EXIM

EXPORT-IMPORT BANK
OF THE UNITED STATES

ANNUAL REPORT 2016

Reducing Risk. Unleashing Opportunity.

Cover Photo: Thrush Aircraft Inc. in Albany, Georgia, is sustaining 100 American jobs, thanks to EXIM Bank's support of its aircraft exports that account for 80 percent of the company's revenues. During 2016, EXIM's working capital guarantee supported Thrush's exports to Ecuador, Brazil, Guatemala, Canada and the Philippines. Additionally, EXIM's medium-term insurance supported Thrush's exports to Brazil through co-financing with two other export credit agencies (ECAs): EGAP of the Czech Republic and Export Development Canada (EDC).

EXPORT-IMPORT BANK OF THE UNITED STATES

The Export-Import Bank of the United States (EXIM or the Bank) is the official export-credit agency (ECA) of the United States. EXIM is an independent, self-sustaining federal agency that exists to support American jobs by facilitating the export of U.S. goods and services – at no cost to U.S. taxpayers.

EXIM does this in two principal ways. First, when exporters in the United States or their customers are unable to access export financing from private sources, the Bank equips them with the necessary tools – buyer financing, export credit insurance and access to working capital. Second, when U.S. exporters face foreign competition backed by other governments, EXIM levels the playing field by providing buyer financing to match or counter the financing offered by approximately 85 ECAs around the world.

EXIM Bank assumes credit and country risks that the private-sector is unable or unwilling to accept. The Bank's charter requires that all transactions it authorizes demonstrate a reasonable assurance of repayment. The Bank closely monitors credit and other risks in its portfolio. The Bank consistently maintains a default rate that is substantially below the maximum set in its authorizing legislation and is reported quarterly to Congress.

2016 EXIM Leadership Team

Front row, left to right: Angela Mariana Freyre, Lisa V. Terry, Caroline L. Scullin, Michele A. Kuester, Madolyn Phillips, Erin L.V. Gulick and Howard Spira. **Back row, left to right:** Scott P. Schloegel, James C. Cruse, Robert A. Morin, David M. Sena, James G. Burrows, Jr., Michael Cushing, Charles J. Hall and Kenneth M. Tinsley. For a complete list of EXIM senior leadership, see "Directors and Officers" on page 60.

Chairman's Message

The past two years have been somewhat disheartening at the Export-Import Bank of the United States (EXIM).

In 2015, Congress allowed the EXIM charter to lapse, preventing the Bank from supporting American jobs and workers that depend on new export opportunities. Though our charter was reauthorized in December 2015, EXIM, due to the lack of a quorum on the Board of Directors, was still unable to fully support American jobs and level the playing field for American workers.

Unfortunately, President Obama's two nominees to the EXIM Board—a Republican and a Democrat—remained unconfirmed at the end of the 114th Congress. Additionally, a legislative proposal to relax the quorum requirement so that we could be fully operational with a smaller board was unsuccessful.

At the same time, EXIM continued to serve American exporters and their workers within our limitations. Looking to the future, the EXIM Bank team is well-prepared for the presidential transition that puts our customers and American workers first.

THIS YEAR

In a fiscal year hobbled by both the 2015 lapse in authority and the lack of a board quorum, the Bank authorized $5 billion in financing—a level not seen in 40 years. As a result, EXIM supported 52,000 jobs and generated $284 million for taxpayers. By comparison, in 2014—our last fully operational year—the Bank authorized more than $20 billion in financing, supported nearly 165,000 American jobs, and generated $675 million for taxpayers.

Despite these challenges, as chairman, I have had the opportunity to work with many U.S. exporters and American workers who power our economy and build our communities. One such business is Tuftco, a manufacturer of carpet tufting and finishing equipment based in Chattanooga, Tennessee. The company manufactures 90 percent of its equipment in southern Tennessee, and half their sales are exports. With global growth in mind, Tuftco CEO Steve Frost and his team began working on the sale of their machines to a customer in Xining, China.

Still, as most Americans know, doing business in China can be challenging, and delays set in with Tuftco's new customer. Fortunately, in June 2015—just before EXIM's lapse in authority—the Bank's Board of Directors unanimously approved a loan guarantee for the purchase of Tuftco's products, keeping American workers on the job and paving the way for new overseas sales. Steve told me: "a lot of our employees, probably 40 or 50 people, have paychecks thanks to this transaction." In fact, to meet the order, the company expanded its Chattanooga facility and increased the number of jobs on the manufacturing line to nearly 200.

Tuftco's employees weren't the only ones to benefit from the sale. "I know at least eight other companies," Steve said, "our local supply chain partners, that were able to sustain or add jobs, too."

Workers at businesses of every size and up and down the supply chain need a fully functioning EXIM Bank to compete on a level playing field, increase export sales, and create jobs here at home. Financing for small businesses this fiscal year was down by nearly half from 2014. As American exporters and workers are met with increasing competition from China, India, Japan, Korea, the United Kingdom, and others, they will need EXIM Bank in order to win sales and keep jobs here in America. Tuftco is but one of 2,600 small businesses that benefitted from EXIM financing last year.

LAST EIGHT YEARS

Throughout the Obama Administration, EXIM has demonstrated its value to American businesses and their workers. Since 2009, the Bank has financed more than $240 billion in U.S. exports, supported more than 1.4 million American jobs, and sent more than $3.8 billion to taxpayers. Most importantly, much of this record-setting performance was done as part of a government-wide effort to get Americans back to work during the 2008 Global Financial Crisis.

Our country has made great strides since 2009. We have largely recovered from the worst economic crisis since the Great Depression; become the world's second-largest single exporting nation; improved our trade balance with China, Canada, and the European Union; and cut unemployment in half and continued the longest streak of private-sector

job growth in our nation's history. We have done all this despite global economic headwinds and technological developments that have changed the ways we live and work before our very eyes.

KEEPING AMERICA COMPETITIVE

At the same time, countries around the world are investing in alternative energy technology, transportation, power, telecommunications—all the elements required to improve their economies and the lives of their citizens. They want to purchase the best product they can, and they want to buy American. Still, competition for these opportunities is fierce. Our businesses and their workers will need access to the financing we offer in order to be fully competitive.

Simultaneously, many countries are ramping up support for their exporters, and the world of official export finance is much tougher than when President Obama appointed me in 2009. A global aversion to government debt makes fiscal reform politically challenging. With interest rates at or below zero, we may well be reaching the limits of monetary policy. That leaves exports as the mechanism for job creation and economic expansion. As a result, globally, export credit agencies (ECAs) such as EXIM, are proliferating and expanding. Today, there are some 85 ECAs and counting, and governments from the United Kingdom to France to Germany to Finland to Canada to China are bolstering the support their export credit agencies provide for export sales.

LOOKING TO THE FUTURE

In 2017, my time as chairman of EXIM will come to a close. I am sad to leave the great team backing this institution, and the customers who have been so helpful in improving us over the past seven years. Still, I am also filled with optimism. Indeed, EXIM is leaner, sharper, and better-prepared than ever. We are able to say that we now do more work, at nearly 30 percent lower cost, than when this Administration took office. The public servants here at EXIM have the business savvy and expertise to support U.S. exporters in our rapidly changing economy. They have taught me so much, and I am thankful for the kindness they have shown me and the dedication they bring to work every day. It is that dedication that gives me confidence about our future.

I hope the new Congress will speedily act on all five board nominees to bring the Bank back to full force.

Americans from every party and political affiliation want to fight for and win the opportunities that grow our economy and transform the world. We want the 95 percent of the world's consumers who live beyond our borders to enjoy the things that we do in our country: from power at every hour of the day to safe and reliable transportation. America makes the goods and services that fill those needs. As the growing global middle class travels around the world, we want them passing by or flying over green power plants built with Made-in-America equipment and sitting on planes and trains manufactured in Pennsylvania, Wisconsin, and Washington. One way to ensure that bright future is to engage and lead in the global economy. Optimist that I am, I believe we can do it, as we have since 1934.

Fred P. Hochberg

Fred P. Hochberg
Chairman and President

FY 2016 Highlights

EXIM's charter was renewed on December 4, 2015. After a five-month lapse in authority, the Bank reopened for business approximately two months into FY 2016. For the entire fiscal year, EXIM's Board of Directors lacked a quorum, which left the Bank unable to approve transactions above $10 million. As a result, EXIM's support for U.S. exporters was severely affected by these limitations.

TOTAL AUTHORIZATIONS

EXIM authorized

$5B

OF FINANCING TO SUPPORT

$8B

OF U.S. EXPORTS

- In contrast, in FY 2014 (the most recent year in which EXIM Bank operated with full authority), the Bank authorized more than 3,700 authorizations totaling nearly $20.5 billion that supported an estimated $27.5 billion of U.S. exports.

SMALL BUSINESS

EXIM Bank authorized more than $2.6 billion in financing and insurance for the direct support of American small business exporters in FY 2016 – about half of the level of the Bank's small business support in FY 2014.

MINORITY-AND WOMAN-OWNED BUSINESSES

EXIM Bank authorized $544 million in FY 2016, supporting over $1.1 billion of export sales from minority- and woman-owned businesses (MWOB). The Bank approved a record of nearly 770 MWOB authorizations in FY 2016.

770 MWOB Authorizations

JOBS SUPPORTED

EXIM's FY 2016 authorizations supported approximately 52,000 American jobs. In contrast – the Bank supported an nearly 165,000 jobs supported in FY 2014.

52,000
Jobs Supported

In 8 Years
1.4 Million
jobs created

In the past eight years, the Bank has supported more than 1.4 million jobs across the United States.

PRUDENT FINANCIAL MANAGEMENT

- At the close of FY 2016, EXIM Bank sent nearly $284 million in profit to the U.S. Treasury to support deficit reduction.
- EXIM's quarterly default rate was 0.266 percent as of September 30, 2016.

$0

SUBSIDY
EXIM Bank received no subsidy appropriation in FY2016.

FY 2016 Authorizations

FY 2016 Authorizations Summary

Program	Number of Authorizations 2016	Number of Authorizations 2015	Amount Authorized 2016	Amount Authorized 2015	Estimated Export Value 2016	Estimated Export Value 2015	Program Budget Used 2016	Program Budget Used 2015
LOANS								
Long-Term Loans	-	4	$-	$57.7	$-	$43.2	$-	$-
Working Capital Loans	-	37	-	15.0	-	64.7	-	-
Total Loans	**-**	**41**	**-**	**72.7**	**-**	**107.9**	**-**	**-**
GUARANTEES								
Long-Term Guarantees	-	42	-	7,917.3	-	7,594.7	-	-
Medium-Term Guarantees	28	41	123.3	149.8	138.5	173.0	-	-
Working Capital Guarantees	237	261	1,106.5	1,001.0	4,092.3	5,909.2	-	-
Total Guarantees	**265**	**344**	**1,229.8**	**9,068.1**	**4,230.8**	**13,676.8**	**-**	**-**
EXPORT-CREDIT INSURANCE								
Short-Term	2,625	2,216	3,797.1	3,196.5	3,797.1	3,196.5	-	-
Medium-Term	9	29	10.2	45.7	11.4	51.7	-	-
Total Insurance	**2,634**	**2,245**	**3,807.3**	**3,242.2**	**3,808.6**	**3,248.2**	**-**	**-**
Grand Total	**2,899**	**2,630**	**$5,037.1**	**$12,383.0**	**$8,039.4**	**$17,033.0**	**$-**	**$-**

FY 2016 Small Business Authorizations

	Number 2016	Number 2015	Amount 2016	Amount 2015
Export Credit Insurance	2,428	2,061	$1,899.6	$1,972.9
Working Capital Loans and Guarantees	193	260	741.6	685.5
Guarantees and Direct Loans	14	21	36.3	372.2
Grand Total	**2,635**	**2,342**	**$2,677.4**	**$3,030.6**

FY 2016 Authorizations by Market

(in millions)

Country	Guarantee Authorizations	Insurance Authorizations	Loan Authorizations	Total Authorizations	Total Exposure[1]
Albania	$-	$-	$-	$-	$10.5
Algeria	-	-	-	-	34.6
Andorra	-	-	-	-	0.1
Angola	-	-	-	-	384.6
Anguilla	-	-	-	-	0.6
Antigua and Barbuda	-	-	-	-	18.1
Argentina	-	-	-	-	495.5
Aruba	-	0.1	-	0.1	1.4
Australia	-	0.3	-	0.3	4,361.9
Austria	-	-	-	-	24.9
Azerbaijan	-	-	-	-	529.0
Bahamas	-	-	-	-	5.5
Bahrain	-	-	-	-	210.6
Bangladesh	-	-	-	-	480.5
Barbados	-	-	-	-	4.9
Belgium	-	0.5	-	0.5	13.1
Belize	-	-	-	-	2.1
Benin	-	-	-	-	0.1
Bermuda	-	-	-	-	0.6
Bolivia	-	0.3	-	0.3	3.9
Bosnia-Herzegovina	-	-	-	-	15.6
Brazil	-	16.6	-	16.6	1,108.1
Brunei	-	-	-	-	0.1
Bulgaria	-	-	-	-	159.0
Burma	-	-	-	-	4.3
Cameroon	4.7	-	-	4.7	131.9
Canada	-	2.1	-	2.1	1,245.7
Cape Verde	-	-	-	-	0.2
Cayman Islands	-	-	-	-	47.9
Chile	-	2.3	-	2.3	1,725.0
China	55.5	5.7	-	61.2	5,103.4
Colombia	1.2	2.1	-	3.3	2,703.9
Cook Islands	-	-	-	-	-
Costa Rica	1.9	8.7	-	10.6	90.7
Côte d'Ivoire	-	-	-	-	1.8
Croatia	-	-	-	-	0.2
Cuba	-	-	-	-	36.3
Cyprus	-	-	-	-	5.8
Czech Republic	-	0.7	-	0.7	2.3
Denmark	-	0.1	-	0.1	3.1

[1] Countries with zero (or "-") Total Exposure have exposures of less than $1.0 million.

FY 2016 Authorizations by Market

(in millions)

Country	Guarantee Authorizations	Insurance Authorizations	Loan Authorizations	Total Authorizations	Total Exposure[1]
Dominica	-	-	-	-	0.9
Dominican Republic	-	5.8	-	5.8	262.5
Ecuador	-	-	-	-	39.3
Egypt	-	0.8	-	0.8	205.0
El Salvador	-	3.6	-	3.6	21.0
Equatorial Guinea	-	-	-	-	7.2
Estonia	-	-	-	-	1.4
Ethiopia	-	-	-	-	1,534.3
Fiji	-	-	-	-	0.1
Finland	-	-	-	-	1.7
France	-	-	-	-	55.8
French Guiana	-	-	-	-	0.1
French Polynesia	-	-	-	-	0.2
Gabon	-	-	-	-	15.0
Gambia	-	-	-	-	-
Georgia	-	-	-	-	0.1
Germany	-	1.5	-	1.5	814.7
Ghana	-	0.1	-	0.1	514.8
Greece	-	-	-	-	0.9
Grenada	-	-	-	-	3.5
Guatemala	-	0.5	-	0.5	30.1
Guinea	-	-	-	-	0.1
Guyana	-	-	-	-	0.8
Honduras	-	4.4	-	4.4	170.8
Hong Kong	-	-	-	-	2,586.2
Hungary	-	-	-	-	33.8
Iceland	-	-	-	-	1.4
India	-	1.2	-	1.2	4,494.9
Indonesia	-	1.2	-	1.2	1,809.9
Ireland	-	0.1	-	0.1	2,948.6
Israel	-	0.4	-	0.4	423.0
Italy	-	1.6	-	1.6	15.2
Jamaica	-	-	-	-	8.9
Japan	-	0.8	-	0.8	76.3
Jordan	-	0.1	-	0.1	4.8
Kazakhstan	-	-	-	-	429.1
Kenya	2.2	0.3	-	2.5	757.8
Korea, South	-	0.2	-	0.2	3,592.8
Kuwait	-	0.4	-	0.4	417.6
Latvia	-	0.2	-	0.2	0.2

[1] Countries with zero (or "-") Total Exposure have exposures of less than $1.0 million.

FY 2016 Authorizations by Market

(in millions)

Country	Guarantee Authorizations	Insurance Authorizations	Loan Authorizations	Total Authorizations	Total Exposure[1]
Lebanon	-	0.1	-	0.1	1.2
Liberia	-	-	-	-	7.5
Lithuania	-	-	-	-	0.4
Luxembourg	-	-	-	-	1,389.5
Madagascar	-	-	-	-	-
Malaysia	-	-	-	-	7.5
Maldives	-	-	-	-	0.3
Mali	-	-	-	-	5.2
Malta	-	-	-	-	0.2
Mauritius	-	-	-	-	1.5
Mexico	34.1	92.7	-	126.9	8,019.1
Monaco	-	-	-	-	-
Mongolia	-	-	-	-	421.7
Montenegro	-	-	-	-	13.3
Montserrat	-	-	-	-	-
Morocco	-	-	-	-	516.0
Mozambique	-	-	-	-	0.1
Netherlands	-	-	-	-	569.8
New Caledonia	-	-	-	-	-
New Zealand	-	-	-	-	342.4
Nicaragua	-	-	-	-	18.7
Nigeria	-	0.1	-	0.1	74.2
Norway	-	-	-	-	1,068.1
Oman	-	-	-	-	16.1
Pakistan	-	0.3	-	0.3	366.8
Palau	-	-	-	-	-
Panama	-	0.3	-	0.3	501.4
Papua New Guinea	-	-	-	-	2,481.4
Paraguay	-	-	-	-	7.7
Peru	-	-	-	-	344.2
Philippines	-	1.2	-	1.2	470.1
Poland	-	-	-	-	347.4
Portugal	-	-	-	-	2.5
Qatar	-	-	-	-	510.3
Romania	-	-	-	-	4.7
Russia	-	-	-	-	1,099.7
Rwanda	-	-	-	-	0.1
San Marino	-	-	-	-	-
Saudi Arabia	11.8	5.6	-	17.4	6,012.7
Senegal	-	-	-	-	4.1

[1] Countries with zero (or "-") Total Exposure have exposures of less than $1.0 million.

FY 2016 Authorizations by Market

(in millions)

Country	Guarantee Authorizations	Insurance Authorizations	Loan Authorizations	Total Authorizations	Total Exposure[1]
Serbia	-	-	-	-	117.5
Singapore	-	-	-	-	1,051.3
Slovak Republic	-	-	-	-	30.9
Slovenia	-	-	-	-	6.9
Solomon Islands	-	-	-	-	-
South Africa	-	0.2	-	0.2	1,336.3
Spain	-	0.1	-	0.1	243.6
Sri Lanka	-	-	-	-	74.3
St. Kitts and Nevis	-	-	-	-	0.3
St. Lucia	-	-	-	-	0.5
St. Vincent and Grenadines	-	-	-	-	0.1
Sudan	-	-	-	-	28.2
Suriname	-	-	-	-	1.1
Sweden	-	-	-	-	4.4
Switzerland	-	0.7	-	0.7	7.1
Taiwan	-	-	-	-	40.0
Tajikistan	-	-	-	-	41.0
Tanzania	-	-	-	-	2.4
Thailand	-	-	-	-	456.2
Trinidad and Tobago	-	-	-	-	80.8
Tunisia	-	-	-	-	0.7
Turkey	-	6.5	-	6.5	3,341.9
Turks and Caicos	-	-	-	-	0.9
Uganda	-	-	-	-	0.9
Ukraine	-	-	-	-	129.2
United Arab Emirates	-	1.5	-	1.5	4,079.7
United Kingdom	10.6	0.6	-	11.2	2,665.3
United States	1,107.7	-	-	1,107.7	3,336.2
Uruguay	-	-	-	-	133.7
Uzbekistan	-	-	-	-	1.9
Venezuela	-	-	-	-	8.9
Vietnam	-	0.1	-	0.1	621.4
Virgin Islands (British)	-	-	-	-	2.6
West Indies (French)	-	-	-	-	0.3
Zambia	-	0.1	-	0.1	73.1
Zimbabwe	-	-	-	-	0.1
Private Export Funding Corp.	-	-	-	-	730.3
Multi-Buyer Insurance - Short-term	-	3,634.2	-	3,634.2	3,737.1
Grand Total	**$1,229.8**	**$3,807.3**	**$-**	**$5,037.1**	**$87,262.4**

[1] Countries with zero (or "-") Total Exposure have exposures of less than $1.0 million.

Management's Discussion and Analysis of Results of Operations and Financial Condition

EXECUTIVE SUMMARY

The Export-Import Bank of the United States ("EXIM", "EXIM Bank", or "the Bank") is an independent executive branch agency and a wholly owned U.S. government corporation. EXIM Bank is the official export credit agency of the United States. Its mission is to support U.S. jobs by facilitating the export of U.S. goods and services.

During FY 2015 and FY 2016, the Bank's authority to approve transactions lapsed from July 1, 2015 through December 4, 2015. In addition, since July 20, 2015, the Board of Directors of the Bank has lacked a quorum for the transaction of business and, as a result, the Bank is unable to approve medium- and long-term transactions over $10.0 million.

In the fiscal year ended September 30, 2016 (FY 2016), EXIM Bank authorized $5,037.1 million of loan guarantees, insurance and direct loans in support of an estimated $8,039.4 million of U.S. export sales and of an estimated 52,000 U.S. jobs.

Small business authorizations in FY 2016 totaled $2,677.4 million, representing 53.2 percent of total authorizations. In FY 2016, 2,635 transactions were authorized for the direct benefit of small business exporters, or 90.9 percent of total transactions.

EXIM Bank currently has exposure in 163 countries throughout the world. Total portfolio exposure decreased by 15 percent to $87,262.4 million at September 30, 2016, compared to $102,210.7 million at September 30, 2015.

The September 30, 2016 default rate, as reported to Congress, was 0.266 percent.

EXIM Bank reports under the United States generally accepted accounting principles applicable to federal agencies (government GAAP). Under government GAAP standards, EXIM Bank's FY 2016 net excess revenue over cost was $849.4 million. The Statement of Net Cost is designed to present expenditures of funds for programs. Section VII of the MD&A provides additional information on the Statement of Net Cost.

In FY 2016, the Bank earned profits after expenses of $283.9 million which was wired to the U.S. Treasury for deficit reduction. Since 1992, EXIM Bank has sent a net $8.4 billion to the U.S. Treasury, of which $3.8 billion has been contributed since FY 2009.

I. GENERAL OVERVIEW

i. Authority, Mission, and Charter

The Export-Import Bank of the United States is an independent executive branch agency and a wholly owned U.S. government corporation that was first organized as a District of Columbia banking corporation in 1934. EXIM Bank is the official export credit agency of the United States. EXIM Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act (FCRA) of 1990, Public Law (P.L.) 101-508, which became effective October 1, 1991. In accordance with its Charter (12 U.S.C. 635 et seq.), continuation of EXIM Bank's functions in furtherance of its objectives and purposes is subject to periodic extensions granted by Congress. The Export-Import Bank Reauthorization Act of 2015 (P.L.114-94) extended the Bank's authority until September 30, 2019.

The mission of EXIM Bank 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. 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, EXIM Bank offers four financial products: loan guarantees, working capital guarantees, direct loans and export credit insurance. All EXIM Bank obligations carry the full faith and credit of the U.S. government.

ii. Strategic Plan

The Strategic Plan guides EXIM Bank to more effectively accomplish its mission, maintain consistency with its Charter, and fulfill congressional mandates. The Strategic Plan, developed in 2009 and updated in 2013, continues to guide efforts at all levels of the organization and is used as a foundation for internal strategic and operational discussions.

The 2013-2017 Strategic Plan consists of four goals:

Goal 1: Expand awareness of EXIM Bank services through focused business development and effective partnerships

Goal 2: Improve ease of doing business for customers

Goal 3: Create an environment that fosters high performance and innovation

Goal 4: Ensure effective enterprise risk management consistent with the Bank's charter requirements

In FY 2016, EXIM Bank identified five operating priorities in support of the Bank's strategic goals. These priorities helped to focus EXIM's FY 2016 efforts in addressing its goals. The five operating priorities are:

- Strengthen small business "export DNA" in all programs and products
- Equip U.S. exporters to win in a rapidly changing international landscape
- Make EXIM a "Tier 1" place to work
- Improve data and systems to understand and execute our business
- Continuously improve internal processes and collaboration for better effectiveness, efficiency and risk management

iii. Product Programs

EXIM Bank products facilitate support for U.S. exports through four major programs: loan guarantees, direct loans, export credit insurance, and working capital guarantees.

Loan Guarantee Program: EXIM Bank loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S exports. EXIM Bank guarantees to a commercial 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. EXIM Bank's comprehensive guarantee covers commercial and political risks for up to 85 percent of the U.S. contract value.

Direct Loan Program: EXIM Bank offers fixed-rate loans directly to foreign buyers of U.S. goods and services. EXIM Bank extends to a company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. The Bank's direct loans generally carry fixed-interest rate terms under the Arrangement on Guidelines for Officially Supported Export Credits (the Arrangement) 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. Short-term financing consists of all transactions with tenors of less than one year.

Export Credit Insurance: EXIM Bank's Export Credit Insurance Program supports U.S. exporters selling goods overseas by protecting the businesses against the risk of foreign buyer or other foreign debtor default for political or commercial reasons. This risk protection permits exporters to extend credit to their international customers where otherwise not possible. Insurance policies may apply to shipments to one buyer or many buyers, insure comprehensive credit risks (including both commercial and political) or only political risks, offer either short-term or medium-term coverage, and exist primarily as U.S. dollar transactions, with no foreign currency risk.

Working Capital Guarantee Program (WCGP): Under the WCGP, EXIM 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.

The Bank's most recent Competitiveness Report included survey results from exporters, lenders, and other key stakeholders which indicated that the Bank's core business policies and practices were classified as competitive with other officially supported foreign competition, primarily other G7 ECAs. According to the data, EXIM Bank terms, including policy coverage, interest rates, exposure fee rates, and risk premia, consistently matched competitors.

iv. Key Budget and Accounting Requirements

While EXIM looks to further optimize the execution of mission and implementation of its Charter, the Bank completely and fully complies with Federal Budget and Governmental Accounting requirements, two of which are discussed below.

Budgeting for New Authorizations Under the Federal Credit Reform Act (FCRA)

Under the FCRA, the U.S. government budgets for the present value of the estimated cost of credit programs. For EXIM 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, loan principal, and loan interest, while cash disbursements typically include loan disbursements and the payment of claims. EXIM Bank collects fees that cover program obligations and administrative costs.

When expected cash disbursements exceed expected cash receipts, there is an expected net outflow of funds, resulting in a "cost" to the Bank. This cost is sometimes referred to as subsidy or program cost. EXIM Bank is required to estimate this cost annually and to seek budget authority from Congress to cover that cost. New loans and guarantees with a program cost cannot be committed unless sufficient program budget authority is available to cover the calculated credit cost. EXIM Bank has devoted extensive time and resources to reduce credit subsidy expenses. Total yearly credit subsidies have decreased from $29.6 million in FY 2009, to zero credit subsidies in FY 2015, which continued into FY 2016.

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 form in which 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 EXIM 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 EXIM Bank and used to repay the warrant received at the start of the year. The result is a net appropriation of zero. Therefore, the Bank is self-sustaining for budgetary purposes.

This change occurred as a result of an in-depth analysis of the Bank's historical net default experience in relation to the fees collected on its credit programs. The analysis illustrates that fees collected were not only sufficient to cover credit losses, they were also sufficient to cover administrative costs.

Although EXIM Bank is self-sustaining, Congress continues its oversight of the Bank's budget, setting annual limits on its use of funds for program and administrative expense obligations and other obligations.

Financial Accounting Policy

The accompanying FY 2016 and FY 2015 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 October 7, 2016, 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.

EXIM Bank follows OMB Circular A-11 *Preparation, Submission, and Execution of the Budget,* 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.

II. ORGANIZATIONAL STRUCTURE

EXIM Bank's headquarters are located in Washington, D.C. with business development efforts supported through 12 regional offices across the country.

EXIM 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. The Board approves the Bank's financing either directly or through delegated authority. All are appointed by the President of the United States with the advice and consent of the Senate.

The three senior officers who directly serve the Chairman and President and directly oversee the operations and management of EXIM are the Executive Vice President and Chief Operating Officer, the Senior Vice President and Chief Banking Officer, and the Senior Vice President and Chief of Staff.

Office of the Executive Vice President and Chief Operating Officer: The Chief Operating Officer oversees or directs the following offices:

- Office of the Chief Financial Officer
- Office of the General Counsel
- Office of Ethics (reports directly to EXIM Board of Directors)
- Office of Credit & Risk Management (Chief Risk Officer reports to EXIM President)
- Office of Resource Management
- Office of Information Management and Technology
- Office of Innovation and Performance

Office of the Senior Vice President and Chief Banking Officer: The Chief Banking Officer oversees or directs the following offices:

- Office of Export Finance
- Office of Small Business (reports to EXIM President)

Office of the Senior Vice President and Chief of Staff: The Chief of Staff oversees or directs the following offices of EXIM:

- Office of the Chairman
- Office of Congressional and Intergovernmental Affairs
- Office of Communications
- Office of Policy and Planning

Additionally, EXIM has an independent office of the Inspector General.

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.

III. FY 2016 RESULTS

i. Total Authorizations

EXIM Bank's mandate is to provide competitive financing to expand United States exports by either offering financing at rates and terms which are fully competitive with those of other export credit agencies or filling financing gaps when private lenders are unable or unwilling to provide support for U.S. goods and services. In implementing this mandate in nine months of authorized operations, EXIM Bank approved $5,037.1 million in total authorizations in FY 2016. The FY 2016 authorizations supported an estimated U.S. export value, which is the total dollar value of exports related to EXIM Bank's authorized financing, of $8,039.4 million and an estimated 52,000 U.S jobs. See Exhibit 1 for a breakdown of FY 2016 authorizations by term and program.

EXHIBIT 1: FY 2016 AUTHORIZATIONS BY TERM AND PROGRAM

	FY 2016	
	Authorized (in millions)	As percent of total
Long-Term		
Loans	$-	-
Guarantees	-	-
Subtotal, Long-Term	**-**	**-**
Medium-Term		
Loans	-	-
Guarantees	123.3	2.4%
Insurance	10.2	0.2%
Subtotal, Medium-Term	**133.5**	**2.6%**
Short-Term		
Working Capital	1,106.5	22.0%
Insurance	3,797.1	75.4%
Subtotal, Short-Term	**4,903.6**	**97.4%**
Total Authorizations	**$5,037.1**	**100.0%**

Long-term transactions: For authorization, long-term transactions require extensive credit assessments performed by subject matter expert underwriters. The assessments are subsequently moved through multiple levels of internal review and consideration. Evaluations assess key transactional risks such as the borrower's industry, competitive position, operating performance, liquidity position, leverage, ability to service debt obligations, and others. Frequently, credit enhancements are included in the structure of a long-term financing (often in the form of collateral) in order to decrease the risk of a borrower default, but also increase the recovery in the event of default. A risk rating is assigned to the transaction based on this evaluation which, in turn, assists in establishing the level of loss reserves the Bank must set aside. Due to the lack of a quorum for the transaction of business by its Board of Directors, EXIM did not authorize long-term transactions in FY 2016.

Short-term and medium-term transactions: These transactions are largely underwritten under individual authority delegated by the Board of Directors to the staff and commercial banks pursuant to prescribed credit standards and information requirements. Governance and control procedures employed include periodic credit and compliance reviews, the results of which are provided to senior management and the Board of Directors.

ii. Congressional Mandates

In accordance with the EXIM Charter, the Bank operates under congressional mandates. Fiscal year results are fundamental indicators of operational performance under such mandates which are referred to as:

1. ***Small Business mandate –*** the 2015 Charter states that not less than 25 percent of the aggregate loan, guarantee, and insurance authority available to the Bank should be made available to finance exports directly by small business concerns.
2. ***Sub-Saharan Africa mandate –*** the 2015 Charter directs the Board of Directors of the Bank to take measures, consistent with the credit standards otherwise required by law, to promote the expansion of the Bank's financial commitments in sub-Saharan Africa under the loan, guarantee, and insurance programs of the Bank.
3. ***Environmentally Beneficial Goods and Services mandate –*** the 2015 Charter states that the Bank shall encourage the use of its programs to support the export of goods and services that have beneficial effects on the environment or mitigate potential adverse environmental effects.

Small Business Mandate

In FY 2016, EXIM Bank exceeded the 25 percent mandate, utilizing 53.2 percent of aggregate loan, guarantee, and insurance authority directly to support small business. Small businesses are major creators of jobs in the United States. The Bank's mandate from Congress places significant emphasis on supporting small business exports. EXIM Bank's Office of Small Business provides a bank-wide focus on small business support with overall responsibility for expanding and overseeing small business outreach. This group is responsible for helping to provide small businesses with financial assistance to increase export sales 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.

EXIM 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, EXIM Bank introduced its first short-term export credit insurance policy tailored for small business, In 1985, Congress enacted a 10 percent mandate on small business authorizations, which was increased in 2002 to 20 percent and in 2015 to 25 percent. EXIM Bank continues to innovate, design, and implement programs and policies to meet the needs of the U.S. small business exporter.

FY 2016 Small Business Authorizations

EXIM Bank's objective is to grow small business authorizations with a reasonable assurance of repayment and in response to market demand. Small business authorizations in FY 2016 were $2,677.4 million.

20.3%

of the small business authorizations were minority-owned and women-owned businesses.

In FY 2016, small business authorizations represented 53.2 percent of total authorizations and 62.9 percent of the direct export value EXIM supported in FY 2016. During FY 2016, the number of transactions that were executed for the direct benefit of small business exporters was more than 2,600 transactions, or 90.9 percent of the total number of transactions, compared to 89.0 percent of the total number of transactions in FY 2015. Of the 2,635 transactions in FY 2016, approximately 1,279 of these transactions were under $500,000.

In FY 2016, EXIM Bank authorized $2,677.4 million, or 53.2 percent of total authorizations, to support exports by small businesses. Minority- and women-owned businesses accounted for $544.0 million or 20.3% of small business authorizations.

In FY 2016, 379 new small business exporters used EXIM small business products for the first time. EXIM Bank has added 4,849 new small business customers since 2009.

62.9%

of total direct export value supported was for small businesses.

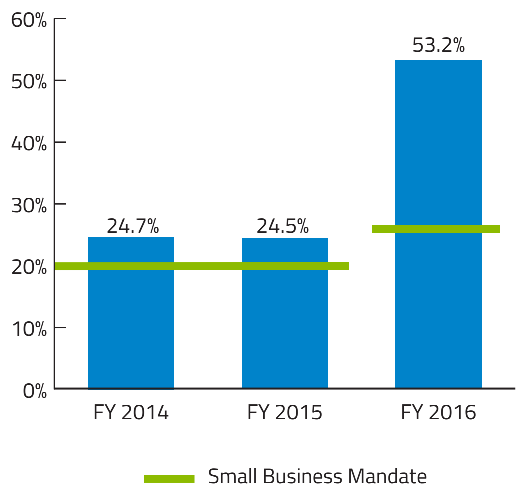
90.9%

of EXIM Bank transactions directly benefited U.S. small business exporters.

EXIM Bank offers two products which primarily benefit small businesses: working capital guarantees (including supply-chain finance guarantees) and export credit insurance. In FY 2016 $741.6 million, or 67.0 percent, of total authorizations in the Working Capital Guarantee Program supported small businesses. Of the total authorizations under the export credit insurance program in FY 2016, 49.9 percent, or $1,899.6 million, supported small businesses compared to 61.1 percent in FY 2015.

Exhibit 2 shows the total dollar amount of authorizations for small business exports as a percentage of total authorizations for each year since FY 2013.

EXHIBIT 2: SMALL BUSINESS AUTHORIZATIONS AS PERCENT OF TOTAL DOLLARS AUTHORIZED



Sub-Saharan Africa Mandate

EXIM Bank provides U.S. exporters with the financing tools they need to successfully compete for business in Africa. EXIM Bank's products and initiatives help U.S. exporters in all regions of Africa, including high-risk and emerging markets. Pursuant to its Charter, EXIM Bank has established an advisory committee to advise the Board of Directors on the development and implementation of policies and programs designed to support those programs.

FY 2016 Sub-Saharan Africa Authorizations

Sub-Saharan Africa authorizations represented 121 transactions, or 4.2 percent, of EXIM's transactional total in FY 2016. The dollar amount of authorizations represented 1.9 percent of total authorizations, or $94.9 million in FY 2016.

Environmentally Beneficial Goods and Services Mandate

EXIM Bank's financing helps mitigate risk for U.S. companies that offer environmentally beneficial goods and services and also offers competitive financing terms to international buyers for the purchase of these U.S. goods and services. EXIM 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
- Other various environmental goods and services

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

FY 2016 Environmentally Beneficial Authorizations

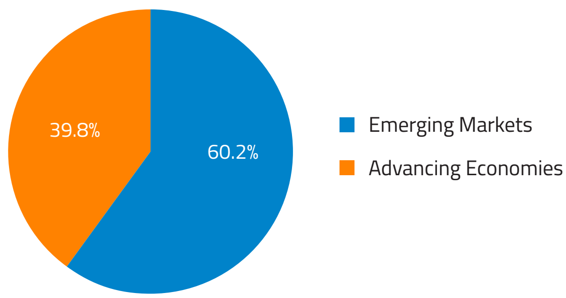
In FY 2016, EXIM Bank authorizations of environmentally beneficial goods and services totaled $124.7 million. Approximately 2.5 percent of the Bank's FY 2016 authorizations supported environmentally beneficial goods. EXIM Bank's total number of renewable-energy authorizations, a subset of the Bank's environmentally beneficial authorizations, totaled 21 transactions in FY 2016. In FY 2016, EXIM Bank authorizations which support U.S. renewable-energy exports and services totaled $27.2 million. EXIM's ability to approve transactions was limited due to the lapse in full authority through the first quarter of FY 2016, as well as a lack of quorum to transact business on its Board of Directors for the entire year.

Since FY 2009, EXIM Bank has supported $3,553.4 million in environmentally beneficial goods and services.

iii. Emerging Markets

In FY 2016, $3.0 billion (or 60.2 percent) of EXIM Bank's authorizations supported U.S. exports to emerging markets, in comparison to $2.0 billion (or 39.8 percent) authorized for exports to advanced economies. The Bank utilizes the International Monetary Fund's country demarcation to differentiate between emerging and advanced economies. Despite EXIM's inability to approve transactions due to the lapse in full authority during FY 2016, as well as the lack of a quorum on its Board of Directors, EXIM continued to provide support to American exporters in emerging markets.

EXHIBIT 3: FY 2016 AUTHORIZATIONS IN EMERGING VERSUS ADVANCED ECONOMIES



Jobs Supported and Methodology

In FY 2016, EXIM authorized $5,037.1 million in loans, guarantees, and insurance that supported 52,000 U.S. jobs and an estimated $8,039.4 million in U.S. export sales. EXIM Bank supports U.S. jobs by facilitating the export of U.S. goods and services, by providing competitive export financing, and ensuring a level playing field for U.S. goods and services in the global marketplace. EXIM 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 about 12.6 percent of the U.S. gross domestic product as of the first quarter of FY 2016. While EXIM's authorizations were down due to the lapse in authority during FY 2016, as well as a lack of quorum of its Board of Directors, EXIM continued to support U.S. jobs.

52,000 Jobs

EXIM Bank supported 52,000 jobs in FY 2016 at no cost to U.S. taxpayers.

EXIM Bank's jobs estimate methodology, reviewed by the Government Accountability Office in 2013, follows the jobs calculation methodology designated by the Trade Promotion Coordinating Committee (TPCC). The methodology uses employment data computed by the Bureau of Labor Statistics (BLS) to calculate the number of jobs associated with EXIM Bank-supported exports of goods and services.

The Bank uses the latest available domestic employment requirements table (ERT) as computed by the BLS to calculate the number of jobs associated with EXIM Bank supported goods and services. The ERT quantifies the number of direct and indirect production-related jobs associated with a million dollars of final demand for 196 detailed industries.

The ERT is derived from a set of data showing the relationship between industries, known as input-output tables. These tables are based on historical relationships between industry inputs (e.g., labor) and outputs (e.g., goods for consumption). BLS then scales these relationships using estimates about labor productivity (output per person employed) into employment required for one million dollars of output in that industry (jobs ratios). The TPCC designated this basic input-output approach as the standard for U.S. government agencies.

This jobs-calculation methodology has advantages and disadvantages. For example, an advantage is that it is based on the input-output approach commonly used in economic analysis; it captures indirect jobs in the supply chain and can be performed using limited resources. However, important limitations and assumptions also accompany this jobs-calculation methodology. For example, the employment data are a count of jobs that treat full-time, part-time and seasonal jobs equally. In addition, the data assume average industry relationships, but EXIM's clients could be different from the typical firm in the same industry. Further, the underlying approach does not provide information on what would have happened absent EXIM financing, thus preventing EXIM Bank from distinguishing between jobs that were newly created and those that were maintained.

For jobs estimates based on FY 2016 EXIM Bank authorizations, the Bank supports 6,030 jobs per $1 billion of U.S. exports. This figure is a weighted average based on each industry's relative jobs per $1 billion average at time of calculation.

IV. GENERATING REVENUE FOR THE AMERICAN TAXPAYER

EXIM's continued accomplishment of its mission has had a secondary, yet very positive, effect for the American taxpayer: the generation of revenue. In FY 2016, EXIM Bank wired $283.9 million to the U.S. Treasury to be used for deficit reduction—the latest in a long history of surplus revenues. Since 1992, EXIM Bank has generated $8.4 billion in revenues for U.S. taxpayers above what the Bank has received after providing for all expenses, loan loss reserves, and administrative costs.

EXIM Bank has been Self-Sustaining since FY 2008

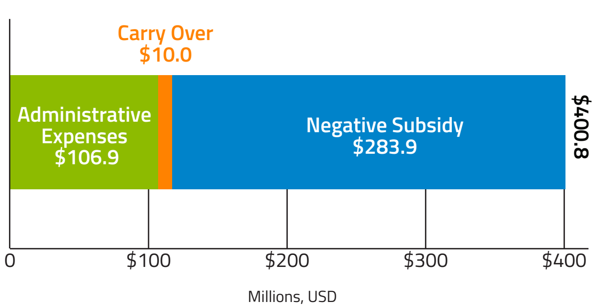
EXIM Bank has been self-sustaining for budgetary purposes since FY 2008. As a result, the Bank does not rely on congressional appropriation to sustain operations, which is critical in a tight budgetary environment. EXIM Bank's program revenue (i.e., in a given year, fee and interest collections from transactions that exceed the reserve requirements on those transactions) is retained as offsetting collections and used to offset the cost of new obligations in the fiscal year, including prudent reserves to cover future losses as well as all administrative expenses and subsidy carryover. In FY 2016, EXIM Bank had $400.8 million in offsetting collections, while amounts held for subsidy

> Since 1992, the Bank has sent to the U.S. Treasury **$8.4b** more than it received in appropriations for program and administrative costs.

and administrative obligations totaled $116.9 million. EXIM Bank's self-sustaining status also complies with the World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures, an agreement among 161 current member countries. This agreement contains a list of prohibited export subsidies, one of which is official export credit. The relevant guidance for guarantees and insurance is that such programs are prohibited subsidies if the activity is done at premium rates which are inadequate to cover long-term operating costs and losses. Despite EXIM's self-sustaining status, Congress still continues its oversight of the Bank's budget, setting annual limits on the use of funds for program budget and administrative expense obligations.

EXIM Bank has also devoted extensive time and resources in exploring ways to reduce credit subsidy expenses. Total yearly credit subsidies have decreased from $29.6 million in FY 2009, to zero subsidies in FY 2016. Exhibit 4 displays EXIM Bank's total amount of dollars generated for taxpayers from offsetting collections, after accounting for administrative expenses and carry-over, as of September 30, 2016.

EXHIBIT 4: OFFSETTING COLLECTIONS



For each dollar of expenses (administrative and program cost), the Bank generated $400.8 million in offsetting collections in FY 2016. The amount of Offsetting Collections in FY 2016 is lower compared to prior years due to a reduction in authorization levels that has resulted from a lapse in authority during parts of FY 2015 and FY 2016, as well as a lack of quorum of its Board of Directors.

V. RISK MANAGEMENT

While providing support to United States exporters is core to the mission of EXIM as an institution, an effective comprehensive risk management framework is a core underlying requisite for the Bank to properly utilize its authority.

Reasonable Assurance of Repayment

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

The Bank's Board of Directors, or a Bank officer acting pursuant to delegated authority from the Board of Directors, makes the final determination of reasonable assurance of repayment, taking into consideration staff recommendations as well as the environmental impact and other considerations required by the Bank's Charter. All transactions require the approval of the Board of Directors directly or through delegated authority.

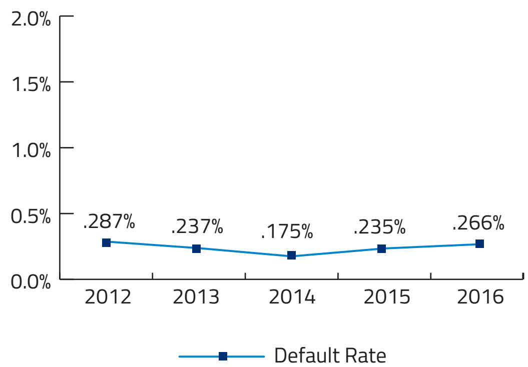
Protecting the U.S. Taxpayer

EXIM Bank continues its prudent oversight and due diligence standards to protect taxpayers through its comprehensive risk management framework. This framework starts with effective underwriting to ensure a reasonable assurance of repayment. The Bank's comprehensive risk management includes detailed documentation to ensure the Bank's rights are protected legally and that the transaction is not in violation of U.S. government policy or sanctions, and it continues after a transaction is approved with pro-active monitoring efforts to minimize defaults. The Bank believes that a comprehensive risk management framework with strong emphasis on continuous improvement minimizes claims and defaults. EXIM Bank engages in robust portfolio management, as well as oversight and governance, including the setting aside of adequate loan loss reserves.

> **0.266%**
> Default Rate

Pursuant to its Charter, EXIM Bank is mandated to report to Congress on a quarterly basis the current default rate on its active portfolio. On September 30, 2016 the reported default rate was 0.266 percent. This rate reflects a "total amount of required payments that are overdue" (claims paid on guarantees and insurance transactions plus loans past due) divided by a "total amount of financing involved" (disbursements). The default rate is the result of the Bank's few defaults coupled with effective portfolio management action on those credits which default. EXIM is required to maintain a default rate below 2 percent as stated in the 2015 Charter. Exhibit 5 below shows the trend of EXIM's default rate over the last five years.

EXHIBIT 5: DEFAULT RATE (FIVE-YEAR TREND)



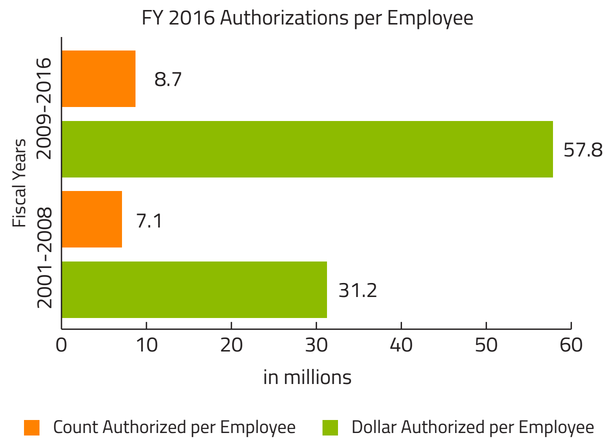
Effectiveness and Efficiency

EXIM Bank uses various measures to assess the relative efficiency and effectiveness of the Bank's programs. EXIM's annual *Report to the U.S. Congress on Export Credit Competition and the Export-Import Bank of the United States* (the "Competitiveness Report") compares the Bank's competitive performance with that of other export credit agencies. When combining the Competitiveness Report with internal efficiency measurements, management can assess the effectiveness of EXIM's operations.

The 2015 Competitiveness Report found that EXIM was less competitive compared to foreign export credit agencies due to the five-month lapse in authority and the subsequent uncertainty stemming from a lack of a quorum on the Board of Directors. In calendar year 2015, American exporters did not have the same opportunity for support from EXIM that foreign exporters enjoyed from their export credit agencies.

In addition to the Competitiveness Report, EXIM Bank uses various leverage measures to assess efficiency and cost effectiveness. Exhibit 6 examines the trend of authorizations per employee using five-year averages. From fiscal year 2009 to 2016, the Bank averaged $57.8 million in authorizations per employee and 8.7 in authorized transactions per employee. In comparison, fiscal years 2001 through 2008 averaged $31.2 million dollars in authorizations per employee and 7.1 in transactions per employee.

EXHIBIT 6: TREND OF AUTHORIZATIONS PER EMPLOYEE



VI. THE PORTFOLIO

An efficient and effective Risk Management framework allows EXIM Bank to recognize long-term fluctuations in the external risk environment, and then pivot accordingly. Understanding "how" to pivot, however, requires an understanding of the distinct characteristics of EXIM's exposure around the world. As a result, EXIM management views the portfolio through a variety of different lenses, each lens offering its own narrative, nuance, and interpretation.

i. Perspective-based Analyses

Program, Region, Industry, Obligor Type, and Foreign Currency

For both financial statement and analytical purposes, EXIM Bank defines exposure as the authorized outstanding and undisbursed principal balance of loans, guarantees, and insurance, also including any unrecovered balances of payments made on claims submitted and approved by the Bank. The claims payments are made by EXIM while acting as guarantor or insurer under the export guarantee and insurance programs. Note, exposure does not include accrued interest or transactions pending final approval.

Working capital guarantees may be approved for a single loan or a revolving line of credit, with an availability generally of one year, but can be as long as three years. Guaranteed lenders are not required to report activity to EXIM, the entire credit is assumed to be "disbursed" when the fee is paid and all proper documentation is received by EXIM. The credit is recorded as repaid in one installment 180 days 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 EXIM 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.

Program Exposure

EXIM Bank currently has exposure in 163 countries throughout the world totaling $87,262.4 million at September 30, 2016, compared to $102,210.7 million in 169 countries in FY 2015. Overall Portfolio exposure has declined due to repayments on outstanding transactions exceeding new authorizations.

From a portfolio perspective, guarantees made up the largest portion (63.5 percent and 64.5 percent) of EXIM Bank's exposure at September 30, 2016, and September 30, 2015, respectively. Exhibit 7 summarizes total EXIM Bank exposure by program and shows each program as a percentage of the total exposure at the end of the respective fiscal year.

EXHIBIT 7: EXPOSURE BY PROGRAM

	FY 2016		FY 2015	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Guarantees	$55,398.8	63.5%	$65,880.2	64.5%
Loans	25,607.1	29.3%	28,762.6	28.1%
Insurance	5,055.2	5.8%	6,345.6	6.2%
Receivables from Subrogated Claims	1,201.3	1.4%	1,222.3	1.2%
Total Exposure	**$87,262.4**	**100.0%**	**$102,210.7**	**100.0%**

Regional Exposure

Exhibit 8 summarizes total EXIM Bank exposure by region. The "Other" region in Exhibit 8 includes undisbursed balances of short-term multibuyer insurance that is not allocated by region until the shipment has taken place. In FY 2015, management elected to reclassify exposure of regional country groupings of its loan, guarantee and insurance portfolio to better align EXIM's reporting with other entities with international exposure such as the World Bank, and the U.S Treasury.

EXHIBIT 8: REGIONAL EXPOSURE

	FY 2016		FY 2015	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Asia	$22,130.1	25.4%	$26,130.3	25.7%
Latin America and the Caribbean	15,902.9	18.2%	18,853.6	18.4%
Europe	15,680.3	18.0%	18,613.4	18.2%
Middle East and North Africa	12,432.3	14.2%	13,743.4	13.4%
Oceania	7,186.0	8.2%	7,514.4	7.4%
North America	5,312.1	6.1%	7,202.7	7.0%
Sub-Saharan Africa	4,881.7	5.6%	5,740.4	5.6%
Other	3,737.0	4.3%	4,412.5	4.3%
Total Exposure	**$87,262.4**	**100.0%**	**$102,210.7**	**100.0%**

Industry Exposure

Exhibit 9 shows exposure by the major industrial sectors in the Bank's portfolio.

EXHIBIT 9: EXPOSURE BY MAJOR INDUSTRIAL SECTOR

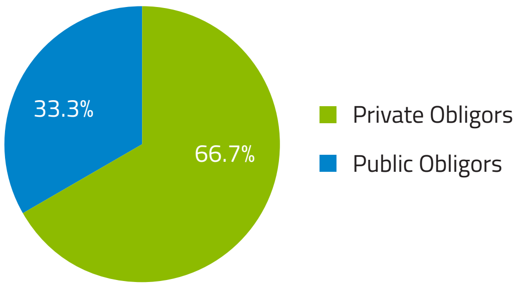
	FY 2016		FY 2015	
	Exposure (in millions)	Percent of Total	Exposure (in millions)	Percent of Total
Air Transportation	$42,062.2	48.2%	$49,031.0	48.0%
Oil and Gas	14,331.2	16.4%	16,323.9	16.0%
Manufacturing	14,042.1	16.1%	15,965.7	15.6%
Power Projects	4,780.2	5.5%	5,800.7	5.7%
All Other	12,046.7	13.8%	15,089.4	14.8%
Total Exposure	**$87,262.4**	**100.0%**	**$102,210.7**	**100.0%**

Obligor Exposure

Of the portfolio at September 30, 2016, 33.3 percent represents credits to public-sector obligors or guarantors (7.8 percent to sovereign obligors or guarantors and 25.6 percent to public non-sovereign entities); 66.7 percent represents credits to private-sector obligors. Starting in FY 2003 EXIM Bank's portfolio began to shift from primarily sovereign and other public-sector borrowers to primarily private-sector borrowers.

However, this shift has slowed, leveling out in the most recent years. A breakdown of public-sector versus private-sector exposure is shown in Exhibit 10.

EXHIBIT 10: PUBLIC AND PRIVATE OBLIGORS



Foreign Currency Exposure

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

In FY 2016, EXIM Bank approved $17.6 million in transactions denominated in a foreign currency, representing 0.4 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, 2016, EXIM Bank had 84 transactions with outstanding balances denominated in a foreign currency. Using the foreign currency exchange rates at September 30, 2016, EXIM Bank adjusted the dollar amount of the outstanding balances for these transactions. The adjustment was a net decrease in exposure of $522.0 million for a total outstanding exposure balance of $6,105.4 million of foreign currency denominated guarantees, representing 7.0 percent of total Bank exposure. If including undisbursed foreign currency exposure, the percentage rises to 7.3 percent.

At September 30, 2015, EXIM Bank had 91 transactions with outstanding balances denominated in a foreign currency. Using the foreign currency exchange rates at September 30, 2015, EXIM Bank adjusted the dollar amount of the outstanding balances for these transactions. The adjustment was a net increase in exposure of $863.3 million for a total outstanding balance of $6,341.1 million of foreign currency denominated guarantees, representing 6.2 percent of total Bank exposure.

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 2016		FY 2015	
Currency	Outstanding Balance (in millions)	Percent of Total	Outstanding Balance (in millions)	Percent of Total
Euro	$3,920.0	64.3%	$4,388.0	69.2%
Japanese Yen	780.5	12.8%	510.7	8.1%
Canadian Dollar	542.8	8.9%	652.7	10.3%
Australian Dollar	214.5	3.5%	152.4	2.4%
South African Rand	299.1	4.9%	183.9	2.9%
Mexican Peso	141.5	2.3%	212.0	3.3%
New Zealand Dollar	137.1	2.2%	159.2	2.5%
Korean Won	62.4	1.0%	75.1	1.2%
British Sterling	7.5	0.1%	7.1	0.1%
Total	**$6,105.4**	**100.0%**	**$6,341.1**	**100.0%**

ii. Portfolio Loss Reserves

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

The total allowance for EXIM 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 EXIM Bank credits authorized after FCRA equates to the amount of credit-loss associated with the applicable credit. EXIM Bank has established cash flow models for expected defaults, fees, and recoveries to estimate the credit-loss for allowance purposes. The models incorporate EXIM Bank's actual historical loss and recovery experience. In addition, beginning in FY 2012, based upon industry best practices as well as recent changes to the portfolio, the Bank incorporated qualitative factors into the quantitative methodology to calculate the credit-loss allowance.

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 sent 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.

EXIM Bank incorporates a quantitative and qualitative framework to calculate loss reserves. This framework has continuously evolved and been refined over the years. In FY 2016, EXIM Bank updated qualitative adjustments in its loss model, of which a subset are built into the quantitative framework. Those built into the quantitative framework include factors such as loss curves for sovereign guaranteed transactions and asset backed aircraft. Those not built into the quantitative framework look at minimum levels of expected losses, the global macroeconomic environment, and the recent growth in the Bank's portfolio.

The estimated credit-loss of the outstanding balance of loans, guarantees and insurance is re-estimated annually in accordance with OMB guidelines and SFFAS 18. This re-estimate indicates the appropriate balance necessary in the financing accounts to ensure sufficient funds to pay future estimated claims. EXIM Bank can experience downward re-estimates, sending funds to the U.S. Treasury, or upward re-estimates, receiving funds in the form of appropriation from the U.S. Treasury, which can vary by year.

The re-estimate of the credit-loss of the exposure for FY 1992 through FY 2016 commitments calculated at September 30, 2016, indicated that the net amount of $932.5 million of excess funds were not needed in the financing accounts. This will be transferred to the U.S. Treasury in FY 2017. The re-estimate of the credit-loss of the exposure for FY 1992 through FY 2015 commitments calculated at September 30, 2015, indicated that of the balances in the financing accounts, the net amount of $1,280.9 million of excess funds were sent to the U.S. Treasury in FY 2016.

EXHIBIT 12: OUTSTANDING EXPOSURE AND ALLOWANCE BY PROGRAM

(in millions)	FY 2016	FY 2015
Outstanding Loans	23,950.6	22,763.6
Allowance for Loan Losses	534.4	1,529.9
Percent Allowance to Outstanding Balance	**2.2%**	**6.7%**
Outstanding Defaulted Guarantees and Insurance	1,201.3	1,222.3
Allowance for Defaulted Guarantees and Insurance	1,057.4	1,052.2
Percent Allowance to Outstanding Balance	**88.0%**	**86.1%**
Outstanding Guarantees and Insurance	55,173.5	61,495.3
Liability for Guarantees and Insurance	1,359.2	1,435.6
Percent Allowance to Outstanding Balance	**2.5%**	**2.3%**

The total allowance for losses at September 30, 2016, for loans, claims, guarantees and insurance commitments is $2,951.0 million, representing 3.7 percent of outstanding exposure of $80,325.4 million (Exhibit 13). This compares to the allowance for losses at September 30, 2015, for loans, claims receivable, guarantees and insurance commitments of $4,017.7 million representing 4.7 percent of outstanding exposure of $85,481.2 million.

The allowances for losses for EXIM Bank credits authorized after FCRA equates to the amount of estimated credit-loss associated with the applicable loans, claims, guarantees, and insurance. According to SFFAS 2, Accounting for Direct Loans and Guarantees, direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash flows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as the allowance for credit losses. For guaranteed loans outstanding, the present value of estimate net cash flows of the loan guarantee is recognized as a guaranteed loan liability.

EXIM Bank's credit programs generally have fees and interest rates higher than the expected default and funding costs, resulting in the net present value of cash inflows to be greater than the outstanding principal of the credit. This has caused a slight decrease in the allowance for credit losses as a percent of total credits outstanding.

EXHIBIT 13: LOSS RESERVES AND EXPOSURE SUMMARY

(in millions)	FY 2016	FY 2015
Outstanding Guarantees and Insurance	$55,173.5	$61,495.3
Outstanding Loans	23,950.6	22,763.6
Outstanding Defaulted Guarantees and Insurance	1,201.3	1,222.3
Total Outstanding	**$80,325.4**	**$85,481.2**
Undisbursed Guarantees and Insurance	$5,280.5	$10,730.5
Undisbursed Loans	1,656.5	5,999.0
Total Undisbursed	**$6,937.0**	**$16,729.5**
Total Exposure	**$87,262.4**	**$102,210.7**
Weighted-Average Risk Rating of Total Exposure	4.1	3.9
Loss Reserves		
Liability for Guarantees and Insurance	$1,359.2	$1,435.6
Allowance for Loan Losses	534.4	1,529.9
Allowance for Defaulted Guarantees and Insurance	1,057.4	1,052.2
Total Reserves	**$2,951.0**	**$4,017.7**
Loss Reserve as Percentage of Outstanding Balance	**3.7%**	**4.7%**
Loss Reserve as Percentage of Total Exposure	3.4%	3.9%

iii. Impaired Credits and Paris Club Activities

Impaired Credits

Impaired Credits are defined as those transactions risk rated as Budget Cost Level ("BCL") 9 to 11 and on the verge of default due to political, commercial, operational and/or technical events or unforeseeable circumstances which have affected the Borrower's ability to service repayment of EXIM Bank credits.

At September 30, 2016, EXIM Bank's aggregate amount of impaired credits exposure was $171.8 million compared to $468.1 million at September 30, 2015.

Paris Club Activities

The Paris Club is a group of 21 permanent member-creditor countries that meet regularly in Paris to discuss and provide debt relief to qualifying debtor countries. The U.S. Treasury and State Department are members of the organization and represent the interests of all U.S. agencies that hold international debt. In both FY 2015 and FY 2016, no countries received Paris Club treatment of debt in the form of principal forgiven.

The Paris Club reached an agreement with the government of Grenada in FY 2016 on a plan to clear Grenada's outstanding debt. Grenada agreed to repay EXIM Bank the full outstanding principal, interest, and late interest of $1.8 million at renegotiated terms. This U.S.-Grenada bilateral agreement was effective on July 18, 2016.

iv. Portfolio-Risk Rating System and Risk Profile

The Interagency Country Risk Assessment System (ICRAS)

In 1992, 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.

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. ICRAS rates countries on the basis of economic, political, and social variables. Two risk levels are determined for each country: *a sovereign risk level,* for lending to the sovereign government, and a *non-sovereign risk level,* for lending within the private market of that sovereign country. There are 11 sovereign and nine non-sovereign risk categories. ICRAS currently has risk ratings for 202 sovereign and 206 non-sovereign markets.

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 (i) ability to make payments as indicated by relevant economic factors and (ii) 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 are unwilling to make a good faith effort. Other categories reflect various degrees of potential or actual payment difficulties.

ICRAS Default Estimates

EXIM 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 2016 and FY 2015, the models incorporated EXIM Bank's actual historical loss and recovery experience.

Exposure-Risk Profile

In accordance with the risk rating system detailed above, EXIM Bank classifies credits into 11 risk categories, with level 1 being the lowest risk. EXIM 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.

The increase in the new authorization weighted-average risk rating is primarily related to the increase in demand for EXIM Bank supported financing among higher risk-rated obligors. The overall weighted-average risk rating for FY 2016 short-term rated, medium-term, and long-term export credit authorizations was 4.84 compared to a weighted-average risk rating of 4.27 in FY 2015. For FY 2016, 35.0 percent of EXIM Bank's short-term rated, medium-term, and long-term new authorizations were in the level 1 to 4 range (AAA to BBB-) while 65.0 percent were rated level 5 to 8 (BB+ to B-).

Changes in the Portfolio-Risk Level

At September 30, 2016, EXIM Bank had a portfolio exposure of $87,262.4 million of loans, guarantees, insurance and outstanding claims receivable. The risk rating for the outstanding portfolio increased slightly, with the weighted average in FY 2016 at 4.06 as compared to 3.93 in FY 2015. The outstanding portfolio includes new business transactions and the existing portfolio risk-rated at the end of each fiscal year.

VII. FINANCIAL STATEMENTS AND RESULTS OF OPERATIONS

EXIM Bank reports under generally accepted accounting principles in the United States applicable to federal agencies (government GAAP) and in accordance with form and content guidance provided in OMB Circular A-136, *Financial Reporting Requirements*, revised as of October 7, 2016. Under government GAAP standards, the Bank reported total net excess program revenue over cost of $849.4 million for the year ended September 30, 2016 and total net excess program revenue over costs $1,304.1 million for the year ended September 30, 2015. The Statement of Net Cost does not provide an assessment of EXIM Bank's operational performance. As mentioned, this statement is set up to present expenditures of funds for programs, assuming federal agencies do not earn excess fees or profit. Refer to the Balance Sheet and Statement of Net Cost section below.

Although the Bank may, on occasion, receive mandatory appropriations when it is determined that additional funds are needed through the credit-loss re-estimate of the Bank's existing portfolio, the Bank no longer receives annual discretionary appropriations from Congress to cover administrative costs and program costs for new loan, guarantee and insurance authorizations. Instead, the Bank covers these costs from the fees collected on a cash basis (offsetting collections) from the Bank's credit program customers. Fees collected are first used to cover the costs of the Bank's loan, guarantee, and insurance programs by setting aside prudent reserves for credit losses. Fees collected in excess of those set aside for reserves (offsetting collections) are then used to cover administrative and program costs up to limits set by Congress. The disposition of fees collected in excess of amounts set aside for administrative and program costs are determined by the Bank's annual appropriation passed by the U.S. Congress.

$0 SUBSIDY

EXIM Bank received no subsidy appropriation from Congress in FY 2016.

In FY 2016, EXIM Bank collected $400.8 million in offsetting collections, of which $106.9 million was used to cover administrative expense obligations, $10.0 million was retained and is available for obligation until September 30, 2019, and $283.9 million was sent to the U.S. Treasury.

The receipt of appropriations through the re-estimate process and the transfer of excess offsetting collections to the U.S. Treasury are governed by separate processes and different statutory requirements. The credit-loss re-estimate applies to the entire portfolio, and, if necessary, funds required for an upward re-estimate are provided by specific appropriations pursuant to the FCRA. New obligations made in the current fiscal year for administrative and program costs are covered by fee collections and the use and restriction of those collections is defined in the Bank's annual appropriations, frequently resulting in the transfer of offsetting collections to the U.S. Treasury.

Balance Sheet and Statement of Net Cost

EXIM Bank is a government corporation that prepares financial statements in accordance with generally accepted accounting principles in the United States applicable to federal agencies (government GAAP). Statements reflect the form and content guidance contained in OMB Circular A-136. The Circular provides a basic framework for agency financial reports and allows for "individual agency flexibility to provide information useful to the Congress, agency managers, and the public."

EXIM Bank's Statement of Net Costs shows the costs and revenues of each of the Bank's major programs. There are two major components, Administrative Expense Cost and the Re-Estimate of Credit Losses, which have a significant impact on the total net program cost over revenue. Fees and Interest Revenue are offset by a provision for credit-loss and thus has no impact on the total net program cost over revenue. For this reason the "Statement of Net Costs" cannot be read as the equivalent of an Income and Loss Statement.

Impact to Total Net Program Cost or Revenue

- **Program and Administrative Expense Costs –** Program costs are subsidy expenses (included in the Provision for Credit Losses) and administrative costs are the costs to run the Bank and its programs. Program and administrative costs are covered by offsetting collections or in the case of administrative expenses associated with the Office of Inspector General, an appropriation specifically for those expenses. Program and administrative costs are reflected in the Statement of Net Costs; however, the offsetting collections and appropriation used to cover those expenses are reflected in the Statement of Changes in Net Position. Therefore, program and administrative costs have a direct impact on the total net program cost or revenue.
- **Accrual For Annual Re-Estimate of Credit Loss Reserves –** As previously discussed, each year an analysis is performed to determine the adequacy of the credit-loss reserves reflected on the Balance Sheet. Based on this analysis, reserves are either increased or decreased, with an offsetting charge (if reserves are increased) or credit (if reserves are decreased) to the Provision for Credit Losses in the Statement of Net Cost. The change in reserves can vary significantly from year to year and can have a considerable impact on total net program cost or revenue.

No Impact to Total Net Program Cost or Revenue

- **Fee and Interest Revenue Net of Expenses -** all fee and net interest revenue is credited to the Balance Sheet loss reserves to cover future credit losses instead of being applied to cumulative results of operations. As the reserves are increased by the fee and net interest revenue, an offsetting provision for credit losses is charged against income. These components offset and have zero impact on the total net program cost or revenue.

The program and administrative costs and the accrual for the annual re-estimate of credit-loss reserves represent the true cost of carrying out EXIM's programs and thus are the components that drive the amount of net program cost or revenue displayed in the Statement of Net Cost. For FY 2016, EXIM Bank's total net excess program revenue over cost was $849.4 million.

EXIM Bank's Balance Sheet shows a net position as of September 30, 2016 of $354.3 million. The main variable impacting EXIM's Net Position is the Cumulative Results of Operations, which represent distribution of funds to the U.S. Treasury rather than the results of operational activities. The Federal Credit Reform Act of 1990 requires federal agencies to transfer excess funds to the U.S. Treasury.

Over time EXIM neither accumulates earnings nor has a long-term negative net position although from time to time the net position shown on the Balance Sheet may be either positive or negative. The yearly change in the net position is shown in detail in the Statement of Changes in Net Position. Net program costs or revenue from the Statement of Net Costs, offsetting collections and appropriation usage, and transfers to the U.S. Treasury all affect the Bank's net position shown on the Balance Sheet.

In certain instances, EXIM's Statement of Net Cost may show a net cost for the year while at the same time EXIM will have transferred funds to the U.S. Treasury. This is due to differing requirements of the two main pieces of legislation that govern EXIM's operations – the FCRA and the annual appropriation act passed by Congress.

The annual appropriation act permits EXIM to use offsetting collections (fees and interest collected in the current-year that are in excess of amounts set aside for expected losses for the credits that are disbursing in the current fiscal year) to cover administrative expense obligations made in the current year and to withhold a certain amount for future program (subsidy) costs. Offsetting collections in the current- year in excess of amounts stated in the annual appropriation must be transferred to the U.S Treasury. In FY 2016, EXIM Bank collected $400.8 million in offsetting collections. Of this amount, $283.9 million was sent to the U.S. Treasury. The remaining funds were used to cover administrative and program expenses.

The FCRA requires an annual re-estimate of the reserves for credit losses for the entire portfolio. As mentioned above, if the analysis indicates that the reserves must be increased, there is a charge against income for the amount of the increase and together with the program costs may result in a significant overall net cost. The Statement of Net Costs may therefore show a net overall cost while in the same year excess offsetting collections are transferred to the U.S. Treasury.

In addition to excess offsetting collections, EXIM Bank's transfers to the U.S. Treasury have included dividends declared and paid, pre-credit reform liquidating account transfers, and downward re-estimates of the reserve for credit losses. Prior to 1992, EXIM Bank declared and paid dividends to the U.S. Treasury that totaled $1.1 billion. Since FCRA, which took effect in 1992, EXIM has sent a net $8.4 billion to the U.S. Treasury, which consists of offsetting collections, capital transfers, rescissions, and canceled authority.

i. Significant Financial Data

Exhibit 14 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 2016 and FY 2015. More detailed financial information can be found in the financial statements and notes.

EXHIBIT 14: SIGNIFICANT FINANCIAL DATA

(in millions)	FY 2016	FY 2015
Balance Sheets		
Fund Balance with Treasury	$4,513.4	$4,892.5
Loans Receivable, Net	23,575.9	21,370.9
Receivables from Subrogated Claims, Net	145.4	172.1
Other Assets	17.8	29.1
Borrowings from the U.S. Treasury	25,021.6	22,725.4
Accounts Payable to the U.S. Treasury	1,277.5	1,778.5
Payment Certificates	41.5	29.0
Claims Payable	2.9	4.7
Guaranteed Loan Liability and Insurance	1,359.2	1,435.6
Other Liabilities	195.5	269.7
Cumulative Results of Operations	(862.2)	(994.5)
Statements of Net Costs		
Interest Expense	763.6	727.1
Provision for Credit Losses	(358.7)	(756.4)
Broker Commissions	3.0	5.2
Fee and Other Income	(458.9)	(478.8)
Insurance Premium and Other Income	(13.3)	(26.9)

Fund Balance with the U.S. Treasury: Fund Balance with the U.S. Treasury decreased by $379.1 million from $4,892.5 million at September 30, 2015 to $4,513.4 million at September 30, 2016. The change is primarily attributed to approximately $1,286.2 million in loan principal repayments, interest, and guarantee fee collections, and $2,296.3 million in net borrowings from the U.S. Treasury. This is offset by $3,184.4 million in direct loan disbursements.

Loans Receivable, Net: Loans Receivable increased by $2,205.0 million from $21,370.9 million at September 30, 2015 to $23,575.9 million at September 30, 2016 primarily as a result of $3,415.8 million in direct loan disbursements, offset by $2,029.3 million of direct loan repayments and a reduction of in the allowance for loan losses of $1,010.7 million. The allowance decrease is mostly related to the FY 2016 re-estimate.

Receivables from Subrogated Claims, Net: Receivables from Subrogated Claims decreased by $26.7 million from $172.1 million at September 30, 2015 to $145.4 million at September 30, 2016. The decrease is related to claim recoveries exceeding claim payments.

Other Assets: Other Assets decreased by $11.3 million from $29.1 million at September 30, 2015 to $17.8 million at September 30, 2016. The change mostly relates to a decrease in interest and commitment fee receivables.

Borrowings from the U.S. Treasury: Borrowings from the U.S. Treasury increased $2,296.2 million from $22,725.4 million at September 30, 2015 to $25,021.6 million as of September 30, 2016. The increase is attributable to additional borrowings used to fund direct loans.

Accounts Payable to the U.S. Treasury: Accounts Payable to Treasury decreased $501.2 million from $1,778.5 million at September 30, 2015 to $1,277.5 million as of September 30, 2016. The decrease is due to a $1,520 million transfer to the U.S. Treasury of the downward portion of the FY 2015 credit loss reserve re-estimate, offset by the accrual of the FY 2016 downward portion of the credit-loss reserve re-estimate totaling $1,019.7 million.

Payment Certificates: Payment Certificates increased by $12.5 million from $29.0 million at September 30, 2015 to $41.5 million at September 30, 2016. The increase is due to the issuance of $12.5 million more in payment certificates.

Claims Payable: Claims Payable decreased by $1.8 million from $4.7 million at September 30, 2015 to $2.9 million at September 30, 2016. The balance decreased mostly due to an increase claims paid.

Guaranteed Loan Liability: Guaranteed Loan Liability decreased by $76.4 million from $1,435.6 million at September 30, 2015 to $1,359.2 million at September 30, 2016. The change is attributed to changes to the risk profile of the portfolio.

Other Liabilities: Other Liabilities decreased $74.2 million from $269.7 million at September 30, 2015 to $195.5 million at September 30, 2016. The change is mostly related to a $26.2 million increase in offsetting collections and a $97.6 million decrease in funds being held for future application.

Cumulative Results of Operations: Cumulative Results of Operations increased $132.3 million from a cumulative loss of $994.5 million at September 30, 2015 to a cumulative loss of $862.2 million at September 30, 2016. This is mostly a result of the activity from the annual credit-loss reserve re-estimate.

Interest Expense: Interest Expense increased by $36.5 million from $727.1 million for the period ended September 30, 2015 to $763.6 million at September 30, 2016. The change relates to an increase in FY 2016 borrowings from U.S. Treasury.

Provision for Credit Losses: Provision for Credit Losses decreased by $397.7 million from a credit of $756.4 million as of September 30, 2015 to a credit of $358.7 million as of September 30, 2016. The increase primarily reflects differing portfolio risks over the corresponding time periods.

Broker Commissions: Broker Commissions decreased $2.2 million from $5.2 million as of September 30, 2015 to $3.0 million in the same period in September 30, 2016 due to about $2.1 million less in broker commission expense.

Fees and Other Income: Fees and Other Income decreased $19.9 million from $478.8 million as of September 30, 2015 to $458.9 million at September 30, 2016. This continues to be due to a change in the fee structure.

Insurance Premium and Other Income: Insurance Income and Other Income decreased $13.6 million from $26.9 million at September 30, 2015 to $13.3 million at September 30, 2016. The change is mostly attributed to $11.0 million in accrued insurance premium income and $2.5 million in interest on income financing.

ii. Significant Factors Influencing Financial Results

The most significant factor that determines EXIM Bank's financial results and condition is a change in the risk level of EXIM 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 EXIM 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 market risk. Other risks the Bank must assess and attempt to minimize are strategic, operational, and legal risk.

Repayment Risk: In fulfilling its mission to support U.S. jobs by facilitating the export of U.S. goods and services, by providing competitive export financing, and ensuring a level playing field for U.S. goods and services in the global marketplace, EXIM 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.

Country Risk: The risk that payment may not be made to the Bank, its guaranteed lender, or it's insured as a result of expropriation of the obligor's property, war, or inconvertibility of the borrower's currency into U.S. dollars.

Market Risk: Risks stemming from the nature of the markets in which the Bank operates. Principal components of market risk are:

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

Industry Risk: 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: 80.7 percent of the Bank's credit portfolio is in three industries (air transportation, oil and gas, and manufacturing), with air transportation representing 48.2 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 / Risk Similar Region Concentration: The risk that events could negatively impact not only one country but many countries simultaneously in an entire region. Currently, 61.6 percent of the Bank's credit exposure is concentrated in three separate regions: Asia (25.4 percent), Latin America and the Caribbean (18.2 percent), and Europe (18.0 percent).

Obligor Concentration: 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 five largest public- and private-sector obligors make up 20.7 percent of the portfolio.

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 EXIM Bank transactions denominated in that foreign currency. If and 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 EXIM 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. EXIM Bank provides support for guarantees and insurance denominated in certain foreign currencies. The foreign currencies approved for EXIM Bank transactions as of September 30, 2016 are: Australian dollar, Brazilian real, British pound, Canadian dollar, CFA franc, Chinese yuan, Colombian peso, Egyptian pound, euro, Hong Kong dollar, 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, Singapore dollar, South African rand, Swedish krona, Swiss franc, Taiwanese dollar, Thai baht, United Arab Emirates dirham. At the time of authorization, EXIM Bank records the authorization amount as the U.S. dollar equivalent of the foreign currency obligation based on the exchange rate at that time.

Interest Rate Risk: EXIM 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. To mitigate the interest rate risk, EXIM charges at least 100 basis points over borrowing costs and generally fixes the interest rates at the time of disbursement.

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 EXIM 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. In addition, the Bank provides staff with training to reduce operational risk across the organization, along with the creation of a Chief Ethics Officer that will oversee the enforcement of the Code of Official Conduct for all employees and contractors of the bank. EXIM Bank also has an Office of Inspector General that conducts audits, inspections and investigations relating to the Bank's program and support operations.

VIII. OTHER MANAGEMENT INFORMATION

EXIM is subject to a statutory limit on lending which acts as an absolute financial limitation on the outstanding aggregate amount of all the Bank's loans, guarantees, and insurance. Under provisions of the Export-Import Bank Act, as amended in FY 2015, the Bank's current statutory limit on lending is $135.0 billion. At September 30, 2016, EXIM Bank's statutory authority was obligated as follows:

EXHIBIT 15: STATUTORY LIMIT ON LENDING

(in millions)	Available	Obligated	Balance
Statutory Limit on Lending	$135,000.0	$87,262.4	$47,737.6

IX. LIMITATIONS OF THE FINANCIAL STATEMENTS

The financial statements have been prepared to report the financial position and results of operations of EXIM Bank, pursuant to the requirements of 31 U.S.C. 3515 (b). While the statements have been prepared from the books and records of EXIM 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. The statements should be read with the understanding that they are prepared for a component of the U.S. government, a sovereign entity.

X. REQUIRED SUPPLEMENTARY INFORMATION

i. Disaggregated Statement of Budgetary Resources

ii. Exhibit 16 displays the Disaggregated Statement of Budgetary Resources (SBR). The SBR provides information regarding how budgetary resources were made available, as well as their status at the end of the fiscal period.

Improper Payments Elimination and Recovery Improvement Act (IPERIA)

IPERIA Requirements

The Improper Payments Elimination and Recovery Improvement Act of 2012 "IPERIA" (P.L. No. 112-248) requires any "department, agency, or instrumentality in the executive branch of the United States" to review their payment programs to identify the program's susceptibility to "significant improper payments". Improper payments are payments distributed to the wrong entity, in the wrong amount, or for the wrong reason. Agency programs with "significant" improper payments are defined as those with annual improper payments exceeding either (1) 1.5 percent of total dollar value of program payments and $10.0 million, or, (2) $100.0 million.

If an agency payment program is found susceptible to significant improper payments, the institution is required to engage in a series of actions, including the requirement to obtain a statistically valid estimate of the annual amount of improper payments, in order to abide by the guidelines described in Appendix C to OMB Circular No. A-123, Requirement for Effective Estimation and Remediation of Improper Payments.

EXIM Methodology

EXIM has classified its payment programs to be short-term authorizations, medium-term authorizations, long-term authorizations, and cash control disbursements. Salary, locality pay, travel pay, purchase card use, and other employee payments are assessed as a part of administrative payments under the cash control disbursement program. The scope of each assessment is to analyze the integrity of the payment programs at all applicable points of the payment process, such as origination, disbursement, and review during the reporting year.

Improper Payment risk assessments are conducted one year in arrears (FY 2015 assessment was focused on payments made in the 2014 fiscal year.) Similarly, in FY 2015, EXIM assessed the susceptibility of Improper Payments of the 2014 fiscal year. EXIM has received OMB approval to assess improper payments using this methodology.

In FY 2015, EXIM introduced enhanced quantitative and qualitative methodologies of review that were utilized as a part of the FY 2015 review of FY 2014 improper payments. The central tool used in the qualitative assessment of EXIM payment programs was the Risk Assessment Questionnaire, which was considerably updated in 2015 for specific programs. In doing this, the questionnaire could target specific questions that provided a better measurement to management. Department supervisors were tasked with and trained on completing the questionnaires. The quantitative method for the Authorizations analysis uses the approach of identifying the credit standards in each program, and independently auditing the transaction documentation to determine compliance with the credit standards. If the standards are not met at the time of origination, the transaction is assumed to have an increased susceptibility of an improper payment.

Do Not Pay Initiative

In 2009, The Do Not Pay Initiative was passed into law intensifying efforts to eliminate payment error, waste, fraud, and abuse in the major programs administered by the federal government, while continuing to ensure that federal programs serve and provide access to their intended beneficiaries. EXIM has taken further steps to increase oversight and implement additional internal controls to decrease the susceptibility of improper payments.

EXIM complies with all aspects of the Do Not Pay Initiative through its Character, Reputational, and Transaction Integrity "CRTI" process. All transactions in the three authorization-based payment programs (short-, medium-, and long-term) undergo CRTI checks. As a part of CRTI, names of participants are searched within a database clearing house of over 20 directories to determine compliance with a variety of "Know Your Customer" (KYO) and EXIM due diligence requirements.

OMB Risk Factors

In addition, EXIM Bank assesses the risk of improper payments associated with payment programs and their underlying activities to be low risk only after each of the risk factors listed in OMB Circular No. A-123 Appendix C is addressed. They include the following:

1. Whether the program or activity reviewed is new to the agency
2. The complexity of the program or activity reviewed, particularly with respect to determining correct payment amounts
3. The volume of payments made annually
4. Whether payments or payment eligibility decisions are made outside of the agency
5. Recent major changes in program funding, authorities, practices, or procedures
6. The level, experience, and quality of training for personnel responsible for making program eligibility determinations or certifying that payments are accurate
7. Inherent risks of improper payments due to the nature of agency programs or operations
8. Significant deficiencies in the audit reports of the agency in but not limited to the agency Inspector General or the Government Accountability Office report audit findings or other relevant management findings that might hinder accurate payment certification
9. Results from improper payment work

Recapture Audit Plan

EXIM updated its Recapture Audit Plan in 2016 to reflect and enhance the process needed to ensure timely recover of an improper payment. In the event that an improper payment occurs, EXIM's Cash Department will work to recapture the improper payment. If the improper payment is not recovered in a timely manner, EXIM can take further steps to ensure the prompt recapture of funds that consist of using EXIM recovery officers, local attorneys, and third party collectors.

Additionally, strong preventive and detective controls, such as multiple layers of review and independent audits are in place to help prevent or minimize improper payments and to detect them should they occur.

In FY 2015, EXIM tested transactions from the point of origin, at authorization, and through the disbursement. With a determination of low susceptibility of improper payments, no overpayments, and strong detective and preventive internal controls, the Bank did not deem it necessary or cost effective to implement a performance recapture program. Additionally, when the next recapture audit is conducted, EXIM will work with the Office and Management and Budget on a cost effectiveness analysis of a Recapture Audit.

Current IPERIA status for EXIM

EXIM was found to be fully compliant with IPERIA in FY 2015 by the Office of Inspector General. In accordance with the aforementioned act and internal requirements, EXIM Bank reviewed all payment programs for susceptibility to significant improper payments. The Bank concluded that none of the four programs were susceptible to significant improper payments and had met all reporting requirements of the IPERIA Act. For FY 2016, there were no additional programs added or significant changes to existing programs; therefore, EXIM will perform the next extensive review of Iimproper payments on the FY 2017 payments, which will be reported in the FY 2018 Annual Report.

EXHIBIT 16: DISAGGREGATED STATEMENT OF BUDGETARY RESOURCES

(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	$556.9	$920.1	$1,860.8	$-	$-	$3,337.8
Adjustment to Unobligated Balance Brought Forward (Note 14)	-	-	(62.7)	-	-	(62.7)
Unobligated Balance Brought Forward, October 1 as Adjusted	556.9	920.1	1,798.1	-	-	3,275.1
Recoveries of Prior-Year Unpaid Obligations	2.3	1,022.9	20.1	-	-	1,045.3
Other Changes in Unobligated Balance	(0.4)	(1.9)	-	-	-	(2.3)
Appropriations (Discretionary and Mandatory)	245.9	-	-	-	-	245.9
Borrowing Authority (Discretionary and Mandatory) (Note 14)	-	(1,022.9)	-	-	-	(1,022.9)
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	126.8	1,472.7	565.0	-	-	2,164.5
Total Budgetary Resources	**$931.5**	**$2,390.9**	**$2,383.2**	**$-**	**$-**	**$5,705.6**
STATUS OF BUDGETARY RESOURCES						
Obligations Incurred	$412.0	$1,680.9	$941.9	-	-	$3,034.8
Unobligated Balance, End of Year						
Apportioned	260.3	710.0	1,441.3	-	-	2,411.6
Unapportioned	259.2	-	-	-	-	259.2
Total Unobligated Balance, End of Year	519.5	710.0	1,441.3	-	-	2,670.8
Total Status of Budgetary Resources	**$931.5**	**$2,390.9**	**$2,383.2**	**$-**	**$-**	**$5,705.6**
CHANGE IN OBLIGATED BALANCE						
Unpaid Obligations, Brought Forward, October 1 (Gross)	$122.7	$7,478.9	$13.6	$-	$7.3	$7,622.5
Adjustment to Unpaid Obligations Start of Year (Note 14)	-	-	62.7	-	-	62.7
Obligations Incurred	412.0	1,680.9	941.9	-	-	3,034.8
Outlays (Gross) (-)	(390.1)	(5,156.7)	(893.0)	-	-	(6,439.8)
Recoveries of Prior-Year Unpaid Obligations	(2.3)	(1,022.9)	(20.1)	-	-	(1,045.3)
Unpaid Obligations, End of Year	142.3	2,980.2	105.1	-	7.3	3,234.9
Uncollected Payments						
Uncollected Payments, Federal Sources Brought Forward. October 1	-	(12.7)	(91.9)	-	-	(104.6)
Change in Uncollected Payments, Federal Sources	-	0.6		-	-	0.6
Uncollected Customer Payments from Federal Sources, End of Year	-	(12.1)	(91.9)	-	-	(104.0)
Memorandum (Non-Add) Entries						
Obligated Balance, Start of Year	122.7	7,466.2	(78.3)	-	7.3	7,517.9
Obligated Balance, End of Year, Net	**$142.3**	**$2,968.1**	**$13.2**	**$-**	**$7.3**	**$3,130.9**
Budget Authority and Outlays, Net:						
Budget Authority, Gross	$372.8	$1,472.6	$565.0	$-	$-	$2,410.4
Actual Offsetting Collections	(126.80)	(2,882.2)	(565.6)	(15.7)	(35.8)	(3,626.1)
Change in Uncollected Customer Payments from Federal Sources	-	-	0.6	-	-	0.6
Budget Authority, Net	**$246.0**	**($1,409.6)**	**$-**	**($15.7)**	**($35.8)**	**($1,215.1)**
Outlays, Gross	$390.1	$5,156.7	$893.0	$-	$-	$6,439.8
Actual Offsetting Collections	(126.8)	(2,882.2)	(565.6)	(15.7)	(35.8)	(3,626.1)
Outlays, Net	**$263.3**	**$2,274.5**	**$327.4**	**($15.7)**	**($35.8)**	**$2,813.7**

Management Report on
Financial Statement and Internal Accounting Controls

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

The Bank's operations fall under the provisions of the Federal Credit Reform Act of 1990. This law provides that subsidy calculations must be performed (on a present-value basis) for all new loan, guarantee and insurance commitments, and the resulting cost, if any, must be covered by budget authority provided by Congress. Credits may not be approved if sufficient budget authority is not available.

The financial statements were prepared in accordance with accounting principles generally accepted in the United States of America for federal agencies (government GAAP). As explained in more detail in the notes to the financial statements, the financial statements recognize the impact of credit-reform legislation on the Bank's commitments. Other financial information related to the Bank included elsewhere in the report is presented on a basis consistent with the financial statements.

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

The Bank believes that its policies and procedures, including its system of internal accounting controls, provide reasonable assurance that the financial statements are prepared in accordance with provision of applicable laws and regulations.

As required by the Federal Information Security Management Act (FISMA), the Bank develops documents and implements an agency-wide program to provide information privacy and security (management, operational, and technical security controls) for the information and information systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.

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

Fred P. Hochberg
Chairman and President

David M. Sena
Chief Financial Officer

November 10, 2016

(in millions)	As of September 30, 2016	As of September 30, 2015
ASSETS		
Intragovernmental		
Fund Balance with the U.S. Treasury (Note 2)	$4,513.4	$4,892.5
Total Assets - Intragovernmental	**4,513.4**	**4,892.5**
Public		
Loans Receivable, Net (Note 3A)	23,575.9	21,370.9
Receivables from Subrogated Claims, Net (Note 3E)	145.4	172.1
Other Assets (Note 7)	17.8	29.1
Total Assets - Public	**23,739.1**	**21,572.1**
Total Assets	**$28,252.5**	**$26,464.6**
LIABILITIES		
Intragovernmental		
Borrowings from the U.S. Treasury (Note 9)	$25,021.6	$22,725.4
Accounts Payable to the U.S. Treasury	1,277.5	1,778.5
Total Liabilities - Intragovernmental	**26,299.1**	**24,503.9**
Public		
Payment Certificates (Note 9)	41.5	29.0
Claims Payable	2.9	4.7
Guaranteed Loan Liability (Note 3G)	1,359.2	1,435.6
Other Liabilities (Note 10)	195.5	269.7
Total Liabilities - Public	**1,599.1**	**1,739.0**
Total Liabilities	**$27,898.2**	**$26,242.9**
NET POSITION		
Capital Stock	$1,000.0	$1,000.0
Unexpended Appropriations	216.5	216.2
Cumulative Results of Operations	(862.2)	(994.5)
Total Net Position	**$354.3**	**$221.7**
Total Liabilities and Net Postion	**$28,252.5**	**$26,464.6**

The accompanying notes are an integral part of the financial statements.

Statements of Net Costs

(in millions)	Loans	Guarantees	Insurance	Total
For the Year Ended September 30, 2016				
Costs				
Interest Expense	$763.6	$-	$-	$763.6
Claim Expenses	-	2.2	1.2	3.4
Provision for Credit Losses	(723.7)	413.8	(48.8)	(358.7)
Broker Commissions	-	-	3.0	3.0
Total Costs (Note 13)	**39.9**	**416.0**	**(44.6)**	**411.3**
Earned Revenue				
Interest Income	(810.5)	(92.3)	-	(902.8)
Fee and Other Income	(29.2)	(429.7)	-	(458.9)
Insurance Premium and Other Income	-	-	(13.3)	(13.3)
Total Earned Revenue (Note 13)	**(839.7)**	**(522.0)**	**(13.3)**	**(1,375.0)**
Net Excess Program (Revenue) Over Cost	**(799.8)**	**(106.0)**	**(57.9)**	**(963.7)**
Administrative Costs (Note 3K, 13)				114.3
Total Net Excess Program (Revenue) Over Cost (Note 13)				**($849.4)**

(in millions)	Loans	Guarantees	Insurance	Total
For the Year Ended September 30, 2015				
Costs				
Interest Expense	$727.1	$-	$-	$727.1
Claim Expenses	-	3.0	0.6	3.6
Provision for Credit Losses	(853.1)	200.9	(104.2)	(756.4)
Broker Commissions	-	-	5.2	5.2
Total Costs (Note 13)	**(126.0)**	**203.9**	**(98.4)**	**(20.5)**
Earned Revenue				
Interest Income	(842.2)	(67.6)	-	(909.8)
Fee and Other Income	(47.3)	(431.5)	-	(478.8)
Insurance Premium and Other Income	-	-	(26.9)	(26.9)
Total Earned Revenue (Note 13)	**(889.5)**	**(499.1)**	**(26.9)**	**(1,415.5)**
Net Excess Program (Revenue) Over Cost	**(1,015.5)**	**(295.2)**	**(125.3)**	**(1,436.0)**
Administrative Costs (Note 3K, 13)				131.9
Total Net Excess Program (Revenue) Over Cost (Note 13)				**($1,304.1)**

The accompanying notes are an integral part of the financial statements.

Statements of Changes in Net Position

	For the Year Ended September 30, 2016			
(in millions)	Capital Stock	Unexpended Appropriations	Cumultative Results of Operations	Total
Beginning Net Position	$1,000.0	$216.2	($994.5)	$221.7
Budgetary Financing Sources (Uses)				
Appropriations Received - Inspector General	-	6.0	-	6.0
Appropriations Received - Re-estimate	-	239.9	-	239.9
Transfer Out Without Reimbursement	-		(1,071.3)	(1,071.3)
Other Adjustments	-	-	(0.2)	(0.2)
Appropriations Used	-	(245.6)	245.6	-
Offsetting Collections	-	-	105.1	105.1
Other Financing Sources				
Imputed Financing	-	-	3.7	3.7
Total Financing Sources (Uses)	**-**	**0.3**	**(717.1)**	**(716.8)**
Adjusted Net Position	**1,000.0**	**216.5**	**(1,711.6)**	**(495.1)**
Less: Excess of Program Costs Over Revenue	**-**	**-**	**(849.4)**	**(849.4)**
Ending Net Position	**$1,000.0**	**$216.5**	**($862.2)**	**$354.3**

	For the Year Ended September 30, 2015			
(in millions)	Capital Stock	Unexpended Appropriations	Cumultative Results of Operations	Total
Beginning Net Position	$1,000.0	$214.4	($2,244.9)	($1,030.5)
Budgetary Financing Sources (Uses)				
Appropriations Received - Inspector General	-	5.8	-	5.8
Appropriations Received - Re-estimate	-	1,331.4	-	1,331.4
Transfer Out Without Reimbursement	-	-	(1,540.2)	(1,540.2)
Other Adjustments	-	0.8	(0.2)	0.6
Appropriations Used	-	(1,336.2)	1,336.2	-
Offsetting Collections	-	-	146.9	146.9
Other Financing Sources				
Imputed Financing	-	-	3.6	3.6
Total Financing Sources (Uses)	**-**	**1.8**	**(53.7)**	**(51.9)**
Adjusted Net Position	**1,000.0**	**216.2**	**(2,298.6)**	**(1,082.4)**
Less: Excess of Program Costs Over Revenue	**-**	**-**	**(1,304.1)**	**(1,304.1)**
Ending Net Position	**$1,000.0**	**$216.2**	**($994.5)**	**$221.7**

The accompanying notes are an integral part of the financial statements.

Combined Statements of Budgetary Resources

(in millions)	For the Year Ended September 30, 2016 Budgetary	For the Year Ended September 30, 2016 Non-Budgetary Credit Reform Financing Account	For the Year Ended September 30, 2016 Total	For the Year Ended September 30, 2015 Budgetary	For the Year Ended September 30, 2015 Non-Budgetary Credit Reform Financing Account	For the Year Ended September 30, 2015 Total
Budgetary Resources:						
Unobligated Balance Brought Forward, October 1	$556.9	$2,780.9	$3,337.8	$534.7	$1,869.7	$2,404.4
Adjustment to Unobligated Balance Brought Forward (Note 14)	-	(62.7)	(62.7)	-	-	-
Unobligated Balance Brought Forward, October 1 as Adjusted	556.9	2,718.2	3,275.1	534.7	1,869.7	2,404.4
Recoveries of Prior-Year Unpaid Obligations	2.3	1,043.0	1,045.3	9.7	1,965.4	1,975.1
Other Changes in Unobligated Balance	(0.4)	(1.9)	(2.3)	(0.9)	-	(0.9)
Unobligated Balance from Prior-Year Budget Authority, Net	558.8	3,759.3	4,318.1	543.5	3,835.1	4,378.6
Appropriations (Discretionary and Mandatory)	245.9	-	245.9	1,307.1	-	1,307.1
Borrowing Authority (Discretionary and Mandatory) (Note 14)	-	(1,022.9)	(1,022.9)	-	(3,345.5)	(3,345.5)
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	126.8	2,037.7	2,164.5	187.1	4,316.7	4,503.8
Total Budgetary Resources (Note 14)	**$931.5**	**$4,774.1**	**$5,705.6**	**$2,037.7**	**$4,806.3**	**$6,844.0**
Status of Budgetary Resources:						
Obligations Incurred (Note 14)	$412.0	$2,622.8	$3,034.8	$1,480.8	$2,025.4	$3,506.2
Unobligated Balance, End of Year:						-
Apportioned	260.3	2,151.3	2,411.6	299.7	2,780.9	3,080.6
Unapportioned	259.2	-	259.2	257.2	-	257.2
Total Unobligated Balance, End of Year (Note 14)	519.5	2,151.3	2,670.8	556.9	2,780.9	3,337.8
Total Status of Budgetary Resources	**$931.5**	**$4,774.1**	**$5,705.6**	**$2,037.7**	**$4,806.3**	**$6,844.0**
Change in Obligated Balance:						
Unpaid Obligations, Brought Forward, October 1	$126.8	$7,495.7	$7,622.5	$130.6	$12,057.6	$12,188.2
Adjustment to Unpaid Obligations Start of Year (Note 14)	-	62.7	62.7			
Obligations Incurred	412.0	2,622.8	3,034.8	1,480.8	2,025.4	3,506.2
Outlays (Gross)	(390.1)	(6,049.7)	(6,439.8)	(1,474.9)	(4,621.9)	(6,096.8)
Recoveries of Prior-Year Unpaid Obligations	(2.3)	(1,043.0)	(1,045.3)	(9.7)	(1,965.4)	(1,975.1)
Unpaid Obligations, End of Year	146.4	3,088.5	3,234.9	126.8	7,495.7	7,622.5
Uncollected Payments:						
Uncollected Payments, Federal Sources Brought Forward, October 1	-	(104.6)	(104.6)	-	(103.0)	(103.0)
Change in Uncollected Payments, Federal Sources	-	0.6	0.6	-	(1.6)	(1.6)
Uncollected Customer Payments from Federal Sources, End of Year	-	(104.0)	(104.0)	-	(104.6)	(104.6)
Memorandum (Non-Add) Entries:						
Obligated Balance, Start of Year	126.8	7,391.1	7,517.9	130.6	11,954.6	12,085.2
Obligated Balance, End of Year, Net	**$146.4**	**$2,984.5**	**$3,130.9**	**$126.8**	**$7,391.1**	**$7,517.9**
Budget Authority and Outlays, Net:						
Budget Authority, Gross (Discretionary and Mandatory)	$372.7	$2,037.7	$2,410.4	$1,494.2	$2,859.5	$4,353.7
Actual Offsetting Collections (Discretionary and Mandatory)	(142.5)	(3,483.6)	(3,626.1)	(187.1)	(4,333.9)	(4,521.0)
Change in Uncollected Customer Payments from Federal Sources (Discretionary and Mandatory)	-	0.6	0.6	-	(1.6)	(1.6)
Budget Authority, Net (Discretionary and Mandatory)	**$230.2**	**($1,445.3)**	**($1,215.1)**	**$1,307.1**	**($1,476.0)**	**($168.9)**
Outlays, Gross (Discretionary and Mandatory)	$390.1	$6,049.7	$6,439.8	$1,474.9	$4,621.9	$6,096.8
Actual Offsetting Collections (Discretionary and Mandatory)	(142.5)	(3,483.6)	(3,626.1)	(187.1)	(4,333.9)	(4,521.0)
Outlays, Net (Discretionary and Mandatory)	**$247.6**	**$2,566.1**	**$2,813.7**	**$1,287.8**	**$288.0**	**$1,575.8**

The accompanying notes are an integral part of the financial statements.

Export-Import Bank of the United States
Notes to the Financial Statements

For the Years Ended September 30, 2016 and September 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTING POLICIES

Enabling Legislation and Mission

The Export-Import Bank of the United States ("EXIM", "EXIM Bank", or "the Bank") is an independent executive branch agency and a wholly owned U.S. government corporation that was first organized as a District of Columbia banking corporation in 1934. EXIM Bank is the official export credit agency of the United States. EXIM Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act (FCRA) of 1990, Public Law (P.L.) 101-508, which became effective October 1, 1991. In accordance with its Charter (12 USC 635 et seq.), continuation of EXIM Bank's functions in furtherance of its objectives and purposes is subject to periodic extensions granted by Congress. The Export-Import Bank Reauthorization Act of 2015 extended the Bank's charter until September 30, 2019. The mission of EXIM Bank 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. 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, EXIM Bank offers four financial products: loan guarantees, working capital guarantees, direct loans and export credit insurance. All EXIM Bank obligations carry the full faith and credit of the U.S. government.

During Fiscal Year (FY) 2015 and FY 2016, the Bank's authority to approve transactions lapsed from July 1, 2015 to December 4, 2015. In addition, since July 20, 2015, the Board of Directors of the Bank has lacked a quorum for the transaction of business and, as a result, the Bank is unable to approve medium and long-term transactions over $10.0 million.

EXIM Services

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. Generally, both the medium-term and long-term loan and guarantee programs cover up to 85 percent of the U.S. contract value of shipped goods.

Under the Working Capital Guarantee Program, EXIM 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. EXIM Bank's working capital guarantee protects the lender from default by the exporter for 90 percent of the loan principal and interest.

EXIM Bank's export credit insurance policies help 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.

Basis of Accounting

EXIM Bank reports under generally accepted accounting principles in the United States applicable to federal agencies (government GAAP). The format of the financial statements and footnotes is in accordance with form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements,* revised as of October 7, 2016.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and net position and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and costs during the reporting period. The most significant of these estimates are the allowances for losses on loans receivable, subrogated claims receivable, and guarantees and insurance. EXIM Bank uses its historical default and recovery experience to calculate loss estimates. Actual results may differ from those estimates.

Loans Receivables, Net

Loan obligations are carried at principal and interest receivable amounts less an allowance for credit losses.

From time to time, EXIM Bank restructures financial terms because the obligor or country has encountered financial difficulty and EXIM Bank has determined that providing relief in this manner will enhance the ability to collect the loan.

Receivables from Subrogated Claims, Net

Receivables from subrogated claims represent the outstanding balance of payments that were made on claims that were submitted to EXIM Bank in its capacity as guarantor or insurer under EXIM Bank's export guarantee or insurance programs. Receivables from subrogated claims are carried at principal and interest receivable amounts less an allowance for claim losses. Under the subrogation clauses in its guarantee and insurance contracts, EXIM Bank receives all rights, title and interest in all amounts relating to claims paid under insurance policies and guarantees and therefore establishes an asset to reflect such rights.

Accrued Interest

Interest is accrued on loans and claims as it is earned. Generally, loans and subrogated claims receivable delinquent 90 days or more are placed on a nonaccrual status unless they are well-secured and significant collections have been received. At the time that a loan or claim is placed on nonaccrual status, any accrued but unpaid interest previously recorded is reversed against current-period interest income. The interest on these loans is accounted for on a cash basis until qualifying for return to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Accounting for Capitalized Interest on Rescheduled Loans and Subrogated Claims

Rescheduling agreements frequently allow for EXIM Bank to add uncollected interest to the principal balance of rescheduled loans and subrogated claims receivable (i.e., capitalized interest). When capitalized, any accrued interest receivable is reversed against current period's interest income. The amount of interest that was capitalized and included in the principal balance is recorded as income when cash collections occur and only after all principal not related to the capitalized interest is paid. An allowance is established for all uncollected capitalized interest.

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

The allowance for losses provides for estimated losses inherent in the loan, claim, guarantee and insurance portfolios. The allowance is established through a provision charged to earnings. Write-offs are charged against the allowance when management believes the uncollectibility of a loan or claim balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the credits in light of historical and market experience, the nature and volume of the credit portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing worldwide economic and political conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance for EXIM Bank credit-reform credits represents the amount of estimated credit loss associated with the applicable credit. The credit loss is defined as the net present value of estimated loan, guarantee and insurance defaults less subsequent estimated recoveries. EXIM Bank has established cash-flow models for expected defaults, fees and recoveries to estimate the credit loss for each approved credit. EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors.

The net credit loss of credit-reform loans, guarantees and insurance is re-estimated annually in accordance with OMB guidelines and Statement of Federal Financial Accounting Standards (SFFAS) 18, Amendments to Accounting Standards for Direct Loans and Loan Guarantees. The re-estimates adjust the allowance for credit losses to account for actual activity and changes in the financial and economic factors that affect the repayment prospects over time.

Accounting for Guarantees in a Foreign Currency

EXIM Bank provides guarantees and insurance denominated in certain foreign currencies. The foreign currencies approved for EXIM Bank guarantees as of September 30, 2016, are: Australian dollar, Brazilian real, British pound, Canadian dollar, CFA franc, Chinese yuan, Colombian peso, Egyptian pound, euro, Hong Kong dollar, 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, Singapore dollar, South African rand, Swedish krona, Swiss franc, Taiwanese dollar, Thai baht, United Arab Emirates dirham. At the time of authorization, EXIM Bank records the authorization amount as the U.S.-dollar equivalent of the foreign-currency obligation based on the exchange rate at that time. At the end of each fiscal year, EXIM Bank determines the dollar equivalent of the outstanding balance for each foreign-currency guarantee based on the exchange rate at the end of the year and adjusts the guarantee loan liability accordingly.

Borrowings from the U.S. Treasury

The main source of EXIM Bank's outstanding debt is borrowings from the U.S. Treasury. Borrowings from the U.S. Treasury are used to finance medium-term and long-term loans. These borrowings carry a fixed rate of interest. They are further discussed in Note 9.

Payment Certificates

Payment certificates represent EXIM Bank's outstanding liability related to specific claims for which EXIM Bank is paying the guaranteed lender as the guaranteed installments become due. Payment certificates are issued by EXIM Bank in exchange for the foreign importer's defaulted note which was guaranteed by EXIM Bank and the payment certificates carry the same repayment terms and interest rate as the guaranteed foreign importer's note. Payment certificates are backed by the full faith and credit of the government and are freely transferable.

Claims Payable

Liabilities for claims arising from EXIM Bank's guarantee and insurance activities and the related estimated losses and claim recovery expenses are accrued upon approval of a claim.

Accounts Payable to the U.S. Treasury

Accounts payable to the U.S. Treasury include the results of the re-estimate of the portfolio's expected losses as required under the Federal Credit Reform Act of 1990 (FCRA). The payable represents funds that are held in credit-reform financing accounts that are determined to be in excess of amounts needed to cover future defaults. The payable also includes expired budget authority no longer available for obligation that will be returned to the U.S. Treasury.

Fees and Premia

EXIM Bank charges a risk-related exposure fee under both the loan and guarantee programs that is collected on each loan disbursement or shipment of goods under the guarantee policy. This fee is amortized over the life of the credit using the effective yield method.

On working capital guarantees, EXIM Bank charges an up-front facility fee, which, due to the short-term nature of the contracts, is credited to income as collected. Premia charged under insurance policies are recognized as income using a method that generally reflects the exposure over the term of the policy.

Appropriated Capital

Appropriations received by EXIM Bank pursuant to the FCRA are recorded as paid-in-capital. Beginning in FY 2008, fees collected in excess of expected credit losses are used to reimburse the U.S. Treasury for appropriations provided for program and administrative costs, resulting in a net appropriation of zero. Appropriations received are sent to the U.S. Treasury when the period of availability ends.

Congress has appropriated certain sums specifically for EXIM Bank's tied-aid activities. 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.

Imputed Financing

A financing source is imputed by EXIM Bank to provide for pension and other retirement benefit expenses recognized by EXIM Bank but financed by the Office of Personnel Management (OPM). EXIM Bank follows OPM guidance released annually when calculating the imputed cost (OPM Benefits Administration Letter, Number 16-304 dated July 2016).

Liquidating Account Distribution of Income

EXIM Bank maintains a liquidating account which accumulates the repayment on loans and claims issued prior to the FCRA. At the end of each fiscal year, EXIM Bank transfers the cash balance in this account to the U.S. Treasury.

2. FUND BALANCE WITH THE U.S. TREASURY

Fund balances as of September 30, 2016 and September 30, 2015 were as follows:

(in millions)	FY 2016	FY 2015
Revolving Funds	$3,847.6	$4,181.0
General Funds - Unexpended Appropriations	538.9	528.1
General Funds - Offsetting Collections	126.9	118.7
Other Funds - Unallocated Cash	-	64.7
Total	**$4,513.4**	**$4,892.5**

Status of Fund Balance with the U.S. Treasury		
Unobligated Balance		
Available	$2,411.6	$3,080.6
Expired	259.2	257.2
Canceled and Unavailable	0.5	3.4
Obligated Balance Not Yet Disbursed	1,842.1	1,486.6
Funds Pending Application	-	64.7
Total	**$4,513.4**	**$4,892.5**

Revolving funds are credit-reform financing accounts. Included in the credit-reform financing accounts are disbursed appropriations, exposure fees collected, and interest paid by the U.S. Treasury to EXIM Bank on the balances in the account. These funds are available to cover losses in EXIM Bank's credit programs. Unexpended appropriated funds and unexpended offsetting collections are deposited in a non-interest-bearing account at the U.S. Treasury. These funds are available to EXIM Bank when the credit activity to which they relate takes place or to finance administrative expenses. Upon disbursement of the related loans or shipment of goods under guarantee or insurance policies, the funds become available to either subsidize the related loan disbursement or to be invested in the credit-reform financing accounts to fund the credit costs of the guarantee and insurance policies. Unallocated cash represents collections pending final application to the applicable loan or guarantee.

Unobligated available funds represent unexpired appropriations and offsetting collections and funds held in credit-reform financing accounts. Unobligated expired funds represent appropriations and offsetting collections that are no longer available for new obligations.

Unobligated canceled funds represent appropriations that are no longer available and are returned to the U.S. Treasury in subsequent years. Obligated balance not yet disbursed represents appropriations, offsetting collections and funds held in the loan financing account awaiting disbursement.

As of September 30, 2016 and September 30, 2015, there were no unreconciled differences between U.S. Treasury records and balances reported on EXIM Bank's general ledger.

3. DIRECT LOAN, LOAN GUARANTEES AND EXPORT-CREDIT INSURANCE PROGRAMS, NONFEDERAL BORROWERS

EXIM Bank offers fixed-rate loans directly to foreign buyers of U.S. goods and services. EXIM Bank extends to a company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. The buyer must make a cash payment to the U.S. exporter of at least 15 percent of the U.S. contract value. EXIM Bank's direct loans generally carry the 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).

EXIM Bank loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. EXIM 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. EXIM Bank's comprehensive guarantee covers all of the commercial and political risks for 85 percent of the U.S. contract value.

EXIM Bank's export-credit insurance 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.

Credit Reform

The primary purpose of the FCRA is to measure more accurately the cost of federal credit programs and to place the cost of such credit programs on a basis equivalent with other federal spending.

As part of the FCRA, OMB established the Interagency Country Risk Assessment System (ICRAS) to provide a framework for uniformly measuring country risk for the U.S. government's international credit programs across the various agencies that administer them. The ICRAS methodology determines the risk levels for lending to both sovereign governments and non-sovereign borrowers.

ICRAS rates every country to which U.S. government agencies have outstanding loans or loan guarantees or are anticipating making new credits available. ICRAS rates countries on the basis of economic and political/social variables. There are 11 sovereign and 9 non-sovereign risk categories and each country receives two ratings: a sovereign-risk rating and a private-risk rating. ICRAS currently has risk ratings for 204 sovereign and 202 non-sovereign markets.

FY 2016 and FY 2015 Activity

Beginning in FY 2008, fees collected in excess of expected credit losses (offsetting collections) are used to cover the Bank's administrative costs and credit program needs for providing new direct loans and guarantees.

EXIM Bank received a $6.0 million appropriation in FY 2016 and $5.8 million in FY 2015 for the Office of Inspector General (OIG) administrative costs.

The following table summarizes offsetting collections and appropriations received and used in FY 2016 and in FY 2015:

(in millions)	FY 2016	FY 2015
RECEIVED AND AVAILABLE		
Appropriation from Offsetting Collections for Ex-Im Bank	$122.2	$141.9
Appropriation from U.S. Treasury for OIG	6.0	5.8
Total Received	**128.2**	**147.7**
Unobligated Balance Carried Over from Prior Year	288.6	303.9
Recission of Unobligated Balances	-	(30.0)
Total Available	**416.8**	**421.6**
OBLIGATED		
For Credit-Related Administrative Costs	140.4	128.4
Total Obligated	**140.4**	**128.4**
UNOBLIGATED BALANCE		
Unobligated Balance	276.4	293.2
Unobligated Balance Lapsed	(27.5)	(4.6)
Remaining Balance	**$248.9**	**$288.6**

Of the remaining balance of $248.9 million at September 30, 2016, $10.7 million is available until September 30, 2017; $10.0 million is available until September 30, 2018; $10.0 million is available until September 30, 2019, and $218.2 is available until expended and may be used for tied-aid programs or other mandated costs.

New loans, guarantees and insurance result in a program cost (or subsidy cost) when the net present value of expected cash disbursements exceeds expected cash receipts. Cash receipts typically include fees or premia, loan principal and interest, and cash disbursements typically include claim payments and loan disbursements. EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors.

When the present value of expected cash receipts exceeds the present value of expected cash disbursements, a "negative" credit subsidy (or program revenue) arises.

Starting in FY 2008, EXIM Bank has operated on a self-sustaining basis using program revenue to fund current-year administrative expenses and program costs. During FY 2016, EXIM Bank collected $400.8 million of receipts in excess of estimated credit losses. Out of these offsetting collections, $106.9 million was used to fund administrative expenses, $283.9 million was sent to the U.S Treasury, and $10.0 million was retained and is available for obligation until September 30, 2019. During FY 2015, EXIM Bank collected $548.7 million of receipts in excess of estimated credit losses. Out of these offsetting collections, $107.1 million was used to fund administrative expenses, $431.6 million was sent to the U.S. Treasury, and $10.0 million was retained and is available for obligation until September 30, 2019.

Administrative costs are the costs to administer and service EXIM Bank's entire credit portfolio. The program costs are obligated to cover the estimated subsidy costs at the time loans, guarantees and insurance are committed. As the loans are disbursed, or when the insured or guaranteed event has taken place (generally when the related goods are shipped), the obligated amounts are used to cover the estimated subsidy costs related to the disbursements and shipments. The portion of the obligated amounts related to EXIM Bank's lending programs is used to partially fund the loan disbursements, while the portions related to EXIM Bank's guarantee and insurance programs are invested in an interest-bearing account with the U.S. Treasury. Prior to loan disbursement or the insured or guaranteed event, all of the appropriated funds and offsetting collections are held in a non-interest-bearing U.S. Treasury account.

Allowances for Losses

The process by which EXIM Bank determines its allowances for losses for each fiscal year involves assessing the repayment risk of the credit, which includes both commercial and political risk factors, then calculating the loss reserve based on the percentage of loss associated with the risk level assigned to the credit.

Sovereign risk is associated with an obligor that conveys the full faith and credit of its country. To rate sovereign obligors, EXIM Bank relies on the risk levels assigned to sovereign countries by ICRAS.

Non-sovereign obligors are divided into four categories for risk assessment purpose: (1) obligors in workout status; (2) obligors rated by third-party rating agencies, such as, Standard & Poor's and Moody's; (3) obligors not rated but publicly traded on local exchanges; and (4) obligors neither rated nor publicly traded on local exchanges.

After the political and commercial risks of the transaction are assessed, the transaction is assigned a risk rating based on the standard ICRAS classification. A major determinant of the risk rating is the sovereign-risk rating of the country in which the obligor is located. Credit enhancements such as the availability of liens and off-shore escrow accounts are taken into account.

For pre-credit-reform and non-impaired loans receivable, EXIM Bank determines the allowance using historical default and recovery rates. The allowance for losses on this exposure is calculated using the credit loss estimate method. This is an estimate of the loss expected due to credit risk and does not include non-credit factors that are included in the fair value method.

Loss reserves on pre-credit-reform impaired credits are determined using the fair value method. Impaired credits are defined as those transactions risk rated from 9 to 11, or on the verge of impairment due to political, commercial, operational and/or technical events or unforeseeable circumstances that have affected the borrower's ability to service repayment of EXIM Bank credits.

The allowance for losses for post credit-reform loans, guarantees and insurance are determined by the credit loss calculated at authorization and subsequent adjustments made to the allowance as a result of the annual re-estimate.

Re-estimate on Portfolio Expected Losses

The estimated credit loss of the outstanding balance of loans, guarantees and insurance is re-estimated annually in accordance with OMB guidelines and SFFAS 18. This re-estimate indicates the appropriate balance necessary in the financing accounts to ensure sufficient funds to pay future estimated claims.

EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors. In the event that the balance in the financing accounts exceeds the re-estimate level, the difference will not be needed to cover future estimated claims and will be returned to the U.S. Treasury. In the event that the balance in the financing accounts is less than the re-estimate level, the FCRA provides that the difference will be transferred to EXIM Bank from a general appropriation account authorized for this purpose.

Every year, EXIM Bank re-evaluates the methods used for calculating the reserves needed to cover expected losses. The Bank uses historical experience to estimate the probability of default as well as the loss given default. The probability of default (PD) is the likelihood that a transaction would go into default while the loss given default (LGD) gives the estimated loss, net of recoveries and expenses, if a default were to occur. Multiplying PD times LGD provides expected loss factors across programs and budget cost level (BCL) categories. EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors.

EXIM Bank incorporates a quantitative and qualitative framework to calculate loss reserves. This framework has continuously evolved and been refined over the years. In FY 2016, EXIM Bank updated qualitative adjustments in its loss model, of which a subset are built into the quantitative framework. Those built into the quantitative framework include factors such as loss curves for sovereign guaranteed transactions and asset-backed aircraft. Those not built into the quantitative framework look at minimum levels of expected losses, the global macroeconomic environment, and the recent growth in the Bank's portfolio.

As of September 30, 2016, the credit loss re-estimate of FY 1992 through FY 2016 commitments outstanding balances indicated that there was a net excess of $932.5 million in the financing accounts. This downward re-estimate will be transferred to the U.S. Treasury in FY 2017.

As of September 30, 2015, the credit loss re-estimate of FY 1992 through FY 2015 commitments outstanding balances indicated that a net excess of $1,280.9 million in the financing accounts. This downward re-estimate was transferred to the U.S. Treasury in FY 2016.

A. Direct Loans

EXIM Bank's loans receivable, as shown on the Balance Sheets, are net of an allowance for loan losses.

To calculate the allowance for loan losses for direct loans obligated prior to FY 1992, each of the 11 risk levels is identified with a loss percentage to determine the overall allowance for credit losses as described above. In addition, certain credits and capitalized interest included in gross loans receivable are reserved at 100 percent. The total allowance for direct loans obligated prior to FY 1992, including capitalized interest, equaled 29.0 percent and 29.6 percent, respectively, of gross loans and interest receivable.

The allowance for loss calculated for direct loans obligated since the commencement of FY 1992 equals the amount of credit loss incurred to support the loan obligation. The credit loss is the amount of loss estimated to be incurred on the transaction, as previously described. At September 30, 2016, and September 30, 2015, the allowance for loan losses on credit-reform credits equaled 1.8 percent and 6.3 percent, respectively, of the outstanding loans and interest receivable balance.

At September 30, 2016, and September 30, 2015, the allowance for both pre-credit-reform and post credit-reform loans equaled 2.2 percent and 6.7 percent, respectively, of the total loans and interest receivable.

The outstanding balances related to rescheduled installments included in loans receivable at September 30, 2016 and September 30, 2015, were $633.0 million and $780.7 million, respectively. In FY 2016, EXIM had a rescheduling of Grenada debt. The government of Grenada has agreed to repay the full rescheduled debt amount of $1.8 million to EXIM Bank based on negotiated terms. The agreement between the government of the United States and the government of Grenada became effective on July 18, 2016.

The net balance of loans receivable at September 30, 2016, and September 30, 2015, consists of the following:

FY 2016 (in millions)	**Loans Receivable Gross**	**Interest Receivable**	**Allowance for Loan Losses**	**Value of Assets Related to Direct Loans, Net**
Loans Obligated Prior to FY 1992	$339.6	$1.4	($98.9)	$242.1
Loans Obligated After FY 1991	23,611.0	158.3	(435.5)	23,333.8
Total	**$23,950.6**	**$159.7**	**($534.4)**	**$23,575.9**

FY 2015 (in millions)	**Loans Receivable Gross**	**Interest Receivable**	**Allowance for Loan Losses**	**Value of Assets Related to Direct Loans, Net**
Loans Obligated Prior to FY 1992	$350.2	$2.6	($104.4)	$248.4
Loans Obligated After FY 1991	22,413.4	134.6	(1,425.5)	21,122.5
Total	**$22,763.6**	**$137.2**	**($1,529.9)**	**$21,370.9**

(in millions)	**FY 2016**	**FY 2015**
Direct Loans Disbursed During Year (Post-1991)	**$3,415.8**	**$2,386.1**

B. Program Cost and Re-Estimate Expense for Direct Loans by Component

The table below discloses the interest, defaults, fees and re-estimate amounts associated with program cost disbursed in the current fiscal year on loan authorizations made in the current and prior fiscal years and the current-year loss re-estimate.

(in millions)	**FY 2016**	**FY 2015**
Interest	($233.6)	($232.4)
Defaults	100.3	69.4
Fees and Other Collections	(163.7)	(139.3)
Total Program Cost	**(297.0)**	**(302.3)**
Net Re-estimate – Principal	(560.4)	(652.4)
Net Re-estimate – Interest	(210.3)	(189.6)
Total Net Re-estimate	**(770.7)**	**(842.0)**
Total Direct Loan Program (Cost) and Re-estimate Expense	**($1,067.7)**	**($1,144.3)**

C. Program Cost Rates for Direct Loans by Program and Component

The program cost rates disclosed below relate to the percentage of program costs on loan authorizations made in the reporting fiscal year. Because these rates only pertain to authorizations from the reporting fiscal year, these rates cannot be applied to loan disbursements in the reporting fiscal year to yield the program cost, which could result from disbursements of loans from both current and prior years. In FY 2016, EXIM did not authorize direct loans.

	FY 2016	FY 2015
Interest	-	(4.3)%
Defaults	-	4.7%
Fees and Other Collections	-	(8.1)%
Total	**-**	**(7.7)%**

D. Schedule for Reconciling Direct Loan Allowance Balances

The table below discloses the components of the direct-loan allowance.

(in millions)	FY 2016	FY 2015
Post-1991 Direct Loans		
Beginning Balance of the Allowance Account	$1,425.5	$2,168.3
Current-Year Program Cost *(see Note 3B for Component Breakdown)*	(297.0)	(302.3)
Fees Received	113.7	110.0
Loans Written Off	(42.6)	-
Program-Cost Allowance Amortization	64.6	163.6
Miscellaneous Recoveries and (Costs)	(58.0)	127.9
Ending Balance Before Re-estimate	**(1,206.2)**	**2,267.5**
Re-estimate	(770.7)	(842.0)
Ending Balance of the Allowance Account	**$435.5**	**$1,425.5**

Program-cost allowance amortization is calculated, as required by SFFAS 18, Amendments to Accounting Standards for Direct Loans and Loan Guarantees, as the difference between interest revenue and interest expense.

E. Defaulted Guaranteed Loans

The allowance for defaulted guaranteed loans is calculated using the fair-market value method as formerly described. Capitalized interest included in gross defaulted guaranteed loans receivable is reserved at 100 percent. The total allowance equaled 87.9 percent and 85.9 percent of gross defaulted guaranteed loans and interest receivable at September 30, 2016, and September 30, 2015, respectively.

FY 2016 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Defaulted Guaranteed Loans				
Obligated Prior to FY 1992	$52.1	$1.5	($27.3)	$26.3
Obligated After FY 1991	1,149.2	-	(1,030.1)	119.1
Total	**$1,201.3**	**$1.5**	**($1,057.4)**	**$145.4**

FY 2015 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Defaulted Guaranteed Loans				
Obligated Prior to FY 1992	$55.4	$1.5	($29.5)	$27.4
Obligated After FY 1991	1,166.9	0.5	(1,022.7)	144.7
Total	**$1,222.3**	**$2.0**	**($1,052.2)**	**$172.1**

F. Guaranteed Loans and Insurance

EXIM Bank is exposed to credit loss with respect to the amount of outstanding guaranteed loans and insurance policies in the event of nonpayment by obligors under the agreements. The commitments shown below are agreements to lend monies and issue guarantees and insurance as long as there is no violation of the conditions established in the credit agreement.

(in millions)	FY 2016	FY 2015
Gross Outstanding Principal of Guaranteed Loans and Insurance, Face Value	$55,173.5	$61,495.3
Undisbursed Principal of Guaranteed Loans and Insurance, Face Value	5,280.5	10,730.5
Total Principal of Guaranteed Loans and Insurance, Face Value	**$60,454.0**	**$72,225.8**
Amount of Principal That is Guaranteed and Insured by EXIM Bank	$60,454.0	$72,225.8
Gross Amount of Guaranteed Loans and Insurance Disbursed During Year, Face Value	$7,221.5	$12,983.7
Amount of Guaranteed Loans and Insurance Disbursed During Year that is Guaranteed and Insured by EXIM Bank™	$7,221.5	$12,983.7

G. Liability for Loan Guarantees and Insurance

The liability for loan guarantees and insurance balances of $1,359.2 million at September 30, 2016 and $1,435.6 million at September 30, 2015 represent post FY 1991 guarantees and insurance credits.

H. Program Cost and Re-Estimate Expense for Loan Guarantees and Insurance by Component

The table below discloses defaults, fees and re-estimate amounts associated with the program cost disbursed in the current year on loan guarantee and insurance authorizations made in the current and prior fiscal years and the current-year loss re-estimate. The total program cost also includes modifications made on these authorizations.

(in millions)	FY 2016	FY 2015
Defaults	$91.3	$252.9
Fees and Other Collections	(176.2)	(477.7)
Total Program Costs	**(84.9)**	**(224.8)**
Net Re-estimate – Principal	(127.1)	(304.1)
Net Re-estimate – Interest	(34.7)	(134.8)
Total Net Re-estimate	**(161.8)**	**(438.9)**
Total Loan Guarantee and Insurance Program Cost and Re-Estimate Expense	**($246.7)**	**($663.7)**

I. Program Cost Rates for Loan Guarantees and Insurance by Component

The program cost rates disclosed below relate to the percent of program costs on loan guarantee and insurance authorizations made in the reporting fiscal year. Because these rates only pertain to authorizations from the reporting fiscal year, these rates cannot be applied to the guarantees of loans disbursed during the reporting fiscal year to yield the program cost, which could result from disbursements of loans from both current and prior years.

	FY 2016	FY 2015
Defaults	1.3%	8.5%
Fees and Other Collections	(2.3)%	(5.9)%
Total	**(1.0%)**	**2.6%**

J. Schedule for Reconciling the Allowance for Loan Guarantee Balances

The table below discloses the components of the allowance for loan guarantees

(in millions)	FY 2016	FY 2015
Post-1991 Loan Guarantees Beginning Balance of the Allowance Account	$1,435.6	$1,620.7
Current-Year Program Cost (See Note 3H for Component Breakdown)	(84.9)	(224.8)
Fees Received	210.6	402.6
Claim Expenses and Write-Offs	(1.4)	(1.3)
Interest Accumulation	60.3	58.4
Other	(99.2)	18.9
Ending Balance Before Re-estimate	**1,521.0**	**1,874.5**
Re-estimate	(161.8)	(438.9)
Ending Balance of the Allowance Account	**$1,359.2**	**$1,435.6**

K. Administrative Costs

All of the Bank's administrative expenses are attributed to the support of the Bank's loan, guarantee and insurance programs. Administrative expenses are not allocated to individual programs.

(in millions)	FY 2016	FY 2015
Total Administrative Expense	$114.3	$131.9

L. Outstanding Exposure and Allowance by Program

(in millions)	FY 2016	FY 2015
Outstanding Loans	$23,950.6	$22,763.6
Allowance for Loan Losses	534.4	1,529.9
Percent Allowance of Outstanding Balance	**2.2%**	**6.7%**
Outstanding Defaulted Guarantees and Insurance	1,201.3	1,222.3
Allowance for Outstanding Defaulted Guarantees and Insurance	1,057.4	1,052.2
Percent Allowance of Outstanding Balance	**88.0%**	**86.1%**
Outstanding Guarantees and Insurance	55,173.5	61,495.3
Liability for Guarantees and Insurance	1,359.2	1,435.6
Percent Allowance of Outstanding Balance	**2.5%**	**2.3%**

The allowance for losses for EXIM Bank credits authorized after the FCRA equates to the amount of estimated credit loss associated with the applicable loans, claims, guarantees, and insurance. According to SFFAS 2, *Accounting for Direct Loans and Guarantees*, direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash flows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as the allowance for credit losses. For guaranteed loans outstanding, the present value of estimated net cash flows of the loan guarantee is recognized as a guaranteed loan liability.

EXIM Bank's credit programs generally have fees and interest rates higher than the expected default and funding costs, resulting in the net present value of cash inflows to be greater than the outstanding principal of the credit.

M. Allowance and Exposure Summary

(in millions)	FY 2016	FY 2015
Pre-Credit-Reform		
Allowance for Loan Losses	$98.9	$104.4
Allowance for Defaulted Guarantees	27.3	29.5
Total Pre-Credit-Reform Allowance	**126.2**	**133.9**
Credit-Reform Allowance		
Allowance for Loan Losses	435.5	1,425.5
Allowance for Defaulted Guarantees and Insurance	1,030.1	1,022.7
Liability for Loan Guarantees and Insurance	1,359.2	1,435.6
Total Credit-Reform Allowance	**2,824.8**	**3,883.8**
Total Allowance for Loan Losses	534.4	1,529.9
Total Allowance for Guarantees and Insurance	2,416.6	2,487.8
Total Allowance	**$2,951.0**	**$4,017.7**
Total Outstanding Balance of Loans, Guarantees and Insurance	$80,325.4	$85,481.2
Percent Allowance to Outstanding Balance	3.7%	4.7%
Total Exposure	$87,262.4	$102,210.7
Percent Allowance to Exposure	**3.4%**	**3.9%**

4. ACCRUAL OF INTEREST

The weighted-average interest rate on EXIM Bank's loan and rescheduled claim portfolio at September 30, 2016, was 2.67 percent (2.77 percent on performing loans and rescheduled claims). The weighted-average interest rate on EXIM Bank's loan and rescheduled claim portfolio at September 30, 2015, was 2.69 percent (2.80 percent on performing loans and rescheduled claims). Interest income is recognized when collected on non-rescheduled claims.

Generally, the accrual of interest on loans and rescheduled claims is discontinued when the credit is delinquent for more than 90 days. EXIM Bank had a total of $843.2 million and $41.5 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2016. EXIM Bank had $807.9 million and $46.1 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2015. Had these credits been in accrual status, interest income would have been $11.7 million higher as of September 30, 2016 (amount is net of interest received of $17.2 million), and $37.9 million higher in FY 2015 (amount is net of interest received of $10.7 million).

5. STATUTORY LIMITATIONS ON LENDING AUTHORITY

Under its Charter, EXIM Bank's statutory lending limit in FY 2016 was $135.0 billion of loans, guarantees and insurance exposure at any one time. In FY 2015 it was $140.0 billion. At September 30, 2016, and September 30, 2015, EXIM Bank's statutory authority used was as follows:

(in millions)	FY 2016	FY 2015
Outstanding Guarantees	$54,057.7	$59,810.1
Outstanding Loans	23,950.6	22,763.6
Outstanding Insurance	1,115.8	1,685.2
Outstanding Claims	1,201.3	1,222.3
Total Outstanding	**80,325.4**	**85,481.2**
Undisbursed Loans	1,656.5	5,999.0
Undisbursed Guarantees	1,341.1	6,070.1
Undisbursed Insurance	3,939.4	4,660.4
Total Undisbursed	**6,937.0**	**16,729.5**
Total Exposure	**$87,262.4**	**$102,210.7**

Transactions can be committed only to the extent that budget authority is available to cover program costs. For FY 2016 and FY 2015, Congress placed no limit on the total amount of loans, guarantees and insurance that could be committed in those years, provided that the statutory authority established by the EXIM Bank's Charter was not exceeded.

During FY 2016, EXIM Bank committed $5,037.1 million for guarantees and insurance, using no budget authority and no tied-aid funds. During FY 2015, EXIM Bank committed $72.6 million for direct loans, $12,310.6 million for guarantees and insurance, using no budget authority and no tied-aid funds.

EXIM Bank has authorized guarantee transactions denominated in a foreign currency during FY 2016 totaling $17.6 million, and authorized $1,470.0 million during FY 2015, as calculated at the exchange rate at the time of authorization. EXIM Bank adjusts the allowance for all transactions denominated in a foreign currency using the various foreign-currency exchange rates at the end of the fiscal year.

For financial statement purposes, EXIM 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 EXIM 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 $135.0 billion statutory lending limit imposed by Section 6(a)(2) of EXIM 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 EXIM Bank, the entire credit is assumed to be "disbursed" when the fee is paid to the Bank. The credit is recorded as repaid in one installment 180 days 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 EXIM 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.

6. PORTFOLIO ANALYSIS

EXIM Bank support is available to U.S. businesses exporting to countries around the world. The Bank's portfolio is concentrated more heavily in certain regions, industries and obligors. In reviewing each transaction, EXIM Bank considers the option of using various credit enhancements to support its finding of reasonable assurance of repayment. Various types of collateral, including liens on commercial aircraft, may or may not be appropriate or available in support of a credit. Overall authorization levels were affected by EXIM's ability to approve transactions. During FY 2015 and FY 2016, the Bank's authority to approve transactions lapsed from July 1, 2015 to December 4, 2015. In addition, since July 20, 2015, the Board of Directors of the Bank has lacked a quorum for the transaction of business and, as a result, the Bank is unable to approve medium and long-term transactions over $10.0 million.

The volatility in commodity prices, the fluctuation in currency exchange rates, and the tightening of credit markets may have an impact on a borrower's ability to service their obligations. EXIM Bank proactively monitors the portfolio to prevent defaults and to make appropriate rating and loss reserve adjustments as necessary.

In FY 2016, management elected to reclassify exposure of regional country groupings of its loan, guarantee and insurance portfolio to better align EXIM's reporting with other entities with international exposure such as the World Bank, the United Nations and the U.S Treasury. Results of prior periods have been reclassified to conform to the current-year presentation.

The following tables summarize total exposure by geographic region as of September 30, 2016 and September 30, 2015:

2016 (in millions)

Region	Amount	Percentage
Asia	$22,130.1	25.4%
Latin America and the Caribbean	15,902.9	18.2%
Europe	15,680.3	18.0%
Middle East and North Africa	12,432.3	14.2%
Oceania	7,186.0	8.2%
North America	5,312.1	6.1%
Sub-Saharan Africa	4,881.7	5.6%
Other	3,737.0	4.3%
Total Exposure	**$87,262.4**	**100.0%**

2015 (in millions)

Region	Amount	Percentage
Asia	$26,130.3	25.7%
Latin America and the Caribbean	18,853.6	18.4%
Europe	18,613.4	18.2%
Middle East and North Africa	13,743.4	13.4%
Oceania	7,514.4	7.4%
North America	7,202.7	7.0%
Sub-Saharan Africa	5,740.4	5.6%
Other	4,412.5	4.3%
Total Exposure	**$102,210.7**	**100.0%**

The following tables summarize total exposure by industry as of September 30, 2016 and September 30, 2015:

2016 (in millions)

Industry	Amount	Percentage
Air Tranportation	$42,062.2	48.2%
Oil and Gas	14,331.2	16.4%
Manufacturing (Other)	14,042.1	16.1%
Power Projects	4,780.2	5.5%
All Other	12,046.7	13.8%
Total	**$87,262.4**	**100.0%**

2015 (in millions)

Industry	Amount	Percentage
Air Tranportation	$49,031.0	48.0%
Manufacturing (Other)	16,323.9	16.0%
Oil and Gas	15,965.7	15.6%
Power Projects	5,800.7	5.7%
All Other	15,089.4	14.7%
Total	**$102,210.7**	**100.0%**

The following tables summarize the five largest public and private obligors at September 30, 2016 and September 30, 2015:

2016 (in millions)

Obligor	Amount	Percentage
Pemex	$5,813.9	6.6%
Sadara Chemical Company	4,180.0	4.8%
Australia Pacific LNG Csg Processing Pty Ltd	2,865.5	3.3%
Korean Air Lines	2,750.5	3.2%
Papua New Guinea LNG Global Comp.	2,480.6	2.8%
All Other	69,171.9	79.3%
Total	**$87,262.4**	**100.0%**

2015 (in millions)

Obligor	Amount	Percentage
Pemex	$6,754.4	6.6%
Sadara Chemical Company	4,180.0	4.1%
Korean Air Lines	3,110.0	3.0%
Australia Pacific LNG Csg Processing Pty	2,865.5	2.8%
Papua New Guinea LNG Global Comp.	2,594.9	2.5%
All Other	82,705.9	81.0%
Total	**$102,210.7**	**100.0%**

The following tables summarize total exposure by country as of September 30, 2016 and September 30, 2015:

2016 (in millions)

Country	Amount	Percentage
Mexico	$8,019.1	9.2%
Saudi Arabia	6,012.7	6.9%
China	5,103.4	5.8%
India	4,494.9	5.2%
Australia	4,361.9	5.0%
All Other	59,270.4	67.9%
Total	**$87,262.4**	**100.0%**

2015 (in millions)

Country	Amount	Percentage
Mexico	$9,411.9	9.2%
Saudi Arabia	6,214.3	6.1%
India	5,844.8	5.7%
China	5,562.8	5.4%
United Arab Emirates	4,668.2	4.6%
All Other	70,508.7	69.0%
Total	**$102,210.7**	**100.0%**

The following tables summarize the largest exposures by program by country as of September 30, 2016 and September 30, 2015:

Loans Outstanding and Undisbursed:

2016 (in millions)

Country	Amount	Percentage
Saudi Arabia	$5,555.6	21.6%
Australia	3,559.6	13.9%
United Kingdom	2,599.9	10.2%
Colombia	2,190.2	8.6%
All Other	11,701.8	45.7%
Total	**$25,607.1**	**100.0%**

2015 (in millions)

Country	Amount	Percentage
Saudi Arabia	$5,708.5	19.6%
Australia	3,639.6	13.0%
United Kingdom	3,120.1	10.8%
Colombia	2,415.5	8.3%
All Other	13,878.9	48.3%
Total	**$28,762.6**	**100.0%**

Subrogated Claims:

2016 (in millions)

Country	Amount	Percentage
Mexico	$272.1	22.6%
Indonesia	92.1	7.7%
Serbia	86.4	7.2%
United States	75.1	6.3%
All Other	675.6	56.2%
Total	**$1,201.3**	**100.0%**

2015 (in millions)

Country	Amount	Percentage
Mexico	$276.1	22.6%
Indonesia	128.8	10.5%
Kazakhstan	96.2	7.9%
Brazil	70.3	5.8%
All Other	650.9	53.2%
Total	**$1,222.3**	**100.0%**

Guarantees and Insurance:

2016 (in millions)

Country	Amount	Percentage
Mexico	$6,884.0	11.3%
China	4,991.6	8.3%
United Arab Emirates	3,600.5	6.0%
United States	3,180.0	5.3%
All Other	41,797.9	69.1%
Total	**$60,454.0**	**100.0%**

2015 (in millions)

Country	Amount	Percentage
Mexico	$8,072.6	11.2%
China	5,709.0	7.9%
United States	4,485.1	6.2%
United Arab Emirates	4,152.3	5.7%
All Other	49,806.8	69.0%
Total	**$72,225.8**	**100.0%**

7. OTHER ASSETS

(in millions)	FY 2016	FY 2015
Fee Receivables	$ 17.8	$28.6
Other	-	0.5
Total Other Assets	**$17.8**	**$29.1**

Commitment fees are charged on the undisbursed, unexpired balance of loans and certain guarantees. The Other category includes miscellaneous receivables, including assets acquired through claims recovery.

8. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

Liabilities not covered by budgetary resources are included in Other Liabilities on the Balance Sheet as follows:

EXIM Bank's liability to employees for accrued unfunded annual leave, included in Other Liabilities on the Balance Sheets, was $4.5 million as of September 30, 2016 and $4.5 million as of September 30, 2015. The liability will be paid from future administrative expense budget authority.

9. DEBT

EXIM Bank's outstanding borrowings come from two sources: direct borrowing from the U.S. Treasury, and the assumption of repayment obligations of defaulted guarantees under EXIM Bank's guarantee program via payment certificates.

EXIM Bank's total debt at September 30, 2016, and September 30, 2015, is as follows:

(in millions)	FY 2016	FY 2015
U.S. Treasury Debt		
Beginning Balance	$22,725.4	$21,633.6
New Borrowings	3,705.7	2,548.9
Repayments	(1,409.5)	(1,457.1)
Ending Balance	**$25,021.6**	**$22,725.4**
Debt Held by the Public		
Beginning Balance	$29.0	$21.4
New Borrowings	37.0	18.2
Repayments	(24.5)	(10.6)
Ending Balance	$41.5	$29.0
Total Debt	**$25,063.1**	**$22,754.4**

EXIM Bank had $25,021.6 million of borrowings outstanding with the U.S. Treasury at September 30, 2016, and $22,725.4 million at September 30, 2015, with a weighted-average interest rate of 3.0 percent at September 30, 2016, and 3.11 percent at September 30, 2015.

U.S. Treasury borrowings are repaid primarily with the repayments of medium-term and long-term loans. To the extent repayments on the underlying loans, combined with commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, appropriated funds are available to EXIM Bank through the re-estimation process for this purpose. The full amount of the borrowings is expected to be repaid by FY 2033.

Payment certificates are issued by EXIM Bank in exchange for the foreign obligor's original note that was guaranteed by EXIM Bank on which EXIM Bank has paid a claim and carries the same repayment term and interest rate as the foreign obligor's note. Payment certificates are backed by the full faith and credit of the U.S. government and are freely transferable.

Outstanding payment certificates at September 30, 2016, and September 30, 2015, were $41.5 million, and $29.0 million, respectively. Maturities of payment certificates at September 30, 2016, are as follows:

(in millions)

Fiscal Year	Amount
2017	$16.4
2018	13.6
2019	9.7
2020	1.8
Total	**$41.5**

The weighted-average interest rate on EXIM Bank's outstanding payment certificates at September 30, 2016, and September 30, 2015, was 3.08 percent and 3.65 percent, respectively.

10. OTHER LIABILITIES

(in millions)	FY 2016	FY 2015
Current		
Funds Held Pending Application	$2.3	$100.4
Administrative Expenses Payable	10.9	12.9
Miscellaneous Accrued Payables	0.9	1.3
Non-Current		
Deferred Revenue	181.4	155.1
Total Other Liabilities	**$195.5**	**$269.7**

As of September 30, 2016 and September 30, 2015, $181.4 million and $155.1 million respectively represent deferred revenue in the form of offsetting collections which are available to cover administrative expenses and program costs.

11. LEASES

EXIM Bank's office space is leased from the General Services Administration through the Public Buildings Fund. Lease expenses, included in Administrative Costs on the Statements of Net Costs, were $8.1 million in FY 2016 and $7.7 million in FY 2015. EXIM headquarters lease will be up for renewal in 2018. Both leases are cancellable. Future payments under the two leases are as follows:

(in millions)

Fiscal Year	Amount
2017	$8.8
2018	8.8
2019	1.9
2020	1.6
Total	**$21.1**

12. COMMITMENTS AND CONTINGENCIES

Pending Litigation

As of September 30, 2016, EXIM Bank was named in several legal actions, most of which involved claims under the guarantee and insurance programs, and others being tort claims. It is not possible to predict the eventual outcome of the various actions; however, it is management's opinion that there is a remote likelihood that these claims will result in a future outflow or other sacrifice of resources to such an extent that they would materially affect the financial position or results of operations of EXIM Bank.

13. DISCLOSURES RELATED TO THE STATEMENTS OF NET COSTS

EXIM Bank's Statements of Net Costs list the costs and revenues associated with each of the Bank's lines of business, namely the loan, guarantee and insurance programs. The intragovernmental and public costs and revenues associated with each program, and administrative expenses, are disclosed below. EXIM Bank does not allocate administrative expenses by program.

Public Costs and Public Revenue

(in millions)

	Loans	Guarantees	Insurance	Administrative Expenses	Total
For the Year Ended September 30, 2016					
Intragovernmental Costs	$763.6	$ -	$ -	$7.8	$771.4
Public Costs	(723.7)	416.0	(44.6)	106.5	(245.8)
Total Costs	**$39.9**	**$416.0**	**($44.6)**	**$114.3**	**$525.6**
Intragovernmental Revenue	($106.4)	($61.2)	$0.9	-	($166.7)
Public Revenue	(733.3)	(460.8)	(14.2)	-	(1,208.3)
Total Revenue	**($839.7)**	**($522.0)**	**($13.3)**	**$ -**	**($1,375.0)**
Net Excess of Program (Revenue) Over Cost					**($849.4)**
For the Year Ended September 30, 2015					
Intragovernmental Costs	$727.1	$ -	$ -	$8.3	$735.4
Public Costs	(853.1)	203.9	(98.4)	123.6	(624.0)
Total Costs	**($126.0)**	**$203.9**	**($98.4)**	**$131.9**	**$111.4**
Intragovernmental Revenue	($115.5)	($58.4)	($1.6)	$ -	($175.5)
Public Revenue	(774.0)	(440.7)	(25.3)	-	(1,240.0)
Total Revenue	**($889.5)**	**($499.1)**	**($26.9)**	**$0.0**	**($1,415.5)**
Net Excess of Program (Revenue) Over Cost					**($1,304.1)**

Intragovernmental costs include interest expense paid to the U.S. Treasury related to borrowings associated with the funding of credit-reform direct loans and administrative costs paid to other government agencies. Intragovernmental revenues represent interest from the U.S. Treasury on cash balances in the credit-reform financing accounts. Public costs represent costs which the Bank incurs to support the business programs. These costs are comprised primarily of the provision for loss on the loan and guarantee portfolio, and administrative costs paid to the public. Public revenue represents income items which are generated as a result of operating the loan, guarantee and insurance programs. This revenue primarily relates to the fee and interest income on the outstanding credits.

14. DISCLOSURES RELATED TO THE COMBINED STATEMENTS OF BUDGETARY RESOURCES

Combined Statements of Budgetary Resources disclose total budgetary resources available to the Bank and the status of such resources at September 30, 2016 and September 30, 2015. Activity impacting budget totals of the overall U.S. government budget is recorded in EXIM Bank's Combined Statements of Budgetary Resources budgetary accounts. Activity which does not impact budget totals is recorded in EXIM Bank's Combined Statements of Budgetary Resources nonbudgetary accounts. As of September 30, 2016 and September 30, 2015, the Bank's resources in budgetary accounts totaled $931.5 million and $2,037.7 million respectively. As of September 30, 2016 and September 30, 2015, the Bank's resources in non-budgetary accounts totaled $4,774.1 million, and $4,806.3 million respectively.

Adjustments to Beginning Balance of Budgetary Resources

EXIM Bank made a $62.7 million adjustment to the beginning budgetary resources during the year ended September 30, 2016. EXIM Bank made no adjustments to the beginning budgetary resources during the year ended September 30, 2015.

Apportionment Categories of Obligations Incurred

EXIM Bank funds are apportioned in Category B, which restricts the use of funds by program. The amount of Category B apportionments that were obligated in FY 2016 and FY 2015 totaled $3,034.8 million and $3,506.2 million, respectively.

Permanent Indefinite Appropriations

The FCRA requires an annual re-estimate of the credit loss allowance. In the event that there is an increase in estimated defaults, there is permanent and indefinite budget authority available for this purpose. The FY 2015 upward re-estimate received from the U.S. Treasury in FY 2016 was $239.9 million; while the downward re-estimate sent to the U.S. Treasury was $1,518.6 million. The FY 2014 upward re-estimate received from the U.S. Treasury in FY 2015 was $1,331.3 million; while the downward re-estimate sent to the U.S. Treasury was $852.7 million.

Available Borrowing Authority and Terms of Borrowing

EXIM Bank in part relies on borrowings from the U.S. Treasury to help fund the Bank's loan program. U.S. Treasury borrowings are repaid primarily with the repayments of medium-term and long-term loans. To the extent repayments on the underlying loans, combined with commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, permanent and indefinite appropriated funds are available to EXIM Bank through the re-estimation process for this purpose. The full amount of the borrowings is expected to be repaid by FY 2033.

For FY 2016 EXIM Bank had a net decrease in overall borrowing authority of $1,022.9 million while in FY 2015 EXIM Bank had a net decrease in overall borrowing authority of $3,345.5 million.

Unobligated Balances

Unobligated balances at September 30, 2016 totaled $2,670.8 million. Of the $2,670.8 million, $248.9 million is available to cover program costs for new credits, $2,151.3 million represents the amount in the loan, guarantee and insurance financing accounts that is available to cover future defaults, and $259.2 million is unavailable for new obligations.

Unobligated balances at September 30, 2015 totaled $3,337.8 million. Of the $3,337.8 million, $288.6 million was available to cover program costs for new credits, $2,780.9 million represents the amount in the guarantee and insurance financing account that is available to cover future defaults, and $257.2 million is unavailable for new obligations.

Differences between Combined Statements of Budgetary Resources and Budget of U.S. Government

There are no differences between the budgetary resources shown on the Combined Statements of Budgetary Resources and the Budget of the U.S. Government.

15. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The following schedule on page 53 reconciles the Net Cost of Operations to the Bank's budgetary and financial accounting. The reconciliation illustrates the relationship between net obligations derived from EXIM Bank's budgetary accounts and the net cost of operations derived from EXIM Bank's proprietary accounts by identifying and explaining key differences between the two numbers.

16. RELATED-PARTY TRANSACTIONS

The financial statements reflect the results of agreements with the Private Export Funding Corporation (PEFCO). PEFCO, which is owned by a consortium of private-sector banks, industrial companies and financial services institutions, makes and purchases from private-sector lenders, medium-term and long-term fixed-rate and variable-rate loans guaranteed by EXIM Bank to foreign borrowers to purchase U.S.-made equipment "export loans".

EXIM Bank's credit and guarantee agreement with PEFCO provides that EXIM Bank will guarantee the due and punctual payment of interest on PEFCO's secured debt obligations which EXIM Bank has approved, and grants to EXIM Bank a broad measure of supervision over PEFCO's major financial management decisions, including entitlement to have representatives and attend and participate in all meetings of PEFCO's board of directors, advisor y board, and exporters' council, and to review PEFCO's financials and other records. This agreement extends through December 31, 2020.

In addition, PEFCO has an agreement with EXIM Bank which provides that EXIM Bank will generally provide PEFCO with an unconditional guarantee covering the due and punctual payment of principal and interest on export loans PEFCO makes and purchases. PEFCO's guarantees on the export loans plus the guarantees on the secured debt obligations aggregating $5,721.3 million at September 30, 2016 ($4,991.0 million related to export loans and $730.3 million related to secured debt obligations) and $12,633.6 million at September 30, 2015 ($11,690.3 million related to export loans and $943.3 million related to secured debt obligations), are included by EXIM Bank in the total for guarantee, insurance and undisbursed loans and the allowance related to these transactions is included in the Guaranteed Loan Liability on the Balance Sheets. EXIM Bank received fees totaling $51.6 million in FY 2016 ($51.3 million related to export loans and 0.3 million related to secured debt obligations) and $34.2 million in FY 2015 ($33.9 million related to export loans and $0.3 million related to secured debt obligations) for the agreements, which are included in Fee and Other Revenue on the Statements of Net Costs.

EXIM Bank has significant transactions with the U.S. Treasury such as borrowings, borrowings repayments, interest income on financing accounts, interest expense on borrowings. The U.S. Treasury, although not exercising control over EXIM Bank, holds the capital stock of EXIM Bank creating a related-party relationship between EXIM Bank and the U.S. Treasury.

17. CONTRIBUTIONS TO EMPLOYEE RETIREMENT SYSTEMS

All of EXIM Bank's employees whose appointments have federal status are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

In FY 2016 and FY 2015, EXIM Bank withheld 7.0 percent of CSRS employees' gross earnings. EXIM Bank's contribution was 7.0 percent of employees' gross earnings. This sum was transferred to the CSRS fund from which this employee group will receive retirement benefits.

For FERS, EXIM Bank withheld 0.8 percent of employees' gross earnings. EXIM Bank's contribution was 13.2 percent and 11.2 percent of employees' gross earnings in FY 2016 and FY 2015, respectively. This sum was transferred to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2 percent of gross earnings, after pre-tax deductions are withheld up to the 2016 and 2015 limit of $118,500; that sum plus matching contributions by EXIM Bank are sent to the Social Security System from which the FERS employee group will receive Social Security benefits.

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). CSRS and FERS employees may contribute up to $18,000 of gross earnings. In addition, FERS employees receive an automatic 1 percent contribution from EXIM Bank. Amounts withheld for FERS employees are matched by EXIM Bank up to 4 percent for a maximum EXIM Bank contribution to the TSP of 5 percent.

Total EXIM Bank (employer) matching contributions to the TSP, CSRS and FERS for all employees, included in Administrative Costs in the Statements of Net Costs, were approximately $7.8 million in FY 2016 and $8.0 million in FY 2015. Although EXIM Bank funds a portion of pension benefits under the CSRS and FERS relating to its employees and makes the necessary payroll withholdings for them, it has no liability for future payments to employees under these programs and does not account for the assets of the CSRS and FERS, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. These amounts are reported by the OPM for the Retirement Systems and are not allocated to the individual employers. The excess of total pension expense over the amount contributed by EXIM Bank and its employees represents the amount of pension expense which must be financed directly by OPM. EXIM Bank recognizes an imputed cost and an imputed financing source, calculated using cost factors supplied by OPM, equal to the excess amount.

OPM also accounts for the health and life insurance programs for current and retired civilian federal employees. Similar to the accounting treatment afforded the retirement programs, the actuarial data related to the health and life insurance programs is maintained by OPM and is not available on an individual-employer basis. EXIM Bank recognizes an imputed cost and an imputed financing source for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense is calculated using cost factors supplied by OPM and must be financed by OPM.

(in millions)	For the Year Ended September 30, 2016	For the Year Ended September 30, 2015
Resources Used To Finance Activities		
Budgetary Resources Obligated		
Obligations Incurred	$3,034.8	$3,506.2
Less: Spending Authority from Offsetting Collections and Recoveries	4,619.3	6,478.9
Net Obligations	(1,584.5)	(2,972.7)
Other Resources		
Imputed Financing from Costs Absorbed by Others	3.7	3.5
Total Resources Used To Finance Activities	**($1,580.8)**	**($2,969.2)**
Resources Used To Finance Items Not Part of Net Cost of Operations		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	$4,450.3	$4,565.7
Resources That Fund Expenses in Prior Periods	(239.9)	(1,332.0)
Budgetary Offsetting Collections and Receipts That Do Not Affect		
Net Cost of Operations		
Credit-Program Collections	2,199.7	3,119.7
Resources That Finance the Acquisition of Assets	(5,298.6)	(3,890.4)
Total Resources That Do Not Finance Net Cost of Operations	1,111.5	2,463.0
Total Resources Used To Finance the Net Cost of Operations	**($469.3)**	**($506.2)**
Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period		
Components Requiring or Generating Resources in Future Periods		
Allowance Amortization	$504.5	$655.8
Provision for Loss — Pre-Credit-Reform Credits	89.0	(130.0)
Downward Re-estimate of Credit-Losses	(1,055.5)	(1,539.7)
Upward Re-estimate of Credit-Losses	87.2	239.9
Change in Receivables	(1.0)	(32.0)
Change in Payables	(4.3)	8.1
Total Components Requiring or Generating Resources in Future Periods	**($380.1)**	**($797.9)**
Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period	**($380.1)**	**($797.9)**
Net Excess Program (Revenue) Over Costs	**($849.4)**	**($1,304.1)**

Independent Auditors' Report

To the Board of Directors
and the Inspector General of the
Export-Import Bank of the United States:

We have audited the accompanying financial statements of the Export-Import Bank of the United States ("EXIM Bank" or the "Bank"), which comprise the balance sheets as of September 30, 2016 and 2015, and the related statements of net costs and changes in net position and the combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America applicable to federal agencies (government GAAP); this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITORS' RESPONSIBILITY

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

OPINION

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of EXIM Bank as of September 30, 2016 and 2015, and its net costs of operations and changes in net position, and combined budgetary resources for the years then ended in accordance with accounting principles generally accepted in the United States of America.

OTHER MATTERS

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the information included in the sections entitled "Management's Discussion and Analysis" and "Required Supplementary Information" be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2016, on our consideration of EXIM Bank's internal control over financial reporting and on our tests of its compliance with certain provisions of laws and regulations and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering EXIM Bank's internal control over financial reporting and compliance.

Deloitte + Touche LLP

McLean, Virginia
November 10, 2016

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*

To the Board of Directors
and the Inspector General of the
Export-Import Bank of the United States:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 15-02, *Audit Requirements for Federal Financial Statements,* the financial statements of the Export-Import Bank of the United States ("EXIM Bank" or the "Bank") as of and for the year ended September 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated November 10, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered EXIM Bank's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of EXIM Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of EXIM Bank's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether EXIM Bank's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and OMB Bulletin No. 15-02.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the EXIM Bank's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 15-02, in considering EXIM Bank's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Deloitte + Touche LLP

McLean, Virginia
November 10, 2016

Congressional Reports

EXIM's charter, as renewed by Congress in PL 114-94 in 2015, requires the Bank to report progress on specific areas of activity in its annual report. In compliance with these requirements and other EXIM policies, the Bank is providing the following information for FY 2016:

SMALL BUSINESS

In support of U.S. small business exports in FY 2016, EXIM Bank authorized more than $2.6 billion – well exceeding the 25 percent required by Congress. Small business authorizations accounted for more than 2,600, or 90.9 percent, of total number of the Bank's authorizations in the fiscal year.

Of EXIM's small business authorizations, more than half involved amounts under $500,000, and nearly 380 benefited first-time users of the Bank's products.

Additionally, many additional American small businesses benefited indirectly from sales made in the supply chains of larger companies that directly used EXIM's financing products to support their exports.

MINORITY- AND WOMAN-OWNED BUSINESSES

In FY 2016, EXIM Bank approved a record number of authorizations in support of minority- or woman-owned (MWOB) businesses – nearly 770 authorizations totaling $544 million.

OUTREACH

Following the Bank's reauthorization in December 2015, the EXIM Bank team traveled throughout the United States to educate and advise small businesses on how to become successful exporters. From January through September 2016, the Bank sponsored a total of 20 Global Access Forums and roundtable discussions for small businesses.

EXIM staff also participated in nearly 40 outreach events from coast to coast in FY 2016 to engage minority- and woman-owned businesses in discussions about EXIM's products and services.

PRIVATE-SECTOR PARTICIPATION

In FY 2016, EXIM Bank leveraged its resources by working with private-sector lenders and other financial and trade institutions to make its financing products accessible to small businesses. By the end of the fiscal year, approximately 130 lenders were enrolled in EXIM's Working Capital Guarantee Program.

INDUSTRY SECTORS

Agriculture – More than $190 million authorized to support nearly $520 million U.S. exports of agricultural goods and services, including commodities, livestock, foodstuffs, farm equipment, chemicals, supplies and services. Approximately 89 percent of the supported exports in the agricultural sector were associated with small businesses.

Services - $124 million authorized to support an estimated $249 million of U.S. exports of services, including engineering, design, construction, computer software development, oil and gas drilling, architecture, technical services, training and consulting. U.S. small businesses benefited from $48 million in authorizations that supported an estimated $144 million of services exports provided by these firms.

Textiles – $40 million authorized to support approximately $81 million of U.S. exports related to the textile industry, including exports of textile components or inputs (clothing and other textiles parts) that were made in the United States.

SUB-SAHARAN AFRICA SUPPORT

The lapse of EXIM's full authority and inability to authorize transactions over $10 million contributed to another significant drop in EXIM Bank's authorizations for sub-Saharan Africa. In FY 2016, the Bank authorized $95 million supporting U.S. exports to the region. In contrast, EXIM Bank authorized a record $2.1 billion in FY 2014, the most recent year of operation with full authority.

Building Relationships with African Institutions

However, in FY 2016 EXIM Bank continued to strengthen its relationships with African banking and other business partners for future support of U.S. exports to sub-Saharan countries.

- EXIM Bank signed a $100 million memorandum of understanding (MOU) with United Bank for Africa at the World Economic Forum in Kigali, Rwanda.
- EXIM Bank signed a $100 million MOU with PTA Bank at the U.S.-Africa Business Forum in New York City.
- EXIM's Board of Directors and staff also engaged directly in business development outreach in Angola, Cameroon, Ethiopia, Mozambique, Nigeria, Rwanda and South Africa.

Working with Other U.S. Government Agencies

EXIM Bank coordinated closely with other U.S. government agencies across a number of initiatives and programs relating to sub-Saharan Africa in FY 2016.

- EXIM Bank worked with the U.S. Agency for International Development (USAID) and the U.S. Trade and Development Agency (USTDA) on business development related to the Power Africa initiative.
- EXIM Bank collaborated with the U.S. Department of State and the Office of the U.S. Trade Representative (USTR) in the Africa Growth and Opportunity Act (AGOA) Forum held in Washington, D.C. in September 2016.
- EXIM Bank also joined in discussions about the State Department's Global Connect Initiative to bring 1.5 billion people online by 2020.
- In coordination with the U.S. Department of Commerce, EXIM Bank participated in the U.S.-Africa Business Forum in New York City in September, as well as in Commerce Department 'Doing Business in Africa' events held throughout the United States.

FINANCING ENVIRONMENTALLY BENEFICIAL EXPORTS

Since 1992, EXIM Bank has fulfilled a congressional mandate to promote the use of its financing tools for U.S. exports that benefit the environment, including those exports related to the production of energy by renewable sources.

In FY 2016, EXIM Bank authorized approximately $125 million (including $27 million for exports related to renewable energy) to support nearly $220 million of U.S. exports of environmentally beneficial goods and services.

ENVIRONMENTAL STEWARDSHIP

In addition to financing environmentally beneficial exports, EXIM Bank is committed to transparency about Bank-financed projects that produce greenhouse-gas emissions. The Bank reports the estimated yearly levels of CO_2 emissions associated with approved projects in its annual report and those associated with pending projects on its website (http://www.exim.gov/policies/exim-bank-and-the-environment). The Bank tracks and reports all fossil-fuel-related projects in which CO_2 production is expected to exceed more than 25,000 tons per year.

In FY 2016, EXIM Bank approved no long-term authorizations and provided no new financing of fossil-fuel projects that produce greenhouse gases such as gas- or coal-fired power plants, refineries, petrochemical plants, or oil- and gas-field exploration and development. Therefore, the Bank has no additional project-related CO_2 emissions to report for the fiscal year.

The Bank also launched in FY 2016 a new "Environmental and Social Project Information and Concerns" web portal page to provide an improved process to enable customers, organizations and individuals to request or submit information through the Bank's website regarding a specific project. The portal also provides the opportunity to provide online feedback on environmental and social issues.

2016 Advisory Committee

From left: Caroline Freund, Owen Herrnstadt, Celeste Drake, Luis Ubiñas, Christine Gregoire (Chair), EXIM Bank Chairman and President Fred P. Hochberg, EXIM Bank Vice Chair and First Vice President Wanda Felton, Gabriel Ojeda, Robert Perciasepe, Kusum Kavia and Donald Nelson. **Not Shown:** Jenny Fulton, Matthew Slaughter, Sydney Thwaites, Thomas Kieran, John White, Steven Stephens and Mary Howe.

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Former Governor, Washington State
Olympia, WA
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Trade and Globalization Policy Specialist
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Lisa V. Terry
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and Chief Ethics Officer

Kenneth M. Tinsley
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Catrell Brown
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Public Affairs

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Andrew Falk
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Transportation Portfolio
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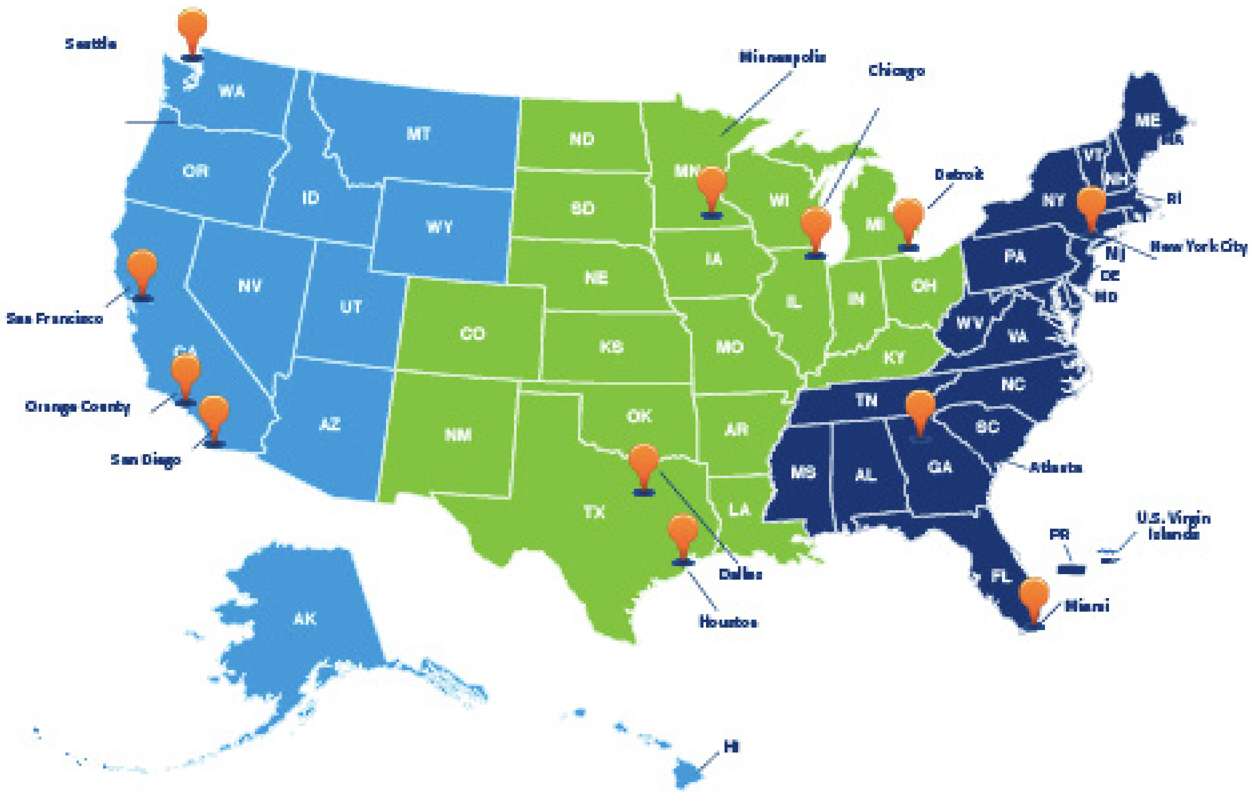
Michael Whalen
Vice President
Structured Finance

Patricia Alves Wolf
Vice President
and Controller

Directors and Officers as of November 10, 2016



SERVING SMALL BUSINESS EXPORTERS LOCALLY ACROSS THE UNITED STATES

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San Diego, CA 92123
Tel: 858.467.7035

San Francisco
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San Francisco, CA 94105
Tel: 415.705.2285

Seattle
2001 6th Avenue, Suite 2600
Seattle, WA 98121
Tel: 206.728.2264

CENTRAL REGION

Chicago (main)
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