Export-Import Bank of the United States
1976 Annual Report

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Financial Highlights

($ Millions) Fiscal Years	1976	1975
Loan Authorizations	$ 3,489	$ 3,812
Guarantee Authorizations	1,661	1,574
Insurance Authorizations	3,470	2,929
Total Authorizations	8,620	8,315
Export Sales Supported	11,996	12,500
Loans Receivable	10,830	9,883
Borrowings Payable	8,169	7,321
Capital and Reserve	2,719	2,624
Gross Revenue	651	546
Net Income	115	81
Dividend to U.S. Treasury	20	20
Worldwide Exposure (Outstanding and Undisbursed)	28,084	25,696

EXIMBANK STATEMENT OF PURPOSE

Eximbank is a self-sustaining export credit, guarantee and insurance agency of the United States Government whose basic purpose is to facilitate the export of U.S. goods and services.

In carrying out this purpose, the Bank uses its human and financial resources to:

- assume commercial and political risks that exporters or private financial institutions are unwilling or unable to undertake;
- overcome maturity and other limitations in private sector U.S. export financing;
- assist U.S. exporters to meet foreign, officially-supported export credit competition;
- provide leadership and guidance in export financing both to the U.S. exporting and banking community and to foreign borrowers.

■ THE CHAIRMAN'S STATEMENT

In fiscal year 1976, Eximbank was able to facilitate a growing level of U.S. exports without increasing the government's direct role in export financing. We achieved this goal by using our human and financial resources more effectively.

Statement of Purpose and Policy Review

I believe that an independent government agency such as Eximbank must regularly review its legislative mandate and its stated objectives to ensure that it is serving the national interest and is doing so effectively. Eximbank's Board and staff undertook such a comprehensive review during FY 1976, and we are pleased by its results.

For over 42 years, Eximbank has been this country's principal institution for overcoming obstacles in private market financing of U.S. exports. The Bank's support enables U.S. exporters to compete in the world market on the basis of quality, price and service. Should the government's direct involvement in export financing become a substitute for these hallmarks of economic excellence, the real contribution exports make to the vitality of our economy would start to decline.

This past year, we have been engaged in an extensive review of all Eximbank policies and programs. As a result of this review, we have developed a simple but comprehensive statement of Eximbank's purpose in light of the international economic environment in 1976 and that expected for 1977. (See page 1.) This contemporary statement of purpose, which is based on Eximbank's statute and on the concept of the Bank as a self-sustaining institution, became the basis for an intensive review of all Eximbank policies and programs to ensure that each properly served its purpose.

Need for Eximbank Support

Most U.S. exports do not require Eximbank support. They are either sold for cash or financed in the private market. But there is a significant share of exports — equal to about 16 percent of U.S. non-agricultural exports — that do require some form of Eximbank assistance to share risks or to overcome maturity or other limitations in the private market.

International trade often involves commercial and political risks which exporters and private financial institutions are unwilling, or unable, to assess or undertake. Over the years, Eximbank has assisted U.S. exporters and banks in assuming an increasing share of such risks, and it is continuing to work toward that goal. Nevertheless, there will always be uncertainty and risk which will exceed the private sector's risk-taking capacity and which must be shared by an institution like Eximbank, primarily through its insurance and guarantee programs.

During the recent worldwide economic recession, most developing countries and a few developed countries became increasingly dependent on capital inflows. The resulting growth in their debt service burden heightened the risk perceived by both exporters and private financial institutions, necessitating greater Eximbank involvement in risk-taking.

Overcoming Maturity and Other Limitations — The high-technology products and large projects in which U.S. exporters excel, often have long payback periods requiring long-term financing. Long-term financing instruments available in the U.S. capital market are not, however, generally available to foreign purchasers of U.S. goods.

The capital requirements of some of the largest projects are so immense that sheer availability of capital is a problem. Lending by Eximbank not only helps to fill this need, but also acts as a catalyst in bringing forth more private sector participation than might otherwise be available.

In addition, many small foreign firms are unable to raise the funds necessary to finance their imports — for any term.

These market deficiencies — relating to maturities and sheer credit availability — are met by Eximbank primarily through the Direct Credit, Cooperative Financing Facility (CFF) and Financial Guarantee programs.

Helping to Meet Competition — Today, most trading nations vigorously promote, and frequently subsidize, their exports. These practices intensified during the recent recession when many countries sought to increase their exports to stimulate their economic recovery. The result was a sharp increase in foreign official export credit support. Private U.S. institutions cannot meet such officially-supported, foreign export credit competition without assistance from Eximbank.

As a responsible government agency of the world's largest exporting nation, the Bank has sought to reduce such counterproductive competition. Some progress in this respect was made at year-end with Eximbank's Unilateral Declaration on export credit practices, including new cash payment, interest rate, and maturity guidelines.

Using Our Human Resources

Our goal of facilitating growing U.S. exports without increasing the government's direct role in export financing led to a broader definition of Eximbank's purpose — one that recognizes the contribution that my 440 associates at Eximbank can make in providing leadership and guidance to the export and financial communities. The Bank's human resources can often contribute as much to the export effort as our financial resources.

Since January 1976, the Bank has made substantial progress in increasing efficiency. Eximbank's senior staff was reorganized in late February to improve internal policy coordination and to increase senior management involvement in the Bank's paper and work flow — areas where improvements were clearly evident by year-end. Nearly 50 major changes were made in operating procedures during the year, which will save Eximbank about one-half million dollars annually. Our new records management plan, for example, will eliminate over 2 million documents — about 25 percent of the Bank's total paper retention. The on-going improvement in operations will enable us to provide better service to the export community without any increase in personnel.

There were several changes in the Bank's Board of Directors during the year. Eximbank's Vice Chairman and First Vice President, Walter C. Sauer, resigned at year-end after a distinguished 42-year government career, including the last 14 years as Vice Chairman. Fortunately, Mr. Sauer has agreed to continue to serve the Bank as Special Assistant to the Board of Directors. Mitchell P. Kobelinski, a member of the Board since 1972, resigned in February to become head of the Small Business Administration. Shortly after year-end, John C. Clark, who had been an Eximbank Director since 1969, resigned to return to private life.

I would like to thank William J. Casey, who resigned in January as Eximbank Chairman and President, and Messrs. Sauer, Kobelinski, and Clark for their distinguished public service to Eximbank and to the nation. Delio E. Gianturco, an Eximbank career officer, became Vice Chairman and First Vice President shortly after year-end.

Program Activity and Financial Results

Eximbank authorizations to facilitate U.S. exports totalled $8.6 billion in FY 1976, up from $8.3 billion last year. These authorizations supported nearly $12 billion in U.S. export sales to 157 markets and were related to an estimated 500,000 American jobs.

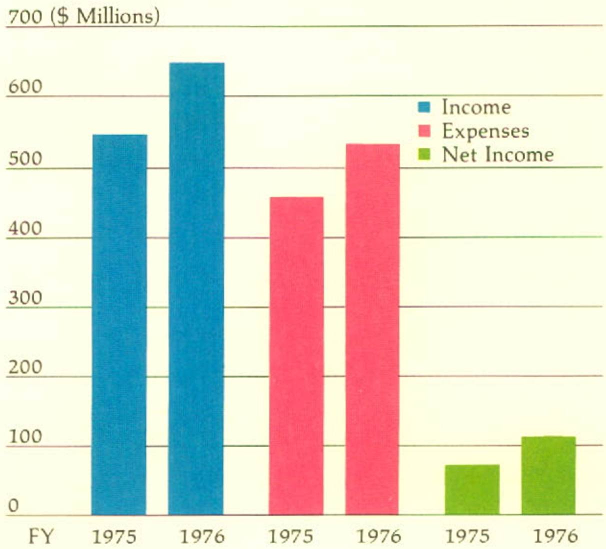
Reflecting both Eximbank's increasing emphasis on private sector participation in export financing and the heightened risks perceived in international lending, Eximbank's guarantee and insurance authorizations increased from $4.5 billion in FY 1975 to $5.1 billion this year. Direct and CFF loans totalled nearly $2.3 billion, down from $2.7 billion in FY 1975. This decline was largely due to: a recession-induced drop in development projects worldwide; an increased effort by Eximbank to focus its credit support on those transactions where Eximbank financing was most needed and a more selective approach to additional authorizations in several countries where Eximbank already has substantial commitments. Discount loan commitments rose 8 percent to $1.2 billion.

Eximbank's financial position improved markedly. Net income increased 43 percent, from $81 million in FY 1975, to $115 million this year. The Bank's improved financial position will enable it to assume increasing exposure where necessary to facilitate U.S. exports.

A comprehensive review undertaken during the year of the Bank's capital adequacy, portfolio, and liability management indicated that income, capital, and reserves were adequate in relation to exposure and risk. Eximbank's total exposure, outstanding and undisbursed, at the end of June 1976, was $28.1 billion, or 10.4 times the Bank's capital and reserves. Outstanding exposure was $14.6 billion, or 5.4 times capital and reserves. With a prudent dividend policy, these ratios may continue to rise moderately through 1981, after which they should reach a plateau — and even decline. Even at the projected higher ratios, however, Eximbank's capital and reserve position will be substantially greater than that of the major U.S. money-market banks at this time.

The Board of Directors continued the policy of providing additional reserves from income to support the forecast growth in exposure. For the year just ended, $95 million was added to reserves and a $20 million dividend was paid to the Treasury. Dividends paid to the U.S. Government now total $946 million, while a reserve of $1,719 million has been retained from earnings in addition to an original capital of $1 billion.

Financial Position Improves: Net Income Rises More Than 40 Percent



Conclusion

The strengthening of Eximbank's policies and programs last year will help us better identify, and structure our support to, the needs of the export community in the years ahead. The streamlining of Eximbank's operations and the Bank's improved financial condition will provide us with the capability to meet these needs more effectively.

I wish to thank each of my fellow Directors and my other dedicated associates at the Bank whose efforts and successes enabled us to make 1976 a year of great accomplishment. Since joining the Bank in January, I have developed a tremendous respect for the professional competence and personal integrity of the people who are the Export-Import Bank of the United States.

Stephen M. DuBrul, Jr.

Stephen M. DuBrul, Jr.

competition, sometimes necessitated greater Eximbank involvement in those transactions which did go forward.

■ WORLD ECONOMIC DEVELOPMENTS

Eximbank's experience during FY 1976 was tied closely to developments in the national and world economy. Led by the economic upturn in the United States, many other industrial countries began to recover from the recent recession. The recovery did not reach many of the developing countries, however, where the business cycle usually lags by about a year. Worldwide investment in major industrial and resource projects that might have used American goods and services declined, dampening demand for Eximbank support. At the same time, the greater uncertainty and risks perceived by both exporters and private financial institutions, and increased foreign official export credit competition, sometimes necessitated greater Eximbank involvement in those transactions which did go forward.

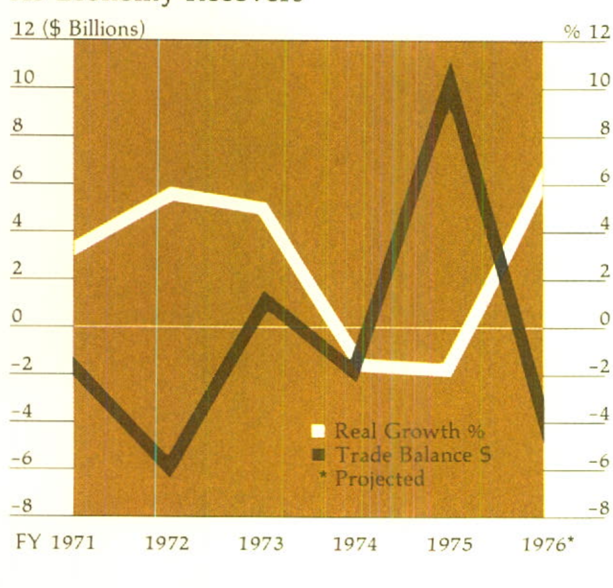
Industrial Countries Begin Recovery

Many of the industrial countries began to recover during FY 1976 from the deepest and most prolonged economic downturn since World War II. Recovery in the United States preceded upturns elsewhere. U.S. real GNP increased 7.0 percent compared with an average of 4.7 percent in the other major industrial countries. Eximbank's activities contributed to the U.S. upturn; the nearly $12 billion in export sales the Bank facilitated were related to about 500,000 jobs.

The turnaround in the domestic economy influenced the U.S. trade account in a manner which is in sharp contrast to the experience in calendar 1975. In that year, imports, reflecting the drop in output and income, declined $4 billion, while exports rose over $9 billion. The jump in exports was primarily attributable to increased deliveries of machinery and transport equipment. These developments led to a $13 billion improvement in the trade account, a record $11 billion trade surplus, and an increase in the U.S. share of the world market for manufactures to 21.3 percent — the highest level in 6 years.

With the U.S. recovery now leading the worldwide upturn, imports are rising much faster than exports. Stepped-up purchases of a wide range of foreign products, from automobiles to oil, boosted imports by 16 percent to $57 billion in the first half of calendar 1976. Exports increased only 1 percent, however, to $56 billion, largely reflecting the slower pace of the foreign

U.S. Trade Balance Declines As Economy Recovers



recovery. Despite the United States' continued strong competitive performance, the trade account registered a $1 billion deficit in the January-June 1976 period, in sharp contrast to the $5 billion surplus during the same period last year.

The recovery in the other major industrial countries should gain momentum during FY 1977. Worldwide investment in major industrial and resource projects will consequently accelerate as some projects postponed because of the recession again become feasible and new opportunities emerge. Demand for American goods and services should increase, as will demand for Eximbank support.

Developing Countries' Recovery Lags

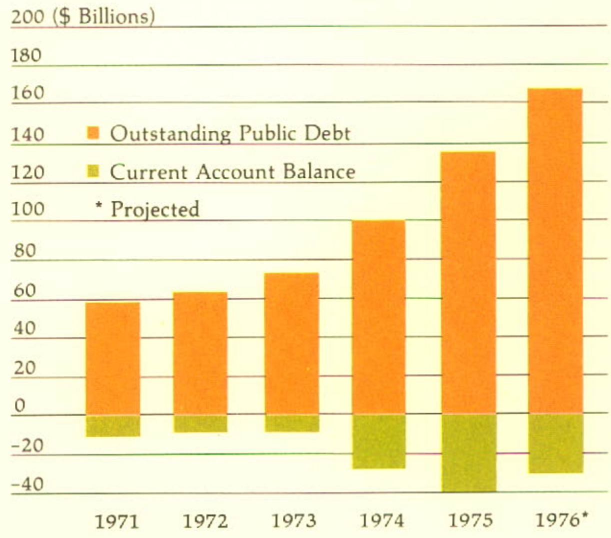
The recovery that began in the industrial countries during FY 1976 has not yet spread to many of the developing countries and some are facing severe problems in managing their balance of payments.

The downturn in the industrial countries led to a pronounced drop in the developing countries' export earnings in calendar 1975, as export prices and volume declined. Despite austerity measures that reduced the level of imports in a number of countries, the collective trade account deficit of the developing countries — excluding Eastern Europe — increased $8 billion in 1975 to $30 billion. Rising interest payments, reflecting the growth in outstanding debt, pushed their overall current account deficit from $28 billion in 1974 to $39 billion in 1975.

The developing countries became increasingly dependent on new foreign borrowings. Their outstanding public debt increased $36 billion in calendar 1975 to $136 billion, much of which was provided or guaranteed by export credit agencies in the major industrial countries. The growing debt service burden heightened the perceived risk of international lending, adding to the challenge faced by risk-taking institutions such as Eximbank.

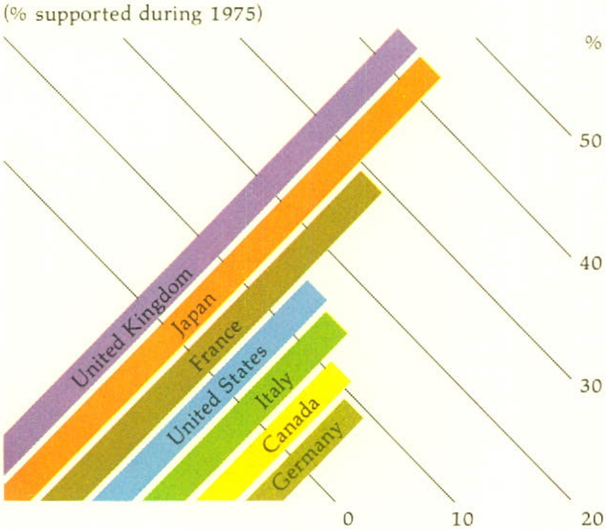
The economic outlook for the developing countries is substantially brighter today than it was 12 months ago. As the upturn in the industrial countries becomes more pronounced and widespread, the current accounts of the developing countries should improve. Exports are expected to increase much more rapidly than imports during calendar 1976, allowing a $9 billion reduction in the collective trade deficit. The overall current account deficit is expected to decline to around $31 billion. Despite the reduced deficit, the developing countries' total outstanding public debt is projected to increase to $167 billion by the end of December 1976.

Developing Countries Borrow to Finance Payments Deficits



Share of Manufactured Exports Officially Supported Varies Among Major Trading Nations

(% supported during 1975)



Credit Competition Poses Challenge

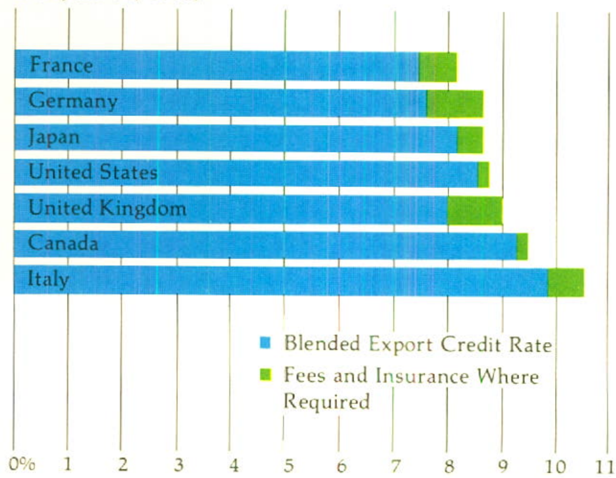
The efforts of other countries to stimulate their economic recovery through higher exports led to a sharp increase in foreign export credit support programs.

- All of the United States' major international competitors substantially increased authorizations for both their export credit and insurance programs. France, Japan, and the United Kingdom now support a larger share of their manufactured exports than does the United States, reflecting the greater government involvement in these countries' economies and their willingness to provide subsidized support for exports. The United States through Eximbank supports a larger share of its manufactured exports than does Canada, Germany, and Italy but without direct subsidies as offered by some other countries.
- The effective cost of funds to the borrower continued to be somewhat lower under the export credit support programs in France, Germany, and Japan than for Eximbank-supported credits. Eximbank-supported credits are generally somewhat less costly than similar credits in Canada, Italy, and the United Kingdom. These comparisons do not, however, take into account changes in the real cost of funds to the borrower which may arise due to exchange rate fluctuations during the term of the credit.

Eximbank met the competitive challenge on 2 levels: first, it continued to help U.S. exporters meet foreign officially-supported export credit competition on a case-by-case basis; and second, it sought to reduce counterproductive competition in export credits. Eximbank believes that it is in the

Cost of Eximbank-Supported Credits is in Same Range as Those of Other Major Trading Nations

(effective cost of funds to the borrower on credits over 5 years as of June 30, 1976)



long-term interest of all trading nations to allow their exports to compete equitably on the basis of price, quality, and service rather than on the availability of financing at less than market rates.

Following Eximbank's initiative, an informal understanding was reached during the year to expand the existing OECD information exchange system. The expanded system allows Eximbank and other export credit agencies to verify the terms being offered on individual transactions and should lessen the possibility of buyers playing export credit agencies off against each other. The Berne Union continued to provide a valuable forum for exchanging ideas and information on the development of export credit insurance and guarantee practices.

Unilateral Declaration — An important step in reducing export credit competition took place at year-end with Eximbank's Unilateral Declaration on export credit practices. The Declaration and similar declarations by the other major trading nations establish guidelines which bring official practices closer to market norms. The guidelines provide for: a minimum 15 percent cash payment; minimum blended interest rates of 7.5 percent to 8.0 percent for credits over 5 years and of 7.25 percent to 7.75 percent for 2- to 5-year credits, depending on the market; and maximum repayment terms of 10 years to developing countries and 8.5 years to other countries.

The guidelines are expected to improve Eximbank's overall competitiveness while providing useful information on export credit practices. They will enable the Bank to achieve somewhat greater interest rate parity; the British, French, and Japanese will bring the interest rate on many of their officially-supported export credits nearer to Eximbank's interest rate scale of from 8.25 to 9.50 percent annually. While generally encouraging shorter maturities, the guidelines will not preclude Eximbank from meeting the actual repayment needs for any product or project it supports.

The Task Ahead — Capital Formation

As the economic recovery now underway in the industrial countries gains momentum and becomes more widespread, worldwide investment will accelerate. Demand for American goods and services, particularly for the high-technology goods and the larger projects in which the United States excels, will grow. The United States has the technology and the capacity to meet this increased demand at competitive prices. Eximbank programs enable this potential to be realized.

Inflation — In 1973-1974, worldwide shortages were a principal cause of the inflationary spiral which, in turn, led to a worldwide tightening of monetary and fiscal policies and to the recent recession. Repetition of this chain of events can be avoided if the United States applies its technology, equipment, and capital to increase production to meet worldwide demand. In many cases, the investment will be contingent on the availability of export financing.

The United States is, and will continue to be, a principal source of equipment required to meet the world's growing needs. The financing requirements for basic industrial, energy, and resource development projects will cast Eximbank as a major source of supplemental capital for projects requiring long repayment periods and large investments.

■ THE YEAR IN REVIEW

During FY 1976, the Bank reviewed and improved its policies and programs, streamlined its operations, made more effective use of its human resources, increased its authorizations in support of U.S. exports, and markedly improved its financial position. Especially noteworthy was Eximbank's emphasis on greater private sector financing of exports. This emphasis reflects the belief that the government should play only the minimum role essential to finance exports, encouraging maximum private sector participation.

FY 1976 was a year of major organizational and operational change at Eximbank, including several changes in the Bank's Board of Directors, which are highlighted in The Chairman's Statement.

The Bank Organizes to Meet Challenges

Staff members at all levels and in all areas contributed to the streamlining of the Bank's operations. Nearly 50 major suggestions for improving Bank procedures and providing better service to the U.S. export community were implemented during the fiscal year. These suggestions will save Eximbank an estimated $500,000 annually, about 5 percent of total operating costs, while allowing the Bank to analyze applications in greater detail but in less time and to manage a growing loan portfolio with no increase in staff.

Increased efficiency was especially evident in the administrative area where the consolidation of reporting procedures and improved records management are expected to save $260,000 annually. Among the most significant accomplishments were the complete modernization of the central filing system, eliminating unnecessary and outdated documents, and a significant reduction in paper work. Improved use of the data processing system, including the introduction of an automated billing and disbursement procedure, is expected to save Eximbank at least $125,000 annually.

One measure of the Bank's success in providing better service to the export community is the reduction in processing time for applications. Eximbank's average response time in acting on applications for preliminary commitments for direct loans, for example, has declined over 40 percent since December 1974, from 70 to 40 days. The turnaround time in the supplier credit area has also improved so that a typical guarantee or insurance transaction is now acted upon in less than 3 weeks.

Eximbank Provides Leadership and Guidance in Export Financing

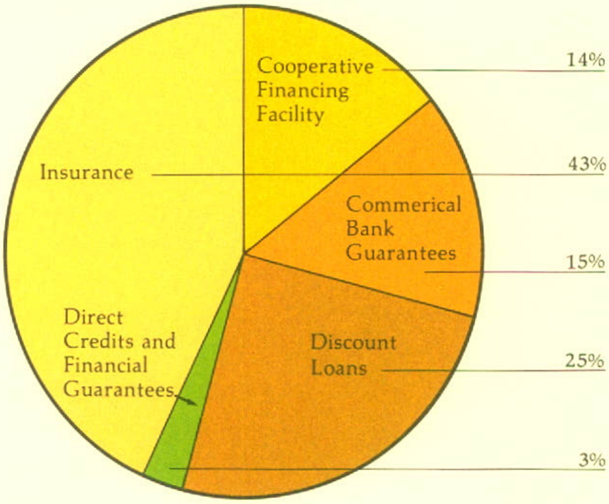
Eximbank is proud of its role in providing leadership and guidance in export financing. The collective experience of Eximbank's staff both in evaluating economic conditions in foreign markets and in preparing engineering appraisals for major projects, their unique access to foreign credit information, their special relationship to support functions operated by other U.S. departments and agencies, as well as international financial institutions, and their knowledge of financing alternatives allow them to provide valuable financial advisory services to exporters, banks, and foreign buyers. These services are available to the export community whether or not Eximbank takes a financial participation in the transaction.

Small Business — Eximbank's Small Business Advisory Service, which was established in February 1975, completed its first full year of operation. The service encourages small businesses to sell in the world market by providing individual counseling and advice on the use of commercial bank financing and Eximbank programs. During FY 1976, over 1,000 small exporters, potential exporters, and smaller foreign buyers of U.S. exports used the service.

Each of Eximbank's many programs is available to any American exporter, regardless of size. Small exporters, however, have shown particular interest in the Bank's programs to support short- and medium-term credit transactions: Exporter Credit Insurance, Commercial Bank Guarantee, Discount Loan, and the Cooperative Financing Facility. Based on a sampling of active users of these programs, it was estimated that small exporters — those with a net worth of less than $1 million — represented 44 percent of those using the insurance program, 31 percent of those benefiting from the discount program, and 25 percent of those receiving support from the Bank Guarantee and CFF programs.

These programs, which are extensively used by small- and medium-size firms, accounted for a majority of the Bank's program activity during the year. Of the 4,975 separate transactions authorized during FY 1976, 4,823, or 97 percent, were under these programs. Although the individual transactions supported are relatively small, they accounted for $5.4 billion in authorizations, 63 percent of the Bank's total authorizations in FY 1976. Thousands of small subcontractors also share in the business of the principal contractor or manufacturer whose sales are assisted by Eximbank financing.

Eximbank Programs in Support of Small Business Account for 97% of Transactions



(share of transactions by number, during FY 1976)

Information Services — Eximbank operates 3 other advisory services:

- the Export Finance Counseling Service which provides individual counseling for exporters and banks who have encountered difficulty in arranging export financing;
- the Advisory Service for Large Projects which assists firms and banks involved in major projects in working with savings banks and institutional investors to structure complete financing packages; and,
- the Credit Information Service which provides exporters and banks with current credit information on overseas buyers, without divulging confidential financial data.

During FY 1976, more than 300 exporters, banks, and foreign buyers used one or more of these services.

Orientation Programs — Since 1970, Eximbank has also conducted in-house orientation programs and cross-country seminars to familiarize U.S. and foreign businessmen, bankers, government representatives, and the general public with the Bank's programs and methods of operation. The in-house orientation programs, which are usually structured around informal meetings with associates from several different divisions in the Bank, are tailored to the specific requirements of the participants in each session. The cross-country seminars bring Eximbank representatives together with businessmen and bankers in cities throughout the United States, to introduce them to Eximbank's services and to report on current developments in export financing. During FY 1976, more than 900 people participated in the Bank's in-house orientation programs and more than 1,000 attended the 12 cross-country seminars.

Advisory Committee Provides Expertise

Eximbank's Advisory Committee provides the Bank with the expertise of senior executives in the fields of production, commerce, finance, agriculture, and labor. The Committee members make many significant contributions to the operation of the Bank as an effective public institution. The members of the Advisory Committee met with Eximbank's Board of Directors and other associates on April 5, to review the new direction in Eximbank's policies, programs, and operations, and to discuss the Bank's improving financial condition. In addition to this formal meeting, individual Committee members were asked to advise the Bank on more than 20 occasions during the fiscal year.

The members of the Advisory Committee are: Robert E. Hunter, Advisory Committee Chairman, Chairman of the Board and Chief Executive Officer, Weatherhead Company; Lawrence S. Kachelriess, Jr., President, Export Credit Corporation; Seymour Kahan, Assistant Director, United Auto Workers, Agricultural Implements Department; Joseph D. Keenan, International Secretary Emeritus, International Brotherhood of Electrical Wokers; Lilot S. Moorman, Senior Vice President, Hill and Knowlton, Inc.; Yves H. Robert, Executive Vice President, Continental Grain Company; Douglas A. Smith, Senior Vice President, Industrial National Bank, and President of the Banker's Association for Foreign Trade; Morton I. Sosland, President, Sosland Companies, Inc.; and Aryness Joy Wickens, retired U.S. Labor Department Economist and Statistician and member of the President's Commission on Reducing Federal Paper Work.

PROGRAM ACTIVITIES

Highlights

- Eximbank's gross authorizations increased 3.7 percent to $8.6 billion in FY 1976. At year-end, the Bank's worldwide exposure, both outstanding and undisbursed, totalled $28.1 billion, up 9.3 percent from the end of FY 1975.
- Insurance and guarantee authorizations accounted for a record 60 percent of Eximbank gross authorizations, up from 54 percent in FY 1975.
- The private sector provided $9.7 billion in export financing in participation with Eximbank during FY 1976 in addition to financing over $95 billion in other export sales.

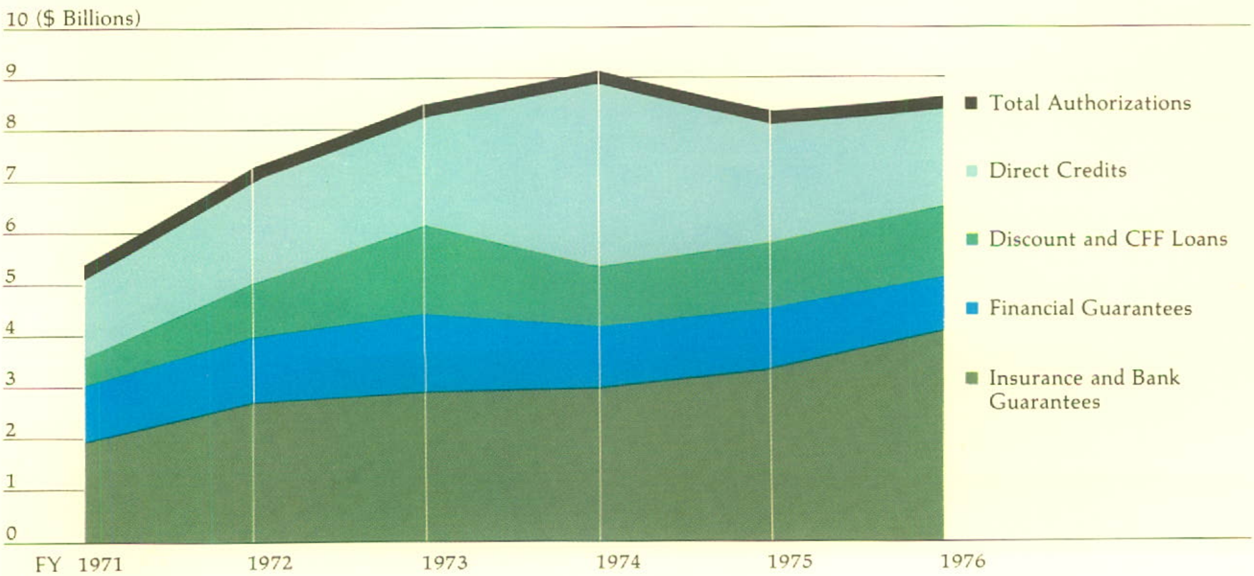
Eximbank authorizations in support of U.S. export sales to Latin America totalled $2.5 billion in FY 1976, an increase of 6 percent from FY 1975; Brazil, Mexico, and Venezuela were the largest markets. Authorizations for Europe were $2.3 billion, an increase of 42 percent, accounted for principally by 2 nuclear power transactions in Spain. There were relatively few authorizations for the developed countries of Western Europe. Asian markets accounted for $2.3 billion in Eximbank authorizations. Eximbank authorized $690 million in export support for all of Africa and $528 million for Canada, Australia, and New Zealand.

Eximbank supported nearly $12 billion in U.S. export sales to 157 markets during FY 1976. The Bank facilitated a wide range of U.S. exports with support concentrated in the electric power and transport equipment sectors. Authorizations for electric power equipment totalled more than $1.7 billion, an increase of 144 percent from FY 1975. Three

Authorizations by Area, FY 1976
($ Millions)

Area	Total Amount Authorized
Africa	$ 690
Asia	2,316
Canada	262
Europe	2,338
Latin America	2,541
Oceania	266
Miscellaneous	39
Total	8,452
Discount Loans	1,204
Short-term insurance Authorized but Unshipped	-1,036
Total	$8,620

Insurance and Guarantees Lead Growth in Eximbank Authorizations

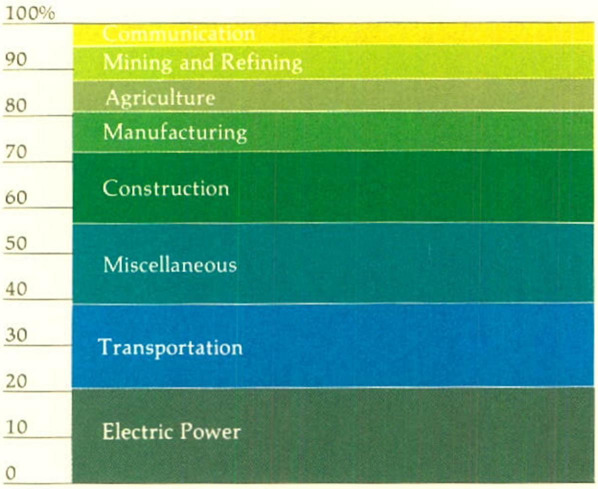


nuclear power projects accounted for much of the increase. Transport equipment authorizations declined 14 percent to $1.6 billion, reflecting the decline in commercial jet aircraft exports. Construction equipment authorizations increased 17 percent to $1.3 billion.

Each dollar of Eximbank regular loans authorized during FY 1976 supported $5.25 in U.S. export sales, compared with $4.65 in FY 1975 and only $3.75 in FY 1971. The increase in private sector participation with Eximbank, and in the volume of wholly private export financing, is an important indication of the Bank's success in facilitating an increasing level of U.S. exports with minimum government involvement.

Eximbank Authorizations Are Concentrated in Electric Power and Transport Equipment Sectors

(share of authorizations during FY 1976)



Insurance and Guarantee Programs

Eximbank has 2 basic exporter credit support programs: the Exporter Credit Insurance program administered by and operated in cooperation with the Foreign Credit Insurance Association (FCIA) and the Commercial Bank Guarantee program operated by Eximbank. Under both programs, Eximbank facilitates U.S. exports by taking commercial and political risks that exporters or private financial institutions are unwilling or unable to assume. The insurance program is especially suited for the export of raw materials, consumer goods, parts, and small unit value capital and quasi-capital goods which require only short-term financing. Both programs are available to support capital goods exports with repayment terms up to 5 years.

FCIA Exporter Credit Insurance — Under the Exporter Credit Insurance program, FCIA (an association of 53 marine and casualty insurance companies) insures an export credit pro-

Private Sector Participation with Eximbank in Facilitating U.S. Exports Grows

(exports supported for each $ of loan authorizations) vided by the private sector against defined commercial risks, while Eximbank provides political risk coverage and reinsures the Foreign Credit Insurance Association against excessive commercial losses. The Exporter Credit Insurance program spreads the risk in export credits among the exporter, FCIA, and Eximbank in accordance with classic insurance principles, thereby encouraging exporters to sell abroad and the private market to provide the needed financing.

During FY 1976, Eximbank renegotiated its agreement with FCIA to increase the share of commercial risks assumed by the Association. This was an important step in Eximbank's continuing program of pioneering techniques to deal with uncertainty and risk which, when perfected, can be transferred to the private sector.

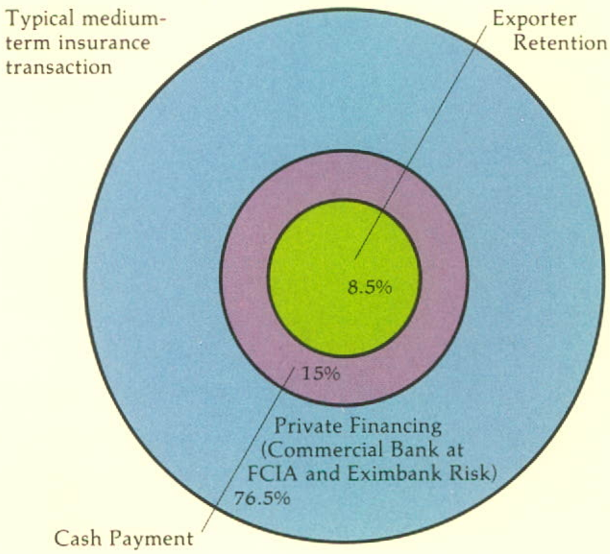
Exporter Credit Insurance authorizations increased 18 percent in FY 1976 to $3.5 billion, reflecting the growth in U.S. exports requiring short- and medium-term financing, the greater risk perceived in international lending, and Eximbank's emphasis on greater private sector participation in export financing. Exposure under the Exporter Credit Insurance program totalled $4.0 billion at the end of FY 1976, up from $3.5 billion at the end of FY 1975.

Commercial Bank Guarantee — Under the Commercial Bank Guarantee program, Eximbank guarantees the repayment of medium-term export loans (181 days to 5 years) provided by U.S. banks. The guarantee protects commercial banks against specific commercial and political risks; it is customary, however, for the bank to retain a share of the commercial risk for its own account — most typically 15 percent.

FCIA Insurance and Bank Guarantees

Program	Number of Authorizations	Amount Authorized ($ Millions)	Exposure as of 6/30/76 ($ Millions)
FCIA Insurance:			
Short-term	1,046	$2,186	$2,138
Medium-term	940	483	725
Combined	140	224	275
Master	31	577	888
Total	2,157	3,470	4,026
Commercial Bank and Other Guarantees	744	579	999
Total	2,901	$4,049	$5,025

Eximbank's Insurance Program Facilitates Private Financing of Exports



Bank and related guarantee authorizations increased 33 percent to $579 million in FY 1976, reflecting many of the same factors accounting for the rapid growth in insurance authorizations. More than 250 commercial banks, including many small- and medium-size regional banks, were participating in the program at year-end. Eximbank's Commercial Bank Guarantee exposure at the end of FY 1976 totalled $1.0 billion, up 22 percent since the end of FY 1975.

Medium-Term Credit Programs

Eximbank also facilitates U.S. exports requiring medium-term credit through the Discount Loan program and the Cooperative Financing Facility (CFF). These programs are designed to overcome specific limitations in private sector export financing.

Discount Loan Program — Under the Discount Loan program, Eximbank provides a stand-by commitment to discount a fixed interest rate export note acquired by a U.S. bank. The program is intended to improve the conditions under which medium-term export credit is provided, by overcoming limitations in the private market's ability to offer fixed-rate financing.

The Discount Loan program was strengthened in November 1975 with the provision that a loan could be discounted at any time during the obligation's life at the interest rate set at time of authorization, despite any variability in Eximbank's own cost of funds. A commitment fee was also introduced to help ensure that the program would be used only when necessary. Certain other operational changes were made. At the end of the year, Eximbank introduced a $5 million

Medium-Term Credit Activity

		($ Millions)	
Program	Number of Authorizations	Amount Authorized	Exposure as of 6/30/76
Discount Loans:	1,226	$1,204	$2,412
Cooperative Financing Facility:			
CFF Export Loans	696	$144	$350
Related Financial Guarantees	348	47	172
Total	1,044	$191	$522

limitation on the amount of a discount loan and a prohibition against the use of discount loans for parent-subsidiary sales.

During FY 1976, Eximbank authorized $1.2 billion in advance commitments to provide discount loans, an increase of 8.3 percent from FY 1975. Discount loan disbursements declined 25 percent, however, to $101 million, equivalent to only 8 percent of new advance commitments, highlighting the stand-by nature of the program. Exposure under the Discount Loan program totalled $2.4 billion at the end of FY 1976.

Cooperative Financing Facility — Under the CFF program, cooperating financial institutions abroad, with Eximbank's prior approval, extend loans at their own risk to foreign purchasers of U.S. goods and services. Eximbank, in turn, lends these banks half of the required funds. In certain cases where the bank borrows its half of the financing, Eximbank may also guarantee repayment to the lending bank. The CFF program makes credit available to foreign buyers who, because of their size, inexperience, or other factors, are unable to obtain financing through the normal exporter credit programs (FCIA Insurance, Bank Guarantee, and Discount Loan).

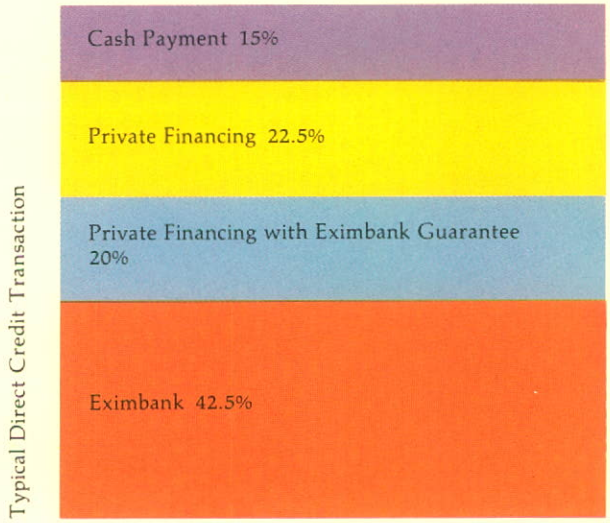
At the end of FY 1976, the CFF program was modified to help assure that credits would only be extended when needed. The maximum contract value was limited to $500,000 and each buyer's eligibility under the program was limited to $1 million. To fill any gap created by the new size limitations, Eximbank broadened its Commercial Bank Guarantee program to include guarantees on new credit lines from U.S. banks to foreign banks where these lines are used to finance U.S. exports.

CFF loan authorizations declined from $167 million in FY 1975 to $144 million in FY 1976. More than 280 foreign financial institutions were participating in the program at year-end compared with 246 institutions at the end of FY 1975. Eximbank's exposure under the CFF program totalled $350 million at the end of FY 1976, up 2 percent from the end of FY 1975.

Direct Credits and Financial Guarantees

Eximbank facilitates exports of major capital equipment by providing Direct Credits to foreign buyers, generally in participation with U.S. commercial banks. The Bank may also provide a related guarantee on a share of the credit extended by the private sector. Through the Direct Credit and Financial Guarantee program, Eximbank makes available the long-term financing which private

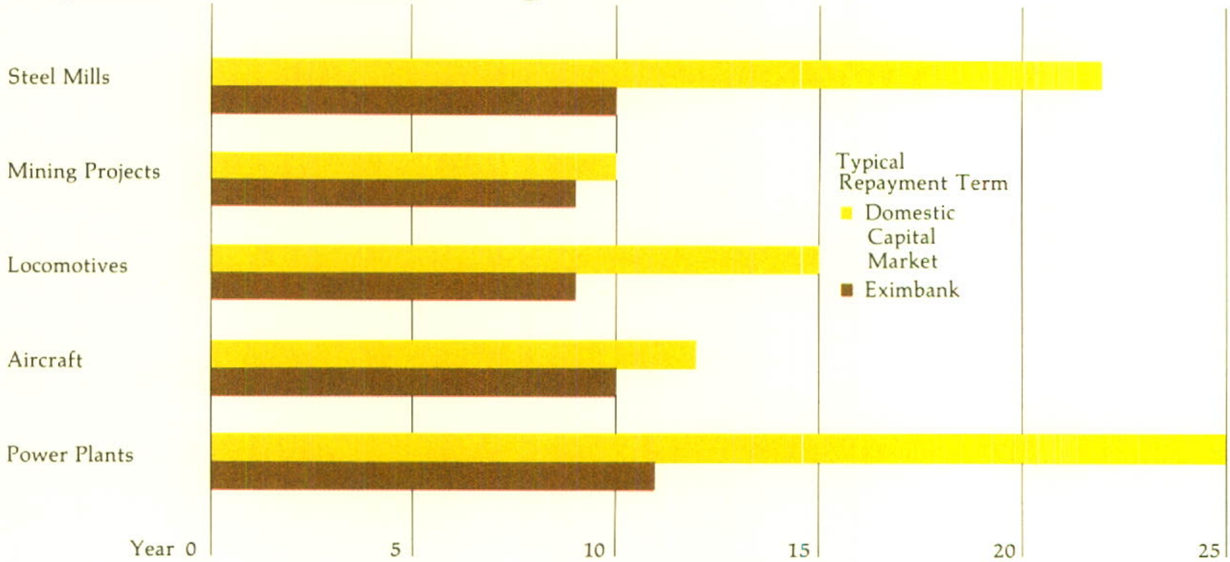
Private Financing Participates with Eximbank in Direct Credit and Financial Guarantee Program



institutions have difficulty providing but which is often needed for the large projects and big ticket items which represent America's export strength. Repayment terms generally range from 5 to 10 years following a construction period of 1 to 7 years, with a few major projects with repayment terms exceeding 10 years. Maturities for domestic capital goods financing are usually longer, however, than those available to foreign purchasers of comparable U.S. goods, even with Eximbank support.

Eximbank's participation encourages private financing by reducing the overall risk in a transaction. Through the Direct Credit and Financial Guarantee program, Eximbank is also able, on a case-by-case basis, to help U.S. exporters meet foreign official export credit competition.

Maturities in Domestic Capital Goods Financing Are Usually Longer Than Those Available to Foreign Purchasers.



During FY 1976, Eximbank raised its Direct Credit interest rates to a range of 8.25 to 9.50 percent, depending on the total term of the loan and the competitive situation. Loans repayable within 6 years from date of authorization carry a normal interest rate of 8.25 percent, with the interest rate increasing 0.25 percent for each additional 2 years of exposure to a maximum of 9.50 percent. The new interest rates are market-related and are in the same range as those charged by the export credit agencies of other nations, when the required insurance premiums and other charges are added in. The higher interest rates will improve the Bank's earnings potential and better enable Eximbank to adjust its interest rate where necessary to meet competition. During the 1976 fiscal year, the Bank had to lower its interest rate for competitive reasons in only a limited number of cases; even so, the cost to Eximbank in terms of foregone interest will be $8 million annually over the life of the credits.

Eximbank approved 150 Direct Credits totalling $2.1 billion during FY 1976 and 62 Financial Guarantees totalling $1.0 billion, down slightly from last year's level. At the end of the year, Eximbank's Direct Credit exposure totalled $15.3 billion and the Bank's Financial Guarantee exposure totalled $4.8 billion, up 7 percent and 13 percent, respectively, from the end of FY 1975.

PEFCO — The Private Export Funding Corporation, PEFCO (owned primarily by U.S. commercial banks and industrial corporations), works with Eximbank in mobilizing private capital to finance U.S. exports. PEFCO purchases foreign buyers' medium- and long-term debt obligations, which are unconditionally guaranteed by Eximbank and finances such purchases through the sale of its own securities to private investors. During FY 1976, PEFCO, with Eximbank's guarantee, participated in 17 transactions, providing $286 million.

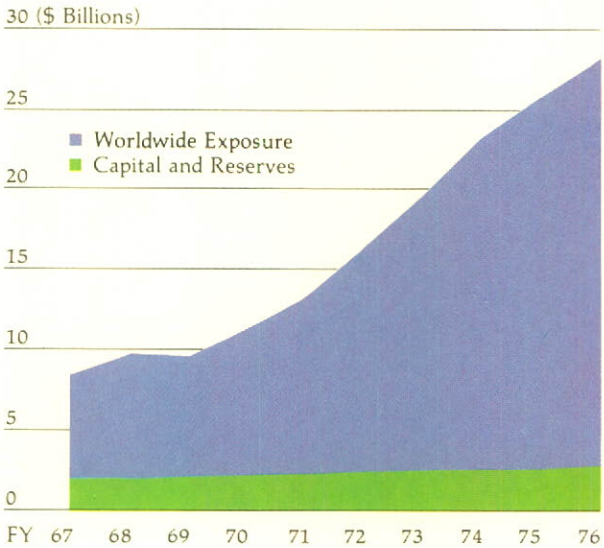
Preliminary Commitments — Eximbank is prepared in appropriate cases to provide preliminary commitments, PCs, outlining the amount, terms, and other conditions of any Direct Credit and Financial Guarantee it will extend to purchasers of U.S. goods and services. Such commitments are useful for American exporters in international bidding, and are an indicator to Eximbank of the potential demand for its Direct Credit and Financial Guarantee support. During FY 1976, Eximbank approved 226 preliminary commitments for Direct Credits and Financial Guarantees totalling $3.9 billion. Many of these were converted to Direct Credits during the year.

Direct Credits and Financial Guarantees

Program	Number of Authorizations	Amount Authorized ($ Millions)	Exposure as of 6/30/76 ($ Millions)
Direct Credits ..	150	$2,141	$15,299
Financial Guarantees* ..	62	1,036	4,815
Total	212	$3,177	$20,114
Preliminary Commitments:			
For Direct Credits		$2,740	$1,451
For Financial Guarantees* ..		1,174	653
Total...........	226	$3,914	$2,104

*Excluding those related to CFF loans

Growth in Exposure Precedes Growth in Reserves



FINANCIAL RESULTS

Eximbank's financial position improved markedly during FY 1976. Net income rose 43 percent to $115 million reflecting the improved spread between the Bank's interest earnings and borrowing costs. Revenue increased 19 percent to a record $651 million, consisting of $609 million in interest income on loans and $42 million in premium and fee income. The increase in interest and other income reflects both the growth in outstanding loans, guarantees, and insurance, and higher interest rates and fees.

The higher interest rates the Bank has introduced during the past 2½ years (8.25 to 9.50 percent as of June 30, 1976) are just now beginning to impact on Bank earnings and will not be fully reflected in earnings for several more years. A typical credit is not fully disbursed until 3 years after authorization and fully repaid until 11 years after authorization. The average interest rate on Eximbank credits outstanding at the end of FY 1976 was 6.15 percent.

Eximbank's expenses in FY 1976 increased 15 percent to $535 million. Interest expenses totalled $514 million and other financial expenses, $5 million. Administrative expenses — the cost of operating the Bank — totalled $11 million. The average interest expense on Eximbank's outstanding borrowings at the end of FY 1976 was 7.1 percent while the average cost of funds (including the $1 billion in capital and $1.7 billion in reserves) was 5.8 percent.

Guarantee and insurance claims paid, net of recoveries, totalled $6 million; this represents less than 0.9 percent of gross income and only .04 percent of total loans, guarantees, and insurance outstanding. Gross guarantee and insurance claims paid during 1976 totalled $13.2 million and recoveries $7.3 million. No loans were written off during the year but Eximbank rescheduled loan installments totalling $48.3 million on loans with an outstanding balance of $53.4 million.

A dividend of $20 million was declared for FY 1976 and paid to the U.S. Treasury while $95 million was added to reserves.

Eximbank's total exposure continued to grow faster than reserves but not at the same rate as in the early 1970's. Exposure, including loans authorized but undisbursed, totalled $28.1 billion on June 30, 1976, up 9.3 percent from the end of FY 1975. Outstanding loans, and guarantees and insurance, totalled $14.6 billion. The Bank's capital and reserves totalled $2.7 billion at year-end, up 3.6 percent from the previous year, reflecting the Bank's improved financial condition.

■ BOARD OF DIRECTORS

Back Row:
Stephen M. DuBrul, Jr.
President and Chairman

Front Row:
R. Alex McCullough
Director

Walter C. Sauer
First Vice President and Vice Chairman

John C. Clark
Director

FIVE-YEAR AUTHORIZATION SUMMARY ($ Millions)

	FY 1976			FY 1975		
	Number of Authorizations	Amount Authorized	Export Value	Number of Authorizations	Amount Authorized	Export Value
Loans						
Direct Credits[1]	150	$2,141.4	$4,895.8	242	$2,533.9	$6,642.6
CFF and Relending[1]	696	143.7	277.4	978	166.8	329.3
Discount[2]	1,226	1,203.7	678.1	1,672	1,111.9	390.0
Total Loans	2,072	3,488.8	5,851.3	2,892	3,812.6	7,361.9
Guarantees						
Financial[1]						
Related to Direct Credits	60	972.9	—	82	1,011.3	—
Related to CFF Loans	348	47.0	—	247	38.2	—
Unrelated to Loans	2	62.6	153.5	2	43.3	54.3
Local Cost (in conjunction with Direct Credits)	—	—	—	4	51.3	—
Bank	737	564.0	758.8	765	422.7	550.4
Other[3]	7	14.7	17.9	3	6.7	8.1
Total Guarantees	1,154	1,661.2	930.2	1,103	1,573.5	612.8
Exporter Credit Insurance						
Short-Term	1,046	2,185.9	2,185.9	1,007	1,831.6	1,831.6
Medium-Term	940	483.0	628.0	934	268.3	342.9
Combined Short- and Medium-Term	140	224.4	232.2	159	204.2	209.0
Master Policies	31	576.6	2,168.1	38	624.7	2,142.2
Total Insurance	2,157	3,469.9	5,214.2	2,138	2,928.8	4,525.7
Grand Total	5,383	$8,619.9	$11,995.7	6,133	$8,314.9	$12,500.4

1. Export value for Financial Guarantees related to specific loans are included with the appropriate loan details.
2. Export value for Discount Loans which are guaranteed or insured are included in the insurance and guarantee details.
3. Includes lease guarantees, equipment, political risk guarantees, engineering services guarantees, and pre-shipment coverage.

	FY 1974			FY 1973			FY 1972		
	Number of Authori-zations	Amount Author-ized	Export Value	Number of Authori-zations	Amount Author-ized	Export Value	Number of Authori-zations	Amount Author-ized	Export Value
	353	$3,768.5	$7,979.3	277	$2,321.5	$5,154.8	219	$2,226.5	$4,581.2
	1,563	212.6	382.9	975	92.4	186.2	395	69.5	132.3
	1,778	923.5	433.2	2,008	1,639.6	1,217.3	885	988.6	703.5
	3,694	4,904.6	8,795.4	3,260	4,053.5	6,558.3	1,499	3,284.6	5,417.0
	169	1,006.3	—	169	1,319.5	—	175	1,130.4	—
	350	40.0	—	566	39.5	—	227	29.3	—
	3	3.2	4.4	5	3.8	14.6	3	2.7	4.4
	21	141.5	—	39	166.8	—	24	57.4	—
	1,111	323.9	417.0	971	360.1	452.6	802	493.4	616.8
	20	78.7	9.3	25	98.3	56.6	25	30.2	38.5
	1,674	1,593.6	430.7	1,775	1,988.0	523.8	1,256	1,743.4	659.7
	1,109	1,611.9	1,612.5	1,213	1,404.8	1,404.8	1,072	962.0	962.0
	1,265	251.3	320.1	1,576	418.4	540.9	1,470	393.7	503.5
	255	209.0	215.0	180	126.3	133.0	149	178.1	184.1
	47	529.1	1,384.8	37	523.3	1,385.3	31	668.5	1,773.3
	2,676	2,601.3	3,532.4	3,006	2,472.8	3,464.0	2,722	2,202.3	3,422.9
	8,044	$9,099.5	$12,758.5	8,041	$8,514.3	$10,546.1	5,477	$7,230.3	$9,499.6

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

Assets	June 30, 1976		June 30, 1975	
Cash:				
U.S. Treasury	$ 500,000		$ 8,300,000	
Domestic Commercial Banks	- 0 -		12,500,000	
		$ 500,000		$ 20,800,000
Investment in U.S. Securities ...		9,600,000		- 0 -
Loans Receivable (Notes 4 and 5):				
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	281,100,000		112,900,000	
		10,830,400,000		9,882,700,000
Accrued Interest and Fees Receivable (Note 4):				
Current Interest and Fees	172,500,000		143,000,000	
Delinquent Interest	29,300,000		16,600,000	
		201,800,000		159,600,000
Other Assets:				
Deferred Debenture and Participation Certificate Expenses	2,200,000		3,300,000	
Foreign Credit Insurance Association Receivable	1,500,000		1,800,000	
Other Receivables	300,000		500,000	
Miscellaneous Assets	200,000		400,000	
		4,200,000		6,000,000
Total Assets		$11,046,500,000		$10,069,100,000

Liabilities, Reserve, and Capital	June 30, 1976		June 30, 1975	
Borrowings (Notes 2 and 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 .	250,000,000		250,000,000	
		$ 8,169,100,000		$ 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	13,700,000		6,300,000	
		150,800,000		119,400,000
Deferred Fee Income		7,700,000		5,500,000
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
Capital Stock Held by U.S. Treasury (Note 3)		1,000,000,000		1,000,000,000
Total Liabilities, Reserve, and Capital		$11,046,500,000		$10,069,100,000

Notes to Financial Statements on pages 28 through 31 are an integral part of this statement.

COMPARATIVE STATEMENT OF INCOME AND RESERVE FOR CONTINGENCIES AND DEFAULTS

	Fiscal Year Ended June 30, 1976	Fiscal Year Ended June 30, 1975
Revenues:		
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	650,800,000	545,800,000
Expenses:		
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	535,400,000	465,300,000
Net Income	115,400,000	80,500,000
Less: Dividend to U.S. Treasury (Note 3)	20,000,000	20,000,000
Addition to Reserve for Contingencies and Defaults	95,400,000	60,500,000
Reserve for Contingencies and Defaults:		
Balance at Beginning of Fiscal Year	1,623,500,000	1,563,000,000
Balance at End of Fiscal Year	$1,718,900,000	$1,623,500,000

Notes to Financial Statements on pages 28 through 31 are an integral part of this statement.

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION

	Fiscal Year Ended June 30, 1976	June 30, 1975
Funds Provided:		
Net Income	$ 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	16,300,000
Sales of Certificates of Beneficial Interest	9,500,000	- 0 -
Other	38,200,000	(10,200,000)
Total Funds Provided	$3,928,800,000	$5,495,300,000
Funds Applied:		
Disbursements and Other Additions to Loans, includes Capitalized Interest — 1976, $7,490,291; 1975, $4,191,572	$2,310,900,000	$2,818,700,000
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 U.S. 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 (FY 1975 and FY 1974)	20,000,000	50,000,000
Total Funds Applied	$3,928,800,000	$5,495,300,000

Notes to Financial Statements on pages 28 through 31 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 of the United States. 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 not less than 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 outstanding at any one time. 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:

$25 billion limitation	($ Millions)	
Category		Charge
Loans		$18,061.5
Guarantees	$ 5,986.3	
Insurance	4,339.8	
	$10,326.1 @ 25%	2,581.5
Committed		20,643.0
Uncommitted		4,357.0
Total Statutory Authority		$25,000.0

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)			
Date	Amount	Rate	Maturity
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	10.8	207.1
Total	$7,734.3	$6,900.0

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

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 as 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 installments totalling $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 $2.3 million is 90 days or more past due. The Reserve also includes past due interest and interest on delinquent loans totalling $29.3 million.

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 is summarized on a comparative basis (see table below).

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 below 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 below, which were made prior to 1947 when the seat of that government was on the mainland and

($ Thousands)

Country	Total Outstanding Principal	Delinquent Installments June 30, 1976 Principal	Interest	Total	Delinquent Installments June 30, 1975 Principal	Interest	Total
China	$26,386.0	$26,386.0	$21,620.9	$ 48,006.9	$24,910.0	$20,632.3	$45,542.3
Cuba	36,266.6	36,266.6	32,470.3	68,736.9	34,693.7	30,224.5	64,918.2
Mexico	1,082.2	1,082.2	147.9	1,230.1	1,082.2	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	6,536.1	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
Total	$281,081.4	$70,492.9	$63,942.5	$134,435.4	$62,446.5	$53,052.6	$115,499.1

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) FY 1976	FY 1975
Loans written off	$ -0-	$ 6.3
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	(2,150.0)	(2,042.6)
Claims Paid, net of recoveries	$5,903.6	$1,757.3

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 6.1 percent of world commitments. This Reserve, coupled with Eximbank's $1.0 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) June 30, 1976	June 30, 1975
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
Total	$28,083.5	$25,695.7

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

B-114823 Oct. 1, 1976

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.

Elmer B. Staats
Comptroller General
of the United States

ID-76-91

■ DIRECTORS AND OFFICERS

June 30, 1976

Board of Directors

Stephen M. DuBrul, Jr.
President and Chairman

Walter C. Sauer
First Vice President and Vice Chairman

John C. Clark
Director

R. Alex McCullough
Director

Officers

Executive Vice Presidents

David O. Beim

Delio E. Gianturco

General Counsel

Warren W. Glick

Senior Vice Presidents

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Exporter Credits, Guarantees and Insurance

Stephan M. Minikes
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Asia

John J. McDonnell
Contract Administration

Clayton Norris
Africa and Middle East

David W. K. Peacock, Jr.
Exporter Credits and Guarantees

Joseph R. Williams
Exporter Insurance

Deputy Treasurer-Controller

James K. Hess

Chief Engineer

A. Carl Cass

Secretary

Joan P. Harris

Note — The following changes took place after the close of the fiscal year: Walter C. Sauer and John C. Clark resigned from the Bank's Board of Directors; Delio E. Gianturco succeeded Walter Sauer as First Vice President and Vice Chairman; Margaret W. Kahliff became a Director; and W. Stevens Smith became Treasurer-Controller.

A supplement to the Bank's FY 1976 Annual Report contains a breakdown of authorizations by country, details of Direct Credits authorized, and a listing of loans supporting sales by U.S. firms to their foreign subsidiaries. Copies are available on request from: Export-Import Bank of the United States, 811 Vermont Avenue, N.W., Washington, D.C. 20571.

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