

# CONGRESSIONAL BUDGET JUSTIFICATION

ON EX-IM BANK'S BUDGET ESTIMATES  
FISCAL YEAR ENDING SEPTEMBER 30, 2014



FISCAL YEAR 2014 BUDGET REQUEST  
EXPORT-IMPORT BANK OF THE UNITED STATES

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# Executive Summary

## An Overview

### MISSION

The Export-Import Bank of the United States (“Ex-Im Bank” or “Bank”) is an independent executive agency and a wholly-owned U.S. government corporation. Ex-Im Bank is the official export credit agency of the United States. Ex-Im Bank’s mission is to enable U.S. companies – large and small – to turn export opportunities into real sales that maintain and create U.S. jobs and contribute to a stronger national economy. The Bank achieves this mission by providing export financing through its loan, guarantee, and insurance programs in cases where the private sector is unable or unwilling to provide financing. Ex-Im Bank also steps in when financing support is necessary to level the playing field for U.S. exporters that are in competition with foreign companies supported by financing from their governments. The Bank has provided financing support for export sales in more than 171 markets throughout the world. Ex-Im Bank operates as a self-sustaining agency, funding all its operations and programs through fees charged to its customers. The Bank’s Charter requires reasonable assurance of repayment for the transactions it authorizes, and the Bank closely monitors credit and other risks in its portfolio. As a self-sustaining agency, Ex-Im Bank has proven to be a responsible steward of the taxpayers’ resources.

### Support U.S. Exports & Jobs

In FY 2012, the Bank supported \$50 billion in exports and an estimated 255,000 U.S. jobs.

### MEETING COMPETITION & ADDRESSING MARKET DISTORTION

#### Meeting Competition

- 59 foreign Export Credit Agencies

#### Addressing Market Distortion

- \$3.7 trillion decline in cross-border lending by Eurozone banks since 2007

Source: McKinsey Global Institute

Ex-Im Bank provides the necessary financing in support of U.S. exports. The Bank levels the playing field in response to foreign competitors and steps in where the financial markets cannot meet demand. The United States competes against 59 other Export Credit Agencies (ECAs) around the world for export sales. In 2011, the G6 (excluding the U.S.) provided \$52.6 billion in officially supported export financing. Brazil, India and China,

provided another \$64.7 billion in officially supported export financing. Ex-Im Bank provides financing to compete with the financing of foreign Export Credit Agencies. This allows exporters to compete on quality and price and not financial packages (i.e. leveling the playing field). Additionally, Ex-Im Bank steps in where market distortions exist. According to the McKinsey Global Institute, cross-border capital flows have declined 60 percent from their 2007 peak. Ex-Im Bank has stepped in to provide financing for exporters where the private sector was unable or unwilling to do so. The Government Accountability Office (GAO) in a report dated March 2013 highlights this role. The GAO found Ex-Im Bank’s recent growth is associated with “reduced private-sector financing following the financial crisis” and Ex-Im Bank’s ability “to fill the gap in private-sector lending.” Ex-Im Bank provides a vital service to the U.S. economy by not letting U.S. companies lose out on export sales due to the lack of financing.

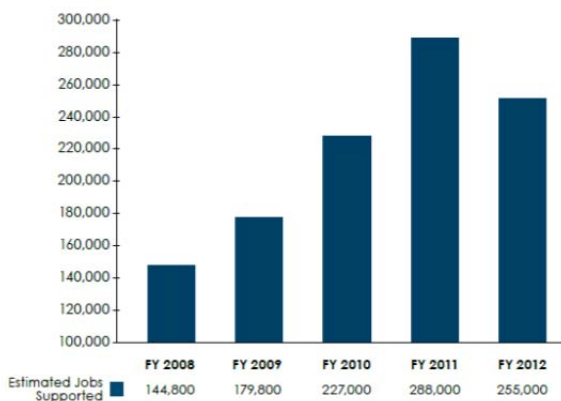
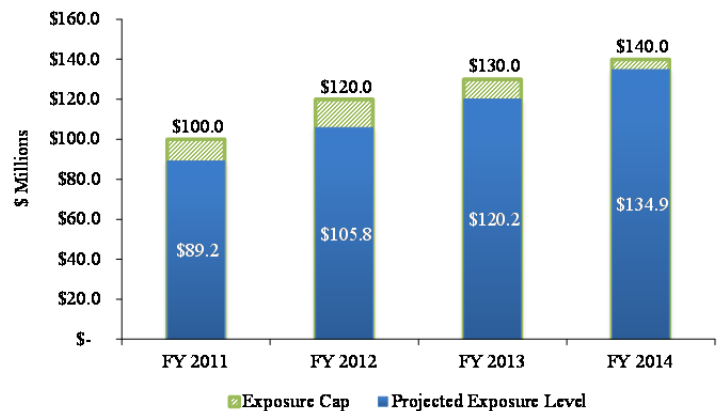


## RECENT HISTORY

Ex-Im Bank has succeeded in its job-supporting mission over the past 78 years. Over the past three years, in particular, Ex-Im Bank has helped address the gaps in private financing caused by the financial crisis of 2008 and the ongoing Eurozone crisis. Ex-Im Bank has stepped in where private banks and other lending institutions were unwilling or unable to meet the trade finance needs of U.S. exporters. The Bank's authorizations have doubled over historical levels. In FY 2012, Ex-Im Bank authorized \$35.8 billion in financing, in support of an estimated \$50.0 billion of U.S. export sales.

## FORECASTED EXPOSURE

Ex-Im Bank Re-Authorization Act of 2012 set conditional exposure caps of \$120.0 billion for FY 2012, \$130.0 billion for FY 2013, and \$140.0 billion for FY 2014. With the budget request under current market conditions, Ex-Im Bank is projected to hit \$134.9 billion in exposure by the end of FY 2014.



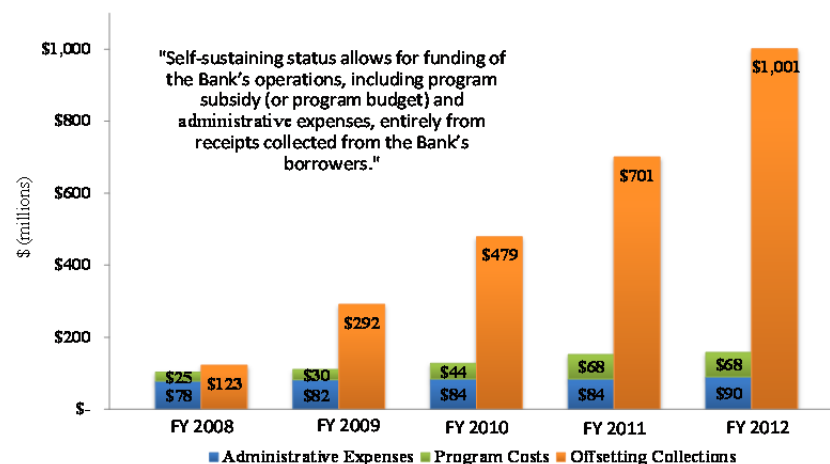
## SUPPORTING U.S. JOBS

Ex-Im Bank's mission is to support jobs through U.S. exports by providing competitive export financing and ensuring a level playing field for American exporters in the global marketplace. Ex-Im Bank's FY 2012 authorizations alone are supporting an estimated 255,000 American jobs at more than 3,400 U.S. companies. While the Bank had more authorizations in FY 2012, the number of jobs supported decreased due to the Bureau of Labor Statistic's' periodic adjustment.

## SELF-SUSTAINING STATUS

Ex-Im Bank has been self-sustaining for budgetary purposes since FY 2008. The FY 2014 President's Budget continues the Bank's self-sustaining status. Self-sustaining status allows for funding of the Bank's operations, including program subsidy (or program budget) and administrative expenses, entirely from receipts collected from the Bank's borrowers. As a result, the Bank does not rely on taxpayer resources to sustain operations. Congress will continue its oversight of Ex-Im Bank's budget, setting annual limits on its use of funds for program subsidy and administrative expense obligations.

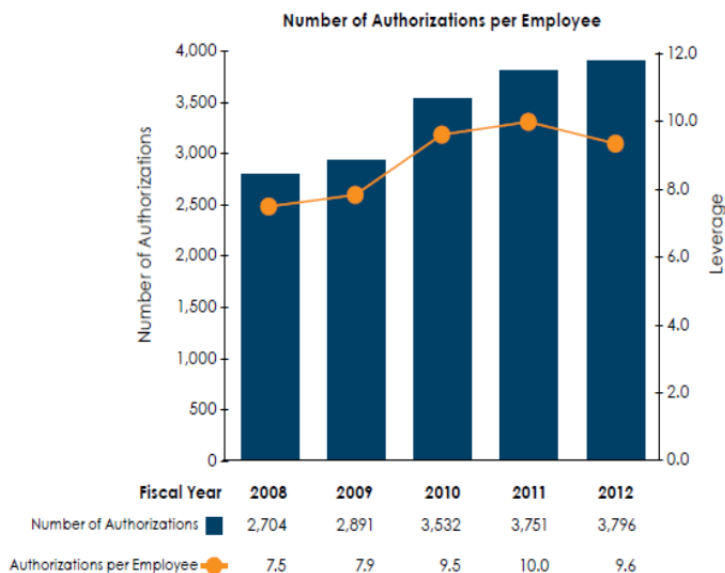
Self-Sustaining (2008 - 2012)



The self-sustaining initiative is based on the Bank's performance since the implementation of Credit Reform in FY 1992. Since the Federal Credit Reform Act of 1992, the Bank has generated approximately \$5.8 billion more for the U.S. Treasury than it received in program and administrative expense appropriations.

## EMPLOYEE EFFICIENCY

Although a small agency of less than 400 FTEs, Ex-Im Bank's employees are highly efficient. In FY 2012, the average dollar amount of authorizations per employee was \$90.9 million, up from \$86.9 million in FY 2011. The average number of authorizations per employee was 9.6 in FY 2012, a slight decrease from 10.0 in FY 2011. Ex-Im Bank credits these increases to its continued focus on streamlining its bank-wide operations as well as the commitment and dedication of its staff.



# Organizational Overview

## Products

### BANK WIDE

Ex-Im Bank offers four financial products: loan guarantees, direct loans, working capital guarantees, and export credit insurance. All Ex-Im Bank products carry the full faith and credit of the U.S. government.



Ex-Im Bank loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. Ex-Im Bank guarantees to a lender that in the event of a payment default by the borrower it will pay to the lender the outstanding principal and interest on the loan. Ex-Im Bank's comprehensive guarantee covers commercial and political risks for up to 85 percent of the U.S. contract value.



Ex-Im Bank's direct lending program offers fixed interest-rate loans directly to foreign buyers of U.S. goods and services. Loans to an exporter's customer can cover up to 85 percent of the U.S. contract value. Ex-Im Bank's direct loans typically carry the lowest fixed interest rate and term permitted for the importing country under the "Arrangement on Guidelines for Officially Supported Export Credits" negotiated among members of the Organization for Economic Cooperation and Development (the "OECD").

Ex-Im Bank lending covers a range of terms, extending up to eighteen years. Medium-term products typically have repayment terms of one to seven years, while the long-term products usually have repayment terms in excess of seven years.

### SMALL BUSINESS

Two of the Bank's financial products – Working Capital Guarantees and Export Credit Insurance – primarily benefit small businesses. Under the Working Capital Guarantee program, Ex-Im Bank provides repayment guarantees to lenders on secured, short-term working capital loans made to qualified exporters. The working capital guarantee may be approved for a single loan or a revolving line of credit. Ex-Im Bank's guarantee protects the lender from default by the exporter for 90 percent of the loan principal and interest.

Ex-Im Bank's export credit insurance policies help U.S. exporters sell their goods overseas by protecting them against the risk of foreign buyer or other foreign debtor default, enabling them to extend credit to their international customers. Insurance policies may apply to shipments to one buyer or many buyers, insure comprehensive (commercial and political) credit risks or only political risks, and cover short-term or medium-term sales.

In February 2012, Ex-Im Bank unveiled Global Credit Express (GCE), a new product that will provide a revolving line of credit, up to \$500,000 for 6 to 12 months, to small business exporters. During the program's pilot phase, an initial \$100 million in financing will be made available through a select number of lenders nationwide. Following the pilot, the Bank will evaluate the results of the GCE program. The product is specially designed to finance the business of exporting rather than a specific export transaction.

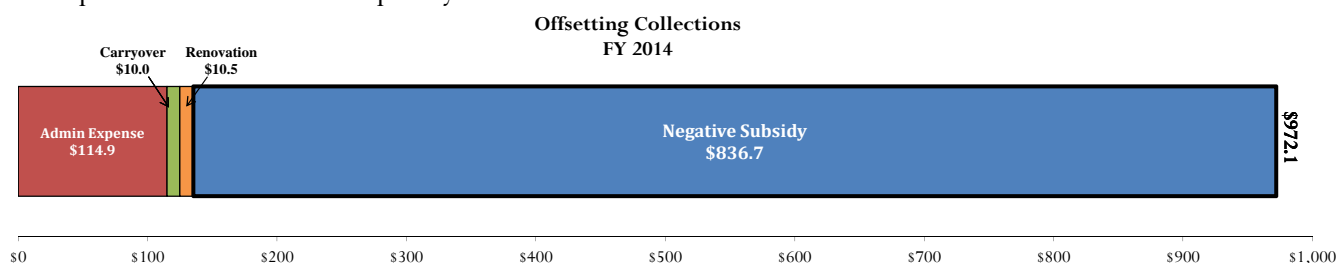
# Budget Request

## FY 2014 Request

### REQUEST OVERVIEW

Ex-Im Bank requests \$114.9 million for administrative expense and \$0 for program expense – an overall decrease of 22.3 percent compared to the FY 2013 enacted. These expenses will be paid by fees collected from Bank customers, or offsetting collections, so that the net appropriation is zero. At this request level, the Bank estimates that in FY 2014 it will collect \$972.1 million of fees in excess of expected losses on transactions and be able to support the estimated demand of \$42.7 billion of authorizations with an estimated export value of \$53.9 billion. Ex-Im Bank is also requesting carryover of \$10.0 million and renovation expense of \$10.5 million. After taking into account these expenses, Ex-Im Bank forecasts negative subsidy \$836.7 million to be used as an offset and sent to the U.S. Treasury in FY 2013 – a 134.0 percent increase over the prior year.

	FY 2013 <u>Enacted</u>	FY 2014 <u>Request</u>	<u>Change</u>
Budget	147.9	114.9	-22.3%
Negative Subsidy	357.5	836.7	134.0%



### SELF-SUSTAINING

Offsetting Collections	(972.1)
Admin Expense	114.9
Program Expense	0.0
Carryover	10.0
Renovation	10.5
<b>Negative Subsidy</b>	<b>\$ (836.7)</b>

The FY 2014 President's Budget continues the Bank's self-financing status, which was initiated, and has remained in effect, since FY 2008. This status brought Ex-Im Bank in compliance with WTO agreements on prohibited export subsidies. Generally, under self-sustaining status, at the start of fiscal year the U.S. Treasury will give Ex-Im Bank a warrant for \$114.9 million to cover its FY 2014 administrative expenses and limitations on program budget. Ex-Im Bank forecasts offsetting collections of \$972.1. As Ex-Im Bank collects negative subsidy receipts in FY 2014, the Bank will use these offsetting collections to repay the Treasury warrant received at the start of FY 2014. Once the warrant is repaid, the Bank will retain up to \$10.0 million in Ex-Im Bank's Program Account to be available for three additional years. Any additional receipts collected will be transferred to Ex-Im Bank's Negative subsidy receipt account and will be sent to Treasury at the end of FY 2014. In FY 2014, Ex-Im Bank forecasts net receipts of \$836.7 million.

### HISTORICAL BUDGETARY EXPERIENCE

Since FY 1992, Ex-Im Bank has sent to the U.S. Treasury approximately \$6.0 billion more than the total amount of appropriations received and net claims paid during this period. In FY 2014, Ex-Im Bank is budgeted to send \$836.7 million (excluding Inspector General expenses) of the \$972.1 million in offsetting collections to the U.S. Taxpayer. This represents approximately \$2.1 million of negative receipts per employee. This and future generations for the U.S. Treasury hinge upon increased administrative expense investments for an FTE base currently stretched to its limits and the installation of new IT systems to replace current systems which are in critical need of upgrades.



# Investment Request

## FY 2014 Request

### INVESTMENT OVERVIEW

Ex-Im Bank is requesting a \$25.0 million investment above the FY 2012 Administrative Expense level. The investment will provide the Bank with the resources necessary to meet forecasted export financing demand and monitoring and management requirements. Ex-Im Bank is a demand driven entity responding to market needs. The investment will be allocated as follows:

#### \$7 million to Grow Small Business

- Since FY 2011, the Bank has averaged 18 percent support for small business. The Bank has a mandate to make available at least 20 percent for small business. These additional resources will be used to increase small business development as well as target underwriting support.

#### \$6 million to support staffing infrastructure needs

- Since FY 2008, Ex-Im Bank authorizations have increased by 148 percent, while Administrative expense has grown by less than 10 percent. These additional resources will be used to better meet increase demand as well as continue the Bank's pro-active risk management efforts on the larger portfolio.

#### \$1.0 million to support sub-Saharan Africa export growth

- According to the World Bank, sub-Saharan Africa is one of the globe's fastest-growing economic regions, with a growth rate projected to exceed five percent over the next several years. Many countries in the region have now developed to the point that they meet the Bank's financing criteria and U.S. businesses are increasingly entering these developing markets. The Bank has a mandate to promote expansion in the region and these additional resources will be used to meet this Congressional Mandate.

#### \$6 million to support IT infrastructure needs

- Ex-Im Bank's IT infrastructure is based on a platform that is over 20 years old. The increase will support the ongoing efforts necessary to modernize the Bank's IT infrastructure to improve data integrity, speed customer support and provide increase ability to monitor transactions.

#### \$5 million in increase Fixed Costs (Rent)

- As part of the America Recovery Act, the GSA is renovating the Bank's headquarters' building. In FY 2014, GSA will reclassify the Bank's space from Class C to Class A. As a result, the Bank's rental costs increase by \$5.0 million in FY 2014.

### RENOVATION COSTS (ONE TIME EXPENSE)

Ex-Im Bank's headquarters is currently being modernized in two phases, the first of which was funded under the American Recovery and Reinvestment Act of 2009 ("ARRA"). The second phase was not included in the ARRA. As a result, an additional \$10.5 million is being requested for the second phase of the building renovation. This money will be used to complete the renovation project.

The building has not had a major modernization since it was constructed in 1940. Many of the building systems are original and have long since exceeded their useful service life and are deficient under modern codes and standards, in addition to being undersized and under capacity for the demands of modern tenants. Maintenance of these obsolete systems is labor intensive, resulting in frequent and prolonged inconvenience to the tenants, and ineffective mission accomplishment. Once updated by GSA, the Export-Import Bank of the United States needs to relocate back into the space originally occupied prior to the renovation.

#### \$10.5 for renovation costs

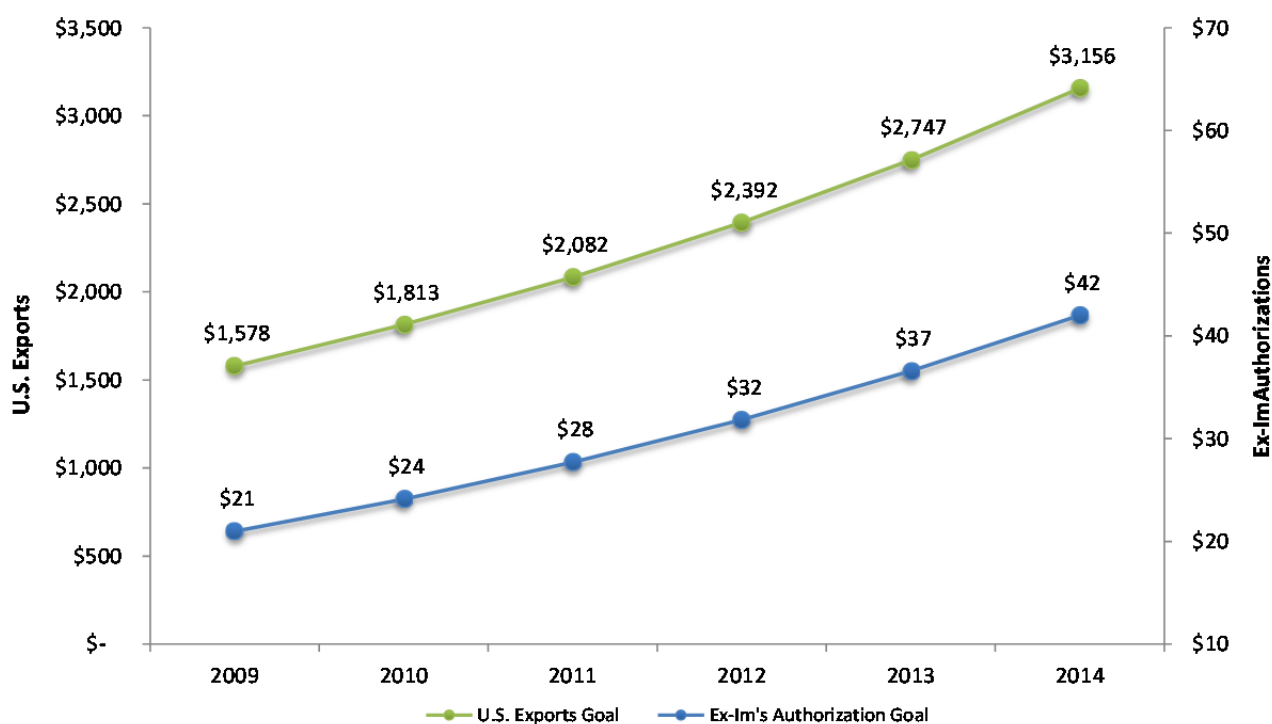
- To support fitting-out and relocation of Ex-Im Bank's resources once the construction has been completed.

# National Export Initiative

## Double Exports by FY 2014

### DOING OUR PART

The Export-Import Bank of the United States supports President Obama's National Export Initiative (NEI) to double exports from their 2009 level to \$3.2 trillion by 2014. Ex-Im Bank forecasts authorization growth proportionally to U.S. exports to ensure that the additional export financing needs of businesses are met. Thus, the Bank forecasts a doubling of authorizations from the FY 2009 level of \$21.0 billion to approximately \$42.0 billion in FY 2014, requiring a year-over-year growth rate of 14.9 percent.



### CONTINUED SUPPORT NEEDED

The Ex-Im Bank fully supports President Obama's National Export Initiative and the goal of doubling U.S. exports. In order to sustain Ex-Im Bank's contribution to achieving the President's NEI goals, Ex-Im Bank expects to authorize \$42 billion in financing for American exporters in FY 2014. With the additional \$25.0 million in administrative expense investments, the Bank will be able to meet the forecasted demand of \$42 billion.

# Small Business Initiative

## A Major Creator of U.S. Jobs

### A CONGRESSIONAL MANDATE

Ex-Im Bank has always played a critical role in supporting U.S. small business exporters. The Bank's Charter directs it to provide special attention to the needs of small business exporters. Congress states:

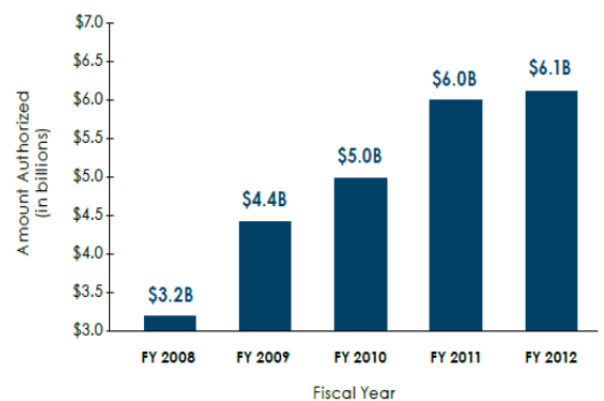
*"Ex-Im Bank shall make available, from the aggregate loan, guarantee, and insurance authority available to it, an amount to finance exports directly by small business concerns (as defined under section 3 of the Small Business Act) which shall be no less than 20 percent of such authority for each fiscal year."*

Small business deals require more effort to originate, underwrite, and service than medium and large business deals because they tend to be smaller and less experienced in exporting. Due to these costs and the nature of the small business exporting market, if there are no additional administrative resources, the Bank will be unlikely to achieve its 20 percent small business target. However, with the additional investment of \$7 million the Bank will be better able to meet this important mandate.

### DIRECT SMALL BUSINESS SUPPORT

Ex-Im Bank is providing export financing to an increasing number of U.S. small businesses, particularly companies that have fewer than 100 employees or traditionally have been underserved, such as minority-owned and woman-owned companies. In FY 2012, Ex-Im Bank authorized \$6.1 billion in financing and insurance for American small businesses – a record for the Bank. This financing represents nearly 17 percent of total Ex-Im Bank authorizations. The Bank approved 3,313 transactions in FY 2012 that were made available to small-business exporters. In fact, 88 percent of all transactions authorized by the Bank went to small businesses.

Ex-Im Bank Small-Business Authorizations



### FORECASTED GROWTH IN SMALL BUSINESS DEMAND

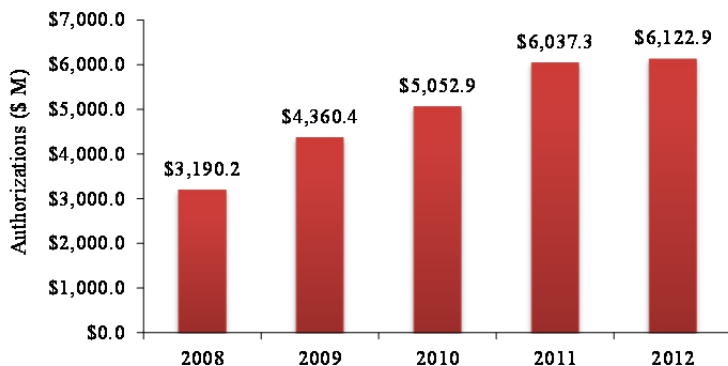
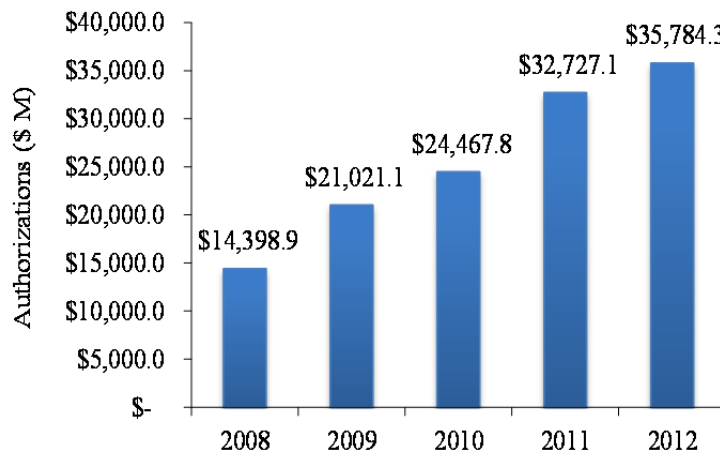
For FY 2014, Small Business authorizations are expected to grow an estimated 19.2 percent from FY 2012 small business authorizations. Growing the small business authorizations has been a challenge due to various reasons. The flat budgetary environment delayed Ex-Im Bank from opening new field offices in FY 2011. These offices were vital to the Small Business growth. While Congress provided a small increase of \$6 million in FY 2012, of which \$3 million was earmarked for small business, this was \$14 million below the President's proposal. In addition, authorizations for non-small business grow at a faster rate than small business making it a challenge to keep up small business growth. However, with additional resources and funding, the Bank can develop a new base of small business exporters.

# Summary of Program Results

## Fiscal Year 2012

### TOTAL AUTHORIZATIONS

Ex-Im Bank authorized \$35,784.3 million of loans, guarantees, and insurance during FY 2012 in support of an estimated \$49,988.9 million of U.S. export sales. This is the highest level of authorizations in the Bank's 78-year history. Ex-Im's FY 2012 authorizations support an estimated 255,000 American jobs.

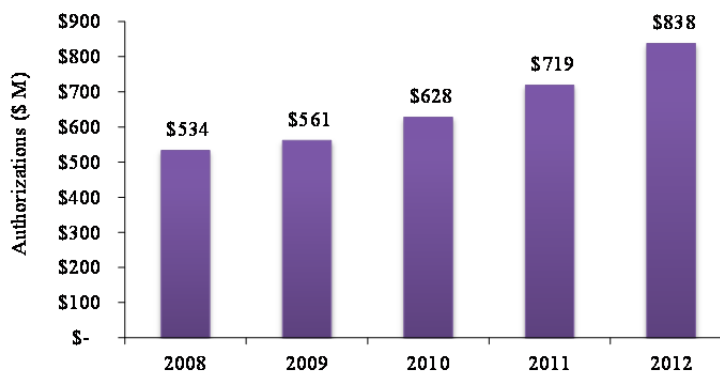


### SMALL BUSINESS AUTHORIZATIONS

New authorizations for direct small business exports totaled \$6,122.9 million, representing 17.1 percent of total authorizations compared to \$6,037.3 million in FY 2011. In FY 2012, Ex-Im Bank authorized 3,313 transactions for the direct benefit of small business exporters.

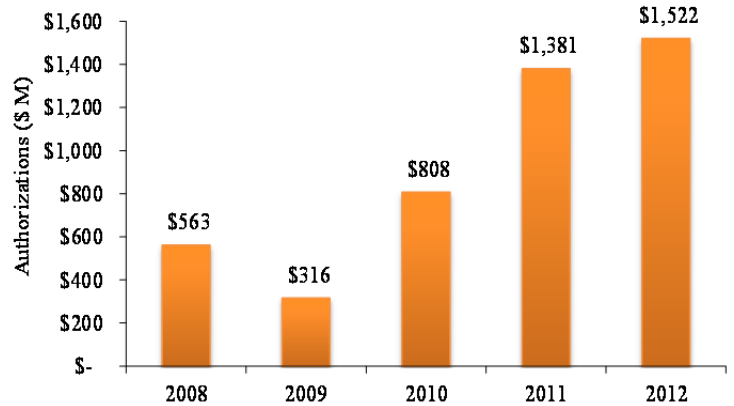
### MINORITY-OWNED AND WOMAN-OWNED BUSINESS AUTHORIZATIONS

In FY 2012, Ex-Im Bank authorized \$838 million to support exports by 685 U.S. small and medium-sized businesses known to be minority-owned and woman-owned – up nearly 17 percent from FY 2011. Of these authorizations, \$295 million were working capital guarantees, accounting for 14 percent of total working capital authorizations.



## SUB-SAHARAN AFRICA AUTHORIZATIONS

In FY 2012, Ex-Im Bank authorized over \$1.5 billion – a historic high – to support U.S. exports to sub-Saharan Africa. Of these authorizations, \$276 million supported small-business exports, \$30 million supported exports from minority-owned and woman-owned businesses and \$1 million supported environmentally beneficial exports. Ex-Im Bank's financing supported 163 U.S. export transactions in more than 20 sub-Saharan African countries.



## ENVIRONMENTALLY BENEFICIAL EXPORT AUTHORIZATIONS

In FY 2012, Ex-Im Bank authorized \$614 million to support over \$1.18 billion of U.S. exports of environmentally beneficial goods and services. Nearly 60 percent of those authorizations supported exports related to renewable-energy production, including \$216 million for five solar-energy projects in India that supported U.S. exports of thermal-solar equipment and solar-photovoltaic panels.



## KEY MARKETS

In FY 2010, Ex-Im Bank launched a strategic review to determine the countries where Ex-Im Bank financing could be particularly effective for American companies. The Bank analyzed countries based on GDP, infrastructure and impact and then narrowed the list down to nine countries: Mexico, Brazil, Colombia, Turkey, India, Indonesia, Vietnam, Nigeria and South Africa. While Ex-Im Bank continues to finance exports around the globe, this targeted strategy is paying off. In FY 2012, the Ex-Im Bank authorized nearly \$5.5 billion for U.S. exports to its nine key markets. The greatest amount of financing activity among these countries was in Mexico, where the Bank authorized more than \$2.8 billion to support exports of telecommunications satellites, commercial aircraft, locomotives, and equipment and services for oil and gas projects of Petroleo Mexicanos.



# Risk Management

## Reserve Process & Monitoring

### FEDERAL CREDIT REFORM ACT (FCRA)

Under the FCRA, which took effect on October 1, 1991, U.S. government lending agencies are required to estimate the cost of loans and loan guarantees and to seek appropriations authority from Congress to cover that cost up front. As part of credit reform, the U.S. government budgets for the present value of the estimated cost of credit programs, excluding administrative expenses. This cost is known as program subsidy (or program budget). Program subsidy is defined as the net present value of all the cash flows of the credits to and from the U.S. government. A positive program subsidy occurs when the cash inflows are less than the reserve requirement, while a negative program subsidy occurs when the cash inflows are greater than the reserve requirement. Agencies must establish cash flow estimates for expected defaults, fees, and recoveries to estimate the subsidy cost as a part of the budget process.

### RESERVE PROCESS

(In millions)	FY 2012	FY 2011
Liability for Guarantees and Insurance	1,814.00	1,219.50
Allowance for Loan Losses	1,585.60	1,538.20
Allowance for Defaulted Guarantees and Insurance	1,196.90	1,311.50
<b>Total Reserves</b>	<b>\$ 4,596.5</b>	<b>\$ 4,069.2</b>
<b>Loss Reserve as Percentage of Outstanding Balance</b>	<b>6.5%</b>	<b>6.8%</b>
<b>Loss Reserve as Percentage of Total Exposure</b>	<b>4.3%</b>	<b>4.6%</b>

Consistent with FCRA, Ex-Im Bank has taken steps to ensure that it is properly reserved in the event of a default. Ex-Im Bank determines its allowance for loss for each fiscal year by assessing the repayment risk of the credit, which includes both commercial and political risk factors, then calculating the loss

reserve based on the percentage of loss associated with the risk level assigned to the credit. After the political and commercial risks of the transaction are assessed, the transaction is assigned a risk rating based on the standard Inter-Agency Country Risk Assessment System (“ICRAS”) classification. A determinant of the risk rating is the sovereign-risk rating of the country where the obligor is located. Credit enhancements such as the availability of liens and offshore escrow accounts are taken into consideration. The allowance for losses on this exposure is calculated using both Ex-Im Bank’s own historical default and recovery rates in its cash flow models to calculate the amount of capital that must be reserved for each transaction.

In the event that losses exceed initial estimates, the Bank would be able to draw additional funds from the U.S. Treasury to satisfy those claims.

### YEARLY RE-ESTIMATE

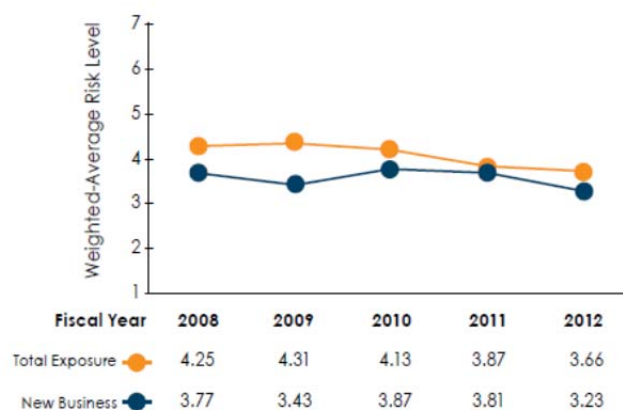
Due to the fact that financial and economic factors affecting repayment prospects change over time, the net estimated reserve requirements of the outstanding balance of loans, guarantees, and insurance is re-estimated annually in accordance with U.S. Office of Management and Budget (“OMB”) guidelines. This re-estimate calculates the appropriate level of funds necessary to cover future defaults. Decreases in estimated reserve costs result in excess funds sent to the U.S. Treasury, while increases in reserve costs are covered by appropriations which become automatically available through permanent and indefinite authority pursuant to the FCRA. Ex-Im

Bank calculates an annual re-estimate of reserve requirements during the last quarter of each fiscal year. As of September 30, 2012, a re-estimate of the reserves on the outstanding balances for FY 1992 through FY 2012 commitments indicated that of the fees, interest, and appropriations in the financing accounts, the net amount of \$577.3 million is needed to cover commitments. This amount is a receivable from the U.S. Treasury.

## AN INVESTMENT GRADE PORTFOLIO

The Bank classifies its credits into 11 risk categories, with level one being the least risky. Ex-Im Bank generally does not authorize new credits that would be risk-rated worse than level 8. On this scale, level 3 is approximately equivalent to Standard and Poor's BBB, level 4 approximates BBB-, and level 5 approximates BB. In addition, certain credits and capitalized interest included in gross loans receivable are reserved at 100 percent.

In FY 2012, 74.0 percent of Ex-Im Bank's portfolio was rated investment grade or better compared to 61.8 percent in FY 2011. The overall risk rating of the portfolio improved from 3.87 in FY 2011 to 3.66 in FY 2012.



## ACTIVE PORTFOLIO MONITORING

Ex-Im Bank continuously monitors its portfolio of credits after they have been approved. This includes scheduled risk-based review of the obligor's debt service capacity, taking into account all factors that directly impact ability and willingness to pay. These ongoing reviews strengthen staff's familiarity with obligors and allow the Bank to identify vulnerabilities in the credit. Consequently, the ability to develop and implement remediation action is strengthened, which ultimately has a positive impact on the quality of the portfolio. Most importantly, the information gained from portfolio reviews serves as a very critical feedback on underwriting new requests for support.

# Risk Management

## Exposure & Reserves

### EXPOSURE

At September 30, 2012, Ex-Im Bank's total exposure was \$106,646.4 million. The Bank has reserves to cover expected losses on its outstanding exposure of \$70.7 billion. Reserves for the undisbursed exposure of \$36.0 billion will be established as the underlying credits are disbursed.

(In millions)	Outstanding	Undisbursed	Total
Guarantees and Insurance	56,822.9	19,566.0	76,388.9
Loans	12,354.1	16,404.2	28,758.3
Claims	1,499.2	-0-	1,499.2
<b>Grand Total</b>	<b>\$70,676.2</b>	<b>\$35,970.2</b>	<b>\$106,646.4</b>

### PROPERLY RESERVED

**\$1.3**

Billion in Cash Reserves

The \$70.7 billion in outstanding guarantees and insurance policies represent a contingent liability. The liability is that Ex-Im Bank may be called upon to pay a claim to a guaranteed lender or an insured in the event of default. For financial statement purposes, Ex-Im Bank records a liability for the estimated dollar amount of claims that

the Bank could potentially have to pay on the entire outstanding guarantee and insurance exposure and sets aside an appropriate amount of cash to pay these claims. At September 30, 2012 the amount of cash reserved to pay claims was \$1,276.8 million, or 1.8 percent of total outstanding guarantee and insurance exposure.

**1.8 % Reserves vs.  
1.0% Net Losses**

### ACCOUNTING RESERVES

The \$13.9 billion in outstanding loans and claims represent assets of the Bank in the form of receivables that will be collected over time. As with any receivable, a certain amount of loss is expected. Cash reserves to cover losses are not necessary as these funds have already been disbursed. However, the Bank establishes an "accounting" allowance for loss, reducing the value of the receivables to reflect a more reasonable expectation of what will be collected.

The allowance for loss on outstanding claims was \$1,196.9 million or 79.8 percent of the total claims receivable. The high reserves for outstanding claims reflects the nature of the receivables where Ex-Im paid guaranteed or insured parties on defaulted loans and the probability of Ex-Im collecting on these defaulted loans is very low. Of the \$12,354.1 million outstanding loans receivable, \$704.7 million is related to high-risk Paris Club rescheduled loans. The total allowance for loss on outstanding loans at September 30, 2012 was \$1,585.6 million, or 12.8 percent of total loans receivable.

### ANNUAL REVIEW

Each year, the Office of the Inspector General and the Bank's outside auditors, Deloitte and Touche, evaluate the level of the allowances for loss during the Bank's annual financial audit. In addition, OMB reviews the methodology for calculating reserves as part of the annual budget development process.

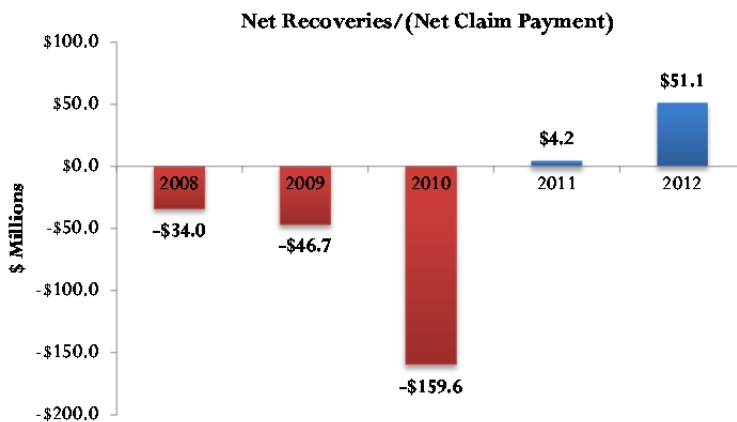
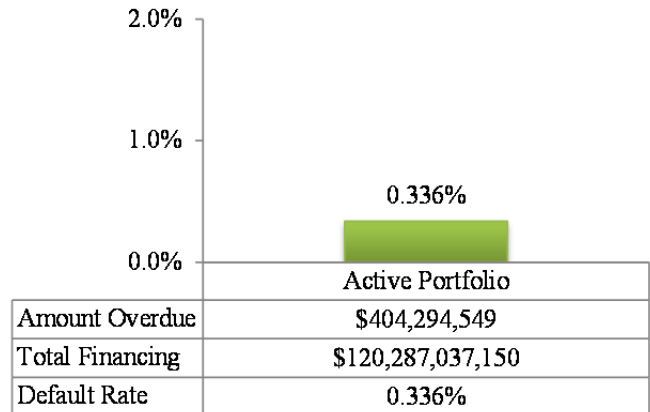


# Risk Management

## Default Experience

### DEFAULT RATE

The default rate of the Export-Import Bank through December 2012 is 0.336 percent. This rate reflects a “total amount of required payments that are overdue” (claims paid on guarantees and insurance transactions plus loans past due) equal to \$404.3 million divided by a “total amount of financing involved” (disbursements) equal to \$120.3 billion. This financing amount is different from Ex-Im Bank’s current exposure because it includes repayments and excludes authorized amounts that have yet to disburse. Of the \$120.3 billion, \$46.7 billion has been repaid, leaving a balance of \$73.6 billion to be repaid. The change in default rate is largely driven by one new direct loan currently in arrears equal to \$43.7 million.



### CLAIMS & RECOVERIES

Over the past 5 fiscal years, the average net claim payment - claims less recoveries - was \$37.0 million. This recent experience shows that the Bank is properly reserved. Ex-Im Bank has an active recovery group to recuperate losses. Since 1992, overall recovery is approximately fifty cents of each dollar paid in claims. In both FY 2011 and FY 2012, Ex-Im Bank recovered more money than it paid out.

### CLAIMS ARE PAID FROM FEES COLLECTED

The cash reserves set aside to pay claims derive entirely from fees collected from the Bank’s customers. Since FY 1994 through the end of FY 2012, the Bank has collected approximately \$5.8 billion in fees and paid net claims of approximately \$1.9 billion for a net fee collection less claim payments of \$3.9 billion. The Bank has transferred fees collected in excess of current cash requirements to the general fund of the U.S. Treasury.



# Requested Appropriations Language

Fiscal Year 2013

## Export-Import Bank Program Account

The Export-Import Bank of the United States is authorized to make such expenditures within the limits of funds and borrowing authority available to such corporation, and in accordance with law, and to make such contracts and commitments without regard to fiscal year limitations, as provided by section 104 of the Government Corporation Control Act, as may be necessary in carrying out the program for the current fiscal year for such corporation: Provided, That none of the funds available during the current fiscal year may be used to make expenditures, contracts, or commitments for the export of nuclear equipment, fuel, or technology to any country, other than a nuclear-weapon state as defined in Article IX of the Treaty on the Non-Proliferation of Nuclear Weapons eligible to receive economic or military assistance under this Act, that has detonated a nuclear explosive after the date of the enactment of this Act.

## Receipts Collected

Receipts collected pursuant to the Export-Import Bank Act of 1945, as amended, and the Federal Credit Reform Act of 1990, as amended, in an amount not to exceed the amount appropriated herein, shall be credited as offsetting collections to this account: Provided, That the sums herein appropriated from the General Fund shall be reduced on a dollar-for-dollar basis by such offsetting collections so as to result in a final fiscal year appropriation from the General Fund estimated at \$0: Provided further, That amounts collected in fiscal year 2014 in excess of obligations, up to \$10,000,000, shall become available on September 1, 2014, and shall remain available until September 30, 2017.

## Administrative Expenses

For administrative expenses to carry out the direct and guaranteed loan and insurance programs, including hire of passenger motor vehicles and services as authorized by 5 U.S.C. 3109, and not to exceed \$30,000 for official reception and representation expenses for members of the Board of Directors, not to exceed \$114,900,000, to remain available until September 30, 2015: Provided, That the Export-Import Bank may accept, and use, payment or services provided by transaction participants for legal, financial, or technical services in connection with any transaction for which an application for a loan, guarantee or insurance commitment has been made: Provided further, That, notwithstanding subsection (b) of section 117 of the Export Enhancement Act of 1992, subsection (a) thereof shall remain in effect until September 30, 2015: Provided further, That the Export-Import Bank shall charge fees for necessary expenses (including special services performed on a contract or fee basis, but not including other personal services) in connection with the collection of moneys owed the Export-Import Bank, repossession or sale of pledged collateral or other assets acquired by the Export-Import Bank in satisfaction of moneys owed the Export-Import Bank, or the investigation or appraisal of any property, or the evaluation of the legal, financial, or technical aspects of any transaction for which an application for a loan, guarantee or insurance commitment has been made, or systems infrastructure directly supporting transactions: Provided further, That, in addition to other funds appropriated for administrative expenses, such fees shall be credited to this account, to remain available until expended.

In addition, for renovation expenses covering the second and final phase of the General Services Administration (GSA) initiated renovation of the Export-Import Bank's headquarters for which the first phase was funded under the American Recovery and Reinvestment Act of 2009 as authorized, not to exceed \$10,500,000, to remain available until expended.

## Office of the Inspector General

For necessary expenses of the Office of Inspector General in carrying out the provisions of the Inspector General Act of 1978, as amended, \$5,100,000, to remain available until September 30, 2015.

# Export-Import Bank of the United States

## FY 2014 Program Budget Request

(\$ millions)

	Amount Authorized	Subsidy Negative	Positive
Long Term Guarantees	32,441	1,588.7	-
Medium Term Guarantees	194	0.1	-
Working Capital Guarantees	2,827	-	-
Total Guarantees	35,462	1,588.7	-
Medium Term Insurance	207	0.1	-
Short Term Insurance	6,962	0.1	-
Total Insurance	7,168	0.2	-
Modifications & Other	-	-	-
Total FY 2014 Demand Excluding Tied-Aid	42,630	1,588.9	- <sup>1/</sup>
Budget Authority Request Tied-Aid	50	-	16.5 <sup>2/</sup>
Total	42,680	1,588.9 <sup>3/</sup>	16.5

1/ - Ex-Im Bank proposes to use offsetting collections from negative subsidies disbursed to fund the positive subsidy requirements in FY 2014.

2/ - Estimated Tied-Aid demand for FY 2013 is \$50 million. There will be sufficient unobligated Tied-Aid Funds carried over from prior years to cover estimated demands. Therefore no additional Tied-Aid Funds are requested in the FY 2014 Budget. Currently, the Bank has an unobligated \$178.4 million in Tied-Aid funds.

3/ - Negative Subsidy is earned on FY 2014 and prior year authorizations disbursed in that year.

# Export-Import Bank of the United States

## Summary Schedule of Authorizations and Subsidy FY 2012 – FY 2014

(\$ millions)

	FY 2012 Est		FY 2013 Re-Estimate		FY 2014 Est Demand	
	Authorization	Subsidy	Authorization	Subsidy	Authorization	Subsidy
Transportation	12,200	-	12,340	-	14,175	-
Structured Finance	13,101		15,170	-	16,250	-
Long Term Trade Finance	1,530		1,920	-	2,016	-
Medium Term Loans	-	-	-	-	-	-
Medium Term Guarantees			180	8.6	194	-
Medium Term Insurance			195	14.3	207	-
Total Medium Term	339	-	375	22.9	400	-
Working Capital	3,110	3.1	2,637	-	2,827	-
Short Term Insurance	5,478		5,930	15.1	6,962	-
Other	-		-	-	-	-
Total Short Term	8,588	3.1	8,567	15.1	9,789	-
Total (Non Tied-Aid)	35,758	3.1	38,372	38.0	42,630	-
Tied Aid	-	-	25	8.3	50	16.5
Total Estimated Demand	35,758	3.1	38,397	46.3	42,680	16.5

\1 Estimated Tied-Aid demand for FY 2013 is \$50 million. There will be sufficient unobligated Tied-Aid funds carried over from prior years to cover estimated demands. Therefore no additional Tied-Aid funds are requested in the FY 2014 Budget. Currently, the Bank has an unobligated \$178.4 million in Tied-Aid funds.

# Export-Import Bank of the United States

## FY 2014 Administrative Budget Request

(\$ millions)

	<b>FY 2012 Budget</b>	<b>FY 2013 Estimate</b>	<b>FY 2014 Request</b>
Personnel Compensation	45,154,764	45,366,889	55,142,125
Personnel Benefits	12,284,669	12,451,941	14,658,033
Travel and Transportation of Persons	2,251,600	1,244,272	1,244,272
Transportation of Things	20,000	25,000	50,000
Rental Payments for Space	6,839,358	7,500,000	14,865,000
Communication & Utilities	1,148,232	1,008,000	2,049,328
Printing and Reproduction	133,416	327,600	350,000
Other Services	19,848,458	18,898,177	20,711,242
Supplies and Materials	1,032,307	1,265,121	1,265,121
Entertainment / Representation	30,000	30,000	30,000
Software and Equipment	1,157,195	1,783,000	4,534,879
Grand Total Expenses - Ex-Im Bank	89,900,000	89,900,000	114,900,000
Office of Inspector General	4,000,000	4,000,000	5,100,000
Renovation Expense			10,500,000