

135843

United States General Accounting Office

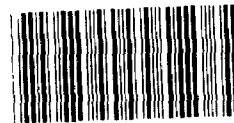
GAO

Report to the Congress

May 1988

# FINANCIAL AUDIT

## Export-Import Bank's 1987 and 1986 Financial Statements



135843

042186/135843

GAO/AFMD-88-48

---

1000

---

1

Comptroller General  
of the United States

B-197710

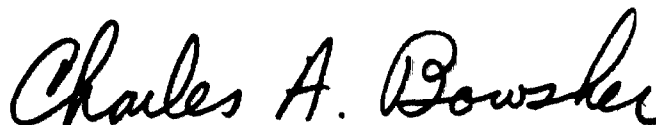
May 19, 1988

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

This report presents our adverse opinion on the financial statements of the Export-Import Bank of the United States for the years ended September 30, 1987 and 1986, and our reports on the bank's system of internal accounting controls and on its compliance with applicable laws and regulations. The bank is a wholly owned government corporation under 31 U.S.C. 9101. We conducted our examinations pursuant to 31 U.S.C. 9105 and in accordance with generally accepted government auditing standards.

We believe that the bank's financial statements continue to be misleading because they do not reflect the material losses that have been incurred or are likely to result from the uncollectibility of a portion of its foreign loans, accrued interest receivable, and its estimated recoveries on claims it paid because of defaults under its insurance and guarantee programs. As we previously reported, this condition has existed since fiscal year 1983. We estimate that as of September 30, 1987, cumulative losses on these items ranged from \$3.3 billion to \$5.0 billion.

We are sending copies of this report to the Director of the Office of Management and Budget, the Secretary of the Treasury, and the Board of Directors of the Export-Import Bank of the United States.



Charles A. Bowsher  
Comptroller General  
of the United States

---

# Contents

Letter	1
Opinion Letter	4
Report on Internal Accounting Controls	8
Report on Compliance With Laws and Regulations	10
Financial Statements	
Statements of Financial Condition	11
Statements of Loss and Reserve for Contingencies and Defaults	12
Statements of Changes in Financial Position	13
Notes to Financial Statements	14

---

## Abbreviations

FCIA	Foreign Credit Insurance Association
FFB	Federal Financing Bank



Comptroller General  
of the United States

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 as of September 30, 1987 and 1986, the related statements of loss and reserve for contingencies and defaults, and the statements of changes in financial position for the years then ended. Our examinations were made 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. In addition to this report on our examination of the bank's 1987 and 1986 financial statements, we are reporting on our study and evaluation of internal accounting controls and compliance with laws and regulations. During our examination, we also identified matters that do not affect the fair presentation of the financial statements, but nonetheless warrant management's attention. We are reporting them separately to the bank.

The bank's financial statements do not reflect an allowance for the estimated losses that are likely to be sustained due to the uncollectibility of a portion of the \$12.8 billion in outstanding loans, accrued interest receivable, and estimated recoveries on rescheduled claims, as required by generally accepted accounting principles. The bank's reported assets include loans and accrued interest receivable of \$11.8 billion to foreign countries, of which \$6.7 billion in principal and accrued interest is delinquent or has been rescheduled. These assets also include \$1 billion in estimated recoveries on claims the bank paid because of defaults under its insurance and guarantee programs.

If an allowance had been established, we estimate that the bank's total assets and reserve for contingencies and defaults would have been decreased by amounts ranging from \$3.3 billion to \$5.0 billion as of September 30, 1987, and by \$2.7 billion to \$3.8 billion as of September 30, 1986. Establishing such an allowance would result in a cumulative deficit of between \$3.0 billion and \$4.7 billion as of September 30, 1987, and between \$1.9 billion and \$3.0 billion as of September 30, 1986. Instead, because the bank did not establish an allowance for losses, its reserves are stated as \$312 million and \$773 million for 1987 and 1986, respectively, as shown in the accompanying financial statements. Our loss allowance estimate is based on resale values of less developed countries'

---

loans in the secondary market for such loans, as well as on an assessment of the bank's foreign loan portfolio activity and actual and estimated recoveries from claim payments.

Another factor adversely affecting the bank's financial position is its negative interest rate spread. As of September 30, 1987, the interest rate paid on the bank's debt to the Federal Financing Bank (FFB) exceeded the interest rate on the bank's loan portfolio by approximately 2.6 percent. As presented in notes 9 and 11, the interest rate paid on the current FFB debt will continue to exceed the interest earnings rate on the current loan portfolio at least through 1992. Beginning in May 1987, the bank acted to improve the yield on its new loans by assessing a one-time exposure fee on the loans it makes. Although this fee, ranging from 0.5 percent to 7.5 percent or more depending on the perceived risk, will not improve the yield on the current portfolio, it will diminish the effect of the negative interest rate spread on any future loans. However, based on past performance of the bank's portfolio, we do not believe that this fee will compensate for losses arising from both the negative interest rate spread and delinquencies.

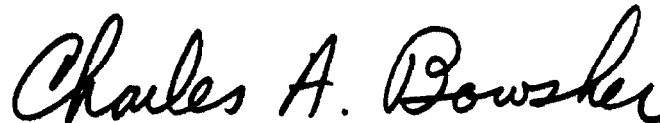
The Omnibus Budget Reconciliation Act of 1986, Public Law 99-509, established a loan sale program to improve federal credit management and to generate budgetary receipts. Under the program, the bank was required to generate at least \$1.5 billion in loan sales during fiscal year 1987. To fulfill this goal, and with the approval of the Office of Management and Budget, the bank encouraged certain debtors to prepay their loans, which they could do without incurring a prepayment penalty. The bank used part of these proceeds to retire \$670 million of its indebtedness to FFB, but with a prepayment penalty of \$121 million. The administration is calling for net receipts from loan sales of \$500 million and \$525 million for 1988 and 1989, respectively. Because of anticipated cash requirements to support operations, the bank does not anticipate making additional prepayments of FFB debt. Thus, although the bank is not expected to incur prepayment penalties, its future operating results will reflect the impact of early collection of these loans which are generally the more profitable loans—carrying relatively high interest rates and having excellent payment histories. Therefore, the bank will be left with a higher percentage of problem loans and reduced future interest earnings.

As discussed in note 11, under the Export-Import Bank Act of 1945, as amended, the bank may have up to \$6 billion in loans outstanding at any one time from the U.S. Department of the Treasury. In addition, the

---

bank has unlimited borrowing authority from FFB. Thus, the bank can continue to operate regardless of its losses and deficit. However, as a result of the factors discussed in the preceding paragraphs, it may be unable to repay its current debt as well as any additional borrowings, possibly shifting the burden of its losses to FFB or Treasury.

In our opinion, because of the material effect of not establishing an allowance to reflect the amount of estimated losses on its direct loans, accrued interest receivable, and rescheduled insurance and guarantee claims, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the bank as of September 30, 1987 and 1986, or the results of its operations and changes in its financial position for the years then ended.



Charles A. Bowsher  
Comptroller General  
of the United States

March 4, 1988





---

# Report on Internal Accounting Controls

---

We have examined the financial statements of the Export-Import Bank of the United States for the years ended September 30, 1987 and 1986, and have issued our opinion thereon. As part of our examinations, we made a study and evaluation of the system of internal accounting controls 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 controls for the year ended September 30, 1987. Our report on the study and evaluation of the system of internal accounting controls for the year ended September 30, 1986, is presented in GAO/AFMD-87-61, dated August 31, 1987.

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 bank's financial statements. For purposes of this report, we have classified the significant internal accounting controls into the following categories:

- expenditures,
- financial reporting,
- insurance and guarantee claims expense,
- insurance and guarantee premium and fees income,
- loans, and
- treasury.

Our study and evaluation included all of the control categories listed above.

The bank's management is responsible for establishing and maintaining an effective system of internal accounting controls. 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 of internal accounting controls are to provide management with reasonable assurance that (1) obligations and costs are in compliance with applicable laws, (2) funds, property, and assets are safeguarded against waste, loss, and unauthorized use or misappropriation, and (3) assets, liabilities, revenues, and expenditures applicable to operations are properly recorded and accounted for to permit the preparation of reliable financial statements and to maintain accountability over the bank's assets. Because of inherent limitations in any system of internal accounting controls, 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 procedures may deteriorate.

Our study and evaluation, made for the limited purpose described in the second paragraph, would not necessarily disclose all material weaknesses in the system. Accordingly, we do not express an opinion on the bank's system of internal accounting controls taken as a whole or on any of the categories of controls identified in the second paragraph.

Our fiscal year 1986 study and evaluation of internal accounting controls disclosed material internal accounting control weaknesses which existed at the bank's insurance agent, the Foreign Credit Insurance Association (FCIA). However, we were able to determine that FCIA's accounting records were not materially misstated as of September 30, 1986. Nonetheless, the weaknesses merited the bank's attention. During fiscal year 1987, FCIA and the bank took appropriate measures to correct these weaknesses. Accordingly, we no longer consider these matters to be significant internal accounting control weaknesses.

Our fiscal year 1987 study and evaluation of internal accounting controls did not disclose any material internal accounting control weaknesses. However, during the course of our examination, we identified several internal accounting control matters which, although not material to the financial statements, merit corrective action to strengthen the bank's internal accounting controls. These matters are being reported separately to the bank.

---

# 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, 1987 and 1986, and have issued our opinion thereon. Our examinations were 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, 1987. Our report on compliance with laws and regulations for the year ended September 30, 1986, is presented in GAO/AFMD-87-61, dated August 31, 1987.

In our opinion, the bank complied with the terms and provisions of laws and regulations for the transactions tested that could have materially affected its financial statements. In connection with our examination, nothing came to our attention 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. However, we did note one compliance matter that we believe merits discussion.

The bank is required by section 14 of the Export-Import Bank Act, as amended, to report to the Congress when its equity level falls below 50 percent of the bank's capital and retained earnings as of September 30, 1983. On October 23, 1987, the bank reported that at September 30, 1987, the value of the bank's total capital stock and retained earnings was below that threshold. Our 1986 report on compliance with laws and regulations disclosed that had the bank recorded a loss allowance for its loans and estimated recoveries as required by generally accepted accounting principles, it would have had to notify the Congress of its diminished equity position during fiscal year 1984. Because the bank consistently elected not to record an allowance for losses, it did not report that its equity had fallen below the statutory threshold until fiscal year 1988.

The compliance matter discussed above was considered in determining the nature, timing, and extent of the audit tests to be applied in our examination, and does not affect our March 4, 1988, opinion on the bank's 1987 financial statements.

# Financial Statements

## Statements of Financial Condition

	September 30, 1987	September 30, 1986
<b>ASSETS</b>		
Cash in U.S. Treasury	\$ 251,300,000	\$ 4,300,000
Investments in U.S. Treasury Securities (Note 1)	443,000,000	124,400,000
Loans Receivable (Notes 1,2,3,7 and 9):		
Current Loans	6,691,700,000	11,516,600,000
Delinquent Loans	4,521,600,000	2,824,600,000
	<u>11,213,300,000</u>	<u>14,341,200,000</u>
Excess of Estimated Claim Recoveries over Estimated Future Claim Payments (Notes 4 and 5)	1,435,700,000	1,155,400,000
Accrued Interest and Fees Receivable (Notes 2 and 3):		
Current Interest and Fees	241,300,000	324,500,000
Delinquent Interest	347,200,000	223,300,000
	<u>588,500,000</u>	<u>547,800,000</u>
Other Assets:		
Due from Private Export Funding Corp. (Note 6)	66,900,000	41,000,000
Due from Foreign Credit Insurance Assoc. (Note 6)	5,300,000	-0-
Other Receivables and Miscellaneous Assets	2,000,000	1,400,000
	<u>74,200,000</u>	<u>42,400,000</u>
<b>Total Assets</b>	<b><u>\$14,006,000,000</u></b>	<b><u>\$16,215,500,000</u></b>
<b>LIABILITIES, CAPITAL AND RESERVE</b>		
Borrowings:		
Notes Payable to Federal Financing Bank (Note 11)	\$12,463,500,000	\$14,268,400,000
Notes Payable to U.S. Institutions	-0-	5,900,000
	<u>12,463,500,000</u>	<u>14,274,300,000</u>
Other Liabilities:		
Accrued Interest Payable	113,600,000	128,200,000
Collections Held Pending Disposition	25,500,000	25,900,000
Deferred Fee Income (Note 1)	9,800,000	10,200,000
Due to Foreign Credit Insurance Assoc. (Note 6)	-0-	600,000
Other Credits	3,700,000	3,600,000
	<u>152,600,000</u>	<u>168,500,000</u>
<b>Total Liabilities</b>	<b><u>12,616,100,000</u></b>	<b><u>14,442,800,000</u></b>
Equity:		
Capital Stock Held by U.S. Treasury	1,000,000,000	1,000,000,000
Appropriated Funds (Note 8)	78,100,000	-0-
Reserve for Contingencies and Defaults (Note 10)	311,800,000	772,700,000
<b>Total Liabilities, Capital and Reserve</b>	<b><u>\$14,006,000,000</u></b>	<b><u>\$16,215,500,000</u></b>

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

# Financial Statements

## Statements of Loss and Reserve for Contingencies and Defaults

	Fiscal Year Ended September 30, 1987	Fiscal Year Ended September 30, 1986
INTEREST INCOME:		
Interest on Loans	\$ 1,113,900,000	\$ 1,311,900,000
Interest on Rescheduled Claims	78,200,000	90,400,000
Interest on Treasury Investments	27,200,000	26,700,000
Total Interest Income	<u>1,219,300,000</u>	<u>1,429,000,000</u>
INTEREST EXPENSE:		
Interest on U.S. Government Borrowings	\$ 1,603,900,000	\$ 1,768,700,000
Other Interest Expense	11,600,000	7,100,000
Total Interest Expense	<u>1,615,500,000</u>	<u>1,775,800,000</u>
Net Interest Expense	(396,200,000)	(346,800,000)
Net Loan Recoveries (Write-offs) (Note 10)	6,000,000	(1,800,000)
Net Interest Expense After Loans Written Off, Net of Recoveries	<u>(390,200,000)</u>	<u>(348,600,000)</u>
NON-INTEREST INCOME:		
Commitment Fees	8,000,000	13,000,000
Application Fees	4,700,000	7,500,000
Insurance Premiums and Guarantee Fees	36,000,000	34,500,000
Other Income	100,000	100,000
Total Non-Interest Income	<u>\$ 48,800,000</u>	<u>\$ 55,100,000</u>
NON-INTEREST EXPENSE:		
Administrative Expenses	18,400,000	17,400,000
Claim Losses (Recoveries)-Net (Note 4)	(20,700,000)	13,900,000
Other Expenses	800,000	4,200,000
Total Non-Interest Expense	<u>\$ (1,500,000)</u>	<u>\$ 35,500,000</u>
Loss Before Extraordinary Item	(339,900,000)	(329,000,000)
EXTRAORDINARY ITEM:		
Penalty for Early Retirement of Debt (Note 11)	<u>(121,000,000)</u>	<u>(3,900,000)</u>
Net Loss	(460,900,000)	(332,900,000)
RESERVE FOR CONTINGENCIES AND DEFAULTS		
Beginning of Fiscal Year	\$ 772,700,000	\$ 1,105,600,000
End of Fiscal Year	<u>\$ 311,800,000</u>	<u>\$ 772,700,000</u>

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

# Financial Statements

## Statements of Changes in Financial Position

	Fiscal Year Ended September 30, 1987	Fiscal Year Ended September 30, 1986
FUNDS PROVIDED		
Loss Before Extraordinary Item	\$ (339,900,000)	\$ (329,000,000)
Less Loan Writeoffs Not Requiring Funds (Note 10)	300,000	10,100,000
Funds Provided from Operations Exclusive of Extraordinary Item	(339,600,000)	(318,900,000)
Extraordinary Item - Penalty for Early Retirement of Debt	(121,000,000)	(3,900,000)
Funds Applied from Operations	(460,600,000)	(322,800,000)
Borrowings from the Federal Financing Bank (Note 11)	511,000,000	801,000,000
Repayments of Loans Receivable	3,605,100,000	2,430,800,000
Net Decrease in Accrued Interest and Fees Receivable	-0-	109,700,000
Appropriations For Tied Aid Credit (Note 8)	78,100,000	-0-
Other - Net	-0-	3,000,000
Total Funds Provided	\$ 3,733,600,000	\$ 3,021,700,000
FUNDS APPLIED		
Loan Disbursements	\$ 477,500,000	\$ 906,500,000
Net Addition to Investments in U.S. Securities	318,600,000	51,600,000
Repayments of Federal Financing Bank Borrowings	2,316,000,000	1,941,600,000
Repayments of U.S. Institutional Borrowings	5,900,000	2,800,000
Increase in Due From Private Export Funding Corporation - Net	25,900,000	6,600,000
Net Change in Excess of Estimated Claim Recoveries over Estimated Claim Payments	280,300,000	126,800,000
Net Change in Accrued Interest Payable	14,600,000	4,600,000
Net Increase in Accrued Interest and Fees Receivable	40,700,000	-0-
Other - Net	7,100,000	-0-
Total Funds Applied	\$ 3,486,600,000	\$ 3,040,500,000
INCREASE (DECREASE) IN CASH DURING THE PERIOD	\$ 247,000,000	\$ (18,800,000)

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

## Notes to Financial Statements

Note 1: Enabling Legislation and Basic Accounting PoliciesA. Enabling Legislation and Statutory Limitations

The Export-Import Bank of the United States (Eximbank) is an independent corporate agency of the United States, which was first organized as a District of Columbia banking corporation in 1934. The primary legislation governing its operations consists of the Export-Import Bank Act of 1945, as amended through October 15, 1986, and the Government Corporation Control Act.

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, 1987, the committed and uncommitted authority to lend, guarantee, and insure and the Bank's commitments and contingent liabilities were:

	<u>Commitments and Contingent Liabilities</u>	<u>Statutory Authority Charges</u>
	(Dollars in Millions)	
Outstanding Loans	\$11,213.3	\$11,213.3
Undisbursed Loans	2,378.5	2,378.5
Estimated Recoveries		
on Disbursed Claims (Note 4)	1,591.0	1,591.0
Guarantees	6,948.6	1,737.1
Insurance	8,339.4	2,084.9
Committed Balance		19,004.8
Uncommitted Balance		<u>20,995.2</u>
Total	<u>\$30,470.8</u>	<u>\$40,000.0</u>

Limitations on the amount of loans, and guarantees and insurance which may be committed by the Bank are established each year by legislation enacted by Congress. For FY 1986, the limitations were \$1,058.6 million for loans and \$11,484.0 million for guarantees and insurance. In that year the Bank authorized \$577.4 million in loans and \$5,507.8 million in guarantees and



-2-

insurance. For FY 1987, the Bank was limited to \$ 680.0 million of new loan and war chest authorizations, and \$11,355.0 million of new guarantee and insurance commitments. During the year, the Bank authorized \$599.0 million of loans and received \$78.1 million in appropriations for war chest authorizations, and authorized \$7,949.5 million of guarantees and insurance (see Note 8). For FY 1988 the Bank's limitations are \$692.9 million for loans and \$14,601.5 million for guarantees and insurance. (FY 1988 authorization limitations include a carryover from FY 1987 of \$2.9 million for loans and \$4,601.5 million for guarantees and insurance.)

Since its inception, the Bank's Charter has been periodically renewed by Congress. The Charter currently expires on September 30, 1992.

B. General

Eximbank's accounting records are maintained on an accrual basis except that no provision for loss on uncollectible loans receivable is made. Reclassifications have been made in the FY 1986 financial statements to conform to the presentation used in FY 1987.

The Bank's statements reflect the results of significant contractual agreements with the Foreign Credit Insurance Association (FCIA), as well as with the Private Export Funding Corporation (PEFCO) (See Note 6).

C. Loan Losses

Loans are written off and charged to income when Eximbank determines that the outstanding principal balance is uncollectable.

D. Accrued Interest Receivable

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 non-accruing. Any accrued but unpaid interest previously recorded on such loans is reversed against current period interest income. Interest income on non-accrual loans is recognized when collected.

E. Investments in U.S. Treasury Securities

Investments in U.S. Treasury securities represent short-term investments of 90 days or less with the Department of the Treasury and are carried at cost. These securities are redeemed as needed for daily operations with no penalty paid upon redemption.

F. Estimated Future Claim Payments and Recoveries

Liabilities for estimated losses and loss adjustment expenses, including IBNR, are accrued based upon historical and anticipated loss experience. The excess of estimated claim recoveries over net costs to settle all reported claims and estimates for claims incurred but not reported reflects Eximbank's estimate of the amount of these claims which will be recovered in excess of the amount of future payments to be made under these claims.

-3-

G. Loan Fees

Commitment fees on the Bank's direct loans are accrued monthly on the undisbursed loan balance outstanding during the month. Commitment fees on medium term and small business loans accrue at date of authorization.

Throughout FY 1986 and until May 1, 1987, the Bank charged an application fee of 2 percent on direct loan authorizations. The fee was recognized as income immediately.

Beginning on May 1, 1987, the Bank eliminated the application fee and replaced it with a risk related exposure fee. In accordance with Financial Accounting Standards Board (FASB) Statement No. 91, issued in December, 1986, this fee will be recognized as an adjustment to the yield over the life of the loan.

H. Guarantee and Insurance Fees

Income is deferred when collected for front-end fees under guarantees and insurance policies, and carried in the liability account "Deferred Fee Income". Deferred fee income is amortized on a straight line basis over the life of the insurance policies or guarantees.

Note 2: Delinquent Loans

Loans with any installments of principal and interest past due 90 days or more are classified as delinquent on the Statement of Financial Condition. The outstanding principal amount of all delinquent loans is summarized on a comparative basis below. The delinquent interest figure shown on the table represents interest to the due date of the delinquent installments. Included in the delinquent interest amount is \$28.2 million of rescheduled claims as of September 30, 1987.

Financial Statements

- 4 -

Country	Total Outstanding Principal as of September 30,1987	Delinquent Installments as of September 30, 1987			Delinquent Installments as of September 30, 1986		
		Principal	Interest	Total	Principal	Interest	Total
Antigua	\$ 750.0	\$ 750.0	\$ 1,339.3	\$ 2,089.3	\$ 750.0	\$ 1,227.1	\$ 1,977.1
Argentina	394,242.0	56,773.3	26,280.7	83,054.0	18,912.1	9,302.6	28,214.7
Bolivia	-0-	-0-	-0-	-0-	11,393.1	909.4	12,302.5
Brazil	990,572.0	244,020.3	87,116.0	331,136.3	145,565.6	90,106.1	235,671.7
China	26,386.0	26,386.0	30,550.7	56,936.7	26,386.0	29,757.7	56,143.7
Chile	8,812.5	1,674.4	-0-	1,674.4	-0-	-0-	-0-
Colombia	69,623.0	6,631.4	3,706.5	10,337.9	-0-	-0-	-0-
Costa Rica	22,297.9	3,599.0	3,522.7	7,121.7	738.1	924.8	1,662.9
Cote D'Ivoire	73,580.4	880.0	5,259.2	6,139.2	2,002.7	3,842.7	5,845.4
Cuba	36,266.6	36,266.6	54,860.0	91,126.6	36,266.6	52,871.5	89,138.1
Dominican Republic	86,702.0	5,588.6	3,045.9	8,634.5	-0-	-0-	-0-
Ecuador	17,679.9	906.9	2,278.8	3,185.7	8.8	1,540.5	1,549.3
Egypt	17,994.5	2,619.7	1,573.3	4,193.0	-0-	-0-	-0-
Gabon	13,564.6	1,851.3	1,292.2	3,143.5	-0-	-0-	-0-
Guyana	2,500.0	2,500.0	1,212.6	3,712.6	2,000.0	994.4	2,994.4
Haiti	10,213.1	2,163.9	89.7	2,253.6	1,825.3	103.3	1,928.6
Honduras	3,016.6	714.8	269.2	984.0	993.4	367.8	1,361.2
Jamaica	15,022.0	8,228.7	1,917.5	10,146.2	2,026.8	1,944.1	3,970.9
Liberia	4,935.4	692.6	603.7	1,296.3	-0-	-0-	-0-
Mexico	674,300.0	38,709.1	25,084.1	63,793.2	20,360.5	9,661.8	30,022.3
Morocco	65,593.4	4,168.0	3,204.5	7,372.5	-0-	-0-	-0-
Mozambique	22,605.2	5,913.8	7,704.0	13,617.8	9,024.9	3,945.2	12,970.1
Nicaragua	12,186.0	10,694.0	5,883.0	16,577.0	9,699.7	6,075.0	15,774.7
Nigeria	295,161.3	7,013.3	30,100.3	37,113.6	1,713.6	3,054.0	4,767.6
Peru	52,054.0	21,514.0	16,357.2	37,871.2	13,806.1	13,654.7	27,460.8
Philippines	321,583.4	5,782.6	9,438.4	15,221.0	-0-	-0-	-0-
Poland	324,116.0	78,514.3	57,680.6	136,194.9	63,835.3	22,095.1	85,930.4
Spain	20,034.7	3,037.5	254.3	3,291.8	-0-	-0-	-0-
Sri Lanka	-0-	-0-	-0-	-0-	838.8	465.1	1,303.9
Sudan	28,246.2	3,182.3	6,460.8	9,643.1	1,574.2	4,071.3	5,645.5

Financial Statements

- 4a -

Country	Total Outstanding Principal as of September 30,1987	Delinquent Installments as of September 30, 1987			Delinquent Installments as of September 30, 1986		
		Principal	Interest	Total	Principal	Interest	Total
(Dollars in Thousands)							
Tanzania	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ 5,547.4	\$ 3,092.0	\$ 8,639.4
Venezuela	24,159.6	3,019.0	3,576.2	6,595.2	9,423.7	2,069.7	11,493.4
Yugoslavia	148,787.0	1,146.1	1,824.8	2,970.9	1,629.0	2,319.9	3,948.9
Zaire	653,892.7	2,600.7	12,169.3	14,770.0	4,827.8	11,340.8	16,168.6
Zambia	78,285.6	1,111.4	2,806.7	3,918.1	-0-	-0-	-0-
Other	6,475.4	1,344.3	57.4	1,401.7	2,807.2	1,841.8	4,649.0
Total	<u>\$ 4,521,639.0</u>	<u>\$589,997.9</u>	<u>\$ 407,519.6</u>	<u>\$ 997,517.5</u>	<u>\$393,956.7</u>	<u>\$277,578.4</u>	<u>\$671,535.1</u>
Less: Interest due on Loans Non-Accruing for Financial Reporting Purposes							
			(100,144.4)	(100,144.4)		(111,243.2)	(111,243.2)
Add: Interest on Installments Delinquent Less than 90 Days							
			39,789.8	39,789.8		56,940.6	56,940.6
Total Delinquent Loans		\$589,997.9	\$ 347,165.0	\$ 937,162.9	\$393,956.7	\$223,275.8	\$617,232.5

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

-5-

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. The outstanding balance of non-accruing loans was \$708.9 million and \$713.3 million at September 30, 1987 and 1986, respectively.

Note 3: Rescheduled Loans

From time to time Eximbank extends 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 to ultimately service the debt.

The rescheduled loan installments of principal and interest by country during FY 1987 and FY 1986 were:

Country	FY 1987			FY 1986		
	Principal	Interest	Total	Principal	Interest	Total
	(Dollars in Millions)					
Argentina	\$ -0-	\$ (.2)	\$ (.2)	\$ 90.2	\$ 44.9	\$ 135.1
Bolivia	16.9	3.3	20.2	-0-	-0-	-0-
Brazil	-0-	-0-	-0-	-0-	(1.1)	(1.1)
Central African Republic	.3	-0-	.3	.5	-0-	.5
Chile	2.8	-0-	2.8	2.3	-0-	2.3
Congo	2.6	1.1	3.7	-0-	-0-	-0-
Costa Rica	-0-	-0-	-0-	4.9	1.8	6.7
Cote D'Ivoire	13.8	-0-	13.8	9.2	2.5	11.7
Dominican Rep.	-0-	-0-	-0-	12.2	13.1	25.3
Ecuador	-0-	-0-	-0-	3.6	-0-	3.6
Jamaica	-0-	-0-	-0-	4.2	.9	5.1
Mauritania	-0-	-0-	-0-	.3	-0-	.3
Mexico	194.9	49.0	243.9	5.9	-0-	5.9
Morocco	2.7	1.0	3.7	14.3	5.8	20.1
Mozambique	6.2	2.5	8.7	-0-	-0-	-0-
Niger	.5	.1	.6	1.0	.2	1.2
Panama	-0-	-0-	-0-	1.2	-0-	1.2
Philippines	-0-	-0-	-0-	12.3	27.4	39.7
Poland	-0-	-0-	-0-	145.0	86.5	231.5
Tanzania	8.2	4.1	12.3	-0-	-0-	-0-
Yugoslavia	68.0	-0-	68.0	94.0	-0-	94.0
Zaire	23.5	18.9	42.4	25.9	20.1	46.0
Zambia	-0-	(.2)	(.2)	15.7	8.1	23.8
	<u>\$340.4</u>	<u>\$ 79.6</u>	<u>\$420.0</u>	<u>\$442.7</u>	<u>\$210.2</u>	<u>\$652.9</u>

The outstanding balances related to rescheduled installments included in loans receivable as of September 30, 1987 and 1986 were \$3,720.4 million and \$3,564.1 million, respectively.

-6-

The total amount of rescheduled loans outstanding as of September 30, 1987 includes principal of \$1,819.7 million and interest of \$134.3 million which have one or more installments past due 90 days or more. As of September 30, 1986 delinquent rescheduled principal and interest of \$1,769.4 million and \$137.1 million, respectively, were included in rescheduled loans outstanding. These loans are included in the delinquent classification of the Statement of Financial Condition.

Rescheduled loans are generally made at a floating rate of interest which is 50 basis points over the cost of funds to the Bank. Interest income included in net income for FY 1987 and FY 1986 on the total rescheduled debt is \$183.3 million and \$105.1 million, respectively.

The amount of undisbursed commitments to debtors having previously rescheduled debt outstanding is \$107.7 million and \$103.5 million as of September 30, 1987 and 1986, respectively.

Note 4: Excess of Estimated Claim Recoveries over Estimated Future Claim Payments

As of September 30, 1987 and 1986, estimates were made for claim payments and associated recoveries related to claims not yet filed with Eximbank but which were anticipated to be filed (IBNR). In addition, estimates were made of losses on claims filed with Eximbank as of September 30, 1987 and 1986, but unpaid as of that date. Also, estimates were made of recoveries to be collected on claims which had been paid as of September 30, 1987 and 1986, but which were partially or fully unrecovered as of those dates. The following is a summary of the computations for the excess of estimated claim recoveries over estimated future claim payments:

-7-

	September 30, 1987	September 30, 1986
	(Dollars in Millions)	
Estimated recovery of rescheduled claims	\$1,004.0	\$ 937.0
Estimated recovery of claims not rescheduled:		
Claims previously paid and unrecovered	\$587.0	\$ 340.0
Claims filed pending payment	170.1	166.0
IBNR recoveries net of related expenses	<u>129.5</u>	<u>81.5</u>
Total estimated recovery of unrescheduled claims	<u>886.6</u>	<u>587.5</u>
Total estimated recoveries	\$1,890.6	\$1,524.5
LESS:		
IBNR claims payable (a)	(159.9)	(104.2)
Estimated future payments for claims filed but unpaid	<u>(295.0)</u>	<u>(264.9)</u>
Excess of estimated total claim recoveries over estimated future claim payments.	<u>\$1,435.7</u>	<u>\$1,155.4</u>

(a) IBNR is the estimated liability for claims incurred but not yet reported to Eximbank.

The excess of estimated claim recoveries over estimated future claim payments of \$1,435.7 million and \$1,155.4 million is shown as a net asset on the Statement of Financial Condition. The amount of anticipated recoveries from claims paid in the past exceeded new claims to be paid as of September 30, 1987 and 1986. Consequently, there was a balance of estimated claim recoveries of \$1,435.7 million and \$1,155.4 million over estimated future claim payments at those dates.

-8-

Guarantee and insurance claim losses are as follows:

	FY 1987	FY 1986
	(Dollars in Millions)	
Excess of estimated total claim recoveries over estimated future claim payments at fiscal year end	\$ (1,435.7)	\$ (1,155.4)
Less: Excess of estimated total claim recoveries over estimated future claims at fiscal year beginning	(1,155.4)	(1,028.6)
Change	(280.3)	(126.8)
Fiscal Year Activity:		
Claims Paid	429.3	235.3
Claim Recoveries	(172.8)	(97.8)
Legal Expenses Paid	3.1	3.2
Claim Losses (Recoveries)	<u>\$ (20.7)</u>	<u>\$ 13.9</u>

Note 5: Rescheduled Claims

The estimated recovery of rescheduled claims is included in the "Excess of Estimated Claim Recoveries over Estimated Future Claim Payments" on the Statement of Financial Condition. The rescheduled claims outstanding at FY 1987 and FY 1986 were \$1,027.6 million and \$971.7 million, respectively. The difference between the \$1,027.6 million and \$971.7 million rescheduled claims outstanding at September 30, 1987 and 1986, respectively, and the estimated recovery of rescheduled claims of \$1,004.0 million and \$937.0 million at those dates represents the estimated unrecoverable balance.

Guarantee and insurance claims paid by Eximbank which were rescheduled during FY 1987 and FY 1986 under country-wide debt consolidation agreements are summarized in the following table.



-9-

Country	FY 1987 Rescheduled Claims	FY 1986 Rescheduled Claims
	(Dollars in Millions)	
Argentina	\$ -0-	\$ 32.8
Chile	.7	1.5
Congo	4.0	-0-
Costa Rica	-0-	.9
Cote D'Ivoire	-0-	1.7
Dominican Republic	-0-	27.4
Ecuador	.7	.7
Jamaica	-0-	3.5
Mexico	85.9	6.3
Morocco	-0-	17.7
Yugoslavia	1.1	12.7
Zaire	23.1	36.3
Zambia	.4	16.2
Total	<u>\$115.9</u>	<u>\$157.7</u>

	FY 1987 (Dollars in Millions)	FY 1986
Rescheduled claims outstanding beginning of period	\$ 971.7	\$ 984.2
Plus: Claims rescheduled (see above table)	115.9	157.7
Less: Adjustments (a)	(5.1)	(134.0)
Less: Repayments	<u>(54.9)</u>	<u>(36.2)</u>
Rescheduled claims outstanding at end of period	<u>\$1,027.6</u>	<u>\$971.7</u>

(a) Adjustments represent net reversals of amounts previously recorded as asset purchases which were not included in the final country-wide rescheduling agreements during FY 1987 and FY 1986 and a portion of rescheduled claims to private borrowers who have not made local currency deposits to central banks.

Installments of rescheduled claims delinquent 90 days or more totalled \$51.1 million (\$22.9 principal and \$28.2 interest) at September 30, 1987 and \$28.0 million (\$13.8 principal and \$14.2 interest) at September 30, 1986. The outstanding principal balance of these rescheduled claims totalled \$591.9 million and \$443.3 million at September 30, 1987 and 1986, respectively.

-10-

Note 6: Significant Contractual RelationshipsForeign Credit Insurance Association

FCIA is an association of primary insurance companies. Eximbank issues export credit insurance in cooperation with FCIA. Under a contractual agreement, Eximbank reinsures all of the commercial risks and in addition, insures all political risks, covers any operation expenses in excess of premiums, and has a majority on the FCIA Board of Directors. Under the contractual agreement with Eximbank, FCIA markets and administers the insurance policies, including billing and collecting premiums, processing and paying claims, and pursuing recovery on claims.

Premiums written and earned by FCIA for FY 1987 and FY 1986 were \$11.4 million and \$12.2 million, respectively for commercial, and for political were \$8.9 million and \$10.0 million, respectively, for a total of \$20.3 million and \$22.2 million. FCIA's general and administrative expenses were \$10.6 million and \$9.8 million for those years. Premium revenues, net of expenses, are ceded to Eximbank. Eximbank recognizes the net premium revenues generated by the insurance program over the life of the insurance policies. The net amount of these activities due from FCIA to Eximbank as of September 30, 1987 and 1986 was \$5.3 million and (\$.6) million, respectively.

Private Export Funding Corporation

The Private Export Funding Corporation (PEFCO) is an organization owned by private sector banks and industrial companies which makes fixed interest rate loans to foreign borrowers when such loans are not available from traditional private sector lenders on competitive terms. PEFCO has agreements with Eximbank which, for specified fees, provide that Eximbank will:

1. Guarantee the due and punctual payment of principal and interest on all export loans made by PEFCO;
2. Guarantee the due and punctual payment of interest on PEFCO long-term debt obligations when requested by PEFCO;
3. Hold a \$50 million short-term revolving credit line at the disposal of PEFCO;
4. Protect PEFCO against movements in interest rates adversely affecting the spread between PEFCO's fixed rate loan commitments to borrowers and the eventual cost of funding such commitments, except as this protection may be waived by PEFCO from time to time. In that regard, PEFCO has waived such protection with respect to all fixed rate loan commitments heretofore made and which may be made through September 30, 1988; and
5. Retain a broad measure of supervision over PEFCO's major financial management decisions.

PEFCO's export loans outstanding which were guaranteed by Eximbank on September 30, 1987 and September 30, 1986 were \$1,299 million and \$1,236 million, respectively. In addition, PEFCO had related undisbursed commitments

-11-

of \$402 million in FY 1987 and \$350 million in FY 1986. These commitments, to be guaranteed by Eximbank, are included in Eximbank's contingent liability for guarantees shown in Note 1. Cumulative claim payments made to PEFCO since inception of the agreements total \$334.9 million.

In FY 1980, Eximbank and PEFCO agreed to share in providing a total of \$1,350 million of U.S. export financing at fixed rates of interest. Eximbank's share of the total was \$251 million and PEFCO's share was \$1,099 million.

Eximbank services these loans for PEFCO and has guaranteed PEFCO's interest charges. Eximbank disburses funds under the total loan commitment to the borrowers, including PEFCO's portion, and is subsequently reimbursed by PEFCO. When Eximbank receives a payment related to these loans, it transfers PEFCO's portion on the date paid. Should interest received on the loan be less than interest due PEFCO under the terms of the guarantee, Eximbank charges its interest expense for the difference. During fiscal year 1987, Eximbank's interest expense related to these loans was \$10.7 million. The following table shows the transactions between Eximbank and PEFCO:

	FY 1987	FY 1986
	(Dollars in Millions)	
Total Disbursements on PEFCO and Related Loans	\$ 34.7	\$ 23.2
Disbursements Attributable to PEFCO's Portion	\$ 27.2	\$ 18.3
Amount Due From PEFCO	\$ 66.9	\$ 41.0

The amount due from PEFCO is comprised primarily of disbursements made under the aforementioned loan commitments. During FY 1986, PEFCO reimbursed Eximbank for \$9.6 million disbursed on their behalf. There were no reimbursements during FY 1987.

All interest earned on the loan disbursements is credited to the Bank until reimbursement by PEFCO. Subsequent interest earnings are paid to PEFCO upon collection by the Bank based on the earnings rate the Bank has guaranteed to PEFCO under this agreement.

#### Note 7: Loan Asset Sales

Eximbank was required, under Public Law 99-509, to sell sufficient loans to provide a net reduction in outlays of not less than \$1,500 million in FY 1987.

For FY 1987, Eximbank's actual net loan asset sales of \$1,901 million were accomplished primarily by obligors repurchasing their loans from Eximbank at par.

-12-

Note 8: Appropriations from the U.S. Treasury

Eximbank was authorized, under Public Law 99-591, to receive appropriations of up to \$100 million for tied aid credits in accordance with the provisions of the Export-Import Bank Act Amendments of 1986. On September 30, 1987, Eximbank received \$78.1 million in appropriations from the U.S. Treasury consisting of a reimbursement of \$36.0 million representing the concessionary interest rate element of certain mixed credits made in FY 1986, and \$42.1 million for the grant portion of certain mixed credits authorized in FY 1987. The \$36.0 million will be amortized as a yield adjustment over the remaining life of the applicable mixed credit loans. The remaining \$42.1 million of the \$78.1 million unexpended appropriation balance will be expended upon disbursement of the grant.

Note 9: Maturity Schedule of Outstanding Loans Receivable

As of September 30, 1987 about 66.9 percent of the \$11,213.3 million outstanding loans receivable balance is projected to be due over the next five years and the remaining 33.1 percent is estimated to be due thereafter, as indicated below:

<u>Fiscal Years of Maturities</u>	<u>Maturities</u> (Dollars in Millions)	<u>Outstanding Loan Balance</u>	<u>Weighted Average Rate</u>
1987	\$ -	\$11,213.3	8.86%
1988	1,635.8	9,577.5	8.84
1989	1,675.2	7,902.3	8.89
1990	1,587.5	6,314.8	8.93
1991	1,439.0	4,875.8	8.96
1992	1,160.6	3,715.2	9.00
	<u>7,498.1</u>		
1993 - 2015	3,715.2		
	<u>\$ 11,213.3</u>		

In addition to the \$11,213.3 million of outstanding loans, there are undisbursed loans totaling \$2,378.5 million, most of which are expected to be disbursed over the next 2 to 5 years.

-13-

Note 10: Loan Losses and Reserve for Contingencies and Defaults

The risk to Eximbank from potential loan losses 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 and contingencies. Eximbank's Charter provides for retention of net earnings of the Bank prior to the payment of dividends, to provide for a reasonable provision for possible losses. As of September 30, 1987, Eximbank had a Reserve for Contingencies and Defaults of \$311.8 million: equal to 2.8 percent of outstanding loans and 1.6 percent of Eximbank's Committed Balance. On September 30, 1986, the Reserve for Contingencies and Defaults was \$772.7 million: equal to 5.4 percent of outstanding loans and 3.6 percent of Eximbank's Committed Balance.

Loans written off and recoveries on a cash basis are as follows:

	FY 1987			FY 1986		
	Principal	Interest	Total	Principal	Interest	Total
(Dollars in Millions)						
Loans written off	\$ .3	\$ -0-	\$ .3	\$10.1	\$ .7	\$10.8
Less recoveries	6.3	-0-	6.3	9.0	-0-	9.0
Net Loans						
Written off	<u>\$ (6.0)</u>	<u>\$ -0-</u>	<u>\$ (6.0)</u>	<u>\$ 1.1</u>	<u>\$ .7</u>	<u>\$ 1.8</u>

Note 11: Borrowings from the U.S. Treasury and the Federal Financing Bank (FFB)

Eximbank has authority, under its Act, to borrow directly from the U.S. Treasury and to have up to \$6 billion of such borrowings outstanding. 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 also used to reduce these borrowings on a daily basis.

The Bank borrows from the FFB to support its operational objectives. During the period ending September 30, 1987, Eximbank borrowed the following from the FFB:

Date	Amount	Rate	Final Maturity
(Dollars in Millions)			
12/01/86	\$ 354.0	7.210%	12/01/96
03/02/87	36.0	7.249	03/01/97
09/01/87	121.0	8.705	09/01/97
	<u>\$ 511.0</u>		

-14-

On September 1, 1987, as a result of Congressionally mandated loan asset sales, Eximbank had excess liquidity which it used to prepay \$670 million of borrowings owed to the FFB. A prepayment penalty of \$121 million was paid and is shown as an extraordinary item on the financial statements.

As of September 30, 1987, about 55.0 percent of the Bank's \$12,463.5 million long-term debt is due over the next five years as indicated below:

<u>Fiscal Years of Maturities</u>	<u>Amount</u> (Dollars in Millions)	<u>Outstanding FFB Balance</u>	<u>Weighted Average Rate</u>
1987	\$ -	\$12,463.5	11.47%
1988	1,688.9	10,774.6	11.66
1989	1,071.9	9,702.7	11.63
1990	1,391.9	8,310.8	11.58
1991	1,273.0	7,037.8	11.36
1992	1,424.6	5,613.2	10.97
	<u>6,850.3</u>		
1993 - 1997	<u>5,613.2</u>		
	<u>\$12,463.5</u>		

FFB borrowings subsequent to December 1, 1982, with an outstanding balance of \$6,753.3 million as of September 30, 1987, include a provision for prepayment penalties. Borrowings prior to December 1, 1982, totalling \$5,710.2 million as of September 30, 1987, indicate the notes may be prepaid without penalty based upon consent of FFB and Treasury. However, while no specific penalty is required, Treasury has not consented to prepayments without penalty. The penalty is equivalent to the present value of the difference in the future cash payments discounted at the current FFB interest rate.

Note 12: Pensions and Accrued Annual Leave

Virtually all of Eximbank's employees are covered by either the Civil Service Retirement System or the Federal Employees Retirement System. For CSRS employees, Eximbank withholds a portion of their base earnings. Their contribution is then matched by Eximbank and the sum is transferred to the Civil Service Retirement Fund, from which the CSRS employees will receive retirement benefits. For FERS employees, Eximbank withholds, in addition to social security withholdings, a portion of their base earnings. Exim contributes an amount proportional to their base earnings toward retirement, and in addition a scaled amount toward each individual FERS employee's Thrift Savings Plan, depending upon their level of savings. The FERS employees will receive retirement benefits from the Federal Employees Retirement System, Social Security System, and, from the Thrift Savings Plan, deposits that have accumulated in their accounts.

Total Eximbank (employer) matching contributions to the Civil Service Retirement System and Federal Employees Retirement System for all employees were approximately \$875,000 and \$798,000 for the fiscal years ended September 30, 1987 and 1986, respectively.

-15-

Although Eximbank funds a portion of pension benefits under the Civil Service and Federal Employees Retirement Systems relating to its employees and makes the necessary payroll withholdings from them, Eximbank does not account for the assets of the Civil Service and Federal Employees Retirement Systems 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 Office of Personnel Management for the Retirement Systems and are not allocated to the individual employers. The Office of Personnel Management also accounts for all health and life insurance programs for retired federal employees.

Eximbank's liability to employees for accrued annual leave was \$861,000 at September 30, 1987 and \$663,000 at September 30, 1986.

Note 13: Lease Commitments

The Bank has no capital leases. Operating lease arrangements are renewable annually. These leases consist primarily of rental of the office space and EDP equipment. Office space is leased from General Services Administration through the Public Building Funds. The lease expenses were \$2.3 million and \$2.4 million for FY 1987 and FY 1986, respectively.

Note 14: Litigation

As of the end of FY 1987, the Bank was named in several legal actions, virtually all involving claims under the guarantee and insurance programs. Currently, it is not possible to predict the eventual outcome of the various actions. However, it is management's opinion that these claims will not result in liabilities to such an extent that they will materially affect the Bank's financial position.

Note 15: Subsequent Event

Under Section 14 of the Export-Import Bank Act, as amended, the Bank was required to report to Congress if its equity fell below 50 percent of its capital and retained earnings as of September 30, 1983. On October 23, 1987, the Bank reported that at September 30, 1987, its capital and retained earnings had declined below that level. On February 25, 1988, the Subcommittee on International Finance, Trade and Monetary Policy of the Committee on Banking, Finance and Urban Affairs of the House of Representatives held hearings on alternatives for recapitalization of the Bank. At this time, the impact of any Congressional action on the future performance of the Bank cannot be determined. It is management's opinion that any action taken would not have a detrimental impact on the Bank.





---

Requests for copies of GAO reports should be sent to:

U.S. General Accounting Office  
Post Office Box 6015  
Gaithersburg, Maryland 20877

Telephone 202-275-6241

The first five copies of each report are free. Additional copies are \$2.00 each.

There is a 25% discount on orders for 100 or more copies mailed to a single address.

Orders must be prepaid by cash or by check or money order made out to the Superintendent of Documents.

---

United States  
General Accounting Office  
Washington, D.C. 20548

Official Business  
Penalty for Private Use \$300

First-Class Mail Postage & Fees Paid GAO Permit No. G100
---