



COMPTROLLER GENERAL OF THE UNITED STATES  
WASHINGTON, D.C. 20548

OCT 1 1976



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To the Board of Directors  
Export-Import Bank of the United States

We have examined the statement of financial condition of the Export-Import Bank of the United States (Eximbank) as of June 30, 1976, and the related statements of income and reserve for contingencies and defaults and of changes in financial position for the year then ended. Our examination was made pursuant to the Government Corporation Control Act (31 U.S.C. 841 et. seq) and in accordance with generally accepted auditing standards and included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. We previously examined and reported on Eximbank's financial statements for fiscal year 1975.

Eximbank's reported net income, which had been declining in prior years, increased in fiscal year 1976. Reported net income has been stated before any provision for losses that may be sustained on loans, guarantees and insurance, but all accumulated net income, after dividends, has been reserved as a provision for future losses. Although an increased amount was added to the reserve in fiscal year 1976, loan and loan interest delinquencies increased (see note 4), the total risk of incurring possible losses continued to rise (see note 7) and future losses continued to be unpredictable (see note 6). We are therefore unable to express an opinion on the adequacy of Eximbank's reserve for contingencies and defaults.

In our opinion, except for the amount reserved for contingencies and defaults, the accompanying financial statements present fairly the financial position of Eximbank at June 30, 1976 and 1975, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis after restatement for the change, with which we concur, in the method of accounting for sales of Certificates of Beneficial Interest as described in note 1 to the financial statements.

*Thomas R. Steels*  
Comptroller General  
of the United States

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COMPARATIVE STATEMENT OF FINANCIAL CONDITION

ASSETS	June 30, 1976		June 30, 1975	
<b>CASH:</b>				
U. S. Treasury .....	\$ 500,000		\$ 8,300,000	
Domestic Commercial Banks .....	<u>-0-</u> \$	500,000	<u>12,500,000</u> \$	20,800,00
INVESTMENT IN U.S. SECURITIES .....		9,600,000		-0-
<b>LOANS RECEIVABLE (NOTES 4 &amp; 5):</b>				
Current Loans -- includes rescheduled loans of \$669.1 million at 6-30-76 and \$794.6 million at 6-30-75 ....	10,549,300,000		9,769,800,000	
Delinquent Loans.....	<u>281,100,000</u>	10,830,400,000	<u>112,900,000</u>	\$ 9,882,700,00
<b>ACCRUED INTEREST AND FEES RECEIVABLE (NOTE 4):</b>				
Current Interest and Fees .....	172,500,000		143,000,000	
Delinquent Interest .....	<u>29,300,000</u>	201,800,000	<u>16,600,000</u>	159,600,00
<b>OTHER ASSETS:</b>				
Deferred Debenture and Participa- tion Certificate Expenses .....	2,200,000		3,300,000	
Foreign Credit Insurance Association Receivables.....	1,500,000		1,800,000	
Other Receivables .....	300,000		500,000	
Miscellaneous Assets .....	<u>200,000</u>	4,200,000	<u>400,000</u>	6,000,00
<b>TOTAL ASSETS .....</b>		<u><b>\$11,046,500,000</b></u>		<u><b>\$10,069,100,00</b></u>

Notes to Financial Statements on pages \_\_\_ through \_\_\_ are an integral part of this statement.

Export-Import Bank of the United States

LIABILITIES, RESERVE, AND CAPITAL

June 30, 1976

June 30, 1975

BORROWINGS (Notes 2 & 3):

Notes Payable to U.S. Treasury .....	\$ 10,800,000		\$ 207,100,000
Notes Payable to Federal Financing Bank .....	4,984,600,000		4,049,400,000
Notes Payable to Private Export Funding Corporation .....	100,000,000		-0-
Debentures Payable .....	2,343,100,000		2,343,100,000
Certificates of Beneficial Interest Payable .....	480,600,000		471,100,000
Participation Certificates Payable ..	<u>250,000,000</u>	\$ 8,169,100,000	<u>250,000,000</u> \$ 7,320,700,000

OTHER LIABILITIES:

Guaranteed Letters of Credit Payable	23,100,000		16,500,000
Accrued Interest Payable .....	94,000,000		76,600,000
Dividend Payable to U.S. Treasury ..	20,000,000		20,000,000
Other Credits .....	<u>13,700,000</u>	150,800,000	<u>6,300,000</u> 119,400,000

DEFERRED FEE INCOME .....		7,700,000	5,500,000
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RESERVE FOR CONTINGENCIES AND DEFAULTS (NOTES 3, 4, 5 and 6):

accumulated from income--includes delinquent interest and delinquent capitalized interest of \$31.6 million at 6-30-76 and \$18.6 million at 6-30-75 .....		1,718,900,000	1,623,500,000
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CAPITAL STOCK HELD BY U.S. TREASURY (NOTE 3) .....		1,000,000,000	1,000,000,000
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TOTAL LIABILITIES, RESERVE, AND CAPITAL .....		<u>\$11,046,500,000</u>	<u>\$10,069,100,000</u>
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COMPARATIVE STATEMENT OF INCOME AND  
RESERVE FOR CONTINGENCIES AND DEFAULTS

Export-Import Bank of the United States

	Fiscal Year Ended	
	June 30, 1976	June 30, 1975
<b>REVENUES:</b>		
Interest on Loans .....	\$ 609,000,000	\$ 512,200,000
Insurance Premiums and Guarantee Fees .....	17,100,000	12,100,000
Commitment Fees and Other Income .....	24,700,000	21,500,000
Total Revenues .....	<u>650,800,000</u>	<u>545,800,000</u>
<b>EXPENSES:</b>		
Interest on U. S. Government Borrowings .....	342,800,000	267,900,000
Interest on Debenture and Participation Certificate Borrowings .....	170,700,000	180,000,000
Other Expense, principally Interest and Amortization of Financing Costs .....	5,000,000	5,500,000
Administrative Expenses .....	11,000,000	10,100,000
Claims Paid, net of recoveries (Note 6) .....	5,900,000	1,800,000
Total Expenses .....	<u>535,400,000</u>	<u>465,300,000</u>
<b>NET INCOME</b> .....	<u>115,400,000</u>	<u>80,500,000</u>
Less: Dividend to U. S. Treasury (Note 3) .....	<u>20,000,000</u>	<u>20,000,000</u>
Addition to Reserve for Contingencies and Defaults .....	<u>95,400,000</u>	<u>60,500,000</u>
<b>RESERVE FOR CONTINGENCIES AND DEFAULTS:</b>		
Balance at Beginning of Fiscal Year .....	<u>1,623,500,000</u>	<u>1,563,000,000</u>
Balance at End of Fiscal Year .....	<u>\$ 1,718,900,000</u>	<u>\$ 1,623,500,000</u>

Notes to Financial Statements on pages \_\_\_ through \_\_\_ are an integral part of this statement.

**COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION**

	Fiscal Year Ended	
	June 30, 1976	June 30, 1975
<b>FUNDS PROVIDED:</b>		
Net Income -- includes adjustment for depreciation expense . . . .	\$ 115,500,000	\$ 80,500,000
Borrowings from the Federal Financing Bank (Note 2) . . . . .	2,285,000,000	4,049,400,000
Borrowings from the Private Export Funding Corporation . . . . .	100,000,000	- 0 -
Repayments and Other Credits to Loans Receivable . . . . .	1,363,200,000	1,359,300,000
Accrued Interest Payable . . . . .	17,400,000	16,000,000
Sales of Certificates of Beneficial Interest . . . . .	9,500,000	- 0 -
Other . . . . .	<u>38,200,000</u>	<u>(10,200,000)</u>
<b>TOTAL FUNDS PROVIDED</b> . . . . .	<u><b>\$3,928,800,000</b></u>	<u><b>\$5,495,300,000</b></u>
<b>FUNDS APPLIED:</b>		
Disbursements and Other Additions to Loans, includes Capitalized		
Interest - 1976, \$7,490,291; 1975, \$4,191,572 . . . . .	\$2,310,900,000	\$2,819,700,000
Investment in U. S. Securities . . . . .	9,600,000	- 0 -
Accrued Interest and Fees Receivable . . . . .	42,200,000	35,000,000
Repayments of Federal Financing Bank Borrowings . . . . .	1,349,800,000	- 0 -
Net Reduction of Borrowings from Treasury . . . . .	196,300,000	2,249,800,000
Redemptions of Certificates of Beneficial Interest . . . . .	- 0 -	41,800,000
Redemptions of Debentures and Participation Certificates . . . . .	- 0 -	300,000,000
Payment of Dividend to U. S. Treasury (F/Y 1975 and F/Y 1974) . .	<u>20,000,000</u>	<u>50,000,000</u>
<b>TOTAL FUNDS APPLIED</b> . . . . .	<u><b>\$3,928,800,000</b></u>	<u><b>\$5,495,300,000</b></u>

Notes to Financial Statements on pages \_\_\_ through \_\_\_ are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

Note 1: Enabling Legislation and Basic Accounting Principles.

Eximbank is an independent corporate agency within the Executive Branch of the Federal Government. The primary legislation governing its operations consists of the Export-Import Bank Act of 1945, as amended through January 4, 1975, and the Government Corporation Control Act.

Eximbank's accounting records are maintained on an accrual basis with the exception of write-offs of loans and payment of claims on guarantees and insurance policies. Loans are written off and charged to income when Eximbank determines that the outstanding principal balance is uncollectable. Claims are charged to income in the year paid. Later recoveries of amounts written off or of amounts on which claims are paid are treated as income in the year received. Interest on delinquent loans receivable is accrued until such time as Eximbank determines on a case-by-case basis that a particular delinquent loan should be nonaccruing.

For several years Eximbank sold Certificates of Beneficial Interest (CBI's) in its loan portfolio. Until FY 1976, these transactions had been considered sales of assets, and the sale of a CBI resulted in a reduction of loans receivable. As of June 30, 1976, the Bank changed its accounting treatment of CBI's, so that these instruments are now treated as borrowings rather than asset sales. As a result, the loan maturities represented by outstanding guaranteed CBI's have been reinstated as loans receivable and the CBI's are now shown as borrowings payable. The statements for FY 1975 have been adjusted to conform to FY 1976 statement classifications.

The commitment authority of Eximbank under the Export-Import Bank Act to lend, guarantee, and insure is limited to \$25 billion outstanding at any one time. Under the Act, loans are charged against the \$25 billion limitation at 100 percent of their authorized amount. Guarantees and insurance are charged against the \$25 billion limitation at 25 percent of Eximbank's contractual liability, with the proviso that the aggregate amount of guarantees and insurance so charged may not exceed \$20 billion. Thus, Eximbank's contractual commitments outstanding at any one time could reach \$40 billion, consisting of \$20 billion of guarantees and insurance outstanding, resulting in a \$5 billion charge against the \$25 billion limitation, and \$20 billion additional commitments charged at 100 percent against the limitation.

At June 30, 1976, the committed and uncommitted authority to lend, guarantee, and insure was:

		<u>\$25 Billion Limitation</u>	
<u>Category</u>			<u>Charge (\$ Millions)</u>
Loans			\$ 18,061.5
Guarantees	\$ 5,986.3		
Insurance	<u>4,339.8</u>		
	\$ 10,326.1 @ 25%		2,581.5
Committed			20,643.0
Uncommitted			<u>4,357.0</u>
Total Statutory Authority			<u>\$ 25,000.0</u>

The figure of \$4,339.8 million includes a charge to lending authority of \$2,400 million for short-term insurance. Exposure under such short-term insurance was \$2,095.9 million at June 30, 1976.

Note 2: Borrowings from the U.S. Treasury and the Federal Financing Bank.

Eximbank does not receive any appropriated funds. It has authority, under its Act, to borrow directly from the U.S. Treasury and to have outstanding at any one time up to \$6 billion of such borrowings. Eximbank avails itself of this authority for its short-term needs on a daily basis at a 91-day Treasury bill rate. Excess cash is used to reduce these borrowings on a daily basis. The average rate for such short-term borrowings during FY 1976 was 5.76 percent.

In previous years, Eximbank borrowed to meet its medium-term needs through the issuance of debentures and participation certificates, of which \$2.6 billion are still outstanding with maturities extending to 1982, at an average interest rate of 6.58 percent.

Eximbank is now borrowing from the Federal Financing Bank (FFB) for its medium-term needs. During FY 1976, Eximbank borrowed the following from the FFB:

(\$ Millions)

<u>Date</u>	<u>Amount</u>	<u>Rate</u>	<u>Maturity</u>
9-1-75	\$ 170	8.320%	3-1-79
9-1-75	500	8.375	9-1-79
12-1-75	550	7.905	12-1-79
3-1-76	568	7.515	6-1-79
6-1-76	400	7.480	6-1-78
6-1-76	97	8.125	6-1-84

As Eximbank is a net borrower of funds, it is planned that net short-term borrowings from the U.S. Treasury will be repaid quarterly by borrowing from the FFB on a medium-term basis at a U.S. Government agency borrowing rate appropriate to the term of the borrowing.

In addition to the Bank's regular short-term U.S. Treasury borrowings, Eximbank has certain borrowings (\$10.8 million at June 30, 1976) from the U.S. Treasury at rates lower than the standard rate prevailing at the time the funds were borrowed. These borrowings were tied directly to the rate, term, and outstanding balances of certain concessionary loans that Eximbank made in the national interest. The last of these loans was authorized in 1970. Had the Treasury charged Eximbank interest at rates approximating the full cost of funds, Eximbank's interest expense would have been increased by about \$ 1.5 million and \$ 2.9 million in fiscal years 1976 and 1975, respectively, and the net income from operations for these years would have been correspondingly reduced.

Note 3: United States Government Investment in Eximbank.

The investment of the U.S. Government in Eximbank consists of the following:

	(\$ Millions)	
	June 30, 1976	June 30, 1975
Capital stock held by U.S. Treasury	\$1,000.0	\$1,000.0
Reserve for Contingencies and Defaults	1,718.9	1,623.5
Dividend Payable to U.S. Treasury	20.0	20.0
Notes Payable to Federal Financing Bank	4,984.6	4,049.4
Notes Payable to U.S. Treasury	<u>10.8</u>	<u>207.1</u>
Total	<u>\$7,734.3</u>	<u>\$6,900.0</u>

A dividend to the U.S. Treasury of \$20 million, as of June 30, 1976, was declared August 19, 1976.

Note 4: Delinquent Loans.

Loans with any installments of principal or interest past due 90 days or more are classified as delinquent on the Statement of Financial

Condition. The outstanding principal amount of delinquent loans are summarized in thousands of dollars on a comparative basis as follows:

- (Statement attached) -

Only \$29.3 million of delinquent interest has accrued and is carried as a receivable. The difference between this figure and the \$63.9 million shown above represents mainly interest on loans which are non-accruing for financial statement purposes.

The government of the Republic of China, now located on Taiwan, is not at this time being called upon to make payments on the delinquent loans next to its name above, which were made prior to 1947 when the seat of that government was on the mainland and which relate to assets no longer under the control of that government. The delinquent loans to Cuba pertain to loans made before 1961, when a prior government existed.

Note 5: Rescheduled Loans.

From time to time Eximbank must extend the repayment date of some or all principal installments of a loan to a new schedule because the obligor or country has encountered temporary financial difficulty and the Directors of Eximbank have determined that providing relief in this manner will aid collectability and enable the obligor ultimately to service the debt.

All loan maturities which were previously rescheduled in this manner are current at June 30, 1976, except for 11 loans with an aggregate outstanding principal balance of \$23.5 million to which principal and interest installments amounting to \$6.2 million are 90 days or more past due. These 11 loans are included in the delinquent classification on the Statement of Financial Condition. In FY 1976 Eximbank rescheduled principal

Country	Total Outstanding	Delinquent Installments June 30, 1976			Delinquent Installments June 30, 1975		
	Principal	Principal	Interest	Total	Principal	Interest	Total
China	\$ 25,386.0	\$26,386.0	\$21,620.9	\$ 48,006.9	\$ 24,910.0	\$ 20,632.3	\$ 45,542.3
Cuba	35,256.6	36,256.6	32,470.3	68,736.9	34,693.7	30,224.5	64,918.2
Mexico	1,032.2	1,032.2	147.9	1,230.1	1,032.2	147.9	1,230.1
Nigeria	20,240.8	1,014.9	539.5	1,554.4	-	-	-
Thailand	15,632.2	727.6	1,301.5	2,029.1	485.1	867.2	1,352.3
Zaire	148,421.4	2,172.9	6,535.1	8,709.0	-	-	-
Other	33,052.2	2,842.7	1,326.3	4,169.0	1,275.5	1,180.7	2,456.2
<b>Total</b>	<b>\$ 231,081.4</b>	<b>\$70,492.9</b>	<b>\$63,942.5</b>	<b>\$ 34,435.4</b>	<b>\$ 62,446.5</b>	<b>\$ 53,052.6</b>	<b>\$115,499.1</b>

installments totaling \$48.3 million on loans having an outstanding principal balance of \$53.4 million.

Some reschedulings include capitalized interest, which has been previously credited to the Reserve for Contingencies and Defaults. At June 30, 1976, the Reserve of \$1,718.9 million includes \$65.2 million of such outstanding capitalized interest of which \$2.2 million is 90 days or more past due. The Reserve also includes past due interest and interest on delinquent loans totaling \$19.3 million.

Note 6: Losses, Claims and Reserve for Contingencies and Defaults.

No loans were written off in FY 1976. Losses, claim payments and recoveries for the last two fiscal years are:

(\$ Thousands)

	<u>Fiscal Year 1976</u>	<u>Fiscal Year 1975</u>
Loans written off	\$ -0-	\$ 0.3
Guarantee claims paid	4,053.3	2,553.0
Guarantee recoveries	(5,133.3)	(4,275.7)
Insurance claims paid	9,133.6	5,516.3
Insurance recoveries	<u>(2,150.0)</u>	<u>(2,042.6)</u>
Claims Paid, net of recoveries	<u>\$5,903.6</u>	<u>\$1,757.3</u>

The risk to Eximbank from potential losses and claims is not susceptible to accurate measurement because of the unpredictable nature of future worldwide economic and political conditions. Eximbank's entire Reserve is available to cover such losses, claims and contingencies. Eximbank has a Reserve for Contingencies and Defaults of \$1.7 billion which is 15.9 percent of outstanding loans and 1.1 percent of world commitments. This Reserve, coupled with Eximbank's \$1.9 billion Capital, amounts to 25 percent of outstanding loans and more than 9 percent of world commitments.

Note 7: Commitments and Contingent Liabilities.

Eximbank's worldwide commitments, shown below, include contingent liabilities totaling \$10,022.0 million at June 30, 1976, and \$8,769.4 million at June 30, 1975.

	(\$ Millions)	
	<u>June 30, 1976</u>	<u>June 30, 1975</u>
Outstanding Loans.....	\$ 10,830.4	\$ 9,882.7
Undisbursed Loans.....	7,231.1	7,043.6
Guarantees Contingent Liability.....	5,986.3	5,260.6
FCIA Insurance Contingent Liability...	4,035.7	3,508.8
<b>Total</b>	<u>\$ 28,083.5</u>	<u>25,695.7</u>