



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

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

*[Financial Statements of]*

We have examined the statements of financial condition of the Export-Import Bank of the United States as of September 30, 1980 and 1979, and the statements of income and analysis of reserve for contingencies and defaults, and of changes in financial position for the years then ended. Our examinations were made pursuant to the Government Corporation Control Act (31 U.S. 841-870) and in accordance with generally accepted Government auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

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The Bank states its income before providing a reserve for losses that may be sustained on loans, guarantees, and insurance. However, it retains accumulated net income after dividends as a reserve for such losses. Although the reserve increased in fiscal year 1980, the risk of incurring possible future losses increased to a larger extent. This increased risk is due primarily to loan purchases, outstanding purchase agreements, and principal and interest delinquencies. (See Statement of Financial Condition and notes 4, 6, and 8.)

The adequacy of the reserve cannot be realistically assessed because of the uncertain nature of future foreign economic and political conditions. For example, the effects of developments in Iran on the Bank's exposure in that country is not determinable at this time. At September 30, 1980, the Bank's exposure in Iran was \$312.1 million, including loans of \$305.7 million considered to be in a delinquent status. (See note 4.)

Any losses the Bank may incur on purchases of defaulted commercial loans covered by Bank guarantees or insurance and rescheduled under countrywide debt consolidations also are chargeable against the reserve. In fiscal year 1980 the Bank purchased loans totaling \$90.4 million. Cumulative loan purchases since fiscal year 1977 have been \$205.1 million, while cumulative repayments have been \$13.8 million. Under existing agreements, the Bank may be called upon to purchase additional loans totaling as much as \$213 million. (See note 6.)

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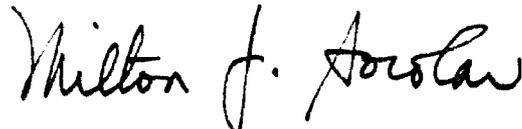
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In addition, [the reserve is subject to impairment because the Bank's current funding rates are higher than its lending rates.] As a result the Bank's average cost of borrowed funds as of September 30, 1980, exceeded its interest income from outstanding loans by about 1.7 percent. This represents a 0.6 percent increase over the 1.1 percent interest rate differential as of September 30, 1979. [If this trend continues, the Bank could be in a loss position by fiscal year 1982. Based on data we obtained subsequent to the balance sheet date the differential had increased and the reserve could be exhausted within 7 to 8 years.]

[The difference between the Bank's borrowing and lending rates may be further aggravated as a result of a fiscal year 1980 agreement] between the Bank and the Private Export Funding Corporation (PEFCO). This agreement provides [that the Bank and PEFCO will share in providing] \$1.35 billion of [export financing at fixed rates of interest quoted by the Bank to foreign borrowers. Under the agreement, the Bank has guaranteed to make up any difference between the borrowers' interest payments and PEFCO's interest charges.] (See note 8.) Because of the various contingencies, we are unable to express an opinion on the adequacy of the reserve.

In our opinion, [except for the amount reserved for contingencies and defaults, the accompanying financial statements present fairly the financial position of the Export-Import Bank at September 30, 1980 and 1979, and the results of its operations and changes in its financial position for the years then ended in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.]



Acting Comptroller General  
of the United States

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

	<u>September 30, 1980</u>		<u>September 30, 1979</u>
<b>ASSETS</b>			
<u>Cash in U.S Treasury and Commercial Bank.....</u>	\$ 200,000		\$ 100,000
<u>Loans Receivable (Notes 4, 5, 6 and 9):</u>			
Current Loans - includes rescheduled loans of \$634.7 million at 9-30-80 and \$592.9 million at 9-30-79.....	\$13,029,200,000		\$11,238,800,000
Delinquent Loans.....	<u>735,900,000</u>		<u>620,200,000</u>
	13,765,100,000		11,859,000,000
<u>Accrued Interest and Fees Receivable (Note 4):</u>			
Current Interest and Fees.....	263,900,000		223,100,000
Delinquent Interest.....	<u>59,900,000</u>		<u>52,400,000</u>
	323,800,000		275,500,000
<u>Other Assets:</u>			
Deferred Debenture and Participation Certificate Expenses.....	100,000		200,000
Foreign Credit Insurance Association Receivable.....	1,300,000		1,300,000
Other Receivables and Miscellaneous Assets.....	<u>300,000</u>		<u>600,000</u>
	1,700,000		2,100,000
<u>Total Assets.....</u>	<u>\$14,090,800,000</u>		<u>\$12,136,700,000</u>

	<u>September 30, 1980</u>		<u>September 30, 1979</u>
<b>LIABILITIES, RESERVE, AND CAPITAL</b>			
<b>Borrowings (Notes 2 and 3):</b>			
Notes Payable to U.S. Treasury.....	\$ 79,000,000		\$ 50,000,000
Notes Payable to Federal Financing Bank.....	10,066,900,000		7,952,900,000
Notes Payable to Private Export Funding Corporation.....	-0-		50,000,000
Notes Payable to U.S. Institutions.	251,200,000		396,600,000
Certificates of Beneficial Interest Payable.....	160,100,000		236,900,000
Participation Certificates Payable.....	<u>250,000,000</u>		<u>250,000,000</u>
		\$10,807,200,000	
			\$ 8,936,400,000
<b>Other Liabilities:</b>			
Accrued Interest Payable.....	81,900,000		72,600,000
Dividend Payable to U.S. Treasury..	-0-		35,000,000
Other Credits.....	<u>4,100,000</u>		<u>6,000,000</u>
		86,000,000	113,600,000
<u>Deferred Fee Income.....</u>		10,200,000	9,000,000
<b>Reserve for Contingencies and Defaults (Notes 3,4,5 and 7):</b>			
accumulated from income - includes delinquent interest and delinquent capitalized interest of \$165.0 million at 9-30-80 and \$72.0 million at 9-30-79 .....		2,187,400,000	2,077,700,000
<u>Capital Stock Held by U.S. Treasury (Note 3).....</u>		1,000,000,000	1,000,000,000
<u>Total Liabilities, Reserve, and Capital.....</u>		<u>\$14,090,800,000</u>	<u>\$12,136,700,000</u>

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

COMPARATIVE STATEMENT OF INCOME AND ANALYSIS OF RESERVE FOR CONTINGENCIES AND DEFAULTS

	Fiscal Year Ended <u>September 30, 1980</u>	Fiscal Year Ended <u>September 30, 1979</u>
<b>Revenues:</b>		
Interest on Loans.....	\$ 927,700,000	\$ 793,500,000
Insurance Premiums and Guarantee Fees.....	30,000,000	29,500,000
Commitment Fees and Other Income.....	<u>31,600,000</u>	<u>24,500,000</u>
Total Revenues.....	<u>989,300,000</u>	<u>847,500,000</u>
<b>Expenses:</b>		
Interest on U.S. Government Borrowings.....	793,200,000	579,700,000
Interest on Debenture and Participation Certificate Borrowings.....	12,800,000	38,200,000
Interest on Certificates of Beneficial Interest Borrowings.....	15,700,000	20,000,000
Interest on U.S. Institutional Borrowings.....	22,700,000	28,900,000
Other Expense, principally Interest and Amortization of Financing Costs.....	5,200,000	7,700,000
Administrative Expenses.....	13,900,000	13,300,000
Claims Paid, net of recoveries (Note 7).....	<u>16,100,000</u>	<u>1,000,000</u>
Total Expenses.....	<u>879,600,000</u>	<u>688,800,000</u>
Net Income.....	109,700,000	158,700,000
Less: Addition to Reserve for Contingencies and Defaults.....	109,700,000	123,700,000
Dividend to U.S Treasury (Note 3).....	<u>\$ -0-</u>	<u>\$ 35,000,000</u>
<hr/>		
<b>Analysis of Reserve for Contingencies and Defaults:</b>		
Balance at Beginning of Fiscal Year.....	\$2,077,700,000	\$1,954,000,000
Addition to Reserve.....	109,700,000	123,700,000
Balance at End of Fiscal Year.....	<u>\$2,187,400,000</u>	<u>\$2,077,700,000</u>

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

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION

	Fiscal Year Ended <u>September 30, 1980</u>	Fiscal Year Ended <u>September 30, 1979</u>
<u>Funds Provided</u>		
Net Income.....	\$ 109,700,000	\$ 158,700,000
Borrowings from the Federal Financing Bank (Note 2).....	3,704,100,000	2,532,600,000
Borrowings from U.S. Treasury.....	2,160,400,000	1,520,600,000
Repayments of Loans Receivable.....	1,377,100,000	1,314,000,000
Repayments of Loans Purchased Pursuant to Guarantee and Insurance Agreements.....	4,700,000	6,500,000
Sales of Certificates of Beneficial Interest.....	-0-	1,500,000
Investment in U.S. Securities.....	-0-	7,700,000
Accrued Interest Payable.....	9,300,000	(23,300,000)
<u>Total Funds Provided</u> .....	<u>\$7,365,300,000</u>	<u>\$5,518,300,000</u>
<u>Funds Applied:</u>		
Disbursements and Other Additions to Loans, includes Capitalized Interest 9-30-80, \$55.7 million; and 9-30-79, \$13.2 million.....	\$3,197,500,000	\$1,567,100,000
Loans Purchased Pursuant to EIB Guarantee and Insurance Agreements.....	90,400,000	62,400,000
Accrued Interest and Fees Receivable.....	48,200,000	30,200,000
Repayments of Federal Financing Bank Borrowings.....	1,590,100,000	1,148,000,000
Repayments of U.S. Treasury Borrowings.....	2,131,400,000	1,470,600,000
Repayments of Private Export Funding Corporation Borrowing.....	50,000,000	50,000,000
Repayments of U.S. Institutions Borrowings.....	145,500,000	39,800,000
Redemptions of Certificates of Beneficial Interest.....	76,800,000	75,800,000
Redemptions of Debentures.....	-0-	1,043,100,000
Payment of Dividend to U.S. Treasury (FY 1979 and FY 1978).....	35,000,000	35,000,000
Other.....	400,000	(3,700,000)
<u>Total Funds Applied</u> .....	<u>\$7,365,300,000</u>	<u>\$5,518,300,000</u>

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

## Note 1: Enabling Legislation and Basic Accounting Principles

Eximbank is an independent corporate agency of the United States. The primary legislation governing its operations consists of the Export-Import Bank Act of 1945, as amended through November 10, 1978, and the Government Corporation Control Act.

Eximbank's accounting records are maintained on an accrual basis with the exception of write-offs of loans and payment of claims on guarantees and insurance policies. Loans are written off and charged to income when Eximbank determines that the outstanding principal balance is uncollectable. Interest on delinquent loans receivable is accrued until such time as Eximbank determines on a case-by-case basis that a particular delinquent loan should be nonaccruing. Claims, except for purchases of assets (see footnote 6), are charged to income in the year paid. Later recoveries of amounts written off or of amounts which have been paid as claims are treated as income in the year received.

The commitment authority of Eximbank under the Export-Import Bank Act to lend, guarantee, and insure is limited to \$40 billion outstanding at any one time. Under the Act loans are charged against the \$40 billion limitation at 100 percent of their authorized amount. Guarantees and insurance are charged against the \$40 billion limitation at not less than 25 percent of Eximbank's contractual liability, with the proviso that the aggregate amount of guarantees and insurance so charged may not exceed \$25 billion outstanding at any one time. Thus, Eximbank's contractual commitments outstanding at any one time could reach \$58.75 billion, consisting of \$25 billion of guarantees and insurance outstanding, resulting in a \$6.25 billion charge against the \$40 billion limitation, and \$33.75 billion (additional commitments) charged at 100 percent against the limitation.

At September 30, 1980, the committed and uncommitted authority to lend, guarantee, and insure was:

		(\$Millions)	Charge
<u>Category</u>			
Loans			\$21,412.6
Guarantees	\$ 6,178.2		
Insurance	5,570.8		
	<u>\$11,749.0 @25%</u>		2,937.3
Committed			<u>24,349.9</u>
Uncommitted			15,650.1
Total Statutory Authority			<u>\$40,000.0</u>

Note 2: Borrowings from the U.S. Treasury and the Federal Financing Bank Eximbank does not receive any appropriated funds. It has authority, under its Act, to borrow directly from the U.S. Treasury and to have outstanding at any one time up to \$6 billion of such borrowings. Eximbank avails itself of this authority for its short-term needs on a daily basis at a 91-day Treasury bill rate. Excess cash is used to reduce these borrowings on a daily basis. The average rate for such short-term borrowings, for the quarter ending September 30, 1980, was 7.95 percent.

In previous years, Eximbank borrowed to meet its medium-term needs through the issuance of debentures and participation certificates. One certificate for \$250 million with an interest rate of 5.10 percent is still outstanding and matures in 1982.

Eximbank is now borrowing from the Federal Financing Bank (FFB) for its medium- and long-term needs. During the year ending September 30, 1980, Eximbank borrowed the following from the FFB:

		(\$ Millions)		Final
Date	Amount	Rate	Maturity	
12/03/79	\$ 949.8	10.559%	12/01/89	
3/03/80	124.0	12.694	3/01/90	
3/03/80	713.6	13.233	3/01/90	
6/02/80	840.2	9.988	6/01/90	
6/02/80	209.3	10.293	6/01/90	
9/02/80	637.0	11.352	9/01/90	
9/02/80	230.2	11.509	9/01/90	

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

Note 3: United States Government Investment in Eximbank

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

	(\$ Millions)	
	<u>September 30, 1980</u>	<u>September 30, 1979</u>
Capital stock held by		
U.S. Treasury	\$ 1,000.0	\$ 1,000.0
Reserve for Contingencies and Defaults	2,187.4	2,077.7
Dividend Payable to U.S. Treasury	-0-	35.0
Notes Payable to Federal Financing Bank	10,066.9	7,952.9
Total	<u>\$13,254.3</u>	<u>\$11,065.6</u>

No dividend was declared from FY 1980 net income.

Note 4: Delinquent Loans

Loans with any installments of principal or interest past due 90-days or more are classified as delinquent on the Statement of Financial Condition. The outstanding principal amount of delinquent loans is summarized on a comparative basis (see table below).

Delinquent interest of \$59.9 million has accrued and is carried as a receivable. The difference between this figure and the \$96.3 million shown in the table represents mainly interest on loans which are non-accruing for financial statement purposes.

The delinquent loans to China were made in 1946 to the then recognized government of China. The delinquent loans to Cuba pertain to loans made before 1961, when a prior government existed.

In FY 1980 Eximbank rescheduled principal and interest installments of \$86.3 million (see footnote 5). At the time of the reschedulings, \$13.3 million (\$6.2 million principal and \$7.1 million interest) was past due 90-days or more.

Since December 21, 1979, Eximbank has accelerated certain loans and guarantees totaling \$310.3 million which had been made to or guaranteed by the government of Iran. These loans were accelerated on the basis of defaults on scheduled repayments to Eximbank or loans with cross-default clauses.

(\$ Thousands)

Country	Total Outstanding Principal	Delinquent Installments September 30, 1980			Delinquent Installments September 30, 1979		
		Principal	Interest	Total	Principal	Interest	Total
Brazil	\$ 25,953.2	\$ 2,834.3	\$ 439.4	\$ 3,273.7	\$ 446.8	\$ 166.7	\$ 613.5
Cen. Afr. Rep.	2,825.9	1,121.0	736.4	1,857.4	439.0	556.6	995.6
China	26,386.0	26,386.0	24,997.3*	51,383.3	26,386.0	24,202.1	50,588.1
Cuba	36,266.6	36,266.6	40,932.4	77,199.0	36,266.6	38,937.3	75,203.9
Dom. Rep.	13,128.0	1,306.8	180.6	1,487.4	-0-	.5	.5
Iran	305,718.3	305,718.3	10,636.4	316,354.7	-0-	125.6	125.6
Liberia	1,995.1	1,917.9	36.7	1,954.6	1,350.6	-0-	1,350.6
Mexico	1,082.2	1,082.2	619.7	1,701.9	1,082.2	570.7	1,652.9
Nicaragua	13,844.7	610.8	1,024.9	1,635.7	22.0	3.8	25.8
Turkey	97,944.9	13,810.2	9,318.7	23,128.9	-0-	-0-	-0-
Uganda	1,818.6	1,653.8	382.4	2,036.2	1,181.3	273.0	1,454.3
Zaire	162,772.3	2,715.6	5,537.9	8,253.5	16,792.4	32,797.2	49,589.6
Other	46,136.7	2,227.2	1,460.0	3,687.2	2,462.7	2,457.9	4,920.6
Total	<u>\$735,872.5</u>	<u>\$397,650.7</u>	<u>\$ 96,302.8</u>	<u>\$493,953.5</u>	<u>\$86,429.6</u>	<u>\$100,091.4</u>	<u>\$186,521.0</u>

The countries listed above are not necessarily the obligor of the delinquent loans. Some of the loans are to private parties in those countries.

\*Eximbank actually ceased to accrue interest on its books in 1960. At that time, interest amounted to \$9,325,442.59.

Note 5: Rescheduled Loans

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

All loan maturities which were previously rescheduled in this manner are current at September 30, 1980, except for 20 loans with an aggregate outstanding principal balance of \$158.0 million as to which principal and interest installments amounting to \$29.8 million are 90-days or more past due. These 20 loans are included in the delinquent classification on the Statement of Financial Condition. In FY 1980 Eximbank rescheduled principal and interest installments totaling \$86.3 million on loans having an outstanding principal balance of \$433.8 million.

Some reschedulings include capitalized interest, which has been previously credited to the Reserve for Contingencies and Defaults. At September 30, 1980, the Reserve of \$2,187.4 million includes \$144.5 million of such outstanding capitalized interest of which \$105.1 million is 90-days or more past due. The Reserve also includes past due interest on delinquent loans totaling \$59.9 million.

Note 6: Loans Purchased Pursuant to Eximbank Guarantee Agreements

Claim payments under Eximbank's medium- and short-term guarantee and insurance programs are treated as purchases of assets and recorded as loans receivable when, in the opinion of the Board, the prospects of repayment and other factors, including materiality and country-wide debt consolidation considerations, justifies such treatment.

The \$13,765.1 million of loans receivable at September 30, 1980 includes \$191.3 million of purchased loans and the \$11,859.0 million at September 30, 1979 includes \$105.6 million. As of September 30, 1980, cumulative purchases of loan installments totaled \$205.1 million and cumulative repayments totaled \$13.8 million. In accordance with the terms of existing guarantee and insurance agreements, Eximbank may be called upon to purchase some or all of the remaining \$213.0 million of installments relating to these loans.

Fiscal year 1979 and 1980 loan purchases are summarized in the table below.

<u>Country</u>	(\$ Thousands)	
	FY 1980 Loan <u>Purchases</u>	FY 1979 Loan <u>Purchases</u>
Mauritania	\$ 436.3	\$ -0-
Nicaragua	1,149.5	-0-
Peru	-0-	3,870.0
Sudan	2,997.7	-0-
Togo	889.3	527.7
Turkey	19,824.7	21,944.1
Zaire	65,088.3	36,021.1
Total	<u>\$ 90,385.8</u>	<u>\$62,362.9</u>

Note 7: Losses, Claims and Reserve for Contingencies and Defaults  
 Losses, claim payments and recoveries for FY 1980 and FY 1979 are:

	(\$ Thousands)	
	<u>FY 1980</u>	<u>FY 1979</u>
Loans written off	\$ -0-	\$ -0-
Guarantee claims paid	8,082.1	5,432.2
Guarantee recoveries	(2,889.0)	(5,092.7)
Insurance claims paid	16,158.4	4,758.1
Insurance recoveries	<u>(5,208.1)</u>	<u>(4,108.3)</u>
Claims Paid, net of recoveries	<u>\$16,143.4</u>	<u>\$ 989.3</u>

The risk to Eximbank from potential losses and claims is not susceptible to accurate measurement because of the unpredictable nature of future worldwide economic and political conditions. Eximbank's entire Reserve is available to cover such losses, claims and contingencies. Eximbank has a Reserve for Contingencies and Defaults of \$2,187.4 million which is 15.9 percent of outstanding loans and 6.6 percent of world commitments. This Reserve, coupled with Eximbank's \$1.0 billion Capital, amounts to 23.2 percent of outstanding loans and 9.6 percent of world commitments.

Note 8: Commitments and Contingent Liabilities

Eximbank's worldwide commitments, shown below, include contingent liabilities totaling \$11,749.0 million at September 30, 1980, and \$9,548.0 million at September 30, 1979.

	(\$ Millions)	
	<u>FY 1980</u>	<u>FY 1979</u>
Outstanding Loans	\$13,765.1	\$11,859.0
Undisbursed Loans	7,647.5	7,292.2
Guarantees Contingent Liability	6,178.2	4,961.3
FCIA Insurance Contingent Liability	5,570.8	4,586.7
Total	<u>\$33,161.6</u>	<u>\$28,699.2</u>

In FY 1980, Eximbank and the Private Export Funding Corporation (PEFCO) agreed to share in providing a total of \$1,350 million of U.S. export financing for 16 export credits at current fixed rates of interest quoted by Eximbank to foreign borrowers. The rates on the loans range from 8 percent to 10.7 percent. Eximbank's share of the total is \$251 million which is included in the total above for undisbursed loans. PEFCO's share is \$1,099 million, which is guaranteed by Eximbank and is included in the figure above for contingent liability for guarantees. Under this arrangement, Eximbank will meet any shortfall or retain any excess between the borrowers' interest payments and PEFCO's interest charges. PEFCO's interest rate will be determined as disbursements are made to the borrower. As of September 30, 1980, no disbursements had been made. Recently, PEFCO's interest rate has exceeded the U.S. Government's borrowing cost for an equivalent maturity (Eximbank's primary financing source) by approximately seventy-five one hundredths of one percent.

Note 9: Maturity Schedule of Outstanding Loans Receivable

As of September 30, 1980, about 61.2 percent of the outstanding loans receivable balance of \$13,765.1 million is projected to be due over the next five years and the remaining 38.8 percent is estimated to be due thereafter, as indicated below:

<u>Fiscal Years of Maturities</u>	<u>Amount (\$ Millions)</u>	<u>Percent of Total</u>
1981	\$ 1,543.1	11.2
1982	1,627.5	11.8
1983	1,741.4	12.7
1984	1,683.5	12.2
1985	1,836.3	13.3
	<u>8,431.8</u>	<u>61.2</u>
1986-2001	5,333.3	38.8
	<u>\$13,765.1</u>	<u>100.0</u>

In addition to the \$13,765.1 million of outstanding loans there are undisbursed loans totalling \$7,647.5 million most of which are expected to be disbursed over the next 3-5 years.