

EXPORT - IMPORT BANK OF THE UNITED STATES



S u p p o r t i n g E x p o r t s . . .



S u s t a i n i n g J o b s . . .



S t r e n g t h e n i n g C o m m u n i t i e s . . .

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C H A I R M A N ' S L E T T E R

A S T H E 1 8 T H P R E S I D E N T and Chairman of the Export-Import Bank of the



James A. Harmon
President & Chairman

United States (Ex-Im Bank), I am pleased to present the 1997 Annual Report to our “stockholders” — the taxpayers of the United States. The Ex-Im Bank is in a sound financial condition, with ample reserves and an excellent record of financial results. Furthermore, Congress has granted Ex-Im Bank a four-year reauthorization through the end of Fiscal Year 2001 to continue our work in support of U.S. exports and jobs.

Our dedicated and talented staff has achieved notable success in the past year, especially in implementing new ways to bring the Bank’s programs closer to our customers — U.S. companies, small and large, that seek to export their products and services to developing markets around the globe.

“Jobs through Exports” is not just a slogan: it is a mission that we carry out every day. We help businesses across the country to enter new and rapidly growing markets, where private sources of financing are very limited or nonexistent. For many people, Ex-Im Bank’s daily work of leveling the playing field for U.S. companies may seem as remote as the countries to which U.S. goods and services are being shipped. However, American workers — whether they are building commercial aircraft, telecommunications equipment, power generation facilities, or water purification systems to provide safe drinking water in developing nations — have higher quality, better paying jobs, thanks to Ex-Im Bank’s financing.

The narrative of this report features several recent Ex-Im Bank transactions and shows the broad effect on subcontractors and subsuppliers around the country. Too often, we view “exporters” in narrowly defined terms, thinking only of traditional contract holders, missing myriad unseen companies that, in fact, are the contract “fulfillers.” It is estimated that Ex-Im Bank supports more than 200,000 jobs directly each year among primary contractors and an additional *one million jobs* indirectly among subcontractors and subsuppliers.

FISCAL 1997 IN REVIEW

Ex-Im Bank completed 2,348 transactions with a total export authorization of \$12.2 billion, supporting U.S. exports valued at more than \$15 billion. The bulk of our financing is for exports to the Big Emerging Markets, where commercial financing is insufficient or unavailable.



I believe that Ex-Im Bank, when considered by any set of objective economic criteria, is an excellent value for the U.S. taxpayer. Assuming that pre-tax margins are 10% to 15% on the \$15 billion in exports, income tax receipts for the federal government directly related to these specific exports would approximate the \$843 million program budget of Ex-Im Bank in FY 1997. In other words, the net cost of Ex-Im Bank programs to the taxpayer is very modest.

During 1997, Congress conducted an extensive review of Ex-Im Bank’s policies and programs in order to determine whether to reauthorize the agency. Ex-Im Bank’s previous reauthorization was in 1992 for a five-year period.

Within 30 days of my swearing-in, I testified before the Senate Banking Committee on behalf of Ex-Im Bank’s reauthorization. It was an unusual initiation for me, but upon reflection, I believe it was a healthy and important process. The Bank’s staff and leadership met with many members of Congress, testified in numerous hearings, and listened to their concerns. I was delighted that the Senate voted unanimously and the House of Representatives by a margin of 378 to 38 to reauthorize this agency through FY 2001.

Ex-Im Bank achieved a number of other significant milestones this past year. Our Project Finance Division, formed just three years ago to meet the growing global demand for limited recourse project financing, completed its 22nd transaction, bringing aggregate Ex-Im Bank support for this type of financing to \$6 billion.

Ex-Im Bank’s Working Capital Guarantee Program, an important source of export financing for small and medium-sized businesses, authorized loans of \$443.3 million in FY 1997 — a new record. The Bank continues to take very seriously our mandate to reach out to small business, and we are working closely with our 34 City/State partners and 80 Delegated Authority lenders to find new

EX-IM BANK
JOBS THROUGH EXPORTS



"We can not create enough good jobs and increase wages if we don't expand trade. There's a simple reason why. Indeed, about a third of the economic growth that has produced 13 million new jobs over the past four and a half years has come from selling more American products overseas."

– President Bill Clinton

venues to enhance participation in our programs. Significantly, 357 small businesses that received Ex-Im Bank's assistance during the year had not previously participated in Bank programs.

In FY 1997, the growing world economy generated considerable demand for U.S. capital goods and equipment. In the aircraft sector, demand for financing grew among developing country airlines seeking to modernize their fleets. Ex-Im Bank's Aircraft Finance Division supported \$2.1 billion in exports.

As the official export credit agency of the United States, Ex-Im Bank continues to lead U.S. government efforts in international negotiations to level the playing field for American business. Ex-Im Bank has been working for the past several years within the Organization for Economic Cooperation and Development (OECD) to reach agreement on several key issues that directly affect the ability of U.S. firms to export. In June 1997, the Bank supported a new agreement by the OECD's Export Credit Arrangement group to set minimum premium rates (also called exposure fees) for country and sovereign risk. This agreement is an important step toward increasing fair competition in the world marketplace.

WORKING TOWARD A STRONG FUTURE

I believe that it is important that Ex-Im Bank anticipate changes in the marketplace and the needs of the Bank's customers, and develop appropriate policies and programs.

Attaining the next level of achievement means improving Ex-Im Bank's responsiveness to our customers and creating new and innovative programs. It means expanding the number of small businesses using Ex-Im financing to enter the global market, reestablishing the leadership role of our Project Finance Division, increasing the number of delegated authority banks, and expanding our City/State Program. In this balanced-budget era, Ex-Im Bank must manage both financial and human resources more efficiently. Simply put, we must maximize the value for the taxpayer.

It is important to note that Ex-Im Bank began FY 1998 with a significant backlog in demand for financing, but we are closely monitoring recent developments in Asia and Russia with a view toward the impact of any economic decline on the demand for U.S. products and services. The explosive growth of emerging markets around the world will not continue in a straight line — there will be bumps along the way. I believe that management

at the Bank is well prepared to meet the challenges of the future and to continue building. In this regard, we are focusing on the following opportunities:



- Partnership with the private sector: We will work to expand the availability of financing for U.S. exports by pioneering joint ventures with the private sector to leverage constrained budget resources.
- More small business support: We will develop new financing programs to enhance support for small and medium-sized businesses.
- Intergovernmental coordination: We will work to integrate our programs and activities with other export assistance programs of the U.S. government in order to unify and strengthen support for American exports.

- Reduction of trade-distorting practices: We will continue our efforts in multilateral negotiations to reach new agreements that would reduce export finance subsidies and related practices that distort trade and unfairly disadvantage U.S. exports.

Ex-Im Bank's impact is felt in thousands of cities and towns across the country where American workers create the goods and provide the services that are the export engines of growth in the U.S. economy. After almost four decades in the private sector as an investment banker, I am proud to serve with the employees of Ex-Im Bank to meet the challenges ahead.

As President and Chairman of Ex-Im Bank, I am mindful of the many who preceded me and the many who will follow. I am grateful to my three immediate predecessors who were helpful to me in preparation for this assignment. With the cooperation of a talented staff and an excellent Board of Directors, I am confident that we shall be able to add value to the Bank for the benefit of the taxpayer.

James A. Harmon, Chairman
Export-Import Bank of the United States

E X - I M B A N K
R E A U T H O R I Z A T I O N



“We have been reinvigorated by the strong support Ex-Im Bank has received from the President and Congress.”

– Jackie M. Clegg,
Ex-Im Bank Vice Chair.

ON NOVEMBER 26, 1997, President Bill Clinton signed into law P.L. 105-121, extending the charter of the Export-Import Bank of the United States through September 30, 2001. Earlier in the fall, Congress gave overwhelming bipartisan support to Ex-Im Bank’s four-year reauthorization, with a unanimous vote in the Senate and the House voting 378 to 38 in favor of renewing Ex-Im Bank’s mandate to sustain U.S. jobs by financing U.S. exports to emerging markets.

“We have been reinvigorated by the strong support Ex-Im Bank has received from the President and Congress,” Ex-Im Bank Vice Chair Jackie M. Clegg said. “We also appreciate the efforts of business and labor leaders who worked to inform Congress and the public on the important role that Ex-Im Bank fulfills in supporting exports and jobs in communities across the country.”

Ex-Im Bank’s reauthorization means that for the next four years, Ex-Im Bank is authorized to continue providing all of its export financing programs to U.S. companies, small and large, to help them compete effectively in developing markets throughout the world.

A G L A N C E A T T H E
N U M B E R S F O R F Y 1 9 9 7

- Ex-Im Bank authorized \$12.2 billion in loans, guarantees, and insurance for U.S. exporters.

SMALL BUSINESS

- Ex-Im financed 1,935 transactions supporting small and mid-sized businesses—357 of these businesses had not previously participated in the Bank’s programs.
- 332 working capital authorizations totaled a record \$443.3 million, compared with 286 authorizations totaling \$377.8 million for the previous year.

AGRICULTURE

- Ex-Im assisted in the export of \$95.7 million in agricultural commodities, live-stock, foodstuffs, and related products. Ex-Im Bank supported exports of agricultural equipment, chemicals, and other supplies totaling \$290.0 million.



SERVICES

- Ex-Im’s loan, guarantee, and insurance authorizations assisted \$1.59 billion in service exports.

ENVIRONMENT & ENERGY

- Ex-Im approved financing for 47 transactions involving environmentally beneficial exports. The total export value associated with these transactions was \$1.9 billion, of which \$551 million, or 29%, represented environmentally beneficial products and services.
- Ex-Im supported 24 energy transactions with a total export value of \$3 billion.

INSURANCE

- Ex-Im Bank’s Export Credit Insurance Program supported 1,731 policies totaling \$2.84 billion in authorizations.
- Small businesses were issued 1,557 policies, which is 90% of Ex-Im Bank’s insurance policies. Small business authorizations totaled \$1.1 billion, or 53%, of total insurance authorizations.

**Small Business
Authorizations
(\$ millions)**

	Number		Amount	
	1997	1996	1997	1996
Export Credit Insurance	1,557	1,600	1,060	1,411
Working Capital Guarantees	301	276	367	339
Guarantees	73	49	306	473
Total Guarantees & Insurance	1,931	1,925	1,733	2,223
Loans	4	9	44	182
Grand Total	1,935	1,934	1,777	2,405

R E G I O N A L H I G H L I G H T S



ASIA/AFRICA

In FY 1997, Ex-Im Bank supported \$4.3 billion in U.S. exports to Asia and Africa.

Ex-Im Bank's financing was critical to Foster Wheeler's sale of boilers for the six unit 2,100 megawatt Yancheng coal fired power plant. The export was Foster Wheeler's single largest sale of boilers in its corporate history. The international bid was extremely competitive, with European and Japanese companies vying for the contract. A total of \$310 million of goods and services are expected to be procured in the United States, under the contract. Of that, more than \$225 million in steam generators and related equipment will come from suppliers in New York; Ohio; Virginia; Texas; and Illinois.

Ex-Im Bank is proud to participate in the "Partnership for Economic Growth and Opportunity for Africa," an economic initiative launched in FY 1997 by President Clinton with bi-partisan Congressional support aimed at increasing exports to Sub-Saharan Africa (SSA). The Ex-Im Bank supported \$217 million in exports to Sub-Saharan Africa in FY 1997. Currently, Ex-Im Bank is open to consider business in 18 Sub-Saharan African countries.

To support U.S. exporters' sales efforts in Africa, Ex-Im Bank is researching innovative methods of securing credit enhancement when individual country conditions are deemed too risky.

AMERICAS

Ex-Im Bank authorized \$2.37 billion in U.S. exports to Latin America in FY 1997.

General Electric won a \$227 million turnkey contract from Central Puerto S.A. of Buenos Aires for a 769 megawatt combined-cycle power plant. This was a fiercely contested order that GE won over competition from Germany, France, Japan, Sweden, and Switzerland. Ex-Im Bank provided a financial guarantee of \$156 million, which included enhanced coverage because the GE power plant met the Bank's environmental low emissions guidelines.

Ex-Im Bank was critical in Northrup Grumman's winning the \$6.7 million contract to install a civil air radar traffic control system at San Salvador's international airport in El Salvador. Japan's export credit agency fought hard to help its exporters win this contract, as did—reportedly—ECAs of Canada and Spain. The American exporter won because Ex-Im Bank was able to match the financial terms offered by the other export credit agencies and force competition based on quality and service as well as price.

RUSSIA/NEWLY INDEPENDENT STATES

In FY 1997, Ex-Im Bank continued to expand its relationships with Russia and other members of the Newly Independent States. Under its Oil and Gas Framework Agreement (OGFA), which

backs U.S. sales of equipment and services to modernize the Russian oil sector, Ex-Im Bank approved the Ryazan Refinery rehabilitation project for \$230 million and the \$59 million Megionneftegas power plant project. To date, there are nine approved deals under OGFA, totaling \$971 million.

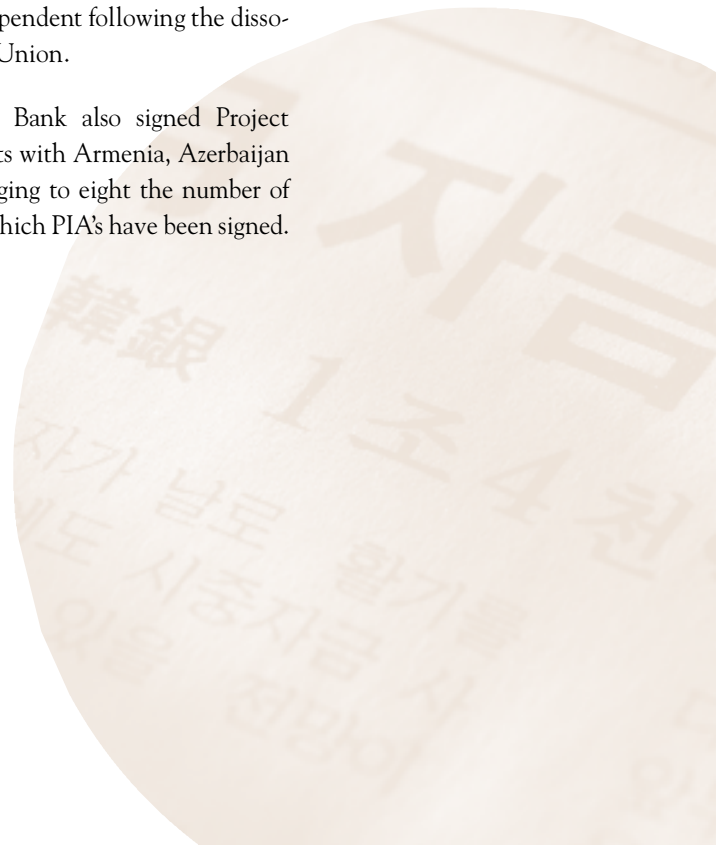


In addition, Ex-Im Bank approved four sovereign guarantee transactions in Russia totaling \$166 million: **Harris Group International** for pulp and paper production equipment; **MIC Industries**, for building manufacturing equipment; **American Capital Systems**, for textile equipment; and **Besser Company**, for concrete block manufacturing equipment.

In November 1996, Ex-Im Bank began accepting private commercial bank risk in Russia for its short and medium-term programs. Under the short-term insurance program, Ex-Im Bank approved four transactions totaling \$16.1 million with two Russian banks. Under the medium-term program, Ex-Im Bank has approved five transactions totaling \$26 million with four Russian banks.

The Bank also signed a Project Incentive Agreement (PIA) with Georgia which established a framework for financing U.S. exports on a non-sovereign basis. Revenue from the projects themselves are used to repay the financing, and thus allow Ex-Im Bank to support U.S. exports in countries where it is not yet possible to operate on a sovereign basis. Ex-Im Bank approved its first transaction under the Georgian PIA — the \$15.6 million sale by **Northrop Grumman Corp.**, Baltimore, MD of an air traffic control system to Georgia. The sale will help sustain U.S. jobs at Northrop Grumman and its subsuppliers in **Massachusetts, New York** and **Texas**. Ex-Im Bank has not opened its programs for sovereign-guaranteed transactions in Georgia since the country became independent following the dissolution of the Soviet Union.

In FY 1997, Ex-Im Bank also signed Project Incentive Agreements with Armenia, Azerbaijan and Kyrgyzstan, bringing to eight the number of NIS countries with which PIA's have been signed.



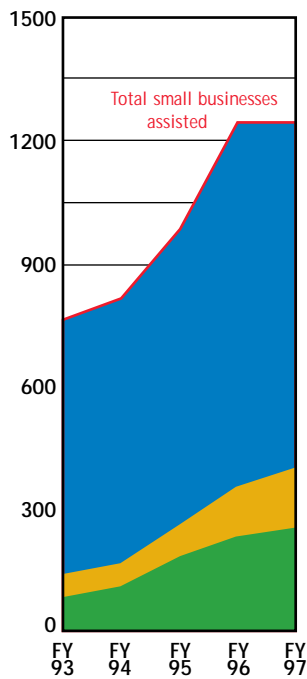
S M A L L B U S I N E S S

I N F Y 1 9 9 7 ,

Ex-Im Bank provided export financing to assist 1,935 transactions by small business, 82% of the total number of transactions (2,348) for the year. Ex-Im Bank directly authorized \$1.8 billion in loans, guarantees, and insurance for small business transactions, or 15% of its total authorizations, exceeding Ex-Im's congressional mandate of 10% of financing for small business.



Number of Small Businesses Assisted by Ex-Im Bank



Insurance	621	639	712	879	834
Int'l Lending	54	58	77	126	151
Working Capital	83	106	179	224	245
Totals	758	803	968	1229	1230

Ex-Im Bank supported almost one new small business with export financing for every day of the fiscal year—357 small businesses became first-time users of Ex-Im Bank programs, many through local delegated authority lenders and City/State partners.

“Ex-Im Bank is aggressively reaching out to small businesses throughout the United States to help them compete in the global marketplace and sustain U.S. jobs,” said Ex-Im Bank Board Member Maria Luisa Haley, who has oversight of the Bank’s small business programs. “We want to ensure that no U.S. small business loses the opportunity to make a foreign sale because it lacks working capital or competitive export financing.”

WORKING CAPITAL GUARANTEE PROGRAM

Ex-Im Bank's Working Capital Guarantee Program provides pre-export financing by offering lenders a 90% guarantee on loans made to support the working capital needs of small and medium-sized companies. FY 1997 was outstanding for the program, which grew by 17% in dollar volume and 16% in transaction volume.

In FY 1997, Ex-Im Bank authorized a total of \$443.3 million in working capital guarantees, \$367 million of which was for small businesses. Of the 332 working capital guarantee transactions authorized in FY 1997, 301 were for small businesses: 90% of the transaction volume.

Infosight Corporation of Chillicothe, Ohio, is the kind of small business that has grown through foreign sales made possible by Ex-Im Bank financing. Infosight, a manufacturer of hot steel marking equipment, exports its products to countries such as India, Turkey, Indonesia, and Poland. In three years, Infosight has tripled its staff as a result of exports made possible by Ex-Im Bank's working capital guarantees.

DELEGATED AUTHORITY LENDERS PROGRAM

The growing success of Ex-Im Bank's Working Capital Guarantee Program is due to the expanded availability and faster turnaround time achieved through the Delegated Authority Lenders Program. In FY 1997, delegated authority lenders approved over \$328 million in Ex-Im Bank's working capital guarantees (74% of dollar volume) in 284 transactions (86% of transaction volume). At the end of the fiscal year, there were 80 delegated authority lenders and their affiliates in 42 states.

EXPORT CREDIT INSURANCE

Ex-Im Bank's Export Credit Insurance Program is a key support to small exporters because its policies protect them from the risks of foreign buyer default for commercial or political reasons. The program encourages exporters to offer foreign buyers competitive terms of payment and enables companies to compete successfully in higher risk foreign markets. The insured exporter may assign the proceeds of the policies to a financial institution, which gives exporters and lenders greater flexibility in handling overseas accounts receivable.

"Ex-Im Bank is aggressively reaching out to small businesses throughout the United States to help them compete in the global marketplace and sustain U.S. jobs."

– Maria Luisa Haley,
Ex-Im Bank Board
member.

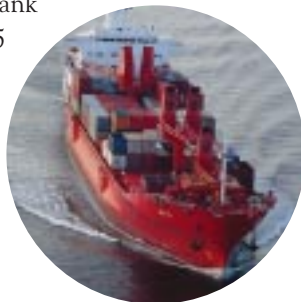
“The labor movement has always supported the Export-Import Bank, and we are anxious to continue to do so....it is imperative that the Bank stay on course and that is to create jobs for American workers.”

– John Sweeney,
President, AFL/CIO,
Ex-Im Bank Annual
Conference, May 1997.

In FY 1997, Ex-Im Bank authorized \$1.1 billion in export credit insurance to assist 1,557 small business transactions. Nearly 90% of Ex-Im Bank's export credit insurance transactions were authorized for small businesses.

Ex-Im Bank offers a wide range of policies to accommodate many different export credit insurance needs. Policies may be for single or repetitive export sales and leases, may cover a single buyer in one country or multiple buyers in several countries, and provide comprehensive (commercial and political risk) or political-risk-only coverage. Short-term policies (up to 180 or 360 days) are available to support exports that include consumer goods, raw materials, bulk agricultural commodities, and capital goods.

Ex-Im Bank's medium-term insurance policy (repayment terms up to five years) has become increasingly popular. In FY 1997, Ex-Im Bank authorized \$531.5 million in medium-term policies.



OUTREACH

Ex-Im Bank improved and strengthened outreach to small businesses in FY 1997 through 34 state and local government offices and other organizations that participate in the City/State Partners Program, offering small businesses the advantage of state and local experts on local business and lending with the financing resources of Ex-Im Bank. The program, which began in 1988, has grown steadily in amount of Ex-Im Bank financing facilitated through the program and in the number of organizations participating.

Ex-Im Bank is also devising new strategies to reach more non-bank lenders and encourage them to support small businesses in export transactions. New publications such as *Export Finance*, a quarterly newsletter, and interactive technologies, available on Ex-Im Bank's web site, are being developed to reach out directly to small business and to assist more minority-owned and women-owned businesses.

D E L E G A T E D A U T H O R I T Y



Ex-Im Bank's Delegated Authority Program helped provide record levels of working capital financing to small and medium-sized U.S. businesses across the country in FY 1997. Ex-Im Bank authorized \$443.3 million in working capital guarantees during the year—up 17% over the previous year—enabling American companies to sell \$2.3 billion of equipment and services in overseas markets and sustain thousands of high-quality jobs at home. Of these transactions, 86% were processed by banks that are members of the Delegated Authority Program, up from 68% in FY 1996.

Working capital guarantee financing helps small and medium-sized companies finance export-related costs such as receivables and inventory. The Delegated Authority Program, introduced in 1994, empowers qualifying local banks to provide this Ex-Im Bank-guaranteed financing to their customers without prior approval by Ex-Im Bank. As a result, exporters receive prompt credit commitments from nearby lenders to fill time-sensitive foreign orders.

Eighty approved banks and their affiliates in 42 states currently are Delegated Authority Lenders. During FY 1997, they provided \$328.2 million of Ex-Im Bank working capital financing to customers. Already, delegated

authority has enabled Ex-Im Bank to double its Working Capital Guarantee Program without adding staff in Washington.

The Delegated Authority Program was cited by the National Performance Review in its 1997 Annual Report—*Business-Like Government: Lessons Learned From America's Best Companies*—as an example of a reinvented government program that provides high quality customer service. Indeed, the program offers banks a new service and profit incentive for customers, provides small businesses with easier access to a Washington-based government program, and enables Ex-Im Bank to fulfill its mandate of providing jobs through exports by reaching more customers.

“The Ex-Im Bank Working Capital Guarantee Program plays an instrumental part in helping Bank One customers across our 12-state market grow their businesses by enabling them to access working capital that would otherwise not be available,” said Mike McKenzie, senior vice president of Bank One International Corporation. “Delegated authority has been the difference in making many of these transactions cost-effective for us. We see the Delegated Authority Program as a key business-lending initiative for Bank One in 1998 and beyond.”



C I T Y / S T A T E P R O G R A M



E X - I M B A N K ' S City/State Partners Program brings the expertise of a federal government agency based in Washington, D.C., to the exporter's backyard. A cooperative effort between Ex-Im Bank and state and local government offices and other organizations, the City/State Partners Program features state and local experts who can direct exporters and local lenders to the right Ex-Im Bank programs without leaving their own communities. Exporters can receive the assistance of an Ex-Im Bank City/State partner in 34 communities throughout the United States.

In FY 1997, \$133 million of Ex-Im Bank's authorizations were facilitated and/or approved through its City/State partners. More than 90% of these authorizations supported small business transactions.

In March 1997, Ex-Im Bank approved a one-year pilot program for the Erie County Industrial Development Agency (ECIDA). Under the pilot program, ECIDA was designated a lender able to provide working capital loans guaranteed by Ex-Im Bank. Prior to the pilot program, Buffalo Technologies Corporation in Buffalo,

New York, reaped the benefits from ECIDA's export expertise. Through ECIDA, Ex-Im Bank authorized a \$2.4 million working capital loan guarantee to support \$5.1 million in exports of the company's food processing equipment to China. The transaction contributed to the addition of approximately 20 jobs to the 138-worker payroll at Buffalo Technologies.

"Without Ex-Im Bank financing, we would not have been able to participate in the China project," said John B. Nemcek, president of Buffalo Technologies.

ECIDA has signed master guarantee agreements with Ex-Im Bank that enables it to provide exporters with working capital loans guaranteed by Ex-Im Bank even more efficiently. ECIDA will be eligible to become an Ex-Im Bank delegated authority lender when two Ex-Im Bank guaran-

teed working capital loans are completed.

The Minnesota Export Finance Authority is another Ex-Im Bank City/State partner that has helped local business to flourish. At a hearing in July 1997 of the U.S. Senate Subcommittee on International Finance, Executive Director Noor Doja testified, "The Export-Import Bank is key in sustaining and increasing jobs in this country by financing exports that would otherwise not happen. Without Ex-Im Bank, the U.S. could lose major opportunities to foreign competitors in the fastest growing markets in the world."

The Minnesota City/State partner put StoneL Corporation of Fergus Falls, Minnesota, a small company that manufactures valve monitoring equipment, in touch with Ex-Im Bank's programs. Ex-Im Bank's insurance resulted in an extension of \$200,000 in StoneL's line of credit from a local bank. (See the profile on page 36.)



"The Export-Import Bank has a fine record and one that should be supported. It's an important organization that has helped many of our industries and has done good work for our country."

Excerpt remarks from George P. Shultz, Director and Senior Counselor, Bechtel Group, Inc., and former U.S. Secretary of State to the Ex-Im Bank Advisory Committee on June 12, 1997 at the Federal Reserve Bank in San Francisco, California.



P R O J E C T F I N A N C E

E X - I M B A N K ' S Project Finance Division scored important firsts in FY 1997. The Bank authorized a record \$2.6 billion in financing to ensure American exporters participated in private power, natural resource, and telecommunications projects around the world. This supported tens of thousands of American jobs at suppliers and sub-suppliers across the country. 1997 financing, up from \$1.7 billion in 1996, pushed the three-year-old division's total authorizations over the \$6 billion mark.

Limited recourse project finance is a type of private financing in which the determination of reasonable assurance of repayment is based on a project's revenues, rather than a guarantee of the debt by the host country government. Such financing is in strong demand in developing countries seeking to build infrastructure without overly burdening their governments' debt. Ex-Im Bank is responding to this demand. Five years ago, two thirds of the Bank's financing was public—backed by a sovereign guarantee from the borrower country—and one third private. Now the ratio is reversed, and a large part of this private financing is project finance.

In FY 1997, the division broke new ground by approving:

- its first conversion of a project finance transaction from the construction phase to the operations phase

- its first project financing of a telecommunications project
- its first completely independent power project with a private electricity buyer and no government backing, and
- its first project financing on the African continent.

Pagbilao Project.

(See the profile on page 28.) The 700-megawatt Pagbilao power plant in the Philippines has made history since Ex-



Im Bank approved financing for the project in 1993. It was the first time that a group of international lenders joined in limited recourse project finance in an emerging market for a private power project, with all the lenders signing a common agreement laying out security arrangements for the project. This format has been repeated on every transaction supported by the Project Finance Division since.

In fiscal 1997, Pagbilao became Ex-Im Bank's first project finance transaction to make the transition from the construction phase to the operations phase. Ex-Im Bank had provided commercial lenders with a guarantee of political risks during construction. At completion, financial and technical tests of its two coal-fired power units and

related infrastructure were successfully carried out. In March 1997, Ex-Im Bank replaced the commercial bank loan that had financed the building of the plant with a \$170 million direct loan. The loan will be repaid over a 10-year period from the project's revenues, which began flowing in early 1997.

Avantel and Alestra. Ex-Im Bank financed its first two telecommunications projects on a limited recourse basis in FY 1997.

The Bank supported \$306 million in exports for the Avantel long-distance telephone network using the latest fiber-optic technology in Mexico. MCI Communications, Washington, D.C., and Banamex (Mexico's largest commercial bank) are building a fiber optic network linking 33 Mexican cities to provide services similar to those offered by MCI to U.S. customers. Avantel will provide domestic and international long distance and value-added services in competition with Mexico's former telephone monopol Telmex (Telefonos de Mexico, S.A. de C.V. Telmex). The transaction will sustain hundreds of American jobs at MCI, which is licensing technology and providing engineering services, and at U.S. equipment suppliers including: Nortel Cala, Inc., Fort Lauderdale, Florida; Siecor Corp., Hickory, North Carolina; Clarify Inc., San Jose, California, and Digital Equipment Corp., Boston, Massachusetts.



Ex-Im Bank also approved financing for a similar project supporting \$282.4 million in U.S. exports for Alestra's long distance tele-



munications network using fiber-optic technology in Mexico. The network will link Mexico City, Monterrey, Guadalajara, and adjacent population centers. AT&T Telecom Mexico Inc. and Onexa, S.A. de C.V. will design, build, and operate the network, which will serve 60 cities representing 85% of Mexico's population and all of its major business centers. Primary contractors include Lucent Technologies, Warren, New Jersey; Baker Engineering, Beaver, Pennsylvania; and Alcatel Indetel, Claremont, North Carolina.

Quezon. In another pioneering effort, Ex-Im Bank approved \$444 million for its first completely independent power project with a private electricity buyer (rather than a government-owned electric utility): a 440-megawatt power plant in Quezon Province in the Philippines. Bechtel Overseas Corp., San Francisco is providing engineering and procurement services.

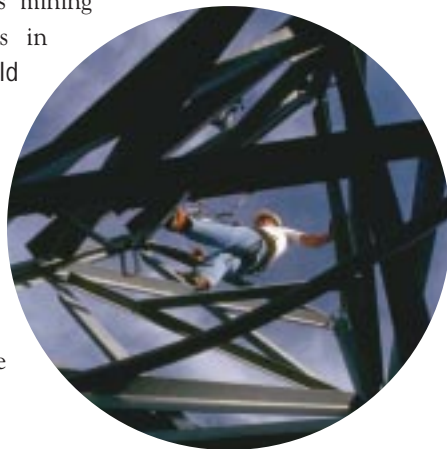
Suppliers from around the country include: Foster Wheeler, General Electric, Honeywell, Westinghouse, and Joy Environmental.

Jorf Lasfar. The Bank approved its first project financing on the African continent: the \$210 million sale of equipment and services by ABB-Combustion Engineering Systems, Windsor, Connecticut, and other U.S. suppliers for the Jorf Lasfar Power Project in Morocco. The U.S. Commerce Department estimates that this limited recourse project will help sustain about 3,000 U.S. jobs at principal suppliers and sub-suppliers around the country.

Ras Laffan and Qatargas. Ex-Im Bank authorized more than \$500 million for its first Qatari project financing for two gasfield and liquefied natural gas (LNG) development projects. The sale of U.S. equipment and services for the Ras Laffan and Qatargas projects, sponsored by subsidiaries of Mobil Corp., Fairfax, Virginia, will sustain thousands of high-quality American jobs at U.S. companies around the country, including primary contractors M.W. Kellogg and McDermott Engineering, both of Houston, Texas. The projects will tap the largest gas field in the world, Qatar's offshore North Field.

Oman LNG. Ex-Im Bank approved a political risk guarantee to finance the purchase of up to \$248 million in U.S. goods and services for its first project financing in Oman: the Oman LNG Project for the construction of a liquefied natural gas plant at Al-Ghalilah near Sur, Oman. The plant will tap Oman's large gas reserves and produce 6.6 million tpa (tonnes per annum) of liquefied natural gas to be sold to foreign offtakers. Among numerous U.S. suppliers to the project are Foster Wheeler USA Corp., Clinton, New Jersey; Air Products and Chemicals Inc., Hanover Township, Pennsylvania; General Electric, Greenville, South Carolina; and Orbit Valves International Inc., Little Rock, Arkansas.

Batu-Hijau Copper-Gold Project. Ex-Im Bank authorized \$425 million for its first project financing in Indonesia's mining sector. Two companies in Colorado, Newmont Gold Co., in Denver and Fluor Daniel Corp., in Golden, and other U.S. companies will export goods and services to develop the Batu-Hijau Copper-Gold Project, one of the



world's largest copper and gold deposits in Sumbawa, Indonesia. Overall, Ex-Im Bank's participation will leverage \$1 billion of U.S. procurement supporting more than 14,000 U.S. jobs directly (U.S. Department of Commerce estimate) and thousands more through subsuppliers. In addition to mining machinery and equipment provided by Caterpillar Americas Co., Peoria, Illinois, the project involves small business suppliers and service contractors in 26 states.

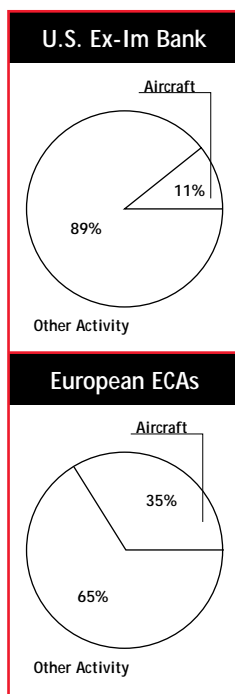
"Ex-Im Bank is remarkably effective at helping create jobs, opportunities for trade, stable democracies and vibrant economies throughout the world. The Bank has made a tremendous contribution as a rapid response service-oriented agency designed to meet the export financing needs of American business."

– Dick Cheney,
Chairman of the Board
and CEO, Halliburton
Company and former
U.S. Secretary of
Defense, Ex-Im Bank
Annual Conference,
May 1997.

A I R C R A F T F I N A N C E

EX-IM BANK - FINANCED aircraft exports sustained tens of thousands of high-paying American jobs at the aircraft firms and their suppliers and sub-suppliers in all 50 U.S. states. In FY 1997, the Bank authorized \$2.177 billion in guarantees of commercial bank loans to support commercial aircraft sales and leases by The Boeing Co. and McDonnell Douglas Corp., up almost \$1 billion over FY 1996.

Aircraft Activity
as a share of
Total Activity—
FY 1995 - FY 1996



The U.S. aircraft makers overcame formidable competition from Airbus Industrie, a European consortium backed by official government financing from the United Kingdom, France, and Germany. With Ex-Im Bank support, American manufacturers sold aircraft in important emerging markets including the Czech Republic, the People's Republic of China, India, Kenya, Morocco, Poland, Turkey, and Uzbekistan.

Of the total support, \$494 million was sovereign financing, secured by the full faith and credit of the borrower country government, and \$1.633 billion was asset-based financing secured by the aircraft. Demand for asset-based financing has increased in recent years as more governments privatized their airlines, which sought to upgrade their fleets. In some cases, asset-based financing enabled Ex-Im Bank to support aircraft sales where it otherwise might not have been able to provide financing.

Small Aircraft. Ex-Im Bank also supported sales of smaller aircraft. Backed by Ex-Im Bank export credit insurance, Air Tractor, Inc., in Olney, Texas, a small manufacturer of agricultural planes, sold one third of its 1997 production to



foreign markets. (See the profile on page 26.) In addition, Ex-Im Bank supported the \$680,000 sale by MCR Aviation in Lancaster, Ohio, of a Piper Cheyenne II to a Brazilian alcohol distillery, and the \$1.6 million lease by Executive Leasing, in Shelby, North Carolina, of a Beech aircraft by a rock mining project in Brazil.

The impact of the exports was felt from coast to coast. The Boeing Company's export sales provided billions of dollars of payments to approximately 6,000 U.S. suppliers in all 50 U.S. states in 1997. Boeing's exports supported by Ex-Im Bank have helped to sustain high quality jobs at the company and among its suppliers and sub-suppliers throughout the country.

"Seventy percent of each Boeing commercial airplane person's paycheck derives from exports," said Boeing Chairman Phil Condit in a recent speech. "Trade touches all of us in one way or another."

Fiscal 1997 saw a number of highlights and firsts in Ex-Im Bank aircraft financing:

- **Air India.** The sale of two Boeing 747-400s to Air India, backed by a \$244.2 million Ex-Im Bank guarantee, received the 1997 *Air Finance Journal's* Deal of the Year Award.
- **Uzbekistan Airways.** Ex-Im Bank authorized \$171 million in financing to support the lease

of two Boeing 767 aircraft to Uzbekistan Airways. It was the first aircraft transaction supported by an official export credit agency to a newly independent state of the former Soviet Union. (See the profile on page 30.)

- **Czech Airlines.** A \$62.6 million guarantee in support of the sale of three Boeing 737s to Czech Airlines was the first asset-based financing in the Czech Republic.

- **China.** Ex-Im Bank provided more than \$480 million in guarantees in support of the sale to China of six McDonnell Douglas MD-90 aircraft, two Boeing 737-300s, and two Boeing 747-400s. Buyers included China Northern Airlines, China Eastern Airlines, Air China, and Yunan Airlines.



- **Kenya Airways.** Ex-Im Bank authorized \$53 million in financing for the lease of two Boeing 737 aircraft to Kenya Airways. The asset-based financing structure enabled the Bank to extend long-term support for the aircraft in a developing market where otherwise the Bank is open only for short- and medium-term financing.
- **LOT Polish Airlines.** LOT Polish Airlines added to its all U.S.-manufactured jet fleet by leasing two Boeing 737-300s, two 737-400s, and one 767-300ER aircraft, with a \$196.7 million guarantee from Ex-Im Bank.

E N V I R O N M E N T & E N E R G Y

“Ex-Im Bank is strongly committed to helping American companies sell environmentally beneficial goods and services in developing foreign markets.”

– Julie Belaga,
Ex-Im Bank Board
member and Chief
Operating Officer.

E X - I M B A N K ' S environmental program encourages the export of environmentally beneficial products and services and includes guidelines regarding the environmental impact of projects supported by Ex-Im Bank financing.

In FY 1997, Ex-Im approved financing for 47 transactions involving environmentally beneficial exports. The total export value associated with these transactions was \$1.9 billion, of which \$551 million, represented environmentally beneficial products and services.



These transactions included Ex-Im Bank loan guarantees for projects such as a flue gas desulfurizer for an existing coal-fired power plant in Turkey, and water and sewage treatment plants in Venezuela. Ex-Im Bank's insurance policies supported exports of other environmental products, such as water purification equipment.

With respect to renewable energy, Ex-Im Bank issued several preliminary commitments to support the export of equipment for wind power projects. The Bank also approved export transactions resulting in substantial energy efficiency gains — one project, for example, converted gas that was being flared at an oil field to fuel an electric power plant, while another project involved a combined-cycle power plant that will

use the waste heat from gas turbines to produce additional electric power. “Ex-Im Bank is strongly committed to helping American companies sell environmentally beneficial goods and services in developing foreign markets,” said Ex-Im Bank Board member and Chief Operating Officer Julie Belaga.

To encourage the production of clean energy, Ex-Im Bank provided support for U.S. exports to three thermal electric power projects, including equipment that minimized air pollution emissions to levels that met incentive limits set forth in the Bank’s environmental guidelines.

In the energy sector, which includes oil and gas, coal, and electric power projects, Ex-Im Bank supported 24 transactions with a total export value of \$3 billion. All of these transactions met Ex-Im Bank’s environmental guidelines, including two transactions supporting \$262 million in U.S. exports for projects to upgrade the safety of existing nuclear power plants.

INTERNATIONAL NEGOTIATIONS

In 1997, Ex-Im Bank (in partnership with the Treasury Department) continued its long-standing effort to reduce official export credit subsidies and create a more level-playing field for U.S. exporters through multilateral negotiations at the Organization for Economic Cooperation and Develop-

ment (OECD). These negotiations began more than 25 years ago and, as results are achieved, they are embodied in the OECD’s “Arrangement on Guidelines for Officially Supported Export Credits”

which stipulates the basic financing conditions for official export credit support. Every major industrialized country is a party to this arrangement. “Our objective in international negotiations is to establish market forces as the guiding principle for governments’ support of their export credit programs,” said Ex-Im Bank Board member Rita M. Rodriguez.

Among the wide array of topics touched upon in the 1997 OECD negotiating agenda, significant concrete accomplishments were achieved in the areas of tied aid and exposure fees (the fees that export credit agencies charge for transaction risk, also known as risk premia).

TIED AID

In general, the term “tied aid” refers to any trade-related aid credit provided by a donor government for public sector projects in developing countries which is conditioned upon the purchase of equipment from suppliers in the



“Our objective in international negotiations is to establish market forces as the guiding principle for governments’ support of their export credit programs.”

– Rita M. Rodriguez,
Ex-Im Bank Board
member.



“The Ex-Im Bank plays such a vital role in sustaining economic growth and providing Americans with jobs. The Bank makes a difference — a lasting difference — not just on Wall Street, but on Main Street.”

– Vice President
Al Gore.

donor country. Although the provision of tied aid can be a perfectly legitimate way to promote genuine aid objectives, it may also serve as a tool for winning export sales and distorting trade. Starting in the late 1980's, competitors began to use tied aid more and more to distort trade to the benefit of their national exporters.

Fiscal year 1997 marked the final chapter of the implementation of the Helsinki Agreement, which has been responsible for reducing total tied aid offers by about 50% since its inception in 1992. Based on the body of experience gained since 1992, the OECD in 1997 adopted and published a formal set of criteria, known as ex-ante guidance that effectively limits tied aid to those projects that have a genuine aid objective.

EXPOSURE FEES

In contrast to “closing the loop” on the Helsinki tied aid agreement, the 1997 agreement on minimum exposure fees (also known as premia to insurance export credit agencies) represents a truly new success in a previously undisciplined area. Although the OECD Arrangement has long regulated minimum interest rates maximum repayment terms, and other aspects (such as the minimum cash payment required) of official

export credit transactions; until now, ECAs have been free to charge any fee that they deemed appropriate to cover a transaction's risk of non-repayment.

The new rules include minimum premia for seven country risk categories, establish review procedures, and provide for a comprehensive electronic exchange of information designed to maintain maximum transparency among OECD members. The new rules will take effect on April 1, 1999, after a two-year transition period, and will apply to all officially-supported export credits with a repayment term of two years or longer that are provided by direct financing, refinancing, insurance, or guarantees. (Official export credits for ships, large commercial jet aircraft, and agriculture are excluded.)

The new agreement establishes reasonable rules for leveling the playing field in terms of exposure fees (premium rates) and maintains U.S. export financing competitiveness. Moreover, it provides for current budget savings as well as future opportunities for steady progress in subsidy reduction.



KEY INDUSTRIES

Section 8(d)(1) of the Export-Import Bank Act of 1945, as amended, directs Ex-Im Bank to include in its Annual Report a detailed description of its actions:

- To maintain the competitive position of key linkage industries in the United States;
- To support industries which are engaged in the export of high value-added products;
- To support industries which are engaged in the development of new capital goods technology;
- To preserve and create high-skilled jobs in the United States economy; and
- To enhance the opportunity for growth and expansion of small businesses and entrepreneurial enterprises.

Ex-Im Bank's Fiscal Year 1997 activity (financial support for shipments and disbursements) included support for approximately \$6.3¹ billion in exports from 34 industry groups which fall into the first four of these "key" industries. Although many products could fit into more than one category, products are only allocated to one category.

Key linkage industries are those critically linked to the cost competitiveness of many businesses, and are often referred to as "forward linkage" industries. These industries produce inputs necessary for the production of durable goods. This category also includes certain industries that are key to national defense. In 1997, Ex-Im Bank assisted \$234.1 million in exports from three (3) key linkage industries: petroleum, steel products, and metal working equipment industries.

High value-added products are those in which the value of output generated per unit of resource input is above average. This number is derived by dividing the value added by an industry by the total value shipped by that industry. For this report, high value-added is defined as a value-added to value-shipped percentage greater than .50. Ex-Im Bank activity assisted \$486 million in exports from nine (9) industry groups which produce high value-added products.

The new capital goods technology category consists of certain typically high technology export industries which produce innovative-type capital goods. These industries typically have research and development expenditures of 50% or higher than general industry standards. Industries meeting this description include computers and accessories, electronic equipment, specialized machinery, telecommunication equipment, aircraft and parts, and automotive. Ex-Im Bank activity assisted \$4.1 billion in exports from seven (7) of these industries.

The *high skilled jobs* category includes those industries that employ a high concentration of scientists, engineers and technicians. Such industries take advantage of the U.S. comparative advantage in relatively expensive skilled labor. Sectors that demonstrate a high concentration of skilled jobs, but which are not key linkage industries and do not produce new capital goods technology or high valued-added exports, include services, chemicals, construction, metal products, engines and railways. Ex-Im Bank activity assisted \$1.6 billion in exports from 15 industries in the high-skilled jobs category.

¹Ex-Im Bank's 1997 activity numbers for the key industries are larger than in previous years. This increase is a result of a change in the process for gathering disbursement information, and does not necessarily indicate an increase in support.

ADVISORY COMMITTEE STATEMENT FOR THE 1997 ANNUAL REPORT:

The 1997 Export-Import Bank Advisory Committee approves the Lundine Report on Key Industries without change.

HARTZELL PROPELLER, INC.
PIQUA, OHIO

"325 people and growing..."

TRANSLAND, INC.
HARBOR CITY, CALIFORNIA

*"We're currently shipping direct
to Argentina, Chile, Brazil, Spain,
Australia, and New Zealand..."*



AIR TRACTOR, INC.
OLNEY, TEXAS

"We'll add 10 full-time jobs this year..."

*"Our planes are becoming known worldwide, in countries such as
Argentina, which we wouldn't have entered without Ex-Im. Now
we're making cash sales there because Ex-Im primed the pump."*

- David A. Ickert, Air Tractor, Inc., Olney, Texas

WITH EXPORTS OF PLANES SOARING, PROPELLER SALES POWER SPIN-OFF BENEFITS

DAVID A. ICKERT was taking no phone calls on a recent fall day because he was “hosting a group of people from Argentina.”

What brings a delegation of Argentine business executives to the small town of Olney, Texas (population 3,500), 100-plus miles from the Dallas-Ft. Worth metro area? In this case, it was their purchase of specialty airplanes for agricultural uses such as crop spraying.

Since its founding in 1972, Air Tractor, Inc., has been building agricultural and forestry fire fighting planes. But Ickert, the firm’s vice president - finance, says it was only with a 1994 sale of two of these planes — which “wouldn’t have happened without Ex-Im insurance” — that Air Tractor’s export sales took off and began a climb that continues to this day.

“But now we’re making a significant share of export sales with no agency support,” Ickert says. “Nonetheless, we would not have linked up with these overseas buyers if we hadn’t first gotten a foot in the door with the deals where Ex-Im was involved.

“And I can assure you, as the person who spent a year and a half in the unsuccessful pursuit of private financing, that those sales would not have been made without Ex-Im’s participation.”

The effects of those and other export sales on Air Tractor’s growth have been dramatic. “Export deliveries account for one-third of our 1997 production,” Ickert reports. “That’s more than double the export share as recently as 1993 — even though it’s on a base of domestic sales that has also been growing.

“We’ll add 10 full-time jobs this year, three or four of which can be directly attributed to the growth of exporting, for total employment of 160 people.”

Those added jobs have a big impact on Olney, where Air Tractor is the largest private employer. But the impact extends also to a

range of suppliers across the U.S., companies such as Transland, Inc., of Harbor City, California, which makes gate boxes for Air Tractor planes and is “getting more and more into direct export of parts used for replacement and repair,” according to Transland President and CEO Conrad Barlow. “We’re currently shipping direct to Argentina, Chile, Brazil, Spain, Australia, and New Zealand as a result of indirect exports through customers such as Air Tractor.”

Hartzell Propeller Inc. of Piqua, Ohio, enjoys similar export success. “Air Tractor is our third-biggest customer in sales of original equipment. Their orders keep the equivalent of six of our people employed,” says Michael R. Disbrow, Hartzell’s vice president - marketing and customer support. He reports that the Ohio firm employs “325 people and growing, thanks to our own exports and indirect exports through customers like Air Tractor.”

The impact of increasing employment in Piqua is, again, significant, according to Disbrow: “There’s no one dominant employer here, but rather a handful of us in the 200 to 500 employee range. Each company is important, because there’s not a huge industrial base in Piqua.

“We’ve added about 75 employees in the past four to five years, and of course the town gets not only the direct economic benefits of those jobs, but all the spin-off pluses of those folks spending on housing and food and furniture and so forth.”

Hartzell itself generates spin-off benefits for Piqua: The 80-year-old company completed a \$4 million expansion, including a new headquarters building, in April 1997.

PRICE BROTHERS COMPANY
DAYTON, OHIO

*"...all of the raw materials for our pipe
are provided from the local area."*



BLACK & VEATCH
KANSAS CITY, MISSOURI

*"...our total employment increased by almost
60%—to more than 6,500 employees."*

*"I think many people don't realize how extensively these export
deals filter down to affect jobs and communities throughout the U.S."*

– Ronald J. Ott, Black & Veatch, Kansas City, Missouri

“INVISIBLE” EXPORTERS REVEALED: PROJECT FINANCE DEAL BRINGS GLOBAL ATTENTION

INTERNATIONAL BUSINESS is booming for the Kansas City-based project engineering firm Black & Veatch, and company official Ronald J. Ott says Ex-Im Bank is the principal catalyst. “In 1996, nearly 90% of our revenues in the power sector were from international projects. These projects were primarily in emerging markets, and a number of these were Ex-Im supported.

“For the firm in total, revenues from international projects increased by 47% from 1995 to 1996. Over the past seven years, our export sales jumped from 12% to more than 60% of our business revenue, while our total employment increased by almost 60% — to more than 6,500 employees.”

A landmark international project for Black & Veatch, and for Ex-Im Bank as well, is construction of the Pagbilao coal-fired power plant in the Philippines. For the company, which served as project manager and primary exporter, “Pagbilao is a breakthrough project,” according to Ott, who is a Black & Veatch senior partner. “It represents our transition from a firm primarily doing domestic work to a global firm doing well over half its business on international projects.”

For Ex-Im, Pagbilao is the first private power transaction and the first project finance transaction to reach completion — with financial conversion in 1997 from the construction phase to the operation phase.

“We were able to compete for the Pagbilao project on the basis of Ex-Im’s involvement,” Ott says. “And our win there was also a win for 85 U.S. subcontractors in 30 states. A single large project such as Pagbilao involves from 100 to 200 of our own employees, plus thousands more for subcontractors.”

That thought was forcefully conveyed by Black & Veatch managing partner John H. Robinson, Jr., in testifying before a U.S. House of Representatives subcommittee in April 1997: “Our reliance on suppliers is absolute,” he said.

“They account for well over one-half of the value of our work, and we rely on hundreds of them. ... [Ex-Im Bank] is a major facilitator for our invisible exporters, those small and medium-sized firms that form the backbone of our economy.”

For the Pagbilao project, those “invisible” exporters included companies as widely separated as Strate Welding Supply of Jacksonville, Florida, and Mid-Pac Electric, Inc., of Aiea, Hawaii. Among them was Price Brothers Company of Dayton, Ohio, which manufactured large-diameter concrete pipe at its plant in Hattiesburg, Mississippi. “Pagbilao by itself gave our Mississippi plant three months of full-time work for 75 employees,” says Price Executive Vice President James S. Clift. “But when you add in the spin-off benefits of that single project, it’s fair to say we’ve kept the whole plant running — and its 100 people working — for at least a year. In addition, there are the upstream and downstream economic benefits for Hattiesburg and the vicinity. For example, all of the raw materials for our pipe are provided from the local area.”

Among the spin-off benefits of Pagbilao listed by Clift are “high visibility that resulted in sales to four other power plant projects in the Far East and Caribbean regions” and “brought us to the attention of people in other countries, such as Argentina, as an exporter of pipe-making equipment and technology.” The company’s export success in this latter role, Clift says, “would lead to creating 50 to 75 permanent engineering-related jobs here in the U.S.”

Clift also points to “linkages” that connect such jobs to a starting point that requires the presence of Ex-Im Bank. “... Ex-Im simply is not given as much firepower by Congress as those [foreign export credit] agencies have. ... We’d like to see more deals like Pagbilao, where Ex-Im puts the primary contractor — and therefore dozens or even hundreds of subcontractors — on equal footing.”

GILQUIST TOOL & MACHINE
TACOMA, WASHINGTON

"recently expanded from the one-man basement operation...to a six-employee outfit housed in a 20,000 square-foot facility."

PERFEKTA, INC.
WICHITA, KANSAS

"Most of our 40% sales gain this year comes from Boeing."



BOEING COMMERCIAL
AIRPLANE GROUP
SEATTLE, WASHINGTON

"Most of our 40% sales gain this year comes from Boeing.

When they win an Ex-Im supported sale, such as to Uzbekistan, a big part of the order goes to contractors nationwide, such as to us here in Kansas."

- Linda J. Guerra, Perfekta Incorporated, Wichita, Kansas

"...a big part of the order goes to contractors nationwide..."

“HORIZONTAL” SUBCONTRACTING SPURS VERTICAL GROWTH FOR BOEING SUPPLIERS

ACCORDING TO its sales literature, Perfekta, Inc., “is ready for today’s global market.” Those words are backed by action, for example, in the Wichita, Kansas, company’s role as a supplier of precision custom-machined parts to the Boeing Commercial Airplane Group (BCAG), Seattle. “Most of our 40% sales gain this year comes from Boeing,” says Perfekta Vice President Linda J. Guerra. “With most of Boeing’s future commercial sales going to overseas markets, that ties our financial health and future growth directly to theirs.”

Perfekta is hardly alone: In 1996, BCAG awarded more than \$10 billion to U.S. suppliers located in all 50 states. The share of this contracting won by small businesses, such as Perfekta, amounted to \$2.6 billion. Significant, widespread benefits to suppliers results from Boeing’s “horizontal subcontracting structure,” which, according to one press account, “means the company builds the airframes and leaves most subsystem production to outside contractors.”

Another small contractor that’s winning big through Boeing is Gilquist Tool & Machine, a Tacoma, Washington, area machine shop that recently expanded from the one-man basement operation of owner Bill Gilquist to a six-employee outfit housed in a 20,000 square-foot facility. In a January 1997 article, the *Journal of Commerce* said Gilquist and more than 30,000 other domestic suppliers are “riding the Boeing wave, ... supplying parts and systems for Boeing’s biggest unit, the Commercial Airplane Group.”

An important order for Boeing in 1996 was the sale of two wide-body jets to Uzbekistan Airways financed by Ex-Im Bank’s \$171 million guarantee. “This was a significant win because the only western aircraft previously operated by the airline was produced by Europe’s Airbus,” says BCAG President Ron Woodard. “Also, the sale is to an emerging market with tremendous long-term potential. With Uzbekistan just beginning to tap its significant natural resources, its international air traffic will expand significantly in coming years.”

Woodard terms Ex-Im’s support “absolutely indispensable” in making the sale possible. “The commercial finance market is not yet able to deal with the cross-border political risk.” He adds that Ex-Im loan guarantees have supported 13% of the company’s commercial aircraft exports over the past 10 years. “And Ex-Im has never incurred a loan loss from a Boeing sale.”

Perfekta’s Guerra recognizes the “compounding” effect of such sales by Boeing. “When they win an Ex-Im supported sale, such as to Uzbekistan, a big part of the order goes to contractors nationwide, such as to us here in Kansas. But we’ve turned that work into more export sales in at least two ways. First, we’ve gotten subcontract orders from foreign companies that also supply Boeing with parts. Second, we’ve entered overseas markets that we may not have been exposed to without Boeing.”

This “compounding,” which extends the benefits of increased sales through the economy in a ripple effect, works in reverse also: When sales are down, whole economic sectors are hurt. Guerra notes that both her company, with 120 employees, and the Wichita regional economy suffered in the period 1992 to 1995, when aircraft orders slumped. “The biggest problem in such a downturn is that it isn’t possible to switch quickly to supplying another industry, due to the unique supplier requirements of the aircraft industry. As a result, our renewed growth starting in 1995 was largely attributable to orders from Boeing, many of which can be traced to Ex-Im support.”

The support of export credit agencies, she adds, “is — like it or not — something other countries provide. I believe that makes Ex-Im’s support appropriate. And the fact that the support is for deals that flow down through companies like Boeing to a wide spectrum of companies throughout the U.S., and to the local economies of those companies, makes Ex-Im’s role vital.”

MADDOX FOUNDRY & MACHINE WORKS, INC.
ARCHER, FLORIDA

"...the second-largest employer in Archer."



MOVING WATER INDUSTRIES CORP.
DEERFIELD BEACH, FLORIDA

*"We currently have 750 small business
suppliers in 24 states that benefit directly from our
export sales."*

*"We need Ex-Im Bank. Otherwise, our sales to Zimbabwe
and other developing countries wouldn't have happened.
It's as simple as that."*

- William E. Bucknam, Moving Water Industries Corp., Deerfield Beach, Florida

THE AMAZING, ENVIRONMENTALLY FRIENDLY, JOB-CREATING CLEAN WATER PUMP

BILL BUCKNAM is in the enviable position of having a job that allows him to help bring improved economic circumstances and better living to countless numbers of people in some of the world's poorest countries as well as right here in the U.S.

His job title — vice president and general counsel — reveals nothing of his fortunate circumstances. But there's a clue in his employer's name: Moving Water Industries (MWI) Corporation, of Deerfield Beach, Florida, manufactures water-related equipment, including pumps, well-drilling equipment, and the family-owned business's signature product — a pump operated by pedal or solar power that provides clean, pressurized drinking water to people in some of the earth's remotest rural areas.

As for the benefits of his firm's exported products here at home, one must know the extent to which MWI's overseas shipments are "made in America" or, more accurately stated, made throughout America. "We currently have 750 small business suppliers in 24 states that benefit directly from our export sales," Bucknam says.

The impact of exports on MWI itself is no less dramatic: Since receiving its first commitment from Ex-Im in 1983, the company's sales have quadrupled and its workforce has tripled, to today's 250 employees. Bucknam says the value of exports has increased during that period from about 60% of total annual sales to 85% "and heading higher." In 1997 alone, MWI finalized Ex-Im financing supporting \$66 million in exports to Africa and South America. With this performance, MWI won Ex-Im's Small Business Exporter of the Year Award.

One of MWI's Ex-Im-supported sales in 1997 — the sale of their patented Hydraflo pumps to Zimbabwe using a \$23 million Ex-Im direct loan — is notable for its origins. "I had the opportunity to spend a few minutes with Zimbabwe President Mugabe at a 1995 event in Washington," Bucknam recounts. "I handed him

our brochure called 'War on Drought' and began to explain it. He interrupted, saying, 'We need you badly. We need this technology. When can you come to Africa?'

"I went to Zimbabwe soon after, with a \$50 million expression-of-interest letter from Ex-Im that — to everyone's good fortune — they were able to generate almost overnight. Things proceeded from there to finalizing the deal and getting our people and some of those hundreds of our suppliers to work on it in 1997."

One of these hundreds is Maddox Foundry & Machine Works, Inc., a company founded in 1905 in the then-remote and also newly-founded central Florida town of Archer, by the grandfather-in-law of current President and CEO Michel C. (Mike) Cureau. "What we are is a glorified blacksmith," he remarks. "We can make anything." For MWI, "anything" is castings for pumps.

With 75 employees, Cureau observes, "Maddox is the second-largest employer in Archer. But it's clear we need indirect exports through companies like Moving Water to maintain or improve that employment level." Cureau explains that, "like other U.S. manufacturers, we're seeing some traditional markets drying up. So export sales through companies like MWI, particularly of technology that has such vast market potential, is increasingly important for us."

Such comments validate Bucknam's assertion that, "At MWI, the slogan 'exports mean jobs' is an everyday reality. But that wouldn't be the case without Ex-Im Bank, because our competitors in other countries all have the support of their export credit agencies. MWI has the best and most advanced equipment of its type in the world, but that's irrelevant without the financing that's unavailable from private sources. We need Ex-Im Bank. Otherwise, our sales to Zimbabwe and other developing countries wouldn't have happened. It's as simple as that."

J.L. LUTZ WELDING AND FABRICATING
FRENCHTOWN, NEW JERSEY

"Our company is the third-biggest taxpayer in our township."

STOLLEN MACHINE AND TOOL
KENILWORTH, NEW JERSEY

*"You don't have to go far to see how our growth
has caused growth..."*



PROCEDYNE CORP.
NEW BRUNSWICK, NEW JERSEY

*"...we're the eleventh-largest of more than 1,200
employers in New Brunswick."*

*"Without Ex-Im's help, there would have been no Brazilian sale,
no furnace, no patent, no similar export sales, and little or no
growth for us or our suppliers."*

– Norbert R. Beyer, Procedyne Corp., New Brunswick, New Jersey

HOW A FURNACE IN BRAZIL BLASTED SMALL FIRMS IN NORTH JERSEY TO NEW HEIGHTS

BERT BEYER SAYS he would like to end his company's participation in Ex-Im Bank's Working Capital Guarantee Program: "So far, we've paid more than \$200,000 in fees for this facility." But there's this one issue that seems to keep cropping up and postponing the termination date: "The program has helped us win individual sales that are as much as 10 times larger than our biggest sales of only a few years ago. So we have a situation where our company's phenomenal growth resulting from the Ex-Im program is at least temporarily keeping us on the program."

The company is Procedyne Corp., a New Brunswick, New Jersey, designer and manufacturer of fluid-bed furnaces. Beyer, the firm's vice president and chief financial officer, says that today Procedyne has sufficient cash flow to finance export deals of the size that was typical when Procedyne first gained Ex-Im support only four years ago. "But the size of our export deals over those years has increased at a rate far beyond what any reasonable person would have estimated at the time." Case in point: an order completed in 1997 that involved the sale of a furnace for a plant in Mexico. Procedyne's price for that single furnace was roughly equivalent to Procedyne's total annual revenues in years of the early 1990s.

The company's employment growth has tracked revenues: its 80 employees today more than double the number in 1994. Beyer notes that, while Procedyne "certainly isn't a large employer nationally, we're the eleventh-largest of more than 1,200 employers in New Brunswick."

For a true picture of the company's effects on employment, a look at what Beyer describes as "our hundreds of subcontractors in New Jersey and across the country" is required. "You don't have to go far to see how our growth has caused growth, especially among a number of small, family-owned and operated businesses," he says. "For example, there's Stollen Machine and Tool in Kenilworth, New Jersey, headed by Bob Stollen. And if you go out into the country west of us, you'll find John

Lutz and his wife, Jane, at J.L. Lutz Welding and Fabricating in Frenchtown, New Jersey."

Jane Lutz, who serves as corporate secretary and credit manager for the heavy-steel fabricating company founded in 1946 by her husband's father, fondly describes Frenchtown as "big enough for its post office and a few thousand residents." J.L. Lutz is on the edge of town and growing fast. "We've been very, very busy," Lutz laughs, after her estimate that the firm employs 18 people is quickly corrected by the company bookkeeper. "She says we now have 23 employees." As with Procedyne, that number is significant at the local level. "Our company is the third-biggest taxpayer in our township," Lutz says.

Lutz says she and her company's other managers "are very aware of the final destination of our work for a good customer like Procedyne. That Mexico order was as big for us, on our scale, as it was for Procedyne on its scale. In some ways, Procedyne's huge increase in foreign sales might be more important for us than for them because we depend on customers big enough to take on the kind of large, complete projects that we're set up to only do a portion of in a subcontract arrangement."

Procedyne's Beyer is amazed that such export sales involving Ex-Im began as recently as the 1994 sale of a furnace to General Motors-Brazil that required the development of a patented technology co-developed by seller Procedyne and buyer GM-Brazil. "It's the patented technology that has led to our subsequent sales around the world. Without Ex-Im's help, there would have been no Brazilian sale, no furnace, no patent, no similar export sales, and little or no growth for us or our suppliers."

Beyer finds one more way to quantify the impact: "When we started working with Ex-Im, our revenues were 90% domestic and 10% foreign. Today, those figures are reversed; our revenues are 90% foreign."

DEE INCORPORATED
CROOKSTON, MINNESOTA

"We're one of the five largest employers here—each of us has a few hundred employees."



STONEL CORPORATION
FERGUS FALLS, MINNESOTA

"We're a small company with 26 employees in a small town of about 13,000 people."

"I'd call our Ex-Im support a win-win, but there are dozens of winners — our company, our local bank, our town, and our network of suppliers across the upper Midwest."

- Wally Stommes, StoneL Corporation, Fergus Falls, Minnesota

EXPORT SUPPORT HELPS FOLKS BUILD “WONDERFUL LIFE” IN SMALL-TOWN MINNESOTA

“I HAVE TO ADMIT that I didn’t fully realize how much of an impact Ex-Im Bank support would have on our community until one morning earlier this year,” Wally Stommes recalls. “People were stopping me on the street and shouting to me as they passed in their cars. They were all telling me how great it is for our company to have hooked up with Ex-Im. How did they know anything about Ex-Im, let alone that we’d gotten the Bank’s support for exporting?”

The mystery was easily solved. Stommes — co-founder and president of StoneL (pronounced “stone-ell”) Corporation, a maker of valve monitoring equipment for processing plants — hadn’t known that Ex-Im Bank’s news release about his company’s support had been turned into a front-page article in the home-town Fergus Falls (Minn.) Daily Journal.

“We’re a small company with 26 employees in a small town of about 13,000 people,” Stommes notes, “so the Ex-Im impact that might not mean a lot to people in big cities makes a very big difference here.” Stommes says Fergus Falls, located 180 miles northwest of Minneapolis, could be pictured as “a genuine small-town America sort of place,” not unlike the fictional Bedford Falls of the Christmas-season film classic “It’s a Wonderful Life.”

“We added three new jobs very quickly as a result of the increased exporting made possible by Ex-Im,” Stommes says. “That resulted from a quadrupling of our export sales in the first year after Ex-Im provided the insurance that allowed our local bank to expand our credit by \$200,000. We’ve gone from a level of exporting that represented 2% of our total sales in 1995 to 15% of total sales this year. Over the next year, we project another doubling of exports — half of which will be directly attributable to our Ex-Im insurance.”

And half of StoneL’s cost of goods sold flows through to “an extensive list of subsuppliers located throughout Minnesota and into neigh-

boring states,” Stommes adds. “That means if we increase exports by the \$600,000 or so we project, about \$300,000 of that goes into the pockets of businesses and their employees. So I could call our Ex-Im support a win-win, but there are dozens of winners — our company, our local bank, our town, and our network of suppliers across the upper Midwest.”

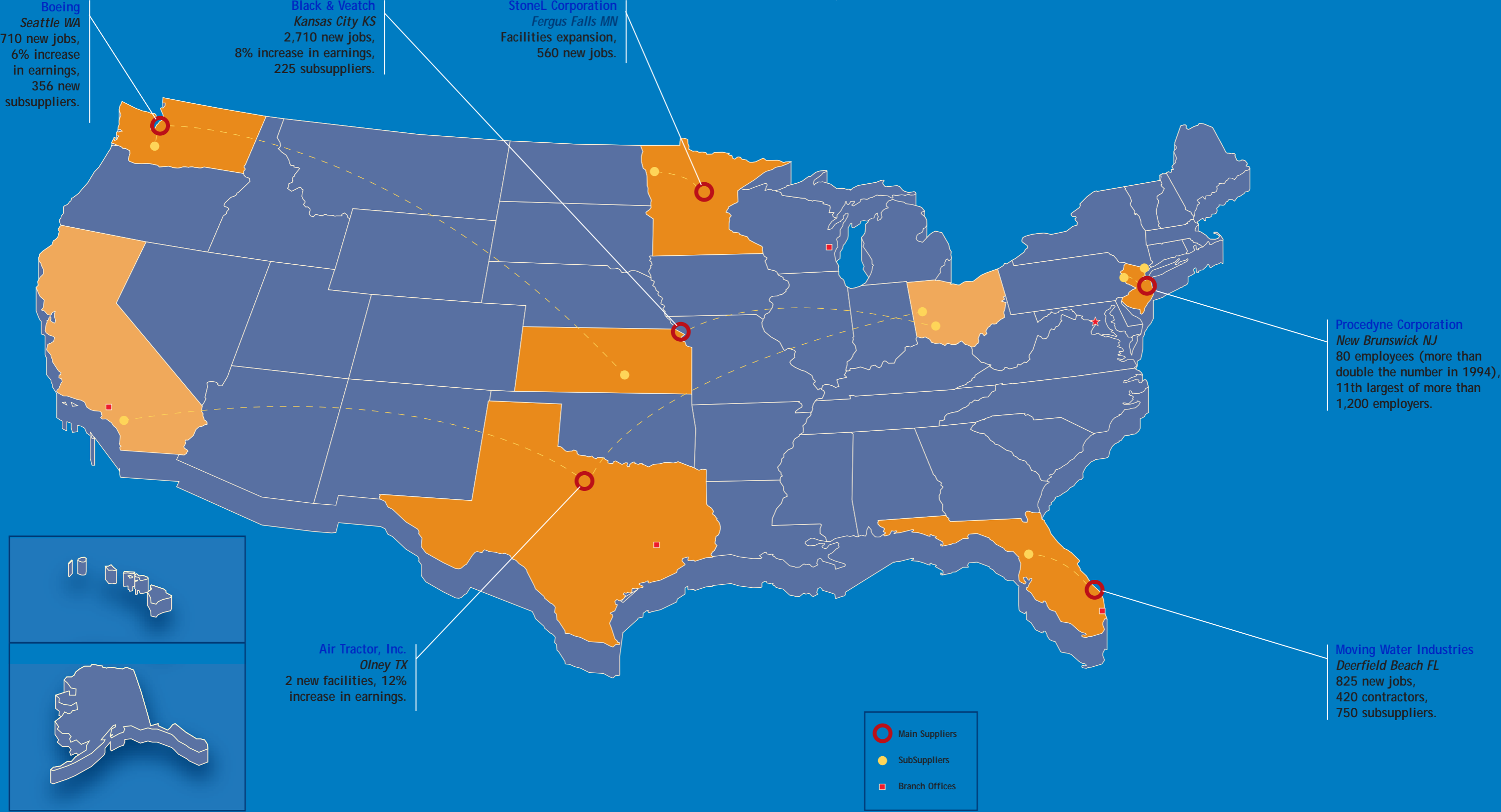
Heading up the list of those suppliers, Stommes says, are companies such as Professional Technologies, Ham Lake, Minn.; Phoenix International, Fargo, North Dakota; TWF, Inc., Barrett, Minn.; Zercom, Brainerd, Minn.; and Dee Incorporated, a foundry in Crookston, Minn.

Dee’s president and general manager, Jim Ellinger, reports that “about 20 to 25 of our 200 total jobs depend on indirect exports through customers such as StoneL.” Those jobs are important to Crookston, Ellinger says, a town of about 8,000 people in the northwest corner of the state. “We’re one of the five largest employers here — each of us has a few hundred employees.” He notes that Dee’s work resulting from StoneL exports is particularly important in lessening his company’s historical dependency on work for the recreational vehicle industry, “which tends to be very cyclical and therefore a cause of fluctuating employment.”

Back at StoneL, Wally Stommes has no doubt that Ex-Im support was essential for his firm’s export gains. “We had to have the insurance because we have a high level of receivables that our sources of finance have to be able to collateralize.” He credits Ex-Im’s Jackie Meredith for heroic efforts in securing that insurance: The Chicago based regional business development officer plowed through a major snow storm to “come to us out here in the hinterlands” and accelerate momentum toward a deal with StoneL’s local bank.

“I look at this as a way of providing the necessary comfort level for the banks,” Stommes explains. “As for StoneL, we never sell a product unless we’ve assured ourselves that we’ll be paid. “

A FEW HIGHLIGHTS FROM EX-IM BANK'S
2,348 TRANSACTIONS IN FY'97



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AUTHORIZATIONS SUMMARY

(\$ Millions)

Program	Number of Authorizations		Amount Authorized		Export Value		Subsidy	
	1997	1996	1997	1996	1997	1996	1997	1996
Loans								
Long-Term Loans	13	29	\$1,464.5	\$1,100.7	\$1,706.4	\$1,233.2	\$25.0	\$68.9
Medium-Term Loans	2	0	8.9	0.0	10.4	0.0	1.7	0.0
Tied Aid	2	9	75.5	135.6	81.5	143.4	17.0	29.4
Total Loans	17	38	1,548.9	1,236.3	1,798.3	1,376.6	43.7	98.3
Guarantees								
Long-Term Guarantees	88	73	6,745.1	5,314.6	7,408.2	6,694.0	566.1	522.7
Medium-Term Guarantees	180	111	572.7	720.9	673.2	866.2	83.3	84.4
Working Capital Guarantees	332	286	443.3	377.8	2,273.9	1,662.6	12.2	9.4
Total Guarantees	600	470	7,761.1	6,413.3	10,355.3	9,222.8	661.6	616.5
Export Credit Insurance								
Short-Term	1,384	1,590	2,317.3	3,134.7	2,317.3	3,134.7	38.9	77.7
Medium-Term	347	324	531.5	733.4	625.1	862.5	66.6	77.5
Total Insurance	1,731	1,914	2,848.8	3,868.1	2,942.4	3,997.2	105.5	155.2
Modifications							30.0	24.1
Grand Total	2,348	2,422	12,158.8	11,517.7	15,096.0	14,596.6	\$840.8	\$894.1

AUTHORIZATIONS BY MARKET

	Loans	Guarantees	Medium-Term Insurance	Total Actual Authorizations	Exposure 9/30/97
Africa Multinational					6,622,279
Algeria		150,364,769		150,364,769	1,438,847,821
Americas Multinational Financial Inst					60,689,758
Angola		88,535,400		88,535,400	94,915,655
Antigua					385,862
Argentina		234,359,820	49,529,045	283,888,866	1,973,920,419
Aruba					8,178,092
Australia					565,172,799
Austria					57,512,713
Bahamas			7,750,398	7,750,398	13,408,563
Bahrain					182,565,976
Bangladesh					14,647,812
Barbados					1,105,349
Belgium					1,952,292
Belize					17,103,027
Bermuda					589,342
Bolivia		1,868,940	4,592,626	6,461,566	40,955,828
Bosnia					36,766,120
Brazil	177,233,427	198,241,681	116,193,802	491,668,910	3,861,983,251
Brunei					4,244
Cameroon					50,423,511
Canada					65,697,720
Canary Islands					38,562
Cayman Islands					942,086
Central African Republic					7,805,095
Chile					106,626,131
China					26,386,019
China (Mainland)	819,645,719	489,952,778		1,309,598,497	4,632,972,722
China (Taiwan)					6,115,569
Colombia					568,870,597
Congo					22,864,759
Costa Rica			17,663,935	17,663,935	36,407,139
Cote D'Ivoire					179,017,359
Croatia					92,923,272
Cuba					36,266,581
Cyprus					1,385,431
Czech Republic		62,591,293		62,591,293	473,472,237
Denmark					2,213,723
Dominica					13,735
Dominican Republic		351,174	11,553,364	11,904,538	191,159,963
Ecuador		2,061,405	12,340,560	14,401,965	174,025,939
Egypt					38,770,793
El Salvador		8,485,307	2,585,759	11,071,066	123,525,392
Estonia					13,468
Fiji Islands					3,450
Finland					1,200,351
France					13,471,312
French Polynesia					7,211

AUTHORIZATIONS BY MARKET

	Loans	Guarantees	Medium-Term Insurance	Total Actual Authorizations	Exposure 9/30/97
Gabon					74,555,227
Georgia		14,369,862		14,369,862	14,369,862
Germany, Federal Republic of					15,914,940
Ghana		40,949,010	6,202,644	47,151,654	417,192,722
Greece					105,964,721
Greenland					999
Grenada		3,697,148		3,697,148	3,746,506
Guatemala		43,440,299	28,762,834	72,203,133	124,651,751
Guiana-French					104,939
Guinea					7,593,494
Guyana					4,226,160
Haiti					9,746,651
Honduras		10,022,078	1,560,308	11,582,386	21,349,259
Hong Kong					492,846,243
Hungary					86,270,457
Iceland					106,374
India	20,308,514	280,472,666	4,217,904	304,999,084	1,402,492,655
Indonesia	474,775,885	143,592,389	7,418,123	625,786,397	3,774,108,496
Ireland					2,186,584
Israel		151,400,816	1,554,692	152,955,508	693,917,066
Italy					384,329,375
Jamaica			11,430,528	11,430,528	99,653,544
Japan					17,882,375
Jordan					1,941,655
Kazakhstan		21,564,032		21,564,032	138,358,070
Kenya	1,371,773	53,221,645	297,950	54,891,368	104,286,393
Korea, Republic of		754,606,789		754,606,789	1,535,314,203
Kuwait					82,762,726
Latvia					6,671,301
Lebanon					1,469,985
Liberia					5,980,110
Liechtenstein					2,123
Lithuania		11,490,788	5,376,200	16,866,988	38,584,765
Luxembourg					184,860,732
Macau					3,344,521
Macedonia					54,317,564
Madagascar					24,366,996
Malaysia, Federal Republic of					304,152,901
Malta					20,127,506
Mauritania					6,596,857
Mauritius					2,120,585
Mexico		906,535,201	147,698,180	1,054,233,381	4,638,958,632
Micronesia, Federated States of					725,273
Monaco					79,031
Morocco	15,505,607	258,747,060		274,252,667	561,517,554
Mozambique					48,589,817

AUTHORIZATIONS BY MARKET

	Loans	Guarantees	Medium-Term Insurance	Total Actual Authorizations	Exposure 9/30/97
Naura					51,158,267
Nepal					16,186,831
Netherlands					6,585,436
Netherlands Antilles					566,559
New Caledonia					837
New Zealand					3,564,295
Nicaragua			252,530	252,530	53,177,764
Niger					6,821,520
Nigeria					713,510,400
Norway					58,937,504
Oman		247,485,900		247,485,900	272,790,853
Pakistan		261,570		261,570	438,046,938
Panama			269,063	269,063	85,043,194
Papua New Guinea		29,281,650		29,281,650	35,408,954
Paraguay					2,529,724
Peru			17,245,443	17,245,443	254,284,732
Philippines		555,457,376	8,463,752	563,921,128	2,551,024,333
Poland		196,667,067		196,667,067	699,323,467
Portugal					462,601
Qatar		525,401,018		525,401,018	523,244,754
Romania	7,494,140	43,310,072	15,415,022	66,219,234	239,286,687
Russia		474,385,797		474,385,797	1,672,496,663
Saudi Arabia					8,517,357
Senegal					1,813,245
Seychelles					3,315,454
Sierra Leone					12,529,960
Singapore		9,198,503		9,198,503	25,044,940
Slovak Republic					7,840,352
Slovenia					27,238,435
South Africa		100,000		100,000	145,602,745
Spain					7,468,176
Sri Lanka		8,994,177		8,994,177	23,869,840
St Kitts-Nevis					1,884,440
St Lucia					264,934
St Vincent					47,680
Sudan					28,246,331
Sweden					3,911,299
Switzerland					3,718,929
Tanzania					26,343,136
Thailand	9,230,548	5,596,825	9,224,350	24,051,723	856,604,154
Togo					2,820
Trinidad and Tobago					652,874,970
Tunisia					169,712,042
Turkey		249,677,288	12,712,199	262,389,487	2,185,360,101
Turkmenistan		133,096,006		133,096,006	304,791,695

AUTHORIZATIONS BY MARKET

	Loans	Guarantees	Medium-Term Insurance	Total Actual Authorizations	Exposure 9/30/97
Uganda			777,338	777,338	3,464,839
Ukraine		77,999,400		77,999,400	249,341,277
United Arab Emirates					2,303,807
United Kingdom					35,416,413
United States of America		634,453,205		634,453,205	1,295,062,358
Uruguay			1,307,257	1,307,257	23,229,187
Uzbekistan		300,959,215		300,959,215	448,360,382
Various Countries Unallocable					500,000,000
Venezuela		337,876,788	9,488,783	347,365,571	1,980,834,101
Virgin Islands - British					50,380
West Indies - French					211,890
Yugoslavia, debt in former					118,122,170
Zaire					921,830,192
Zambia					146,971,849
Zimbabwe	23,315,415		2,212,975	25,528,390	107,798,747
Total	1,548,881,028	7,761,124,207	514,097,564	9,824,102,801	48,762,739,968
Intermediary Loans					63,132,725
Medium-Term Loans					86,817
Multibuyer Insurance - Medium-Term			17,400,000	17,400,000	20,375,000
Multibuyer Insurance - Short-Term				2,317,334,104	4,587,777,890
Small Business Loans					1,021,153
Other					1,230,486,441
Total Authorizations	1,548,881,028	7,761,124,207	531,497,564	12,158,836,905	54,665,619,994

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
ALGERIA						
01-Oct-96	Sonatrach Minst de L'Economie Bechtel Financing Services	63359	Engineering services			\$4,712,143
01-Oct-96	Sonatrach Minst de L'Economie Various	63124	Engineering services			\$7,553,815
01-Oct-96	Sonatrach Minst de L'Economie M W Kellogg Company	61396	Renovation of GL2-Z LNG plant			\$851,478
01-Oct-96	Sonatrach Minst de L'Economie Sofregaz U S Inc.	63642	Engineering services			\$1,458,439
01-Oct-96	Sonatrach Minst de L'Economie Various	63679	Engineering services			\$1,184,095
20-Mar-97	Sonatrach Minst of Finance Halliburton Company	71426	Oil & gas field services			\$134,604,799
Total for Algeria						\$150,364,769
ANGOLA						
16-Oct-96	Soc Nacional de Combustiveis de Angola Banco Nacional de Angola Halliburton Energy Services	68027	Oil field services			\$88,535,400
Total for Angola						\$88,535,400
ARGENTINA						
15-Nov-96	Energia del Sur S.A. Camuzzi Argentina S.A. General Electric Company	70138	Two 38 MW Gas turbine- generators			\$16,396,305
10-Jul-97	Central Puerto S.A. None Techint Inc.	70227	Gas turbines			\$155,897,735
Total for Argentina						\$172,294,040
BRAZIL						
04-Mar-97	Banco do Brasil S.A. None Raytheon Company	67303	Air traffic control systems	6.920%	\$1,502,477	

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
28-Aug-97	Copesul-Companhia Petroquimico do Sul None Stone & Webster Intl Projects Corp.	70050	Engineering services & equipment	7.540%	\$129,660,370	
08-Sep-97	Editora o Dia S.A. Carvalho, Antonio Ary de Goss Graphic Systems	72322	2 Goss offset printing presses			\$27,943,627
30-Sep-97	Telecomunicacoes do Parana S.A. Telecomunicacoes de Brasilia S.A. Lucent Technologies Inc.	71122	Switching equipment	7.030%	\$46,070,580	
30-Sep-97	Companhia Vale do Rio Doce None General Electric Company	72243	15 Railroad locomotive & spare parts			\$27,032,490
Total for Brazil					\$177,233,427	\$54,976,117

CHINA (MAINLAND)

15-Nov-96	State Development Bank None Bechtel Power Corporation	68955	Engineering services & equipment	7.490%	\$75,925,866	
15-Nov-96	China Construction Bank None Foster Wheeler Energy Corp.	68490	Power boiler	6.600%	\$373,956,262	
15-Nov-96	State Development Bank None Bechtel Power Corporation	68955	Engineering services & equipment	7.490%	\$246,996,642	
23-Jan-97	SPV/China Northern Airlines Bank of China McDonnell Douglas Corporation	69329	3 MD-90 Aircraft W/V2500 engines			\$101,025,311
28-May-97	State Development Bank None UOP	70225	Engineering services & technology	7.470%	\$30,284,337	
17-Jun-97	SPV/Air China Industrial & Commercial Bank of China Boeing Company	71703	(1) 747-400 Aircraft			\$109,099,216
10-Jul-97	China Construction Bank None UOP	71717	Engineering services, tech., & equip.	7.320%	\$32,518,264	
21-Aug-97	SPV/Air China Industrial & Commercial Bank of China Boeing Company	72107	1 B747-400C Aircraft			\$115,303,350

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
30-Sep-97	SPV/China Eastern Airlines Industrial & Commercial Bank of China McDonnell Douglas Support Srvc.	69657	(6) IAE Engines			\$105,686,043
30-Sep-97	SPV/China Eastern Airlines Industrial & Commercial Bank of China Boeing Company	72542	4 CFM56 Aircraft engines			\$52,703,835
30-Sep-97	Bank of China None Cubic Corporation	68157	Fare collection system	4.660%	\$59,964,348	
Total for China (Mainland)					\$819,645,719	\$483,817,755
CZECH REPUBLIC						
20-Feb-97	SPV/Czech Airlines None Boeing Company	70350	6 CFM Aircraft engines			\$62,591,293
Total for Czech Republic						\$62,591,293
EL SALVADOR						
14-May-97	Comision Ejecutiva Portuaria Autonoma Minst of Finance of El Salvador Northrop Grumman Corporation	72059	ATC Radars, microwave radios			\$6,721,387
Total for El Salvador						\$6,721,387
GEORGIA						
14-Jul-97	State Enterprise Sakaeronavigatsia None Northrop Grumman Corporation	71277	Radar, microwave communication system			\$14,369,862
Total for Georgia						\$14,369,862
GHANA						
01-Oct-96	Ghana National Petroleum Corp. Minst of Finance Continental Engineering	67979	Engineering services			\$40,949,010
Total for Ghana						\$40,949,010
GRENADA						
24-Sep-97	Minst of Comm, Works & Public Utilities Minst of Finance of Grenada American Engineering Services	72102	Pumps & pumping equipment			\$3,697,148
Total for Grenada						\$3,697,148

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
GUATEMALA						
16-Oct-96	Cementos Progreso S.A. Cental de Materiales de Construccion Cemco United Inc.	70653	Cement making machinery			\$17,335,656
28-Oct-96	Siderurgica de Guatemala Hornos, S.A. Caterpillar Inc.	69213	Diesel generators			\$15,759,000
Total for Guatemala						\$33,094,656
INDIA						
24-Oct-96	SPV/Air India Limited None Boeing Company	70757	(2) 747 Aircraft w/engines and spares			\$244,247,567
17-Dec-96	Escotel Mobile Communications Ltd. First Pacific Holdings Ltd. Lucent Technologies Inc.	70262	Cellular related equipment	7.270%	\$20,308,514	
08-Jan-97	Jindal Vijayanagar Steel Ltd. Jindal Iron & Steel Co Ltd. Kvaerner U.S. Inc.	70785	Pellet car assemblies & indurating prop.			\$34,044,015
26-Jun-97	Ibil Energy Systems Limited Bank of India General Electric Company	69819	Gas turbine generators			\$485,761
Total for India						\$278,777,343
INDONESIA						
17-Dec-96	Minst of Finance of Indonesia None Airport Systems International	67485	Navigation equipment	7.730%	\$15,665,807	
11-Feb-97	Pabrik Kertas Tjiwi Kimia, P.T. Beloit Corporation Beloit Corporation	69899	Pulp & paper making equipment			\$67,698,384
11-Feb-97	Indah Kiat Pulp & Paper Corp, P.T. Beloit Corporation Beloit Corporation	71268	Fine paper machine equipment			\$67,559,544
10-Jun-97	Minst of Finance of Indonesia None Sverdrup Technology Inc.	70772	Engineering services & equipment	7.320%	\$34,110,078	

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
02-Jul-97	PT Newmont Nusa Tenggara None Caterpillar Americas Co.	71225	Engineering services	7.660%	\$425,000,000	
Total for Indonesia					\$474,775,885	\$135,257,928
ISRAEL						
11-Mar-97	Israel Electric Corp Ltd. None General Electric Company	64784	1X34MW & 2X121MW Gas turbines			\$42,043,506
02-Apr-97	Israel Electric Corp Ltd. None Babcock & Wilcox Company	66890	Gears & drives			\$91,479,310
24-Sep-97	Israel Electric Corp Ltd. None General Electric Company	70312	Dry low nox burners			\$17,878,000
Total for Israel						\$151,400,816
KAZAKHSTAN						
24-Sep-97	Export-Import Bank of Kazakhstan Minst of Finance Okan USA, Inc.	71173	Electrical, mechanical, furniture			\$14,178,000
Total for Kazakhstan						\$14,178,000
KENYA						
27-Feb-97	SPV/Kenya Airways Ltd. None Boeing Company	71324	(4) CFM-56 Aircraft engines			\$53,221,645
28-Feb-97	Eastern & Southern Afr. Tr. & Dev. Bank None Continental Eagle Corporation	71293	2 Stand 161 saw ginning systems	6.910%	\$1,371,773	
Total for Kenya					\$1,371,773	\$53,221,645
KOREA, REPUBLIC OF						
26-Nov-96	SPV/Asiana Airlines Kumho Const & Engineering Inc. Boeing Company	69654	1 767-300 & 1 737-400 Aircraft			\$102,533,768
11-Mar-97	SPV/Korea Airlines None Boeing Company	70564	1 B747-400 & 2 B777-200 Aircraft			\$309,504,741

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
15-Apr-97	SPV/Asiana Airlines Kumho Const & Engineering Inc. Boeing Company	71870	2 B767/1 B747C Aircraft & 8 engines			\$271,590,470
16-Jul-97	SPV/Asiana Airlines Kumho Const & Engineering Inc. Boeing Company	71592	GE engines (2)			\$70,977,810
Total for Korea, Republic of						\$754,606,789
MEXICO						
23-Jan-97	Avantel S.A. None Nortel Cala Inc.	69605	Switches, fiber cable, hardware			\$291,944,291
20-Feb-97	Petrotemex, S.A. de C.V. Tereftalatos Mexicanos, S.A. Bufete Industrial Inc.	71070	Chemical process equipment			\$45,247,212
24-Apr-97	Siderurgica Lazaro Cardenas las Truchas None Praxair Inc.	70973	Oxygen plant			\$23,283,192
06-May-97	Sistemas Telefonicos de la Republica None AT&T Corp.	70026	Telecommunications equipment			\$307,215,962
24-Sep-97	Nacional Financiera SNC None Hughes Space & Communications Intl. Inc.	71834	Microwave components			\$82,455,908
Total for Mexico						\$750,146,565
MOROCCO						
11-Feb-97	SPV/Royal Air Maroc None Boeing Company	71586	(1) 737-500 Aircraft			\$21,852,884
04-Sep-97	Jorf Lasfar Energy Company None ABB Combustion Engineering Systems	70484	Steam boilers			\$236,894,176
30-Sep-97	Cen Nat de L'Ener des Scie Tech Nuc Minst of Finance General Atomics	68291	Engineering design services	7.660%	\$11,038,736	
30-Sep-97	Cen Nat de L'Ener des Scie Tech Nuc Minst of Finance General Atomics	68291	Engineering design services	grant	\$4,466,871	
Total for Morocco						\$15,505,607
						\$258,747,060

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
OMAN						
24-Sep-97	Oman LNG LLC None Foster Wheeler Constrs. Inc.	70275	Cryogenic heat exchangers			\$247,485,900
Total for Oman						\$247,485,900
PAKISTAN						
14-Apr-97	Saba Power Company Limited None Babcock & Wilcox Company	69323	Boilers, engineering & procurement servs			\$261,570
Total for Pakistan						\$261,570
PAPUA NEW GUINEA						
20-Dec-96	National Housing Corp. Ministry of Finance Pacesetter Industries Inc.	70501	Prefab homes & wood processing machinery			\$29,281,650
Total for Papua New Guinea						\$29,281,650
PHILIPPINES						
30-Dec-96	Quezon Power None Bechtel Power Corp.	70054	Emission control equipment			\$442,057,500
10-Apr-97	Isla Communications Co. None Lucent Technologies, Inc.	70852	(2) 5ESS-2000 exchanges & 120K lines			\$40,370,549
24-Jul-97	Pilipino Telephone Corp. None Motorola Inc.	70561	Wireless network equipment			\$70,600,421
26-Aug-97	Ormat Leyte Co. Ltd. None Orda 6 Inc.	69721	Steam turbine generators			\$312,385
Total for Philippines						\$553,340,855
POLAND						
22-May-97	SPV/Lot Polish Airlines None Boeing Company	71855	4 737-300/400S & 1 767-300ER Aircraft			\$196,667,067
Total for Poland						\$196,667,067

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
QATAR						
29-Oct-96	Qatar General Petroleum Corp. State of Qatar Mobil Oil Corporation	67361	Engineering & management services			\$60,401,018
17-Dec-96	Ras Laffan Liquefied Natural Gas Co. Ltd. None Mobil Oil Corporation	69011	Compressors & gas turbine drives			\$465,000,000
Total for Qatar						\$525,401,018
ROMANIA						
06-Jan-97	Minst of Health Minst of Finance Siemens Medical Systems Inc.	70325	Patient monitoring systems			\$3,764,268
10-Apr-97	Romanian Commercial Bank None USX Engineers and Cons Inc.	68813	Hot dipped galvanizing line	6.820%	\$7,494,140	
06-May-97	Sidermet S.A. Minst of Finance Centifugal Casting Mch. Co. Inc.	69377	Iron casting machinery			\$15,857,893
22-May-97	Pomicola S.A. Minst of Finance Agrimed LLC	71393	Design & construction services			\$16,502,825
Total for Romania						\$7,494,140 \$36,124,986
RUSSIA						
10-Oct-96	AK Almazy Rossii-Sakha Co. Ltd. None Caterpillar Inc.	69579	Mining machinery and equipment			\$7,941,045
20-Feb-97	JSC Ryazan Oil Refinery None ABB Lumus Global Inc.	70202	Engineering services and equipment			\$230,169,375
20-Feb-97	Vnesheconombank None Harris Group Inc.	71495	Pulp & paper plant machinery & equipment			\$55,997,119
20-Mar-97	Vnesheconombank None IBM World Trade Corporation	64076	Computer processors			\$436,350
13-May-97	Megionneftegaz Joint Stock Company None A P International Finance	70933	Turbine generator sets			\$58,206,378

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
10-Jun-97	Vnesheconombank None M.I.C. Industries, Inc.	72124	25 Building machine mobile factory sets			\$53,012,259
02-Jul-97	Vnesheconombank None American Capital Systems	72078	Cutting room equipment			\$13,525,703
24-Sep-97	Vnesheconombank None Besser Company	72421	Automated packager-cubers equipment			\$43,738,805
Total for Russia						\$463,027,034
THAILAND						
13-Dec-96	Thai Special Steel Indus Public Co. Ltd. Bangkok Bank Public Co. Ltd. Morgan Construction Company	69242	Hot rolling mill & equipment	7.690%	\$9,230,548	
Total for Thailand						\$9,230,548
TURKEY						
11-Mar-97	Onur Air Tasimacilik A.S. Ten Tour Turizm Endustri Ve Ticaret A.S. McDonnell Douglas Support Srv.	71396	5 MD-88 Aircraft & 10 P&W engines			\$132,038,095
24-Jul-97	Undersecretariat of Treasury None Babcock & Wilcox Company	65721	Engineering services & equipment			\$53,765,259
24-Sep-97	Undersecretariat of Treasury None Overseas Bechtel Incorporated	71942	Truck spare parts			\$17,501,755
24-Sep-97	Eregli Demir Ve Celik Fabrikalari Undersecretariat of Treasury Marubeni America Corporation	72175	Steel processing lines			\$12,175,685
Total for Turkey						\$215,480,794
TURKMENISTAN						
13-May-97	State Bank for Foreign Economic Affairs Cabinet of Ministers of Turkmenistan Saba Inc.	72108	Tractors & agricultural equipment			\$85,815,183
11-Sep-97	Bank for Foreign Economic Affairs Cabinet of Ministers of Turkmenistan Case Corporation	72424	Rice combines & cotton pickers			\$36,434,675
Total for Turkmenistan						\$122,249,858

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
UKRAINE						
02-Apr-97	State Export-Import Bank of the Ukraine Government of Ukraine New Holland North America	71662	Combines & related equipment			\$11,699,400
11-Jun-97	State Export-Import Bank of the Ukraine Government of Ukraine Case Corporation	72235	369 Combines, 45 tractors & spare parts			\$66,300,000
Total for Ukraine						\$77,999,400
UZBEKISTAN						
20-Nov-96	Special Purpose Entity Minst of Finance Boeing Company	71290	Two B767-300ER Aircraft			\$168,225,781
27-Feb-97	Natl Bank for Foreign Economic Activity Minst of Finance Case Corporation	71785	Tractors, plows & combines			\$70,994,295
07-Aug-97	Uzbekneftegas Minst of Finance B S I Industries	71455	Gas scrubbers and separators			\$61,739,139
Total for Uzbekistan						\$300,959,215
VENEZUELA						
26-Nov-96	Minst of Finance of Venezuela None Harza Engineering Company Intl LP	70765	Engineering and construction services			\$27,251,450
20-Dec-96	Minst of Finance of Venezuela None Gauff GMBH & Co., Engineering KG	70820	Engineering services			\$40,822,500
20-Dec-96	Minst of Finance of Venezuela None Trinity Industries Inc	69038	12 Search & rescue patrol boats			\$23,170,604
20-Dec-96	Minst of Finance of Venezuela None Gauff GMBH & Co., Engineering KG	70878	Engineering & SCS equipment			\$23,638,500
30-Dec-96	Minst of Finance of Venezuela None Siemens Transportation Systems Inc	69373	Light rail vehicles, trackwork			\$64,750,000
30-Dec-96	Minst of Finance of Venezuela None Halcrow, William & Partners Ltd. Assoc.	70605	Engineering & consulting services			\$19,382,576

LOANS AND LONG-TERM GUARANTEES

Auth Date	Obligor Guarantor Principal Supplier	Credit	Product	Rate	Interest Loans	Guarantees
04-Mar-97	Minst of Finance of Venezuela None Commercial Military Systems Co.	70223	M35 Trucks, spare parts & tooling			\$25,500,000
20-Mar-97	Minst of Finance of Venezuela None ATN Industries Inc.	69893	Heavy duty trucks			\$14,056,955
20-Mar-97	Minst of Finance of Venezuela None ATN Industries Inc.	71127	170 pickup trucks			\$12,421,475
20-Mar-97	Minst of Finance of Venezuela None Deel Export Sales Inc.	71141	Buses, ambulances & trucks			\$16,829,168
20-Mar-97	Minst of Finance of Venezuela None Horizon Aircraft Sales Inc.	70049	Aircraft & helicopter spare parts			\$10,085,447
Total for Venezuela						\$277,908,675
ZIMBABWE						
04-Mar-97	Minst of Finance of Zimbabwe None Moving Water Industries Corp.	69161	Drilling equipment and pumps	7.070%	\$23,315,415	
Total for Zimbabwe					\$23,315,415	
MISCELLANEOUS						
Private Export Credit Corporation			Interest on PEFCO'S Own Debt			\$191,137,500
Total						\$191,137,500
Grand Total					\$1,548,881,028	\$6,745,073,105

MANAGEMENT REPORT ON FINANCIAL STATEMENT AND INTERNAL ACCOUNTING CONTROLS



Ex-Im Bank's management is responsible for the content and integrity of the financial data included in the Bank's Annual Report and for ascertaining that this data fairly presents the financial position, results of operations, and cash flows of the Bank.

The Bank's operations fall under the provisions of the Federal Credit Reform Act of 1990. This law, popularly known as Credit Reform, provides that beginning for all commitments approved after September 30, 1991, subsidy calculations must be performed (on a present value basis) and the subsidy cost, if any, must be appropriated by the Congress. Credits may not be approved if the subsidy cost has not been appropriated in advance.

The financial statements were prepared in accordance with generally accepted accounting principles. As explained in more detail in the footnotes, the financial statements recognize the impact of Credit Reform legislation on commitments made after September 30, 1991. Other financial information related to the Bank included elsewhere in this report is presented on a basis consistent with the financial statements.

The Bank maintains a system of internal accounting controls which is designed to provide reasonable assurance at reasonable cost that assets are safeguarded, that transactions are processed and properly recorded in accordance with management's authorization, and that the financial statements are accurately prepared. The Bank believes that its system of internal accounting controls appropriately balances the cost/benefit relationship.

The Board of Directors pursues its responsibility for the Bank's financial statements through its Audit Committee. The Audit Committee meets regularly with management and the independent accountants. The independent accountants have direct access to the Audit Committee to discuss the scope and results of their audit work and their comments on the adequacy of internal accounting controls and the quality of financial reporting.

We believe that the Bank's policies and procedures, including its system of internal accounting controls, provide reasonable assurance that the financial statements are prepared in accordance with provisions of applicable laws and regulations.

The Bank's financial statements were audited by independent accountants. Their opinion is printed in this annual report immediately following the footnotes to the financial statements.

A handwritten signature in black ink, appearing to read "J. Harmon", written in a cursive style.

James A. Harmon
President and Chairman

A handwritten signature in black ink, appearing to read "J. Hess", written in a cursive style.

James K. Hess
Chief Financial Officer

October 27, 1997

STATEMENT OF FINANCIAL POSITION

(in Millions)

	September 30, 1997	September 30, 1996
ASSETS		
Cash and Cash Equivalents	\$981.5	\$474.2
Restricted Funds:		
Investments	3,563.5	2,432.2
Unexpended Appropriations	2,337.7	2,788.0
Loans Receivable, Net	4,259.3	4,293.4
Receivables from Subrogated Claims, Net	1,626.6	1,834.2
Accrued Interest and Fees Receivable	154.2	129.4
Other Assets	5.8	6.6
Total Assets	\$12,928.6	\$11,958.0
 LIABILITIES AND STOCKHOLDER'S EQUITY		
Borrowings	\$4,744.5	\$4,945.7
Claims Payable	212.9	353.3
Accrued Interest Payable	231.1	207.6
Allowance for Off-Balance Sheet Risk	4,196.7	3,837.0
Other Liabilities	713.4	641.2
Total Liabilities	10,098.6	9,984.8
 Capital Stock held by U.S. Treasury	 1,000.0	 1,000.0
Tied Aid Appropriations	379.7	337.7
Credit Appropriations	46.7	157.0
Retained Earnings	1,403.6	478.5
Total Stockholder's Equity	2,830.0	1,973.2
 Total Liabilities and Stockholder's Equity	 \$12,928.6	 \$11,958.0

The accompanying notes are an integral part of this financial statement.

STATEMENT OF OPERATIONS

(in Millions)

	For the Year Ended September 30, 1997	For the Year Ended September 30, 1996
INTEREST INCOME		
Interest on Loans	\$635.1	\$609.0
Interest on Investments	220.8	180.4
Total Interest Income	855.9	789.4
INTEREST EXPENSE		
Interest on Borrowings	365.9	385.3
Other Interest Expense	2.8	2.6
Total Interest Expense	368.7	387.9
Net Interest Income	487.2	401.5
Provision for Credit Losses	345.0	(665.4)
Net Income after Provision for Losses	142.2	1,066.9
NON-INTEREST INCOME		
Commitment Fees	52.5	34.1
Exposure Fees	197.4	133.4
Guarantee Fees and Insurance Premiums	30.5	28.0
Other Income	16.6	26.1
Total Non-Interest Income	297.0	221.6
NON-INTEREST EXPENSE		
Administrative Expense	40.3	40.8
Claim Loss Expense	1.4	0.6
Other Expense	7.4	6.1
Total Non-Interest Expense	49.1	47.5
Net Income	\$390.1	\$1,241.0

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CHANGES IN CAPITAL AND RETAINED EARNINGS

(in Millions)	Capital Stock	Tied Aid	Appropriated Capital		Retained Earnings	Total
			Pre-Fiscal 1992 Credits	Post-Fiscal 1991 Credits		
BALANCE AT SEPTEMBER 30, 1995	\$1,000.0	\$282.2	\$0.0	\$247.4	\$(1,511.5)	\$18.1
Appropriations Received			153.4	832.1		985.5
Transfer to other Federal Government Entities		(42.0)			(226.9)	(268.9)
Transfers from other Federal Government Entities		4.0				4.0
Net Income					1,241.0	1,241.0
Appropriations Obligated			(153.4)	(900.5)	1,053.9	0.0
Fiscal Year 1995 Credit Cancellations				78.0	(78.0)	0.0
Transferred to Tied Aid		100.0		(100.0)		0.0
Tied Aid Appropriations Used		(6.5)			0.0	(6.5)
BALANCE AT SEPTEMBER 30, 1996	\$1,000.0	\$337.7	\$0.0	\$157.0	\$478.5	\$1,973.2
Appropriations Received			0.0	772.6		772.6
Expired or transferred to the U. S. Treasury		(70.2)		(1.6)	(229.3)	(301.1)
Net Income					390.1	390.1
Appropriations Obligated		17.0		(884.5)	867.5	0.0
Fiscal Year 1996 Credit Cancellations				103.2	(103.2)	0.0
Transferred to Tied Aid		100.0		(100.0)		0.0
Tied Aid Appropriations Used		(4.8)				(4.8)
BALANCE AT SEPTEMBER 30, 1997	\$1,000.0	\$379.7	\$0.0	\$46.7	\$1,403.6	\$2,830.0

The accompanying notes are an integral part of this financial statement.

STATEMENT OF CASH FLOWS

(in Millions)

	For the Year Ended Sept. 30, 1997	For the Year Ended Sept. 30, 1996
CASH FLOWS FROM OPERATIONS		
Net Income	\$390.1	\$1,241.0
Adjustments to reconcile net income to net cash from operations:		
Collections subject to Credit Reform restrictions	(678.7)	(394.6)
Amortization of discount on loan disbursements, net	26.5	8.3
Amortization of loan exposure fees, net	42.2	16.4
Provision for loan losses	70.7	(150.4)
Decrease (Increase) in claims receivable, net	207.6	(26.2)
Increase in accrued interest and fees receivable	(24.8)	(24.2)
Decrease in other assets	1.0	1.1
Decrease in claims payable	(140.4)	(137.9)
Increase (decrease) in accrued interest payable	23.5	(1.9)
Increase (decrease) in allowance for off-balance sheet risk	359.7	(481.9)
Increase in other liabilities	72.2	141.9
Net cash from operations	349.6	191.6
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan disbursements	(1,381.8)	(1,045.2)
Repayment of loans receivable	1,276.5	696.4
Net cash used in investing activities	(105.3)	(348.8)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of Federal Financing Bank borrowings	(527.1)	(684.5)
Net borrowings from the U.S. Treasury	404.6	71.0
Claim Payment Certificates issued	38.3	218.5
Claim Payment Certificates paid	(117.0)	(110.3)
Credit appropriations utilized	464.2	1,000.7
Net cash from financing activities	263.0	495.4
Net increase in cash and cash equivalents	507.3	338.2
Cash and cash equivalents - beginning of year	474.2	136.0
Cash and cash equivalents - end of year	\$981.5	\$474.2
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the year for interest	\$345.2	\$389.8

The accompanying notes are an integral part of this financial statement.

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Enabling Legislation and Mission

The Export-Import Bank of the United States (Ex-Im Bank) is an independent corporate agency of the United States which was first organized as a District of Columbia banking corporation in 1934.

Ex-Im Bank's mission is to facilitate U.S. exports by providing financing in order to level the playing field for American exporters facing unfair foreign financing competition and bridge export financing shortfalls caused by market failures.

Ex-Im Bank's operations subsequent to September 30, 1991 are subject to the provisions of the Federal Credit Reform Act of 1990 (P.L. 101-508). Under provisions of this law, Congress provides appropriated financing to fund the costs, including credit losses, of providing direct loans, guarantees and insurance and the cost of administering the loan, guarantee, and insurance programs. The Credit Reform Act requires Ex-Im Bank to perform a calculation of the costs of providing these credits for all commitments approved on or after October 1, 1991. In addition, the Credit Reform Act provides for appropriations to cover the repayment of obligations outstanding at September 30, 1991 to the extent the available net cash flows of commitments approved on or before September 30, 1991 are insufficient to meet the payment of these obligations.

Use of Estimates

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Equivalents

Ex-Im Bank defines cash equivalents as highly liquid investments with original maturities of three months or less, and unrestricted funds at the U.S. Treasury.

Restricted Funds

Appropriated funds received are deposited in a non-interest bearing account at the U.S. Treasury. These funds are available to Ex-Im Bank when the credit activity to which they relate takes place or to finance administrative expenses. Upon occurrence of the credit activity, disbursement of the related loans or shipment of goods under guarantee or insurance policies written by Ex-Im Bank, the funds become available to either subsidize the related loan disbursement or to be invested to fund the credit costs of the guarantee and insurance policies. Unexpended appropriations are presented net of expired appropriations.

Accrued Interest on Loans and Claims Receivable

Interest is accrued on loans and claims as it is earned. Generally, loans and claims receivable delinquent 90 days or more are placed in a non-accrual status unless they are well secured and significant collections have been received during the past year. Any accrued but unpaid interest previously recorded on loans and claims placed in non-accrual status is reversed against current period interest income.

Accounting for Capitalized Interest on Rescheduled Loans and Claims

Rescheduling agreements frequently allow Ex-Im Bank to add uncollected interest to the principal balance of rescheduled loans and claims receivable (i.e., capitalized interest). In such circumstances, interest income resulting from capitalized interest is recorded only when, in management's judgement, borrowers have demonstrated the ability to repay the debt in the normal course of business.

Allowance for Credit Losses

The allowance for credit losses provides for the risk of loss inherent in the lending process. Providing for such losses recognizes the fact that the prospects of collection of some of Ex-Im Bank's loans and claims are doubtful and that the value of the loans and claims receivable, including claims to be filed under Ex-Im Bank's guarantee and insurance programs, are impaired. The allowance is available to absorb credit losses related to the total credit portfolio. The allowance is decreased (increased) by provisions charged to income (expense) and decreased by write-offs, net of recoveries.

Commitment and Exposure Fees

Commitment fees on Ex-Im Bank's direct loans and guarantees, which are generally non-refundable, are calculated and recognized ratably over the term of the commitment.

Ex-Im Bank charges a risk related exposure fee under both the loan and guarantee programs which is based on each loan disbursement or shipment of goods under the guarantee policy. This fee is recognized as income over the life of the loan or guarantee.

Insurance Fees

Fees charged under insurance policies are recognized as income on the straight line basis over the life of the insurance policies.

Claims Payable

Liabilities for claims arising from Ex-Im Bank's guarantee and insurance activities, and the related estimated losses and loss adjustment expenses, are accrued upon approval of claim filing.

Discount on Loans Receivable

In fulfilling its mission to aid in financing and facilitating exports of U.S. goods and services to foreign countries and to provide U.S. exporters with financing which is competitive with that provided by foreign governments to their exporters, Ex-Im Bank, at times, lends money at interest rates lower than its cost of borrowing. When this occurs, Ex-Im Bank records a charge to income equivalent to the discount at inception of the loan and amortizes the discount over the life of the loan as interest income.

Appropriated Capital

Appropriations received by Ex-Im Bank pursuant to the Credit Reform Act are recorded, in effect, as paid-in-capital. Such appropriations are applied to Ex-Im Bank's retained earnings in accordance with directions on the use of credit reform appropriations issued by the Office of Management and Budget (OMB). Appropriations not required to finance credit activities are returned to the U.S. Treasury.

Reclassifications

Certain fiscal year 1996 balances have been reclassified to conform with the fiscal year 1997 financial statement presentations, the effect of which is immaterial.

2. CREDIT REFORM

The Federal Credit Reform Act of 1990, which became effective on October 1, 1991, significantly affected the manner in which Ex-Im Bank finances its credit activities. The primary purpose of this Act is to more accurately measure the cost of Federal credit programs and to place the cost of such credit programs on a basis equivalent with other Federal spending.

Ex-Im Bank received appropriations aggregating \$772.6 million in fiscal year 1997 and \$985.5 million in fiscal year 1996. \$772.6 million in fiscal year 1997 and \$832.1 in fiscal year 1996 represented the annual appropriation to cover the estimated subsidy cost of providing new direct loans, guarantees and insurance, and the associated administrative costs of these programs, and was used to finance credit-related costs and expenses on loans, guarantees and insurance committed on or after October 1, 1991. The balance of \$153.4 million in fiscal year 1996 was used to repay borrowings from the Federal Financing Bank (FFB), relating to the cost of loans, credit guarantees and insurance originated prior to October 1, 1991, that matured during the year.

The following table summarizes appropriations received and used during fiscal years 1997 and 1996 (in millions):

CREDIT REFORM APPROPRIATIONS

	1997	1996
Net Received:		
For liquidation of Pre-Fiscal Year		
1992 Obligations	\$ -	\$ 153.4
For Credit Subsidies	726.0	786.6
For Credit-related Administrative Costs	46.6	45.5
Total Net Received	772.6	985.5
Carryover from Prior Fiscal Year	343.1	414.7
Cancellations of Prior Year		
Obligations	103.2	78.0
Total Available	1,218.9	1,478.2
Obligated:		
For Liquidation of Pre-Fiscal Year		
1992 Obligations	-	153.4
For Credit Subsidies	840.8	894.1
For Credit-related Administrative Costs	43.7	43.1
Total Obligated	884.5	1,090.6
Unobligated balance		
Unobligated balance	334.4	387.6
Unobligated balance lapsed	2.9	2.5
Rescission	-	42.0
Remaining Balance	\$ 331.5	\$ 343.1

Of the remaining balance of \$331.5 million at September 30, 1997, \$5.5 million is available until September 30, 1998. The remaining \$326.0 million is available until expended and may be used for tied aid.

The cost of credit risk shown above, the credit subsidy, is the present value of estimated costs and expenses over the life of the loans, guarantees, and insurance, net of the present value of associated fees or premiums plus the amount, if any, by which the scheduled inflow of principal and interest on a loan, when discounted at the applicable U.S. Treasury borrowing rate for the term of the transaction, is different than the face amount of the loan. When the present value of expected cash inflows exceeds the present value of expected cash outflows, a "negative" credit subsidy arises. Negative subsidies are remitted to the U.S. Treasury upon disbursement of the underlying credits. Ex-Im Bank transferred \$14.6 million and \$26.9 million of negative subsidies to the U.S. Treasury in fiscal years 1997 and 1996, respectively. The appropriation for administrative costs is based on an annual estimate of the costs to administer and service Ex-Im Bank's entire credit portfolio.

These appropriations are obligated to cover the estimated subsidy costs at the time loans, guarantees, and insurance are committed and administrative expenses accrued. As the loans are disbursed or when the insured or guaranteed event has taken place (generally when the related goods are shipped) the obligated amounts are used to cover the estimated costs of the subsidies related to the disbursements and shipments. The portion of the appropriation related to Ex-Im Bank's lending programs is used to partially finance the loan disbursements while the portions related to Ex-Im Bank's guarantee and insurance programs are invested in an interest bearing account with the U.S. Treasury. Prior to this use, all of the appropriated funds are held in a non-interest bearing Treasury account.

Ex-Im Bank returned \$200.0 million in fiscal year 1996 of unobligated funds relating to credits authorized prior to October 1, 1991, as required by OMB Circular A-11. In fiscal year 1996, \$42.0 million of unobligated balances for Tied Aid, were returned to the U.S. Treasury as required by Public Law 104-34, The Omnibus Consolidated Receptions and Appropriations Act (OCRA).

Because financial and economic factors affecting the repayment prospects change over time, the net estimated subsidy cost of the outstanding balance of loans, guarantees and insurance financed by the subsidies is re-estimated in accordance with OMB guidelines. Re-estimates that result in increases in subsidy costs are covered by additional appropriations which become automatically available while decreases in estimated subsidy costs result in returning the excess appropriation to the U.S. Treasury. As of September 30, 1997 and September 30, 1996, no amounts were either due to Treasury or due from Treasury for re-estimated subsidy.

The manner in which Ex-Im Bank uses its credit appropriations differs from the way in which it calculates its credit-related loss allowances under generally accepted accounting principles (GAAP). GAAP and the method through which the use of the credit appropriation is calculated similarly factor into the loss allowance individual credit risks and the cost to Ex-Im Bank of issuing loans at interest rates below Ex-Im Bank's borrowing rate. However, the GAAP loss allowances do not recognize the present value of future fees and premiums as an offset to the reserve since to do so would record revenue prior to realization. As discussed in Note 12, Ex-Im Bank calculates the fair value of its credit instruments using the Credit Reform methodology.

3. TIED AID APPROPRIATIONS

Ex-Im Bank provides assistance for transactions, referred to as "Tied Aid," that help U.S. exporters in special situations where there is "reasonable proof" that concessional financing is being offered to a foreign competitor of a U.S. exporter. The assistance is provided through either a direct grant or an interest concession subsidy payment.

Prior to FY 1992, Ex-Im Bank received appropriations for Tied Aid assistance which were available for obligation for a one year period. Since FY 1992, Ex-Im Bank has received appropriations which may be used for Tied Aid and are available until expended.

Changes in the appropriations which may be used for Tied Aid in fiscal years 1996 and 1997 are as follows (in millions of dollars):

	Unobligated Balance	Undisbursed Grants	Obligated		Total Undisbursed Balance
			Undisbursed Interest Equalization Program	Undisbursed Int. Rate Subsidy	
Balance 9/30/95	\$ 219.6	\$ 32.3	\$ 2.0	\$ 28.3	\$ 282.2
No Year Funds From FY 95 Appropriation	100.0				100.0
Transfer from Agency for International Development for Tied Aid		4.0			4.0
Tied Aid Obligations From No Year Funds	(36.4)	36.4			-
Recision of Unobligated Balance	(42.0)				(42.0)
Disbursements		(5.0)		(1.5)	(6.5)
Balance 9/30/96	\$ 241.2	\$ 67.7	\$ 2.0	\$ 26.8	\$ 337.7
No Year Funds From FY 96 Appropriation	100.0				100.0
Tied Aid Obligations From FY 97 No Year Appropriation		17.0			17.0
Unobligated Balance Lapsed	(48.3)	(21.9)			(70.2)
Disbursements		(3.4)		(1.4)	(4.8)
Balance 9/30/97	\$ 292.9	\$ 59.4	\$ 2.0	\$ 25.4	\$ 379.7

Ex-Im Bank had \$354.3 million outstanding on total commitments of \$627.2 million at September 30, 1997 for these tied-aid credits.

4. LOANS RECEIVABLE

Ex-Im Bank extends medium-term and long-term direct loans to foreign buyers of U.S. exports to fund responsible parties that extend loans to foreign buyers. Loans extended under the medium-term loan programs have repayment terms of one to seven years, while loans extended under the long-term loan programs have repayment terms in excess of seven years. Generally, both the medium-term and long-term loan programs cover up to 85 percent of the U.S. export value of shipped goods. Ex-Im Bank's direct loans carry the lowest fixed interest rate permitted for the country and term under the "Arrangement on Guidelines for Officially Supported Export Credits" negotiated among members of the Organization for Economic Cooperation and Development (OECD).

Ex-Im Bank's loans receivable, as shown in the Statement of Financial Position, are net of uncollected interest capitalized upon rescheduling, unamortized exposure fees, unamortized discounts, and an allowance for losses. At September 30, 1997 and 1996, the allowance for losses equaled 26.4 percent and 25.3 percent, respectively, of the outstanding loans receivable balance, excluding uncollected capitalized interest and unamortized exposure fees and discounts. The net balance of loans receivable at September 30, 1997 and 1996 consist of the following (in millions):

	1997	1996
Asia	\$3,229.5	\$2,973.1
Latin America	2,149.5	2,403.0
Africa/Middle East	2,034.7	1,841.4
Newly Independent States(NIS)	35.5	52.8
Eastern Europe-Non NIS	491.9	534.7
United States/Other	31.3	55.4
Western Europe/Canada	5.6	27.2
	7,978.0	7,887.6
Less:		
Capitalized interest	2,032.4	2,051.1
Unamortized discount and exposure fees	155.1	86.4
	5,790.5	5,750.1
Less:		
Allowance for losses	1,531.2	1,456.7
Net Balance	\$4,259.3	\$4,293.4

Changes in the allowance for losses for fiscal years 1997 and 1996 are as follows (in millions):

	1997	1996
Balance at beginning of year	\$1,456.7	\$1,626.0
Net Recovery/(Write-offs)	3.8	(18.9)
Provision charged (credited) to operations	70.7	(150.4)
Balance at end of year	\$1,531.2	\$1,456.7

The allowance for losses is based on Ex-Im Bank's evaluation of the loan portfolio taking into consideration a variety of factors, including repayment status of the loans, assessment of future risks, and worldwide economic and political conditions.

Although Ex-Im Bank has a diversified loan portfolio, some of its loans are more heavily concentrated in certain countries or industrial sectors. At September 30, 1997, the largest concentrations of gross loans outstanding were in the following countries and industries (in millions):

Geographic		Industrial	
Indonesia	\$853.8	Power Generation	\$1,818.0
Brazil	814.6	Manufacturing	1,029.6
China	704.4	Telecommunications	669.8
Thailand	573.3	Infrastructure Projects	164.0

From time to time Ex-Im Bank extends the repayment date and modifies the interest terms of some or all principal installments of a loan because the obligor or country has encountered financial difficulty and Ex-Im Bank's Board of Directors has determined that providing relief in this manner will enhance the ability to collect the loan. The outstanding balances related to rescheduled installments included in loans receivable at September 30, 1997 and 1996 were \$3,410.5 million and \$3,661.4 million, respectively. Rescheduled loan installments of principal and interest were \$69.6 million and \$76.4 million, respectively, in fiscal year 1997, and \$62.2 million and \$4.7 million, respectively, in fiscal year 1996. The interest rate on rescheduled loans is generally a floating rate of interest which is 37.5 to 62.5 basis points over Ex-Im Bank's cost of borrowing.

5. RECEIVABLES FROM SUBROGATED CLAIMS

Receivables from subrogated claims represent the outstanding balance of claims which were submitted to Ex-Im Bank in its capacity as guarantor or insurer under Ex-Im Bank's export guarantee or insurance programs. Under the subrogation clauses in its insurance contracts, Ex-Im Bank receives the rights to all claims on the policy and therefore establishes an asset to reflect such rights.

Ex-Im Bank's receivables from subrogated claims, as shown in the Statement of Financial Position, are net of uncollected capitalized interest for rescheduled claims and an allowance for losses.

The net balance of receivables from subrogated claims at September 30, 1997 and 1996 consists of the following (in millions):

	1997	1996
Claims previously paid and unrecovered:		
Rescheduled	\$2,132.7	\$1,838.7
Non-rescheduled	1,017.6	1,498.1
Claims filed pending payment	212.9	353.3
	3,363.2	3,690.1
Less: Capitalized interest	423.4	417.2
	2,939.8	3,272.9
Less: Allowance for losses	1,313.2	1,438.7
Net Balance	\$1,626.6	\$1,834.2

Changes in the allowance for losses for fiscal years 1997 and 1996 are as follows (in millions):

	1997	1996
Balance at beginning of year	\$1,438.7	\$1,489.9
Net Write-offs	(40.1)	(18.1)
Provision credited to operations	(85.4)	(33.1)
Balance at end of year	\$1,313.2	\$1,438.7

The allowance for losses is based on Ex-Im Bank's evaluation of the receivables from subrogated claims portfolio taking into consideration a variety of factors, including repayment status of the claims, assessment of future risks, and worldwide economic and political conditions. Write-offs are net of recoveries of funds received on claims which were previously written-off. At September 30, 1997 and 1996, the allowance for losses equaled 44.7 percent and 44.0 percent, respectively, of the outstanding balance, excluding uncollected capitalized interest.

6. NON-ACCUAL OF INTEREST

The weighted average interest rate on Ex-Im Bank's loan and rescheduled claim portfolio at September 30, 1997, equaled 3.91 percent (6.68 percent on performing loans and rescheduled claims). Interest income is not recognized on non-rescheduled claims paid and unrecovered and on claims filed pending payment.

Generally, the accrual of interest on loans and rescheduled claims is discontinued when the credit is delinquent for 90 days. Ex-Im Bank had a total of \$3,033.2 million and \$1,151.6 million of loans and rescheduled claims, respectively, in non-accrual status at September 30, 1997, and \$3,887.8 million and \$1,441.7 million at September 30, 1996. Had these credits been in accrual status, interest income would have been \$138.5 million higher in fiscal year 1997 (amount is net of interest received of \$149.1 million) and \$143.4 million higher in fiscal year 1996 (amount is net of interest received of \$208.2 million).

7. BORROWINGS

Ex-Im Bank's outstanding borrowings come from three sources: direct borrowings from FFB, direct borrowings from the Department of Treasury, and the assumption of repayment obligations of defaulted guarantees under the Bank's guarantee program via Claim Payment Certificates. Claim Payment Certificates are, in effect, marketable securities issued by Ex-Im Bank under the same terms as the original obligation.

At September 30, 1997, Ex-Im Bank had FFB borrowings outstanding which comprised 27.3 percent of the Bank's debt obligations. Principal installments due on FFB borrowings are as follows (in millions):

Fiscal Year	Amount
1998	\$ 277.8
1999	879.2
2000	54.6
2001	14.0
2002	12.0
	\$1,237.6
2003-2014	57.0
	\$1,294.6

Weighted average interest rates applicable to FFB borrowings with principal installments due during the fiscal years ending September 30, 1998-2002 are 8.85 percent, 8.95 percent, 8.35 percent, 8.34 percent and 8.58 percent, respectively. The weighted average interest rate on Ex-Im Bank's outstanding FFB borrowings at September 30, 1997 equaled 8.88 percent. As of October 1, 1991, Ex-Im Bank no longer borrows from the FFB but has unlimited borrowing authority with the Treasury.

Under provisions of Ex-Im Bank's guarantee program, the insured party has the option of accepting payment via a Claim Payment Certificate. At September 30, 1997, \$309.5 million was outstanding under Claim Payment Certificates. Maturities of Claim Payment Certificates are as follows (in millions):

Fiscal Year	Amount
1998	\$ 96.1
1999	80.3
2000	42.2
2001	24.0
2002	23.1
	\$ 265.7
2003-2005	43.8
	\$ 309.5

The weighted average interest rate on Ex-Im Bank's outstanding Claim Payment Certificates at September 30, 1997 equaled 6.41 percent.

Payments due on FFB borrowings and Claim Payment Certificates where the underlying commitment was authorized prior to October 1, 1991, are funded through net cash receipts related to loans, guarantees and insurance committed prior to October 1, 1991. To the extent the net receipts are not sufficient to repay the debt as it becomes due, Ex-Im Bank has available a permanent and indefinite appropriation for this purpose. In FY 1997, Ex-Im Bank did not utilize permanent and indefinite appropriation and in FY 1996 utilized \$153.4 million, to make scheduled payments on its FFB borrowings.

Direct borrowings from Treasury are primarily utilized to finance the Bank's medium and long-term loans committed on or after October 1, 1991. At September 30, 1997, Ex-Im Bank had \$3,140.4 million of borrowings outstanding with Treasury at a weighted average interest rate of 6.88 percent.

Treasury borrowings are repaid, primarily, with the repayments of the medium and long-term loans they financed. To the extent the repayments on the underlying loans, combined with the commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, appropriated funds are available to Ex-Im Bank through the re-estimation process for this purpose. Accordingly, Treasury borrowings do not have a set repayment schedule; however, the full amount of the borrowings are expected to be repaid by fiscal year 2025.

8. RELATED PARTY TRANSACTIONS

The financial statements reflect the results of contractual agreements with the Private Export Funding Corporation (PEFCO). PEFCO, which is owned by a consortium of private sector banks, industrial companies and financial services institutions, makes medium and long-term fixed and variable rate loans to foreign borrowers to purchase U.S. made equipment when such loans are not available from traditional private sector lenders on competitive terms. PEFCO has agreements with Ex-Im Bank which, for specified fees earned totaling \$11.7 million in fiscal year 1997 and \$12.5 million in fiscal year 1996, provide that Ex-Im Bank will (1) guarantee the due and punctual payment of principal and interest on export loans made by PEFCO, (2) guarantee the due and punctual payment of interest on PEFCO's long-term secured debt obligations when requested by PEFCO, and (3) guarantee certain fees paid by borrowers on behalf of PEFCO. Such guarantees, aggregating \$2,893.2 million at September 30, 1997 and \$2,601.9 million at September 30, 1996, are reported by Ex-Im Bank as off-balance sheet risk and the exposure is included in its allowance for loss calculation.

Ex-Im Bank's credit and guarantee agreement with PEFCO extends through December 31, 2020. Through its contractual agreements with PEFCO, Ex-Im Bank exercises a broad measure of supervision over PEFCO's major financial management decisions including approval of both the terms of individual loan commitments and the terms of PEFCO's long-term debt issues, and is entitled to representation at all meetings of PEFCO's Board of Directors, Advisory Board, and Exporters' Council.

As discussed in Note 7, Ex-Im Bank has significant transactions with the Department of the Treasury and the Federal Financing Bank, a separate office of the Department of the Treasury. The Department of the Treasury, although not exercising control over Ex-Im Bank, holds the common stock of Ex-Im Bank creating a related party relationship between Ex-Im Bank and both the Department of the Treasury and the Federal Financing Bank.

9. PENSIONS AND ACCRUED ANNUAL LEAVE

Virtually all of Ex-Im Bank's employees are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). For CSRS employees, Ex-Im Bank withholds a portion of their base earnings. The employees' contributions are then matched by Ex-Im Bank and the sum is transferred to the Civil Service Retirement Fund, from which the CSRS employees will receive retirement benefits. For FERS employees, Ex-Im Bank withholds, in addition to social security withholdings, a portion of their

base earnings. Ex-Im Bank contributes an amount proportional to the employees' base earnings towards retirement, and an additional scaled amount towards each individual FERS employee's Thrift Savings Plan, depending upon the employee's level of savings. The FERS employees will receive retirement benefits from the Federal Employees Retirement System, the Social Security System, and Thrift Savings Plan deposits that have accumulated in their accounts.

Total Ex-Im Bank (employer) matching contributions to the Thrift Savings Plan, Civil Service Retirement System and Federal Employees Retirement System for all employees, included in administrative expenses, were approximately \$2.9 million for the fiscal years ended September 30, 1997 and 1996.

Although Ex-Im Bank funds a portion of pension benefits under the Civil Service and Federal Employees Retirement Systems relating to its employees and makes the necessary payroll withholdings for them, it has no liability for future payments to employees under these programs and does not account for the assets of the Civil Service and Federal Employees Retirement Systems nor does it have actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. These amounts are reported by the Office of Personnel Management (OPM) for the Retirement Systems and are not allocated to the individual employers. OPM also accounts for the health and life insurance programs for current and retired civilian federal employees. Similar to the accounting treatment afforded the retirement programs, the actuarial data related to the health and life insurance programs is maintained by OPM and is not available on an individual employer basis.

Ex-Im Bank's liability to employees for accrued annual leave, included in other liabilities, was \$2.3 million at September 30, 1997 and 1996.

10. STATUTORY LIMITATIONS

Under provisions of the Export-Import Bank Act, as amended in fiscal year 1997, Ex-Im Bank is limited to \$75.0 billion of loans, guarantees and insurance outstanding at any one time. At September 30, 1997 and 1996 Ex-Im Bank's outstanding commitments were as follows (in millions):

COMMITMENTS AND STATUTORY AUTHORITY USED

	1997	1996
Outstanding Loans	\$7,978.0	\$ 7,887.6
Undisbursed Loans	4,778.6	4,809.4
Outstanding Claims	3,363.2	3,690.1
Guarantees	32,112.7	31,709.1
Insurance	6,433.1	7,713.2
Total	\$54,665.6	\$55,809.4

Congress provides an appropriation to cover the subsidy cost of the transactions committed. Transactions can be committed only to the extent that appropriated funding is available to cover such costs. In fiscal year 1997 and fiscal year 1996, Congress placed no limit on the total amount of loans, guarantees and insurance which could be committed that year, provided that the \$75.0 billion limit established by the Export-Import Bank Act was not exceeded.

Ex-Im Bank's net subsidy appropriations were \$726.0 million and \$786.6 million for fiscal years 1997 and 1996, respectively. During fiscal year 1997, Ex-Im Bank entered into commitments for loans of \$1,473.4 million utilizing \$26.7 million of the appropriation, tied aid commitments of \$75.5 million using \$17.0 million of the appropriation, and commitments for guarantees and

insurance of \$10,609.9 million utilizing \$797.1 million of the appropriation. During fiscal year 1996, Ex-Im Bank entered into commitments for loans of \$1,100.7 million utilizing \$68.9 million of the appropriation, tied aid commitments of \$135.6 million using \$29.4 million of the appropriation, and commitments for guarantees and insurance of \$10,281.4 million, utilizing \$795.8 million of the appropriation.

11. COMMITMENTS AND CONTINGENCIES

Enabling Legislation

In accordance with its enabling legislation, continuation of Ex-Im Bank as an independent corporate agency of the United States is subject to periodic extensions granted by Congress. Congressional authorization has been temporarily extended through November 7, 1997. Management believes that Ex-Im Bank's authorization will be extended to September 30, 2001 during the first quarter of fiscal year 1998.

Financial Instruments with Off-Balance Sheet Risk

In addition to the risks associated with its loans and claims receivable, Ex-Im Bank is subject to credit risk for financial instruments not reflected in its Statement of Financial Position. These financial instruments consist of (1) guarantees and insurance which provide repayment protection against political and commercial risks and (2) guarantees of letters of credit underlying future loan disbursements. Political risks covered by Ex-Im Bank involve non-payment as a result of war, cancellation of an existing export or import license, expropriation, confiscation of or intervention in a buyer's business, or transfer risk (failure of foreign government authorities to transfer foreign deposits into dollars). However, losses due to currency devaluation are not considered a political risk by Ex-Im Bank. Commercial risks involve non-payment for reasons such as deterioration of markets, unanticipated competition and buyer insolvency. Ex-Im Bank generally does not hold collateral or other security to support its medium and short term financial instruments with off-balance sheet risk, except for credits supporting export of aircraft and a variety of security arrangements made in the case of project risk transactions. When issuing working capital guarantees, Ex-Im Bank frequently requires the guaranteed party to obtain collateral or a third-party guarantee from the debtor. The amount of collateral is based on management's credit evaluation. All Ex-Im Bank guarantees and insurance benefits carry the full faith and credit of the United States Government.

The risks associated with the overall portfolio of off-balance sheet financial instruments differ from those associated with the loan portfolio. Loans are spread more evenly than guarantees over the entire risk spectrum, while off-balance sheet financial instruments are concentrated in relatively lower risk countries. Also, exporters and financial intermediaries who use Ex-Im Bank short-term insurance bear a portion of losses resulting from non-payment.

Following is a summary of Ex-Im Bank's off-balance sheet risk at September 30, 1997 and 1996 (in millions):

	FY 1997		
	Total	Commitments	
		Unused	Outstanding
Guarantees	\$32,112.7	\$11,457.1	\$20,655.6*
Insurance	6,433.1	5,184.3	1,248.8*
Guarantees of Letters of Credit	4,778.6	4,778.6	—
Total	\$43,324.4	\$21,420.0	\$21,904.4

	FY 1996		
	Total	Commitments	
		Unused	Outstanding
Guarantees	\$31,709.1	\$15,424.7	\$16,284.4*
Insurance	7,713.2	6,227.1	1,486.1*
Guarantees of Letters of Credit	4,809.4	4,809.4	—
Total	\$44,231.7	\$26,461.2	\$17,770.5

* Shipments of goods have taken place.

Ex-Im Bank is exposed to credit loss with respect to the amount at risk in the event of non-payment by other parties in the agreements. The commitments shown above are agreements to lend monies and issue guarantees and insurance so long as there is no violation of any condition established in the credit agreement.

Substantially all of Ex-Im Bank's off-balance sheet financial instruments involve credits located outside of the United States. Following is a breakdown of such total commitments at September 30, 1997 by major geographic area in millions):

	Guarantees	Insurance	Guarantees
			of Letters of Credit
Latin America	\$10,198.2	\$ 1,411.8	\$ 1,606.1
Asia	9,096.5	186.5	2,999.0
Africa/Middle East	6,071.7	101.8	122.3
NIS	2,787.4	4.8	—
Eastern Europe-Non NIS	1,235.8	27.1	9.4
Western Europe/Canada	929.1	92.8	7.8
United States/Other	1,794.0	—	34.0
S/T Ins. unshipped	—	\$ 4,608.3	—
Total	\$32,112.7	\$ 6,433.1	\$ 4,778.6

At September 30, 1997, Ex-Im Bank's largest commitments at risk were in the following countries and industries (in millions):

Geographic		Industrial	
Mexico	\$4,176.2	Air Transportation	\$8,592.7
China	3,955.1	Power Generation	6,298.2
Indonesia	2,919.9	Oil & Gas Services	4,490.0
Brazil	2,888.3	Manufacturing	3,277.8

Changes in the allowance for off-balance sheet risk for fiscal years 1997 and 1996 are as follows (in millions):

	1997	1996
Balance at beginning of year	\$3,837.0	\$4,318.9
Provision charged (credited) to operations	359.7	(481.9)
Balance at end of year	\$4,196.7	\$3,837.0

Leasing Activities

Ex-Im Bank has no capital leases. Operating lease arrangements are renewable annually. These leases consist primarily of rental of office space and computer equipment. Office space is leased primarily from the General Services Administration through the Public Buildings Fund. Lease expenses, included in administrative expenses, were \$4.0 million and \$3.9 million for fiscal years 1997 and 1996, respectively.

Pending Litigation

As of the end of fiscal year 1997, Ex-Im Bank was named in several legal actions, virtually all of which involved claims under the guarantee and insurance programs. It is not possible to predict the eventual outcome of the various actions; however, it is management's opinion that these claims will not result in liabilities to such an extent they would materially affect the financial position or results of operations of Ex-Im Bank.

Project Finance

In certain project finance cases, Ex-Im Bank's assistance during the construction period is in the form of a political risk guarantee to the private lender. At the end of the construction period, the borrower has the option of converting the private guaranteed financing to an Ex-Im direct loan. As of September 30, 1997, Ex-Im had \$2,912.0 million of such contingent loan commitments outstanding.

12. FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of financial instruments to which Ex-Im Bank has a contractual obligation to deliver or a contractual right to receive cash from another entity were estimated based on the methods and assumptions identified with each class of financial instrument listed below.

Loans and Subrogated Claims Receivables and Financial Instruments with Off-Balance Sheet Risk

Substantially all of these instruments involve credit risks that private lenders or guarantors would not accept. However, as discussed in Note 2, the Credit Reform Act requires Ex-Im Bank to calculate the net present value of the cost of its credit programs based on management's assumptions with respect to future economic conditions, the amount and timing of future cash flows, and

estimated discount rates. The values derived by applying these assumptions to Ex-Im Bank's loans, claims and financial instruments with off-balance sheet risk approximate their fair values.

Borrowings and Claims Payable

The fair value of these instruments was estimated based on discounting the future cash flows using interest rates currently available to Ex-Im Bank for Treasury debt with comparable maturities. The Treasury interest rate plus one percent was used for claims payable as this is the rate available in the claim document.

Use of different methods and assumptions could significantly affect these estimates. Accordingly, the net realizable value could be materially different. In addition, settlement at the reported fair value may not be possible due to contractual constraints or other reasons unique to Federally backed credits.

	1997		1996	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Financial Assets:				
Cash and Cash Equivalents	\$ 981.5	\$ 981.5	\$ 474.2	\$ 474.2
Loans Receivable, Net	4,259.3	5,696.6	4,293.4	7,207.1
Receivable From Subrogated Claims, Net	1,626.6	1,830.6	1,834.2	2,473.7
Financial Liabilities:				
Off-balance Sheet Financial Instruments	4,196.7	4,196.7	3,837.0	3,837.0
Borrowings From FFB	1,294.6	1,316.8	1,821.7	1,849.4
Borrowings From Treasury	3,140.4	3,093.1	2,735.8	2,619.6
Claim Payment Certificates	309.5	288.9	388.2	360.0
Claims Payable	212.9	187.1	353.3	305.4

REPORT OF INDEPENDENT ACCOUNTANTS

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

In our opinion, the accompanying statements of financial position of the Export-Import Bank of the United States (Ex-Im Bank) as of September 30, 1997 and 1996, and the related statements of operations, changes in capital and retained earnings, and cash flows for the years then ended present fairly, in all material respects, the financial position of the Ex-Im Bank at September 30, 1997 and 1996, and the results of its operations, changes in capital and retained earnings, and cash flows for the years then ended, in conformity with generally accepted accounting principles. These financial statements are the responsibility of Ex-Im Bank's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these financial statements in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion on these financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 1997 on our consideration of Ex-Im Bank's internal control over financial reporting and our tests of its compliance with laws, regulations, contracts and grants.

Price Waterhouse LLP

October 27, 1997
Washington, DC

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT OF
THE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

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

We have audited the financial statements of the Export-Import Bank of the United States (Ex-Im Bank) as of and for the year ended September 30, 1997, and have issued our report thereon dated October 27, 1997. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

COMPLIANCE

As part of obtaining reasonable assurance about whether Ex-Im Bank's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. For purposes of this report, we have categorized the provisions of laws, regulations, contracts and grants we tested as part of obtaining such reasonable assurance into the following categories:

- Personnel engagement, maintenance, and separation
- Budget preparation and execution
- Debt authorizations and restrictions
- Deposits and Investments restrictions
- Procurement policies and procedures
- Enabling Legislation authorizations and restrictions

However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered Ex-Im Bank's internal control over financial reporting to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. However, we noted other matters involving the internal control over financial reporting that we have reported to the management of Ex-Im Bank in a separate letter dated October 27, 1997.

This report is intended for the information of the Board of Directors, management of Ex-Im Bank, and the Congress. However, this report is a matter of public record and its distribution is not limited.

Price Waterhouse LLP

October 27, 1997
Washington, DC

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