Export-Import Bank of the United States

WHEN THE U.S. EXPORTS
AMERICA WORKS

Annual Report 2006

Annual Report 2006

The Export-Import Bank of the United States (Ex-Im Bank) is the official export-credit agency of the United States. Ex-Im Bank supports the financing of U.S. goods and services in international markets, turning export opportunities into actual sales that help U.S. companies of all sizes to create and maintain jobs in the United States.

Ex-Im Bank assumes the credit and country risks that the private sector is unable or unwilling to accept. Ex-Im Bank also helps U.S. exporters remain competitive by countering the export financing provided by foreign governments on behalf of foreign companies. More than 80 percent of Ex-Im Bank's authorizations in recent years have been made available for the direct benefit of U.S. small businesses.

Chairman's Message

Economic growth and prosperity rest on a firm foundation of trade. The Export-Import Bank of the United States (Ex-Im Bank) helps strengthen this foundation by supporting the products made by American workers. We ensure that financing for U.S. goods and services is made available throughout the world. To expand the number of high-quality jobs here at home, Ex-Im Bank levels the playing field against foreign-government support and offers financing that the private sector is unable or unwilling to provide.

Ex-Im Bank has succeeded in this mission over the past 72 years. FY 2006 was no exception, with more than $12 billion in new authorizations to over 80 countries. We authorized over $3 billion in small-business transactions, which accounted for 26 percent of total authorizations and 84 percent of total transactions.

We will continue working hard to build upon this success by increasing our attention even more to the needs of small business. This year's creation of the Small Business Division, for example, furthers our outreach and business development efforts. We have also designated specialists throughout the Bank's operating units who devote their attention and expertise to the processing of small-business transactions. These represent just a couple of the enhancements that we have made to the way we service this vibrant, entrepreneurial segment of our economy.

Ex-Im Bank has proven itself to be a responsible steward of the taxpayers' resources; its operations have improved our trade balance and returned funds to the U.S. Treasury. And we continuously strive to be more effective and more efficient. For every taxpayer dollar used in FY 2006, Ex-Im Bank facilitated an estimated

$61 of U.S. exports, compared to $57 of U.S. exports in FY 2005 and $51 the year before.

Making it easier for our customers to do business with the Bank is of primary importance. Ex-Im Online, our new Web-based application and transaction-management system, is now available. Usage is expected to grow as we expand its capabilities. We are committed to developing this system further to maximize efficiency and to reduce paperwork and processing times while increasing the transparency of our operations.

Ex-Im Bank is also adapting to meet the needs of a dynamic global marketplace. Some export-credit agencies are taking on the characteristics of the private sector, while others in emerging markets are growing rapidly, unconstrained by the export-credit guidelines of the Organization for Economic Cooperation and Development (OECD). To keep pace with the changing marketplace, we are deepening our existing relationships with OECD member export-credit agencies and building new relationships with rising export-credit agencies. Through these dialogues, we seek opportunities to cooperate for the mutual benefit of our economies as well as to stake out positions in support of U.S. exporter competitiveness where needed.

With these changes, we at Ex-Im Bank look forward to doing our part to bring U.S. products to the rest of the world.

Sincerely,

James H. Lambright
Chairman and President

Ex-Im Bank Board of Directors, FY 2006

Left: J. Joseph Grandmaison, board member; James H. Lambright, chairman and president; and Linda Mysliwy Conlin, first vice president and vice chairman. (Not pictured: Max Cleland, board member.)

Callidus Technologies LLC

Tulsa, Oklahoma

"Ex-Im Bank's working capital guarantee enabled us to accept one of the largest orders in company history. As a result of this order and other exports, Callidus has added about 70 U.S. employees during the past two years."

Bill Bartlett, *president*

The oil-producing West African nation of Nigeria presents tremendous opportunities for U.S. exporters – particularly for a company such as Callidus Technologies LLC in Tulsa, Okla., a small engineering and manufacturing business specializing in products and services for environmental and combustion applications. Supported by an Ex-Im Bank working capital loan guarantee, Callidus is exporting its products and services to one of its largest international sales, the Escravos gas-to-liquids project in Delta State, Nigeria.

To fulfill its $16 million contract to provide a process boiler system for the Escravos project, Callidus is using a $5 million Ex-Im Bank-guaranteed working capital loan from the Bank of Oklahoma to issue letters of credit to the project sponsor in order to secure payments for work in progress. The Escravos project is a joint venture between a Chevron affiliate and the government of Nigeria.

As the demand for refined petroleum products grows, countries and multinational companies are seeking to minimize the environmental impact of new and existing refining facilities. Callidus's gas/liquid incineration system burns harmful waste gases and liquids, which will help the Escravos project operate in an efficient and environmentally friendly manner.

The company's corporate headquarters is in Tulsa, and its manufacturing, research and testing facilities are in Beggs, Okla. Callidus has approximately 310 employees, including more than 100 workers at its manufacturing facility in Beggs.

Ex-Im Bank's Working Capital Guarantee Program is an asset-based lending program for U.S. exporters that guarantees working capital loans based on inventory and accounts receivable related to exports. The Bank's working capital guarantee can be used to support loans to finance foreign receivables; purchase finished products for export; pay for raw materials, equipment, supplies, labor and overhead to produce goods or provide services for export; and cover standby letters of credit serving as bid bonds, performance bonds or payment guarantees.

Ex-Im Bank's working capital guarantees are available through an extensive nationwide network of delegated-authority lenders, such as the Bank of Oklahoma, that can commit Ex-Im Bank's working capital guarantee at the time the loan is processed.

In FY 2006, Ex-Im Bank authorized $532 million in financing to support U.S. exports to sub-Saharan Africa.

Senior welder Paul Lott measures placement of a turning vane on a flameholder assembly at the company's Beggs manufacturing facility.

Photos courtesy of Callidus Technologies LLC

Senior welder Kevin Sams welds a perforated windshield for a flare system at Callidus's manufacturing facility in Beggs, Okla.

Pharmaceutical Trade Services Inc.

Gautier, Mississippi

"Ex-Im Bank's accounts receivable insurance has been critical to PTSI's success. It gives us credibility with our bank and enables us to offer our customers extended payment terms that make us more competitive."

Teri Gautier, *president and owner*

Melanie Brady processes PTSI orders at the company's office in Gautier, Miss.

When Teri Gautier, president of Pharmaceutical Trade Services Inc. (PTSI), accepted Ex-Im Bank's 2006 Small Business Exporter of the Year award at the Bank's annual conference in April, she spoke of "daily challenges that don't stop." For this small-business exporter of specialized prescription drugs and pharmaceutical supplements based in Gautier, Miss., those challenges have included meeting larger orders and providing extended payment terms for international customers, and rebuilding her staff after Hurricane Katrina devastated the Gulf Coast in August 2005. Ex-Im Bank's short-term export-credit insurance has helped PTSI stay on track to achieve phenomenal growth through exporting.

Within three months of start-up in 1998, Ms. Gautier was using Ex-Im Bank's export-credit insurance to insure shipments to customers in Europe. Through the use of the Bank's small-business and multibuyer policies, within seven years the company's export volume increased from $713,000 to nearly $6 million, and the staff grew to 15 employees. In 2006, PTSI also benefited from Ex-Im Bank's extended renewal dates for policyholders affected by Hurricane Katrina.

Today, PTSI sells to customers in Europe, the Middle East, Southeast Asia, Africa and Latin America. PTSI supplies U.S. FDA-approved medicines and over-the-counter products for distribution to named patients by hospitals, clinics and pharmacies.

Ex-Im Bank's multibuyer insurance minimizes risk for exporters and lenders and provides protection against buyer default for political or commercial reasons. Standard coverage is 95 percent of the invoiced amount. The Bank's small-business policy is similar but features no first-loss deductible for small-business exporters with export volume averaging not more than $5 million over the three most recent years.

The Bank's multibuyer insurance enables PTSI to offer 45-day, open-account terms to customers, making the company more competitive. The policy also functions as a financing tool because banks are more willing to lend against insured foreign receivables.

In her remarks at Ex-Im Bank's annual conference, Ms. Gautier said, "A small business is successful because of its integrity and its relationships. Everyone with whom I have worked at Ex-Im Bank has expressed a genuine interest in the growth and success of this company. They've shown the support, assistance, patience and understanding of small-business needs that are so important to a small-business owner."

Photos courtesy of PTSI

Warehouse team leaders Robert Gautier, Jr., and Sandra DeHoyos receive products and record information to prepare for shipping at the company's warehouse in Gautier, Miss.


POWERLIGHT

PowerLight Corporation

Berkeley, California

"Ex-Im Bank provides competitive solutions for complex export transactions and has been instrumental in helping PowerLight to get these important international projects properly financed."

Howard Wenger, *executive vice president*

U.S. companies are innovators in renewable energy technologies, and Ex-Im Bank is committed to helping them extend their reach across the globe. PowerLight Corporation of Berkeley, Calif., the leading global provider of large-scale solar power systems, has used the new longer repayment terms available under Ex-Im Bank's Environmental Exports Program and also the Bank's working capital guarantee to support major export sales to Korea and Germany.

The company is exporting its solar-energy equipment and services for the development and deployment of a 1-megawatt solar-power project in Gwangju, Korea, with the backing of a 15-year, $7.8 million medium-term loan guarantee from Ex-Im Bank. The guaranteed lender is City National Bank of Los Angeles.

The privately owned project, located at the Kim Dae Jung Exhibition and Convention Center, utilizes the PowerLight PowerTracker® system mounted over the center's parking facility. The energy produced by the project will be sold to Korea Electric Power Corporation.

PowerLight is the first U.S. exporter to benefit from the new 15-year repayment terms available from Ex-Im Bank to support U.S. exports to renewable energy, water and hydroelectric power projects.

The transaction is an Ex-Im Bank structured-finance credit, which is customized to address the specific issues of a smaller environmental project but entails lower transaction costs than traditional project finance.

The company has also used a $5 million working capital line of credit guaranteed by Ex-Im Bank to export its solar-tracking technology to Bavaria Solarpark, one of the world's largest solar-power projects, located on 30 acres of farmland in Bavaria, Germany. The lender, Union Bank of California, headquartered in San Francisco, is an Ex-Im Bank delegated-authority lender that can commit Ex-Im Bank's working capital guarantee when the loan is processed.

PowerLight Corporation designs, deploys and operates the largest grid-connected solar power systems in the world. The company has approximately 180 employees worldwide, with a staff of 140 at its headquarters in Berkeley, Calif.

Ex-Im Bank's Environmental Exports Program provides enhanced short-term, medium-term and long-term financing to support a broad range of U.S. renewable energy and other environmentally beneficial goods and services, and U.S. exports to international environmental projects.

With the help of a 15-year, $7.8 million loan guarantee from Ex-Im Bank, PowerLight constructed a 1-megawatt solar-power project at the Kim Dae Jung Exhibition and Convention Center in Gwangju, Korea.

Photo/drawing courtesy of PowerLight Corporation

Kurt Johnson, director of Operations, Residential Division, installs PowerLight solar panels.

LeTourneau Technologies Inc.

Longview, Texas

"Ex-Im Bank's financing is helping Le Tourneau provide U.S. jobs in the manufacture and construction of our jack-up rigs and related drilling equipment, and that also supports our small-business suppliers."

Robert K. Rimlinger, *senior vice president and general manager, Marine Group*

As world energy demands increase, so do opportunities and competition in international markets for U.S. suppliers of offshore drilling equipment and services. Ex-Im Bank can help level the playing field for these U.S. exporters by facilitating the long-term financing required for large capital-equipment exports.

One such company, LeTourneau Technologies Inc. of Longview, Texas, is the only U.S.-owned manufacturer of jack-up drilling rigs, and it faces strong competition from partially government-owned companies based in Asia. With the support of a long-term loan guarantee from Ex-Im Bank, LeTourneau has won a $129 million contract to construct a mobile offshore oil and gas exploration and drilling rig for Perforadora Central S.A. de C.V. of Mexico.

For the Perforadora transaction, LeTourneau designed, is building and will export a premium offshore jack-up drilling rig that is capable of operating in water depths of up to 350 feet. It is LeTourneau's first complete rig export to Perforadora, which provides onshore and offshore drilling services and other operations almost exclusively for Mexico's national oil company, Petróleos Mexicanos (Pemex).

In this structured-finance transaction, Ex-Im Bank is providing a $54 million guarantee of eight-and-a-half years of a total 10-year loan from the guaranteed lender, BBVA Bancomer of Mexico City. Ex-Im Bank's support was needed because drilling rigs are capital-intensive investments that have useful "lives" of up to 20 years, and the longer-term financing needed for LeTourneau's sale to Perforadora was not readily available without the Bank's support.

LeTourneau, a subsidiary of the Rowan Companies Inc., has its headquarters and manufacturing plant in Longview, Texas, and its shipyard in Vicksburg, Miss. LeTourneau has approximately 2,500 employees, including about 1,150 workers at its shipyard. The company also sources components and materials from a large number of suppliers throughout the United States, including many small businesses.

Ex-Im Bank assists U.S. exporters by providing loan guarantees of term financing for creditworthy international buyers of U.S. goods and services. The Bank also provides project and structured finance to support U.S. exports to large international projects. Through limited-recourse project finance, Ex-Im Bank can guarantee financing to newly created project companies and rely on the project's future cash flows for repayment. Through structured finance, the Bank can consider existing foreign companies as potential borrowers, based on the company's existing financial statements coupled with additional credit enhancements.

Photo courtesy of ENSCO International

A LeTourneau Super 116 jack-up rig, the ENSCO 74, drills an exploratory well in the Gulf of Mexico.

Photo courtesy of LeTourneau Technologies Inc.

Torch cutter Selma Johnson bevels a piece of steel for a spud can tank bottom for a jack-up rig at LeTourneau's shipyard in Vicksburg, Miss.

Small-Business Report

In accordance with Section 8 of the Export-Import Bank Act of 1945, as amended, Ex-Im Bank is reporting the following information regarding its fiscal year 2006 activities.

Direct Small-Business Support

Ex-Im Bank authorized nearly $3.2 billion – more than 26 percent of total authorizations – in direct support of U.S. small businesses as primary exporters in FY 2006. The Bank approved 2,253 transactions that were made available for the direct benefit of small-business exporters. These transactions represented 84 percent of the total number of transactions in FY 2006, and 451 small businesses used Ex-Im Bank programs for the first time during the fiscal year. In FY 2006, Ex-Im Bank approved financing in amounts under $500,000 for 818 small-business transactions.

Small-Business Supplier Data (Indirect Support)

Ex-Im Bank is required to estimate on the basis of an annual survey or tabulation the number of entities that are suppliers of customers of the Bank and that are small-business concerns.

Ex-Im Bank estimates the value of exports supported that is attributable to small-business suppliers at the time of authorization of each long-term transaction (i.e., transactions either of $10 million or more or with a repayment term in excess of seven years).

Ex-Im Bank estimates that the total value of indirect small-business content associated with transactions supported through the Bank's long-term loans and guarantees authorizations during FY 2006 was $912 million out of a total estimated export value of $7.5 billion. This export value represents more than 12 percent of the total estimated export value associated with the Bank's long-term financing.

Technology Improvements

Ex-Im Online – the Bank's online business system – automates and modernizes Ex-Im Bank's primary business processes, particularly for the products most used by small businesses (short-term export-credit insurance) and those buyer-financing products that most benefit small-business exporters directly and small-business suppliers indirectly (medium-term insurance and guarantees).

Ex-Im Online provides exporters, particularly small businesses, with the benefits of electronic application submission, processing and insurance policy management. These benefits improve Ex-Im Bank's response time, increase productivity and improve risk management.

In FY 2006, Ex-Im Bank achieved an important technological milestone: Ex-Im Online became operational for the Bank's multibuyer insurance product. The Bank's customers are now using the system to apply for, monitor and update Ex-Im Bank multibuyer insurance policies. Approximately 80 percent of the customers of Ex-Im Online are small businesses.

Ex-Im Bank's multibuyer insurance processing system became fully operational online in June 2006. The Bank's single-buyer insurance and medium-term guarantee and insurance products became available through Ex-Im Online in December 2006.

These online business processes will cover the majority of the Bank's transactions and form the foundation and service components for later automated processes that will support additional business of the Bank. Planned enhance-

***Environmental Working Capital Support Doubles:** In FY 2006, Ex-Im Bank authorized working capital guarantees totaling $98.2 million that supported $385 million of U.S. environmentally beneficial exports, more than double the amount supported in FY 2005. The export value of the Bank's working capital guarantees, most of which support small businesses, is typically higher than the authorization amount because many of these guarantees are revolving lines of credit that can support multiple exports.*

ments include using the automated system to implement new products and services as recommended by the Bank's Advisory Committee and to improve cycle time.

In FY 2006, Ex-Im Bank continued to update its Web site (www.exim.gov) to provide all customers, particularly small businesses, with improved access to information, applications and forms – all of which are available through the Web site. The Bank provides its most popular forms in an electronically fillable format that does not require the purchase of additional software, an added benefit for small businesses.

Ex-Im Bank continued to expand on its Web-based subscription service and list manager (http://www.exim.gov/smallbiz/index.html) to provide customers with the ability to get up-to-date news from the Bank. The public and small businesses can subscribe for free to the Bank's News Update, Exporter Newsletter, Environmental Exports Program Update, Africa News, and Middle East and North Africa News, as well as receive alerts on changes to the Country Limitation Schedule.

Ex-Im Bank's regional offices in New York, Florida, Illinois, Texas and California are now using a new customer relationship-management application to assist in small-business outreach and support.

The Bank participates in the government-wide "Business Gateway" initiative to integrate the content and functions of the Web sites of Ex-Im Bank, the Small Business Administration and other agencies into one comprehensive site, www.business.gov, as well as the U.S. government export Web site, www.export.gov. The Bank also participates in the Trade Promotion Coordinating Committee's "One Stop, One Form" registration system, an Internet-based application system for all federal-government export programs.

Electronic-Tracking Systems

For customers, Ex-Im Online will provide real-time application status capabilities for all short-term and medium-term products. Customers and brokers will receive e-mail confirmations of the status of their applications.

For internal tracking and performance measurement, the Bank is developing improved reporting capabilities through Ex-Im Online. These reports will track the status of pending applications for insurance and medium-term guarantee products and provide improved measurement of processing times.

Ex-Im Bank also tracks loan, guarantee and insurance activity through its Integrated Information System (IIS), which is an aggregation of several electronic databases that provides comprehensive information regarding all Bank transactions. In FY 2006, the Bank implemented a Bank-wide business-intelligence reporting tool. The tool will be used, in conjunction with the IIS, to track key performance indicators and continuously display information (using graphic interfaces) for monitoring daily business operations, small-business goals, and geographic and market penetrations.

Outreach to Small Businesses

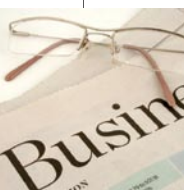
Ex-Im Bank is committed to providing export financing for socially and economically disadvantaged small businesses, including those that are minority-owned and woman-owned, and small businesses employing fewer than 100 employees.

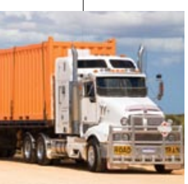
The Bank continued to coordinate outreach efforts to minority-owned and woman-owned businesses by building partnerships with small-business development councils, minority-business councils, trade associations and chambers of commerce throughout the United States. For example, the Florida Women's Business Center (FWBC) in Miami, a public-private organization, joined Ex-Im Bank's City/State Partners Program. FWBC will market Ex-Im Bank financing products and provide application assistance to woman-owned and minority-owned Florida companies.

Ex-Im Bank staff delivered presentations at several major conference events throughout the year, including the Small Business Administration's annual conference and the annual conference of the National Association of Women Business Owners. Many of the small businesses that attend the seminars and trade shows in which Ex-Im Bank participates employ less than 100 employees.

Ex-Im Bank sponsors seminars and symposia throughout the country that are targeted to small businesses that traditionally have been underserved in the trade-finance market. The symposia consist of half-day training programs to help U.S. companies learn how to use U.S. government resources to find foreign buyers and use trade-finance tools.

FY 2006 at a Glance





Total Financing

- Ex-Im Bank authorized 2,677 financings to support U.S. exports in FY 2006.
- In FY 2006, Ex-Im Bank authorized $12.1 billion in loans, guarantees and export-credit insurance, which will support an estimated $16.1 billion of U.S. exports to markets worldwide.

Small-Business Support

- Ex-Im Bank authorized nearly $3.2 billion (more than 26 percent of total authorizations) in direct support of U.S. small businesses as primary exporters in FY 2006.
- Ex-Im Bank approved 2,253 financings that were made available for the direct benefit of small-business exporters. These transactions represent 84 percent of the total number of transactions in FY 2006.
- In FY 2006, 451 small businesses used Ex-Im Bank programs for the first time.
- In FY 2006, Ex-Im Bank approved financing in amounts under $500,000 for 818 small-business transactions.
- Ex-Im Bank estimates the export value of additional small-business content supported indirectly through long-term transactions where small businesses serve as suppliers to larger primary exporters. In FY 2006, the Bank estimated that the total value of its indirect support for this small-business content through its long-term loans and guarantees is $912 million out of a total estimated export value of $7.5 billion – more than 12 percent of the total estimated export value associated with the Bank's long-term financing. (See 'Small-Business Report' on pages 12-13.)

Minority-Owned and Woman-Owned Business Support

- In FY 2006, Ex-Im Bank authorized $335.8 million in working capital guarantees and export-credit insurance to support exports by businesses known to be minority-owned or woman-owned.

Working Capital

- Ex-Im Bank authorized nearly $1.2 billion (a record level) in working capital guarantees in FY 2006 – $918 million of which supported small businesses.
- Of the 492 working capital guarantee transactions authorized, 437 were made available for the direct benefit of small businesses, representing nearly 89 percent of the total working capital transaction volume.

Export-Credit Insurance

- In FY 2006, Ex-Im Bank authorized $3.9 billion in export-credit insurance, of which small-business insurance authorizations totaled $2 billion.
- Ex-Im Bank issued 1,727 export-credit insurance policies that were made available for the direct benefit of small-business exporters. These policies represent 89 percent of the total number of Ex-Im Bank's policies in FY 2006.

Project and Structured Finance

- In FY 2006, Ex-Im Bank authorized $403 million in limited-recourse project financing to support U.S. exports to the Qatargas III LNG project in Qatar.
- Ex-Im Bank authorized approximately $1.4 billion for long-term structured-finance and corporate-finance transactions supporting U.S. exports to various oil and gas developments for Petróleos Mexicanos (Pemex) in Mexico, a jack-up drilling rig for Perforadora Central in Mexico, a satellite to Measat in Malaysia, a solar-energy system to Solar & Park in Korea and various maintenance service contracts for Comisión Federal de Electricidad (CFE) in Mexico.

Transportation Finance

- In FY 2006, Ex-Im Bank authorized $4.4 billion to support the export of 79 U.S.-manufactured, large commercial aircraft and 10 spare engines to a total of 19 airlines and one aircraft leasing company located in 17 different countries.
- In addition, in FY 2006, Ex-Im Bank authorized $170 million in guarantees to support exports of U.S.-manufactured small aircraft, helicopters, locomotives, ships and other transportation-related equipment to various operators around the world.

Environmental

- Ex-Im Bank authorized $130.7 million in financing to support an estimated $420 million of U.S. environmentally beneficial exports in FY 2006. Authorizations of insurance and working capital transactions primarily benefited small and medium-sized U.S. environmental exporters.
- Included in the FY 2006 support are 15 working capital guarantees totaling $98.2 million that will support approximately $385 million of U.S. exports of environmentally beneficial goods and services – more than double the export value of such exports in FY 2005.
- Also included in the FY 2006 support are authorizations of 38 insurance transactions totaling $19.9 million that are supporting over 1,730 shipments of U.S. environmentally beneficial goods with an estimated export value of $21.9 million. Also included are four guarantees totaling $12.5 million supporting an estimated $13.2 million of environmentally beneficial goods.

Energy

- In FY 2006, Ex-Im Bank authorized approximately $9.8 million in loan guarantees, insurance and working capital guarantees to support U.S. renewable-energy exports consisting of equipment for solar-energy and wind-energy projects and services for geothermal plants. Included in this total were a $7.8 million loan guarantee supporting the export of equipment for a solar-energy project, three insurance transactions totaling $1.5 million to support exports of wind-energy and solar-energy products, and a $450,000 working capital guarantee that will support nearly $2 million of services for renewable geothermal-power projects. In addition, Ex-Im Bank authorized a $13.5 million working capital guarantee that will support exports totaling approximately $80 million for equipment to produce photovoltaic devices that will be used to generate renewable solar energy.
- In FY 2006, Ex-Im Bank authorized 15 transactions under its loan and guarantee products and approximately 58 new and renewed export-credit insurance policies to support U.S. exports related to foreign energy production and transmission activities, including electric-power generation and transmission, and oil and gas exploration and refineries. The estimated export value of these transactions totaled more than $2.7 billion.
- In FY 2006, Ex-Im Bank authorized financing to support $65.8 million of U.S. exports for new fossil-fuel power plants. The Bank estimates that the aggregate amount of carbon-dioxide emissions produced directly by these plants will total approximately 1.2 million metric tons per year. On average, the cost of the U.S. exports that Ex-Im Bank supported in FY 2006 for these power projects represents approximately 65 percent of the total cost of the equipment and services associated with these projects.
- In FY 2006, Ex-Im Bank authorized financing to support an estimated $1.8 billion of U.S. exports for projects in the oil and gas and the petrochemical sectors. The Bank estimates that the aggregate amount of carbon-dioxide emissions produced directly by these projects will total approximately 4.4 million metric tons per year. On average, the cost of the U.S. exports that Ex-Im Bank supported in FY 2006 for these oil and gas and petrochemical projects represents approximately 20 percent of the total cost of the equipment and services associated with these projects.

High Technology

- In FY 2006, Ex-Im Bank authorized financing to support $478 million of U.S. high-technology exports other than aircraft, including computers, control systems, telecommunications, mass transit and medical equipment. Hundreds of U.S. suppliers of high-tech products will benefit from these transactions.
- In addition, Ex-Im Bank authorized more than $100 million in working capital guarantees that will support nearly $500 million of U.S. high-tech exports from U.S. small and medium-sized businesses.

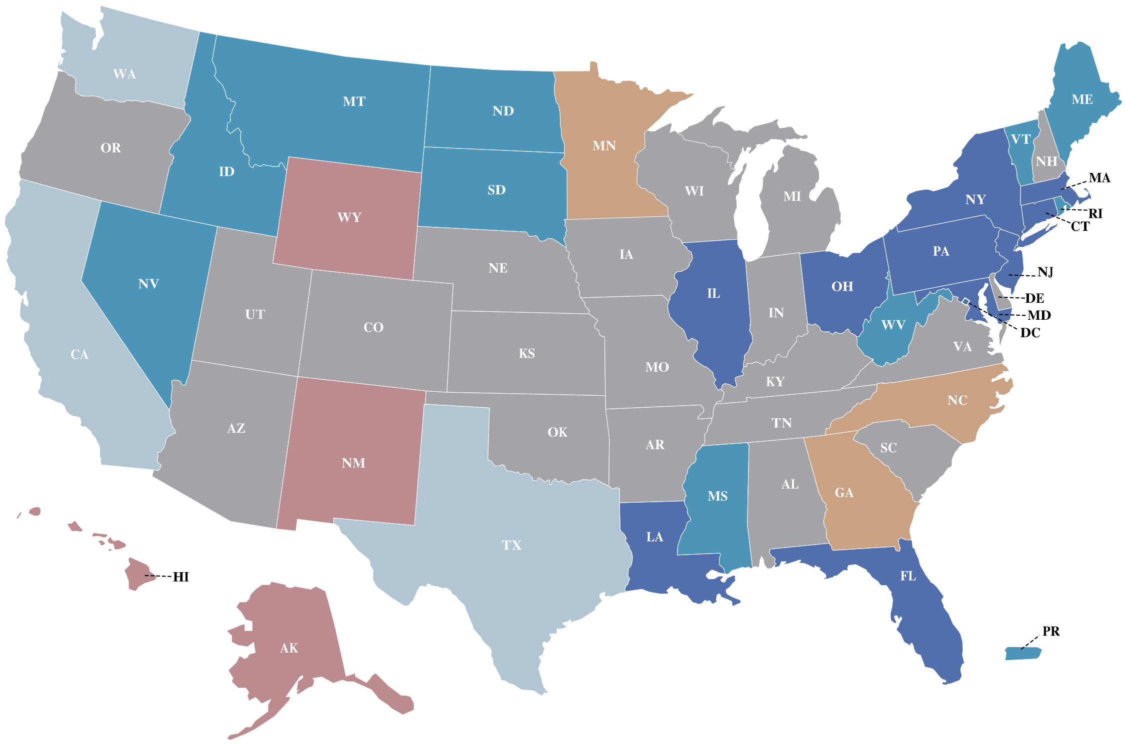
Services

- In FY 2006, Ex-Im Bank supported the export of a wide range of U.S. services, including engineering, design, construction, oil and gas drilling, training and consulting. The estimated export value of these services totaled approximately $750 million.
- In addition, in FY 2006, Ex-Im Bank authorized $121 million in working capital guarantees to support approximately $729 million of service exports from U.S. small and medium-sized businesses.

Agriculture

- In FY 2006, Ex-Im Bank authorized financing, including insurance, to support the export of an estimated $250 million of U.S. agricultural goods and services, including commodities, livestock, foodstuffs, farm equipment, chemicals, supplies and services. The Bank also authorized $112 million in working capital guarantees to support approximately $830 million of agricultural exports from U.S. small and medium-sized businesses.

Export-Import Bank of the United States



Estimated Value of U.S. Exports Supported Five-Year Period (October 1, 2001–September 30, 2006)

OVER $8 BILLION
California ($9.1 billion)
Texas ($8.9 billion)
Washington ($28.1 billion)

OVER $1 BILLION
Connecticut ($1.2 billion)
Florida ($4 billion)
Illinois ($1.8 billion)
Louisiana ($1.4 billion)
Maryland ($1.3 billion)
Massachusetts ($2.2 billion)
New Jersey ($1.8 billion)
New York ($2.9 billion)
Pennsylvania ($2.3 billion)
Ohio ($1.1 billion)

OVER $500 MILLION
Georgia ($891 million)
Minnesota ($608 million)
North Carolina ($518 million)

OVER $100 MILLION
Alabama ($317 million)
Arizona ($182 million)
Arkansas ($197 million)
Colorado ($266 million)
Delaware ($125 million)
Indiana ($384 million)
Iowa ($116 million)
Kansas ($171 million)
Kentucky ($129 million)
Michigan ($484 million)
Missouri ($231 million)
Nebraska ($155 million)
New Hampshire ($247 million)
Oklahoma ($467 million)
Oregon ($160 million)
South Carolina ($262 million)
Tennessee ($238 million)
Utah ($134 million)
Virginia ($292 million)
Wisconsin ($390 million)

OVER $10 MILLION
District of Columbia ($46 million)
Idaho ($60 million)
Maine ($85 million)
Mississippi ($94 million)
Montana ($46 million)
Nevada ($82 million)
North Dakota ($38 million)
Puerto Rico ($29 million)
Rhode Island ($45 million)
South Dakota ($14 million)
Vermont ($29 million)
West Virginia ($17 million)

OVER $100,000
Alaska ($120,000)
Hawaii ($620,000)
New Mexico ($6 million)
Wyoming ($1 million)

2006 Financial Report

FY 2006 Authorizations Summary

($ millions)

Program	Number of Authorizations 2006	Number of Authorizations 2005	Amount Authorized 2006	Amount Authorized 2005	Estimated Export Value 2006	Estimated Export Value 2005	Program Budget Used 2006	Program Budget Used 2005
LOANS								
Long-Term Loans	3	-	$56.5	$ -	$63.2	$ -	$0.7	$ -
Medium-Term Loans	-	-	-	-	-	-	-	-
Tied Aid	-	-	-	-	-	-	-	-
Total Loans	3	-	56.5	-	63.2	-	0.7	-
GUARANTEES								
Long-Term Guarantees	50	66	6,603.5	8,076.1	7,436.1	8,872.9	110.0	145.9
Medium-Term Guarantees	194	206	387.6	399.4	427.5	468.0	17.7	25.4
Working Capital Guarantees	492	513	1,173.8	1,096.3	4,150.4	4,073.7	19.3	14.1
Total Guarantees	736	785	8,164.9	9,571.8	12,014.0	13,414.6	147.0	185.4
EXPORT-CREDIT INSURANCE								
Short-Term	1,658	1,980	3,287.7	3,913.4	3,287.7	3,913.4	20.3	12.3
Medium-Term	280	363	641.4	451.0	754.5	530.4	18.2	29.2
Total Insurance	1,938	2,343	3,929.1	4,364.4	4,042.2	4,443.8	38.5	41.5
Modifications							4.6	14.3
Grand Total	**2,677**	**3,128**	**$12,150.5**	**$13,936.2**	**$16,119.4**	**$17,858.4**	**$190.8**	**$241.2**

FY 2006 Small-Business Authorizations

($ millions)

	Number 2006	Number 2005	Amount 2006	Amount 2005
Export-Credit Insurance	1,727	2,107	$2,038.1	$1,695.8
Working Capital Guarantees	437	458	917.9	850.4
Guarantees and Direct Loans	89	52	228.7	114.1
Grand Total	**2,253**	**2,617**	**$3,184.7**	**$2,660.3**

FY 2006 Authorizations By Market

(in dollars)	Loans	Guarantees	Insurance	Total Authorizations	Exposure
AFRICA MULTINATIONAL					124,500,000
Albania, People's Republic of					47,611,993
Algeria					365,250,813
Angola		338,462,258		338,462,258	338,512,632
Anguilla					231,477
Antigua					612,996
Argentina					454,872,694
Armenia					19,415
Aruba					933,317
Australia			765,000	765,000	1,043,397,613
Austria		40,949,275		40,949,275	345,842,061
Azerbaijan			5,762,619	5,762,619	64,661,308
BAHAMAS					3,711,894
Bahrain			450,000	450,000	95,316,197
Barbados		498,623		498,623	2,371,735
Belgium			298,400	298,400	3,727,147
Belize		10,152,591	1,952,365	12,104,956	24,059,449
Benin					211,635
Bermuda					1,185,352
Bolivia					4,258,392
Bosnia					24,310,906
Brazil	52,365,382	167,423,566	46,167,732	265,956,680	2,139,742,765
Brunei					5,253
Bulgaria			8,480,513	8,480,513	75,230,104
Burkina Faso					1,864,521
CAMEROON		517,257	744,808	1,262,065	40,916,642
Canada		191,143,823	1,421,850	192,565,673	1,340,713,143
Cape Verde		345,878		345,878	345,878
Cayman Islands					1,379,099
Central African Republic					8,710,457
Chad					128,114
Chile		287,426,851	2,049,957	289,476,808	809,266,116
China			4,409,059	4,409,059	2,642,823,193
China (Mainland)					26,386,019
China (Taiwan)					1,364,935,808
Colombia		10,589,892	27,520,146	38,110,038	239,651,994
Congo					16,324,313
Congo, Democratic Republic of					191,865,131
Costa Rica		1,851,171	11,985,746	13,836,917	41,880,140
Côte d'Ivoire					151,511,407
Croatia					285,840,464
Cuba					36,266,581
Cyprus			402,619	402,619	16,245,208
Czech Republic			1,000,000	1,000,000	170,995,293

FY 2006 Authorizations By Market

(in dollars)	Loans	Guarantees	Insurance	Total Authorizations	Exposure
DENMARK					2,620,807
Dominica					300,563
Dominican Republic		9,472,686	52,268,088	61,740,774	663,322,521
ECUADOR	4,181,400			4,181,400	94,627,474
Egypt					329,748,750
El Salvador			5,603,940	5,603,940	23,186,746
Estonia					376,511
Ethiopia			180,000	180,000	287,298,519
FIJI ISLANDS					48,145,213
Finland			180,000	180,000	1,497,030
France			108,000	108,000	10,524,114
French Polynesia					204,693
GABON					54,045,458
Gambia					100,917
Georgia					2,119,683
Germany, Federal Republic of		74,160,000		74,160,000	146,422,627
Ghana		830,334		830,334	127,700,093
Greece			693,000	693,000	3,849,271
Grenada					2,580,727
Guatemala		4,486,103	5,839,324	10,325,427	47,114,449
Guinea					7,660,693
Guinea, French					9,840
Guinea-Bissau					10,000,000
Guyana					1,892,185
HAITI					3,692,781
Honduras			5,569,931	5,569,931	23,763,257
Hong Kong					283,059,920
Hungary					1,047,689
ICELAND			131,762	131,762	1,376,151
India		1,449,725,436	47,319,999	1,497,045,435	2,472,424,051
Indonesia			1,324,821	1,324,821	2,085,355,087
Iraq					273,170,761
Ireland		166,472,717	270,000	166,742,717	1,743,375,343
Israel			3,753,000	3,753,000	223,373,239
Italy			81,000	81,000	415,201,489
JAMAICA		2,871,011	11,912,494	14,783,505	46,206,455
Japan			517,500	517,500	124,169,286
Jordan			90,000	90,000	54,767,756
KAZAKHSTAN		213,319,658	8,425,864	221,745,522	496,519,315
Kenya					429,429,626
Korea, Republic of		265,179,331	2,614,600	267,793,931	2,799,749,725
Kuwait			7,133,150	7,133,150	50,703,312

FY 2006 Authorizations By Market

(in dollars)	Loans	Guarantees	Insurance	Total Authorizations	Exposure
LATVIA					321,345
Lebanon					9,675,202
Liberia			100,800	100,800	7,477,618
Lithuania			315,000	315,000	4,964,638
Luxembourg					175,424,205
MACAU			900,000	900,000	17,444
Macedonia					36,099,383
Malaysia, Federation of		102,537,321		102,537,321	1,284,458,275
Maldive Islands					98,402
Mali		346,040		346,040	11,669,213
Malta					1,195,439
Mauritania			447,300	447,300	31,876
Mauritius					42,210
Mexico		1,545,022,935	599,576,305	2,144,599,240	8,056,372,527
Micronesia, Federated States of					48,554
Monaco					20,645
Montserrat					1,781
Morocco		152,803,932		152,803,932	615,162,440
Mozambique					25,146
NAURU					1,975,142
Netherlands		192,344,216	72,000	192,416,216	835,190,383
Netherlands Antilles					1,136,067
New Caledonia					11,084
New Zealand		125,917,927		125,917,927	329,741,608
Nicaragua		977,858	3,881,312	4,859,170	37,524,903
Niger			774,919	774,919	780,608
Nigeria		35,201,228	45,000	35,246,228	210,081,918
Norway			250,000	250,000	2,211,853
OMAN					60,251,427
PAKISTAN					911,343,642
Panama		70,640,075	12,228,982	82,869,057	417,025,786
Papua New Guinea					353,786
Paraguay			1,486,617	1,486,617	10,296,406
Peru		32,507,967	26,490,676	58,998,643	238,787,314
Philippines			40,500	40,500	526,421,864
Poland			90,000	90,000	9,330,682
Portugal					1,036,822
QATAR		403,540,080		403,540,080	1,079,002,992
REUNION ISLAND					104,289
Romania			54,000	54,000	516,070,898
Russia		45,987,651	49,529,465	95,517,116	434,381,201

FY 2006 Authorizations By Market

(in dollars)	Loans	Guarantees	Insurance	Total Authorizations	Exposure
SAUDI ARABIA			11,215,000	11,215,000	1,275,038,746
Senegal					44,743,684
Singapore		146,712,160	3,329,525	150,041,685	1,031,015,100
Slovak Republic					80,527
Slovenia					432,822
South Africa			1,116,313	1,116,313	368,479,706
Spain			540,000	540,000	9,465,151
Sri Lanka					39,851
St. Kitts and Nevis					804,416
St. Lucia					430,273
St. Vincent					774,771
Sudan					28,246,331
Suriname					228,569
Sweden					4,175,169
Switzerland			540,000	540,000	33,868,992
TANZANIA					1,285,908
Thailand		484,245,001		484,245,001	1,380,404,149
Togo			35,598	35,598	38,418
Trinidad and Tobago			4,692,960	4,692,960	39,424,984
Tunisia		462,058	485,208	947,266	124,039,603
Turkey		204,538,204	43,778,920	248,317,124	2,275,535,531
Turks and Caicos Islands			2,306,356	2,306,356	3,514,017
UGANDA					5,130,478
Ukraine		33,659,763	94,500	33,754,263	213,197,387
United Arab Emirates			1,757,500	1,757,500	642,313,935
United Kingdom			634,500	634,500	35,439,242
United States of America		1,297,541,181		1,297,541,181	2,069,998,530
Uruguay		54,038,249	280,689	54,318,938	60,123,004
Uzbekistan					406,030,098
VARIOUS COUNTRIES UNALLOCABLE					410,962,204
Venezuela					874,576,087
Vietnam					339,936,547
Virgin Islands, British			8,277,600	8,277,600	8,282,870
WEST INDIES, BRITISH					7,314
West Indies, French					232,315
YEMEN, REPUBLIC OF					42,739
Yugoslavia (Debt in Former Yugoslavia)					213,201,889
ZAMBIA			180,000	180,000	0
Zimbabwe					29,913,775
Total	**56,546,782**	**8,164,902,307**	**1,042,974,832**	**9,264,423,921**	**53,699,082,830**
Multibuyer Insurance, Short-Term			2,886,100,000	2,886,100,000	4,138,763,915
Total Authorizations	**56,546,782**	**8,164,902,307**	**3,929,074,832**	**12,150,523,921**	**57,837,746,861**

FY 2006 Loans and Long-Term Guarantees Authorizations

Auth. Date	Obligor / Guarantor / Principal Supplier	Credit	Product	Interest Rate	Loans	Long-Term Guarantees
ANGOLA						
28-Sep-06	TAAG-Linhas Aeras de Angola Ministry of Finance The Boeing Co, General Electric Co. and CFM International	082233	Commercial Aircraft and Spare Engines			$338,462,258
Total for	ANGOLA					$338,462,258
AUSTRIA						
20-Apr-06	Austrian Airlines Lease and Finance Co. Austrian Airlines Osterreichische Luftverkehrs A.G. The Boeing Co.	081439	Commercial Aircraft			$40,949,275
Total for	AUSTRIA					$40,949,275
BRAZIL						
14-Feb-06	Lider Taxi Aereo S.A. - Air Brasil Norbell S.A., et. al. Sikorsky Aircraft Corp.	082207	Helicopters and Spare Parts	5.010%	$40,956,337	
04-Apr-06	Rio Polimeros S.A. Ltda. None ABB Lummus Global Inc.	076658	Petrochemical Project (Credit Increase)	4.740%	$11,409,045	
28-Sep-06	GOL Transportes Aereos S.A. None The Boeing Co.	080949	Commercial Aircraft			$144,154,984
Total for	BRAZIL				$52,365,382	$144,154,984
CANADA						
28-Jul-06	WestJet Airlines WestJet Airlines Ltd. The Boeing Co.	081554	Commercial Aircraft			$191,143,823
Total for	CANADA					$191,143,823
CHILE						
14-Jun-06	Lan Airlines S.A., Lan Cargo S.A. Lan Cargo S.A., Lan Airlines, S.A., et. al. The Boeing Co.	081326	Commercial Aircraft			$216,629,344
21-Jul-06	Lan Airlines S.A. Lan Cargo S.A., et. al. The Boeing Co.	082529	Commercial Aircraft			$69,906,485
Total for	CHILE					$286,535,829

FY 2006 Loans and Long-Term Guarantees Authorizations

Auth. Date	Obligor / Guarantor / Principal Supplier	Credit	Product	Interest Rate	Loans	Long-Term Guarantees
ECUADOR						
22-Jun-06	Quiport Corp. S.A. None Caterpillar Inc.	079024	New Airport Construction (Credit Increase)	4.90%	$4,181,400	
Total for	ECUADOR				$4,181,400	
GERMANY, FEDERAL REPUBLIC OF						
17-Aug-06	Bavaria International Aircraft Leasing GMBH None The Boeing Co.	082701	Commercial Aircraft			$74,160,000
Total for	GERMANY, FEDERAL REPUBLIC OF					$74,160,000
INDIA						
04-Apr-06	Jet Airways Ltd. None The Boeing Co.	082378	Commercial Aircraft			$158,903,250
10-Aug-06	Jaiprakash Associates Ltd. None Raytheon Aircraft Co.	082705	Executive Aircraft			$11,523,612
28-Sep-06	Air India Ltd. Ministry of Finance The Boeing Co., General Electric Co.	082585	Commercial Aircraft and Spare Engines			$900,354,357
28-Sep-06	Air India Charter Ltd. Ministry of Finance The Boeing Co., CFM International	082584	Commercial Aircraft and Spare Engines			$367,349,531
Total for	INDIA					$1,438,130,750
IRELAND						
09-Mar-06	Ryanair Ltd. Ryanair Holdings The Boeing Co.	081304	Commercial Aircraft			$166,472,717
Total for	IRELAND					$166,472,717
JAMAICA						
25-Jul-06	Port Authority of Jamaica None Advanced Research and Applications Corp.	079770	X-Ray Machines			$2,871,011
Total for	JAMAICA					$2,871,011

FY 2006 Loans and Long-Term Guarantees Authorizations

Auth. Date	Obligor / Guarantor / Principal Supplier	Credit	Product	Interest Rate	Loans	Long-Term Guarantees
KAZAKHSTAN						
27-Oct-05	Astana Finance Co. None Deere & Co.	081901	Tractors, Seeders and Combines			$17,981,865
01-Dec-05	Agrotechmash LLC Bank Turanalmem Deere & Co.	082067	Tractors, Seeders and Combines			$19,609,915
16-Dec-05	Kazagrofinance JSC None CNH America LLC	082183	Seeding Units			$6,092,074
07-Sep-06	Lokomotiv JSC Kazakhstan Temir Zholy National State Co., et. al. General Electric Co.	082303	Diesel-Electric Freight Locomotive Kits			$92,931,936
28-Sep-06	Alliance Bank JSC None Diebold Holding Company Inc.	082664	Automated Teller Machines			$18,216,044
Total for	KAZAKHSTAN					$154,831,834
KOREA, REPUBLIC OF						
09-Feb-06	Asiana Airlines None The Boeing Co.	081714	Commercial Aircraft			$257,406,531
Total for	KOREA, REPUBLIC OF					$257,406,531
MALAYSIA, FEDERATION OF						
02-Jun-06	Binariang Satellite Systems SDN BHD Measat Global Network Systems SDN BHD Boeing Satellite Systems	077884	Satellite Communications (Credit Increase)			$8,321,051
08-Jun-06	Measat Satellite Systems SDN BHD Measat Global Network Systems SDN BHD Orbital Sciences Corp.	081156	Satellite Communications			$94,216,270
Total for	MALAYSIA, FEDERATION OF					$102,537,321

FY 2006 Loans and Long-Term Guarantees Authorizations

Auth. Date	Obligor / Guarantor / Principal Supplier	Credit	Product	Interest Rate	Loans	Long-Term Guarantees
MEXICO						
15-Dec-05	Central Panuco S.A. de C.V. Peforadora Central S.A. de C.V. LeTourneau Technologies Inc.	081764	Jack-up Drilling Rig			$54,010,178
14-Feb-06	Aerolineas Ejecutivas S.A. de C.V. Ortega-Olive, Arturo Raytheon Aircraft Co.	081823	Executive Aircraft			$19,647,637
03-May-06	Comisión Federal de Electricidad (CFE) None General Electric Co.	082223	Power Plant Parts and Maintenance			$24,264,586
11-May-06	Consorcio Aviaxsa S.A. de C.V. None Mountain Capital Partners LLC	081580	Commercial Aircraft			$15,642,720
23-May-06	Siderurgica Lazaro Cardenas Las Truchas None Various U.S. Companies	073682	Various Capital Goods and Services (Credit Increase)			$159,003
13-Jul-06	The Pemex Project Funding Master Trust Pemex and Operating Subsidiaries Smithco Engineering Inc.	082260	Petroleum Refinery Equipment			$100,000,000
28-Jul-06	Comision Federal de Electricidad (CFE) None General Electric Co.	082250	Power Plant Maintenance Parts and Services			$15,323,697
17-Aug-06	Aerovías de Mexico S.A. de C.V. None The Boeing Co.	081884	Commercial Aircraft			$170,705,760
14-Sep-06	The Pemex Project Funding Master Trust Pemex and Operating Subsidiaries Schlumberger	082635	Gas Recovery Equipment			$150,000,000
28-Sep-06	The Pemex Project Funding Master Trust Pemex and Operating Subsidiaries Pride Offshore Inc.	082693	Gas Field Development Equipment and Services			$300,000,000
28-Sep-06	The Pemex Project Funding Master Trust Pemex and Operating Subsidiaries Pride Offshore Inc.	082679	Oil Field Development Equipment and Services			$250,000,000
28-Sep-06	The Pemex Project Funding Master Trust Pemex and Operating Subsidiaries Solar Turbines Inc.	082654	Goods and Services for Upstream Production			$350,000,000
Total for	MEXICO					$1,449,753,581

FY 2006 Loans and Long-Term Guarantees Authorizations

Auth. Date	Obligor / Guarantor / Principal Supplier	Credit	Product	Interest Rate	Loans	Long-Term Guarantees
MOROCCO						
19-Jan-06	Royal Air Maroc None The Boeing Co.	078791	Commercial Aircraft			$72,608,132
11-May-06	Royal Air Maroc None The Boeing Co.	082548	Commercial Aircraft			$80,195,800
Total for	MOROCCO					$152,803,932
NETHERLANDS						
23-Feb-06	KLM Royal Dutch Airlines None The Boeing Co.	082244	Commercial Aircraft			$95,792,189
23-Feb-06	KLM Royal Dutch Airlines None The Boeing Co.	082241	Commercial Aircraft			$95,451,089
Total for	NETHERLANDS					$191,243,278
NEW ZEALAND						
13-Jul-06	Air New Zealand Holdings Ltd. Air New Zealand Ltd. The Boeing Co., Rolls Royce PLC	081880	Commercial Aircraft and Spare Engines			$125,917,927
Total for	NEW ZEALAND					$125,917,927
NIGERIA						
23-Feb-06	Diamond Bank Ltd. None Halliburton Energy Services Inc.	082133	Logging Equipment for Drilling Project			$12,355,118
25-Apr-06	Sonic Global Resources Nigeria Ltd. Oceanic Bank International PLC Gerard DeBasse Marketing Consultants	082319	Thomas-Built Urban Buses			$4,742,537
Total for	NIGERIA					$17,097,655
PANAMA						
01-Jun-06	Compania Panemana de Aviación S.A. Copa Holdings S.A., et. al. The Boeing Co., CFM International	082404	Commercial Aircraft and Spare Engines			$66,196,700
Total for	PANAMA					$66,196,700

FY 2006 Loans and Long-Term Guarantees Authorizations

Auth. Date	Obligor / Guarantor / Principal Supplier	Credit	Product	Interest Rate	Loans	Long-Term Guarantees
QATAR						
15-Dec-05	Qatar Liquefied Gas Co. (III) Ltd. None ConocoPhillips	081648	Installation and Commissioning Services for Liquefied Natural Gas Plant			$403,540,080
Total for	QATAR					$403,540,080
SINGAPORE						
18-May-06	Singapore Airlines Cargo PTE Ltd. None The Boeing Co.	079886	Commercial Aircraft			$146,712,160
Total for	SINGAPORE					$146,712,160
THAILAND						
10-Aug-06	Thai Airways International Ltd. None The Boeing Co.	082503	Commercial Aircraft			$484,245,001
Total for	THAILAND					$484,245,001
TURKEY						
19-Jan-06	Bis Enerji Elektrik Uretim A.S. None General Electric Co.	082152	Generator and Supporting Equipment			$15,480,523
21-Jul-06	Turk Hava Yollari Tao None The Boeing Co.	079221	Commercial Aircraft			$175,100,000
Total for	TURKEY					$190,580,523
URUGUAY						
09-Mar-06	Administración National de Usinas y Transmisión Electrica Ministry of Economy and Finance General Electric Co.	082071	Turbines and Turbine Generator Sets			$54,038,249
Total for	URUGUAY					$54,038,249
MISCELLANEOUS						
15-Nov-05	Private Export Funding Corp. (PEFCO) None	03048	Interest on PEFCO's Own Debt			$123,750,000
Total for	MISCELLANEOUS					$123,750,000
Grand Total					$56,546,782	$6,603,535,419

Management's Discussion and Analysis of Results of Operations and Financial Condition

Fiscal Year Ended September 30, 2006

Executive Summary

The Export-Import Bank of the United States (Ex-Im Bank or Bank) is an independent executive agency and a wholly owned U.S. government corporation. Ex-Im Bank is the official export-credit agency of the United States. Its mission is to support U.S. 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 are in competition for export sales with U.S. exporters. By facilitating the financing of U.S. exports, Ex-Im Bank helps companies create and maintain U.S. jobs. The Bank has provided financing support for export sales in over 150 markets throughout the world. The Bank's charter requires reasonable assurance of repayment for the transactions it authorizes, and the Bank closely monitors credit and other risks in its portfolio.

For FY 2006, Ex-Im Bank changed reporting methodology from reporting under private-sector generally accepted accounting principles (GAAP), to reporting under generally accepted accounting principles for federal agencies (government GAAP). The decision to change accounting methodologies was prompted by various factors, notably the recognition by the American Institute of Certified Public Accountants (AICPA) of government accounting standards and Ex-Im Bank's determination that presenting statements under government GAAP is a preferable method to presentation under GAAP. Under government GAAP standards, Ex-Im Bank's net excess revenue over costs for FY 2006 was $1,097.7 million and $1,375.1 million for FY 2005.

Ex-Im Bank authorized $12,150.5 million of loans, guarantees and insurance during FY 2006 in support of an estimated $16,119.4 million of U.S. export sales. Over the past five fiscal years, annual authorizations have ranged from $10,119.2 million to $13,936.2 million in support of estimated U.S. export sales of $12,950.3 million to $17,858.4 million.

New authorizations for direct small-business exports for FY 2006 totaled $3,184.7 million, representing 26.2 percent of total authorizations compared to $2,660.3

million and 19.1 percent for FY 2005. In FY 2006, Ex-Im Bank authorized 2,253 transactions that were made available for the direct benefit of small-business exporters, compared to 2,617 small business transactions in FY 2005. Over the past five fiscal years, Ex-Im Bank's direct support for the small-business sector, primarily through working capital guarantees and short-term insurance, has ranged from $1,782.0 million to this year's total of $3,184.7 million.

Ex-Im Bank's exposure at the end of FY 2006 is $57,837.8 million, which is a decrease of 8.1 percent from the Bank's exposure level as of the end of FY 2005 but is approximately the same level as the average fiscal year-end exposure level over the prior five fiscal years. Of this total, the Bank's largest exposure is in the air transportation sector, accounting for 42.3 percent of total exposure. The highest geographic concentration of exposure is in Asia, with 29.9 percent of the total.

The program composition of Ex-Im Bank's credit portfolio has changed over the past five fiscal years. Direct loans as a percent of total exposure have decreased from 19.7 percent in FY 2002 to 10.5 percent in FY 2006. The insurance and guarantee programs account for the remainder of the exposure.

While most of Ex-Im Bank's financings are denominated in U.S. dollars, Ex-Im Bank also guarantees notes denominated in certain foreign currencies. In FY 2006, Ex-Im Bank approved $1,753.4 million in foreign-currency-denominated transactions. Total foreign currency outstanding exposure at September 30, 2006, is $6,650.0 million, which is 11.5 percent of total exposure. The Bank anticipates that its outstanding exposure for authorizations denominated in a currency other than the U.S. dollar will continue to grow.

The Bank classifies its credits into 11 risk categories, with level 1 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 3.89 on new authorizations for FY 2006 compared with a weighted-average risk rating of 3.95 for FY 2005. Seventy-five percent of Ex-Im Bank's medium-term and long-term new authorizations in FY 2006 fell in the level 3-to-5 range (BBB to BB). The weighted-average risk rating on the overall outstanding portfolio is 4.50 at September 30, 2006, compared with the weighted-average risk rating of 4.80 at September 30, 2005.

Over the past five fiscal years, there has been a shift in Ex-Im Bank's portfolio from primarily sovereign and other public-sector borrowers to primarily private-sector borrowers. Between FY 2002 and FY 2006, exposure to public-sector obligors has decreased from 57.1 percent to 46.4 percent, while exposure to private-sector obligors has increased from 42.9 percent to 53.6 percent.

I. Mission and Organizational Structure

Congressional Authorization and Mission

Ex-Im Bank is an independent executive agency and a wholly owned U.S. government corporation that was first organized as a District of Columbia banking corporation in 1934. Ex-Im Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act (FCRA) of 1990 (P.L. 101-508). Congress periodically reauthorizes Ex-Im Bank. The Export-Import Bank Reauthorization Act of 2006 extended the Bank's charter until September 30, 2011.

Ex-Im Bank's mission is to support U.S. exports by providing export financing through its loan, guarantee and insurance programs in cases either 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 are in competition for export sales with U.S. exporters. By facilitating the financing of U.S. exports, Ex-Im Bank helps companies create and maintain U.S. jobs. The Bank has provided financing support for export sales in over 150 markets throughout the world. The Bank's charter requires reasonable assurance of repayment for the transactions the Bank authorizes, and the Bank closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. exports, Ex-Im Bank offers four financial products: direct loans, loan guarantees, working capital guarantees and export-credit insurance. All Ex-Im Bank authorizations carry the full faith and credit of the U.S. government.

Products

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 carry the lowest fixed-interest rate permitted for the importing country and term under the Arrangement on Guidelines for Officially Supported Export Credits negotiated among members of the Organization for Economic Cooperation and Development (OECD).

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.

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

Reasonable Assurance of Repayment

Ex-Im Bank's charter requires a reasonable assurance of repayment for all credit authorizations in order to ensure that Ex-Im Bank balances support for U.S. export transactions with protection of taxpayer resources.

The Bank's Board of Directors, 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 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 an appropriation 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 "subsidy cost" or "program budget cost" 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 appropriations are 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" credit subsidy arises. Negative subsidies are remitted to the U.S. Treasury upon disbursement of the underlying credits.

Due to the fact that financial and economic factors affecting the repayment prospects change over time, the net estimated subsidy cost of the outstanding balance of loans, guarantees and insurance financed by the subsidies is re-estimated annually in accordance with Office of Management and Budget (OMB) guidelines. This re-estimate indicates the appropriate level of funds necessary to cover future defaults. Decreases in estimated subsidy costs result in excess funds returned to the U.S. Treasury while increases in subsidy costs are covered by additional appropriations, which become automatically available through permanent and indefinite appropriations, pursuant to the FCRA. Ex-Im Bank calculates an annual re-estimate of the subsidy costs during the last quarter of the fiscal year.

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 five 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, agencies and departments of the government, and 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 and services and operations.

Small Business Group: The Small Business Group was newly created to enhance the Bank's outreach to small business exporters and includes Ex-Im Bank's five regional offices, which focus on small-business outreach.

Office of the General Counsel: The General Counsel's Office provides legal counsel to the Bank's management and the Board of Directors and negotiates and documents the Bank's major transactions. The General Counsel's office 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, internal audit, credit accounting and servicing, asset monitoring and management, claims and recoveries, and portfolio review.

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

Resource Management Group: 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.

II. Financial Accounting Policy

For FY 2006, Ex-Im Bank changed reporting methodology from reporting under GAAP to reporting under government GAAP. The decision to change accounting methodologies was prompted by various factors, notably AICPA's recognition of government accounting standards and Ex-Im Bank's determination that presenting statements under government GAAP is a preferable method to presentation under GAAP. The decision to change accounting methodologies was prompted by a number of factors:

• ***AICPA Recognition:*** The Government Corporation Control Act requires U.S. government corporations, including Ex-Im Bank, to produce a management report that includes a balance sheet, income statement, statement of changes in equity and statement of cash flows. Until 2000, the Financial Accounting Standards Board (FASB) issued the only recognized standards for producing financial statements that were in conformity with generally accepted accounting principles. Since its inception, the Bank followed GAAP for its management report. In January 2000, the AICPA recognized governmental accounting standards established by the Federal Accounting Standards Advisory Board (FASAB) as being in accordance with generally accepted accounting principles. Since that time, statements produced following FASAB guidance were considered to be in accordance with generally accepted accounting principles for federal agencies. Although Ex-Im Bank continued for several years to produce statements under FASB guidance, the recognition of FASAB standards influenced the decision to change reporting standards.

• ***Preferable Method:*** Annually, the U.S. government produces the *Financial Report of the United States Government*, a consolidation of all federal financial reports. The agency reporting requirements for the *Financial Report of the United States Government* requires all agencies using a basis of accounting other than government GAAP to restate audited financial statements using government-GAAP standards. To comply with this requirement, the Bank has had to translate its GAAP statements to statements following government GAAP. Each year, the Bank has remitted these government-GAAP statements to U.S. Treasury. Between FY 2001 and FY 2005, the Bank included an audited footnote in the GAAP disclosures that reconciled GAAP and government-GAAP statements.

Additionally, governmental accounting more closely links budget activity and financial activity. This provides useful and relevant information not normally provided under private sector reporting, making government GAAP a preferable method for Ex-Im Bank.

The accompanying FY 2006 and FY 2005 financial statements have been prepared in accordance with generally accepted accounting principles for federal entities. The format of the financial statements and footnotes are in accordance with form and content guidance provided in OMB Circular A-136. Circular A-136 details the financial data required to be disclosed and the assertions and reviews over financial information that must be performed, and suggests the presentation of such information.

Ex-Im Bank follows OMB Circular A-11 as the primary guidance for calculating the subsidy cost associated with the Bank's transactions. In accordance with this guidance, the amount of subsidy cost (net of fees) calculated on the Bank's post-credit-reform programs also equates to the loss allowance on these transactions and is disclosed as such on the financial statements and related notes.

III. Strategic Goals

Strategic Goal: Facilitate U.S. Exports to Support U.S. Jobs

Ex-Im Bank's operations are driven by one fundamental goal: to facilitate and increase U.S. exports in order to support U.S. jobs. Ex-Im Bank programs offer effective financing support enabling exporters to win export sales where such support is necessary to match officially supported foreign competition and to fill financing gaps due to the lack of available commercial financing. Exports and the associated jobs are a critical component of the U.S. economy, with exports representing over 10 percent of the U.S. gross domestic product.

Results of Operations: FY 2006 Authorizations

Ex-Im Bank fulfills its strategic goal of facilitating U.S. exports. Authorizations have ranged from $10,119.2 million to $13,936.2 million during the past five fiscal years as shown in Exhibit 1 (on next page).

Exhibit 1: Authorizations by Fiscal Year

(in millions) Authorizations	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
LONG-TERM					
Loans	$295.6	$52.7	$227.1	$ -	$56.5
Guarantees	6,180.2	6,422.9	7,112.1	8,076.1	6,603.5
Subtotal, Long-Term	6,475.8	6,475.6	7,339.2	8,076.1	6,660.0
MEDIUM-TERM					
Loans	-	5.6	-	-	-
Guarantees	543.1	554.1	540.5	399.4	387.6
Insurance	666.8	678.4	911.5	451.0	641.4
Subtotal, Medium-Term	1,209.9	1,238.1	1,452.0	850.4	1,029.0
SHORT-TERM					
Working Capital	684.8	768.0	880.4	1,096.3	1,173.8
Insurance	1,748.7	2,025.5	3,649.3	3,913.4	3,287.7
Subtotal, Short-Term	2,433.5	2,793.5	4,529.7	5,009.7	4,461.5
Total Authorizations	**$10,119.2**	**$10,507.2**	**$13,320.9**	**$13,936.2**	**$12,150.5**

Strategic Goal: Facilitate U.S. Exports by Small Business

Small businesses are major creators of jobs in America. The Bank's mandate from Congress places significant emphasis on supporting small-business exports. In addition, the Bank's charter states: "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 2006, Ex-Im Bank created the Office of Small Business to provide a Bankwide focus on small-business support with overall responsibility for expanding and overseeing small-business outreach. This office is responsible for making small businesses aware of the opportunities available to them and for acting as a liaison with the Small Business Administration and other departments and agencies in matters affecting small businesses.

Ex-Im Bank's programs play an important role in providing export-finance support to small businesses that have the ability to expand and create American jobs. In 1978, Ex-Im Bank introduced its first short-term export-credit insurance policy tailored for small business. Since this introduction, Ex-Im Bank has been designing and implementing programs and policies to meet the needs of the U.S. small-business exporter.

Results of Operations: FY 2006 Small-Business Authorizations

In FY 2006, the Bank authorized $3,184.7 million in direct support of U.S. small-business exports, representing 26.2 percent of total authorizations, compared to $2,660.3 million and 19.1 percent for FY 2005. In FY 2006, the Bank authorized 2,253 transactions that were made available for the direct benefit of small businesses, representing approximately 84.2 percent of the total number of transactions, compared to 2,617 transactions and roughly 83.7 percent in FY 2005. Ex-Im Bank's objective is to continue to grow small-business authorizations in the context of a reasonable assurance of repayment and in response to market demand.

Ex-Im Bank offers two products that primarily benefit small businesses: working capital guarantees and short-term insurance. In FY 2006, $917.9 million, or 78.2 percent of total authorizations in the Working Capital Guarantee Program supported small businesses. Of total authorizations under the Insurance Program, $2,038.1 million, or 51.9 percent, supported small businesses. In FY 2005,

$850.4 million, or 77.6 percent, of total authorizations in the Working Capital Guarantee Program supported small businesses. Of total authorizations under the Insurance Program, $1,695.8 million, or 38.9 percent supported small businesses.

Exhibit 2 (on right) shows the total dollar amount of authorizations for small-business exports for each year since FY 2002, together with the percentage of small-business authorizations to total authorizations for that fiscal year.

IV. Effectiveness and Efficiency

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

Overall Effectiveness and Efficiency: Recognition from Customers and Peers

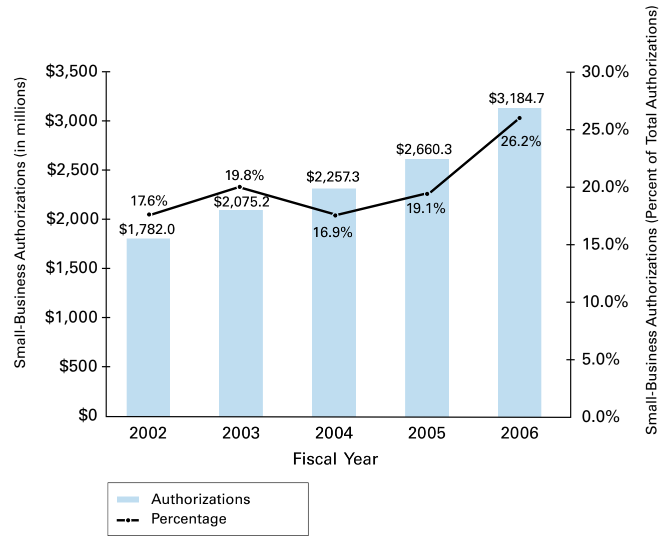
The Bank's competitiveness report to Congress showed survey results from exporters and lenders that indicated that the Bank's core business policies and practices were classified as competitive with other officially supported foreign competition, primarily other G-7 ECAs. According to the data, Ex-Im Bank terms (including policy coverage, interest rates, exposure fee rates and risk premia) consistently matched competitors. In addition, Ex-Im Bank continues to receive recognition from noted international trade journals for its product innovations and customer service and has received numerous "Deal of the Year" awards.

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

The Bank utilizes four leverage ratios to assess efficiency and to measure returns on U.S. taxpayer resources invested in Ex-Im Bank programs.

For every taxpayer dollar used for program and administrative expenses in FY 2006, Ex-Im Bank facilitated an estimated $61.2 of U.S. exports. This multiple compares to $56.9 of U.S. exports in FY 2005.

Exhibit 2: Small Business Authorizations



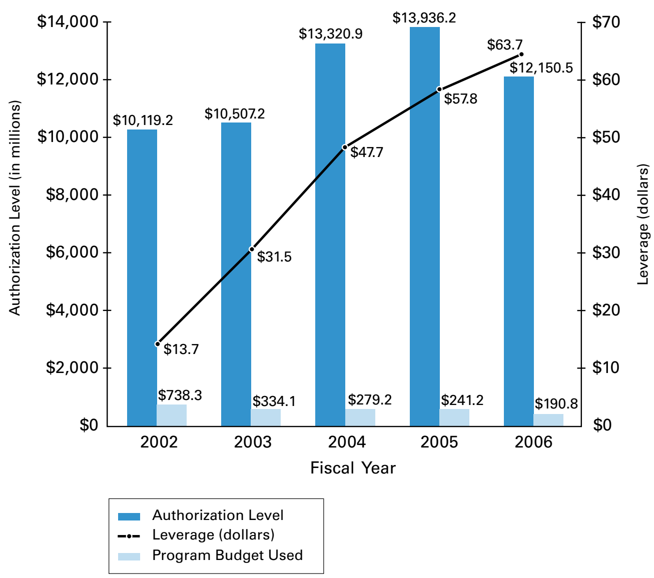
The taxpayer value in terms of administrative budget dollars is even greater. For every dollar of administrative budget used in FY 2006, Ex-Im Bank provided financing in support of an estimated $222.3 of U.S. exports, compared to an estimated $246.0 of U.S. exports in FY 2005.

Another leverage measure is the amount of authorizations supported by each dollar of program budget. This indicator has continued to improve over the past five years. In FY 2002, each dollar of program budget supported $13.7 of authorizations; in FY 2003, each dollar of program budget supported $31.5 of authorizations; and in FY 2004, each dollar of program budget supported $47.7 in authorizations. In FY 2005, the amount of authorizations supported by each dollar of program budget increased to $57.8 and to $63.7 in FY 2006, a 10.0 percent increase.

The final leverage measure examines the productivity contributed by each employee as measured by the level of authorizations. Since FY 2002, the average level of authorizations per employee has increased from $25.2 million to $32.0 million in FY 2006, a 27.0 percent increase.

Exhibit 3 (on next page) shows the total amount authorized, the corresponding usage of program budget and the leverage for the past five years. Authorization levels since FY 2002 have been steadily increasing, while program budget levels have gradually decreased.

Exhibit 3: Authorization Levels and Program Budget Required



V. Portfolio Analysis

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

At September 30, 2006, Ex-Im Bank's exposure totaled $57,837.8 million, a decrease of $5,114.7 million, or 8.1 percent, from the September 30, 2005, exposure level. This decrease in exposure during FY 2006 was primarily due to the lower level of new authorizations in FY 2006, the repayments and prepayments of large credits and the cancellation of previously approved transactions. In general, total exposure over the five-year period has remained relatively constant at an average of approximately $60 billion. Even though Ex-Im Bank continues to generate new business each year, the Bank's overall portfolio remains at a stable level due to the pay-downs of some of the outstanding transactions. As a percentage of total exposure, direct-loan exposure, including undisbursed loans, has declined while guarantee exposure has increased.

Exhibit 4 (below) summarizes total Ex-Im Bank exposure by type of exposure and shows each type of exposure as a percentage of the total exposure at the end of the respective fiscal year.

Exhibit 4: Exposure by Program

(in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Guarantees	$38,595.9	$40,025.7	$41,361.6	$43,554.7	$42,460.0
Insurance	3,987.4	6,261.1	6,183.8	7,316.1	6,970.2
Loans	10,324.2	9,998.5	9,288.3	8,354.2	5,954.9
Receivables from Subrogated Claims	4,116.3	3,976.0	3,895.1	3,625.2	2,363.7
Undisbursed Loans	1,093.8	550.7	419.4	102.3	89.0
Total Exposure	**$58,117.6**	**$60,812.0**	**$61,148.2**	**$62,952.5**	**$57,837.8**

(% to Total)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Guarantees	66.3%	65.9%	67.6%	69.2%	73.4%
Insurance	6.9%	10.3%	10.1%	11.6%	12.1%
Loans	17.8%	16.4%	15.2%	13.3%	10.3%
Receivables from Subrogated Claims	7.1%	6.5%	6.4%	5.8%	4.0%
Undisbursed Loans	1.9%	0.9%	0.7%	0.1%	0.2%
Total Exposure	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Exhibit 5 (below) summarizes total Ex-Im Bank exposure by geographic region as of the end of the fiscal year. The table (Exhibit 5) shows that the geographic exposure has been relatively stable over the past five years. The All Other category in Exhibit 5 includes undisbursed balances of short-term multibuyer insurance that is not allocated by region until the shipment has taken place and working capital guarantee exposure in the United States.

Exhibit 6 (below) shows exposure by the major industrial sectors in the Bank's portfolio.

Exhibit 5: Geographic Exposure

(in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Asia	$19,065.9	$20,229.5	$17,967.5	$17,517.8	$17,271.7
Latin America	15,710.7	14,983.9	15,570.3	13,924.0	14,423.4
Europe/Canada	10,069.7	10,491.1	10,840.7	11,141.0	10,410.2
Africa/Middle East	8,684.8	9,008.1	9,222.3	10,221.0	7,696.6
All Other	4,586.5	6,099.4	7,547.4	10,148.7	8,035.9
Total Exposure	**$58,117.6**	**$60,812.0**	**$61,148.2**	**$62,952.5**	**$57,837.8**

(% to Total)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Asia	32.9%	33.3%	29.4%	27.8%	29.9%
Latin America	27.0%	24.6%	25.5%	22.1%	24.9%
Europe/Canada	17.3%	17.3%	17.7%	17.7%	18.0%
Africa/Middle East	14.9%	14.8%	15.1%	16.2%	13.3%
All Other	7.9%	10.0%	12.3%	16.2%	13.9%
Total Exposure	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Exhibit 6: Exposure by Major Industrial Sectors

(in millions)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Air Transportation	$19,816.8	$21,659.1	$23,475.0	$24,935.1	$24,443.0
Oil and Gas	6,275.5	6,166.9	6,415.5	6,681.2	7,361.6
Power Projects	8,154.8	7,067.6	6,577.7	5,696.2	4,876.3
Manufacturing	4,806.4	4,320.7	4,309.1	5,465.2	4,418.0
All Other	19,064.1	21,597.7	20,370.9	20,174.8	16,738.9
Total Exposure	**$58,117.6**	**$60,812.0**	**$61,148.2**	**$62,952.5**	**$57,837.8**

(% to Total)	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Air Transportation	34.1%	35.6%	38.4%	39.6%	42.3%
Oil and Gas	10.8%	10.1%	10.5%	10.6%	12.7%
Power Projects	14.0%	11.6%	10.8%	9.0%	8.4%
Manufacturing	8.3%	7.1%	7.0%	8.8%	7.7%
All Other	32.8%	35.6%	33.3%	32.0%	28.9%
Total Exposure	**100.0%**	**100.0%**	**100.0%**	**100.0%**	**100.0%**

Exhibit 7: Public and Private Obligors

Year End	FY 2002	FY 2003	FY 2004	FY 2005	FY 2006
Private Obligors	42.9%	45.9%	49.5%	52.0%	53.6%
Public Obligors	57.1%	54.1%	50.5%	48.0%	46.4%

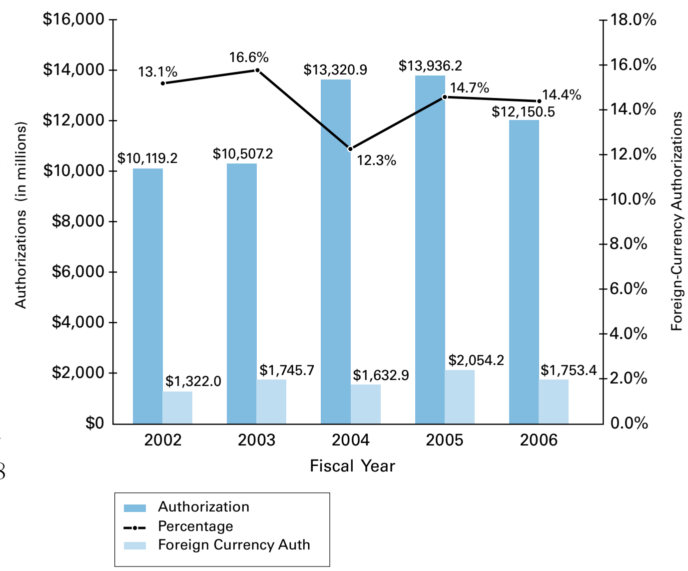
In the past five fiscal years, there has been a shift in Ex-Im Bank's portfolio. As the need for private-sector financing has increased since FY 2002, Ex-Im Bank's portfolio represented by private obligors has increased from 42.9 percent in FY 2002 to 53.6 percent in FY 2006.

Of the portfolio at September 30, 2006, 46.4 percent represents credits to public-sector obligors or guarantors (23.9 percent to sovereign obligors or guarantors and 22.5 percent to public nonsovereign entities); 53.6 percent represents credits to private-sector obligors. A breakdown of public versus private-sector exposure is shown in Exhibit 7 (above).

In FY 2006, Ex-Im Bank approved $1,753.4 million in transactions denominated in a foreign currency, 14.4 percent of all new authorizations, as shown in Exhibit 8 (on right). In FY 2005, Ex-Im Bank approved $2,054.2 million in transactions denominated in a foreign currency, 14.7 percent of all new authorizations. Foreign-currency transactions are booked in U.S. dollars based on the exchange rate at the time of authorization. The U.S. dollar exposure is adjusted at year end using the latest exchange rates.

At the end of FY 2006, Ex-Im Bank had 65 transactions with outstanding balances denominated in a foreign currency. Using the foreign-currency exchange rate at September 30, 2006, Ex-Im Bank adjusted the dollar amount of the outstanding balance for these transactions. The adjustment was an increase of exposure of $559.4 million for a total outstanding balance of $6,650.0 million for foreign-currency-denominated guarantees, representing 11.5 percent of total Bank exposure.

Exhibit 8: Foreign-Currency Transactions



At the end of FY 2005, Ex-Im Bank had 64 transactions with outstanding balances denominated in a foreign currency. Using the foreign-currency exchange rate at September 30, 2005, Ex-Im Bank adjusted the dollar amount of the outstanding balance for these transactions. The adjustment was an increase of $456.0 million for a total outstanding balance of $5,291.0 million for foreign-currency-denominated guarantees representing 8.4 percent of total Bank exposure.

As seen in Exhibit 8 (above), the percentage of foreign-currency authorizations to total authorizations has remained fairly stable over the past five years. The level of foreign-currency authorizations is attributable in large part to borrowers' desire to borrow funds in the same currency as they earn funds, in order to mitigate the risk involved with exchange fluctuations. The majority of the foreign-currency authorizations are for support of U.S. exports of commercial jet aircraft.

Exhibit 9 (below) shows the U.S. dollar value of the Bank's outstanding foreign-currency exposure by currency.

Exhibit 9: U.S Dollar Value of Outstanding Foreign-Currency Exposure as of September 30, 2006

Currency	Outstanding Balance (in millions)	Percent of Total
Euro	$3,435.6	51.7%
Canadian Dollar	1,258.2	18.9%
Australian Dollar	799.3	12.0%
Japanese Yen	467.3	7.0%
British Pound	227.8	3.4%
New Zealand Dollar	200.6	3.0%
All Other	261.2	4.0%
Total	**$6,650.0**	**100.0%**

VI. Loss Reserves, Major Workout and Paris Club Activities

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

The total allowance for Ex-Im Bank credits is comprised of the allowance for loss on precredit-reform credits and all defaulted guarantees and insurance, and the allowance for subsidy cost for post-credit-reform credits. For precredit-reform credits, a provision is charged to earnings as losses are estimated to have occurred.

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 for Ex-Im Bank credit-reform credits equates to the amount of subsidy cost associated with the applicable credit. This subsidy cost is defined as the net present value of all the cash flows of the credits to and from the U.S. government. Ex-Im Bank has established cash flow models for expected defaults, fees and recoveries to estimate the subsidy cost for each approved credit. The models incorporate OMB's loss estimates for international credit programs and Ex-Im Bank's actual recovery experience.

The net subsidy cost of the outstanding balance of loans, guarantees and insurance financed by the subsidies is re-estimated annually in accordance with OMB guidelines. The re-estimates adjust the allowance for subsidy cost to account for actual activity and changes in the financial and economic factors that affect the repayment prospects over time. As of September 30, 2006, the re-estimate of the subsidy costs of the outstanding and undisbursed balances of FY 1992 through FY 2005 commitments indicated that of the fees, interest and appropriations in the financing accounts, the net amount of $1,402.0 million was no longer needed to cover commitments and was due to the U.S. Treasury.

The total allowance for losses (loss reserve) at September 30, 2006, for loans, claims, guarantee and insurance commitments is $4,448.0 million, which is 7.7 percent of total exposure of $57,837.8 million (Exhibit 10). This compares to the total loss reserve at September 30, 2005, for loans, claims receivable, and guarantee and insurance commitments of $7,190.4 million, which was 11.4 percent of total exposure of $62,952.5 million.

Exhibit 10: Loss Reserves and Exposure Summary

(in millions)	FY 2006	FY 2005
LOSS RESERVES		
Allowance for Loan Losses (including Undisbursed)	$1,533.2	$2,853.1
Allowance for Defaulted Guarantees and Insurance	1,373.6	1,782.1
Liability for Outstanding Guarantees and Insurance (including Undisbursed)	1,541.2	2,555.2
Total	**$4,448.0**	**$7,190.4**
TOTAL EXPOSURE		
Loans Receivable	$5,954.9	$8,354.2
Receivables from Defaulted Guarantees and Insurance	2,363.7	3,625.2
Guarantees and Insurance	49,430.2	50,870.8
Undisbursed Loans	89.0	102.3
Total Exposure	**$57,837.8**	**$62,952.5**
Loss Reserve as Percent of Total Exposure	7.7%	11.4%

Major Workouts

At the end of FY 2006, Ex-Im Bank was in the process of restructuring seven major impaired credits (i.e., project finance, transportation and corporate borrowers with outstanding balances greater than $20 million) with a total exposure of approximately $362.7 million, a 44.1 percent decrease from the figure reported at the end of FY 2005. The decrease reflects the successful resolution of four defaulted credits during FY 2006. The credits currently under restructuring supported the export of U.S. products and services to projects and buyers in Indonesia, Mexico, Brazil, Dominican Republic, the Philippines and Pakistan. Most of these companies have other lenders with which Ex-Im Bank is participating in the restructuring processes.

Paris Club Activities

The Paris Club is a group of 19 permanent-member creditor countries that meet regularly in Paris to discuss and provide debt relief to qualifying debtor countries. In FY 2006, 10 countries were eligible for debt forgiveness and/or debt rescheduling, including capitalized interest (Exhibit 11, below). In FY 2005, 16 countries received either debt forgiveness or debt rescheduling.

At September 30, 2006, Ex-Im Bank's total Paris Club rescheduled exposure was $2,217.4 million, compared with $5,001.1 million at September 30, 2005.

Exhibit 11: Paris Club Bilateral Agreements

(in thousands)

	FY 2006		FY 2005	
Country	**Principal Forgiven**	**Debt Rescheduled**	**Principal Forgiven**	**Debt Rescheduled**
Cameroon	$3,640	$2,123	$2,852	
Congo			11,918	$11,031
DRC (Zaire)	684,660		15,001	24,503
Dominican Republic		18,574		
Ecuador				2,591
Gabon				16,952
Ghana			1,662	
Guyana			6	
Honduras	1,248		369	
Indonesia		18,991		32,324
Kenya		117		530
Madagascar			37,139	
Niger			6,101	
Nigeria	605,894			
Nicaragua			58,734	
Pakistan				62
Rwanda	560			
Senegal			746	
Serbia/Montenegro	80,002	2,663		4,179
Zambia	142,489			
Total	**$1,518,493**	**$42,468**	**$134,528**	**$92,172**

VII. Portfolio Risk-Rating System and Risk Profile

The Interagency Country Risk Assessment System (ICRAS)

OMB established the Interagency Country Risk Assessment System (ICRAS) to provide a framework for uniformly measuring the costs of the U.S. government's international credit programs across the various agencies that administer them. To operate this framework, OMB chairs an interagency working group composed of the agencies with international loan programs, as well as the Departments of State and U.S. Treasury, the Federal Deposit Insurance Corporation and the Federal Reserve Board. In addition, OMB consults annually with the Congressional Budget Office.

The ICRAS methodology determines both the risk levels for lending to sovereign governments as well as certain factors to be used in calculating the program budget cost for transactions at the various risk levels.

One of OMB's key goals in developing this system was to pattern ICRAS after systems in the private sector. Therefore ICRAS adopts similar ratings and rating methodologies as the private rating agencies, such as Moody's, Standard & Poor's and Fitch IBCA.

Risk Ratings

The interagency group rates every country to which U.S. government agencies have outstanding loans or loan guarantees or are anticipating making new credits available. The interagency group has established 11 sovereign and nine nonsovereign risk categories and currently has risk ratings for 193 markets.

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

The ratings are based, in general, on a country's (1) ability to make payments, as indicated by relevant economic factors, and (2) willingness to pay, as indicated by payment record and political and social factors. Four categories, ratings 1 through 4, are roughly equivalent to "creditworthy" or "investment grade" private bond ratings. Three categories, ratings 9 to 11, are for countries either unable to pay fully, even with extended repayment periods, or currently unwilling to make a good faith effort. In between are categories reflecting various degrees of potential or actual payment difficulties.

ICRAS Default Estimates

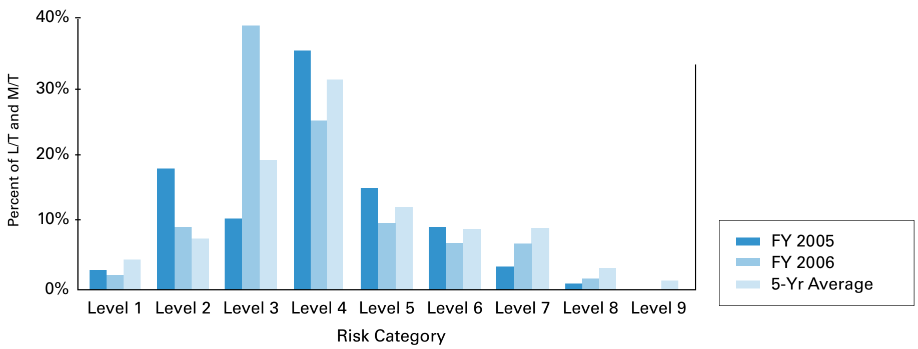
In order to determine the cost associated with the risk of lending to a category of credits, OMB applies a default estimate to each category that reflects the expected losses.

OMB bases its calculations of the default estimates on investors' risk-return perceptions on international debt instruments. The default estimates were established using data from international debt markets that reflected changes in financial market conditions over the past seven years. An extensive analysis was done of international lending rates so that the default estimates would most accurately reflect the market's evaluation of default risk.

Agencies apply these default estimates by comparing the present-value cash flows discounted using a risk-free U.S. Treasury rate against the present value of identical cash flows discounted by a risk-adjusted discount rate built from the risk-free U.S. Treasury rate plus the historical average spread for the risk category of the transaction under evaluation (the risk premia). The difference between these two present values is the present value of estimated defaults. This present-value default amount is spread over the maturity of the proposed transaction and is discounted using the standardized OMB Credit Subsidy Calculator.

In 2002, OMB adjusted the default estimates for certain noncredit factors so that the revised default estimates only reflect estimates of probable credit losses.
The default estimates were derived from the historical average interest-rate differences or "spreads" between U.S. Treasury instruments and similar-term, dollar-denominated sovereign bonds of similarly rated countries. In FY 2005, Ex-Im Bank started to incorporate actual recovery experience into these loss percentages to calculate the Bank's allowance for loss more precisely. In FY 2006, Ex-Im Bank used actual default and recovery experience to more precisely calculate the Bank's annual re-estimate.

Exhibit 12: Medium-Term and Long-Term Authorizations by Risk Category



Portfolio Risk Monitoring and Evaluation

Ex-Im Bank continuously monitors its portfolio of credits after they have been approved. Monthly reports are prepared for the Board of Directors and management detailing and analyzing the portfolio risk profile and any significant changes from the prior report. Credits to obligors with total Ex-Im Bank exposure of $20 million or more are individually re-evaluated semiannually after authorization.

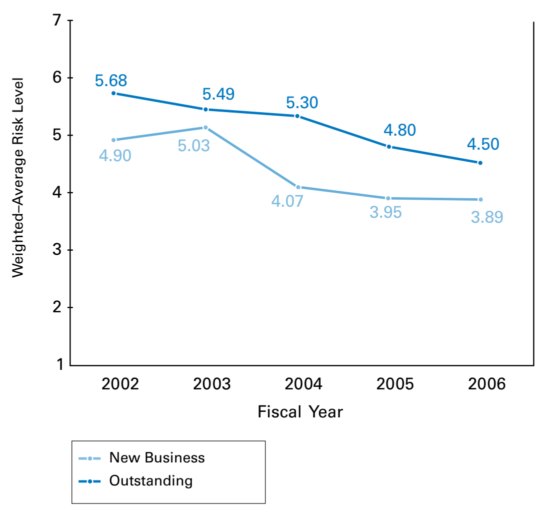
Exposure Risk Profile

In accordance with the risk-rating system detailed above, Ex-Im Bank classifies credits into 11 risk categories, with level 1 being the lowest risk. Ex-Im Bank generally does not authorize new credits that would be risk-rated worse than level 8. On this scale, level 3 is approximately equivalent to Standard and Poor's BBB, level 4 approximates BBB-, and level 5 approximates BB.

The overall weighted-average risk rating of FY 2006 medium-term and long-term export-credit authorizations was 3.89 compared to a weighted-average risk rating of 3.95 for FY 2005. Seventy-five percent of Ex-Im Bank's medium-term and long-term new authorizations in FY 2006 fell in the level 3-to-5 range (BBB to BB) while 8.3 percent were rated level 7 or 8 (B or B-).

Exhibit 12 (above) shows the risk profile of Ex-Im Bank's medium-term and long-term authorizations in FY 2006 and FY 2005 and the past five-year average risk profile.

Exhibit 13: Credit Quality: Risk Profile



Changes in the Portfolio Risk Level

In FY 2006, Ex-Im Bank had a portfolio of $57,837.8 million of loans, guarantees, insurance and outstanding claims receivable. Exhibit 13 (above) shows the weighted-average risk rating for new authorizations and the outstanding portfolio over the past five fiscal years. The new business risk level includes all medium-term and long-term transactions authorized in each respective fiscal year and reflects the weighted-average risk rating for these authorizations. The outstanding portfolio includes new business transactions and the existing portfolio risk-rated at the end of each fiscal year. As can be seen in Exhibit 13, the risk rating for new business and the outstanding portfolio has gradually improved over the past several fiscal years.

VII. Financial Statement Analysis

Significant Financial Data

Exhibit 14 (below) presents certain financial data from the Balance Sheet and the Statement of Net Cost. This financial data is highlighted due to a significant change (15 percent or more) and/or significant dollar difference between FY 2006 and FY 2005. More detailed financial information can be found in the financial statements.

Cash/Fund Balance with U.S. Treasury: Cash decreased from $3,957.2 million in FY 2005 to $3,230.2 million in FY 2006 due primarily to the cash remitted to the U.S. Treasury as a result of the FY 2005 re-estimate.

Subsidy Receivable from Program Account: The Subsidy Receivable from Program Account has increased from $375.6 million in FY 2005 to $520.4 million in FY 2006 due primarily to the upward re-estimate.

Receivables from Subrogated Claims, Net: Receivables from Subrogated Claims decreased from $1,849.5 million at the end of FY 2005 to $991.2 million in FY 2006 due to the large prepayments and write-offs associated with transactions in Algeria and Nigeria.

Borrowings from the U.S. Treasury: Borrowings from U.S. Treasury decreased from $5,848.3 million in FY 2005 to $4,910.7 million in FY 2006 because of repayment of outstanding borrowings and decreased borrowing needs from fewer disbursements.

Guarantee Loan Liability: The Guarantee Loan Liability has decreased from $2,284.8 million in FY 2005 to $1,272.4 million in FY 2006 primarily due to the overall downward re-estimate.

Payment Certificates: Payment Certificates decreased from $297.2 million at September 30, 2005, to $195.3 million as of September 30, 2006. Ex-Im Bank issues to the guaranteed lender certificates in lieu of an immediate cash payment for the entire outstanding balance of the guaranteed notes when approving claims on defaulted fixed-rate notes. The payment certificates are direct obligations of Ex-Im Bank and are freely transferable. The balance declined during FY 2006 as the payments made by Ex-Im Bank on existing payment certificates exceeded the issuance of new payment certificates.

Payable to the Financing Account: The Payable to the Financing Account increased from $89.2 million in FY 2005 to $241.3 million due to the upward re-estimate.

Interest Expense on U.S. Treasury Borrowings: Interest expense on U.S. Treasury borrowings decreased from $380.4 million in FY 2005 to $316.9 million in FY 2006 because of repayments of outstanding borrowings and no new borrowings were made in the current fiscal year.

Subsidy Expense, Net: The Subsidy Expense Net decreased from a credit of $907.9 million in FY 2005 to a credit of $609.6 million in FY 2006. This decrease was due to the decrease in subsidy rates as well as an overall reduction in FY 2006 authorizations.

Exhibit 14: Significant Financial Data

(in millions)	FY 2006	FY 2005
Cash/Fund Balance with U.S. Treasury	$3,230.2	$3,957.2
Subsidy Receivable from Program Account	520.4	375.6
Receivables from Subrograted Claims, Net	991.2	1,849.5
Borrowings from the U.S. Treasury	4,910.7	5,848.3
Guarantee Loan Liability	1,272.4	2,284.8
Payment Certificates	195.3	297.2
Payable to Financing Account	241.3	89.2
Interest Expense on U.S. Treasury Borrowings	316.9	380.4
Subsidy Expense, Net*	(609.6)	(907.9)
Fees*	282.4	317.5
Liquidating Account Distribution of Income	627.5	501.0

*Balances shown are combined amounts from the different programs shown on the Statement of Net Cost.

Fees: The amount of fees, including exposure fees and other related fees, decreased from $317.5 million in FY 2005 to $282.4 million in FY 2006 due to lower shipment levels and reduced fee rates for specific high-volume markets.

Liquidating Account Distribution of Income: The Liquidating Account Distribution of Income represents funds transferred to the U.S. Treasury and increased from $501.0 million in FY 2005 to $627.5 million in FY 2006 primarily due to large repayments of precredit-reform direct loans.

Significant Factors Influencing Financial Results

The most significant factor that determines Ex-Im Bank's financial results and condition is a change in the risk level of Ex-Im Bank's loan, guarantee and insurance portfolio and the adjustment to the allowance for credit losses that must be made to reflect the change in risk. The level of risk of individual credits or groups of credits may change in an unpredictable manner as a result of international financial, economic and political events. Consequently, significant and unanticipated changes in Ex-Im Bank's allowance for credit losses may occur in any year.

The major risks to the Bank in its credit portfolio are repayment risk and concentration risk. Other risks the Bank must assess and attempt to minimize are foreign currency risk, operational risk and organizational risk.

Repayment Risk: In fulfilling its mission to facilitate U.S. exports by providing competitive export financing, Ex-Im Bank must balance the risks associated with assuming credit and country risks that the private sector is unable or unwilling to accept with the requirement of reasonable assurance of repayment for its credit authorizations. Repayment risk is the risk that a borrower will not pay according to the original agreement and the Bank may eventually have to write off some or all of the obligation. Repayment risk is primarily composed of:

Credit Risk: The risk that an obligor may not have sufficient funds to service its debt or may not be willing to service its debt even if sufficient funds are available.

Political Risk: The risk that payment may not be made to the Bank, its guaranteed lender or an insured as a result of expropriation of the obligor's property, war or inconvertibility of the borrower's currency into dollars.

Concentration Risk: Risks stemming from the composition of the credit portfolio as opposed to risks related to specific borrowers. The Bank has the following concentration risks:

Industry: The risk that events could negatively impact not only one company but many companies simultaneously that are in the same industry. The Bank's credit exposure is highly concentrated by industry; 63.4 percent of the Bank's credit portfolio is in three industries (air transportation, oil and gas, and power projects), with air transportation representing 42.3 percent of the Bank's total exposure. Events impacting these industries are frequently international in nature and may not be confined to a specific country or geographic area.

Geographic Region: The risk that events could negatively impact not only one country but many countries simultaneously in an entire region. The Bank's credit exposure is concentrated by geographic region, with 54.8 percent of the portfolio contained in two geographic regions: Asia (29.9 percent) and Latin America (24.9 percent).

Obligor: The risk when a credit portfolio is concentrated with one or a few borrowers that a default by one or more of those borrowers will have a disproportionate impact. The Bank's 10 largest public-sector obligors make up 25.1 percent of its portfolio, while the 10 largest private-obligors make up 15.7 percent.

Foreign-Currency Risk: Risk stemming from an appreciation or depreciation in the value of a foreign currency related to the U.S. dollar in Ex-Im Bank transactions denominated in that foreign currency. At the time of authorization, Ex-Im Bank does not hedge its foreign currency exposure; however, when the Bank pays claims under foreign currency guarantees, the notes are converted from a foreign-currency obligation to a dollar obligation. The obligor must then repay to Ex-Im Bank the balance in dollars. This converts the foreign-currency loan to a dollar loan at that point, thereby eliminating any further foreign-exchange risks.

Ex-Im Bank provides support for guarantees and insurance denominated in certain foreign currencies. The foreign currencies approved for Ex-Im Bank transactions as of September 30, 2006, are: Australian dollar, Brazilian real, British pound, Canadian dollar, CFA franc, Colombian peso, Egyptian pound, euro, Indian rupee, Japanese yen, Malaysian ringgit, Mexican peso, Moroccan dirham, New Zealand dollar, Pakistan rupee, Philippine peso, Russian ruble, South African rand, Swedish krona, Swiss franc, Taiwanese dollar and Thai baht. At the time of authorization, Ex-Im Bank records as the authorization the dollar amount equivalent to the foreign-currency obligation based on the exchange rate at that time.

Operational Risk: Operational risk is the risk of material losses resulting from human error, system deficiencies and control weaknesses. To mitigate the risk of loss stemming from operational dysfunctions, Ex-Im Bank has established a strong internal control environment that is reviewed by external auditors and has included process documentation, proper supervisory monitoring and technology access/edit controls.

Organizational Risk: The risk of loss to Ex-Im Bank due to the organizational environment: people and skills, incentives, culture and values. Ex-Im Bank hires highly qualified individuals and has a culture of rigorous risk assessment. Continual training opportunities are offered to all employees to maintain and enhance their high skill levels.

Interest-Rate Risk: Ex-Im Bank makes fixed-rate loan commitments prior to borrowing to fund loans and takes the risk that it will have to borrow the funds at an interest rate greater than the rate charged on the credit. In the event this occurs, a permanent indefinite appropriation is available to Ex-Im Bank to cover the funding loss.

VIII. Other Management Information

Statutory Limitations

Ex-Im Bank has several significant financial limitations that are contained in the Export-Import Bank Act of 1945, as amended, and in various appropriation acts. Exhibits 15 and 16 (below) summarize the status of those limitations as of September 30, 2006, as well as the utilization of available funding.

Tied aid is government-to-government concessional financing of public-sector capital projects in developing countries. Tied-aid terms usually involve total maturities longer than 20 years, lower than market interest rates and/or direct grants.

Exhibit 16: Non tied-Aid Program Budget Appropriation Available and Utilized

Exhibit 15: Financial Statutory Limitations

(in millions)

Appropriations	**Program Budget**	**Tied Aid**	**Administrative Expense**
Carry-over from Prior Year	$328.5	$263.2	N/A
Rescission of Unobligated Balance	(25.0)	(37.0)	-
Cancellations During FY 2006	19.0	1.7	N/A
FY 2006 Appropriation	99.0	-	72.5
Inspector General	N/A	N/A	1.0
Subtotal	**$421.5**	**$227.9**	**$73.5**
Obligated	$190.8	$ -	$72.5
Unobligated Balance Lapsed	88.1	-	-
Unobligated Balance Available	142.6	227.9	1.0
	Available	**Obligated**	**Balance**
Statutory Lending Authority	$100,000.0	$57,837.8	$42,162.2

Management Report on Financial Statement and Internal Accounting Controls

Ex-Im Bank's management is responsible for the content and integrity of the financial data included in the Bank's annual report and for ascertaining that this data fairly presents the financial position, results of operations and cash flows of the Bank.

The Bank's operations fall under the provisions of the Federal Credit Reform Act of 1990. This law provides that subsidy calculations must be performed (on a present-value basis) for all new loan, guarantee and insurance commitments, and the resulting cost, if any, must be covered by funds appropriated by Congress. Credits may not be approved if the cost has not been appropriated in advance.

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America for federal agencies (government GAAP). As explained in more detail in the notes, the financial statements recognize the impact of credit-reform legislation on the Bank's commitments. Other financial information related to the Bank included elsewhere in the report is presented on a basis consistent with the financial statements.

The Bank maintains a system of internal accounting controls that is designed to provide reasonable assurance at reasonable cost that assets are safeguarded, that transactions are processed and properly recorded in accordance with management's authorization, and that the financial statements are accurately prepared. The Bank believes that its system of internal accounting controls appropriately balances the cost/benefit relationship.

Ex-Im Bank's Board of Directors pursues its responsibility for the Bank's financial statements through its audit committee. The audit committee meets regularly with management and the independent accountants. The independent accountants have direct access to the audit committee to discuss the scope and results of their audit work and their comments on the adequacy of internal accounting controls and the quality of financial reporting.

The Bank believes that its policies and procedures, including its system of internal accounting controls, provide reasonable assurance that the financial statements are prepared in accordance with provisions of applicable laws and regulations.

The Bank's financial statements were audited by independent accountants. Their opinion is printed in this annual report immediately following the notes to the financial statements.

James H. Lambright
Chairman and President

Michael J. Discenza, Jr.
Senior Vice President and Chief Financial Officer

November 14, 2006

Balance Sheet

(in millions)	September 30, 2006	September 30, 2005
ASSETS		
Intragovernmental		
Fund Balance with the U.S. Treasury	$3,230.2	$3,957.2
Receivable from the Program Account	520.4	375.6
Total Assets - Intragovernmental	**3,750.6**	**4,332.8**
Public		
Cash	9.4	0.2
Loans Receivable, Net	4,526.1	5,617.4
Receivables from Subrogated Claims, Net	991.2	1,849.5
Other Assets	30.0	26.4
Total Assets - Public	**5,556.7**	**7,493.5**
Total Assets	**$9,307.3**	**$11,826.3**
LIABILITIES		
Intragovernmental		
Borrowings from the U.S. Treasury	$4,910.7	$5,848.3
Amounts Payable to the U.S. Treasury	1,826.8	1,973.5
Liability Related to Undisbursed Loans and Guarantees	279.1	286.4
Payable to the Financing Account	241.3	89.2
Total Liabilities - Intragovernmental	**7,257.9**	**8,197.4**
Public		
Payment Certificates	195.3	$297.2
Claims Payable	10.8	7.9
Guarantee Loan Liability	1,272.4	2,284.8
Other Liabilities	37.0	49.3
Total Liabilities - Public	**1,515.5**	**2,639.2**
Total Liabilities	**8,773.4**	**10,836.6**
NET POSITION		
Capital Stock	1,000.0	1,000.0
Unexpended Appropriations	637.0	863.7
Cumulative Results of Operations	(1,103.1)	(874.0)
Total Net Position	**533.9**	**989.7**
Total Liabilities and Net Postion	**$9,307.3**	**$11,826.3**

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

Statement of Net Costs

(in millions)	For the Year Ended September 30, 2006	For the Year Ended September 30, 2005
LOANS		
Costs		
Interest Expense	$316.9	$380.4
Subsidy Expense, Net	(222.9)	(209.5)
Provision for Credit Losses	131.4	(96.7)
Total Costs	225.4	74.2
Earned Revenue		
Interest Income	(886.6)	(827.3)
Fee and Other Income	(4.9)	(5.0)
Total Earned Revenue	(891.5)	(832.3)
Net Excess of Program Revenue Over Costs	**(666.1)**	**(758.1)**
GUARANTEES		
Costs		
Claim Expenses	21.1	29.4
Subsidy Expense, Net	(520.8)	(739.8)
Provision for Credit Losses	(263.3)	(15.8)
Total Costs	(763.0)	(726.2)
Earned Revenue		
Interest Income	(235.0)	(196.7)
Fees and Other Income	(240.6)	(283.2)
Total Earned Revenue	(475.6)	(479.9)
Net Excess of Program Revenue Over Costs	**(1,238.6)**	**(1,206.1)**
INSURANCE		
Costs		
Claim Expenses	5.1	3.2
Subsidy Expense, Net	134.1	41.4
Broker Commissions	4.6	4.4
Total Costs	143.8	49.0
Earned Revenue		
Insurance Premium and Other Income	(36.9)	(29.3)
Net Excess of Program Costs Over Revenue	**106.9**	**19.7**
COSTS NOT ASSIGNED TO PROGRAMS		
Administrative Costs	**72.6**	**68.4**
Liquidating Account Distribution of Income	**627.5**	**501.0**
Net Excess of Program Revenue Over Costs	**$(1,097.7)**	**$(1,375.1)**

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

Statement of Changes in Net Position

	Balance at September 30, 2006				Balance at September 30, 2005			
	Capital Stock	**Unexpended Appropriations**	**Cumultative Results of Operations**	**Total**	**Capital Stock**	**Unexpended Appropriations**	**Cumultative Results of Operations**	**Total**
BEGINNING NET POSITION	**$1,000.0**	**$863.7**	**$(874.0)**	**$989.7**	**$1,000.0**	**$1,139.1**	**$(1,058.6)**	**$1,080.5**
BUDGETARY FINANCING SOURCES (USES)								
Appropriations Received - Program	-	100.0	-	100.0	-	59.8	-	59.8
Appropriations Received - Administrative Expenses	-	73.2	-	73.2	-	73.2	-	73.2
Appropriations Received - Inspector General	-	1.0	-	1.0	-	-	-	-
Appropriations Received - Re-estimate	-	89.2	-	89.2	-	343.9	-	343.9
Rescissions	-	(63.7)	-	(63.7)	-	(1.1)	-	(1.1)
Canceled Authority	-	(107.2)	-	(107.2)	-	(78.4)	-	(78.4)
Transfer In - Debt Reduction Financing	-	-	-	-	-	-	46.4	46.4
Transfer Out Without Reimbursement	-	-	(1,643.3)	(1,643.3)	-	-	(1,858.1)	(1,858.1)
Other Adjustments	-	(0.4)	(2.3)	(2.7)	-	(45.0)	(6.6)	(51.6)
Appropriations Used	-	(318.8)	318.8	-	-	(627.8)	627.8	-
Total Financing Sources (Uses)	-	(226.7)	(1,326.8)	(1,553.5)	-	(275.4)	(1,190.5)	(1,465.9)
Less: Excess of Program Revenue Over Costs	-	-	(1,097.7)	(1,097.7)	-	-	(1,375.1)	(1,375.1)
Ending Net Position	**$1,000.0**	**$637.0**	**$(1,103.1)**	**$533.9**	**$1,000.0**	**$863.7**	**$(874.0)**	**$989.7**

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

Combined Statement of Budgetary Resources

	For the Year Ended September 30, 2006			For the Year Ended September 30, 2005		
	Budgetary	Nonbudgetary Credit-Reform Financing Accounts	Total	Budgetary	Nonbudgetary Credit-Reform Financing Accounts	Total
BUDGETARY RESOURCES						
Unobligated Balance, Brought Forward October 1	$674.7	$2,766.9	$3,441.6	$790.0	$3,278.8	$4,068.8
Recoveries of Prior-Year Unpaid Obligations	43.6	10.9	54.5	145.9	317.1	463.0
Budget Authority:						
Appropriation	263.4	-	263.4	476.9	-	476.9
Borrowing Authority	-	-	-	-	160.0	160.0
Spending Authority from Offsetting Collections	636.7	3,028.3	3,665.0	478.7	2,528.3	3,007.0
Nonexpenditure Transfers, Net, Anticipated and Actual	(627.4)	(937.5)	(1,564.9)	(501.0)	(1,548.9)	(2,049.9)
Permanently Not Available	(68.5)	-	(68.5)	(40.1)	-	(40.1)
Total Budgetary Resources	**$922.5**	**$4,868.6**	**$5,791.1**	**$1,350.4**	**$4,735.3**	**$6,085.7**
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred, Direct	$373.2	$2,574.8	$2,948.0	$675.7	$1,968.4	$2,644.1
Unobligated Balance Apportioned	463.4	2,293.8	2,757.2	601.9	2,766.9	3,368.8
Unobligated Balance Not Available	85.9	-	85.9	72.8	-	72.8
Total Status of Budgetary Resources	**$922.5**	**$4,868.6**	**$5,791.1**	**$1,350.4**	**$4,735.3**	**$6,085.7**
CHANGE IN OBLIGATED BALANCE						
Obligated Balance, Net:						
Unpaid Obligations, Brought Forward October 1	$274.8	$163.3	$438.1	$444.7	$475.2	$919.9
Obligations Incurred, Net	373.2	2,574.8	2,948.0	675.7	1,968.4	2,644.1
Gross Outlays	(333.8)	(2,638.2)	(2,972.0)	(699.7)	(1,963.2)	(2,662.9)
Recoveries of Prior-Year Unpaid Obligations	(43.6)	(10.9)	(54.5)	(145.9)	(317.1)	(463.0)
Obligated Balance, Net, End of Period:						
Unpaid Obligations	270.6	89.0	359.6	274.8	163.3	438.1
Total, Unpaid Obligated Balance, Net, End of Period	**$270.6**	**$89.0**	**$359.6**	**$274.8**	**$163.3**	**$438.1**
NET OUTLAYS						
Gross Outlays	$333.8	$2,638.2	$2,972.0	$699.7	$1,963.2	$2,662.9
Less: Offsetting Collections	(636.7)	(3,028.3)	(3,665.0)	(478.7)	(2,528.4)	(3,007.1)
Net Outlays	**$(302.9)**	**$(390.1)**	**$(693.0)**	**$221.0**	**$(565.2)**	**$(344.2)**

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

Statement of Financing

(in millions)	For the Year Ended September 30, 2006	For the Year Ended September 30, 2005
RESOURCES USED TO FINANCE ACTIVITIES		
Budgetary Resouces Obligated		
Obligations Incurred	$2,948.0	$2,644.1
Less: Spending Authority from Offsetting Collections and Recoveries	3,719.5	3,470.0
Net Obligations	**(771.5)**	**(825.9)**
Total Resources Used To Finance Activities	**(771.5)**	**(825.9)**
RESOURCES USED TO FINANCE ITEMS NOT PART OF NET COST OF OPERATIONS		
Change in Budgetary Resources Obligated for Goods, Services and Benefits Ordered but Not Yet Provided	78.5	481.8
Resources That Fund Expenses in Prior Periods	(89.2)	(288.8)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
– Credit-Program Collections	2,321.2	1,749.2
Resources That Finance the Acquisition of Assets	(2,306.2)	(1,615.7)
Distribution of Income	627.5	501.0
Total Resources That Do Not Finance Net Cost of Operations	**631.8**	**827.5**
Total Resources Used To Finance the Net Cost of Operations	**(139.7)**	**1.6**
COMPONENTS OF THE NET COST OF OPERATIONS THAT WILL NOT REQUIRE OR GENERATE RESOURCES IN THE CURRENT PERIOD		
Components Requiring or Generating Resources in Future Periods		
Increase in Other Liabilities	5.2	-
Allowance Amortization	635.5	590.2
Provision for Loss - Precredit-Reform Credits	(131.9)	(112.5)
Downward Re-estimates of Credit-Subsidy Expenses	(1,402.0)	(1,768.9)
Change in Receivables	(11.4)	(3.0)
Change in Payables	(1.0)	(0.4)
Total Components Requiring or Generating Resources in Future Periods	**(905.6)**	**(1,294.6)**
Components Not Requiring or Generating Resources		
Revaluation of Assets or Liabilities	(3.2)	(0.1)
Deferral Adjustments	(49.2)	(82.0)
Total Components Not Requiring or Generating Resouces	**(52.4)**	**(82.1)**
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**(958.0)**	**(1,376.7)**
Excess of Program Revenue Over Costs	**$(1,097.7)**	**$(1,375.1)**

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 Years Ended September 30, 2006 and 2005

1. Summary of Significant Accounting and Reporting Policies

Enabling Legislation and Mission

The Export-Import Bank of the United States (Ex-Im Bank) is an independent executive agency and a wholly owned U.S. government corporation that was first organized as a District of Columbia banking corporation in 1934. Ex-Im Bank 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 2006 extended the Bank's charter until September 30, 2011.

Ex-Im Bank's mission is to support U.S. exports by providing export financing through its loan, guarantee and insurance programs in cases where either the private sector is unable or unwilling to provide financing or when such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that are in competition for export sales with U.S. exporters. By facilitating the financing of U.S. exports, Ex-Im Bank helps companies create and maintain U.S. jobs. 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 guarantees 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. 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 carry the lowest fixed-interest rate permitted for the importing country and term under the Arrangement on Guidelines for Officially Supported Export Credits negotiated among members of the Organization for Economic Cooperation and Development (OECD).

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

Basis of Accounting

For FY 2006, the Bank changed reporting methodology from reporting under private-sector generally accepted accounting principles (GAAP) to reporting under generally accepted accounting principles for federal agencies (government GAAP). The decision to change accounting methodologies was prompted by various factors, notably the recognition by the American Institute of Certified Public Accountants (AICPA) of government accounting standards and Ex-Im Bank's determination that presenting statements under government GAAP is the preferable method of presentation. The format of the financial statements and notes are in accordance with form and content guidance provided in Office and Management and Budget (OMB) Circular A-136.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The most significant of these estimates are the allowances for losses and allowance for subsidy cost on loans receivable, subrogated claims receivable, guarantees and insurance. In prior years, Ex-Im Bank used proxy recovery rates developed by OMB to calculate loss estimates; however, Ex-Im Bank has incorporated actual historical recovery experience in calculating FY 2005 and FY 2006 loss estimates. Ex-Im Bank's historical recovery experience has been better than the proxy recovery rates previously provided by OMB.

Loans Receivables, Net

Loans obligated prior to FY 1992 (precredit-reform credits) are carried at principal and interest receivable amounts less an allowance for loan losses. Loans obligated after FY 1991 (credit-reform credits) are carried at principal and interest receivable amounts less an allowance for subsidy cost.

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 Guarantee or Export-Credit Insurance Programs. Receivables from subrogated claims are carried at principal and interest receivable amounts and 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.

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 total allowance for Ex-Im Bank credits is comprised of the allowance for loss on precredit-reform credits and the allowance for subsidy cost for credit-reform credits. For precredit-reform credits, a provision is charged to earnings as losses are estimated to have occurred.

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 for Ex-Im Bank credit-reform credits equates to the amount of subsidy cost associated with the applicable credit. The subsidy cost is defined as the net present value of all the cash flows of the credits to and from the U.S. government. Ex-Im Bank has established cash flow models for expected defaults, fees and recoveries to estimate the subsidy cost for each approved credit. The models incorporate OMB's loss estimates for international credit programs and Ex-Im Bank's actual recovery experience.

The net subsidy cost of credit-reform loans, guarantees and insurance is re-estimated annually in accordance with OMB guidelines. The re-estimates adjust the allowance for subsidy cost 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, 2006, are: Australian dollar, Brazilian real, British pound, Canadian dollar, CFA franc, Colombian peso, Egyptian pound, euro, Indian rupee, Japanese yen, Malaysian ringgit, Mexican peso, Moroccan dirham, New Zealand dollar, Pakistani rupee, Philippine peso, Russian ruble, South African rand, Swedish krona, Swiss franc, Taiwanese dollar and Thai baht. At the time of authorization, Ex-Im Bank records the dollar amount equivalent to the foreign-currency obligation approved by the Board of Directors based on the exchange rate 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 primarily 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 that 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 U.S. 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.

Amounts Payable to the U.S. Treasury

Amounts payable to the U.S. Treasury include the results of the subsidy cost 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 Premiums

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. Premiums 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. Appropriations not required to finance credit activities are returned to the U.S. Treasury when the period of availability ends.

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.

Liquidating Account Distribution of Income

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

2. Fund Balance with the U.S. Treasury

Fund balances as of fiscal years 2006 and 2005 were as follows:

(in millions)	FY 2006	FY 2005
Revolving Funds	$2,382.9	$2,937.4
Unexpended Appropriated Funds	824.6	981.6
Unallocated Cash	22.7	38.2
Total	**$3,230.2**	**$3,957.2**
Status of Fund Balance with the U.S. Treasury		
Unobligated Balance		
Available	$2,757.2	$3,368.8
Expired	85.9	72.8
Canceled and Unavailable	4.8	39.3
Obligated Balance Not Yet Disbursed	359.6	438.1
Funds Pending Application	22.7	38.2
Total	**$3,230.2**	**$3,957.2**

Revolving funds are credit-reform financing accounts and cash balances in the precredit-reform revolving fund. Included in the credit-reform financing accounts are disbursed appropriations, exposure fees collected and interest that have been 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 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 guarantee and insurance policies. Unallocated cash represents collections pending final application to the applicable loan or guarantee.

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

Unobligated canceled funds represent appropriations that are no longer available and will be returned to the U.S. Treasury in FY 2007.

As of September 30, 2006 and 2005, there were no unreconciled differences between Treasury records and balances reported on Ex-Im Bank's general ledger.

3. Cash

As of September 30, 2006 and 2005, there was $9.4 million and $.2 million in cash balances, respectively, held outside the U.S. Treasury. The $9.4 million includes $8.9 million related to a claim recovery that is being held in an escrow account pending further legal review. An additional $0.5 million in FY 2006 and the balance of $0.2 million in FY 2005 represents lockbox receipts for collection of insurance premiums that are transferred to one of Ex-Im Bank's U.S. Treasury accounts upon application to the appropriate credit. The remaining balance of $0.1 million in FY 2006 represents other miscellaneous cash held pending disbursement.

4. Direct Loans and Loan Guarantees, Nonfederal Borrowers

A. Direct Loan, Loan Guarantee and Export-Credit Insurance Programs

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 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 OECD members.

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

Credit Reform

The FCRA significantly affected the manner in which Ex-Im Bank finances its credit activities. 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.

The Office of Management and Budget (OMB) established the Interagency Country Risk Assessment System (ICRAS) to provide a framework for uniformly measuring the costs of the U.S. government's international credit programs across the various agencies that administer them. The ICRAS methodology determines both the risk levels for lending to sovereign governments as well as certain factors to be used in calculating the program budget cost for transactions at the various risk levels.

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 nine nonsovereign risk categories, and ICRAS currently has risk ratings for 184 markets. Each country receives two ratings: a sovereign-risk rating and a private-risk rating.

In order to determine the cost associated with the risk of lending to a category of credits, OMB applies a default estimate to each risk category that reflects the expected losses. Agencies apply these default estimates by comparing the present-value cash flows discounted using a risk-free U.S. Treasury rate against the present value of identical cash flows discounted by a risk-adjusted discount rate built from the risk-free U.S. Treasury rate plus the historical average spread for the risk category of the transaction under evaluation (the risk premia). The difference between these two present values is the present value of estimated defaults. This present-value default amount is spread over the maturity of the proposed transaction and is discounted using the standardized OMB Credit Subsidy Calculator.

Each precredit-reform credit is assigned one of 11 risk levels. Each risk level is identified with a loss percentage to determine the overall allowance on precredit-reform credits. OMB has provided the loss percentage for each risk level based on a risk-premia model it has developed to calculate subsidy costs. In previous years, this loss percentage has incorporated OMB proxy recovery rates. However, to calculate the allowance for loss more precisely, Ex-Im Bank has incorporated its actual historical recovery experience in the loss percentages.

FY 2006 and FY 2005 Activity

Ex-Im Bank received appropriations aggregating $172.5 million in FY 2006 to support both the Bank's administrative costs and credit-program needs for providing new direct loans, guarantees and insurance. Ex-Im Bank received appropriations aggregating $131.9 million in FY 2005 to support both the Bank's administrative costs and credit-program needs for providing new direct loans, guarantees and insurance. In addition, $46.4 million was received in FY 2005 for debt reduction relating to Heavily Indebted Poor Countries (HIPC) and Iraq initiatives. The following table summarizes appropriations received and used during fiscal years 2006 and 2005:

(in millions)	FY 2006	FY 2005
RECEIVED AND AVAILABLE		
For Credit Subsidies	$99.0	$105.7
For Credit-related Administrative Costs	72.5	72.6
For Inspector General and Administrative Costs	1.0	-
Total Received	172.5	178.3
Unobligated Balance Carried Over from Prior Year	591.7	705.4
Rescission of Unobligated Balances	(62.0)	-
Cancellations of Prior-Year Obligations	20.7	68.2
Total Available	**722.9**	**951.9**
OBLIGATED		
For Credit Subsidies Excluding Tied-Aid	190.8	287.6
For Credit-related Administrative Costs	72.5	72.6
Subtotal	263.3	360.2
For Tied Aid	-	-
Total Obligated	**263.3**	**360.2**
UNOBLIGATED BALANCE		
Unobligated Balance	459.6	591.7
Unobligated Balance Lapsed	88.1	-
Remaining Balance	**$371.5**	**$591.7**

Of the remaining balance of $371.5 million at September 30, 2006, $1.0 million is available until September 30, 2007, $43.6 million is available until September 30, 2008, $99.0 million is available until September 30, 2009, and $227.9 million is available until expended and may be used for tied aid.

The cost of credit risk (credit subsidies), shown above, is the net present value of expected cash receipts and cash disbursements associated with loans, guarantees and insurance. 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" credit subsidy arises. Negative subsidies are remitted to the U.S. Treasury upon disbursement of the underlying credits. Ex-Im Bank transferred $44.3 million and $26.0 million of negative subsidies to the U.S. Treasury in FY 2006 and FY 2005, respectively.

The appropriation for administrative costs is based on an annual estimate of the costs to administer and service Ex-Im Bank's entire credit portfolio. The credit-subsidy appropriations 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 costs of the subsidies related to the disbursements and shipments. The portion of the appropriation related to Ex-Im Bank's lending programs is used to partially finance 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 this use, all of the appropriated funds 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.

Nonsovereign obligors are divided into four categories for risk assessment purposes: (1) obligors in workout status, (2) obligors rated by third-parties rating agencies, i.e., 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 or guarantor is located. Credit enhancements such as the availability of liens and offshore escrow accounts are taken into account.

For precredit-reform, nonimpaired loans receivable, Ex-Im Bank determines the allowance using the OMB risk premia. 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 noncredit factors that are included in the fair-market value method.

Loss reserves on precredit-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 on precredit-reform contingent liabilities for medium-term and long-term guarantees is determined using the fair-value method.

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

Subsidy Cost Re-estimate

Because financial and economic factors affecting the repayment prospects change over time, the net estimated subsidy cost of the outstanding balance of loans, guarantees and insurance financed by the subsidies is re-estimated annually in accordance with OMB guidelines. This re-estimate indicates the appropriate level necessary in the financing accounts. In the event that the fees, interest, and appropriations in the financing accounts exceed the re-estimate level, the difference will not be needed to cover commitments and will be returned to the U.S. Treasury. These amounts are included in the Amounts Payable to the U.S. Treasury on the Balance Sheet. In the event that the fees, interest and appropriations in the financing accounts are 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.

As of September 30, 2006, and September 30, 2005, a re-estimate of the subsidy costs of the outstanding balances of fiscal year 1992 through 2005 commitments indicated that of the fees, interest and appropriations in the financing accounts, the net amounts of $1,402.0 million and $1,768.9 million, respectively, were no longer needed to cover commitments and were due to the U.S. Treasury. These amounts are included in the Amounts Payable to the U.S. Treasury on the Balance Sheet.

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 FY 1992, each of the 11 risk levels is identified with a loss percentage to determine the overall allowance for credit losses as described above. Capitalized interest included in gross loans receivable is reserved at 100 percent. At September 30, 2006 and 2005, capitalized interest was $413.7 million and $1,105.0 million, respectively. The total allowance for direct loans obligated prior to FY 1992, including capitalized interest, equaled 79.2 percent and 74.8 percent, respectively, of gross loans and interest receivable. Excluding capitalized interest from the precredit-reform receivable balance and from the loss reserve yields an allowance of 59.1 percent and 35.2 percent, respectively, of loans and interest receivable.

The allowance for loss calculated for direct loans obligated since the commencement of FY 1992 equals the amount of subsidy cost incurred to support the loan obligation. The subsidy cost is the amount of loss estimated to be incurred on the transaction, as previously described. At September 30, 2006, and September 30, 2005, the allowance for loan losses on credit-reform credits equaled 16.4 percent and 22.3 percent, respectively, of the outstanding loans and interest receivable balance.

At September 30, 2006, and September 30, 2005, the allowance for both precredit-reform and credit-reform loans equaled 25.2 percent and 33.5 percent, respectively, of the total loans and interest receivable. Excluding capitalized interest from the total receivable balance and from the total loss reserve yields an allowance of 19.7 percent and 23.6 percent, respectively, of loans and interest receivable.

The outstanding balances related to rescheduled installments included in loans receivable at September 30, 2006, and September 30, 2005, were $1,293.7 million and $2,726.8 million, respectively. Loan principal installments of $23.1 million were rescheduled during fiscal years 2006 and 2005. Loan installments of interest rescheduled during fiscal years 2006 and 2005 were $28.5 million and $31.8 million, respectively. The interest rate on rescheduled loans is generally a floating rate of interest, which is 37.5 to 62.5 basis points over Ex-Im Bank's cost of borrowing.

The net balance of loans receivable at September 30, 2006, and September 30, 2005, consists of the following:

FY 2006 (in millions)	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Loans Obligated Prior to FY 1992	$828.3	$14.6	$(667.3)	$175.6
Loans Obligated After FY 1991	5,126.6	79.5	(855.6)	4,350.5
Total	**$5,954.9**	**$94.1**	**$(1,522.9)**	**$4,526.1**

FY 2005 (in millions)	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Loans Obligated Prior to FY 1992	$1,798.4	$10.4	$(1,353.0)	$455.8
Loans Obligated After FY 1991	6,555.8	89.9	(1,484.1)	5,161.6
Total	**$8,354.2**	**$100.3**	**$(2,837.1)**	**$5,617.4**

(in millions)	FY 2006	FY 2005
Direct Loans Disbursed During Year (Post-1991)	$44.5	$202.5

B. Subsidy Expense for Direct Loans by Component

(in millions)	FY 2006	FY 2005
Interest	$(0.3)	$5.7
Defaults	4.9	40.7
Fees and Other Collections	(2.2)	(7.3)
Total	**$2.4**	**$39.1**
Subsidy Expense Related to HIPC Debt Forgiveness	-	29.6
Net Re-estimate – Principal	(255.0)	(256.5)
Net Re-estimate – Interest	(130.1)	(111.4)
Total Net Re-estimate	**(385.1)**	**(367.9)**
Total Direct Loan Subsidy Expense	**$(382.7)**	**$(299.2)**

C. Subsidy Rates for Direct Loans by Program and Component

The subsidy rates disclosed below pertain only to the current year's cohorts. These rates cannot be applied to the direct loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year's cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates. Ex-Im Bank did not authorize any direct loans in FY 2005; therefore, there are no subsidy rates for FY 2005.

	FY 2006	FY 2005
Interest	(3.71)%	-
Defaults	13.05	-
Fees and Other Collections	(8.10)	-
Total	**1.24%**	**-**

D. Schedule for Reconciling Subsidy Cost Allowance Balances

(in millions)	FY 2006	FY 2005
POST-1991 DIRECT LOANS		
Beginning Balance of the Allowance Account	$1,484.1	$1,690.9
Current-Year Subsidy Expense (See Note 4B for Component Breakdown)	2.4	68.7
Fees Received	6.9	21.1
Loans Written Off	(370.2)	(6.4)
Subsidy Allowance Amortization	63.2	58.5
Miscellaneous Recoveries and Costs	54.3	19.2
Ending Balance Before Re-estimate	$1,240.7	$1,852.0
Re-estimate	(385.1)	(367.9)
Ending Balance of the Allowance Account	**$855.6**	**$1,484.1**

E. Defaulted Guaranteed Loans

The allowance for defaulted guaranteed loans is calculated using the fair-value method as described above. Capitalized interest included in gross defaulted guaranteed loans receivable is reserved at 100 percent. At September 30, 2006 and 2005, capitalized interest was $161.9 million and $342.5 million, respectively. The total allowance equaled 58.1 percent and 49.1 percent, respectively, of gross defaulted guaranteed loans and interest receivable. Excluding capitalized interest from the receivable balance and from the loss reserve yields an allowance of 55.0 percent and 43.8 percent, respectively, of defaulted loans and interest receivable.

FY 2006 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guarantees, Net
Defaulted Guaranteed Loans Obligated Prior to FY 1992	$350.4	$0.2	$(256.1)	$94.5
Defaulted Guaranteed Loans Obligated After FY 1991	2,013.3	0.9	(1,117.5)	896.7
Total	**$2,363.7**	**$1.1**	**$(1,373.6)**	**$991.2**

FY 2005 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guarantees, Net
Defaulted Guaranteed Loans Obligated Prior to FY 1992	$694.3	$0.3	$(341.3)	$353.3
Defaulted Guaranteed Loans Obligated After FY 1991	2,930.9	6.1	(1,440.8)	1,496.2
Total	**$3,625.2**	**$6.4**	**$(1,782.1)**	**$1,849.5**

F. Guaranteed Loans and Insurance Outstanding

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 2006	FY 2005
Outstanding Principal of Guaranteed Loans and Insurance, Face Value	$49,430.2	$50,870.8
Amount of Outstanding Principal Guaranteed and Insurance	49,430.2	50,870.8
Guaranteed Loans and Insurance Disbursed During Year, Face Value	10,871.5	10,926.1
Guaranteed Loans and Insurance Disbursed During Year, Amount Guaranteed	10,871.5	10,926.1

G. Liability for Loan Guarantees and Insurance

(in millions)	FY 2006	FY 2005
Liability for Losses on Pre-1992 Guarantees and Insurance	$46.3	$130.8
Liability for Losses on Post-1992 Guarantees and Insurance	1,226.1	2,154.0
Total Liabilities for Loan Guarantees and Insurance	**$1,272.4**	**$2,284.8**

Ex-Im Bank has authorized guarantee transactions denominated in a foreign currency during FY 2006 totaling $1,753.4 million and authorized $2,054.2 million during FY 2005, 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.

H. Subsidy Expense for Loan Guarantees and Insurance by Component

(in millions)	FY 2006	FY 2005
Defaults	$ 245.5	$627.8
Fees and Other Collections	(91.0)	(396.1)
Total	**154.5**	**231.7**
Net Re-estimate – Principal	(578.6)	(1,164.0)
Net Re-estimate – Interest	(438.3)	(237.0)
Total Net Re-estimate	**(1,016.9)**	**(1,401.0)**
Total Loan Guarantee and Insurance Subsidy Expense	**$(862.4)**	**$(1,169.3)**

I. Subsidy Rates for Loan Guarantees and Insurance by Component

The subsidy rates disclosed below pertain only to the current year's cohorts. These rates cannot be applied to the guarantees of loans disbursed during the current reporting year to yield the subsidy expense. The subsidy expense for new loans reported in the current year could result from disbursements of loans from both current year cohorts and prior year's cohorts. The subsidy expense reported in the current year also includes modifications and re-estimates.

	FY 2006	FY 2005
Defaults	3.28%	3.30%
Fees and Other Collections	(2.18)	(2.18)
Total	**1.10%**	**1.12%**

J. Schedule for Reconciling Subsidy Cost Allowance Balances

(in millions)	FY 2006	FY 2005
POST-1991 LOAN GUARANTEES		
Beginning Balance of the Allowance Account	$2,154.0	$2,922.6
Current-Year Subsidy Expense		
(See Note 4H for Component Breakdown)	148.8	226.3
Modifications	5.7	5.4
Fees Received	405.0	359.5
Claim Payments to Lenders	(323.3)	(26.5)
Interest Accumulation	84.7	99.7
Adjustments for Purchased Guaranteed Loans	(181.0)	(1.7)
Other	(50.9)	(30.3)
Ending Balance Before Re-estimate	2,243.0	3,555.0
Total Re-estimate	(1,016.9)	(1,401.0)
Ending Balance of the Allowance Account	**$1,226.1**	**$2,154.0**

K. Administrative Expense

(in millions)	FY 2006	FY 2005
Total Administrative Expense	$72.6	$68.4

L. Allowance and Exposure Summary

(in millions)	FY 2006	FY 2005
PRECREDIT-REFORM ALLOWANCE		
Allowance for Loan Losses	$667.3	$1,353.0
Allowance for Defaulted Guarantees	256.1	341.3
Liability for Outstanding Loan Guarantees	46.3	130.8
Total Precredit-Reform Allowance	969.7	1,825.1
CREDIT-REFORM ALLOWANCE		
Allowance for Loan Losses	855.6	1,484.1
Allowance for Defaulted Guarantees and Insurance	1,117.5	1,440.8
Liability for Outstanding Guarantees and Insurance	1,226.1	2,154.0
Liability Related to Undisbursed Loans, Guarantees and Insurance	279.1	286.4
Total Credit-Reform Allowance	3,478.3	5,365.3
Total Loan Loss Allowance	1,522.9	2,837.1
Total Allowance for Guarantees, Insurance and Undisbursed Loans	2,925.1	4,353.3
Total Allowance	**$4,448.0**	**$7,190.4**
Total Exposure	$57,837.8	$62,952.5
Percent Allowance to Exposure	7.7%	11.4%

5. Receivable from the Program Account

The Receivable from the Program Account of $520.4 million in fiscal year 2006 and $375.6 million in fiscal year 2005 represents subsidy related to the undisbursed principal balance of loans, guarantees and insurance and the amount of the upward subsidy re-estimate. The receivable is fully offset by the Liability Related to Undisbursed Loans and Guarantees and the Subsidy Payable to the Financing Account. These amounts are payable to and receivable from different Ex-Im Bank accounts at the U.S. Treasury and net to zero.

6. Nonaccrual of Interest

The weighted-average interest rate on Ex-Im Bank's loan and rescheduled claim portfolio at September 30, 2006, equaled 4.23 percent (6.50 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, 2005, equaled 3.44 percent (6.02 percent on performing loans and rescheduled claims). Interest income is recognized when collected on nonrescheduled claims.

Generally, the accrual of interest on loans and rescheduled claims is discontinued when the credit is delinquent for 90 days. Ex-Im Bank had a total of $1,555.0 million and $847.2 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2006, and $2,958.5 million and $1,594.8 million, respectively, at September 30, 2005. Had these credits been in accrual status, interest income would have been $15.1 million higher during FY 2006 (amount is net of interest received of $110.5 million) and $130.6 million higher in FY 2005 (amount is net of interest received of $66.1 million).

7. Statutory Limitations on Lending Authority

Under provisions of the Export-Import Bank Act, as amended in FY 2002, Ex-Im Bank's statutory authority currently is limited to $100.0 billion of loans, guarantees and insurance outstanding at any one time. At September 30, 2006, and September 30, 2005, Ex-Im Bank's statutory authority used was as follows:

(in millions)	FY 2006	FY 2005
Outstanding Loans	$5,954.9	$8,354.2
Undisbursed Loans	89.0	102.3
Outstanding Claims	2,363.7	3,625.2
Guarantees	42,460.0	43,554.6
Insurance	6,970.2	7,316.2
Total Other Assets	**$57,837.8**	**$62,952.5**

Congress provides an appropriation to cover the subsidy cost, if any, of the transactions committed. Transactions can be committed only to the extent that appropriated funds are available to cover such costs. For fiscal years 2006 and 2005, 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 fiscal year 2006, Ex-Im Bank committed $56.5 million for loans and $12,094.0 million for guarantees and insurance, for a total of $12,150.5 million, using $190.8 million of the appropriation. During fiscal year 2005, Ex-Im Bank did not enter into commitments for loans but did commit $13,936.2 million for guarantees and insurance using $241.2 million of the appropriation.

8. Concentration of Risk

Ex-Im Bank support is available to U.S. businesses exporting to countries around the world. However, the Bank's portfolio is concentrated in some regions or industries more than others. The following table summarizes Ex-Im Bank's total exposure by geographic region and industry as of September 30, 2006.

Total Exposure:

(in millions)

Region	Amount	Percent
Asia	$17,271.7	29.9%
Latin America	14,423.4	24.9%
Europe/Canada	10,410.2	18.0%
Africa/Middle East	7,696.6	13.3%
All Other	8,035.9	13.9%
Total	**$57,837.8**	**100.0%**

(in millions)

Industry	Amount	Percent
Air Transportation	$24,443.0	42.3%
Oil and Gas	7,361.6	12.7%
Power Projects	4,876.3	8.4%
Manufacturing	4,418.0	7.7%
All Other	16,738.9	28.9%
Total	**$57,837.8**	**100.0%**

At September 30, 2006, Ex-Im Bank's five largest (public and private) obligors made up 19.2 percent of the credit portfolio.

(in millions)

Obligor	Amount	Percent
Pemex	$5,056.0	8.7%
Ryanair	1,738.0	3.0%
Korean Air Lines	1,723.2	3.0%
WestJet Airlines	1,303.3	2.3%
Ministry of Finance (India)	1,267.7	2.2%
All Other	46,749.6	80.8%
Total	**$57,837.8**	**100.0%**

The largest exposures by program by country are as follows as of September 30, 2006:

Loans Outstanding:

(in millions) Country	Amount	Percent
Brazil	$1,508.1	25.3%
Indonesia	1,430.3	24.0%
China	895.2	15.0%
Argentina	302.3	5.1%
All Other	1,819.0	30.6%
Total	**$5,954.9**	**100.0%**

Subrogated Claims:

(in millions) Country	Amount	Percent
Indonesia	$524.1	22.2%
Mexico	366.8	15.5%
Ukraine	142.6	6.0%
Argentina	134.4	5.7%
All Other	1,195.8	50.6%
Total	**$2,363.7**	**100.0%**

Guarantees, Insurance and Undisbursed Loans:

(in millions) Country	Amount	Percent
Mexico	$7,586.6	15.3%
China	3,136.1	6.3%
Republic of Korea	2,798.3	5.7%
India	2,425.6	4.9%
All Other	33,572.6	67.8%
Total	**$49,519.2**	**100.0%**

9. Other Assets

(in millions)	FY 2006	FY 2005
Assets Acquired Through Claim Recovery	$23.7	$20.4
Commitment Fee Receivables	4.4	4.3
Other	1.9	1.7
Total Other Assets	**$30.0**	**$26.4**

Other assets are primarily equity securities that the Bank acquired through recovery actions on defaulted claims. The balance above reflects the market value of the securities. Commitment fees are charged on the undisbursed, unexpired balance of loans and certain guarantees. The Other category includes miscellaneous accounts receivable.

10. Liabilities Not Covered by Budgetary Resources

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

(in millions)	FY 2006	FY 2005
Accrued Unfunded Annual Leave	$2.9	$2.7

Ex-Im Bank's liability to employees for accrued annual leave, included in other liabilities, was $2.9 million as of September 30, 2006, and $2.7 million as of September 30, 2005. The liability will be paid from future administrative expense appropriations.

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, 2006 and 2005, is as follows:

(in millions)	FY 2006	FY 2005
U.S. TREASURY DEBT		
Beginning Balance	$5,848.3	$7,237.2
New Borrowings	-	160.0
Repayments	(937.6)	(1,548.9)
Ending Balance	$4,910.7	$5,848.3
DEBT HELD BY THE PUBLIC		
Beginning Balance	$297.2	$448.4
New Borrowings	8.2	6.1
Repayments	(110.1)	(157.3)
Ending Balance	$195.3	$ 297.2
Total Debt	**$5,106.0**	**$6,145.5**

Ex-Im Bank had $4,910.7 million of borrowings outstanding with the U.S. Treasury at September 30, 2006, and $5,848.3 million of borrowings at September 30, 2005, with a weighted-average interest rate of 5.89 percent at September 30, 2006, and 5.80 percent at September 30, 2005.

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 2033.

Payment certificates are issued by Ex-Im Bank in exchange for the foreign importer'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 importer's note. Payment certificates are backed by the full faith and credit of the U.S. government and are freely transferable.

Outstanding payment certificates at September 30, 2006, and September 30, 2005, were $195.3 million and $297.2 million, respectively. Maturities of payment certificates at September 30, 2006, follow:

(in millions)

Fiscal Year	**Amount**
2007	$65.7
2008	36.7
2009	22.1
2010	10.8
2011	9.8
Thereafter	50.2
Total	**$195.3**

The weighted-average interest rate on Ex-Im Bank's outstanding payment certificates at September 30, 2006, was 5.23 percent and at September 30, 2005, was 5.67 percent.

12. Other Liabilities

(in millions)	**2006**	**2005**
Funds Held Pending Application	$26.1	$33.3
Administrative Expenses Payable	7.8	6.6
Accrued Interest on Payment Certificates	3.1	9.4
Total Other Liabilities	**$37.0**	**$49.3**

13. Leases

Ex-Im Bank's headquarters office space is leased from the General Services Administration (GSA) through the Public Buildings Fund. Lease expenses, included in administrative expenses, were $4.9 million and $4.7 million for fiscal years 2006 and 2005, respectively. The lease expires on December 31, 2009, at which time it will be renegotiated. Future lease payments through the expiry of the lease are expected to remain unchanged except for increases in operating costs, which are estimated to be $25,000 per year.

14. Commitments and Contingencies

Pending Litigation

As of the end of September 30, 2006, 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 they would materially affect the financial position or results of operations of Ex-Im Bank.

Project Finance

In project finance cases, Ex-Im Bank's assistance during the construction period is generally in the form of a direct credit or comprehensive guarantee to the private lender. At the end of the construction period, the borrower in some cases has the opportunity to convert the private guaranteed financing to an Ex-Im Bank direct loan. As of September 30, 2006, Ex-Im Bank had $984.5 million of such contingent loan commitments outstanding.

15. Disclosures Related to the Statement of Net Cost

Ex-Im Bank's Statement of Net Cost 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.

(in millions)	For the Year Ended September 30, 2006	For the Year Ended September 30, 2005
LOANS		
Intragovernmental Costs	$316.9	$380.4
Public Costs	(91.5)	(306.2)
Total Costs	225.4	74.2
Intragovernmental Revenue	(64.3)	(80.9)
Public Revenue	(827.2)	(751.4)
Total Revenue	(891.5)	(832.3)
Net Excess of Program Revenue Over Costs	**(666.1)**	**(758.1)**
GUARANTEES		
Public Costs	(763.0)	(726.2)
Intragovernmental Revenue	(84.7)	(100.5)
Public Revenue	(390.9)	(379.4)
Total Revenue	(475.6)	(479.9)
Net Excess of Program Revenue Over Costs	**(1,238.6)**	**(1,206.1)**
INSURANCE		
Public Costs	143.8	49.0
Public Revenue	(36.9)	(29.3)
Net Excess of Program Costs Over Revenue	**106.9**	**19.7**
ADMINISTRATIVE EXPENSES		
Public Costs	61.1	56.5
Intragovernmental Costs	11.5	11.9
Total Administrative Expenses	**72.6**	**68.4**
Distribution of Income	**627.5**	**501.0**
Net Excess of Program Revenue Over Costs	**($1,097.7)**	**($1,375.1)**

Intragovernmental costs include interest expense paid to the U.S. Treasury related to borrowings associated with the funding of credit-reform direct loans, and Administrative costs paid to other government agencies. Intragovernmental costs were $328.4 million in FY 2006 and $392.3 million in FY 2005. Intragovernmental revenues represent interest from the U.S. Treasury on cash balances in the credit-reform financing accounts. Intragovernmental revenue was $149.0 million in FY 2006 and $181.4 million in FY 2005.

Ex-Im Bank public costs represent costs that the Bank incurs to support the business programs. These costs are comprised primarily of the subsidy cost and provision for loss on the loan and guarantee portfolio, and administrative expenses paid to the public. Ex-Im Bank public revenue represents income items that are generated as a result of operating the loan, guarantee insurance programs. This revenue primarily relates to the fee and interest income on the outstanding credits. Ex-Im Bank net public costs totaled negative $649.6 million in FY 2006 and negative $926.9 million in FY 2005. Public revenue totaled $1,255.0 million in FY 2006 and $1,160.1 million in FY 2005. For both FY 2006 and 2005, the net costs were negative due to the downward re-estimate of program subsidy costs.

16. Disclosures Related to the Combined Statement of Budgetary Resources

Ex-Im Bank's Statement of Budgetary Resources discloses total budgetary resources available to the Bank and the status of such resources at September 30, 2006, and September 30, 2005. Activity impacting budget totals of the overall U.S. government budget is recorded in Ex-Im Bank's Statement of Budgetary Resource's budgetary accounts. Activity that does not impact budget totals is recorded in Ex-Im Bank's Statement of Budgetary Resource's nonbudgetary accounts. The Bank's resources in budgetary accounts totaled $922.5 million for FY 2006 and $1,350.4 million for FY 2005. The Bank's resources in nonbudgetary accounts totaled $4,868.6 million for FY 2006 and $4,735.3 million for FY 2005.

Adjustments to Beginning Balance of Budgetary Resources

Ex-Im Bank made no adjustments to the beginning budgetary resources during the years ended September 30, 2006, and September 30, 2005.

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 2006 and FY 2005 totaled $2,948.0 million and $2,644.1 million, respectively.

Permanent Indefinite Appropriations

The FCRA requires an annual re-estimate of the subsidy cost allowance. In the event that there is an increase in subsidy required to cover defaults, there is permanent and indefinite authority available for this purpose. In FY 2006, the Bank received $89.2 million of permanent indefinite appropriations as a result of the FY 2005 re-estimate. In FY 2005, the Bank received $288.8 million of permanent indefinite appropriations as a result of the FY 2004 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 2033.

For FY 2006, Ex-Im Bank did not have any new borrowings with the U.S. Treasury, while for FY 2005, Ex-Im Bank had new borrowings of $160.0 million.

Unobligated Balances

Ex-Im Bank receives annual appropriations that are intended to support the Bank's loan, guarantee and insurance programs, as well as the Bank's administrative operations. The program appropriations received in any given year are available to be obligated for four years before they expire. Administrative appropriations are available for one fiscal year before they expire.

Unobligated balances at the end of FY 2006 and FY 2005 totaled $2,843.1 million and $3,441.6 million, respectively. Of the $2,843.1 million, $1.0 is available until September 30, 2007, $43.6 million is available until September 30, 2008, $99.0 million is available until September 30, 2009, and $227.9 million is available until expended and may be used for tied aid. Of the remaining balance of $2,471.6 million, $2,293.9 million represents the amount in the financing account that is available to cover future defaults and $177.7 million is unavailable for new obligations.

Differences between Statement of Budgetary Resources and Budget of U.S. Government

There are no differences between the budgetary resources listed on Ex-Im Bank's statement and the budgetary resources found in the budget of the U.S. government.

17. Disclosures Related to the Statement of Financing

The Statement of Financing reconciles the Bank's budgetary and financial accounting. The Statement of Financing 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.

Liabilites Not Covered by Budgetary Resources (Note 10) differs from Components Requiring or Generating Resources in Future Periods on the Statement of Financing primarily by the amount of annual leave recorded at year-end. The $2.9 million, which represents a liability at year-end, will require resources in future periods.

18. Other Accompanying Information

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 $4,797.0 million at September 30, 2006 ($4,135.9 million related to export loans and $661.1 million related to secured-debt obligations) and $4,936.1 million at September 30, 2005 ($4,225.4 million related to export loans and $710.7 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 Guarantee Loan Liability on the Balance Sheet. Ex-Im Bank received fees totaling $32.1 million in FY 2006 ($31.9 million related to export loans and $0.2 million related to secured-debt obligations) and $26.6 million in FY 2005 ($26.4 million related to export loans and $0.2 million related to secured-debt obligations) for the agreements, which are included in fee revenue included on the Statement 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.

Contributions to Employee Retirement Systems

Virtually all of Ex-Im Bank's employees are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

In FY 2006, 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 8.9 percent of employees' gross earnings. 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 is withheld; that 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 $15,000 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 Thrift Savings Plan, CSRS and FERS for all employees, included in administrative expenses, were approximately $4.8 million and $4.7 million for FY 2006 and FY 2005, respectively.

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 Office of Personnel Management (OPM) for the Retirement Systems and are not allocated to the individual employers. OPM also accounts for the health-insurance 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-insurance and life-insurance programs is maintained by OPM and is not available on an individual-employer basis.

Independent Auditors' Report

To the Audit Committee and the Board of Directors 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, 2006 and 2005, and the related statements of net costs, changes in net position, combined statements of budgetary resources and statements of financing for the years then ended. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the requirements of Office of Management and Budget (OMB) Bulletin 06-03, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. Our audits included 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes 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, 2006 and 2005, and its net costs, changes in net position, budgetary resources and financing for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying required supplementary information included in the sections entitled "Management's Discussion and Analysis" is not a required part of the basic financial statements, but is supplementary information required by OMB Circular A-136, *Financial Reporting Requirements*, as amended, and the Federal Accounting Standards Advisory Board. This supplementary information is the responsibility of the 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 the supplementary information. However, we did not audit such 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, 2006, on our consideration of Ex-Im Bank's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the 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 read in conjunction with this report in considering the results of our audit.

Deloitte & Touche LLP

November 14, 2006

Independent Auditors' Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based Upon the Audit Performed in Accordance With *Government Auditing Standards*

To the Audit Committee and the Board of Directors 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, 2006, and have issued our report thereon dated November 14, 2006. 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. 06-03, *Audit Requirements for Federal Financial Statements.*

Internal Control Over Financial Reporting

In planning and performing our audit, we obtained an understanding of the design effectiveness of internal controls over financial reporting, determined whether they have been placed in operation, assessed controls risk, and performed tests of Ex-Im Bank's internal controls over financial reporting. We considered Ex-Im Bank's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we will report to the management of 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 06-03. 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 that are required to be reported under *Government Auditing Standards* and OMB Bulletin 06-03.

This report is intended solely for the information and use of the Audit Committee, Board of Directors and management of Ex-Im Bank, and the U.S. Congress, and is not intended to be and should not be used by anyone other than these specified parties.

Deloitte & Touche LLP

November 14, 2006

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December 2006

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