Office of Inspector General
Export-Import Bank
of the United States

Audit of the Export-Import Bank of the United States Fiscal Year 2019 Financial Statements

November 13, 2019
OIG-AR-20-02

To: Kimberly A. Reed
President and Chairman

Mary Jean Buhler
Chief Financial Officer

From: Jennifer Fain
Acting Inspector General

Subject: Audit of the Export-Import Bank's Financial Statements for Fiscal Year 2019 (Report No. OIG-AR-20-02)

Date: November 13, 2019

We contracted with the independent public accounting firm of KPMG LLP to audit the financial statements of the Export-Import Bank of the United States (EXIM) as of and for the fiscal years ended September 30, 2019, and 2018, and to provide a report on internal control over financial reporting and compliance with laws and other matters. The contract required that the audit be performed in accordance with U.S. generally accepted government auditing standards and the Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements.*

In its audit of EXIM, KPMG LLP found:

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles,
- no material weaknesses in internal control over financial reporting,[1] and
- no reportable noncompliance with provisions of laws tested or other matters.

KPMG LLP is responsible for the attached auditor's reports dated November 13, 2019, and the conclusions expressed therein. We do not express opinions on EXIM's financial statements or internal control over financial reporting, or conclusions on compliance and other matters.

We appreciate the cooperation and courtesies provided to KPMG LLP and this office during the audit. If you have questions, please contact me at (202) 565-3439 or jennifer.fain@exim.gov or Courtney Potter at (202) 565-3976 or courtney.potter@exim.gov. You can obtain additional information about the EXIM OIG and the Inspector General Act of 1978 at www.exim.gov/about/oig.

[1] A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

cc: David Fogel, Senior Vice President and Chief of Staff
Adam Martinez, Chief Management Officer
Lauren Fuller, Senior Advisor to the President and Chairman
Stephen Renna, Chief Banking Officer
Kenneth Tinsley, Senior Vice President and Chief Risk Officer
Howard Spira, Senior Vice President and Chief Information Officer
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Amanda Myers, Counsel, OIG

Export-Import Bank of the United States

TABLE OF CONTENTS

Export-Import Bank of the United States

SECTION 1

INDEPENDENT AUDITORS' REPORT

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Export-Import Bank of the United States (EXIM), which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express 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, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 19-03 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Export-Import Bank of the United States as of September 30, 2019 and 2018, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in accordance with its Charter (12 USC 635 et seq.), continuation of EXIM's functions in furtherance of its objectives and purposes is subject to periodic extensions granted by Congress. The *Export-Import Bank Reauthorization Act of 2015* extended EXIM's Charter until September 30, 2019. A continuing resolution (H.R.4378) has extended EXIM's Authorization until November 21, 2019, if EXIM's Charter is not extended at that point, or a new Charter is not approved, EXIM will lapse authority to approve new credits; however, under the terms of its Charter, EXIM will continue to service existing loans, guarantees, and insurance policies. EXIM, along with all other federal agencies, is currently appropriated through the continuing resolution through November 21, 2019, and management expects EXIM will receive a full-year appropriation when Congress approves an Omnibus Appropriations Bill funding the entire U.S. Government.

Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Management Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

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

Other Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Other Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2019 on our consideration of EXIM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and agreements and other matters. The purpose of this report is solely 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 effectiveness of EXIM's internal control over financial reporting or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EXIM's internal control over financial reporting and compliance.

KPMG LLP

Washington, D.C.
November 13, 2019

Export-Import Bank of the United States

SECTION 2

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

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 19-03, *Audit Requirements for Federal Financial Statements*, the financial statements of Export-Import Bank of the United States (EXIM), which comprise the balance sheets as of September 30, 2019 and 2018, and the related statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 13, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2019, we considered EXIM's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EXIM's internal control. Accordingly, we do not express an opinion on the effectiveness of EXIM's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EXIM's financial statements as of and for the year ended September 30, 2019 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 19-03.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of EXIM's internal control or EXIM's compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EXIM's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, D.C.
November 13, 2019

Export-Import Bank of the United States

SECTION 3

AGENCY MANAGEMENT REPORT

EXPORT-IMPORT BANK
OF THE UNITED STATES

Agency Management Report

For the Years Ended September 30, 2019
And September 30, 2018

Table of Contents

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

Executive Summary

The Export-Import Bank of the United States (EXIM) is the official export credit agency of the United States. EXIM is an independent, executive agency and a wholly owned U.S. government corporation. EXIM's mission is to support jobs in the United States by facilitating the exports of U.S. goods and services.

When private sector lenders are unable or unwilling to provide financing, EXIM fills in the gap for American businesses. Additionally, EXIM levels the playing field for U.S. goods and services going up against Export Credit Agency (ECA) supported foreign competition in overseas markets, so that American companies can create more American jobs.

From July 20, 2015 to May 8, 2019, EXIM lacked a quorum on its Board of Directors required to take board-level actions, including approving transactions in amounts greater than $10 million in value or with a tenor longer than seven years (with few exceptions). As a result, in 2019 EXIM only operated its short- and medium-term programs for almost four consecutive years. On May 8, 2019 the U.S. Senate confirmed three board members for the Board of Directors, restoring EXIM's Board of Director's quorum and full financing capacity. As of September 30, 2019 EXIM has nearly $40 billion worth of export deals in support of American jobs in the pipeline that require a vote by EXIM's Board of Directors.

During the Fiscal Year (FY) ended September 30, 2019, EXIM authorized $8,214.2 million of loan guarantees, insurance, and direct loans in support of an estimated $9,099.2 million of U.S. export sales which supported an estimated 34,000 U.S. jobs.

Small business authorizations in FY 2019 totaled $2,258.7 million, representing 27.5 percent of total authorizations. In FY 2019, 2,091 transactions were authorized for the direct benefit of small business exporters, which amounted to 89.1 percent of total transactions.

EXIM currently has exposure in 161 countries throughout the world. Total portfolio exposure decreased by 9.6 percent to $54,725.9 million outstanding as of September 30, 2019, compared to $60,536.3 million on September 30, 2018.

EXIM's charter requires that all authorized transactions demonstrate a reasonable assurance of repayment. The September 30, 2019 default rate, as reported to Congress, was 0.497 percent. This low default rate reflects rigorous underwriting and monitoring of credits and other risks in its portfolio.

Since 1992, when the Federal Credit Reform Act of 1990 (FCRA) became effective, EXIM has sent a net $9.4 billion to the U.S. Treasury for repayment of U.S. debt.

I. General Overview

i. Authority, Mission, and Charter

The Export-Import Bank of the United States is an independent executive branch agency and a wholly owned U.S. government corporation that was first organized as a District of Columbia banking corporation in 1934. EXIM is the official export credit agency of the United States. EXIM's operations subsequent to September 30, 1991, are subject to the provisions of the FCRA, which became effective October 1, 1991.

In accordance with its Charter (12 U.S.C. 635 et seq.), continuation of EXIM's functions in furtherance of its objectives and purposes is subject to periodic extensions granted by Congress. The *Export-Import Bank Reauthorization Act of 2015* (P.L.114-94) extended EXIM's authority through September 30, 2019. EXIM's Charter requires reasonable assurance of repayment for the transactions EXIM authorizes, and EXIM closely monitors credit and other risks in its portfolio. A continuing resolution (H.R.4378) has extended EXIM's Authorization until November 21, 2019, if EXIM's Charter is not extended at that point, or a new Charter is not approved, EXIM will lapse authority to approve new credits; however, under the terms of its Charter, EXIM will continue to service existing loans, guarantees, and insurance policies.

The mission of EXIM is to support U.S. exports by providing export financing through its loan, guarantee, and insurance programs in cases where the private sector is unable or unwilling to provide financing, or where such support is necessary to level the competitive playing field for U.S. exporters due to financing provided by foreign governments to their exporters. In pursuit of its mission of supporting U.S. exports, EXIM offers four financial products: loan guarantees, working capital guarantees, direct loans, and export credit insurance. All EXIM obligations carry the full faith and credit of the U.S. government.

From July 20, 2015 to May 8, 2019, the Board of Directors of EXIM lacked a quorum for the transaction of business. During the more than three years that the board was without a quorum, EXIM was unable to approve transactions greater than $10 million in value, which prevented EXIM from authorizing any long-term financings. On May 8, 2019 the U.S. Senate confirmed three board members for the Board of Directors, restoring EXIM's Board of Director's quorum and full financing capacity.

ii. Strategic Plan

The Strategic Plan guides EXIM to effectively accomplish its mission, maintain consistency with its Charter, and fulfill congressional mandates. The Strategic Plan, updated in 2018, continues to guide efforts at all levels of the organization and is a foundation for internal strategic and operational discussions.

The 2018-2022 Strategic Plan consists of three goals:

iii. EXIM's Programs

EXIM export financing programs facilitate support for U.S. exports through four major programs: loan guarantees, direct loans, export credit insurance, and working capital guarantees.

Loans and guarantees extended under the medium-term program typically have repayment terms of one to seven years, while loans and guarantees extended under the long-term program usually have repayment terms in excess of seven years. Short-term financing consists of transactions with terms of one year or less.

Program	Repayment Terms
Short-Term	≤ 1 year
Medium-Term	1-7 years
Long-Term	≥ 7 years

LOAN GUARANTEE PROGRAM

(https://www.exim.gov/what-we-do/loan-guarantee)

EXIM loan guarantees cover the repayment risks on the foreign buyer's debts when purchasing U.S exports. EXIM guarantees to a commercial 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. For medium- and long-term transactions, EXIM requires the buyer to pay 15 percent of the value of the export contract. EXIM finances the lesser of 85 percent of eligible goods/services or 100 percent of the U.S content.

DIRECT LOAN PROGRAM

(https://www.exim.gov/what-we-do/direct-loan)

EXIM offers fixed-rate loans directly to foreign buyers of U.S. goods and services. EXIM extends to a company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. The fixed-interest rates are determined through the Arrangement on Guidelines for Officially Supported Export Credits (the Arrangement) negotiated among members of the Organisation for Economic Co-operation and Development (OECD).

EXPORT CREDIT INSURANCE

(https://www.exim.gov/what-we-do/export-credit-insurance)

EXIM's Export Credit Insurance Program supports U.S. exporters selling goods overseas by protecting the businesses against the risk of foreign buyer or other foreign debtor default for political or commercial reasons.

This risk protection permits exporters to extend credit to their international customers where otherwise not possible. Insurance policies may apply to shipments to one or many buyers, insure comprehensive credit risks (including both commercial and political) or only political risks, offer either short-term or medium-term coverage, and exist primarily as U.S. dollar transactions, with no foreign currency risk.

WORKING CAPITAL GUARANTEE PROGRAM (WCGP)

(https://www.exim.gov/what-we-do/working-capital)

Under the WCGP, EXIM 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.

II. Organizational Structure

The leadership of EXIM represents the best of both the government and business worlds; coming together to provide customers with what EXIM likes to call "government at the speed of business." With decades of experience around the globe, the leaders of EXIM are uniquely equipped to support U.S. companies as they seek to fill more and more orders abroad.

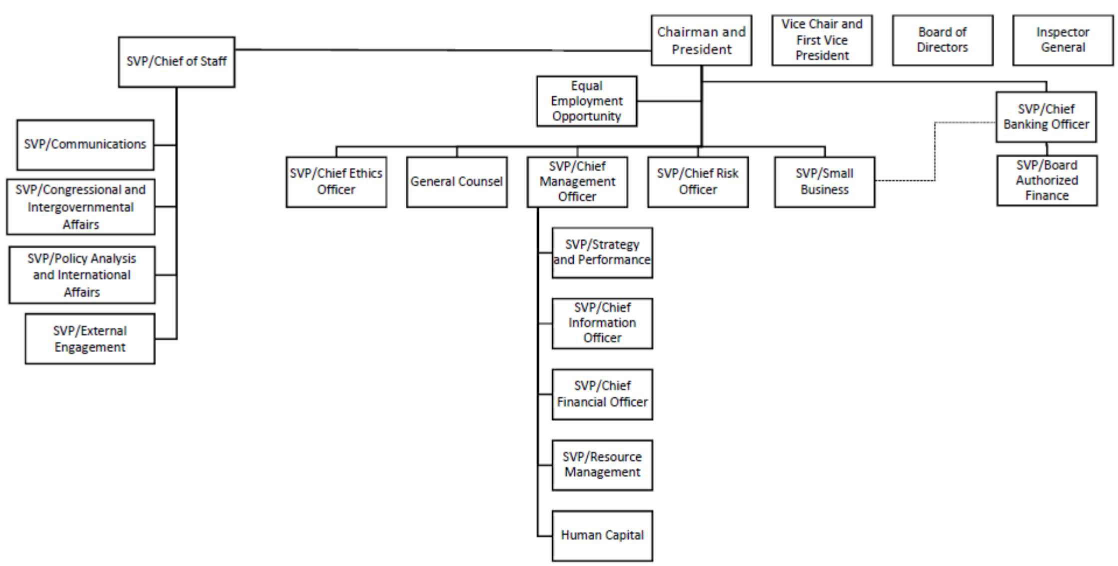
EXIM's headquarters is located in Washington, D.C. with business development efforts supported through 12 regional offices across the country

EXIM's governance structure consists of the following offices:

- Office of the Chairman and President
- Board of Directors
- Office of the Senior Vice President and Chief Banking Officer
- Office of the Senior Vice President and Chief Management Officer
- Office of the Senior Vice President and Chief of Staff

A more detailed breakdown of these offices is illustrated in the organizational chart below.

EXIM 2019 Organizational Structure



III. FY 2019 Performance & Results

i. Total Authorizations

EXIM's mission is to provide financing to U.S. exports by either offering competitive rates and terms against other foreign ECA's or by filling financing gaps when private lenders are unable or unwilling to provide support for U.S. goods and services.

In implementing this mandate, EXIM approved $8,214.2 million in total authorizations in FY 2019. In contrast, EXIM approved $3,323.2 million in total authorizations in FY 2018. The FY 2019 authorizations supported an estimated U.S. export value (the total dollar value of exports related to EXIM's authorized financing) of $9,099.2 million and an estimated 34,000 U.S jobs. See Exhibit 1 for a breakdown of FY 2019 authorizations by term and program.

Exhibit 1: Authorizations by Term and Program:

	FY 2019		FY 2018	
	Authorized (in millions)	As percent of total	Authorized (in millions)	As percent of total
Long-Term				
Loans	$ 5,000.0	60.9%	-	-
Subtotal, Long Term	5,000.0	60.9%	-	-
Medium-Term				
Loans	8.8	0.1%	-	-
Guarantees	239.8	2.9%	193.9	5.9%
Insurance	86.0	1.0%	97.8	2.9%
Subtotal, Medium-Term	334.6	4.0%	291.7	8.8%
Short Term				
Guarantees	687.9	8.4%	685.1	20.6%
Insurance	2,191.7	26.7%	2,346.4	70.6%
Subtotal, Short-Term	2,879.6	35.1%	3,031.5	91.2%
Total Authorizations	$ 8,214.2	100.0%	$ 3,323.2	100.0%

Long-term transactions: For authorization, long-term transactions require extensive credit assessments performed by subject matter expert underwriters. The assessments are subsequently moved through multiple levels of internal review and consideration. Evaluations assess key transactional risks such as the borrower's industry, competitive position, operating performance, liquidity position, leverage, ability to service debt obligations, and others.

Frequently, credit enhancements are included in the structure of a long-term financing (often in the form of collateral) in order to decrease the risk of a borrower default, but also increase the recovery in the event of default. A risk rating is assigned to the transaction based on this evaluation which, in turn, assists in establishing the level of loss reserves EXIM must set aside. Due to a lack of quorum for the transaction of business by its Board of Directors, EXIM did not authorize any long term transactions greater than $10.0 million in FY 2018. On May 8, 2019 the U.S. Senate confirmed three board members for the Board of Directors, restoring EXIM's Board of Director's quorum and full financing capacity. As of September 30, 2019 one long-term transaction has been authorized amounting to $5.0 billion.

<u>Short-term and medium-term transactions:</u> These transactions are largely underwritten under individual delegated authority granted by the Board of Directors to the staff and commercial banks pursuant to prescribed credit standards and information requirements. Governance and control procedures employed include periodic credit and compliance reviews, the results of which are provided to senior management and to the Board of Directors.

ii. <u>Congressional Mandates</u>

In accordance with the EXIM Charter, EXIM operates under congressional mandates. Fiscal year results are fundamental indicators of operational performance under such mandates which are referred to as:

1. ***The Small Business mandate*** – the 2015 Charter states that not less than 25 percent of the aggregate loan, guarantee, and insurance authority available to EXIM should be made available to finance exports directly by small business concerns.
2. ***The Sub-Saharan Africa mandate*** – the 2015 Charter directs the Board of Directors of EXIM to take measures, consistent with the credit standards otherwise required by law, to promote the expansion of EXIM's financial commitments in Sub-Saharan Africa under the loan, guarantee, and insurance programs of EXIM.
3. ***Environmentally Beneficial Goods and Services mandate*** – the 2015 Charter states that EXIM shall encourage the use of its programs to support the export of goods and services that have beneficial effects on the environment or mitigate potential adverse environmental effects. EXIM shall also promote the export of goods and services related to renewable energy sources.

Small Business Mandate

In FY 2019, EXIM exceeded the 25 percent mandate, utilizing 27.5 percent of aggregate loan, guarantee, and insurance authority directly to support small business. Small businesses are major creators of jobs in the United States of America. EXIM's mandate from Congress places significant emphasis on supporting small business exports.

EXIM's Office of Small Business provides a bank-wide focus on small business support with overall responsibility for expanding and overseeing small business outreach. This group is responsible for helping to provide small businesses with financial assistance to increase export sales and for acting as a liaison with the Small Business Administration and other departments and agencies in the U.S. government in matters affecting small businesses.

EXIM'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, EXIM introduced its first short-term export credit insurance policy tailored for small business. In 1985, Congress enacted a 10 percent mandate on small business authorizations, which was increased in 2002 to 20 percent, and in December 2015 (FY 2016) to 25 percent. EXIM continues to innovate, design, and implement programs and policies to meet the needs of the U.S. small business exporter.

FY 2019 Small Business Authorizations

EXIM's objective is to grow small business authorizations with a reasonable assurance of repayment and in response to market demand. Small business authorizations in FY 2019 were $2,258.7 million and $2,194.0 million in FY 2018. In FY 2019, small business authorizations represented 27.5 percent of total authorizations and 52.5 percent of the direct export value EXIM supported in FY 2019. During FY 2019, the number of transactions that were executed for the direct benefit of small business exporters was 2,091 or 89.1 percent of the total number of transactions, compared to 90.5 percent of the total number of transactions in FY 2018. Of the small business transactions authorized in FY 2019, 1,177 of these transactions were less than $500,000 compared to 1,224 transactions in FY 2018. In FY 2019, 279 new small business exporters used EXIM small business products for the first time compared to 315 new small business exporters in FY 2018.

52.5%
of total direct export value supported was for Small Businesses

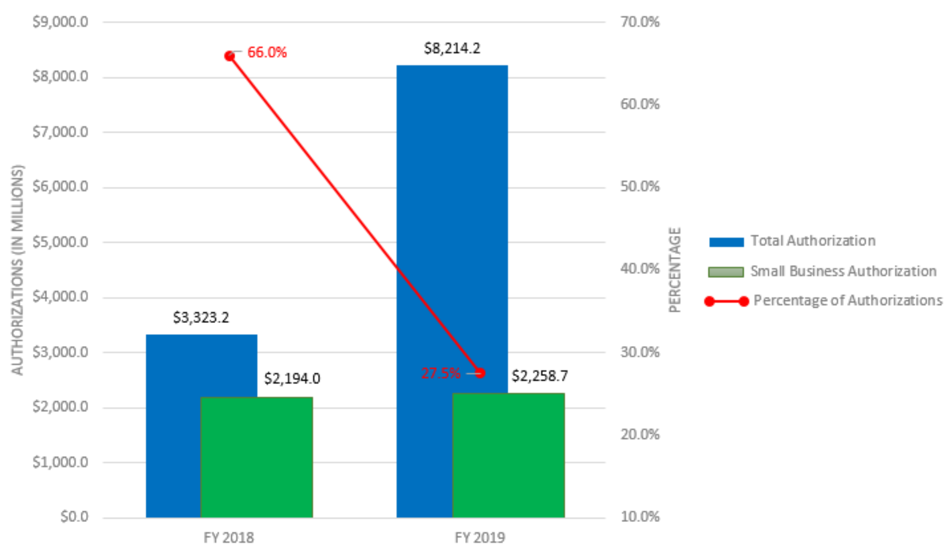
89.1%
of EXIM transactions directly benefited U.S. small business exporters

EXIM offers two products which primarily benefit small businesses: working capital guarantees and export credit insurance. In FY 2019, $547.1 million, or 79.5 percent, of total authorizations in the Working Capital Guarantee Program supported small businesses compared to 79.9 percent in FY 2018. Of the total authorizations under the export credit insurance program in FY 2019, 70.5 percent, or $1,605.4 million, supported small businesses compared to 66.2 percent in FY 2018.

Minority-owned and women-owned businesses accounted for $440.6 million and $451.4 million of authorizations in FY 2019 and FY 2018, respectively. In FY 2019, of the $440.6 million, $400.9 million are in direct benefit of small businesses.

Exhibit 2 shows the total dollar amount of authorizations for each year since FY 2017 for small business exports as a percentage of total authorizations compared to the Small Business Mandate which was increased in FY 2016 to 25 percent.

Exhibit 2: Small Business Authorizations as Percent of Total Dollars Authorized



Sub-Saharan Africa Mandate

EXIM provides U.S. exporters with the financing tools they need to successfully compete for business in Africa. EXIM's products and initiatives help U.S. exporters in all regions of Africa, including high-risk and emerging markets. Pursuant to its Charter, EXIM has established an advisory committee to advise the Board of Directors on the development and implementation of policies and programs designed to support those programs.

FY 2019 Sub-Saharan Africa Authorizations

Sub-Saharan Africa authorizations represented 89 transactions, or 3.8 percent, of EXIM's transactional total in FY 2019. Although the number of authorizations has not increased significantly compared to FY 2018, the dollar amount of authorizations represented 61.7 percent of total authorizations, or $5,067.1 million in FY 2019, due to a $5.0 billion long term loan authorized regarding development and construction of an integrated liquefied natural gas project located in Mozambique. In FY 2018, Sub-Saharan Africa authorizations represented 79 transactions, or 3.3 percent, of EXIM's transactional total. The dollar amount of authorizations represented 1.2 percent of total authorizations, or $39.4 million in FY 2018.

Environmentally Beneficial Goods and Services Mandate

EXIM's financing helps mitigate risk for U.S. companies that offer environmentally beneficial goods and services and also offers competitive financing terms to international buyers for the purchase of these U.S. goods and services. EXIM has an active portfolio that includes financing for U.S. exports of:

- Renewable energy equipment
- Wastewater treatment projects
- Air pollution technologies
- Waste management services
- Other various environmental goods and services

EXIM support for U.S. environmental companies ultimately fuels U.S. job creation and the innovative research and development that allow the U.S. environmental industry to remain at the forefront worldwide.

FY 2019 Environmentally Beneficial Authorizations

In FY 2019, EXIM authorizations of environmentally beneficial goods and services totaled $107.5 million, approximately 1.3 percent of EXIM's FY 2019 authorizations supported environmentally beneficial goods. EXIM's total number of renewable-energy authorizations, a subset of EXIM's environmentally beneficial authorizations, totaled 9 transactions in FY 2019. In FY 2019, EXIM authorizations which support U.S. renewable-energy exports and services totaled $18.9 million.

Jobs Supported and Methodology

In FY 2019, EXIM authorized $8,214.2 million in loans, guarantees, and insurance that supported an estimated 34,000 U.S. jobs and an estimated $9,099.2 million in U.S. export sales.

EXIM supports U.S. jobs by facilitating the export of U.S. goods and services, by providing competitive export financing, and ensuring a level playing field for U.S. goods and services in the global marketplace. EXIM's 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.

EXIM's jobs estimate methodology, reviewed by the Government Accountability Office in 2013, follows the jobs calculation methodology designated by the Trade Promotion Coordinating Committee (TPCC). The methodology uses employment data computed by the Bureau of Labor Statistics (BLS) to calculate the number of jobs associated with EXIM supported exports of goods and services.

EXIM uses the latest available domestic employment requirements table (ERT) as computed by the BLS to calculate the number of jobs associated with EXIM supported goods and services. The ERT quantifies the number of direct and indirect production-related jobs associated with a million dollars of final demand for 196 detailed industries.

The ERT is derived from a set of data showing the relationship between industries, known as input-output tables. These tables are based on historical relationships between industry inputs (e.g., labor) and outputs (e.g., goods for consumption). BLS then scales these relationships using estimates about labor productivity (output per person employed) into employment required for one million dollars of output in that industry (jobs ratios). The TPCC designated this basic input-output approach as the standard for U.S. government agencies.

This jobs-calculation methodology has advantages and disadvantages. For example, an advantage is that it is based on the input-output approach commonly used in economic analysis; it captures indirect jobs in the supply chain and can be performed using limited resources. However, important limitations and assumptions also accompany this jobs-calculation methodology. For example, the employment data are a count of jobs that treat full-time, part-time and seasonal jobs equally. In addition, the data assume average industry relationships, but EXIM's clients could be different from the typical firm in the same industry. Further, the underlying approach does not provide information on what would have happened absent EXIM financing, thus preventing EXIM from distinguishing between jobs that were newly created and those that were maintained.

IV. EXIM's Self-Financing Status

Since 1992, when FCRA became effective, EXIM has generated $9.4 billion in revenues for U.S. taxpayers above what EXIM has received after providing for all expenses, loan loss reserves, and administrative costs.

EXIM was self-financing for budgetary purposes each year from FY 2008 to FY 2017. Being self-financing means, during these years, EXIM's program revenue (i.e., in a given year, fee and interest collections from transactions that exceed the reserve requirements on those transactions) was retained as offsetting collections and used to offset the cost of new obligations in the fiscal year, including net reserves to cover future losses as well as all administrative costs and subsidy carryover. In those years, EXIM did not need to request annual appropriation to cover administrative costs and subsidy carryover.

However, given the continued lack of Board of Directors' quorum until May 8, 2019, EXIM was unable to approve transactions over $10 million, and as a result was not able to generate sufficient excess cash inflows to fully self-finance program and administrative costs. On May 8, 2019 the U.S. Senate confirmed three board members for the Board of Directors, restoring EXIM's Board of Director's quorum and full financing capacity. With the reestablishment of EXIM's Board of Director's quorum, EXIM plans to return to its fully self-financing status.

Since 1992, the Bank has sent to the U.S. Treasury

$9.4 billion

more than it received in appropriations for program and administrative costs

Through the President's 2019 Budget, approved through Appropriation Law, EXIM had authority to obligate $110.0 million for FY 2019 administrative costs. EXIM self-financed $15.7 million with offsetting collections while the remaining $94.3 million was covered by an annual appropriation. During FY 2018, $31.2 million of the administrative costs were covered with offsetting collections while $78.8 million was covered by an annual appropriation. Since EXIM is back to fully operational, EXIM plans to regain full self-financing status.

EXIM has continued to maintain a yearly zero credit subsidy in FY 2019 and FY 2018.

V. Risk Management

While providing support to United States exporters is core to the mission of EXIM as an institution, an effective comprehensive risk management framework is a core underlying requisite for EXIM to properly utilize its authority.

Reasonable Assurance of Repayment

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

EXIM's Board of Directors, or a Bank officer acting pursuant to delegated authority from the Board of Directors, makes the final determination of reasonable assurance of repayment, taking into consideration staff recommendations as well as the environmental impact and other considerations required by EXIM's Charter. Transactions require the approval of the Board of Directors directly or through delegated authority.

Protecting the U.S. Taxpayer

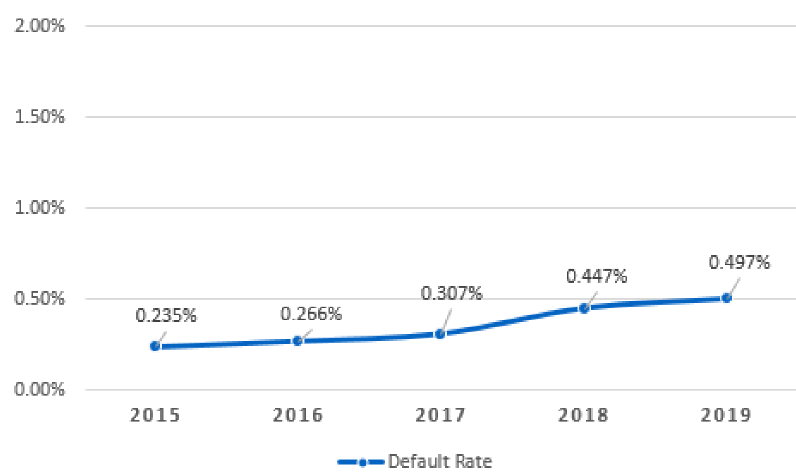
EXIM continues its prudent oversight and due diligence standards to protect taxpayers through its comprehensive risk management framework. This framework starts with effective underwriting to ensure a reasonable assurance of repayment. EXIM's comprehensive risk management includes detailed documentation to ensure EXIM's rights are protected legally and that the transaction is not in violation of U.S. government policy or sanctions, and it continues after a transaction is approved with pro-active monitoring efforts to minimize defaults. EXIM believes that a comprehensive risk management framework with strong emphasis on continuous improvement minimizes claims and defaults. EXIM engages in robust portfolio management, as well as oversight and governance, including the setting aside of adequate loan loss reserves.

0.497%
Default Rate

Pursuant to its Charter, EXIM is mandated to report to Congress on a quarterly basis the current default rate on its active portfolio. On September 30, 2019 the reported default rate was 0.497 percent. This rate reflects a "total amount of required payments that are overdue" (claims paid on guarantees and insurance transactions plus loans past due) divided by a "total amount of financing involved" (disbursements). The low default rate is the result of EXIM's few defaults coupled with effective portfolio management action on those credits which default. To avoid a freeze on the spending cap, EXIM is required to maintain a default rate below 2 percent, as stated in the 2015 Charter.

Exhibit 3 below shows the trend of EXIM's default rate over the last 5 years.

Exhibit 3: Default Rate (5 Year Trend)



Effectiveness and Efficiency
(http://www.exim.gov/news/reports/competitiveness-reports)

EXIM uses various measures to assess the relative efficiency and effectiveness of EXIM's programs. EXIM's Annual Report to the U.S. Congress on Export Credit Competition and the Export-Import Bank of the United States (the "Competitiveness Report") compares EXIM's competitive performance with that of other ECAs. When combining the Competitiveness Report with internal efficiency measurements, management can assess the effectiveness of EXIM's operations.

By today's count, there are a total of 113 export credit agencies or programs (including EXIM) providing some form of export credit support globally. Of these export credit providers, only about half provide medium- and long-term (MLT) products that could be considered competitive with those offered by EXIM. ECAs are in general, providers of traditional "tied" MLT export finance; however, EXIM is the only major ECA that limits its MLT support to this type of finance. Hence, EXIM is also the only major ECA where 100 percent of its MLT activity is Arrangement-compliant.

OECD Arrangement export credits had been consistently declining from their peak of $129 billion in 2012 down to $58 billion in 2017. However, 2018 marked a dramatic rebound with Arrangement export credits up approximately 33 percent to $78 billion. The increase in Arrangement MLT activity was mostly driven by Italy, Germany, and Korea whose 2018 Arrangement business exceeded $10 billion each.

In 2018, Brazil, India and China (BRIC) were the primary providers of MLT export credits for the BRIC countries. Combined, total "standard" MLT export credit activity from OECD and BRIC countries totaled almost $129 billion in 2018, compared to roughly $55 billion in 2008.

VI. The Portfolio

An efficient and effective Risk Management framework allows EXIM to recognize long-term fluctuations in the external risk environment, and then pivot accordingly. Understanding how to pivot, however, requires an understanding of the distinct characteristics of EXIM's exposure around the world. As a result, EXIM management views the portfolio through a variety of different lenses, each offering its own narrative, nuance, and interpretation.

i. **Perspective-based Analyses:**

Program, Region, Industry, Obligor Type, and Foreign Currency

For both financial statement and analytical purposes, EXIM defines exposure as the authorized outstanding and undisbursed principal balance of loans, guarantees, and insurance, also including any unrecovered balances of payments made on claims submitted, and approved by EXIM. The claims payments are made by EXIM while acting as guarantor or insurer under the export guarantee and insurance programs. Note, exposure does not include accrued interest or transactions pending final approval.

Working capital guarantees may be approved for a single loan or a revolving line of credit, with an availability generally of one year, up to 3 years max. Guaranteed lenders are not required to report activity to EXIM, the entire credit is assumed to be non-cash disbursements when the fee is paid and all proper documentation is received by EXIM. The credit is recorded as repaid in one installment 180 days after the expiry date of the credit unless the Controller's office is notified before that time that a claim has been paid. Under the assumption that the exporter is using the credit up to the end of the expiry period, six months provides sufficient time for the guaranteed lender to report defaults to EXIM in the event that the exporter does not repay the credit. If a claim is paid, the remaining outstanding balance of the credit associated with the claim is reduced to zero. Exposure is then reflected as an unrecovered claim.

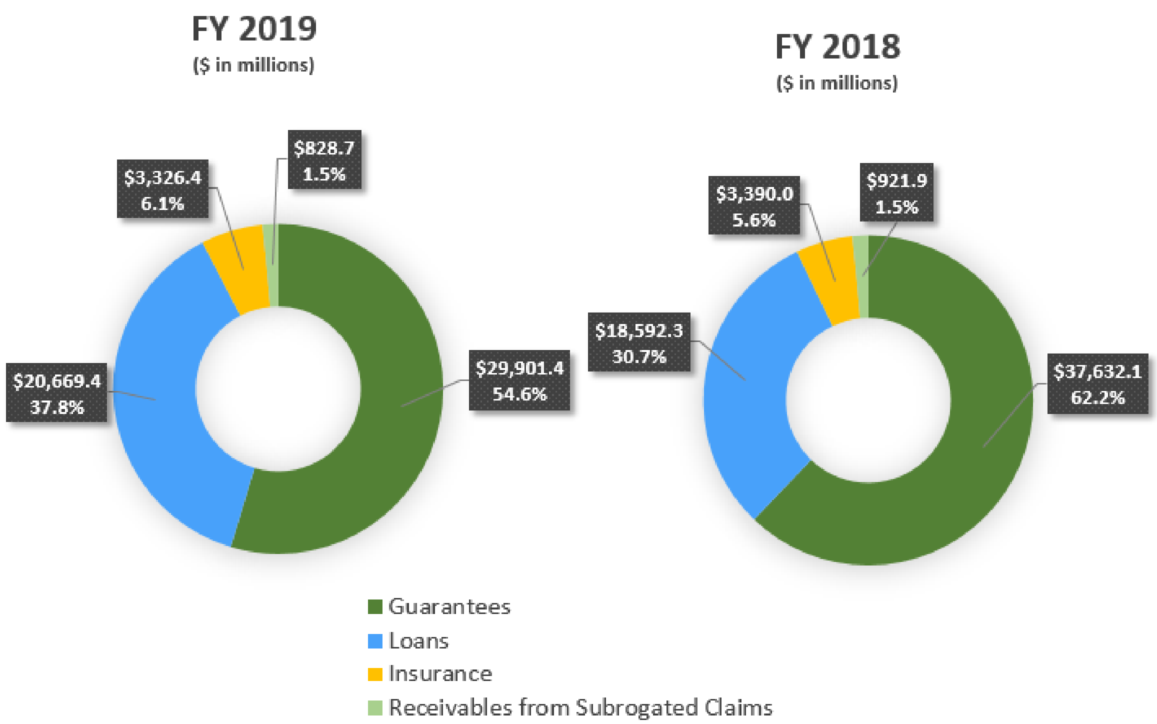
Since there is typically a delay in reporting shipments under the insurance program, undisbursed balances remain on the books for 120 days after the expiry date to allow for the posting of shipments that took place within the period covered by the policy, but were reported after the expiry date. These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

Program Exposure

EXIM currently has exposure totaling $54,725.9 million at September 30, 2019, compared to $60,536.3 million in FY 2018. Overall portfolio exposure has declined due to repayments on outstanding transactions exceeding new authorizations.

From a portfolio perspective, guarantees made up the largest portion (54.6 percent and 62.2 percent) of EXIM's exposure at September 30, 2019, and September 30, 2018, respectively. Exhibit 4 summarizes total EXIM exposure by program for FY 2019.

<u>Exhibit 4: Exposure by Program</u>



Regional and Top Country Exposure

EXIM currently has exposure in 161 countries throughout the world. Exhibit 5 illustrates the countries that make up the total exposure, by region. The "Other" region in Exhibit 5 includes undisbursed balances of short-term multi buyer insurance that is not allocated by region until the shipment has taken place. Management classifies exposure of regional country groupings of its loan, guarantee, and insurance portfolio to align EXIM's reporting with other entities with international exposure such as the World Bank, and the U.S Treasury.

Exhibit 5: Regional Exposure

	FY 2019		FY 2018	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Asia	$12,402.2	22.7%	$14,931.5	24.7%
Latin America and the Caribbean	8,780.5	16.1%	10,795.7	17.8%
Sub-Saharan Africa	8,362.6	15.3%	3,866.0	6.4%
Middle-East and North Africa	8,320.1	15.2%	9,931.9	16.4%
Europe	7,011.6	12.8%	9,633.2	15.9%
Oceania	5,049.6	9.2%	5,791.6	9.6%
North America	2,858.0	5.2%	3,554.8	5.9%
Other	1,941.3	3.5%	2,031.6	3.3%
Total Exposure	$54,725.9	100.0%	$60,536.3	100.0%

Exhibit 6 illustrates exposure for the top five countries as of September 30, 2019. These five countries make up 38.2 percent of total exposure in FY 2019. The top five countries made up 35.7 percent of total exposure in FY 2018.

Exhibit 6: Top Country Exposure

	FY 2019			FY 2018	
	Exposure (in millions)	Percent of Total		Exposure (in millions)	Percent of Total
Saudi Arabia	$5,093.5	9.3%	Saudi Arabia	$5,612.2	9.3%
Mozambique	5,000.0	9.1%	Mexico	5,483.5	9.1%
Mexico	4,450.1	8.1%	China	3,993.3	6.6%
China	3,434.1	6.3%	Australia	3,471.2	5.7%
Australia	2,975.4	5.4%	India	3,006.1	5.0%
All Other	33,772.8	61.8%	All Other	38,970.0	64.3%
Total Exposure	$54,725.9	100.0%	Total Exposure	$60,536.3	100.0%

Industry Exposure

Exhibit 7 shows exposure (in millions) by the major industrial sectors in EXIM's portfolio.

Exhibit 7: Exposure by Major Industrial Sector

	FY 2019		FY 2018	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Aircraft	$22,428.2	41.0%	$28,536.4	47.1%
Oil and Gas	13,084.0	23.9%	9,512.4	15.7%
Manufacturing	9,950.7	18.2%	11,225.5	18.5%
Power Projects	3,064.2	5.6%	3,679.6	6.1%
All Other	6,198.8	11.3%	7,582.4	12.6%
Total Exposure	$54,725.9	100.0%	$60,536.3	100.0%

Foreign Currency Exposure

EXIM provides guarantees in foreign currency to allow borrowers to better match debt service costs with earnings. EXIM adjusts its reserves to reflect the potential risk of foreign currency fluctuation.

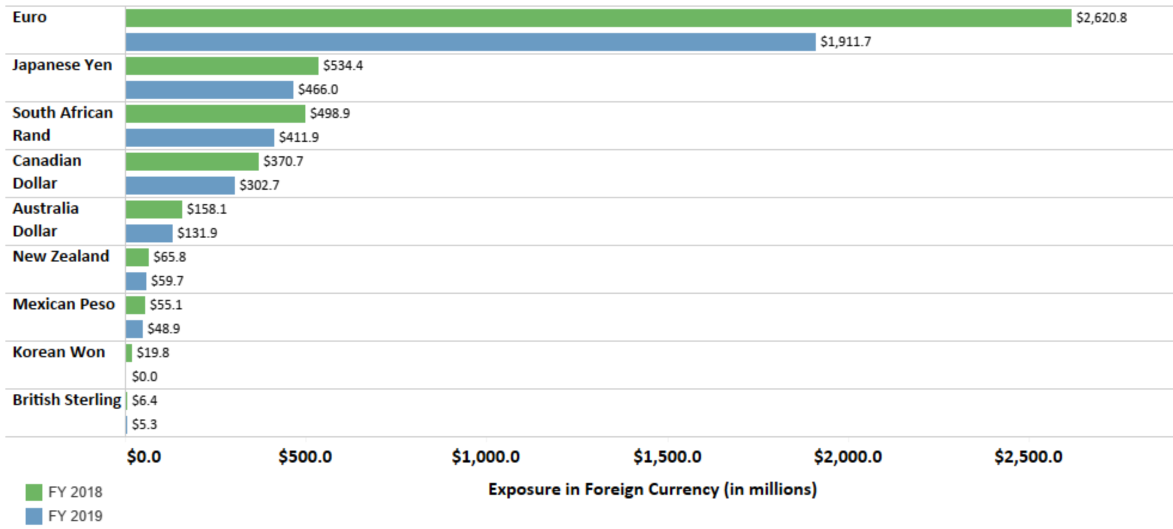
In FY 2019, EXIM approved $55.7 million in transactions denominated in a foreign currency, representing 0.7 percent of all new authorizations. Foreign currency transactions are booked in U.S. dollars based on the exchange rate at the time of authorization. The U.S. dollar exposure is adjusted at year end using the latest exchange rates.

For FY 2019 the total outstanding exposure balance of foreign currency denominated guarantees was $3,338.1 million, representing 6.1 percent of total Bank exposure, and 7.1 percent of outstanding exposure. For FY 2018 the total outstanding exposure balance of foreign currency denominated guarantees was $4,330.0 million representing 7.2 percent of total Bank exposure, and 7.5 percent of outstanding exposure.

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 rate fluctuations. The majority of the foreign currency authorizations support U.S. transportation exports.

Exhibit 8 shows the U.S. dollar value of EXIM's outstanding foreign currency exposure by currency.

Exhibit 8: U.S. Dollar Value of Outstanding Foreign Currency Exposure



Portfolio Loss Reserves

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

The total allowance for EXIM credits is comprised of an allowance for loss on all credits, as well as defaulted guarantees and insurance policies. A provision is charged to earnings as losses are estimated to have occurred. Write-offs are charged against the allowance when management determines that a loan or claim balance is uncollectable. Subsequent recoveries, if any, are credited to the allowance.

The allowance for EXIM credits authorized after FCRA equates to the amount of credit loss associated with the applicable credit. EXIM has established cash flow models for expected defaults, fees, and recoveries to estimate the credit loss for allowance purposes. The models incorporate EXIM's actual historical loss and recovery experience. In addition, beginning in FY 2012, based upon industry best practices as well as recent changes to the portfolio, EXIM incorporated qualitative factors into the quantitative methodology to calculate the credit loss allowance.

Due to the fact that financial and economic factors affecting credit repayment prospects change over time, the net estimated credit loss of loans, guarantees, and insurance is re-estimated annually in accordance with the Office of Management and Budget (OMB) guidelines and Statement of Federal Financial Accounting Standards (SFFAS) 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*. This re-estimate indicates the appropriate level of funds necessary to cover projected future claims. Decreases in estimated credit losses result in excess funds sent to the U.S. Treasury while increases in estimated credit losses are covered by additional appropriations that become automatically available through permanent and indefinite authority, pursuant to the FCRA.

EXIM incorporates a quantitative and qualitative framework to calculate loss reserves. This framework has continuously evolved and been refined over the years. In FY 2018, EXIM updated qualitative adjustments in its loss model, of which a subset is built into the quantitative framework.
Those built into the quantitative framework include factors such as loss curves for sovereign guaranteed transactions and asset backed aircraft. Those not built into the quantitative framework look at minimum levels of expected losses, and the global macroeconomic environment.

The estimated credit loss of the outstanding balance of loans, guarantees, and insurance is re-estimated annually in accordance with OMB guidelines and SFFAS 18. This re-estimate indicates the appropriate balance necessary in the financing accounts to ensure sufficient funds to pay future estimated claims. EXIM can experience downward re-estimates, sending funds to the U.S. Treasury, or upward re-estimates, receiving funds in the form of appropriation from the U.S. Treasury, which can vary by year.

The re-estimate of the credit loss of the exposure for FY 1992 through FY 2019 commitments calculated at September 30, 2019, indicated that there was a net excess of $92.0 million in the financing accounts. The transfer of the net downward re-estimate to the U.S. Treasury will take place in FY 2020. The re-estimate of the credit loss of the exposure for FY 1992 through FY 2018 commitments calculated at September 30, 2018, indicated that the net amount of $146.3 million of funds were needed in the financing accounts. The transfer of the net upward re-estimate was received from the U.S. Treasury in FY 2019.

The total allowance for losses at September 30, 2019, for loans, claims, guarantees, and insurance commitments is $2,208.9 million, representing 4.7 percent of outstanding balance of $47,317.0 million (Exhibit 9). This compares to the allowance for losses at September 30, 2018, for loans, claims receivable, guarantees, and insurance commitments of $2,609.7 million, representing 4.5 percent of outstanding balance of $58,018.9 million.

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

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

Exhibit 9: Loss Reserves and Exposure Summary

(in millions)	FY 2019	FY 2018
Outstanding Guarantees and Insurance	$ 30,911.6	$ 38,652.3
Outstanding Loans	15,576.7	18,444.7
Outstanding Defaulted Guarantees and Insurance	828.7	921.9
Total Outstanding	$ 47,317.0	$ 58,018.9
Undisbursed Guarantees and Insurance	$ 2,316.2	$ 2,369.8
Undisbursed Loans	5,092.7	147.6
Total Undisbursed	$ 7,408.9	$ 2,517.4
Total Exposure	$ 54,725.9	$ 60,536.3
Weighted-Average Risk Rating of Total Exposure	4.6	4.3
Loss Reserves		
Liability for Guarantees and Insurance	$ 500.8	$ 594.3
Allowance for Loan Losses	1,021.8	1,265.1
Allowance for Defaulted Guarantees and Insurance	686.3	750.3
Total Reserves	$ 2,208.9	$ 2,609.7
Loss Reserve as Percentage of Outstanding Balance	4.7%	4.5%
Loss Reserve as Percentage of Total Exposure	4.0%	4.3%

ii. **Impaired Credits and Paris Club Activities**

Impaired Credits

Impaired Credits are defined as those transactions risk rated as Budget Cost Level (BCL) 9 to 11 and are on the verge of default due to political, commercial, operational, and/or technical events or unforeseeable circumstances which have affected the Borrower's ability to service repayment of EXIM credits.

Paris Club Activities

The Paris Club is a group of 22 permanent member-creditor countries that meet regularly in Paris to discuss and provide debt relief to qualifying debtor countries. The U.S. Treasury and State Department are members of the organization and represent the interests of all U.S. agencies that hold international debt. In both FY 2018 and FY 2019, no countries received Paris Club treatment of debt in the form of principal forgiven.

iii. <u>Portfolio-Risk Rating System and Risk Profile</u>

The Interagency Country Risk Assessment System (ICRAS)

In 1992, OMB established the 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 Corp. and the Federal Reserve Board. In addition, OMB consults annually with the Congressional Budget Office.

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's.

Risk Ratings

ICRAS rates countries on the basis of economic, political, and social variables. Two risk levels are determined for each country: a *sovereign risk level*, for lending to the sovereign government, and a *non-sovereign risk level*, for lending within the private market of that sovereign government. There are 11 sovereign and nine non sovereign risk categories. ICRAS currently has risk ratings for 205 sovereign and 207 non-sovereign markets.

Throughout the rating process, analysts use private sector ratings as one of the benchmarks for determining the ICRAS rating in keeping with the principle of congruence to private ratings. When ICRAS ratings significantly deviate from Moody's, S&P's, Fitch's or OECD ratings, the reasoning is substantiated in an 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 (i) ability to make payments as indicated by relevant economic factors and (ii) 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 are unwilling to make a good faith effort. Other categories reflect various degrees of potential or actual payment difficulties.

ICRAS Default Estimates

EXIM has established cash flow models for expected defaults, fees and recoveries to estimate the credit loss for each approved credit. For new authorizations in FY 2019 and FY 2018, the models incorporate EXIM's actual historical loss and recovery experience.

Exposure-Risk Profile

In accordance with the risk rating system detailed above, EXIM classifies credits into 11 risk categories, with level 1 being the lowest risk. EXIM 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 for FY 2019 for rated export credit authorizations was 6.9 compared to a weighted-average risk rating of 5.5 in FY 2018. For FY 2019, 1.7 percent of EXIM's rated new authorizations were in the level 1 to 4 range (AAA to BBB-) while 98.3 percent were rated level 5 to 8 (BB+ to B-).

Changes in the Portfolio-Risk Level

At September 30, 2019, EXIM had a portfolio exposure of $54,725.9 million of loans, guarantees, insurance and outstanding claims receivable. The risk rating for the total portfolio exposure slightly increased, with the weighted average in FY 2019 at 4.6 as compared to 4.3 in FY 2018. The outstanding portfolio includes new business transactions and the existing portfolio risk-rated at the end of each fiscal year.

VII. Key Budget and Accounting Requirements

EXIM reports under generally accepted accounting principles (GAAP) in the United States. GAAP for federal entities are the standards and other authoritative pronouncements prescribed by the Federal Accounting Standards Advisory Board (FASAB). Although EXIM is not required to comply with all sections of OMB Circular A-136, *Financial Reporting Requirements,* revised as of June 28, 2019, EXIM follows the format and content outlined by OMB Circular A-136 when preparing the financial statements and footnotes. Under GAAP standards applicable to federal agencies, EXIM reported total net excess revenue of $132.9 million for the period ended September 30, 2019 and total net excess cost of $38.3 million for the year ended September 30, 2018.

Administrative and program costs for new loan, guarantee and insurance authorizations are initially covered by the fees collected on a cash basis (offsetting collections) from EXIM's credit program customers. Costs above the fees collected are supplemented with an annual discretionary appropriation from the U.S. Congress. EXIM may, on occasion, receive mandatory appropriations when it is determined that additional funds are needed through the credit loss re-estimate of EXIM's existing portfolio.

While EXIM looks to further optimize the execution of mission and implementation of its Charter, EXIM complies with Federal Budget and Governmental Accounting requirements, two of which are discussed below.

Budgeting for New Authorizations under the Federal Credit Reform Act

Under the FCRA, the U.S. Government budgets for the present value of the estimated cost of credit programs. For EXIM, the cost is determined by analyzing the net present value of expected cash receipts and cash disbursements associated with all credits authorized during the year. Cash receipts typically include fees, loan principal, and loan interest, while cash disbursements typically include loan disbursements and the payment of claims. EXIM collects fees that cover program obligations and administrative costs to the extent possible.

When expected cash disbursements exceed expected cash receipts, there is an expected net outflow of funds, resulting in a "cost" to EXIM. This cost is sometimes referred to as subsidy or program cost. EXIM is required to estimate this cost annually and to seek budget authority from Congress to cover that cost. New loans and guarantees with a program cost cannot be committed unless sufficient program budget authority is available to cover the calculated credit cost. EXIM has devoted extensive time and resources to reduce credit subsidy expenses. Total yearly credit subsidies have decreased from $29.6 million in FY 2009, to zero credit subsidies in FY 2015, which continued into FY 2019.

Prior to FY 2008, the amount of program revenue was not credited or retained by EXIM but instead was transferred to a general fund receipt account at the U.S. Treasury upon disbursement of the underlying credit. In FY 2008, Congress changed the form in which budget authority is provided to EXIM to cover (1) the estimated costs for that portion of new authorizations where fees are insufficient to cover expected losses (subsidy or program cost) and (2) administrative costs.

At the start of the fiscal year, the U.S. Treasury provides EXIM with an appropriation warrant for program costs as well as administrative costs. The amount of the warrant is established by spending limits set by Congress. Fees collected during the year that are in excess of expected losses (offsetting collections) are retained by EXIM and used to repay the warrant received at the start of the year to the extent possible.

This change occurred as a result of an in-depth analysis of EXIM's historical net default experience in relation to the fees collected on its credit programs. The analysis illustrates that fees collected were not only sufficient to cover credit losses, they were also sufficient to cover administrative costs. EXIM was self-financing from FY 2008 to FY 2017. Given the continued lack of Board of Directors' quorum until May 8, 2019, EXIM had been unable to approve transactions over $10 million, and as a result has not been able to generate sufficient excess cash inflows to fully self-finance administrative costs. Therefore, in FY 2019, EXIM self-financed $15.7 million of administrative costs with offsetting collections and the remaining $94.3 million was covered by the discretionary appropriation provided by the U.S. Congress. During FY 2018, $31.2 million of the administrative costs were covered with offsetting collections while $78.8 million was covered by the appropriation.

Congress continues its oversight of EXIM's budget, setting annual limits on its use of funds for program and administrative costs obligations and other obligations.

Financial Accounting Policy

The accompanying FY 2019 and FY 2018 financial statements have been prepared in accordance with generally accepted accounting principles in the United States applicable to federal agencies. Although EXIM is not required to comply with all sections of the OMB Circular A-136, EXIM follows the format and content outlined by OMB Circular A-136 when preparing the financial statements and footnotes. OMB Circular A-136 details the financial data required to be disclosed, the assertions and reviews over financial information that must be performed and suggests the presentation of such information.

EXIM follows OMB Circular A-11, *Preparation, Submission, and Execution of the Budget*, as the primary guidance for calculating the program cost associated with EXIM's transactions. In accordance with this guidance, the amount of program cost calculated on EXIM's transactions authorized after FCRA and the associated fees collected equates to the loss allowance on these transactions, and is disclosed as such on the financial statements and related notes.

Balance Sheet and Statement of Net Cost

OMB Circular A-136 provides a basic framework for agency financial reports and allows for "individual agency flexibility to provide information useful to the Congress, agency managers, and the public".

EXIM's Statement of Net Costs shows the costs and revenues of each of EXIM's major programs. There are two major components, Administrative Costs and the Re-Estimate of Credit Losses, which have a significant impact on the total net program cost over revenue. Fees and Interest Revenue are offset by a provision for credit loss and thus has no impact on the total net program cost over revenue. For this reason the "Statement of Net Costs" cannot be read as the equivalent of an Income and Loss Statement.

Impact to Total Net Program Cost or Revenue

- **Program and Administrative Costs –** program costs are subsidy expenses and administrative costs are the costs to run EXIM and its programs. Program and administrative costs are covered by offsetting collections or appropriation specifically for those expenses. Program and administrative costs are reflected in the Statement of Net Costs; however, the offsetting collections and appropriation used to cover those expenses are reflected in the Statement of Changes in Net Position. Therefore, program and administrative costs have a direct impact on the total net program cost or revenue.

- **Accrual For Annual Re-Estimate of Credit Loss Reserves –** As previously discussed, each year an analysis is performed to determine the adequacy of the credit loss reserves reflected on the Balance Sheet. Based on this analysis, reserves are either increased or decreased, with an offsetting charge (if reserves are increased) or credit (if reserves are decreased) to the Program Costs in the Statement of Net Cost. The change in reserves can vary significantly from year-to-year and can have a considerable impact on total net program cost or revenue.

No Impact to Total Net Program Cost or Revenue

- **Fee and Interest Revenue Net of Expenses -** all fee and net interest revenue is credited to the Balance Sheet loss reserves to cover future credit losses instead of being applied to cumulative results of operations. As the reserves are increased by the fee and net interest revenue, an offsetting provision for credit losses is charged against income. These components offset and have zero impact on the total net program cost or revenue.

The program and administrative costs and the accrual for the annual re-estimate of credit loss reserves represent the true cost of carrying out EXIM's programs and thus are the components that drive the amount of net program cost or revenue displayed in the Statement of Net Cost. For the period ended September 30, 2019, EXIM's total net excess revenue was $132.9 million.

EXIM's Balance Sheet shows a net position as of September 30, 2019 of $39.7 million. The main variable impacting EXIM's Net Position is the Cumulative Results of Operations, which represent distribution of funds to the U.S. Treasury rather than the results of operational activities. The FCRA requires federal agencies to transfer excess funds to the U.S. Treasury.

Over time, EXIM neither accumulates earnings nor has a long term negative net position although from time-to-time the net position shown on the Balance Sheet may be either positive or negative. The yearly change in the net position is shown in detail in the Statement of Changes in Net Position. Net costs or revenue from the Statement of Net Costs, offsetting collections and appropriation usage, and transfers to the U.S. Treasury all affect EXIM's net position shown on the Balance Sheet.

Occasionally EXIM's Statement of Net Cost may show a net cost for the year, while at the same time, EXIM will have transferred funds to the U.S. Treasury. This is due to differing requirements of the two main pieces of legislation that govern EXIM's operations – the FCRA and the annual appropriation act passed by Congress.

The annual appropriation act permits EXIM to use offsetting collections (fees and interest collected in the current year that are in excess of amounts set aside for expected losses for the credits that are disbursing in the current fiscal year) to cover administrative obligations made in the current year and to withhold a certain amount for future program (subsidy) costs. Offsetting collections in a given year in excess of amounts stated in the annual appropriation must be transferred to the U.S Treasury at the end of each fiscal year.

The FCRA requires an annual re-estimate of the reserves for credit losses for the entire portfolio. As mentioned above, if the analysis indicates that the reserves must be increased, there is a charge against income for the amount of the increase and together with the program costs may result in a significant overall net cost. The Statement of Net Costs may therefore show a net overall cost while in the same year excess offsetting collections are transferred to the U.S. Treasury.

In addition to excess offsetting collections, EXIM's transfers to the U.S. Treasury have included dividends declared and paid; pre-credit reform liquidating account transfers, and downward re-estimates of the reserve for credit losses. Prior to 1992, EXIM declared and paid dividends to the U.S. Treasury that totaled $1.0 billion. Since FCRA, which took effect in 1992, EXIM has sent a net $9.4 billion to the U.S. Treasury.

Significant Financial Data

The following significant financial data is highlighted due to a significant change (10 percent) and significant dollar difference between the applicable periods for FY 2019 and FY 2018. More detailed financial information can be found in the financial statements and notes.

Exhibit 10: Significant Financial Data

(in millions)	FY 2019	FY 2018
Balance Sheets		
Fund Balance with the U.S. Treasury	$3,095.1	$3,471.9
Direct Loans Receivable, Net	14,739.0	17,417.3
Borrowings from the U.S. Treasury	16,946.4	20,212.6
Accounts Payable to the U.S. Treasury	440.8	668.6
Guaranteed Loan Liability	500.8	594.3
Cumulative Results of Operations	(1,204.9)	(1,732.2)
Statements of Net Cost		
Program Costs - Loans	711.7	1,332.0
Earned Revenue - Loans	(813.4)	(977.6)
Program Costs - Guarantees	177.9	(61.6)
Earned Revenue - Guarantees	(289.7)	(338.9)
Statements of Changes in Net Position		
Offsetting Collections	20.7	68.5
Transfers Without Reimbursement	(48.8)	(693.1)
Statements of Budgetary Resources		
Appropriations	621.2	723.3
Borrowing Authority	5,689.7	-
Spending Authority from Offsetting Collections	681.4	169.2
New Obligations and Upward Adjustments	7,323.5	2,461.8
Apportioned, Unexpired, end of year	1,244.6	1,549.0
Outlays, net	(2,357.6)	(1,297.6)

Balance Sheet

Fund Balance with the U.S. Treasury: Fund Balance with the U.S. Treasury (FBWT) decreased by $376.8 million from $3,471.9 million at September 30, 2018 to $3,095.1 million at September 30, 2019. The change is partially due to repayments of borrowings, interest expense on borrowings, and FY 2018 downward re-estimate to the U.S. Treasury amounting to $3,312.4 million, $551.7 million, and $374.8 million, respectively. Capital transfers and cancelled funds totaling $89.4 million were also sent to the U.S. Treasury at the end of the fiscal year. Other significant transactions contributed to the decrease are $50.5 million in direct loan disbursements and $110.1 million in administrative obligations paid. This is offset by approximately $3,455.0 million in direct loan principal repayments, net claim recoveries, interest, and fee collections including interest income on FBWT, as well as $46.2 million in borrowings from the U.S. Treasury. Additionally, appropriations of $621.2 million were also received, including FY 2018 upward re-estimate of $521.2 million in FY 2019.

***Direct Loans Receivable, Net*:** Direct Loans Receivable decreased by $2,678.3 million from $17,417.3 million at September 30, 2018 to $14,739.0 million at September 30, 2019 primarily as a result of $2,795.3 million of direct loan principal repayments, and $472.6 million of interest collected. This is offset by $50.5 million in direct loan disbursements, $423.5 million of interest earned on loans. The overall decrease in loans receivable is a result from the EXIM's lack of board quorum to approve medium-term and long-term transactions over $10.0 million from July 2015 until May 2019.

Borrowing from the U.S. Treasury: Borrowing from the U.S. Treasury decreased by $3,266.2 from $20,212.6 million at September 30, 2018 to $16,946.4 million at September 30, 2019. The decrease is due to a repayment of borrowings to the U.S. Treasury in the amount of $3,312.4 million in August 2019, which is offset by a smaller than usual borrowings from the U.S. Treasury amounting to $46.2 million given EXIM's continued decline of direct loan disbursements resulting from EXIM's lack of board quorum as mentioned above.

Accounts Payable to the U.S. Treasury: Accounts Payable to the U.S. Treasury decreased by $227.8 million from $668.6 million at September 30, 2018 to $440.8 million at September 30, 2019. The decrease is primarily due to the transfer to the U.S. Treasury for the downward portion of the FY 2018 credit loss reserve re-estimate of $374.8 million, which is offset by the FY 2019 downward re-estimate of $172.8 million that will be sent to the U.S. Treasury in FY 2020.

Guaranteed Loan Liability: Guaranteed Loan Liability decreased by $93.5 million from $594.3 million at September 30, 2018 to $500.8 million at September 30, 2019. The change is attributed to changes to the risk profile of the portfolio as well as capital transfers.

Cumulative Results of Operations: Cumulative Results of Operations increased by $527.3 million from a cumulative loss of $1,732.2 million at September 30, 2018 to a cumulative loss of $1,204.9 million at September, 2019. The increase is mostly due to the receipt of the FY 2018 Upward Re-Estimate appropriation of $521.2 million that was received in FY 2019, as well as $90.6 million in offsetting collections and appropriations used, as well as net excess revenue of $132.9 million. This is offset by $48.8 in capital transfers to the U.S. Treasury without reimbursement, and the current downward re-estimate of $172.8 million.

Statement of Net Costs

Program Costs – Loans: Program Costs for Loans decreased by $620.3 million from $1,332.0 million for year ended September 30, 2018 to $711.7 million for the year ended September 30, 2019. The change is mainly due to a decrease in interest income amortization for loans totaling $45.6 million, a decrease of interest expense of $119.3 million resulting from a decrease in borrowings, and a decrease in the net upward re-estimate of $446.8 million.

Earned Revenue – Loans: Program Revenue for Loans decreased by $164.2 million from $977.6 million for the year ended September 30, 2018 to $813.4 million for the year ended September 30, 2019. The decrease is mostly due to a decrease in interest income from loans of $154.3 million. This decrease was a result from the Export-Import Bank's lack of board quorum to approve medium-term and long-term transactions over $10.0 million, which has resulted in a decrease in portfolio exposure. However a board quorum has since been re-instated.

Program Costs – Guarantees: Program Costs for Guarantees increased by $239.5 million from ($61.6) million for the year period ended September 30, 2018 to $177.9 million for the year ended September, 2019. The change is mostly related to a decrease in the net downward re-estimate of $198 million and increase in the provision for losses of $130.9 million. This is offset by a decrease in interest income subsidy amortization of $76.8 million.

Earned Revenue – Guarantees: Program Revenue for Guarantees decreased by $49.2 million from $338.9 million for the year ended September 30, 2018 to $289.7 million for the year ended September 30, 2019. The decrease is mainly due to a decrease in fee income of $52.4 million.

Statement of Changes in Net Position

Offsetting Collections: Offsetting Collections decreased by $47.8 million from $68.5 million for the year ended September 30, 2018 to $20.7 million for the year ended September 30, 2019. The change is mainly from the EXIM's lack of board quorum to approve medium- and long-term transactions over $10.0 million, which has resulted in the decrease in the portfolio activity including the offsetting collections. A board quorum has recently been re-instated at the beginning of May 2019. Refer to MD&A section "EXIM Bank's Self-Financing Status" for further discussion.

Transfers without Reimbursement: Transfers without Reimbursement decreased by $644.3 million from $693.1 million for the year ended September 30, 2018 to $48.8 million for the year ended September 30, 2019. The decrease is mainly due to the timing of the transfer of funds collected by EXIM Bank, from rescheduled loans and claims, to the U.S. Treasury.

Statement of Budgetary Resources

Appropriations: Appropriations decreased by $102.1 million from $723.3 million at September 30, 2018 to $621.2 million at September 30, 2019. The change is due to decrease of $127.6 million in the FY 2018 Upward Re-Estimate that was received in FY 2019. This is offset by an increase of $15.5 million in appropriation for administrative expenses received in FY 2019.

Borrowing Authority: Borrowing Authority increased by $5,689.7 million from zero borrowing authority at September 30, 2018, to $5,689.7 million at September 30, 2019. This increase is due to new direct loan authorizations in FY 2019 after the board quorum was re-instated at the beginning of May 2019.

Spending Authority from Offsetting Collections: Spending Authority from Offsetting Collections increased by $512.2 million from $169.2 million at September 30, 2018 to $681.4 million at September 30, 2019. The change is due to an increase of $50.0 million in spending authority collected, a decrease of $604.3 million in capital transfers to the general fund which is offset by an increase of spending authority applied to repay debt of $142.3 million.

New Obligations and Upward Adjustments: New Obligations and Upward Adjustments increased by $4,861.7 million from $2,461.8 million at September 30, 2018 to $7,323.5 million at September 30, 2019. The change is mainly resulting from loan principal obligations related the new direct loan authorizations in FY 2019 after the board quorum was re-instated.

Apportioned, Unexpired, end of year: The unexpired unobligated balance at the end of the year decreased by $304.1 million from $1,549.0 million at September 30, 2018 to $1,244.6 million at September 30, 2019. Net spending authority from offsetting collections realized under credit-reform financing accounts is $659.6 million as of September 30, 2019 which mainly consists of the collections from repayments of loan principal, interest and fees net of the repayment of borrowing to U.S. Treasury. The amount of gross outlays under credit-reform financing accounts was $1,050.5 million which mainly consists of the payment of Treasury borrowing interest and FY 2018 downward re-estimate.

Outlays, net: Outlays increased by $1,060.0 million from $1,297.6 million at September 30, 2018 to $2,357.6 million at September 30, 2019. The change is due to a decrease in gross outlays of $1,010.0 million, which resulted mainly from the decrease in the downward re-estimate and interest expense on borrowings paid to U.S. Treasury, as well as the decrease in loan disbursements.

Significant Factors Influencing Financial Results

The most significant factor that determines EXIM's financial results and condition is a change in the risk level of EXIM'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 unexpected manner as a result of international financial, economic, and political events. Consequently, significant and unanticipated changes in EXIM's allowance for credit losses may occur in any year.

The major risks to EXIM in its credit portfolio are repayment risk and market risk. Other risks EXIM must assess and attempt to minimize are strategic, operational, and legal risk.

Repayment Risk: In fulfilling its mission to support U.S. jobs by facilitating the export of U.S. goods and services, by providing competitive export financing, and ensuring a level playing field for U.S. goods and services in the global marketplace, EXIM 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 EXIM may eventually have to write-off some or the entire 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.
>
> *Country Risk:* The risk that payment may not be made to EXIM, its guaranteed lender, or it's insured as a result of expropriation of the obligor's property, war, or inconvertibility of the borrower's currency into U.S. dollars.

Market Risk: Risks stemming from the nature of the markets in which EXIM operates. Principal components of market risk are:

Concentration Risk: Risks from the composition of the credit portfolio as opposed to risks related to specific obligors. EXIM has the following concentration risks:

> *Industry Risk:* The risk that events could negatively impact not only one company but many companies simultaneously in the same industry. EXIM's credit exposure is highly concentrated by industry: 83.1 percent of EXIM's credit portfolio is in three industries (air transportation, manufacturing, and oil and gas), with air transportation representing 41.0 percent of EXIM's total exposure. Events impacting these industries are frequently international in nature and may not be confined to a specific country or geographic area. In September 2019, EXIM stress tested the aircraft sub-portfolio where the simulation results showed that even in the most extreme simulations EXIM does not anticipate this portfolio having a default rate above 2 percent.
>
> *Geographic / Risk Similar Region Concentration:* The risk that events could negatively impact not only one country but many countries simultaneously in an entire region. Currently, 54.1 percent of EXIM's credit exposure is concentrated in three separate regions: Asia (22.7 percent), Latin America and the Caribbean (16.1 percent), and Sub-Saharan Africa (15.3 percent). EXIM regularly conducts stress testing on its overall portfolio and regions using Monte-Carlo simulation. In March 2019, EXIM stress tested the aircraft in Asia sub-portfolio where the simulation results showed that even in the most extreme simulations EXIM does not anticipate this portfolio having a default rate above 2 percent.

Obligor Concentration: The risk stemming from portfolio concentration with one or a few obligors such that a default by one or more of those borrowers will have a disproportionate impact. EXIM's five largest public and private sector obligors make up 29.7 percent of the portfolio. EXIM proactively manages individual transactions in EXIM's portfolio with a focus upon the financial condition of an obligor. In addition, EXIM assesses the use, maintenance, and condition of mortgaged collateral, as applicable along with actively managing operative phase matters, including any requested or necessary amendments, waivers, and consents.

Foreign Currency Risk: Risk stemming from an appreciation or depreciation in the value of a foreign currency in relation to the U.S. dollar in EXIM transactions denominated in that foreign currency. If and when EXIM pays claims under foreign currency guarantees, the notes are converted from a foreign currency obligation to a U.S. dollar obligation. The obligor must then repay to EXIM the balance in U.S. dollars. This converts the foreign currency loan to a dollar loan at that point, thereby eliminating any further foreign exchange risks. EXIM provides support for guarantees and insurance denominated in certain foreign currencies.
At the time of authorization, EXIM records the authorization amount as the U.S. dollar equivalent of the foreign currency obligation based on the exchange rate at that time.

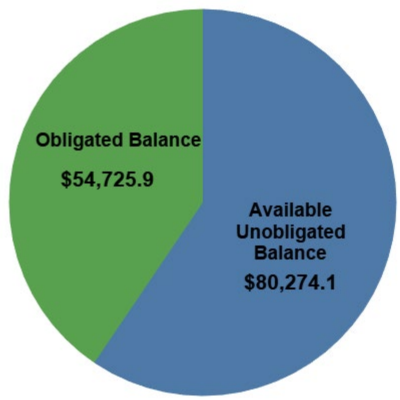
Interest Rate Risk: EXIM makes fixed-rate loan commitments prior to borrowing to fund loans and takes the risk that it will have to borrow the funds at an interest rate greater than the rate charged on the credit. To mitigate the interest rate risk, EXIM charges at least 100 basis points over borrowing costs and generally fixes the interest rates at the time of disbursement.

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, EXIM has established a strong internal control environment that is reviewed by an independent internal auditor and has included process documentation, proper supervisory monitoring and technology access/edit controls. In addition, EXIM provides staff with training to reduce operational risk across the organization, along with the creation of a Chief Ethics Officer that will oversee the enforcement of the Code of Official Conduct for all employees and contractors of EXIM. EXIM also has an Office of Inspector General that conducts audits, inspections, and investigations relating to EXIM's program and support operations.

VIII. Other Management Information

EXIM is subject to a statutory limit on lending which acts as an absolute financial limitation on the outstanding aggregate amount of all EXIM's loans, guarantees, and insurance. Under provisions of the Export-Import Bank Act, as amended in FY 2015, EXIM's current statutory limit on lending is $135.0 billion. At September 30, 2019, EXIM's statutory authority was obligated as follows:

Exhibit 11: Statutory Limit on Lending (in millions)



IX. Limitations of the Financial Statements

The financial statements have been prepared to report the financial position and results of operations of EXIM, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of EXIM in accordance with GAAP standards applicable to federal agencies and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records. The statements should be read with the understanding that they are prepared for a component of the U.S. government, a sovereign entity.

X. Systems, Controls, Legal Compliance

i. DATA Act

In May 2014, President Obama signed the Digital Accountability and Transparency Act of 2014 (DATA Act) (P.L. 113-101) into law. The purpose of the DATA Act is to make the Federal spending data more accessible, searchable, and reliable. The U.S. Department of the Treasury (Treasury) and OMB are leading the government-wide implementation of the DATA Act.

The DATA Act directs OMB and Treasury to establish government-wide financial data standards for federal funds made available to or expended by federal agencies and entities receiving such funds. EXIM provides its spending information – including linked financial and award data – using a new, government-wide data structure, and EXIM continues to report DATA Act information to the U.S. Treasury on a quarterly basis.

EXIM is a wholly owned government corporation and as such, is not required to comply with all aspects of OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. As such, EXIM does not issue an annual assurance statement as required by OMB Circular A-123. According to Government Corporation Control Act of 1945, EXIM only issues a management report on financial statement and internal accounting controls. Therefore, EXIM has elected to present its Data Act assurance statement in this section of the agency management report.

To ensure EXIM's DATA Act reporting is complete, accurate, timely, and fit for purpose EXIM developed review and testing procedures that leverage existing internal controls over financial reporting. A third party review of EXIM's FY2019 DATA Act reporting indicates that while EXIM's DATA Act reporting is assessed to be of higher quality as defined in OIG-CA-19-012, EXIM continues to have opportunities to improve the overall quality of its financial and award data. EXIM has developed a Data Quality Plan (DQP) that will be fully implemented in FY2020. The DQP prioritizes strengthening internal control processes and procedures related to review and testing of financial and award data being reported to USASpending.gov through the Federal Procurement Data System (FPDS) and the Financial Assistance Broker System (FABS).

November 13, 2019

MANAGEMENT REPORT ON FINANCIAL STATEMENT AND INTERNAL ACCOUNTING CONTROLS

EXIM Bank's management is responsible for establishing and maintaining effective internal control over the content and integrity of the financial data and financial management systems 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 budget authority provided by Congress. Credits may not be approved if sufficient budget authority is not available.

The financial statements were prepared in accordance with generally accepted accounting principles applicable to federal agencies (U.S. GAAP). As explained in more detail in the notes to the financial statements, 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, policies, and procedures designed to provide reasonable assurance at reasonable cost that assets are safeguarded and that transactions are processed and properly recorded in accordance with management's authorization, and that the financial statements are accurately prepared in accordance with applicable laws and regulations. The Bank believes that its system of internal accounting controls over financial reporting appropriately balances the cost/benefit relationship.

As required by the Federal Information Security Management Act (FISMA), the Bank develops, documents, and implements an agency-wide program to provide information privacy and security (management, operational, and technical security controls) for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

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.

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Export-Import Bank of the United States

Kimberly A. Reed
Chairman and President

Inci Tonguch-Murray
Deputy Chief Financial Officer

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Financial Statements

Balance Sheets

(in millions)	As of September 30, 2019	As of September 30, 2018
ASSETS		
Intragovernmental		
Fund Balance with the U.S. Treasury (Note 2)	$3,095.1	$3,471.9
Total Assets - Intragovernmental	**3,095.1**	**3,471.9**
Public		
Loans Receivable, Net		
Direct Loans Receivable, Net (Note 3A)	14,739.0	17,417.3
Receivables from Subrogated Claims, Net (Note 3E)	171.6	176.0
Total Loans Receivable, Net	**14,910.6**	**17,593.3**
Accounts Receivable (Note 5)	12.8	11.3
Total Assets - Public	**14,923.4**	**17,604.6**
Total Assets	**$18,018.5**	**$21,076.5**
LIABILITIES		
Intragovernmental		
Borrowings from the U.S. Treasury (Note 8)	$16,946.4	$20,212.6
Accounts Payable to the U.S. Treasury (Note 7)	440.8	668.6
Total Liabilities - Intragovernmental	**17,387.2**	**20,881.2**
Public		
Payment Certificates (Note 8)	1.9	11.5
Accounts Payable	6.7	8.6
Guaranteed Loan Liability (Note 3G)	500.8	594.3
Other Liabilities (Note 6, 9)	82.2	87.8
Total Liabilities - Public	**591.6**	**702.2**
Total Liabilities	**$17,978.8**	**$21,583.4**
NET POSITION		
Capital Stock	$1,000.0	$1,000.0
Unexpended Appropriations	244.6	225.3
Cumulative Results of Operations	(1,204.9)	(1,732.2)
Total Net Position	**39.7**	**(506.9)**
Total Liabilities and Net Postion	**$18,018.5**	**$21,076.5**

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

Statements of Net Costs

(in millions)	For the Year Ended September 30, 2019	For the Year Ended September 30, 2018
Loans		
Program Costs	$711.7	$1,332.0
Less: Earned Revenue	(813.4)	(977.6)
Net Cost of Loans	**($101.7)**	**$354.4**
Guarantees		
Program Costs	$177.9	($61.6)
Less: Earned Revenue	(289.7)	(338.9)
Net Cost of Guarantees	**($111.8)**	**($400.5)**
Insurance		
Program Costs	($8.8)	($17.7)
Less: Earned Revenue	(17.0)	(18.7)
Net Cost of Insurance	**($25.8)**	**($36.4)**
Net Excess Program (Revenue) over Costs	**($239.3)**	**($82.5)**
Administrative Costs (Note 3K)		
Administrative Costs	$111.2	$121.1
Less: Administrative Expenses Reimbursed	(4.8)	(0.3)
Net Administrative Costs	**$106.4**	**$120.8**
Net Costs of Operations	**($132.9)**	**$38.3**

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

Statements of Changes in Net Position

(in millions)	Capital Stock	Unexpended Appropriations	Cumulative Results of Operations	Total
	For the Year Ended September 30, 2019			
Beginning Balance	$1,000.0	$225.3	($1,732.2)	**($506.9)**
Budgetary Financing Sources				
Appropriations Received - Admin	-	94.3	-	**94.3**
Appropriations Received - IG	-	5.7	-	**5.7**
Appropriations Received - Reestimate	-	521.2	-	**521.2**
Appropriations Used	-	(591.1)	591.1	**-**
Offsetting Collections	-	-	20.7	**20.7**
Transfer Without Reimbursement	-	-	(48.8)	**(48.8)**
Other Adjustments	-	(10.8)	-	**(10.8)**
Other Financing Sources				
Imputed Financing	-	-	4.2	**4.2**
Other Non-Entity Activity (Note 7)	-	-	(172.8)	**(172.8)**
Total Financing Sources	**-**	**19.3**	**394.4**	**413.7**
Net Cost of Operations	**-**	**-**	**(132.9)**	**(132.9)**
Net Change	**-**	**19.3**	**527.3**	**546.6**
Ending Balance	**$1,000.0**	**$244.6**	**($1,204.9)**	**$39.7**

(in millions)	Capital Stock	Unexpended Appropriations	Cumulative Results of Operations	Total
	For the Year Ended September 30, 2018			
Beginning Balance	$1,000.0	$215.9	($1,422.8)	**($206.9)**
Budgetary Financing Sources				
Appropriations Received - Admin	-	78.8	-	**78.8**
Appropriations Received - IG	-	5.7	-	**5.7**
Appropriations Received - Reestimate	-	648.8	-	**648.8**
Appropriations Used	-	(723.9)	723.9	**-**
Offsetting Collections	-	-	68.5	**68.5**
Transfer Without Reimbursement	-	-	(693.1)	**(693.1)**
Other Adjustments	-	-	-	**-**
Other Financing Sources				
Imputed Financing	-	-	4.4	**4.4**
Other Non-Entity Activity (Note 7)	-	-	(374.8)	**(374.8)**
Total Financing Sources	**-**	**9.4**	**(271.1)**	**(261.7)**
Net Cost of Operations	**-**	**-**	**38.3**	**38.3**
Net Change	**-**	**9.4**	**(309.4)**	**(300.0)**
Ending Balance	**$1,000.0**	**$225.3**	**($1,732.2)**	**($506.9)**

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

Combined Statements of Budgetary Resources

(in millions)	For the Year Ended September 30, 2019		
	Budgetary	Non-Budgetary Credit-Reform Financing Account	Total
Budgetary Resources:			
Unobligated from Prior Year Budget Authority, net (discretionary and mandatory)	$494.4	$1,349.4	$1,843.8
Appropriations (discretionary and mandatory)	621.2	-	621.2
Borrowing Authority (discretionary and mandatory)	-	5,689.7	5,689.7
Spending Authority from Offsetting Collections (discretionary and mandatory)	21.8	659.6	681.4
Total Budgetary Resources (Note 12)	$1,137.4	$7,698.7	**$8,836.1**
Status of Budgetary Resources:			
New obligations and upward adjustments (total)	$649.2	$6,674.3	$7,323.5
Unobligated Balance, End of Year			
Apportioned, unexpired, end of year	220.2	1,024.4	1,244.6
Expired unobligated balance, end of year	268.0	-	268.0
Unobligated balance, end of year (total) (Note 12)	488.2	1,024.4	1,512.6
Total Status of Budgetary Resources	$1,137.4	$7,698.7	**$8,836.1**
Outlays, Net			
Outlays, net (total) (discretionary and mandatory)	$609.9	($2,967.5)	($2,357.6)
Distributed offsetting receipts (-)	(374.8)	-	(374.8)
Agency outlays, net (discretionary and mandatory)	$235.1	($2,967.5)	**($2,732.4)**

(in millions)	For the Year Ended September 30, 2018		
	Budgetary	Non-Budgetary Credit-Reform Financing Account	Total
Budgetary Resources:			
Unobligated from Prior Year Budget Authority, net (discretionary and mandatory)	$519.1	$2,894.3	$3,413.4
Appropriations (discretionary and mandatory)	723.3	-	723.3
Borrowing Authority (discretionary and mandatory)	-	-	-
Spending Authority from Offsetting Collections (discretionary and mandatory)	34.6	134.6	169.2
Total Budgetary Resources (Note 12)	$1,277.0	$3,028.9	**$4,305.9**
Status of Budgetary Resources:			
New obligations and upward adjustments (total)	$781.9	$1,679.9	$2,461.8
Unobligated Balance, End of Year			
Apportioned, unexpired, end of year	200.0	1,349.0	1,549.0
Expired unobligated balance, end of year	295.1	-	295.1
Unobligated balance, end of year (total) (Note 12)	495.1	1,349.0	1,844.1
Total Status of Budgetary Resources	$1,277.0	$3,028.9	**$4,305.9**
Outlays, Net			
Outlays, net (total) (discretionary and mandatory)	$737.3	($2,034.9)	($1,297.6)
Distributed offsetting receipts (-)	(959.6)	-	(959.6)
Agency outlays, net (discretionary and mandatory)	($222.3)	($2,034.9)	**($2,257.2)**

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

Notes to the Financial Statements

1. Summary of Significant Accounting and Reporting Policies

Enabling Legislation and Mission

The Export-Import Bank of the United States (EXIM) is an independent executive branch agency and a wholly owned U.S. government corporation that was first organized as a District of Columbia banking corporation in 1934. EXIM is the official export credit agency of the United States. In accordance with its Charter (12 USC 635 et seq.), continuation of EXIM's functions in furtherance of its objectives and purposes is subject to periodic extensions granted by Congress. The Export-Import Bank Reauthorization Act of 2015 (the Reauthorization Act of 2015) extended EXIM's Charter until September 30, 2019. A continuing resolution (H.R.4378) has extended EXIM's Authorization until November 21, 2019, if EXIM's Charter is not extended at that point, or a new Charter is not approved, EXIM will lapse authority to approve new credits; however, under the terms of its Charter, EXIM will continue to service existing loans, guarantees, and insurance policies. EXIM, along with all other federal agencies, is currently appropriated through the continuing resolution through November 21, 2019, and management expects EXIM will receive a full-year appropriation when Congress approves an Omnibus Appropriations Bill funding the entire U.S. Government.

The mission of EXIM is to support U.S. exports by providing export financing through its loan, guarantee, and insurance programs in cases where the private sector is unable or unwilling to provide financing or where such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that are in competition for export sales with U.S. exporters. EXIM's Charter requires reasonable assurance of repayment for the transactions EXIM authorizes, and EXIM closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. exports, EXIM offers four financial products: loan guarantees, working capital guarantees, direct loans, and export credit insurance. All EXIM obligations carry the full faith and credit of the U.S. government.

From July 20, 2015, to May 8, 2019, EXIM lacked a quorum on its Board of Directors required to take board-level actions, including approving transactions in amounts greater than $10 million in value or with a tenor longer than seven years (with few exceptions). As a result, in 2019 EXIM only operated its short- and medium-term programs for almost four consecutive years. On May 8, 2019 the U.S. Senate confirmed three board members for the Board of Directors, restoring EXIM's Board of Director's quorum and full financing capacity.

EXIM Programs

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. For medium- and long-term transactions, EXIM requires the buyer to pay 15 percent of the value of the export contract.

EXIM finances the lesser of 85 percent of eligible goods/services or 100 percent of the U.S content.

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

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

Basis of Accounting

EXIM reports under generally accepted accounting principles (GAAP) in the United States. GAAP for federal entities are the standards and other authoritative pronouncements prescribed by the Federal Accounting Standards Advisory Board (FASAB). Although EXIM is not required to comply with all sections of the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised as of June 28, 2019, EXIM follows the format and content outlined by OMB Circular A-136 when preparing the financial statements and footnotes.

EXIM's Balance Sheets, Statements of Net Cost, and Statements of Changes in Net Position are prepared using the accrual basis of accounting. This basis requires recognition of the financial effects of transactions, events, and circumstances in the periods when those transactions, events, and circumstances occur, regardless of when cash is received or paid. EXIM also uses budgetary accounting to facilitate compliance with legal constraints and to track its budget authority at the various stages of execution. The Statements of Budgetary Resources are presented on a combined basis and are prepared using budgetary accounting methods.

Use of Estimates

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

Fund Balance with Treasury

Cash balances are held by U.S. Treasury on behalf of EXIM to make expenditures, pay liabilities, and disburse funds for loan obligations. Fund balances at the U.S. Treasury include expired year amounts, which are unavailable for new obligation, as well as amounts currently available for new obligations.

Direct Loans Receivable, Net

Loan obligations are carried at principal and interest receivable amounts less an allowance for credit losses. From time to time, EXIM restructures financial terms because the obligor or country has encountered financial difficulty and EXIM has determined that providing relief in this manner will enhance the ability to collect the loan.

Receivables from Subrogated Claims, Net

Receivables from subrogated claims represent the outstanding balance of payments that were made on claims that were submitted to EXIM in its capacity as guarantor or insurer under EXIM's export guarantee or insurance programs. Receivables from subrogated claims are carried at principal and interest receivable amounts less an allowance for claim losses. Under the subrogation clauses in its guarantee and insurance contracts, EXIM 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 rescheduled claims as it is earned. Generally, loans and rescheduled claims receivable delinquent 90 days or more, and with a certain risk rating, are placed on a nonaccrual status unless they are well-secured and significant collections have been received. At the time that a loan or rescheduled claim is placed on nonaccrual status, any accrued but unpaid interest previously recorded is reversed against current-period interest income. The interest on these credits is accounted for on a cash basis until qualifying for return to accrual status. Generally, these credits are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Accounting for Capitalized Interest on Rescheduled Loans and Subrogated Claims

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

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

The allowance for losses provides for estimated losses inherent in the loan, claim, guarantee, and insurance portfolios. The allowance is established through a provision charged to earnings. Write-offs are charged against the allowance when management believes the uncollectability of a loan or claim balance is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the credits in light of historical and market experience, the nature and volume of the credit portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing worldwide economic and political conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

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

The net credit loss of credit-reform loans, guarantees, and insurance is re-estimated annually in accordance with OMB guidelines and Statement of Federal Financial Accounting Standards (SFFAS) 2, *Accounting for Direct Loans and Loan Guarantees,* SFFAS 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees,* and SFFAS 19, *Technical Amendments to Accounting Standards For Direct Loans and Loan Guarantees in SFFAS 2*. The re-estimates adjust the allowance for credit losses to account for actual activity and changes in the financial and economic factors that affect the repayment prospects over time.

Accounting for Guarantees in a Foreign Currency

At the time of authorization, EXIM records the authorization amount as the U.S.-dollar equivalent of the foreign-currency obligation based on the exchange rate at that time. At the end of each fiscal year, EXIM 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

EXIM's main source of debt is borrowings from the U.S. Treasury. Borrowings from the U.S. Treasury are used to finance medium-term and long-term loans. These borrowings carry a fixed rate of interest.

Accounts Payable to the U.S. Treasury

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

Payment Certificates

Payment certificates represent EXIM's outstanding liability related to specific claims for which EXIM is paying the guaranteed lender as the guaranteed installments become due. Payment certificates are issued by EXIM in exchange for the foreign importer's defaulted note which was guaranteed by EXIM. 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.

Fees and Premia

EXIM charges a risk-related exposure fee under both the loan and guarantee programs that is collected on each loan disbursement or shipment of goods under the guarantee policy. This fee is amortized over the life of the credit using the effective yield method. On working capital guarantees, EXIM charges an up-front facility fee, which, due to the short-term nature of the contracts, is credited to income as collected. Premia charged under insurance policies are recognized as income using a method that generally reflects the exposure over the term of the policy.

Appropriated Capital

Beginning in FY 2008, fees collected in excess of expected credit losses are used to reimburse the U.S. Treasury for appropriations provided for program and administrative costs. Appropriations received, if any, are returned to the U.S. Treasury when the period of availability ends.

Congress has appropriated certain sums specifically for EXIM'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.

Capital Stock

Capital stock represents the value of stock held by the U.S. Government, related to EXIM's incorporation as a U.S. government corporation.

Imputed Financing
A financing source is imputed by EXIM to provide for pension and other retirement benefit expenses recognized by EXIM in the Statement of Net Cost, but financed by the Office of Personnel Management (OPM). EXIM follows OPM guidance released annually when calculating the imputed cost (OPM Benefits Administration Letter, Number 19-304 dated February 2019).

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

Income Taxes
As an agency of the Federal Government, EXIM is generally exempt from all income taxes imposed by any governing body, whether it be a federal, state, commonwealth, local, or foreign government.

Classified Activities
Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Prior Year Reclassifications
Certain prior year amounts have been reclassified to conform with the new format of the Statement of Budgetary Resources according to OMB Circular A-136.

2. Fund Balance with the U.S. Treasury

Fund balances as of September 30, 2019 and September 30, 2018 were as follows:

(in millions)	FY 2019	FY 2018
Status of Fund Balance with the U.S. Treasury		
Unobligated Balance		
Available	$1,244.6	$1,549.0
Expired	268.0	295.3
Obligated Balance Not Yet Disbursed	482.5	527.6
Reserved Funds	1,100.0	1,100.0
Total	**$3,095.1**	**$3,471.9**

Reserved Funds consist of the amounts held for a specific purpose in accordance with the reserve requirement as defined by the Reauthorization Act of 2015 (FY 2016). Based on this Act, EXIM shall build to and hold in reserve, to protect against future losses, an amount that is not less than 5 percent of the aggregate amount of disbursed and outstanding loans, guarantees, and insurance of EXIM. As requested by the Reauthorization Act of 2015, per the reserve requirement effective in FY 2017, EXIM has set aside $1,100 million funds to protect against future losses in addition to the total allowance $2,208.9 million reserved in accordance with FCRA and SFFAS, as disclosed in Note 3L, Allowance and Exposure Summary. Therefore, EXIM has available reserves and allowance for losses totaling $3,308.9 million (7.0 percent of the total outstanding balance of loans, guarantees, and insurance) as of September 30, 2019. EXIM reviews the reserve levels in the financing accounts on an annual basis, to be compliant with the reserve requirement.

Obligated balance not yet disbursed represents appropriations, offsetting collections and funds held in the loan financing account awaiting disbursement.

Unobligated available funds represent unexpired appropriations and offsetting collections, and funds held in credit-reform financing accounts. Unobligated expired funds represent appropriations and offsetting collections that are no longer available for new obligations. Unobligated canceled funds represent appropriations that are no longer available for new obligations and are sent to the U.S. Treasury in subsequent years.

As of September 30, 2019 and September 30, 2018 there were no unreconciled differences between U.S. Treasury records and balances reported on EXIM's general ledger.

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

EXIM offers fixed-rate loans directly to foreign buyers of U.S. goods and services. EXIM extends to a company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. The buyer must make a cash payment to the U.S. exporter of at least 15 percent of the U.S. contract value. EXIM's direct loans generally carry the fixed-interest rate permitted for the importing country and term under the "Arrangement on Guidelines for Officially Supported Export Credits" negotiated among members of the Organisation for Economic Co-operation and Development (OECD).

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

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

Credit Reform

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

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

ICRAS rates every country to which U.S. government agencies have outstanding loans or loan guarantees or are anticipating making new credits available. ICRAS rates countries on the basis of economic and political/social variables. There are 11 sovereign and 9 non-sovereign risk categories and each country receives two ratings: a sovereign-risk rating and a private-risk rating. ICRAS currently has risk ratings for 205 sovereign and 207 non-sovereign markets.

FY 2019 and FY 2018 Activity

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

EXIM was self-financing for budgetary purposes from FY 2008 to FY 2017. During these years, EXIM's program revenue (i.e., in a given year, fee and interest collections from transactions that exceed the reserve requirements on those transactions) was retained as offsetting collections and used to offset the cost of new obligations in the fiscal year, including prudent reserves to cover future losses as well as all administrative costs and subsidy carryover.

However, given the continued lack of Board of Directors' quorum, for almost 4 years, until May 8, 2019, EXIM was unable to approve transactions over $10 million, and as a result was not able to generate sufficient excess cash inflows to fully self-finance program and administrative costs. On May 8, 2019 the U.S. Senate confirmed three board members for the Board of Directors, restoring EXIM's Board of Director's quorum and full financing capacity.

In FY 2019 and FY 2018, EXIM had $15.7 million and $31.2 million in offsetting collections which were used to partially cover administrative costs. The remaining administrative costs were covered by partial annual congressional appropriation of $94.3 million and $78.8 million in FY 2019 and FY 2018, respectively. In both FY 2019 and FY 2018 EXIM was partially self-financing and once EXIM is back to fully operational, EXIM plans to regain full self-financing status.

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

The Office of Inspector General received a $5.7 million appropriation in both FY 2019 and FY 2018 for administrative costs.

Allowances for Losses

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

Sovereign risk is associated with an obligor that conveys the full faith and credit of its country. To rate sovereign obligors, EXIM relies on the risk levels assigned to sovereign countries by ICRAS. Non-sovereign obligors are divided into four categories for risk assessment purpose: (1) obligors in workout status; (2) obligors rated by third-party rating agencies, such as, Standard & Poor's and Moody's; (3) obligors not rated but publicly traded on local exchanges; and (4) obligors neither rated nor publicly traded on local exchanges.

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

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

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

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

Re-Estimate on Portfolio Expected Losses

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

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

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

EXIM incorporates a quantitative and qualitative framework to calculate loss reserves. A subset of the qualitative factors are built into the quantitative framework. Those built into the quantitative framework include factors such as loss curves for sovereign guaranteed transactions and asset backed aircraft. Those not built into the quantitative framework look at minimum levels of expected losses, the global macroeconomic environment. This framework has continuously evolved and been refined over the years.

As of September 30, 2019, the credit loss re-estimate of FY 1992 through FY 2019 commitments outstanding balances indicated that there was a net excess of $92.0 million in the financing accounts. The transfer of the net downward re-estimate to the U.S. Treasury will take place in FY 2020.

As of September 30, 2018, the credit loss re-estimate of FY 1992 through FY 2018 commitments outstanding balances indicated that a net of $146.3 million of additional funds were needed in the financing accounts. The transfer of the net upward re-estimate to the U.S. Treasury took place in FY 2019.

A. Direct Loans

EXIM's loans receivable, as shown on the Balance Sheets, are net of an allowance for loan losses. The value of assets related to direct loans is not comparable to expected proceeds from the sale of the loans.

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

The allowance for loss calculated for direct loans obligated since the beginning of FY 1992 equals the amount of credit loss incurred to support the loan obligation. This credit loss is the amount of loss estimated to be incurred on the transaction, as previously described in this footnote. At September 30, 2019, and September 30, 2018, the allowance for loan losses on credit-reform credits equaled 5.7 percent and 6.2 percent, respectively, of the outstanding loans and interest receivable balance.

At September 30, 2019, and September 30, 2018, the allowance for both pre-credit-reform and post credit-reform loans equaled 6.5 percent and 6.8 percent, respectively, of the total loans and interest receivable.

The outstanding balances related to rescheduled installments included in loans receivable at September 30, 2019 and September 30, 2018, were $319.7 million and $457.6 million, respectively.

Interest and fees receivable and the corresponding allowance are presented in gross amounts. The net balance of loans receivable at September 30, 2019, and September 30, 2018, consists of the following:

FY 2019 (in millions)	Loans Receivable Gross	Interest and Fee Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Loans Obligated Prior to FY 1992	$90.2	$43.0	($131.2)	$2.0
Loans Obligated After FY 1991	15,486.5	141.1	(890.6)	14,737.0
Total	$15,576.7	$184.1	($1,021.8)	$14,739.0

FY 2018 (in millions)	Loans Receivable Gross	Interest and Fee Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Loans Obligated Prior to FY 1992	$92.4	$39.3	($122.6)	$9.1
Loans Obligated After FY 1991	18,352.3	198.4	(1,142.5)	17,408.2
Total	$18,444.7	$237.7	($1,265.1)	$17,417.3

(in millions)	FY 2019	FY 2018
Direct Loans Disbursed During Year	$65.7	$221.4

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

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

(in millions)	FY 2019	FY 2018
Interest	($10.9)	($27.5)
Defaults	3.8	11.4
Fees and Other Collections	(1.9)	(7.9)
Total Program Cost	**(9.0)**	**(24.0)**
Net Re-estimate –Principal	7.9	400.9
Net Re-estimate – Interest	(0.1)	53.8
Total Net Re-estimate	7.8	454.7
Total Direct Loan Program Cost and Re-Estimate Expense	**($1.2)**	**$430.7**

The Interest Rate Re-Estimate was zero for FY 2019 and $58.1 million for FY 2018.

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

The program cost rates disclosed below relate to the percentage of program costs on loan authorizations made in the reporting fiscal year. Because these rates only pertain to authorizations from the reporting fiscal year, these rates cannot be applied to loan disbursements in the reporting fiscal year to yield the program cost, which could result from disbursements of loans from both current and prior years. In FY 2018 EXIM did not authorize any significant direct loans that associated with program costs. From July 20, 2015 to May 8, 2019, the Board of Directors of EXIM lacked a quorum for the transaction of business and, as a result, EXIM was unable to approve medium and long term transactions over $10.0 million. On May 8, 2019 the U.S. Senate confirmed three board members for the Board of Directors, restoring EXIM's Board of Director's quorum and full financing capacity.

	FY 2019
Interest	(8.7)%
Defaults	12.2
Fees and Other Collections	(17.1)
Total	**(13.6)%**

D. Schedule for Reconciling Direct Loan Allowance Balances

The table below discloses the components of the direct-loan allowance for post-1991 direct loans.

(in millions)	FY 2019	FY 2018
Post-1991 Direct Loans		
Beginning Balance of the Allowance Account	$1,142.5	$703.0
Current Year Program Cost	(9.0)	(24.0)
(see Note 3B for Component Breakdown)		
Loans Written Off	(136.9)	-
Program-Cost Allowance Amortization	274.8	324.4
Capitalized Interest	(166.8)	(132.2)
Fees Recognized in Income	(100.5)	(102.2)
Miscellaneous Recoveries and (Costs)	(121.3)	(81.2)
Ending Balance Before Re-estimate	882.8	687.8
Net Re-Estimate	7.8	454.7
Ending Balance of the Allowance Account	**$890.6**	**$1,142.5**

E. Defaulted Guaranteed Loans

The allowance for defaulted guaranteed loans is calculated using the allowance for loss method. Loss reserves on impaired credits are determined using OMB rates. Capitalized interest included in gross defaulted guaranteed loans, which includes both guarantees and insurance programs, receivable is reserved at 100 percent. Post-1991 foreclosed property consists of one bond realized in FY 2019, and is valued at the net present value of the projected future cash flows associated with the property. The total allowance equaled 80.0 percent of gross defaulted guaranteed loans, interest receivable, and foreclosed property at September 30, 2019, and 81.0 percent at September 30, 2018.

FY 2019 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fee Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Obligated Prior to FY 1992	$27.4	$4.7	$ -	($21.0)	$11.1
Obligated After FY 1991	801.3	0.5	24.0	(665.3)	160.5
Total	$828.7	$5.2	$24.0	($686.3)	$171.6

FY 2018 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fee Receivable	Foreclosed Property	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Obligated Prior to FY 1992	$27.9	$3.9	$ -	($20.7)	$11.1
Obligated After FY 1991	894.0	0.5	-	(729.6)	164.9
Total	$921.9	$4.4	$ -	($750.3)	$176.0

F. Guaranteed Loans and Insurance

EXIM 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 2019	FY 2018
Gross Outstanding Principal of Guaranteed Loans and Insurance, Face Value	$30,911.6	$38,652.3
Undisbursed Principal of Guaranteed Loans and Insurance, Face Value	2,316.2	2,369.8
Total Principal of Guaranteed Loans and Insurance, Face Value	**$33,227.8**	**$41,022.1**
Amount of Principal That is Guaranteed and Insured by EXIM	$33,227.8	$41,022.1
Gross Amount of Guaranteed Loans and Insurance Disbursed During Year, Face Value	$3,463.4	$3,635.6
Amount of Guaranteed Loans and Insurance Disbursed During Year that is Guaranteed and Insured by EXIM	$3,463.4	$3,635.6

G. Liability for Loan Guarantees and Insurance

The liability for loan guarantees and insurance balances of $500.8 million at September 30, 2019 and $594.3 million at September 30, 2018, represent post FY 1991 guarantees and insurance credits.

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

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

(in millions)	FY 2019	FY 2018
Defaults	$12.9	$19.6
Fees and Other Collections	(19.6)	(26.8)
Total Program Costs	**(6.7)**	**(7.2)**
Net Re-estimate – Principal	(83.1)	(235.1)
Net Re-estimate – Interest	(16.7)	(73.3)
Total Net Re-estimate	**(99.8)**	**(308.4)**
Total Loan Guarantee and Insurance Program Cost and Re-Estimate Expense	**($106.5)**	**($315.6)**

The Interest Rate Re-Estimate for FY 2019 and FY 2018 were both less than $0.1 million.

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

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

	FY 2019	FY 2018
Defaults	2.6%	2.5%
Fees and Other Collections	(3.9)	(3.2)
Total	**(1.3)%**	**(0.7)%**

J. Schedule for Reconciling the Allowance for Loan Guarantee Balances

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

(in millions)	FY 2019	FY 2018
Post-1991 Loan Guarantees		
Beginning Balance of the Allowance Account	$594.3	$984.0
Current Year Program Cost	(6.7)	(7.2)
(See Note 3H for Component Breakdown)		
Program Cost Allowance Amortization	265.3	364.1
Fees Recognized in Income	(225.0)	(277.0)
Other	(27.3)	(161.2)
Ending Balance Before Re-estimate	**600.6**	**902.7**
Net Re-estimate	(99.8)	(308.4)
Ending Balance of the Allowance Account	**$500.8**	**$594.3**

K. Administrative Costs

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

(in millions)	FY 2019	FY 2018
Total Administrative Cost	$106.4	$120.8

L. Allowance and Exposure Summary

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

(in millions)	FY 2019	FY 2018
Pre-Credit-Reform Allowance		
Allowance for Loan Losses	$131.2	$122.6
Allowance for Defaulted Guarantees	21.0	20.7
Total Pre-Credit-Reform Allowance	152.2	143.3
Credit-Reform Allowance		
Allowance for Loan Losses	890.6	1,142.5
Allowance for Defaulted Guarantees and Insurance	665.3	729.6
Liability for Loan Guarantees and Insurance	500.8	594.3
Total Credit-Reform Allowance	2,056.7	2,466.4
Total Allowance for Loan Losses	1,021.8	1,265.1
Total Allowance for Guarantees and Insurance	1,187.1	1,344.6
Total Allowance	**$2,208.9**	**$2,609.7**
Total Outstanding Balance of Loans, Guarantees and Insurance	**$47,317.0**	**$58,018.9**
Percent Allowance to Outstanding Balance	4.7%	4.5%
Total Exposure	**$54,725.9**	**$60,536.3**
Percent Allowance to Exposure	4.0%	4.3%

4. Statutory Limitations on Lending Authority

Under its Charter, EXIM's statutory lending limit in FY 2019 and FY 2018 was $135.0 billion of loans, guarantees, and insurance exposure at any one time. As of September 30, 2019, and September 30, 2018, EXIM's statutory authority used was as follows:

(in millions)	FY 2019	FY 2018
Outstanding Guarantees	$29,713.0	$37,448.8
Outstanding Loans	15,576.7	18,444.7
Outstanding Insurance	1,198.6	1,203.5
Outstanding Claims	828.7	921.9
Total Outstanding	**47,317.0**	**58,018.9**
Undisbursed Guarantees	188.4	183.3
Undisbursed Loans	5,092.7	147.6
Undisbursed Insurance	2,127.8	2,186.5
Total Undisbursed	**7,408.9**	**2,517.4**
Total Exposure	**$54,725.9**	**$60,536.3**

Transactions can be committed only to the extent that budget authority is available to cover program costs. For FY 2019 and FY 2018, Congress placed no limit on the total amount of loans, guarantees, and insurance that could be committed in those years, provided that the statutory authority established by the EXIM's Charter was not exceeded.

During FY 2019, EXIM committed $8,214.2 million for direct loans, guarantees, and insurance. During FY 2018, EXIM committed $3,323.2 million for guarantees and insurance.

EXIM has authorized $55.7 million of transactions denominated in a foreign currency during FY 2019, and authorized $16.6 million during FY 2018, as calculated at the exchange rate at the time of authorization. EXIM adjusts the allowance for all transactions denominated in a foreign currency using the various foreign-currency exchange rates at the end of the fiscal year.

For financial statement purposes, EXIM defines exposure as the authorized outstanding and undisbursed principal balance of loans, guarantees, and insurance. It also includes the unrecovered balance of payments made on claims that were submitted to EXIM in its capacity as guarantor or insurer under the export guarantee and insurance programs. Exposure does not include accrued interest or transactions pending final approval. This corresponds to the way activity is charged against EXIM's overall $135.0 billion statutory lending limit imposed by Section 6(a) (2) of EXIM's Charter.

Working capital guarantees may be approved for a single loan or a revolving line of credit, with an availability generally of one year. Guaranteed lenders do not report activity to EXIM, the entire credit is assumed to be a non-cash disbursement, when the fee is paid to EXIM. The credit is recorded as repaid in one installment 180 days after the expiry date of the credit unless the Controller's office is notified before that time that a claim has been paid. Under the assumption that the exporter is using the credit up to the end of the expiry period, six months provides sufficient time for the guaranteed lender to report defaults to EXIM in the event that the exporter does not repay the credit. If a claim is paid, the remaining outstanding balance of the credit associated with the claim is reduced to zero. Exposure is then reflected as a claim receivable.

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

5. Accounts Receivable

As of September 30, 2019 and September 30, 2018 accounts receivable totaled $12.8 million and $11.3 million, respectively. This mainly consists of guarantee fee receivables with no allowance.

6. Liabilities Not Covered by Budgetary Resources

EXIM's liability to employees for accrued unfunded annual leave, included in Other Liabilities on the Balance Sheets, was $4.2 million as of September 30, 2019 and September 30, 2018. The liability will be paid from future administrative cost budget authority.

(in millions)	FY 2019	FY 2018
PUBLIC		
Current		
Accrued Annual Leave Liability	$4.2	$4.2
Total Other Liabilities Not Covered by Budgetary Resources	4.2	4.2
Total Other Liabilities Covered by Budgetary Resources	78.0	83.6
Total Other Liabilities	**$82.2**	**$87.8**
(see Note 9 for Component Breakdown)		

7. Non-Entity Assets

Non-Entity Assets are assets that are held by EXIM, but are not available for use in its operations. At year-end EXIM accrues the current year re-estimates including the downward portion, which is sent to Treasury in the following fiscal year. The downward re-estimate is reflected in the Balance Sheet as an asset accounted in the Fund Balance with Treasury and as a liability accounted in the Accounts Payable to U.S. Treasury until the amount is paid to the U.S. Treasury.

(in millions)	FY 2019	FY 2018
Intragovernmental Entity		
Expired Funds Payable to Treasury	($268.0)	($293.8)
Intragovernmental Non-Entity		
Downward Re-estimate Payable to Treasury	($172.8)	(374.8)
Amounts Payable to U.S. Treasury	**($440.8)**	**($668.6)**

8. Debt

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

EXIM's total debt at September 30, 2019, and September 30, 2018, is as follows:

(in millions)	FY 2019	FY 2018
U.S. Treasury Debt		
Beginning Balance	$20,212.6	$24,645.3
New Borrowings	46.2	177.9
Repayments	(3,312.4)	(4,610.6)
Ending Balance	$16,946.4	20,212.6
Debt Held by the Public		
Beginning Balance	$11.5	$25.1
Repayments	(9.6)	(13.6)
Ending Balance	$1.9	$11.5
Total Debt	**$16,948.3**	**$20,224.1**

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

EXIM had $16,946.4 million of borrowings outstanding with the U.S. Treasury at September 30, 2019, and $20,212.6 million at September 30, 2018, with a weighted-average interest rate of 2.9 percent at September 30, 2019 and 3.0 percent September 30, 2018.

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

Outstanding payment certificates at September 30, 2019, and September 30, 2018, were $1.9 million, and $11.5 million, respectively. As of September 30, 2019, EXIM had one payment certificate with a maturity date in FY 2020.

The weighted-average interest rate on EXIM's outstanding payment certificates as of September 30, 2019 was 3.4 percent, and 3.1 percent as of September 30, 2018.

9. Other Liabilities

As of September 30, 2019 and September 30, 2018, $88.9 million and $91.9 million respectively represent offsetting collections which are available to cover administrative and program costs.

(in millions)	FY 2019	FY 2018
Intergovernmental		
Employer Contributions Payable	$0.4	$0.4
Total Intergovernmental	**0.4**	**0.4**
Public		
Current		
Funds Held Pending Application	($14.4)	($11.9)
Administrative Expenses Payable	6.5	6.6
Miscellaneous Accrued Payable	0.8	0.8
Non Current		
Deferred Revenue	88.9	91.9
Total Public	**81.8**	**87.4**
Total Other Liabilities	**$82.2**	**$87.8**

10. Federal Operating Leases

EXIM's office space in Washington, DC is leased from the General Services Administration through the Public Buildings Fund. EXIM's office space in regional locations is leased through the U.S. Export Assistance Center. Lease expenses, included in Administrative Costs on the Statements of Net Costs, were $6.7 million in FY 2019 and $7.3 million in FY 2018. EXIM's occupancy agreement is cancellable and will be up for renewal in FY 2020. The cost and estimates of lease payments of EXIM's office space in Washington, DC for FY 2020 is $1.6 million.

11. Commitments and Contingencies

Pending Litigation

As of September 30, 2019, EXIM was named in several legal actions, most of which involved claims under the guarantee and insurance programs, and others being tort claims. It is not possible to predict the eventual outcome of the various actions; however, it is management's opinion that there is a remote likelihood that these claims will result in a future outflow or other sacrifice of resources to such an extent that they would materially affect the financial position or results of operations of EXIM.

12. Disclosures Related to the Combined Statements of Budgetary Resources

Combined Statements of Budgetary Resources disclose total budgetary resources available to EXIM and the status of such resources at September 30, 2019 and September 30, 2018. Activity impacting budget totals of the overall U.S. government budget is recorded in EXIM's Combined Statements of Budgetary Resources budgetary accounts.

Activity which does not impact budget totals is recorded in EXIM's Combined Statements of Budgetary Resources non-budgetary accounts. As of September 30, 2019 and September 30, 2018, EXIM's resources in budgetary accounts totaled $1,137.4 million and $1,277.0 million respectively. As of September 30, 2019 and September 30, 2018, EXIM's resources in non-budgetary accounts totaled $7,698.7 million, and $3,028.9 million respectively.

Permanent Indefinite Appropriations

The FCRA requires an annual re-estimate of the credit loss allowance. In the event that there is an increase in estimated defaults, there is permanent and indefinite budget authority available for this purpose. The FY 2018 upward re-estimate received from the U.S. Treasury in FY 2019 was $521.2 million; while the downward re-estimate sent to the U.S. Treasury was $374.8 million. The FY 2017 upward re-estimate received from the U.S. Treasury in FY 2018 was $648.8 million; while the downward re-estimate EXIM sent to the U.S. Treasury was $959.6 million.

Available Borrowing Authority and Terms of Borrowing

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

In FY 2019 EXIM had an increase in borrowing authority of $5,689.7 million, while in FY 2018 EXIM had a net decrease in overall borrowing authority of $204.5 million.

Unobligated Balances

Unobligated balances at September 30, 2019 totaled $1,512.6 million. Of the $1,512.6 million, $1,024.4 million represents the amount in the loan, guarantee, and insurance financing accounts that is available to cover future defaults, and $268.0 million is unavailable for new obligations.

Unobligated balances at September 30, 2018 totaled $1,844.1 million. Of the $1,844.1 million, $1,349.0 million represents the amount in the loan, guarantee, and insurance financing accounts that is available to cover future defaults, and $295.1 million is unavailable for new obligations.

Undelivered Orders

Undelivered orders are obligations that have not yet been disbursed by EXIM. Undelivered orders for the periods ended September 30, 2019, and September 30, 2018 were $7,338.8 million and $1,727.9 million respectively. The undelivered order amount totals are mostly attributed to non-federal sources.

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

There are no material differences between the budgetary resources shown on the Combined Statements of Budgetary Resources and the Budget of the U.S. Government. The President's FY 2021 Budget with actual numbers for FY 2019 has not yet been published. EXIM expects no material differences between the President's Budget and the FY 2019 reported results when the budget becomes available in February 2020 at https://www.whitehouse.gov/omb/budget/.

13. Reconciliation of Net Cost to Net Outlays

Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

	Intragovernmental	With the Public	FY 2019
Net Operating Cost	$ 483.9	$ (616.8)	$ (132.9)
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Year-end Credit Reform Subsidy Re-estimates	-	92.0	92.0
Other	-	136.3	136.3
Other financing sources			
Imputed Financing Sources	(4.2)	-	(4.2)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(4.2)	228.3	224.1
Increase/(Decrease) in Assets:			
Direct Loan Receivable	-	(2,782.4)	(2,782.4)
Receivables From Subrogated Claims	-	(86.3)	(86.3)
Accounts Receivable	-	1.4	1.4
(Increase)/Decrease in Liabilities:			
Subsidy Re-estimate Payable To U.S. Treasury	(374.8)	-	(374.8)
Guarantee and Insurance Program Liabilities	-	30.6	30.6
Payment Certificates	-	9.6	9.6
Accounts Payable	-	2.0	2.0
Other Liabilities	(2.4)	3.9	1.5
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Effect of prior year credit reform subsidy re-estimate	374.8	-	374.8
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	(2.4)	(2,821.2)	(2,823.6)
Net Outlays	$ 477.3	$ (3,209.7)	$ (2,732.4)
Related Amounts on the Statement of Budgetary Resources			
Outlays, net			(2,357.6)
Distributed offsetting receipts			(374.8)
Agency Outlays, Net			$ (2,732.4)

	Intragovernmental	With the Public	FY 2018
Net Operating Cost	$ 555.8	$ (517.5)	$ 38.3
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Year-end Credit Reform Subsidy Re-estimates	-	(146.3)	(146.3)
Other	-	207.7	207.7
Other financing sources			
Imputed Financing Sources	(4.4)	-	(4.4)
Total Components of Net Operating Cost Not Part of the Budget Outlays	(4.4)	61.4	57.0
Increase/(Decrease) in Assets:			
Direct Loan Receivable	-	(2,292.3)	(2,292.3)
Receivables From Subrogated Claims	-	(44.2)	(44.2)
Accounts Receivable	-	0.4	0.4
(Increase)/Decrease in Liabilities:			
Subsidy Re-estimate Payable To U.S. Treasury	(959.6)	-	(959.6)
Guarantee and Insurance Program Liabilities	-	(77.1)	(77.1)
Payment Certificates	-	13.6	13.6
Accounts Payable	-	(1.0)	(1.0)
Other Liabilities	-	48.1	48.1
Components of the Budget Outlays That Are Not Part of Net Operating Cost			
Effect of prior year agencies credit reform subsidy re-estimate	959.6	-	959.6
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	-	(2,352.5)	(2,352.5)
Net Outlays	$ 551.4	$ (2,808.6)	$ (2,257.2)
Related Amounts on the Statement of Budgetary Resources			
Outlays, net			(1,297.6)
Distributed offsetting receipts			(959.6)
Agency Outlays, Net			$ (2,257.2)

14. Reclassification of Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position for Financial Report Compilation Process

To prepare the Financial Report of the U.S. Government (FR), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the FR statements. This note shows EXIM's financial statements and EXIM's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2018 FR can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2019 FR will be posted to this site as soon as it is released.

The term "non-Federal" is used in this note to refer to Federal Government amounts that result from transactions with non-Federal entities. These include transactions with individuals, businesses, non-profit entities, and State, local, and foreign governments.

Reclassification of Balance Sheet to Line Items Used for the Government-wide Balance Sheet as of September 30, 2019

FY 2019 Export - Import Bank of the United States Balance Sheet		Line Items Used to Prepare FY 2019 Government-wide Balance Sheet	
Financial Statement Line	**Amounts**	**Amounts**	**Reclassified Financial Statement Line**
ASSETS			**ASSETS**
Intragovernmental			**Federal**
Fund Balance with the U.S. Treasury	$ 3,095.1	$ 3,095.1	Fund Balance with Treasury
Total Assets - Intragovernmental	**3,095.1**	**3,095.1**	**Total Federal Assets**
Public			**Non-Federal**
Total Loans Receivable, Net	14,910.6	14,910.6	Loans Receivable, Net
Accounts Receivable	12.8	12.8	Accounts and Taxes Receivable, Net
Total Assets - Public	**14,923.4**	**14,923.4**	**Total Non-Federal Assets**
Total Assets	**$ 18,018.5**	**$ 18,018.5**	**Total Assets**
LIABILITIES			**LIABILITIES**
Intragovernmental			**Federal**
Borrowings from the U.S. Treasury	$ 16,946.4	$ 16,946.4	Loans Payable
Accounts Payable to the U.S. Treasury	440.8	440.8	Liability to the General Fund of the U.S. Government for custodial and other non-entity
		0.4	Benefit Program Contributions Payable
Total Liabilities - Intragovernmental	**17,387.2**	**17,387.6**	**Total Federal liabilities**
Public			**Non-Federal**
Accounts Payable	6.7	6.7	Accounts Payable
Guaranteed Loan Liability	500.8	500.8	Loan Guarantee Liabilities
Payment Certificates	1.9	83.7	Other Liabilities
Other Liabilities	82.2		
Total Liabilities - Public	**591.6**	**591.2**	**Total Non-Federal Liabilities**
Total Liabilities	**$ 17,978.8**	**$ 17,978.8**	**Total Liabilities**
NET POSITION			**NET POSITION**
Capital Stock	$ 1,000.0	39.7	Net Position – Funds Other than those from Dedicated Collections
Unexpended Appropriations	244.6		
Cumulative Results of Operations	(1,204.9)		
Total Net Position	**39.7**	**39.7**	**Total Net Position**
Total Liabilities and Net Postion	**$ 18,018.5**	**$ 18,018.5**	**Total Liabilities and Net Position**

Reclassification of Statement of Net Cost to Line Items Used for Government-wide Statement of Net Cost for the Year Ended September 30, 2019

FY 2019 Export - Import Bank of the United States Statement of Net Cost		Line Items Used to Prepare FY 2019 Government-wide Statement of Net Cost	
Financial Statement Line	**Amounts**	**Amounts**	**Reclassified Financial Statement Line**
			Gross Cost
		$ (146.1)	Non-Federal Gross Cost
		(146.1)	**Total Non-Federal Gross Cost**
		9.7	Benefit Program Costs
		4.2	Imputed Costs
		2.4	Buy/Sell Costs
		551.7	Borrowing and Other Interest Expense
		568.0	**Total Federal Gross Cost**
Total Gross Cost	**$ 992.0**	**$ 421.9**	**Total Reclassified Gross Cost**
			Earned Revenue
		$ (468.8)	Non-Federal Earned Revenue
		(468.8)	**Total Non-Federal Earned Revenue**
			Federal Earned Revenue
		(86.0)	Borrowing and Other Interest Revenue
		(86.0)	**Total Federal Earned Revenue**
Total Earned Revenue	**$ (1,124.9)**	**$ (554.8)**	**Total Reclassified Earned Revenue**
Net Costs of Operations	**$ (132.9)**	**$ (132.9)**	**Net Cost of Operations**

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2019

FY 2019 Export - Import Bank of the United States Statements of Changes in Net Position		Line Items Used to Prepare FY 2019 Government-wide Statement of Operations and Changes in Net Position	
Financial Statement Line	**Amounts**	**Amounts**	**Reclassified Financial Statement Line**
Net Position, Beginning Balance	**$ (506.9)**	**$ (506.9)**	**Net Position, Beginning of Period**
UNEXPENDED APPROPRIATIONS			
Appropriations Received	621.2	610.4	Appropriations received as adjusted (rescissions and other adjustments) (Federal)
Other Adjustments	(10.8)		
Appropriations Used	(591.1)	(591.1)	Appropriations Used (Federal)
CUMULATIVE RESULTS OF OPERATIONS			
Appropriations Used	591.1	591.1	Appropriations Expended (Federal)
Transfer Without Reimbursement	(48.8)	(48.8)	Collections for others transferred to the General Fund of the U.S. Government (Federal)
Offsetting Collections	20.7	20.7	Other taxes and receipts (Non-Federal)
Imputed Financing	4.2	4.2	Imputed Financing Sources (Federal)
Other Non-Entity Activity	(172.8)	(172.8)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of The U.S. Government (Federal)
Net Cost of Operations	**$ (132.9)**	**$ (132.9)**	**Net Cost of Operations**
Net Position, Ending Balance	**$ 39.7**	**$ 39.7**	**Net Position, End of Period**

15. Related-Party Transactions

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

EXIM's credit and guarantee agreement with PEFCO provides that EXIM will guarantee the due and punctual payment of interest on PEFCO's secured debt obligations which EXIM has approved, and grants to EXIM a broad measure of supervision over PEFCO's major financial management decisions, including the right to have representatives be present in all meetings of PEFCO's board of directors, advisory board, and exporters' council, and to review PEFCO's financials and other records. However, EXIM does not have voting rights and does not influence normal operations. This agreement extends through December 31, 2020.

In addition, PEFCO has an agreement with EXIM which provides that EXIM will generally provide PEFCO with an unconditional guarantee covering the due and punctual payment of principal and interest on export loans PEFCO makes and purchases. PEFCO's guarantees on the export loans plus the guarantees on the secured debt obligations aggregating $4,060.5 million at September 30, 2019 and $5,196.6 million at September 30, 2018, are included by EXIM in the total for guarantee, insurance, and undisbursed loans and the allowance related to these transactions is included in the Guaranteed Loan Liability on the Balance Sheets.

EXIM received fees totaling $44.7 million in FY 2019 and $40.8 million in FY 2018 for the agreements, which are included in Earned Revenue on the Statements of Net Costs.

16. Contributions to Employee Retirement Systems

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

In FY 2019 and FY 2018, EXIM withheld 7.0 percent of CSRS employees' gross earnings. EXIM's contribution was 7.0 percent of employees' gross earnings. This sum was transferred to the CSRS fund from which this employee group will receive retirement benefits.

For FERS, EXIM withheld 0.8 percent of employees' gross earnings. EXIM's contribution was 13.7 percent of employees' gross earnings in FY 2019 and FY 2018. This sum was transferred to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2 percent of gross earnings, after pre-tax deductions are withheld up to the 2019 limit of $132,900 and 2018 limit of $128,400; that sum plus matching contributions by EXIM are sent to the Social Security System from which the FERS employee group will receive Social Security benefits.

For FERS-Revised Annuity Employee (RAE), EXIM withheld 3.1 percent of employee's group earnings. EXIM's contribution was 11.9 percent of employee's gross earnings in FY 2019 and FY 2018. This sum was transferred to the Civil Service Retirement and Disability Fund from which the employee group will receive retirement benefits. An additional 6.2 percent of gross earnings, after pre-tax deductions are withheld up to the 2019 limit of $132,900 and 2018 limit of $128,400; that sum plus matching contributing by EXIM are sent to the Social Security Administration from which the FERS employee group will receive Social Security benefits.

For FERS-Further Revised Annuity Employee (FRAE), EXIM withheld 4.4 percent of employee's group earnings. EXIM's contribution was 11.9 percent of employee's gross earnings in FY 2019 and FY 2018. This sum was transferred to the Civil Service Retirement and Disability Fund from which the employee group will receive retirement benefits. An additional 6.2 percent of gross earnings, after pre-tax deductions are withheld up to the 2019 limit of $132,900 and 2018 limit of $128,400; that sum plus matching contributing by EXIM are sent to the Social Security Administration 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 $19,000 of Internal Revenue Service Elective Deferral Limit. In addition, FERS employees receive an agency automatic 1 percent contribution from EXIM based on the employee regular contributions. FERS employees receive agency matching contributions by EXIM up to 4 percent for a maximum EXIM contributions to the TSP of 5 percent.

Total EXIM (employer) matching contributions to the TSP, CSRS and FERS for all employees, included in Administrative Costs in the Statements of Net Costs, were approximately $8.3 million in FY 2019 and $8.8 million in FY 2018.

Although EXIM funds a portion of pension benefits under the CSRS and FERS relating to its employees and makes the necessary payroll withholdings for them, it has no liability for future payments to employees under these programs and does not account for the assets of the CSRS and FERS, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. These amounts are reported by the OPM for the Retirement Systems and are not allocated to the individual employers. The excess of total pension expense over the amount contributed by EXIM and its employees represents the amount of pension expense which must be financed directly by OPM. EXIM recognizes an imputed cost and an imputed financing source, calculated using cost factors supplied by OPM, equal to the excess amount.

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

Required Supplementary Information

Unaudited, see accompanying Auditor's Report

I. Combining Statement of Budgetary Resources

Exhibit 1 displays the unaudited Combining Statement of Budgetary Resources (SBR). The SBR provides information regarding how budgetary resources were made available, as well as their status at the end of the fiscal period.

Exhibit 1: Combining Statement of Budgetary Resources

(in millions)	For the Year Ended September 30, 2019					
	Program Account	Direct Loan Financing Account	Guaranteed Loan Financing Account	Pre-Credit Reform Financing Account	Other	Total
Budgetary Resources:						
Unobligated from Prior Year Budget Authority, net (discretionary and mandatory)	$494.4	$74.4	$1,275.0	$ -	$ -	$1,843.8
Appropriations (discretionary and mandatory)	621.2	-	-	-	-	621.2
Borrowing Authority (discretionary and mandatory)	-	5,689.7	-	-	-	5,689.7
Spending Authority from Offsetting Collections (discretionary and mandatory)	21.4	574.0	85.6	0.4	-	681.4
Total Budgetary Resources (Note 12)	$1,137.0	$6,338.1	$1,360.6	$ 0.4	$ -	**$8,836.1**
Status of Budgetary Resources:						
New obligations and upward adjustments (total)	$649.2	$6,289.1	$385.2	$ -	$ -	$7,323.5
Unobligated Balance, End of Year						
Apportioned, unexpired, end of year	219.8	49.0	975.4	0.4	-	1,244.6
Expired unobligated balance, end of year	268.0	-	-	-	-	268.0
Unobligated balance, end of year (total) (Note 12)	487.8	49.0	975.4	0.4	-	1,512.6
Total Status of Budgetary Resources	$ 1,137.0	$6,338.1	$ 1,360.6	$ 0.4	$ -	**$8,836.1**
Outlays, Net						
Outlays, net (total) (discretionary and mandatory)	$613.2	($3,227.6)	$283.2	$ (3.3)	($23.1)	($2,357.6)
Distributed offsetting receipts (-)	(374.8)	-	-	-	-	(374.8)
Agency outlays, net (discretionary and mandatory)	$238.4	($3,227.6)	$283.2	$ (3.3)	($23.1)	**($2,732.4)**

Other Information

Unaudited, see accompanying Auditor's Report

I. Payment Integrity

IPERIA Requirements

The Improper Payments Elimination and Recovery Improvement Act of 2012 "IPERIA" (P.L. No. 112-248) requires any "department, agency, or instrumentality in the executive branch of the United States" to review their payment programs to identify the program's susceptibility to "significant improper payments". Improper payments are payments distributed to the wrong entity, in the wrong amount, or for the wrong reason. Agency programs with "significant" improper payments are defined as those with annual improper payments exceeding either (1) 1.5 percent of total dollar value of program payments and $10.0 million, or, (2) $100.0 million.

If an agency payment program is found susceptible to significant improper payments, the institution is required to engage in a series of actions, including the requirement to obtain a statistically valid estimate of the annual amount of improper payments, in order to abide by the guidelines described in Appendix C to OMB Circular No. A-123, *Requirement for Effective Estimation and Remediation of Improper Payments.*

EXIM Methodology

EXIM has classified its payment programs to be short-term authorizations, medium-term authorizations, long-term authorizations, and cash control disbursements. Salary, locality pay, travel pay, purchase card use, and other employee payments are assessed as a part of administrative payments under the cash control disbursement program. The scope of each assessment is to analyze the integrity of the payment programs at all applicable points of the payment process, such as origination, disbursement, and review during the reporting year.

Improper Payment risk assessments are conducted one year in arrears (FY 2019 assessment was focused on payments made in the 2018 fiscal year. Similarly, in FY 2018, EXIM assessed the susceptibility of Improper Payments of the 2017 fiscal year. EXIM has received OMB approval to assess improper payments using this methodology.

In FY 2019, EXIM further improved its quantitative and qualitative methodologies of review. This enhanced methodology was utilized as a part of the FY 2019 review of FY 2018 improper payments. As part of the comprehensive analysis EXIM uses the Risk Assessment Questionnaire for the qualitative assessment. This questionnaire uses the COSO Internal Controls - Integrated Framework as the basis for ensuring that the questionnaire captures whether each internal control principal is adequately addressed in the responses. Additionally, the Internal Controls and Compliance group met with key stakeholders in order properly update the Risk Assessment Questionnaire to ensure that all areas at risk of improper payments are included within the assessment. Department supervisors were tasked with and trained on completing the questionnaires.

The quantitative method for the Authorizations analysis uses the approach of identifying the credit standards in each program, and independently auditing the transaction documentation to determine compliance with the credit standards. If the standards are not met at the time of origination, the transaction is assumed to have an increased susceptibility of an improper payment.

Do Not Pay Initiative

In 2009, The Do Not Pay Initiative was passed into law intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the Federal Government, while continuing to ensure that Federal programs serve and provide access to their intended beneficiaries. EXIM has taken further steps to increase oversight and implement additional internal controls to decrease the susceptibility Improper Payments.

EXIM complies with all aspects of the Do Not Pay Initiative through its Character, Reputational, and Transaction Integrity "CRTI" process. All transactions in the three authorization based payment programs (Short, Medium, and Long-Term) undergo CRTI checks. As a part of CRTI, names of participants are searched within a database clearing house of over 20 directories to determine compliance with a variety of "Know your Customer" (KYC) and EXIM due diligence requirements.

OMB Risk-Factors

In addition, EXIM assesses the risk of improper payments associated with payment programs and their underlying activities to be low risk only after each of the risk factors listed in OMB Circular No. A-123 Appendix C is addressed. They include the following:

1. Whether the program or activity reviewed is new to the agency
2. The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts
3. The volume of payments made annually
4. Whether payments or payment eligibility decisions are made outside of the agency
5. Recent major changes in program funding, authorities, practices, or procedures
6. The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate
7. Significant deficiencies in the audit reports of the agency in but not limited to the agency Inspector General or the Government Accountability Office report audit findings or other relevant management findings that might hinder accurate Payment certification

Recapture Audit Plan

EXIM updated its Recapture Audit Plan in 2017 to reflect and enhance the process needed to ensure timely recover of an improper payment. In the event that an improper payment occurs, EXIM's Cash Department will work to recapture the improper payment.

If the improper payment is not recovered in a timely manner, EXIM can take further steps to ensure the prompt recapture of funds that consist of using EXIM Recovery Officers, local attorneys, and third party collectors.

Additionally, strong preventive and detective controls, such as multiple layers of review and independent audits are in place to help prevent or minimize improper payments and to detect them should they occur.

In FY 2019, EXIM tested transactions from the point of origin, at authorization, and through the disbursement. With a determination of low susceptibility of improper payments, no overpayments, and strong detective and preventive internal controls, the Bank did not deem it necessary or cost effective to implement a performance recapture program. When the next recapture audit is conducted, EXIM will work with the Office and Management and Budget on a cost effectiveness analysis of a Recapture Audit.

Current IPERIA status for EXIM

EXIM was found to be fully compliant with IPERIA in FY 2018 by the Office of Inspector General. In accordance with the aforementioned act and internal requirements, EXIM reviewed all payment programs for susceptibility to significant improper payments. EXIM concluded that none of the four programs were susceptible to significant improper payments and had met all reporting requirements of the IPERIA Act. In conducting the FY 2019 Risk Assessment on FY 2018 data, it was noted that there were no additional programs added or significant changes to existing programs. Therefore, EXIM will perform the next extensive review of Improper Payments on the FY 2021 programs and payments, which will be reported in the FY 2022 Annual Report.

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