

**Export-Import Bank of the United States**  
**Notes to the Financial Statements**  
**For the Year Ended September 30, 2015 and Year Ended September 30, 2014**

**1. Summary of Significant Accounting and Reporting Policies**

Enabling Legislation and Mission

The Export-Import Bank of the United States (“EXIM”, “EXIM Bank”, or “the Bank”) is an independent executive agency and a wholly owned U.S. government corporation that was first organized as a District of Columbia banking corporation in 1934. EXIM Bank is the official export credit agency of the United States. EXIM Bank's operations subsequent to September 30, 1991, are subject to the provisions of the Federal Credit Reform Act (FCRA) of 1990, Public Law (P.L.) 101-508, which became effective October 1, 1991. In accordance with its Charter (12 USC 635 et seq.), continuation of EXIM Bank's functions in furtherance of its objectives and purposes is subject to periodic extensions granted by Congress. The Export-Import Bank Reauthorization Act of 2012 (P.L. 112-122) extended the Bank's authority until September 30, 2014. This date was subsequently extended to June 30, 2015 by P.L. 113-164 of September 19, 2014. The Administration requested a five-year extension of the Bank's full authority under its Charter through FY 2019. However, as of September 30, 2015, such authority has not been extended. During a period of a lapse in full authority, the Bank cannot authorize new financing transactions. However, under the terms of its Charter, the Bank will continue to manage and service existing loans, guarantees, and insurance policies and engage in other permitted functions and activities.

The various bills introduced in the Senate and the House of Representatives to reauthorize the Bank as well as votes and other actions taken in both Houses of Congress in support thereof, indicates that the Bank will be reauthorized. In addition, the lapse in full authority did not terminate the Bank or its Charter but changed the mission of the Bank from one based on financing U.S. exports in support of U.S. jobs, to one primarily focused on managing its portfolio to maturity. The Charter of the Bank remains in full force and effect.

The mission of EXIM Bank, assuming full authority, is to support U.S. exports by providing export financing through its loan, guarantee, and insurance programs in cases where the private sector is unable or unwilling to provide financing or where such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that are in competition for export sales with U.S. exporters. The Bank's Charter 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, EXIM Bank offers four financial products: loan guarantees, working capital guarantees, direct loans and export credit insurance. All EXIM Bank obligations carry the full faith and credit of the U.S. government.

Loans and guarantees extended under the medium-term loan program typically have repayment terms of one to seven years, while loans and guarantees extended under the long-term loan program usually have repayment terms in excess of seven years. Generally, both the medium-term and long-term loan and guarantee programs cover up to 85 percent of the U.S. contract value of shipped goods.

Under the Working Capital Guarantee Program, EXIM Bank provides repayment guarantees to lenders on secured, short-term working capital loans made to qualified exporters. The working capital guarantee may be approved for a single loan or a

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revolving line of credit. EXIM Bank's working capital guarantee protects the lender from default by the exporter for 90 percent of the loan principal and interest.

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

Basis of Accounting

EXIM Bank reports under generally accepted accounting principles in the United States applicable to federal agencies (government GAAP). The format of the financial statements and footnotes is in accordance with form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised as of August 4, 2015.

Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and net position and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and costs during the reporting period. The most significant of these estimates are the allowances for losses on loans receivable, subrogated claims receivable, and guarantees and insurance. EXIM Bank uses its historical default and recovery experience to calculate loss estimates. Actual results may differ from those estimates.

Loans Receivables, Net

Loan obligations are carried at principal and interest receivable amounts less an allowance for credit losses.

From time to time, EXIM Bank restructures financial terms because the obligor or country has encountered financial difficulty and EXIM Bank has determined that providing relief in this manner will enhance the ability to collect the loan.

Receivables from Subrogated Claims, Net

Receivables from subrogated claims represent the outstanding balance of payments that were made on claims that were submitted to EXIM Bank in its capacity as guarantor or insurer under EXIM Bank's export guarantee or insurance programs. Receivables from subrogated claims are carried at principal and interest receivable amounts less an allowance for claim losses. Under the subrogation clauses in its guarantee and insurance contracts, EXIM Bank receives all rights, title and interest in all amounts relating to claims paid under insurance policies and guarantees and therefore establishes an asset to reflect such rights.

Accrued Interest

Interest is accrued on loans and claims as it is earned. Generally, loans and subrogated claims receivable delinquent 90 days or more are placed on a nonaccrual status unless they are well-secured and significant collections have been received. At the time that a loan or claim is placed on nonaccrual status, any accrued but unpaid interest previously

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recorded is reversed against current-period interest income. The interest on these loans is accounted for on a cash basis until qualifying for return to accrual status. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Accounting for Capitalized Interest on Rescheduled Loans and Subrogated Claims

Rescheduling agreements frequently allow for EXIM Bank to add uncollected interest to the principal balance of rescheduled loans and subrogated claims receivable (i.e., capitalized interest). When capitalized, any accrued interest receivable is reversed against current period's interest income. The amount of interest that was capitalized and included in the principal balance is recorded as income when cash collections occur and only after all principal not related to the capitalized interest is paid. An allowance is established for all uncollected capitalized interest.

Allowance for Losses on Loans, Guarantees, Insurance and Subrogated Claims

The allowance for losses provides for estimated losses inherent in the loan, claim, guarantee and insurance portfolios. The allowance is established through a provision charged to earnings. Write-offs are charged against the allowance when management believes the uncollectibility of a loan or claim balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the credits in light of historical and market experience, the nature and volume of the credit portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, and prevailing worldwide economic and political conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance for EXIM Bank credit-reform credits represents the amount of estimated credit loss associated with the applicable credit. The credit loss is defined as the net present value of estimated loan, guarantee and insurance defaults less subsequent estimated recoveries. EXIM Bank has established cash-flow models for expected defaults, fees and recoveries to estimate the credit loss for each approved credit. EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors.

The net credit loss of credit-reform loans, guarantees and insurance is re-estimated annually in accordance with OMB guidelines and Statement of Federal Financial Accounting Standards (SFFAS) 18, "Amendments to Accounting Standards for Direct Loans and Loan Guarantees." The re-estimates adjust the allowance for credit losses to account for actual activity and changes in the financial and economic factors that affect the repayment prospects over time.

Accounting for Guarantees in a Foreign Currency

EXIM Bank provides guarantees and insurance denominated in certain foreign currencies. The foreign currencies approved for EXIM Bank guarantees as of September 30, 2015, are: Australian dollar, Brazilian real, British pound, Canadian dollar, CFA franc, Chinese yuan, Colombian peso, Egyptian pound, euro, Hong Kong dollar, Indian rupee,

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Indonesian rupiah, Japanese yen, Korean won, Malaysian ringgit, Mexican peso, Moroccan dirham, New Zealand dollar, Norwegian krone, Pakistani rupee, Philippine peso, Polish zloty, Russian ruble, Singapore dollar, South African rand, Swedish krona, Swiss franc, Taiwanese dollar, Thai baht, United Arab Emirates dirham. At the time of authorization, EXIM Bank records the authorization amount as the U.S.-dollar equivalent of the foreign-currency obligation based on the exchange rate at that time. At the end of each fiscal year, EXIM Bank determines the dollar equivalent of the outstanding balance for each foreign-currency guarantee based on the exchange rate at the end of the year and adjusts the guarantee loan liability accordingly.

Borrowings from the U.S. Treasury

The main source of EXIM Bank's outstanding debt is borrowings from the U.S. Treasury. Borrowings from the U.S. Treasury are used to finance medium-term and long-term loans. These borrowings carry a fixed rate of interest. They are further discussed in Note 9.

Payment Certificates

Payment certificates represent EXIM Bank's outstanding liability related to specific claims for which EXIM Bank is paying the guaranteed lender as the guaranteed installments become due. Payment certificates are issued by EXIM Bank in exchange for the foreign importer's defaulted note which was guaranteed by EXIM Bank and the payment certificates carry the same repayment terms and interest rate as the guaranteed foreign importer's note. Payment certificates are backed by the full faith and credit of the government and are freely transferable.

Claims Payable

Liabilities for claims arising from EXIM Bank's guarantee and insurance activities and the related estimated losses and claim recovery expenses are accrued upon approval of a claim.

Accounts Payable to the U.S. Treasury

Accounts payable to the U.S. Treasury include the results of the re-estimate of the portfolio's expected losses as required under the Federal Credit Reform Act of 1990 (FCRA). The payable represents funds that are held in credit-reform financing accounts that are determined to be in excess of amounts needed to cover future defaults. The payable also includes expired budget authority no longer available for obligation that will be returned to the U.S. Treasury.

Fees and Premia

EXIM Bank charges a risk-related exposure fee under both the loan and guarantee programs that is collected on each loan disbursement or shipment of goods under the guarantee policy. This fee is amortized over the life of the credit using the effective yield method.

On working capital guarantees, EXIM Bank charges an up-front facility fee, which, due to the short-term nature of the contracts, is credited to income as collected. Premia charged under insurance policies are recognized as income using a method that generally reflects the exposure over the term of the policy.

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Appropriated Capital

Appropriations received by EXIM Bank pursuant to the FCRA are recorded as paid-in-capital. Beginning in FY 2008, fees collected in excess of expected credit losses are used to reimburse the U.S. Treasury for appropriations provided for program and administrative costs, resulting in a net appropriation of zero. Appropriations received are sent to the U.S. Treasury when the period of availability ends.

Congress has appropriated certain sums specifically for EXIM Bank's tied-aid activities. Tied-aid is government-to-government concessional financing of public-sector capital projects in developing countries. Tied-aid terms usually involve total maturities longer than 20 years, lower than market interest rates and/or direct grants.

Imputed Financing

A financing source is imputed by EXIM Bank to provide for pension and other retirement benefit expenses recognized by EXIM Bank but financed by the Office of Personnel Management (OPM). EXIM Bank follows OPM guidance released annually when calculating the imputed cost (OPM Benefits Administration Letter, Number 15-304 dated September 2015).

Liquidating Account Distribution of Income

EXIM Bank maintains a liquidating account which accumulates the repayment on loans and claims issued prior to the FCRA. At the end of each fiscal year, EXIM Bank transfers the cash balance in this account to the U.S. Treasury.

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**2. Fund Balance with the U.S. Treasury**

Fund balances as of September 30, 2015 and September 30, 2014 were as follows:

(in millions)	FY 2015	FY 2014
Revolving Funds	\$4,181.0	\$3,365.6
General Funds - Unexpended Appropriations	528.1	459.7
General Funds - Offsetting Collections	118.7	207.6
Other Funds - Unallocated Cash	64.7	25.7
Total	\$4,892.5	\$4,058.6

Status of Fund Balance with the U.S. Treasury

Unobligated Balance

Available	\$3,080.6	\$2,143.0
Expired	257.2	261.4
Canceled and Unavailable	3.4	1.6
Obligated Balance Not Yet Disbursed	1,486.6	1,626.9
Funds Pending Application	64.7	25.7
Total	\$4,892.5	\$4,058.6

Revolving funds are credit-reform financing accounts. Included in the credit-reform financing accounts are disbursed appropriations, exposure fees collected, and interest paid by the U.S. Treasury to EXIM Bank on the balances in the account. These funds are available to cover losses in EXIM Bank's credit programs. Unexpended appropriated funds and unexpended offsetting collections are deposited in a noninterest-bearing account at the U.S. Treasury. These funds are available to EXIM Bank when the credit activity to which they relate takes place or to finance administrative expenses. Upon disbursement of the related loans or shipment of goods under guarantee or insurance policies, the funds become available to either subsidize the related loan disbursement or to be invested in the credit-reform financing accounts to fund the credit costs of the guarantee and insurance policies. Unallocated cash represents collections pending final application to the applicable loan or guarantee.

Unobligated available funds represent unexpired appropriations and offsetting collections and funds held in credit-reform financing accounts for payment of future guaranteed loan defaults. Unobligated expired funds represent appropriations and offsetting collections that are no longer available for new obligations.

Unobligated canceled funds represent appropriations that are no longer available and are returned to the U.S. Treasury in subsequent years. Obligated balance not yet disbursed represents appropriations, offsetting collections, and funds held in the loan financing account awaiting disbursement.

As of September 30, 2015 and September 30, 2014, there were no unreconciled differences between U.S. Treasury records and balances reported on EXIM Bank's general ledger.

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**3. Direct Loan, Loan Guarantees and Export-Credit Insurance Programs, Nonfederal Borrowers**

EXIM Bank offers fixed-rate loans directly to foreign buyers of U.S. goods and services. EXIM Bank extends to a company's foreign customer a fixed-rate loan covering up to 85 percent of the U.S. contract value. The buyer must make a cash payment to the U.S. exporter of at least 15 percent of the U.S. contract value. EXIM Bank's direct loans generally carry the fixed-interest rate permitted for the importing country and term under the "Arrangement on Guidelines for Officially Supported Export Credits" negotiated among members of the OECD (Organisation for Economic Co-operation and Development).

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

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

**Credit Reform**

The primary purpose of the FCRA is to measure more accurately the cost of federal credit programs and to place the cost of such credit programs on a basis equivalent with other federal spending.

As part of the FCRA, OMB established the Interagency Country Risk Assessment System (ICRAS) to provide a framework for uniformly measuring country risk for the U.S. government's international credit programs across the various agencies that administer them. The ICRAS methodology determines the risk levels for lending to both sovereign governments and non-sovereign borrowers.

ICRAS rates every country to which U.S. government agencies have outstanding loans or loan guarantees or are anticipating making new credits available. ICRAS rates countries on the basis of economic and political/social variables. There are 11 sovereign and 9 non-sovereign risk categories and each country receives two ratings: a sovereign-risk rating and a private-risk rating. ICRAS currently has risk ratings for 204 sovereign and 202 non-sovereign markets.

**FY 2015 and FY 2014 Activity**

Beginning in FY 2008, fees collected in excess of expected credit losses (offsetting collections) are used to cover the Bank's administrative costs and credit program needs for providing new direct loans, guarantees.

EXIM Bank received a \$5.8 million appropriation in FY 2015 and \$5.1 million in FY 2014 for the Office of Inspector General (OIG) administrative costs.

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The following table summarizes offsetting collections and appropriations received and used in FY 2015 and in FY 2014:

(in millions)	FY 2015	FY 2014
<b>RECEIVED AND AVAILABLE</b>		
Appropriation from Offsetting Collections for Ex-Im Bank	\$141.9	\$152.4
Appropriation from U.S. Treasury for OIG	5.8	5.1
<b>Total Received</b>	<b>147.7</b>	<b>157.5</b>
Unobligated Balance Carried Over from Prior Year	303.9	302.2
Recission of Unobligated Balances	(30.0)	(23.0)
Cancellations of Prior-Year Obligations	-	8.8
<b>Total Available</b>	<b>421.6</b>	<b>445.5</b>
<b>OBLIGATED</b>		
For Credit Program Costs Excluding Tied Aid	-	8.7
For Credit-Related Administrative Costs	128.4	131.9
<b>Total Obligated</b>	<b>128.4</b>	<b>140.6</b>
<b>UNOBLIGATED BALANCE</b>		
Unobligated Balance	293.2	304.9
Unobligated Balance Lapsed	(4.6)	(1.0)
<b>Remaining Balance</b>	<b>\$288.6</b>	<b>\$303.9</b>

Of the remaining balance of \$288.6 million at September 30, 2015, \$27.5 is available until September 30, 2016; \$10.7 million is available until September 30, 2017; \$10.0 million is available until September 30, 2018, and \$240.4 is available until expended and may be used for tied-aid programs or other mandated costs.

New loans, guarantees and insurance result in a program cost (or subsidy cost) when the net present value of expected cash disbursements exceeds expected cash receipts. Cash receipts typically include fees or premia, loan principal and interest, and cash disbursements typically include claim payments and loan disbursements. EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors.

When the present value of expected cash receipts exceeds the present value of expected cash disbursements, a "negative" credit subsidy (or program revenue) arises.

Starting in FY 2008, EXIM Bank has operated on a self-sustaining basis using program revenue to fund current year administrative expenses and program costs. During FY 2015, EXIM Bank collected \$548.7 million of receipts in excess of estimated credit losses. Out of these offsetting collections, \$107.1 million was used to fund administrative expenses, \$431.6 million was sent to the U.S Treasury, and \$10.0 million was retained and is available for obligation until September 30, 2016. During FY 2014, EXIM Bank

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collected \$800.2 million of receipts in excess of estimated credit losses. Out of these offsetting collections, \$105.0 million was used to fund administrative expenses, \$674.7 million was sent to the U.S. Treasury, \$10.5 million was retained and is available until expended for the renovation of EXIM Bank Headquarters and \$10.0 million was retained and is available for obligation until September 30, 2015.

Administrative costs are the costs to administer and service EXIM Bank's entire credit portfolio. The program costs are obligated to cover the estimated subsidy costs at the time loans, guarantees and insurance are committed. As the loans are disbursed, or when the insured or guaranteed event has taken place (generally when the related goods are shipped), the obligated amounts are used to cover the estimated subsidy costs related to the disbursements and shipments. The portion of the obligated amounts related to EXIM Bank's lending programs is used to partially fund the loan disbursements, while the portions related to EXIM Bank's guarantee and insurance programs are invested in an interest-bearing account with the U.S. Treasury. Prior to loan disbursement or the insured or guaranteed event, all of the appropriated funds and offsetting collections are held in a non-interest-bearing U.S. Treasury account.

**Allowances for Losses**

The process by which EXIM Bank determines its allowances for losses for each fiscal year involves assessing the repayment risk of the credit, which includes both commercial and political risk factors, then calculating the loss reserve based on the percentage of loss associated with the risk level assigned to the credit.

Sovereign risk is associated with an obligor that conveys the full faith and credit of its country. To rate sovereign obligors, EXIM Bank relies on the risk levels assigned to sovereign countries by ICRAS.

Non-sovereign obligors are divided into four categories for risk assessment purpose: (1) obligors in workout status; (2) obligors rated by third-party rating agencies, such as, Standard & Poor's and Moody's; (3) obligors not rated but publicly traded on local exchanges; and (4) obligors neither rated nor publicly traded on local exchanges.

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 major determinant of the risk rating is the sovereign-risk rating of the country in which the obligor is located. Credit enhancements such as the availability of liens and off-shore escrow accounts are taken into account.

For pre-credit-reform and nonimpaired loans receivable, EXIM Bank determines the allowance using historical default and recovery rates. The allowance for losses on this exposure is calculated using the credit loss estimate method. This is an estimate of the loss expected due to credit risk and does not include non-credit factors that are included in the fair value method.

Loss reserves on pre-credit-reform impaired credits are determined using the fair value method. Impaired credits are defined as those transactions risk rated from 9 to 11, or on the verge of impairment due to political, commercial, operational and/or technical events or situations, and/or Acts of God that have affected the Borrower's ability to service repayment of EXIM Bank credits.

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The allowance for losses for credit-reform loans, guarantees and insurance are determined by the credit loss calculated at authorization and subsequent adjustments made to the allowance as a result of the annual re-estimate.

**Re-Estimate on Portfolio Expected Losses**

The estimated credit loss of the outstanding balance of loans, guarantees and insurance is re-estimated annually in accordance with OMB guidelines and SFFAS 18. This re-estimate indicates the appropriate balance necessary in the financing accounts to ensure sufficient funds to pay future estimated claims.

EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors. In the event that the balance in the financing accounts exceeds the re-estimate level, the difference will not be needed to cover future estimated claims and will be returned to the U.S. Treasury. In the event that the balance in the financing accounts is less than the re-estimate level, the FCRA provides that the difference will be transferred to EXIM Bank from a general appropriation account authorized for this purpose.

Every year, EXIM Bank re-evaluates the methods used for calculating the reserves needed to cover expected losses. The Bank uses historical experience to estimate the probability of default as well as the loss given default. The probability of default (PD) is the likelihood that a transaction would go into default where the loss given default (LGD) gives the estimated loss, net of recoveries and expenses, if a default occurred. Multiplying PD times LGD provides expected loss factors across programs and budget cost level (BCL) categories. EXIM Bank uses recent historical loss experience and other factors in developing the expected loss factors.

EXIM Bank incorporates a quantitative and qualitative framework to calculate loss reserves. This framework has continuously evolved and been refined over the years. In FY 2015, EXIM Bank updated qualitative adjustments in its loss model, of which a subset are built into the quantitative framework. Those built into the quantitative framework include factors such as loss curves for sovereign guaranteed transactions and asset backed aircraft. Those not built into the quantitative framework look at minimum levels of expected losses, the global macroeconomic environment, and the recent growth in the Bank's portfolio.

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As of September 30, 2015, the credit loss re-estimate of FY 1992 through FY 2015 commitments outstanding balances indicated that there was a net excess of \$1,280.9 million in the financing accounts. This downward re-estimate will be transferred to the U.S. Treasury in FY 2016.

As of September 30, 2014, the credit loss re-estimate of FY 1992 through FY 2014 commitments outstanding balances indicated that a net of \$479.8 million of additional funds were needed in the financing accounts, mostly to cover funding costs on direct loans, which had exceeded original budgeted estimates. This upward re-estimate was received from the U.S. Treasury in FY 2015.

**A. Direct Loans**

EXIM Bank's loans receivable, as shown on the Balance Sheets, are net of an allowance for loan losses.

To calculate the allowance for loan losses for direct loans obligated prior to FY 1992, each of the 11 risk levels is identified with a loss percentage to determine the overall allowance for credit losses as described above. In addition, certain credits and capitalized interest included in gross loans receivable are reserved at 100 percent. At September 30, 2015, and September 30, 2014, capitalized interest on credits obligated prior to FY 1992 was \$83.0 million, respectively. Further, the total allowance for direct loans obligated prior to FY 1992, including capitalized interest, equaled 29.6 percent and 71.4 percent, respectively, of gross loans and interest receivable.

The allowance for loss calculated for direct loans obligated since the commencement of FY 1992 equals the amount of credit loss incurred to support the loan obligation. The credit loss is the amount of loss estimated to be incurred on the transaction, as previously described. At September 30, 2015, and September 30, 2014, the allowance for loan losses on credit-reform credits equaled 6.3 percent and 10.2 percent, respectively, of the outstanding loans and interest receivable balance.

At September 30, 2015, and September 30, 2014, the allowance for both pre-credit-reform and credit-reform loans equaled 6.7 percent and 11.1 percent, respectively, of the total loans and interest receivable.

The outstanding balances related to rescheduled installments included in loans receivable at September 30, 2015 and September 30, 2014, were \$780.7 million and \$434.6 million, respectively. EXIM had one rescheduled loan installment from Argentina. In FY 2015, EXIM had a rescheduling of Argentina debt. Argentina agreed to repay EXIM Bank the full outstanding amount of \$562.2 million at renegotiated terms. This agreement entered into force on April 13, 2015.

The net balance of loans receivable at September 30, 2015, and September 30, 2014, consists of the following:

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FY 2015 (in millions)	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Loans Obligated Prior to FY 1992	\$350.2	\$2.6	(\$104.4)	\$248.4
Loans Obligated After FY 1991	22,413.4	134.6	(1,425.5)	21,122.5
Total	\$22,763.6	\$137.2	(\$1,529.9)	\$21,370.9

FY 2014 (in millions)	Loans Receivable Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Direct Loans, Net
Loans Obligated Prior to FY 1992	\$338.2	\$0.2	(\$241.6)	\$96.8
Loans Obligated After FY 1991	21,222.2	133.7	(2,168.3)	19,187.6
Total	\$21,560.4	\$133.9	(\$2,409.9)	\$19,284.4

(in millions)	FY 2015	FY 2014
Direct Loans Disbursed During Year (Post-1991)	\$2,386.1	\$4,513.5

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**B. Program Cost and Re-Estimate Expense for Direct Loans by Component**

The table below discloses the interest, defaults, fees and re-estimate amounts associated with program cost disbursed in the current fiscal year on loan authorizations made in the current and prior fiscal years and the current year loss re-estimate.

(in millions)	FY 2015	FY 2014
Interest	(\$232.4)	(\$462.1)
Defaults	69.4	136.2
Fees and Other Collections	<u>(139.3)</u>	<u>(201.4)</u>
Total Program Cost	(302.3)	(527.3)
Net Re-estimate – Principal	(652.4)	757.4
Net Re-estimate – Interest	<u>(189.6)</u>	<u>87.1</u>
Total Net Re-estimate	(842.0)	844.5
Total Direct Loan Program (Cost) and Re-Estimate Expense	(\$1,144.3)	\$317.2

**C. Program Cost Rates for Direct Loans by Program and Component**

The program cost rates disclosed below relate to the percentage of program costs on loan authorizations made in the reporting fiscal year. Because these rates only pertain to authorizations from the reporting fiscal year, these rates cannot be applied to loan disbursements in the reporting fiscal year to yield the program cost, which could result from disbursements of loans from both current and prior years.

	FY 2015	FY 2014
Interest	(4.3)%	(4.2)%
Defaults	4.7%	5.2%
Fees and Other Collections	<u>(8.1)%</u>	<u>(7.3)%</u>
Total	(7.7)%	(6.3)%

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**D. Schedule for Reconciling Direct Loan Allowance Balances**

The table below discloses the components of the direct-loan allowance.

(in millions)	FY 2015	FY 2014
<b>Post-1991 Direct Loans</b>		
Beginning Balance of the Allowance Account	\$2,168.3	\$1,668.6
Current Year Program Cost <i>(see Note 4B for Component Breakdown)</i>	(302.3)	(527.3)
Fees Received	110.0	224.3
Loans Written Off	-	(2.1)
Program-Cost Allowance Amortization	163.6	314.1
Miscellaneous Recoveries and (Costs)	127.9	(353.8)
Ending Balance Before Re-estimate	<u>2,267.5</u>	<u>1,323.8</u>
Re-estimate	(842.0)	844.5
Ending Balance of the Allowance Account	<u>\$1,425.5</u>	<u>\$2,168.3</u>

Program-cost allowance amortization is calculated, as required by SFFAS 18, "Amendments to Accounting Standards for Direct Loans and Loan Guarantees," as the difference between interest revenue and interest expense.

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**E. Defaulted Guaranteed Loans**

The allowance for defaulted guaranteed loans is calculated using the fair-market value method as formerly described. Capitalized interest included in gross defaulted guaranteed loans receivable is reserved at 100 percent. At September 30, 2015 and September 30, 2014, capitalized interest on pre-credit reform defaulted guaranteed loans was \$24.4 million. At September 30, 2015 and September 30, 2014, capitalized interest on credit reform defaulted guaranteed loans was \$28.0 million and \$99.7 million, respectively. The total allowance equaled 85.9 percent and 81.9 percent of gross defaulted guaranteed loans and interest receivable at September 30, 2015, and September 30, 2014, respectively.

FY 2015 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Defaulted Guaranteed Loans				
Obligated Prior to FY 1992	\$55.4	\$ 1.5	(\$29.5)	\$27.4
Obligated After FY 1991	1,166.9	0.5	(1,022.7)	\$144.7
Total	\$1,222.3	\$2.0	(\$1,052.2)	\$172.1

FY 2014 (in millions)	Defaulted Guaranteed Loans Receivable, Gross	Interest Receivable	Allowance for Loan Losses	Value of Assets Related to Defaulted Guaranteed Loans, Net
Defaulted Guaranteed Loans				
Obligated Prior to FY 1992	\$53.6	\$ -	(\$41.7)	\$11.9
Obligated After FY 1991	1,166.3	2.0	(972.9)	\$195.4
Total	\$1,219.9	\$2.0	(\$1,014.6)	\$207.3

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**F. Guaranteed Loans and Insurance**

EXIM Bank is exposed to credit loss with respect to the amount of outstanding guaranteed loans and insurance policies in the event of nonpayment by obligors under the agreements. The commitments shown below are agreements to lend monies and issue guarantees and insurance as long as there is no violation of the conditions established in the credit agreement.

(in millions)	FY 2015	FY 2014
Gross Outstanding Principal of Guaranteed Loans and Insurance, Face Value	\$61,495.3	\$63,159.8
Undisbursed Principal of Guaranteed Loans and Insurance, Face Value	<u>10,730.5</u>	<u>14,973.4</u>
Total Principal of Guaranteed Loans and Insurance, Face Value	\$72,225.8	\$78,133.2
Amount of Principal That is Guaranteed and Insured by EXIM Bank	\$72,225.8	\$78,133.2
Gross Amount of Guaranteed Loans and Insurance Disbursed During Year, Face Value	\$12,983.7	\$18,376.8
Amount of Guaranteed Loans and Insurance Disbursed During Year that is Guaranteed and Insured by EXIM Bank	\$12,983.7	\$18,376.8

**G. Liability for Loan Guarantees and Insurance**

The liability for loan guarantees and insurance balances of \$1,435.6 million at September 30, 2015 and \$1,620.7 million at September 30, 2014 represent post FY 1991 guarantees and insurance credits.

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**H. Program Cost and Re-Estimate Expense for Loan Guarantees and Insurance by Component**

The table below discloses defaults, fees and re-estimate amounts associated with the program cost disbursed in the current year on loan guarantee and insurance authorizations made in the current and prior fiscal years and the current year loss re-estimate. The total program cost also includes modifications made on these authorizations.

(in millions)	FY 2015	FY 2014
Defaults	\$252.9	\$693.5
Fees and Other Collections	(477.7)	(944.7)
Total Program Costs	(224.8)	(251.2)
Net Re-estimate – Principal	(304.1)	(285.3)
Net Re-estimate – Interest	(134.8)	(79.3)
Total Net Re-estimate	(438.9)	(364.6)
Total Loan Guarantee and Insurance Program Cost and Re-Estimate Expense	(\$663.7)	(\$615.8)

**I. Program Cost Rates for Loan Guarantees and Insurance by Component**

The program cost rates disclosed below relate to the percent of program costs on loan guarantee and insurance authorizations made in the reporting fiscal year. Because these rates only pertain to authorizations from the reporting fiscal year, these rates cannot be applied to the guarantees of loans disbursed during the reporting fiscal year to yield the program cost, which could result from disbursements of loans from both current and prior years.

	FY 2015	FY 2014
Defaults	8.5%	3.8%
Fees and Other Collections	(5.9)	(5.5)%
Total	2.6%	(1.7)%

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**J. Schedule for Reconciling the Allowance for Loan Guarantee Balances**

The table below discloses the components of the allowance for loan guarantees.

(in millions)	FY 2015	FY 2014
<b>Post-1991 Loan Guarantees</b>		
Beginning Balance of the Allowance Account	\$ 1,620.7	\$ 1,620.8
Current Year Program Cost <i>(See Note 3H for Component Breakdown)</i>	(224.8)	(251.2)
Fees Received	402.6	623.1
Claim Expenses and Write-Offs	(1.3)	(5.3)
Interest Accumulation	58.4	46.4
Other	18.9	(48.5)
Ending Balance Before Re-estimate	1,874.5	1,985.3
Re-estimate	(438.9)	(364.6)
Ending Balance of the Allowance Account	\$ 1,435.6	\$ 1,620.7

**K. Administrative Costs**

All of the Bank's administrative expenses are attributed to the support of the Bank's loan, guarantee and insurance programs. Administrative expenses are not allocated to individual programs.

(in millions)	FY 2015	FY 2014
Total Administrative Expense	\$131.9	\$114.8

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**L. Outstanding Exposure and Allowance by Program**

(in millions)	FY 2015	FY 2014
Outstanding Loans	\$22,763.6	\$21,560.4
Allowance for Loan Losses	1,529.9	2,409.9
Percent Allowance of Outstanding Balance	6.7%	11.1%
Outstanding Defaulted Guarantees and Insurance	1,222.3	1,219.9
Allowance for Outstanding Defaulted Guarantees and Insurance	1,052.2	1,014.6
Percent Allowance of Outstanding Balance	86.1%	83.2%
Outstanding Guarantees & Insurance	61,495.3	63,159.8
Liability for Guarantees & Insurance	1,435.6	1,620.7
Percent Allowance of Outstanding Balance	2.3%	2.6%

The allowance for losses for EXIM Bank credits authorized after the FCRA equates to the amount of estimated credit loss associated with the applicable loans, claims, guarantees, and insurance. According to SFFAS 2, Accounting for Direct Loans and Guarantees, direct loans disbursed and outstanding are recognized as assets at the present value of their estimated net cash flows. The difference between the outstanding principal of the loans and the present value of their net cash inflows is recognized as the allowance for credit losses. For guaranteed loans outstanding, the present value of estimated net cash flows of the loan guarantee is recognized as a guaranteed loan liability.

EXIM Bank's credit programs generally have fees and interest rates higher than the expected default and funding costs, resulting in the net present value of cash inflows to be greater than the outstanding principal of the credit.

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**M. Allowance and Exposure Summary**

(in millions)	FY 2015	FY 2014
<b><u>Pre-Credit-Reform Allowance</u></b>		
Allowance for Loan Losses	\$104.4	\$241.6
Allowance for Defaulted Guarantees	29.5	41.7
Total Pre-Credit-Reform Allowance	133.9	283.3
<b><u>Credit-Reform Allowance</u></b>		
Allowance for Loan Losses	1,425.5	2,168.3
Allowance for Defaulted Guarantees and Insurance	1,022.7	972.9
Liability for Loan Guarantees and Insurance	1,435.6	1,620.7
Total Credit-Reform Allowance	3,883.8	4,761.9
Total Allowance for Loan Losses	1,529.9	2,409.9
Total Allowance for Guarantees and Insurance	2,487.8	2,635.3
Total Allowance	\$4,017.7	\$5,045.2
Total Outstanding Balance of Loans, Guarantees and Insurance	\$85,481.2	\$85,940.1
Percent Allowance to Outstanding Balance	4.7%	5.9%
Total Exposure	\$102,210.7	\$112,007.8
Percent Allowance to Exposure	3.9%	4.5%

**4. Accrual of Interest**

The weighted-average interest rate on EXIM Bank's loan and rescheduled claim portfolio at September 30, 2015, was 2.69 percent (2.80 percent on performing loans and rescheduled claims). The weighted-average interest rate on EXIM Bank's loan and rescheduled claim portfolio at September 30, 2014, was 2.74 percent (2.79 percent on performing loans and rescheduled claims). Interest income is recognized when collected on nonrescheduled claims.

Generally, the accrual of interest on loans and rescheduled claims is discontinued when the credit is delinquent for more than 90 days. EXIM Bank had a total of \$807.9 million and \$46.1 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2015. EXIM Bank had \$350.3 million and \$37.1 million of loans and rescheduled claims, respectively, in nonaccrual status at September 30, 2014. Had these credits been in accrual status, interest income would have been \$37.9 million higher as of September 30, 2015 (amount is net of interest received of \$10.7 million), and \$20.1 million higher in FY 2014 (amount is net of interest received of \$0.1 million).

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**5. Statutory Limitations on Lending Authority**

Under its charter, EXIM Bank's statutory authority was \$140.0 billion in FY 2015 and FY 2014, of loans, guarantees and insurance exposure at any one time. At September 30, 2015, and September 30, 2014, EXIM Bank's statutory authority used was as follows:

(in millions)	FY 2015	FY 2014
Outstanding Guarantees	\$59,810.1	\$60,905.9
Outstanding Loans	22,763.6	21,560.4
Outstanding Insurance	1,685.2	2,253.9
Outstanding Claims	1,222.3	1,219.9
Total Outstanding	85,481.2	85,940.1
Undisbursed Loans	5,999.0	11,094.3
Undisbursed Guarantees	6,070.1	8,457.3
Undisbursed Insurance	4,660.4	6,516.1
Total Undisbursed	16,729.5	26,067.7
Total Exposure	\$102,210.7	\$112,007.8

Transactions can be committed only to the extent that budget authority is available to cover program costs. For FY 2015 and FY 2014, Congress placed no limit on the total amount of loans, guarantees and insurance that could be committed in those years, provided that the statutory authority established by the EXIM Bank's charter was not exceeded.

During FY 2015, EXIM Bank committed \$72.6 million for direct loans, \$12,310.6 million for guarantees and insurance, using no budget authority and no tied-aid funds. During FY 2014, EXIM Bank committed \$1,927.6 million for direct loans, \$18,540.3 million for guarantees and insurance, using \$8.7 million of budget authority and no tied-aid funds.

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EXIM Bank has authorized guarantee transactions denominated in a foreign currency during FY 2015 totaling \$1,470.0 million, and authorized \$1,333.6 million during FY 2014, as calculated at the exchange rate at the time of authorization. EXIM Bank adjusts the allowance for all transactions denominated in a foreign currency using the various foreign-currency exchange rates at the end of the fiscal year.

For financial statement purposes, EXIM Bank defines exposure as the authorized outstanding and undisbursed principal balance of loans, guarantees, and insurance. It also includes the unrecovered balance of payments made on claims that were submitted to EXIM in its capacity as guarantor or insurer under the export guarantee and insurance programs. Exposure does not include accrued interest or transactions pending final approval. This corresponds to the way activity is charged against the Bank's overall \$140.0 billion lending limit imposed by Section 6(a)(2) of EXIM Bank's charter.

Working capital guarantees may be approved for a single loan or a revolving line of credit, with an availability generally of one year. Guaranteed lenders do not report activity to EXIM Bank, the entire credit is assumed to be "disbursed" when the fee is paid to the Bank. The credit is recorded as repaid in one installment 180 days after the expiry date of the credit unless the Controller's office is notified before that time that a claim has been paid. Under the assumption that the exporter is using the credit up to the end of the expiry period, six months provides sufficient time for the guaranteed lender to report defaults to EXIM Bank in the event that the exporter does not repay the credit. If a claim is paid, the remaining outstanding balance of the credit associated with the claim is reduced to zero. Exposure is then reflected as an unrecovered claim.

Since there is typically a delay in reporting shipments under the insurance program, undisbursed balances remain on the books for 120 days after the expiry date to allow for the posting of shipments that took place within the period covered by the policy but were reported after the expiry date. These unreported shipments pose some liability in the form of claims that have been incurred but not yet reported (IBNR). Leaving the policy open past the expiry date provides a reserve for IBNR.

## **6. Portfolio Analysis**

EXIM Bank support is available to U.S. businesses exporting to countries around the world. The Bank's portfolio is concentrated more heavily in some regions, industries and obligors than others. In reviewing each transaction, EXIM Bank considers the option of using various credit enhancements to support its standard for a reasonable assurance of repayment. Various types of collateral, including liens on commercial aircraft, may or may not be appropriate or available in support of a credit.

The volatility in commodity prices, the fluctuation in currency exchange rates, and the tightening of credit markets may have an impact on a borrower's ability to service their obligations. EXIM Bank proactively monitors the portfolio to prevent defaults and to make appropriate rating and loss reserve adjustments as necessary.

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In FY 2015, management elected to reclassify exposure of regional country groupings of its loan, guarantee and insurance portfolio to better align EXIM's reporting with other entities with international exposure such as the World Bank, the United Nations and the U.S Treasury. Results of prior periods have been reclassified to conform to the current year presentation.

The following tables summarize total exposure by geographic region as of September 30, 2015 and September 30, 2014:

2015 (in millions)		
Region	Amount	Percentage
Asia	\$26,130.3	25.7%
Latin America and the Caribbean	18,853.6	18.4%
Europe	18,613.4	18.2%
Middle-East and North Africa	13,743.4	13.4%
Oceania	7,514.4	7.4%
North America	7,202.7	7.0%
Sub-Saharan Africa	5,740.4	5.6%
Other	4,412.5	4.3%
Total Exposure	\$102,210.7	100.0%

2014 (in millions)		
Region	Amount	Percentage
Asia	\$26,836.5	24.0%
Europe	20,130.8	18.0%
Latin America and the Caribbean	20,105.7	18.0%
Middle-East and North Africa	15,825.0	14.1%
North America	8,638.1	7.7%
Oceania	8,258.5	7.4%
Sub-Saharan Africa	6,024.3	5.4%
Other	6,188.9	5.4%
Total Exposure	\$112,007.8	100.0%

The following tables summarize total exposure by industry as of September 30, 2015 and September 30, 2014:

2015 (in millions)		
Industry	Amount	Percentage
Air Transportation	\$49,031.0	48.0%
Manufacturing (other)	16,323.9	16.0%
Oil & Gas	15,965.7	15.6%
Power Projects	5,800.7	5.7%
All Other	15,089.4	14.7%
	\$102,210.7	100.0%

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2014 (in millions)

Industry	Amount	Percentage
Air Transportation	\$50,668.7	45.2%
Manufacturing (other)	19,960.7	17.8%
Oil & Gas	16,381.2	14.6%
Power Projects	7,325.3	6.5%
All Other	17,671.9	15.9%
	<b>\$112,007.8</b>	<b>100.0%</b>

The following tables summarize the five largest public and private obligors at September 30, 2015 and September 30, 2014:

2015 (in millions)

Obligor	Amount	Percentage
Pemex	\$6,754.4	6.6%
Sadara Chemical Company	4,180.0	4.1%
Korean Air Lines	3,110.0	3.0%
Australia Pacific LNG Csg Processing Pty Ltd	2,865.5	2.8%
Papua New Guinea LNG Global Comp.	2,594.9	2.5%
All Other	82,705.9	81.0%
	<b>\$102,210.7</b>	<b>100.0%</b>

2014 (in millions)

Obligor	Amount	Percentage
Pemex	\$5,587.5	5.0%
Sadara Chemical Company	4,630.0	4.1%
Papua New Guinea LNG Global Comp.	3,000.0	2.7%
Australia Pacific LNG Csg Processing Pty	2,865.5	2.6%
Ryanair Ltd.	2,750.1	2.5%
All Other	93,174.7	83.1%
	<b>\$112,007.8</b>	<b>100.0%</b>

The following tables summarize total exposure by country as of September 30, 2015 and September 30, 2014:

2015 (in millions)

Country	Amount	Percentage
Mexico	\$9,411.9	9.2%
Saudi Arabia	6,214.3	6.1%
India	5,844.8	5.7%
China	5,562.8	5.4%
United Arab Emirates	4,668.2	4.6%
All Other	70,508.7	69.0%
	<b>\$102,210.7</b>	<b>100.0%</b>

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2014 (in millions)

Country	Amount	Percentage
Mexico	\$9,253.6	8.3%
India	7,286.1	6.5%
Saudi Arabia	6,876.6	6.1%
United Arab Emirates	5,958.3	5.3%
Australia	4,770.4	4.3%
All Other	77,862.8	69.5%
	<b>\$112,007.8</b>	<b>100.0%</b>

The following tables summarize the largest exposures by program by country as of September 30, 2015 and September 30, 2014:

**Loans Outstanding and Undisbursed:**

2015 (in millions)

Country	Amount	Percentage
Saudi Arabia	\$5,708.5	19.6%
Australia	3,639.6	13.0%
United Kingdom	3,120.1	10.8%
Colombia	2,415.5	8.3%
All Other	13,878.9	48.3%
Total	<b>\$28,762.6</b>	<b>100.0%</b>

2014 (in millions)

Country	Amount	Percentage
Saudi Arabia	\$6,311.0	19.3%
Australia	3,801.0	11.6%
United Kingdom	3,187.1	9.8%
Colombia	2,614.2	8.0%
All Other	16,741.4	51.3%
Total	<b>\$32,654.7</b>	<b>100.0%</b>

**Subrogated Claims:**

2015 (in millions)

Country	Amount	Percentage
Mexico	\$276.1	22.6%
Indonesia	128.8	10.5%
Kazakhstan	96.2	7.9%
Brazil	70.3	5.8%
All Other	650.9	53.2%
Total	<b>\$1,222.3</b>	<b>100.0%</b>

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2014 (in millions)

Country	Amount	Percentage
Mexico	\$270.0	22.1%
Indonesia	152.0	12.5%
Kazakhstan	105.3	8.6%
Brazil	58.6	4.8%
All Other	634.0	52.0%
<b>Total</b>	<b>\$1,219.9</b>	<b>100.0%</b>

**Guarantees and Insurance:**

2015 (in millions)

Country	Amount	Percentage
Mexico	\$8,072.6	11.2%
China	5,709.0	7.9%
United States	4,485.1	6.2%
United Arab Emirates	4,152.3	5.7%
All Other	49,806.8	69.0%
<b>Total</b>	<b>\$72,225.8</b>	<b>100.0%</b>

2014 (in millions)

Country	Amount	Percentage
Mexico	\$7,635.0	9.8%
India	4,667.7	6.0%
United Arab Emirates	4,401.1	5.6%
Ireland	4,387.3	5.6%
All Other	57,042.1	73.0%
<b>Total</b>	<b>\$78,133.2</b>	<b>100.0%</b>

**7. Other Assets**

(in millions)	FY 2015	FY 2014
Fee Receivables	\$28.6	\$27.7
Other	0.5	0.9
<b>Total Other Assets</b>	<b>\$29.1</b>	<b>\$28.6</b>

Commitment fees are charged on the undisbursed, unexpired balance of loans and certain guarantees. The Other category includes miscellaneous receivables, including assets acquired through claims recovery.

**8. Liabilities Not Covered by Budgetary Resources**

Liabilities not covered by budgetary resources are included in Other Liabilities on the Balance Sheet as follows:

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EXIM Bank's liability to employees for accrued unfunded annual leave, included in Other Liabilities on the Balance Sheets, was \$4.5 million as of September 30, 2015 and \$4.4 million as of September 30, 2014. The liability will be paid from future administrative expense budget authority.

**9. Debt**

EXIM Bank's outstanding borrowings come from two sources: direct borrowing from the U.S. Treasury, and the assumption of repayment obligations of defaulted guarantees under EXIM Bank's guarantee program via payment certificates.

EXIM Bank's total debt at September 30, 2015, and September 30, 2014, is as follows:

(in millions)	FY 2015	FY 2014
<b>U.S. Treasury Debt</b>		
Beginning Balance	\$21,633.6	\$18,101.8
New Borrowings	2,548.9	4,273.4
Repayments	(1,457.1)	(741.6)
Ending Balance	<u>\$22,725.4</u>	<u>\$21,633.6</u>
<b>Debt Held by the Public</b>		
Beginning Balance	\$21.4	\$33.1
New Borrowings	18.2	0.2
Repayments	(10.6)	(11.9)
Ending Balance	<u>\$29.0</u>	<u>\$21.4</u>
<b>Total Debt</b>	<u><u>\$22,754.4</u></u>	<u><u>\$21,655.0</u></u>

EXIM Bank had \$22,725.4 million of borrowings outstanding with the U.S. Treasury at September 30, 2015, and \$21,633.6 million at September 30, 2014, with a weighted-average interest rate of 3.11 percent at September 30, 2015, and 3.22 percent at September 30, 2014.

U.S. Treasury borrowings are repaid primarily with the repayments of medium-term and long-term loans. To the extent repayments on the underlying loans, combined with commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, appropriated funds are available to EXIM Bank through the re-estimation process for this purpose. The full amount of the borrowings is expected to be repaid by FY 2033.

Payment certificates are issued by EXIM Bank in exchange for the foreign obligor's original note that was guaranteed by EXIM Bank on which EXIM Bank has paid a claim and carries the same repayment term and interest rate as the foreign obligor's note. Payment certificates are backed by the full faith and credit of the U.S. government and are freely transferable.

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Outstanding payment certificates at September 30, 2015, and September 30, 2014, were \$29.0 million, and \$21.4 million, respectively. Maturities of payment certificates at September 30, 2015, are as follows:

(in millions)	Amount
Fiscal Year	
2016	\$6.4
2017	6.9
2018	-
2019	-
2020	15.7
Total	\$29.0

The weighted-average interest rate on EXIM Bank's outstanding payment certificates at September 30, 2015, and September 30, 2014, was 3.65 percent and 3.54 percent, respectively.

**10. Other Liabilities**

(in millions)	FY 2015	FY 2014
Current		
Funds Held Pending Application	\$100.4	\$24.3
Administrative Expenses Payable	12.9	9.7
Miscellaneous Accrued Payables	1.3	1.6
Non-Current		
Deferred Revenue	155.1	180.6
Total Other Liabilities	\$269.7	\$216.2

As of September 30, 2015 and September 30, 2014, \$155.1 million and \$180.6 million respectively represent deferred revenue in the form of offsetting collections which are available to cover administrative expenses and program costs.

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**11. Leases**

EXIM Bank's office space is leased from the General Services Administration through the Public Buildings Fund. Lease expenses, included in Administrative Costs on the Statements of Net Costs, were \$7.7 million in FY 2015 and \$6.3 million in FY 2014. EXIM headquarters lease will be up for renewal in 2018. Both leases are cancellable. Future payments under the two leases are as follows:

(in millions)	
Fiscal Year	Amount
2016	\$8.8
2017	8.8
2018	8.8
2019	1.9
2020	1.6
Total	\$29.9

**12. Commitments and Contingencies**

Pending Litigation

As of September 30, 2015, EXIM Bank was named in several legal actions, virtually all of which involved claims under the guarantee and insurance programs. It is not possible to predict the eventual outcome of the various actions; however, it is management's opinion that there is a remote likelihood that these claims will result in a future outflow or other sacrifice of resources to such an extent that they would materially affect the financial position or results of operations of EXIM Bank.

**13. Disclosures Related to the Statements of Net Costs**

EXIM Bank's Statements of Net Costs list the costs and revenues associated with each of the Bank's lines of business, namely the loan, guarantee and insurance programs. The intragovernmental and public costs and revenues associated with each program, and administrative expenses, are disclosed below. EXIM Bank does not allocate administrative expenses by program.

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**Public Costs and Public Revenue**

(in millions)

	<u>Loans</u>	<u>Guarantees</u>	<u>Insurance</u>	<u>Administrative Expenses</u>	<u>Total</u>
<b><u>For the Year Ended September 30, 2015</u></b>					
Intragovernmental Costs	\$727.1	\$ -	\$ -	\$8.3	\$735.4
Public Costs	<u>(853.1)</u>	<u>203.9</u>	<u>(98.4)</u>	<u>123.6</u>	<u>(624.0)</u>
Total Costs	(126.0)	203.9	(98.4)	131.9	111.4
Intragovernmental Revenue	(115.5)	(58.4)	(1.6)	-	(175.5)
Public Revenue	<u>(774.0)</u>	<u>(440.7)</u>	<u>(25.3)</u>	<u>-</u>	<u>(1,240.0)</u>
Total Revenue	(889.5)	(499.1)	(26.9)	-	(1,415.5)
<b>Net Excess of Program Costs Over (Revenue)</b>					<b><u><u>(\$1,304.1)</u></u></b>

**For the Year Ended September 30, 2014**

Intragovernmental Costs	\$712.9	\$ -	\$ -	\$6.8	\$719.7
Public Costs	<u>749.0</u>	<u>273.4</u>	<u>(26.3)</u>	<u>108.0</u>	<u>1,104.1</u>
Total Costs	1,461.9	273.4	(26.3)	114.8	1,823.8
Intragovernmental Revenue	(117.2)	(44.7)	(1.8)	-	(163.7)
Public Revenue	<u>(570.9)</u>	<u>(528.5)</u>	<u>(34.6)</u>	<u>-</u>	<u>(1,134.0)</u>
Total Revenue	(688.1)	(573.2)	(36.4)	-	(1,297.7)
<b>Net Excess of Program Costs Over (Revenue)</b>					<b><u><u>\$526.1</u></u></b>

Intragovernmental costs include interest expense paid to the U.S. Treasury related to borrowings associated with the funding of credit-reform direct loans and administrative costs paid to other government agencies. Intragovernmental revenues represent interest from the U.S. Treasury on cash balances in the credit-reform financing accounts.

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Public costs represent costs which the Bank incurs to support the business programs. These costs are comprised primarily of the provision for loss on the loan and guarantee portfolio, and administrative costs paid to the public. Public revenue represents income items which are generated as a result of operating the loan, guarantee and insurance programs. This revenue primarily relates to the fee and interest income on the outstanding credits.

#### **14. Disclosures Related to the Combined Statements of Budgetary Resources**

Combined Statements of Budgetary Resources disclose total budgetary resources available to the Bank and the status of such resources at September 30, 2015 and September 30, 2014. Activity impacting budget totals of the overall U.S. government budget is recorded in EXIM Bank's Combined Statements of Budgetary Resources budgetary accounts. Activity which does not impact budget totals is recorded in EXIM Bank's Combined Statements of Budgetary Resources nonbudgetary accounts. As of September 30, 2015 and September 30, 2014, the Bank's resources in budgetary accounts totaled \$2,037.7 million and \$2,131.2 million respectively. As of September 30, 2015 and September 30, 2014, the Bank's resources in nonbudgetary accounts totaled \$4,806.3 million, and \$5,915.2 million respectively.

##### ***Adjustments to Beginning Balance of Budgetary Resources***

EXIM Bank made no adjustments to the beginning budgetary resources during the years ended September 30, 2015, and September 30, 2014.

##### ***Apportionment Categories of Obligations Incurred***

EXIM Bank funds are apportioned in Category B, which restricts the use of funds by program. The amount of Category B apportionments that were obligated in FY 2015 and FY 2014 totaled \$3,506.2 million and \$5,642.0 million, respectively.

##### ***Permanent Indefinite Appropriations***

The FCRA requires an annual re-estimate of the credit loss allowance. In the event that there is an increase in estimated defaults, there is permanent and indefinite budget authority available for this purpose. The FY 2014 upward re-estimate received from the U.S. Treasury in FY 2015 was \$1,331.3 million; while the downward re-estimate sent to the U.S. Treasury was \$852.7 million. The FY 2013 upward re-estimate received from the U.S. Treasury in FY 2014 was \$1,436.0 million; while the downward re-estimate sent to the U.S. Treasury was \$943.5 million.

##### ***Available Borrowing Authority and Terms of Borrowing***

EXIM Bank in part relies on borrowings from the U.S. Treasury to help fund the Bank's loan program. U.S. Treasury borrowings are repaid primarily with the repayments of medium-term and long-term loans. To the extent repayments on the underlying loans, combined with commitment and exposure fees and interest earnings received on the loans, are not sufficient to repay the borrowings, permanent and indefinite appropriated funds are available to EXIM Bank through the re-estimation process for this purpose. The full amount of the borrowings is expected to be repaid by FY 2033.

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For FY 2015 EXIM Bank had a net decrease in overall borrowing authority of \$3,345.5 while in FY 2014 EXIM Bank had a net decrease in overall borrowing authority of \$1,047.8 million.

***Unobligated Balances***

Unobligated balances at September 30, 2015 totaled \$3,337.8 million. Of the \$3,337.8 million, \$288.6 million is available to cover program costs for new credits, \$2,780.9 million represents the amount in the loan, guarantee and insurance financing accounts that is available to cover future defaults, and \$257.2 million is unavailable for new obligations.

Unobligated balances at September 30, 2014 totaled \$2,404.4 million. Of the \$2,404.4 million, \$303.9 million is available to cover program costs for new credits, \$1,869.7 million represents the amount in the guarantee and insurance financing account that is available to cover future defaults, and \$261.4 million is unavailable for new obligations.

***Differences between Combined Statements of Budgetary Resources and Budget of U.S. Government***

There are no differences between the budgetary resources shown on the Combined Statements of Budgetary Resources and the Budget of the U.S. Government.

**15. Reconciliation of Net Cost of Operations to Budget**

The following schedule reconciles the Net Cost of Operations to the Bank's budgetary and financial accounting. The reconciliation illustrates the relationship between net obligations derived from EXIM Bank's budgetary accounts and the net cost of operations derived from EXIM Bank's proprietary accounts by identifying and explaining key differences between the two numbers.

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(in millions)	For the Year Ended September 30, 2015	For the Year Ended September 30, 2014
<b><u>Resources Used To Finance Activities</u></b>		
<b>Budgetary Resources Obligated</b>		
Obligations Incurred	\$3,506.2	\$5,642.0
Less: Spending Authority from Offsetting Collections and Recoveries	6,478.9	5,071.4
Net Obligations	(2,972.7)	570.6
<b>Other Resources</b>		
Imputed Financing from Costs Absorbed by Others	3.5	3.8
<b>Total Resources Used To Finance Activities</b>	(2,969.2)	574.4
<b><u>Resources Used To Finance Items Not Part of Net Cost of Operations</u></b>		
Change in Budgetary Resources Obligated for Goods, Services, and Benefits Ordered but Not Yet Provided	\$4,565.7	\$3,687.1
Resources That Fund Expenses in Prior Periods	(1,332.0)	(1,435.9)
Budgetary Offsetting Collections and Receipts That Do Not Affect Net Cost of Operations		
- Credit-Program Collections	3,119.7	3,266.0
Resources That Finance the Acquisition of Assets	(3,890.4)	(6,296.0)
<b>Total Resources That Do Not Finance Net Cost of Operations</b>	2,463.0	(778.8)
<b>Total Resources Used To Finance the Net Cost of Operations</b>	(506.2)	(204.4)
<b><u>Components of the Net Cost of Operations That Will Not Require or Generate Resources in the Current Period</u></b>		
<b>Components Requiring or Generating Resources in Future Periods</b>		
Allowance Amortization	\$655.8	\$510.5
Provision for Loss -- Pre-Credit-Reform Credits	(130.0)	21.3
Downward Re-estimate of Credit-Losses	(1,539.7)	(902.0)
Upward Re-estimate of Credit-Losses	239.9	1,332.0
Change in Receivables	(32.0)	(165.6)
Change in Payables	8.1	(13.5)
<b>Total Components Requiring or Generating Resources in Future Periods</b>	(797.9)	782.7
<b>Components Not Requiring or Generating Resources</b>		
Deferral Adjustments	-	(52.2)
<b>Total Components Not Requiring or Generating Resources</b>	-	(52.2)
<b>Total Components of Net Cost of Operations That Will Not Require or Generate Resources in the Current Period</b>	(\$797.9)	\$730.5
<b>Net Excess Program Costs Over (Revenue)</b>	(\$1,304.1)	\$526.1

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**16. Related-Party Transactions**

The financial statements reflect the results of contractual agreements with the Private Export Funding Corporation (PEFCO). PEFCO, which is owned by a consortium of private-sector banks, industrial companies and financial services institutions, makes medium-term and long-term fixed-rate and variable-rate loans to foreign borrowers to purchase U.S. made equipment when such loans are not available from traditional private sector lenders on competitive terms. EXIM Bank's credit and guarantee agreement with PEFCO extends through December 31, 2020. Through its contractual agreements with PEFCO, EXIM Bank exercises a broad measure of supervision over PEFCO's major financial management decisions, including approval of both the terms of individual loan commitments and the terms of PEFCO's long-term debt issues, and is entitled to representation at all meetings of PEFCO's board of directors, advisory board and exporters' council.

PEFCO has agreements with EXIM Bank which provide that EXIM Bank will (1) guarantee the due and punctual payment of principal and interest on export loans made by PEFCO and (2) guarantee the due and punctual payment of interest on PEFCO's long-term secured debt obligations when requested by PEFCO. Such guarantees, aggregating \$12,633.6 million at September 30, 2015 (\$11,690.3 million related to export loans and \$943.3 million related to secured debt obligations) and \$10,027.1 million at September 30, 2014 (\$9,072.5 million related to export loans and \$954.7 million related to secured debt obligations), are included by EXIM Bank in the total for guarantee, insurance and undisbursed loans and the allowance related to these transactions is included in the Guaranteed Loan Liability on the Balance Sheets. EXIM Bank received fees totaling \$34.2 million in FY 2015 (\$33.9 million related to export loans and \$0.3 million related to secured debt obligations) and \$39.1 million in FY 2014 (\$38.8 million related to export loans and \$0.3 million related to secured debt obligations) for the agreements, which are included in Fee and Other Revenue on the Statements of Net Costs.

EXIM Bank has significant transactions with the U.S. Treasury such as borrowings, borrowings repayments, interest income on financing accounts, interest expense on borrowings. The U.S. Treasury, although not exercising control over EXIM Bank, holds the capital stock of EXIM Bank creating a related-party relationship between EXIM Bank and the U.S. Treasury.

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**17. Contributions to Employee Retirement Systems**

All of EXIM Bank's employees whose appointments have federal status are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS).

In FY 2015 and FY 2014, EXIM Bank withheld 7.0 percent of CSRS employees' gross earnings. EXIM Bank's contribution was 7.0 percent of employees' gross earnings. This sum was transferred to the CSRS fund from which this employee group will receive retirement benefits.

For FERS, EXIM Bank withheld 0.8 percent of employees' gross earnings. EXIM Bank's contribution was 11.2 percent of employees' gross earnings in FY 2015 and FY 2014. This sum was transferred to the FERS fund from which the employee group will receive retirement benefits. An additional 6.2 percent of gross earnings, after pre-tax deductions are withheld up to the 2015 and 2014 limit of \$118,500 and \$117,000, respectively; that sum plus matching contributions by EXIM Bank are sent to the Social Security System from which the FERS employee group will receive Social Security benefits.

FERS and CSRS employees may elect to participate in the Thrift Savings Plan (TSP). CSRS and FERS employees may contribute up to \$18,000 of gross earnings. In addition, FERS employees receive an automatic 1 percent contribution from EXIM Bank. Amounts withheld for FERS employees are matched by EXIM Bank up to 4 percent for a maximum EXIM Bank contribution to the TSP of 5 percent.

Total EXIM Bank (employer) matching contributions to the TSP, CSRS and FERS for all employees, included in Administrative Costs in the Statements of Net Costs, were approximately \$8.0 million in FY 2015 and \$6.6 million in FY 2014. Although EXIM Bank funds a portion of pension benefits under the CSRS and FERS relating to its employees and makes the necessary payroll withholdings for them, it has no liability for future payments to employees under these programs and does not account for the assets of the CSRS and FERS, nor does it have actuarial data with respect to accumulated plan benefits or the unfunded pension liability relative to its employees. These amounts are reported by the OPM for the Retirement Systems and are not allocated to the individual employers. The excess of total pension expense over the amount contributed by EXIM Bank and its employees represents the amount of pension expense which must be financed directly by OPM. EXIM Bank recognizes an imputed cost and an imputed financing source, calculated using cost factors supplied by OPM, equal to the excess amount.

OPM also accounts for the health and life insurance programs for current and retired civilian federal employees. Similar to the accounting treatment afforded the retirement programs, the actuarial data related to the health and life insurance programs is maintained by OPM and is not available on an individual-employer basis. EXIM Bank recognizes an imputed cost and an imputed financing source for the future cost of these other retirement benefits (ORB) at the time the employee's services are rendered. This ORB expense is calculated using cost factors supplied by OPM and must be financed by OPM.