



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



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

The General Accounting Office has examined the statement of financial condition of the Export-Import Bank of the United States, a wholly owned Government corporation, as of June 30, 1972, and the related statements of income and expense and analysis of retained income reserve and source and application of funds for the year then ended. This examination, pursuant to the Government Corporation Control Act (31 U.S.C. 841), was made in accordance with generally accepted auditing standards and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

The interest and other financial expense reported by Eximbank include interest charges on a significant part of the borrowings from the U.S. Treasury at rates lower than the rate prevailing at the time the funds were borrowed. Had the Treasury charged Eximbank interest rates approximating the full cost of the funds, the Bank's interest and other financial expense would have been increased by about \$9.9 and \$11.9 million in fiscal years 1972 and 1971, respectively, and the net income from operations for the years then ended would have been correspondingly reduced.

We were advised by Eximbank officials that in the past these special borrowing arrangements were made with the Treasury to compensate, in part, for Eximbank's having financed its operations through the sale of participation certificates and certificates of beneficial interest and for Eximbank's having made certain relatively low-interest-rate loans, all in furtherance of national policy. During the latter part of fiscal year 1971, the Eximbank and Treasury entered into a new agreement with regard to the borrowings, whereby such low-interest borrowings from Treasury are tied-in directly to the rate, term, and amount of the outstanding balances of those loans which Eximbank states have been made at concessionary terms in the national interest. The effect of the new agreement, however, eliminates only a portion of the concession given Eximbank on its low-cost borrowings from the Treasury. Because the interest rates on the loans made by Eximbank are less than the Treasury's cost of borrowing the funds, the Treasury will be absorbing that portion of the cost between its lending rate to Eximbank and the cost of obtaining the funds.

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The net income reported by Eximbank is stated before any provision for losses that may be sustained on loans receivable and related accrued interest or on guarantees and insurance. All accumulated net income, after dividends, has been reserved as a provision for future contingencies, defaults, or claims. (See note 2 to financial statements.)

The contingent liabilities reported by Eximbank as loan maturities sold subject to contingent repurchase commitments include participations in specific loans, in support of which Eximbank issued instruments called certificates of beneficial interest. The buyers of these instruments are not free to dispose of them except as permitted by the Eximbank, which also assumes fully the risk of default. Accordingly, we believe that such instruments should be considered as borrowing or financing transactions, which, if so handled on the Eximbank's financial statements, would increase the Eximbank's total assets and liabilities by about \$415 million as of June 30, 1972.

In our opinion, the accompanying financial statements, subject to our comments in the paragraph directly above, present fairly the financial position of the Export-Import Bank of the United States at June 30, 1972, and the results of its operations and the source and application of its funds for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year and with applicable Federal laws.

/S/ ELMER B. STAATS

Comptroller General
of the United States

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COMPARATIVE STATEMENT OF FINANCIAL CONDITION FISCAL YEARS 1972-1971

ASSETS	June 30, 1972	June 30, 1971
CASH:		
In banks, in transit, and on hand.....	\$ 9,437,520	\$ 5,679,201
With U. S. Treasury.....	<u>207,433</u>	<u>84,192,836</u>
	\$ 9,644,953	\$ 89,872,037
LOANS RECEIVABLE:		
Outstanding loans and undistributed authorizations.....	10,523,884,643	9,177,443,776
Less uncollected balance of authorized loans.....	<u>4,567,655,552</u>	<u>3,512,716,426</u>
Outstanding loans receivable (Notes 2 and 3).....	5,956,229,091	5,664,727,350
ACCRUED INTEREST AND FEES RECEIVABLE ON LOANS AND GUARANTEES.....	89,085,254	67,667,000
OTHER ASSETS:		
From Foreign Credit Insurance Association.....	363,360	353,025
Due from borrowers.....	6,733,480	1,079,025
Miscellaneous.....	<u>26,884</u>	<u>48,206</u>
	7,123,724	1,480,256
FURNITURE AND EQUIPMENT, less accumulated depreciation (1972, \$306,252; 1971 \$384,635).....	203,543	297,000
DEFERRED CHARGES - unamortized balance of financial expense.....	2,809,178	1,519,000
Total assets.....	<u>\$6,065,095,743</u>	<u>\$5,825,563,000</u>

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LIABILITIES, CAPITAL, AND RESERVE

June 30, 1972

June 30, 1971

LIABILITIES:

Portfolio Participation			
Certificates payable			
(Note 3).....	\$ 618,654,917		\$1,224,895,706
Debentures payable.....	1,200,000,000		400,000,000
Short-term notes payable...	-0-		1,000,000,000
Notes payable to U.S.			
Treasury (Note 1).....	1,743,431,053		783,465,737
Dividend payable (Note 1)..	50,000,000		50,000,000
Guaranteed letters of credit			
payable.....	7,298,295		8,501,821
Accrued interest payable...	20,857,555		31,422,257
Other.....	<u>6,097,888</u>		<u>6,744,336</u>
Total liabilities.....		\$3,646,339,708	\$3,505,029,857
DEFERRED INCOME.....		5,829,802	5,469,867
CAPITAL AND RESERVE:			
Capital stock held by U.S.			
Treasury (Note 1).....	1,000,000,000		1,000,000,000
Retained income reserve for			
contingencies and defaults			
(Note 2).....	<u>1,412,926,233</u>		<u>1,315,064,088</u>
Total capital and reserve		2,412,926,233	2,315,064,088
TOTAL LIABILITIES, CAPITAL,			
AND RESERVE.....		<u>\$6,065,095,743</u>	<u>\$5,825,563,812</u>

The Notes to the Financial Statements on page are an integral part of this statement. See Note 1 for composition of the U.S. Government's investment in Eximbank.

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COMPARATIVE STATEMENT OF INCOME AND EXPENSE AND ANALYSIS OF RETAINED INCOME RESERVE

	FISCAL YEAR ENDED	
	June 30, 1972	June 30, 1971
REVENUES:		
Interest and fees on loans.....	\$ 341,320,002	\$ 322,487,909
Insurance premiums and guarantee fees.....	4,730,338	3,824,969
Other income.....	<u>336</u>	<u>5,989</u>
TOTAL REVENUES.....	<u>346,050,676</u>	<u>326,318,867</u>
EXPENSES:		
Interest and other financial expense.....	185,527,760	197,762,130
Administrative and other expenses	<u>8,229,397</u>	<u>7,035,615</u>
TOTAL EXPENSES.....	<u>193,757,157</u>	<u>204,797,745</u>
OPERATING INCOME.....	152,293,519	121,521,122
Claims paid - net of recoveries.....	<u>4,431,374</u>	<u>2,003,114</u>
NET INCOME.....	147,862,145	119,518,008
Less: Dividend declared on capital stock (Note 1).....	<u>50,000,000</u>	<u>50,000,000</u>
Reserve Addition to Retained Income/ (Note 2)....	<u>\$ 97,862,145</u>	<u>\$ 69,518,008</u>
ANALYSIS OF RETAINED INCOME RESERVE:		
Balance at beginning of fiscal year...	\$1,315,064,088	\$1,245,546,080
Addition to reserve (Note 2).....	<u>97,862,145</u>	<u>69,518,008</u>
Balance at End of Fiscal Year.....	<u>\$1,412,926,233</u>	<u>\$1,315,064,088</u>

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COMPARATIVE STATEMENT OF SOURCE AND APPLICATION OF FUNDS

	<u>June 30, 1972</u>	<u>June 30, 1971</u>
FUNDS PROVIDED:		
Net income from operations	\$147,862,145	\$119,518,008
Adc depreciation expense for the year.....	<u>40,160</u>	<u>50,448</u>
Funds provided by operations.....	\$ 147,902,305	\$ 119,568,456
Sales of short-term notes	-0-	2,500,000,000
Sales of debentures	800,000,000	-0-
Repayments and other credits to loans receivable.....	978,931,559	1,186,573,485
Sales of individual loan maturities.....	238,782,875	268,622,907
Borrowings from U. S. Treas- ury--Net.....	959,965,316	-0-
Other--Net.....	39,874,909	(47,772,288)
TOTAL FUNDS PROVIDED.....	<u>\$3,165,456,964</u>	<u>\$4,026,992,560</u>
FUNDS APPLIED:		
Repayment of U. S. Treasury borrowings--Net.....	\$ -0-	\$ 802,975,111
Payment of dividend to U. S. Treasury.....	50,000,000	50,000,000
Disbursements and other additions to loans, including capitalized interest - 1972, \$10,584,798; 1971, \$7,941,029.....	1,509,216,175	1,406,114,450
Repayments on Portfolio Participation Certificates	606,240,789	267,902,999
Redemptions of short-term notes	1,000,000,000	1,500,000,000
TOTAL FUNDS APPLIED.....	<u>\$3,165,456,964</u>	<u>\$4,026,992,560</u>

The Notes to the Financial Statements on page are an integral part of these statements.

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NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 1972

NOTE 1

Eximbank's authority to borrow from the U.S. Treasury is limited to \$6 billion outstanding at any one time, and the authority to lend, guarantee, and insure is limited to \$20.0 billion. Of this latter amount, up to \$10.0 billion of outstanding guarantees and insurance may be charged against said lending authority at 25 percent of the contractual liability assumed.

At June 30, 1972 the uncommitted authority to lend, guarantee, and insure totaled \$7,640.1 million.

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

	<u>June 30, 1972</u>	<u>June 30, 1971</u>
Notes payable to U.S. Treasury	\$1,743,431,053	\$ 783,465,737
Capital stock held by U.S. Treasury	1,000,000,000	1,000,000,000
Dividend payable	50,000,000	50,000,000
Retained income reserve (Note 2)	<u>1,412,926,233</u>	<u>1,315,064,088</u>
Total investment	<u>\$4,206,357,286</u>	<u>\$3,148,529,825</u>

A dividend of \$50 million was declared on June 29, 1972 and was paid on July 24, 1972.

NOTE 2

Loans with delinquent installments of 30 days or more at June 30, 1972 are summarized in millions of dollars as follows:

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Country	Number of loans	Oldest past due installment	Total outstanding principal	Delinquent installments		
				Principal	Interest	Total
Cuba	5	1958	\$ 36.3	\$26.9	\$23.8	\$50.7
Chile	27	1971	309.6	26.4	9.6	36.0
Argentina	3	1966	1.5	1.5	.1	1.6
Pakistan	8	1971	20.7	3.7	1.4	5.1
Sierra Leone	1	1971	10.8	1.3	.6	1.9
Other	10	1970	15.4	2.2	.4	2.6
	<u>54</u>		<u>\$394.3</u>	<u>\$62.0</u>	<u>\$35.9</u>	<u>\$97.9</u>

In addition, by agreement, the Republic of China is not at this time being called upon to make payments on that portion of four loans made to the Republic of China prior to 1947, when the seat of the government was on the mainland, which relates to assets no longer under the government's control. The total outstanding principal of this portion of these loans was \$26.4 million at June 30, 1972; on that date \$40.9 million (\$22.4 million principal plus \$18.5 million interest) was matured and outstanding, the oldest past due installment having matured in 1949.

The entire retained net income is reserved for contingencies and defaults. This amount of \$1,412,926,233 substantially exceeds the total outstanding balances of both principal and interest on the foregoing delinquent loans. Because of the unpredictable nature of future economic and political conditions throughout the world, the risk of loss on Eximbank's loans, guarantees, and insurance is not susceptible to accurate measurement. The management of Eximbank believes therefore that its accumulated net earnings should be retained as a reserve for contingencies and defaults.