Trade Finance Division
Performance Update

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Product Coverage

The Trade Finance Division is responsible for ten distinct transaction types across four core product lines

- **Short-term Single-Buyer Export Credit Insurance**
  - ✓ Financial Institution Buyer Credit Policy (FIBC)
  - ✓ Exporter Single Sale Insurance Policy (ESS)

- **Short-term Multi-Buyer Export Credit Insurance**
  - ✓ Bank Letter of Credit Policy (ELC)
  - ✓ Issuing Bank Credit Limits (IBCL)

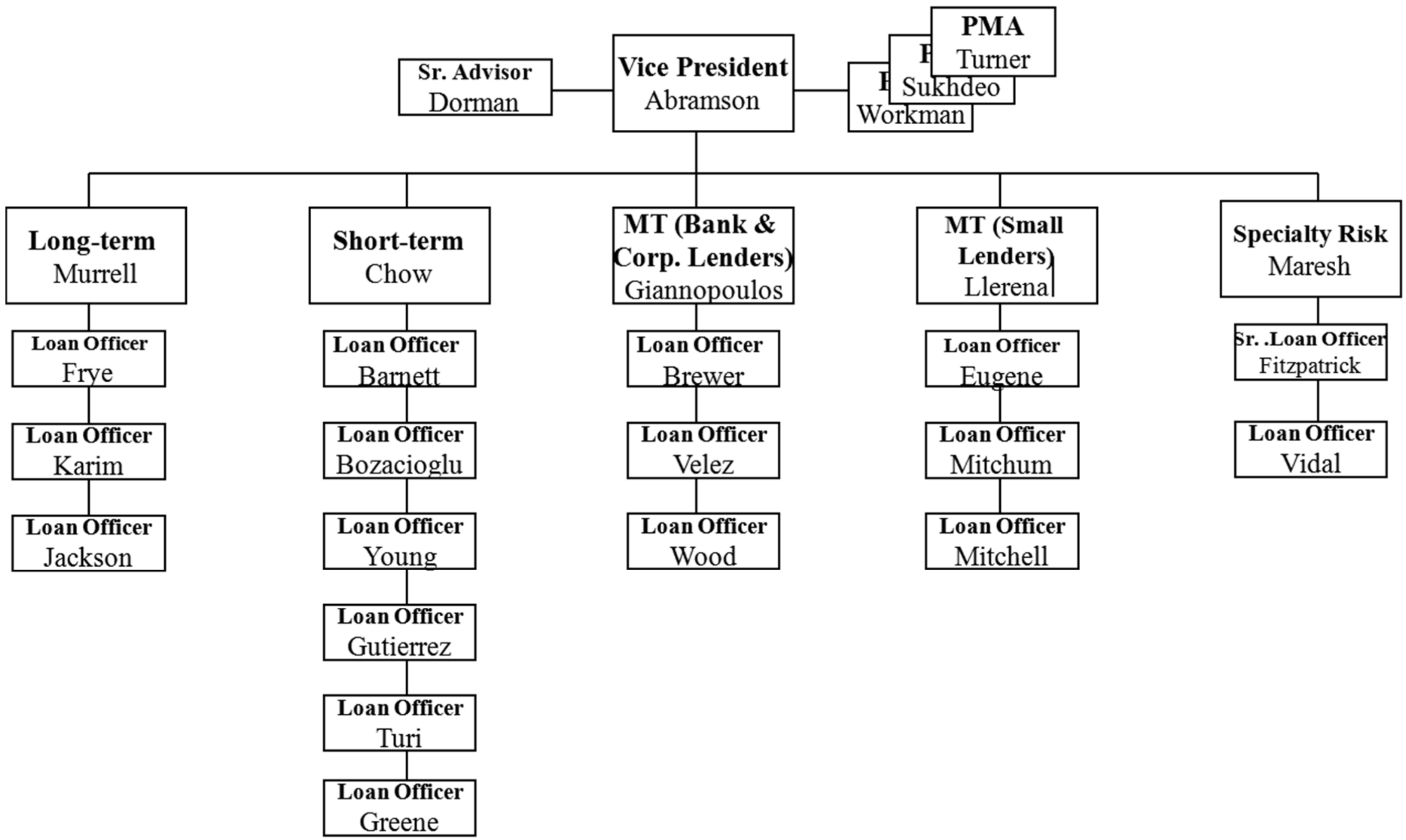
- **Medium-term Trade Finance**
  - ✓ Medium-term Loans and Loan Guarantees
  - ✓ Medium-term Lease Guarantees
  - ✓ Medium-term Export Credit Insurance

- **Long-term Trade Finance**
  - ✓ Long-Term Loans and Loan Guarantees (FI, Sov./sub-Sov. and Corporate Risk)
  - ✓ Credit Guarantee Facilities
  - ✓ Concessional Finance (Tied-Aid)

In addition to these transactional responsibilities, TF manages the marketing, evaluation and approval process to capture new lending partners

Organization

The Division is organized around these product lines and is currently staffed with 27 FTEs



Activity Overview

- FY12 authorizations are anticipated to be in the $6 billion range as a result of anticipated growth in the long-term area, moderate medium-term activity and reductions in ELC activity and Financial Institution Buyer Credit policies

- Long-term activity **largely sovereign and corporate**, rather than financial institution risk and year-end authorization performance is dependent on several large transactions

- Small Business amount/share expected to be consistent with prior years (approximately 20%)

- Total transactions are expected to be in excess of 800

Activity Overview

Continuation of current trends supports a forecast of modest decrease to total authorizations for FY2012

Product Type	FY10 Authorizations (millions)	FY11 Authorizations (millions)	FY12 Authorizations (projected, millions)
Short-term Single Buyer (FB/ESS)	$711	$895	$750
Short-term Multibuyer (ELC)	$4,272	$3,915	$3,200
Medium-Term (Gtee/Ins)	$1,021	$349	$425
Long-term (Loans/Guarantees)	$286	$1,091	$1,700
TOTAL	**$6,284**	**$6,250**	**$6,075**

**Beginning in FY11, reflecting CGF's as long term rather than medium-term*

Activity Overview

Cycle times (based on average days from receipt to policy issuance) for TF products remain satisfactory despite loss of headcount (3FTEs) from FY11 to FY12

Product Type	FY11 Average Days to Authorization	FY12 (5 mos) Days to Authorization
Short-term Single Buyer (ESS)	16	16
Short-term Single-buyer (FIBC)	40	40
Medium-Term (Gtee/Ins)	51	43
Short-term (ELC)	23	7

Authorizations Overview
Short-term Single-buyer (ESS/FIBC)

- FIBC FY12 forecast of approximately $500 million -- decrease of $200 - $250 million from FY11 expected due to **increased premium pricing and more rigorous u/w and structuring**

- ESS FY12 forecast of approximately $250 million -- increase of $90 - $100 million from FY11 expected due to **increased volume** due to migration from FIBC

- Transaction volume forecast **<u>up significantly</u>** due to expansion of ESS -- anticipated increase in excess of 20% to more than 400 policies

- Anticipate moderate reduction in **<u>program budget consumption</u>** -- due to premium increase and reduced volume for FIBC and positive offset from ESS

Authorizations Overview
Bank Letter of Credit (ELC/IBCL)

- ELC full year FY12 forecast expected to be **reduced from FY11** (to $3,000 - $3,250 million)
- Unnecessary capacity eliminated due to lack of demand for Korea replaced to some degree by **demand for cover on China and India**
- **Geographic broadening of requests** including issuers in Latam and MENA (Egypt, Iraq)
- **Several large transactions lost** due to timing issues
- Universe of policyholders **reduced** (to approximately 50 policy holders)

Authorizations Overview
Medium-term (including MT Delegated Authority)

- New authorizations expected to continue to be relatively limited and **consistent with prior year** – forecast for FY12 of $400 - 425 million/200 transactions
- Moderate activity level is a result of **increased pricing and more rigorous underwriting and structuring** (most significantly the minimization of unsecured lending)
- Expecting limited authorizations from new, active players in MT Delegated Authority H2FY12
- Forecasting moderate decrease in **program budget consumption** due to changes in internal risk scoring to be implemented in H2 2012

Authorizations Overview

Long-term (loans and guarantees including CGF)

- **Increase in long-term authorizations** for FY12 to between $1.5 – 2.0 billion (from $1.1 billion in FY11)
- Robust pipeline in-house or expected across **diverse set of markets and industry sectors**
- Bank-guaranteed business constrained by risk perception by us (e.g. Ukraine, Kazakhstan) and **value proposition for the local banks**
- Small business share expected to be *de minimus* as per prior years

Challenges and Initiatives

Challenge	Initiative	Status/Progress
Improve transaction processing time	1) Expand use of medium-term external delegated authority	*2 new lenders operational*
	2) Expand use of internal delegated authority	*Proposal developed to expand manager and loan officer authority*
	3) Revise triage process and interface with Credit Policy	*Proposal in development*
	4) Establish pre-approved internal credit lines for key borrowers	*Ongoing*
Minimize Program Budget Consumption	1) Revise MT and STSB internal risk ratings criteria	*Developing proposal for CFO*
Maintain Portfolio Performance	1) Continue to expand secured portion of MT and STSB portfolio	*Ongoing*
	2) Conduct additional staff credit training	*Program to be developed*

Challenges and Initiatives (continued)

Challenge	Initiative	Status/Progress
Drive Increased Authorizations	1) Joint initiatives w/BD (e.g Bancomext facility; marketing activities in Indonesia and Vietnam)	*Ongoing*
	2) Engagement with key exporters/groups (eg NAM)	*Ongoing*
Capture new lending partners	1) Cross-sell products to existing partners	*Ongoing*
	2) Identify/market to non-active banks	
	3) Identify/market to non-traditional partners (captives, non-bank FIs)	
	4) Engage with local lenders in key markets	