

# DEFAULT RATE REPORT

AS OF  
JUNE 2023



FISCAL YEAR 2023 (Q3) DEFAULT EXPERIENCE  
EXPORT-IMPORT BANK OF THE UNITED STATES

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# STATUTORY REQUIREMENT

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This report is prepared in accordance with the requirements of 12 U.S.C. § 635g(g).

*“(g) Monitoring of default rates on bank financing; reports on default rates; safety and soundness review*

*“(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.*

*“(2) ADDITIONAL CALCULATION BY TYPE OF PRODUCT, BY KEY MARKET, AND BY INDUSTRY SECTOR; REPORT TO CONGRESS—In addition, the Bank shall, not less frequently than quarterly-*

*(A) calculate the rate of default-*

*(i) with respect to whether the products involved are short-term loans, medium-term loans, long-term loans, insurance, medium-term guarantees, or long-term guarantees;*

*(ii) with respect to each key market involved; and*

*(iii) with respect to each industry sector involved; and*

*(B) submit to the Committee on Banking, Housing, and Urban Affairs of the Senate and the Committee on Financial Services of the House of Representatives a report on each such rate and any information the Bank deems relevant.*

# EXECUTIVE SUMMARY

## ABOUT EXIM

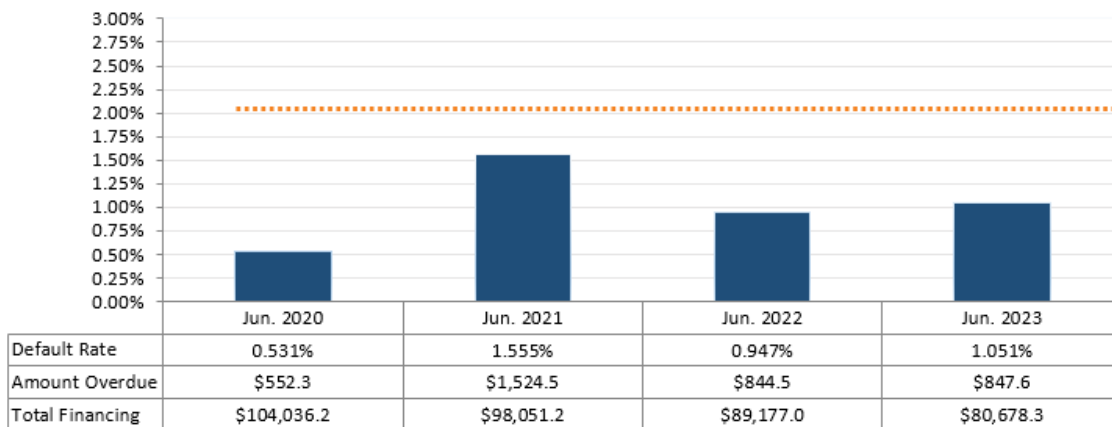
The Export-Import Bank of the United States (EXIM) is an independent executive branch agency with a mission to support American jobs through exports. EXIM provides financing to help U.S. companies compete for global sales through loan guarantee, direct loan, and insurance programs. EXIM financing is only available in cases where the private sector is unable or unwilling to provide financing (e.g., due to portfolio or regulatory considerations) or when U.S. exporters are facing foreign competition backed by official export credit support. EXIM charges fees commensurate with the risk associated with its transactions.

EXIM maintains a comprehensive risk management framework enabling the agency to effectively and responsibly fulfill its mission to support American jobs. This framework begins with due diligence and underwriting to ensure that each transaction has a reasonable assurance of repayment. Following approval, EXIM proactively manages transactions to reduce the risk of default, maximize recoveries, and protect the long-term financial interest of U.S. taxpayers.

## DEFAULT RATE

The default rate is calculated pursuant to statutory requirements and reflects actual defaults at a point in time.<sup>1</sup> EXIM's default rate as of June 30, 2023, is **1.051 percent** as shown in Exhibit 1.

**Exhibit 1: Default Rate**



Data used to calculate the default rate is sourced from the agency's financial management system of records.

This rate reflects a “total amount of required payments that are overdue” (claims paid on guarantees and insurance transactions plus loans past due) divided by a “total amount of financing involved” (disbursements).<sup>2</sup> The default rate of 1.051 percent is below the statutory two

<sup>1</sup> 12 U.S.C. 635g(g)(1). This default rate differs from those published in the Federal Credit Supplement for the President's Annual Budget. 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 point in time. The Federal Credit Supplement can be found at <https://www.whitehouse.gov/omb/supplemental-materials/>.

<sup>2</sup> 12 U.S.C. § 635g(g)(1). The default rate is based on actual disbursements and not authorized financing amounts.

percent cap at which EXIM's lending cap would immediately freeze.<sup>3</sup> The default rate decreased this quarter from 1.149 percent in March 2023 to 1.051 percent in June 2023, largely due to a recovery of a default in EXIM's aircraft portfolio.<sup>4</sup>

EXIM continues to actively monitor global macroeconomic conditions that may impact its portfolio.

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<sup>3</sup> 12 U.S.C. § 635e(a)(3)

<sup>4</sup> During the current reporting period, EXIM identified minor data discrepancies associated with the default rate calculation covering the quarter ending March 31, 2023 (Q2). Using the corrected data, the Q2 default rate was 1.076 percent, which is less than the initially reported Q2 default rate of 1.149 percent.

# DEFAULT RATE

## DEFINED

EXIM's statute requires that the default rate be calculated "by dividing the total amount of the required payments that are overdue by the total amount of the financing involved."<sup>5</sup>

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

The default rate is based on the total financing of EXIM's active credit portfolio. Any disbursed loan, guarantee, or insurance policy that will mature after the date of this report is included as part of the active portfolio. Any claim

payments made for guarantees and insurance transactions and any direct loan payments in arrears in EXIM's active portfolio are considered to be in default.

Data used to calculate the default rate is derived from information contained in EXIM's financial system of record, which records all accounting data for all authorized transactions.

**Active Credit Example:** A long-term guarantee authorized in FY 2014 with a 10-year repayment term (the transaction matures in FY 2024)

**Inactive Credit Example:** A long-term guarantee in FY 1994 with a 10-year repayment term (the transaction matured in FY 2004)

## COMPONENTS OF THE DEFAULT RATE

### Numerator – Overdue Payments

The "total amount of required payments that are overdue," representing the numerator, is defined as claims paid on guarantees and insurance transactions as well as unpaid past due installments on loans in EXIM's active portfolio, net of any recovered amounts collected and expenses incurred related to recovery efforts. The breakdown of the components of overdue payments is provided below.

$$\begin{aligned} \text{Overdue Payments} &= \$1,469.3\text{M} + \$3.5\text{M} - \$625.3\text{M} = \$847.6\text{M} \\ &\quad (\text{Defaults}) \quad (\text{Expenses}) \quad (\text{Recoveries}) \end{aligned}$$

### Defaults

Defaults are calculated differently for direct loans, loan guarantees, and insurance transactions. For loan guarantees and insurance transactions, upon default of a payment obligation by the foreign buyer of the U.S. export, EXIM pays a claim to the guarantors or the insured parties. These claim

<sup>5</sup> 12 U.S.C. § 635g(g)(1)

payments represent defaults paid. For loans, all monies 30 days or more past due are considered defaults. In cases where EXIM determines that an obligor is no longer able to make current and future repayments for a direct loan, the full outstanding exposure of the loan is considered in default. As part of its portfolio management, EXIM may work with borrowers and lenders to restructure troubled transactions to minimize the risk of loss. When transactions are amended to include provisions for full repayment of the defaulted amounts, such payments are no longer overdue. As of June 2023, EXIM has paid out \$930.1 million in claims and other liquidity relief and had \$539.2 million in loans past due in its active portfolio for a total of \$1,469.3 million in defaults paid for transactions in its active portfolio.

### Recoveries

Recoveries made after a default are applied to the specific claim paid or to the loan in arrears and thereby reduce the amount overdue. All recovered amounts are discounted to the time of claim payment or when the direct loan went into arrears. As of June 2023, EXIM has recovered \$625.3 million for transactions in its active portfolio. These recoveries, as well as fees collected from borrowers, are used to offset default claims paid. Recovery efforts occur on a continuous basis, and EXIM frequently collects recoveries for several years after the initial default.

### Expenses

All expenses incurred related to EXIM's recovery efforts are added to the amount overdue. As of June 2023, EXIM has incurred \$3.5 million of expenses related to the recovery process for transactions in its active portfolio.

### *Denominator – Total Financing*

The “total amount of financing involved,” the denominator, is defined as the disbursed financing associated with EXIM's active portfolio.

$$\text{Total Financing} = \$80,678.3\text{M} \text{ (Disbursements)}$$

As of June 2023, EXIM provided a total financing of \$80,678.3 million for transactions in its active portfolio through its loan, guarantee, and insurance programs.

### Disbursements

After a credit is approved, the value of the goods and services financed by EXIM is recorded once the goods are delivered to the buyer. Under the guarantee and insurance programs, the private sector provides transaction financing, and the transaction is guaranteed or insured by EXIM. The guaranteed or insured party notifies EXIM when a shipment of goods has occurred or services have been provided, and EXIM records a non-cash “disbursement” to reflect the value of the goods and services guaranteed or insured by EXIM. Under the direct loan program, the goods and services are financed directly by EXIM. Funds are disbursed to pay for the goods or services delivered to the buyer, and a loan receivable, with appropriate loss reserves, is reflected in EXIM's financial system

of record.<sup>6</sup> Depending on the type of goods and services financed, the delivery (or disbursement) can occur over a period of several years.

### *Default Rate Calculation*

As of June 2023, the total amount of the required payments that are overdue (\$847.6 million) divided by the total amount of the financing involved (\$80,678.3 million) equated to a default rate of 1.051 percent for EXIM.

$$\begin{array}{l} \text{EXIM Default} \\ \text{Rate} \\ \text{(Jun. 2023)} \end{array} = \frac{\begin{array}{c} \$847.6\text{M} \\ \text{(Overdue Payments)} \end{array}}{\begin{array}{c} \$80,678.3\text{M} \\ \text{(Total Financing)} \end{array}} = 1.051\%$$

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<sup>6</sup> EXIM adheres to the provisions of the *Federal Credit Reform Act of 1990*, as amended (2 U.S.C. §§ 661-661f), when executing its reserving practices.



## EXPOSURE

EXIM's exposure differs from the total financing amount. Exposure includes authorized outstanding and undisbursed principal balance of direct loans, loan guarantees, and insurance. Total financing amount refers only to disbursements.

As of June 2023, EXIM's total exposure stood at \$33.5 billion. EXIM's total exposure may not exceed \$135.0 billion.<sup>7</sup>

*"(3) **Freezing of lending cap if default rate is 2 percent or more.** If the rate calculated under section 635g(g)(1) of this title is 2 percent or more for a quarter, the Bank may not exceed the amount of loans, guarantees, and insurance outstanding on the last day of that quarter until the rate calculated under section 635g(g)(1) is less than 2 percent."*

EXIM's statute also requires that the exposure cap be frozen if the default rate exceeds two percent.<sup>8</sup> As of June 2023, EXIM's default rate of 1.051 percent is below the two percent threshold. With the current default rate below two percent, EXIM's total exposure cap remains at its full statutory limit of \$135.0 billion.

## RESERVES

In addition to reserve requirements under the *Federal Credit Reform Act of 1990*, as amended, EXIM must maintain a certain level of total reserves to protect against future losses.<sup>9</sup>

*"6(b) **Reserve Requirement.** The Bank shall build to and hold in reserve, to protect against future losses, an amount that is not less than 5 percent of the aggregate amount of disbursed and outstanding loans, guarantees, and insurance of the Bank."*

As of the end of FY 2022, EXIM total reserves equaled \$2.8 billion, which was 10.7 percent of EXIM's outstanding exposure (\$26.5 billion).

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<sup>7</sup> 12 U.S.C. § 635e(a)(1)

<sup>8</sup> 12 U.S.C. § 635e(a)(3)

<sup>9</sup> 12 U.S.C. § 635e(b)

# DEFAULT RATE – BY SUBCATEGORIES

## DEFAULT RATE: BY SUBCATEGORY

As required by statute, EXIM has calculated default rates based on each subcategory as of June 30, 2023.<sup>10</sup>

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

### *By Type of Product*

EXIM offers loans, guarantees, and insurance products. EXIM reports the default rate for: medium-term loans; long-term loans; insurance; medium-term guarantees; and long-term guarantees.<sup>11</sup> In general, medium-term transactions have a tenor greater than one year and are under \$25 million and long-term transactions are all transactions greater than seven years or more than \$25 million. As of June 30, 2023, medium- and long-term loans had a default rate above two percent. The current elevated medium-term loan default rate is driven by a single default in a program with a relatively small active portfolio. The default rate for long-term loans remained relatively stable, increasing slightly from 2.579 percent in March 2023 to 2.598 percent in June 2023. Exhibit 2 provides a breakout of the default rate by product.

**Exhibit 2: Default Rate by Product**

	MT Guarantees	MT Loans	LT Guarantees	LT Loans	Insurance
Amount Overdue (\$ millions)	\$ 9.7	\$ 4.0	\$ 295.9	\$ 535.2	\$ 2.8
Total Financing (\$ millions)	\$ 926.0	\$ 8.6	\$ 55,264.6	\$ 20,603.6	\$ 1,882.5
Default Rate (%)	1.048%	46.642%	0.535%	2.598%	0.148%

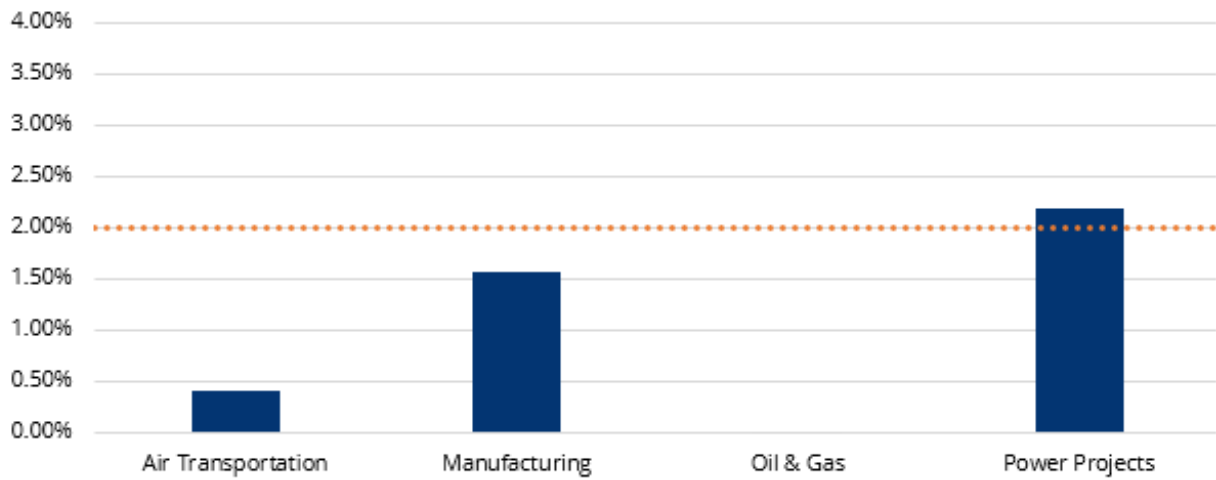
<sup>10</sup> 12 U.S.C. § 635g(g)(2)

<sup>11</sup> EXIM reports the default rates by product in accordance with 12 U.S.C. § 635g(g)(2)(A)(i). Currently, there are no short-term loans in EXIM's active portfolio, and therefore no short-term loan default rate is reported. Consistent with Section 54002(a) of the *Export-Import Bank Reform and Reauthorization Act of 2015* (P.L. 114-94, Div. E), the medium-term program's financing cap was expanded from \$10 million to \$25 million, effective May 2019. The default rate of medium-term financing is calculated on the categorization of the transaction at the time of authorization.

### By Industry Sector

The four largest industries in EXIM's active portfolio are Air Transportation, Manufacturing, Oil & Gas, and Power Projects. These sectors account for 85.4 percent of the total amount of EXIM financing. All the industry sectors, except for Power Projects, experienced a default rate below two percent as shown in Exhibit 3. The default rate for Power Projects decreased from 2.519 percent in March 2023 to 2.185 percent in June 2023.

**Exhibit 3: Default Rate by Industry Sector**

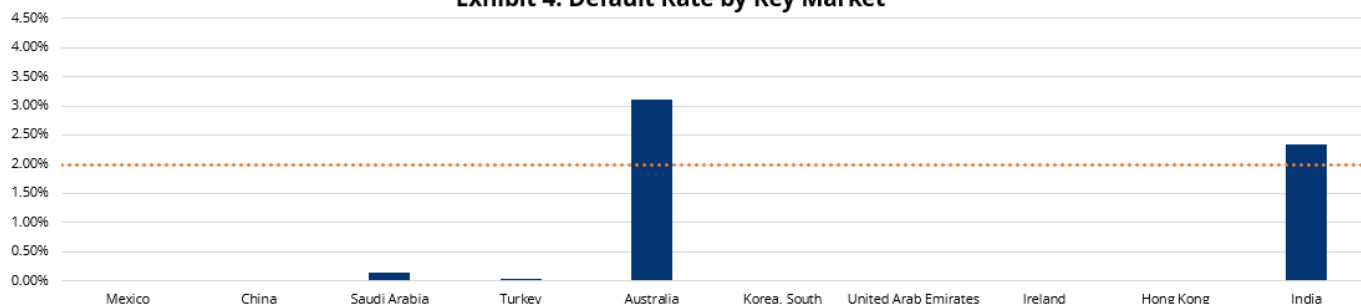


	Air Transportation	Manufacturing	Oil & Gas	Power Projects
Amount Overdue (\$ millions)	\$ 191.4	\$ 138.6	\$ 0.0	\$ 64.2
Total Financing (\$ millions)	\$ 46,087.8	\$ 8,790.1	\$ 11,120.6	\$ 2,937.8
Default Rate (%)	0.415%	1.576%	0.000%	2.185%

## By Key Market

As of June 30, EXIM had exposure in more than 150 countries. As shown in Exhibit 4, the top ten markets, except for Australia and India, have a default rate below two percent.<sup>12</sup> The elevated default rates are due primarily to one default for Australia in 2015 and defaults in India that occurred prior to 2021. Total Financing for exports to India has been stable, and the default rate of 2.344 percent is unchanged from the previous quarter.

**Exhibit 4: Default Rate by Key Market**



	Mexico	China	Saudi Arabia	Turkey	Australia	Korea, South	United Arab Emirates	Ireland	Hong Kong	India
Amount Overdue (\$ millions)	\$ -	\$ -	\$ 8.4	\$ 2.1	\$ 136.3	\$ -	\$ -	\$ -	\$ -	\$ 76.3
Total Financing (\$ millions)	\$ 6,100.5	\$ 5,713.7	\$ 5,588.0	\$ 5,025.4	\$ 4,369.2	\$ 3,581.9	\$ 3,638.1	\$ 2,061.8	\$ 2,386.5	\$ 3,254.8
Default Rate (%)	0.000%	0.000%	0.150%	0.042%	3.119%	0.000%	0.000%	0.000%	0.000%	2.344%

<sup>12</sup> The ten key markets reflect top ten markets by total financing.

## DEFAULT RATE: BY MANDATE

EXIM has Congressionally mandated goals to support small business, environmentally beneficial, and Sub-Saharan Africa transactions, as further detailed below.

### EXIM Mandates

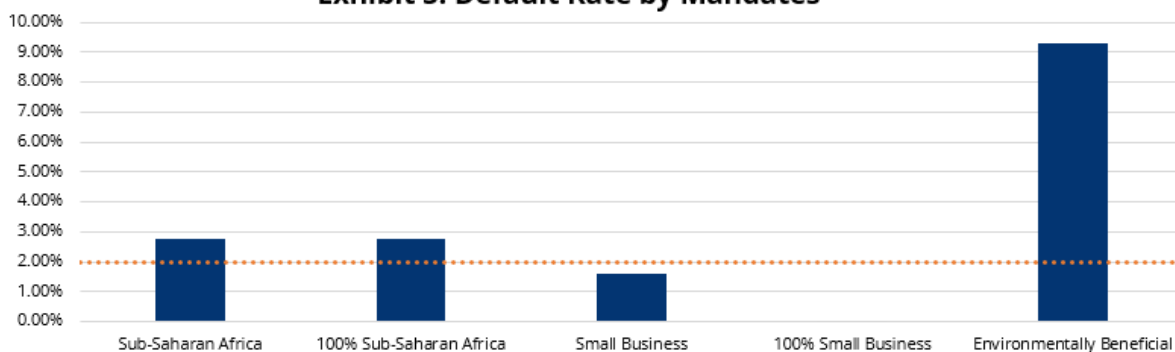
**Small Business Mandate** (12 U.S.C. § 635(b)(1)(E)(v)): “the Bank shall make available... an amount to finance exports directly by small business concerns (as defined under section 632 of title 15) which shall be not less than 30 percent of such authority for each fiscal year.”

**Environmentally Beneficial Mandate** (12 U.S.C. § 635i-5(b)(1)): “The Bank shall encourage the use of its programs to support the export of goods and services that have beneficial effects on the environment or mitigate potential adverse environmental effects....”

**Sub-Saharan Africa Mandate** (12 U.S.C. § 635(b)(9)(A)): “The Board of Directors of the Bank shall ... promote the expansion of the Bank’s financial commitments in sub-Saharan Africa....”

Transactions associated with these mandates account for 12.2 percent of the total amount of EXIM financing. As of June 30, 2023, Small Business transactions experienced a default rate below two percent while Sub-Saharan Africa and Environmentally Beneficial transactions experienced a default rate above two percent as shown in Exhibit 5. Sub-Saharan Africa’s default rate remained stable, decreasing slightly from 2.894 percent in March 2023 to 2.750 percent in June 2023. The Environmentally Beneficial default rate also remained stable, decreasing from 9.510 percent in March 2023 to 9.314 percent in June 2023. The elevated default rate for Environmentally Beneficial transactions is primarily due to one medium-term loan default for a turbine project.

**Exhibit 5: Default Rate by Mandates**



	Sub-Saharan Africa	100% Sub-Saharan Africa	Small Business	100% Small Business	Environmentally Beneficial
Amount Overdue (\$ millions)	\$ 130.1	\$ 130.1	\$ 60.2	\$ 0.9	\$ 121.2
Total Financing (\$ millions)	\$ 4,731.6	\$ 4,705.2	\$ 3,793.8	\$ 2,428.0	\$ 1,301.0
Default Rate (%)	2.750%	2.765%	1.588%	0.039%	9.314%

Note: “Sub-Saharan Africa” and “Small Business” categories include all transactions that are partially or wholly attributed to these respective categories. The “100% Sub-Saharan Africa” and “100% Small Business” categories only include transactions that are wholly attributed to these categories.

### *Risk Rating: By Mandate*

EXIM risk rates its portfolio using a 1 – 11 budget cost level (BCL) scale. The ratings are based, in general, on a borrower's ability to make payments, as indicated by relevant economic factors, and willingness to pay, as indicated by payment record and political and social factors. Ratings 1 through 4 are roughly equivalent to "creditworthy" or "investment grade" private bond ratings. Ratings between 5 and 8 are equivalent to "non-investment grade" bond ratings. Ratings 9 to 11 are for countries either unable to pay fully, even with extended repayment periods, or currently unwilling to make a good faith effort at repayment. EXIM does not use the BCL scale for working capital and multi-buyer insurance, as these products are evaluated using a portfolio analysis approach.

Using the BCL at the time of authorization and based on the authorized amount, EXIM's active portfolio's weighted average risk rating is 4.28, approximately corresponding to an investment grade portfolio. Exhibit 6 provides the weighted average BCLs for the various EXIM mandates.

**Exhibit 6: Weighted Average BCL by  
Mandate**

Category	Budget Cost Level
Sub-Saharan Africa	5.06
100% Sub-Saharan Africa	5.06
Small Business	5.26
100% Small Business	5.74
Environmentally Beneficial	4.10
<b>Active Portfolio</b>	<b>4.28</b>