

“EX-IM BANK IS IN EXCELLENT FINANCIAL CONDITION.”

Fiscal 2000 was a good year for the Export-Import Bank of the United States.

I am pleased to report that:

- * New authorizations of \$12.6 billion of loans, guarantees and insurance supported \$15.5 billion in U.S. exports in FY 2000 – one of the largest levels of support in Bank history.
- * The Bank used \$938 million in program budget, which fully utilized our \$756 million appropriation for FY 2000, as well as resources available from prior years.
- * Despite a sharp decline in the aircraft sector after a record high in FY 1999, total authorizations for FY 2000 were off by only 3.2 percent. At the same time, the Bank's portfolio grew more

balanced and diversified, both geographically and among sectors. In fact, authorizations to the oil and gas, manufacturing, and technology sectors in the aggregate more than doubled in FY 2000.

- * Net income increased to \$345.8 million in FY 2000 from \$214.4 million in FY 1999.
- * The Bank was profitable for the fourth time in the last five years.
- * Total portfolio exposure at year's end was \$61.6 billion, up 5.4 percent from FY 1999. The Bank also ended the year with a significant risk improvement, reflecting the upgrade of a substantial number of project finance cases, airline companies and large exposure in certain countries.

As a result of this progress, Ex-Im Bank is in excellent financial condition. This is a tribute to the hard work, good policy and sound judgment of the dedicated Ex-Im Bank staff and to the support of the U.S. Congress. Today, Ex-Im Bank is well-positioned to innovate in response to more intense global competition and to assume greater risk to maximize support for U.S. exports.

ASIAN/RUSSIAN FINANCIAL CRISIS

The fact that Ex-Im Bank emerged relatively unscathed from the Asian/Russian financial crisis of 1997-98 is a testament to the prudent management and good leadership of the Bank's prior chairmen, board members and senior staff. For the two-year period ended





In February 2000, Ex-Im Bank Chairman Harmon addressed a gathering of the Confederation of Indian Industries in Mumbai, India.

September 30, 1999, Ex-Im Bank paid guarantee and insurance claims totaling \$1.5 billion (mostly on Asian transactions). This is equal to about 2.8 percent of the Bank's total exposure at the end of FY 1997. By comparison, Ex-Im Bank paid guarantee and insurance claims during the five years of the Latin American debt crisis of 1983-87 in the amount of \$1.2 billion, equal to 3.1 percent of total exposure preceding the crisis. In the 10 years following the Latin American crisis, Ex-Im Bank recovered a significant portion of those claims. The recent Asian/Russian crisis was more private-sector focused, and thus involved more risk, than its Latin American predecessor. Yet, the Bank again expects reasonable recovery of claims paid.

In the Asian/Russian crisis, the international banking community learned once again that there is no economic stability without political stability. Indonesia and Russia were the principal examples. Indonesia has been our most difficult market in recent years. Our exposure in the country at the end of the 1997 fiscal year was approximately \$3.8 billion, equal to seven percent of the total Bank portfolio at that time. Yet, net losses are expected ultimately to run only about five percent of that exposure. Even more impressive, our Russian losses to date are below the Bank's global average – amounting to less than one percent of our exposure there just prior to Russia's August 1998 crisis.

These recent economic trials put Ex-Im Bank to the test, and the Bank emerged from these challenges stronger than ever. Our losses are modest. The Bank's portfolio has solid industry and regional balance. Ex-Im Bank supported approximately \$45 billion in exports during the past three years, and the Bank's role as a stabilizing influence during periods of economic instability has grown in importance. The Bank staff and board should be proud of this record.

EXPANDING SUPPORT FOR SMALL BUSINESS

We also are proud of the dramatic growth in support that Ex-Im Bank offers U.S. small businesses. Our small business financing rose 10 percent to \$2.3 billion in FY 2000, and small businesses are using our working capital guarantees more than ever before. These guarantees, which provide small and mid-sized U.S. companies with pre-export financing, increased 41 percent to more than \$588 million in FY 2000. Working capital guarantees to women-owned businesses increased significantly to \$14.5 million, and the number of insurance policies held by minority- and women-owned businesses increased nearly 18 percent. This is strong evidence that our aggressive outreach efforts and our new partnership with dozens of trade associations are paying off.

THE CHALLENGES AHEAD: INNOVATION AND COMPETITION

With the Bank's good record in recent years and serving a wider variety of U.S. businesses than ever before, it is time to press forward with reforms that will help the Bank better defend and expand U.S. export opportunities. From Japan's untied aid, to Canada's and Germany's market windows, to the United Kingdom's vigorous co-financing, our competitors have restructured and refocused their trade finance efforts to be more aggressive in today's world.

In the coming year, we must focus on developing and implementing the policy and structural changes necessary to maintain Ex-Im Bank's competitiveness. When the new Administration and Congress arrive, we will hand to them an independent report on the Bank prepared by the Institute for International Economics with an attached report from the Bank's

advisory committee and my own recommendations. We hope that these reports will serve as the basis for strengthening the Bank, as part of its upcoming reauthorization, to better serve U.S. exporters in today's environment. One key recommendation will be that the U.S. government foster greater cooperation among its various trade finance agencies. Ex-Im Bank, the Overseas Private Investment Corporation and the U.S. Trade and Development Agency frequently have the same U.S. and developing world clients. In some cases, we offer a similar product to the same client. Given the rising competition, we need to operate more effectively as a team.

As I write this letter, Ex-Im Bank has begun the final stages of reviewing important policy reform proposals with the export and labor communities. These proposals cover three key areas: foreign content, co-financing and local cost. Reforms on this scale have not occurred at the Bank since the mid-1980s. But their time has come. These revisions aim to make Ex-Im Bank programs more flexible and responsive. They will allow us to support more exports in an efficient way that helps U.S. businesses stay on a level playing field with their foreign competitors, while maintaining our commitment to our core mission of supporting U.S. jobs through exports.

We also must seek new ways to leverage the efforts of this lean, 420-employee agency. In the past year, Ex-Im Bank launched an ambitious risk-sharing initiative to encourage more private-sector participation in U.S. export financing. For the first time in Bank history, our board approved a competitively bid proposal from Citigroup to share the risks and benefits of certain Bank transactions. We hope to finalize this agreement in the near future. I believe the Bank and other U.S. government entities



Ex-Im Bank Chairman Harman greeted Russian President Vladimir Putin at the September 2000 signing of the Tyumen Oil Company financing at the Russian Mission to the United Nations in New York City.

can learn from this innovative experiment. Long term, the public sector has much to gain by partnerships with the private sector, particularly in the area of trade finance.

Ex-Im Bank also has undertaken an ambitious effort to harness the power of the Internet to reach more U.S. businesses and foreign buyers. By automating many services, we can greatly extend the impact of our small agency. A key milestone in the coming year will be the establishment of an Internet-based marketplace that can serve as a “virtual Ex-Im Bank,” offering access to our services, as well as links to other export financing information and resources. This effort will take more than one year to complete, but its ultimate contribution will be considerable.

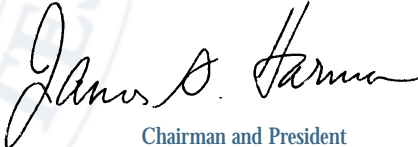
EX-IM BANK AT 65: SUPPORTING MORE JOBS THROUGH EXPORTS

The Bank celebrated a milestone this past year. We turned 65. While the world and the global economic landscape have changed a great deal since the 1930s, this Bank remains true to its timeless mission: to support U.S. jobs through exports. With the good results of recent years and a roadmap for fundamental change, Ex-Im Bank is in a strong position to maximize its support for U.S. exports and thereby contribute to a strong U.S. economy.

On behalf of the board of directors, I wish to take this opportunity to thank the capable, dedicated and loyal staff of Ex-Im Bank for their hard work. I also wish to thank members of Congress for their support of the Bank during my time as chairman. The progress of recent years would not have been possible without a Congress that readily understands the importance of Ex-Im Bank’s work. Congress generously supported both our program budget, which directly fuels exports, and our administrative budget, which enables us to improve our technology and keep our programs competitive with export credit agencies in Europe, Canada and Japan. I am grateful for this support.

It has been my pleasure to serve as this Bank’s chairman for the past three-and-a-half years. I look forward to working with the U.S. exporting community and all the Bank’s stakeholders to complete this pivotal evolution and ensure that this historic agency’s greatest contributions, to our nation and to the world, are yet ahead.

JAMES A. HARMON



Chairman and President