Default Rate Report

As of
September 2013

FISCAL YEAR 2013 DEFAULT EXPERIENCE
EXPORT-IMPORT BANK OF THE UNITED STATES

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Executive Summary

Mission

The mission of the Export-Import Bank ("Ex-Im Bank" or "Bank") is to enable U.S. companies – large and small – to turn export opportunities into 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 official foreign export credit agencies (ECA).

Reauthorization

On May 30, 2012, the President signed Public Law 122-122, an Act to Reauthorize the Export-Import Bank of the United States. Section 6 of the Reauthorization Act requires:

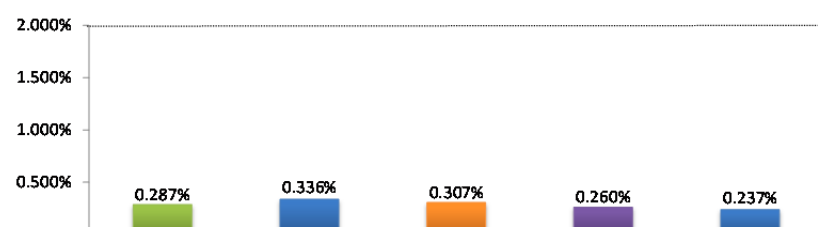
> *''(1) MONITORING OF DEFAULT RATES.—Not less frequently than quarterly, the Bank shall calculate the rate at which the entities to which the Bank has provided short-, medium- , or long-term financing are in default on a payment obligation under the financing, by dividing the total amount of the required payments that are overdue by the total amount of the financing involved."*

As mandated, Ex-Im Bank will report on its default rate, as defined in the section above, on a quarterly basis corresponding to the quarters of the fiscal year. This report is as of September 2013 and is based on annually audited financial data.[1]

Default Rate

The default rate[2] of the Export-Import Bank through September 2013 is 0.237 percent as shown in Exhibit 1. 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 $298.6 million divided by a "total amount of financing involved" (disbursements)[3] equal to $125.8 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 $125.8 billion in total financing, $46.5 billion has been repaid, leaving a balance of $79.3 billion to be repaid.

Exhibit 1: Default Rate



	Sept. 2012	Dec. 2012	Mar. 2013	Jun. 2013	Sept 2013
Default Rate	0.287%	0.336%	0.307%	0.260%	0.237%
Amount Overdue	378,904,490	404,294,549	363,689,885	312,253,503	298,588,375
Total Financing	131,909,209,365	120,287,037,150	118,565,547,566	119,943,007,620	125,775,271,176

[1] The data used to produce this report is generated from the same source accounting systems that produce the Banks' annual audited financial statements. Although the auditors do not express an opinion on the effectiveness of the Bank's systems, the data used to support the financial statements is tested for accuracy on a sample basis. The Bank has received an unqualified opinion since 1989 regarding the presentation of the Bank's financial statements.

[2] This default rate is different than the default rates published in the annual Budget Appendix due to differing definitions. The reported rate in the Budget Appendix reflects projected defaults over the life of the loan while the default rate in this report reflects actual defaults at a particular point in time.

[3] The default rate is based on disbursements (not authorized amounts) as a default cannot occur on a transaction that has been authorized but not yet disbursed.

Default Rate

Congressional Intent

In discussions with the House Financial Service Committee (HFSC) related to the reauthorization requirement on the monitoring of the default rate, the committee members cited Chairman Hochberg's testimony as the type of information required by this authorization language. In his testimony on May 24, 2011 before the HFSC, the Chairman stated "as a result of our diligent review and management of credit, the Bank has a loan loss rate[4] [default rate] of roughly 1.5 percent – well below most commercial banks." That testimony is based on the Bank's historical experience on overall financed disbursements compared to net claims which included both recoveries as well as expenses. This report is consistent with the Chairman's testimony as it related to the default rate.

Defined

$$\frac{\text{Overdue Payments} = \text{Defaults Paid} + \text{Expenses} - \text{Recoveries}}{\text{Total Financing} = \text{Disbursements (Active)}}$$

Section 6 of the Reauthorization Act mandates Ex-Im Bank to calculate the "*default on a payment obligation… by dividing the total amount of the required payments that are overdue by the total amount of the financing involved.*" The "total amount of required payments that are overdue", representing the numerator, is defined as claims paid on guarantees and insurance transactions as well as unpaid past due installments on loans in the Bank's active portfolio. For guarantees and insurance transactions, upon default of a payment obligation[5], Ex-Im Bank pays a claim to the guarantors or the insured parties. As this report is based on the Bank's portfolio through September 2013, all expenses incurred related to the Bank's recovery efforts are added to the amount overdue. Recoveries to that point reduce the amount overdue in connection to the specific claim paid or the loan in arrears. All recovered amounts are discounted to the time of claim payment or when the direct loan went into arrears. The "total amount of financing involved," the denominator, is defined as the disbursed[6] financing under the Bank's programs to support U.S. exports. Ex-Im Bank provides financing to foreign buyers of U.S. goods and services. After a credit is approved, the value of the goods and services financed by Ex-Im Bank is recorded once they are delivered (or disbursed) to the buyer. Depending on the type of goods and services financed, the delivery (or disbursement) can occur over a period of years.

Active Portfolio

Ex-Im Bank's credits have a defined repayment schedule that generally ranges from one year to fifteen years or more. Most credits have quarterly or semi-annual repayment terms; however, repayment terms can vary among Ex-Im Bank's programs and products. A disbursed loan, guarantee or insurance policy that has a repayment schedule where the date of this report is before the final repayment date of the schedule is part of the active portfolio. Any installment due

> ***Active Credit Example**: A long term guarantee authorized in FY 2005 with a 10 year repayment term (the deal matures in FY 2015)*
>
> ***Inactive Credit Example**: A long term guarantee in FY 1994 with a 10 year repayment term (the deal matured in FY 2004).*

[4] The loan loss rate does not include the fees that the Bank charges for the transaction that it finances.
[5] Upon receipt of request for a claim payment by the lending institution, Ex-Im Bank performs claim procession functions.
[6] Disbursements include loans, guarantees and insurance.

within that repayment schedule up to the date of this report that has not been paid is considered to be in default.

On the Bank's active portfolio, a total of $125.8 billion of goods and services[7] have been delivered to foreign buyers of American made products. These products are supported by Ex-Im Bank's loan, guarantees and insurance programs. On these disbursements, $46.5 billion has been repaid through September 2013, leaving a balance of $79.3 billion to be repaid. Of this amount, the Bank has gross defaults of $373.8 million, incurred expenses related to those payments of $4.8 million, and recovered $80.0 million for net defaults of $298.6 million. This results in a default rate through the time period ending September 2013 equal to 0.237 percent.

[7] This includes local costs, capitalized interest during construction, and foreign content derived from co-financing and short-term commitments.

Default Rate

Default Rate: *By Sub Category*

Section 6 of the Reauthorization Act requires:

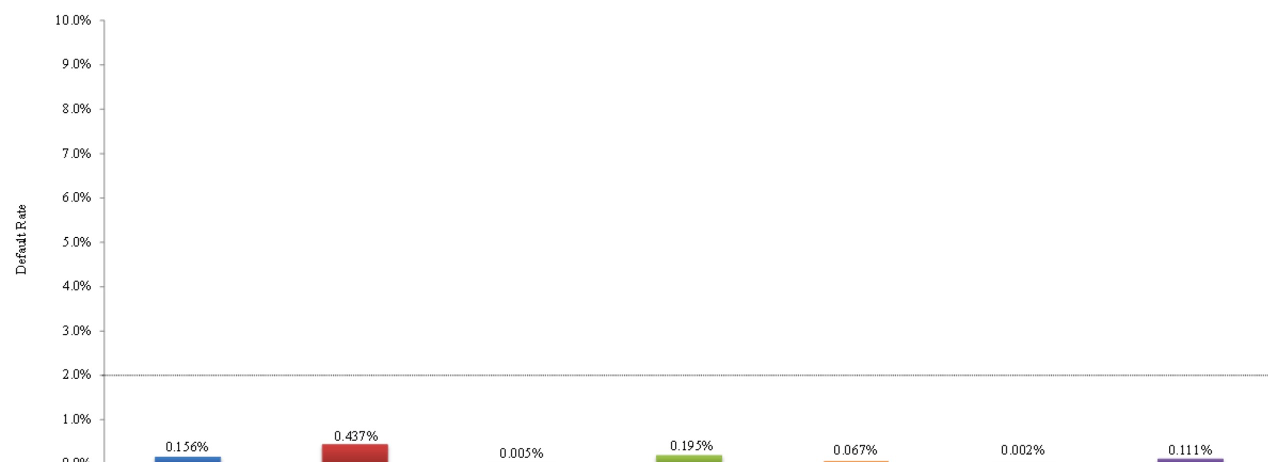
> *"(2) ADDITIONAL CALCULATION BY TYPE OF PRODUCT, BY KEY MARKET, AND BY INDUSTRY SECTOR; REPORT TO CONGRESS.—"*

As mandated by the Reauthorization Act and defined above, Ex-Im Bank has calculated default rates based on each sub category as of September 2013.

By Region

Ex-Im Bank breaks out its transactions into six regions: Africa, Asia, Europe, Latin America/Caribbean, North America, Oceania, and other. As shown in Exhibit 2, Ex-Im Bank's default rate is well below 2 percent within each of these regions.

Exhibit 2: By Region

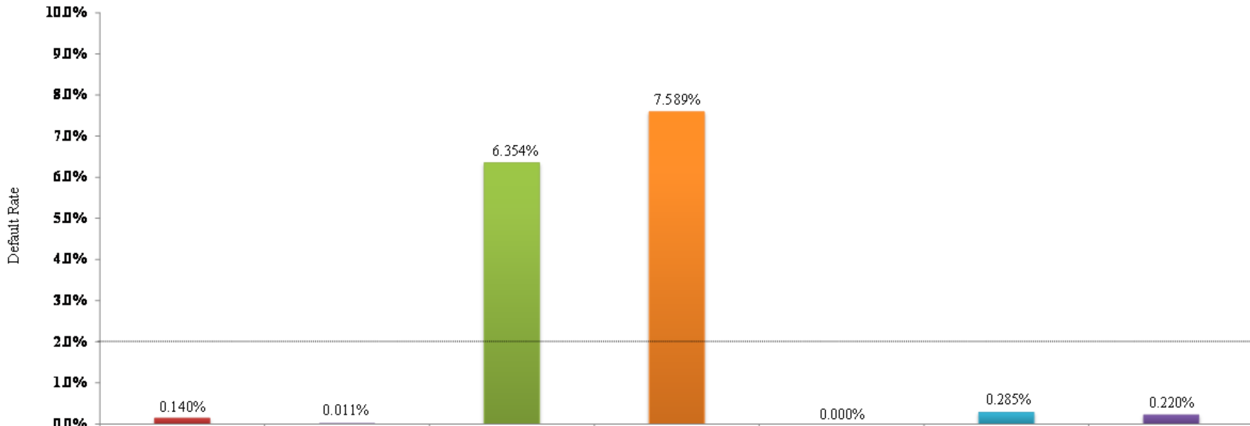


	Africa	Asia	Europe	Latin America/Caribbean	North America	Oceania	Other
Amount Overdue	$10,420,035	$219,138,954	$900,899	$56,011,841	$8,346,808	$102,652	$3,667,185
Total Financing	$6,692,759,030	$50,157,729,410	$17,826,845,565	$28,772,779,841	$12,385,163,361	$6,632,326,591	$3,307,667,379
Default Rate	0.156%	0.437%	0.005%	0.195%	0.067%	0.002%	0.111%

By Product Line

Ex-Im Bank's loans, guarantees and insurance, are broken out by separate products: Long Term Guarantees (LG), Long Term Loans (LL), Medium Term Guarantees (MG), Medium Term Insurance (MI), Medium Term Loans (ML), Short Term Insurance (SI) and Working Capital Guarantees (WC). In general, Short Term Insurance and Working Capital Guarantees transactions are less than 1 year, Medium Term Loan and Guarantee transactions are between 1 and 7 years and under $10 million and finally, Long Term Loan and Guarantee transactions are over 7 years or over $10 million.

Exhibit 3: By Product Line

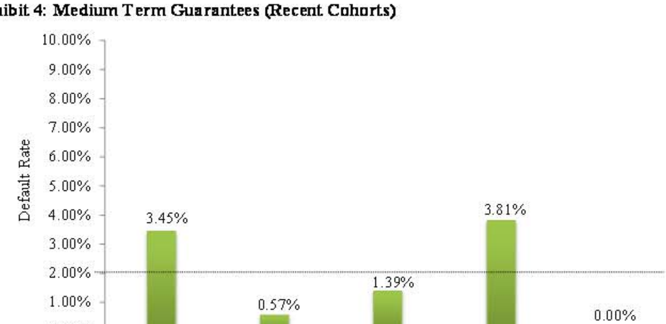


	LG	LL	MG	MI	ML	SI	WC
Amount Overdue	$132,786,028	$2,296,798	$83,391,176	$59,703,856	$0	$12,224,202	$8,186,314
Total Financing	$94,527,393,059	$21,105,604,635	$1,312,473,206	$786,676,087	$20,336,159	$4,290,100,286	$3,725,960,547
Default Rate	0.140%	0.011%	6.354%	7.589%	0.000%	0.285%	0.220%

As shown in Exhibit 3, all products except the Medium Term Guarantee and Medium Term Insurance have a default rate below 2 percent. As a result, the Bank has taken steps to improve the medium term portfolio. First, the Bank has moved to using underwriting standards similar to those of the long term portfolio, which includes but is not limited to requiring collateral. The Bank has also established a monitoring group for this portfolio to proactively restructure distressed deals and prevent defaults or enhance recoveries. Finally, the Inspector General has significantly increased actions against fraudulent cases. It should also be noted that Medium Term Guarantees and Insurance represent 1.67 percent of the total amount of Ex-Im Bank financing.

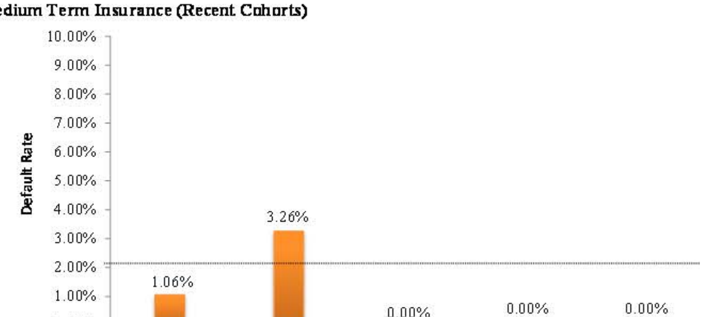
The performance of the medium term products can be attributed to high defaults 3 to 7 years ago. After implementing the above-referenced changes in underwriting and monitoring practices, Ex-Im Bank has begun to see its medium term portfolio's default rate improve dramatically. For medium term products, defaults normally occur by the third year. This means FY 2009 authorizations act as a good proxy for future trends in the medium term products. As shown in Exhibit 4, for all transactions approved since FY 2009, the medium term portfolio, including both active and matured transactions, default rates have, on average, dropped below 2 percent. One recent cohort in FY 2012 for the Medium Term Guarantee jumped above 2 percent. This was due to one claim payment of $3.2 million which supported 100 percent small business exports. This was the only claim in that fiscal year. Since this claim was just paid in February 2013, Ex-Im Bank is in the initial stages of the recovery process.

Exhibit 4: Medium Term Guarantees (Recent Cohorts)



	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Amount Overdue	$4,951,682	$2,910,772	$2,320,751	$3,176,698	$-
Total Financing	$135,536,113	$513,608,473	$165,532,067	$83,308,379	$68,427,015
Default Rate	3.45%	0.57%	1.39%	3.81%	0.00%

Medium Term Insurance (Recent Cohorts)

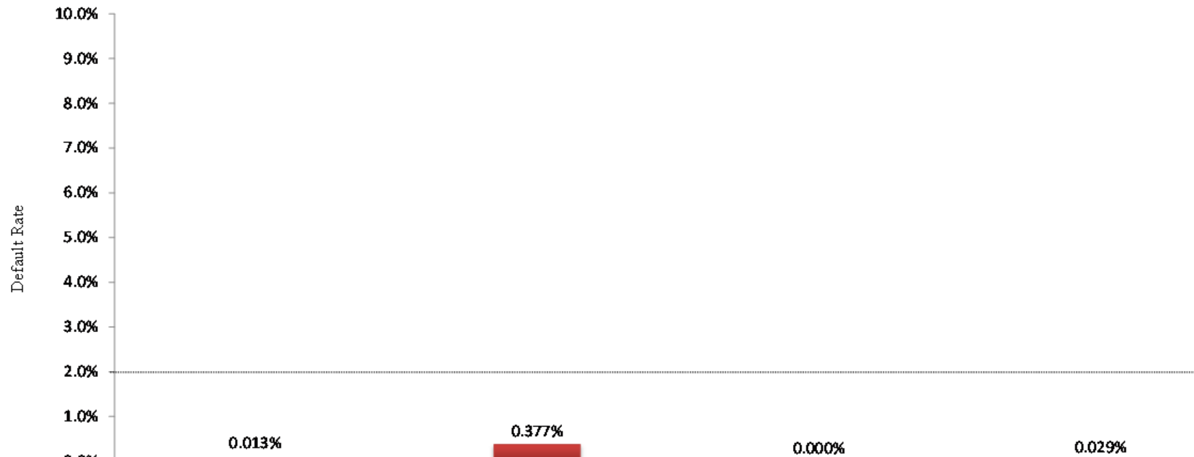


	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Amount Overdue	$1,112,071	$4,410,813	$-	$-	$-
Total Financing	$88,385,049	$134,679,606	$140,892,753	$105,249,035	$52,259,199
Default Rate	1.06%	3.26%	0.00%	0.00%	0.00%

By Industry

Ex-Im Bank's four largest industries are: Aircraft, Manufacturing, Oil & Gas, and Power Projects[8]. Although these sectors account for 87.47 percent of the total amount of Ex-Im Bank financing, they have experienced a default rate well below 2 percent as shown in Exhibit 5.

Exhibit 5: By Industry

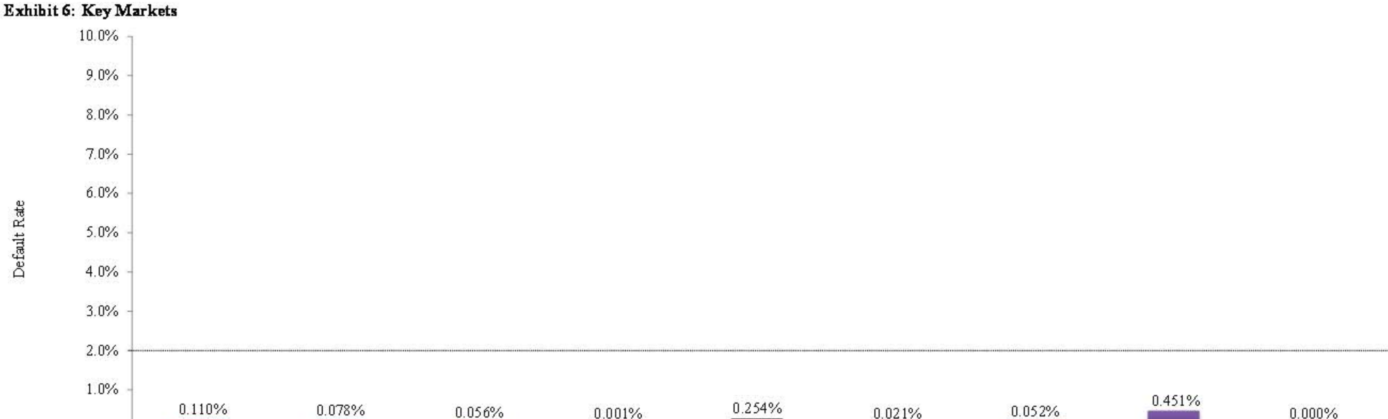


	Aircraft	Manufacturing	Oil & Gas	Power Projects
Amount Overdue	$9,111,004	$52,988,994	$38,161	$1,848,672
Total Financing	$72,576,555,030	$14,047,660,903	$17,007,180,611	$6,380,274,195
Default Rate	0.013%	0.377%	0.000%	0.029%

By Key Markets

Ex-Im Bank is open for business in 175 countries as of September 2013 and has exposure in over 165 countries. 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. Given limited business development resources, the Bank focused outreach efforts to parts of the world with the greatest potential to support U.S. exports. The Bank identified nine high potential countries: Mexico, Brazil, Colombia, Turkey, India, Indonesia, Vietnam, Nigeria and South Africa. As shown in Exhibit 6, all nine key markets have experienced a default rate well below 2 percent.

Exhibit 6: Key Markets



	Brazil	Colombia	India	Indonesia	Mexico	Nigeria	South Africa	Turkey	Vietnam
Amount Overdue	$5,492,904	$2,071,044	$4,005,985	$15,532	$34,632,334	$79,542	$446,771	$26,741,048	$0
Total Financing	$4,992,259,125	$2,672,016,405	$7,105,059,656	$2,081,028,968	$13,631,747,568	$382,177,981	$859,830,944	$5,931,877,785	$406,937,624
Default Rate	0.110%	0.078%	0.056%	0.001%	0.254%	0.021%	0.052%	0.451%	0.000%

[8] Formally named "Mining – Oil & Gas" and "Utilities – Power Projects" respectively.

DEFAULT RATE: *BY MANDATE*

Ex-Im Bank has congressional mandates to support Small Business, Environmentally Beneficial, and Sub-Saharan Africa transactions. These mandates account for 12.29 percent of the total amount of Ex-Im Bank financing and have experienced a default rate well below 2 percent as shown in Exhibit 7.

Exhibit 7: Mandates

	Sub-Saharan Africa	100% Sub-Saharan Africa	Small Business	100% Small Business	Environmentally Beneficial
Amount Overdue	$5,396,215	$5,305,752	$44,877,675	$30,112,203	$6,233,449
Total Financing	$4,409,588,410	$4,347,837,744	$8,017,833,423	$5,181,881,973	$3,030,528,128
Default Rate	0.122%	0.122%	0.560%	0.581%	0.206%

Note: "Sub-Saharan Africa" and "Small Business" categories includes all transactions up to and including 100 percent while the "100% Sub-Saharan Africa" and "100% Small Business" categories only include transactions that are 100 percent.

RISK RATING: *BY MANDATE*

Ex-Im Bank risk rates its portfolio using a 1 – 11 budget cost level (BCL) scale. The ratings are based, in general, on a borrower's (1) ability to make payments, as indicated by relevant economic factors and (2) willingness to pay, as indicated by payment record and political and social factors. Four categories, ratings 1 through 4, are roughly equivalent to "creditworthy" or "investment grade" private bond ratings. Three categories, ratings 9 to 11, are for countries either unable to pay fully, even with extended repayment periods, or currently unwilling to make a good faith effort. Ex-Im Bank does not use the BCL scale for the working capital and multi-buyer products as the Bank uses a portfolio analysis approach to evaluate these programs.

Using the BCL at time of authorization and the authorized amount, Ex-Im Bank's active portfolio's weighted average risk rating is 3.46, corresponding to an investment grade portfolio. In the chart below are the weighted average BCL for the various Bank mandates.

Category	Budget Cost Level
Sub-Saharan Africa	5.71
100% Sub-Saharan Africa	5.71
Small Business	3.43
100% Small Business	3.99
Environmentally Beneficial	4.51
Active Portfolio	3.46

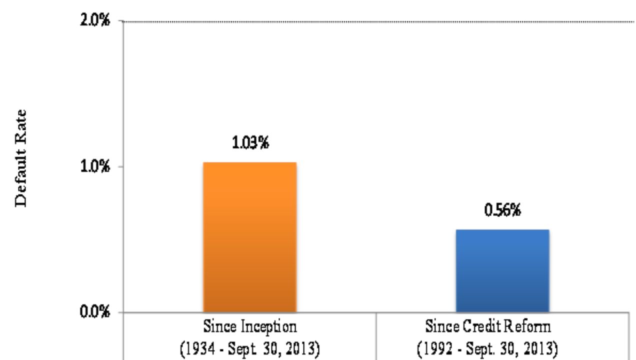
Historical Default Rates

Historical Default Rate

Ex-Im Bank was established in 1934. Since then, the Bank has disbursed $438.2 billion in guarantees, insurance and direct loans. On all of Ex-Im Bank's disbursements, the Bank has defaults[9] of $12.7 billion and recoveries of $8.2 billion, resulting in a historical default rate of 1.03 percent.

Looking at more recent experience, on credits authorized since 1992, the start of Federal Credit Reform Act (FCRA), the Bank has defaults of $5.8 billion and recoveries of $4.2 billion, resulting in a default rate of 0.56 percent. Ex-Im Bank's historical default rates since 1934 and since 1992 are highlighted in Exhibit 8.

Exhibit 8: Historical Default Rate



	Since Inception (1934 - Sept. 30, 2013)	Since Credit Reform (1992 - Sept. 30, 2013)
Amount Overdue	$4,496,366,582	$1,549,686,923
Total Financing	$438,185,839,007	274,697,095,590
Default Rate	1.03%	0.56%

Components of Historical Default Rate: *Calculation*

	Since Inception (1934 - Sept. 30, 2013)	Since Credit Reform (1992 - Sept 30, 2013)
Total amount of required payments that are overdue	**$4,496,366,582**	**$1,549,686,923**
Defaults	12,694,131,021	5,754,637,637
Less Recoveries	8,197,764,439	4,204,950,714
Total amount of financing involved	**$438,185,839,007**	**$274,697,095,590**
Disbursements	438,185,839,007	274,697,095,590
Default Rate	**1.03%**	**0.56%**

Crosswalk to Active Portfolio and Current Exposure

The total amount of goods and services disbursed and financed by the Bank's active portfolio (credits that mature after September 31, 2013) is $125.8 billion. A portion of this portfolio has been repaid, and together with the exposure of the inactive portfolio (credits that are unpaid but have already matured) plus the authorized amount yet to be disbursed, the Bank's total exposure equals $113.8 billion. This exposure includes all authorized disbursements that have not yet repaid and all authorizations that have not yet disbursed through September 2013.

[9] This includes claims paid on guarantees and insurance transactions as well as direct loans in arrears and write-offs. It also includes non-discounted recovery amounts but does not include any recovery expenses as that data was not available for this time frame.

Stress Tests

In addition to measuring the current default rate, Ex-Im Bank also examined the current portfolio to measure the future default rate under stressed scenarios. Ex-Im Bank performs regular stress testing of its portfolio to identify how the current portfolio may perform in the future under stressed scenarios. As the Basel Committee on Banking Supervision state, "Stress testing is an important risk management tool that is used by banks as part of their internal risk management." The following section describes what stress testing is, why it is important, how to do stress testing, Ex-Im Bank stress test protocol, and recent results from Ex-Im Bank's stress tests.

What is Stress Testing?

A simple definition of stress testing comes from the Federal Deposit Insurance Corporation in a Supervisory Insights article, where they say, "Stress testing is a forward-looking quantitative evaluation of stress scenarios that could impact a banking institution's financial condition and capital adequacy." The Federal Reserve has a similar definition where they state in their Guidance on Stress Testing for Banking Organizations with Total Consolidated Assets of More Than $10 Billion, "For purposes of this guidance, stress testing refers to exercises used to conduct a forward-looking assessment of the potential impact of various adverse events and circumstances on a banking organization." There are two main points from these definitions. First is that stress testing is forward-looking and second is that there are multiple stressed scenarios that could impact the current portfolio and current default rates.

Why is Stress Testing Important?

In the past year, Ex-Im Bank developed a formalized stress testing protocol. Consistent with Federal Reserve guidance, the Bank's stress testing builds capacity to understand the Bank's risks and the potential impact of stressful events and circumstances on the Bank's financial condition. Stress testing is an important tool for portfolio management and risk mitigation. Furthermore, the International Monetary Fund in a paper about stress testing European banks, "Stress testing has become an essential and very prominent tool in the analysis of financial sector stability and development of financial sector policy." The World Bank concurs with these other organizations when it states in a paper entitled Macroprudential Stress Testing of Credit Risk, "Regular stress testing of the financial system is the main tool of macroprudential monitoring." Finally, Ex-Im Bank's Inspector General has opined on this subject and recommended that "Ex-Im Bank should develop a systematic approach to stress testing and should conduct stress testing at least annually as part of its re-estimate process." Based on industry best practices and Ex-Im's commitment to a comprehensive risk management framework the Bank has implemented a stress testing protocol.

How does Stress Testing Work?

In a report by the International Association of Credit Portfolio Managers entitled, "Sound Practices in Credit Portfolio Management" there were two overarching recommendations for portfolio stress testing. The first is:

> The institution should have a "top down" stress-testing process in place to analyze the impact of extreme economic events on the credit risk of the overall credit portfolio.

The second recommendation was to:

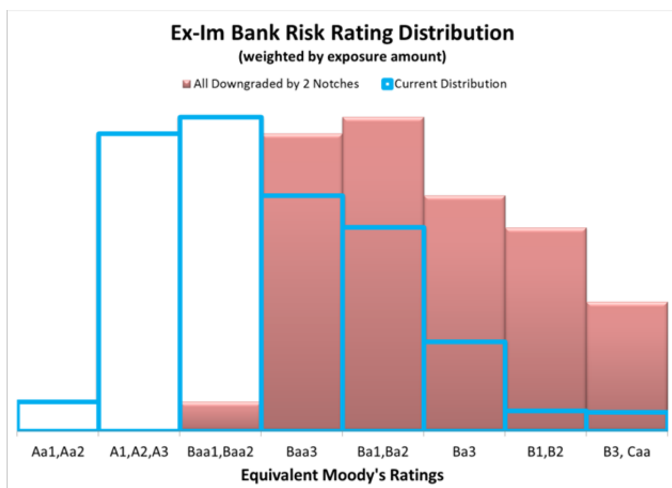
> The institution should supplement the "top down" approach with a "bottom up" stress-testing process to measure the impact of adverse events on obligors, or sets of obligors, with significant exposures in the credit portfolio.

This paper was also cited in Ex-Im Bank's Inspector General report on the Bank's portfolio risk as a model to follow.

Ex-Im Bank Stress Testing Protocol

Ex-Im Bank looked at different ways to perform both a top down analysis on the entire portfolio as well as a bottom up approach on certain sets of obligors. For the top down stress test the Bank decided to use a monte-carlo simulation approach, consistent with best practice. This approach allows the Bank to look at numerous scenarios. The Society of Actuaries in a report entitled Effective Stress Testing in Enterprise Risk Management cited that "the Monte Carlo simulation is one of the most widely used methods of stress testing." This allows the Bank to use a forward looking approach that looks at numerous scenarios. The simulation takes every transaction in the Bank's exposure and simulates whether it defaulted or not during the remainder of its term, based on the Bank's most current loss rate model. In the default simulation, the total default amount less recoveries is calculated. This loss rate model has been recently reviewed as well as audited by Deloitte & Touche, KPMG, the Government Accountability Office, and the Office of Management and Budget. Each portfolio simulation takes every transaction and sums their respective default amounts. The total is the Bank's loss for that simulation. The Bank then runs this same simulation 20,000 times to create a distribution of possible losses. There are a variety of outcomes and by creating a distribution it allows the Bank to look at the extreme tails of the distribution to see how the portfolio performs at its worst. This basically means that the Bank looked at 20,000 different lives of the portfolio. In some lives perhaps many more defaults occur than expected, others have fewer defaults than expected. By running so many different lives of the portfolio the Bank can isolate those times where many more defaults occur and look at the impact. The Bank is also able to put probabilities around the chance that these events could occur. Furthermore, the Bank looked at the results of these scenarios if 0 recoveries occur. This is an extreme scenario as the Bank regularly collects over 50 cents on the dollar for claims paid. Recoveries do take time and this scenario can show what the default rate could reach, albeit temporarily.

Next, for the bottom-up approach, the Bank looked at some of its largest obligors and using applicable data from the Federal Reserve's Comprehensive Capital Analysis and Review (CCAR) adverse and severely adverse scenarios. These scenarios were applied to the particular obligors and for the adverse scenario the average risk rating, which measure the risk of each obligor similar to a Moody's or S&P credit rating but using a 1-8 scale. The Bank measured the impact on these obligors under the adverse and severely adverse scenario, resulting in a 1.2 notches and 2.5 notches downgrade respectively. In affect this would increase the riskiness for a typical transaction by 30% for adverse scenarios and 63% for severely adverse scenarios. A chart of the distribution of Ex-Im transactions under their current rating and their current rating downgraded by 2 notches is shown below using the Moody's risk rating scale for comparison.

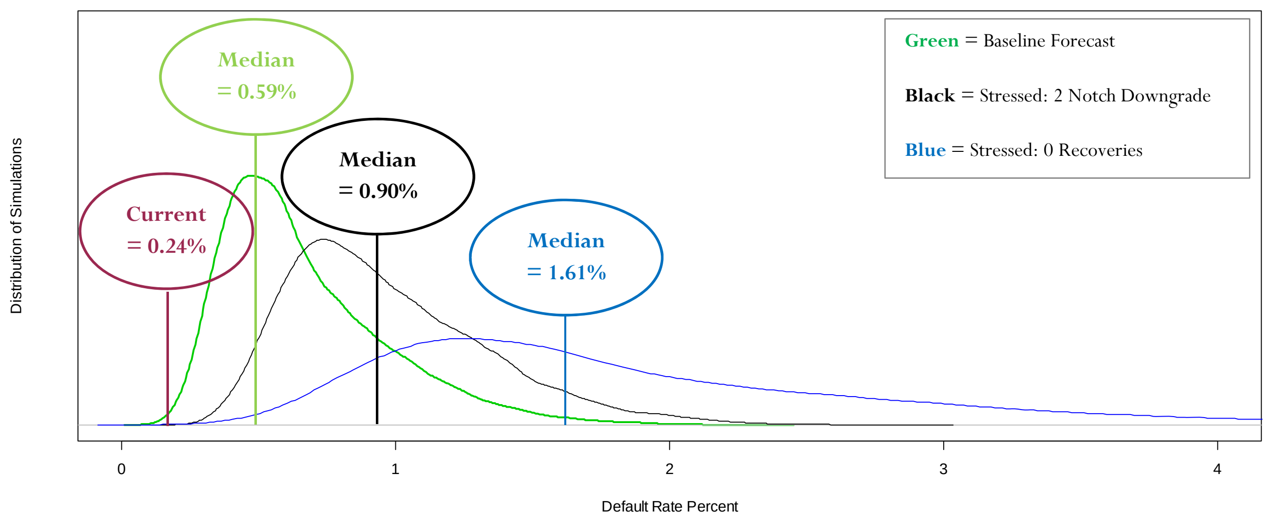


Next, the Bank ran another 20,000 trial simulation of the entire portfolio, but this time, based on the results of the obligor specific stress tests, each obligor was downgraded by 2 notches. This effectively moves an A1 rated credit to a Baa3 credit or a Baa3 to a Ba3 on the Moody's scale. These various scenarios allow the Bank to look at its risk profile from a variety of perspectives and helps the Bank ascertain the current risk within the portfolio.

Ex-Im Bank Stress Testing Results

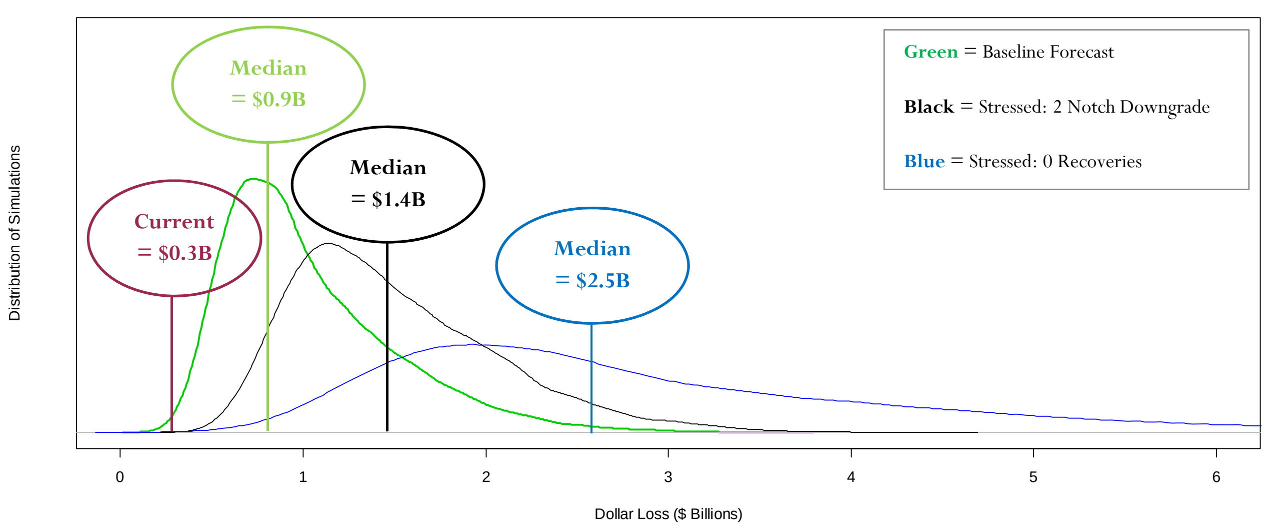
The results of the Bank's 20,000 trial monte-carlo simulation can be seen in the graph below. Under the baseline forecast the median default rate for the current portfolio is 0.59% with a 95% confidence level that it will be at 1.26% or lower. Under a stressed scenario where all of the ratings were downgraded by 2 notches, the median default rate would increase to 0.90% with a 95% confidence level that the default rate would be below 1.66%. Finally, under a stressed scenario where none of the defaults were ever recovered the median default rate would be 1.61%, with a 95% confidence level that it would be below 3.63%. The median values under these two stressed scenarios are under 2% as well as the 95% confidence level of the 2 notch downgrade scenario, which is a stressing of the stressed scenario.

Monte-Carlo Simulation of the entire Ex-Im Portfolio Future Default Rate (20,000 Simulations)



In addition to calculating the percentages, which is on the same scale as the default rates discussed earlier in this report, the Bank calculated the total dollar loss of this distribution. The current amount overdue for the portfolio is $0.3 billion. Under the baseline forecast the median loss amount for the current portfolio is $0.9 billion. Under a stressed scenario where all of the ratings were downgraded by 2 notches, the median loss amount would increase to $1.4 billion and a stressed scenario where none of the defaults were ever recovered the median loss amount would be $2.5 billion.

Monte-Carlo Simulation of the entire Ex-Im Portfolio Future Dollar Losses (20,000 Simulations)



Ex-Im Bank Future Stress Testing

Ex-Im Bank is committed to continuous improvement and is always looking to improve stress testing. The Bank is looking into stressing the various industries and regions where it has large exposures. The Bank used the definition of a large exposure from the Basel Committee's Core Principles for Effective Banking Supervision. In those core principles the committee states, "ten per cent or more of a bank's capital is defined as a large exposure." The Bank will be able to see if certain industries or region have a higher risk profile in the tails of its distribution along with its expected default rate. The Bank is also looking into the impact of correlation within industries and regions it is concentrated. These tests will inform the Bank as to the extent of this impact on potential future losses. During the year the Bank will look for additional ways to improve its stress testing methodology. The Bank will continue to report the results of these future stress test scenarios to the U.S. Congress.

Appendix

Components of Default Rate: *Disbursements*

Under the direct loan program the goods and services are financed directly by Ex-Im Bank. Funds are disbursed to the supplier to pay for the goods or services delivered to the buyer and a loan receivable with appropriate loss reserves are reflected on the Bank's books.

Under the guarantee and insurance programs, the private sector provides the financing and the transaction is guaranteed or insured by Ex-Im. The guaranteed or insured party notifies Ex-Im when a shipment of goods has occurred and Ex-Im records a non-cash "disbursement" to reflect the value of the goods guaranteed by Ex-Im. An appropriate loss reserve is also recorded on the Bank's books.

As of September 2013, on the Bank's active portfolio, a total of $125.8 billion of goods and services have been delivered to foreign buyers and supported by Ex-Im under the loan, guarantee and insurance programs.

Components of Default Rate: *Gross Defaults*

Ex-Im Bank pays claims honoring the terms of either the guarantee or the insured transaction. On Ex-Im Bank's active portfolio, the Bank has paid out $371.5 million in defaults. For loans, all monies past due are considered defaults. As of September 2013, for the active portfolio, $2.3 million is past due. This totals $373.8 million in claims paid and overdue loans.

The gross default rate is derived from the amounts paid on guarantees and insurance transactions as well as past due loan installments divided by the amount disbursed. This rate does not include the money recovered or related recovery expenses. On the $125.8 billion of disbursements, the Bank has gross defaults of $373.8 million, resulting in a default rate of 0.237 percent.

Components of Default Rate: *Recoveries and Expenses*

Ex-Im Bank has an active recovery group that seeks to recuperate on losses related to claim payments and non-performing loans. On Ex-Im Bank's active portfolio, the Bank has recovered $80.0 million and incurred $4.8 million of expenses related to the recovery process.[10] These recoveries, as well as fees collected from borrowers, are used to offset claims paid. The Bank expects to recover additional amounts on these transactions in future years.

Components of Default Rate: *Calculation*

Total amount of required payments that are overdue	**$298,588,375**
Gross Defaults Paid	373,751,220
Expenses	4,847,087
Less Recoveries	80,009,932
Total amount of financing involved	**$125,775,271,176**
Disbursements	125,775,271,176
Default Rate	**0.237%**

[10] For the purpose of calculation of the default rate, the amounts recovered are discounted to the time of claim payment.

Default Rate: *By Country*

	Financing	Claim Paid	Recovery	Expenses	Overdue	Default
Africa	**$6,692,759,030**	**$15,060,661**	**$5,317,396**	**$676,769**	**$10,420,035**	**0.16%**
Africa Multinational	200,000,000	-	-	1,609	1,609	0.00%
Algeria	211,268,826	-	-	-	-	0.00%
Angola	576,513,705	-	-	8,071	8,071	0.00%
Cameroon	20,648,467	-	-	-	-	0.00%
Congo, Democratic Rep.	1,002,936	-	-	-	-	0.00%
Cote D'Ivoire	377,486	-	-	-	-	0.00%
Egypt	678,341,857	4,933,602	27,037	89,868	4,996,433	0.74%
Ethiopia	1,690,914,707	-	-	-	-	0.00%
Ghana	463,065,386	264,133	96,280	118,136	285,990	0.06%
Kenya	596,263,011	-	-	46,458	46,458	0.01%
Liberia	47,740	-	-	-	-	0.00%
Madagascar	369,081	-	-	-	-	0.00%
Mauritania	3,377,361	-	-	-	-	0.00%
Mauritius	4,315,810	-	-	-	-	0.00%
Morocco	961,589,339	-	-	-	-	0.00%
Mozambique	1,011,945	-	-	-	-	0.00%
Niger	746,688	-	-	-	-	0.00%
Nigeria	382,177,981	3,991,083	3,928,393	16,853	79,542	0.02%
Senegal	34,937,108	5,379,146	1,215,760	391,775	4,555,161	13.04%
Sierra Leone	633,247	-	-	-	-	0.00%
South Africa	859,830,944	492,697	49,926	4,000	446,771	0.05%
Tanzania	2,117,295	-	-	-	-	0.00%
Uganda	1,171,537	-	-	-	-	0.00%
Zambia	2,036,574	-	-	-	-	0.00%
Asia	**$50,157,729,410**	**$278,606,748**	**$61,917,469**	**$2,449,675**	**$219,138,954**	**0.44%**
Azerbaijan	151,758,389	-	-	-	-	0.00%
Bahrain	336,503,326	-	-	-	-	0.00%
Bangladesh	255,600,408	-	-	-	-	0.00%
China	3,254,678,377	-	-	2,359	2,359	0.00%
Cyprus	37,887,010	-	-	-	-	0.00%
Hong Kong	3,061,203,799	-	-	-	-	0.00%
India	7,105,059,656	3,944,894	28,459	89,549	4,005,985	0.06%
Indonesia	2,081,028,968	-	-	15,532	15,532	0.00%
Iraq	1,062,765	-	-	-	-	0.00%
Israel	720,277,078	-	-	-	-	0.00%
Japan	279,676,933	-	-	-	-	0.00%
Jordan	52,923,052	53,825,349	3,269,869	670,465	51,225,945	96.79%
Kazakhstan	843,428,165	150,090,657	39,794,401	393,220	110,689,475	13.12%
Korea, South	6,231,244,905	-	-	305,877	305,877	0.00%
Kuwait	621,968,619	-	-	-	-	0.00%
Lebanon	238,140	-	-	-	-	0.00%

	Financing	Claim Paid	Recovery	Expenses	Overdue	Default
Malaysia	969,902,887	-	-	-	-	0.00%
Oman	114,845,646	-	-	-	-	0.00%
Pakistan	1,102,228,890	1,771,082	-	74,234	1,845,316	0.17%
Philippines	564,009,182	17,538,687	709,274	169,088	16,998,501	3.01%
Qatar	1,015,293,607	-	-	20,057	20,057	0.00%
Saudi Arabia	3,696,673,637	544,406	-	106,642	651,048	0.02%
Singapore	2,447,531,994	524,610	38,368	-	486,241	0.02%
Sri Lanka	23,026,544	-	-	-	-	0.00%
Taiwan	1,213,035,003	-	-	-	-	0.00%
Tajikistan	80,000,000	-	-	-	-	0.00%
Thailand	1,134,082,945	-	-	14,387	14,387	0.00%
Turkey	5,931,877,785	44,273,260	18,077,098	544,887	26,741,048	0.45%
United Arab Emirates	6,270,807,955	6,093,803	-	-	6,093,803	0.10%
Uzbekistan	152,936,122	-	-	43,379	43,379	0.03%
Vietnam	406,937,624	-	-	-	-	0.00%
Europe	**$17,826,845,565**	**$7,534,158**	**$7,000,782**	**$367,523**	**$900,899**	**0.01%**
Albania	36,737,164	-	-	52,233	52,233	0.14%
Austria	562,855,547	-	-	53,237	53,237	0.01%
Belgium	11,623,616	-	-	-	-	0.00%
Bulgaria	8,480,513	-	-	-	-	0.00%
Czech Republic	77,460,403	-	-	-	-	0.00%
Denmark	135,000	-	-	-	-	0.00%
Estonia	253,807	-	-	-	-	0.00%
Finland	13,670,322	-	-	-	-	0.00%
France	64,117,685	-	-	-	-	0.00%
Germany	799,413,451	-	-	-	-	0.00%
Greece	4,257,707	438,647	-	-	438,647	10.30%
Hungary	68,520,000	382,244	87,459	41,333	336,118	0.49%
Iceland	45,000	-	-	-	-	0.00%
Ireland	7,339,540,100	-	-	49,148	49,148	0.00%
Italy	548,199,388	120,704	-	115,817	236,521	0.04%
Luxembourg	1,899,756,429	-	-	-	-	0.00%
Monaco	2,070,000	-	-	-	-	0.00%
Netherlands	2,510,136,008	-	-	-	-	0.00%
Norway	907,591,452	-	-	-	-	0.00%
Poland	480,074,936	5,770	-	-	5,770	0.00%
Portugal	270,000	-	-	-	-	0.00%
Romania	206,911,056	-	-	41,634	41,634	0.02%
Russia	842,648,411	6,586,792	6,913,322	14,122	(312,409)	-0.04%
Serbia	1,472,521	-	-	-	-	0.00%
Slovak Republic	20,269,811	-	-	-	-	0.00%
Spain	461,323,680	-	-	-	-	0.00%
Sweden	45,000	-	-	-	-	0.00%
Switzerland	78,331,103	-	-	-	-	0.00%
Ukraine	171,464,204	-	-	-	-	0.00%

	Financing	Claim Paid	Recovery	Expenses	Overdue	Default
United Kingdom	709,171,250	-	-	-	-	0.00%
LATAM/Caribbean	**$28,772,779,841**	**$60,340,857**	**$5,504,236**	**$1,175,220**	**$56,011,841**	**0.19%**
Argentina	92,143,824	-	-	-	-	0.00%
Barbados	4,423,879	-	-	-	-	0.00%
Belize	9,584,602	-	-	-	-	0.00%
Bermuda	441,988	-	-	-	-	0.00%
Brazil	4,992,259,125	5,598,092	188,353	83,165	5,492,904	0.11%
Cayman Islands	80,312,097	-	-	-	-	0.00%
Chile	3,050,922,738	912,616	545,000	161,452	529,067	0.02%
Colombia	2,672,016,405	2,312,480	322,607	81,171	2,071,044	0.08%
Costa Rica	73,372,168	572,610	4,482	-	568,128	0.77%
Dominican Republic	825,073,155	7,285,673	412,724	106,871	6,979,820	0.85%
Ecuador	66,133,381	-	-	-	-	0.00%
El Salvador	39,920,300	1,140,216	40,647	-	1,099,569	2.75%
Guatemala	28,233,909	-	-	-	-	0.00%
Honduras	172,980,136	661,124	20,000	3,321	644,446	0.37%
Jamaica	60,780,703	20,823	-	-	20,823	0.03%
Mexico	13,631,747,568	37,280,033	3,284,060	636,361	34,632,334	0.25%
Nicaragua	23,713,015	343,561	152,086	32,470	223,946	0.94%
Panama	1,235,992,078	-	-	47,756	47,756	0.00%
Paraguay	7,406,837	-	-	-	-	0.00%
Peru	776,623,822	3,257,284	-	14,514	3,271,798	0.42%
St. Kitts And Nevis	43,800	-	-	-	-	0.00%
Trinidad And Tobago	107,928,802	-	-	-	-	0.00%
Turks And Caicos	2,029,809	956,344	534,277	-	422,068	20.79%
Uruguay	135,676,456	-	-	-	-	0.00%
Venezuela	658,076,981	-	-	8,139	8,139	0.00%
Virgin Islands (British)	24,942,263	-	-	-	-	0.00%
North America	**$12,385,163,361**	**$8,464,112**	**$175,800**	**$58,496**	**$ 8,346,808**	**0.07%**
Canada	3,207,080,356	115,914	-	44,580	160,494	0.01%
PEFCO	1,729,241,285	-	-	-	-	0.00%
United States	7,448,841,720	8,348,199	175,800	13,916	8,186,314	0.11%
Oceania	**$6,632,326,591**	**-**	**-**	**$102,652**	**$102,652**	**0.00%**
Australia	3,874,020,558	-	-	102,652	102,652	0.00%
New Zealand	716,072,286	-	-	-	-	0.00%
Papua New Guinea	2,042,233,747	-	-	-	-	0.00%
Other	**$3,307,667,379**	**$3,744,683**	**$94,250**	**$16,752**	**$3,667,185**	**0.11%**
Various - Insurance	2,798,289,223	3,744,683	94,250	16,752	3,667,185	0.13%
Various - Unallocable	509,378,156	-	-	-	-	0.00%
Grand Total	**$125,775,271,176**	**$373,751,220**	**$80,009,932**	**$4,847,087**	**$298,588,375**	**0.237%**

Definitions

Active Portfolio – Maturity date is after the date of this report (transaction currently active)

Administrative Expenses – Expenses of the day-to-day operation of the Bank. Majority of expenses are compensation and benefits. Does not include program costs

Allowances – Accumulated provisions against which future loan write-offs would be made

Defaults – Payment from Ex-Im Bank to guaranteed or insured party plus unpaid past due loan installments

Default Rate – Defaults less recoveries plus expenses over total amount financed on active portfolio

Disbursements – Goods and services delivered to foreign buyers and supported by Ex-Im Bank under the loan, guarantee and insurance programs

Loan Arrears - Direct loan repayment currently overdue. For distressed credits, this includes the entire amount outstanding

Nominal Discount Rates - A forecast of nominal or market interest rates for the current year based on the economic assumptions for the following Fiscal Year Budget as presented by the Office of Management and Budget in Circular A-94 Appendix C

Recoveries – Money recovered on guarantees and insurance that have defaulted and a claim has been paid out. For direct loans in arrears, this includes funds recovered after missed payments

Program Costs - Cost related to loan, guarantee, and insurance transactions where the fees are insufficient to cover prudent reserves

Mandates

Environmentally Beneficial Mandate - Congress states: "That not less than 10 percent of the aggregate loan, guarantee, and insurance authority available to the Export-Import Bank under this Act should be used for zero carbon renewable energy and energy efficient end – use technologies."

Small Business Mandate - 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 not less than 20 percent of such authority for each fiscal year."

Sub-Saharan Africa Mandate - Congress states: "…take prompt measures, consistent with the credit standards otherwise required by law, to promote the expansion of the Bank's financial commitments in sub-Saharan Africa…"