"The statutory authority for the operation of the Bank's loan, guarantee, and insurance program is the Export-Import Bank Act of 1945, as amended."

FY 2015 Congressional Budget Justification

EXPORT-IMPORT BANK OF THE UNITED STATES

The Ex-Im 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.

On May 30, 2012, President Obama signed into law The Export-Import Bank Reauthorization Act of 2012. This act extends the Bank's authority through FY 2014 and ultimately increases its portfolio cap to $140 billion. The Bank's charter also requires reasonable assurance of repayment for the transactions the Bank authorizes, and the Bank closely monitors credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. exports, Ex-Im Bank offers five financial products: direct loans, loan guarantees, working capital guarantees, export-credit insurance, and reinsurance. All Ex-Im Bank obligations carry the full faith and credit of the U.S. government.

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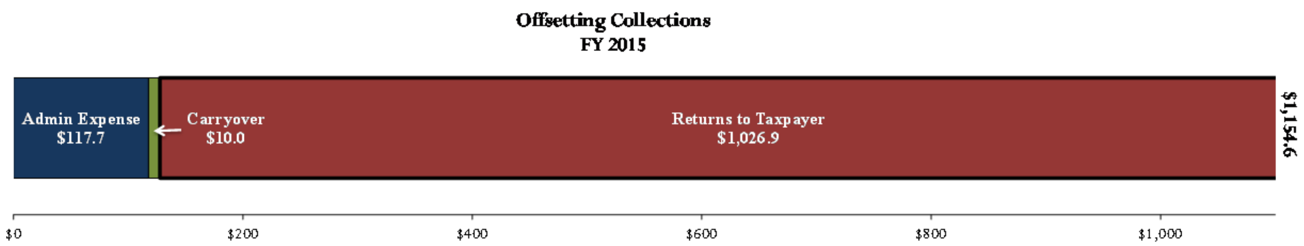
EXECUTIVE SUMMARY

REQUEST OVERVIEW

- ***Administrative Request****:* $117.7 million
- ***Program Expense Request****:* $0
- ***Carryover Request****:* $10 million
- ***Negative Program Budget (offset):*** 1,026.9 million

Ex-Im Bank requests $117.7 million for administrative expense and Ex-Im Bank requests $0 for program expense for fiscal year 2015. These programs will be paid by fees, or offsetting collections, so that the net appropriation is zero. At this request level, the Bank estimates that in FY 2015 it will collect $1,154.6 million of fees in excess of expected losses on transactions authorized in FY 2015 and prior years and be able to support an estimated $37.6 billion in authorizations. Ex-Im Bank is also requesting carryover of $10.0 million. The Bank anticipates earnings of $1,026.9 million in offsets, compared to FY 2014 Budget Request of $836.7 million – a 22.7 percent increase in net discretionary total compared to the FY 2014 appropriation.



AUTHORIZATIONS AND EXPOSURE FORECASTS

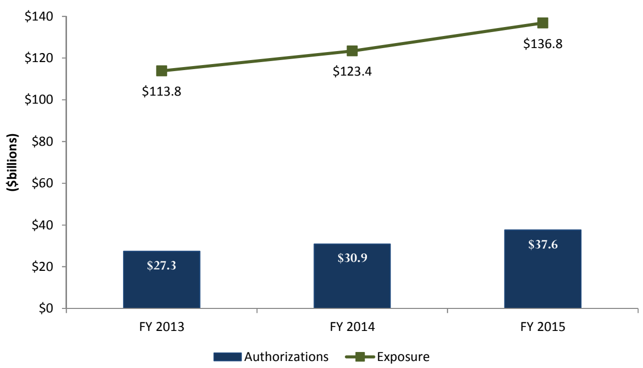
FY 2015

- ***Authorization Forecast****:* $37.6 billion
- ***Exposure Forecast****:* $136.8 billion

FY 2013

- ***Authorization Actual****:* $27.3 billion
- ***Exposure Actual****:* $113.8 billion

Ex-Im Bank's forecasting methodology is based upon input from both historical experience and project analysis for a series of diverse products. While each department has different specific procedures for its own forecasting, there are certain characteristics that each group shares. For Long Term transactions (Transportation and Structured/Project Finance) Ex-Im Bank forecasts authorizations on an individual transaction basis. This forecast represents approximately 70 percent of the Bank's total forecast. For both Medium and Short Term transactions, Ex-Im Bank forecasts authorizations based upon historical experiences,



recent portfolio history, feedback from market participants, and current trends. These departments' forecasts compromise 30 percent of total estimated authorizations. Below is a chart with the authorization and exposure forecasts from FY 2013 to FY 2015.

SUPPORTING JOBS

- ***FY 2015 Ex-Im Bank anticipates supporting**: 303,470 U.S. Jobs*
- ***FY 2013 Ex-Im Bank supported**: 205,000 U.S. Jobs*

Ex-Im Bank works every day to provide financing to support America's exporters and their workers – and keep them in the game. Ex-Im Bank has long been one of the most reliable and cost-effective sources for long-term-financing of U.S. exports.

In FY 2015, Ex-Im Bank anticipates supporting 303,470 jobs by providing $37.6 billion in authorizations. This amount is above the FY 2013 level of 205,000 jobs by providing $27.3 billion in authorizations. In FY 2013, Ex-Im Bank approved an all-time high of 3,842 authorizations with a total estimated export value of $37.4 billion In FY 2013. In the past five years (FY 2009 to FY 2013), Ex-Im Bank has financed more than $188 billion of U.S. exports and supported 1.2 million American jobs.

INVESTMENT OVERVIEW

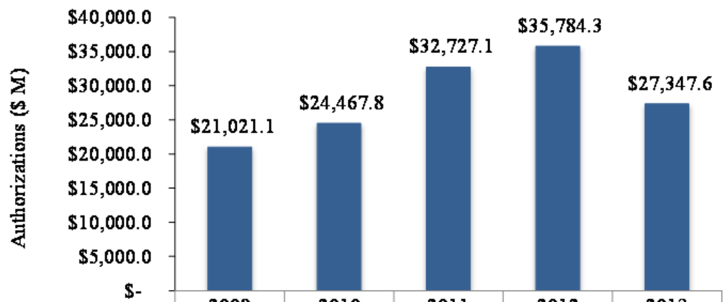
- ***FY 2015 Ex-Im Bank anticipates sending**: $1,027 million to Treasury to reduce the deficit*
- ***FY 2013 Ex-Im Bank sent**: $1,057 million to Treasury to reduce the deficit*

Ex-Im Bank is requesting $117.7 million in Administrative Expense and is expected to send $1,026.9 million to Treasury. This FY 2015 administrative level includes funding for enhancing the Bank's comprehensive management framework and funding to continue Ex-Im Bank's efforts in upgrading its antiquated systems infrastructure.

(in $ millions)	FY 2013 Appropriation	FY 2014 Appropriation	FY 2015 Request
Receipts			
Offsetting Collections	($1,254.8)	($972.0)	($1,154.6)
Expenses			
Administrative Expense	$89.9	$105.0	$117.7
Subsidy Expenses	$58.0	-0-	-0-
Carryover	$50.0	$10.0	$10.0
Renovation Expenses	-0-	$10.5	-0-
Negative Subsidy	**($1,560.9)**	**($846.5)**	**($1,026.9)**
Inspector General	$3.8	$5.1	$5.8
Net Appropriation	($1,053.1)	(841.4)	($1,021.1)

EX-IM BANK OVERVIEW

SUPPORTING U.S. JOBS



	2009	2010	2011	2012	2013
Auth	$21,021.1	$24,467.8	$32,727.1	$35,784.3	$27,347.6
Jobs	179,800	227,000	288,000	255,000	205,000

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 has succeeded in its job-supporting mission over the past 80 years. Most recently, the Bank has leveled the playing field with the approximately 60 other Export Credit Agencies (ECAs) around the world and helped address the gaps in private financing caused by the financial crisis of 2008 and the ongoing Eurozone crisis. At the close of fiscal year 2013, Ex-Im Bank continued to meet the demand of our exporters and supported an estimated 205,000 jobs by providing $27.3 billion in authorizations.

With the support of Ex-Im Bank, more American companies are selling more products and services to more places around the globe. When Ex-Im Bank, for example, helps a California company export the construction, engineering and consulting services necessary to create two large-scale integrated water systems in Sri Lanka, the Bank not only changes the lives of millions of people, who were without clean water, but also creates and supports jobs in the United States.

Ex-Im Bank, also recognizes that small businesses are a major source of job creation in America. Since FY 2008, the volume of financing the Bank has done with small businesses has nearly doubled. In FY 2008, Ex-Im Bank provided approximately $3.2 billion in financing and insurance for small companies. In FY 2013, Ex-Im Bank approved a record-high 3,413 small-business authorizations, including 625 first-time users of Ex-Im products and $5.2 billion in authorizations. Additionally, in FY 2013, approximately one in five Ex-Im transactions directly benefited minority-owned or woman-owned small businesses.

Ex-Im Bank is providing export financing to an increasing number of U.S. small businesses, particularly those smaller companies with fewer than 100 employees, minority-owned companies and woman-owned companies. For example, Old Orchard, a women-owned small business, used Ex-Im Bank's Express Insurance product to increase exports of pickles to China in FY 2013. The financing Ex-Im Bank provided resulted in sales to China increasing by about 400 percent.

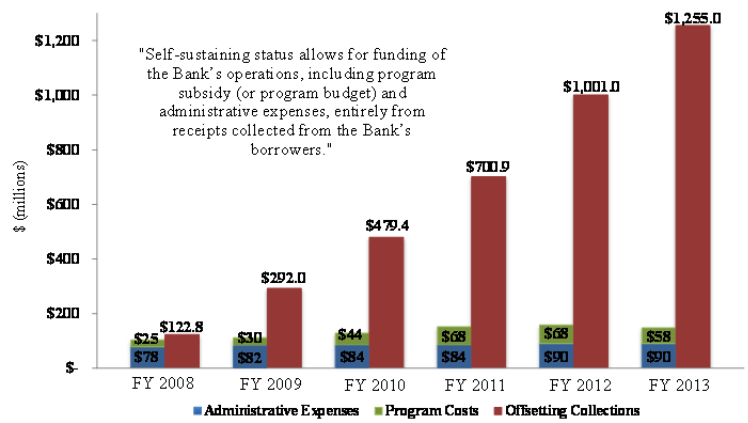
"Ex-Im Bank's export-credit insurance enables us to offer terms to our foreign buyers, so they don't have to pay for the whole order at once…Our export sales have permitted us to hire our first full-time and four part-time employees, and with the new orders from China supported by Ex-Im's Express Insurance we hope to turn those part-time jobs into full-timers by the end of the year."

- Jenny Fulton, Old Orchard

SELF-SUSTAINING

(in $ millions)	
Offsetting Collections	(1,154.6)
Admin Expense	117.7
Program Expense	-
Carryover	10.0
Renovation	-
Negative Subsidy	**(1,026.9)**

The FY 2015 President's Budget continues the Bank's self-sustaining status, which was initiated, and has remained in effect, since FY 2008. This status brought Ex-Im Bank in full compliance with WTO agreements on prohibited export subsidies. Generally, under self-sustaining, at the start of the fiscal year the U.S. Treasury will grant Ex-Im Bank a warrant for $117.7 million to cover its FY 2015 administrative expenses and, for the second year in a row, $0.0 million for program budget. As Ex-Im Bank collects fees in excess of the expected loss on an individual transaction, the Bank will credit these receipts as Offsetting Collections. For example, a $100 million transaction with an exposure fee of 3 percent or $3 million has an expected loss of 1 percent or $1 million. When Ex-Im Bank collects the fee, $1 million will be deposited in the Bank's financing accounts and $2 million will be credited as Offsetting Collections. The Bank will use these Offsetting Collections to repay the Treasury warrant received at the start of FY 2015. 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 2015. Since Credit Reform in 1992, Ex-Im Bank has collected $9.3 billion in fees and since becoming self-sustaining in 2008 through the end of fiscal year 2013, Ex-Im Bank has collected $3.5 billion in fees. In FY 2015, Ex-Im Bank forecasts net receipts of $1,026.9 million.



PRODUCT OVERVIEW

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.

Direct Loans	Loan Guarantees
Working Capital	Insurance

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.

Award Winning Staff

The success of the Ex-Im Bank can be largely attributed to the Bank's employees. Although a small agency of approximately 400 FTEs, Ex-Im Bank's employees are highly efficient in responding to market needs and current demand for Ex-Im Support. The average number of authorizations per employee was 9.6 in FY 2013, up from 7.9 in FY 2009, an increase of 21.5 percent. Ex-Im Bank credits these increases to its continued improvements in bank wide operations as well as the commitment and dedication of its employees.

The Bank's personnel have been recognized for such performance over the past eleven years through the receipt of over 45 awards granted by various finance journals. In FY 2013, Ex-Im Bank won for the second time *Best Global Export Credit Agency* and for the fourth consecutive time *Best ECA in the Americas*. Additionally, Ex-Im won *World's Best Export Credit Agency*, four *Deal of the Year Awards* for transportation transactions authorized in 2012 and was recognized for the Bank's participation in six *Deal of the Year Awards* in trade finance. A full list of Ex-Im Bank awards can be found in the Awards section. The excellence of Ex-Im Bank's staff is further exemplified by the Bank's low default rate. In the latest report to Congress on Ex-Im Bank's default rate as of December 2013, the Bank's default rate was 0.267 percent[1]. For the same time period, the Bank has paid roughly $15.5 million in gross claims on a $113,071 million portfolio and recovered $4.2 million on past claims paid.

Meeting Competition & Addressing Market Distortion

***60 foreign Export Credit Agencies**

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

-Source: McKinsey Global Institute

Ex-Im 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 approximately 60 other Export Credit Agencies (ECAs) around the world for export sales. In 2012, the G6 (excluding the U.S.) provided $42.6 billion in officially supported export financing. Brazil, India and China, provided another $58.3 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 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.

Central to the Power Africa Initiative

On June 30, 2013, President Obama announced Power Africa, a new initiative to double access to power in sub-Saharan Africa. Power Africa will build on Africa's enormous power potential, including new discoveries of vast reserves of oil and gas, and the potential to develop clean geothermal, hydro, wind and solar energy. It will help countries develop newly-discovered resources responsibly, build out power generation and transmission, and expand the reach of mini-grid and off-grid solutions. Power Africa will bring to bear a wide range of U.S. government tools to support investment in Africa's energy sector. The United States will commit more than $7 billion in financial support over the next five years to this effort. Of this amount, Ex-Im will make available up to $5 billion – more than any other one agency - in support of U.S. exports for the development of power projects across sub-Saharan Africa. Ex-Im Bank's wealth of financing knowledge, scope of products, and first-rate business development team will help the Obama Administration achieve this goal.

[1] 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.

BUDGET JUSTIFICATION

EX-IM BANK IN FY 2015

Since the Bank's founding in 1934, Ex-Im has financed nearly $550 billion of U.S. exports, ensuring a level playing field for U.S. goods and services in the global marketplace and supporting millions of American jobs. Most recently, since the autumn of 2008, the U.S. economy has faced a lack of liquidity in the private sector. Ex-Im Bank has stepped in where the private sector was unable or unwilling to and allowed businesses to expand their operations, hire more employees, and make their products and services available to a worldwide customer base. Since 2008, Ex-Im Bank has assisted in creating or sustaining more than one million American jobs.

No Cost to U.S. Taxpayers

Ex-Im Bank's self-sustaining effort is consistent with the other Federal Agencies that charge fees for services. These fees are credited as offsetting collections so that the amount appropriated by the U.S. Congress from the general fund is 'estimated at not more than $0'. By using these self – generated fees, Ex-Im Bank was able to support an estimated $37.4 billion of U.S. exports and an estimated 205,000 U.S. jobs at no cost to the U.S. taxpayer in FY 2013.

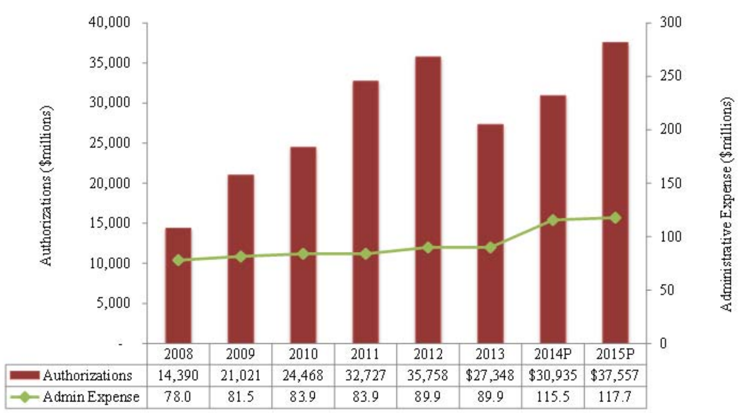
Goals of Ex-Im Bank in FY 2015:

1) Continue to support U.S. jobs through export sales and;

2) Continue to enhance the Bank's comprehensive risk management of a growing portfolio.

FY 2015 BUDGET

The FY 2015 budget of the Export-Import Bank of the United States reflects a thorough analysis of how the Bank will achieve its goals of 1) Supporting Jobs through export sales and 2) Enhancing Comprehensive Risk Management. Ex-Im Bank is requesting $117.7 million of administrative authority. At this Administrative Expense level, the Bank anticipates that it can support $37.6 billion in export credit, supporting an estimated 303,470 U.S. jobs while earning $1,026.9 million in offsets. From FY 2008 – FY 2013, Ex-Im Bank has seen its annual authorization levels increase by 90.0 percent and Bank exposure increase by 82.4 percent while administrative funds for supporting this incredible increase have grown by just 15 percent. This significant increase in the portfolio coupled with a relatively flat Administrative Expense budget has resulted in a straining of the Bank's infrastructure. An increase in Administrative Expense is required to allow Ex-Im Bank to be responsive to market demand and prudently manage the growing portfolio. This increase in Administrative Expense comes alongside a requested zero subsidy budget for FY 2015 for the second year in a row.



Ex-Im Bank's FY 2015 Budget request reflects a decrease in total appropriations as compared to FY 2008 – the first year of Self-Sustaining status. In FY 2008 total expense was $146.0 compared to the FY 2015 request of $117.7, representing a reduction of 19.4 percent. Ex-Im Bank is authorizing more transactions and supporting more U.S. jobs while decreasing its administrative request.

(in $ millions)	FY 2008	FY 2015 (Request)
Administrative Expenses	$ 78.0	$117.7
Renovation Expenses	-0-	-0-
Subsidy Expenses	$68.0	-0-
Total Expense	**$146.0**	**$117.7**

This investment will provide the Bank with the resources necessary to meet forecasted export financing demand and monitoring and management requirements. The investment will be allocated as follows:

Goal	Investment	FTE
Supporting U.S. Jobs	**$5.7 million**	**8 FTE**
Underwriting (including Small Business, Sub-Saharan Africa and Power Africa)	$2 million	8 FTE
IT Infrastructure	$3.7 million	-
Comprehensive Risk Management	**$4 million**	**16 FTE**
Monitoring, Legal and Other Functions	$4 million	16 FTE
- Asset Management		10 FTE
- Credit Risk Management		2 FTE
- Office of the General Counsel		2 FTE
- Resource Management		2 FTE
Rent	**$3 million**	-
Rent	$3 million	-
Total	**$12.7 million**	**24 FTE**

Goal 1: Support U.S. Jobs through Export Sales

Underwriting • $2 million • 8 FTE

The Administrative Budget Request includes $2 million to support Ex-Im Bank's underwriting staffing including Small Business and Sub-Saharan Africa and Power Africa initiatives). Ex-Im Bank is committed to continual improvements of its oversight and due diligence standards to protect taxpayers through its comprehensive risk management framework. The first component of this framework is effective underwriting to ensure reasonable assurance of repayments. Trade finance underwriting has become increasingly complex, and additional staff will ensure Ex-Im Bank's portfolio is protected. More than 80 percent of Ex-Im Bank's portfolio is backed by some form of collateral or a sovereign guarantee.

Small Business

The Bank has always played a critical role in supporting U.S. small business exporters as small businesses are a major source of job creation in America. Often, small businesses have a difficult time obtaining credit to grow their business, in particular their export sales. Ex-Im Bank is willing and ready to step in where the private sector is unable to. Congress has also recognized the strong role Ex-Im Bank plays in small business exports. Congress requires the Ex-Im Bank to dedicate at least 20 percent of the annual credit authorization dollar volume to small businesses, as defined by the SBA. Ex-Im Bank strives to meet or exceed its mandated target of 20 percent small business authorization target. However, as a demand driven entity, the volume requests to support large transactions made this target a challenge these past few years. As a result, Ex-Im Bank did not meet the 20 percent target in FY 2013. To execute this objective, Ex-Im Bank increased support for the small business sector during the past five years. Ex-Im Bank offers three products that primarily benefit small businesses: Working Capital Guarantees, Short-Term Insurance and Global Credit Express Direct Loans. Since Long Term Project Financing deals are the drivers of the authorization growth, in order for the Small Business Division to reach the mandate, an increase of staff, products, systems and distribution is essential. Developing a new base of small business exporters is very time consuming and requires Ex-Im Bank to have experienced staff present on the field.

Sub-Saharan Africa and Power Africa

The Administrative Budget Request also includes support for the Bank's Sub-Saharan Africa Mandate and the Power African Initiative, a new presidential directive to double access to power in sub-Saharan Africa. The United States will commit more than $7 billion in financial support over the next five years to this effort of which Ex-Im Bank will make available up to $5 billion – more than any other agency. The Bank will support U.S. exports for the development of power projects across sub-Saharan Africa. This additional administrative request is essential to Ex-Im Bank leveraging its resource to help the Obama Administration achieve this goal.

IT Infrastructure • $3.7 million

This Administrative Budget includes $3.7 million to support IT infrastructure needs. Ex-Im Bank has embarked on a multi-year enterprise-wide technology transformation program. Many of our legacy systems date to the early 1990s. In light of this, the Bank is reviewing its internal operational processes and technology capabilities, as well as customer interfaces and satisfaction. The efforts to improve these areas are governed and managed by the Total Enterprise Modernization (TEM) project umbrella and team. The objective is to develop an enterprise culture of high performance and customer focus and to re-engineer business operations to create capacity to meet customer needs and expectations. The TEM project will be focusing on redesigning business processes and upgrading information technology systems including all financial systems. Further, the intent is to improve data management, analytics and reporting. Overall cost is estimated at $36,000,000.

Goal 2: Comprehensive Risk Management

Monitoring, Legal and Other Support • $4 million • 16 FTE

The Administration's Revised Circular A-129 "*Policies for Federal Credit Programs and Non-Tax Receivables*" emphasizes the importance of Credit Program Management, specifically management and oversight (§III. B.1).

On March 17, 2013, KPMG issued a report on "*Consultative Review of Industry Practices for Loan Portfolio Monitoring*." Using the results of a peer group survey of loan monitoring processes, KPMG identified leading practices within the peer group and compared Ex-Im Bank to these practice. The report concluded that:

> *"AMD and TPMD are understaffed in comparison to the peer group. The average workload per asset manager at Ex-Im Bank is significantly greater than that observed in its peer group." - KPMG*

Monitoring Workload	Complex Deals	Non-Complex Deals
Industry Standards	7 – 10	20 - 30
Ex-Im (FY 2014)	13	40

This investment request seeks to bring Ex-Im Bank in line with industry standards while addressing the increased complexity of deals. Ex-Im Bank aims to maintain a lean staff though it has vastly increased the dollar amount of its transactions. In order to meet the market demand for Ex-Im Bank's products, and provide for necessary management of the Bank's portfolio, Ex-Im Bank requests $4.0 million in new resources in FY 2015 to support 10 Asset Management staff, 2 Credit Risk Management staff, 2 Office of General Counsel staff, and 2 Resource Management staff. This is the second investment to meet best practices. In FY 2014, Congress provided Ex-Im the support needed to initiate the first wave of investment. Each of these groups is an intricate part of the monitoring process. The budget request will help address these staffing shortfalls and bring Ex-Im Bank more in line with industry standards. Over the last five years, authorization per Administrative Expense has increased 118 percent, and is expected to remain high during the next two fiscal years. More in depth overview of Ex-Im Bank's Risk Management Framework can be found in Appendix A.

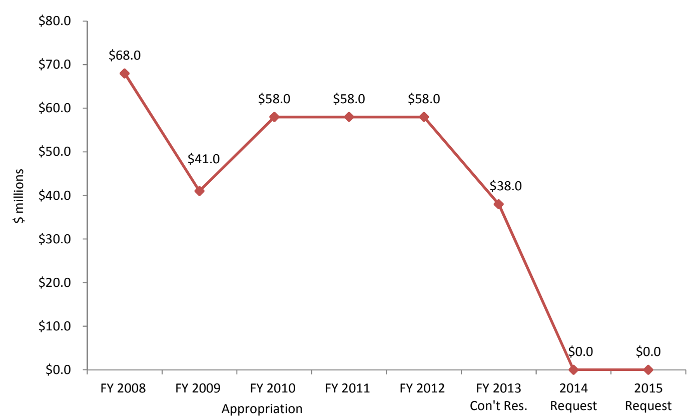
Fixed Costs

Rent • $3 million

The $3 million requested for rent will support the prior year appropriations.

Zero Program Budget

Under the Federal Credit Reform Act (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 budget authority from Congress to cover that cost up front. As part of FCRA, the U.S. government budgets for the net present value of the estimated lifetime cost of credit programs, excluding administrative expenses. This cost is known as program subsidy (or program budget). Program subsidy is defined as the estimated present value of the cash flows from the Government (excluding administrative expenses) less the estimated present value of the cash flows to the Government resulting from a direct loan or loan guarantee, discounted to the time the loan is disbursed. A positive net present value or program subsidy cost means that the Government incurs a cost for extending a subsidy to borrowers; a negative present value or subsidy cost means that credit program generates a positive return to the Government. Agencies must establish cash flow estimates for expected defaults, fees, and recoveries to estimate the subsidy cost as a part of the budget process. Ex-Im Bank is requesting $0 for the FY 2015 in program budget.



Ex-Im Bank has devoted extensive time and resources in exploring ways to reduce Credit Subsidy expense starting in FY 2010. These process improvements have successfully allowed the Bank to reach zero subsidy costs for FY 2014 and now again in FY 2015. For example, Ex-Im Bank is doing a better job incorporating risk based pricing into its product line by increasing fees. Over the past few fiscal years the Bank has increased fees on the medium term guarantee product. Then, using the medium term guarantee pricing structure, Ex-Im Bank implemented revised pricing for its short term bank held insurance policies in FY 2012. In addition, the Bank recently increased the fees for our working capital program by 25 bps to eliminate the subsidy costs. As a result, the Bank has reached zero subsidy costs for the working capital program for FY 2015.

Additionally, Ex-Im Bank has implemented improvements in the underwriting process for medium term guarantees. In an attempt to make the process similar to the long term underwriting process, medium term deals are now asset backed which, although more labor intensive, resulted in a substantially lower claims rate. Ex-Im Bank has also improved underwriting in the short-term portfolio following the success of the medium term program changes.

Administrative Budget Details

Budget Cost Level (BOC)	FY 2014 Re-Estimate	FY 2015 Request
Personnel Compensation	45,027,369	48,260,111
Personnel Benefits	17,891,461	20,440,047
Travel and Transportation of Persons	1,244,272	1,611,797
Transportation of Things	25,000	50,000
Rental Payments for Space	10,500,000	13,500,000
Communication & Utilities	2,349,328	5,349,328
Printing and Reproduction	327,600	350,000
Other Services	21,104,970	19,108,717
Supplies and Materials	1,265,121	1,415,121
Entertainment / Representation	30,000	30,000
Software and Equipment	5,234,879	7,534,879
Grand Total Expenses	**$105,000,000**	**$ 117,650,000**
Renovation Expenses	10,500,000	-0-
Office of Inspector General	5,100,000	5,750,000

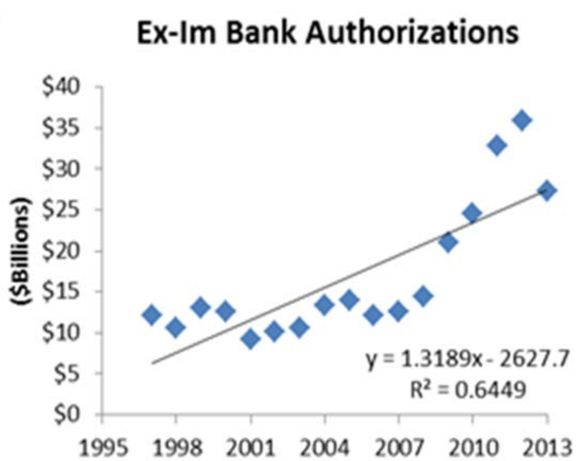
AUTHORIZATION FORECASTING

OVERVIEW

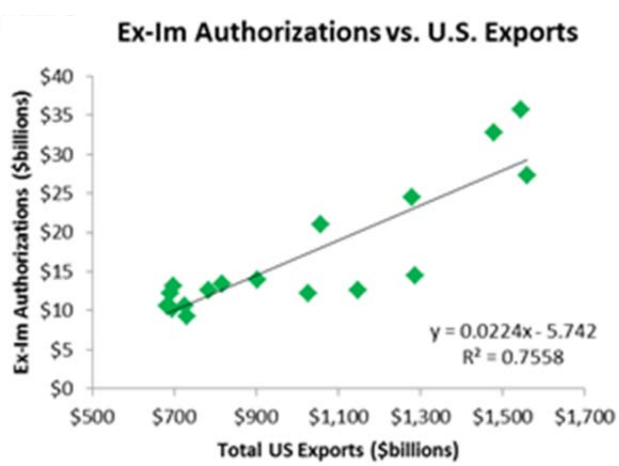
Ex-Im Bank's derives its authorization forecasts from a pipeline of transactions that are expected to occur during that fiscal year along with business unit level forecasts conducted by those business units. Furthermore, the Bank has created quantitative regression models to forecast expected authorizations as another check to the pipeline methodology. Below will discuss the regression methodology along with the results of the pipeline forecast.

NEW AUTHORIZATIONS

The Bank created regression models to improve accuracy of new short-term authorization forecasts. Ex-Im Bank developed three different models to supplement the pipeline methodology. These models use the Bank's historical experience as well as other data sources to forecast future authorization levels. The Bank further evaluated the results from these models to actual authorization levels. For FY 2013 the average of these three forecasts, using FY 1997 – FY 2011 data, gave a forecasted authorized amount of $25.3 billion, compared to the authorization level of $27.3 billion. The range between these models was approximately $2.8 billion.



The first model is a time-series linear regression comparing Ex-Im Bank's historical authorizations through time, which is shown in the graph to the right. This looks at past authorizations and identifies the trend in those authorizations. There is an R-squared value of 64 percent. The closer the model gets to 100 percent the more explanatory power it has. For this model, the majority of the variation in the historical data is explained by a time trend. In addition, to measure whether time is a statistically significant variable, a p-value is calculated where if the p-value is less than 5 percent it indicates the variable is statistically significant. For this model the year had a p-value of 0.01 percent, which is highly significant. The slope on this regression implies that each year the Bank increased its authorizations by $1.3 billion. Using this methodology, and FY 1997 – FY 2011 data, the FY 2013 forecast would have been $24.2 billion.



The next model the Bank created was to examine Ex-Im Bank authorizations compared to total U.S. exports. The data set for total U.S. exports comes from the Economist Intelligence Unit. As total U.S. exports increase, total Ex-Im authorizations increase. There is a slightly stronger explanatory power in this model as the R-squared goes up from 64 percent to 76 percent. The p-value for U.S. exports as predictor of Ex-Im authorizations was 0.001 percent, which is highly significant. The graph to the left shows this relationship. An increase of $1 billion in U.S. exports was associated with an increase in Ex-Im Bank authorizations of $22.4 million Using this methodology, and FY 1997 – FY 2011 data, the FY 2013 forecast would have been $27.0 billion. Additionally, the Economist Intelligence Unit forecasts total expected U.S. exports through 2019, allowing the Bank to create future year authorization levels.

In the third model, the Bank looked at using the average percentage of Ex-Im authorizations to total U.S. exports to forecast total authorizations in the future based on the Economist Intelligence Unit's total U.S. exports forecast. From 1997 to 2013 the average percent of Ex-Im authorizations to total U.S. exports was 1.6 percent. Using this methodology, and FY 1997 – FY 2011 data, the FY 2013 forecast would have been $24.6 billion.

These different models provide the trend analysis to supplement and improve the Bank's short-term forecasting ability for total authorizations. For FY 2014 and FY 2015 the Bank continued to use the pipeline methodology as the primary tool, but looks at the model output discussed above to validate the forecast. For forecasts past FY 2015, the Bank uses the average of the three forecasting models discussed above.

FY 2014-2015 Forecast (Revised)

Below is a detailed table showing the forecast for FY2014 and FY 2015. For FY 2015, the pipeline model was used.

	FY 2013 Actuals		FY 2014 Re-Estimate		FY 2015 Est. Demand	
($millions)	Auth.	Subsidy	Auth.	Subsidy	Auth.	Subsidy
Transportation	8,572	1	12,515	-	13,903	-
Structured Finance	9,784	-	7,852	-	12,405	-
Long Term Trade Finance	717	1	1,250	-	1,250	-
Medium Term Loans	-	-	-	-	-	-
Medium Term Guarantees	117	9	159	-	191	-
Medium Term Insurance	102	5	141	-	169	-
Total Medium Term	219	14	300	-	360	-
Working Capital	2,614	-	2,820	-	2,960	-
Short Term Insurance	5,440	20	6,178	-	6,679	-
Other			-	-	-	-
Total Short Term	8,054	20	8,998	-	9,639	-
Total (Non Tied-Aid)	27,348	36	30,915	-	37,557	-
Tied Aid			20	6	-	-
Total Estimated Demand	**$27,348**	**$36**	**$30,935**	**$6**	**$37,557**	-

The three forecasts using the models above create a range of FY 2015 authorizations of $28.5 billion to $33.4 billion for an average of $30.6 billion. The pipeline forecast of $37.6 billion is higher primarily due to a large one-time $5 billion transaction in the pipeline. Without this large transaction the forecast would be $32.6 billion, which is in the models range.

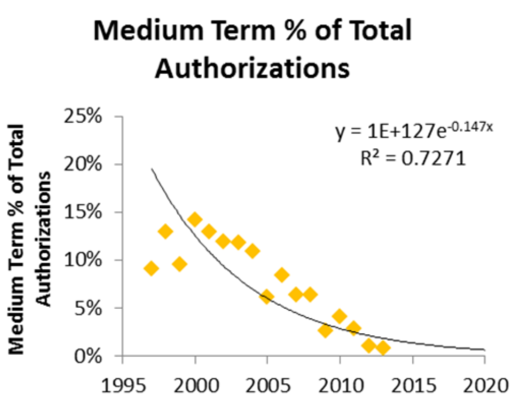
Exposure Forecasting

Overview

Ex-Im Bank's exposure is derived from two primary sources: 1] new authorizations; and 2] repayments of approved authorizations. The Bank develops exposure forecasts by estimated new exposure due to the approval of new authorizations coupled with the reduction of exposure due to the expected repayments of approved authorizations. The difference between the authorizations and repayments give the change in exposure during the fiscal year. The methodology for authorizations was discussed above, below will discuss how the Bank calculates expected repayments along with the exposure forecasts.

Repayments

The Bank recently improved, consistent with GAO recommendations, the calculation of expected repayments and authorizations by incorporating actual Ex-Im Bank data. For repayments the Bank takes current transactions and uses their actual repayment terms. By summing up individual transactions repayments by year, the Bank creates a total expected repayment amount for any given fiscal year. For future transactions, the Bank takes typical repayment terms and applies them to forecasted amounts.

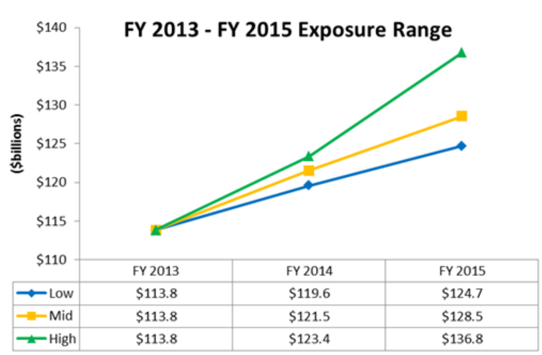


In order to estimate future repayments on forecasted authorization levels, Ex-Im Bank separated authorization into long, medium, and short term, within the overall forecast. For medium term authorizations the percentage of total authorizations that are medium term has decreased over recent years. The Bank used a forecast as opposed to the average due the decreasing historical trend in authorizations. Figure 5 shows the historical trend for medium term transactions between 1997 and 2013. The Bank then used an exponential regression to forecast the expected percent of total authorizations that would be medium term. Short term authorizations have been more stable around 30% of new authorizations. The short term forecast was calculated by taking the total forecast and multiplying it by the average percent of short term authorizations between 1997 and 2013, which was 30.9%. After forecasting medium and short term, the difference (approximately 68%) represents long term authorizations.

Exposure

The 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.

The chart to the right shows the range of exposure forecasts using the different models the bank developed. For FY 2015, the Bank forecasts a low exposure level of $124.7 billion and a high of $136.8 billion. The main driver of the range is whether the one-time $5 billion transactions that is expected to occur does indeed get authorized in FY 2015.



Appropriation Language

Ex-Im Bank proposes to modify language for the FY 2015 Appropriations. These modifications 1] provide the Bank with additional flexibility to meet the needs of U.S. exporters and protect the taxpayer and 2] provide additional clarity to existing language.

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.

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 $117,650,000, 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, 2016: 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 for such purposes, to remain available until expended.

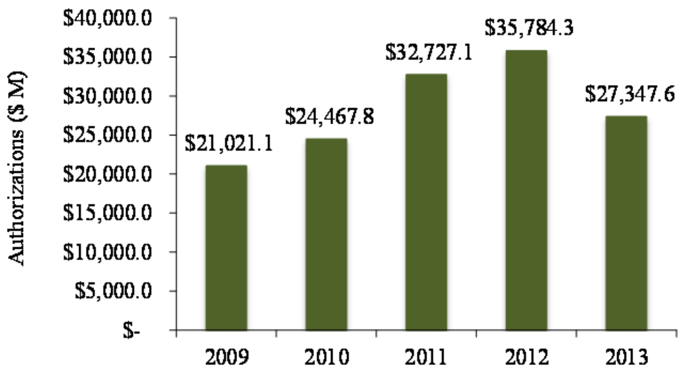
Receipts Collected

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: Provided further, That amounts collected in fiscal year 2015 in excess of obligations, up to $10,000,000, shall become available for the cost of direct loans, loan guarantees, insurance, and tied-aid grants as authorized by section 10 of the Export-Import Bank Act of 1945, as amended on September 1, 2015, and shall remain available until September 30, 2018.

Program Results – FY 2013

Total Authorizations

Ex-Im Bank authorized $27,348 million of loans, guarantees, and insurance during FY 2013 in support of an estimated $37,412 million of U.S. export sales. While Ex-Im's total financing may have decreased in fiscal year 2013, overall exports of American goods and services now are a record $2.2 trillion a year, up from $1.4 trillion only five years ago. Additionally, Ex-Im Bank approved an all-time high of 3,842 authorizations.

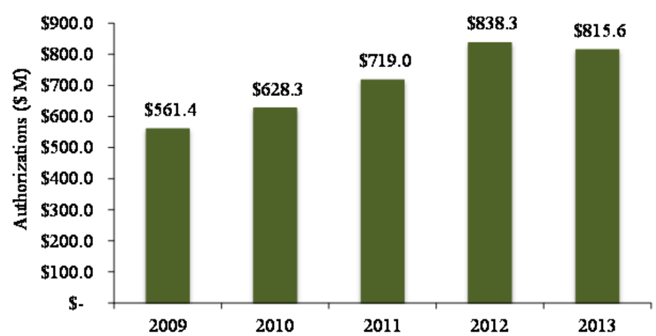


Small Business

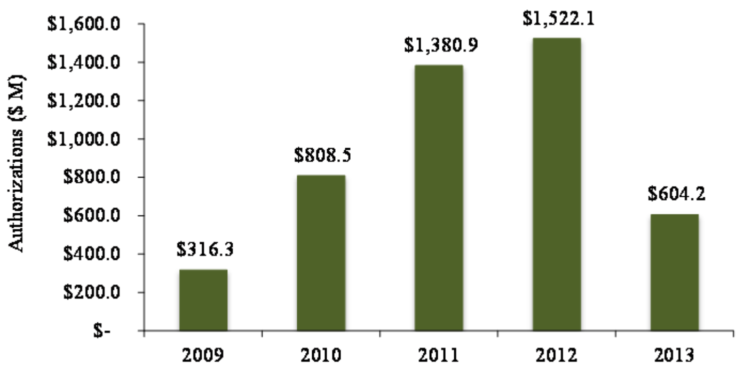
Ex-Im Bank approved a record-high 3,413 small-business authorizations – nearly 90 percent of the total number of Ex-Im authorizations. Exports from small businesses constituted 20 percent or more of Ex-Im-supported exports in nearly every state in the nation.

Minority-Owned and Women-Owned Business

FY 2013 authorizations for woman-owned and minority-owned small businesses remained high at $815.6 million. This amounted to one in five of total authorizations supported minority-owned and woman-owned businesses.



Sub-Saharan Africa



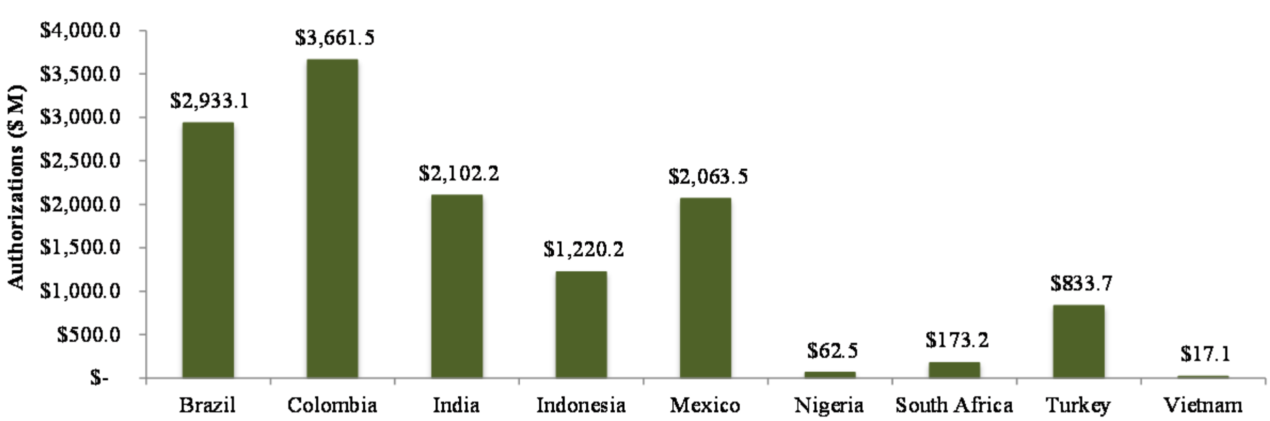
In the past four years, Ex-Im Bank has authorized more than $4 billion in financing for U.S. exports to sub-Saharan Africa, including $604 million in authorizations in FY 2013. The Bank approved an all-time high number of 188 authorizations to sub-Saharan Africa in FY 2013. This financing supported U.S. exports to 35 of 49 sub-Saharan African countries, including Cameroon, Ethiopia, Ghana, Kenya, Mozambique, Nigeria, South Africa and Tanzania.

Environmentally Beneficial

Ex-Im Bank authorized $433 million in financing to support $638 million of U.S. exports of environmentally beneficial goods and services. Nearly 60 percent of these authorizations supported renewable-energy exports. Since 1994, the Bank has fulfilled a congressional mandate to increase support for environmentally beneficial U.S. exports, including those related to the production of renewable sources of energy.

Key Markets

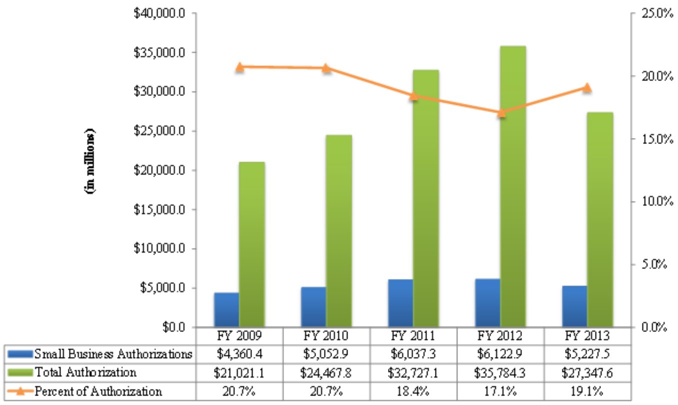
In FY 2010, Ex-Im Bank launched a strategic review to determine the countries where Ex-Im Bank financing could be particularly effective for American companies. The Bank analyzed countries based on GDP, infrastructure and impact and then narrowed the list down to nine countries: Mexico, Brazil, Colombia, 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 2013, the Ex-Im Bank authorized nearly $13.0 billion for U.S. exports to its nine key markets.



Small Business Mandate

Mandate

> *"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."*



	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Small Business Authorizations	$4,360.4	$5,052.9	$6,037.3	$6,122.9	$5,227.5
Total Authorization	$21,021.1	$24,467.8	$32,727.1	$35,784.3	$27,347.6
Percent of Authorization	20.7%	20.7%	18.4%	17.1%	19.1%

Increasing exports from companies in the US is crucial to building revenues, jobs and a robust economy. Congress requires the Ex-Im Bank to dedicate at least 20 percent of the annual credit authorization dollar volume to small businesses, as defined by the SBA. In addition, the National Export Initiative requires Ex-Im Bank to generate at least $9 billion a year in annual credit authorizations by the end of 2015, and to generate a cumulative 5,000 in new small business customers from 2010 through 2015. In the year ending September 30th, 2013, Ex-Im Bank generated $5.2 billion in credit authorizations for small businesses, representing 19.0 percent of total authorizations. Cumulative new small business customers reached 2,500 since 2009. Ex-Im Bank did not meet the 20 percent target, however, it is important to note that small businesses accounted for almost 90 percent of the transactions at Ex-Im Bank.

In order to grow the Small Business authorization level, it requires both time and resources. Trade finance is new to the great majority of small businesses and the institutions that serve them. Significant investments and resources are used to grow the number and amount of small business exporters.

The Small Business Exporting Market

There are approximately 27 million businesses in the United States, of these, approximately 280,000 export, and of these firms approximately 60 percent export to only one country, either Canada or Mexico. There is an explanation for this small percentage: the largest markets for products and services have always been in the United States, and until recently there has been little compulsion to take the steps necessary to generate revenues from other expanding markets around the globe. An essential part of Ex-Im's mandate is to assist the Department of Commerce, the Small Business Administration and the other agencies in encouraging small businesses that have the capacity to export, to begin doing so. The other essential part of Ex-Im Bank's mandate is to reach and better serve the 280,000 businesses already engaged in exporting. Ex-Im estimates that approximately 90,000 of these businesses could use its products and services to their advantage right now. However, many do not know of Ex-Im's capabilities in facilitating entry to foreign markets, and for Ex-Im, as well as its sister agencies, reaching them with the message is a challenge. The challenge is a function of three factors: (a) exporting typically represents a small portion of the business's activity, and gets less attention; (b) the business's banks or lenders are uncomfortable financing export-related assets; and (c) the banks or lenders, as well as the exporters, are unfamiliar with trade finance or the distinct advantages it brings to the competition for customers worldwide.

The Ex-Im Small Business Product Line

The three main product lines benefiting small businesses address three fundamental needs: (a) funding export related inventory and receivables – the Working Capital Guarantee; (b) ensuring the foreign buyer pays – the Trade Credit Insurance policy; and (c) providing payment terms to the buyer – Medium Term Loans, Guarantees and Insurance. Trade Credit Insurance represents about a half of the small business activity in terms of dollar authorization volume, but accounts for almost 90 percent of the customer activity. Working Capital Guarantees account for about a third of the dollar authorization volume and most of the remaining 10 percent of the customers. At present, the buyer finance (Medium Term) remains a small part of the small business product suite due to a number of factors including cost and size of transaction.

The chief area of growth is in the new Express Insurance policy. This policy, which has won the prestigious Innovations in Finance Award from Harvard University, specifically targets new small business customers with policies of under $1 million. This is a market segment in which there is no private sector interest; brokers as well as insurers gross very little on this kind of policy, with the operating costs associated with origination and processing alone, often exceeding revenue. This is an optimal size for small businesses however, and with a two page application, simpler set of policy options, two free credit investigations on foreign clients and a target five day turnaround, Ex-Im's new Export Insurance appears to be the right product. With the right marketing configuration, training support and the additional resources in the field, Ex-Im forecasts annual small business originations of over 200 per year and renewals of over 500.

Distribution

Ex-Im Bank reaches the small business sector through three main regions: Western Region, Central Region, and Eastern Region. There is a sales team and a marketing team which is responsible for broker, bank, and City/State partner relationships, and for training and outreach.

The chief challenge Ex-Im Bank faces in assisting small businesses is in origination: how to find the small businesses that export and those that have the quality and volume of products and services to export. Until now, the primary strategy has involved outreach through conferences, seminars, general marketing, and cold calling in coordination with sister agencies, and through a limited number of specialized brokers and trade finance bankers.

In 2011, the Bank initiated Global Access Forums providing small businesses with insights, resources and expertise they need to reach customers beyond the U.S. borders. Beginning in 2012, with the addition of eight new sales and marketing staff and four new regional offices, Ex-Im Bank is focusing its efforts on developing marketing and sales relationships with small business lenders across a broad spectrum. In addition to working with the trade finance units of its existing group of banks, the Bank will be actively calling on the lenders who serve the small business sector the most: community banks, regional banks, and the business banking units of national banks, as well as community development financial institutions, factors, credit unions, local economic development corporations, state development agencies, and other small business lenders. In addition, Ex-Im Bank will be working with its large corporate clients to provide risk mitigation that benefits the small businesses that they use in their export activities. This new strategy is expected to enable new field staff to originate at a 50 percent higher rate than existing staff once they are fully on board.

Appendix A: Risk Management

Ex-Im Bank has a comprehensive risk management framework while remaining competitive with other countries' Export Credit Agencies. This framework starts with effective underwriting to ensure a reasonable assurance of repayments. Over 77 percent of our entire portfolio is backed by a form of asset or collateral. The percentage is 80 percent when excluding sovereign exposure. The risk management framework continues with documentation to ensure our rights are protected legally and is completed with pro-active monitoring efforts to prevent defaults and, in cases of actual defaults, aggressively seeks recoveries. Included in this framework is portfolio management as well as oversight and governance.

Effective Underwriting

The Bank's Charter requires reasonable assurance of repayment for the transactions it authorizes. Underpinning the underwriting of individual transactions is the assessment of country risks which is done through the inter-agency process known as 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 rating and a non-sovereign rating. These ratings, ranging from 1 to 11 with the 11 being the riskiest, are used in determining expected losses for each transaction and for determining Ex-Im Bank's cover policy.

Ex-Im Bank's ability to consider supporting a transaction strictly from a credit perspective is initially determined by the country rating. Given the Bank's reasonable assurance of repayment mandate, Ex-Im Bank is open under all of its programs for markets rated 1 - 7, and for short and medium-term transactions for markets rated 1 - 8. The Bank is not open in markets rated 9 - 11 unless the risks can be justified to the Bank's satisfaction. The Bank's credit assessment process varies primarily based on the term and amount of exposure.

Long-term transactions: The Bank's credit assessment includes an evaluation of the industry/position and primary source of repayment, the borrower's operating performance, liquidity position, leverage, and ability to service its existing and prospective debt obligations throughout the term of the exposure. Consideration may also be given to either credit enhancements proffered by the borrower and/or those deemed necessary by Ex-Im Bank. A risk rating is assigned to the transaction based on this evaluation which in turn establishes the level of expected losses the Bank must set aside.

Short-term and medium-term transactions: These transactions are largely underwritten under individual delegated authority pursuant to prescribed credit standards and information requirements. Governance and control procedures employed include periodic credit and compliance reviews, the results of which are provided to senior management and the Board of Directors.

Security/Collateral

> **77.0% of Total Portfolio Backed by Security/Collateral**

A commonly used method of decreasing a transactions risk is to underwrite a deal that is secured by collateral. Approximately 77 percent of the Bank's total portfolio is backed by security/ collateral. Of the $51,320 million in aircraft and rail exposure, 99.8 percent or $51,217 million is secured via the aircraft/ transportation equipment being financed; this figure includes Private, as well as Sovereign and Public, Non-Sovereign credits. Furthermore, of the aircraft that is secured the market value of those aircrafts far exceeds the exposure amount. Currently the aircraft portfolio's market value is 138 percent what its disbursed exposure amount equals. This market value ratio equates to a market value on the total secured aircraft exposure of $70,679 million.

> **99.8% of Aircraft Backed**
> **66.0% of Long Term Non-Aircraft Backed**

For the Long Term, Non Aircraft Direct Loan and Loan Guarantee exposure in the portfolio, 66 percent is secured. These Structured/ Project and Corporate financings typically benefit from various types of asset collateral/ security: e.g. fixed assets; pledged special purpose vehicle (SPV) shares; operating and debt service reserve accounts; mortgages over land or property; assignment of operating contracts/ permits/ leases; insurance proceeds; and personal/ corporate guarantees.

While nearly all aircraft exposure is secured – to include Sovereign and Public, Non-Sovereign as well as Private credits - it is standard industry practice that the Non Aircraft Sovereign and Public, Non-Sovereign portions of the portfolio are unsecured; since these sovereign entities do not provide security to their creditors. However, Sovereign transactions convey the full faith and credit of the sovereign (e.g. via the Ministry of Finance), an excellent proxy for security/ collateral. Public, Non-Sovereign transactions generally carry the implicit backing of the sovereign, in addition to negative pledges over assets. The large Public, Non-Sovereign credits in the portfolio are notable for being investment grade credits with historic Ex-Im Bank Borrowers (e.g. Pemex, CFE, Petrobras, EcoPetrol). These credits are typically restructured along with sovereign borrowings via The Paris Club, in the event of default scenarios.

> **36.0% of the Remaining is Backed**

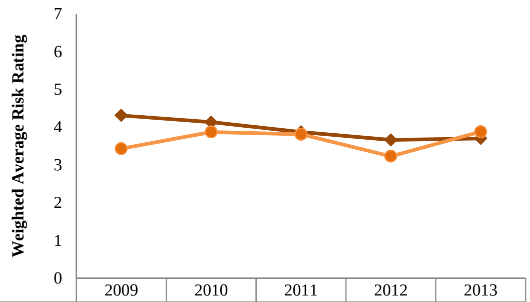
For the Medium Term and Short Term exposure, approximately 50 percent of the total is secured. Prior to 2010, there was no institutionalized requirement to take security in the M/T Loan Guarantee and Insurance programs. About 5 percent of the short term insurance is secured. All of the working capital exposure is secured via (foreign) receivables and inventory.

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 very critical feedback on underwriting new requests for support.

An Investment Grade

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



	2009	2010	2011	2012	2013
Total Exposure	4.31	4.13	3.87	3.66	3.70
New Business	3.43	3.87	3.81	3.23	3.88

equivalent to Standard and Poor's BBB, level 4 approximates BBB-, and level 5 approximates BB. The risk rating for the outstanding portfolio remained fairly constant at 3.70 in FY 2013 as compared to 3.66 in FY 2012.

Reserve for Expected Losses

(In millions)	FY 2012	FY 2013
Total Loan-Loss Allowance	2,782.5	3,010.6
Total Allowance for Guarantees and Insurance	1,814.0	1,620.8
Total Allowance	**$ 4,596.5**	**$ 4,631.4**
Total Exposure	**$ 106,646.4**	**$ 113,825.3**
Percent Allowance for Expsoure	**4.3%**	**4.1%**

Ex-Im Bank is reserved for expected losses in the event of a default. Ex-Im Bank determines its expected losses each fiscal year by assessing the repayment risk of the credit, which includes both commercial and political risk factors, then calculating the expected losses based on current credit loss factors 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 Ex-Im Bank's own historical default and recovery rates in its cash flow models to calculate the amount that must be reserved for each transaction.

Default Experience

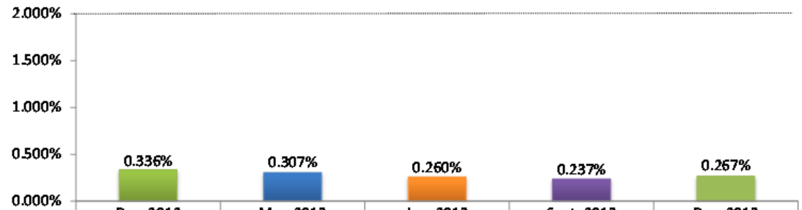
On May 30, 2012, the President signed Public Law 122-122, an Act to Reauthorize the Export-Import Bank of the United States. Section 6 of the Reauthorization Act requires:

> *"(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 has reported on its default rate, as defined in the section above, on a quarterly basis corresponding to the quarters of the fiscal year. Since this mandate, each quarter Ex-Im Bank's default rate has been well below 2.0 percent – the benchmark set by Congress. In the latest report, as of December 2013, the Bank's default rate was 0.267 percent. This rate reflects a "total amount of required payments that are overdue" The default rate[2] of the Export-Import Bank through December 2013 is 0.267 percent as shown in below. 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 $339.0 million divided by a "total amount of financing involved"

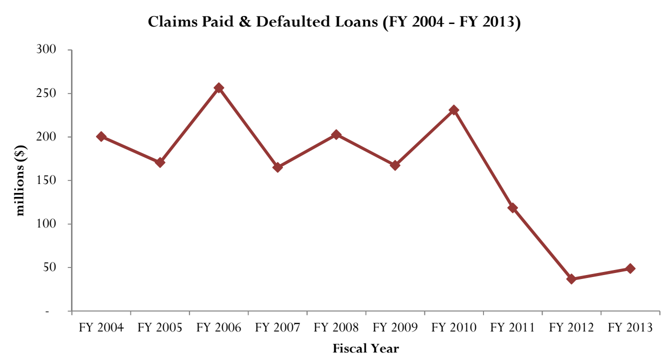
[2] This default rate is different than the default rates published in the annual Budget Appendix due to differing definitions. The reported rate in the Budget Appendix reflects projected defaults over the life of the loan while the default rate in this report reflects actual defaults at a particular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

(disbursements)[3] equal to $126.8 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 $126.8 billion in total financing, $46.9 billion has been repaid, leaving a balance of $79.9 billion to be repaid.



	Dec. 2012	Mar. 2013	Jun. 2013	Sept. 2013	Dec. 2013
Default Rate	0.336%	0.307%	0.260%	0.237%	0.267%
Amount Overdue	404,294,549	363,689,885	312,253,503	298,588,375	339,007,082
Total Financing	120,287,037,150	118,565,547,566	119,943,007,620	125,775,271,176	126,809,467,289

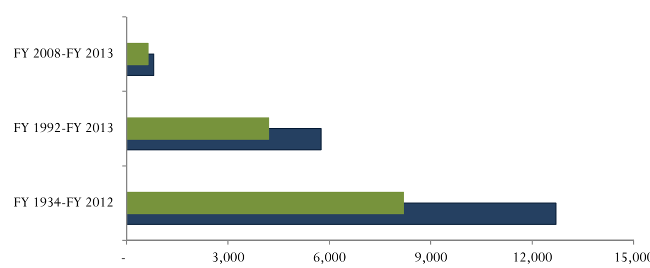
Claims Paid & Defaulted Loans



Claims are paid predominately from fees collected from the Bank's customers. Through these fees the Bank is able to set aside reserves to cover expected or forecasted defaults. For the guarantees and insurance programs, claims are paid from the reserve set aside in the financing accounts. The most recent five year trend, when comparing the Bank's yearly authorizations to the amount of claim payments, is a positive trend. Over the last six fiscal years as the Bank's authorizations increased 90 percent, the payments on claims decreased 76 percent. On Ex-Im Bank's entire portfolio, over the past five fiscal years, the average total claims paid in a given fiscal year was $120.5 million. In FY 2013 the amount was $48.8 million. This amount reflects all cash payments during each fiscal year.

Recoveries

Ex-Im Bank has an active recovery group to recapture losses. Since 1992, overall recovery is fifty cents of each dollar paid in claims on a real dollar basis. More recent experience shows that in six of the past ten fiscal years Ex-Im Bank recovered more money than it paid out in claims. Since 1934, Ex-Im Bank has recovered $8.2 billion on $12.7 billion of the claims and non-performing direct loans, or 64 percent on a nominal dollar basis. This percentage has increased from the historical 64 percent to 73 percent post credit reform.



	FY 1934-FY 2012	FY 1992-FY 2013	FY 2008-FY 2013
Total Disbursements	769,186	274,697	125,419
Total Recoveries	8,188	4,210	634
Total Claims Paid	12,697	5,755	805

millions ($)

[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.

Continuous Improvement

Ex-Im Bank is very proud of the risk management improvements made during the past fiscal years, improvements that protect the U.S. taxpayer. Equally important is our commitment to continuous improvement. The Bank believes that a comprehensive risk management framework with strong emphasis on continuous improvement minimizes claims and defaults. The Bank has made many improvements over the past few years including:

- Streamlining credit monitoring
- Creating a Special Assets unit to address emerging credit issues
- Expanding our pro-active monitoring efforts
- Improving our underwriting
- Enhancing Credit Loss Factors with qualitative factors

The Bank also has plans to implement additional risk management improvements identified in the past two years from our internal analysis of best practices, outside expert advice, and audit recommendations from Bank initiated audits and from our own Inspector General.

The GAO recently issued three audit reports and Ex-Im Bank has agreed to all of the recommendations cited in these audits. The Bank was pleased that the GAO recognized that the Bank has been developing a comprehensive risk management framework and that our data and reports provided to them were considered reliable.

Our Inspector General also issued a report on Portfolio Risk and Loss Reserve Allocation Policies in September 2012. The report detailed seven recommendations of which four have been resolved and the Bank expects these to be closed upon subsequent verification by the IG. The remaining three recommendations regarding soft sub-limits and oversight and governance issues remain open by the IG. The Bank is working on implementing these remaining open items and expects them to be resolved and closed upon subsequent verification by the IG.

The Bank is also implementing improvements recommended by our analysis of best practices, our external auditors (Deloitte & Touche), our internal auditors (KPMG), as well as from the Administration.