

~~25494~~
121675

BY THE COMPTROLLER GENERAL

Report To The Congress

OF THE UNITED STATES

Examination Of The Export-Import Bank's Financial Statements For The Fiscal Years Ended September 30, 1982 And 1981

GAO examined the financial statements of the Export-Import Bank for the fiscal years ended September 30, 1982 and 1981. The examination was made in accordance with generally accepted government auditing standards.

Due to a net loss (\$159.8 million) in fiscal year 1982, the Bank's reserves for contingencies and defaults decreased and the risk that the reserve will incur further reductions from possible future losses increased for several reasons.

In GAO's opinion, subject to the effects on the financial statements of the amount reserved for contingencies and defaults, the financial statements present fairly the financial position of the Bank at September 30, 1982 and 1981, and the results of its operations, and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.



121675

GAO/ID-83-38
JUNE 10, 1983

025922
121675

Request for copies of GAO reports should be sent to:

**U.S. General Accounting Office
Document Handling and Information
Services Facility
P.O. Box 6015
Gaithersburg, Md. 20760**

Telephone (202) 275-6241

The first five copies of individual reports are free of charge. Additional copies of bound audit reports are \$3.25 each. Additional copies of unbound report (i.e., letter reports) and most other publications are \$1.00 each. There will be a 25% discount on all orders for 100 or more copies mailed to a single address. Sales orders must be prepaid on a cash, check, or money order basis. Check should be made out to the "Superintendent of Documents".



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

B-197710

To the President of the Senate and the
Speaker of the House of Representatives

This is our report on the examinations of the Export-Import Bank's comparative financial statements for fiscal years 1982 and 1981.

We qualified our opinion on the financial statements because we were unable to express an opinion on the adequacy of Eximbank's reserves for contingencies and defaults. Our examinations were made pursuant to 31 U.S.C. 9105, and in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

We are sending copies of this report to the Director, Office of Management and Budget; the Secretary of the Treasury; and the President and Chairman, Export-Import Bank.

A handwritten signature in cursive script that reads "Charles A. Bowsher".

Comptroller General
of the United States



COMPTROLLER GENERAL OF THE UNITED STATES

WASHINGTON D.C. 20548

B-197710

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

We have examined the statements of financial condition of the Export-Import Bank of the United States (the Bank) as of September 30, 1982 and 1981, and the related statements of income (loss) and analysis of reserve for contingencies and defaults, and changes in financial position for the years then ended. Our examinations were made pursuant to 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The Bank reports its income (loss) before providing a reserve for losses that may be sustained on loans, guarantees, and insurance. However, the Bank retains accumulated net income after dividends as a reserve for such losses. Due to a net loss in fiscal year 1982, the reserve decreased, and the risk that the Bank will incur further reductions in the reserve from possible future losses increased for several reasons.

--This increased risk is due primarily to increased loan purchases, outstanding purchase agreements, and principal and interest delinquencies. The adequacy of the reserve cannot be realistically assessed because of the uncertain nature of future economic and political conditions. (See Statement of Financial Condition and notes 4, 6, and 8.)

Any losses the Bank may incur on purchases of defaulted commercial loans covered by Bank guarantees or insurance and rescheduled under countrywide debt consolidations also are chargeable against the reserve. In fiscal year 1982, the Bank purchased loans totaling \$45.9 million. Cumulative loan purchases since fiscal year 1977 have been \$332.8 million, while cumulative repayments have been \$44.3 million. Under existing agreements, the Bank may be called upon to purchase additional loans totaling as much as \$390.1 million. (See note 6.)

--The reserve is also subject to impairment because the Bank's current funding rates are higher than its lending rates. As a result the Bank's average cost of borrowed funds as of September 30, 1982, exceeded its interest income from outstanding loans by about 3.4 percent. This represents a 0.5 percent increase over the 2.9 percent interest rate differential as of September 30, 1981. If this trend continues the Bank will suffer a loss again in fiscal year 1983 and possibly future years that would have the direct effect of further reducing the amount of the reserve.

Because of the various contingencies, we are unable to express an opinion on the adequacy of the reserve.

In our opinion, subject to the effects on the financial statements of the amount reserved for contingencies and defaults, the financial statements referred to above present fairly the financial position of the Export-Import Bank at September 30, 1982 and 1981, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.



Comptroller General
of the United States

A p p e n d i x e s

		<u>Page</u>
I	Report on internal accounting controls	1
II	Report on compliance with laws and regulations	3
III	Export-Import Bank's financial statements	4
	Comparative statement of financial condition	4
	Comparative statement of income (loss) and analysis of reserve for contingencies and defaults	6
	Comparative statement of changes in financial position	7
	Notes to financial statements	8
IV	Letter dated January 28, 1983 from the Export-Import Bank	17

REPORT ON INTERNAL ACCOUNTING CONTROLS

As part of our examination of the Export-Import Bank of the United States financial statements for the years ended September 30, 1982 and 1981, we made a study and evaluation of the system of internal accounting control to the extent we considered necessary to evaluate the system as required by generally accepted government auditing standards. This report pertains only to our study and evaluation of the system of internal accounting control for the year ended September 30, 1982. For the purpose of this report, we have classified the significant internal accounting controls in the following categories:

- Cash
- Loans receivable
- Interest and fees on loans
- Borrowings
- Interest paid on borrowings
- Administrative expenses

Our study included all of the control categories listed above. The purpose of our study and evaluation was to determine the nature, timing, and extent of the auditing procedures necessary for expressing an opinion on the entity's financial statements. Our study and evaluation was more limited than would be necessary to express an opinion on the system of internal accounting control taken as a whole or on any of the categories of controls identified above.

The management of the Export-Import Bank is responsible for establishing and maintaining a system of internal accounting control. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures. The objectives of a system are to provide management with reasonable, but not absolute, assurance that assets are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in accordance with generally accepted accounting principles.

Because of inherent limitations in any system of internal accounting control, errors or irregularities may nevertheless occur and not be detected. Also, projection of any evaluation of the system to future periods is subject to the risk that procedures may become inadequate because of changes in conditions or that the degree of compliance with the procedures may deteriorate.

Our study and evaluation made for the limited purpose described in the first paragraph would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the system of internal accounting control of the Export-Import Bank taken as a whole or on any of the categories of controls identified in the first paragraph. However, our study and evaluation disclosed no condition that we believed to be a material weakness.

REPORT ON COMPLIANCE WITH LAWS AND REGULATIONS

We have examined the financial statements of the Export-Import Bank of the United States for the years ended September 30, 1982 and 1981. Our examination was made in accordance with generally accepted government auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures, including tests of compliance with laws and regulations, as we considered necessary in the circumstances. This report pertains only to our review of compliance with laws and regulations for the year ended September 30, 1982.

In our opinion, the Export-Import Bank complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected the entity's financial statements.

Nothing came to our attention in connection with our examination that caused us to believe that the Bank was not in compliance with the terms and provisions of laws and regulations for those transactions not tested.

EXPORT-IMPORT BANK OF THE UNITED STATES

COMPARATIVE STATEMENT OF FINANCIAL CONDITION

	<u>September 30, 1982</u>		<u>September 30, 1981</u>
ASSETS			
<u>Cash in U.S Treasury and</u> <u>Commercial Bank.....</u>	\$ 500,000		\$ 700,000
Loans Receivable (Notes 4, 5, 6, 8 and 9):			
Current Loans - includes rescheduled loans of \$470.1 million at 9-30-82 and \$715.4 million at 9-30-81.....	\$15,188,500,000		\$14,914,700,000
Delinquent Loans.....	<u>1,376,800,000</u>		<u>887,700,000</u>
	16,565,300,000		15,802,400,000
<u>Accrued Interest and Fees</u> <u>Receivable (Note 4):</u>			
Current Interest and Fees.....	386,500,000		314,400,000
Delinquent Interest.....	<u>149,000,000</u>		<u>89,300,000</u>
	535,500,000		403,700,000
<u>Other Assets:</u>			
Repossessed Equipment (Note 7)..	100,900,000		-0-
Due from Private Export Funding Corporation (Note 8).....	81,300,000		200,000
Foreign Credit Insurance Association Receivable.....	500,000		1,200,000
Other Receivables and Miscellaneous Assets.....	<u>700,000</u>		<u>1,000,000</u>
	183,400,000		2,400,000
Total Assets.....	<u>\$17,284,700,000</u>		<u>\$16,209,200,000</u>

	<u>September 30, 1982</u>		<u>September 30, 1981</u>	
LIABILITIES, RESERVE, AND CAPITAL				
<u>Borrowings (Notes 2, 3 and 7):</u>				
<u>Notes Payable to Federal</u>				
Financing Bank.....	\$13,953,900,000		\$12,409,300,000	
Note Payable to U.S. Treasury.....	4,400,000		19,000,000	
Note Payable to Private Export Funding Corporation	42,800,000		-0-	
Notes Payable to U.S. Institutions. Certificates of Beneficial Interest Payable.....	55,300,000		118,000,000	
Participation Certificates Payable.....	38,500,000		77,800,000	
	-0-		250,000,000	
	<u>\$14,094,900,000</u>		<u>\$12,874,100,000</u>	
<u>Other Liabilities:</u>				
Accrued Interest Payable.....	129,400,000		113,200,000	
Other Credits.....	8,800,000		10,800,000	
	<u>138,200,000</u>		<u>124,000,000</u>	
<u>Deferred Fee Income.....</u>		11,900,000		11,600,000
<u>Reserve for Contingencies and Defaults (Notes 3,4,5,7 and 8):</u>				
accumulated from income -				
includes delinquent interest and				
delinquent capitalized interest of				
\$221.0 million at 9-30-82 and				
\$173.3 million at 9-30-81				
		2,039,700,000		2,199,500,000
<u>Capital Stock Held by U.S. Treasury</u> <u>(Note 3).....</u>		1,000,000,000		1,000,000,000
<u>Total Liabilities, Reserve,</u> <u>and Capital.....</u>		<u>\$17,284,700,000</u>		<u>\$16,209,200,000</u>

Notes to Financial Statements on pages 8 through 16 are an integral part of this statement.

EXPORT-IMPORT BANK OF THE UNITED STATES

COMPARATIVE STATEMENT OF INCOME (LOSS) AND ANALYSIS OF RESERVE FOR CONTINGENCIES AND DEFAULTS

	Fiscal Year Ended <u>September 30, 1982</u>	Fiscal Year Ended <u>September 30, 1981</u>
<u>Revenues:</u>		
Interest on Loans.....	\$ 1,272,000,000	\$1,121,900,000
Application Fees.....	44,400,000	2,000,000
Commitment Fees.....	38,600,000	33,400,000
Insurance Premiums and Guarantee Fees.....	35,600,000	36,600,000
Other Income.....	<u>6,100,000</u>	<u>1,500,000</u>
Total Revenues.....	<u>1,396,700,000</u>	<u>1,195,400,000</u>
<u>Expenses:</u>		
Interest on U.S. Government Borrowings.....	1,461,100,000	1,128,200,000
Interest on Participation Certificate Borrowings.....	4,900,000	12,800,000
Interest on Certificates of Beneficial Interest Borrowings.....	5,200,000	10,500,000
Interest on U.S. Institutional Borrowings.....	4,900,000	11,900,000
Interest on Private Export Funding Corporation Borrowing.....	2,900,000	-0-
Administrative Expenses.....	13,700,000	13,800,000
Repossessed Equipment Writedown (Note 7).....	50,000,000	-0-
Claims Paid, net of recoveries (Note 7).....	7,700,000	3,300,000
Other Expenses.....	<u>6,100,000</u>	<u>2,800,000</u>
Total Expenses.....	<u>1,556,500,000</u>	<u>1,183,300,000</u>
<u>Net Income (Loss) (Note 3)</u>	<u>\$ (159,800,000)</u>	<u>\$ 12,100,000</u>
<hr/>		
<u>Analysis of Reserve for Contingencies and Defaults:</u>		
Balance at Beginning of Fiscal Year.....	\$ 2,199,500,000	\$2,187,400,000
Addition or Reduction to Reserve.....	(159,800,000)	12,100,000
Balance at End of Fiscal Year.....	<u>\$ 2,039,700,000</u>	<u>\$2,199,500,000</u>

Notes to Financial Statements on pages 8 through 16 are an integral part of this statement.

EXPORT-IMPORT BANK OF THE UNITED STATES

COMPARATIVE STATEMENT OF CHANGES IN FINANCIAL POSITION

	Fiscal Year Ended <u>September 30, 1982</u>	Fiscal Year Ended <u>September 30, 1981</u>
<u>Funds Provided:</u>		
Net Income (Loss).....	\$ (159,800,000)	\$ 12,100,000
Borrowings from the Federal Financing Bank (Note 2).....	3,166,900,000	3,953,000,000
Borrowings from U.S. Treasury (Note 2).....	1,148,800,000	2,184,200,000
Repayments of Loans Receivable.....	1,717,700,000	1,470,600,000
Repayments of Loans Purchased Pursuant to Guarantee and Insurance Agreements.....	13,900,000	4,300,000
Loans Receivable Written Off (Note 7).....	31,900,000	-0-
Loans Receivable Transferred to Other Assets (Note 7)...	56,800,000	-0-
Borrowing from Private Export Funding Corporation.....	48,900,000	-0-
Sales of Certificates of Beneficial Interest.....	3,300,000	200,000
Accrued Interest Payable.....	16,300,000	31,200,000
Other - Net.....	<u>(700,000)</u>	<u>6,900,000</u>
<u>Total Funds Provided</u>	<u>\$6,044,000,000</u>	<u>\$7,662,500,000</u>
<u>Funds Applied:</u>		
Loan Disbursements (includes Capitalized Interest FY 1982, \$41.5 million; and FY 1981, \$38.7 million)...	\$2,525,900,000	\$3,454,100,000
Loans Purchased Pursuant to Guarantee and Insurance Agreements (includes Capitalized Interest FY 1982, \$8.0 million; and FY 1981, \$5.9 million)....	57,300,000	58,100,000
Accrued Interest and Fees Receivable.....	131,800,000	79,900,000
Repayments of Federal Financing Bank Borrowings.....	1,622,300,000	1,610,600,000
Repayments of U.S. Treasury Borrowings.....	1,163,400,000	2,244,200,000
Repayments of Private Export Funding Corporation Borrowing.....	6,100,000	-0-
Repayments of U.S. Institutional Borrowings.....	62,700,000	133,200,000
Redemptions of Certificates of Beneficial Interest.....	42,600,000	82,400,000
Redemptions of Participation Certificates.....	250,000,000	-0-
Repossessed Equipment (Note 7).....	100,900,000	-0-
Loan Disbursements Due From Private Export Funding Corporation (Note 8).....	<u>81,000,000</u>	<u>-0-</u>
<u>Total Funds Applied</u>	<u>\$6,044,000,000</u>	<u>\$7,662,500,000</u>

Notes to Financial Statements on pages 8 through 16 are an integral part of this statement.

EXPORT-IMPORT BANK OF THE UNITED STATES
Notes to Financial Statements

Note 1: Enabling Legislation and Basic Accounting Principles

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

Eximbank's accounting records are maintained on an accrual basis with the exception of write-offs of loans and payment of claims on guarantees and insurance policies. Loans are written off and charged to income when Eximbank determines that the outstanding principal balance is uncollectable. Interest on delinquent loans receivable is accrued until such time as Eximbank determines on a case-by-case basis that a particular delinquent loan should be nonaccruing. Claims, except for purchases of assets (see footnote 6), are charged to income in the year paid. Later recoveries of amounts written off or of amounts which have been paid as claims are treated as income in the year received. The figures in the financial statements on pages 4 through 7 are rounded to the nearest one hundred thousand dollars.

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

At September 30, 1982, the committed and uncommitted authority to lend, guarantee, and insure was:

Category	(\$ Millions)	Charge
Loans		\$26,011.1
Guarantees	\$ 6,210.4	
Insurance	5,942.7	
	<u>\$12,153.1 @25%</u>	
Committed		<u>3,038.2</u>
Uncommitted		29,049.3
Total Statutory Authority		<u>\$40,000.0</u>

Note 2: Borrowings from the U.S. Treasury and the Federal Financing Bank

Eximbank does not receive any appropriated funds. It has authority, under its Act, to borrow directly from the U.S. Treasury and to have outstanding at any one time up to \$6 billion of such borrowings. Eximbank avails itself of this authority for its short-term needs on a daily basis at a 91-day Treasury bill rate. Excess cash is used to reduce these borrowings on a daily basis. The average rate for such short-term borrowings, for the quarter ending September 30, 1982, was 9.98 percent.

In previous years, Eximbank borrowed to meet its medium-term needs through the issuance of debentures and participation certificates. There are no debentures or participation certificates outstanding as of September 30, 1982.

Since May 1975, Eximbank has borrowed from the Federal Financing Bank (FFB) for its medium- and long-term needs. During the period ending September 30, 1982, Eximbank borrowed the following from the FFB:

Date	Amount	Rate	Final Maturity
12/01/81	\$ 317.9	13.042%	12/01/91
12/01/81	460.0	12.765	12/01/91
3/01/82	83.0	13.913	3/01/92
3/01/82	691.0	14.014	3/01/92
6/01/82	347.0	13.604	6/01/92
6/01/82	652.0	13.634	6/01/92
9/01/82	363.0	12.732	9/01/92
9/01/82	253.0	12.587	9/01/92

As of September 30, 1982, \$7,322.5 million of the \$13,953.9 million FFB borrowings outstanding is payable over the next five years as indicated below:

Fiscal Year of Maturities	Amount (\$ Millions)	Percent of Total
1983	\$ 1,477.0	10.6%
1984	1,457.3	10.4
1985	1,477.0	10.6
1986	1,481.1	10.6
1987	1,430.1	10.3
	<u>7,322.5</u>	<u>52.5</u>
1988 - 1992	6,631.4	47.5
	<u>\$13,953.9</u>	<u>100.0%</u>

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

Note 3: United States Government Investment in Eximbank

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

	(\$ Millions)	
	<u>September 30, 1982</u>	<u>September 30, 1981</u>
Capital stock held by U.S. Treasury	\$ 1,000.0	\$ 1,000.0
Reserve for Contingencies and Defaults	2,039.7	2,199.5
Notes Payable to Federal Financing Bank	13,953.9	12,409.3
Notes Payable to U.S. Treasury	4.4	19.0
Total	<u>\$16,998.0</u>	<u>\$15,627.8</u>

No dividend was declared for FY 1982.

Note 4: Delinquent Loans

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

Delinquent interest of \$149.0 million has accrued and is carried as a receivable. Of this amount \$10.8 million is delinquent interest on loans purchased (see footnote 6). The difference between the \$149.0 million figure and the \$176.9 million shown in the table represents mainly interest on loans which are non-accruing for financial statement purposes.

The delinquent loans to China were made in 1946 to the then recognized government of China. The delinquent loans to Cuba were made between 1951 and 1958, when a prior government existed.

In FY 1982, Eximbank rescheduled principal and interest installments of \$99.5 million (see footnote 5). At the time of the reschedulings, \$54.7 million (\$31.5 million principal and \$23.2 million interest) was past due 90-days or more.

Since December 21, 1979, Eximbank has accelerated certain loans totaling \$305.5 million and guarantees of \$4.8 million which had been made to or guaranteed by the government of Iran. These loans were accelerated in FY 1980 on the basis of defaults on scheduled repayments to Eximbank or loans with cross-default clauses.

(\$ Thousands)

Country	Total Outstanding	Delinquent Installments September 30, 1982			Delinquent Installments September 30, 1981		
	Principal	Principal	Interest	Total	Principal	Interest	Total
Antigua	\$ 750.0	\$ 750.0	\$ 855.2	\$ 1,605.2	\$ 750.0	\$ 202.8	\$ 952.8
Argentina	24,769.1	2,759.6	986.4	3,746.0	175.9	115.5	291.4
Bolivia	32,206.9	2,129.0	1,158.3	3,287.3	-0-	-0-	-0-
Brazil	37,495.2	992.9	201.4	1,194.3	823.9	202.9	1,026.8
Ken. Afr. Rep.	2,825.9	2,485.0	1,084.5	3,569.5	1,803.0	906.6	2,709.6
China	26,386.0	26,386.0	26,583.3 *	52,969.3	26,386.0	25,790.3 *	52,176.3
Costa Rica	15,053.7	1,728.8	924.7	2,653.5	248.9	134.3	383.2
Cuba	36,266.6	36,266.6	44,909.6	81,176.2	36,266.6	42,921.0	79,187.6
Dominican Rep.	34,608.5	2,922.2	426.9	3,349.1	440.3	3.9	444.2
Iran	305,718.3	305,718.3	61,863.3	367,581.6	305,718.3	42,327.3	348,045.6
Mauritania	4,741.7	1,926.3	768.0	2,694.3	-0-	465.9	465.9
Mexico	1,476.7	1,160.2	603.3	1,763.5	1,126.4	650.4	1,776.8
Morocco	10,984.2	1,569.2	476.6	2,045.8	-0-	961.1	961.1
Nicaragua	18,845.3	9,335.0	3,166.0	12,501.0	2,415.1	2,104.8	4,519.9
Nigeria	9,710.6	1,079.0	283.2	1,362.2	-0-	-0-	-0-
Poland	241,809.4	19,273.3	10,656.7	29,930.0	231.1	461.4	692.5
Romania	41,622.1	4,954.9	299.5	5,254.4	-0-	-0-	-0-
Senegal	1,738.7	1,472.0	152.1	1,624.1	516.4	92.7	609.1
Sierra Leone	21,956.6	547.3	589.0	1,136.3	273.6	589.0	862.6
Sudan	8,942.1	549.3	1,352.7	1,902.0	274.7	369.7	644.4
Zaire	461,870.8	39,370.6	18,932.6	58,303.2	14,994.2	11,381.4	26,375.6
Other	36,975.3	2,277.1	670.8	2,947.9	5,688.8	909.1	6,597.9
Total	<u>\$1,376,753.7</u>	<u>\$465,652.6</u>	<u>\$176,944.1</u>	<u>\$642,596.7</u>	<u>\$398,133.2</u>	<u>\$130,590.1</u>	<u>\$528,723.3</u>

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

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

Note 5: Rescheduled Loans

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

All loan maturities which were previously rescheduled in this manner are current at September 30, 1982, except for loans with an aggregate outstanding principal balance of \$707.7 million as to which principal and interest installments amounting to \$82.9 million are 90 days or more past due. These loans are included in the delinquent classification on the Statement of Financial Condition. In FY 1982, Eximbank rescheduled principal and interest installments totaling \$99.5 million. Included in this total is \$11.4 million (\$3.4 million principal and \$8.0 million interest) of rescheduled loan purchases. The outstanding principal balance under the FY 1982 reschedulings is \$151.5 million.

Some reschedulings include capitalized interest, which has been previously credited to the Reserve for Contingencies and Defaults. At September 30, 1982, the Reserve of \$2,039.7 million includes \$125.8 million of such outstanding capitalized interest of which \$72.0 million is 90 days or more past due. The Reserve also includes past due interest on delinquent loans totaling \$149.0 million.

Note 6: Loans Purchased Pursuant to Eximbank Guarantee Agreements

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

The \$16,565.3 million of loans receivable at September 30, 1982 includes \$288.5 million of purchased loans and the \$15,802.4 million at September 30, 1981 includes \$245.1 million. As of September 30, 1982, delinquent loan purchases totaled \$47.9 million (\$37.1 million principal and \$10.8 million interest). At September 30, 1982, cumulative purchases of loan installments totaled \$332.8 million and cumulative repayments totaled \$44.3 million. In accordance with the terms of existing guarantee and insurance agreements, Eximbank may be called upon to purchase some or all of the remaining \$390.1 million of installments relating to these loans.

Loan purchases as of FY 1982, and FY 1981 are summarized in the table below. Repayments in FY 1982 totaled \$13.8 million and \$16.6 million in FY 1981.

<u>Country</u>	(\$ Thousands)	
	FY 1982	FY 1981
	<u>Loan</u> <u>Purchases</u>	<u>Loan</u> <u>Purchases</u>
Argentina	\$ 1,019.2	\$ -0-
Costa Rica	428.6	-0-
El Salvador	706.7	-0-
Honduras	304.6	-0-
Madagascar	-0-	1,808.4
Mauritania	-0-	1,222.4
Nicaragua	1,946.6	1,904.4
Senegal	958.3	-0-
Sudan	818.0	365.3
Togo	655.4	817.6
Turkey	10,768.0	16,407.0
Zaire	28,282.6	29,649.9
Total	<u>\$ 45,888.0</u>	<u>\$ 52,175.0</u>

Note 7: Losses, Claims and Reserve for Contingencies and Defaults

In February 1982, Laker Airways Limited (Laker) declared bankruptcy. At that date, Eximbank's total outstanding exposure on loans to Laker for five DC-10-30 aircraft totalled \$147.2 million (a \$86.0 million Eximbank direct loan and a \$61.2 million guaranteed loan made by the Private Export Funding Corporation (PEFCO)).

The Eximbank exposure was secured by chattel mortgages on the five DC-10-30 aircraft. Eximbank has taken possession of the aircraft. Under the terms of its guarantee, the Bank paid PEFCO \$15.7 million (\$12.2 million principal and \$3.5 million interest) for delinquent installments. PEFCO requested acceleration of the debt under the terms of its loan and guarantee agreements. In lieu of paying PEFCO immediately for future installments under the loan, Eximbank gave PEFCO a promissory note for \$48.9 million at the same 11 percent rate with the same installment dates as carried by PEFCO's loan to Laker.

The Board of Directors approved a \$50 million writedown of the asset, based on the approximate market value of the aircraft at year end. The writedown was applied proportionately between the Eximbank loan and the guarantee (\$29.2 million to the loan and \$20.8 million to the guarantee).

Losses, claim payments and recoveries for FY 1982 and FY 1981 are:

	(\$ Thousands)	
	FY 1982	FY 1981
Loans written off	\$32,331.4	\$ -0-
Guarantee claims paid	25,039.9	3,758.3
Guarantee recoveries	(2,614.7)	(3,034.6)
Insurance claims paid	8,639.5	5,844.8
Insurance recoveries	<u>(5,714.0)</u>	<u>(3,268.3)</u>
Claims Paid, net of recoveries	<u>\$57,682.1</u>	<u>\$3,300.2</u>

The risk to Eximbank from potential losses and claims is not susceptible to accurate measurement because of the unpredictable nature of future worldwide economic and political conditions. Eximbank's entire Reserve is available to cover such losses, claims and contingencies. Eximbank has a Reserve for Contingencies and Defaults of \$2,039.7 million which is 12.3 percent of outstanding loans and 5.3 percent of world commitments. This Reserve, coupled with Eximbank's \$1.0 billion Capital, amounts to 18.3 percent of outstanding loans and 8.0 percent of world commitments.

Note 8: Commitments and Contingent Liabilities

Eximbank's worldwide commitments, shown below, include contingent liabilities totaling \$12,153.1 million at September 30, 1982, and \$13,456.8 million at September 30, 1981.

	(\$ Millions)	
	<u>FY 1982</u>	<u>FY 1981</u>
Outstanding Loans	\$16,565.3	\$15,802.4
Undisbursed Loans	9,445.8	9,147.0
Guarantees Contingent Liability	6,210.3	6,702.7
FCIA Insurance Contingent Liability	5,942.7	6,754.1
Total	<u>\$38,164.1</u>	<u>\$38,406.2</u>

In FY 1980, Eximbank and the Private Export Funding Corporation (PEFCO) agreed to share in providing a total of \$1,350.0 million of U.S. export financing for 16 export credits at current fixed rates of interest quoted by Eximbank to foreign borrowers. Eximbank's share of the total is \$251 million and PEFCO's share is \$1,099.0 million. Under the arrangement, Eximbank will meet any shortfall or retain any excess between the borrowers' interest payments and PEFCO's interest charges.

During FY 1982 disbursements totaling \$255.0 million were made in connection with credits under the arrangement. PEFCO's share of the total is \$197.6 million and Eximbank's is \$57.4 million. To reimburse Eximbank for the disbursements made for their account, PEFCO borrowed and transferred \$110 million to Eximbank in May 1982. In accordance with the arrangement, the interest rate charged by PEFCO on their share of the disbursements was determined by their borrowing cost at the time of borrowing and for this \$110 million was 14.69 percent. The weighted average interest rate to the foreign borrowers on the \$110 million of disbursements is 8.40 percent. The weighted average cost of Eximbank's borrowings from the FFB for the first 8 months of FY 1982 was 13.51 percent.

In October, 1982, subsequent to the date of the financial statements, PEFCO borrowed and transferred \$110 million to reimburse Eximbank for disbursements of \$81.0 million under the arrangement that were unreimbursed as of September 30, 1982, plus subsequent disbursements totalling the \$110 million. The interest rate charged by PEFCO on these funds was 12.85 percent. The weighted average interest rate to the foreign borrowers on this \$110 million of disbursements is 8.414 percent. The weighted average cost of Eximbank's FFB borrowings for the last quarter of FY 1982 was 12.67 percent.

Note 9: Maturity Schedule of Outstanding Loans Receivable:

As of September 30, 1982, about 64.3 percent of the outstanding loans receivable balance of \$16,565.3 million is projected to be due over the next five years and the remaining 35.7 percent is estimated to be due thereafter, as indicated below:

<u>Fiscal Years of Maturities</u>	<u>Amount (\$ Millions)</u>	<u>Percent of Total</u>
1983	\$ 2,024.9	12.2%
1984	2,153.7	13.0
1985	2,136.4	12.9
1986	2,085.2	12.6
1987	2,245.2	13.6
	<u>10,645.4</u>	<u>64.3</u>
1988-2006	5,919.9	35.7
	<u>\$16,565.3</u>	<u>100.0%</u>

In addition to the \$16,565.3 million of outstanding loans there are undisbursed loans totaling \$9,445.8 million most of which are expected to be disbursed over the next 3-5 years.



EXPORT-IMPORT BANK OF THE UNITED STATES
WASHINGTON, D. C. 20571

CABLE ADDRESS "EXIMBANK"
TELEX 89-461

January 28, 1983

Mr. Samuel W. Bowlin
Associate Director
International Division
United States General Accounting Office
441 G Street, N.W.
Washington, D. C. 20548

Dear Mr. Bowlin:

Eximbank's management is responsible for the integrity of the financial data included in the Bank's Annual Report whether audited or unaudited. The financial statements have been prepared in accordance with generally accepted accounting principles consistently applied in all material respects and reflect some estimates where necessary. Where acceptable alternative accounting principles exist management has used its best judgment including, when material, prior consultation with the independent auditors in selecting those principles that, in the circumstances, reflect fairly the results of operations and changes in the financial position of Eximbank.

Eximbank maintains a system of internal accounting controls designed to provide reasonable assurance at reasonable cost that assets are safeguarded, that transactions are processed in accordance with management's authorization and are properly recorded, and that the accounting records are reliable for preparing financial statements and other financial information.

We believe that the Bank's policies and procedures, including its system of internal accounting control, provide reasonable assurances that the financial statements are prepared in accordance with generally accepted accounting principles.

Sincerely yours,

James K. Hess
Acting Treasurer-Controller

(487083)



25491

AN EQUAL OPPORTUNITY EMPLOYER

**UNITED STATES
GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548**

**OFFICIAL BUSINESS
PENALTY FOR PRIVATE USE, \$300**

**POSTAGE AND FEES PAID
U. S. GENERAL ACCOUNTING OFFICE**



THIRD CLASS