



FY 2018

Congressional

Budget

Justification

WHAT IS EXIM BANK?



Independent Agency

EXIM Bank is an independent, self-financing federal agency that operates at no cost to the U.S. taxpayers.



Supporting Exports

The 2018 EXIM Bank Budget Request supports \$27.0 billion in U.S. exports.



Promoting Job Creation

Over the past eight years, EXIM Bank's authorizations supported more than 1.4 million American jobs. The 2018 EXIM Bank Budget Request supports 180,000 jobs.



Generating Deficit-Reducing Receipts

The FY 2018 EXIM Bank Budget Request generates \$492.2 million in deficit-reducing receipts for U.S taxpayers.



Benefiting Small Businesses

Over 90 percent of the number of EXIM Bank's authorizations directly benefited small businesses, not including small businesses that benefited indirectly as suppliers to EXIM's larger customers.

EXIM BANK OVERVIEW

MISSION

The Export-Import Bank of the United States (EXIM Bank) is the official export-credit agency (ECA) of the United States. EXIM Bank's mission is to support **U.S. jobs** through U.S. exports by providing export financing through loan, guarantee, and insurance programs in cases where the private sector is unable or unwilling to provide financing or where such support is necessary to level the playing field due to export financing provided by foreign governments. In the past five years (FY 2012 to FY 2016), EXIM Bank assisted in financing approximately \$140 billion of U.S. exports and supported approximately 785,000 American jobs.¹ In FY 2018 EXIM Bank estimates supporting \$27 billion in exports, which will support 180,000 U.S. jobs.

EXIM Bank's financing provides significant support for U.S. small businesses. More than half (\$2.7 billion) of FY 2016 exports financed by EXIM Bank supported small businesses. The FY 2018 Budget Request supports \$5.0 billion in small business transactions.

SELF - FINANCING

The FY 2018 Budget Request continues EXIM Bank's self-financing status, which was initiated and has remained in effect since FY 2008. The fees and interest EXIM Bank receives from its customers cover all of its expenses.

Fees received above expenses result in negative subsidy. The FY 2018 Budget forecasts \$492.2 million in negative subsidy receipts for EXIM Bank. These funds will be transferred to EXIM Bank's negative subsidy receipt account and subsequently sent to the U.S. Treasury for deficit reduction at the end of FY 2018. Since 1992, EXIM Bank has sent to the U.S. Treasury \$8.4 billion over and above repayment of appropriations received for program and administrative costs.²

¹ EXIM Bank's job calculation methodology was validated and confirmed by the Government Accountability Office in FY 2013 (GAO-13-446).

² In FY 2013, the GAO validated and confirmed the Bank's accounting of funds sent to U.S. Treasury (GAO-13-446).

FY 2018 BUDGET OVERVIEW

BANK STATUS

On December 4, 2015, President Obama signed into law the Fixing America's Surface Transportation Act (P.L. 114-94). This Act included the Export-Import Bank Reform and Reauthorization Act of 2015, which extended EXIM Bank's operating authority through FY 2019. Since that time, EXIM Bank's Board of Directors has lacked a quorum. Without a Board quorum, EXIM Bank has been unable to approve medium- and long-term transactions over \$10.0 million. The 2018 Budget assumes the restoration of a Board quorum by the end of the third quarter of FY 2017.

EXIM Bank's Charter requires reasonable assurance of repayment for the transactions EXIM Bank authorizes, and EXIM Bank closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. jobs through exports, EXIM Bank offers four types of financial products: loan guarantees, working capital guarantees, export credit insurance, and direct loans. All EXIM Bank obligations carry the full faith and credit of the U.S. government.

REQUEST SUMMARY

EXIM Bank is requesting \$95.5 million for administrative expenses in FY 2018. This fiscal year is the fifth consecutive year in which EXIM Bank is requesting \$0 for the subsidy cost of credit programs. EXIM Bank has been a self-financing agency with fees collected exceeding all expenses since FY 2008, allowing EXIM Bank to send funds to the U.S. Treasury to assist with deficit reduction.

The FY 2018 Congressional Budget Justification (CBJ) reflects EXIM Bank's mission of supporting U.S. jobs through exports. The FY 2018 Budget Request will also provide EXIM Bank with the resources necessary to meet forecasted demand for U.S. export financing in FY 2018.

Key estimates for FY 2018 include:

- The FY 2018 Budget Request supports an estimated \$20.0 billion in new authorizations, with an estimated export value of \$27.0 billion supporting approximately 180,000 U.S. jobs
- The FY 2018 Budget Request supports an estimated \$5.0 billion in small business authorizations

REDUCTIONS

Overall the FY 2018 Budget Request reduces the EXIM operating budget (administrative expenses plus retained carryover) by 17.7% compared to the FY 2017 annualized continuing resolution (CR) level. The Budget reduces administrative expenses by \$10.5 million and carryover by \$10 million.

In light of efforts to reduce non-defense spending generally and the constrained international affairs budget environment specifically, the Budget Request also cancels \$165 million in carryover balances in the Tied Aid War Chest. This cancellation is consistent with export credit agency standards the U.S. is party to and Congressional guidance in the Export-Import Bank Reform and Reauthorization Act of 2015 to work toward a global end to tied aid grants.

The FY 2018 administrative expenses Budget Request is reduced by 9.9% from the FY 2017 annualized CR level of \$106.0 million to \$95.5 million.³ This reduction is consistent with Presidential Executive Order on a Comprehensive Plan for Reorganizing the Executive Branch of March 13, 2017 which is intended to improve the efficiency, effectiveness, and accountability of the executive branch. To prepare for this reduced level of funding, EXIM Bank has implemented a hiring freeze in FY 2017 as personnel compensation and benefits account for approximately 70% of the annual budget.⁴ The Budget Request will reduce the agency's staffing to 400 FTEs in FY 2018 from 415 FTEs in FY 2016 (which translates to 410 positions from 485 positions). In addition, EXIM Bank is analyzing other areas for potential savings.

The FY 2018 Budget Request for carryover is reduced by 100% to zero from \$10 million in the FY 2017 annualized CR level. Carryover is designed as a capital reserve in case of a disruption in offsetting collections due to external factors, such as a delay in disbursement; in lieu of retained carryover authority in FY 2018, EXIM Bank will rely on carryover balances from prior years.

³ This request of \$95.5 million is a 13.2% reduction from the EXIM Bank's FY 2017 appropriated level of \$110.0 million for administrative expenses.

⁴ On a case-by-case basis, exceptions may be made for mission-critical positions.

FY 2018 ADMIN BUDGET

FY 2018 ADMINISTRATIVE EXPENSES

The FY 2018 Budget Request provides \$95.5 million for administrative expenses, which is a reduction of 9.9% from the annualized CR level in FY 2017 of \$106.0 million.⁵ The Budget Request of \$5.0 million for the Office of Inspector General is a reduction of 16.5% from the annualized CR level of \$6.0 million.⁶

EXIM Bank forecasts supporting \$20.0 billion in authorizations and 180,000 U.S. jobs while earning \$492.2 million in negative subsidy. This Budget Request will allow EXIM Bank to further its mission of supporting U.S. jobs through export sales, and continue to manage EXIM Bank's portfolio. Below are the individual line items that comprise the FY 2018 Budget Request.

EXIM Bank and OIG Administrative Expenses (USD millions)			
Obligation	FY 2017 CR Level	FY 2017 Appropriation	FY 2018 Request
Personnel Compensation	52.0	52.0	44.7
Personnel Benefits	18.0	18.0	15.7
Travel and Transportation of Persons	2.0	2.0	2.0
Transportation of Things	0.1	0.1	0.1
Rental Payments for Space	9.0	9.0	9.0
Communication and Utilities	5.4	5.4	5.1
Printing and Reproduction	0.4	0.4	0.3
Other Services	8.0	11.7	8.5
Supplies and Materials	1.2	1.2	1.0
Software and Equipment	10.1	10.1	9.0
Representation Fund	0.1	0.1	0.1
Total Expenses	106.3	110.0	95.5
Office of Inspector General	6.0	5.7	5.0

⁵ This request of \$95.5 million is a 13.2% reduction from the EXIM Bank's FY 2017 appropriated level of \$110.0 million for administrative expenses.

⁶ This request of \$5.0 million is a 12.2% reduction from the EXIM Bank's FY 2017 appropriated level of \$5.7 million for the Office of the Inspector General.

SCORING

EXIM Bank collects exposure fees and interest income from EXIM Bank's credit program customers. From these fees, EXIM Bank first sets aside funds to cover the costs of its credit programs, consistent with the requirements of the Federal Credit Reform Act (FCRA). The remaining fees are classified as offsetting collections. EXIM Bank uses these offsetting collections to cover operations. After paying for operating expenses, the remaining offsetting collections are classified as negative subsidy. EXIM Bank is required to send this negative subsidy to the U.S. Treasury at the end of each fiscal year.

EXIM Bank is expected to collect \$587.7 million in fees in excess of expected losses in FY 2018. EXIM Bank would classify \$95.5 million as offsetting collections to cover operating expenses and the remainder as negative subsidy. In FY 2018, EXIM Bank would remain a self-financing agency while sending an estimated \$492.2 million to the U.S. Treasury. The 2018 Budget assumes the restoration of a Board quorum by the end of the third quarter of FY 2017.

EXIM Banks's Financial Activity (USD millions)				
	FY 2016 Actual	FY 2017 CR Level	FY 2017 Appropriation	FY 2018 Request
Revenue				
Offsetting Collections	(116.9)	(116.0)	(120.0)	(95.5)
Negative Subsidy	(283.9)	(179.3)	(179.3)	(492.2)
Total Revenue	(400.8)	(295.3)	(299.3)	(587.7)
Expenses				
Administrative Expenses	106.9	106.0	110.0	95.5
Subsidy Expenses	-0-	-0-	-0-	-0-
Carryover	10.0	10.0	10.0	0.0
Total Expenses	116.9	116.0	120.0	95.5
Summary				
Negative Subsidy	(283.9)	(179.3)	(\$179.3)	(492.2)
Tied Aid Cancellation	0	0	0	(165.0)
Inspector General	6.0	6.0	\$5.7	5.0
Net Appropriation	(277.9)	(173.3)	(173.6)	(652.2)

FORECASTING

PRODUCT OVERVIEW

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

Direct Loans	Loan
Working Capital	Insurance

EXIM Bank loan guarantees cover the repayment risks on the foreign buyer's debt obligations incurred to purchase U.S. exports. EXIM 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. EXIM Bank's comprehensive guarantee covers commercial and political risks for up to 85 percent of the U.S. contract value.

EXIM 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. EXIM Bank's direct loans typically carry the most competitive fixed interest rate and term permitted for the importing country under the "Arrangement on Guidelines for Officially Supported Export Credits," negotiated among 38 ECAs who are involved in the export credit group work of the OECD.

EXIM Bank lending covers a range of terms, extending up to 18 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.

AUTHORIZATIONS

EXIM Bank derives its authorization forecasts from a pipeline of transactions that are expected to occur during that fiscal year, along with business unit level forecasts conducted by each division. Forecasts are updated on an ad hoc basis based upon new transactions entering the pipeline. EXIM Bank is also in frequent contact with its customer base regarding its long-term transaction portfolio (Transportation and Structured Finance). EXIM Bank is able to view its authorization pipeline years in advance, in order to better estimate its future potential authorizations. Below are authorization projection details by each underwriting division.

Authorization Forecasts (USD Millions)		
Division	FY 2017	FY 2018
Multi-Buyer Insurance	\$4,225	\$4,250
Single-Buyer Insurance	\$350	\$300
Structured & Project Finance	\$4,466	\$7,279
Trade Finance	\$1,238	\$1,695
Transportation	\$3,500	\$5,000
Working Capital	\$1,200	\$1,500
Total	\$14,979	\$20,024

WORKING WITH THE PRIVATE SECTOR

America's private sector capital markets are among the highest-functioning, most efficient in the world. However, commercial banks do not always have the capacity or willingness to finance businesses that want to sell their goods and services overseas. Even in strong economic periods, small businesses generally have difficulty securing working capital loans or insurance policies to support their exports.

EXIM Bank's role in the market is to assist in filling any market gaps. EXIM Bank does not compete with the private sector—in fact, approximately 98 percent of transactions include a partnering private financial entity. Instead, EXIM Bank provides a vital backstop to ensure that the American export economy remains vibrant in a world of fluctuating markets. EXIM Bank's financial activity is demand driven, and adjusts to current market conditions.

EXPOSURE

EXIM Bank's exposure is derived from two primary sources: new authorizations and repayments of approved authorizations. EXIM Bank develops exposure forecasts by estimating the approval of new authorizations combined with the reduction of exposure due to the expected repayments of transactions and cancellations. The difference between the authorizations and repayments gives the change in exposure during the fiscal year. Below is summary of future EXIM Bank exposure through FY 2018.

	Exposure Cap Analysis (USD billions)						
	FY12	FY13	FY14	FY15	FY16	FY17 est	FY18 est
Exposure (Beginning of Year)	\$89.2	\$106.6	\$113.8	\$112.0	\$102.2	\$87.3	\$85.5
Repayments/ Prepayments/ Cancellations	(\$18.3)	(\$20.2)	(\$22.3)	(\$22.2)	(\$19.9)	(\$16.8)	(\$17.7)
New Authorizations	\$35.8	\$27.3	\$20.5	\$12.4	\$5.0	\$15.0	\$20.0
Exposure (End of Year)	\$106.7	\$113.7	\$112.0	\$102.2	\$87.3	\$85.5	\$87.8

FY 2016 RESULTS

AUTHORIZATION SUMMARY

On June 30, 2015, EXIM Bank's authority to conduct new business lapsed. During this time, EXIM Bank could not support new authorizations. Congress then reauthorized EXIM Bank on December 4, 2015, allowing it to again consider and approve new transactions. However, since that time, EXIM Bank's Board of Directors has lacked a quorum needed to conduct business. Without a quorum on its Board, EXIM Bank is unable to approve medium- and long-term transactions over \$10.0 million.

Highlights

- **\$5.0 billion in total authorizations**
- **62.9% of authorizations supported small business**
- **\$283.9 million sent to Treasury**

TOTAL AUTHORIZATIONS

Due to the lack of Board quorum, EXIM Bank only supported \$5.0 billion in authorizations with an export value of \$8.0 billion in FY 2016. EXIM Bank supported 2,899 authorizations, which supported or sustained 52,000 jobs in FY 2016.

SMALL BUSINESS

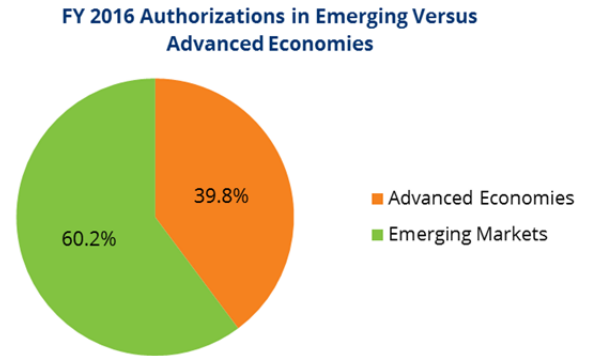
EXIM Bank's small business goals are driven by the Congressional mandate directing that not less than 25% of total EXIM Bank authorizations be allocated to small business. In FY 2016, 62.9% of authorizations supported small businesses. In terms of the number of small businesses supported, EXIM Bank financed more than 2,635 small business authorizations, or 91% of all authorizations. In FY 2016, small business authorizations supported an estimated \$3.2 billion in exports or 62.9% of total export value – the highest amount of any sector or industry support by EXIM Bank.

EXIM Bank reaches the small business sector through extensive outreach efforts, including EXIM Bank's 12 regional export finance centers.

EMERGING MARKETS

In FY 2016, \$3.0 billion (or 60.2 percent) of EXIM Bank’s authorizations supported U.S. exports to emerging markets, in comparison to \$2.0 billion (or 39.8 percent) authorized for exports to advanced economies.⁷

Despite EXIM Bank’s limited ability to approve transactions throughout FY 2016, it continued to provide support to American exports to emerging markets. In FY 2018, EXIM Bank expects to continue to support exports to emerging markets.



⁷ EXIM Bank utilizes the International Monetary Fund’s country demarcation to differentiate between emerging and advanced economies.

FY 2018 REQUEST

SUPPORTING SMALL BUSINESS

EXIM Bank will continue to network with small businesses looking to begin exporting, or looking to export into new markets. EXIM Bank has added over 4,800 new small business customers since 2009. Engaging with small businesses through outreach by EXIM Bank's business development specialists is a key strategy for FY 2018.

Small businesses are the engine of the American economy, responsible for creating two out of every three new jobs. More than half of all Americans either work for or own a small business. EXIM Bank is committed to supporting job growth by equipping small businesses with the financing they need to reach new customers and win sales overseas. In FY 2016 over 90 percent of the total number of EXIM Bank authorizations directly benefited small businesses; this figure does not include small businesses benefiting indirectly as suppliers to EXIM Bank's larger customers.

The limited role private banks play in small business financing is due to high costs and low return on investment. These low profit margins generally make small business lending difficult and often unattractive for the private sector, especially during an economic downturn, as small businesses are the most vulnerable to macroeconomic shifts.

EXIM Bank's mandate from Congress places significant emphasis on supporting small business exports. EXIM Bank's Office of Small Business provides a bank-wide focus on small business support with overall responsibility for expanding and overseeing small business outreach. This group is responsible for helping to provide small businesses with financing to increase export sales and for acting as a liaison with the Small Business Administration and other departments and agencies in the U.S. government in matters affecting small businesses.

EXIM Bank estimates that to meet its 25% small business mandate in FY 2018, it will need to authorize approximately \$5.0 billion in small business transactions. EXIM Bank will accomplish this primarily through the Trade Credit Insurance products and the Working Capital product, with guarantees and loans filling out the rest.

EXIM Bank's digital business development project spurs understanding and awareness of available trade finance solutions by offering digestible digital content covering the fundamentals of trade finance and EXIM Bank support. This content primarily assumes the form of eBooks, "How it Works" videos, and checklists. The Budget Request will allow EXIM Bank to reach 3,000 new qualified leads from small business exporters through digital outreach in FY 2018.

STAYING COMPETITIVE WITH OTHER ECAs

EXIM Bank faces significant competition around the globe as there are an estimated 96 export credit agencies in 81 countries worldwide. U.S. exporters regularly compete with manufacturers supported by major ECAs that have multiple flexible financing options available to support their respective national interests.

Most major nations around the world have and continue to rely on exports to foster national growth and spur job creation. Furthermore, countries are looking for sustainable economic development and investment in new infrastructure and technologies that are safer, cleaner, and more efficient. Simultaneously, new multilateral institutions, such as the Asian Infrastructure Investment Bank (AIIB), are being created that will continue to change the landscape of official trade finance.

ECAs and their mandates constantly evolve to adapt to changing market conditions, new opportunities, and emerging competition. While EXIM Bank could not do new medium- and long-term business over \$10 million due to the lack of EXIM Bank Board quorum in FY 2016, U.S. exporters and lenders have repeatedly stressed the aggressiveness with which other countries continued to promote their exports.

Asian ECAs have especially increased their support for national interests. More than half of all export credit support comes from just three countries: China, Japan, and Korea. China has developed the “One Belt, One Road” initiative which promotes Chinese-led investments in over 60 countries. As part of this project, President Xi Jinping announced in May 2017 a new \$55 billion funding initiative for China EXIM and China Development Bank. This amount is in addition to the \$30 billion in new capital for China EXIM in 2015. As shown in the chart, China did over a hundred times more volume than EXIM Bank in calendar year 2016.

Official Export Credit* and Working Capital Volumes, 2016

Country	USD billions
United States (EXIM Bank)	4
China	405
Korea	130
Japan	55

*includes short-, medium-, and long-term official export credit

With ECAs increasing their activity on behalf of foreign companies, U.S. exporters face an increasingly competitive landscape. As exports become more important to a country's economy, foreign ECAs will continue to develop programs and policies in support of their national interest. U.S. exporters likely will experience increasing competition for export sales, large and small.

RISK MANAGEMENT

OVERSIGHT

EXIM Bank continues to conduct its prudent oversight and due diligence to protect U.S. taxpayers through its comprehensive risk management framework. This framework starts with effective underwriting to ensure a reasonable assurance of repayments. More than 80 percent of EXIM Bank's portfolio is backed by some form of collateral or a sovereign guarantee. EXIM Bank regularly updates stakeholders on its risk management practices and performance. For example, since June 2012, EXIM Bank has sent a quarterly report to Congress on the default rate for its financing.

The comprehensive risk management program includes detailed documentation to ensure EXIM Bank's rights are protected legally, and that the transaction is not in violation of U.S. government policy. Risk management continues after a transaction is approved with pro-active monitoring efforts to minimize defaults, and aggressively seek recoveries when appropriate. EXIM Bank's comprehensive risk management framework, with strong emphasis on continuous improvement, minimizes claims and defaults. EXIM Bank also engages in proper oversight and governance of EXIM Bank's portfolio, including the setting aside of adequate loan loss reserves.

The Export-Import Bank Reform and Reauthorization Act of 2015 also added risk management functions under the Charter. EXIM Bank appointed a new Chief Risk Officer in August 2016. The Chief Risk Officer reports directly to the President of EXIM Bank, and the appointment must be approved by the Board of Directors. EXIM Bank's Risk Management Committee is comprised of the Board (with the President and First Vice President of EXIM Bank serving as *ex officio* members) and oversees the stress testing of the entire Bank portfolio and the monitoring of industry, geographic, and obligor exposure levels.

UNDERWRITING

EXIM Bank's Charter requires "reasonable assurance of repayment" for the transactions it authorizes. Underpinning the underwriting of individual transactions is the credit grading system in which loan classifications reflect the risk of default and credit losses. EXIM Bank determines its credit ratings beginning with an assessment of country risks, which is done through the interagency process known as the Inter-agency Country Risk Assessment System ("ICRAS"). This rating system is used for all U.S. government agencies and programs providing cross-border loans, guarantees, or insurance. The ICRAS process establishes two risk ratings for each country: a sovereign and a non-sovereign rating. These ratings – ranging from 1 to 11, with 11 being the

riskiest – are used in determining estimated costs for each transaction and for determining EXIM Bank’s cover policy.

EXIM Bank’s ability to consider supporting a transaction strictly from a credit perspective is initially determined by the country rating. Given EXIM Bank’s reasonable assurance of repayment mandate, EXIM Bank is open under all of its normal programs for markets rated up to 7, and for short-and medium-term transactions only for markets rated up to 8. EXIM Bank is not open in markets rated 9 -11 unless the risks can be mitigated to EXIM Bank’s satisfaction. EXIM Bank’s credit assessment process varies primarily based on the term and amount of exposure.

Medium- and long-term credits over \$10.0 million in value are approved by EXIM Bank’s Board of Directors. Credits of \$30.0 million or more are reviewed through the National Advisory Committee process, where other federal agencies (the Office of Management and Budget, Department of Commerce, Department of Treasury, Department of State, and the Office of the U.S. Trade Representative) are given the opportunity to provide comments to EXIM Bank’s Board of Directors. Credits of \$100.0 million in value or more are notified to Congress for a 35-day comment period and must also be notified through the Federal Register for a 25-day comment period.

ASSET MANAGEMENT

Following the underwriting phase of a transaction, EXIM Bank continuously manages and monitors the portfolio of credits after they have been approved, documented, and disbursed. The monitoring groups function independently of the credit underwriting divisions. EXIM Bank ensures that loans are monitored by individuals who are not part of, nor influenced by, anyone associated with the underwriting process. EXIM Bank’s monitoring procedures include writing annual or semi-annual credit-rating reviews of obligors’ debt service repayment capacity, taking into account all factors that directly impact ability and willingness to pay. These ongoing reviews strengthen staff’s familiarity and working relationships with obligors and allow EXIM Bank to identify vulnerabilities in the credits. Consequently, the ability to develop and implement remediation action is strengthened, which ultimately has a positive impact on the quality of the portfolio.

The monitoring groups also identify any transactions warranting high-risk monitoring plans and notify EXIM Bank’s senior management. Additionally, the information gained from portfolio monitoring is provided as critical feedback, which staff provides to the underwriting areas within EXIM Bank to be applied in the policy, analysis, and ultimate documentary structure of new financing requests.

As noted above, EXIM Bank’s risk management framework is built on a foundation of effective underwriting in order to satisfy EXIM Bank’s Congressional mandate that every authorization comes with “a reasonable assurance of repayment.” Once a new credit is authorized, EXIM Bank

focuses on proactive monitoring of the credit through both thorough due diligence and documentation. This proactive management framework reduces the risk of potential defaults and allows EXIM Bank to recover on actual defaults. EXIM Bank has a comprehensive risk-management framework, which was noted in a recent Government Accountability Office (GAO) audit (GAO-13-446).

CONTINUOUS IMPROVEMENT

EXIM Bank has implemented numerous risk management enhancements that protect U.S. taxpayers. EXIM Bank is committed to continuous improvements of how it measures, controls, and mitigates risks.

EXIM Bank continues to strengthen its risk management practices by incorporating feedback from internal analysis, outside expert advice, and audit recommendations. To assess the extent to which EXIM Bank has a comprehensive risk management framework, various external parties review EXIM Bank's practices for managing risks at the transaction and portfolio levels, including the GAO and the Office of Inspector General. Also, EXIM Bank undergoes internal audits, as well as an annual, external financial audit by a third party. EXIM Bank spends approximately \$1 million per year on external audit and compliance contracts to promote efficiency and effectiveness in the administration and management of EXIM Bank's programs.

EXIM Bank has implemented and closed all GAO recommendations. EXIM Bank is continuing to implement and close recommendations associated with 6 reports issued by the Office of Inspector General.

RESERVES

Consistent with the Federal Credit Reform Act of 1990 (FCRA), EXIM Bank has taken steps to ensure that it is properly reserved against default. EXIM Bank determines its allowance for loss 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 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 EXIM Bank's own historical default and recovery rates in its cash flow models to calculate the amount that must be reserved for each transaction. In the event that losses exceed initial estimates, EXIM Bank would be able to draw additional funds from the U.S. Treasury to satisfy those claims.

Additionally, the Export-Import Bank Reform and Reauthorization Act of 2015 included a new section that requires EXIM Bank to build to and hold in reserve "not less than 5 percent of the

aggregate amount of disbursed and outstanding loans, guarantees, and insurance of the Bank.” EXIM Bank and OMB worked to implement this requirement in FY 2017.

DEFAULT RATE

As mandated, EXIM Bank has reported to the U.S. Congress on its default rate on a quarterly basis corresponding to the quarters of the fiscal year since 2012. Since this mandate was enacted, each quarter EXIM Bank’s default rate has been well below the 2.0 percent benchmark set by Congress. The default rate of the EXIM Bank through March 2017 is 0.306 percent.

0.306%
Default Rate

RISK EXPOSURE

EXIM Bank’s exposure was \$79.3 billion as of March 2017, which includes \$4.2 billion in undisbursed exposure. The risk level – measured by the weighted average Budget Cost Level (BCL) – is 4.05 as of March 2017. This risk level is equivalent to an S&P of a BBB-, which is investment grade.

RISK SHARING

As discussed earlier, EXIM Bank currently employs a number of practices to manage and mitigate risk; one such tool is sharing the risk of a transaction with other export credit agencies. This means that EXIM Bank has transferred some of the liability for those individual transactions to other export credit agencies, which have the implicit or explicit support of the sovereign.

The total outstanding (i.e., disbursed) exposure for EXIM Bank as of March 2017 was \$75.0 billion. Of this \$75.0 billion in exposure, \$4.0 billion (5.3%) of the risk has been shared with other export credit agencies on transactions authorized between FY 2005 and FY 2015. These risk sharing agreements are primarily in transactions involving wide-body aircraft. The \$4.0 billion of risk sharing means that in the event of a loss EXIM Bank would be fully compensated for its loss per the agreement prior to sharing in any recoveries.

\$4.0 Billion of EXIM Bank risk has been shared with other export credit agencies

The EXIM Bank Reauthorization Act required EXIM Bank to explore additional risk sharing opportunities. In addition to exploring risk sharing on EXIM Bank’s existing portfolio, EXIM Bank will continue to examine risk sharing opportunities on a transactional basis. With the lessons derived from the establishment of a program focused on the risk sharing of the EXIM Bank portfolio, EXIM Bank will be able to better design a program targeted on future transactions.

APPROPRIATION LANGUAGE

PROGRAM ACCOUNT

The Export-Import Bank (the 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.

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 section 3109 of title 5, United States Code, and not to exceed \$30,000 for official reception and representation expenses for members of the Board of Directors, not to exceed \$95,500,000, of which up to \$14,325,000 shall remain available until September 30, 2019: Provided, That the Export-Import Bank (the 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, 2019: Provided further, That the 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 Bank, repossession or sale of pledged collateral or other assets acquired by the Bank in satisfaction of moneys owed the 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 for such purposes, to remain available until expended.

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.

CANCELLATION OF FUNDS

Of the unobligated balances available under the heading "Export and Investment Assistance, Export-Import Bank of the United States, Subsidy Appropriation" for tied-aid grants in prior Acts making appropriations for the Department of State, foreign operations, and related programs, \$165,000,000 are permanently cancelled.