Export-Import Bank of the United States

2017 ANNUAL REPORT

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Mission

The Export-Import Bank of the United States (EXIM or the Bank) is the official export credit agency (ECA) of the United States. EXIM is an independent, self-sustaining federal agency that exists to support American jobs by facilitating the export of U.S. goods and services—at no cost to U.S. taxpayers.

EXIM does this in two principal ways. First, when exporters in the United States or their customers are unable to access export financing from private sources, the Bank equips them with the necessary tools—buyer financing, export credit insurance and access to working capital. Second, when U.S. exporters face foreign competition backed by other governments, EXIM levels the playing field by providing buyer financing to match or counter the financing offered by approximately 96 ECAs around the world.

EXIM Bank assumes credit and country risks that the private sector is unable or unwilling to accept. The Bank's charter requires that all transactions it authorizes demonstrate a reasonable assurance of repayment. The Bank closely monitors credit and other risks in its portfolio. The Bank consistently maintains a default rate that is substantially below the maximum set in its authorizing legislation and is reported quarterly to Congress.

2017 EXIM Leadership Team

Front row, left to right: Inci Tonguch-Murray, David M. Sena, Lisa V. Terry, Howard Spira, Natalie McGarry, Troy Fuhriman, James G. Burrows, Jr., and Michele A. Kuester. **Back row, left to right:** Scott P. Schloegel, James C. Cruse, Jesse Law, Jennifer Hazelton, Kenneth M. Tinsley, and Jeffrey Goettman. For a complete list of EXIM senior leadership, see "Directors and Officers" on page 68.

Message from Vice Chairman of the Board (Acting)

At a time when a nation's domestic prosperity is tied more than ever to its success in international trade, America's export credit agency, the Export-Import Bank of the United States (EXIM), remains hamstrung to the detriment of America's exporters and workers—resulting in a loss of jobs, a loss of revenue for American taxpayers, and a lack of competitiveness in global markets.

Although EXIM's charter was reauthorized by an overwhelming number of supporters in Congress in December 2015 (following a historic lapse of operating authority), EXIM remains unable to fully support American jobs and to level the playing field for U.S. exporters due to the lack of a quorum of three members on EXIM's Board of Directors. This limitation has persisted for more than two years due to political roadblocks by a small group of senators. This has resulted in blocking final passage of nominees from both Presidents Donald Trump and Barack Obama.

At press time for the FY 2017 Annual Report, there remain pending four nominees for EXIM's Board of Directors who were put forth by President Trump and have been voted out of the Senate Banking Committee for consideration by the full Senate.

OUTSTANDING PIPELINE/PREPARED TO FULFILL OUR MISSION

Since 1934, EXIM's mission has been simple and clear: to help create and support American jobs by assisting in the financing of exports from the United States—products proudly made in the USA. Unfortunately, the continued lapse of a board quorum keeps EXIM from providing much needed long-term support for U.S. exports in a global environment where other export credit agencies (ECAs) are aggressively supporting exports from their countries. While American companies struggle to secure financing, their foreign competitors are stealing away market share, winning international sales, and creating jobs in their own backyards.

Since Congress reauthorized EXIM in December 2015, the Bank has continued to receive and perform due diligence on applications for financings of greater than $10 million, but our experienced trade specialists have been unable to

present these transactions to EXIM's Board of Directors for decision. This blockage has led to numerous applications being withdrawn and the related U.S. exports—and the American jobs that they supported directly and in their supply chains—being forfeited.

Nevertheless, EXIM's existing pipeline remains robust and our staff stands ready to fulfill EXIM's mission when the Senate confirms our new board members. As of publication, we have nearly $40 billion in pending transactions that could support an estimated 250,000 American jobs. These deals represent many sectors, including oil and gas, transportation, power, satellites, technology, and infrastructure projects.

EXPANDING GOVERNMENT-BACKED GLOBAL COMPETITION

At the same time that the U.S. government has been severely handicapped in assisting our exporters, the governments of other countries around the world having been ramping up the availability of export credit from their institutions. Worldwide, official ECAs are proliferating; there are some 96 ECAs and counting. Governments from the United Kingdom to France to Germany to Finland to Canada and China are bolstering the export credit their ECAs provide.

In June, EXIM released our annual *Report to the U.S. Congress on Global Export Credit Competition*; the findings were alarming. Due to the lack of a board quorum for the whole of 2016, EXIM was able to approve only about $200 million in medium-term financing and no long-term support. By contrast, China provided ***$34 billion*** (in U.S. dollars) in medium-and long-term (MLT) financing for China's exports. The BRICS countries (Brazil, Russia, India, China, and South Africa) provided a combined total of more than $51 billion in MLT export credit in 2016, nearly half of the total official export credit provided worldwide. Much of this credit was provided on terms outside of the OECD Arrangement with which EXIM complies.

The U.S. supply chain is also under attack because foreign governments are increasingly offering U.S. manufacturers financing, provided that all or a portion of the exports are sourced from their home countries. Make no mistake: This is resulting in an erosion of American supply-chain jobs that are unlikely to return.

FY 2017

In spite of these limitations, in FY 2017 EXIM continued to serve America's exporters and workers by providing financing products—within our limitations. The Bank authorized more than $3.4 billion of mainly short-term export credit and working capital guarantees to support an estimated $7.4 billion of U.S. exports and an estimated 40,000 jobs. By comparison, though, in FY 2014—the Bank's last fully operational year—EXIM authorized more than $20 billion in financing that supported nearly 165,000 American jobs.

EXIM approved nearly $2.2 billion of total authorizations for small businesses in FY 2017, well exceeding the 25 percent required by Congress. Small-business support represented 63.5 percent of the total dollar value of authorizations and nearly 76 percent of direct export value.

STRATEGIC PLAN

To bolster support for both large U.S. exporters and small businesses going forward, EXIM's management is revising the agency's 2013-2017 strategic plan (see "Management's Discussion and Analysis of Results of Operations and Financial Condition," p. 17) to guide the Bank to accomplish its mission more effectively, maintain consistency with its charter, and fulfill its congressional mandates. The Bank is currently being reorganized into two distinct business streams to address the differing needs of larger companies and small businesses. A new strategic plan will be completed in the first quarter of 2018.

COMMITTED TO EXPORTS AND JOBS

All Americans want a fair chance to realize the global opportunities to grow our economy, create good jobs, and maintain our standard of living. We want the 95 percent of the world's consumers beyond our borders to buy what we make—from efficient power plants to state-of-the-art telecommunications and transportation equipment and more. America's technology and craftsmanship are unsurpassed. U.S. exporters and their workers deserve to compete globally on the basis of the quality and price of their goods and services—not on the availability or lack of government-backed financing. American workers at exporting businesses of every size and throughout the U.S. supply chain need a fully functioning EXIM Bank to compete on a level playing field, expand exports, and increase employment.

The dedicated public servants at EXIM continue to demonstrate their expertise in support of U.S. exporters and workers in today's global marketplace. Their commitment and good will give me confidence in the Bank's future and in its capacity to serve the American people. It is my sincere hope that Congress will quickly confirm the pending board nominees to bring the Bank back to full force and to reaffirm the president's commitment to keeping America "Open for Business" and creating jobs here at home.

Sincerely,

Scott P. Schloegel

Scott P. Schloegel
Vice Chairman of the Board,
First Vice President and
Agency Head (Acting)

EXIM Export Credit Insurance

Helped **Classic American Hardwoods** Rehire 60 Workers and Add Jobs

A small business, Classic American Hardwoods Inc. (CAH) in Memphis, Tennessee, exemplifies EXIM's mission of supporting and creating jobs through exports. When CAH began exporting lumber in 2007, the U.S. housing real estate market began to collapse, and lumber businesses were closing. To survive, the company had to break into new markets in Europe and Asia, but entering those markets and regenerating the lost revenue was daunting.

How EXIM Helps:
Export Credit Insurance

EXIM export credit insurance extends credit, protects against foreign buyer nonpayment, and helps exporters improve cash flow.

Benefits:

- Minimizes political and commercial risks (up to 95 percent) of buyer nonpayment
- Enables exporters to offer "open account" credit terms (up to 360 days) to customers
- Increases exporters' borrowing capacity by enabling companies to assign foreign receivables to lenders
- Cover single buyers or multiple buyers in multiple countries

Like most small businesses, CAH maintains cash flow through asset-based lending, a revolving line of credit secured to the lender by the borrower's inventory and assets. CAH's lender, First Tennessee Bank, agreed to make the company's foreign receivables eligible if they were insured against credit loss.

CAH began purchasing private export credit insurance in 2007, and exports boomed. Then the 2008 financial crisis hit hard. The insurer, wary of international risk, canceled CAH's policy at a time when exports comprised 60 percent of total sales. The owner was forced to lay off half of the company's 120 employees, and those remaining had to take a pay cut. Enter EXIM. Insurance broker World Trade Consult LLC led CAH to purchase EXIM's export credit insurance to cover its foreign receivables.

Ten years later, CAH has increased revenue by 67 percent, with 100 percent of the increase due to exports that now reach customers in 27 countries in Europe, North America, Asia, Africa, and Oceania. Over this 10-year period, the company topped $150 million in sales insured by EXIM with not a single dollar of credit loss. As a result, CAH has been able to rehire 60 workers and add an additional 15 jobs.

Workers finish lumber at the Classic American Hardwoods plant in Memphis, Tennessee.

"We view EXIM as an integral partner in our ever-evolving and growing international business. Their professionalism and service are unmatched. Without EXIM's assistance, we would not have enjoyed the growth and success of the past eight years."

— Bill Courtney
CEO

EXIM Working Capital Guarantees

Help **Thrustmaster of Texas** Compete Abroad, Expand Exports and Jobs

For more than 30 years, Thrustmaster of Texas Inc. has been designing and manufacturing high-quality marine thrusters — propulsion devices for of all types of ships and floating platforms. With the support of EXIM working capital guarantees, this Houston-based small business has become a leading supplier of thrusters, serving customers all over the world, particularly in Korea, Singapore, China, and India.

How EXIM Helps:

Working Capital Guarantees

EXIM's working capital guarantees enable U.S. exporters, mainly small and medium-sized businesses, to obtain working capital loans from qualified commercial lenders, based on inventory and foreign accounts receivable.

Benefits:

- Makes funds available to fulfill international sales orders
- Turns inventory and accounts receivable into eligible collateral for loans
- Covers standby letters of credit used as performance or bid bonds
- Provides expedited application turnaround by the lender

To fulfill its export sales orders and maintain cash flow, Thrustmaster benefits from EXIM working capital guarantees of a multimillion-dollar line of credit from its lender, Amegy Bank of Texas, a division of ZB, National Association (formerly Zions First National Bank). Thrustmaster uses the EXIM-guaranteed working capital primarily to cover repayment guarantees and performance bonds required by their customers. This capacity has enabled the 230-employee company to compete internationally against much larger multinational firms.

Since Thrustmaster began using EXIM's working capital guarantees 10 years ago, the company has been able to increase revenue and sustain and create jobs, adding 20 new positions in 2011 after receiving a $30 million working capital guarantee from Amegy Bank.

Between 2012 and 2017, EXIM's working capital guarantees have helped the company maintain steady growth in spite of the economic downturn of the oil and gas industries, the sectors of its principal customers. In the past five years, EXIM has supported more than $82 million of Thrustmaster's exports.

Workers inspect a marine thruster at the Houston manufacturing facility of Thrustmaster of Texas.

"EXIM helps us compete on a level playing field with larger multinational competitors by facilitating our access to working capital to fulfill multimillion-dollar international contracts that enable us to sustain and add jobs in Houston."

— Joe. R. Bekker
President

EXIM Loan Guarantees

Enable **Leonardo** to Export U.S.-Made Helicopters to International Markets

To be competitive, U.S. exporters of transportation equipment and other capital goods must be able to offer term financing of a year or more to their international buyers; EXIM's loan guarantees support commercial loans extended by private-sector lenders. In FY 2017, an EXIM medium-term guarantee enabled Leonardo to export a U.S.-made helicopter from its facility in Philadelphia, Pennsylvania, to a small, privately owned company that supports Mexico's offshore oil and gas industry.

How EXIM Helps: Loan Guarantees

EXIM Bank provides guarantees of commercial loans to creditworthy international buyers in both the private and public sectors. EXIM's loan guarantees may also cover the financing of local costs up to 30 percent.

Benefits:

- Buyer financing of U.S. capital goods and related services
- Longer repayment terms (medium-term—one to five years; long-term—usually in excess of seven years
- Guarantees up to 85 percent of the loan, covering 100 percent of commercial and political risks on the financed portion
- No limits on transaction size

EXIM's guarantee is supporting a loan from Apple Bank for Savings in New York for the export of an AgustaWestland (AW) 139 helicopter to Aeroservicios Especializados S.A. de C.V. (ASESA). The helicopter is being used by ASESA to fulfill its contracts to transport offshore oil and gas crews in the Gulf of Mexico. In 2016, EXIM guaranteed a loan for a previous export of an AW 139 helicopter to this buyer.

Additionally, Leonardo has benefited from EXIM's long-term loan guarantees (approved in previous fiscal years) that assisted in financing sales of its helicopters built by American workers in Pennsylvania to other customers in Mexico, Brazil, and Trinidad and Tobago. Since 2009, EXIM has authorized a total of approximately $178 million in medium- and long-term guarantees supporting sales of the company's U.S.-made exports.

Formerly known as AgustaWestland, Leonardo is a high-tech company in the aerospace, defense and security sectors, and is headquartered in Rome. Leonardo's U.S. manufacturing plant in northeast Philadelphia employs more than 500 skilled workers in the highly competitive helicopter industry.

Workers assemble helicopters at Leonardo's U.S. manufacturing facility in Philadelphia, Pennsylvania.

"Several of our foreign customers have worked with EXIM to finance their aircraft purchases, including those operating in the competitive offshore market. EXIM has enabled exports of Leonardo's U.S.-built helicopters and has supported the jobs of 500-plus workers at our Philadelphia facility."

— Bill Hunt
Managing Director

Financial Report

FY 2017 Authorizations

FY 2017 Authorizations Summary

($ in millions)

	Number of Authorizations		Amount Authorized		Estimated Export Value		Program Budget Used	
Program	2017	2016	2017	2016	2017	2016	2017	2016
LOANS								
Long-Term Loans	-	-	$-	$-	$-	$-	$-	$-
Working Capital Loans	12	-	5.6	-	28.0	-	-	-
Total Loans	**12**	**-**	**5.6**	**-**	**28.0**	**-**	**-**	**-**
GUARANTEES								
Long-Term Guarantee	1	-	2.6	-	2.0	-	-	-
Medium-Term Guarantee	25	28	119.5	123.3	170.2	138.5	-	-
Working Capital Guarantees	195	237	839.0	1,106.5	4,693.0	4,092.3		
Total Guarantees	**221**	**265**	**961.1**	**1,229.8**	**4,865.2**	**4,230.8**	**-**	**-**
EXPORT CREDIT INSURANCE								
Short-Term	2,186	2,625	2,414.3	3,797.1	2,414.3	3,797.1	-	-
Medium-Term	42	9	50.0	10.2	50.0	11.4	-	-
Insurance Total	**2,228**	**2,634**	**2,464.3**	**3,807.3**	**2,464.3**	**3,808.6**	**-**	**-**
Grand Total	**2,461**	**2,899**	**$3,431.0**	**$5,037.1**	**$7,357.5**	**$8,039.3**	**$-**	**$-**

FY 2017 Small-Business Authorizations

($ in millions)

	Number		Amount	
	2017	2016	2017	2016
Export Credit Insurance	2,055	2,428	$1,539.4	$1,899.6
Working Capital Loans and Guarantees	173	193	626.0	741.6
Guarantees and Direct Loans	12	14	12.5	36.3
Grand Total	**2,240**	**2,635**	**$2,177.9**	**$2,677.5**

FY 2017 Authorizations by Market
($ in millions)

Country	Guarantee Authorizations	Insurance Authorizations	Loan Authorizations	Total Authorizations	Total Exposure[1]
Albania	$-	$-	$-	$-	$7.9
Algeria	-	1.0	-	1.0	15.9
Angola	-	-	-	-	316.4
Antigua and Barbuda	-	-	-	-	16.6
Argentina	-	10.2	-	10.2	411.0
Armenia	-	-	-	-	-
Aruba	-	-	-	-	-
Australia	-	-	-	-	4,071.4
Austria	-	-	-	-	15.1
Azerbaijan	-	-	-	-	474.4
Bahamas	-	-	-	-	1.1
Bahrain	-	0.1	-	0.1	201.6
Bangladesh	-	0.9	-	0.9	385.2
Barbados	-	-	-	-	2.3
Belgium	-	0.9	-	0.9	8.1
Belize	-	0.8	-	0.8	1.1
Bolivia	-	-	-	-	0.3
Bosnia-Herzegovina	-	-	-	-	13.6
Brazil	30.0	31.0	-	60.9	916.4
Bulgaria	-	0.8	-	0.8	158.0
Burma	-	-	-	-	3.6
Cameroon	1.5	-	-	1.5	125.9
Canada	1.1	1.8	-	2.9	964.4
Cayman Islands	-	-	-	-	41.2
Chile	1.5	2.2	-	3.7	1,436.6
China	10.0	41.0	-	51.0	4,528.7
Colombia	-	4.5	-	4.5	2,431.2
Costa Rica	11.3	5.0	-	16.3	89.6
Côte d'Ivoire	-	0.3	-	0.3	2.1
Cuba	-	-	-	-	36.3
Cyprus	-	-	-	-	5.5
Czech Republic	-	0.2	-	0.2	0.2

[1] Countries with zero (or "-") Total Exposure have exposures of less than $0.1 million.

FY 2017 Authorizations by Market
($ in millions)

Country	Guarantee Authorizations	Insurance Authorizations	Loan Authorizations	Total Authorizations	Total Exposure[1]
Denmark	-	0.1	-	0.1	0.3
Dominican Republic	-	10.6	-	10.6	74.8
Ecuador	-	1.3	-	1.3	28.4
Egypt	-	0.4	-	0.4	160.0
El Salvador	-	5.6	-	5.6	13.7
Equatorial Guinea	-	-	-	-	7.2
Ethiopia	-	-	-	-	1,346.8
France	-	0.3	-	0.3	0.4
Gabon	-	-	-	-	11.5
Germany	-	0.7	-	0.7	590.6
Ghana	-	-	-	-	456.3
Greece	-	-	-	-	0.3
Grenada	-	-	-	-	2.5
Guatemala	-	-	-	-	5.8
Guyana	-	-	-	-	-
Honduras	-	5.9	-	5.9	156.4
Hong Kong	-	0.6	-	0.6	1,866.5
India	-	2.7	-	2.7	3,675.5
Indonesia	-	1.8	-	1.8	1,203.6
Ireland	-	0.1	-	0.1	2,364.1
Israel	-	-	-	-	343.3
Italy	-	2.3	-	2.3	4.2
Jamaica	0.9	-	-	0.9	3.6
Japan	-	2.4	-	2.4	50.7
Jordan	-	0.1	-	0.1	1.4
Kazakhstan	-	-	-	-	360.0
Kenya	-	0.4	-	0.4	658.0
Korea, South	-	1.1	-	1.1	3,055.1
Kuwait	-	0.1	-	0.1	363.2
Laos	-	0.2	-	0.2	0.2
Latvia	-	-	-	-	0.2
Lebanon	-	-	-	-	0.1

[1] Countries with zero (or "-") Total Exposure have exposures of less than $0.1 million.

FY 2017 Authorizations by Market

(in millions)

Country	Guarantee Authorizations	Insurance Authorizations	Loan Authorizations	Total Authorizations	Total Exposure[1]
Liberia	-	-	-	-	-
Luxembourg	-	-	-	-	1,221.5
Mali	-	-	-	-	2.7
Mauritius	-	-	-	-	1.4
Mexico	25.3	73.3	-	98.6	6,543.0
Mongolia	-	-	-	-	413.4
Montenegro	-	-	-	-	12.2
Morocco	-	-	-	-	379.9
Nepal	-	-	-	-	-
Netherlands	-	0.4	-	0.4	464.1
New Zealand	-	-	-	-	269.6
Nicaragua	-	0.5	-	0.5	4.3
Nigeria	-	0.1	-	0.1	41.5
Norway	-	-	-	-	768.4
Oman	-	-	-	-	9.6
Pakistan	-	0.8	-	0.8	248.6
Panama	2.3	0.5	-	2.8	411.4
Papua New Guinea	-	-	-	-	2,299.2
Paraguay	0.3	0.2	-	0.5	5.7
Peru	0.9	0.3	-	1.2	287.3
Philippines	-	1.6	-	1.6	414.3
Poland	10.3	-	-	10.3	314.2
Portugal	-	-	-	-	0.1
Qatar	-	0.1	-	0.1	424.3
Romania	-	-	-	-	0.7
Russia	-	-	-	-	955.7
Saudi Arabia	-	0.7	-	0.7	5,838.4
Senegal	-	-	-	-	0.6
Serbia	-	-	-	-	107.6
Singapore	-	-	-	-	772.7
Slovak Republic	-	-	-	-	28.6

[1] Countries with zero (or "-") Total Exposure have exposures of less than $0.1 million.

FY 2017 Authorizations by Market

(in millions)

Country	Guarantee Authorizations	Insurance Authorizations	Loan Authorizations	Total Authorizations	Total Exposure[1]
Slovenia	-	-	-	-	5.7
South Africa	8.4	0.5	-	8.9	1,327.9
Spain	-	0.1	-	0.1	209.0
Sri Lanka	-	-	-	-	71.7
St. Vincent and Grenadines	-	-	-	-	-
Sudan	-	-	-	-	28.2
Sweden	-	-	-	-	0.1
Switzerland	-	7.6	-	7.6	7.7
Taiwan	-	-	-	-	-
Tajikistan	-	-	-	-	33.0
Tanzania	-	0.1	-	0.1	1.7
Thailand	-	-	-	-	393.8
Togo	-	0.1	-	0.1	0.1
Trinidad and Tobago	7.9	-	-	7.9	69.1
Turkey	-	6.9	-	6.9	2,779.7
Turks and Caicos	-	-	-	-	0.1
Uganda	-	-	-	-	0.6
Ukraine	-	-	-	-	100.5
United Arab Emirates	-	1.4	-	1.4	3,403.1
United Kingdom	-	0.7	-	0.7	1,017.6
United States	849.4	-	5.6	855.0	2,856.0
Uruguay	-	0.6	-	0.6	126.6
Venezuela	-	-	-	-	6.2
Vietnam	-	-	-	-	484.1
Virgin Islands (British)	-	-	-	-	0.4
Zambia	-	-	-	-	72.8
Zimbabwe	-	-	-	-	0.1
Private Export Funding Corp.	-	-	-	-	565.1
Multibuyer Insurance - Short-Term	-	2,230.0	-	2,230.0	3,190.7
Grand Total	**$961.1**	**$2,464.3**	**$5.6**	**$3,431.0**	**$72,478.9**

[1] Countries with zero (or "-") Total Exposure have exposures of less than $0.1 million.

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

EXECUTIVE SUMMARY

The Export-Import Bank of the United States ("EXIM", "EXIM Bank", or "the Bank") is the official export credit agency of the United States. EXIM is an independent, self-financing executive branch agency with an 83-year record of supporting American jobs by financing the export of U.S. goods and services. In the last decade, EXIM has supported more than 1.8 million jobs in all 50 states.

When private-sector lenders are unable or unwilling to provide financing, EXIM fills in the gap for American businesses by equipping them with the financing tools necessary to compete for global sales. Additionally, the Bank 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 good-paying American jobs.

The Bank's charter requires that all transactions it authorizes demonstrate a reasonable assurance of repayment; the Bank consistently maintains a low default rate and closely monitors credit and other risks in its portfolio.

EXIM continues to lack a quorum on its Board of Directors, and as a result, is unable to approve loans over $10.0 million. However, during the fiscal year ("FY") ended September 30, 2017, EXIM Bank authorized $3,431.0 million of loan guarantees, insurance, and direct loans in support of an estimated $7,357.5 million of U.S. export sales which supported an estimated 40,000 U.S. jobs.

Small-business authorizations in FY 2017 totaled $2,177.9 million, representing 63.5 percent of total authorizations. In FY 2017, more than 2,200 transactions were authorized for the direct benefit of small-business exporters, which amounted to 91.0 percent of total transactions.

EXIM Bank currently has exposure in 166 countries throughout the world. Total portfolio exposure decreased by 16.9 percent to $72,478.9 million outstanding as of September 30, 2017, compared to $87,262.4 million on September 30, 2016.

The September 30, 2017 default rate, as reported to Congress, was 0.307 percent, which points to the rigor of the underwriting and proactive portfolio monitoring at EXIM.

Since 1992, EXIM Bank has sent a net of almost $9.5 billion to the U.S. Treasury, of which almost $4.8 billion has been contributed since FY 2009.

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 Bank is the official export credit agency of the United States. EXIM Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act (FCRA) of 1990, Public Law (P.L.) 101-508, which became effective October 1, 1991. In accordance with its charter (12 U.S.C. 635 et seq.), continuation of EXIM Bank'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 the Bank's authority through September 30, 2019.

The mission of EXIM Bank 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. By financing the export of American goods and services, EXIM Bank has supported 1.5 million private-sector, American jobs in the past nine years, supporting 40,000 jobs in FY 2017.

The Bank's charter requires reasonable assurance of repayment for the transactions the Bank authorizes, and the Bank closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. exports, EXIM Bank offers four financial products: loan guarantees, working capital guarantees, direct loans, and export credit insurance. All EXIM Bank obligations carry the full faith and credit of the U.S. government.

During FY 2015 and FY 2016, the Bank's authority to approve transactions lapsed from July 1, 2015, through December 4, 2015. In addition, since July 20, 2015, the Board of Directors of the Bank has lacked a quorum for the transaction of business and, as a result, the Bank is unable to approve medium- and long- term transactions over $10.0 million.

ii. Strategic Plan

The strategic plan guides EXIM Bank to more effectively accomplish its mission, maintain consistency with its charter, and fulfill congressional mandates. The strategic plan, developed in 2009 and updated in 2013, continues to guide efforts at all levels of the organization and is used as a foundation for internal strategic and operational discussions. A new strategic plan will be completed in the first quarter of FY 2018 to guide the agency in the new Administration.

The 2013-2017 Strategic Plan consists of four goals:

Goal 1: Expand awareness of EXIM Bank services through focused business development and effective partnerships

Goal 2: Improve ease of doing business for customers

Goal 3: Create an environment that fosters high performance and innovation

Goal 4: Ensure effective enterprise risk-management consistent with the Bank's charter requirements

In FY 2016, EXIM Bank identified five operating priorities in support of the Bank's strategic goals. These priorities helped to focus EXIM's FY 2017 efforts in addressing these strategic goals. The five operating priorities are:

- Strengthen small-business programs and products
- Equip U.S. exporters to win in a rapidly changing international landscape
- Make EXIM a "Tier 1" place to work
- Improve data and systems to understand and execute our business
- Continuously improve internal processes and collaboration for better effectiveness, efficiency, and risk-management

iii. Product Programs

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

LOAN GUARANTEE PROGRAM

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

EXIM Bank loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S exports. EXIM Bank 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. EXIM Bank's comprehensive guarantee covers commercial and political risks for up to 85 percent of the U.S. contract value.

DIRECT LOAN PROGRAM

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

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

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. Short-term financing consists of all transactions with terms of less than one year.

EXPORT CREDIT INSURANCE

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

EXIM Bank'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 buyer 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 Bank provides repayment guarantees to lenders on secured, short-term working capital loans made to qualified exporters. The working capital guarantee may be approved for a single loan or a revolving line of credit.

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.

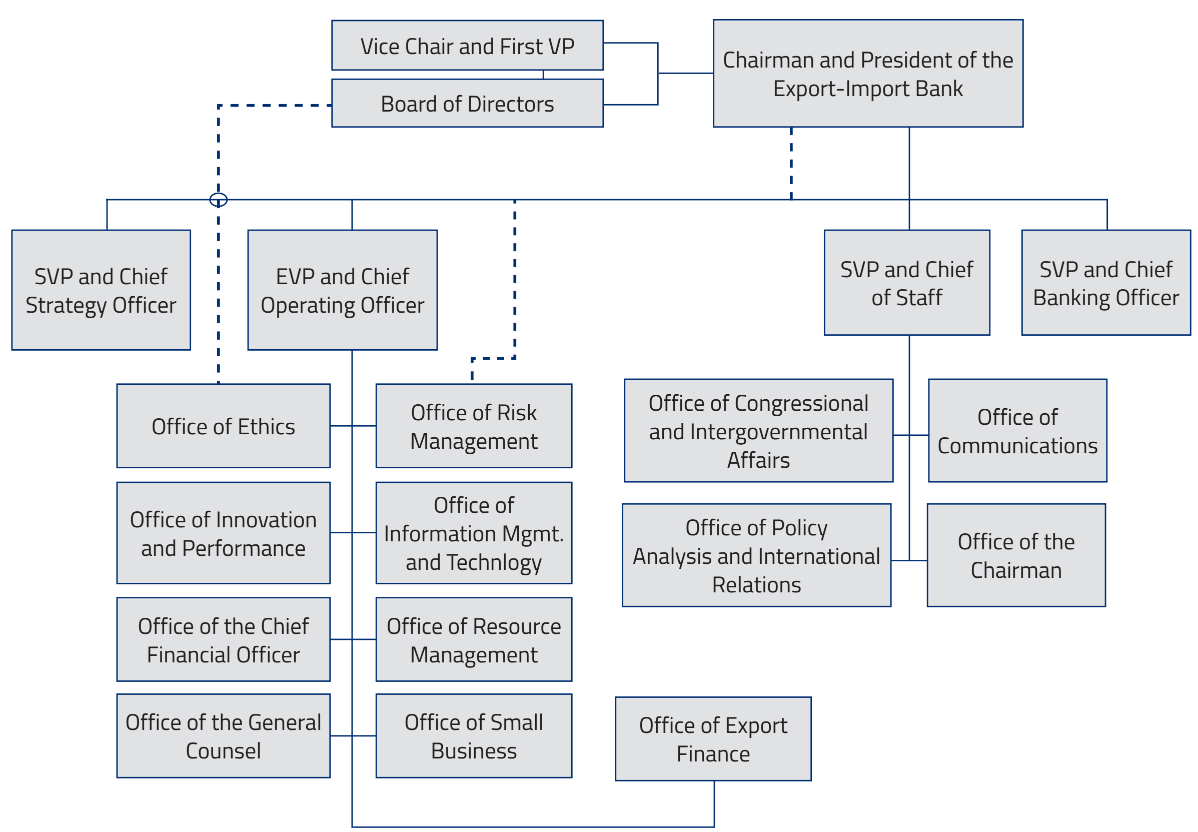
EXIM Bank's headquarters are located in Washington, D.C., with business development efforts supported through 12 regional offices across the country.

EXIM's governance structure consists of the following offices:

- Office of the Chairman
- Board of Directors
- Office of the Executive Vice President and Chief Operating 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 BANK 2017 ORGANIZATIONAL STRUCTURE



III. FY 2017 PERFORMANCE AND RESULTS

i. Total Authorizations

EXIM Bank's mandate is to provide competitive financing to expand United States exports by either offering financing at rates and terms which are fully competitive with those of other ECAsor filling financing gaps when private lenders are unable or unwilling to provide support for U.S. goods and services. In implementing this mandate, EXIM Bank approved $3,431.0 million in total authorizations in FY 2017. The FY 2017 authorizations supported an estimated U.S. export value, which is the total dollar value of exports related to EXIM Bank's authorized financing, of $7,357.5 million and an estimated 40,000 U.S jobs. See Exhibit 1 for a breakdown of FY 2017 authorizations by term and program.

EXHIBIT 1: FY 2017 AUTHORIZATIONS BY TERM AND PROGRAM

	FY 2017	
	Authorized (in millions)	As percent of total
Long-Term		
Loans	$-	-
Guarantees	2.6	0.1%
Subtotal, Long-Term	**2.6**	**0.1%**
Medium-Term		
Loans		
Guarantees	119.5	3.5%
Insurance	50.0	1.4%
Subtotal, Medium-Term	**169.5**	**4.9%**
Short-Term		
Loans	5.6	0.2%
Guarantees	839.0	24.5%
Insurance	2,414.3	70.4%
Subtotal, Short-Term	**3,258.9**	**95.0%**
Total Authorizations	**$3,431.0**	**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 the Bank 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 2017.

Short-term and medium-term transactions: These transactions are largely underwritten under individual delegated authority delegated 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 the Board of Directors.

ii. Congressional Mandates

In accordance with the EXIM Charter, the Bank 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 the Bank 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 the Bank to take measures, consistent with the credit standards otherwise required by law, to promote the expansion of the Bank's financial commitments in sub Saharan Africa under the loan, guarantee, and insurance programs of the Bank.
3. ***Environmentally Beneficial Goods and Services Mandate –*** the 2015 charter states that the Bank 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. The Bank shall also promote the export of goods and services related to renewable-energy sources.

Small-Business Mandate

In FY 2017, EXIM Bank exceeded the 25 percent mandate, utilizing 63.5 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. The Bank's mandate from Congress places significant emphasis on supporting small-business exports. The increase is partially due to the lack of board quorum to approve deals greater than $10.0 million.

EXIM Bank'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 Bank's programs play an important role in providing export finance support to small businesses that have the ability to expand and create American jobs. In 1978, EXIM Bank 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 Bank continues to innovate, design, and implement programs and policies to meet the needs of the U.S. small-business exporter.

FY 2017 Small-Business Authorizations

EXIM Bank'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 2017 were $2,177.9 million. In FY 2017, small-business authorizations represented 63.5 percent of total authorizations and 75.8 percent of the direct export value EXIM supported in FY 2017. During FY 2017, the number of transactions that were executed for the direct benefit of small-business exporters was more than 2,200 transactions, or 91.0 percent of the total number of transactions, compared to 90.9 percent of the total number of transactions in FY 2016. Of the 2,240 small-business transactions authorized in FY 2017, 1,249 of these transactions were less than $500,000. In FY 2017, 401 new small-business exporters used EXIM small-business products for the first time. EXIM Bank has added 5,250 new small-business customers since 2009.

In FY 2017, minority-owned and women-owned businesses accounted for $482.1 million or 22.1 percent of small-business authorizations.

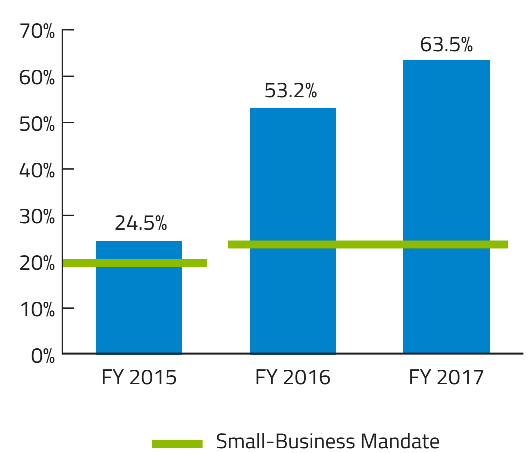
75.8% of total direct export value supported was for small-businesses

91.0% of EXIM Bank transactions directly benefited U.S. small-business exporters

EXIM Bank offers two products which primarily benefit small-businesses: working capital guarantees and export credit insurance. In FY 2017 $615.9 million, or 74.2 percent, of total authorizations in the Working Capital Guarantee Program supported small businesses. Of the total authorizations under the export credit insurance program in FY 2017, 62.5 percent, or $1,539.5 million, supported small businesses compared to 49.9 percent in FY 2016.

Exhibit 2 shows the total dollar amount of authorizations for each year since FY 2015 for small-business exports as a percentage of total authorizations compared to the Small Business Mandate which was increased in 2002 to 20 percent and in December 2015 (FY 2016) to 25 percent.

EXHIBIT 2: SMALL-BUSINESS AUTHORIZATIONS AS PERCENT OF TOTAL DOLLARS AUTHORIZED



Sub-Saharan Africa Mandate

EXIM Bank provides U.S. exporters with the financing tools they need to successfully compete for business in Africa. EXIM Bank's products and initiatives help U.S. exporters in all regions of Africa, including high-risk and emerging markets. Pursuant to its charter, EXIM Bank 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 2017 Sub-Saharan Africa Authorizations

Sub-Saharan Africa authorizations represented 96 transactions, or 3.9 percent, of EXIM's transactional total in FY 2017. The dollar amount of authorizations represented 1.1 percent of total authorizations, or $38.2 million in FY 2017.

Environmentally Beneficial Goods and Services Mandate

EXIM Bank'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 Bank 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 Bank 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 2017 Environmentally Beneficial Authorizations

In FY 2017, EXIM Bank authorizations of environmentally beneficial goods and services totaled $98.3 million. Approximately 2.9 percent of the Bank's FY 2017 authorizations supported environmentally beneficial goods. EXIM Bank's total number of renewable-energy authorizations, a subset of the Bank's environmentally beneficial authorizations, totaled 16 transactions in FY 2017. In FY 2017, EXIM Bank authorizations which support U.S. renewable-energy exports and services totaled $10.4 million. EXIM's ability to approve transactions was limited due to a lack of quorum of its Board of Directors for the entire year.

Jobs Supported and Methodology

EXIM Bank supported **40,000** jobs in FY 2017 at no cost to U.S. taxpayers.

Since 1992, the Bank has sent to the U.S. Treasury almost **$9.5b** more than it received in appropriations for program and administrative costs.

In FY 2017, EXIM authorized $3,431.0 million in loans, guarantees, and insurance that supported an estimated 40,000 U.S. jobs and an estimated $7,357.5 million in U.S. export sales. EXIM Bank 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 Bank'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. Exports and the jobs they support are a critical component of the U.S. economy, with exports representing about 11.8 percent of the U.S. gross domestic product as of the third quarter of FY 2017. While EXIM's authorizations were down due to a lack of quorum of its Board of Directors, EXIM continues to support U.S. jobs.

EXIM Bank'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 Bank-supported exports of goods and services.

The Bank uses the latest available domestic employment requirements table (ERT) as computed by the BLS to calculate the number of jobs associated with EXIM Bank supported goods and services. The ERT quantifies the number of direct and indirect production-related jobs associated with $1 million 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 Bank from distinguishing between jobs that were newly created and those that were maintained.

For jobs estimates based on FY 2017 EXIM Bank authorizations, the Bank supports 5,968 jobs per $1 billion of U.S. exports. This figure is a weighted average based on each industry's relative jobs per $1 billion average at time of calculation.

IV. EXIM BANK HAS BEEN SELF-FINANCING SINCE FY 2008

Since 1992, EXIM Bank has generated almost $9.5 billion in revenues for U.S. taxpayers above what the Bank has received after providing for all expenses, loan loss reserves, and administrative costs.

EXIM Bank has been self-financing for budgetary purposes since FY 2008. As a result, the Bank does not rely on Congressional appropriation to sustain operations, which is critical in a tight budgetary environment. EXIM Bank's program revenue (i.e., in a given year, fee and interest collections from transactions that exceed the reserve requirements on those transactions) is 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. EXIM Bank had $118.4 million in offsetting collections in FY 2017 which were used to cover administrative expenses and subsidy carryover. The amount of offsetting collections is lower compared to prior years due to a lack of quorum of its Board of Directors.

EXIM Bank's self-financing status also complies with the World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures, an agreement among 161 current member countries. This agreement contains a list of prohibited export subsidies, one of which is official export credit. The relevant guidance for guarantees and insurance is that such programs are prohibited subsidies if the activity is done at premium rates which are inadequate to cover long-term operating costs and losses.

Despite EXIM's self-financing status, Congress maintains its oversight of the Bank's budget, setting annual limits on the use of funds for program budget and administrative expense obligations.

EXIM Bank has also devoted extensive time and resources in exploring ways to reduce credit subsidy expenses. Total yearly credit subsidies have decreased to zero subsidy in FY 2017 and FY 2016.

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 the Bank to properly utilize its authority.

Reasonable Assurance of Repayment

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

The Bank'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 the Bank's charter. Transactions require the approval of the Board of Directors directly or through delegated authority.

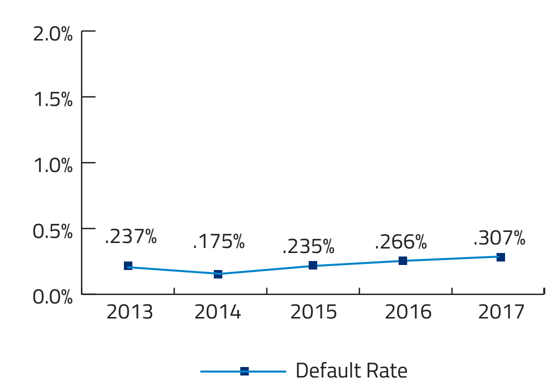
Protecting the U.S. Taxpayer

0.307% Default Rate
as of September 30, 2017

EXIM Bank 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. The Bank's comprehensive risk-management includes detailed documentation to ensure the Bank'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. The Bank believes that a comprehensive risk-management framework with strong emphasis on continuous improvement minimizes claims and defaults. EXIM Bank engages in robust portfolio management, as well as oversight and governance, including the setting aside of adequate loan-loss reserves.

Pursuant to its charter, EXIM Bank is mandated to report to Congress on a quarterly basis the current default rate on its active portfolio. On September 30, 2017, the reported default rate was 0.307 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 default rate is the result of the Bank's few defaults coupled with effective portfolio-management action on those credits which default. 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 five years.

EXHIBIT 3: DEFAULT RATE (FIVE-YEAR TREND)



Effectiveness and Efficiency

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

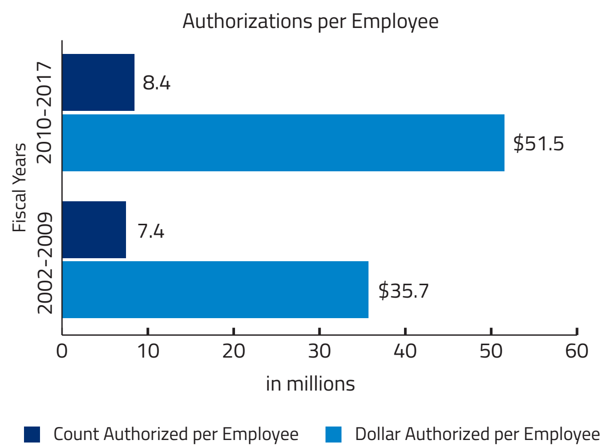
EXIM Bank uses various measures to assess the relative efficiency and effectiveness of EXIM Bank's programs. EXIM Bank's annual *Report to the U.S. Congress on Export Credit Competition and the Export-Import Bank of the United States* (the "Competitiveness Report") compares EXIM Bank's competitive performance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

Currently, there are 96 ECAs around the world—up from 85 in 2014. EXIM Bank's Competitiveness Report focuses on official export credit provided by global ECAs on medium- and long- (MLT) repayment terms of greater than two years. The 2016 report discussed the growing MLT Support from Brazil, Russia, India, China, and South Africa (BRICS countries). The BRICS countries provided a combined total of more than $51 billion in MLT export credit in 2016. This activity represented 45 percent—nearly half—of the total official export credit provided worldwide. Most of this support was offered on terms outside of the rules on export credit of the Organisation for Economic Cooperation and Development (the OECD Arrangement), to which EXIM adheres.

Furthermore it reported that OECD MLT activity was $66 billion, accounting for only 29 percent of official trade-related support provided in 2016. This drop continued the trend of declining export credits offered in alignment with the OECD Arrangement that began in 2013. Over the same period, there has been a surge in export and trade-related activity occurring outside of the purview of the OECD Arrangement that is being fueled by both the expansion of non-OECD ECA activity and the growth of programs that OECD member countries have introduced as part of their broader export-promotion policies.

In addition to the Competitiveness Report, EXIM Bank uses various leverage measures to assess efficiency and cost effectiveness. Exhibit 4 examines the trend of authorizations per employee using five-year averages. From fiscal year 2010 to 2017, the Bank averaged $51.5 million in authorizations per employee and 8.4 in authorized transactions per employee. In comparison, fiscal years 2002 through 2009 averaged $35.69 million dollars in authorizations per employee and 7.4 in transactions per employee. The amount of offsetting collections in FY 2017 is lower compared to prior years due to a lack of quorum on its Board of Directors.

EXHIBIT 4: TREND OF AUTHORIZATIONS PER EMPLOYEE



VI. THE PORTFOLIO

An efficient and effective risk-management framework allows EXIM Bank 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 lens 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 Bank 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 the Bank. 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, but can be as long as three years. Guaranteed lenders are not required to report activity to EXIM, the entire credit is assumed to be "disbursed" 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 Bank 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 Bank currently has exposure in 166 countries throughout the world totaling $72,478.9 million at September 30, 2017, compared to $87,262.4 million in 163 countries in FY 2016. Overall portfolio exposure has declined due to repayments on outstanding transactions exceeding new authorizations.

From a portfolio perspective, guarantees made up the largest portion (64.4 percent and 63.5 percent) of EXIM Bank's exposure at September 30, 2017, and September 30, 2016, respectively. Exhibit 5 summarizes total EXIM Bank exposure by program and shows each program as a percentage of the total exposure at the end of the respective fiscal year.

EXHIBIT 5: EXPOSURE BY PROGRAM

	FY 2017		FY 2016	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Guarantees	$46,617.9	64.4%	$55,398.8	63.5%
Loans	21,265.1	29.3%	25,607.1	29.3%
Insurance	3,622.5	5.0%	5,055.2	5.8%
Receivables from Subrogated Claims	973.4	1.3%	1,201.3	1.4%
Total Exposure	**$72,478.9**	**100.0%**	**$87,262.4**	**100.0%**

Regional Exposure

Exhibit 6 summarizes total EXIM Bank exposure, by region. The "Other" region in Exhibit 6 includes undisbursed balances of short-term multibuyer 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 6: REGIONAL EXPOSURE

	FY 2017		FY 2016	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Asia	$18,143.5	25.0%	$22,130.1	25.4%
Latin America and the Caribbean	13,368.3	18.4%	15,902.9	18.2%
Europe	11,828.9	16.3%	15,680.3	18.0%
Middle East and North Africa	11,224.6	15.5%	12,432.3	14.2%
Oceania	6,674.4	9.2%	7,186.0	8.2%
North America	4,443.4	6.1%	5,312.1	6.1%
Sub-Saharan Africa	4,441.2	6.1%	4,881.7	5.6%
Other	2,354.6	3.4%	3,737.0	4.3%
Total Exposure	**$72,478.9**	**100.0%**	**$87,262.4**	**100.0%**

Exhibit 7 shows exposure by country as of September 30, 2017 and September 30, 2016.

EXHIBIT 7: TOP COUNTRY EXPOSURE

	FY 2017		FY 2016	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Mexico	$6,626.2	9.1%	$8,019.1	9.2%
Saudi Arabia	5,864.0	8.1%	6,012.7	6.9%
China	4,579.8	6.3%	5,103.4	5.8%
Australia	4,095.8	5.7%	4,361.9	5.0%
India	3,688.8	5.1%	4,494.9	5.2%
All Other	47,624.3	65.7%	59,270.4	67.9%
Total Exposure	**$72,478.9**	**100.0%**	**$87,262.4**	**100.0%**

Industry Exposure

Exhibit 8 shows exposure by the major industrial sectors in the Bank's portfolio.

EXHIBIT 8: EXPOSURE BY MAJOR INDUSTRIAL SECTOR

	FY 2017		FY 2016	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Aircraft	$35,236.3	48.6%	$42,062.2	48.2%
Manufacturing	12,635.9	17.4%	14,042.1	16.1%
Oil and Gas	11,270.6	15.6%	14,331.2	16.4%
Power Projects	4,195.7	5.8%	4,780.2	5.5%
All Other	9,140.4	12.6%	12,046.7	13.8%
Total Exposure	**$72,478.9**	**100.0%**	**$87,262.4**	**100.0%**

Foreign Currency Exposure

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

In FY 2017, EXIM Bank approved $22.6 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.

The foreign-currency exchange rates at September 30, 2017, EXIM Bank adjusted the dollar amount of the outstanding balances for these transactions. The adjustment was a net increase in exposure of $192.3 million for a total outstanding exposure balance of $5,389.2 million of foreign-currency-denominated guarantees, representing 7.4 percent of total Bank exposure.

The foreign-currency exchange rates at September 30, 2016, EXIM Bank adjusted the dollar amount of the outstanding balances for these transactions. The adjustment was a net decrease in exposure of $522.0 million for a total outstanding balance of $6,105.4 million of foreign-currency-denominated guarantees, representing 7.3 percent of total Bank 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. exports of commercial jet aircraft.

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

EXHIBIT 9: U.S. DOLLAR VALUE OF OUTSTANDING FOREIGN CURRENCY EXPOSURE

	FY 2017		FY 2016	
Currency	Outstanding Balance (in millions)	Percent of Total	Outstanding Balance (in millions)	Percent of Total
Euro	$3,369.2	62.5%	$3,920.0	64.3%
Japanese Yen	620.8	11.5%	780.5	12.8
South African Rand	478.0	8.9%	299.1	4.9%
Canadian Dollar	466.7	8.7%	542.8	8.9%
Australian Dollar	193.3	3.6%	542.8	8.9%
Mexican Peso	118.1	2.2%	141.5	2.3%
New Zealand Dollar	95.9	1.8%	137.1	2.2%
Korean Won	40.0	0.7%	62.4	1.0%
British Sterling	7.2	0.1%	7.5	0.1%
Total	**$5,389.2**	**100.0%**	**$6,105.4**	**100.0%**

Portfolio-Loss Reserves

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

The total allowance for EXIM Bank credits is comprised of an allowance for loss on all credits and 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 Bank credits authorized after FCRA equates to the amount of credit loss associated with the applicable credit. EXIM Bank has established cash-flow models for expected defaults, fees, and recoveries to estimate the credit loss for allowance purposes. The models incorporate EXIM Bank'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, the Bank 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 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 Bank incorporates a quantitative and qualitative framework to calculate loss reserves. This framework has continuously evolved and been refined over the years. In FY 2016, EXIM Bank updated qualitative adjustments in its loss model, of which a subset 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, and the recent growth in the Bank's portfolio.

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 Bank 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 2017 commitments calculated at September 30, 2017, indicated that the net amount of $310.8 million of excess funds were not needed in the financing accounts. The transfer of the net downward re-estimate to the U.S. Treasury will take place in FY 2018. The re-estimate of the credit loss of the exposure for FY 1992 through FY 2016 commitments calculated at September 30, 2016, indicated that there was a net excess of $932.5 million in the financing accounts. The transfer of the net downward re-estimate to the U.S. Treasury took place in FY 2017.

The total allowance for losses at September 30, 2017, for loans, claims, guarantees, and insurance commitments is $2,577.8 million, representing 3.7 percent of outstanding balance of $69,045.2 million (Exhibit 10). This compares to the allowance for losses at September 30, 2016, for loans, claims receivable, guarantees, and insurance commitments of $2,951.0 million representing 3.7 percent of outstanding balance of $80,325.4 million.

The allowances for losses for EXIM Bank 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 Bank'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. This has caused a slight decrease in the allowance for credit losses as a percent of total credits outstanding.

EXHIBIT 10: LOSS RESERVES AND EXPOSURE SUMMARY

(in millions)	FY 2017	FY 2016
Outstanding Guarantees and Insurance	$47,369.4	$55,173.5
Outstanding Loans	20,702.4	23,950.6
Outstanding Defaulted Guarantees and Insurance	973.4	1,201.3
Total Outstanding	**$69,045.2**	**$80,325.4**
Undisbursed Guarantees and Insurance	$2,871.0	$5,280.5
Undisbursed Loans	562.7	1,656.5
Total Undisbursed	**$3,433.7**	**$6,937.0**
Total Exposure	**$72,478.9**	**$87,262.4**
Weighted-Average Risk Rating of Total Exposure	4.3	4.1
Loss Reserves		
Liability for Guarantees and Insurance	$984.0	$1,359.2
Allowance for Loan Losses	820.6	534.4
Allowance for Defaulted Guarantees and Insurance	773.2	1,057.4
Total Reserves	**$2,577.8**	**$2,951.0**
Loss Reserve as Percentage of Outstanding Balance	**3.7%**	**3.7%**
Loss Reserve as Percentage of Total Exposure	**3.6%**	**3.4%**

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 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 Bank credits.

At September 30, 2017, EXIM Bank's aggregate amount of impaired credits exposure was $222.0 million compared to $171.8 million at September 30, 2016.

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 2016 and FY 2017, no countries received Paris Club treatment of debt in the form of principal forgiven.

iii. Portfolio-Risk Rating System and Risk Profile

The Interagency Country Risk Assessment System (ICRAS)

In 1992, OMB established the Interagency Country Risk Assessment System (ICRAS) to provide a framework for uniformly measuring the costs of the U.S. government's international credit programs across the various agencies that administer them. To operate this framework, OMB chairs an interagency working group composed of the agencies with international loan programs, as well as the Departments of State and U.S. Treasury, the Federal Deposit Insurance 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 IBCA.

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 204 sovereign and 206 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 IBCA'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 Bank 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 2017 and FY 2016, the models incorporated EXIM Bank's actual historical loss and recovery experience.

Exposure-Risk Profile

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

The increase in the new authorization weighted-average risk rating is primarily related to the increase in demand for EXIM Bank supported financing among higher risk-rated obligors. The overall weighted-average risk rating for FY 2017 short-term rated, medium-term, and long-term export credit authorizations was 6.1 compared to a weighted-average risk rating of 4.8 in FY 2016. For FY 2017, 27.7 percent of EXIM Bank's short-term rated, medium-term, and long-term new authorizations were in the level 1 to 4 range (AAA to BBB-) while 72.3 percent were rated level 5 to 8 (BB+ to B-).

Changes in the Portfolio-Risk Level

At September 30, 2017, EXIM Bank had a portfolio exposure of $72,478.9 million of loans, guarantees, insurance, and outstanding claims receivable. The risk rating for the outstanding portfolio increased slightly, with the weighted average in FY 2017 at 4.3 as compared to 4.1 in FY 2016. The outstanding portfolio includes new business transactions and the existing portfolio risk-rated at the end of each fiscal year.

iv. Key Budget and Accounting Requirements

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

Budgeting for New Authorizations under the Federal Credit Reform Act (FCRA)

Under the FCRA, the U.S. government budgets for the present value of the estimated cost of credit programs. For EXIM Bank, 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 Bank collects fees that cover program obligations and administrative costs.

$0 Subsidy

EXIM Bank received no subsidy appropriation from Congress in FY 2017 and FY 2016.

When expected cash disbursements exceed expected cash receipts, there is an expected net outflow of funds, resulting in a "cost" to the Bank. This cost is sometimes referred to as subsidy or program cost. EXIM Bank 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 Bank 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 2017.

Prior to FY 2008, the amount of program revenue was not credited or retained by the Bank 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 the Bank 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 expenses.

At the start of the fiscal year, the U.S. Treasury provides EXIM Bank with an appropriation warrant for program costs as well as administrative expenses. 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 Bank and used to repay the warrant received at the start of the year. The result is a net appropriation of zero. Therefore, the Bank is self-financing for budgetary purposes.

This change occurred as a result of an in-depth analysis of the Bank'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.

Although EXIM Bank is self-financing, Congress continues its oversight of the Bank's budget, setting annual limits on its use of funds for program and administrative expense obligations and other obligations.

Financial Accounting Policy

The accompanying FY 2017 and FY 2016 financial statements have been prepared in accordance with generally accepted accounting principles in the United States applicable to federal agencies. Although EXIM Bank 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 August 15, 2017, A-136, EXIM Bank follows the format and content outlined by Circular A-136 when preparing the financial statements and footnotes. 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 Bank follows OMB Circular A-11 *Preparation, Submission, and Execution of the Budget,* as the primary guidance for calculating the program cost associated with the Bank's transactions. In accordance with this guidance, the amount of program cost calculated on the Bank'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.

VII. Financial Statements and Results of Operations

EXIM Bank 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 Bank is not required to comply with all sections of the Circular A-136, EXIM Bank follows the format and content outlined by Circular A-136 when preparing the financial statements and footnotes. Under government GAAP standards, the Bank reported total net excess program revenue over cost of $188.0 million for the year ended September 30, 2017, and total net excess program revenue over costs $849.5 million for the year ended September 30, 2016.

Although the Bank may, on occasion, receive mandatory appropriations when it is determined that additional funds are needed through the credit loss re-estimate of the Bank's existing portfolio, the Bank no longer receives annual discretionary appropriations from Congress to cover administrative costs and program costs for new loan, guarantee, and insurance authorizations. Instead, the Bank covers these costs from the fees collected on a cash basis (offsetting collections) from the Bank's credit program customers. Fees collected are first used to cover the costs of the Bank's loan, guarantee, and insurance programs by setting aside prudent reserves for credit losses. Fees collected in excess of those set aside for reserves (offsetting collections) are then used to cover administrative and program costs up to limits set by Congress. The disposition of fees collected in excess of amounts set aside for administrative and program costs are determined by the Bank's annual appropriation passed by the U.S. Congress.

In FY 2017, $110.7 million of the offsetting collections was used to cover administrative expense obligations and $7.7 million was retained and is available for obligation until September 30, 2020.

The receipt of appropriations through the re-estimate process and the transfer of excess offsetting collections to the U.S. Treasury are governed by separate processes and different statutory requirements. The credit loss re-estimate applies to the entire portfolio, and, if necessary, funds required for an upward re-estimate are provided by specific appropriations pursuant to the FCRA. New obligations made in the current fiscal year for administrative and program costs are covered by fee collections and the use

and restriction of those collections is defined in the Bank's annual appropriations, frequently resulting in the transfer of offsetting collections to the U.S. Treasury.

Balance Sheet and Statement of Net Cost

EXIM Bank is a government corporation that prepares financial statements in accordance with generally accepted accounting principles in the United States applicable to federal agencies (government GAAP). Statements reflect the form and content guidance contained in OMB Circular A-136. The Circular 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 Bank's Statement of Net Costs shows the costs and revenues of each of the Bank's major programs. There are two major components, Administrative Expense Cost 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 Expense Costs –** Program costs are subsidy expenses (included in the Provision for Credit Losses) and administrative costs are the costs to run the Bank and its programs. Program and administrative costs are covered by offsetting collections or in the case of administrative expenses associated with the Office of Inspector General, an 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 Provision for Credit Losses 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 FY 2017, EXIM Bank's total net excess program revenue over cost was $188.0 million.

EXIM Bank's Balance Sheet shows a net position as of September 30, 2017, of ($206.9) 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 program costs or revenue from the Statement of Net Costs, offsetting collections and appropriation usage, and transfers to the U.S. Treasury all affect the Bank's net position shown on the Balance Sheet.

In certain instances, 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 expense obligations made in the current year and to withhold a certain amount for future program (subsidy) costs. Offsetting collections in the current year in excess of amounts stated in the annual appropriation must be transferred to the U.S Treasury.

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 Bank'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 Bank declared and paid dividends to the U.S. Treasury that totaled $1.1 billion. Since FCRA, which took effect in 1992, EXIM has sent a net of almost $9.5 billion to the U.S. Treasury, which consists of offsetting collections, capital transfers, rescissions, and canceled authority.

i. Significant Financial Data

Exhibit 11 presents certain financial data from the Balance Sheets and the Statements of Net Costs. This financial data is highlighted due to a significant change (10 percent and $10 million or more) and significant dollar difference between the applicable periods for FY 2017 and FY 2016. More detailed financial information can be found in the financial statements and notes.

EXHIBIT 11: SIGNIFICANT FINANCIAL DATA

(in millions)	FY 2017	FY 2016
Balance Sheets		
Fund Balance with Treasury	$6,578.5	$4,513.4
Loans Receivable, Net	20,064.3	23,581.1
Receivables from Subrogated Claims, Net	202.2	146.0
Borrowings from the U.S. Treasury	24,645.3	25,021.6
Guaranteed Loan Liability	984.0	1,359.2
Cumulative Results of Operations	(1,422.8)	(862.2)
Statements of Net Costs		
Net Excess Program Revenue over Cost	(322.7)	(963.7)
Net Administrative Costs	134.7	114.3

Fund Balance with the U.S. Treasury: Fund Balance with the U.S. Treasury increased by $2,065.1 million from $4,513.4 million at September 30, 2016, to $6,578.5 million at September 30, 2017. The change is primarily attributed to approximately $4,855.8 million in direct loan principal repayments, net claim recoveries, interest and fee collections, as well as $1,855.6 million in borrowings from the U.S. Treasury. This is offset by $618.9 million in direct loan disbursements and the $932.5 million FY 2016 net credit loss re-estimate that was sent to the U.S. Treasury in FY 2017. Additionally, paid to the U.S. Treasury in FY 2017 was a repayment of borrowings for $2,232.0 million and the interest expense on borrowings for $770.3 million.

Loans Receivable, Net: Loans Receivable decreased by $3,516.8 million from $23,581.1 million at September 30, 2016, to $20,064.3 million at September 30, 2017, primarily as a result of $618.9 million in direct loan disbursements, offset by $4,009.8 million of direct loan principal repayments. The decrease in loans receivable is resulting, in general, from the Export-Import Bank's continued lack of board quorum to approve medium-term and long-term transactions over $10.0 million.

Receivables from Subrogated Claims, Net: Receivables from Subrogated Claims increased by $56.2 million from $146.0 million at September 30, 2016, to $202.2 million at September 30, 2017. The increase is mainly due to $47.6 million in claims collected, offset by $18.3 million in claim payments and $87.9 million in allowance for losses.

Borrowings from the U.S. Treasury: Borrowings from the U.S. Treasury decreased by $376.4 million from $25,021.6 million at September 30, 2016, to $24,645.3 million as of September 30, 2017. The decrease is attributable to a repayment of borrowings of $2,232.0 million, offset by additional borrowings of $1,855.6 million used to fund direct loans.

Guaranteed Loan Liability: Guaranteed Loan Liability decreased by $375.2 million from $1,359.2 million at September 30, 2016, to $984.0 million at September 30, 2017. The change is attributed to changes to the outstanding guarantee balances and risk profile of the portfolio.

Cumulative Results of Operations: Cumulative Results of Operations decreased by $560.6 million from a cumulative loss of $862.2 million at September 30, 2016, to a cumulative loss of $1,422.8 million at September 30, 2017. The decrease is mostly due to $93.3 million of appropriations used, $125.4 million in offsetting collections, $188.0 million in the current year results of operations, offset by $959.6 million in the current year downward re-estimate.

Net Excess Program Revenue over Cost: The Net Excess Program Revenue over Cost decreased by $641.0 million from $963.7 million for the year ended September 30, 2016, to $322.7 million for the year ended September 30, 2017. The decrease is resulting in general from a decrease in fees and other income due to a reduction in the portfolio exposure resulting from the Export-Import Bank's continued lack of board quorum to approve medium-term and long-term transactions over $10.0 million, and the accrual of the upward portion of the FY 2017 annual credit-loss reserve re-estimate.

Administrative Expenses: Administrative Expense increased $20.5 million from $114.3 million for the year ended September 30, 2016, to $134.7 million for the year ended September 30, 2017. The change is primarily related to an increase in operating expenses.

ii. Significant Factors Influencing Financial Results

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

The major risks to the Bank in its credit portfolio are repayment risk and market risk. Other risks the Bank 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 Bank must balance the risks associated with assuming credit and country risks that the private sector is unable or unwilling to accept with the requirement of reasonable assurance of repayment for its credit authorizations. Repayment risk is the risk that a borrower will not pay according to the original agreement and the Bank may eventually have to write-off some or 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 the Bank, 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 the Bank 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. The Bank 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. The Bank's credit exposure is highly concentrated by industry: 81.6 percent of the Bank's credit portfolio is in three industries (air transportation, manufacturing, and oil and gas), with air transportation representing 48.6 percent of the Bank's total exposure. Events impacting these industries are frequently international in nature and may not be confined to a specific country or geographic area.

Geographic / Risk Similar Region Concentration: The risk that events could negatively impact not only one country but many countries simultaneously in an entire region. Currently, 59.7 percent of the Bank's credit exposure is concentrated in three separate regions: Asia (25.0 percent), Latin America and the Caribbean (18.4 percent), and Europe (16.3 percent). The Bank regularly conducts stress testing on its overall portfolio and regions using Monte Carlo simulation. In March 2017, the Bank stress tested the Asia sub-portfolio where the simulation results showed that even in the most extreme simulations the Bank 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. The Bank's five largest public and private-sector obligors make up 22.7 percent of the portfolio. The Bank proactively manages individual transactions in the Bank's portfolio with a focus upon the financial condition of an obligor. In addition, the Bank 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 Bank transactions denominated in that foreign currency. If and when the Bank 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 Bank 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 Bank provides support for guarantees and insurance denominated in certain foreign currencies. At the time of authorization, EXIM Bank 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 Bank makes fixed-rate loan commitments prior to borrowing to fund loans and takes the risk that it will have to borrow the funds at an interest rate greater than the rate charged on the credit. 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 Bank 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, the Bank 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 the bank. EXIM Bank also has an Office of Inspector General that conducts audits, inspections and investigations relating to the Bank'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 the Bank's loans, guarantees, and insurance. Under provisions of the Export-Import Bank Act, as amended in FY 2015, the Bank's current statutory limit on lending is $135.0 billion. At September 30, 2017, EXIM Bank's statutory authority was obligated as follows:

EXHIBIT 12: STATUTORY LIMIT ON LENDING

(in millions)	Available	Obligated	Balance
Statutory Limit on Lending	$135,000.0	$72,478.9	$62,521.1

IX. LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared to report the financial position and results of operations of EXIM Bank, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of EXIM Bank in accordance with government GAAP 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 the Office of Management and Budget (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 Bank is in compliance with the DATA Act requirements and provides its spending information—including linked financial and award data—using a new, government-wide data structure. EXIM reports DATA Act information to the U.S. Treasury on a quarterly basis.

Management Report on Financial Statement and Internal Accounting Controls

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

The Bank's operations fall under the provisions of the Federal Credit Reform Act of 1990. This law provides that subsidy calculations must be performed (on a present-value basis) for all new loan, guarantee, and insurance commitments, and the resulting cost, if any, must be covered by 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 accounting principles generally accepted in the United States of America for federal agencies (government 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 that is 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. The Bank believes that its system of internal accounting controls appropriately balances the cost/benefit relationship.

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

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.

Scott P. Schloegel, First Vice President and Vice Chairman of the Board (Acting)

Inci Tonguch-Murray, Senior Vice President Chief Financial Officer (Acting)

David M. Sena, Senior Vice President of Board-Authorized Finance

December 13, 2017

Balance Sheets

(in millions)	As of September 30, 2017	As of September 30, 2016
ASSETS		
Intragovernmental		
Fund Balance with the U.S. Treasury (Note 2)	$6,578.5	$4,513.4
Total Assets - Intragovernmental	**6,578.5**	**4,513.4**
Public		
Loans Receivable, Net		
Direct Loans Receivable, Net (Note 3A)	20,064.3	23,581.1
Receivables from Subrogated Claims, Net (Note 3E)	202.2	146.0
Total Loans Receivable, Net	**20,266.5**	**23,727.1**
Accounts Receivable (Note 6)	10.9	12.0
Total Assets - Public	**20,277.4**	**23,739.1**
Total Assets	**$26,855.9**	**$28,252.5**
LIABILITIES		
Intragovernmental		
Borrowings from the U.S. Treasury (Note 9)	$24,645.3	$25,021.6
Accounts Payable to the U.S. Treasury (Note 8)	1,243.8	1,277.5
Total Liabilities - Intragovernmental	**25,889.1**	**26,299.1**
Public		
Payment Certificates (Note 9)	25.1	41.5
Accounts Payable	7.6	7.1
Guaranteed Loan Liability (Note 3G)	984.0	1,359.2
Other Liabilities (Note 7, 10)	157.0	191.3
Total Liabilities - Public	**1,173.7**	**1,599.1**
Total Liabilities	**$27,062.8**	**$27,898.2**
NET POSITION		
Capital Stock	$1,000.0	$1,000.0
Unexpended Appropriations	215.9	216.5
Cumulative Results of Operations	(1,422.8)	(862.2)
Total Net Position	**(206.9)**	**354.3**
Total Liabilities and Net Position	**$26,855.9**	**$28,252.5**

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

Statements of Net Costs

(in millions)	For the Year Ended September 30, 2017	For the Year Ended September 30, 2016
Loans		
Program Costs	$1,152.0	$39.9
Less: Earned Revenue	(936.0)	(839.7)
Net Cost of Loans	**$216.0**	**($799.8)**
Guarantee		
Program Costs	($129.4)	$416.0
Less: Earned Revenue	(413.9)	(522.0)
Net Cost of Guarantees	**($543.3)**	**($106.0)**
Insurance		
Program Costs	$19.2	($44.6)
Less: Earned Revenue	(14.6)	(13.3)
Net Cost of Insurance	**$4.6**	**($57.9)**
Net Excess Program (Revenue) over Cost	**($322.7)**	**($963.7)**
Administrative Costs (Note 3K)		
Administrative Costs	$135.1	$114.7
Less: Administrative Expenses Reimbursed	(0.4)	(0.4)
Net Administrative Costs	**$134.7**	**$114.3**
Net Costs of Operations (Note 13)	**($188.0)**	**($849.4)**

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

Statements of Changes in Net Position

(in millions)	For the Year Ended September 30, 2017			
	Capital Stock	Unexpended Appropriations	Cumulative Results of Operations	Total
Beginning Balance	$1,000.0	$216.5	($862.2)	**$354.3**
Budgetary Financing Sources				
Appropriations Received - IG	-	5.7	-	**5.7**
Appropriations Received - Re-estimate	-	87.2	-	**87.2**
Appropriations Used	-	(93.3)	93.3	**-**
Offsetting Collections	-	-	125.4	**125.4**
Transfer Without Reimbursement	-	-	(11.1)	**(11.1)**
Other Adjustments	-	(0.2)	0.2	**-**
Other Financing Sources				
Imputed Financing	-	-	3.2	**3.2**
Other Non-Entity Activity (Note 8)	-	-	(959.6)	**(959.6)**
Total Financing Sources	**-**	**(0.6)**	**(748.6)**	**(749.2)**
Net Cost of Operations	**-**	**-**	**(188.0)**	**(188.0)**
Net Change	-	**(0.6)**	**(560.6)**	**(561.2)**
Ending Balance	**$1,000.0**	**$215.9**	**($1,422.8)**	**($206.9)**

(in millions)	For the Year Ended September 30, 2016			
	Capital Stock	Unexpended Appropriations	Cumulative Results of Operations	Total
Beginning Balance	$1,000.0	$216.2	($994.5)	**$221.7**
Budgetary Financing Sources				
Appropriations Received - IG	-	6.0	-	**6.0**
Appropriations Received - Re-estimate	-	239.9	-	**239.9**
Appropriations Used	-	(245.6)	245.6	**-**
Offsetting Collections	-	-	105.1	**105.1**
Transfer Without Reimbursement	-	-	(1,071.3)	**(1,071.3)**
Other Adjustments	-	-	(0.2)	**(0.2)**
Other Financing Sources				
Imputed Financing	-	-	3.7	**3.7**
Total Financing Sources	**-**	**0.3**	**(717.1)**	**(716.8)**
Net Cost of Operations	**-**	**-**	**(849.4)**	**(849.4)**
Net Change	**-**	**0.3**	**132.3**	**132.6**
Ending Balance	**$1,000.0**	**$216.5**	**($862.2)**	**$354.3**

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

Combined Statements of Budgetary Resources

(in millions)	For the Year Ended September 30, 2017 Budgetary	Non-Budgetary Credit Reform Financing Account	Total
Budgetary Resources:			
Unobligated Balance Brought Forward, October 1	$519.5	$2,151.3	$2,670.8
Adjustment to Unobligated Balance Brought Forward (Note 14)	-	-	-
Unobligated Balance Brought Forward, October 1 as Adjusted	519.5	2,151.3	2,670.8
Recoveries of Prior-Year Unpaid Obligations	3.0	155.9	158.9
Unobligated Balance of Borrowing Authority Withdrawn (-) (Note 14)	-	(135.0)	(135.0)
Other Changes in Unobligated Balance	(2.2)	-	(2.2)
Unobligated Balance from Prior-Year Budget Authority, Net	520.3	2,172.2	2,692.5
Appropriations (Discretionary and Mandatory)	92.9	-	92.9
Borrowing Authority (Discretionary and Mandatory) (Note 14)	-	1,100.0	1,100.0
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	121.5	2,789.3	2,910.8
Total Budgetary Resources (Note 14)	**$734.7**	**$6,061.5**	**$6,796.2**
Status of Budgetary Resources:			
Obligations Incurred (Note 14)	$217.9	$1,607.7	$1,825.6
Unobligated Balance, End of Year:			
Apportioned	232.0	4,453.8	4,685.8
Unapportioned	284.8	-	284.8
Total Unobligated Balance, End of Year (Note 14)	516.8	4,453.8	4,970.6
Total Status of Budgetary Resources	**$734.7**	**$6,061.5**	**$6,796.2**
Change in Obligated Balance:			
Unpaid Obligations, Brought Forward, October 1	$146.4	$3,088.5	$3,234.9
Adjustment to Unpaid Obligations Start of Year (Note 14)	-	-	-
Obligations Incurred	217.9	1,607.7	1,825.6
Outlays (Gross)	(217.2)	(2,570.2)	(2,787.4)
Recoveries of Prior-Year Unpaid Obligations	(3.0)	(155.9)	(158.9)
Unpaid Obligations, End of Year	144.1	1,970.1	2,114.2
Uncollected Payments:			
Uncollected Payments, Federal Sources Brought Forward, Oct 1	-	(104.0)	(104.0)
Change in Uncollected Payments, Federal Sources	-	-	-
Uncollected Customer Payments from Federal Sources, End of Year	-	(104.0)	(104.0)
Memorandum (non-add) Entries:			
Obligated Balance, Start of Year	146.4	2,984.5	3,130.9
Obligated Balance, End of Year, Net	**$144.1**	**$1,866.1**	**$2,010.2**
Budget Authority and Outlays, Net:			
Budget Authority, Gross (Discretionary and Mandatory)	$214.4	$3,889.3	$4,103.7
Actual Offsetting Collections (Discretionary and Mandatory)	(132.6)	(5,021.3)	(5,153.9)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory)	-	-	-
Budget Authority, Net (Discretionary and Mandatory)	**$81.8**	**($1,132.0)**	**($1,050.2)**
Outlays, Gross (Discretionary and Mandatory)	217.2	2,570.2	2,787.4
Actual Offsetting Collections (Discretionary and Mandatory)	(132.6)	(5,021.3)	(5,153.9)
Outlays, Net (Discretionary and Mandatory)	**$84.6**	**($2,451.1)**	**($2,366.5)**
Distributed Offsetting Receipts (-)	-	(1,019.7)	(1,019.7)
Agency Outlays, Net (Discretionary and Mandatory)	**$84.6**	**($3,470.8)**	**($3,386.2)**

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

Combined Statements of Budgetary Resources

(in millions)	For the Year Ended September 30, 2016 Budgetary	Non-Budgetary Credit Reform Financing Account	Total
Budgetary Resources:			
Unobligated Balance Brought Forward, October 1	$556.9	$2,780.9	$3,337.8
Adjustment to Unobligated Balance Brought Forward (Note 14)	-	(62.7)	(62.7)
Unobligated Balance Brought Forward, October 1 as Adjusted	556.9	2,718.2	3,275.1
Recoveries of Prior-Year Unpaid Obligations	2.3	1,043.0	1,045.3
Other Changes in Unobligated Balance	(0.4)	(1.9)	(2.3)
Unobligated Balance From Prior-Year Budget Authority, Net	558.8	3,759.3	4,318.1
Appropriations (Discretionary and Mandatory)	245.9	-	245.9
Borrowing Authority (Discretionary and Mandatory) (Note 14)	-	(1,022.9)	(1,022.9)
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	126.8	2,037.7	2,164.5
Total Budgetary Resources (Note 14)	**$931.5**	**$4,774.1**	**$5,705.6**
Status of Budgetary Resources:			
Obligations Incurred (Note 14)	$412.0	$2,622.8	$3,034.8
Unobligated Balance, End of Year:			
Apportioned	260.3	2,151.3	2,411.6
Unapportioned	259.2	-	259.2
Total Unobligated Balance, End of Year (Note 14)	519.5	2,151.3	2,670.8
Total Status of Budgetary Resources	**$931.5**	**$4,774.1**	**$5,705.6**
Change in Obligated Balance:			
Unpaid Obligations, Brought Forward, October 1	$126.8	$7,495.7	$7,622.5
Adjustment to Unpaid Obligations Start of Year (Note 14)	-	62.7	62.7
Obligations Incurred	412.0	2,622.8	3,034.8
Outlays (Gross)	(390.1)	(6,049.7)	(6,439.8)
Recoveries of Prior-Year Unpaid Obligations	(2.3)	(1,043.0)	(1,045.3)
Unpaid Obligations, End of Year	146.4	3,088.5	3,234.9
Uncollected Payments:			
Uncollected Payments, Federal Sources Brought Forward, Oct 1	-	(104.6)	(104.6)
Change in Uncollected Payments, Federal Sources	-	0.6	0.6
Uncollected Customer Payments from Federal Sources, End of Year	-	(104.0)	(104.0)
Memorandum (non-add) Entries:			
Obligated Balance, Start of Year	126.8	7,391.1	7,517.9
Obligated Balance, End of Year, Net	**$146.4**	**$2,984.5**	**$3,130.9**
Budget Authority and Outlays, Net:			
Budget Authority, Gross (Discretionary and Mandatory)	$372.7	$2,037.7	$2,410.4
Actual Offsetting Collections (Discretionary and Mandatory)	(142.5)	(3,483.6)	(3,626.1)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory)	-	0.6	0.6
Budget Authority, Net (Discretionary and Mandatory)	**$230.2**	**($1,445.3)**	**($1,215.1)**
Outlays, Gross (Discretionary and Mandatory)	390.1	6,049.7	6,439.8
Actual Offsetting Collections (Discretionary and Mandatory)	(142.5)	(3,483.6)	(3,626.1)
Outlays, Net (Discretionary and Mandatory)	**$247.6**	**$2,566.1**	**$2,813.7**

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

Export-Import Bank of the United States Notes to the Financial Statements

For the Years Ended September 30, 2017, and September 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Enabling Legislation and Mission

The Export-Import Bank of the United States ("EXIM", "EXIM Bank", or "the Bank") 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, and is exempt from federal, state, and local income taxes. EXIM Bank is the official export credit agency of the United States. EXIM Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act (FCRA) of 1990, Public Law (P.L.) 101-508, which became effective October 1, 1991. In accordance with its charter (12 USC 635 et seq.), continuation of EXIM Bank'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 the Bank's charter until September 30, 2019. The mission of EXIM Bank 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. The Bank's charter requires reasonable assurance of repayment for the transactions the Bank authorizes, and the Bank closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. exports, EXIM Bank offers four financial products: loan guarantees, working capital guarantees, direct loans, and export credit insurance. All EXIM Bank obligations carry the full faith and credit of the U.S. government.

During fiscal year (FY) 2015 and FY 2016, the Bank's authority to approve transactions lapsed from July 1, 2015, to December 4, 2015. In addition, since July 20, 2015, the Board of Directors of the Bank has lacked a quorum for the transaction of business, and, as a result, the Bank is unable to approve medium- and long-term transactions over $10.0 million.

EXIM Services

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

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

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

Basis of Accounting

EXIM Bank 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 Bank 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 August 15, 2017, A-136, EXIM Bank follows the format and content outlined by Circular A-136 when preparing the financial statements and footnotes.

EXIM's Balance Sheets, Statements of Net Costs, 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, including commitments, obligation, and eventual outlay. 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 Bank uses its historical default and recovery experience to calculate loss estimates. Actual results may differ from those estimates.

Funds 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 Treasury include expired year amounts, which are unavailable for obligation, as well as amounts currently available for new obligations.

Loans Receivables, Net

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

Receivables from Subrogated Claims, Net

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

Accrued Interest

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

Accounting for Capitalized Interest on Rescheduled Loans and Subrogated Claims

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

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

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

The allowance is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the credits in light of historical and market experience, the nature and volume of the credit portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral,

and prevailing worldwide economic and political conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance for EXIM Bank'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 Bank has established cash-flow models for expected defaults, fees, and recoveries to estimate the credit loss for each approved credit. EXIM Bank 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) 18, Amendments to Accounting Standards for Direct Loans and Loan Guarantees. The re-estimates adjust the allowance for credit losses to account for actual activity and changes in the financial and economic factors that affect the repayment prospects over time.

Accounting for Guarantees in a Foreign-Currency

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

Borrowings from the U.S. Treasury

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

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 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 Bank's outstanding liability related to specific claims for which EXIM Bank is paying the guaranteed lender as the guaranteed installments become due. Payment certificates are issued by EXIM Bank in exchange for the foreign importer's defaulted note which was guaranteed by EXIM Bank. 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 Bank charges a risk-related exposure fee under both the loan and guarantee programs that is collected on each loan disbursement or shipment of goods under the guarantee policy. This fee is amortized over the life of the credit using the effective yield method.

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

Appropriated Capital

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

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

Capital Stock

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

Imputed Financing

A financing source is imputed by EXIM Bank to provide for pension and other retirement benefit expenses recognized by EXIM Bank but financed by the Office of Personnel Management (OPM). EXIM Bank follows OPM guidance released annually when calculating the imputed cost (OPM Benefits Administration Letter, Number 16-304 dated July 2016).

Liquidating Account Distribution of Income

EXIM Bank maintains a liquidating account which accumulates the repayment on loans and claims issued prior to the FCRA. At the end of each fiscal year, EXIM Bank 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.

Prior-Year Reclassifications

Certain prior-year amounts have been reclassified to conform with the current-year presentation.

2. FUND BALANCE WITH THE U.S. TREASURY

Fund balances as of September 30, 2017, and September 30, 2016 were as follows:

(in millions)	FY 2017	FY 2016
Revolving Funds	$5,917.7	$3,847.6
General Funds - Unexpended Appropriations	546.3	538.9
General Funds - Offsetting Collections	114.5	126.9
Total	**$6,578.5**	**$4,513.4**
Status of Fund Balance with the U.S. Treasury		
Unobligated Balance		
Available	$4,685.8	$2,411.6
Expired	284.2	259.2
Canceled and Unavailable	2.2	0.5
Obligated Balance Not Yet Disbursed	506.3	1,842.1
Reserved Funds	1,100.0	-
Total	**$6,578.5**	**$4,513.4**

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

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, the Bank 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 the Bank. As requested by the Reauthorization Act of 2015, per the reserve requirement effective in FY 2017, the Bank has set aside $1,100 million funds to protect against future losses in addition to the total allowance of $2,577.8 million reserved in accordance with FCRA and SFFAS 2, Accounting for Direct Loans and Guarantees, as disclosed in Note 3L, Allowance and Exposure Summary. Therefore, EXIM has available reserves and allowance for losses totaling $3,677.8 million (5.3 percent of the total outstanding balance of loans, guarantees, and insurance) as of September 30, 2017. The Bank reviews the reserve levels in the financing accounts on an annual basis, to be compliant with the reserve requirement.

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 and are returned to the U.S. Treasury in subsequent years. Obligated balance not yet disbursed represents appropriations, offsetting collections and funds held in the loan financing account awaiting disbursement.

As of September 30, 2017, and September 30, 2016, there were no unreconciled differences between U.S. Treasury records and balances reported on EXIM Bank's general ledger.

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

EXIM Bank offers fixed-rate loans directly to foreign buyers of U.S. goods and services. EXIM Bank extends to a company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. The buyer must make a cash payment to the U.S. exporter of at least 15 percent of the U.S. contract value. EXIM Bank'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 Bank loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. EXIM Bank guarantees to a lender that, in the event of a payment default by the borrower, it will pay to the lender the outstanding principal and interest on the loan. EXIM Bank's guarantee covers the commercial and political risks for 85 percent of the U.S. contract value.

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

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 204 sovereign and 202 non-sovereign markets.

FY 2017 and FY 2016 Activity

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

EXIM Bank received a $5.7 million appropriation in FY 2017 and $6.0 million in FY 2016 for the Office of Inspector General (OIG) administrative costs.

New loans, guarantees, and insurance result in a program cost (or subsidy cost) when the net present value of expected cash disbursements exceeds expected cash receipts. Cash receipts typically include fees or premia, loan principal and interest, and cash disbursements typically include claim payments and loan disbursements. EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors.

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

Starting in FY 2008, EXIM Bank has operated on a self-sustaining basis using program revenue to fund current-year administrative expenses and program costs. During FY 2017, EXIM Bank collected $118.4 million of receipts in excess of estimated credit losses. Out of these offsetting collections, $110.7 million was used to fund administrative expenses, and $7.7 million was retained and is available for obligation until September 30, 2020. During FY 2016, EXIM Bank collected $400.8 million of receipts in excess of estimated credit losses. Out of these offsetting collections, $106.9 million was used to fund administrative expenses, $283.9 million was sent to the U.S. Treasury, and $10.0 million was retained and is available for obligation until September 30, 2019.

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

Allowances for Losses

The process by which EXIM Bank 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 Bank 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 Bank determines the allowance using historical default and recovery rates. The allowance for losses on this exposure is calculated using the credit loss estimate method. 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 Bank 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 in accordance with OMB guidelines and SFFAS 2 and 19. This re-estimate indicates the appropriate balance necessary in the financing accounts to ensure sufficient funds to pay future estimated claims.

EXIM Bank 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 Bank from a general appropriation account authorized for this purpose.

Every year, EXIM Bank re-evaluates the methods used for calculating the reserves needed to cover expected losses. The Bank uses historical experience to estimate the probability of default as well as the loss given default. The probability of default (PD) is the likelihood that a transaction would go into default 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 Bank uses recent historical loss experience and other factors in developing the expected loss factors.

EXIM Bank incorporates a quantitative and qualitative framework to calculate loss reserves. This framework has continuously evolved and been refined over the years.

In FY 2016, EXIM Bank updated qualitative adjustments in its loss model, of which a subset 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, and the recent growth in the Bank's portfolio.

As of September 30, 2017, the credit loss re-estimate of FY 1992 through FY 2017 commitments outstanding balances indicated that there was a net excess of $310.8 million in

the financing accounts. The transfer of the net downward re-estimate to the U.S. Treasury will take place in FY 2018. As of September 30, 2016, the credit loss re-estimate of FY 1992 through FY 2016 commitments outstanding balances indicated that a net excess of $932.5 million in the financing accounts. The transfer of the net downward re-estimate to the U.S. Treasury took place in FY 2017.

A. Direct Loans

EXIM Bank'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. At September 30, 2017, and September 30, 2016, the total allowance for direct loans obligated prior to FY 1992, including capitalized interest, equaled 33.4 percent and 29.0 percent, respectively, of gross loans and interest receivable.

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. The credit loss is the amount of loss estimated to be incurred on the transaction, as previously described. At September 30, 2017, and September 30, 2016, the allowance for loan losses on credit-reform credits equaled 3.4 percent and 1.8 percent, respectively, of the outstanding loans and interest receivable balance.

At September 30, 2017, and September 30, 2016, the allowance for both pre-credit-reform and post credit-reform loans equaled 3.9 percent and 2.2 percent, respectively, of the total loans and interest receivable.

The outstanding balances related to rescheduled installments included in loans receivable at September 30, 2017, and September 30, 2016, were $543.9 million and $633.0 million, respectively.

The net balance of loans receivable at September 30, 2017, and September 30, 2016, consists of the following:

FY 2017 (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	$331.4	$20.2	($117.6)	$234.0
Loans Obligated After FY 1991	20,371.0	162.3	(703.0)	19,830.3
Total	**$20,702.4**	**$182.5**	**($820.6)**	**$20,064.3**

FY 2016 (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	$339.6	$1.4	($98.9)	$242.1
Loans Obligated After FY 1991	23,611.0	163.5	(435.5)	23,339.0
Total	**$23,950.6**	**$164.9**	**($534.4)**	**$23,581.1**

(in millions)	FY 2017	FY 2016
Direct Loans Disbursed During Year	**$771.1**	**$3,415.8**

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 2017	FY 2016
Interest	($73.5)	($233.6)
Defaults	30.8	100.3
Fees and Other Collections	(49.3)	(163.7)
Total Program Cost	**(92.0)**	**(297.0)**
Net Re-estimate –Technical	39.6	(560.4)
Net Re-estimate – Interest	182.0	(210.3)
Total Net Re-estimate	**221.6**	**(770.7)**
Total Direct Loan Program (Cost) and Re-Estimate Expense	**$129.6**	**($1,067.7)**

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

In FY 2017 and FY 2016 EXIM did not authorize direct loans that are associated with program costs.

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 2017	FY 2016
Post-1991 Direct Loans		
Beginning Balance of the Allowance Account	$435.5	$1,425.5
Current Year Program Cost *(see Note 3B for Component Breakdown)*	(92.0)	(297.0)
Loans Written Off	-	(42.6)
Program-Cost Allowance Amortization	161.1	64.6
Capitalized Interest	17.4	108.1
Fees Recognized in Income	(51.9)	(46.2)
Miscellaneous Recoveries and (Costs)	10.8	(6.2)
Ending Balance Before Re-estimate	**481.4**	**1,206.2**
Net Re-estimate – Technical	39.6	(560.4)
Net Re-estimate – Interest	182.0	(210.3)
Ending Balance of the Allowance Account	**$703.0**	**$435.5**

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

E. Defaulted Guaranteed Loans

The allowance for defaulted guaranteed loans is calculated using the allowance for loss method as formerly described. Capitalized interest included in gross defaulted guaranteed loans receivable is reserved at 100 percent. The total allowance equaled 79.3 percent of gross defaulted guaranteed loans and interest receivable at September 30, 2017, and 87.9 percent at September 30, 2016.

FY 2017 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fee Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Defaulted Guaranteed Loans				
Obligated Prior to FY 1992	$49.3	$1.6	($20.2)	$30.7
Obligated After FY 1991	924.1	0.4	(753.0)	171.5
Total	**$973.4**	**$2.0**	**($773.2)**	**$202.2**

FY 2016 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fee Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Defaulted Guaranteed Loans				
Obligated Prior to FY 1992	$52.1	$1.6	($27.3)	$26.4
Obligated After FY 1991	1,149.2	0.5	(1,030.1)	119.6
Total	**$1,201.3**	**$2.1**	**($1,057.4)**	**$146.0**

F. Guaranteed Loans and Insurance

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

(in millions)	FY 2017	FY 2016
Gross Outstanding Principal of Guaranteed Loans and Insurance, Face Value	$47,369.4	$55,173.5
Undisbursed Principal of Guaranteed Loans and Insurance, Face Value	2,871.0	5,280.5
Total Principal of Guaranteed Loans and Insurance, Face Value	**$50,240.4**	**$60,454.0**
Amount of Principal That is Guaranteed and Insured by EXIM Bank	$50,240.4	$60,454.0
Gross Amount of Guaranteed Loans and Insurance Disbursed During Year, Face Value	$4,214.9	$7,221.5
Amount of Guaranteed Loans and Insurance Disbursed During Year that is Guaranteed and Insured by EXIM Bank	$4,214.9	$7,221.5

G. Liability for Loan Guarantees and Insurance

The liability for loan guarantees and insurance balances of $984.0 million at September 30, 2017, and $1,359.2 million at September 30, 2016, 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 2017	FY 2016
Defaults	$20.9	$91.3
Fees and Other Collections	(46.6)	(176.2)
Total Program Costs	**(25.7)**	**(84.9)**
Net Re-estimate – Principal	(419.2)	(127.1)
Net Re-estimate – Interest	(113.2)	(34.7)
Total Net Re-estimate	**(532.4)**	**(161.8)**
Total Loan Guarantee and Insurance Program (Cost) and Re-Estimate Expense	**($558.1)**	**($246.7)**

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 2017	FY 2016
Defaults	2.3%	1.3%
Fees and Other Collections	(3.1)	(2.3)
Total	**(0.8)%**	**(1.0)%**

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 2017	FY 2016
Post-1991 Loan Guarantees		
Beginning Balance of the Allowance Account	$1,359.2	$1,435.6
Current-Year Program Cost (See Note 3H for Component Breakdown)	(25.7)	(84.9)
Program Cost Allowance Amortization	490.0	439.8
Fees Recognized in Income	(300.8)	(239.3)
Other	(6.3)	(30.2)
Ending Balance Before Re-estimate	**1,516.4**	**1,521.0**
Net Re-estimate – Technical	(419.2)	(127.1)
Net Re-estimate – Interest	(113.2)	(34.7)
Ending Balance of the Allowance Account	**$984.0**	**$1,359.2**

K. Administrative Costs

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

(in millions)	FY 2017	FY 2016
Total Administrative Expense	$134.8	$114.3

L. Allowance and Exposure Summary

The allowance for losses for EXIM Bank credits authorized after the 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 estimated net cash flows of the loan guarantee is recognized as a guaranteed loan liability.

(in millions)	FY 2017	FY 2016
Pre-Credit-Reform Allowance		
Allowance for Loan Losses	$117.6	$98.9
Allowance for Defaulted Guarantees	20.2	27.3
Total Pre-Credit-Reform Allowance	**137.8**	**126.2**
Credit-Reform Allowance		
Allowance for Loan Losses	703.0	435.5
Allowance for Defaulted Guarantees and Insurance	753.0	1,030.1
Liability for Loan Guarantees, and Insurance,	984.0	1,359.2
Total Credit-Reform Allowance	**2,440.0**	**2,824.8**
Total Allowance for Loan Losses	820.6	534.4
Total Allowance for Guarantees and Insurance	1,757.2	2,416.6
Total Allowance	**$2,577.8**	**$2,951.0**
Total Outstanding Balance of Loans, Guarantees, and Insurance	$69,045.2	$80,325.4
Percent Allowance to Outstanding Balance	3.7%	3.7%
Total Exposure	**$72,478.9**	**$87,262.4**
Percent Allowance to Exposure	3.6%	3.4%

4. ACCRUAL OF INTEREST

The weighted-average interest rate on EXIM Bank's loan and rescheduled claim portfolio at September 30, 2017, was 2.65 percent (2.78 percent on performing loans and rescheduled claims). The weighted-average interest rate on EXIM Bank's loan and rescheduled claim portfolio at September 30, 2016, was 2.67 percent (2.77 percent on performing loans and rescheduled claims). Interest income is recognized when collected on non-rescheduled claims.

Generally, the accrual of interest on loans and rescheduled claims is discontinued when the credit is delinquent for more than 90 days.

EXIM Bank had a total of $953.3 million and $37.1 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2017. EXIM Bank had $843.2 million and $41.5 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2016. Had these credits been in accrual status, interest income would have been $15.6 million higher as of September 30, 2017 (amount is net of interest received of $17.5 million), and $11.7 million higher in FY 2016 (amount is net of interest received of $17.2 million).

5. STATUTORY LIMITATIONS ON LENDING AUTHORITY

Under its charter, EXIM Bank's statutory lending limit in FY 2017 and FY 2016 was $135.0 billion of loans, guarantees, and insurance exposure at any one time. As of September 30, 2017, and September 30, 2016, EXIM Bank's statutory authority used was as follows:

(in millions)	FY 2017	FY 2016
Outstanding Guarantees	$46,290.5	$54,057.7
Outstanding Loans	20,702.4	23,950.6
Outstanding Insurance	1,078.9	1,115.8
Outstanding Claims	973.4	1,201.3
Total Outstanding	**69,045.2**	**80,325.4**
Undisbursed Loans	562.7	1,656.5
Undisbursed Guarantees	327.4	1,341.1
Undisbursed Insurance	2,543.6	3,939.4
Total Undisbursed	**3,433.7**	**6,937.0**
Total Exposure	**$72,478.9**	**$87,262.4**

Transactions can be committed only to the extent that budget authority is available to cover program costs. For FY 2017 and FY 2016, 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 Bank's charter was not exceeded.

During FY 2017, EXIM Bank committed $3,431.0 million for direct loans, guarantees, and insurance, using no budget authority and no tied-aid funds. During FY 2016, EXIM Bank committed $5,037.1 million for guarantees and insurance, using no budget authority and no tied-aid funds.

EXIM Bank has authorized guarantee transactions denominated in a Foreign-Currency during FY 2017 totaling $14.5 million, and authorized $17.6 million during FY 2016, as calculated at the exchange rate at the time of authorization. EXIM Bank adjusts the allowance for all transactions denominated in a foreign currency using the various foreign-currency exchange rates at the end of the fiscal year.

For financial statement purposes, EXIM Bank defines exposure as the authorized outstanding and undisbursed principal balance of loans, guarantees, and insurance. It also includes the unrecovered balance of payments made on claims that were submitted to 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 the Bank's overall $135.0 billion statutory lending limit imposed by Section 6(a) (2) of EXIM Bank's charter.

Working capital guarantees may be approved for a single loan or a revolving line of credit, with an availability generally of one year. Guaranteed lenders do not report activity to EXIM Bank, the entire credit is assumed to be "disbursed" when the fee is paid to the Bank. 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 Bank 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.

6. ACCOUNTS RECEIVABLE

As of September 30, 2017, and September 30, 2016 accounts receivable mainly consists of guarantee fee receivables.

7. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

EXIM Bank's liability to employees for accrued unfunded annual leave, included in Other Liabilities on the Balance Sheets, was $4.7 million as of September 30, 2017, and $4.5 million as of September 30, 2016. The liability will be paid from future administrative expense budget authority.

(in millions)	FY 2017	FY2016
PUBLIC		
Current		
Accrued Annual Leave Liability	$4.7	$4.5
Total Liabilities Not Covered by Budgetary Resources	**4.7**	**4.5**
Total Liabilities Covered by Budgetary Resources	**152.3**	**186.8**
Total Liabilities	**$157.0**	**$191.3**

(see Note 10 for Component Breakdown)

8. NON-ENTITY ASSETS

Non-Entity Assets are assets that are held by EXIM but are not available for use in its operations. The main non-entity asset that EXIM carries is the downward subsidy re-estimates for its Loan and Guarantee Programs. At year-end EXIM accrues the current year re-estimates including the downward portion, which is sent to Treasury in the following fiscal year. As of September 30, 2017, the downward re-estimate was $959.6 million, which will be sent to Treasury in FY 2018. At September 30, 2016, the downward re-estimate was $1,019.7 million, which was sent to Treasury in FY 2017. 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 2017	FY 2016
Intragovernmental Entity		
Expired Funds Payable to Treasury	($284.2)	($257.8)
Intragovernmental Non-Entity		
Downward Re-estimate Payable to Treasury	(959.6)	(1,019.7)
Amounts Payable to U.S. Treasury	**($1,243.8)**	**($1,277.5)**

9. DEBT

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

EXIM Bank's total debt at September 30, 2017, and September 30, 2016, is as follows:

(in millions)	FY 2017	FY 2016
U.S. Treasury Debt		
Beginning Balance	$25,021.6	$22,725.4
New Borrowings	1,855.6	3,705.7
Repayments	(2,231.9)	(1,409.5)
Ending Balance	**$24,645.3**	**$25,021.6**
Debt Held by the Public		
Beginning Balance	$41.5	$29.0
New Borrowings	–	37.0
Repayments	(16.4)	(24.5)
Ending Balance	**$25.1**	**$41.5**
Total Debt	**$24,670.4**	**$25,063.1**

EXIM Bank had $24,645.3 million of borrowings outstanding with the U.S. Treasury at September 30, 2017, and $25,021.6 million at September 30, 2016, with a weighted-average interest rate of 3.0 percent at both September 30, 2017, and September 30, 2016.

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 Bank through the re-estimation process for this purpose. The full amount of the borrowings is expected to be repaid by FY 2033.

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

Outstanding payment certificates at , and September 30, 2016, were $25.1 million, and $41.5 million, respectively. Maturities of payment certificates at September 30, 2017, are as follows:

(in millions)

Fiscal Year	Amount
2018	$13.6
2019	9.7
2020	1.8
Total	**$25.1**

The weighted-average interest rate on EXIM Bank's outstanding payment certificates at September 30, 2017, and September 30, 2016, was 3.0 percent and 3.1 percent, respectively.

10. OTHER LIABILITIES

(in millions)	FY 2017	FY 2016
Intergovernmental		
Employer Contributions Payable	$0.4	$0.5
Total Integovernmental	**0.4**	**0.5**
Public		
Current		
Funds Held Pending Application	$0.2	$2.5
Administrative Expenses Payable	7.0	6.2
Miscellaneous Accrued Payable	0.7	0.7
Non- Current		
Deferred Revenue	148.7	181.4
Total Public	**156.6**	**190.8**
Total Other Liabilities	**$157.0**	**$191.3**

As of September 30, 2017, and September 30, 2016, $148.7 million and $181.4 million respectively represent deferred revenue in the form of offsetting collections which are available to cover administrative expenses and program costs.

11. OPERATING LEASES

EXIM Bank's two Washington D.C. office spaces are leased from the General Services Administration through the Public Buildings Fund. Exim Bank's office space in regional locations is leased through the U.S. Export Assistance Center. Total lease expenses, included in Administrative Costs on the Statements of Net Costs, were $9.2 million in FY 2017 and $8.1 million in FY 2016. EXIM Bank's two occupancy agreements will be up for renewal in FY 2020 and both are cancellable. The future payments under the two agreements are as follows:

(in millions)

Fiscal Year	Amount
2018	$8.2
2019	8.2
2020	3.2
2021	-
Total	**$19.6**

12. COMMITMENTS AND CONTINGENCIES

Pending Litigation

As of September 30, 2017, EXIM Bank 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 Bank.

13. DISCLOSURES RELATED TO THE STATEMENTS OF NET COSTS

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

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

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

Public Costs and Public Revenue

(in millions)

	Loans	Guarantees	Insurance	Administrative Expenses	Total
For the Year Ended September 30, 2017					
Intragovernmental Costs	$754.9	$15.3	$ -	$13.9	$784.1
Public Costs	397.1	(144.7)	19.2	121.2	392.8
Total Costs	**$1,152.0**	**$129.4**	**$19.2**	**$135.1**	**$1,176.9**
Intragovernmental Revenue	($104.4)	($64.4)	$0.7	$ -	($168.1)
Public Revenue	(831.6)	(349.5)	(15.3)	(0.4)	(1,196.8)
Total Revenue	**($936.0)**	**($413.9)**	**($14.6)**	**(0.4)**	**($1,364.9)**
Net Excess of Program (Revenue) Over Cost					**($188.0)**
For the Year Ended September 30, 2016					
Intragovernmental Costs	$763.6	$ -	$ -	$7.8	$771.4
Public Costs	(723.7)	416.0	(44.6)	106.9	(245.4)
Total Costs	**$39.9**	**$416.0**	**($44.6)**	**$114.7**	**$526.0**
Intragovernmental Revenue	($106.4)	($61.2)	$0.9	$ -	($166.7)
Public Revenue	(733.3)	(460.8)	(14.2)	(0.4)	(1,208.7)
Total Revenue	**($839.7)**	**($522.0)**	**($13.3)**	**($0.4)**	**($1,375.4)**
Net Excess of Program (Revenue) Over Cost					**($849.4)**

14. DISCLOSURES RELATED TO THE COMBINED STATEMENTS OF BUDGETARY RESOURCES

Combined Statements of Budgetary Resources disclose total budgetary resources available to the Bank and the status of such resources at September 30, 2017, and September 30, 2016. Activity impacting budget totals of the overall U.S. government budget is recorded in EXIM Bank's Combined Statements of Budgetary Resources budgetary accounts.

Activity which does not impact budget totals is recorded in EXIM Bank's Combined Statements of Budgetary Resources non-budgetary accounts. As of September 30, 2017, and September 30, 2016, the Bank's resources in budgetary accounts totaled $734.7 million and $931.5 million, respectively. As of September 30, 2017, and September 30, 2016, the Bank's resources in non-budgetary accounts totaled $6,061.5 million, and $4,774.1 million, respectively.

Adjustments to Beginning Balance of Budgetary Resources

EXIM Bank made no adjustments to the beginning budgetary resources during the period ended September 30, 2017. EXIM Bank made a $62.7 million adjustment to the beginning budgetary resources during the year ended September 30, 2016.

Apportionment Categories of Obligations Incurred

EXIM Bank funds are apportioned in Category B, which restricts the use of funds by program. The amount of Category B apportionments that were obligated in FY 2017 and FY 2016 totaled $1,825.6 million and $3,034.8 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 2016 upward re-estimate received from the U.S. Treasury in FY 2017 was $87.2 million; while the downward re-estimate sent to the U.S. Treasury was $1,019.7 million. The FY 2015 upward re-estimate received from the U.S. Treasury in FY 2016 was $239.9 million; while the downward re-estimate sent to the U.S. Treasury was $1,518.6 million.

Available Borrowing Authority and Terms of Borrowing

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

For FY 2017 EXIM Bank had a net increase in overall borrowing authority of $965.0 million while in FY 2016 EXIM Bank had a net decrease in overall borrowing authority of $1,022.9 million

Unobligated Balances

Unobligated balances at September 30, 2017, totaled $4,970.6 million. Of the 4,970.6 million, $4,453.8 million represents the amount in the loan, guarantee, and insurance financing accounts that is available to cover future defaults, and $284.8 million is unavailable for new obligations.

Unobligated balances at September 30, 2016, totaled $2,670.8 million. Of the $2,670.8 million, $2,151.3 million represents the amount in the guarantee and insurance financing account that was available to cover future defaults, and $259.2 million was 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, 2017, and September 30, 2016, were $2,078.6 million and $3,197.6 million, respectively.

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 2019 Budget with actual numbers for FY 2017 has not yet been published. EXIM Bank expects no material differences between the President's budget and the FY 2017 reported results when the budget becomes available in February 2018.

15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

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

(in millions)	For the Year Ended September 30, 2017	For the Year Ended September 30, 2016
Resources Used To Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$1,825.6	$3,034.8
Less: Spending Authority from Offsetting Collections and Recoveries	5,301.7	4,619.3
Net Obligations	(3,476.1)	(1,584.5)
Other Resources		
Imputed Financing from Costs Absorbed by Others	3.2	3.7
Total Resources Used To Finance Activities	**($3,472.9)**	**($1,580.8)**
Resources Used To Finance Items Not Part of Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	$1,120.6	$4,450.3
Resources That Fund Expenses in Prior Periods	(87.2)	(239.9)
Budgetary Offsetting Collections and Receipts That Do Not Affect		
Net Cost of Operations		
Credit-Program Collections	3,795.5	2,199.7
Resources That Finance the Acquisition of Assets	(1,775.5)	(5,298.6)
Total Resources That Do Not Finance Net Cost of Operations	3,053.4	1,111.5
Total Resources Used To Finance the Net Cost of Operations	**($419.5)**	**($469.3)**
Components of the Net Cost of Operations That Will Not Require or		
Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Allowance Amortization	$651.6	$504.5
Provision for Loss – Pre-Credit-Reform Credits	(95.0)	89.0
Downward Re-estimate of Credit-Losses	(959.6)	(1,055.5)
Upward Re-estimate of Credit-Losses	648.8	87.2
Change in Receivables	(17.5)	(1.0)
Change in Payables	3.2	(4.3)
Total Components Requiring or Generating Resources in Future Periods	**$231.5**	**($380.1)**
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**$231.5**	**($380.1)**
Net Excess Program Costs Over (Revenue)	**($188.0)**	**($849.4)**

16. 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 Bank to foreign borrowers to purchase U.S. made equipment "export loans."

EXIM Bank's credit and guarantee agreement with PEFCO provides that EXIM Bank will guarantee the due and punctual payment of interest on PEFCO's secured debt obligations which EXIM Bank has approved, and grants to EXIM Bank 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 Bank 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 Bank which provides that EXIM Bank 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 $6,120.0 million at September 30, 2017, ($5,554.9 million related to export loans and $565.1 million related to secured debt obligations) and $5,721.3 million at September 30, 2016 ($4,991.0 million related to export loans and $730.3 million related to secured debt obligations), are included by EXIM Bank in the total for guarantee, insurance, and undisbursed loans, and the allowance related to these transactions is included in the Guaranteed Loan Liability on the Balance Sheets.

EXIM Bank received fees totaling $60.7 million in FY 2017 ($60.5 million related to export loans and $0.2 million related to secured debt obligations) and $51.6 million in FY 2016 ($51.3 million related to export loans and $0.3 million related to secured debt obligations) for the agreements, which are included in Fee and Other Revenue on the Statements of Net Costs.

17. CONTRIBUTIONS TO EMPLOYEE RETIREMENT SYSTEMS

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

In FY 2017 and FY 2016, EXIM Bank withheld 7.0 percent of CSRS employees' gross earnings. EXIM Bank's contribution was 7.0 percent of employees' gross earnings. This sum was transferred to the CSRS fund from which this employee group will receive retirement benefits.

For FERS, EXIM Bank withheld 0.8 percent of employees' gross earnings. EXIM Bank's contribution was 13.7 percent of employees' gross earnings in FY 2017 and FY 2016. 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 2017 limit of $127,200 and 2016 limit of $118,500; that sum plus matching contributions by EXIM Bank 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 Bank withheld 3.1 percent of employee's group earnings. EXIM Bank's contribution was 11.9 percent of employee's gross earnings in FY 2017 and FY 2016. 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 2017 limit of $127,200 and 2016 limit of $118,500; that sum plus matching contributing by EXIM Bank 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 Bank withheld 4.4 percent of employee's group earnings. EXIM Bank's contribution was 11.9 percent of employee's gross earnings in FY 2017 and FY 2016. 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 2017 limit of $127,200 and 2016 limit of $118,500; that sum plus

matching contributing by EXIM Bank 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 $18,000 of Internal Revenue Service Elective Deferral Limit. In addition, FERS employees receive an agency automatic 1 percent contribution from EXIM Bank based on the employee regular contributions. FERS employees receive agency matching contributions by EXIM Bank up to 4 percent for a maximum EXIM Bank contributions to the TSP of 5 percent.

Total EXIM Bank (employer) matching contributions to the TSP, CSRS and FERS for all employees, included in Administrative Costs in the Statements of Net Costs, were approximately $9.5 million in FY 2017 and $7.8 million in FY 2016.

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

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

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

	For the Year Ended September 30, 2017					
(in millions)	Program Account	Direct Loan Financing Account	Guaranteed Loan Financing Account	Pre-Credit Reform Financing Account	Other	Total
BUDGETARY RESOURCES						
Unobligated Balance Brought Forward, October 1	$519.5	$710.0	$1,441.3	$-	$-	$2,670.8
Adjustment to Unobligated Balance Brought Forward (Note 14)	-	-	-	-	-	-
Unobligated Balance Brought Forward, October 1 As Adjusted	519.5	710.0	1,441.3	-	-	2,670.8
Recoveries of Prior-Year Unpaid Obligations	3.0	135.0	20.9	-	-	158.9
Unobligated Balance of Borrowing Authority Withdrawn (-) (Note 14)	-	(135.0)	-	-	-	(135.0)
Other Changes in Unobligated Balance	(2.2)	-	-	-	-	(2.2)
Unobligated Balance from Prior-Year Budget Authority, Net	520.3	710.0	1,462.2	-	-	2,692.5
Appropriations (Discretionary and Mandatory)	92.9	-	-	-	-	92.9
Borrowing Authority (Discretionary and Mandatory) (Note 14)	-	594.0	506.0	-	-	1,100.0
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	121.5	2,510.5	238.7	-	40.1	2,910.8
Total Budgetary Resources (Note 14)	**$734.7**	**$3,814.5**	**$2,206.9**	**$-**	**$40.1**	**$6,796.2**
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred (Note 14)	$217.9	$1,332.1	$275.6	$-	$-	$1,825.6
Unobligated Balance, End of Year:						
Apportioned	232.0	2,482.4	1,931.3	-	40.1	4,685.8
Unapportioned	284.8	-	-	-	-	284.8
Total Unobligated Balance, End of Year (Note 14)	516.8	2,482.4	1,931.3	-	40.1	4,970.6
Total Status of Budgetary Resources	**$734.7**	**$3,814.5**	**$2,206.9**	**$-**	**$40.1**	**$6,796.2**
CHANGE IN OBLIGATED BALANCE						
Unpaid Obligations, Brought Forward, October 1	$146.4	$2,976.1	$105.1	$-	$7.3	$3,234.9
Adjustment to Unpaid Obligations Start of Year (Note 14)	–	–	–	–	–	–
Obligations Incurred	217.9	1,332.1	275.6	-	-	1,825.6
Outlays (Gross) (-)	(217.2)	(2,225.6)	(337.3)		(7.3)	(2,787.4)
Recoveries of Prior-Year Unpaid Obligations	(3.0)	(135.0)	(20.9)	-	-	(158.9)
Unpaid Obligations, End of Year	144.1	1,947.6	22.5	-	-	2,114.2
Uncollected Payments:						
Uncollected Payments, Federal Sources Brought Forward, Oct 1	-	(12.1)	(91.9)	-	-	(104.0)
Change in Uncollected Payments, Federal Sources	-	-	-	-	-	-
Uncollected Customer Payments from Federal Sources, End of Year	-	(12.1)	(91.9)	-	-	(104.0)
Memorandum (Non-Add) Entries						
Obligated Balance, Start of Year	146.4	2,964.0	13.2	-	7.3	3,130.9
Obligated Balance, End of Year, Net	**$144.1**	**$1,935.5**	**($69.4)**	**$-**	**$-**	**$2,010.2**
Budget Authority And Outlays, Net:						
Budget Authority, Gross (Discretionary and Mandatory)	$214.4	$3,104.5	$744.7	$-	$40.1	$4,103.7
Actual Offsetting Collections (Discretionary and Mandatory)	(121.5)	(4,742.5)	(238.7)	(11.1)	(40.1)	(5,153.9)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory)	-	-	-	-	-	-
Budget Authority, Net (Discretionary and Mandatory)	**$92.9**	**($1,638.0)**	**$506.0**	**($11.1)**	**$-**	**($1,050.2)**
Outlays, Gross (Discretionary and Mandatory)	$217.2	$2,225.6	$337.3	$-	$7.3	$2,787.4
Actual Offsetting Collections (Discretionary and Mandatory)	(121.5)	(4,742.5)	(238.7)	(11.1)	(40.1)	(5,153.9)
Outlays, Net (Discretionary and Mandatory)	**$95.7**	**($2,516.9)**	**$98.6**	**($11.1)**	**($32.8)**	**($2,366.5)**
Distributed Offsetting Receipts (-)	-	(776.7)	(243.0)	-	-	(1,019.7)
Agency Outlays, Net (Discretionary and Mandatory)	**$95.7**	**($3,293.6)**	**($144.4)**	**($11.1)**	**($32.8)**	**($3,386.2)**

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 2015 assessment was focused on payments made in the 2014 fiscal year. Similarly, in FY 2015, EXIM assessed the susceptibility of Improper Payments of the 2014 fiscal year. EXIM has received OMB approval to assess improper payments using this methodology.

In FY 2015, EXIM introduced enhanced quantitative and qualitative methodologies of review that were utilized as a part of the FY 2015 review of FY 2014 improper payments. The central tool used in the qualitative assessment of EXIM payment programs was the Risk Assessment Questionnaire, which was considerably updated in 2015 for specific programs. In doing this, the questionnaire could target specific questions that provided a better measurement to management. 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 to 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 Bank 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. Inherent risks of improper payments due to the nature of agency programs or operations
8. 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
9. Results from improper payment work

Recapture Audit Plan

EXIM updated its Recapture Audit Plan in 2016 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 2015, 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. Additionally, 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 2015 by the Office of Inspector General. In accordance with the aforementioned act and internal requirements, EXIM Bank reviewed all payment programs for susceptibility to significant improper payments. The Bank concluded that none of the four programs were susceptible to significant improper payments and had met all reporting requirements of the IPERIA Act. For FY 2016, 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 2017 payments which will be reported in the FY 2018 Annual Report.

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 Bank), which comprise the balance sheet as of September 30, 2017, and the related statements of net cost, changes in net position, and combined statements of budgetary resources for the year 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 audit. We conducted our audit 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. 17-03, *Audit Requirements for Federal Financial Statements.* Those standards and OMB Bulletin No. 17-03 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 ON THE FINANCIAL STATEMENTS

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, 2017, and its net costs, changes in net position, and budgetary resources for the year then ended in accordance with U.S. generally accepted accounting principles.

OTHER MATTERS

Accompanying Prior Period Financial Statements

The accompanying financial statements of the Export-Import Bank of the United States as of September 30, 2016 and for the year then ended were audited by other auditors. Those auditors expressed an unmodified opinion on those financial statements in their report dated November 10, 2016.

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency 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 of Results of Operations and Financial Condition 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 audit 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 audit was 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 audit 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 December 13, 2017 on our consideration of EXIM Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, and contracts and other matters. The purpose of this report is to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the 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 Bank's internal control over financial reporting and compliance.

KPMG LLP

Washington, D.C.
December 13, 2017

Independent Auditors' Report

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. 17-03, *Audit Requirements for Federal Financial Statements*, the financial statements of Export-Import Bank of the United States (EXIM Bank), which comprise the balance sheet as of September 30, 2017, and the related statements of net cost, changes in net position, and combined statements of budgetary resources for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated December 13, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2017, we considered EXIM Bank'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 Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of EXIM Bank's internal control.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified one deficiency in internal control, described in Exhibit I, which we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EXIM Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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. 17-03.

EXIM Bank's Response to our Finding

EXIM Bank's response to the significant deficiency identified in our audit is included in Exhibit I. EXIM Bank's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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

KPMG LLP

Washington, D.C.
December 13, 2017

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Independent Auditors' Report

Export-Import Bank of the United States
Independent Auditors' Report
Internal Control Over Financial Reporting

Exhibit I
Significant Deficiency

Cash Flow Model Documentation

Background

The Export-Import Bank (EXIM Bank) is the official export credit agency of the United States. EXIM Bank is an independent, self-sustaining Executive Branch agency with a mission of supporting American jobs by facilitating the export of U.S. goods and services. When private sector lenders are unable or unwilling to provide financing, EXIM Bank fills in the gap for American businesses by equipping them with the financing tools necessary to compete for global sales. Because it is backed by the full faith and credit of the United States, EXIM assumes credit and country risks that the private sector is unable or unwilling to accept. Presently EXIM Bank has the following broad types of programs aligned with its mission: Long-term Loans and Guarantees; Medium Term Loans, Guarantees, and Insurance; and Short Term Insurance. Under the *Federal Credit Reform Act of 1990* (FCRA), EXIM Bank is required to perform periodic interest rate and technical re-estimates of the subsidy cost of its loan, guarantee, and insurance programs. These reestimates are calculated using internally developed cash flow models. Specifically, in carrying out re-estimate calculations for financial statements, EXIM Bank uses a Loss Rate Factor (LRF) Model; German-Kolhagen (GK) Model; and Cash Flow (CF) Model.

Condition

During our audit, we reviewed EXIM Bank's models, management processes, documentation, and controls related to the financial statement re-estimates, which affect the allowance for losses and liability for loan guarantees reported in the financial statements.

The CF model combines historical data, with the probability of default (PD), recovery rate assumptions, the output from the GK and LRF models, as well as data from the Economist Intelligence Unit (EIU) country ranking data, to calculate future cash flows for each deal. These future cash flows, are then input into the format required by the Office Management and Budget (OMB) Credit Subsidy Calculator (CSC), a required present value discount tool for agencies with credit reform programs, to generate subsidy re-estimates in accordance with the FCRA. We noted the following relating to the CF model that collectively, we consider to be a significant deficiency:

- The model documentation should be enhanced to complement Standard Operating Procedures and other existing documents to describe, conceptually, how the CF model should work, and to provide sufficient details for an independent party to evaluate whether the actual model implementation is consistent with the conceptual model design. Additionally, management should provide more details on the qualitative considerations (i.e., these are in addition to the qualitative factors applied in the model) reflected in the model, supporting estimates above the model performance.
- The LRF model calculates lifetime PDs, i.e., the estimated PDs over the entire term of each deal. As deals age and show performance, industry practice would suggest that the total PD over the remaining life of a deal should be different from the lifetime PD. In other words, a deal with a lifetime PD of 10 percent in year 1, should have a remaining PD smaller than 10 percent in year 10, because it has performed as scheduled for 9 years. However, the current version of the CF model does not adjust the lifetime PDs to account for the age and performance of each deal. Instead, it spreads out the entire lifetime PD from the LRF over the remaining term, regardless of whether the deal is 1 year old, 5 years old, or 10 years old.
- The estimated defaults are heavily concentrated during the next 2 to 3 years, even if deals have 5, 10, 15, or more years remaining. As a result, the Net Present Value (NPV) of these defaults is likely higher than if the same amount of defaults were spread out throughout the remaining life of each deal, because defaults further out into the future are more heavily discounted. Further, we found no detailed documentation justifying the application of the defaults as represented in the CF model.

Criteria

Government Accountability Office (GAO) Standards for Internal Control in the Federal Government states:

- Principle 10.03, *Appropriate Documentation of Transactions and Internal Control,* "Management clearly

documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained."

FASAB Technical Release 6, *Preparing Estimates for Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act – Amendments to Technical Release No. 3 Preparing and Auditing Direct Loan and Loan Guarantee Subsidies under the Federal Credit Reform Act,* states the following:

- Paragraph 17, Agencies must accumulate sufficient relevant and reliable data on which to base cash flow projections. It is important to note that agencies should prepare all estimates and re- estimates based upon the best available data at the time the estimates are made. Agencies should prepare and report re-estimates of the credit subsidies, in accordance with SFFAS No. 2, 18, and 19, to reflect the most recent data available as discussed in the re-estimate section of this technical release. The OMB Circular A-11 also provides guidance on re-estimating credit subsidies. Guidance on the types of supporting documentation that is acceptable is found in paragraphs 20-22 of this technical release."
- Paragraph 20, "Documentation must be provided to support the assumptions used by the agency in the subsidy calculations. This documentation will not only facilitate the agency's review of the assumptions, a key internal control, it will also facilitate the auditor's review. Documentation should be complete and stand on its own, i.e., a knowledgeable independent person could perform the same steps and replicate the same results with little or no outside explanation or assistance. If the documentation were from a source that would normally be destroyed, then copies should be maintained in the file for the purposes of reconstructing the estimate."
- Paragraph 24, "Document the agency's cash flow model(s) used, the rationale for selecting the specific methodologies, and the degree of calibration within the model(s). Also, document the sources of information, the logic flow, and the mechanics of the model(s) including the formulas and other mathematical functions. In addition, document the controls over the model(s) used by the agency in preparing cash flow worksheets. Further, document that the cash flow model(s) reflect the terms of the loan contracts and, in a loan guarantee program, the loan guarantee contracts.

Additional details regarding internal control are discussed in the specific fund/program procedures and controls section of the technical release."

- Paragraph 40, "The cash flow estimation process, including all underlying assumptions, should be reviewed and approved at the appropriate level including revisions and updates to the original model."

Cause

The existing CF model and credit reform re-estimate process was not documented at a sufficient level of detail to enable an independent reviewer to assess the reasonableness of the cash flow model, its assumptions, and relevant qualitative considerations.

Effect

The CF is an integral part of the financial reporting process because it used for re-estimate calculations in the most significant balances and estimates at EXIM Bank. Management re-estimates calculation using the aforementioned model relies on complex computations and qualitative considerations. As a result, if the CF model is not sufficiently documented, it could inhibit proper review, transparency, and governance of the FCRA re-estimate process, which could lead to a misstatement of the financial statements.

Recommendations

With respect to the cash flow model, we recommend that EXIM Bank management:

1. Consider enhancing the model documentation to articulate how the cash flow model works and the rationale used in the models. The documentation should be at a sufficient level of detail to enable a reviewer to independently analyze the model.
2. Assess periodically the need to modify the cash flow model to adjust the lifetime PD assumption to account for the age and performance of each deal.
3. Document, in sufficient detail, additional qualitative considerations used by management to calculate re-estimates for financial statement reporting, that clearly bridges the gap between model historical performance and the resulting calculations. The documentation should include a quantification of the impact of these qualitative considerations on the outputs of the cash flow model.

Management's Response

EXIM Bank concurs with the recommendations. EXIM Bank, with the respect to the cash flow model, will enhance the model documentation clearly articulating how the model works and the rationale used in the model. Additionally, EXIM Bank will document the rationale associated with the qualitative considerations.

These considerations reflect EXIM Bank's reasonable reserve levels that are higher than current default experience. Finally, EXIM Bank will review the lifetime PD assumptions to account of the age and performance of each deal.

FY 2017 Congressional Reports

EXIM's charter, as renewed by Congress in PL 114-94 in 2015, requires the Bank to report progress on specific areas of activity in its annual report. In compliance with these requirements and other EXIM policies, the Bank is providing the following information for FY 2017.

SMALL AND MEDIUM-SIZED BUSINESSES

In support of U.S. small-business exports in FY 2017, EXIM Bank authorized almost $2.2 billion of total authorizations of $3.4 billion, well exceeding the 25 percent required by Congress. In FY 2017, small-business authorizations represented 63.5 percent of the total dollar value of authorizations and 75.8 percent of direct export value supported by the Bank.

The number of small-business authorizations was more than 2,200, or 91 percent, of the total number of the Bank's authorizations in the fiscal year.

Of EXIM's small-business authorizations, more than half involved amounts under $500,000, and 401 benefited first-time users of the Bank's products.

Additionally, many more American small businesses benefited indirectly from sales made in the supply chains of larger companies that directly used EXIM's financing products to support their exports.

All of EXIM's programs (financing products) are available to assist businesses with less than $250,000,000 in annual sales. For a discussion of the Bank products, see 'Management's Discussion and Analysis of Results of Operations and Financial Condition,' pp. 17-18.

Minority- and Woman-Owned Businesses

In FY 2017, EXIM Bank approved $482.1 million in support of minority- or woman-owned (MWOB) businesses, which accounted for more than 22 percent of small-business authorizations.

Outreach

EXIM staff traveled throughout the United States to educate and advise small businesses on how to become successful exporters. In FY 2017, the Bank sponsored 15 exporter forums and webinars for small businesses.

In addition, EXIM regional directors participated in more than 600 events, trade shows, and roundtables in support of local EXIM partners, associations, and small businesses.

EXIM staff also participated in nearly 140 outreach events from coast to coast in FY 2017 to engage minority- and woman-owned businesses in discussion about EXIM's products and services.

PRIVATE-SECTOR PARTICIPATION

EXIM Bank leveraged its resources in FY 2017 by working with private-sector lenders and other financial institutions to make its financing products accessible to small businesses. By the end of the fiscal year, approximately 90 lenders were enrolled in EXIM's Working Capital Guarantee Program.

INDUSTRY SECTORS

Agriculture – $436 million authorized to support $1.3 billion U.S. exports of agricultural goods and services, including commodities, livestock, foodstuffs, farm equipment, chemicals, supplies, and services. Approximately 84 percent of the supported exports in the agricultural sector were associated with small businesses.

Services - $132 million authorized to support an estimated $361 million of U.S. exports of services, including engineering, design, construction, computer software development, oil and gas drilling, architecture, technical services, training, and consulting. U.S. small businesses benefited from $58 million in authorizations that supported an estimated $141 million of services exports provided by these firms.

Textiles – $62 million authorized to support approximately $147 million of U.S. exports related to the textile industry, including exports of textile components or inputs (clothing and other textiles items) that were made in the United States. Approximately 80 percent of the supported exports in the textiles sector were associated with small businesses.

SUB-SAHARAN AFRICA SUPPORT

In FY 2017, the Bank authorized $38.2 million supporting U.S. exports to the region. There were 96 sub-Saharan Africa authorizations in FY 2017, which was 3.9 percent of the total number of authorizations.

At present, the Bank's pipeline in regard to sub-Saharan Africa consists of approximately $8 billion in financing applications, most of which will require authorization by EXIM's Board of Directors that currently lacks a quorum.

Building Relationships with Other African Institutions

In spite of the lack of a board quorum, EXIM continued to strengthen its relationships with African banking and other business partners for future support of U.S. exports to sub-Saharan countries.

- The Bank retained strong ties with South African banks, Nigerian banks, local banks in Angola and Liberia as well as regional banks such as Eastern and Southern African Trade and Development Bank (TDB), the African Finance Corporation (AFC), and the African Export-Import Bank (AFREXIM).
- As a result of EXIM's collaboration with African financial institutions, transactions in support of U.S. exports have been developed for the purchase of power equipment in Nigeria, mining equipment in South Africa, and wheat in Liberia.

Working with Other U.S. Government Agencies

EXIM Bank worked closely with other U.S. government agencies in relation to sub-Saharan Africa in FY 2017. The Bank coordinated export-driven efforts with the U.S. Foreign Service, Foreign Commercial Service of the Department of Commerce, the U.S. Trade and Development Agency (USTDA), U.S. Agency for International Development (USAID), the Millennium Challenge Corporation (MCC), the Overseas Private Investment Corporation (OPIC), and other U.S. government entities to encourage U.S. economic engagement with and exports to sub-Saharan Africa, including the following.

- EXIM worked closely with USTDA and the Department of Commerce in support of trade missions on behalf of U.S. exporters in the telecommunications and transportation sectors.
- As a member of the Power Africa Working Group, EXIM participated in events promoting U.S. exports for the African power sector.
- The Bank continued its support for the Department of Commerce's "Doing Business in Africa" and the President's Advisory Council on Doing Business in Africa to raise awareness of the potential of the African market for U.S. exports.

FINANCING ENVIRONMENTALLY BENEFICIAL EXPORTS

Since 1992, EXIM Bank has fulfilled a congressional mandate to promote the use of its financing tools for U.S. exports that benefit the environment, including those exports related to the production of energy by renewable sources.

In FY 2017, EXIM Bank authorized $98.3 million (including $10.4 million for exports related to renewable energy) to support more than $195 million of U.S. exports of environmentally beneficial goods and services.

Environmental Stewardship

In addition to financing environmentally beneficial exports, EXIM Bank is committed to transparency about Bank-financed projects that produce greenhouse-gas emissions. The Bank reports the estimated yearly levels of CO_2 emissions associated with approved projects in its annual report and those associated with pending projects on it s website (http://www.exim.gov/policies/exim-bank-and-the-environment). The Bank tracks and reports all fossil-fuel-related projects in which CO_2 production is expected to exceed more than 25,000 tons per year.

In FY 2017, EXIM Bank approved no long-term authorizations and provided no new financing of fossil-fuel projects that produce greenhouse gases such as gas- or coal-fired power plants, refineries, petrochemical plants, or oil- and gas-field exploration and development. Therefore, the Bank has no additional project-related CO_2 emissions to report for the fiscal year.

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Ambassador Robert E. Lighthizer
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Board Member, ex officio

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Inspector General, acting

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Small Business

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Office of Policy Analysis and International Relations

Troy Fuhriman
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Jennifer Hazelton
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Communications and Marketing

Michele A. Kuester
Senior Vice President
Office of Strategy and Performance

Jesse Law
Senior Vice President and Chief of Staff

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Kenneth M. Tinsley
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Inci Tonguch-Murray
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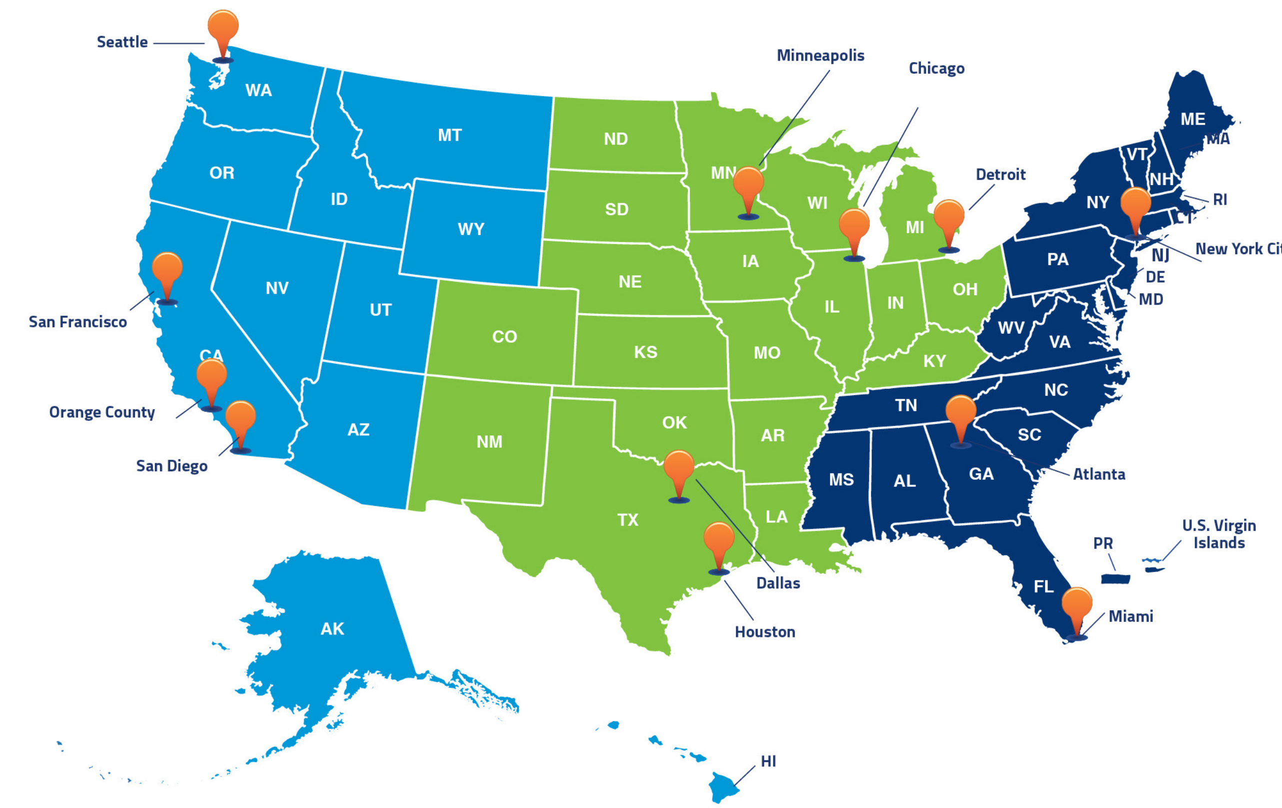
Vice President
Policy Analysis

Kevin Warnke
Vice President
Congressional and Intergovernmental Affairs

Patricia Alves Wolf
Vice President and Controller

Directors and Officers as of December 13, 2017

EXIM Bank Regional Export Finance Centers



SERVING SMALL-BUSINESS EXPORTERS LOCALLY ACROSS THE UNITED STATES

WESTERN REGION

Orange County (main)
2302 Martin Court, Suite 315
Irvine, CA 92612
Tel: 949.660.1341

San Diego
9449 Balboa Avenue, Suite 111
San Diego, CA 92123
Tel: 858.467.7035

San Francisco
75 Hawthorne Street, Suite 2500
San Francisco, CA 94105
Tel: 415.705.2285

Seattle
2001 6th Avenue, Suite 2600
Seattle, WA 98121
Tel: 206.728.2264

CENTRAL REGION

Chicago (main)
233 North Michigan Avenue, Suite 260
Chicago, IL 60601
Tel: 312.353.8081

Detroit
211 W. Fort Street, Suite 1310
Detroit, MI 48226
Tel: 313.226.3067

Minneapolis
330 2nd Avenue South, Suite 410
Minneapolis, MN 55401
Tel: 612.348.1213

Houston
1919 Smith Street, Suite 10087
Houston, TX 77002
Tel: 281.721.0470

Dallas (North Texas Branch)
McKinney Chamber of Commerce
400 W. Virginia Street, Suite 100
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EASTERN REGION

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Miami, FL 33126
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Atlanta, GA 30303
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