Office of Inspector General
Export-Import Bank
of the United States

Audit of the Export-Import Bank of the United States Fiscal Year 2021 Financial Statements

November 12, 2021
OIG-AR-22-02

To: James Burrows, Jr.
Acting President and Chair of EXIM Board of Directors

Mary Jean Buhler,
Chief Financial Officer

From: Jennifer Fain
Acting Inspector General

Subject: Independent Audit of the Export-Import Bank of the United States Fiscal Year 2021 Financial Statements (Report No. OIG-AR-22-02)

Date: November 12, 2021

We contracted with the independent public accounting firm KPMG LLP to audit the financial statements of the Export-Import Bank of the United States (EXIM) as of and for the fiscal years ended September 30, 2021 and 2020, and to provide a report on internal control over financial reporting and compliance and other matters. The contract required the audit to be performed in accordance with U.S. generally accepted government auditing standards and Office Management and Budget (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*.

In its audit of EXIM, KPMG LLP found:

- the financial statements were fairly presented, in all material respects, in accordance with U.S. generally accepted accounting principles;
- no material weaknesses in internal control over financial reporting; and
- no instances of reportable noncompliance with provisions of laws and regulations tested or other matters.

KPMG is responsible for the attached independent auditors' reports dated November 12, 2021, and the conclusions expressed therein. We do not express opinions on EXIM's financial statements or internal control over financial reporting, or conclusions on compliance and other matters.

We appreciate the cooperation and courtesies provided to KPMG LLP and this office during the audit. If you have questions, please do not hesitate to contact me at (202) 565-3439 or jennifer.fain@exim.gov or Courtney Potter at (202) 565-3976 or courtney.potter@exim.gov.

cc: James Cruse, Acting First Vice President and Vice Chair of EXIM Board of Directors
Adam Martinez, Senior Vice President and Chief Management Officer
Madolyn Philips, Deputy Chief Banking Officer
Kenneth Tinsley, Senior Vice President and Chief Risk Officer
Howard Spira, Senior Vice President and Chief Information Officer
Henry Pitney, Acting Senior Vice President and General Counsel
David Sena, Senior Vice President of Board Authorized Financed
Inci Tonguch-Murray, Senior Vice President and Deputy Chief Financial Officer
Patricia Wolf, Vice President and Controller
Nathalie Herman, Vice President and Treasurer
Maria Fleetwood, Vice President of Acquisition and Business Services
James P Hauer III, Partner, KPMG LLP
Courtney Potter, Deputy AIG for Audits and Evaluations, OIG
Arinee Tackoor, Senior Auditor and FAC-COR, OIG
Amanda Myers, Senior Counsel, OIG

Export-Import Bank of the United States

TABLE OF CONTENTS

Export-Import Bank of the United States

SECTION 1

INDEPENDENT AUDITORS' REPORT

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Export-Import Bank of the United States (EXIM), which comprise the balance sheets as of September 30, 2021 and 2020, and the related statements of net cost and changes in net position, and 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 U.S. generally accepted accounting principles; 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 an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget (OMB) Bulletin No. 21-04, Audit Requirements for Federal Financial Statements. Those standards and OMB Bulletin No. 21-04 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 auditors' 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Export-Import Bank of the United States as of September 30, 2021 and 2020, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Matters

Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the Agency Management Report to provide additional information for the users of its financial statements. Such information is not a required part of the basic financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Management's Discussion and Analysis and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory 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 audits 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 Information

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The Other Information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 12, 2021 on our consideration of EXIM's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of those reports is solely 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 the effectiveness of EXIM's internal control over financial reporting or on compliance. Those reports are an integral part of an audit performed in accordance with Government Auditing Standards in considering the EXIM's internal control over financial reporting and compliance.

KPMG LLP

Washington D.C.
November 12, 2021

Export-Import Bank of the United States

SECTION 2

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

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

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*

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, in accordance with the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in accordance with Office of Management and Budget Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*, the financial statements of Export-Import Bank of the United States (EXIM), which comprise the balance sheets as of September 30, 2021 and 2020 and the related statements of net cost and changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements, and have issued our report thereon dated November 12, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended September 30, 2021, we considered the EXIM's internal control over financial reporting (internal control) as a basis for designing 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's internal control. Accordingly, we do not express an opinion on the effectiveness of EXIM's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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's financial statements as of and for the year ended September 30, 2021 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and agreements, noncompliance with which could have a direct and material effect on the financial statements. 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* or OMB Bulletin No. 21-04.

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's internal control or on noncompliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the EXIM's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington D.C.
November 12, 2021

Export-Import Bank of the United States

SECTION 3

ANNUAL MANAGEMENT REPORT

EXIM

EXPORT-IMPORT BANK
OF THE UNITED STATES

Annual Management Report

**For the Year Ended September 30, 2021,
and September 30, 2020**

Table of Contents

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

EXECUTIVE SUMMARY

The Export-Import Bank of the United States (EXIM) is the official export credit agency of the United States. EXIM is an independent executive agency and a wholly owned U.S. government corporation. EXIM's mission is to support jobs in the United States by facilitating the exports of U.S. goods and services. In FY 2020, the *Export-Import Bank Extension* (P.L.116-94, Div. I, Title IV) reauthorized EXIM for seven years -- through December 31, 2026.

When private-sector lenders are unable or unwilling to provide financing, EXIM fills in the gap for American businesses by offering financing programs. Additionally, EXIM levels the playing field for the export of U.S. goods and services competing against export credit agency (ECA)-supported competition in foreign markets so that American companies can create more American jobs.

During the year ended September 30, 2021, EXIM authorized $5,765.3 million of loan guarantees, insurance, and direct loans in support of an estimated $9,219.1 million of U.S. export sales.

EXIM has a statutory mandate to support small business. Small business authorizations in FY 2021 totaled $1,627.7 million, representing 28.2 percent (28.2%) of total authorizations. In FY 2021, 1,802 transactions were authorized for the direct benefit of small business exporters, which amounted to 86.9 percent (86.9%) of total transactions.

EXIM currently has exposure in 163 countries throughout the world. Total portfolio exposure decreased by 11.8 percent (11.8%) to $41,343.6 million as of September 30, 2021, compared to $46,872.0 million as of September 30, 2020.

EXIM's Charter requires that all authorized transactions demonstrate a reasonable assurance of repayment. The September 30, 2021, default rate, as reported to Congress, was 1.377 percent (1.377%). The default rate has increased as EXIM has continued to provide liquidity relief to its borrowers most impacted by the global economic effects associated with COVID-19.

Since 1992, when the Federal Credit Reform Act of 1990 (FCRA) became effective, EXIM has sent a net $9.0 billion to the U.S. Treasury for repayment of U.S. debt.

I. GENERAL OVERVIEW

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 is the official export credit agency of the United States. EXIM's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act (FCRA), which became effective October 1, 1991.

The mission of EXIM 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 competitive playing field for U.S. exporters due to financing provided by foreign governments to their exporters. In pursuit of its mission of supporting U.S. exports, EXIM offers four financial products: loan guarantees, working capital guarantees, direct loans, and export credit insurance. All EXIM obligations carry the full faith and credit of the U.S. government.

In accordance with its Charter (12 U.S.C. 635 et seq.), continuation of EXIM's functions in furtherance of its objectives and purposes is subject to periodic extensions granted by Congress. In December 2019, The *Export-Import Bank Extension* (P.L.116-94, Div. I, Title IV) fully reauthorized EXIM through December 31, 2026. EXIM's Charter requires reasonable assurance of repayment for the transactions EXIM authorizes, and EXIM closely monitors credit and other risks in its portfolio. Additional provisions contained in the amended Charter include a new program on China and transformational exports and related reporting, an increase to the small business threshold starting in FY 2021, as well as alternative procedures to follow during a quorum lapse.

STRATEGIC PLAN

The Strategic Plan guides EXIM to effectively accomplish its mission, maintain consistency with its Charter, and fulfill congressional mandates. The Strategic Plan, revised in 2020, continues to guide efforts at all levels of the organization and is a foundation for internal strategic and operational discussions.

The 2018-2022 Strategic Plan consists of five goals:

EXIM'S PROGRAMS

EXIM's export financing programs facilitate and support U.S. exports through four major programs: loan guarantees, direct loans, export credit insurance, and working capital guarantees.

Each of these programs has an associated term: short-, medium-, or long-term. Loans and guarantees extended under the medium-term program typically have repayment terms of one to seven years, while loans and guarantees extended under the long-term program usually have repayment terms in excess of seven years. Short-term financing consists of transactions with terms of one year or less.

Program Term	Repayment Terms
Short-Term	≤ 1 year
Medium-Term	1-7 years
Long-Term	≥ 7 years

LOAN GUARANTEE PROGRAM
(https://www.exim.gov/what-we-do/loan-guarantee)

EXIM loan guarantees cover the repayment risks on the foreign buyer's debts when purchasing U.S. exports. EXIM 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. For medium- and long-term transactions, EXIM provides an 85 percent (85%) guarantee, with a 15 percent (15%) down payment from the buyer.

WORKING CAPITAL GUARANTEE PROGRAM (WCGP)
(https://www.exim.gov/what-we-do/working-capital)

Under the WCGP, EXIM 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. For working capital guarantees, EXIM generally provides a 90 percent (90%) loan-backing guarantee to the lender.

DIRECT LOAN PROGRAM
(https://www.exim.gov/what-we-do/direct-loan)

EXIM offers fixed-rate loans directly to foreign buyers of U.S. goods and services. EXIM extends to a company's foreign customer a fixed-rate loan covering up to 85 percent (85%) of the U.S. contract value. The fixed-interest rates are determined through the Arrangement on Guidelines for Officially Supported Export Credits (the Arrangement) negotiated among members of the Organisation for Economic Co-operation and Development (OECD).

EXPORT CREDIT INSURANCE
(https://www.exim.gov/what-we-do/export-credit-insurance)

EXIM'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 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 are primarily U.S.-dollar transactions.

COVID-19 INITATIVES

In FY 2020 EXIM developed relief measures, under currently existing programs, in order to provide relief and more flexibility to U.S. businesses, their buyers, financial institutions, and American workers negatively impacted by COVID-19:

- Pre-Delivery / Pre-Export Financing Expansion
- Supply-Chain Financing Guarantee Expansion
- Working Capital Guarantee Expansion
- Bridge Financing

Three of these relief measures developed in the wake of COVID-19 are expansions of current products offered by EXIM, but they have been adjusted to add flexibility to make them more widely available to the export community.

Bridge Financing, the fourth relief measure, is available as a direct or guaranteed loan to foreign borrowers for an initial one-year period, with several “options to extend” decision points during the repayment term. The options, based on several factors, give the borrower the right to continue the EXIM-supported financing for the next portion of the repayment term.

As one of several of the COVID-19 liquidity relief options at EXIM’s disposal, the Bridge Financing benefits U.S. exporters in all industrial sectors, including small businesses. The program encourages borrowers to refinance in commercial markets at the earliest opportunity.

In March 2020, the EXIM Board of Directors approved these temporary relief measures to be in effect until April 30, 2021. As the world continues to deal with the COVID-19 pandemic, the Board of Directors voted unanimously, in March 2021, to extend the measures through April 30, 2022.

II. ORGANIZATIONAL STRUCTURE

EXIM’s headquarters is located in Washington, D.C., with business-development efforts supported through 12 regional offices across the country.

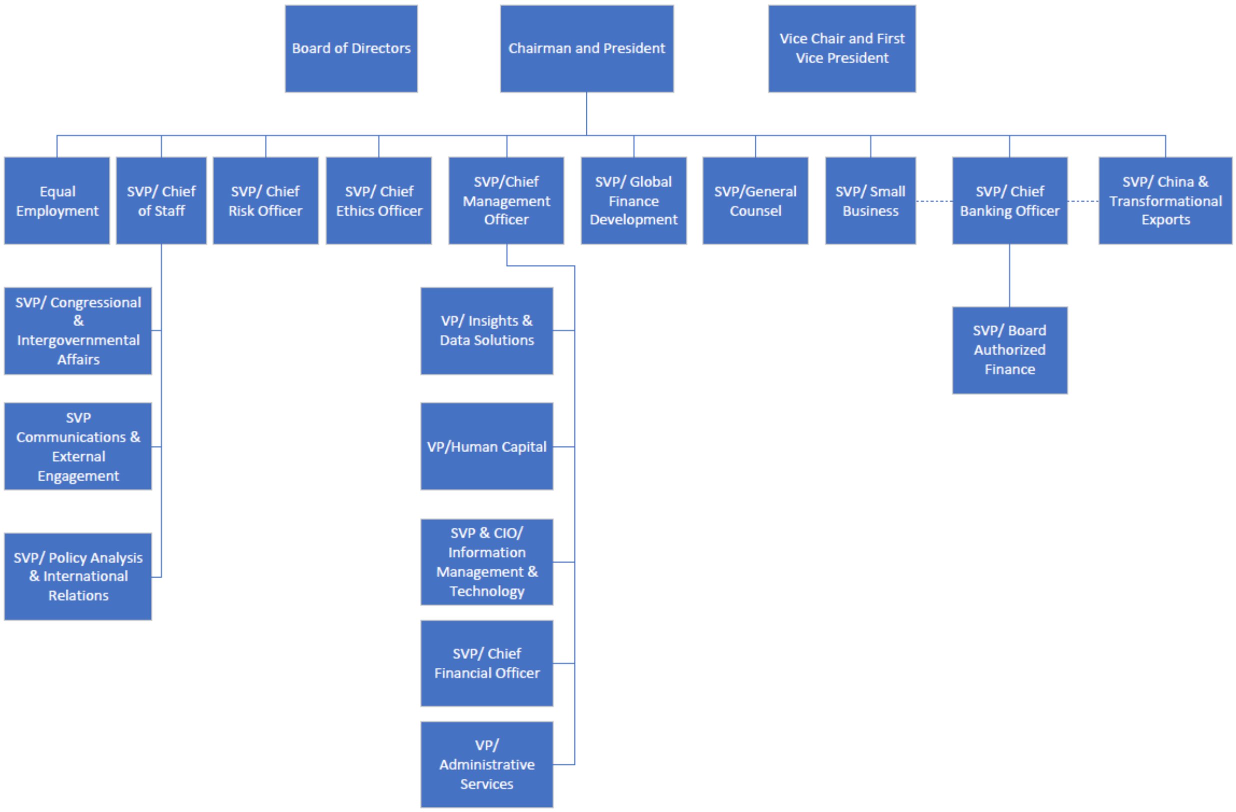
With decades of experience around the globe, the leaders of EXIM are uniquely equipped to support U.S. companies as they seek to fill orders abroad.

EXIM’s governance structure consists of the following offices:

- Office of the Chairman and President
- Board of Directors
- Office of the Senior Vice President and Chief Banking Officer
- Office of the Senior Vice President and Chief Management Officer
- Office of the Senior Vice President and Chief of Staff

A more detailed breakdown of these offices is illustrated in the organizational chart below.

EXIM 2021 Organizational Structure



III. FY 2021 PERFORMANCE AND RESULTS

TOTAL AUTHORIZATIONS

EXIM provides financing to facilitate U.S. exports and support jobs by either offering competitive rates and terms against other foreign ECAs or by filling financing gaps when private lenders are unable or unwilling to provide support for U.S. goods and services.

In implementing this mandate, EXIM approved $5,765.3 million in total authorizations in FY 2021. In contrast, EXIM approved $5,395.2 million in total authorizations in FY 2020. The FY 2021 authorizations supported an estimated U.S. export value (the total dollar value of exports related to EXIM's authorized financing) of $9,219.1 million. See Exhibit 1 for a breakdown of FY 2021 authorizations by term and program.

Exhibit 1: Authorizations by Term and Program

	FY 2021		FY 2020	
	Authorized (in millions)	As percent of total	Authorized (in millions)	As percent of total
Long-Term				
Loans	$ 69.8	1.2%	$ -	-
Guarantees	2,059.9	35.7%	1,201.4	22.3%
Subtotal, Long Term	**2,129.7**	**36.9%**	**1,201.4**	**22.3%**
Medium-Term				
Loans	-	-	9.5	0.2%
Guarantees	159.7	2.8%	221.1	4.1%
Insurance	41.0	0.7%	55.7	1.0%
Subtotal, Medium-Term	**200.7**	**3.5%**	**286.3**	**5.3%**
Short-Term				
Guarantees	1,202.7	20.9%	1,457.3	27.0%
Insurance	2,232.2	38.7%	2,450.2	45.4%
Subtotal, Short-Term	**3,434.9**	**59.6%**	**3,907.5**	**72.4%**
Total Authorizations	**$ 5,765.3**	**100.0%**	**$ 5,395.2**	**100.0%**

Long-term transactions: For authorization, long-term transactions require extensive credit assessments performed by underwriters with subject-matter expertise. 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) to decrease the risk of a borrower default and increase recoveries 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 EXIM must set aside.

Short-term and medium-term transactions: These transactions are largely approved under individual delegated authority granted by the Board of Directors to EXIM 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 to the Board of Directors.

CONGRESSIONAL MANDATES

In accordance with the EXIM Charter, EXIM 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** (12 U.S.C. § 635(b)(1)(E)(v)): The Charter states that not less than 25 percent (25%) of the aggregate loan, guarantee, and insurance authority available to EXIM should be made available to finance exports directly by small business concerns. Effective January 1, 2021, this mandate increased to 30 percent (30%).

2. **Sub-Saharan Africa Mandate** (12 U.S.C. § 635(b)(9)(A)): The Charter directs the Board of Directors of EXIM to take measures, consistent with the credit standards otherwise required by law, to promote the expansion of EXIM's financial commitments in sub-Saharan Africa under the loan, guarantee, and insurance programs of EXIM.

3. **Environmentally Beneficial Goods and Services Mandate** (12 U.S.C. § 635i-5(b)(1)): The Charter states that EXIM 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. EXIM shall also promote the export of goods and services related to renewable-energy sources with a goal to ensure that not less than 5 percent[1] of the applicable amount[2] is made available each fiscal year for the financing of renewable energy.

4. **Program on China and Transformational Exports Mandate** (12 U.S.C. 635 et seq)**:** The Charter directs EXIM to establish a new program to support the extension of loans, guarantees, and insurance, at rates and on terms and other conditions, to the extent practicable, that are fully competitive with rates, terms, and other conditions established by the People's Republic of China or by other covered countries as defined by the Charter (Sec. 2(l)(2). EXIM's goal is to reserve twenty percent (20%) of the agency's total financing authority, or $27.0 billion, for support made pursuant to the program.

---

[1] Charter Sec. 2(b)(1)(K)

[2] The applicable amount as defined in section 6(a)(2) of the Charter for each of fiscal years 2020 through 2027 is $135,000.0 million.

SMALL BUSINESS MANDATE

EXIM's programs play an important role in providing export finance support to small businesses that have the ability to expand and create American jobs. EXIM provides export finance solutions to U.S. small businesses, particularly those companies with fewer than 100 employees or that have been traditionally underserved, including minority-owned and woman-owned companies. As the second goal in EXIM's Strategic Plan, EXIM focuses on the growth of its small business customer base in the U.S., to support a broader reach across the United States.

Small businesses are major creators of jobs in the United States, and Congress places significant emphasis on supporting small business exports by mandating the amount of EXIM's authority that must be made available to small businesses every fiscal year.

In 1978, EXIM introduced its first short-term export credit insurance policy tailored for small business, and then in 1985, Congress enacted a 10 percent (10%) mandate on small business authorizations. The mandate was increased in 2002 to 20 percent (20%), and in December 2015 (FY 2016) to 25 percent (25%). Effective by January of 2021 the mandate again increased to 30 percent (30%).

EXIM's Office of Small Business provides an agency-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 continues to innovate, design, and implement products and policies to meet the needs of the U.S. small business exporter.

In FY 2021, EXIM had sufficient financing authority for all qualified small business applications and utilized 28.2 percent (28.2%) of aggregate loan, guarantee, and insurance authority to support small business.

FY 2021 Small Business Authorizations

EXIM's objective is to increase small business authorizations with a reasonable assurance of repayment. Small business authorizations in FY 2021 were $1,627.7 million and $2,082.0 million in FY 2020. In FY 2021, small business authorizations represented 28.2 percent (28.2%) of total authorizations and 32.5 percent (32.5%) of the direct export value EXIM supported in FY 2021.

During FY 2021, the number of transactions that were executed for the direct benefit of small business exporters was 1,802 or 86.9 percent (86.9%) of the total number of transactions, compared to 88.6 percent (88.6%) of the total number of transactions in FY 2020. Of the small business transactions authorized in FY 2021, 1,009 of these transactions were less than $500,000 compared to 1,049 transactions in FY 2020. In FY 2021, 197 new small business exporters used EXIM small business products for the first time compared to 229 new small business exporters in FY 2020.

32.5% **of total direct export value supported in FY 2021 was for small business**

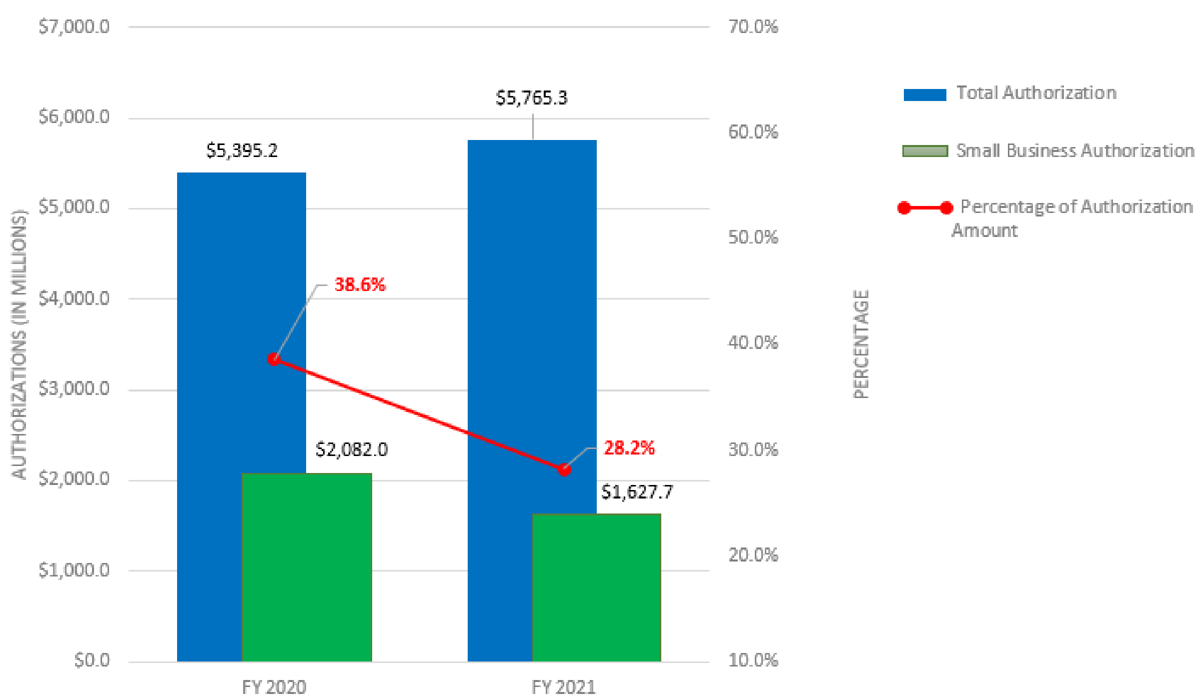
86.9% **of EXIM transactions directly benefited U.S. small business exporters**

EXIM offers two products which primarily benefit small businesses: working capital guarantees and export credit insurance. In FY 2021, $345.1 million, or 62.2 percent (62.2%), of total authorizations in the Working Capital Guarantee Program supported small businesses compared to 51.3 percent (51.3%) in FY 2020. Of the total authorizations under the export credit insurance program in FY 2021, 52.5 percent (52.5%), or $1,194.1 million, supported small businesses, compared to 62 percent (62%) in FY 2020.

EXIM also works to support the unique needs of minority-owned and women-owned businesses providing hands-on guidance on how to qualify for and access EXIM financing in order to grow their exports. Supported by this effort, minority-owned and women-owned businesses accounted for $361.0 million and $335.4 million of authorizations in FY 2021 and FY 2020, respectively. In FY 2021, of the $361.0 million, $327.0 million are in direct benefit of small businesses.

As illustrated in Exhibit 2, which shows the total dollar amount of authorizations for small business exports as a percentage of total authorizations, financing to directly support exports by small businesses decreased in FY 2021, accounting for 28.2 percent (28.2%) of the agency's total authorization amount.

Exhibit 2: Small Business Authorizations as a Percentage of Total Dollars Authorized



SUB-SAHARAN AFRICA MANDATE

EXIM began providing financing in sub-Saharan Africa in 1942 and continues to do so across the region. EXIM provides U.S. exporters with the financing tools they need to successfully compete for business in Africa and offers products and initiatives that help U.S. exporters in all regions of Africa, including high-risk and emerging markets. For African buyers, EXIM support typically takes the form of guarantees or insurance of lender loans, allowing African buyers the opportunity to obtain funds at competitive rates and for longer terms. This EXIM support simultaneously benefits job creation in both the United States and sub-Saharan Africa.

Pursuant to its Charter, EXIM has established the Sub-Saharan Africa Advisory Committee. The committee members advise EXIM and the Board of Directors on the development and implementation of policies and programs designed to support EXIM's engagement in sub-Saharan Africa, with a focus on boosting American exports and bolstering U.S. jobs.

FY 2021 Sub-Saharan Africa Authorizations

In FY 2021, sub-Saharan Africa dollar authorizations represented 0.7 percent (0.7%), or $42.9 million of total authorizations, while in FY 2020 the dollar amount of authorizations represented 2.6 percent (2.6%) of total authorizations, or $138.9 million. Sub-Saharan Africa authorizations represented 74 transactions, or 3.6 percent (3.6%), of EXIM's transactional total in FY 2021 and 69 transactions, or 3.3 percent (3.3%) in FY 2020.

ENVIRONMENTALLY BENEFICIAL GOODS AND SERVICES MANDATE

EXIM fills the financing gap to support competitive financing for U.S. exports while also maintaining environmental responsibility. As required by Congress in 1992, EXIM adopted environmental procedures and guidelines to assess the environmental impacts of projects seeking EXIM financing, and was the first ECA to adopt such procedures. EXIM works with its customers and stakeholders to balance its mission of supporting U.S. jobs through exports, with environmental considerations. In addition to EXIM's environmental and social due diligence, EXIM financing supports renewable and other environmentally beneficial U.S. exports as required by its Charter.

EXIM 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.-made environmental goods and services. EXIM 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 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 2021 Environmentally Beneficial Authorizations

In FY 2021, EXIM authorizations of environmentally beneficial goods and services totaled $71.9 million, and approximately 1.2 percent (1.2%) of EXIM's FY 2021 authorizations supported environmentally beneficial goods. EXIM's total number of renewable-energy authorizations, a subset of EXIM's environmentally beneficial authorizations, totaled 15 transactions in FY 2021. In FY 2021, EXIM authorizations which support United States renewable-energy exports and services totaled $11.7 million.

PROGRAM ON CHINA AND TRANSFORMATIONAL EXPORTS MANDATE

In the Further Consolidated Appropriations Act[3] passed in 2019, Congress directed EXIM to establish a Program on China and Transformational Exports. EXIM Charter Section 2(l) established this new program. The central purpose of the program is to support extensions of export credit and insurance that are fully competitive, to the extent practicable, with those provided by China in order to:

1. Directly neutralize export subsidies for competing goods and services financed by official export credit, tied aid, or blended financing provided by China or by other covered countries.
2. Advance the comparative leadership of the United States with respect to China, or support United States innovation, employment, and technological standards, through direct exports in 10 transformative areas, plus any associated services. The 10 transformation areas are as follows:

    - Artificial intelligence
    - Biotechnology
    - Biomedical sciences
    - Wireless communications equipment
    - Quantum computing
    - Renewable energy, energy efficiency, and energy storage
    - Semiconductor and semiconductor machinery manufacturing
    - Emerging financial technologies
    - Water treatment and sanitation
    - High-performance computing

FY 2021 China and Transformational Exports Authorizations

EXIM is mandated with a goal of reserving not less than 20 percent (20%) of the agency's total financing authority, or $27.0 billion out of the total of EXIM's $135.0 billion lending limit, for support made pursuant to the program. In FY 2021 $141.3 million was authorized in direct support of this program, or 2.5 percent (2.5%) of total authorizations.

[3] P.L. 116-94

IV. EXIM'S SELF-FINANCING STATUS

EXIM is considered a self-financing agency, which means that EXIM collects funds from credit program customers which are used to offset, or "pay-back" the EXIM appropriation to the U.S. Treasury. Funds are collected from commitment fees, exposure fees, and interest, and the agency collects the majority of fees when the transactions disburse. From these fees, EXIM first sets aside funds to maintain prudent loan loss reserves. When self-financing, any additional collections made in excess of the amount paid back for the appropriation are sent to Treasury to offset the federal debt.

In FY 2021 and FY 2020 EXIM was partially self-financing. In FY 2021, through its annual appropriation, EXIM had authority to obligate $110.0 million for administrative costs.[4] EXIM self-financed, or paid back, $61.7 million of these costs with offsetting collections while the remaining $48.3 million was covered by the annual appropriation. During FY 2020, $16.9 million of EXIM's administrative costs were covered by offsetting collections while $93.1 million was covered by an annual appropriation. With the re-establishment of EXIM's board quorum, EXIM expects to resume its self-financing status, as the increasing transaction level provides for additional fee and interest collections.

Since 1992, when FCRA became effective, EXIM has generated $9.0 billion in revenues for U.S. taxpayers after providing for all expenses, loan-loss reserves, and administrative costs, and these amounts were sent to the Treasury.

Since 1992, the Bank has sent $9.0 billion to the U.S. Treasury to offset the federal debt

EXIM has continued to maintain a yearly zero credit subsidy on new authorizations in both FY 2021 and FY 2020.

V. RISK MANAGEMENT

EXIM has established an Enterprise Risk Committee (ERC), which pursuant to the ERC Charter is responsible for reviewing, evaluating, educating, coordinating, and making recommendations to the Chief Risk Officer, the EXIM President and senior management on financial, credit, legal, operational, reputational, and other risks including EXIM policies related to those risks. The ERC manages the risks through an integrated, enterprise risk-management program that includes identifying, prioritizing, measuring, monitoring, and managing agency risks in a holistic, entity-wide manner.

[4] Department of State, Foreign Operations, and Related Programs Appropriations Act, 2021 Div. K, Public Law 116-260

PROTECTING THE U.S. TAXPAYER

One of EXIM's core responsibilities is to minimize, through the diligent application of prudent commercial lending principles, the risk of loss to the United States taxpayer arising from business activities. EXIM 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.

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

EXIM's Board of Directors, or an EXIM 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 EXIM's Charter. Transactions require the approval of the Board of Directors directly or through delegated authority.

EXIM's comprehensive risk management includes detailed documentation to ensure EXIM'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 proactive monitoring efforts to minimize defaults. EXIM believes that a comprehensive risk-management framework with strong emphasis on continuous improvement minimizes claims and defaults. EXIM engages in robust portfolio management, as well as oversight and governance, including maintaining adequate loan-loss reserves for cases of default.

Risk management processes that are performed after a transaction is approved encompass the following:

- Proactively managing individual transactions in EXIM's portfolio with a focus on the financial condition of an obligor;
- Assessing the use, maintenance and condition of mortgaged collateral, as applicable;
- Actively managing operative phase matters, including any requested or necessary amendments, waivers and consents, and, if applicable, restructurings.

EXIM seeks to maintain an appropriate balance between meeting the needs of the borrower and obligor and protecting the United States taxpayer through preserving the value of both EXIM's collateral and assets, and its legal rights. Transactional risk management staff ensure that senior management is apprised of the performance of the portfolio through regular reporting and presentations to ERC. In addition, the risk rating for each borrower is updated on a continuing basis. The risk-rating system is discussed more in detail in sections below.

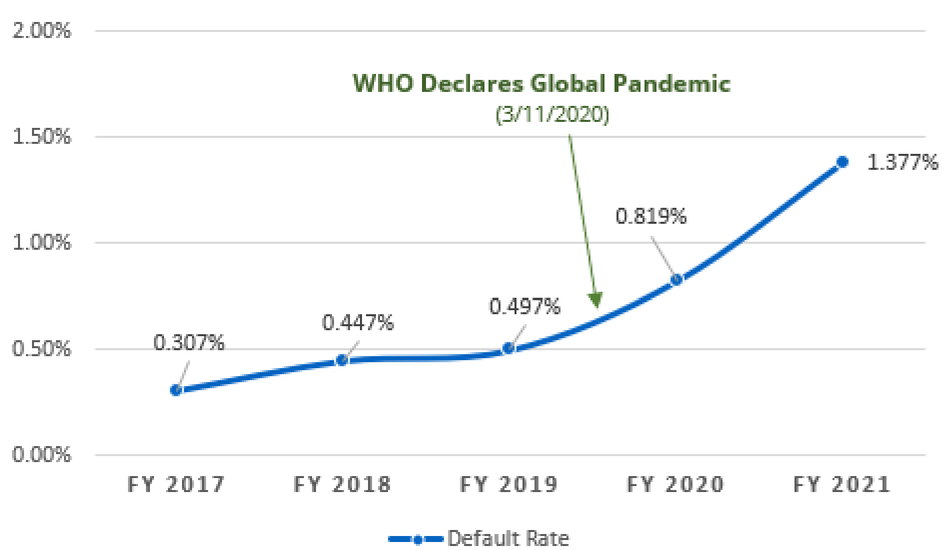
DEFAULT RATE

Pursuant to its Charter, EXIM is mandated to report to Congress on a quarterly basis the current default rate on its active portfolio. 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). Currently, EXIM is required to maintain a default rate below two percent (2%) to avoid a freeze on the lending cap. If the rate is two percent (2%) or more for a quarter, EXIM may not exceed the amount of loans, guarantees, and insurance outstanding on the last day of that quarter, until the rate is less than 2 percent (2%) again. On September 30, 2021, the reported default rate was 1.377 percent (1.377%). The default rate has increased as EXIM has continued to provide liquidity relief to its borrowers most impacted by the global, economic effects associated with COVID-19.

1.377% **Default Rate**

Exhibit 3 shows the trend of EXIM's default rate over the last five years. Increase in the default rate is attributable to COVID-19 crisis. Although the COVID-19 pandemic has affected some industries such as transportation more than the others, EXIM has focused on supporting the liquidity needs of borrowers in order to maximize value for U.S. taxpayers.

Exhibit 3: Default Rate (Five-Year Trend)



PORTFOLIO-RISK RATING SYSTEM AND RISK PROFILE

The Interagency Country Risk Assessment System (ICRAS)

FCRA requires a standardized country risk assessment for all U.S. government agencies. In 1992 OMB established the Interagency Country Risk Assessment System, or ICRAS. ICRAS provides 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.[5] 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 those rating systems used by Moody's Investor Service, S&P Global Ratings and Fitch Ratings.

EXIM serves as the Secretariat for ICRAS, specifically the Country Risk and Economic Analysis (CREA) Division in the Office of the Chief Risk Officer. As Secretariat, CREA prepares assessments of country-risk conditions, and submits monthly analyses to ICRAS. The ICRAS meets quarterly to discuss the risk ratings and CREA's recommendations.

Risk Ratings

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 *nonsovereign-risk level*, for lending within the private market of that sovereign government. There are 11 sovereign and nine nonsovereign risk categories. ICRAS currently has risk ratings for 205 sovereign and 207 nonsovereign markets.

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 unwilling to make a good-faith effort. Other categories reflect various degrees of potential or actual payment difficulties.

ICRAS Default Estimates

EXIM 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 2021 and FY 2020, the models incorporate EXIM's actual historical loss and recovery experience.

---

[5] Including the Departments of State, Treasury, U.S. Department of Agriculture, U.S. International Development Finance Corporation, Commerce, Defense, the Federal Reserve, and EXIM

Exposure-Risk Profile and Budget Cost Level

Corresponding with the ICRAS risk-rating system detailed above, EXIM classifies medium and long-term credits into 11 risk categories, with level 1 being the lowest risk and 11 being the riskiest. Each level in this scale is referred to as a Budget Cost Level, or BCL. The purpose of the BCL is to determine the repayment risk for each transaction, with the rating reflecting EXIM's assessment of the risk of the transaction at the time of authorization.

BCL 1 through 4 are considered "investment grade" ratings and are the equivalent of S&P's BBB- or better ratings. BCL 5 or worse are considered "speculative grade", equivalent to a BB+ or BB or worse. EXIM generally does not authorize new credits that would be risk-rated with a BCL above an 8.

EXIM is assuming and managing country and credit risks that the private sector is unable or unwilling to accept in order to support U.S. exports. The overall weighted-average risk rating of EXIM's portfolio is above a BCL 4. The overall weighted-average risk rating for rated export credit authorizations made in FY 2021 was 5.4 compared to a weighted-average risk rating of 5.9 in FY 2020. For FY 2021, 25.2 percent (25.2%) of EXIM's rated new authorizations were in the level 1 to 4 range (AAA to BBB-) while 74.8 percent (74.8%) were rated level 5 to 8 (BB+ to B-).

Changes in Portfolio-Risk Level

At September 30, 2021, EXIM had a portfolio exposure of $41,343.6 million of loans, guarantees, insurance, and outstanding claims receivable. The outstanding portfolio includes new business transactions as well as the existing portfolio transactions that are risk-rated at the end of each fiscal year. The risk rating for the total portfolio exposure increased, with the weighted average in FY 2021 at 5.6 as compared to 5.5 in FY 2020. The slight increase continues to be mostly related to the impact of COVID-19 on the risk ratings.

IMPAIRED CREDITS AND PARIS CLUB ACTIVITIES

Impaired Credits

Impaired Credits are defined as those transactions risk rated as BCL 9 to 11 and are 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 credits.

Paris Club Activities

The Paris Club is a group of 22 permanent member-creditor countries that meets regularly in Paris to discuss and provide debt relief to qualifying debtor countries. The U.S. Treasury and State Department represent the United States and the interests of all U.S. agencies that hold international debt, such as EXIM. Paris Club debt relief can come in the form of rescheduling, or a reduction or suspension in payments for a certain period or a certain date. In both FY 2020 and FY 2021, no country has received Paris Club treatment of EXIM debt in the form of principal forgiven.

EFFECTIVENESS AND EFFICIENCY

EXIM uses various measures to assess the relative efficiency and effectiveness of EXIM's programs. EXIM's annual *Report to the U.S. Congress on Global Export Credit Competition* (the "Competitiveness Report") compares EXIM's competitive performance with that of other ECAs. When combining the Competitiveness Report with internal efficiency measurements, management assesses the effectiveness of EXIM's operations.

The 2020 Competitiveness Report,[6] released in 2021, describes the global impact of the COVID-19 pandemic. Total volumes of official medium- and long-term (MLT) export credit support were down across the globe in 2020, including those provided by the world's largest export credit provider, the People's Republic of China. The COVID-19 pandemic was a prime contributor to both the noticeable drop in MLT activity by global export credit agencies (ECAs) and the significant use of short-term support and increase in working capital support to domestic industries.

The COVID-19 crisis led many governments to call on their ECAs to serve as a tool to help boost economic growth while their economies struggled, for example, by directing ECAs to take steps meant to support broader export promotion in 2020 and expand programmatic offerings beyond traditional export credit support.

VI. PORTFOLIO

An efficient and effective risk-management framework allows EXIM 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 offering its own narrative, nuance, and interpretation.

PERSPECTIVE-BASED ANALYSES

Program, Region, Industry, and Foreign Currency

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

Program Exposure

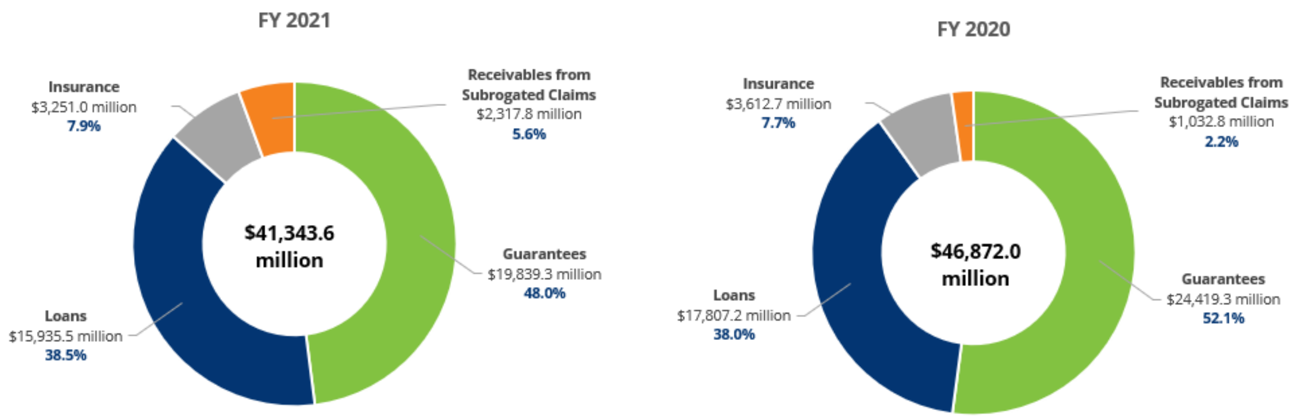
EXIM currently has exposure totaling $41,343.6 million at September 30, 2021, compared to $46,872.0 million in FY 2020. Overall, portfolio exposure has declined due to repayments, including prepayments, on outstanding transactions exceeding new authorizations. With lower credit authorizations, the maturing portfolio trends can be seen on the exposure exhibits below.

[6] http://www.exim.gov/news/reports/competitiveness-reports

From a portfolio perspective, guarantees made up the largest portion (48.0 percent and 52.1 percent) of EXIM's exposure at September 30, 2021, and September 30, 2020, respectively.

Exhibit 4 summarizes total EXIM exposure by program for FY 2021.

Exhibit 4: Exposure by Program



Regional and Top-Country Exposure

EXIM currently has exposure in 163 countries throughout the world. Exhibit 5 illustrates the global regions that make up EXIM's total exposure, with exposure fairly evenly spread across Asia 18.6 percent (18.6%), sub-Saharan Africa 17.6 percent (17.6%), and Latin America and Caribbean 16.2 percent (16.2%) with these three regions amounting to $21,667.4 million or 52.4 percent (52.4%) of EXIM's entire exposure. The "Other" region in Exhibit 5 includes undisbursed balances of short-term multi-buyer insurance that is not allocated by region until the shipment has taken place. Management classifies exposure of regional country groupings of its loan, guarantee, and insurance portfolio to align EXIM's reporting with other entities with international exposure such as the World Bank, and the U.S Treasury.

Exhibit 5: Regional Exposure

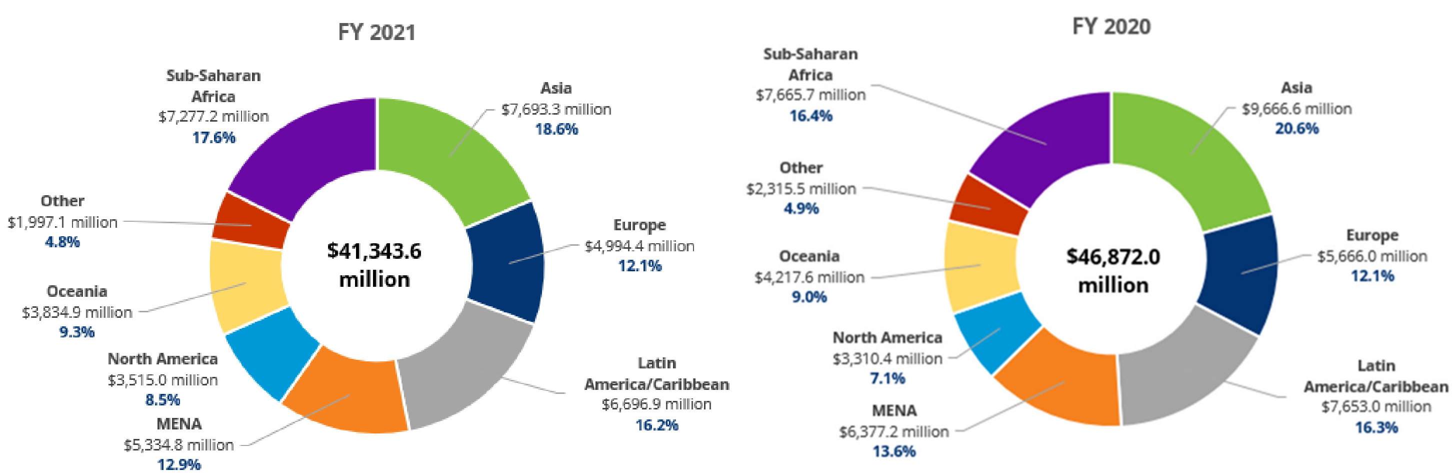
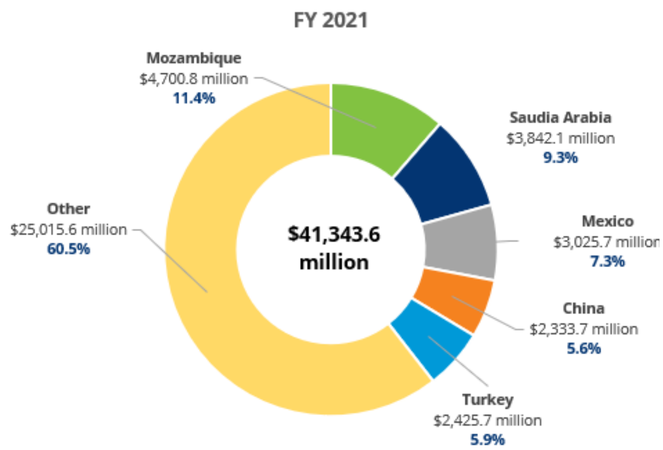
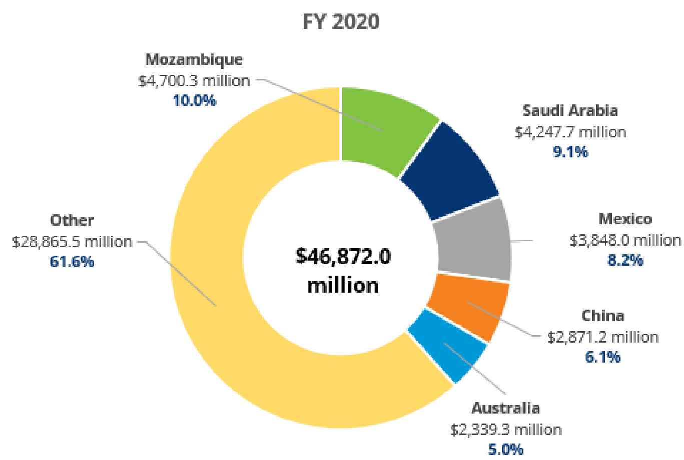


Exhibit 6 illustrates exposure for the top five countries as of September 30, 2021. These five countries make up 39.5 percent (39.5%) of total exposure in FY 2021. The top five countries made up 38.4 percent (38.4%) of total exposure in FY 2020. While Australia had been one of the top five countries in FY 2020, exposure in Turkey has increased in FY 2021 making it one of the top five countries where EXIM has exposure.

Exhibit 6: Top-Country Exposure

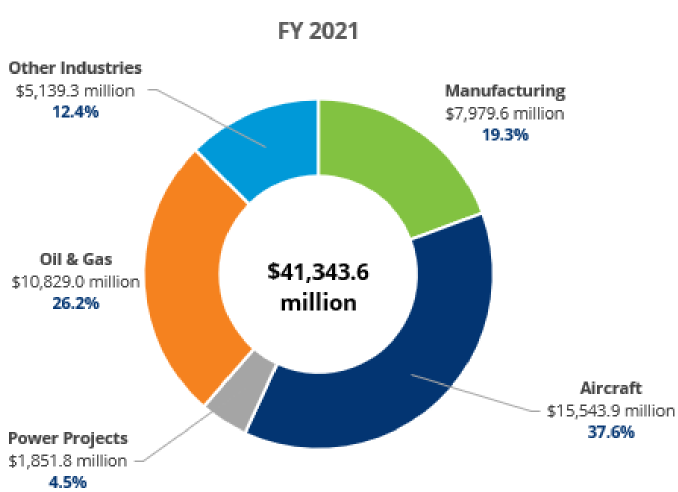


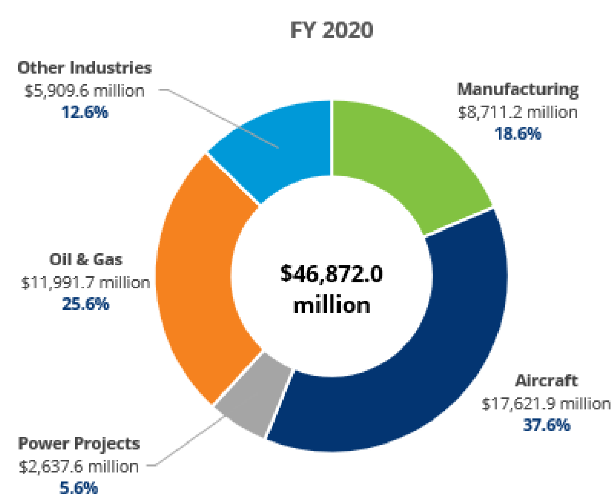


Industry Exposure

Exhibit 7 shows exposure by the major industrial sectors in EXIM's portfolio, with the aircraft industry making up the largest exposure at 37.6 percent (37.6%). Some of the industrial sectors included in "Other Industries" are information and communication service providers, mining, agriculture forestry fishing and hunting, and construction.

Exhibit 7: Exposure by Major Industrial Sector





Foreign-Currency Exposure

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

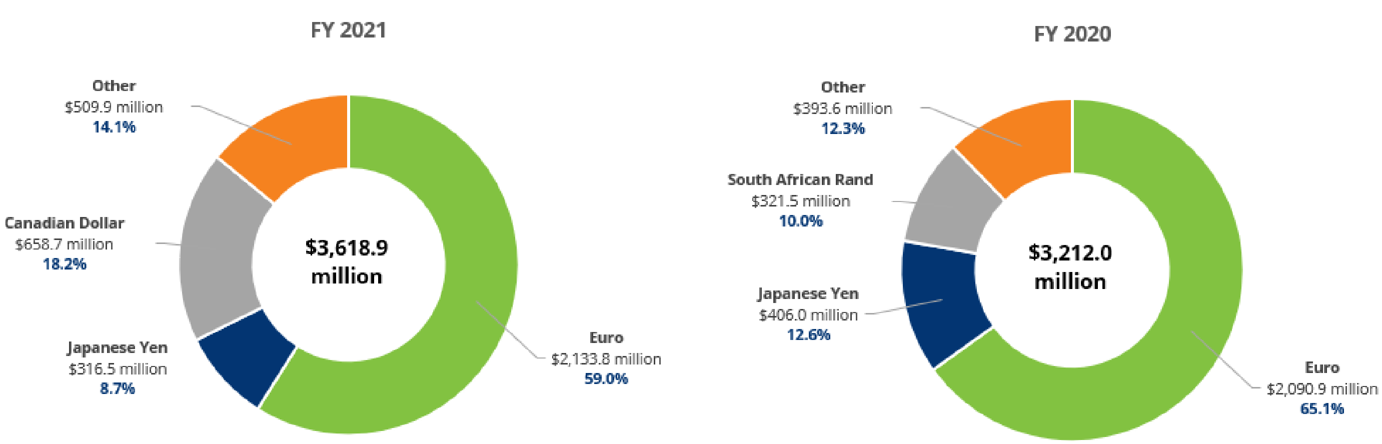
In FY 2021, EXIM approved $1,479.8 million in transactions denominated in foreign currency, representing 25.7 percent (25.7%) of all new authorizations. Foreign-currency transactions are recorded on EXIM's books in U.S. dollars based on the exchange rate at the time of authorization. The U.S. dollar exposure is adjusted at year-end using the latest exchange rates.

For FY 2021 the total exposure balance of foreign-currency-denominated guarantees and insurance was $3,618.9 million, representing 8.8 percent (8.8%) of total EXIM exposure. For FY 2020 the total outstanding exposure balance of foreign-currency-denominated guarantees and insurance was $3,212.0 million, representing 6.9 percent (6.9%) of total 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 EXIM's foreign-currency authorizations support U.S. transportation exports.

Exhibit 8 illustrates the U.S. dollar value of EXIM's outstanding foreign-currency exposure, for the three highest foreign currencies outstanding for FY 2021 and FY 2020. The category lableled "Other," in Exhibit 8, mainly consists of the South African Rand, Australian Dollar, Mexican Peso, and New Zealand Dollar. Together these make up the $509.9 million in outstanding foreign-currency exposure.

Exhibit 8: U.S. Dollar Value of Foreign-Currency Exposure



Portfolio-Loss Reserves

Allowance for Losses on Loans and Guaranteed Loan Liabilities

The loss reserves for EXIM credits are comprised of an allowance for loss on direct loans, as well as liabilities for expected defaults on loan guarantees and insurance policies. EXIM sets aside reserves for each credit for expected future losses. Should any defaults occur, any subsequent recoveries are credited to the allowance. Write-offs are charged against the allowance when management determines that a loan or claim balance is no longer collectable.

The allowance on loans and the liabilities for guarantees and insurance authorized after the implementation of FCRA, equates to the amount of expected credit loss associated with the applicable credit. EXIM has established cash-flow models for expected defaults, fees, and recoveries to estimate its credit losses. The models incorporate EXIM's actual historical loss and recovery experience.

EXIM incorporates a quantitative and qualitative framework to calculate loss reserves. The quantitative framework includes factors such as loss curves for sovereign-guaranteed transactions and for asset-backed aircraft transactions. In line with industry best practices, EXIM incorporated qualitative factors that take into account the global macroeconomic environment and set minimum loss rates.

In accordance with Office of Management and Budget (OMB) guidelines and Statement of Federal Financial Accounting Standards (SFFAS) 2[7] and SFFAS 18[8], EXIM annually reestimates the subsidy cost allowance for its loans and the liabilities for guarantees and insurance transactions in order to account for current financial and economic factors that may impact the portfolio's credit risk profile. This reestimate allows EXIM to annually adjust its loss reserve funds to the appropriate level necessary to cover projected future losses. If estimated credit losses decrease relative to the current level of reserve funds, EXIM sends the excess funds to the U.S. Treasury. Increases in estimated credit losses are covered by additional appropriations that are automatically available through permanent and indefinite authority, pursuant to FCRA.

The reestimate of the credit loss of the exposure for FY 1992 through FY 2021 calculated at September 30, 2021, indicated that there was a net of $73.4 million of additional funds that were needed in the financing accounts. The transfer of the net upward reestimate from the U.S. Treasury to EXIM will take place in FY 2022. The reestimate of the credit loss of the exposure for FY 1992 through FY 2020 calculated at September 30, 2020, indicated that there was a net of $659.4 million of additional funds that were needed in the financing accounts. The transfer of the net upward reestimate from the U.S. Treasury to EXIM took place in FY 2021.

---

[7] *Accounting for Direct Loans and Loan Guarantees*, August 23, 1993

[8] *Amendments to Accounting Standards for Direct Loans and Loan Guarantees*, May 17, 2000

The total allowance for losses for loans and claims, and liabilities for guarantees and insurance commitments as of September 30, 2021, is $3,078.2 million, representing 9.6 percent (9.6%) of outstanding balance of $32,213.8 million (Exhibit 9). This compares to the allowance for losses for loans and claims, and liabilities for guarantees and insurance commitments as of September 30, 2020, of $2,906.9 million, representing 7.6 percent (7.6%) of the outstanding balance of $38,145.4 million. The year-over-year increase in the allowance reflects the deteriorating credit profile of key borrowers and industry sectors in EXIM's portfolio caused by the onset of the COVID-19 pandemic.

EXIM'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.

Exhibit 9 displays the loss reserves as a percentage of the total portfolio exposure.

Exhibit 9: Loss Reserves and Exposure Summary

(in millions)	FY 2021	FY 2020
Outstanding Guarantees and Insurance	$18,799.9	$24,095.4
Outstanding Loans	11,096.1	13,017.2
Outstanding Defaulted Guarantees and Insurance	2,317.8	1,032.8
Total Outstanding	$32,213.8	$38,145.4
Undisbursed Guarantees and Insurance	$ 4,290.4	$ 3,936.6
Undisbursed Loans	4,839.4	4,790.0
Total Undisbursed	$ 9,129.8	$ 8,726.6
Total Exposure	$41,343.6	$46,872.0
Weighted-Average Risk Rating of Total Exposure	5.6	5.5
Loss Reserves		
Liability for Guarantees and Insurance	$ 731.4	$ 865.6
Allowance for Loan Losses	1,301.6	1,331.2
Allowance for Defaulted Guarantees and Insurance	1,045.2	710.1
Total Reserves	$ 3,078.2	$ 2,906.9
Loss Reserve as Percentage of Outstanding Balance	9.6%	7.6%
Loss Reserve as Percentage of Total Exposure	7.4%	6.2%

VII. KEY BUDGET AND ACCOUNTING REQUIREMENTS

EXIM reports its financial position using generally accepted accounting principles (GAAP) as applied to the federal government in the United States. GAAP for federal entities are the standards and other authoritative pronouncements as prescribed by the Federal Accounting Standards Advisory Board (FASAB). EXIM is not required to comply with all sections of OMB Circular A-136[9] for reporting; however, EXIM does follow the format and content outlined by the circular for preparing its financial statements and footnotes.

Under GAAP standards applicable to federal agencies, EXIM reported total net cost of $137.6 million for the year ended September 30, 2021, and total net cost of $742.0 million for the year ended September 30, 2020.

As previously mentioned, administrative and program costs for new authorizations are initially covered by offsetting collections from EXIM's credit-program customers. Costs above the fees collected are supplemented with an annual discretionary appropriation from the U.S. Congress. EXIM also receives mandatory appropriations through an upward reestimate, when it is determined that additional funds are needed through the credit-loss reestimate of EXIM's existing portfolio.

While EXIM looks to further optimize the execution of mission and implementation of its Charter, EXIM complies with federal budget and governmental accounting requirements, two of which are discussed below.

BUDGETING FOR NEW AUTHORIZATIONS UNDER THE FEDERAL CREDIT REFORM ACT

Under the FCRA, the U.S. government budgets for the present value of the estimated cost of credit programs. For EXIM, 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 collects fees that cover program obligations and administrative costs to the extent possible.

When expected cash disbursements exceed expected cash receipts, there is an expected net outflow of funds, resulting in a "cost" to EXIM. This cost is sometimes referred to as subsidy or program cost. EXIM 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. In both FY 2021 and 2020 EXIM did not receive this authority through the appropriation process, and as a result EXIM only authorized transactions with zero or negative subsidy impact (no program cost).

The U.S. Treasury provides EXIM funds through an appropriation warrant to cover EXIM's program and administrative costs. The amount of the warrant is established by spending limits set by Congress. Fees collected by EXIM during the year that are in excess of expected losses (offsetting collections) are retained by EXIM. These fees are used to repay the warrant received at the start of the year.

---

[9] *Financial Reporting Requirements,* revised as of August 10, 2021

In FY 2021 EXIM repaid $61.7 million of the $110.0 million appropriation warrant due to the continuing effect of the lack of board quorum and the lag between authorizations and disbursements.

LIMITATIONS TO THE FINANCIAL STATEMENTS

The principal financial statements are prepared to report the financial position, financial condition, and results of operations of EXIM, pursuant to the requirements of 31 U.S.C. § 3515 (b). The statements are prepared from the books and records of EXIM in accordance with Federal generally accepted accounting principles (GAAP) and formats prescribed by OMB. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. government.

FINANCIAL ACCOUNTING POLICY

OMB Circular A-136[10] 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.

The accompanying FY 2021 and FY 2020 financial statements have been prepared in accordance with generally accepted accounting principles in the United States applicable to federal agencies. Although EXIM is not required to comply with all sections of the OMB Circular A-136. EXIM follows the format and content outlined by OMB Circular A-136 when preparing the financial statements and corresponding notes to the financial statements.

EXIM follows OMB Circular A-11[11] as the primary guidance for calculating the program cost associated with EXIM's transactions. In accordance with this guidance, the amount of program cost calculated on EXIM's transactions authorized after the implementation of 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.

BALANCE SHEETS AND STATEMENTS OF NET COST

OMB Circular A-136 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's Statements of Net Costs show the costs and revenues of each of EXIM's major programs. There are two major components, Administrative Costs and the Reestimate 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 have 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.

---

[10] *Financial Reporting Requirements,* revised as of August 10, 2021
[11] *Preparation, Submission, and Execution of the Budget,* revised as of August 2021

Impact to Total Net Program Cost or Revenue

- **Program and Administrative Costs:** Program costs are subsidy expenses which is the estimated long-term cost to the government of a direct loan or guarantee, and administrative costs are the costs to operate EXIM and its programs. Program and administrative costs are covered by offsetting collections or appropriations specifically for those expenses. Program and administrative costs are reflected in the Statements of Net Costs; however, the offsetting collections and appropriation used to cover those expenses are reflected in the Statements 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 Reestimate 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 Sheets. 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 Program Costs in the Statements 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 Sheets 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 reestimate 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 Statements of Net Cost. For the year ended September 30, 2021, EXIM's total net cost was $137.6 million.

EXIM's Balance Sheets show a net position as of September 30, 2021, of ($430.6) 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 FCRA 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 costs or revenue from the Statement of Net Costs, offsetting collections and appropriation usage, and transfers to the U.S. Treasury all affect the net position shown on EXIM's Balance Sheet.

Occasionally EXIM's Statements 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 in the same year. This is due to differing requirements of the two main pieces of legislation that govern EXIM's operations—the FCRA and the annual appropriations act passed by Congress.

The annual appropriations act[12] 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 obligations made in the current year. Offsetting collections in a given year in excess of amounts stated in the annual appropriation must be transferred to the U.S. Treasury at the end of each fiscal year.

The FCRA requires an annual reestimate of the reserves for credit losses for the entire portfolio. As mentioned above in the "Portfolio-Loss Reserves" section, 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 Statements 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's transfers to the U.S. Treasury have included dividends declared and paid, pre-FCRA liquidating account transfers, and downward reestimates of the reserve for credit losses.

[12] Department of State, Foreign Operations, and Related Programs Appropriations Act, 2021 Div. K, Public Law 116-260

Analysis on Significant Financial Data

The following significant financial data is highlighted because the reported amounts represent both a significant change (equal or greater than 10 percent) and significant dollar amount difference between the applicable periods for FY 2021 and FY 2020. More detailed financial information can be found in the financial statements and notes.

Exhibit 10: Significant Financial Data

(in millions)	**FY 2021**	**FY 2020**	***Change***
Balance Sheets			
Fund Balance with Treasury	$4,622.7	$3,555.8	*$1,066.9*
Direct Loans Receivable, Net	9,986.6	11,875.8	*(1,889.2)*
Receivables from Subrogated Claims, Net	1,611.3	352.6	*1,258.7*
Federal Debt and Interest Payable	962.9	2.3	*960.6*
Loan Guarantee Liabilities	731.4	865.6	*(134.2)*
Other Laibilities (Public)	112.2	82.2	*30.0*
Cumulative Results of Operations	(622.8)	(1,018.3)	*395.5*
Statements of Net Cost			
Program Costs - Loans	527.7	925.5	*(397.8)*
Program Costs - Guarantees	448.1	595.6	*(147.5)*
Program Costs - Insurance	6.0	20.2	*(14.2)*
Statements of Changes in Net Position			
Transfers Without Reimbursement	76.3	219.4	*(143.1)*
Statements of Budgetary Resources			
Appropriations	768.2	115.5	*652.7*
Borrowing Authority	953.4	10.1	*943.3*
Spending Authority from Offsetting Collections	1,830.6	1,523.3	*307.3*
New Obligations and Upward Adjustments	3,376.8	1,209.8	*2,167.0*
Apportioned, Unexpired, End of Year	1,892.5	1,687.5	*205.0*

Balance Sheets

Fund Balance with Treasury: Fund Balance with Treasury increased by $1,066.9 million from $3,555.8 at September 30, 2020 to $4,622.7 million at September 30, 2021. The increase mainly is due to $2,406.4 million in direct loan principal repayments and interest collections (including interest collected from Treasury), $403.0 million in fee collections and claim recoveries, as well as $54.8 million in appropriations and. Additionally, $659.3 million for the net upward was received in FY 2021 for the FY 2020 net credit loss reestimate. This is offset by $735.4 million in claim payments and loan disbursements, a net decrease in borrowings of 856.9 million, $86.9 million paid for payment certificates and corresponding interest, and $122.6 million of administrative obligations paid. EXIM also transferred $230.3 million to Treasury for capital transfers and cancelled funds and paid $445.0 million to Treasury in interest on Borrowings.

Direct Loans Receivable, Net: Direct Loans Receivable decreased by $1,889.2 million from $11,875.8 million at September 30, 2020 to $9,986.6 million at September 30, 2021, primarily as a result of $1,924.0 million of direct loan principal repayments offset by a decrease of $29.7 in allowances for losses. Disbursements for new authorizations continue to be less than repayments of the significant loans disbursed in the prior years, which has resulted in the continued overall decrease in the direct loans outstanding balance.

Receivables from Subrogated Claims, Net: Receivables from Subrogated Claims increased by $1,258.7 million from $352.6 million at September 30, 2020, to $1,611.3 million at September 30, 2021. The increase is resulting from $1,769.5 million in new claims. This is offset by $128.1 million in claim collections, and $335.4 million an increase in allowance for losses and a net decrease of $43.6 million related to the net present value adjustment on repossessed aircraft recognized as foreclosed property in FY 2021. The increase is resulting from the COVID-19 crisis that has impacted the airline industry and some EXIM's transportation credits where EXIM has stepped in to help alleviate liquidity strained companies.

Federal Debt and Interest Payable: Federal Debt and Interest Payable includes EXIM's payment certificates, which represent EXIM's outstanding liability related to specific claims for which EXIM issues a payment certificate and pays the guaranteed lender on an installment basis, similar to the installments in the original guaranteed loan. Payment certificates increased by $960.6 million, from $2.3 million at September 30, 2020 to $962.9 million at September 30, 2021. This is due to $1,036.6 million in payment certificates issued, offset by $78.6 million in payment certificates paid, mainly resulting from the COVID-19 crisis which has impacted the airline industry and some EXIM's transportation credits.

Loan Guarantee Liabilities: Loan Guarantee Liabilities decreased by $134.2 million from $865.6 million at September 30, 2020 to $731.4 million at September 30, 2021. The decrease is resulting from changes to the risk profile.

Public – Other Liabilities: Public Other Liabilities increased by $30.0 million, from $82.2 million at September 30, 2020 to $112.2 million at September 30, 2021. The increase is mainly due to an increase in offsetting collections and unapplied receipts.

Cumulative Results of Operations: Cumulative Results of Operations increased by $395.5 million from a cumulative loss of $1,018.3 million at September 30, 2020 to a cumulative loss of $622.8 million at September 30, 2021. The increase is mainly due to the receipt of the FY 2020 upward reestimate appropriation of $713.4 million in FY 2021, as well as $42.8 million in appropriation used and $74.1 million of offsetting collections used. This is offset by the net cost of operations of $137.6 million, the current year downward reestimate of $224.7 million, and $76.3 million in capital transfers without reimbursement.

Statements of Net Costs

Program Costs – Loans: Program Costs for Loans decreased by $397.8 million from $925.5 million for the year ended September 30, 2020, to $527.7 million for the year ended September 30, 2021. The change is resulting from a decrease of the net upward reestimate of $428.2 million.

Program Costs – Guarantees: Program Costs for Guarantees decreased by $147.5 million from $595.6 million for the year ended September 30, 2020, to $448.1 million for the year ended September 30, 2021. The change is mainly related to a decrease of the net upward reestimate of the EXIM portfolio.

Program Costs – Insurance: Program Costs for Insurance decreased by $14.2 million from $20.2 million for the year ended September 30, 2020 to $6.0 million for the year ended September 30, 2021. The decrease is resulting from a decrease of the net upward reestimate of the EXIM portfolio.

Statements of Changes in Net Position

Transfers without Reimbursement: Transfers without Reimbursement decreased by $143.1 million from $219.4 million for the year ended September 30, 2020, to $76.3 million for the year ended September 30, 2021. The decrease is mainly due to the timing of the transfer of funds collected by EXIM, from rescheduled loans and claims, to the U.S. Treasury, as additional funds from FY 2019 had been transferred to the U.S. Treasury in FY 2020. All of FY 2021 funds have been transferred as of the end of FY 2021.

Statements of Budgetary Resources

Appropriations: Appropriations increased by $652.7 million from $115.5 million for the year ended September 30, 2020, to $768.2 million for the year ended September 30, 2021. The increase is mostly due to an increase in the upward reestimate received in FY 2021 of $632.5 million.

Borrowing Authority: Borrowing Authority increased by $943.3 million from $10.1 million for the year ended September 30, 2020, to $953.4 million for the year ended September 30, 2021. The change resulting from an increase of borrowings from Treasury in FY 2021.

Spending Authority from Offsetting Collections: Spending Authority from Offsetting Collections increased by $307.3 million from $1,523.3 million for the year ended September 30, 2020, to $1,830.6 million for the year ended September 30, 2021. The increase is mainly due to an increase of $344.7 million of spending authority collected and a decrease of $142.7 million of capital transfers to the general fund. This is offset by an increase of spending authority applied to repay debt of $180.1 million.

New Obligations and Upward Adjustments: New Obligations and Upward Adjustments increased by $2,167.0 million from $1,209.8 million for the year ended September 30, 2020, to $3,376.8 million for the year ended September 30, 2021. The increase is mainly due to an increase in claim payments made in FY 2021 as well as an increase in the FY 2020 upward reestimate received in FY 2021.

Apportioned, Unexpired, End of Year: The Apportioned, Unexpired line item increased by $205.0 million from $1,687.5 million for the year ended September 30, 2020, to $1,892.5 million for the year ended September 30, 2021. Net spending authority from offsetting collections realized under credit-reform financing accounts is $1,741.0 million as of September 30, 2021, which mainly consists of the collections from repayments of loan principal, interest, and fees net of the capital transfers and repayment of borrowing to U.S. Treasury. The gross outlays under credit-reform financing accounts were $1,424.5 million which mainly consists of the payment of Treasury borrowing interest and FY 2020 downward reestimate, as well as payments for defaulted guarantees and insurance.

Significant Factors Influencing Financial Results

The most significant factor that determines EXIM's financial results and condition is a change in the risk level of EXIM'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's allowance for credit losses may occur in any year.

The major risks to EXIM in its credit portfolio are repayment risk and market 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 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 its agreement and EXIM 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 EXIM, its guaranteed lender, or its insured as a result of expropriation of the obligor's property, war, or inconvertibility of the borrower's currency into U.S. dollars.

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

- ***Concentration Risk:*** Risks stemming from the composition of the credit portfolio as opposed to risks related to specific obligors. EXIM 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. EXIM's credit exposure is highly concentrated by industry: 83.1 percent (83.1%) of EXIM's credit portfolio is in three industries (air transportation, oil and gas, and manufacturing), with air transportation representing 37.6 percent (37.6%) of EXIM's total exposure. Events impacting these industries are frequently international in nature and may not be confined to a specific country or geographic area. Due to the effects of the COVID-19 pandemic on the airline industry and the global nature of the pandemic, concentration risk from EXIM's exposure in this industry has had a significant impact on the EXIM portfolio.
    - ***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, 52.4 percent (52.4%) of EXIM's credit exposure is concentrated in three separate regions: Asia 18.6 percent (18.6%), sub-Saharan Africa 17.6 percent (17.6%), and Latin America and the Caribbean 16.2 percent (16.2%). EXIM regularly conducts stress testing on its overall portfolio and regions using Monte-Carlo simulation.

- ◦ ***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. EXIM's five largest public and private-sector obligors make up 33.4 percent (33.4%) of the portfolio. EXIM proactively manages individual transactions in EXIM's portfolio with a focus upon the financial condition of an obligor. In addition, EXIM assesses the use, maintenance, and condition of mortgaged collateral, as applicable along with actively managing operative phase matters, including any requested or necessary amendments, waivers, and consents.

- ***Foreign-Currency Risk:*** The risk stemming from an appreciation or depreciation in the value of a foreign currency in relation to the U.S. dollar for EXIM transactions denominated in that foreign currency. If and when EXIM 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 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 provides support for guarantees and insurance denominated in certain foreign currencies. At the time of authorization, EXIM 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 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 has established a control environment that includes process documentation, proper supervisory monitoring, and technology access/edit controls. In addition, EXIM provides staff with training to reduce operational risk across the organization, along with a chief ethics officer who oversees the enforcement of the Code of Official Conduct for all employees and contractors of EXIM. EXIM also has an Office of Inspector General that conducts audits, inspections, and investigations relating to EXIM's program and support operations.

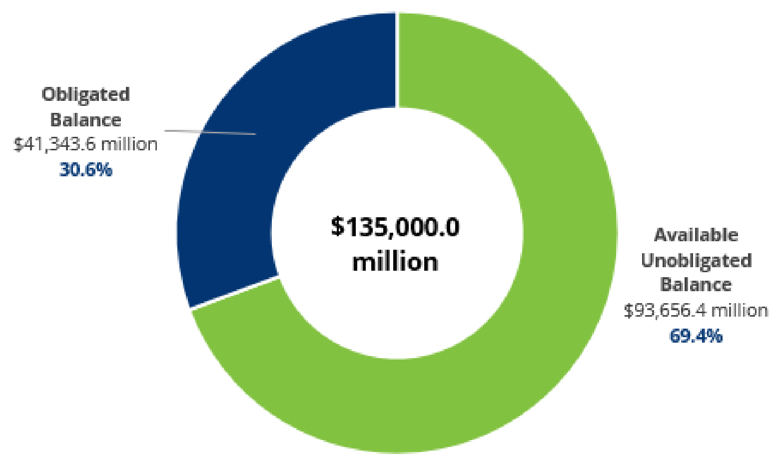
Stress Tests

In September 2021 EXIM conducted stress tests on industries and regions expected to experience the greatest impact of the economic fallout of the COVID-19 pandemic. The simulation results showed that the default rate would be higher under this stressed scenario than EXIM's actual default rate as of September 30, 2021 but would be expected to remain below two percent over the life of the current portfolio. However, in near-term scenarios, the default rate could exceed two percent, particularly before claim recoveries occur. If EXIM exceeds the two percent default rate, EXIM's exposure may not exceed the amount of loans, guarantees, and insurance outstanding on the last day of the quarter in which the rate was calculated to exceed two percent, essentially freezing EXIM's ability to offer financing until the exposure is reduced or the default rate drops below two percent.

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 EXIM's loans, guarantees, and insurance. Under provisions of the Export-Import Bank Act, as amended in FY 2020, EXIM's current statutory limit on lending is $135.0 billion. At September 30, 2021, EXIM's statutory authority was obligated as follows, with EXIM utilizing 30.6 percent (30.6%) or $41,343.6 million of its statutory limit on lending, leaving $93,656.4 million or 69.4 percent (69.4%) available to be used. As discussed earlier in this document, the decrease in the obligated balance is a result of the decrease in exposure from lower levels of credit authorizations and a maturing portfolio that continues to repay.

Exhibit 11: Statutory Limit on Lending (in millions)



IX. SYSTEMS, CONTROLS, LEGAL COMPLIANCE

DATA Act

The purpose of the DATA Act[13] is to make federal spending data more accessible, searchable, and reliable. The U.S. Department of the Treasury (Treasury) and OMB are leading the government-wide implementation of the DATA Act.

The DATA Act directs OMB and Treasury to establish government-wide financial data standards for federal funds made available to or expended by federal agencies and entities receiving such funds. EXIM provides its spending information — including financial and award data — using a new, government-wide data structure, and EXIM continues to report DATA Act information to the U.S. Treasury on a quarterly basis.

EXIM is a wholly owned government corporation, and, as such, is not required to comply with all aspects of OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. As such, EXIM does not issue an annual assurance statement. According to the Government Corporation Control Act of 1945, EXIM is required to issue a management report on financial statement and internal accounting controls. Therefore, EXIM has elected to present its DATA Act assurance statement in this section of the agency management report.

Assurance on DATA Act

To ensure that EXIM's DATA Act reporting is complete, accurate, timely, and fit for purpose, EXIM developed review and testing procedures that leverage existing internal controls over financial reporting. Results of statistical and non-statistical testing for EXIM's second quarter FY 2021 DATA Act reporting indicated that while EXIM's DATA Act reporting is assessed to be of higher quality as defined in OIG-AR-22-01, EXIM continues to have opportunities to improve the overall quality of its financial and award data. While progress has been made on developing a Data Quality Plan (DQP), EXIM continues to implement and test its plan. The DQP prioritizes strengthening internal control processes and procedures related to review and testing of financial and award data being reported to USASpending.gov through the Federal Procurement Data System (FPDS) and the Financial Assistance Broker System (FABS).

[13] Digital Accountability and Transparency Act of 2014 (DATA Act) (P.L. 113-101)

EXPORT-IMPORT BANK OF THE UNITED STATES

Reducing Risk. Unleashing Opportunity.

Management Report on Financial Statement and Internal Accounting Controls

November 12, 2021

EXIM Bank management is responsible for establishing and maintaining effective internal controls over the content and integrity of the financial management system, the financial data included in EXIM'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 maintains a system of internal accounting controls, policies, and procedures designed to provide reasonable assurance, at reasonable cost, that obligations and costs are in compliance with applicable law, funds, property, and other assets are safeguarded against waste, loss, unauthorized use, or misappropriation and that transactions are processed and properly recorded and accounted for in accordance with management's authorization, and that the financial statements are accurately prepared in accordance with applicable laws and regulations. The Bank believes that its system of internal accounting controls over financial reporting appropriately balances the cost-benefit relationship.

EXIM conducted an assessment of the effectiveness of its internal controls over its financial management systems and processes to support reliable financial reporting and financial management system requirements. Based on the results of this assessment, EXIM can provide reasonable assurance that its internal controls and financial management systems were operating effectively for the fiscal year ended September 30, 2021. No material weaknesses or significant deficiencies were found in the design or operation of EXIM's system of financial control, financial management systems, or internal controls over financial reporting. Based on the results of these reviews, EXIM can provide reasonable assurance that its internal controls over financial reporting were designed and operated effectively in the fiscal year ended September 30, 2021.

As a government corporation, required to submit an Annual Management Reports, under Chapter 91 of title 31, United States Code, EXIM has selected the standards promulgated by Federal Accounting Standards Advisory Board (FASAB) for the preparation and fair presentation EXIM's financial statements in accordance with generally accepted accounting principles applicable to federal agencies (U.S. 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's operations fall under the provisions of the Federal Credit Reform Act of 1990. This law provides that credit 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.

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 EXIM's operations and assets, including those provided or managed by another agency, contractor, or other source.

EXIM's financial statements were audited by independent accountants and their opinion on the fair presentation of the financial statements can be found in this report after notes to the financial statements.

Export-Import Bank of The United States

James G. Burrows, Jr.
Acting President and Chair of EXIM Board of Directors

Export-Import Bank of The United States

Mary Jean Buhler
Senior Vice President and Chief Financial Officer

Financial Statements

BALANCE SHEETS

(in millions)		As of September 30, 2021		As of September 30, 2020
ASSETS				
Intragovernmental				
Fund Balance with Treasury (Note 2)	$	4,622.7	$	3,555.8
Total Assets - Intergovernmental		**4,622.7**		**3,555.8**
Public				
Loans Receivable, Net				
Direct Loans Receivable, Net (Note 3A)		*9,986.6*		*11,875.8*
Receivables from Subrogated Claims, Net (Note 3E)		*1,611.3*		*352.6*
Total Loans Receivable, Net		11,597.9		12,228.4
Accounts Receivable (Note 5)		14.5		23.2
Total Assets - Public		**11,612.4**		**12,251.6**
Total Assets	**$**	**16,235.1**	**$**	**15,807.4**
LIABILITIES				
Intragovernmental				
Debt (Note 8)	$	14,531.2	$	15,388.1
Other Liabilities				
Accounts Payable to the U.S. Treasury (Note 7)		*314.2*		*288.9*
Benefit Program Contributions Payable (Note 9)		*0.7*		*0.6*
Other Liabilities (Note 9)		*0.2*		*0.2*
Total Other Liabilities		315.1		289.7
Total Liabilities - Intergovernmental		**14,846.3**		**15,677.8**
Public				
Federal Debt and Interest Payable (Note 8)		962.9		2.3
Accounts Payable		7.0		7.2
Loan Guarantee Liabilities (Note 3G)		731.4		865.6
Federal Employee Benefits Payable		5.9		5.7
Other Liabilities (Note 9)				
Advances from Others and Deferred Revenue (Note 9)		*86.2*		*75.2*
Other Liabilities (Note 9)		*26.0*		*7.0*
Total Other Liabilities		112.2		82.2
Total Liabilities - Public		**1,819.4**		**963.0**
Total Liabilities	**$**	**16,665.7**	**$**	**16,640.8**
NET POSITION				
Unexpended Appropriations	$	192.2	$	184.9
Cumulative Results of Operations		(622.8)		(1,018.3)
Total Net Position		**(430.6)**		**(833.4)**
Total Liabilities and Net Position	**$**	**16,235.1**	**$**	**15,807.4**

STATEMENTS OF NET COSTS

(in millions)	For the Year Ended September 30, 2021		For the Year Ended September 30, 2020	
Loans				
Program Costs	$	527.7	$	925.5
Less: Earned Revenue		(719.3)		(674.2)
Net Cost of Loans	**$**	**(191.6)**	**$**	**251.3**
Guarantees				
Program Costs	$	448.1	$	595.6
Less: Earned Revenue		(238.0)		(239.7)
Net Cost of Guarantees	**$**	**210.1**	**$**	**355.9**
Insurance				
Program Costs	$	6.0	$	20.2
Less: Earned Revenue		(13.5)		(12.3)
Net Cost of Insurance	**$**	**(7.5)**	**$**	**7.9**
Net Excess Program Cost over (Revenue)	**$**	**11.0**	**$**	**615.1**
Administrative Costs (Note 3K)				
Administrative Costs	$	126.8	$	126.9
Less: Administrative Expenses Reimbursed		(0.2)		-
Net Administrative Costs	**$**	**126.6**	**$**	**126.9**
Net Costs of Operations	**$**	**137.6**	**$**	**742.0**

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

STATEMENTS OF CHANGES IN NET POSITION

(in millions)	For the Year Ended September 30, 2021 Unexpended Appropriations	Cumultative Results of Operations	Total
Beginning Balance	$ 184.9	$ (1,018.3)	**$ (833.4)**
Appropriations Received - Admin	48.3	-	**48.3**
Appropriations Received - IG	6.5	-	**6.5**
Appropriations Received - Reestimate	713.4	-	**713.4**
Appropriations Used	(756.2)	756.2	**-**
Offsetting Collections	-	74.1	**74.1**
Transfer Without Reimbursement	-	(76.3)	**(76.3)**
Other Adjustments	(4.7)	-	**(4.7)**
Imputed Financing	-	3.8	**3.8**
Other Non-Entity Activity (Note 7)	-	(224.7)	**(224.7)**
Total Financing Sources	**7.3**	**533.1**	**540.4**
Net Cost of Operations	**-**	**137.6**	**137.6**
Net Change	**7.3**	**395.5**	**402.8**
Ending Balance	**$ 192.2**	**$ (622.8)**	**$ (430.6)**

(in millions)	For the Year Ended September 30, 2020 Unexpended Appropriations	Cumultative Results of Operations	Total
Beginning Balance	$ 244.6	$ (204.9)	$ 39.7
Appropriations Received - Admin	93.1	-	93.1
Appropriations Received - IG	5.7	-	5.7
Appropriations Received - Reestimate	80.9	-	80.9
Appropriations Used	(173.7)	173.7	-
Offsetting Collections	-	25.1	25.1
Rescissions	(64.3)	-	(64.3)
Transfer Without Reimbursement	-	(219.4)	(219.4)
Other Adjustments	(1.4)	-	(1.4)
Imputed Financing	-	3.3	3.3
Other Non-Entity Activity (Note 7)	-	(54.1)	(54.1)
Total Financing Sources	**(59.7)**	**(71.4)**	**(131.1)**
Net Cost of Operations	**-**	**742.0**	**742.0**
Net Change	**(59.7)**	**(813.4)**	**(873.1)**
Ending Balance	**$ 184.9**	**$ (1,018.3)**	**$ (833.4)**

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

COMBINED STATEMENTS OF BUDGETARY RESOURCES

(in millions)	For the Year Ended September 30, 2021 Program Account	Non-Budgetary Credit Reform Financing Account	Total
Budgetary Resources			
Unobligated from Prior-Year Budget Authority, Net (Discretionary and Mandatory)	$ 249.7	$ 1,556.9	$ 1,806.6
Appropriations (Discretionary and Mandatory)	768.2	-	768.2
Borrowing Authority (Discretionary and Mandatory)	-	953.4	953.4
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	89.6	1,741.0	1,830.6
Total Budgetary Resources (Note 12)	**$ 1,107.5**	**$ 4,251.3**	**$ 5,358.8**
Status of Budgetary Resources			
New Obligations and Upward Adjustments (Total)	$ 858.6	$ 2,518.2	$ 3,376.8
Unobligated Balance, End of Year:			
Apportioned, Unexpired, End of Year	159.4	1,733.1	1,892.5
Expired Unobligated Balance, End of Year	89.5	-	89.5
Unobligated Balance, End of Year (Total) (Note 12)	248.9	1,733.1	1,982.0
Total Status of Budgetary Resources	**$ 1,107.5**	**$ 4,251.3**	**$ 5,358.8**
Outlays, Net			
Outlays, Net (Total) (Discretionary and Mandatory)	$ 746.0		$ 746.0
Distributed Offsetting Receipts (-)	(54.1)		(54.1)
Agency Outlays, Net (Discretionary And Mandatory)	**$ 691.9**		**$ 691.9**
Disbursement, Net (Total) (Mandatory)		**$ (2,132.3)**	**$ (2,132.3)**

(in millions)	For the Year Ended September 30, 2020 Program Account	Non-Budgetary Credit Reform Financing Account	Total
Budgetary Resources			
Unobligated from Prior-Year Budget Authority, Net (Discretionary and Mandatory)	$ 458.3	$ 1,025.0	$ 1,483.3
Appropriations (Discretionary and Mandatory)	115.5	-	115.5
Borrowing Authority (Discretionary and Mandatory)	-	10.1	10.1
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	19.0	1,504.3	1,523.3
Total Budgetary Resources (Note 12)	**$ 592.8**	**$ 2,539.4**	**$ 3,132.2**
Status of Budgetary Resources			
New Obligations and Upward Adjustments (Total)	$ 208.0	$ 1,001.8	$ 1,209.8
Unobligated Balance, End of Year:			
Apportioned, Unexpired, End of Year	149.9	1,537.6	1,687.5
Expired Unobligated Balance, End of Year	234.9	-	234.9
Unobligated Balance, End of Year (Total) (Note 12)	384.8	1,537.6	1,922.4
Total Status of Budgetary Resources	**$ 592.8**	**$ 2,539.4**	**$ 3,132.2**
Outlays, Net			
Outlays, Net (Total) (Discretionary and Mandatory)	$ 182.6		$ 182.6
Distributed Offsetting Receipts (-)	(172.8)		(172.8)
Agency Outlays, Net (Discretionary And Mandatory)	**$ 9.8**		**$ 9.8**
Disbursement, Net (Total) (Mandatory)		**$ (2,343.8)**	**$ (2,343.8)**

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

Notes to the Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING AND REPORTFING POLICIES

Enabling Legislation and Mission

The Export-Import Bank of the United States (EXIM) 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 is the official export credit agency of the United States. In accordance with its Charter (12 USC 635 et seq.), continuation of EXIM's functions in furtherance of its objectives and purposes is subject to periodic extensions granted by Congress. The Export-Import Bank 2019 Reauthorization (P.L. 116-94, Div. I, Title IV)) extended EXIM's authority through December 31, 2026.

The mission of EXIM 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. EXIM's Charter requires reasonable assurance of repayment for the transactions EXIM authorizes, and EXIM closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. exports, EXIM offers four financial products: loan guarantees, working capital guarantees, direct loans, and export credit insurance. All EXIM obligations carry the full faith and credit of the U.S. government.

EXIM Programs

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. For medium- and long-term transactions, EXIM requires the buyer to pay 15 percent (15%) of the value of the export contract. EXIM finances the lesser of 85 percent (85%) of eligible goods/services or 100 percent (100%) of the U.S content. Under the Working Capital Guarantee Program (WCGP), EXIM 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's working capital guarantee protects the lender from default by the exporter for 90 percent (90%) of the loan principal and interest.

EXIM'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 export sales.

Basis of Accounting

EXIM reports under generally accepted accounting principles (GAAP) in the United States. GAAP for federal entities are the standards and other authoritative pronouncements prescribed by the Federal Accounting Standards Advisory Board (FASAB). Although EXIM is not required to comply with all sections of Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised as of August 10, 2021, EXIM follows the format and content outlined by OMB Circular A-136 when preparing the financial statements and footnotes.

EXIM's Balance Sheets, Statements of Net Cost, and Statements of Changes in Net Position are prepared using the accrual basis of accounting. This basis requires recognition of the financial effects of transactions, events, and circumstances in the periods when those transactions, events, and circumstances occur, regardless of when cash is received or paid. EXIM also uses budgetary accounting to facilitate compliance with legal constraints and to track its budget authority at the various stages of execution. The Statements of Budgetary Resources are presented on a combined basis and are prepared using budgetary accounting methods.

EXIM is a component of the U.S government. For this reason, some of the assets and liabilities reported by EXIM may be eliminated for government-wide reporting because they are offset by assets and liabilities of another U.S. government entity. These financial statements should be read with the realization that they are for a component of the U.S. government, a sovereign entity.

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 uses its historical default and recovery experience to calculate loss estimates. Actual results may differ from those estimates.

Fund Balance with Treasury (FBWT)

Cash balances are held by U.S. Treasury on behalf of EXIM to make expenditures, pay liabilities, and disburse funds for loan obligations. Fund balances at the U.S. Treasury include expired year amounts, which are unavailable for new obligation, as well as amounts currently available for new obligations.

FBWT is an asset of EXIM and a liability of the General Fund. The amounts represent commitments by the government to provide resources for particular programs, but they do not represent net assets to the government as a whole. When EXIM seeks to use FBWT to liquidate budgetary obligations, Treasury will finance the disbursements in the same way it finances all other disbursements, which is to borrow from the public if there is a budget deficit (and to use current receipts if there is a budget surplus).

Direct Loans Receivable, Net

Loan obligations are carried at principal and interest receivable amounts less an allowance for credit losses. From time to time, EXIM restructures financial terms because the obligor or country has encountered financial difficulty and EXIM 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 in its capacity as guarantor or insurer under EXIM'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 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 rescheduled claims as it is earned. Generally, loans and rescheduled claims receivable delinquent 90 days or more, and with a certain risk rating, are placed on a nonaccrual status unless they are well-secured and significant collections have been received. At the time that a loan or rescheduled claim is placed on nonaccrual status, any accrued but unpaid interest previously recorded is reversed against current-period interest income. The interest on these credits is accounted for on a cash basis until qualifying for return to accrual status. Generally, these credits 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 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, and Guaranteed Loan Liabilities

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

The allowance and liabilities are 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 and liabilities for EXIM's 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 has established cash-flow models for expected defaults, fees, and recoveries to estimate the credit loss for each approved credit. EXIM 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 reestimated annually in accordance with OMB guidelines and Statement of Federal Financial Accounting Standards (SFFAS) 2, *Accounting for Direct Loans and Loan Guarantees,* SFFAS 18, *Amendments to Accounting Standards for Direct Loans and Loan Guarantees,* and SFFAS 19, *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees in SFFAS 2*. The reestimates 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

At the time of authorization, EXIM 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 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 - Intragovernmental Debt

EXIM's main source of debt is borrowings from the U.S. Treasury, reflected as Debt on the Balance Sheet. Borrowings from the U.S. Treasury are used to finance medium-term and long-term loans. These borrowings carry a fixed rate of interest.

Liability to the General Fund of the U.S. Government - Intragovernmental Other Liabilities

Liability to the General Fund of the U.S. Government includes the results of the reestimate 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.

Payment Certificates - Federal Debt and Interest Payable

Payment certificates, reflected on the Balance Sheet as Federal Debt and Interest Payable, represent EXIM's outstanding liability related to specific claims for which EXIM is paying the guaranteed lender as the guaranteed installments become due. Payment certificates are issued by EXIM in exchange for the foreign importer's defaulted note which was guaranteed by EXIM. 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 U.S. government and are freely transferable.

Fees and Premia

EXIM 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. On working capital guarantees, EXIM 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

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. Appropriations received, if any, are returned to the U.S. Treasury when the period of availability ends.

Congress has appropriated certain sums specifically for EXIM'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.

Capital Stock

Capital stock, reflected on the Balance Sheet as part of Total Cumulative Results of Operations, represents the value of stock held by the U.S. government, related to EXIM's incorporation as a U.S. government corporation.

Imputed Financing

A financing source is imputed by EXIM to provide for pension and other retirement benefit expenses recognized by EXIM in the Statement of Net Cost but financed by the Office of Personnel Management (OPM). EXIM follows annually updated OPM guidance when calculating the imputed cost (OPM Benefits Administration Letter, Number 21-301 dated January 2021).

Liquidating Account Distribution of Income

EXIM 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 transfers the cash balance in this account to the U.S. Treasury.

Income Taxes

As an agency of the federal government, EXIM is generally exempt from all income taxes imposed by any governing body, whether it be a federal, state, commonwealth, local, or foreign government.

Classified Activities

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Prior-Year Reclassifications

The format of the Balance Sheet has changed to reflect more detail for certain line items, as required for all significant reporting entities by OMB Circular A-136. This change does not affect totals for assets, liabilities, or net position and is intended to allow readers of this Report to see how the amounts shown on the Balance Sheet are reflected on the Government-wide Balance Sheet, thereby supporting the preparation and audit of the Financial Report of the United States Government. The presentation of the FY 2020 Balance Sheet was modified to be consistent with the FY 2021 presentation.

The format of the Statement of Changes in Net Position, and several footnote disclosures have also changed to conform with the new format in the OMB A-136. The FY 2020 presentation has been updated to be consistent with the FY 2021 presentation.

2. FUND BALANCE WITH TREASURY

Fund balances as of September 30, 2021, and September 30, 2020, were as follows:

(in millions)	FY 2021	FY 2020
Status of Fund Balance with the U.S. Treasury		
Unobligated Balance		
Available	$ 1,892.5	$ 1,687.5
Expired	89.5	234.8
Obligated Balance Not Yet Disbursed	2,640.7	1,633.5
Total	**$ 4,622.7**	**$ 3,555.8**

The Fund Balance with Treasury is the amount held in EXIM's account with Treasury and are available for use by EXIM. The status funds of these funds are either unobligated or obligated.

Unobligated available funds represent unexpired appropriations and offsetting collections, and funds held in credit-reform financing accounts not yet obligated. Unobligated expired funds represent appropriations and offsetting collections that are no longer available for new obligations. These expired funds are eventually canceled and sent to 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, 2021, and September 30, 2020, there were no differences between U.S. Treasury records and balances reported on EXIM's general ledger.

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

EXIM offers fixed-rate loans directly to foreign buyers of U.S. goods and services. EXIM extends to a company's foreign customer a fixed-rate loan covering up to 85 percent (85%) of the U.S. contract value. The buyer must make a cash payment to the U.S. exporter of at least 15 percent (15%) of the U.S. contract value. EXIM'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 loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. EXIM 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's guarantee covers the commercial and political risks for 85 percent (85%) of the U.S. contract value.

EXIM'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 nonsovereign 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 nonsovereign risk categories, and each country receives two ratings: a sovereign-risk rating and a private-risk rating. ICRAS currently has risk ratings for 205 sovereign and 207 nonsovereign markets.

FY 2021 and FY 2020 Activity

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

In FY 2021 and FY 2020 EXIM was partially self-financing. EXIM's program revenue (i.e., in a given year, fee and interest collections from transactions that exceed the reserve requirements on those transactions) was 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 administrative costs. EXIM repaid $61.7 million of the $110.0 million appropriation warrant received in FY 2021 and $16.9 million of the $110.0 million appropriation warrant received in FY 2020 for administrative costs and plans to regain full self-financing status as the volume of transactions and related disbursements increase.

Administrative costs are EXIM's costs to administer, service, and report on its 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 disburse, 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. The portion of the obligated amounts related to EXIM's lending programs is used to partially fund the loan disbursements, while the portions related to EXIM'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.

The Office of Inspector General received a $6.5 million appropriation in FY 2021 and $5.7 million in FY 2020 for administrative costs.

Allowances for Losses

The process by which EXIM 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 relies on the risk levels assigned to sovereign countries by ICRAS. Nonsovereign 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 offshore escrow accounts are taken into account.

For pre-credit-reform and non-impaired loans receivable, EXIM 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.

Loss reserves on pre-FCRA impaired credits are determined using OMB rates. Impaired credits are generally defined as those transactions risk rated from budget cost level (BCL) 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 credits.

The allowance for losses for post FCRA 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 reestimate.

Reestimate on Portfolio Expected Losses

The estimated credit loss of the outstanding balance of loans, guarantees, and insurance is reestimated annually. This reestimate indicates the appropriate balance necessary in the financing accounts to ensure sufficient funds to pay future estimated claims and cover estimated losses.

EXIM uses recent historical loss experience and other factors, such as global macroeconomic enviornment and minimum loss rates, in developing the expected loss factors. In the event that the balance in the financing accounts exceeds the reestimate 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 reestimate level, the FCRA provides that the difference will be transferred to EXIM from a general appropriation account authorized for this purpose.

Every year, EXIM re-evaluates the methods used for calculating the reserves needed to cover expected losses. EXIM 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 uses recent historical loss experience and other factors in developing the expected loss factors.

EXIM incorporates a quantitative and qualitative framework to calculate loss reserves. A subset of the qualitative factors are built into the quantitative framework. The quantitative framework includes factors such as loss curves for sovereign-guaranteed transactions and for asset-backed aircraft transactions. In line with industry best practices, EXIM incorporated qualitative factors that look at global macroeconomic environment and set minimum loss rates. Those not built into the quantitative framework look at minimum levels of expected losses, the global macroeconomic environment. This framework has continuously evolved and been refined over the years.

As of September 30, 2021, the credit loss reestimate for FY 1992 through FY 2021 indicated that a net of $73.4 million of additional funds were needed in the financing accounts. The transfer of the net upward reestimate from the U.S. Treasury will take place in FY 2022.

As of September 30, 2020, the credit loss reestimate for FY 1992 through FY 2020 indicated that a net of $659.4 million of additional funds were needed in the financing accounts. The transfer of the net upward reestimate from the U.S. Treasury took place in FY 2021.

A. Direct Loans

EXIM's loans receivable, as shown on the Balance Sheets, are net of an allowance for loan losses. The value of assets related to direct loans is not comparable to expected proceeds from the sale of the loans.

To calculate the allowance for loan losses for direct loans obligated prior to FY 1992, each of the 11 BCL 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 allowance for loss calculated for direct loans obligated since the beginning of FY 1992 equals the amount of credit loss incurred to support the loan obligation. This credit loss is the amount of loss estimated to be incurred on the transaction, as previously described in this footnote. At September 30, 2021, and September 30, 2020, the allowance for loan losses on credit-reform credits equaled 10.4 percent (10.4%) and 9.2 percent (9.2%), respectively, of the related outstanding loans and interest receivable balance.

At September 30, 2021, and September 30, 2020, the allowance for both pre-credit-reform and credit-reform loans equaled 11.5 percent (11.5%) and 10.1 percent (10.1%), respectively, of the total loans and interest receivable.

The outstanding balances related to rescheduled installments included in loans receivable at September 30, 2021, and September 30, 2020, were $257.1 million and $286.7 million, respectively.

Interest and fees receivable are presented in gross amount, and the corresponding allowance is presented under allowance for loan losses. The net balance of loans receivable at September 30, 2021, and September 30, 2020, consists of the following:

FY 2021 (in millions)	Loans Receivable, Gross	Interest and Fee Receivable	Allowance for Loan Losses	Direct Loans, Net
Loans Obligated Prior to FY 1992	$ 89.8	$ 50.6	$ (138.3)	$ 2.1
Loans Obligated After FY 1991	11,006.3	141.5	(1,163.3)	9,984.5
Total	**$ 11,096.1**	**$ 192.1**	**$ (1,301.6)**	**$ 9,986.6**

FY 2020 (in millions)	Loans Receivable, Gross	Interest and Fee Receivable	Allowance for Loan Losses	Direct Loans, Net
Loans Obligated Prior to FY 1992	$ 89.9	$ 46.7	$ (134.6)	$ 2.0
Loans Obligated After FY 1991	12,927.3	143.1	(1,196.6)	11,873.8
Total	**$ 13,017.2**	**$ 189.8**	**$ (1,331.2)**	**$ 11,875.8**

(in millions)	FY 2021	FY 2020
Direct Loans Disbursed During Year (Post-1991)	$ 3.0	$ 12.1

B. Program Cost and Reestimate Expense for Direct Loans by Component

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

(in millions)	**FY 2021**	**FY 2020**
Interest	$ -	$ (1.1)
Defaults	0.1	0.1
Fees and Other Collections	(0.4)	(0.7)
Total Program Cost	**(0.3)**	**(1.7)**
Net Reestimate	(160.1)	268.2
Total Direct Loan Program Cost and Reestimate Expense	**$ (160.4)**	**$ 266.5**

The Interest Rate Reestimate was zero for FY 2021 and $0.5 million for FY 2020.

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 authorized in both current and prior years.

	FY 2021	**FY 2020**
Interest	(3.8)%	(2.8)%
Defaults	9.2 %	3.6 %
Fees and Other Collections	(10.3)%	(7.2)%
Total	**(4.9)%**	**(6.4)%**

D. Schedule for Reconciling Direct Loan Allowance Balances

The table below discloses the components of the direct-loan allowance for credit-reform direct loans.

(in millions)	FY 2021	FY 2020
Post-1991 Direct Loans		
Beginning Balance of the Allowance Account	$ 1,196.6	$ 890.6
Current-Year Program Cost	(0.3)	(1.7)
(see Note 3B for Component Breakdown)		
Program-Cost Allowance Amortization	313.6	215.8
Capitalized Interest	(94.2)	(89.1)
Fees Recognized in Income	(67.5)	(76.9)
Miscellaneous Recoveries and (Costs)	(24.8)	(10.3)
Ending Balance Before Reestimate	**1,323.4**	**928.4**
Reestimate	(160.1)	268.2
Ending Balance of the Allowance Account	**1,163.3**	**1,196.6**

E. Defaulted Guaranteed Loans

The allowance for defaulted guaranteed loans is calculated using the allowance for loss method. Loss reserves on impaired credits are determined using OMB rates. Capitalized interest included in gross defaulted guaranteed loans, which includes both guarantees and insurance programs, receivable is reserved at 100 percent.

Credit-reform foreclosed property consists of one bond realized in FY 2019 and 13 aircraft repossessed in FY 2021. Both the bond and aircraft are valued at the net present value of the projected future cash flows associated with the property. The total allowance equaled 39.3 percent (39.3%) of gross defaulted guaranteed loans, interest receivable, and foreclosed property at September 30, 2021, and 66.8 percent (66.8%) at September 30, 2020.

FY 2021 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fee Receivable	Foreclosed Property	Allowance for Loan Losses	Defaulted Guaranteed Loans, Net
Obligated Prior to FY 1992	$ 26.9	$ 5.9	$ -	$ (24.4)	$ 8.4
Obligated After FY 1991	2,290.9	4.6	328.2	(1,020.8)	1,602.9
Total	**$ 2,317.8**	**$ 10.5**	**$ 328.2**	**$ (1,045.2)**	**$ 1,611.3**

FY 2020 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest and Fee Receivable	Foreclosed Property	Allowance for Loan Losses	Defaulted Guaranteed Loans, Net
Obligated Prior to FY 1992	$ 27.2	$ 5.3	$ -	$ (24.3)	$ 8.2
Obligated After FY 1991	1,005.6	0.6	24.0	(685.8)	344.4
Total	**$ 1,032.8**	**$ 5.9**	**$ 24.0**	**$ (710.1)**	**$ 352.6**

F. Guaranteed Loans and Insurance

EXIM 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 2021	FY 2020
Gross Outstanding Principal of Guaranteed Loans and Insurance, Face Value	$ 18,799.9	$ 24,095.4
Undisbursed Principal of Guaranteed Loans and Insurance, Face Value	4,290.4	3,936.6
Total Principal of Guaranteed Loans and Insurance, Face Value	**$ 23,090.3**	**$ 28,032.0**
Amount of Principal That is Guaranteed and Insured by EXIM	$ 23,090.3	$ 28,032.0
Gross Amount of Guaranteed Loans and Insurance Disbursed During Year, Face Value	$ 4,800.3	$ 3,873.9
Amount of Guaranteed Loans and Insurance Disbursed During Year that is Guaranteed and Insured by EXIM	$ 4,800.3	$ 3,873.9

G. Liability for Loan Guarantees and Insurance

The liability for loan guarantees and insurance balances of $731.4 million at September 30, 2021, and $865.6 million at September 30, 2020, represent credit-reform guarantees and insurance credits.

H. Program Cost and Reestimate Expense for Loan Guarantees and Insurance by Component

The table below discloses defaults, fees, and reestimate 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 reestimate. The total program cost also includes modifications made on these authorizations.

(in millions)	FY 2021	FY 2020
Defaults	$ 56.7	$ 14.0
Fees and Other Collections	(118.1)	(29.2)
Total Program Costs	**(61.4)**	**(15.2)**
Net Reestimate - Principal	196.2	330.7
Net Reestimate - Interest	37.3	60.5
Total Net Reestimate	**233.5**	**391.2**
Total Loan Guarantee and Insurance Program Cost and Reestimate Expense	**$ 172.1**	**$ 376.0**

The Interest Rate Reestimate for FY 2021 was $0.1 million and for FY 2020 was less than $0.1 million.

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 which are associated with program costs. 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 2021	FY 2020
Defaults	1.0 %	2.6 %
Fees and Other Collections	(4.8)%	(5.8)%
Total	**(3.8)%**	**(3.2)%**

J. Schedule for Reconciling the Guarantee Loan Liability Balances

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

(in millions)	FY 2021	FY 2020
Post-1991 Loan Guarantees		
Beginning Balance of Guarantee Loan Liability	$ 865.6	$ 500.8
Current-Year Program Cost *(see Note 3H for Component Breakdown)*	(61.4)	(15.2)
Claim Payments to the Lenders	(1,769.4)	(279.4)
Foreclosed Property and Loans Acquired	1,394.5	266.1
Fees Received	96.6	39.9
Treasury Interest Revenue/Expense	3.9	6.7
Other	(31.9)	(44.5)
Ending Balance Before Reestimate	**497.9**	**474.4**
Reestimate	233.5	391.2
Ending Balance of the Allowance Account	**731.4**	**865.6**

K. Administrative Costs

All of EXIM's administrative costs are attributed to the support of EXIM's loan, guarantee, and insurance programs. Administrative costs are not allocated to individual programs. Administrative costs were $126.6 million as of September 30, 2021, and $126.9 million as of September 30, 2020.

L. Allowance and Exposure Summary

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

(in millions)	FY 2021	FY 2020
Pre-Credit-Reform Allowance		
Allowance for Loan Losses	$ 138.3	$ 134.6
Allowance for Defaulted Guarantees	24.4	24.3
Total Pre-Credit-Reform Allowance	**162.7**	**158.9**
Credit-Reform Allowance and Liability		
Allowance for Loan Losses	1,163.3	1,196.6
Allowance for Defaulted Guarantees and Insurance	1,020.8	685.8
Liability for Loan Guarantees and Insurance	731.4	865.6
Total Credit-Reform Allowance and Liability	**2,915.5**	**2,748.0**
Total Allowance for Loan Losses	1,301.6	1,331.2
Total Allowance and Liability for Guarantees and Insurance	1,776.6	1,575.7
Total Allowance and Liability	**$ 3,078.2**	**$ 2,906.9**
Total Outstanding Balance of Loans, Guarantees and Insurance	$ 32,213.8	$ 38,145.4
Percent Allowance and Liability to Outstanding Balance	9.6%	7.6%
Total Exposure	$ 41,343.6	$ 46,872.0
Percent Allowance and Liability to Exposure	7.4%	6.2%

4. STATUTORY LIMITATIONS ON LENDING AUTHORITY

Under its Charter, EXIM's statutory lending limit in FY 2021 and FY 2020 was $135.0 billion of loans, guarantees, and insurance exposure at any one time. As of September 30, 2021, and September 30, 2020, EXIM's statutory authority used was as follows:

(in millions)	FY 2021	FY 2020
Outstanding Guarantees	$ 17,741.5	$ 23,059.3
Outstanding Loans	11,096.1	13,017.2
Outstanding Insurance	1,058.4	1,036.1
Outstanding Claims	2,317.8	1,032.8
Total Outstanding	**32,213.8**	**38,145.4**
Undisbursed Guarantees	2,097.8	1,360.0
Undisbursed Loans	4,839.4	4,790.0
Undisbursed Insurance	2,192.6	2,576.6
Total Undisbursed	**9,129.8**	**8,726.6**
Total Exposure	**$ 41,343.6**	**$ 46,872.0**

Transactions can be committed only to the extent that budget authority is available to cover program costs. For FY 2021 and FY 2020, 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's Charter was not exceeded.

During FY 2021, EXIM committed $5,765.3 million for direct loans, guarantees, and insurance. During FY 2020, EXIM committed $5,395.2 million for direct loans, guarantees and insurance.

EXIM has authorized $1,479.8 million of transactions denominated in a foreign currency during FY 2021, and authorized $619.4 million during FY 2020, as calculated at the exchange rate at the time of authorization. EXIM 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 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 while pending final approval. This corresponds to the way activity is charged against EXIM's overall $135.0 billion statutory lending limit imposed by Section 6(a) (2) of EXIM'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, the entire credit is assumed to be a non-cash disbursement when the fee is paid to EXIM. The credit is recorded as repaid in one installment 180 days after the expiry date of the credit unless the Office of the Chief Financial Officer is notified before that time that a claim has been filed and approved. 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 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 a claim receivable.

Since there is typically a delay in reporting shipments under the insurance program, undisbursed balances generally 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.

5. ACCOUNTS RECEIVABLE

As of September 30, 2021, accounts receivable totaled $14.5 million, and $23.2 million as of September 30, 2020, which mainly consists of guarantee fee receivables with no allowance.

6. LIABILITIES NOT COVERED BY BUDGETARY RESOURCES

EXIM's liability to employees for accrued unfunded annual leave, included in Other Liabilities on the Balance Sheets, was $5.9 million as of September 30, 2021, and $5.7 million as of September 30, 2020. The liability will be paid from future administrative-cost budget authority.

(in millions)	FY 2021	FY 2020
Public		
Accrued Annual Leave Liability	5.9	5.7
Total Other Liabilities Not Covered by Budgetary Resources	**5.9**	**5.7**
Total Other Liabilities Covered by Budgetary Resources	**421.4**	**366.2**
Total Other Liabilities	**$ 427.3**	**$ 371.9**
(see Note 7 and Note 9 for Component Breakdown)		

7. NON-ENTITY ASSETS

Non-Entity Assets are assets that are held by EXIM but are not available for use in its operations. At year-end EXIM accrues the current year reestimates including the downward portion, which is sent to Treasury in the following fiscal year. The downward reestimate is reflected in the Balance Sheet as an asset accounted in the Fund Balance with Treasury and as a liability accounted in the Accounts Payable to U.S. Treasury until the amount is paid to the U.S. Treasury.

(in millions)	FY 2021	FY 2020
Intragovernmental Entity		
Expired Funds Payable to U.S. Treasury	$ 89.5	$ 234.8
Intragovernmental Non-Entity		
Downward Reestimate Payable to U.S. Treasury	$ 224.7	$ 54.1
Amounts Payable to U.S. Treasury	**$ 314.2**	**$ 288.9**

8. FEDERAL AND PUBLIC DEBT AND INTEREST PAYABLE

EXIM'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's guarantee program via payment certificates. Payment certificates are classified as debt held by the public.

EXIM's total debt at September 30, 2021, and September 30, 2020, is as follows:

(in millions)	FY 2021	FY 2020
U.S. Treasury Debt		
Beginning Balance	$ 15,388.1	$ 16,946.4
New Borrowings	882.9	1.4
Repayments	(1,739.8)	(1,559.7)
Ending Balance	**14,531.2**	**15,388.1**
Debt Held by the Public		
Beginning Balance	$ 2.3	$ 1.9
New Borrowings	1,036.6	2.3
Repayments	(78.6)	(1.9)
Interest Accruals	2.6	-
Ending Balance	**962.9**	**2.3**
Total Debt	**$ 15,494.1**	**$ 15,390.4**

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 through the reestimation process for this purpose. The full amount of the borrowings is expected to be repaid by FY 2040, which reflects when the last credit matures.

EXIM had borrowings outstanding with the U.S. Treasury of $14,531.2 million at September 30, 2021, and $15,388.1 million at September 30, 2020, with a weighted-average interest rate of 2.9 percent (2.9%) in both FY 2021 and FY 2020.

Payment certificates are issued by EXIM in exchange for the foreign obligor's original note that was guaranteed by EXIM on which EXIM 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.

As of September 30, 2021, there are $962.9 million in payment certificates, while there was $2.3 million at September 30, 2020. Maturities of payment certificate installments at September 30, 2021, are as follows:

Fiscal Year	Amount (in millions)	
FY 2022	$	241.4
FY 2023		232.8
FY 2024		232.5
FY 2025		142.8
FY 2026		87.4
FY 2027		26.0
Total		**$962.9**

9. OTHER LIABILITIES

As of September 30, 2021, EXIM had $112.2 million in public other liabilities with $85.2 million representing offsetting collections, which are available to cover administrative and program costs. As of September 30, 2020, EXIM had $82.2 million in public other liabilities with $74.3 million representing offsetting collections.

(in millions)	FY 2021		FY 2020	
Intragovernmental				
Employer Contributions Payable	$	0.7	$	0.6
Other Liabilities		0.2		0.2
Total Intragovernmental		**0.9**		**0.8**
Public				
Funds Held Pending Application	$	23.3	$	4.3
Administrative Expenses Payable		2.7		2.7
Advances from Others		1.0		0.9
Deferred Revenue		85.2		74.3
Total Public		**112.2**		**82.2**
Total Other Liabilities	**$**	**113.1**	**$**	**83.0**

10. FEDERAL OPERATING LEASES

EXIM's office space in Washington, D.C., is leased from the General Services Administration (GSA) through the Public Buildings Fund, and office space in regional locations is leased through the U.S. Export Assistance Centers. Lease expenses, included in Administrative Costs on the Statements of Net Costs, were $6.7 million in FY 2021 and $7.8 million in FY 2020. Future estimated payments provided by GSA for EXIM's office space in Washington, D.C., is $7.8 million for FY 2022. The occupancy agreement and future lease payments beyond FY 2022 are being negotiated with GSA.

11. COMMITMENTS AND CONTINGENCIES

Pending Litigation

As of September 30, 2021, EXIM 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.

12. DISCLOSURES RELATED TO THE COMBINED STATEMENTS OF BUDGETARY RESOURCES

Combined Statements of Budgetary Resources disclose total budgetary resources available to EXIM and the status of such resources at September 30, 2021, and September 30, 2020. Activity impacting budget totals of the overall U.S. government budget is recorded in EXIM's Combined Statements of Budgetary Resources budgetary accounts. Activity which does not impact budget totals is recorded in EXIM's Combined Statements of Budgetary Resources non-budgetary accounts.

As of September 30, 2021, and September 30, 2020, EXIM's resources in budgetary accounts totaled $1,107.5 million and $592.8 million. respectively. As of September 30, 2021, and September 30, 2020, EXIM's resources in non-budgetary accounts totaled $4,251.3 million, and $2,539.4 million respectively.

Permanent Indefinite Appropriations

The FCRA requires an annual reestimate 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 2020 upward reestimate received from the U.S. Treasury in FY 2021 was $713.4 million, while the downward reestimate sent to the U.S. Treasury was $54.1 million. The FY 2019 upward reestimate received from the U.S. Treasury in FY 2020 was $80.8 million, while the downward reestimate sent to the U.S. Treasury was $172.8 million.

Available Borrowing Authority and Terms of Borrowing

EXIM in part relies on borrowings from the U.S. Treasury to help fund EXIM's loan program. U.S. Treasury borrowings are repaid primarily with the repayments of direct loans. To the extent principal and interest 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 through the reestimation process for this purpose. The full amount of the borrowings is expected to be repaid by FY 2040.

In FY 2021 EXIM had an increase in borrowing authority of $953.4 million, while in FY 2020 EXIM had a decrease in borrowing authority of $330.8 million.

Unobligated Balances

Unobligated balances at September 30, 2021, totaled $1,982.0 million. Of the $1,982.0 million, $1,733.1 million represents the amount in the loan, guarantee, and insurance financing accounts that is available to cover future defaults, and $89.5 million is unavailable for new obligations.

Unobligated balances at September 30, 2020, totaled $1,922.4 million. Of the $1,922.4 million, $1,537.6 million represents the amount in the loan, guarantee, and insurance financing accounts that is available to cover future defaults, and $234.9 million is unavailable for new obligations.

Undelivered Orders

Undelivered orders are obligations that have not yet been disbursed by EXIM. Undelivered orders for the periods ended September 30, 2021, and September 30, 2020, were $7,155.5 million and $7,055.4 million respectively. The undelivered order amount totals are mostly attributed to non-federal sources related to EXIM's credit-reform programs.

Distributed Offsetting Receipts

Distributed offsetting receipts were $54.1 million at September 30, 2021 and $172.8 million at September 30, 2020. Distributed offsetting receipts are amounts that EXIM collects from other Government agencies that are used to offset or reduce an EXIM's budget outlays. EXIM's outlays are measured on both a gross and net basis, with net outlays being reduced by offsetting receipts (and other amounts).

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

There are no material differences between the budgetary resources shown on the Combined Statements of Budgetary Resources and the Budget of the U.S. government. The President's FY 2023 Budget with actual numbers for FY 2021 has not yet been published. EXIM expects no material differences between the President's Budget and the FY 2020 reported results when the budget becomes available at https://www.whitehouse.gov/omb/budget/.

13. RECONCILIATION OF NET COST TO NET OUTLAYS

Budgetary accounting is used for planning and control purposes and relates to both the receipt and use of cash, as well as reporting the federal deficit. Financial accounting is intended to provide a picture of the government's financial operations and financial position, so it presents information on an accrual basis. The accrual basis includes information about costs arising from the consumption of assets and the incurrence of liabilities. The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future but also to assure integrity between budgetary and financial accounting. The analysis below illustrates this reconciliation by listing the key differences between net cost and net outlays.

(in millions)	Intragovernmental	With the Public	FY 2021
Net Operating Cost	$ 29.7	$ 107.9	$ 137.6
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Year-End Credit Reform Subsidy Reestimates	-	(73.4)	**(73.4)**
Other	-	62.3	**62.3**
Other Financing Sources			
Imputed Financing Sources	(3.8)	-	**(3.8)**
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(3.8)**	**(11.1)**	**(14.9)**
Increase/(Decrease) in Assets:			
Receivables From Subrogated Claims	-	(0.3)	**(0.3)**
	-	**(0.3)**	**(0.3)**
(Increase)/Decrease in Liabilities:			
Accounts Payable	-	(0.3)	**(0.3)**
Other Liabilities	(0.1)	(0.1)	**(0.2)**
	(0.1)	**(0.4)**	**(0.5)**
Components of the Budget Outlays that are Not Part of Net Operating Cost			
Effect of Prior-Year Credit Reform Subsidy Reestimate	713.4	-	**713.4**
Other	-	(89.3)	**(89.3)**
Total Components of the Budgetary Outlays that are Not Part of Net Operating Cost	**713.4**	**(89.3)**	**624.1**
Net Outlays	**739.2**	**6.8**	**746.0**
Miscellaneous Items			
Distributed Offsetting Receipts	(54.1)	-	**(54.1)**
Total Other Reconciling Items	**(54.1)**	**-**	**(54.1)**
Total Net Outlays			**$ 691.9**
Budgetary Agency Outlays, Net (SBR)			
Budgetary Agency Outlays, Net			**$ 691.9**

(in millions)	Intragovernmental	With the Public	FY 2020
Net Operating Cost	$ 29.2	$ 712.8	$ 742.0
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Year-End Credit Reform Subsidy Reestimates	-	(659.4)	**(659.4)**
Other	-	44.2	**44.2**
Other Financing Sources			
Imputed Financing Sources	(3.3)	-	**(3.3)**
Total Components of Net Operating Cost Not Part of the Budget Outlays	**(3.3)**	**(615.2)**	**(618.5)**
Increase/(Decrease) in Assets:			
Direct Loan Receivable	-	(0.3)	**(0.3)**
Receivables From Subrogated Claims	-	(0.3)	**(0.3)**
	-	**(0.6)**	**(0.6)**
(Increase)/Decrease in Liabilities:			
Accounts Payable	-	(0.3)	**(0.3)**
Other Liabilities	(0.3)	(2.0)	**(2.3)**
	(0.3)	**(2.3)**	**(2.6)**
Components of the Budget Outlays that are Not Part of Net Operating Cost			
Effect of Prior-Year Credit Reform Subsidy Reestimate	80.9	-	**80.9**
Other	-	(18.6)	**(18.6)**
Total Components of the Budgetary Outlays that are Not Part of Net Operating Cost	**80.9**	**(18.6)**	**62.3**
Net Outlays	**106.5**	**76.1**	**182.6**
Miscellaneous Items			
Distributed Offsetting Receipts	(172.8)	-	**(172.8)**
Total Other Reconciling Items	**(172.8)**	**-**	**(172.8)**
Total Net Outlays			**$ 9.8**
Budgetary Agency Outlays, Net (SBR)			
Budgetary Agency Outlays, Net			**$ 9.8**

14. RECLASSIFICATION OF FINANCIAL STATEMENT LINE ITEMS FOR FINANCIAL REPORT COMPILATION PROCESS

To prepare the Financial Report of the U.S. Government (Financial Report), the Department of the Treasury requires agencies to submit an adjusted trial balance, which is a listing of amounts by U.S. Standard General Ledger account that appear in the financial statements. Treasury uses the trial balance information reported in the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to develop a Reclassified Statement of Net Cost and a Reclassified Statement of Changes in Net Position for each agency, which are accessed using GTAS. Treasury eliminates all intragovernmental balances from the reclassified statements and aggregates lines with the same title to develop the Financial Report statements. This note shows EXIM's financial statements and EXIM's reclassified statements prior to elimination of intragovernmental balances and prior to aggregation of repeated FR line items. A copy of the 2020 Financial Report can be found here: https://www.fiscal.treasury.gov/reports-statements/ and a copy of the 2021 Financial Report will be posted to this site as soon as it is released.

The term "intragovernmental" is used in this note to refer to amounts that result from other components of the federal government.

The term "public" is used in this note to refer to federal government amounts that result from transactions with non-federal entities. These include transactions with individuals, businesses, non-profit entities, and state, local, and foreign governments.

Reclassification of Statement of Net Cost to Line Items Used for Government-wide Statement of Net Cost for the Year Ended September 30, 2021

Financial Statement Line	Amounts	Amounts	Reclassified Financial Statement Line
			Gross Cost
		$ 501.2	Non-Federal Gross Cost
		501.2	**Total Non-Federal Gross Cost**
		12.4	Benefit Program Costs
		3.8	Imputed Costs
		9.8	Buy/Sell Costs
		445.0	Borrowing and Other Interest Expense
		3.7	Other Expenses (without Reciprocals)
		474.7	**Total Federal Gross Cost**
Total Gross Cost	**$ 1,108.6**	**$ 975.9**	**Total Reclassified Gross Cost**
			Earned Revenue
		$ (705.4)	Non-Federal Earned Revenue
		(705.4)	**Total Non-Federal Earned Revenue**
			Federal Earned Revenue
		(132.9)	Borrowing and Other Interest Revenue
		(132.9)	**Total Federal Earned Revenue**
Total Earned Revenue	**$ (971.0)**	**$ (838.3)**	**Total Reclassified Earned Revenue**
Net Costs of Operations	**$ 137.6**	**$ 137.6**	**Net Cost of Operations**

Reclassification of Statement of Changes in Net Position to Line Items Used for Government-wide Statement of Operations and Changes in Net Position for the Year Ending September 30, 2021

FY 2021 Export - Import Bank of the United States		Line Items Used to Prepare FY 2021 Government-wide	
Financial Statement Line	**Amounts**	**Amounts**	**Reclassified Financial Statement Line**
Net Position, Beginning Balance	**$ (833.4)**	**$ (833.4)**	**Net Position, Beginning of Period**
UNEXPENDED APPROPRIATIONS			
Appropriations Received	768.2	763.5	Appropriations Received as Adjusted (Rescissions and Other Adjustments) (Federal)
Other Adjustments	(4.7)		
Appropriations Used	(756.2)	(756.2)	Appropriations Used (Federal)
CUMULATIVE RESULTS OF OPERATIONS			
Appropriations Used	756.2	756.2	Appropriations Expended (Federal)
Transfer Without Reimbursement	(76.3)	(76.3)	Collections for Others Transferred to the General Fund of the U.S. Government (Federal)
Offsetting Collections	74.1	74.1	Other taxes and receipts (Non-Federal)
Imputed Financing	3.8	3.8	Imputed Financing Sources (Federal)
Other Non-Entity Activity	(224.7)	(224.7)	Accrual for Non-Entity Amounts to be Collected and Transferred to the General Fund of The U.S. Government (Federal)
Net Cost of Operations	**$ 137.6**	**$ 137.6**	**Net Cost of Operations**
Net Position, Ending Balance	**$ (430.6)**	**$ (430.6)**	**Net Position, End of Period**

15. RELATED-PARTY TRANSACTIONS

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

EXIM’s credit and guarantee agreement with PEFCO provides that EXIM will guarantee the due and punctual payment of interest on PEFCO’s secured debt obligations which EXIM has approved and grants to EXIM a broad measure of supervision over certain of PEFCO's major financial management decisions, including the right to have representatives be present in all meetings of PEFCO’s board of directors, advisory board, and exporters’ council, and to review PEFCO’s financial and other records. However, EXIM does not have voting rights and does not influence normal operations. In September 2020 the EXIM Board of Directors unanimously voted to renew its agreement with PEFCO for 25 years.

PEFCO has an agreement with EXIM which provides that EXIM 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 $3,418.8 million at September 30, 2021, and $3,198.9 million at September 30, 2020, are included by EXIM 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 received fees totaling $47.0 million in FY 2021 and $39.3 million in FY 2020 for the agreements, which are included in Earned Revenue on the Statements of Net Costs.

16. CONTRIBUTIONS TO EMPLOYEE RETIREMENT SYSTEMS

All of EXIM’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 2021 and FY 2020, EXIM withheld 7.0 percent of CSRS employees’ gross earnings. EXIM’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 withheld 0.8 percent of employees' gross earnings. EXIM’s contribution was 17.3 percent of employees' gross earnings in FY 2021 and 16.0 percent FY 2020. 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 2021 limit of $142,800 and 2020 limit of $137,700; that sum plus matching contributions by EXIM are sent to the Social Security System from which the FERS employee group will receive Social Security benefits.

For FERS-Revised Annuity Employee (RAE), EXIM withheld 3.1 percent of employee's group earnings. EXIM's contribution was 15.5 percent of employee's gross earnings in FY 2021 and 14.2 in FY 2020. This sum was transferred to the Civil Service Retirement and Disability 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 2021 limit of $142,800 and 2020 limit of $137,700; that sum plus matching contributing by EXIM are sent to the Social Security Administration from which the FERS employee group will receive Social Security benefits.

For FERS-Further Revised Annuity Employee (FRAE), EXIM withheld 4.4 percent of employee's group earnings. EXIM's contribution was 15.5 percent of employee's gross earnings in FY 2021 and 14.2 percent in FY 2020. This sum was transferred to the Civil Service Retirement and Disability 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 2021 limit of $142,800 and 2020 limit of $137,700; that sum plus matching contributing by EXIM are sent to the Social Security Administration 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 $19,500 of Internal Revenue Service Elective Deferral Limit. In addition, FERS employees receive an agency automatic 1 percent contribution from EXIM based on the employee regular contributions. FERS employees receive agency matching contributions by EXIM up to 4 percent for a maximum EXIM contributions to the TSP of 5 percent.

Total EXIM (employer) matching contributions to the TSP, CSRS and FERS for all employees, included in Administrative Costs in the Statements of Net Costs, were approximately $10.9 million in FY 2021 and $10.1 million in FY 2020.

Although EXIM 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 and its employees represents the amount of pension expense which must be financed directly by OPM. EXIM 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 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.

Required Supplementary Information

Unaudited, see accompanying Auditor's Report

COMBINING STATEMENT OF BUDGETARY RESOURCES

Exhibit 1 displays the unaudited Combining 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.

Exhibit 1: Combining Statement of Budgetary Resources

(in millions)	Program Account	Direct Loan Financing Account	Guaranteed Loan Financing Account	Pre-Credit Reform Financing Account	Other	Total
	For the Year Ended September 30, 2021					
Budgetary Resources						
Unobligated from Prior Year Budget Authority, Net (Discretionary and Mandatory)	$ 249.7	$ 925.9	$ 631.0	$ -	$ -	$ 1,806.6
Appropriations (Discretionary and Mandatory)	768.2	-	-	-	-	768.2
Borrowing Authority (Discretionary and Mandatory)	-	87.6	865.8	-	-	953.4
Spending Authority from Offsetting Collections (Discretionary and Mandatory)	89.6	988.1	752.9	-	-	1,830.6
Total Budgetary Resources	**$ 1,107.5**	**$ 2,001.6**	**$ 2,249.7**	**$ -**	**$ -**	**$ 5,358.8**
Status of Budgetary Resources						
New Obligations and Upward Adjustments (Total)	$ 858.6	$ 494.3	$ 2,023.9	$ -	$ -	$ 3,376.8
Unobligated Balance, End of Year:	-					
Apportioned, Unexpired, End of Year	159.4	1,507.2	225.9	-	-	1,892.5
Expired Unobligated Balance, End of Year	89.5	-	-	-	-	89.5
Unobligated Balance, End of Year (Total)	248.9	1,507.2	225.9	-	-	1,982.0
Total Status of Budgetary Resources	**$ 1,107.5**	**$ 2,001.5**	**$ 2,249.8**	**$ -**	**$ -**	**$ 5,358.8**
Outlays, Net						
Outlays, Net (Total) (Discretionary and Mandatory)	$ 746.4			$ (0.4)		$ 746.0
Distributed Offsetting Receipts (-)	(54.1)	-	-	-	-	(54.1)
Agency Outlays, Net (Discretionary And Mandatory)	**$ 692.3**			**$ (0.4)**	**$ -**	**$ 691.9**
Disbursement, Net (Total) (Mandatory)		**$ (2,339.2)**	**$ 233.2**		**$ (26.3)**	**$ (2,132.3)**

Other Information

Unaudited, see accompanying Auditor's Report

PAYMENT INTEGRITY

Payment Integrity Information Act of 2019, "PIIA" (P.L. No. 116-117) requires that "the head of each executive agency shall, in accordance with guidance prescribed by the Director of the Office of Management and Budget" "(A) periodically review all programs and activities that the head of the executive agency administers; and "(B) identify all programs and activities with outlays exceeding the statutory threshold dollar amount described in paragraph (3)(A)(i) that may be susceptible 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 2021 assessment was focused on payments made in the 2020 fiscal year). Similarly, in FY 2020, EXIM assessed the susceptibility of Improper Payments of the 2019 fiscal year. EXIM has received OMB approval to assess improper payments using this methodology.

EXIM has further improved its quantitative and qualitative methodologies of review to ensure they are compliant with current guidance. As part of the comprehensive analysis EXIM uses a Risk Assessment Questionnaire for the qualitative assessment. This questionnaire uses the Committee of Sponsoring Organizations (COSO) *Internal Controls - Integrated Framework,* May 2013, as the basis for ensuring that the questionnaire captures whether each internal control principal is adequately addressed in the responses. Additionally, the Internal Controls and Compliance group met with key stakeholders in order properly update the Risk Assessment Questionnaire to ensure that all areas at risk of improper payments are included within the assessment. 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.

EXIM reviewed its payment programs for susceptibility to significant improper payments and concluded that none of the reviewed programs were found to be susceptible to significant improper payments and that it had met all reporting requirements of the improper payment laws. EXIM was found to be fully compliant with IPERIA in FY 2020 by the Office of Inspector General and the audit report resulted in no findings or recommendations.

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 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” (KYC) and EXIM due-diligence requirements.

OMB Risk Factors

In addition, EXIM 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. 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.

Recapture Audit Plan

EXIM updated its Recapture Audit Plan in 2017 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.

Fraud Reduction

To curb fraud, EXIM has developed a Fraud Risk Management (FRM) framework, derived from GAO-15-593SP: A Framework for Managing Fraud Risks in Federal Programs, July 2015. The framework sets the tone to combat fraud at the top of the organization and includes a Fraud Risk Oversight Team (FRO) as well as working groups. The working groups are responsible for identifying and assessing fraud risk, evaluating existing controls, developing remediation plans, and assuring key parties that effective methodology exists to evaluate fraud. All EXIM staff have responsibilities for taking appropriate action in relation to suspected fraudulent or improper conduct within their area of responsibility, and in accordance with EXIM Values and Code of Conduct including notification of any conflict of interests.

For EXIM, prevention and detection of fraud, starts with underwriting and due diligence, mainly the concept of "Know Your Customer" or KYC. For EXIM, KYC applies to buyers, exporters, agents, and suppliers. To do this, EXIM has standard screening procedures in which loan officers compare names of transaction participants against a database clearing house including the OFAC lists and the government exclusion list on SAM.gov.

Loan officers and underwriters make judgments, based on the risk profile of a transaction and based on information that is developed during underwriting, as to what additional due diligence, including enhanced due diligence in certain circumstances, should be conducted on a transaction. Any due diligence that increases knowledge about program participants helps to decrease the risk of fraud and corruption.

Additionally, underwriters and loan officers are required, from time to time, to take various "fraud" trainings offered by EXIM. This helps keep fraud and corruption concerns at the forefront of awareness as well as providing training to detect indications of fraud. Fraud trainings are offered by EXIM's Division of Human Capital, as well as by the Credit Review and Compliance (CPC) Division within the Office of the Chief Risk Officer.

For due diligence on transactions, EXIM has developed a Character, Reputation, and Transaction Integrity (CRTI) process, as these are the three major types of risk EXIM looks for prior to moving forward with proposed transactions. In this process, EXIM transaction officers submit a CRTI request on the transaction participants to EXIM's Research Center. The Research Center runs through participants through the World-Check keyword databases and provides the results of the request to the transaction officer. World-Check assists Transaction Officers in the "know your customer" due diligence, to understand who the customers are, the nature of hidden threats, reveal links to associated individuals and entities, and highlight cases that require further scrutiny. If there no hits on the transaction that exactly or partially match results on required watchlists, the Transaction Officer stops at this step.

If there are hits on the transaction, then the transaction officer submits the CRTI to EXIM's Office of General Counsel (OGC) and the Credit Policy and Compliance Division. When it is submitted to the CPC, the Transaction Officer explains the transaction and the role of the participant that received the hit, as well as provides an opinion on why or why not EXIM should do business with that individual or entity.

CPC reviews the CRTI results and returns them to the transaction officer or submits them to the OGC for further review. OGC then reviews the CRTI and CPC provides a final review for the transaction officer. Completing this CRTI process protects EXIM from approving transactions in which participants are known bad actors.

Office of Inspector General
Export-Import Bank *of the* United States
811 Vermont Avenue, NW
Washington, DC 20571
202-565-3908
www.exim.gov/about/oig