MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Executive Summary

The Export-Import Bank of the United States (Ex-Im Bank or the Bank) is an independent executive agency and a wholly-owned U.S. government corporation. Ex-Im Bank is the official export-credit agency of the United States. Its mission is to support U.S. exports by providing export financing through its loan, guarantee and insurance programs in cases where the private sector is unable or unwilling to provide financing or when such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that compete with U.S. exporters. By facilitating the financing of U.S. exports, Ex-Im Bank helps companies create and maintain U.S. jobs. The Bank's charter requires reasonable assurance of repayment for the transactions it authorizes, and the Bank closely monitors credit and other risks in its portfolio.

Ex-Im Bank reports under generally accepted accounting principles in the United States applicable to federal agencies (government GAAP). Under government GAAP standards, Ex-Im Bank's net excess costs over revenue for fiscal year (FY) 2009 was $802.9 million and net excess revenue over costs for FY 2008 was $204.5 million. The largest driver of the increase in net excess costs was the increase in reserves at the end of FY 2009, which are used to cover potential credit losses.

Ex-Im Bank authorized $21,021.1 million of loans, guarantees and insurance for FY 2009 in support of an estimated $26,440.8 million of U.S. export sales. This is a 46.0 percent increase over FY 2008 authorizations of $14,398.9 million and the highest level of authorizations in any fiscal year of the Bank's 75-year history. This change stems from an increase in demand driven primarily by the lack of available private-sector liquidity and the Bank's ability to respond to the resulting financing gaps. Over the past five fiscal years, annual authorizations have ranged from $12,150.5 million to $21,021.1 million in support of estimated U.S. export sales of $16,041.0 million to $26,440.8 million.

In FY 2009, Ex-Im Bank also recorded the highest level of authorizations for direct small-business exports in its 75-year history. New small-business authorizations in FY 2009 increased 36.7 percent to $4,360.4 million as compared with new small-business authorizations in FY 2008 of $3,190.2 million. In FY 2009, small-business authorizations represented 20.7 percent of total authorizations compared to 22.2 percent of total authorizations in FY 2008. In FY 2009, the number of transactions that were made available for the direct benefit of small-business exporters increased by 9.1 percent to 2,540 transactions (87.9 percent of total transactions), compared to 2,328 small-business transactions (86.1 percent of total transactions) in FY 2008. Due to the financial crisis and the resulting credit crunch, private insurers stopped offering coverage to many of their previous customers. Small businesses were especially hard hit as they often did not generate sufficient premium income to keep the private insurers interested during these difficult times. Once they lost their private sector insurance coverage, many of the small- business exporters turned to Ex-Im Bank for insurance driving up authorizations in FY 2009.

Over the past five fiscal years, Ex-Im Bank's direct support for the small-business sector has ranged from $2,660.3 million to $4,360.4 million. Of the total small-business support, $3,932.0 million (90.2 percent) and $2,723.0 million (85.4 percent), in FY 2009 and FY 2008 respectively, is from working capital guarantees and export-credit insurance authorizations.

Ex-Im Bank currently has exposure in over 165 countries throughout the world. Total exposure increased by 16.3 percent to $67,987.8 million at September 30, 2009, compared to $58,472.8 million at September 30, 2008. Of this total, the Bank's largest exposure is in the air transportation sector, accounting for 48.8 percent of total exposure in FY 2009 and 47.3 percent in FY 2008. The highest geographic concentration of exposure is in Asia, with 41.6 percent of total exposure in FY 2009 and 40.9 percent in FY 2008.

While most of Ex-Im Bank's financings are denominated in U.S. dollars, Ex-Im Bank also guarantees notes denominated in certain foreign currencies. In FY 2009, Ex-Im Bank approved $1,217.5 million in foreign-currency-denominated transactions. Total outstanding foreign-currency exposure at September 30, 2009, was $8,554.6 million, which is 12.6 percent of total exposure. The Bank expects that its demand for authorizations denominated in a currency other than the U.S. dollar will continue to be strong.

The overall weighted-average risk rating for FY 2009 short-term-rated, medium-term and long-term export-credit authorizations was 3.43 compared to a weighted-average risk rating of 3.77 for FY 2008. The improvement in the new authorization weighted-average risk rating is primarily related to the increase in demand for Ex-Im Bank-supported financing among higher-rated obligors, which resulted from the financial crisis in FY 2009. In FY 2009, 76.7 percent of Ex-Im Bank's short-term-rated, medium-term and long-term new authorizations were in the level 1-to-4 range (AAA to BBB-) while 23.3 percent were rated levels 5 to 8 (BB+ to B-).

The overall weighted-average risk rating for the outstanding portfolio increased from 4.25 in FY 2008 to 4.31 in FY 2009. The increase in the weighted-average risk rating is a direct result of the state of the global economy. A major improvement in ratings is not foreseen in the near term in the Bank's portfolio.

Over the years, there has been a shift in Ex-Im Bank's portfolio from primarily sovereign and other public-sector borrowers to primarily private-sector borrowers. Between FY 2005 and FY 2009, exposure to public-sector obligors has decreased from 40.5 percent to 38.9 percent, while exposure to private-sector obligors has increased from 59.5 percent to 61.1 percent.

In FY 2010, Ex-Im Bank is implementing a strategic plan which will reinforce the Bank's ability to accomplish its mission as well as meet its congressional mandates in future years.

I. MISSION AND ORGANIZATIONAL STRUCTURE

Congressional Authorization and Mission

Ex-Im Bank is an independent executive agency and a wholly-owned U.S. government corporation that was first organized as a District of Columbia banking corporation in 1934. Ex-Im Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act (FCRA) of 1990 (P.L. 101-508). Congress periodically reauthorizes Ex-Im Bank. The Export-Import Bank Reauthorization Act of 2006 (the Charter) extended the Bank's authority until September 30, 2011, at which time the Bank will again seek reauthorization from Congress.

Ex-Im Bank's mission is to support U.S. exports by providing export financing through its loan, guarantee and insurance programs in cases where the private sector is unable or unwilling to provide financing or where such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that are in competition for export sales with U.S. exporters. By facilitating the financing of U.S. exports, Ex-Im Bank helps companies create and maintain U.S. jobs. The Bank's charter requires reasonable assurance of repayment for the transactions the Bank authorizes, and the Bank closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. exports, Ex-Im Bank offers four financial products: direct loans, loan guarantees, working capital guarantees and export-credit insurance. All Ex-Im Bank obligations carry the full faith and credit of the U.S. government.

Products

From a portfolio perspective, guarantees made up the largest portion (71.0 percent) of Ex-Im Bank's exposure at September 30, 2009.

(in millions)	FY 2009		FY 2008	
Guarantees	$48,301.3	71.0%	$45,417.0	77.7%
Insurance	9,365.9	13.8%	6,364.1	10.9%
Outstanding Loans	5,211.3	7.7%	4,174.6	7.1%
Undisbursed Loans	2,699.2	4.0%	371.4	0.6%
Outstanding Claims	2,410.1	3.5%	2,145.7	3.7%
Total	***$67,987.8***	***100.0%***	***$58,472.8***	***100.0%***

Ex-Im Bank loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S exports. Ex-Im Bank guarantees to a lender that, in the event of a payment default by the borrower, it will pay to the lender the outstanding principal and interest on the loan. Ex-Im Bank's comprehensive guarantee covers commercial and political risks for up to 85 percent of the U.S. contract value.

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

Loans and guarantees extended under the medium-term loan program typically have repayment terms of one to seven years, while loans and guarantees extended under the long-term loan program usually have repayment terms in excess of seven years.

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

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

Reasonable Assurance of Repayment

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

The Bank's Board of Directors, Credit Committee or a Bank officer acting pursuant to delegated-approval authority from the Board of Directors makes the final determination of reasonable assurance of repayment, taking into consideration staff recommendations. Transactions resulting in over $10 million in exposure generally require the approval of the Board of Directors.

Budgeting for New Authorizations Under the FCRA

Under the FCRA, the U.S. government budgets for the present value of the estimated cost of credit programs. For Ex-Im Bank, the cost is determined by analyzing the net present value of expected cash receipts and cash disbursements associated with all credits authorized during the year. Cash receipts typically include fees or premia and loan principal and interest, and cash disbursements typically include claim payments and loan disbursements.

When expected cash disbursements exceed cash receipts, there is a net outflow of funds, resulting in a "cost" to the Bank. This cost is sometimes referred to as subsidy or program cost. Ex-Im Bank is required to annually estimate this cost and to seek budget authority from Congress to cover that cost. New loans and guarantees with a program cost cannot be committed unless sufficient budget authority is available to cover the calculated credit cost.

When expected cash receipts exceed cash disbursements, there is a net inflow of funds to Ex-Im Bank. The net inflow to the Bank is a "negative" subsidy or program revenue. Prior to FY 2008, the amount of program revenue was not credited or retained by the Bank but instead was transferred to a general fund receipt account at the U.S. Treasury upon disbursement of the underlying credit.

In FY 2008, Congress changed the way budget authority is provided to the Bank to cover (1) the estimated costs for that portion of new authorizations where fees are insufficient to cover expected losses (subsidy or program cost) and (2) administrative expenses. At the start of the fiscal year, the U.S. Treasury provides Ex-Im Bank with an appropriation warrant for program costs as well as administrative expenses. The amount of the warrant is established by spending limits set by Congress. Fees collected during the year that are in excess of expected losses (offsetting collections) are retained by Ex-Im Bank and used to repay the warrant received at the start of the year, resulting in a net appropriation of zero and the Bank being self-financing for budgetary purposes.

This change occurred as a result of an ongoing in-depth analysis of the Bank's historical net-default experience in relation to the fees collected on its credit programs. The analysis shows that fees collected were not only sufficient to cover credit losses, they were also sufficient to cover administrative costs. In fact, since the inception of FCRA, the Bank has returned to the U.S. Treasury $5.2 billion more than it received in appropriations for program and administrative costs.

In FY 2009, Ex-Im had $292.1 million in offsetting collections, of which $81.5 million was used to cover administrative expense obligations. Program costs of $29.6 million were obligated from available funds carried over from prior years. Of the remaining balance of $210.6 million, $75.0 million (the maximum amount authorized by Congress) was retained by Ex-Im Bank and is available for obligation of program costs until FY 2012, and $135.6 million was transferred to the U.S Treasury.

In FY 2008, Ex-Im had $122.8 million in offsetting collections, of which $78.0 million was used to cover administrative expense obligations. Program costs of $25.4 million were obligated from available funds carried over from prior years. The remaining $44.8 million is available for obligation of program costs until FY 2011.

Although Ex-Im Bank no longer receives appropriations, Congress continues its oversight of the Bank's budget, setting annual limits on its use of funds for program and administrative-expense obligations.

Organizational Structure

Ex-Im Bank is an organization with a nationwide presence. Ex-Im Bank's headquarters is located in Washington, D.C., with business-development efforts supported through eight regional offices across the country.

Ex-Im Bank is divided into the following key functional areas:

Board of Directors: The Board of Directors consists of the president of the Bank, who also serves as the chairman; the first vice president of the Bank, who serves as vice chairman; and three additional directors. All are appointed by the president of the United States with the advice and consent of the Senate. The Board authorizes the Bank's major transactions and includes an Audit Committee.

Office of the President: The president serves as the chief executive officer of the Bank and chairman of the Board of Directors. The president represents the board generally in its relations with other officers of the Bank, with agencies and departments of the government, and with others having business with the Bank. The president has general charge over the business of the Bank.

Credit and Risk Management Group: The Credit and Risk Management Group is responsible for reviewing the creditworthiness of proposed transactions and reviewing transactions for compliance with the Bank's individual authority bylaws. This group also evaluates the engineering aspects and environmental impact of proposed projects and is responsible for country risk and economic analysis.

Export Finance Group: The Export Finance Group is responsible for the origination of proposed transactions for all products, services and operations.

Small Business Group: The Small Business Group leads the Bank's outreach to small- business exporters and includes Ex-Im Bank's eight regional offices, which exclusively focus on small-business outreach.

Office of the General Counsel: The Office of the General Counsel provides legal counsel to the Bank's management and the Board of Directors and negotiates and documents the Bank's major transactions. The Office of the General Counsel also ensures that the Bank complies with all applicable laws and regulations.

Office of the Chief Financial Officer: The Office of the Chief Financial Officer is responsible for all financial operations of the Bank, including budget formulation and execution, treasury, internal audit, credit accounting and servicing, financial reporting, asset monitoring and management, claims and recoveries, and portfolio review.

Office of Policy and Planning: The Office of Policy and Planning is responsible for policy development and analysis as well as liaison with the OECD and Berne Union.

Office of Resource Management: The Office of Resource Management directs human resources, contracting, technology management, agency administration and operating services.

Office of Communications: The Office of Communications is responsible for marketing, public affairs and external affairs.

Office of Congressional Affairs: The Office of Congressional Affairs is responsible for the Bank's relations with Congress.

Office of Inspector General: The Office of Inspector General is an independent office within the Bank created by law to conduct and supervise audits, inspections and investigations relating to the Bank's programs and supporting operations; to detect and prevent waste, fraud and abuse; and to promote economy, efficiency and effectiveness in the administration and management of the Bank's programs.

II. FINANCIAL ACCOUNTING POLICY

The accompanying FY 2009 and FY 2008 financial statements have been prepared in accordance with generally accepted accounting principles in the United States applicable to federal agencies. The format of the financial statements and footnotes are in accordance with form and content guidance provided in Circular A-136, *Financial Reporting Requirements*, revised as of June 10, 2009, issued by the Office of Management and Budget (OMB). Circular A-136 details the financial data required to be disclosed, the assertions and reviews over financial information that must be performed and suggests the presentation of such information.

Ex-Im Bank follows OMB Circular A-11 as the primary guidance for calculating the program cost associated with the Bank's transactions. In accordance with this guidance, the amount of program cost calculated on the Bank's transactions authorized after FCRA and the associated fees collected equates to the loss allowance on these transactions and is disclosed as such on the financial statements and related notes.

III. MISSION AND CONGRESSIONAL MANDATES

Facilitate U.S. Exports To Support U.S. Jobs

Ex-Im Bank's operations are driven by one fundamental goal: to support U.S. jobs by facilitating the export of U.S. goods and services to international markets. Ex-Im Bank's programs offer effective financing support, enabling exporters to win export sales where such support is necessary to match officially supported foreign competition and to fill financing gaps due to the lack of available commercial financing. Exports and the jobs they support are a critical component of the U.S. economy, with exports representing over 10.6 percent of the U.S. gross domestic product.

In FY 2010, Ex-Im Bank's chairman is leading an effort to establish a strategic plan which will reinforce the Bank's ability to accomplish its mission as well as meet its congressional mandates in future years.

During the current period of international economic crisis, the Bank enhanced several of its trade-finance products to help counter the tightening of credit and the lack of liquidity in the export marketplace and help U.S. exporters, and in particular small businesses, to create and maintain export-related jobs. Specifically:

- In October 2008, Ex-Im started offering U.S. small businesses a 15 percent premium-rate reduction in short-term multibuyer and short-term environmental multibuyer insurance policies. This reduction affects approximately half of all Ex-Im Bank insurance-policy holders.

- Ex-Im Bank increased access to working capital loan guarantees by modifying requirements and restrictions that increase exporters' liquidity as follows:
    - Companies that produce goods and services that are sold to U.S. companies and subsequently exported are eligible to apply for working capital loans guaranteed by the Bank.
    - Ex-Im Bank covered warranty letters of credit of up to 20 percent of the loan amount or $1.5 million, whichever is lower, for a 12-month term, an increase from the previous $500,000 ceiling. The purpose of the initiative is to provide exporters with the ability to obtain additional financing for contracts in which they have to issue a warranty letter of credit. Increasing the cap enables exporters to obtain financing and fulfill these contracts.
    - Ex-Im is evaluating on a case-by-case basis the option of reducing cash-collateral requirements for performance and advance payment bonds from 25 percent to 10 percent of face value. In FY 2009, Ex-Im approved total loan facilities of $27.4 million with 10 percent collateralization.

- The Bank increased access to direct lending by working with borrowers on a case-by-case basis to structure transactions to adapt to their current financial conditions or restrictions. As a result, direct-loan authorizations increased 749.9 percent, from $356.0 million in FY 2008 to $3,025.5 million in FY 2009. The most significant direct-lending authorizations occurred mostly with repeat borrowers and in the first eight months of FY 2009 (89.3 percent of the total direct-loan authorizations occurred before June 2009). The increase in demand for direct loans began to moderate in June 2009. Loan transactions include:
    - $913 million to finance exports of General Electric Company goods to Saudi Arabia;
    - $500 million to enable Textron Inc. to continue financing U.S. exports to international customers;
    - $900 million in long-term direct loans (and $450 million in long-term loan guarantees) to Petróleos Mexicanos (PEMEX) which will support more than $1.5 billion of exports from small and large businesses in the United States. Approximately $200 million of this total is under a small-business facility.

- In April 2009, the Board of Directors approved a $120 million credit facility for short-term and medium-term private sector transactions covering four Angolan banks. This authorization provides the private sector with expedited access to U.S. goods and services.

- In May 2009, Ex-Im entered into a preliminary agreement of $2 billion in financing to encourage exports of U.S. goods and services to Petróleo Brasileiro S.A. (Petrobras).

- In June 2009, Ex-Im extended its Nigerian Bank Facility to October 31, 2009. Ex-Im Bank's Board of Directors plans to consider a 12-month extension of the facility prior to the new expiration date. The facility covers 14 Nigerian banks and allows for expedited processing of short-term and medium-term insurance and guarantees, and long-term guarantees, supporting U.S. exports to Nigeria. In conjunction with this facility, Ex-Im Bank has been working closely with the banks to prudently navigate the Nigerian banking sector issues recently raised by the Central Bank of Nigeria.

- In June 2009, Ex-Im Bank and the Federation of Indian Chambers of Commerce and Industry signed an agreement committing to work together to expand the trade relationship between the United States and India. The agreement offers opportunities for small and large U.S. exporters to expand exports and maintain U.S. jobs.

- Ex-Im approved two additional lenders for its Medium-Term Delegated Authority Program: Frost National Bank in Texas and PNC Bank in Pennsylvania. Approved lenders can increase use of Ex-Im Bank's medium-term guarantees supporting commercial loans for foreign buyers of U.S. capital goods such as machinery and equipment. The program is designed to reduce transaction turnaround time and provide additional support for U.S. small-business exports.

- Ex-Im Bank addressed a market failure related to Korean financial institutions by providing over $1 billion in guarantees due to U.S. lenders unwilling to take additional Korean bank risk related to export letters of credit.

- Ex-Im Bank implemented the Loan "Take-Out" Option which allows commercial banks to sell their Ex-Im Bank guaranteed medium-term and long-term loans back to Ex-Im Bank. This action allows commercial banks to reduce their liquidity risks, lower borrowing rates and make U.S. exports more competitive.

Results of Operations: FY 2009 Authorizations

In FY 2009, Ex-Im Bank extended $21,021.1 million in authorizations. This is a 46.0 percent increase over FY 2008 authorizations of $14,398.9 million and is the highest level of authorizations in any fiscal year of the Bank's 75-year history. This change stems from an increase in demand primarily driven by the lack of available private sector liquidity and the Bank's ability to respond to the resulting financing gaps. Full-year authorizations have ranged from $12,150.5 million to $21,021.1 million during the past five fiscal years as shown in Exhibit 1.

EXHIBIT 1: AUTHORIZATIONS BY FISCAL YEAR

(in millions)

Authorizations	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Long-Term					
Loans	$–	$56.5	$–	$356.0	$3,025.5
Guarantees	8,076.1	6,603.5	7,234.0	8,101.5	9,628.5
Subtotal, Long-Term	***8,076.1***	***6,660.0***	***7,234.0***	***8,457.5***	***12,654.0***
Medium-Term					
Guarantees	399.4	387.6	504.2	697.0	315.2
Insurance	451.0	641.4	301.8	228.0	237.3
Subtotal, Medium-Term	***850.4***	***1,029.0***	***806.0***	***925.0***	***552.5***
Short-Term					
Working Capital	1,096.3	1,173.8	1,255.3	1,380.9	1,531.0
Insurance	3,913.4	3,287.7	3,274.1	3,635.5	6,275.8
Subtotal, Short-Term	***5,009.7***	***4,461.5***	***4,529.4***	***5,016.4***	***7,806.8***
Tied Aid	–	–	–	–	7.8
TOTAL AUTHORIZATIONS	**$13,936.2**	**$12,150.5**	**$12,569.4**	**$14,398.9**	**$21,021.1**

Facilitate U.S. Exports by Small Business

Small businesses are major creators of jobs in America. The Bank's mandate from Congress places significant emphasis on supporting small-business exports. In addition, the Bank's charter states: "The Bank shall make available, from the aggregate loan, guarantee and insurance authority available to it, an amount to finance exports directly by small-business concerns (as defined under section 3 of the Small Business Act) which shall be not less than 20 percent of such authority for each fiscal year."

Ex-Im Bank's Small-Business Group provides a bankwide focus on small-business support with overall responsibility for expanding and overseeing small-business outreach. This group is responsible for making small businesses aware of the opportunities available to them and for acting as a liaison with the Small Business Administration and other departments and agencies in the U.S. government in matters affecting small businesses.

Ex-Im Bank's programs play an important role in providing export-finance support to small businesses that have the ability to expand and create American jobs. In 1978, Ex-Im Bank introduced its first short-term export-credit insurance policy tailored for small business. Since this introduction, Ex-Im Bank has been designing and implementing programs and policies to meet the needs of the U.S. small-business exporter.

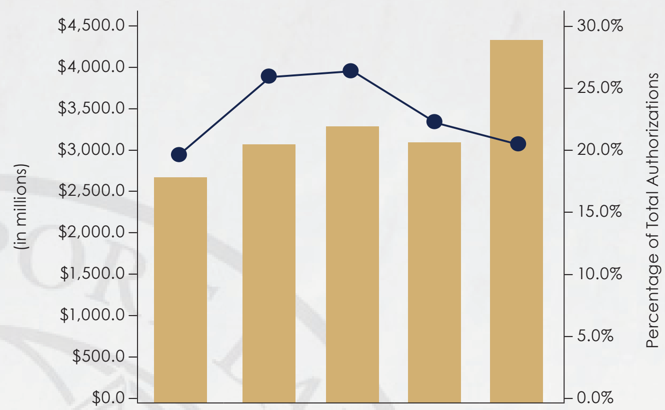
Results of Operations: FY 2009 Small-Business Authorizations

In FY 2009, Ex-Im Bank recorded the highest level of authorizations for direct small-business exports in its 75-year history. New small-business authorizations in FY 2009 increased 36.7 percent to $4,360.4 million as compared with new small-business authorizations in FY 2008 of $3,190.2 million. In FY 2009, small-business authorizations represented 20.7 percent of total authorizations compared to 22.2 percent of total authorizations in FY 2008. In FY 2009, the number of transactions that were made available for the direct benefit of small-business exporters increased by 9.1 percent to 2,540 transactions (87.9 percent of the total number of transactions), compared to 2,328 transactions (86.1 percent of the total number of transactions) in FY 2008. Over the past five fiscal years, Ex-Im Bank's direct support for the small-business sector has ranged from $2,660.3 million to $4,360.4 million. Ex-Im Bank's objective is to grow small-business authorizations in the context of a reasonable assurance of repayment and in response to market demand.

Ex-Im Bank offers two products that primarily benefit small businesses: working capital guarantees and export-credit insurance. During FY 2009, $1,232.9 million, or 80.5 percent of total authorizations in the Working Capital Guarantee Program supported small businesses. In FY 2008, $1,075.5 million, or 77.9 percent, of total authorizations in the Working Capital Guarantee Program supported small businesses. As the economy grew more uncertain, lenders sought to mitigate risks and improve the credit quality of their loans, particularly those to small businesses. Ex-Im Bank's Working Capital Guarantee provides a credit enhancement to these loans, which, especially in times of economic crisis, increases the awareness and use of the program. In FY 2009, of total authorizations under the export-credit insurance program, $2,699.1 million supported small businesses, compared to $1,647.5 million in FY 2008. Due to the financial crisis and the resulting credit crunch, private insurers stopped offering coverage to many of their previous customers. Small businesses were especially hard hit as they often did not generate sufficient premium income to keep the private insurers interested during these difficult times. Once they lost their private sector insurance coverage, many of the small- business exporters turned to Ex-Im Bank for insurance, which increased small-business authorizations in FY 2009.

Exhibit 2 shows the total dollar amount of authorizations for small-business exports for each year since FY 2005, together with the percentage of small-business authorizations to total authorizations for that fiscal year.

EXHIBIT 2: SMALL BUSINESS AUTHORIZATIONS



Fiscal Year	2005	2006	2007	2008	2009
Authorizations	$2,660.3	$3,184.7	$3,351.7	$3,190.2	$4,360.4
Percentage of Authorizations	19.1%	26.2%	26.7%	22.2%	20.7%

Facilitate U.S. Exports to Sub-Saharan Africa

Ex-Im Bank provides U.S. exporters with the financing tools they need to successfully compete for business in Africa. Ex-Im Bank's products and initiatives help U.S. exporters in all regions of Africa, including high-risk and emerging markets.

Results of Operations: FY 2009 Sub-Saharan Africa Authorizations

The total number of Sub-Saharan Africa authorizations increased 26.7 percent to 109 in FY 2009 from 86 in FY 2008. Although the total number of authorizations increased, the dollar amount of authorizations decreased 28.4 percent to $412.2 million (2.0 percent of total authorizations) in FY 2009 from $575.5 million (4.0 percent of total authorizations) in FY 2008. The dollar decrease in FY 2009 is mainly driven by a large FY 2008 transaction in Ghana.

Facilitate U.S. Exports for Environmental Beneficial Goods and Services

Ex-Im Bank's financing helps mitigate risk for U.S. environmental companies and also offers competitive financing terms to international buyers for the purchase of U.S.-made environmental goods and services.

Ex-Im Bank has an active portfolio that includes financing for U.S. exports of renewable-energy equipment, wastewater treatment projects, air pollution technologies, waste management services, and other various environmental goods and services.

The Bank's support for U.S. environmental companies ultimately fuels U.S. job creation and the innovative research and development that allows the U.S. environmental industry to remain at the forefront worldwide.

Results of Operations: FY 2009 Environmentally Beneficial Authorizations

The total number of environmentally beneficial authorizations increased 1.1 percent to 88 in FY 2009 from 87 in FY 2008. In FY 2009, Ex-Im Bank authorizations of environmentally beneficial goods and services increased 73 percent to $393.6 million (1.9 percent of total transactions) from $226.9 million (1.5 percent in FY 2008).

The total number of renewable-energy authorizations increased 85.7 percent to 13 in FY 2009 from 7 in FY 2008. In FY 2009, Ex-Im Bank authorizations that support U.S. renewable-energy exports and services increased 205.9 percent to $93.0 million (0.4 percent of total transactions) from $30.4 million (0.2 percent in FY 2008).

IV. EFFECTIVENESS AND EFFICIENCY

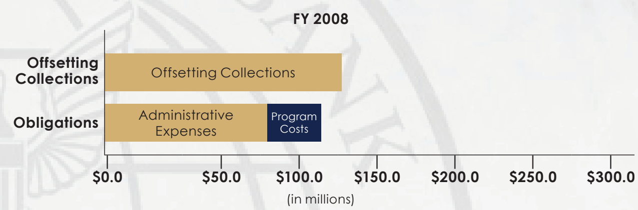
Ex-Im Bank uses various measures to assess the relative efficiency and effectiveness of the Bank's programs. As an overall measure, the Bank's annual *Report to the U.S. Congress on Export Credit Competition and the Export-Import Bank of the United States* (competitiveness report) compares the Bank's competitiveness with that of the other G-7 export credit agencies (ECAs). In addition, Ex-Im Bank uses various leverage measures to assess efficiency and cost effectiveness.

Efficient: Ex-Im Bank Self-Sustaining Since FY 2008

Ex-Im Bank has been self-sustaining for budgetary purposes since FY 2008. As a result, the Bank does not rely on congressional appropriation to sustain operations, which is critical in a tight budgetary environment. Ex-Im Bank's program revenue (i.e., in a given year, fee collections from transactions that exceed the forecasted loss on those transactions) is retained as offsetting collections and used to offset new obligations in the fiscal year, including prudent reserves to cover future losses as well as all administrative costs. In FY 2009, Ex-Im Bank received $292.1 million in offsetting collections, while new obligations totaled $111.1 million; compared with $122.8 million offsetting collections and $103.4 million new obligations in FY 2008. The 137.9 percent increase in offsetting collections is primarily attributable to the increase in FY 2009 authorizations, particularly long-term authorizations which increased 48.0 percent from FY 2008.

As a quantitative efficiency measure, the percentage of offsetting collections in FY 2009 compared to total obligations (administrative expenses and program costs), as depicted in Exhibit 3, represented 262.9 percent of obligations versus 118.8 percent in FY 2008.

EXHIBIT 3: OFFSETTING COLLECTIONS AND NEW OBLIGATIONS



Overall Effectiveness: Recognition from Customers and Peers

The Bank's competitiveness report to Congress showed survey results from exporters and lenders that indicated the Bank's core business policies and practices were classified as competitive with other officially supported foreign competition, primarily other G-7 ECAs. According to the data, Ex-Im Bank terms, including policy coverage, interest rates, exposure-fee rates, and risk premia, consistently matched competitors.

However, the landscape of export-credit agencies (ECAs) is shifting. Many of Ex-Im Bank's competitor ECAs are moving away from their traditional roles and are evolving into quasi-market players. They are doing this by allowing greater nondomestic content in the projects that they support and by venturing into more commercial endeavors, such as financing into high-income markets. Also, Ex-Im Bank's public-policy constraints (economic-impact analysis, foreign-content policy, local-costs policy, tied-aid policies and procedures, and U.S. shipping requirements) have the potential to create tensions between the goals of maximizing U.S. exporters' competitiveness vis-a-vis foreign ECA-backed competition (thus maximizing Ex-Im Bank financing) and satisfying public mandates (which may limit Ex-Im Bank financing).

Leverage of Resources: A Good Deal for U.S. Taxpayers

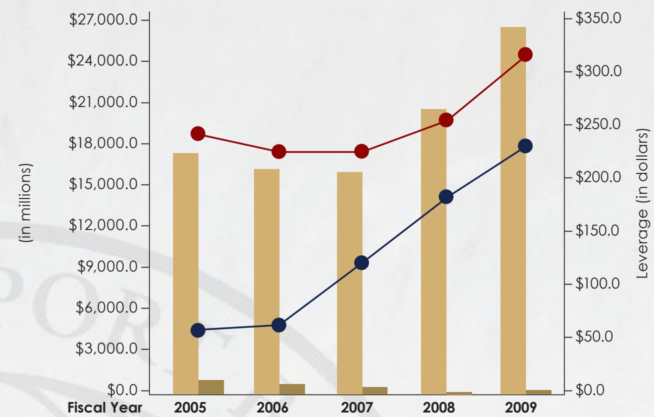
The Bank uses leverage ratios to assess efficiency and to measure the return on resources invested in Ex-Im Bank programs. Prior to FY 2008, resources to cover Ex-Im Bank's program costs (excess of expected credit losses over fees for individual credits) and administrative costs were in the form of appropriations from Congress. Beginning in FY 2008, resources available to the Bank are collections (mostly exposure fees) in excess of amounts needed to cover estimated credit losses.

For every dollar of budget authority used for program and administrative expenses during FY 2009, Ex-Im Bank facilitated an estimated $237.4 of U.S. exports. This multiple compares to $189.5 of U.S. exports in FY 2008.

The value in terms of administrative budget authority is even greater. For every dollar of administrative budget authority used in FY 2009, Ex-Im Bank provided financing in support of an estimated $323.2 of U.S. exports, compared to an estimated $251.2 of U.S. exports in FY 2008. Exhibit 4 shows the total estimated U.S. exports, the corresponding total budget authority, the corresponding administrative budget authority, and resulting leverage measures for the past five fiscal years. From FY 2005 through FY 2008, program-budget authority (a component of total budget authority) used gradually decreased as Ex-Im Bank moved to using its actual historical default and recovery rates to calculate more precisely the program cost associated with new authorizations. Previously, OMB provided default and recovery rates to all U.S. government international credit agencies for use in calculating the program cost. However, Ex-Im Bank's actual default and recovery rates reduced the program cost to where it now more accurately reflects the Bank's own default and recovery experience. In FY 2009, Ex-Im Bank used more program-budget authority due to the record level of authorizations.

Ex-Im Bank's default rate net of recoveries, whether measured from the inception of the Bank or the beginning of credit reform, has been less than two percent of loan disbursements and shipments guaranteed. Future claim activity in the short term can be very volatile. Although Ex-Im Bank's long-term experience does include periods of instability as well as periods of relative constancy, to account for the current economic environment in FY 2009, the Bank applied a more conservative methodology to predict the probability of defaults. Continued use of this more conservative approach, as well as any material deterioration from historical experience in future default and recovery rates would require the Bank to adjust it reserves accordingly, which could have a negative impact on leverage ratios in future periods.

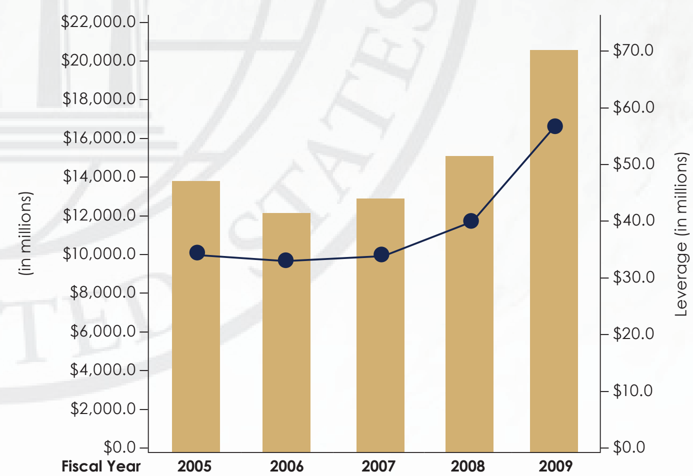
EXHIBIT 4: BUDGET AUTHORITY TO EXPORT VALUE



Fiscal Year	2005	2006	2007	2008	2009
Export Value	$17,858.4	$16,119.4	$16,041.0	$19,597.2	$26,440.8
Total Budget Authority	$313.8	$263.8	$124.5	$103.4	$111.4
Export to Total Budget Authority Leverage	$56.9	$61.2	$128.8	$189.5	$237.4
Export to Admin Budget Authority Leverage	$246.0	$222.3	$220.3	$251.2	$323.2

Another leverage measure (Exhibit 5) examines the productivity contributed by each employee as measured by the level of authorizations. In FY 2009, the average level of authorizations per employee was $57.6 million, up from $40.1 million in FY 2008.

EXHIBIT 5: EMPLOYEE LEVERAGE



Fiscal Year	2005	2006	2007	2008	2009
Authorization Level Fiscal Year	$13,936.2	$12,150.5	$12,569.4	$14,398.9	$21,021.1
Authorization to Employee Leverage (in millions)	$35.0	$32.0	$34.3	$40.1	$57.6

V. PORTFOLIO ANALYSIS

Ex-Im Bank's Portfolio by Program, Region, Industry, Obligor Type and Foreign Currency

For financial statement purposes, Ex-Im Bank defines exposure as the authorized outstanding and undisbursed principal balance of loans, guarantees, and insurance. It also includes the unrecovered balance of payments made on claims that were submitted to Ex-Im in its capacity as guarantor or insurer under the export guarantee and insurance programs. Exposure does not include accrued interest or transactions pending final approval. This corresponds to the way activity is charged against the Bank's overall $100 billion lending limit imposed by Section 6(a)(2) of Ex-Im Bank's charter.

Working capital guarantees may be approved for a single loan or a revolving line of credit, with an availability generally of one year. Guaranteed lenders do not report activity to Ex-Im Bank; the entire credit is assumed to be "disbursed" when the fee is paid to Ex-Im Bank. The credit is recorded as repaid in one installment six months after the expiry date of the credit unless the Controller's Office is notified before that time that a claim has been paid. Under the assumption that the exporter is using the credit up to the end of the expiry period, six months provides sufficient time for the guaranteed lender to report defaults to Ex-Im Bank in the event that the exporter does not repay the credit. If a claim is paid, the remaining outstanding balance of the credit associated with the claim is reduced to zero. Exposure is then reflected as an unrecovered claim.

Since there is typically a delay in reporting shipments under the insurance program, undisbursed balances remain on the books for 120 days after the expiry date to allow for the posting of shipments that took place within the period covered by the policy but were reported after the expiry date. These unreported shipments pose some liability in the form of claims that have been incurred but not yet reported (IBNR). Leaving the policy open past the expiry date provides a reserve for IBNR.

Ex-Im Bank currently has exposure in over 165 countries throughout the world totaling $67,987.8 million at September 30, 2009. In general, total exposure over the five-year period has averaged $60.9 billion.

Exhibit 6 summarizes total Ex-Im Bank exposure by program and shows each program as a percentage of the total exposure at the end of the respective fiscal year.

EXHIBIT 6: EXPOSURE BY PROGRAM

(in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Guarantees	$43,554.7	$42,460.0	$44,039.7	$45,417.0	$48,301.3
Insurance	7,316.1	6,970.2	6,180.4	6,364.1	9,365.9
Loans	8,456..5	6,043.9	4,965.8	4,546.0	7,910.5
Receivables from Subrogated Claims	3,625.2	2,363.7	2,238.6	2,145.7	2,410.1
Total Exposure	***$62,952.5***	***$57,837.8***	***$57,424.5***	***$58,472.8***	***$67,987.8***

(% of Total)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Guarantees	69.2%	73.4%	76.7%	77.6%	71.0%
Insurance	11.6%	12.1%	10.8%	10.9%	13.8%
Loans	13.4%	10.5%	8.7%	7.8%	11.6%
Receivables from Subrogated Claims	5.8%	4.0%	3.8%	3.7%	3.6%
Total Exposure	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

Exhibit 7 summarizes total Ex-Im Bank exposure by geographic region. The All Other category in Exhibit 7 includes undisbursed balances of short-term multibuyer insurance that is not allocated by region until the shipment has taken place.

EXHIBIT 7: GEOGRAPHIC EXPOSURE

(in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Asia	$29,941.5	$24,297.4	$24,009.0	$23,925.6	$28,271.2
Latin America and Caribbean	13,917.4	14.416.7	13.226.5	13,618.1	14,222.2
Europe	6,213.0	5,806.0	6,173.9	6,447.1	6,897.2
North America	3,181.8	3,410.7	4,841.1	5.152.2	6,136.1
Africa	6,497.3	3,933.5	3,819.9	4,011.0	4,555.8
Oceania	1,539.6	1,423.9	1,377.0	1,135.9	1,394.5
All Other	6,661.9	4,549.6	3,977.1	4,183.8	6,510.8
Total Exposure	***$62,952.5***	***$57,837.8***	***$57,424.5***	***$58,472.8***	***$67,987.8***

(% of Total)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Asia	39.6%	42.0%	41.8%	40.9%	41.6%
Latin American and Caribbean	22.1%	24.9%	23.0%	23.3%	20.9%
Europe	9.9%	10.0%	10.8%	11.0%	10.1%
North America	5.1%	5.9%	8.4%	8.8%	9.0%
Africa	10.3%	6.8%	6.7%	6.9%	6.7%
Oceania	2.4%	2.5%	2.4%	1.9%	2.1%
All Other	10.6%	7.9%	6.9%	7.2%	9.6%
Total Exposure	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

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

EXHIBIT 8: EXPOSURE BY MAJOR INDUSTRIAL SECTORS

(in millions)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Air Transportation	$24,935.1	$24,443.0	$25,551.5	$27,671.2	$33,203.0
Oil and Gas	6,681.2	7,361.6	7,084.7	7,482.6	8,014.7
Manufacturing	5,465.2	4,418.0	4,405.3	4,915.9	4,614.5
Power Projects	5,696.2	4,876.3	4,085.0	3,830.1	4,448.5
All Other	20,174.8	16,738.9	16,298.0	14,573.0	17,707.1
Total Exposure	***$62,952.5***	***$57,837.8***	***$57,424.5***	***$58,472.8***	***$67,987.8***

(% of Total)	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Air Transportation	39.6%	43.3%	44.5%	47.3%	48.8%
Oil and Gas	10.6%	12.7%	12.3%	12.8%	11.8%
Manufacturing	8.8%	7.7%	7.7%	8.4%	6.8%
Power Projects	9.0%	8.4%	7.1%	6.6%	6.5%
All Other	32.0%	28.9%	28.4%	24.9%	26.1%
Total Exposure	***100.0%***	***100.0%***	***100.0%***	***100.0%***	***100.0%***

Through the years, there has been a shift in Ex-Im Bank's portfolio. As the need for private-sector financing has increased, the percentage of Ex-Im Bank's portfolio represented by private obligors has increased from 52.0 percent in FY 2005 to 61.1 percent in FY 2009.

Of the portfolio at September 30, 2009, 38.9 percent represents credits to public-sector obligors or guarantors (17.2 percent to sovereign obligors or guarantors and 21.7 percent to public nonsovereign entities); 61.1 percent represents credits to private-sector obligors. A breakdown of public-sector versus private-sector exposure is shown in Exhibit 9.

EXHIBIT 9: PUBLIC AND PRIVATE OBLIGATORS

Year End	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009
Private Obligators	52.0%	53.6%	58.0%	59.5%	61.1%
Public Obligators	48.0%	46.4%	42.0%	40.5%	38.9%

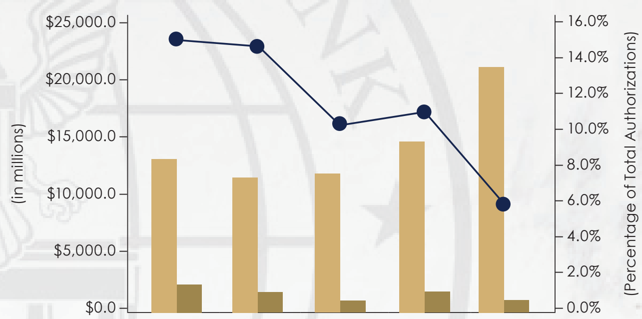
Ex-Im Bank provides guarantees in foreign currency to allow borrowers to better match debt service costs with earnings. Ex-Im Bank adjusts its reserves to reflect the potential risk of foreign-currency fluctuation.

In FY 2009, Ex-Im Bank approved $1,217.5 million in transactions denominated in a foreign currency, 5.8 percent of all new authorizations, as shown in Exhibit 10. In FY 2008, Ex-Im Bank approved $1,618.8 million in transactions denominated in a foreign currency, 11.2 percent of all new authorizations. Foreign-currency transactions are booked in U.S. dollars based on the exchange rate at the time of authorization. The U.S. dollar exposure is adjusted at year end using the latest exchange rates.

At September 30, 2009, Ex-Im Bank had 79 guarantee transactions with outstanding balances denominated in a foreign currency. Using the foreign-currency exchange rates at September 30, 2009, Ex-Im Bank adjusted the dollar amount of the outstanding balances for these transactions. The adjustment was a net increase in exposure of $1,130.9 million for a total outstanding balance of $8,554.6 million of foreign-currency denominated guarantees, representing 12.6 percent of total Bank exposure.

At the end of FY 2008, Ex-Im Bank had 77 transactions with outstanding balances denominated in a foreign currency. Using the foreign-currency exchange rates at September 30, 2008, Ex-Im Bank adjusted the dollar amount of the outstanding balances for these transactions. The adjustment was a net increase in exposure of $1,061.4 million for a total outstanding balance of $8,016.8 million of foreign-currency denominated guarantees, representing 13.7 percent of total Bank exposure.

EXHIBIT 10: FOREIGN-CURRENCY TRANSACTIONS



Fiscal Year	2005	2006	2007	2008	2009
Authorizations	$13,936.2	$12,150.5	$12,569.4	$14,398.9	$21,021.1
Foreign Currency Authorizations	$2,054.2	$1,753.4	$1,295.1	$1,618.8	$1,217.5
Foreign Currency Authorizations as a Percentage of Total Authorizations	14.7%	14.4%	10.3%	11.2%	5.8%

The level of foreign-currency authorizations is attributable in large part to borrowers' desire to borrow funds in the same currency as they earn funds, in order to mitigate the risk involved with exchange-rate fluctuations. The majority of the foreign-currency authorizations support U.S. exports of commercial jet aircraft. Exhibit 11 shows the U.S. dollar value of the Bank's outstanding foreign-currency exposure by currency.

EXHIBIT 11: U.S. DOLLAR VALUE OF OUTSTANDING FOREIGN-CURRENCY EXPOSURE

	FY 2009		FY 2008	
Currency	Outstanding Balance (in millions)	Percentage of Total	Outstanding Balance (in millions)	Percentage of Total
Euro	$5,460.1	63.8%	$4,520.7	56.4%
Canadian Dollar	1,113.8	13.0%	1,323.9	16.5%
Australian Dollar	670.3	7.8%	718.4	9.0%
Japanese Yen	581.4	6.8%	580.8	7.2%
New Zealand Dollar	177.3	2.1%	182.8	2.3%
Mexican Peso	175.1	2.0%	243.8	3.0%
Korean Won	164.8	1.9%	177.5	2.2%
British Pound	133.0	1.6%	176.0	2.2%
South African Rand	74.3	0.9%	87.8	1.1%
Swiss Franc	4.5	0.1%	–	–
Russian Ruble	–	–	5.1	0.1%
Total	***$8,554.6***	***100.0%***	***$8,016.8***	***100.0%***

VI. LOSS RESERVES, MAJOR IMPAIRED ASSETS AND PARIS CLUB ACTIVITIES

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

The total allowance for Ex-Im Bank credits is comprised of an allowance for loss on all credits and defaulted guarantees and insurance policies. A provision is charged to earnings as losses are estimated to have occurred. Write-offs are charged against the allowance when management determines that a loan or claim balance is uncollectable. Subsequent recoveries, if any, are credited to the allowance.

The allowance for Ex-Im Bank credits authorized after FCRA equates to the amount of credit loss associated with the applicable credit. Ex-Im Bank has established cash flow models for expected defaults, fees and recoveries to estimate the credit loss for allowance purposes. The models incorporate Ex-Im Bank's actual historical loss and recovery experience.

Due to the fact that financial and economic factors affecting credit repayment prospects change over time, the net estimated credit loss of loans, guarantees and insurance is re-estimated annually in accordance with OMB guidelines and Statement of Federal Financial Accounting Standards 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*. This re-estimate indicates the appropriate level of funds necessary to cover projected future claims. Decreases in estimated credit losses result in excess funds returned to the U.S. Treasury while increases in estimated credit losses are covered by additional appropriations that become automatically available through permanent and indefinite authority, pursuant to the FCRA.

The Bank has seen an increase in defaults in FY 2009 compared to FY 2008 and expects defaults to continue at a higher level than historical averages at least through FY 2010. Given the U.S. and world economic problems in the last fiscal year, and the resulting liquidity issues, Ex-Im Bank adjusted its loan loss reserves to better provide for any potential portfolio deterioration. In FY 2009, loss reserves were analyzed using significantly higher probabilities of defaults, leading to higher overall loss factors. As a result, as of September 30, 2009, the re-estimate of the credit loss of the outstanding balances of FY 1992 through FY 2009 commitments indicated that a net of $595.4 million of additional funds are needed in the financing accounts. These funds will be received from the U.S. Treasury in FY 2010.

As of September 30, 2008, the re-estimate of the credit loss of the outstanding and undisbursed balances of FY 1992 through FY 2008 commitments indicated that of the cash balances in the financing accounts, the net amount of $128.0 million was no longer needed to cover commitments and was due to the U.S. Treasury.

The total allowance for losses at September 30, 2009, for loans, claims, guarantees and insurance commitments is $5,450.9 million, which is 8.0 percent of total exposure of $67,987.8 million (Exhibit 12). This compares to the allowance for losses at September 30, 2008, for loans, claims receivable, guarantees and insurance commitments of $4,080.2 million that was 7.0 percent of total exposure of $58,472.8 million.

EXHIBIT 12: LOSS RESERVES AND EXPOSURE SUMMARY

(in millions)	FY 2009	FY 2008
Loss Reserves		
Allowance for Loan Losses (Including Undisbursed)	$1,371.6	$1,199.3
Allowance for Defaults Guarantees and Insurance	1,751.7	1,416.9
Liability for Guarantees and Insurance (Including Undisbursed)	2,327.6	1,464.0
Total Reserves	***$5,450.9***	***$4,080.2***
Total Exposure		
Loans	$7,910.5	$4,546.0
Receivables from Defaulted Guarantees and Insurance	2,410.1	2,145.7
Guarantees and Insurance	57,667.2	51,781.1
Total Exposure	***$67,987.8***	***$58,472.8***
Loss Reserve as Percentage of Total Exposure	***8.0%***	***7.0%***

Major Impaired Assets

At September 30, 2009, Ex-Im Bank had three project financings, five transportation credits and 11 major corporate borrowers (those having an outstanding balance greater than $20 million) that had been classified as impaired. The aggregate amount of exposure was $825.0 million. Compared to the previous year, one project and eight corporates were added to the list primarily due to the global economic crisis, which had particularly significant adverse impact on the banking sector in Kazakhstan and Ukraine. The banking sector in Nigeria also suffered substantial losses due primarily to governance and capital adequacy

challenges. Ex-Im Bank is currently in the process of restructuring its exposure to three of the Kazakh banks and one bank in Ukraine. Restructuring of the exposure to the banks in Nigeria is not anticipated but these institutions will be monitored very closely. A transportation credit was removed as it has been successfully restructured. The two transportation credits that have been added to the list are in the process of restructuring. When entering into these credit facilities, Ex-Im Bank was supporting the export of U.S. products and services to purchasers in Argentina, Brazil, Indonesia, Italy, Jordan, Kazakhstan, Pakistan, Philippines, Senegal, Thailand, Turkey, Mexico and Ukraine.

Paris Club Activities

The Paris Club is a group of 19 permanent member-creditor countries that meet regularly in Paris to discuss and provide debt relief to qualifying debtor countries. In FY 2009 and FY 2008 four and six countries, respectively, were eligible for debt forgiveness and/or debt rescheduling of their debt owed to Ex-Im Bank, including capitalized interest (Exhibit 13).

EXHIBIT 13: PARIS CLUB BILATERAL AGREEMENTS

(in thousands)	FY 2009		FY 2008	
Country	Principal Forgiven	Debt Rescheduled	Principal Forgiven	Debt Rescheduled
Central African Republic	$1,899	$–	$2,884	$2,864
Congo	5,592	–	–	–
Grenada	–	–	–	5,051
Guinea	–	–	3,186	–
Haiti	907	–	574	–
Liberia	–	–	22,910	–
Montenegro	–	–	8,167	29,931
Togo	6	–	–	–
Total	***$8,404***	***$–***	***$37,721***	***$37,846***

VII. PORTFOLIO RISK RATING SYSTEM AND RISK PROFILE

The Interagency Country Risk Assessment System (ICRAS)

OMB established the Interagency Country Risk Assessment System (ICRAS) to provide a framework for uniformly measuring the costs of the U.S. government's international credit programs across the various agencies that administer them. To operate this

framework, OMB chairs an interagency working group composed of the agencies with international loan programs, as well as the Departments of State and U.S. Treasury, the Federal Deposit Insurance Corp. and the Federal Reserve Board. In addition, OMB consults annually with the Congressional Budget Office.

The ICRAS methodology determines both the risk levels for lending to sovereign governments and nonsovereign borrowers. The nonsovereign levels can be adjusted.

One of OMB's key goals in developing this system was to pattern ICRAS after systems in the private sector. Therefore ICRAS adopts similar ratings and rating methodologies as the private rating agencies, such as Moody's, Standard & Poor's and Fitch IBCA.

Risk Ratings

ICRAS rates every country to which U.S. government agencies have outstanding loans or loan guarantees or are anticipating making new credits available. The interagency group has established 11 sovereign and nine non-sovereign risk categories and currently has risk ratings for 198 markets.

Like the private-sector risk-rating agencies, ICRAS rates countries on the basis of economic, political and social variables. Each country receives two ratings: a sovereign-risk rating and a nonsovereign-risk rating. Throughout the rating process analysts use private-sector ratings as one of the benchmarks for determining the ICRAS rating in keeping with the principle of congruence to private ratings. When ICRAS ratings significantly deviate from Moody's, S&P's, Fitch IBCA's or OECD ratings, the reasoning is substantiated in an ICRAS paper and is the subject of interagency discussion. This presumption serves as a key reference point throughout the ICRAS process.

The ratings are based, in general, on a country's (1) ability to make payments, as indicated by relevant economic factors, and (2) willingness to pay, as indicated by payment record and political and social factors. Four categories, ratings 1 through 4, are roughly equivalent to "creditworthy" or "investment grade" private bond ratings. Three categories, ratings 9 to 11, are for countries either unable to pay fully, even with extended repayment periods, or currently unwilling to make a good faith effort. In between are categories reflecting various degrees of potential or actual payment difficulties.

ICRAS Default Estimates

Ex-Im Bank has established cash flow models for expected defaults, fees and recoveries to estimate the credit loss for each approved credit. For new authorizations in FY 2009 and FY 2008, the models incorporated Ex-Im Bank's actual historical loss and recovery experience.

Portfolio-Risk Monitoring and Evaluation

The recent volatility in commodity prices, the fluctuation in currency exchange rates, the general level of economic activity, and the tightening credit markets have had an impact on the Bank's operations. Ex-Im Bank, like most participants in the market, is not immune from the effect of this crisis as evidenced by increased requests for Ex-Im Bank support.

The global banking sector has been directly impacted by the current financial crisis. Ex-Im Bank's exposure to the banking sector across the globe is approximately $2.0 billion down from $2.6 billion in the prior year. Over the last year, a number of governments have stepped in to bailout banks within their individual systems. Ex-Im Bank continues to closely monitor this sector, including sending teams to various markets for direct conversations with regulatory authorities as well as individual banks.

Ex-Im Bank continuously monitors its portfolio of credits after they have been approved. This entails scheduled risk-based review of the debt service capacity of the obligors taking into account internal and external factors that directly impact ability and willingness to pay. These periodic reviews allow staff to build greater familiarity with the businesses to which Ex-Im Bank is exposed and the information obtained through this effort allows staff to identify vulnerabilities or weaknesses in the credit. Consequently, the ability to develop and implement remediation actions is greatly enhanced, which ultimately has a positive impact on the quality of the portfolio and final outcome. Most importantly, the information thus gathered serves as a very critical variable as the Bank reviews new requests for support.

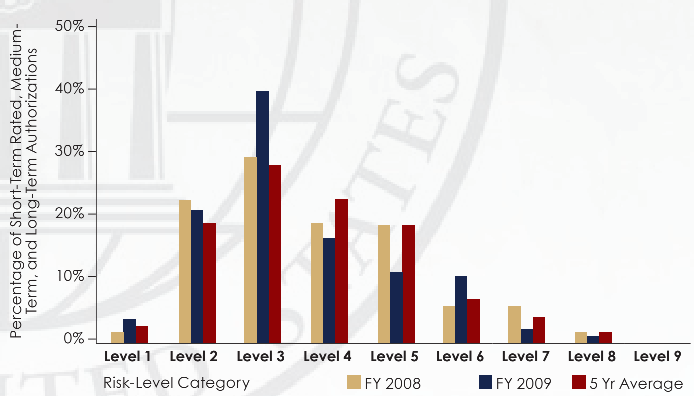
Exposure-Risk Profile

In accordance with the risk-rating system detailed above, Ex-Im Bank classifies credits into 11 risk categories, with level 1 being the lowest risk. In addition, certain credits and capitalized interest included in gross loans receivable are reserved at 100 percent. Ex-Im Bank generally does not authorize new credits that would be risk-rated worse than level 8. On this scale, level 3 is approximately equivalent to Standard and Poor's BBB level 4 approximates BBB-, and level 5 approximates BB.

Ex-Im Bank's activity increased significantly in FY 2009 due primarily to the private sector's inability to finance export credits. The quality of the transactions that were financed by Ex-Im Bank improved as evidenced by the weighted-average risk rating of new activity. The improvement is related to the increase in demand for Ex-Im Bank supported financing among higher rated obligors resulting from the financial crisis in FY 2009. The overall weighted-average risk rating for FY 2009 short-term-rated, medium-term, and long-term export-credit authorizations was 3.43 compared to a weighted-average risk rating of 3.77 in FY 2008. In FY 2009, 76.7 percent of Ex-Im Bank's short-term rated, medium-term, and long-term new authorizations were in the level 1-to-4 range (AAA to BBB-) while 23.3 percent were rated levels 5 to 8 (BB+ to B-).

Exhibit 14 shows the risk profile of Ex-Im Bank's short-term-rated, medium-term, and long-term authorizations in FY 2009 and FY 2008 and the past five-year average-risk profile.

EXHIBIT 14: SHORT-TERM-RATED, MEDIUM-TERM AND LONG-TERM AUTHORIZATIONS BY RISK CATEGORY

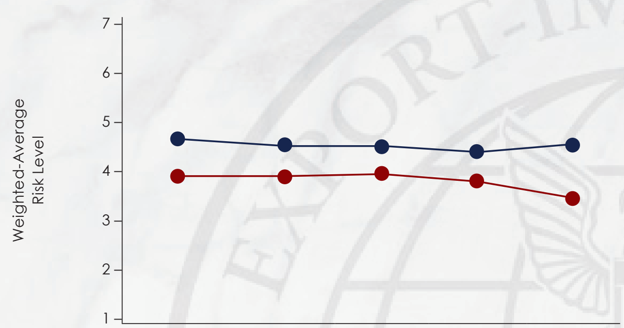


Changes in the Portfolio-Risk Level

At September 30, 2009, Ex-Im Bank had a portfolio of $67,987.8 million of loans, guarantees, insurance and outstanding claims receivable. Exhibit 15 shows the weighted–average risk rating for new authorizations and the outstanding portfolio over the past five fiscal years. The new business risk rating includes all short-term-rated, medium-term and long-term transactions authorized in each respective fiscal year and reflects the weighted-average risk rating for these authorizations. The outstanding portfolio includes new business transactions and the existing portfolio risk-rated at the end of each fiscal year.

The risk rating for the outstanding portfolio increased to 4.31 in FY 2009 as compared to 4.25 in FY 2008 (Exhibit 15). The increase in the weighted-average risk rating is a direct result of the state of the global economy. During FY 2009, there was deterioration in the credit quality of the existing portfolio, which was partially offset by new authorizations for higher-rated obligors. A major improvement in ratings is not foreseen in the near term in the Bank's portfolio.

EXHIBIT 15: CREDIT-QUALITY RISK PROFILE



Fiscal Year	2005	2006	2007	2008	2009
Total Exposure	4.80	4.50	4.40	4.25	4.31
New Business	3.95	3.89	4.00	3.77	3.43

VIII. FINANCIAL STATEMENT ANALYSIS

Significant Financial Data

Exhibit 16 presents certain financial data from the Balance Sheets and the Statements of Net Costs. This financial data is highlighted due to a significant change (10 percent or more) and/or significant dollar difference between the applicable periods for FY 2009 and FY 2008. More detailed financial information can be found in the financial statements and footnotes.

Receivable from Program Account: The Receivable from the Program Account increased $731.9 million from $664.7 million at the end of FY 2008 to $1,396.6 million at the end of FY 2009. This increase is primarily related to the FY 2009 upward re-estimate partially offset by the receipt from Treasury of the appropriation for the FY 2009 upward re-estimate.

EXHIBIT 16: SIGNIFICANT FINANCIAL DATA

(in millions)	FY 2009	FY 2008
Receivable from Program Account	$1,396.6	$664.7
Loans Receivable, Net	3,936.3	3,071.2
Borrowings from the U.S. Treasury	3,805.2	2,929.1
Payable to the Financing Account	1,396.6	664.7
Payment Certificates	82.7	104.1
Guaranteed Loan Liability	2,234.1	1,376.1
Other Liabilities	176.1	102.2
Total Net Position	(842.3)	67.1
Provision for Credit Losses	1,305.4	164.4
Interest Income	607.4	537.1
Liquidating Account Distribution of Income	46.9	109.7

Loans Receivable, Net: Loans Receivable increased by $865.1 million from $3,071.2 million at September 30, 2008, to $3,936.3 million at September 30, 2009. Most of the increase can be explained by $1,446.9 million in additional direct-loan disbursements as well as activity within the rescheduled loan portfolio, partially offset by repayments and prepayments of $725.5 million.

Borrowings from the U.S. Treasury: Borrowings from the U.S. Treasury increased by $876.1 million from $2,929.1 million at September 30, 2008, to $3,805.2 million at September 30, 2009. The increase is related to the current year's borrowings resulting from the increase in Ex-Im Bank's direct lending. The $2,069.0 million borrowings in FY 2009 were partially offset by repayment of $1,192.9 million of borrowings.

Payable to the Financing Account: The Payable to the Financing Account increased by $731.9 million from $664.7 million at September 30, 2008, to $1,396.6 million at September 30, 2009. The increase can be attributed to the FY 2009 upward re-estimate, partially offset by the receipt from Treasury of the appropriation for the FY 2008 upward re-estimate.

Payment Certificates: Payment Certificates decreased by $21.4 million from $104.1 million at September 30, 2008, to $82.7 million at September 30, 2009. The decrease relates to $27.1 million in repayments, partially offset by the issuance of $5.7 million in new payment certificates.

Guaranteed Loan Liability: The Guaranteed Loan Liability increased by $858.0 million from $1,376.1 million at September 30, 2008, to $2,234.1 million at September 30, 2009. The increase is mostly related to the FY 2009 upward re-estimate.

Other Liabilities: Other Liabilities increased $73.9 million from $102.2 million at September 30, 2008, to $176.1 million at September 30, 2009. The increase is related to an increase in offsetting collections partially offset by other miscellaneous activity.

Total Net Position: The Total Net Position decreased $909.4 million from $67.1 million at September 30, 2008, to ($842.3) million at September 30, 2009. The decrease can be attributed to the decrease in Unexpended Appropriations resulting from the absence of any appropriations in FY 2009, prior-year appropriations for program and administrative costs continuing to disburse, as well as a higher Total Net Excess Costs Over Revenue for FY 2009 as compared to FY 2008 results, primarily attributed to the FY 2009 upward re-estimate.

Provision for Credit Losses: The Provision for Credit Losses increased $1,141.0 million from $164.4 million for FY 2008 to $1,305.4 million in FY 2009. The increase primarily reflects the FY 2009 upward re-estimate and an increase in the reserves for the pre-credit- reform portfolio as well as differing portfolio risks over the corresponding time periods.

Interest Income: Interest Income increased by $70.3 million from $537.1 million in FY 2008 to $607.4 million in FY 2009. The increase is related to the increasing Loans Receivable balance.

Liquidating Account Distribution of Income: For the portfolio authorized prior to FCRA, this line item represents cash balances in excess of amounts needed to cover obligations, which are transferred to the U.S. Treasury. The $62.8 million decrease from $109.7 million during FY 2008 to $46.9 million in FY 2009 reflects the decrease in the pre-FCRA portfolio.

Significant Factors Influencing Financial Results

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

The major risks to the Bank in its credit portfolio are repayment risk and concentration risk. Other risks the Bank must assess and attempt to minimize are foreign-currency risk, operational risk, organizational risk and interest-rate risk.

Repayment Risk: In fulfilling its mission to facilitate U.S. exports by providing competitive export financing, Ex-Im Bank must balance the risks associated with assuming credit and country risks that the private sector is unable or unwilling to accept with the requirement of reasonable assurance of repayment for its credit authorizations. Repayment risk is the risk that a borrower will not pay according to the original agreement and the Bank may eventually have to write-off some or the entire obligation. Repayment risk is primarily composed of:

> *Credit Risk:* The risk that an obligor may not have sufficient funds to service its debt or may not be willing to service its debt even if sufficient funds are available.
>
> *Political Risk:* The risk that payment may not be made to the Bank, its guaranteed lender or its insured as a result of expropriation of the obligor's property, war or inconvertibility of the borrower's currency into U.S. dollars.

Concentration Risk: Risks stemming from the composition of the credit portfolio as opposed to risks related to specific obligors. The Bank has the following concentration risks:

> *Industry:* The risk that events could negatively impact not only one company but many companies simultaneously in the same industry. The Bank's credit exposure is highly concentrated by industry: 67.4 percent of the Bank's credit portfolio is in three industries (air transportation, oil and gas, and manufacturing), with air transportation representing 48.8 percent of the Bank's total exposure. Events impacting these industries are frequently international in nature and may not be confined to a specific country or geographic area.
>
> *Geographic Region:* The risk that events could negatively impact not only one country but many countries simultaneously in an entire region. The Bank's credit exposure is concentrated by geographic region, with 62.5 percent of the portfolio contained in two geographic regions: Asia (41.6 percent) and Latin America and Caribbean (20.9 percent).
>
> *Obligor:* The risk stemming from portfolio concentration with one or a few obligors such that a default by one or more of those borrowers will have a disproportionate impact. The Bank's 10 largest public-sector obligors make up 25.5 percent

of its portfolio, while the 10 largest private-sector obligors make up 17.3 percent.

Foreign-Currency Risk: Risk stemming from an appreciation or depreciation in the value of a foreign currency in relation to the U.S. dollar in Ex-Im Bank transactions denominated in that foreign currency. At the time of authorization, Ex-Im Bank does not hedge its foreign-currency exposure; however, when the Bank pays claims under foreign-currency guarantees, the notes are converted from a foreign-currency obligation to a U.S. dollar obligation. The obligor must then repay to Ex-Im Bank the balance in U.S. dollars. This converts the foreign-currency loan to a dollar loan at that point, thereby eliminating any further foreign-exchange risks.

Ex-Im Bank provides support for guarantees and insurance denominated in certain foreign currencies. The foreign currencies approved for Ex-Im Bank transactions as of September 30, 2009, are: Australian dollar, Brazilian real, British pound, Canadian dollar, CFA franc, Colombian peso, Egyptian pound, euro, Indian rupee, Indonesian rupiah, Japanese yen, Korean won, Malaysian ringgit, Mexican peso, Moroccan dirham, New Zealand dollar, Norwegian krone, Pakistani rupee, Philippine peso, Polish zloty, Russian ruble, South African rand, Swedish krona, Swiss franc, Taiwanese dollar and Thai baht. At the time of authorization, Ex-Im Bank records the authorization amount as the U.S. dollar equivalent of the foreign-currency obligation based on the exchange rate at that time.

Operational Risk: Operational risk is the risk of material losses resulting from human error, system deficiencies and control weaknesses. To mitigate the risk of loss stemming from operational dysfunctions, Ex-Im Bank has established a strong internal control environment that is reviewed by an independent internal auditor and has included process documentation, proper supervisory monitoring and technology access/edit controls. Ex-Im Bank also has an Office of Inspector General that conducts audits, inspections and investigations relating to the Bank's program and support operations.

Organizational Risk: The risk of loss to Ex-Im Bank due to the organizational environment: people and skills, incentives, culture and values. Ex-Im Bank hires highly qualified individuals and has a culture of rigorous risk assessment. Continual training opportunities are offered to all employees to maintain and enhance their high skill levels.

Interest-Rate Risk: Ex-Im Bank makes fixed-rate loan commitments prior to borrowing to fund loans and takes the risk that it will have to borrow the funds at an interest rate greater than the rate charged on the credit. Any interest rate disparity would be accounted for in the subsidy re-estimate.

IX. OTHER MANAGEMENT INFORMATION

Statutory Limitations

Ex-Im Bank has several significant financial limitations that are contained in the Charter and in various appropriation acts. The following exhibits (Exhibit 17 and Exhibit 18) summarize the status of those limitations as of September 30, 2009, as well as the utilization of available funding.

EXHIBIT 17: FINANCIAL STATUTORY LIMITATIONS

(in millions)

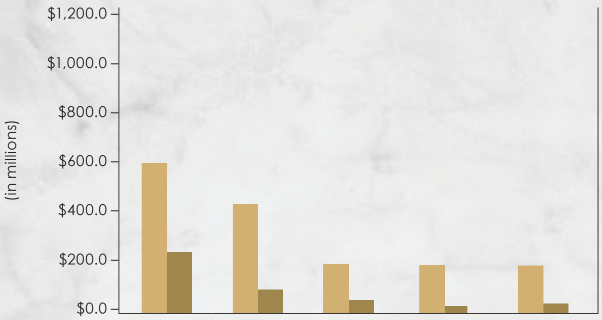
Spending Authority	Program Budget	Tied-Aid	Admin. Expense
Carry-Over From Prior Year	$139.9	$203.8	$ N/A
Rescission of Carry-Over Funds	(27.0)	(17.0)	N/A
Cancellations during FY 2009	4.3	–	N/A
Offsetting Collections	75.0	–	81.5
Inspector General	N/A	N/A	2.5
Total	***$192.2***	***$186.8***	***$84.0***
Obligated	$29.6	$7.8	$81.8
Unobligated Balance Lapsed	18.2	–	–
Unobligated Balance Available	**$144.4**	**$179.0**	**$2.2**
	Available	***Obligated***	***Balance***
Statutory Lending Authority	$100,000.0	$67,987.8	$32,012.2

Tied aid is government-to-government concessional financing of public-sector capital projects in developing countries. Tied-aid terms usually involve total maturities longer than 20 years, lower-than-market interest rates and/or direct grants.

X. LIMITATIONS OF THE FINANCIAL STATEMENTS

The principal financial statements have been prepared to report the financial position and results of operations of Ex-Im Bank, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of Ex-Im Bank in accordance with government GAAP and the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources, which are prepared from the same books and records.

EXHIBIT 18: PROGRAM BUDGET (EXCLUDING TIED AID) AVAILABLE AND UTILIZED



Fiscal Year	2005	2006	2007	2008	2009
Available	$569.7	$421.5	$169.5	$165.6	$192.2
Utilized	$241.2	$190.8	$51.7	$25.4	$29.6

The statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

XI. REQUIRED SUPPLEMENTARY INFORMATION

Improper Payments Information Act

The Improper Payments Information Act (IPIA) of 2002 (P.L. No. 107-300) requires agencies to review their programs and activities to identify those susceptible to significant improper payments. In accordance with IPIA, Ex-Im Bank assessed its risk of a significant erroneous payment (defined for this purpose as annual erroneous payments in a program exceeding both 2.5 percent of the program payments and $10 million). The scope of this assessment included all program payments. For this purpose the term "payment" is defined as any payment that is:

- derived from federal funds or other federal sources;
- ultimately reimbursed from federal funds or resources; or
- made by a federal agency, a federal contractor, a governmental or other organization administering a federal program or activity.

Ex-Im Bank identified three areas of payments that qualify under the above definition and therefore, warranted a risk assessment: administrative payments, claim payments and loan disbursements. Ex-Im Bank assessed the risk of improper payments associated with these programs to be low due to its internal controls in place and the nature of these disbursements. Based on this assessment, under the IPIA, no further action was required.

Ex-Im Bank plans to continue improving its formal risk assessment in the upcoming fiscal year. It will perform an additional risk assessment in the area of commitments and incorporate an Improper Payments Risk Assessment Questionnaire that includes questions categorized per the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control Framework (control environment, risk assessment, control activities, information and communication and monitoring). Inclusion of the questionnaire will incorporate additional quantitative components into the risk assessment.

Exhibit 19 presents the Statement of Budgetary Resources by Ex-Im Bank's major budget accounts.

EXHIBIT 19: DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES
For the Year Ended September 30, 2009

(in millions)	Program Account	Direct-Loan Financing Account	Guaranteed-Loan Financing Account	Pre-Credit Reform Financing Account	Other	Total
BUDGETARY RESOURCES						
Unobligated Balance, Brought Forward October 1	$522.7	$ –	$851.8	$5.5	$55.7	$1,465.7
Recoveries of Prior-Year Unpaid Obligations	15.3	4.9	–	–	0.9	21.1
Budget Authority:						
Appropriation	570.5	–	–	–	2.5	573.0
Borrowing Authority	–	4,619.8	–	–	–	4,619.8
Spending Authority from Offsetting Collection	157.6	1,061.2	1,020.6	48.4	39.4	2,372.2
Permanently Not Available	(49.3)	(1,192.9)	–	(47.0)	–	(1,289.2)
Total Budgetary Resources	***$1,246.8***	***$4,493.0***	***$1,872.4***	***$6.9***	***$98.5***	***$7,717.6***
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred, Direct	$691.2	$4,493.0	$1,014.9	$5.8	$14.7	$6.219.6
Unobligated Balance, Apportioned	340.1	–	857.5	1.1	82.7	1,281.4
Unobligated Balance Not Available	215.5	–	–	–	1.1	216.6
Total Status of Budgetary Resources	***$1,246.8***	***$4,493.0***	***$1,872.4***	***$6.9***	***$98.5***	***$7,717.6***
CHANGE IN OBLIGATED BALANCE						
Obligated Balance, Net						
Unpaid Obligations, Brought Forward October 1	$89.3	$97.6	$3.0	$–	$0.5	$190.4
Obligations Incurred, Net	691.2	4,493.0	1,014.9	5.8	14.7	6,219.6
Gross Outlays	(668.8)	(1,886.5)	(1,006.1)	(5.8)	(14.1)	(3,581.3)
Recoveries of Prior-Year Unpaid Obligations	(15.3)	(4.9)	–	–	(0.9)	(21.1)
Total, Unpaid Obligated Balance, Net, End of Period	***$96.4***	***$2,699.2***	***$11.8***	***$–***	***$0.2***	***$2,807.6***
NET OUTLAYS						
Gross Outlays	$668.8	$1,886.5	$1,006.1	$5.8	$14.1	$3,581.3
Less: Offsetting Collections	(157.6)	(1,061.2)	(1,020.6)	(48.4)	(39.4)	(2,327.2)
Net Outlays	**$511.2**	**$825.3**	**$(14.5)**	**$(42.6)**	**$(25.3)**	**$1,254.1**