligated. This change resulted in a reduction in interest income and interest expense with a net impact of approximately \$48.3 million decrease in interest cost in FY 2012.

7. Statutory Limitations on Lending Authority

Under provisions of the Export-Import Bank Act, as amended in FY 2012, Ex-Im Bank's statutory authority was increased from \$100.0 billion to \$120.0 billion of loans, guarantees and insurance outstanding at any one time. At September 30, 2012, and September 30, 2011, Ex-Im Bank's statutory authority used was as follows:

(in millions)	FY 2012	FY 2011
Outstanding Guarantees	\$54,133.5	\$47,844.0
Outstanding Loans	12,354.1	8,109.7
Outstanding Insurance	2,689.4	2,444.8
Outstanding Claims	1,499.2	1,677.6
Total Outstanding	70,676.2	60,076.1
Undisbursed Loans	16,404.2	8,622.7
Undisbursed Guarantees	12,726.7	13,585.1
Undisbursed Insurance	6,839.3	6,868.1
Total Undisbursed	35,970.2	29,075.9
Total Exposure	\$106,646.4	\$89,152.0

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Transactions can be committed only to the extent that budget authority is available to cover program costs. For FY 2012 and FY 2011, Congress placed no limit on the total amount of loans, guarantees and insurance that could be committed in those years, provided that the statutory authority established by the Export-Import Bank Act was not exceeded.

During FY 2012, Ex-Im Bank committed \$11,764.5 million for direct loans, \$24,019.8 million for guarantees and insurance, using \$72.1 million of budget authority and no tied aid funds. During FY 2011, Ex-Im Bank committed \$6,322.9 million for direct loans, \$26,404.2 million for guarantees and insurance, using \$68.1 million of budget authority and no tied aid funds.

Ex-Im Bank has authorized guarantee transactions denominated in a foreign currency during FY 2012 totaling \$1,721.2 million, and authorized \$1,896.3 million during FY 2011, as calculated at the exchange rate at the time of authorization. Ex-Im Bank adjusts the allowance for all transactions denominated in a foreign currency using the various foreign-currency exchange rates at the end of the fiscal year.

For financial statement purposes, Ex-Im Bank defines exposure as the authorized outstanding and undisbursed principal balance of loans, guarantees, and insurance. It also includes the unrecovered balance of payments made on claims that were submitted to Ex-Im in its capacity as guarantor or insurer under the export guarantee and insurance programs. Exposure does not include accrued interest or transactions pending final approval. This corresponds to the way activity is charged against the Bank's overall \$120 billion lending limit imposed by Section 6(a)(2) of Ex-Im Bank's Charter.

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

Since there is typically a delay in reporting shipments under the insurance program, undisbursed balances remain on the books for 120 days after the expiry date to allow for the posting of shipments that took place within the period covered by the policy but were reported after the expiry date. These unreported shipments pose some liability in the form of claims that have been incurred but not yet reported (IBNR). Leaving the policy open past the expiry date provides a reserve for IBNR.

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8. Concentration of Risk

Ex-Im Bank support is available to U.S. businesses exporting to countries around the world. The Bank's portfolio is concentrated more heavily in some regions, industries and obligors than others. In reviewing each transaction, Ex-Im Bank considers the option of using various credit enhancements to support its standard for a reasonable assurance of repayment. Various types of collateral, including liens on commercial aircraft, may or may not be appropriate or available in support of a credit.

The volatility in commodity prices, the fluctuation in currency exchange rates, and the tightening of credits markets may have an impact on borrowers' ability to service their obligations. Ex-Im Bank closely monitors the portfolio and makes appropriate rating adjustments and loss reserve adjustments as necessary.

The following tables summarize total exposure by geographic region as of September 30, 2012 and September 30, 2011:

2012 (in millions)

Region	Amount	Percentage
Asia	\$42,345.3	39.7%
Latin America & Caribbean	22,104.6	20.7%
Europe	11,303.8	10.6%
North America	10,579.3	9.9%
Oceania	8,305.0	7.8%
Africa	5,770.8	5.4%
All Other	6,237.6	5.9%
Total	\$106,646.4	100.0%

2011 (in millions)

Region	Amount	Percentage
Asia	\$32,832.3	36.9%
Latin America & Caribbean	19,728.3	22.1%
Europe	10,772.7	12.1%
North America	9,352.9	10.5%
Oceania	5,372.5	6.0%
Africa	4,832.5	5.4%
All Other	6,260.8	7.0%
Total	\$89,152.0	100.0%

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The following tables summarize total exposure by industry as of September 30, 2012 and September 30, 2011:

2012 (in millions)

Industry	Amount	Percentage
Air Transportation	\$49,419.6	46.3%
Manufacturing	18,091.0	17.0%
Oil & Gas	13,938.7	13.1%
Power Projects	8,649.2	8.1%
All Other	16,547.9	15.5%
Total	\$106,646.4	100.0%

2011 (in millions)

Industry	Amount	Percentage
Air Transportation	\$43,014.5	48.2%
Manufacturing	12,499.8	14.0%
Oil & Gas	10,916.6	12.2%
Power Projects	6,818.8	7.6%
All Other	15,902.3	18.0%
Total	\$89,152.0	100.0%

The following tables summarize the five largest public and private obligors at September 30, 2012 and September 30, 2011:

2012 (in millions)

Obligor	Amount	Percentage
Pemex	\$5,746.0	5.4%
Sadara Chemical Company	4,975.4	4.7%
Ryanair Ltd.	3,666.1	3.4%
Various Government Entities of India	3,476.3	3.3%
Papua New Guinea Lng Global Comp.	3,000.0	2.8%
All Other	85,782.6	80.4%
Total	\$106,646.4	100.0%

2011 (in millions)

Obligor	Amount	Percentage
Pemex	\$5,522.5	6.2%
Various Government Entities of India	3,742.4	4.2%
Ryanair Ltd.	3,524.4	4.0%
Papua New Guinea Lng Global Comp.	3,000.0	3.4%
Refineria De Cartagena S.A.	2,843.6	3.2%
All Other	70,519.1	79.0%
Total	\$89,152.0	100.0%

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The following tables summarize the largest exposures by program by country as of September 30, 2012 and September 30, 2011:

Loans Outstanding and Undisbursed:

2012 (in millions)

Country	Amount	Percentage
Saudi Arabia	\$6,659.0	23.2%
Australia	3,461.6	12.0%
Colombia	2,650.0	9.2%
United Arab Emirates	2,459.3	8.6%
All Other	13,528.4	47.0%
Total	\$28,758.3	100.0%

2011 (in millions)

Country	Amount	Percentage
Colombia	\$2,343.6	14.1%
Papua New Guinea	2,200.0	13.1%
Mexico	1,880.9	11.2%
India	1,370.0	8.2%
All Other	8,937.9	53.4%
Total	\$16,732.4	100.0%

Subrogated Claims:

2012 (in millions)

Country	Amount	Percentage
Mexico	\$319.7	21.3%
Indonesia	257.2	17.2%
Kazakhstan	140.3	9.4%
Serbia	111.5	7.4%
All Other	670.5	44.7%
Total	\$1,499.2	100.0%

2011 (in millions)

Country	Amount	Percentage
Mexico	\$361.1	21.5%
Kazakhstan	141.9	8.5%
Indonesia	114.9	6.8%
Brazil	63.5	3.8%
All Other	996.2	59.4%
Total	\$1,677.6	100.0%

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Guarantees and Insurance:

2012 (in millions)

Country	Amount	Percentage
Mexico	\$7,076.8	9.3%
India	4,968.8	6.5%
Ireland	4,756.3	6.2%
United Arab Emirates	4,240.5	5.6%
All Other	55,346.5	72.4%
Total	\$76,388.9	100.0%

2011 (in millions)

Country	Amount	Percentage
Mexico	\$6,090.8	8.6%
India	5,631.1	8.0%
Ireland	4,315.2	6.1%
Turkey	3,747.0	5.3%
All Other	50,957.9	72.0%
Total	\$70,742.0	100.0%

9. Other Assets

(in millions)	FY 2012	FY 2011
Commitment Fee Receivables	\$20.8	\$8.9
Other	2.0	2.3
Total Other Assets	\$22.8	\$11.2

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

10. Liabilities Not Covered by Budgetary Resources

Ex-Im Bank's liability to employees for accrued unfunded annual leave, included in Other Liabilities on the Balance Sheets, was \$4.1 million as of September 30, 2012 and \$3.6 million as of September 30, 2011. The liability will be paid from future administrative expense budget authority.

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11. Debt

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

Ex-Im Bank's total debt at September 30, 2012, and September 30, 2011, is as follows:

(in millions)	FY 2012	FY 2011
U.S. Treasury Debt		
Beginning Balance	\$8,279.3	\$7,254.5
New Borrowings	4,941.3	1,742.0
Repayments	(1,919.3)	(717.2)
Ending Balance	<u>\$11,301.3</u>	<u>\$8,279.3</u>
Debt Held by the Public		
Beginning Balance	\$64.3	\$78.8
New Borrowings	0.2	5.7
Repayments	(17.0)	(20.2)
Ending Balance	<u>\$47.5</u>	<u>\$64.3</u>
Total Debt	<u>\$11,348.8</u>	<u>\$8,343.6</u>

Ex-Im Bank had \$11,301.3 million of borrowings outstanding with the U.S. Treasury at September 30, 2012, and \$8,279.3 million at September 30, 2011, with a weighted-average interest rate of 3.99 percent at September 30, 2012, and 5.10 percent at September 30, 2011.

U.S. Treasury borrowings are repaid primarily with the repayments of medium-term and long-term loans. To the extent repayments on the underlying loans, combined with commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, appropriated funds are available to Ex-Im Bank through the re-estimation process for this purpose. Accordingly, U.S. Treasury borrowings do not have a set repayment schedule; however, the full amount of the borrowings is expected to be repaid by FY 2038.

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

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Outstanding payment certificates at September 30, 2012, and September 30, 2011, were \$47.5 million, and \$64.3 million, respectively. Maturities of payment certificates at September 30, 2012, are as follows:

(in millions)	Amount
Fiscal Year	Amount
2013	\$1.3
2014	5.3
2015	0.4
2016	25.6
Thereafter	14.9
Total	\$47.5

The weighted-average interest rate on Ex-Im Bank's outstanding payment certificates at September 30, 2012, and September 30, 2011, was 3.79 percent and 4.06 percent, respectively.

12. Other Liabilities

(in millions)	FY 2012	FY 2011
Current		
Funds Held Pending Application	\$47.0	\$33.1
Administrative Expenses Payable	10.4	8.6
Miscellaneous Accrued Payables	1.5	1.9
Non-Current		
Deferred Revenue	504.1	833.1
Total Other Liabilities	\$563.0	\$876.7

As of September 30, 2012 and September 30, 2011, \$504.1 million and \$833.1 million, respectively represent deferred revenue in the form of offsetting collections which are available to cover administrative expenses and program costs.

13. Leases

Ex-Im Bank's headquarters office space is leased from the General Services Administration through the Public Buildings Fund. Lease expenses, included in Administrative Costs on the Statements of Net Costs were \$5.7 million in FY 2012 and \$6.3 million in FY 2011. The lease expires on December 31, 2014, at which time it will be renegotiated. Future payments under the lease are as follows:

(in millions)	Amount
Fiscal Year	Amount
2013	\$6.2
2014	6.2
2015	1.6
Total	\$14.0

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14. Commitments and Contingencies

Pending Litigation

As of September 30, 2012, Ex-Im Bank was named in several legal actions, virtually all of which involved claims under the guarantee and insurance programs. It is not possible to predict the eventual outcome of the various actions; however, it is management's opinion that these claims will not result in liabilities to such an extent that they would materially affect the financial position or results of operations of Ex-Im Bank.

Project Finance

In project-finance transactions, Ex-Im Bank's support during the construction period is generally in the form of a direct credit or comprehensive guarantee to the commercial lender. At the end of the construction period, the borrower in some cases has the opportunity to convert the commercial guaranteed financing to an Ex-Im Bank direct loan. As of September 30, 2012 and September 30, 2011, Ex-Im Bank had \$316.0 million and \$272.8 million, respectively, of such contingent loan commitments outstanding.

Take Out Option

Ex-Im Bank offers a "take-out" option available on all U.S. dollar, floating rate medium-term and long-term guarantees. The option allows banks to transfer the loan to Ex-Im following origination for a set of predetermined fees. As of September 30, 2012 and September 30, 2011, Ex-Im Bank had \$402.2 million and \$1,928.7 million, respectively, of such contingent loan commitments outstanding.

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15. Disclosures Related to the Statements of Net Costs

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

Public Costs and Public Revenue

(in millions)

	<u>Loans</u>	<u>Guarantees</u>	<u>Insurance</u>	<u>Administrative Costs</u>	<u>Total</u>
<u>For the Year Ended September 30, 2012</u>					
Intragovernmental Costs	\$523.9	\$ -	\$ -	\$6.2	\$530.1
Public Costs	341.4	651.8	47.2	92.5	1,132.9
Total Costs	<u>865.3</u>	<u>651.8</u>	<u>47.2</u>	<u>98.7</u>	<u>1,663.0</u>
Intragovernmental Revenue	(133.1)	(43.8)	(1.8)	-	(178.7)
Public Revenue	<u>(365.7)</u>	<u>(349.9)</u>	<u>(40.6)</u>	<u>-</u>	<u>(756.2)</u>
Total Revenue	<u>(498.8)</u>	<u>(393.7)</u>	<u>(42.4)</u>	<u>-</u>	<u>(934.9)</u>
Liquidating Account Distribution of Income					23.4
Net Excess of Program Costs Over (Revenue)					<u><u>\$751.5</u></u>

For the Year Ended September 30, 2011

Intragovernmental Costs	\$439.0	\$ -	\$ -	\$6.5	\$445.5
Public Costs	528.2	(44.1)	21.1	84.6	589.8
Total Costs	<u>967.2</u>	<u>(44.1)</u>	<u>21.1</u>	<u>91.1</u>	<u>1,035.3</u>
Intragovernmental Revenue	(139.1)	(49.7)	(2.0)	-	(190.8)
Public Revenue	<u>(345.6)</u>	<u>(274.0)</u>	<u>(39.4)</u>	<u>-</u>	<u>(659.0)</u>
Total Revenue	<u>(484.7)</u>	<u>(323.7)</u>	<u>(41.4)</u>	<u>-</u>	<u>(849.8)</u>
Liquidating Account Distribution of Income					21.9
Net Excess of Program Costs Over (Revenue)					<u><u>\$207.4</u></u>

Intragovernmental costs include interest expense paid to the U.S. Treasury related to borrowings associated with the funding of credit-reform direct loans and administrative costs paid to other government agencies. Intragovernmental revenues represent interest from the U.S. Treasury on cash balances in the credit-reform financing accounts.

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Public costs represent costs which the Bank incurs to support the business programs. These costs are comprised primarily of the provision for loss on the loan and guarantee portfolio, and administrative costs paid to the public. Public revenue represents income items which are generated as a result of operating the loan, guarantee and insurance programs. This revenue primarily relates to the fee and interest income on the outstanding credits.

16. Disclosures Related to the Combined Statements of Budgetary Resources

Combined Statements of Budgetary Resources disclose total budgetary resources available to the Bank and the status of such resources at September 30, 2012 and September 30, 2011. Activity impacting budget totals of the overall U.S. government budget is recorded in Ex-Im Bank's Combined Statements of Budgetary Resources budgetary accounts. Activity which does not impact budget totals is recorded in Ex-Im Bank's Combined Statements of Budgetary Resources nonbudgetary accounts. As of September 30, 2012 and September 30, 2011 the Bank's resources in budgetary accounts totaled \$1,844.3 million and \$2,085.1 million, respectively. As of September 30, 2012 and September 30, 2011 the Bank's resources in nonbudgetary accounts totaled \$16,458.6 million and \$10,046.6 million, respectively.

Adjustments to Beginning Balance of Budgetary Resources

Ex-Im Bank made no adjustments to the beginning budgetary resources during the years ended September 30, 2012 and September 30, 2011.

Apportionment Categories of Obligations Incurred

Ex-Im Bank funds are apportioned in Category B, which restricts the use of funds by program. The amount of Category B apportionments that were obligated in FY 2012 and FY 2011 totaled \$16,035.9 million and \$9,649.4 million, respectively.

Permanent Indefinite Appropriations

The FCRA requires an annual re-estimate of the credit loss allowance. In the event that there is an increase in estimated defaults, there is permanent and indefinite budget authority available for this purpose. In FY 2012, the Bank received \$102.2 million of permanent indefinite appropriations as a result of the FY 2011 re-estimate. In FY 2011, the Bank received \$717.9 million of permanent indefinite appropriations as a result of the FY 2010 re-estimate.

Available Borrowing Authority and Terms of Borrowing

Ex-Im Bank in part relies on borrowings from the U.S. Treasury to help fund the Bank's loan program. U.S. Treasury borrowings are repaid primarily with the repayments of medium-term and long-term loans. To the extent repayments on the underlying loans, combined with commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, permanent and indefinite appropriated funds are available to Ex-Im Bank through the re-estimation process for this purpose. Accordingly, U.S. Treasury borrowings do not have a set repayment schedule; however, the full amount of the borrowings is expected to be repaid by FY 2038.

For FY 2012 and FY 2011, Ex-Im Bank had \$13,640.5 million and \$6,612.1 million respectively in new borrowing authority with the U.S. Treasury.

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Unobligated Balances

Unobligated balances at September 30, 2012 totaled \$2,267.0 million. Of the \$2,267.0 million, \$607.7 million is available to cover program costs for new credits, \$1,409.3 million represents the amount in the guarantee and insurance financing account that is available to cover future defaults, and \$250.0 million is unavailable for new obligations.

Unobligated balances at September 30, 2011 totaled \$2,482.3 million. Of the \$2,482.3 million, \$957.5 million was available to cover program costs for new credits, \$1,283.6 million represents the amount in the guarantee and insurance financing account that was available to cover future defaults, and \$242.1 million was unavailable for new obligations

Differences between Combined Statements of Budgetary Resources and Budget of U.S. Government

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

17. Reconciliation of Net Cost of Operations to Budget

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

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(in millions)	For the Year Ended September 30, 2012	For the Year Ended September 30, 2011
<u>Resources Used To Finance Activities</u>		
Budgetary Resources Obligated		
Obligations Incurred	\$16,035.9	\$9,649.4
Less: Spending Authority from Offsetting Collections and Recoveries	3,704.9	3,387.8
Net Obligations	<u>12,331.0</u>	<u>6,261.6</u>
Other Resources		
Imputed Financing from Costs Absorbed by Others	3.1	3.5
Total Resources Used To Finance Activities	<u>12,334.1</u>	<u>6,265.1</u>
<u>Resources Used To Finance Items Not Part of Net Cost of Operations</u>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	(\$7,677.3)	(\$4,054.4)
Resources That Fund Expenses in Prior Periods	(789.3)	(717.9)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
- Credit-Program Collections	2,432.8	2,588.1
Resources That Finance the Acquisition of Assets	(6,644.4)	(4,634.6)
Distribution of Income	23.4	21.9
Total Resources That Do Not Finance Net Cost of Operations	<u>(12,654.8)</u>	<u>(6,796.9)</u>
Total Resources Used To Finance the Net Cost of Operations	<u>(320.7)</u>	<u>(531.8)</u>
<u>Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period</u>		
Components Requiring or Generating Resources in Future Periods		
Allowance Amortization	\$461.2	\$357.4
Provision for Loss--Pre-Credit-Reform Credits	(25.1)	3.6
Downward Re-estimate of Credit-Losses	(486.3)	(721.9)
Upward Re-estimate of Credit-Losses	1,023.0	789.3
Change in Receivables	(158.2)	(213.7)
Change in Payables	0.2	427.4
Total Components Requiring or Generating Resources in Future Periods	<u>814.8</u>	<u>642.1</u>
Components Not Requiring or Generating Resources		
Deferral Adjustments	257.4	97.1
Total Components Not Requiring or Generating Resources	<u>257.4</u>	<u>97.1</u>
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	<u>\$1,072.2</u>	<u>\$739.2</u>
Net Excess Program Costs over (Revenue)	<u>\$751.5</u>	<u>\$207.4</u>

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18. Related-Party Transactions

The financial statements reflect the results of contractual agreements with the Private Export Funding Corporation (PEFCO). PEFCO, which is owned by a consortium of private-sector banks, industrial companies and financial services institutions, makes medium-term and long-term fixed-rate and variable-rate loans to foreign borrowers to purchase U.S. made equipment when such loans are not available from traditional private sector lenders on competitive terms. Ex-Im Bank's credit and guarantee agreement with PEFCO extends through December 31, 2020. Through its contractual agreements with PEFCO, Ex-Im Bank exercises a broad measure of supervision over PEFCO's major financial management decisions, including approval of both the terms of individual loan commitments and the terms of PEFCO's long-term debt issues, and is entitled to representation at all meetings of PEFCO's board of directors, advisory board and exporters' council.

PEFCO has agreements with Ex-Im Bank which provide that Ex-Im Bank will (1) guarantee the due and punctual payment of principal and interest on export loans made by PEFCO and (2) guarantee the due and punctual payment of interest on PEFCO's long-term secured debt obligations when requested by PEFCO. Such guarantees, aggregating \$6,095.6 million at September 30, 2012 (\$5,207.5 million related to export loans and \$888.1 million related to secured debt obligations) and \$5,252.6 million at September 30, 2011 (\$4,319.0 million related to export loans and \$933.6 million related to secured debt obligations), are included by Ex-Im Bank in the total for guarantee, insurance and undisbursed loans and the allowance related to these transactions is included in the Guaranteed Loan Liability on the Balance Sheets. Ex-Im Bank received fees totaling \$32.5 million in FY 2012 (\$32.2 million related to export loans and \$0.3 million related to secured debt obligations) and \$29.5 million in FY 2011 (\$29.2 million related to export loans and \$0.3 million related to secured debt obligations) for the agreements, which are included in Fee and Other Revenue on the Statements of Net Costs.

Ex-Im Bank has significant transactions with the U.S. Treasury. The U.S. Treasury, although not exercising control over Ex-Im Bank, holds the capital stock of Ex-Im Bank creating a related-party relationship between Ex-Im Bank and the U.S. Treasury.

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Notes to the Financial Statements
For the Year Ended September 30, 2012 and Year Ended September 30, 2011

19. Contributions to Employee Retirement Systems

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

In FY 2012 and FY 2011, Ex-Im Bank withheld 7.0 percent of CSRS employees' gross earnings. Ex-Im Bank's contribution was 7.0 percent of employees' gross earnings. This sum was transferred to the CSRS fund from which this employee group will receive retirement benefits.

For FERS, Ex-Im Bank withheld 0.8 percent of employees' gross earnings. Ex-Im Bank's contribution was 11.2 percent of employees' gross earnings in FY 2012 and FY 2011. This sum was transferred to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2 percent of gross earnings, after pre-tax deductions are withheld up to the 2012 and 2011 limit of \$110,100 and \$106,800, respectively; that sum plus matching contributions by Ex-Im Bank are sent to the Social Security System from which the FERS employee group will receive Social Security benefits.

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). CSRS and FERS employees may contribute up to \$17,000 of gross earnings. In addition, FERS employees receive an automatic 1 percent contribution from Ex-Im Bank. Amounts withheld for FERS employees are matched by Ex-Im Bank up to 4 percent for a maximum Ex-Im Bank contribution to the TSP of 5 percent.

Total Ex-Im Bank (employer) matching contributions to the TSP, CSRS and FERS for all employees, included in Administrative Costs in the Statements of Net Costs, were approximately \$6.4 million in FY 2012 and \$6.1 million in FY 2011. Although Ex-Im Bank funds a portion of pension benefits under the CSRS and FERS relating to its employees and makes the necessary payroll withholdings for them, it has no liability for future payments to employees under these programs and does not account for the assets of the CSRS and FERS, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. These amounts are reported by the OPM for the Retirement Systems and are not allocated to the individual employers. The excess of total pension expense over the amount contributed by Ex-Im Bank and its employees represents the amount of pension expense which must be financed directly by OPM. Ex-Im Bank recognizes an imputed cost and an imputed financing source, calculated using cost factors supplied by OPM, equal to the excess amount.

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



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