



governmentattic.org

"Rummaging in the government's attic"

Description of document: The Charter and meeting minutes for the Enterprise Risk Committee (ERC) of the Export-Import Bank of the United States (EXIM), 2014-2015

Requested date: 24-April-2016

Released date: 04-May-2016

Posted date: 09-May-2016

Source of document: FOIA Request
Export-Import Bank of the United States
Freedom of Information and Privacy Office
811 Vermont Ave., NW
Washington, D.C. 20571
Fax: (202) 565-3294
E-Mail: foia@exim.gov
[Online Freedom of Information Act Request Form](#)

The governmentattic.org web site ("the site") is noncommercial and free to the public. The site and materials made available on the site, such as this file, are for reference only. The governmentattic.org web site and its principals have made every effort to make this information as complete and as accurate as possible, however, there may be mistakes and omissions, both typographical and in content. The governmentattic.org web site and its principals shall have neither liability nor responsibility to any person or entity with respect to any loss or damage caused, or alleged to have been caused, directly or indirectly, by the information provided on the governmentattic.org web site or in this file. The public records published on the site were obtained from government agencies using proper legal channels. Each document is identified as to the source. Any concerns about the contents of the site should be directed to the agency originating the document in question. GovernmentAttic.org is not responsible for the contents of documents published on the website.



EXPORT-IMPORT BANK
OF THE UNITED STATES

May 4, 2016

Via Electronic Mail:

Re: FOIA Request # 201600055F

This is the final response to your Freedom of Information Act (FOIA) request to the Export-Import Bank of the United States (Ex-Im Bank). We received your request in our FOIA Office via E-mail on April 24, 2016. By an E-mail dated April 27, 2016, you perfected your request. You request "a copy of the Charter and the Enterprise Risk Committee meeting minutes for the ERC from 2014-2016".

We conducted a comprehensive search of the files within the Office of the Chief FOIA Officer, Division of the Deputy Chief Financial Officer, FOIA Section for records that would be responsive to your request. This is the component within Ex-Im Bank in which responsive records could reasonably be expected to be found. The search produced the attached records. After carefully reviewing the responsive documents, we have determined they are releasable in their entirety; no deletions or exemptions have been claimed. For your convenience, we are attaching the documents to this message as a PDF.

For your information, Congress excluded three discrete categories of law enforcement and national security records from the requirements of the FOIA. See 5 U.S.C. §552(c) (2006 & Supp. IV 2010). This response is limited to those records that are subject to the requirements of the FOIA. This is a standard notification that is given to all of our requesters and should not be taken as an indication that excluded records do, or do not, exist.

Ex-Im Bank's FOIA regulations at 12 C.F.R.404.9 (a) state that Ex-Im Bank shall charge fees to recover the full allowable direct cost it incurs in processing request. In this instance, because the first 100 pages are free, as are the first two hours of search time, there is no charge.

If you have any questions about this request, please contact Ms. Natascha Simon at (202) 565-3248 or by E-Mail at Natascha.Simon@exim.gov.

Sincerely,

A handwritten signature in black ink, appearing to read "David M. Sena", is written over a circular stamp or seal.

David M. Sena
Chief FOIA Officer

Attachment: Responsive Documents (1 PDF file)



EXPORT-IMPORT BANK
of the UNITED STATES

OFFICIAL POLICY CFO-2013-01

Enterprise Risk Committee

Source:	Office of the Chief Financial Officer Office of Credit Management Group	Version:	1
Approved:	 President	Effective:	31 January 2014
Title:	Enterprise Risk Committee	Review:	October 2016

1 POLICY

1.1 Purpose

This policy establishes and adopts the charter for the Enterprise Risk Committee of Export-Import Bank of the United States (Ex-Im Bank).

1.2 Background

It is in the best interests of the Bank, and consistent with best practices, that the Bank establish an Enterprise Risk Committee (ERC). The purpose of the ERC is to review, evaluate, coordinate, and make recommendations to the President of the Bank and Senior Management on issues related to financial, credit, legal, operational, reputational and other risk.

The ERC will foster the development of enterprise risk awareness, promote open discussion regarding risk, integrate risk management into the Bank's goals, and create a culture such that Bank employees at all levels manage risks.

1.3 Policy Statement

There is hereby established within the Bank an Enterprise Risk Committee. The charter of the Enterprise Risk Committee shall be as set forth in Attachment A hereto.

2 AUTHORITY

2.1 Authority for this policy is the general banking authority of the Bank as set forth in Section 2(a)(i) of the Charter of the Bank (12 U.S.C. 635(a)(1)).

2.2 Review Cycle for this policy shall be three (3) years.

2.3 Review History

Date	Changes
10/2013	New.

3 DEFINITIONS

None.

4 SCOPE AND APPLICATION 4.1 This Policy applies to all staff and officers of Ex-Im Bank.

5 RESPONSIBILITY 5.1 See Attachment A.

6 PROCEDURES 6.1 See Attachment A.

ATTACHMENTS A Charter of the Enterprise Risk Committee.

**EXPORT-IMPORT BANK OF THE UNITED STATES
ENTERPRISE RISK COMMITTEE**

Summary Minutes of the January 15, 2014 ERC Meeting

Members

Present: Mr. Charles Hall
Mr. David Sena
Mr. Kenneth Tinsley
Mr. James Burrows
Mr. James Cruse
Mr. Michael Cushing
Ms. Angela Freyre
Mr. Daniel Reilly
Mr. Scott Schloegel
Ms. Claudia Slacik

The meeting began at 11:02 A.M. There was a quorum, given eight ERC Members, including the Committee Chair, were in attendance.

Item 1. Summary Minutes of the ERC meeting of December 13, 2013 (ERC Decision Needed)

Decision: The ERC members unanimously approved the Summary Minutes of the ERC meeting held on December 13, 2013.

Item 2. Summary of the CPC Meeting of January 10, 2014 (ERC Decision)

Discussion: The ERC members discussed how the CPC will continue to operate as a sub-committee of the ERC and that the ERC would approve the minutes of the CPC during the ERC meeting.

Decision: The ERC members unanimously approved the Summary Minutes of the CPC meeting held on January 10, 2014. In addition, the Enterprise Risk Committee endorsed that the CPC should refer the CLS actions for the Board's consideration. These actions were as follows: (1) approval of the implied cover policy changes and related note modifications for Burma, Egypt, Jamaica, and Turkmenistan); (2) deleting or adding Note #10 in certain markets; (3) changing the name of East Timor to Timor-Leste; and, (4) maintaining CLS Note # 4 in Bangladesh, Djibouti, Egypt, Lebanon, Mozambique, Ukraine, and Vietnam.

Item 3. Impaired Credit Update (ERC Discussion)

Discussion: The ERC members heard presentations from staff of the OCFO on the latest available impaired credits report. During this discussion it was requested that for future updates OCFO staff would highlight changes from the prior month. Some highlights of the discussion include differentiating between credits on the impaired list (BCL 9s and above, close to default) and those credits on the watch list (credits that staff is closely monitoring).

Item 4. Risk structure (ERC Decision Needed)

Discussion: The ERC members held a follow up discussion on the risk structure presented at the prior ERC meeting. A note on due diligence was added to the prior document as well as financial modeling risk. Furthermore, the EVP will follow up with each group after the meeting about their individual risk registers.

Decision: The ERC members unanimously approved the Risk Structure and Nomenclature document for the Bank.

Item 5. OIG-AR-14-01 (ERC Discussion)

Discussion: From November 2012-October 2013 OIG conducted an audit of the controls associated with the Bank's domestic content policy and the collection of data related to a revision to the policy approved by the Board in 2001. The IG focused on transaction volume of short/medium term, which is 90% + of the transactions. For these transactions, the Bank relies on self-reporting by exporters. Successive Boards since 2001 have not asked for these annual reports on content. We need a Board record that they agree on annual reporting. However, we have limited resources and need to conduct reasonability tests. A follow up on what the Bank agreed to do as a result of the audit for the short-medium term programs will be presented to the ERC in May 2014.

Item 6. Update on Delta (ERC Discussion)

Discussion: An update on the multiple Delta lawsuits was presented to the members of the ERC. Delta is trying to put into place a national transportation airline policy and believes US airlines are at a competitive disadvantage due to foreign government policies. In addition, Delta asserts that foreign airlines have access to financing terms that they would not have without Ex-Im not that they have access to lower financing than rival airlines.

Item 7. Other Business

No other business was discussed.

Export-Import Bank of the United States
**Enterprise Risk Committee
Charter**

CREATION AND SCOPE

There is established within the Bank a committee that shall be named the Enterprise Risk Committee (ERC).

The purpose of the ERC is to review, evaluate, coordinate, and make recommendations to the President of the Bank and Senior Management on issues related to financial, credit, legal, operational, reputational and other risk.

The ERC will foster the development of enterprise risk awareness, promote open discussion regarding risk, integrate risk management into the Bank's goals, and create a culture such that Bank employees at all levels manage risks.

COMPOSITION

The ERC shall consist of the following persons and representatives from the following divisions. Any member may send a delegate on his or her behalf.

- Executive Vice President, Chief Risk Officer (Committee Chair)
- Senior Vice President, Credit Management Group (Co-Secretariat)
- Senior Vice President, Office of the Chief Financial Officer (Co-Secretariat)
- Senior Vice President, Export Finance
- Senior Vice President, Policy and Planning
- Senior Vice President and General Counsel
- Senior Vice President, Resource Management
- Senior Vice President, Small Business
- Senior Vice President, Congressional Affairs
- Senior Vice President, Communications

MEETINGS

The ERC shall meet as necessary to discharge responsibilities but not less frequently than once each month.

The Committee Chairperson shall develop guidelines for meetings and submitting topics to the ERC for consideration and shall report to the President of the Bank.

Presentations from various divisions within the Bank are encouraged so as to diffuse information regarding various risks facing Ex-Im Bank. At the discretion of the Committee Chair, meetings may closed, may be held in executive session, or may be open to members of Bank staff.

RESPONSIBILITIES AND DUTIES

The ERC is responsible for reviewing, evaluating, coordinating, and making recommendations to the President of the Bank and senior management on financial, credit, legal, operational, reputational and other risks. In performing this function, the ERC may address such matters as (without limitation):

- Establish, communicate, and monitor the risk culture, risk appetite, risk tolerances, and risk utilization at the enterprise and business unit levels. Furthermore, the ERC will define and document a risk management strategy that includes objectives, assignment of responsibilities, key performance indicators, and key risk indicators that are consistent with Ex-Im Bank's overall business strategy.
- Review guidelines and policies for assessing and managing such risks.
- Review best practices for assessing and managing financial risk exposures from such risks.
- Review reports from divisions on steps taken to monitor and control such risks.
- Suggest benchmarks and scorecards to review and assess such risks.
- Review performance against benchmarks and scorecards.
- Receive and review reports on selected risk topics as management or the ERC deems appropriate from time to time.

The ERC shall also:

- Meet not less than semi-annually with the Audit Committee to review results and report findings.
- Develop and recommend to the Bank President a bank risk policy and review performance.
- Review reports of significant issues prepared by internal or external risk functional groups and external auditors or advisors, including reports describing Ex-Im Bank's credit risk profile, including information about concentrations and exposure management.
- The Default Committee and the Transaction Risk Committee shall report their actions to the ERC.

QUORUM AND VOTING

The quorum for the transaction of the business of the ERC shall be five (5) ERC Members, which may be a delegate, including the Committee Chair. To be counted for purposes of establishing a quorum or voting, a delegate must be at the Vice President level or above.

Actions shall be taken by a vote of a majority of the ERC Members present and voting. ERC Members may participate and vote via teleconference or videoconference. Actions of the ERC are not intended to limit the powers or discretions of the President of the Bank.

RECORD OF ACTIONS

The ERC shall produce minutes of its meetings as well as memoranda, summary reports, analysis and recommendations for the President and senior management of the Bank.

CHAIRPERSON

The Executive Vice President, Chief Risk Officer will act Chairperson of the ERC. In addition to acting as a point of contact for the ERC, the ERC shall determine the duties of this position, which shall include:

- Managing the agenda and process pursuant to which issues are resolved.

In the absence of the Executive Vice President, Chief Risk Officer, the Co-Secretariats may convene and conduct meetings of the ERC.

SECRETARIAT

The Senior Vice President, Credit Management Group and the Senior Vice President, Chief Financial Officer shall act as Co-Secretariats to be responsible for duties designated by the Executive Vice President, Chief Risk Officer, including:

- Communicating with members of the ERC, coordinating meetings, proposing agenda items, collecting and disseminating material, and preparing minutes.
- Transmitting minutes, decisions and other records of the Committee to the Bank's Records Department.

**EXPORT-IMPORT BANK OF THE UNITED STATES
ENTERPRISE RISK COMMITTEE**

SUMMARY MINUTES OF ERC MEETING HELD ON FEBRUARY 12, 2014

Date: February 12, 2014 at 11:00 A.M.

Members

Present: Charles Hall (Chair)

Angela Freyre

James Burrows

David Sena

Claudia Slacik

Scott Schloegel

Kenneth Tinsley

The meeting began at 11:04 A.M. There was a quorum, given seven ERC Members, including the Committee Chair, were in attendance.

Item 1. Summary Minutes of the ERC meeting of January 15, 2014 (attached)

Discussion: Angela Freyre, General Counsel, advised Item No. 6 of the Summary Minutes, Update on Delta, should be amended as follows: (1) add the second page to the Delta handout that was provided at the January 15, 2014 ERC meeting by John Connor, the presenter, and (2) delete the last two sentences of the summary for Item No. 6.

Decision: With these changes, the ERC members unanimously approved the Summary Minutes of the ERC meeting held on January 15, 2014.

Item 2. Impaired Credits Update-December 2013 Report (attached)

Discussion: This presentation was to provide highlights of any major changes in the Impaired Credits Update as of December 2013 when compared to the November 2013 report that was discussed at the January 15, 2014 ERC meeting. Both AMD and TPMD had no major additions to highlight in the current report vis-à-vis the November 2013 Impaired Credits Update.

One of the ERC members mentioned the Board's recent decision to decline the settlement regarding PT Humpus in Indonesia for a more substantial settlement, and this Board decision was communicated to the Indonesian company.

Item 3. Linkage of BCL 8 Sovereign Rating to Cover Policy (update, no attachments)

Discussion: Kenneth Tinsley updated the ERC on this project that William Marsteller is taking the lead. The Board requested CREA to review the linkage between the BCL 8 sovereign rating and cover policy (i.e., open for sovereign in the short and medium term) and to ascertain that it is appropriate.

This project will also include input from Export Finance, OGC, CFO, AMD, and Congressional Affairs.

Mr. Tinsley gave a brief history of the background of how cover policy has evolved as a result of Credit Reform, followed by the creation of the ICRAS process, the adoption of the interagency risk ratings, and the introduction of a cover policy system that is systematically linked to such ratings. Before June 1994, for BCL 8 countries, Ex-Im Bank would consider support only for short-term transactions; for BCL 7 countries Ex-Im Bank would consider short- and medium-term cover; and, for countries with a BCL 6 or lower, Ex-Im Bank would consider support for short-, medium- and long-term transactions. With Chairman Brody in 2000, there was an increase in risk appetite as reflected by an “expanded” cover policy. Consequently, for BCL 8 countries the Board changed cover policy to allow support for both short- and medium-term transactions and for countries with a BCL of 7 or lower Ex-Im Bank would support short-, medium- and long-term transactions.

Kenneth Tinsley advised that staff has received background information from the Library on Ex-Im Bank’s internal documentation on this subject. The Library staff (Dara Baker) obtained this information from within Ex-Im Bank as well as visiting the National Archives. However, staff still needs to locate certain Board memorandums on this subject. The Library is working very diligently on trying to obtain such documents from the Nation Archives.

The ERC advised staff to continue to keep it informed as to its progress. The deadline for this project is the end of the second quarter, June 2014 when staff/ERC will report back to the Board on its recommendations.

Item 4. Recommendations for Modifying the Long-Term Corporate and Financial Institution Risk Scoring Models (attached)

Discussion: Steve Dell’Acqua presented Cameron Miller’s paper on this subject (Cameron Miller left the Bank in January 2014). Since some of the operating divisions had not had sufficient time to review the memorandum, the ERC advised staff to reach out again to the various operating divisions to obtain consensus. The memorandum would then be presented to the CPC.

Item 5. Other Business

There was no other business discussed.

The ERC meeting concluded at 11:43 A.M.

**Item No. 1 of ERC Agenda 4/16/2014
Summary of ERC Meeting of March 12, 2014**

**EXPORT-IMPORT BANK OF THE UNITED STATES
ENTERPRISE RISK COMMITTEE**

SUMMARY MINUTES OF ERC MEETING HELD ON MARCH 12, 2014

Date: March 12, 2014 at 4:00 P.M.

Members

Present: Charles Hall (Chair)

Angela Freyre

James Burrows

David Sena

Claudia Slacik

Scott Schloegel

The meeting began at 4:09 P.M. There was a quorum, given six ERC Members, including the Committee Chair, were in attendance.

Item 1. Summary Minutes of the ERC meeting of February 12, 2014 (attached)

Decision: The ERC members unanimously approved the Summary Minutes of the ERC meeting held on February 12, 2014.

Item 2. Summary of the CPC meeting of March 10, 2014 (attached)

Decision: The ERC members unanimously endorsed the Summary of the CPC meeting held on March 10, 2014.

Item 3. Impaired Credits Update-January 2014 Report (attached)

Discussion: This presentation was to provide highlights of any major changes in the Impaired Credits Update as of January 2014 when compared to the December 2013 report that was discussed at the February 12, 2014 ERC meeting. It was mentioned that AMD staff continues to monitor the Ukraine transactions. The number of credits and total exposure value at risk in the Bank's Ukraine portfolio has increased in recent months to a total of \$19.9 million.

AMD also mentioned that Integrity International, Inc., a working capital guarantee transaction that defaulted on November 8, 2013, had not been previously on the watch list. Exposure is \$2.3 million and likelihood of recovery is low.

TPMD had no major additions to highlight in the current report vis-à-vis the December 2013 Impaired Credits Update.

It was mentioned that staff was no longer working on the PT Humpuss transaction in Indonesia; instead it is now under the Office of the Executive Vice President, Chief Risk Officer.

The ERC requested that future reports redline the major changes in the reports.

Item 4. CPC Report and Recommendations on Ukraine (attached)

Discussion: The Chair decided to bifurcate this agenda item into two segments. The first segment was to discuss Appendices A and B that outlined staff's recommendations on the management of cases in Ukraine. Secondly, was to address the CPC's recommendation to the ERC regarding a 30-day administrative hold on Ukraine.

CREA advised that the CPC's recommendation to the ERC for the 30-day administrative hold was due mostly to the political uncertainty in Ukraine. He also mentioned that Ukraine has a \$15 billion - \$20 billion financing gap, and that is why the country needs the IMF program. Consequently, there is pressure on the IMF for a program. Currently, Ukraine is scheduled for an ICRAS review in April.

ERC's Guidance: Regarding the specific transactions, the following was ERC's guidance:

First, for any approvals, making transactions operative etc., the ERC recommended running the transactions through the CRTI clearance process once the Russian sanctions data base is available.

Ferrexpo transactions - AP086754-\$16.6 million and AP0877407 - \$15.6 million: Staff recommended and the ERC endorsed that these credits, both rated BCL 7s, be permitted to disburse in the coming weeks.

Ukragrocom transaction – AP0542327 - \$8.3 million: Staff recommended and the ERC endorsed this credit, rated BCL 8, be permitted to disburse in the coming weeks.

Regarding staff's management of transactions in Ukraine, if a Vice President feels comfortable with approving a transaction, making a transaction operative etc., then the Vice President can do so, without consulting with the Executive Senior Vice President, Chief Risk Officer. However, if the Vice President does not feel comfortable with approving the request, then the Vice President may seek guidance from the Executive Vice President, Chief Risk Officer.

Decision: Regarding the second aspect of the agenda item to address the CPC's recommendation to the ERC to place a 30-day administrative hold on Ukraine, the Chair decided the administrative hold action would not come to an ERC vote.

Item 5. Linkage of BCL 8 Sovereign Rating to Cover Policy (update, no attachments)

Discussion: William Marsteller briefed the ERC on the Board's request that CREA review the linkage between the BCL 8 sovereign rating and cover policy (i.e., open for sovereign in the short and medium term) and to ascertain that it remains appropriate. Mr. Marsteller advised that he is reviewing information provided by Tyler Robinson of the OCFO on the net losses and recovery rates for sovereign and non-sovereign transactions for both medium- and long-term transactions.

Credit Policy is still working with the Library to obtain the Board memoranda on this issue dating back to 1992 and 1994.

The ERC advised staff to continue to keep it informed as to its progress. The deadline for this project is the end of the second quarter, June 2014 when staff/ERC will report back to the Board on its recommendations.

Item 6. Proposed Financings for Norwegian Air Shuttle (ERC Discussion, no attachments)

Discussion: This item was placed on the agenda to provide awareness to staff of the issues surrounding the Norwegian Air Shuttle and the latter's request to restructure its operations. Such a restructure would enable its new business model to hire pilots at a lower cost due to lower labor regulatory standards in the market of its new operations.

ERC Guidance: The ERC advised the staff working on the restructure request to brief the Chairman in the next few days (and prior to the approval of the restructure request).

Item 7. Other Business

There was no other business discussed.

The ERC meeting concluded at 5:25 P.M.

**Item No. 1 of ERC Agenda 5/19/2014
Summary of ERC Meeting of April 16, 2014**

**EXPORT-IMPORT BANK OF THE UNITED STATES
ENTERPRISE RISK COMMITTEE**

SUMMARY MINUTES OF ERC MEETING HELD ON APRIL 16, 2014

Date: April 16, 2014 at 11:00 A.M.

Members

Present: Charles Hall (Chair)

Kenneth Tinsley (Secretariat)

David Sena (Secretariat)

Angela Freyre

Claudia Slacik

James Burrows

James Cruse

Robert Morin

Scott Schloegel

The meeting began at 11:03 A.M. There was a quorum, given nine ERC Members, including the Committee Chair, were in attendance.

Item 1. Summary Minutes of the ERC meeting of March 12, 2014 (attached)

Decision: The ERC members unanimously approved the Summary Minutes of the ERC meeting held on March 12, 2014.

Item 2. Summary of the CPC meeting of April 9, 2014 (attached)

Decision: The ERC members unanimously approved the Summary of the CPC meeting held on April 9, 2014.

Item 3. Impaired Credits Update-January 2014 Report (attached)

Discussion: This presentation was to provide highlights of any major changes in the Impaired Credits Update as of February 2014 when compared to the January 2014 report that was discussed at the March 12, 2014 ERC meeting. It was mentioned that AMD staff continues to monitor the Ukraine transactions, and in April AMD will add all of the Ukraine transactions to the Watch List.

CREA mentioned that if the IMF Report comes out shortly on Ukraine, CREA will be able to review the country. Ukraine is scheduled for an ICRAS review in April.

TPMD had no major additions to highlight in the current report vis-à-vis the January 2014 Impaired Credits & Watch List Update. However, Air India will be added in March.

Item 4. Modifying the Long-Term Corporate and Financial Institution Risk Scoring Model (attached)

Discussion: The CPC's recommendation to the ERC was to approve the modifications to the long-term corporate and financial institution risk scoring models. The memorandum recommended that both models would no longer include sovereign risk as a weighted risk factor, but rather would use sovereign risk as a limiting factor for risk ratings of individual borrowers. Non-sovereign risk would be made an optional adjusting factor. At the CPC meeting, David Sena, the CFO, had expressed concerns regarding the timing of implementation of the new model as it will require reprogramming, and could create issues with Ex-Im Bank's auditors if adopted in the middle of a fiscal year. The CPC requested that prior to the ERC's consideration of this memorandum that the Credit Policy Division would meet with the CFO's office and the CIO's office to determine the most appropriate time for implementation of the new model.

The Credit Policy Division met with senior staff from the CFO/CIO's offices and the latter decided that due to audit and information technology issues, implementation would be delayed until the start of Fiscal Year 2015, if CPC's recommendation to the ERC was approved.

ERC Decision: The ERC concurred with the CPC's recommendation to approve the modifications to the long-term corporate and financial institution risk scoring models; however, implementation would be delayed until the start of Fiscal Year 2015.

Item No. 5 CLS Cover Policy Changes, Note Changes and Review of Note # 4

Discussion: The CPC's recommendation to the ERC was to refer the following for the Board's consideration:

Implied Cover Policy Change

Greece: The ICRAS review results that were finalized by OMB on March 1, 2014 led to a change in the BCL for Greece that would imply a change to the Country Limitation Schedule. The one-step downgrade for Greece to budget cost level 8 for the sovereign rating implies closing for long-term transactions in the public sector.

CLS Note Change Recommendations

CPC recommended the following changes to the CLS Notes: Add Note # 13 for Greece.

In addition, staff had conducted a review of Note # 10. It was recommended Note # 10 be removed from the following countries: Ireland, Kenya, and the Seychelles.

Review of Note # 4

Regarding the review of Note # 4 markets, the CPC recommended to the ERC that Note # 4 be retained for Georgia, Mongolia, and Pakistan.

ERC Decision: The ERC concurred with the CPC's recommendation to refer these CLS actions to the Board.

Item 6. Consideration of Chinese Yuan for the Foreign Currency Guarantee Program

Discussion: The CPC's recommendation to the ERC was to approve the Chinese Yuan for the Foreign Currency Guarantee Program, and if approved by the ERC, Ex-Im Bank should advise Treasury of our decision prior to implementation.

Manli Zhang, an economist in the CREA Division, presented the request to consider the Chinese yuan be approved for participation in the foreign currency guarantee program and that it be eligible for Classification 2 of the program (i.e., Classification 2 requires that individual transactions be presented to the CPC, with the latter making a recommendation to the ERC). This recommendation was based on the Chinese yuan's favorable liquidity tightness indicator and sufficient liquidity depth in offshore markets.

Currently, there are no financing applications requesting the Chinese yuan to be eligible for the foreign currency program.

ERC Decision: Given the political dynamics of this request, the ERC decided that Treasury should be consulted and at a later date bring the request back to the ERC.

Item No. 7 Adopt Additional Automated Underwriting in Ex-Im Online "EOL"

Background: Previously, The Trade Credit Insurance Division's (TCI) had presented the paper to the CPC on January 10, 2014 requesting the following.

1. Automated underwriting for new Special Buyer Credit Limits ("SBCLs") up to \$100,000 and
2. Automated underwriting for Multibuyer policy renewals at limits up to \$2,500,000

In order to make a decision, the CPC members requested TCI to provide additional information in order to better understand the ramifications of the subject requests. The additional information included the following:

- Provide dollar amount data on policy renewals activity to allow for a comparative analysis; SBCL claims experience, etc.
- What will be the IMT cost to build the additional automation features?
- Conduct a benefit/cost analysis

Discussion: TCI showed a power point presentation to the ERC to address the aforementioned. Regarding utilization of IMT resources, staff consulted with IMT and determined approximately 80 hours would be the level of effort required to program, test and rollout the accretive functionality. Additionally, staff conducted parallel underwriting to compare manual underwriting results for FY2012 and FY2013 against those which would be automated under the proposed accretive functionality. Based on this data, automating lower risk policy renewals and automating new SBCLs up to \$100,000 should not materially increase underwriting losses or undermine the zero subsidy goal over the long term.

Furthermore, the reduction of administrative expense and reduced credit agency report orders for Express policy applications' buyer credit feasibilities would also far exceed the cost of building and implementing the accretive automated functionality. Staff believes that the division's historical .52% underwriting ratio (net claims paid/net fees) would continue and that customer experience would be improved through faster cycle time processing.

ERC Decision: The ERC decided the following:

1. Automated underwriting for new Special Buyer Credit Limits ("SBCLs") up to \$100,000 and
2. Automated underwriting for Multibuyer policy renewals at limits up to \$2,500,000

ERC requested that TCI report back to the Committee in approximately one year on the activity levels and results under these programs for the period July 1, 2014 – June 30, 2015.

Item No. 8 Risk Appetite Study: Reasonable Assurance of Repayment

Discussion: This document, *Toward an Understanding of "Reasonable Assurance of Repayment" in the Ex-Im Bank Context*, is the first of several for this Risk Appetite Study. The study will first define "reasonable assurance of repayment (RAOF)", then measure it; and, lastly compare it to international standards. This chapter explores the definition of RAOF, which has changed over the years.

Given that only a few minutes were remaining for the meeting, and senior management needed more discussion time to allow for "q and a's" on this important topic, the Chair suggested that a separate meeting of senior management be scheduled. The other ERC members agreed with this suggestion.

Item 9. Linkage of BCL 8 Sovereign Rating to Cover Policy (update, no attachments)

Discussion: William Marsteller briefed the ERC on the Board's request that CREA review the linkage between the BCL 8 sovereign rating and cover policy (i.e., open for sovereign in the short and medium term) and to ascertain that it remains appropriate. Mr. Marsteller advised that he has reviewed information provided by Tyler Robinson of the OCFO on the net losses and recovery rates for

sovereign and non-sovereign transactions for both medium- and long-term transactions. From this initial analysis he has requested additional data information from the OCFO.

The ERC advised staff to continue to keep it informed as to its progress. The deadline for this project is the end of the second quarter, June 2014 when staff/ERC will report back to the Board on its recommendations.

Item 10. Other Business

There was no other business discussed.

The ERC meeting concluded at 12:27 P.M.

EXPORT-IMPORT BANK OF THE UNITED
STATES ENTERPRISE RISK COMMITTEE

SUMMARY MINUTES OF ERC MEETING HELD ON May 19, 2014

Date: May 19, 2014 at 11:00 AM.

Members

Present: Charles Hall (Chair)
Kenneth Tinsley (Secretariat)
David Sena (Secretariat)
Angela Freyre
Claudia Slacik
James Burrows
James Cruse
Michael Cushing

The meeting began as scheduled. There was a quorum, given eight ERC Members, including the Committee Chair, were in attendance.

Item 1. Summary Minutes of the ERC meeting of April 16, 2014 (ERC Decision Needed)

Decision: The ERC members unanimously approved the Summary Minutes of the ERC meeting held on April 16, 2014.

Item 2. Impaired Credits & Watch List Update (ERC Discussion)

Discussion: This presentation was to provide highlights of any major changes in the Impaired Credits Update as of March 2014 when compared to the February 2014 report that was discussed at the April 16, 2014 ERC meeting. It was mentioned that AMD staff continues to monitor the Ukraine transactions and Ukraine's ICRAS rating was downgraded to 9. There were no added transactions to the impaired list. Saba went to board to be written off and Air India is continued to be monitored closely.

Item 3. Consideration of Chinese Yuan for Foreign Currency Guarantee Program (CPC Recommendation to ERC; Update from Policy & Planning; and ERC Decision Needed)

Discussion: Treasury had no objections to Ex-Im Bank proceeding.

Decision: The ERC members unanimously approved the Chinese Yuan for the foreign currency guarantee program

Item 4. Risk Appetite Study: Reasonable Assurance of Repayment (ERC Discussion)

Discussion: It was mentioned how the concept of reasonable assurance of repayment is a long standing idea. The ICRAS risk classification system is used by OMB to price all USG credit programs, including those of CCC and DOD. The Budget Cost Levels (BCLs) were a convention that allowed Ex-Im to communicate its country ratings internally, when ICRAS ratings were classified. The ICRAS ratings are no longer classified. The report provides the internal risk-based classification system that preceded

ICRAS. This system was adopted 5 years before ICRAS went into effect. A footnote was requested to identify a source for the classification system presented in the paper. In addition it was discussed that the default rate report should be made more visible.

Item 5. Linkage of BCLs to Cover Policy (Update on Status)

Discussion: A general update on this project was given. Currently staff is looking at loss data from the CFO's office. There is a need for data concerning write-offs. Furthermore, the Audit Committee is doing a review of the models that set the BCLs.

Item 6. Other Business

- Harmonization of Risk Rating Models
 - The rating harmonization project the corporate model has been completed. The aircraft and short term models need to be done.
- Russia/Ukraine Sanctions
 - The CRO gave an update on Russia/Ukraine sanctions
- 20 transactions in Russia or Ukraine were sent to OCFO for checking against the OFAC list.

Revised

ENTERPRISE RISK COMMITTEE

SUMMARY MINUTES OF ERC MEETING HELD ON JUNE 20, 2014

Date: June 20, 2014 at 11:00 A.M. Members

Present: Charles Hall (Chair)
Kenneth Tinsley (Secretariat)
David Sena (Secretariat)
Angela Freyre
James Burrows
Michael Cushing

The meeting began as scheduled. There was a quorum, given 6 ERC Members, including the Committee Chair, were in attendance.

Item 1. Summary Minutes of the ERC meeting of May 19, 2014 (ERC Decision Needed)

Decision: The ERC members unanimously approved the Summary Minutes of the ERC meeting held on May 19, 2014 with modifications.

Item 2. Impaired Credits & Watch List Update (ERC Discussion)

Discussion: This presentation was to provide highlights of any major changes in the Impaired Credits Update as of May 2014 when compared to the April 2014 report that was discussed at the May 19, 2014 ERC meeting. For aircraft there were no major changes but the team will still monitor Air India closely. For non-aircraft, transactions that have been recently downgraded to a BCL 9 will be reviewed for a discussion as to whether to include such transactions in future impaired lists. A couple of working capital transactions were added to the list.

Item 3. Summary Minutes of the CPC meeting of June 18, 2014 (ERC Decision Needed)

Decision: The ERC members unanimously approved the Summary Minutes of the CPC meeting held on June 18, 2014.

Item 4. CLS Cover Policy Changes, Note Changes and Review of Note #4 (ERC Decision Needed)

Decision: ERC decided to recommend that the Board formalize the Administrative Hold on Ukraine through the application of Notes 12a and 12b to the CLS.

Decision: The ERC members unanimously approved the Temporary Administrative Hold as recommended by the CPC for Argentina and Ukraine

Discussion: There was a discussion about the treatment of Note #4 and it was recommended to look at Note #4 procedures. Credit Management will work on the Administrative Hold policy and present at a future ERC meeting.

Item 5. Plan for Reviewing Verification Process for “Content” Certification (ERC Discussion)

Discussion: This project is moving forward. The proposal for this verification process was presented. The process of conducting a survey was discussed, which includes a review process by OMB. Also discussed were other methods outside of a survey to get the information. The ERC gave an approval of concept to the proposal.

Item 6. Status report from Credit and Risk Management Group on project assessing the linkage of BCL 8 risk ratings to cover policy (ERC Discussion)

Discussion: This project is moving forward and additional information is requested from the CFO.

Item 7. Other Business

ENTERPRISE RISK COMMITTEE

REVISED

SUMMARY MINUTES OF ERC MEETING HELD ON JULY 16, 2014

Date: July 16, 2014 at 11:00 A.M.

Members

Present: Charles Hall (Chair)

Angela Freyre

Kenneth Tinsley

David Sena

Claudia Slacik

James Burrows

James Cruse

The meeting began at 11:04 A.M. There was a quorum, given seven ERC Members, including the Committee Chair, were in attendance.

Item 1. Summary Minutes of the ERC meeting of June 20, 2014 (attached)

Decision: The ERC members unanimously approved the Summary Minutes of the ERC meeting held on June 20, 2014.

Item 2. Impaired Credits & Watch List Update-June 2014 Report (attached)

Discussion: This presentation was to provide highlights of any major changes in the Impaired Credits & Watch List Update as of June 2014 when compared to the May 2014 report that was discussed at the June 20, 2014 ERC meeting. The Impaired Credits List is broken into three sections: Projects and Corporates (\$342.5 million), Working Capital (\$18.1 million), and Transportation (no exposure). Two transactions were added to the Projects and Corporates Impaired Credits for June 2014. One of these impaired credits was a Mexican borrower, Representaciones y Distribuciones Evya with an exposure amount of \$8.3 million and the other was a Ukrainian borrower, Ukragrocom, LLC with an exposure of \$8.3 million. AMD mentioned that this Ukrainian transaction had been placed on the Impaired Credits List as a result of the June 1, 2014, downgrade of the sovereign risk rating to a BCL 9 and of the continuing weak performance and risks caused by recent political events. Ex-Im Bank's total exposure in the Ukraine is \$243 million as of June 30, 2014.

AMD also mentioned that KoolSpan, Inc., a working capital guarantee transaction was added to the Impaired Credits. The latter transaction has an exposure of \$5.2 million. Regarding Transportation Impaired Credits, the number of obligors at any given time has consistently hovered at two or three. In June 2014, the one transportation obligor (National Air Service, exposure of \$8.5 million) on the Impaired Credit List was moved to the Watch List, so there are no longer any transportation credits on the Impaired Credits List as of June 30, 2014.

For June 2014, the Watch List had 30 credits and \$9,958.7 million of exposure. Similar to the Impaired Credits, the Watch List is broken into three sections: Projects and Corporates (\$6,438.3 million), Working Capital (\$11.3 million), and Transportation (\$3,509.1 million). Two transactions for Projects and Corporates were added to the Watch List in June 2014: (1) Quiport with an exposure amount of \$51.3 million was originally added to the Impaired Credit List in July 2013 and was moved to the Watch List in June 2014 and (2) Space Communications with an exposure amount of \$106.1 million. There were no additions to the Watch List for June 2014 for either the Working Capital or Transportation.

Item 3. Implementation of CLS Note # 12a and #12b (ERC Decision)

Discussion: This discussion centered on the impact of a Board’s decision to place an Administrative Hold on a market for Ex-Im Bank programs in general, as well as specifically for Ukraine in view of the July 17, 2014 Board agenda item request to formalize the current temporary administrative hold placed on the market by the ERC on June 20. It was agreed that the Administrative Hold is much broader than the addition of CLS Notes #12 a and #12b to a market. Several of the members believed that Ex-Im Bank should cease all disbursements (except where an irrevocable letter of credit has been issued), cancel all policies, and not accept any transactions in order to protect Ex-Im Bank and US taxpayers in a scenario where there is no longer “reasonable assurance of repayment”; whereas other believed in a more limited scope of impact involving new and pending applications, and cancelling only those commitments where we have the legal right to do so and where we decide to exercise such rights. The latter group had concerns regarding cessation of disbursements due to Ex-Im Bank not having the legal right to cancel a commitment; whereas the former group believed the MAC clause provided Ex-Im Bank with such rights.

It was noted that the ERC had previously approved that certain authorized Ukrainian transactions could be allowed to disburse (i.e., Ferrexpo transactions - AP086754-\$16.6 million and AP0877407 - \$15.6 million, and Ukragrocom transaction – AP0542327 - \$8.3 million).

Decision: The following was the ERC’s unanimous decision¹ regarding the implementation aspects of a Board approved administrative hold:

¹ The General Counsel had to leave prior to the ERC’s decision, but indicated that if the ERC’s decision included canceling commitments/ceasing disbursements it needed to do so only if Ex-Im Bank has the legal right to do so. Subsequently, she did concur with the following language for the presentation to the Board on July 17 regarding the Administrative Hold on Ukraine, “For this market, given the downgrade to BCL 9 for the sovereign and non-sovereign rating, the CPC recommended to the ERC that the Board should consider closing in all programs for the market as per normal practice. However, given OMB’s willingness to consider an out-of-cycle review request for Ukraine on an accelerated basis if the situation changes, the ERC decided to recommend to the Board to formally place an Administrative Hold on Ukraine which would include the addition of notes 12a and 12b to the CLS and where Ex-Im Bank has the legal right and decides to act, all existing commitments, short, medium and long term will be suspended or cancelled. Lastly, the ERC believes the recommended Administrative Hold more accurately captures the nature of the current situation and Ex-Im Bank posture toward Ukraine.”

- (a) Cancel all policies where we have the legal rights to do so;
- (b) Cease all disbursements where we have the legal right to do so; and
- (c) Not to work on pending or new applications.

Regarding the impact of the Administrative Hold on issued SBCLs and IBCLs, it was decided to provide a one-week advance notice of cancelation to the SBCL/IBCL policy holders, so the effective date would be July 24, 2014 in the case of Ukraine.

Item 4. Other Business

No other business was discussed.

The meeting concluded at 12:45 P.M.

ENTERPRISE RISK COMMITTEE

REVISED

SUMMARY MINUTES OF EXTRAORDINARY ERC MEETING HELD ON JULY 29, 2014

Date: July 29, 2014 at 1:30 P.M.

Members

Present: Charles Hall (Chair)

Angela Freyre

Kenneth Tinsley

David Sena

Claudia Slacik

James Burrows

Robert Morin

Bradley Carroll

Michael Cushing

The meeting began at 1:35 P.M. There was a quorum, given nine ERC Members, including the Committee Chair, were in attendance.

Item 1. Temporary Administrative Hold - Russia

Initial Proposal presented by the Chair of the ERC: In view of the increased sanctions against the Russian Federation being announced on July 29 by the United States and the European Union, there is an increased risk that retaliatory actions and other unanticipated events will materially affect reasonable assurance of repayment from legal entities in the Russian Federation. As a result, the Chair of the ERC proposed that an immediate Temporary Administrative Hold be placed on the Russian Federation in order to act prudentially in managing Ex-Im Bank's portfolio. As in the case of the recent Administrative Hold enacted by the Ex-Im Board of Directors for Ukraine, this Temporary Administrative Hold would include a cessation of all new Short Term commitments covering exports to the Russian Federation. In addition, to the extent permitted by law and where Ex-Im Bank decides to act, the authority would be granted to cancel existing Short Term commitments.

Discussion: After a discussion among the ERC members, a consensus was reached that there is an expected increased risk that retaliatory actions arising from the increased sanctions by the United States and the European Union and other unanticipated events will materially adversely affect reasonable assurance of repayment in the Russian Federation. In order to act prudentially in managing Ex-Im Bank's portfolio, it was agreed that an immediate Temporary Administrative Hold should be enacted. The ERC members also agreed that such actions were being taken independently and based on Ex-Im Bank's fiduciary responsibilities and the institution's concern regarding an expected increase in the risk of retaliatory actions by the Russian Federation that would materially adversely affect reasonable assurance of repayment.

Final Proposal: To incorporate the changes to the proposal resulting from the ERC discussion, the Chair made the final proposal below.

**Export-Import Bank of the United States
Extraordinary Meeting of the Enterprise Risk Committee
29 July 2014**

Proposal from the Chair

Background:

The Export-Import Bank of the United States (“Ex-Im Bank”) has been reviewing for several months the geopolitical and economic situation in regard to the Russian Federation in light of the conflict in Ukraine and possible ramifications for international trade and payments flows. Ex-Im Bank has not approved any Medium Term or Long Term transactions with the Russian Federation or parties therefrom since February 2014. We understand that on 29 July 2014 the United States Government and the European Union will announce a significant increase in sanctions against the Russian Federation as a result of the continued involvement of the Russian Federation in the ongoing conflict in Ukraine.

Proposal:

As a result of the increased sanctions against the Russian Federation expected to be announced today by the United States and the European Union, there is an expected increased risk that retaliatory actions and other unanticipated events will materially affect reasonable assurance of repayment from legal entities in the Russian Federation. As a result, and in order to act prudentially in managing Ex-Im Bank’s portfolio and ongoing business in the days ahead, it is proposed that an immediate Temporary Administrative Hold be placed on new business with the Russian Federation. As per the Administrative Hold Guidelines, while the Temporary Administrative Hold is in effect, letters of interest will not be issued and new commitments under any program will not be approved and disbursements will not occur under operative commitments unless they are irrevocable commitments (e.g. issued letters of credit). SBCLs and other similar commitments will be cancelled effective one week from the date of this resolution.

Ex-Im Bank has taken this action as a prudential measure pending determination of further actions which it may deem appropriate as the situation develops further.

Decision: The ERC members concurred that an immediate Temporary Administrative Hold be placed on the Russian Federation on the following basis:

- (1) Letters of interest will not be issued,
- (2) New commitments under any program will not be approved, and
- (3) Disbursements will not occur under operative commitments unless they are irrevocable commitments (e.g. issued letters of credit).

Regarding the impact of the Temporary Administrative Hold on issued SBCLs and IBCLs under multi-buyer policies, and accounts receivable eligibility for the borrowing base related to delegated authority transactions for the Working Capital Guarantee Program, it was decided the effective date of the

Temporary Administrative Hold for those programs would be August 5, 2014 in order to allow for an advance notice be given to the SBCL/IBCL policy holders and delegated authority lenders. Regarding delegated authority to lenders under the Medium Term Program, no lender has been given such delegated authority for this market.

The respective operating divisions will work with OGC regarding the advanced external communications to the aforementioned Ex-Im Bank customers.

The meeting concluded at 2:00 P.M.

ENTERPRISE RISK COMMITTEE (ERC)

REVISED

SUMMARY MINUTES OF ERC MEETING HELD ON AUGUST 20, 2014

Date: August 20, 2014

Present: Charles Hall (Chair)
Kenneth Tinsley (Secretariat)
Angela Freyre
Claudia Slacik
Michael Cushing
Robert Morin
James Burrows
Michael Cushing

The meeting began as scheduled. There was a quorum, given eight ERC members, including the Committee Chair, were in attendance.

Item 1. Revised Summary Minutes of the ERC meeting of June 20, 2014

Approval of the revised summary minutes of the ERC meeting of June 20, 2014 was deferred because a member revised the document.

Item 2. Revised Summary Minutes of the ERC meeting of July 16, 2014

Approval of the revised summary minutes of the ERC meeting of July 16, 2014 was deferred because a member revised the document.

Item 3. Revised Summary Minutes of the Extraordinary ERC meeting of July 29, 2014

Approval of the revised summary minutes of the ERC meeting of July 29, 2014 was deferred because a member revised the document.

Item 4. Temporary Administrative Hold – Russia (ERC decision needed)

The current temporary administrative hold placed on Russia on July 29, 2014 expires on August 28, 2014. The Chairman expressed an interest in discussing the following:

- a. Proposal to extend the Temporary Administrative Hold on Russia an additional 30 days, given that the conditions in effect on July 29, 2014 remain in effect. These conditions are the increased risk of retaliatory actions by the Russian Federation (Russia) in response to increased sanctions against Russia by the United States and the European Union and other unanticipated events that materially affect the reasonable assurance of repayment from legal entities in the Russian Federation.
- b. Proposal to refer the temporary administrative hold on Russia to the Board of Directors (BOD) for a more definitive action, but uncertain if there should be a recommendation to take Russia off cover or to formalize the temporary administrative hold.

Discussion: The ERC can only extend the temporary hold on Russia for another 30 days (until September 27, 2014), as the Administrative Hold Guidelines states that the ERC can extend the temporary administrative hold in a market for up to 60 days. If conditions continue to warrant an administrative hold (or to go off cover), such actions are referred to the Board for consideration within the second 30-day extension period.

Given the conditions that triggered the temporary administrative hold for Russia remain in effect, the Chair proposed that the ERC extend the temporary administrative hold as well as refer the temporary administrative hold on Russia to the Board of Directors (BOD) for a more definitive action, but uncertain if there should be a recommendation to take Russia off cover or to formalize the temporary administrative hold.

There was discussion as to whether this matter should be considered by the Credit Policy Committee (CPC) prior to being considered by the ERC. However, the issue with Russia is perceived as one of willingness to repayment (driven by political issues), not one of ability or capacity of the country (as in the case of Ukraine). Consequently, the Chair believed it was more appropriate for the ERC to consider the matter rather than the CPC. Ex-Im Bank should be motivated by its fiduciary responsibilities to the US taxpayer, as there is a real risk of nonpayment.

On the issue of whether to recommend to the Board to go off cover or to formalize the temporary administrative hold on Russia, one of the ERC members suggested that going off cover in a market is generally due to a market being rated a BCL 9 or higher. Furthermore, given that Russia is a BCL 3 and the repayment concerns were related to a willingness to repay and not one of capacity or ability, it may be more appropriate to recommend CLS Notes #12a and 12b for Russia instead of going off cover.

There was also a discussion on whether recent events in Russia would constitute a “material adverse change” in accordance with scenarios provided for in some Ex-Im Bank documentation that include “material adverse change” language (a MAC clause) to define circumstances when Ex-Im Bank may exercise its legal rights not to support a transaction.

To address the issues identified during the discussion, the Chair made the following final proposal:

- a. Extend the Temporary Administrative Hold on Russia (under the same terms and conditions as the existing Temporary Administrative Hold as defined during the Extraordinary Meeting of the ERC on July 29, 2014) an additional 30 days (from the impending expiration of August 28, 2014 to September 27, 2014).
- b. Recommend that the BOD enact an Administrative Hold in Russia under the same conditions as enacted for Ukraine and that the Board memorandum will be prepared by the Credit Management Group. The memorandum will advise that a Board approved transaction (i.e., the \$18.7 MM loan guarantee for Sberbank of Russia-AP088305XX) has been affected by the Temporary Administrative Hold already in effect and which will continue to be affected in the event the Board imposes an Administrative Hold of indefinite duration.
- c. A Working Group should be formed under the coordination of the Office of the General Counsel (OGC), including representatives from the following areas: Export Finance, Credit Management, Product and Business Development, CFO and Policy. This working group will examine the operational and legal effects of implementing an administrative hold in a country as well as going off cover in a country. The working group is to communicate its findings to ERC in two months.

Decision: All three proposals received unanimous approval.

Item 5. Budget Cost Level (BCL) 8 Cover Policy

Summary Presentation: This study was undertaken and a paper written by Ken Tinsley (with contributions by Country Risk & Economic Analysis [CREA], the Office of the Chief Financial Officer [CFO] and Deborah Thompson, Credit Policy Division, Credit & Risk Management [CRM] and others). The paper was motivated by an interest in doing LT transactions in certain BCL 8 countries. The purpose of the study is to examine doing LT transactions in which the sovereign risk is rated BCL 8 or in which the non-sovereign risk (private sector) is rated BCL 8.

Assuming that all ERC participants read the paper beforehand, the presentation highlighted two key requirements of Ex-Im Bank’s charter – that a reasonable assurance

of repayment exist in all transactions supported by Ex-Im Bank and that total defaults under closed transactions not exceed 2% of Ex-Im Bank's total portfolio value. The paper recommends that Ex-Im Bank open selectively for LT exposure in certain BCL 8 countries that present a more stable outlook. Ex-Im Bank has had limited BCL 8 experience (in three BCL 8 markets that performed as agreed). Also, these markets are characterized by high volatility. Various events can occur in the long term to inhibit the ability of a BCL 8 country to repay. Because of the lack of experience and the high volatility, the paper recommends that transaction limits and country limits be established. Where there is transaction availability but no country availability, country availability prevails. No industry limit was recommended, as Ex-Im Bank has traditionally remained below the 2% default rate on transactions within all industries. The paper does not examine what happens if there is a default in a BCL 8 country.

Proposal presented by the Chair of the ERC: As an initial step toward a formal recommendation for BOD approval and toward the determination by the ERC of which BCL 8 markets should be opened for LT exposure, the Chair recommended the endorsement by the ERC of the paper for presentation to the Chairman of Ex-Im Bank first and, subsequently, to the BOD for their reactions. Any comments regarding the paper by ERC participants should be presented to Ken Tinsley.

Decision: This proposal received unanimous approval.

Item 6. Other Business

No other business was discussed.

The meeting concluded at 12:25 PM.

ENTERPRISE RISK COMMITTEE

SUMMARY MINUTES OF ERC MEETING HELD ON SEPTEMBER 17, 2014

Date: September 17, 2014 at 2:00 P.M.

Members

Present: Charles Hall (Chair)

Kenneth Tinsley (Secretariat)

David Sena (Secretariat)

Angela Freyre

Claudia Slacik

James Burrows

Michael Cushing

The meeting began at 2:03 P.M. There was a quorum, given seven ERC Members, including the Committee Chair, were in attendance.

Item 1. Summary Minutes of the ERC meeting of August 20, 2014

Decision: The ERC members deferred consideration of the Summary Minutes of the ERC meeting held on August 20, 2014.

Item 2. Summary of the CPC meeting of September 15, 2014

Decision: The ERC members deferred consideration of the Summary Minutes of the CPC meeting held on September 15, 2014.

Item 3. Impaired Credits and Watch List Update-July and August 2014 Reports

Discussion: This presentation was to provide highlights of any major changes in the Impaired Credits and Watch List Updates as of July and August 2014 when compared to the June 2014 report that was discussed at the July 16, 2014 ERC meeting. It was mentioned that AMD staff continues to monitor the Ukraine transactions. Ex-Im Bank's total exposure in Ukraine as of August 31, 2014 was \$219.5 million, of which \$33.1 million is represented by credits on the Impaired Lists. The impaired credits in Ukraine range from \$4.2 million in exposure to \$8.5 million. As of August 31, 2014, these credits are current.

AMD also mentioned the impaired credit KazkommerstBank OJSC (KKB) with an exposure of \$12.0 million has poor financial fundamentals. In February 2014, KKB announced that it would be acquiring BTA, which will further weaken its credit profile.

TPMD has no impaired credits at this time.

Regarding the Watch List, AMD discussed Australia Pacific LNG Processing PTY ("APLNG"). The project is almost 70% complete and incurred a \$1 billion overrun. Bechtel is the contractor. The total

amount of senior debt is capped at approximately \$8.4 billion, and in the event of cost overruns the Sponsors will be required to cover any incremental funding from uncapped equity in order to reach Project Completion. According to AMD, the sponsors are very strong.

TPMD reported that although press reports indicated the Ex-Im Bank financed B777-200LR aircraft had been cannibalized, such reports were not correct and it had not been used for spare parts. Physical, operational and safety management inspections have now been concluded, and the “C” maintenance procedure is now complete, and the inspector reports that the aircraft is again in good condition.

Item 4a. CLS Cover Policy Changes and Note Changes

Discussion: The Secretariat of the CPC presented the CPC’s referral recommendations to the Enterprise Risk Committee regarding changes to the cover policy and note changes as indicated below.

1. Cover Policy Modifications and related Note Changes:

Grenada: One-step downgrade to BCL 9 for the sovereign rating implies closing for short- and medium-term transactions in the public sector. The one-step downgrade to BCL 8 for the non-sovereign rating implies closing for long-term transactions in the private sector. The recommended notes are Notes # 1, 10 and 13.

South Sudan: A new sovereign rating of BCL 10 implies closing for short-, medium-, and long-term transactions in the public sector. A new non-sovereign rating of BCL 9 implies closing for short-, medium-, and long-term transactions in the private sector. Note# 13 is recommended.

2. Referral Recommendation of Approval of Note # 10 for the following countries: Grenada and Seychelles.

Referral Recommendation of Removal of Note #10 from the following countries: Benin, Central African Republic, Kyrgyzstan, Portugal, and St. Kitts and Nevis.

Decision: The ERC unanimously concurred to refer the CLS Cover Policy Changes and Note Changes for the Board’s consideration.

Item 4b. Review of CLS#4

The Secretariat of the CPC presented the CPC’s referral recommendations to the Enterprise Risk Committee regarding Note # 4 as indicated below.

Maintain Note #4 for the following markets: Azerbaijan, Ghana, Indonesia, Moldova, and the Philippines.

Decision: The ERC unanimously concurred to refer the Note #4 recommendations for the Board’s consideration.

Item 5. Administrative Hold Working Group – Status Update

Discussion: For background, this working group was formed under the coordination of the Office of the General Counsel (OGC), including representative from the following areas: Export Finance, Credit Management, Product and Business Development, CFO and Policy. John Connor, Lead Counsel for Fraud and Compliance as well as the team leader of the Administrative Hold Working Group, provided an update to the ERC as to the status of the working group. The Asst. General Counsels in OGC reviewed the programs for which they each have responsibility – and consulted the business divisions in the Export Finance Group - to determine when in the process of each program do external parties rely upon Ex-Im Bank financing for an approved transaction from a moral obligation viewpoint, and at what point in the documentation process does it become a legal obligation. OGC now intends to undertake the next big step of the legal research into the various programs and their agreements.

Item 6. Other Business-Update on Russian Sanctions by the U.S. government.

Discussion: John Connor, Lead Counsel for Fraud and Compliance, advised the ERC that on September 12 Sberbank had been added to the Sectorial Sanctions Identifications List (SSI List) by the U.S. government. Directive 1 of the SSI list was amended to prohibit new debt with a maturity of longer than 30 days with the listed Russian Banks, including Sberbank as well as other Russian banks that had been previously listed. In addition, the listings on the SSI list, like listings on the SDN list, apply to any direct or indirect subsidiaries owned more than 50% by the listed Bank. Thus, DenizBank, of Turkey, which is owned more than 50% by Sberbank, is also subject to the same prohibitions as Sberbank. (Subsequent action by OFAC, after the date of the ERC meeting, exempted DenizBank from the effects of the SSI sanctions.)

The ERC meeting concluded at 2:33 P.M.

ENTERPRISE RISK COMMITTEE

SUMMARY MINUTES OF ERC MEETING HELD ON OCTOBER 21, 2014

Date: October 21, 2014 at 1:00 P.M.

Members

Present: Charles Hall (Chair)
David Sena (Secretariat)
Angela Freyre
Bradley Carroll
James Burrows
Michael Cushing
Erin Gulick

The meeting began at 1:04 P.M. There was a quorum, given seven ERC Members, including the Committee Chair, were in attendance.

Item 1. Adoption of Summary Minutes of the ERC meeting of September 17, 2014

Decision: The ERC unanimously adopted the Summary Minutes of September 17, 2014.

Item 2. Adoption of Revised Summary Minutes of the ERC meeting of August 20, 2014

Decision: The ERC unanimously adopted the Revised Summary Minutes of August 20, 2014.

Item 3. Adoption of Revised Summary Minutes of the ERC meeting of July 29, 2014

Decision: The ERC unanimously adopted the Revised Summary Minutes July 29, 2014.

Item 4. Adoption of Revised Summary Minutes of the ERC meeting of July 16, 2014

Decision: The ERC unanimously adopted the Revised Summary Minutes of July 16, 2014.

Item 5. Adoption of Revised Summary Minutes of the ERC meeting of June 20, 2014

Decision: The ERC unanimously adopted the Revised Summary Minutes of June 20, 2014.

Item 6. Summary Minutes of the CPC meeting of September 15, 2014

The Summary Minutes of the CPC meeting of September 15, 2014 were for informational purposes for the ERC.

Item 7. Impaired Credits and Watch List Update-September 2014 Report

Discussion: There were no major changes in the Impaired Credits and Watch List Update as of September when compared to the reports in July and August 2014 that were discussed at the September 17, 2014. It was mentioned that AMD staff continues to monitor the

Ukraine transactions. Ex-Im Bank's total exposure in Ukraine as of September 30, 2014 was \$214.5 million, of which \$11.2 million (or 5.2%) is represented by credits on the Impaired Lists.

Regarding the Watch List, AMD mentioned the following.

Ex-Im Bank has an exposure of \$2.9 billion with Australia Pacific LNG Processing PTY ("APLNG"). The project is almost 70% complete and incurred a \$1 billion overrun. Bechtel is the contractor. As the Sponsors made their required equity contributions to cover the overrun, APLNG will be removed from the Watch List.

Cairo Electric with an exposure of \$21.6 will be removed from the Watch List based on the positive repayment history, that the PSOR is the Central Bank, the relative political stability and the economic condition.

Item 8. Multifactor Authentication

Discussion: The presentation and discussion was on what degree of "identity assurance" should be required for authentication to the Bank's network and major applications? The two options are (1) status quo (single factor authentication i.e., password) (2) multifactor authentication to the Bank's network (with system sign on to Bank applications).

The choice of options involves a trade-off between the cost and user convenience versus security risk and compliance. The use of "Single factor authentication" (aka password challenge) is no longer adequate for "identity assurance". OMB Memorandum 11-11 mandates the use of PIV cards for network and application authentication except for extenuating circumstances. There are challenges to PIV card usage, such as inconvenience if the PIV card is left at home; where there is loss or failure of a PIV card, replacement of the PIV card is the only solution (which can take 2-3 days); and, PIV or PIV reader failure prevents users from logging in to their laptop; a real problem during foreign travel. However, the presenter believes that the users will adjust over time to PIV restrictions, and recommended the adoption of multifactor authentication to the Bank's network given the higher security protection for PII and sensitive financial information, that it achieves compliance with OMB mandate and NIST security controls, and supports electronic signature for FMS-NG and Adobe Acrobat Pro documents.

Decision: The ERC unanimously adopted Option Two: Enable multifactor authentication using PIV.

Item 9. Review of Enterprise Risk Committee's Responsibilities and Duties

Decision: Given the length of the meeting, it was decided to defer this discussion until the next month's ERC meeting in November. The Chair also mentioned the memorandum should also consider the Ernst & Young report on Standing Committee Governance.

Item 10. Administrative Hold Working Group – Status Update

Discussion: For background, this working group was formed under the coordination of the Office of the General Counsel (OGC), including representative from the following areas: Export Finance, Credit Management, Product and Business Development, CFO and Policy. Angela Freyre, SVP and General Counsel provided an update to the ERC as to the status of the working group. The Assistant General Counsels for Structured and Project Finance, Transportation and Trade Finance reviewed the programs for which they each have responsibility to determine when, in the process from Board approval to execution of agreements, the Bank has a “moral” obligation and legal obligation. OGC has consolidated this information into tables for each of the programs. At the November ERC meeting a presentation will be made of the working group’s documented findings.

Item 11. Other Business

There was no other business.

The ERC meeting concluded at 2:20 P.M.

ENTERPRISE RISK COMMITTEE

SUMMARY MINUTES OF ERC MEETING HELD ON NOVEMBER 19, 2014

Date: November 19, 2014 at 11:00 A.M.

Members

Present: Charles Hall (Chair)

Kenneth Tinsley (Secretariat)

David Sena (Secretariat)

Angela Freyre

James Burrows

Robert Morin

Claudia Slacik

The meeting began at 11:04 P.M. There was a quorum, given seven ERC Members, including the Committee Chair, were in attendance.

Item 1. Adoption of Summary Minutes of the ERC meeting of October 21, 2014

Decision: The ERC unanimously adopted the Summary Minutes of October 21, 2014.

Item 2. Summary Minutes of the CPC meeting of November 12, 2014 (Information Purposes)

Decision: This item was deferred to allow CPC members more time to review.

Item 3. Impaired Credits and Watch List Update-October 2014 Report

Discussion: There were some changes in the Impaired Credits and Watch List Update as of October when compared to the September 2014 report. For October, Impaired Credits totaled \$281.1 million in exposure, and the Watch List had \$6,837.0 million in exposure, compared to \$294.3 million and \$9,710.9 million for September.

Regarding the Impaired Credits List, AMD mentioned the following.

Projects and Corporates

Wind Power Energia, a borrower located in Brazil, was originally added to the Watch List in September 2014 and moved to the Impaired Credits List in October 2014. Bank of America notified Ex-Im Bank that the payment was not received and is preparing to file a claim. The risk rating has been downgraded from BCL 8 to 10. Exposure as of September 30, 2014 was \$2.9 million.

Helios & Matheson Info. Technology Ltd. is a borrower located in India. UPS will be filing a claim soon. Exposure under three transactions totaled \$3.7 million as of September 30, 2014.

KSG, Agro is located in Ukraine. The company was adversely impacted due to the loss of 30% of its total assets that are located in Crimea. John Deere will be filing a claim.

Regarding the Watch List, AMD mentioned the following.

The removal of Australia Pacific LNG (“APLNG”) from the Watch List primarily accounted for the month-over-month decrease in exposure on the Watch List. The transaction was removed because the sponsors provided the required equity contributions to cover the project’s cost overruns. Ex-Im Bank has an exposure of \$2.9 billion with APLNG.

Darussafaka, a transaction located in Turkey, has been making timely payments under its second restructuring agreement. This agreement requires Darussafaka to make \$30 million in payments over the next ten years, and the quarterly installments will be increasing from \$250,000 to \$1.25 million. It was removed in October from the Impaired Credits List to the Watch List. Exposure as of September 30, 2014 was \$20.9 million.

Item 4. Risk Appetite Update

There were two parts to this item. The first was Policy & Planning’s proposal to evaluate how the Bank’s risk appetite compares with other major ECA’s. The second aspect was the pre-decisional ERC draft Ex-Im Bank Risk Appetite statement that was drafted by Chair and provided to the ERC members at the meeting.

Item 4a. Comparing Risk Appetite

Discussion: Regarding the first topic, as part of Ex-Im Bank’s Strategic Plan, the Bank is embarking on an effort to quantify the Bank’s risk appetite and evaluate how the Bank’s risk appetite compares with other major ECAs. Thus, to get a more accurate picture of an ECA’s risk appetite and as the next step in the effort, Policy & Planning updated the risk appetite inquiry to better understand the effective risk appetite of Ex-Im’s peer ECAs. Policy & Planning’s risk appetite comparison proposal is to start with EDC by sending the latter a risk inquiry as well as cases, followed by a site visit. Once the Bank receives the feedback from EDC and makes any appropriate adjustments, staff will reach out to the remaining ECAs.

Policy and Planning presented this proposal to the CPC on November 12, 2014, and the CPC endorsed the proposal as well as recommending that it should be referred to the ERC.

One of the ERC members noted a discrepancy regarding the definition of credit risk appetite on page 1 vis-à-vis page 12. On page 1 of the paper it stated “While there is no explicit written definition, the Bank generally defines official credit risk appetite with its cover policy which is effectively open for transactions with a risk rating equivalent to a Standard and Poor/Fitch rating of B/B-.” On page 12 of the paper it stated “While

there is no explicit written definition, the Bank generally defines official credit risk appetite with its cover policy which is effectively open for transactions with a risk rating equivalent to a Moody's rating of B/B-." Policy and Planning will change page 12 of the memorandum to read "the Bank generally defines official credit risk appetite with its cover policy which is effectively open for transactions with a risk rating equivalent to a Standard and Poor/Fitch rating of B/B-."

Decision: The ERC unanimously concurred that Policy & Planning should proceed with its proposal to initiate an analysis of ECA risk appetite by sending EDC a risk inquiry as well as cases, followed by a site visit.

Item 4b. Draft of Risk Appetite Statement

Discussion: The second aspect was the pre-decisional ERC draft Ex-Im Bank Risk Appetite statement that was drafted by Chair and provided to the ERC members at the meeting. The Chair requested that the ERC members provide him with comments subsequent to the meeting so that the Risk Appetite Statement could be presented at the next ERC meeting.

Item No. 6. Review of Enterprise Committee's Responsibilities and Duties; EY's Observations/Conclusions and EWG's Recommendations on Enterprise Risk Committee and Reporting Entities (The Chair changed the order of the agenda to ensure Item No. 6 would not be deferred again due to time constraints. Consequently, Item No. 6 preceded Item No. 5).

Discussion: The Enterprise Risk Committee's charter became effective on January 31, 2014. As stated in its charter, the purpose of the ERC is to review, evaluate, coordinate, and make recommendations to the President of the Bank and Senior Management on issues related to financial, credit, legal operational, reputational and other risks. This agenda item reviewed ERC's activities to date as it relates to its responsibilities and duties. In addition, it examined Ernst & Young's (EY) report on Standing Committee Governance issued on September 30, 2014 and the Executive Working Group's (EWG) paper dated October 29, 2013 on Ex-Im Bank Senior Management Committee and Meetings vis-à-vis the Enterprise Risk Committee as well as the Credit Policy Committee and working groups reporting to the ERC.

Regarding ERC activities and as it relates to its responsibilities and duties, the ERC members were advised that over the past year the ERC had addressed nine of the eleven roles and responsibilities as stated in the Charter. The other two were currently being addressed (i.e., develop and recommend to the Bank President a bank risk policy and review performance; and the Default Committee and the Transaction Risk Classification Process shall report their actions to the ERC. Regarding the latter, these entities had not previously been advised of such reporting requirements.)

The second aspect of the discussion focused on the observations and recommendations in the Ernst & Young's (EY) report on Standing Committee Governance issued on

September 30, 2014 and the Executive Working Group's (EWG) paper dated October 29, 2013 on Ex-Im Bank Senior Management Committee and Meetings vis-à-vis the Enterprise Risk Committee as well as the Credit Policy Committee and working groups reporting to the ERC. The following are the aforementioned reports' recommendations, followed by staff's recommendations on these subjects, and concludes with the ERC's decision on each item.

Credit Policy Committee

Regarding the Credit Policy Committee, the EY report stated "Based on input from interviewees, Ex-Im Bank's current structure does not minimize duplication. There is the perception that the Credit Policy Committee activities overlap with the recently established Enterprise Risk Committee. Interviewees indicated the Bank should consolidate the Credit Policy Committee (CPC) functions into the Enterprise Risk Committee." In addition, EWG's paper on Ex-Im Bank Senior Management Committee and Meetings also recommended the CPC's responsibility for functions be transferred to the ERC.

Although at first glance it appears that there is duplication in the activities between the ERC and the CPC, in substance there is a very important role that the latter committee serves for the Bank. The CPC membership is composed of Senior Vice Presidents from groups that have a direct impact on credit/transactional decisions; whereas the ERC membership is composed of both the latter as well as Senior Vice Presidents from groups with non-credit/non-transactional activities. Consequently, the CPC's decision-making focuses on the details from a credit/transactional impact on the Bank; whereas the ERC views the decisions from a broader enterprise risk context.

Staff's Recommendation: The Credit Policy Committee should continue to operate as a sub-committee of the ERC and continue to report into the ERC. This comports with the decision of the ERC on December 13, 2013.

ERC Decision: The ERC concurred that the Credit Policy Committee should continue to operate as a sub-committee of the ERC and continue to report into the ERC. It was also decided that the CPC charter should be updated to reflect its active operating status as a sub-committee reporting into the ERC.

Default Working Group

Regarding the Default Working Group (DWG), the EWG recommended the following: (i) The DWG create operating guidelines with duties as described in the Default Policy; (ii) increase the trigger threshold; and (iii) report minutes to the ERC.

Staff's recommendations: (i) The DWG shall create operating guidelines with duties as described in the Default Policy. (The OCFO staff indicated they are currently drafting operating guidelines with duties as described in the Default Policy); (ii) no change to the trigger threshold, given the current threshold triggers quarterly DWG meetings; if the threshold

were to be increased, it would cause less frequent meetings which may be counterproductive; and (iii) report minutes to the ERC.

ERC Decision: The ERC concurred with staff's recommendations and that the DWG would continue to operate as a subsidiary to the ERC.

Transaction Risk Classification Process Working Group

The EWG paper recommended that the Transaction Risk Classification Process (TRCP) Working Group formalize its operating guidelines and report its minutes to the ERC. As to the EY report, it stated "Interviewers are concerned that the Transaction Risk Working Group is not effective as there is no means of requiring participants to act on committee recommendations." However, this working group was created to provide guidance to staff on key issues to be addressed, classify the risk level, and establish the anticipated scope and timeframe for analysis to be conveyed to the applicant. Furthermore, the EY representatives did not interview at least one of the two co-chairs of the TRCP.

One staff member believed that the TRCP may no longer be needed since TF staff is in communications with Credit Policy staff. However, it was highlighted in the ERC meeting that the TRCP was created by the Board as part of the controls and risk management implemented to address the potential risks associated with the increase in IDA, as indicated below from page 5 of the IDA memorandum to the Board dated July 13, 2010.

Controls & Risk Management

"Management recognizes – and is highly sensitive to – the enhanced risks inherent in the recommended changes. The reduction in direct, transactional oversight provides great opportunity for the improper application of authority, as well as the potential for compromising the consistency and effectiveness of the Bank's credit and risk management."

Some of the ERC members advised that although TFD staff may be communicating with Credit Policy and Asset Management now under the direction of the current VP, the TRCP serves as an institutional control function that is needed in order that such risk management controls will continue into the future as management changes in the decades to come.

Staff's Recommendations: (i) The Transaction Risk Classification Process (TRCP) Working Group shall update its operating procedures in the form similar to other entities and (ii) on a quarterly basis the TRCP shall report on its activity to the ERC.

ERC Decision: Given the discussion and time element, it was decided to defer the decision on the TRCP to the next ERC meeting.

Item 5. Administrative Hold Working Group

Discussion: For background, this working group was formed under the coordination of the Office of the General Counsel (OGC), including representative from the following areas: Export Finance, Credit Management, Product and Business Development, CFO and Policy. John Connor, Lead Counsel for Fraud and Compliance as well as the team leader of the Administrative Hold Working Group, provided a short presentation on the chart which summarized how Ex-Im Bank actions lead to legal obligations enforceable against the Bank, and also summarizing the parameters for Ex-Im Bank to extricate itself from transactions. The chart provided to the ERC addressed only the long-term programs. The Medium Term and Short Term programs have different documentation. Insurance documentation under some of the MT and ST programs has express language barring Ex-Im Bank from changing or cancelling a transaction or a policy. In addition, most of these programs set forth that the shipment in question must be in conformance with the CLS.

Decision: The ERC recommended that a small group of officers representing the operating divisions be formed and to review the earlier Administrative Hold document drafted by Credit Policy vis-à-vis the aforementioned charts.

Item 7. Other Business

There was no other business.

The ERC meeting concluded at 12:23 P.M.

ENTERPRISE RISK COMMITTEE**SUMMARY MINUTES OF ERC MEETING HELD ON
DECEMBER 19, 2014**

Date: December 19, 2014 at 2:30 P.M.

Members

Present: Charles Hall (Chair)
Kenneth Tinsley (Secretariat)
David Sena (Secretariat)
Angela Freyre
James Burrows
Jim Cruse
Claudia Slacik

The meeting began at 2:32 P.M. There was a quorum, given seven ERC Members, including the Committee Chair, were in attendance.

Item 1. Adoption of Summary Minutes of the ERC meeting of November

19, 2014 Decision: The ERC unanimously adopted the Summary Minutes of
November 19, 2014

**Item 2. Summary Minutes of the CPC meeting of November 12, 2014
(Information Purposes)**

Discussion: The meeting was summarized by Ken Tinsley

Item 3. Impaired Credits and Watch List Update-November 2014 Report

Discussion: There were no additions to the Impaired Credits list with Ukraine credits continuing to be monitored closely.

Petroleos Brasileiros (Petrobas) was added to the Watch List as Petrobas is currently under investigation. Ex-Im staff considers the likelihood of repayment high.

For transportation, UTAIR aircraft in Russia were inspected and found to be in excellent condition and UTAIR stated they are committed to continue to make payments.

Item 4a. CLS Cover Policy Changes and Note Changes (ERC Decision Needed)

Decision: The ERC unanimously approved that the proposed changes be referred to the Board.

Item 4b. Review of Note #4 (ERC Decision Needed)

Decision: The ERC unanimously approved that note #4 be maintained in Bhutan and Uganda, but be replaced by note #14 in Kazakhstan. Note #4 would be deleted for Libya. These were referred to the Board.

Item 5. CRTI Due Diligence Process Update (ERC Decision Needed)

Decision: The ERC unanimously approved the proposal with modifications

Item 6. Review of Enterprise Risk Committee's Responsibilities and Duties; EY's Observations/Conclusions and EWG's Recommendations on Enterprise Risk Committee and Reporting Entities **(ERC decision needed on TRCP section that was deferred at November 19, 2014 ERC Meeting, please see page 5 of the subject memorandum)**

Action: Deferred to the next ERC meeting

Item 7. Risk Appetite Statement (ERC Decision Needed)

Action: Deferred to the next ERC meeting

The ERC meeting concluded at 3:30 P.M.

ENTERPRISE RISK COMMITTEE**SUMMARY MINUTES OF ERC MEETING HELD ON
January 30, 2015**

Date: January 30, 2015 at 1:00 P.M.

Members

Present: Charles Hall (Chair)
Kenneth Tinsley (Secretariat)
David Sena (Secretariat)
James Burrows
Jim Cruse
Brad Carroll
Erin Gulick
Mike Cushing

The meeting began at 1:00 P.M. There was a quorum, given seven ERC Members, including the Committee Chair, were in attendance.

Item 1. Adoption of Summary Minutes of the ERC meeting of December 19, 2014

Decision: The ERC unanimously adopted the Summary Minutes of December 19, 2014

Item 2. Summary Minutes of the Default Committee Meeting of December 10, 2014

Discussion: The meeting was summarized by David Sena

Item 3. Impaired Credits & Watch List Update as of December 2014

Discussion:

No additions were made to the impaired list for projects and corporates

One Working Capital transaction was added to the impaired list with exposure of \$4.1 million.

One transportation credit, UTair, was moved from the watch list to the impaired credits list with exposure of \$111.6 million

One credit, Newsat, was added to the project and corporate watch list with an exposure of \$300.5 million.

No additions were made to the watch list for working capital

No additions were made to the watch list for transportation

Item 4. Review of Enterprise Risk Committee's Responsibilities and Duties; EY's Observations/Conclusions and EWG's Recommendations on Enterprise Risk Committee and Reporting Entities (ERC decision needed on TRCP section that was deferred at November 19, 2014 ERC Meeting, please see page 5 of the subject memorandum)

Decision: Summary of activity will be reported on a quarterly basis unless the IDA changes and operating guidelines will be created for the TRCP.

Item 5. Ex-Im Risk Appetite Policy Statement (ERC Decision Needed)

Decision: The ERC unanimously approved the Risk Appetite Statement subject to changes proposed and circulated to committee members

Item 6. Other Business - CRTI

Decision: The ERC unanimously approved the CRTI plan with a rollout on March 1 to give time for training

The ERC meeting concluded at 1:59 P.M.

ENTERPRISE RISK COMMITTEE**SUMMARY MINUTES OF ERC MEETING HELD ON
February 27, 2015**

Date: February 27, 2015 at 2:00 P.M.

Members

Present: Charles Hall (Chair)
Kenneth Tinsley (Secretariat)
David Sena (Secretariat)
James Burrows
Robert Morin
Angela Freyre
Michael Cushing

The meeting began at 2:00 P.M. There was a quorum, given six ERC Members, including the Committee Chair, were in attendance.

Item 1. Adoption of Summary Minutes of the ERC meeting of January 30, 2015

Decision:

The ERC unanimously adopted the Summary Minutes of January 30, 2015 with modifications and the distribution of the Risk Appetite Statement to ERC members

Item 2. Impaired Credits & Watch List Update as of January 2015

Discussion:

One obligor, Bank Asya, was added to the impaired list for projects and corporates in January with exposure of \$6.2 million

No obligors were added to the impaired list for working capital

One obligor, UTair, was added to the impaired credits list in January with exposure of \$111.6 million

No obligors were added to the project and corporate watch list

One obligor, PCD Exports, LLC, was added to the watch list for working capital

No obligors were added to the watch list for transportation. Air India was removed from the watch list resulting in a \$2,610 million drop in transportation watch list exposure

Item 3. Enhanced Medium Term Pricing for Highly Creditworthy Borrowers

Discussion:

Credit Policy gave a presentation on a proposal for applying the long term risk curve to certain medium term transactions based on criteria they developed

OCFO is to evaluate the proposal with accompanying analysis performed by Credit Policy

Item 4. Request for Consideration - Records Pilot Project

Decision:

The ERC unanimously approved using transportation records for this records pilot project

Item 5. Request for Approval of the Project Finance Risk Rating Model

Decision:

The ERC unanimously approved replacing the Structured and Project Finance Division's (SFD) Project Finance Risk Rating Model with the Asset Management Division's (AMD) existing Project Finance Risk Rating Model

Item 6. Other Business

Decision: No other business

The ERC meeting concluded at 2:50 P.M.

ENTERPRISE RISK COMMITTEE (ERC)

SUMMARY MINUTES OF ERC MEETING HELD ON MARCH 30, 2015

Date: March 30, 2015

Present: Charles Hall (Chair)
David Sena (Secretariat)
Kenneth Tinsley (Secretariat)
James Burrows
Michael Cushing
James Cruse
Angela Freyre
Erin Gulick
Robert Morin

The meeting began as scheduled. There was a quorum, given 9 ERC members, including the Committee Chair, were in attendance.

Item 1. Adoption of Summary Minutes of the ERC Meeting of February 27, 2015
(ERC Decision Needed)

Decision: The ERC members unanimously adopted the Summary Minutes of the ERC meeting held on February 27, 2015.

Item 2. Summary Minutes of the CPC Meeting of March 25, 2015 **(For Information Purposes, only)**

Deborah Thompson summarized the issues addressed at the CPC Meeting of March 25, 2015, as the discussion was relevant to Items 4a and 4b (see below) for consideration at the current ERC Meeting. The issues examined at the aforementioned CPC meeting are contained in two memoranda of the same date presented by Ignacio Diaz, CLS Coordinator, CREA to the CPC.

CLS Cover Policy/Note Changes/CLS Text Change to Note # 4/Review of Note # 4

1. Implied Cover Policy Changes related to OMB finalized ratings of March 1, 2015:

French Polynesia: A new sovereign rating of budget cost level **5** implies opening for short-, medium-, and long-term transactions in the public and private sectors.

Suriname: The two-step upgrade to budget cost level **7** for the sovereign rating implies opening for short-, medium-, and long-term transactions in the public sector.

The CPC concurred with staff's recommendations regarding the aforementioned CLS Cover Policy changes and referred the same to the ERC.

2. Referral Recommendations regarding Notes for the following markets:

Country	Current Notes	Changes to Notes	Recommended Notes
French Polynesia	Not Applicable	Add Notes # 3 and 5	Notes # 3 and 5
Macedonia	Notes # 1, 3, 4, and 5	Remove Note # 4	Notes # 1, 3 and 5
Suriname	Note # 13	Add Notes # 3 and 5	Notes # 3, 5 and 13
Afghanistan (closed)	Notes # 10 and 13	Remove Note # 10	Note # 13
Haiti (closed)	Notes # 10 and 13	Remove Note # 10	Note # 13

Notes #3 and #5 were recommended for French Polynesia and Suriname due to one or more of the following reasons: a lack of experience with public sector transactions in the market and/or public sector financial management is constrained (e.g., poor control over government-related entities).

In addition, staff had conducted a review of Note # 10. This note states the following:

“When open for cover, medium- and long-term public sector transactions are subject to Ministry of Finance notification to Ex-Im Bank that the transaction is of the highest priority and would conform with IMF program limits on non-concessional debt.”

Given there are no longer IMF programs in Afghanistan and Haiti, the removal of Note #10 from these markets is recommended.

The CPC concurred with staff's recommendations regarding the aforementioned CLS Note changes and referred the same to the ERC.

3. Referral Recommendation of CLS Text Change of Note # 4

The CPC concurred with staff's recommendation to amend Note # 4. This enhancement would provide further guidance to customers as well as offer greater flexibility to the WCGP. The CPC referred such changes to the ERC. The recommended enhancements (in bold) to Note # 4 are as follows:

“4. Ex-Im Bank cover/support for private sector transactions is typically limited to transactions with a commercial bank as obligor or guarantor. Ex-Im Bank will consider transactions without a bank undertaking on a case-by-case basis. **Regarding the latter, Ex-Im Bank may consider corporate entities that are able to provide detailed**

financial information sufficient to enable Ex-Im Bank to reach a credit conclusion. Such information should include financial statements audited by an affiliate of an international accounting firm and prepared in accordance with International Financial Reporting Standards (IFRS), and the statements should reflect material bank borrowings. As conditions pursuant to which we may consider non-bank transactions vary in markets subject to this note, please contact the Credit Policy Division for further information.

Coverage under the WCGP for private sector transactions requires that the transaction be supported by an irrevocable Letter of Credit. **Exceptions may be made for private sector transactions that are insured for comprehensive political and commercial risk.”**

4. Review of Note #4

The CPC concurred with staff’s recommendations to maintain Note #4 in Albania, Angola, Cameroon, Pakistan, Senegal, and Uzbekistan and remove Note # 4 from Macedonia, with referral to the ERC. Regarding the latter, the following reasons motivated staff’s recommendation to remove Note # 4 for Macedonia: reduction of corruption, adoption of IFRS accounting standards, presence of eight international accounting firms (including the Big 4) in the country, the lack of Ex-Im Bank claims, current minimum Ex-Im Bank exposure of \$100,000 and, in general, limited Ex-Im Bank experience in the market, with only \$1 MM in authorizations since 2005.

Please note that the CPC referral recommendations detailed above under Item 2 are the focus of Items 4a and 4b below.

Item 3. Impaired Credits & Watch List Update as of February 2015 (ERC Discussion)

- a. New “Portfolio Overview” and “Risk Management & Reserves” sections were added to the “Impaired Credits & Watch List” report. David Sena commented briefly on the new sections which illustrate trends in the management of Ex-Im Bank’s portfolio, risk exposure and rating and geographic and industry concentrations. An important positive trend is that while Ex-Im Bank’s total exposure increased between FY2006 – FY2014 by approximately 94% from \$57.8 billion to \$112.0, the Bank’s default rate was low and declining, and continued to decline even during the 2008 - 2009 financial crisis.
- b. Updates were provided on the following transactions appearing on the “Impaired Credits” list:
 - i. KoolSpan, Inc. There are two standby L/Cs under the WCGP Program that will be cancelled by the beneficiary, which will reduce Ex-Im Bank’s exposure from \$3.8 MM to zero. No claim is anticipated.
 - ii. UTair. Borrower typically advises ahead of time when it will pay. February 2015 was a big month for them (due to a \$2 MM payment). Ex-

Im Bank has not been included in the restructuring plan, which implies the borrower's intention to pay when scheduled. UTair is not paying other lenders. Most of the lenders included in the borrower's restructuring plan are domestic lenders, except for Coface. In order to allow for a restructuring plan, Ex-Im Bank will release seven pre-owned 737-500 aircraft previously supported by Ex-Im Bank (the debt of which has been fully paid). Ex-Im Bank's current exposure of \$111.6 million is secured by the four aircraft financed and this collateral has a current book value in excess of the outstanding debt. Ex-Im Bank reps will probably go to Moscow to meet with the borrower. There is indication that the borrower is seeking sovereign support. Ex-Im Bank is happy with the efforts made by the borrower, which while late in making advance payments of rent on the four aircraft, manages to pay before the rent payments become PEFCO claimable events.

Ken Tinsley commented that there appear to be a lot of power and renewable energy credits on the "Impaired Credits" list.

- c. Updates were provided on the following transactions appearing on the "Watch List":
 - i. Jabiru Satellite Ltd. (NewSat Ltd.). As this transaction is now managed by Asset Management, this transaction will appear on the "Impaired Credit" list beginning in May 2015. This is a publicly-traded company in Australia, and there has been trading suspension on the Australia stock exchange. Lenders have reached an agreement with the Borrower on the terms and conditions for the lenders to resume funding. However, Coface is unwilling to increase their exposure under this transaction, although this is not yet official.
 - ii. Sasan. All 6 units are up and running before the 4/7/2015 commercial operation date ("COD") deadline. The first principal and interest payment was made as scheduled on 3/27/2015. The debt service reserve account has not been funded. Ex-Im Bank scheduled a monitoring trip for 3/31/2015.
 - iii. Kenya Airways. Borrower was 9 days late on a rent payment. Ex-Im Bank contacted the CEO who advised that this would not happen again. The late payment was immediately made. The CEO has been invited to Ex-Im Bank in April 2015 to provide an update regarding the airlines' financial standing and future plans. The airline has been impacted by terrorism and currency depreciation.
 - iv. Somon Airlines. No update. Simply an important edit to reflect this transaction as private sector risk (not as sovereign risk). This correction should appear on the next report.

Item 4a. CLS Cover Policy Changes/Note Changes/ CLS Text Change to Note # 4 (ERC Decision Needed)

The CPC recommendations detailed above under Item 2 were the focus of Items 4a and 4b below.

Decision: The ERC members unanimously approved the CPC's recommendations regarding CLS Cover Policy Changes/Note Changes/ CLS Text Change to Note # 4 and referred the same to the Board (as detailed under Item 2 above).

Item 4b. Review of CLS Note # 4 (**ERC Decision Needed**)

Decision: The ERC members unanimously approved the CPC's recommendations to maintain Note #4 in Albania, Angola, Cameroon, Pakistan, Senegal, and Uzbekistan and remove Note # 4 from Macedonia, with referral to the Board (as detailed under Item 2 above).

Item 5. Discussion of New Risk Policy Projects (**ERC Discussion**)

Discussion. A letter was sent to Congress from Ex-Im Bank's Inspector General (IG), advising that the Bank should have at least two policies regarding portfolio risk mitigation and financial modeling governance in place, in addition to Ex-Im Bank's Risk Appetite Statement approved in January 2015 by the ERC. The IG advised that these are outstanding items.

The ERC made the following three points regarding the IG letter.

- (1) The ERC members were unaware of these two IG recommendations prior to seeing the aforementioned letter;
- (2) Ex-Im Bank will be providing additional information regarding portfolio risk mitigation once we receive further clarity from the IG on this subject; and,
- (3) These proposed policies are related to Ex-Im Bank's Audit Committee reviews that are currently underway by S & P Capital IQ and Summit Consulting.

Ex-Im Bank is striving to achieve better clarity regarding the IG's needs.

Item 6. Other Business. There was no other business to be reviewed.

The meeting adjourned at 11:08 AM.

ENTERPRISE RISK COMMITTEE (ERC)

SUMMARY MINUTES OF ERC MEETING HELD ON APRIL 29, 2015

Date: April 29, 2015

Present: Charles Hall (Chair)
David Sena (Secretariat)
James Burrows
Michael Cushing
Angela Freyre
Robert Morin
Claudia Slacik

The meeting began as scheduled. There was a quorum, given seven ERC members, including the Committee Chair, were in attendance.

Item 1. Adoption of Summary Minutes of the ERC Meeting of March 30, 2015
(ERC Decision Needed)

Decision: The ERC members unanimously adopted the Summary Minutes of the ERC meeting held on March 30, 2015.

Item 2. Impaired Credits & Watch List Update as of March 2015 **(ERC Discussion)**

- a. Updates were provided on the following transactions appearing on the “Impaired Credits” list:
 - i. Jabiru Satellite Ltd. (NewSat Ltd.). This credit was originally added to the Watch List in December 2014 and moved to impaired credits in March 2015. Court hearings for NewSat’s Chapter 13 proceedings were held on April 29, 2014. Measat, owner of the orbital slot, is unlikely to cure the defaults owed to the supplier within the allotted time period. The lenders have concluded that they must exercise their rights by filing for Insolvency in Australia in order to stay the termination of the suppliers’ contracts. The goal would be to work with the Receiver and Measat to develop and execute a financial plan to fund the completion of the satellite and the launch vehicle. This would likely require the entry of a strategic investor. There is possibility that the company may file Chapter 11 in the U.S.
 - ii. UTair. No change from the last month’s report.
- b. Updates were provided on the following transactions appearing on the “Watch List”:

- i. Kenya Airways. Borrower was 9 days late on a rent payment. Ex-Im Bank contacted the CEO who advised that this would not happen again. The late payment was immediately made.
- ii. Somon Airlines. Somon Airlines need to continuously receive the message to work with the Aruban registry.

Item 3. Model Governance Policy (ERC Decision)

Discussion. The CFO provided background on the proposed model governance policy. He advised that the IG has made various recommendations, but underlying these recommendations is that Ex-Im Bank does have good processes in place, although it may not have the governance documentation regarding those processes. In reference to the Credit Loss Factors model, the IG had recommended a financial modeling governance policy should be instituted at the Bank. Senior management decided to expand such model governance documentation to include all financial models at Ex-Im Bank.

In order to develop and implement such a model governance policy, staff's first step would be to undertake an inventory of all financial models within the Bank. Once the universe of models has been identified, all of the models should be listed in a matrix form document that codifies which specific office(s) is/are responsible for the various processes/functions related to each model, such as developing the model, the internal/external validation process, and utilization as well as security of the model. The ERC also commented that the governance documentation should state how often the models should be validated.

The ERC requested Tyler Robinson of the Office of the CFO and Cameron Miller, Senior Credit Policy Officer of the Credit Policy Division to undertake the first step to take an inventory of the models at the Bank. The Chair requested the model inventorying phase should be completed by the next ERC meeting, if not sooner. The ERC also instructed the team to contact Jim Cruse regarding financial models.

Decision: The ERC concurred with the approach as described in the Process and Governance for Financial Models Memorandum presented to the ERC. The ERC also stated that eventually the Bank will have a paper instead of an outline of the governance process.

Item 4. Summary of activities of the Transaction Risk Classification Process (TRCP) (ERC Discussion)

Discussion: David Carter, Vice President of Credit Policy, presented the tables below and provided a summary of activities of the TRCP.

Activity summary for FY 2014

Transactions reviewed by TRCP (figures in parentheses represent number of transactions)

Product	Low risk	Standard risk	Elevated risk	Totals per product
Medium -Term	0	\$37,004,253 (5)	\$52,164,520 (7)	\$89,168,773 (12)
FIBC	0	\$61,746,000 (7)	\$75,490,000 (14)	\$137,236,000 (21)
ESS	\$3,600,000 (1)	\$20,875,000 (4)	\$17,400,000 (2)	\$41,875,000 (7)
Totals per risk level	\$3,600,000 (1)	\$119,625,253 (17)	\$145,054,520 (22)	\$268,279,773 (40)

Activity summary for 1st Quarter, FY 2015

Transactions reviewed by TRCP (figures in parentheses represent number of transactions)

Product	Low risk	Standard risk	Elevated risk	Totals per product
Medium -Term	0	\$15,221,626 (2)	\$6,205,000 (1)	\$21,426,626 (3)
FIBC	0	\$48,760,000 (7)	\$20,250,000 (4)	\$69,010,000 (11)
ESS	0	\$12,750,000 (2)	0	12,750,000 (2)
Totals per risk level	0	\$76,731,626 (11)	26,455,000 (5)	\$103,186,626 (16)

For activity in FY 2014, the country with the highest dollar-amount exposure was Mexico for Medium-term, FIBCs and ESS'. Whereas in FY 2015 1st quarter, the country with the highest dollar-amount exposure was again Mexico for Medium-term and FIBCs, but for ESS' it was France with the highest exposure.

The purpose of the TRCP is two-fold: 1) to assess and classify the risk and 2) to provide specific guidance to staff as to the necessary scope of analysis prior to consideration for authorization under delegated authority.

One of the ERC members queried why other programs under IDA were not considered by the TRCP. Mr. Carter responded that the Transportation Division utilized qualified advisors as well as the fact that the Credit Policy Division would soon be undertaking

post-authorization reviews of Board transactions which would absorb a significant amount of Credit Policy Division's time.

The Chair requested that the topic regarding the advisability of expanding the TRCP process to other divisions be placed on next month's ERC agenda.

Item 5. Other Business.

a. Scheduling of ERC meetings (**ERC Decision**)

Decision: Future ERC meetings will be held on the last Thursday of each month at 3:00 P.M.

b. Agenda item for the next ERC meeting to be held in June 2015: The ERC Chair requested that the Scope of Work for 2015 Enterprise Risk Assessment (Decision required) be included in the June 2015 ERC agenda.

The meeting adjourned at 3:00 P.M.

ENTERPRISE RISK COMMITTEE (ERC)

MINUTES OF ERC MEETING HELD ON JUNE 25, 2015

Date: June 25, 2015

Present: Charles Hall (Chair)
David Sena (Secretariat)
Kenneth Tinsley (Secretariat)
Michael Cushing
Angela Freyre
Erin Gulick
Robert Morin

The meeting began as scheduled. There was a quorum, given the Chair and six ERC members were in attendance.

Item 1. Adoption of Minutes of the ERC Meeting of May 28, 2015 (**ERC Decision Needed**)

ERC Decision: The ERC members unanimously approved the Minutes of the ERC meeting held on May 28, 2015.

Item 2. Minutes of the CPC Meeting of June 22, 2015 (**For Information Purposes**)

Discussion: Kenneth Tinsley, SVP of Credit and Risk Management Group/Co-Chair of the CPC advised that the primary agenda item of the CPC meeting of June 22, 2015 was the review of changes to the Country Limitation Schedule (CLS). The CPC referred its recommendations to the ERC regarding the CLS changes.

It was mentioned that there was a robust discussion at the CPC meeting regarding text changes to CLS Note # 3. For efficiency purposes, since Items 5a and 5b of the June 25, 2015 ERC agenda were CPC's referred recommendations to the ERC on the CLS changes, the ERC was advised that further discussion on the recommended changes to the CLS would occur at that time.

Item 3. Impaired Credits & Watch List Update as of May 2015 (**ERC Discussion**)

Updates were provided on the following transactions appearing on the "Impaired Credits" list:

- a. Jabiru Satellite Ltd (NewSat Ltd.). Walter Keating, VP of the Asset Management Group, reported that NewSat Ltd. would be presented to the Board to obtain approval to release the liens in order to sell the assets.

- b. Astana Finance. With respect to the restructuring, Ex-Im Bank's Board approved an \$80 MM write-off (from the original \$100 MM exposure). On May 22, 2015, Ex-Im Bank received a payment in the amount of \$22,257,700.11 in cash. The remainder of Ex-Im Bank's entitlement under the amended October 2014 Term Sheet consists of 10-year Recovery Notes and Global Depositary Receipts, with values of \$3.7 MM and \$5.3 MM, respectively.

Kenneth Tinsley noted that Ex-Im Bank received a "comfort letter" on this transaction, but it did not improve Ex-Im Bank's position in the restructuring.

- c. UTAir. UTAir has been able to make rent payments before these become Pefco claimable events. UTAir is hoping to obtain a government guarantee/equity support from the Russian government. One of the ERC members queried if such a structure would cause any issues regarding the Russian Sanctions. OGC advised that the SSI list was forward looking regarding transactions.

Updates were provided on the following transactions appearing on the "Watch List":

- a. Sasan. Since the initiation of the construction in July 2011, Sasan has reported 19 fatalities. With the input from Ex-Im Bank staff, Reliance is showing greater understanding of Ex-Im Bank's principles for safety and work to mitigate such risks. Secondly, they continue to implement the initiative began in March 2015 and introduced new action plans to realize an improved safety culture.

An ERC member queried why Sasan is not funding the DSRA for Sasan per the third Limited Waiver and Amendment Agreement ("3rd LWAA") signed September 23, 2014. Sasan agreed in the 3rd LWAA to fund the DSRA from pre-completion revenues; however, Sasan wants to fund it over a three-year period. Furthermore, the third sponsor Support Agreement required R-Power to post a \$200 million LC funding Sasan's debt service reserve account by September 30, 2014, but the LC has not been provided. Ex-Im Bank and the Lenders have issued a reservation of rights letter and halted disbursements. Ex-Im Bank staff is holding weekly calls with the lender group to discuss possible measures to address the technical defaults.

- b. Petrobras. Petrobras has made a return to international capital markets after being shunned by investors for more than a year selling \$2.5 billion in century bonds. The securities are due 2115 at a yield of 8.45%. This move is expected to help restore market confidence.

Item 4. Standard Operating Procedure: Maintaining Transaction Records (ERC Decision Needed)

Presentation/Discussion: On February 27, 2015, the ERC approved a proposal for a Pilot Project for SOP Transaction Records Management. Since then, the Working Group met regularly and produced the "Standard Operating Procedure: Maintaining Transaction

Records” (“SOP”). The SOP focused on transactions of the Transportation Division. With appropriate division-specific adjustments, it is designed to be used by all divisions within Ex-Im Bank.

This SOP is a “handbook” and a living document. It provides guidance as to what is a “deliberative document“, which requires the loan officer to keep such documentation in the official file. Furthermore, it is a major step regarding IG’s recommendations and comments on record keeping practices.

Request for ERC Approval and Next Steps

The Working Group respectfully requests the following actions by the ERC:

1. Approval of the SOP as the official Ex-Im Bank guide for maintaining transaction records.
2. Each business unit listed in Section V, Table 1, is directed to appoint a Records Liaison Officer not later than July 10, 2015.
3. The Records Liaison Officers will participate in a training session organized by the Working Group to understand how the SOP works and their responsibilities viz. transaction records management. The training session will take place not later than July 22, 2015.
4. Each business unit will be required to identify specific recommendations for the SOP not later than August 19, 2015. Resources from the TEM team, OGC, and other divisions, as necessary, will be made available to assist.
5. Each business unit will prepare a timetable for implementation of the SOP not later than September 30, 2015.

ERC Decision: All of the aforementioned five next steps were unanimously approved by the ERC.

Item 5. CLS Cover Policy Changes, Note Changes, Text Changes, and the review of Note # 4 (**ERC Decision Needed**)

On June 22, 2015, the Credit Policy Committee considered changes to the cover policy, note changes, CLS text changes, and the review of Note #4. The following were the CPC’s referral recommendations to the Enterprise Risk Committee.

Item No. 5a. CLS Cover Policy, Note Changes, and CLS Text Changes

From February 2015 through April 2015, CREA staff completed assessments of country risks for sovereign and non-sovereign transactions in 19 markets (i.e., 38 ratings). The Office of Management and Budget (OMB) finalized the ratings effective June 1, 2015.

1. Implied Cover Policy Changes related to OMB finalized ratings of June 1, 2015

Based on Board-approved cover policy, the BCL changes imply the following cover policy modifications of the Country Limitation Schedule:

Egypt: Opening for long-term transactions in the public and private sectors.

Ethiopia: Opening for long-term transactions in the public and private sectors.

Laos: Opening for short- and medium-term transactions in the private sector.

Niger: Opening for short- and medium-term transactions in the public sector.

St. Lucia: Closing long-term transactions in the public sector.

CPC Referral Recommendation to the ERC: The CPC concurred with staff's recommendations regarding the aforementioned CLS Cover Policy changes and referred the same to the ERC.

ERC Decision: The ERC concurred with CPC's recommendations regarding the aforementioned CLS Cover Policy changes and referred the same to the Board.

2. CPC Referral Recommendations to ERC of Note Changes

The CPC approved the following staff recommended note changes and the CPC referred the same to the ERC.

Country	Current Notes	Changes to Notes	New Notes
Burundi	Notes # 1, 10, 11a, 11b, 13	Delete Notes # 11a and 11b	Notes # 1, 10, and 13
Cameroon	Notes # 4, 5, and 6a	Add Note # 3	Notes # 3, 4, 5 and 6a
Central African Republic	Notes # 1, 10, 11a, 11b, and 13	Remove Notes # 11a and 11b	Notes # 1, 10, and 13
Egypt	Notes # 1, 4, 5, and 13	Add Note # 3; remove Note # 13	Notes # 1, 3, 4, and 5
Ethiopia	Notes # 1, 4, 5 and 13	Add Note # 3; remove Note # 13	Notes # 1, 3, 4, and 5
Guinea	Notes # 10 and 13	Add Notes # 11a and 11b	Notes # 10, 13, 11a, and 11b
Kenya	Notes # 1 and 5	Note # 10	Notes # 1, 5, and 10
Laos	Notes # 1, 5, and 13	Add Notes # 3 and	Notes # 1, 3, 5, 13,

REVISED

		14	and 14
Mali	Notes # 10 and 13	Add Notes # 11a and 11b	Notes # 10, 11a, 11b, and 13
Niger	Notes # 1, 10, 11a, and 13	Add Notes # 3, 4, and 5; remove Note # 11a	Notes # 1, 3, 4, 5, 10 and 13
Serbia	Notes # 1 and 4	Add Note # 10; remove Note # 4	Notes # 1 and 10
St. Lucia	Note # 1	Add Notes # 3, 5, and 13	Notes # 1, 3, 5, and 13
The Gambia	Notes # 10, 11a. and 13	Remove Note # 10	Notes # 11a and 13
Tanzania	Notes # 1, 4 and 5	Add Note # 3	Notes # 1, 3, 4, and 5
Zimbabwe	Note # 13	Add Notes # 11a and 11b	Notes # 11a, 11b, and 13

ERC Decision on Note Changes: The ERC concurred with CPC’s recommendations regarding the aforementioned note changes and referred the same to the Board.

3. CPC Referral Recommendations to ERC of CLS Text Changes

Note # 3 Text Changes: The following are CPC’s referral recommendations to amend Note # 3.

“3. Prior to accepting an application for a preliminary or final commitment for a public sector transaction, or for any insurance or WCGP coverage for a public sector transaction, Ex-Im Bank will require an indication **from the Ministry of Finance (or equivalent appropriate government authority such as the Central Bank)** of host government support for the application. Contact Ex-Im Bank for more detailed information on specific markets.”

ERC Decision on Note # 3 Text Changes: As indicated below, the ERC further amended the text of Note # 3 and referred the ERC amended version to Board.

“3. Prior to accepting an application for a preliminary or final commitment for a public sector transaction, or for any insurance or WCGP coverage for a public

sector transaction, Ex-Im Bank will require an indication of host government support for the application **from an appropriate government authority such as the Ministry of Finance or the Central Bank**. Contact Ex-Im Bank for more detailed information on specific markets.”

ERC Decision on Note # 4 Text Changes: The ERC concurred with CPC’s recommendations to amend Note # 4 as indicated below in **bold** and referred the same to the Board.

“4. Ex-Im Bank cover/support for private sector transactions is typically limited to transactions with a commercial bank as obligor or guarantor. Ex-Im Bank will consider transactions without a bank undertaking on a case-by-case basis. Regarding the latter, Ex-Im Bank may consider corporate entities that are able to provide detailed financial information sufficient to enable Ex-Im Bank to reach a credit conclusion. Such information should include financial statements audited by an affiliate of an international accounting firm and prepared in accordance with International Financial Reporting Standards (IFRS), and the statements should reflect **historical** material bank borrowings. As conditions pursuant to which we may consider non-bank transactions vary in markets subject to this note, please contact the Credit Policy Division for further information.

Coverage under the WCGP for private sector transactions requires that the transaction be supported by an irrevocable Letter of Credit. Exceptions may be made for private sector transactions that are insured for comprehensive political and commercial risk.”

ERC Decision on Note # 14 Text Changes: The ERC concurred with CPC’s recommendations to amend Note # 14 as indicated below in **bold** and referred the same to the Board.

“14. For private sector transactions, Ex-Im Bank will consider transactions with financial institutions or other entities that are able to provide detailed financial information sufficient to enable Ex-Im to reach a credit conclusion. Financial statements provided in support of the transaction should be audited by an affiliate of an international accounting firm and prepared in accordance with International Financial Reporting Standards (IFRS), **and the statements should reflect historical material bank borrowings**.

Coverage under the Working Capital Guarantee Program (WCGP) requires that the transaction be supported by an irrevocable Letter of Credit issued by a bank acceptable to Ex-Im Bank. Exceptions may be made for private sector transactions that are insured for comprehensive political and commercial risk.”

Item No. 5b. Review of Note #4

CPC Referral Recommendations on certain Note # 4 markets: The CPC concurred with staff's recommendations to remove Note # 4 from Serbia and maintain Note #4 in Ethiopia, Egypt, Nigeria, Philippines, and Tanzania, with referral to the ERC.

ERC Decision on certain Note # 4 markets: The ERC concurred with CPC's recommendations regarding the aforementioned Note # 4 recommendations and referred the same to the Board.

Item 6. Portfolio Risk Dashboard Update (ERC Discussion)

The Portfolio Risk Dashboard is an Excel-based tool that calculates portfolio level risk for Ex-Im Bank both at the total portfolio level and sub-portfolio levels (region, industry, credit rating and counterparty type). The dashboard was developed with the assistance of the EIU, using 21 years of historical Ex-Im Bank portfolio data (FY1994 –FY2014) and EIU's proprietary sovereign credit risk model (the Country Risk Service), with the objective of identifying a link between parts of the portfolio and macroeconomic trends.

The dashboard is a risk management tool that will enable Ex-Im Bank to determine the impact of a specific transaction on the portfolio.

Discussion: Tyler Robinson, Office of the CFO, advised that shortly he would be briefing Director Loui and Director Mulvaney on the dashboard. In addition, he would be meeting with Bill Marsteller and his CREA team to go over the newest version.

Item 7. Other Business.

a. Financial Model Governance Policy

At the May 28, 2015 meeting, the ERC requested that a draft model governance policy and templates should be presented for consideration at the next ERC meeting; however, the Chair advised at the June 25, 2015 meeting that this request was premature given the S & P Phase 3 process will provide recommendations to staff in July/August that will be critical in the development of a financial governance model policy.

b. Lapse of Congressional Authorization.

The SVP and General Counsel advised that Congress had adjourned until July 7, and the latter had not re-authorized Ex-Im Bank. Consequently, there would be a lapse of Congressional authorization as of July 1, 2015. During this lapse period, the employees need to know what are considered permitted and prohibited functions. As a result, OGC and the divisions were compiling a list of permitted and prohibited activities, and this document would be entitled *Inventory of Permitted and Prohibited Functions*.

REVISED

It was highlighted that there would be mandatory training on permitted and prohibited functions on June 29 and June 30.

The meeting adjourned at 4:30 PM.

**EXPORT-IMPORT BANK OF THE UNITED STATES
ENTERPRISE RISK COMMITTEE (ERC)**

MINUTES OF ERC MEETING HELD ON JULY 30, 2015

Date: July 30, 2015

Present: Charles Hall (Chair)
David Sena (Secretariat)
David Carter (representing Kenneth Tinsley, Secretariat – w/voting power)
Bradley Carroll
James Burrows
Angela Freyre (via remote connection)
Robert Morin
Claudia Slacik

The meeting began at 1:00 PM, as scheduled. There was a quorum, given 8 ERC members, including the Chair, were in attendance.

Item 1. Revised Summary Minutes of the ERC Meeting of June 25, 2015 (ERC Decision Needed)

Deborah Thompson read in two corrections (typos) that were found in the revised minutes. The ERC members unanimously approved the Corrected Revised Summary Minutes of the ERC meeting held on June 25, 2015.

Item 2. Impaired Credits & Watch List Update as of June 2015 (ERC Discussion)

Updates were provided on the following transactions appearing on the “Impaired Credits” list:

- a. *Jabiru Satellite Ltd (NewSat Ltd.). The teleport business was sold for \$10.2 MM (gross) or \$8.8 MM (net – after expenses). Of this amount, it is expected that \$4.9 - \$7.5 MM will be paid to Ex-Im Bank.

The initial “lessons learned” meeting was held on July 27, 2015 between the original officers who originated the transaction and the Asset Management officers, Credit Policy Division representative and attorneys who will monitor the transaction during workout.

- b. *Astana Finance. As the cash recovery exceeds the 20% settlement approved by the Board and as further recoveries relating to the Recovery Notes and Global

Recovery Receipts are speculative, this credit will be removed from the Impaired Credits list in the next report.

- c. *Saba. Anticipate receiving all government approvals soon and a recovery of \$9 MM on our \$43.7 MM exposure. The \$9 MM payment is expected in August 2015.
- d. Jose Pupin. Suresh Tata, Portfolio Monitoring and Control Group, Asset Management Department, offered comments regarding this transaction. This transaction was recently added to the “Impaired Credits” list. The company conducts agribusiness (cotton, soybeans) in the Brazilian state of Mato Grosso. The company is in default since February 15, 2015 – owing \$452,000 in principal + accrued interest. The applicant, Hencorp Bank, filed its claim on June 18, 2015. Ex-Im Bank and local counsel will communicate with the buyer’s advisor, PriceWaterhouse, to request an update of the company’s current financial condition and will request a medium-term business recovery plan to serve as the basis of a possible restructuring. [AMD noted after the July 30, 2015 ERC meeting that the Hencorp Bank claim was denied, so no AMD related restructuring is currently contemplated.]

A discussion ensued regarding Hencorp Bank and the trouble it has had with several of its Ex-Im Bank transactions. John Connor, OGC, warned against “singling Hencorp Bank out based on distant history when other lenders are having problems with transactions in the same industry” (i.e., agribusiness).

- e. **UTAir. Ex-Im Bank retained E&Y in Russia. E&Y is in the process of evaluating UTair’s debt restructuring plan (which does not include any Ex-Im Bank guaranteed debt restructuring) to provide a more fulsome basis for Ex-Im Bank staff to ascertain UTair’s future business prospects. This transaction of four 737-800 aircraft represents total exposure of \$100.8 million. The four aircraft have a current book value in excess of the total outstanding debt. In addition, Ex-Im Bank’s inspectors examined the aircraft accompanying records and judged them to be in good condition. Also, Ex-Im Bank has been pleased with UTair’s good communication and cooperation in the face of significant macroeconomic pressures (ruble devaluation) and that UTair has been able to make rent payments before these become Pefco claimable events. Ex-Im Bank monitors this transaction monthly to confirm that debt payments are made.

Updates were provided on the following transactions appearing on the “Watch List”:

- a. *Pueblo Viejo. A monitoring visit is scheduled for November 2015. Ex-Im Bank has a good relationship with the current government and is

positioning itself to establish a good relationship with the incoming government next year.

- b. *Spacecom. In June, Spacecom approached the lenders with the possibility of prepaying their loans with proceeds from a new bond issuance, if the lenders would waive the prepayment premium. Staff, together with lead lender EDC, is evaluating the request.
- c. *Sasan. Despite the positive safety-related developments, the required DSRA balance of circa \$200 million is not in place, and R-Power has not provided the tariff deficiency revenue support payment certificates that were due on June 14th. Given this, staff is maintaining its negative watch and is in the process of updating Sasan's risk rating, as well as undertaking a credit review of Sponsor R-Power. Staff expects a downgrade for Sasan from the current BCL of 5. Staff is planning a visit.
- d. **Kenya Airways. Ex-Im Bank continues to cultivate its relationship with the new CEO so that staff is in a better position to understand KQ's current problems and be able to have direct conversation regarding such with the CEO.

. *Updates provided by Walter Keating, VP, Asset Management Group

**Updates provided by Andrew Falk, Transportation Portfolio Management Division

Item 3. Portfolio Risk Dashboard Update – Economist Intelligence Unit (EIU) Tool (ERC Discussion)

The Portfolio Risk Dashboard is an Excel-based tool that calculates portfolio level risk for Ex-Im Bank both at the total portfolio level and sub-portfolio levels (region, industry, credit rating and counterparty type). The dashboard was developed with the assistance of the EIU, using 21 years of historical Ex-Im Bank portfolio data (FY1994 –FY2014) and EIU's proprietary sovereign credit risk model (the Country Risk Service), with the objective of identifying a link between parts of the portfolio and macroeconomic trends.

EIU tested 60 quantitative and qualitative variables and determined that 12 variables were statistically significant predictors of default across the portfolio. EIU also developed 68 soft portfolio limits for different sub-portfolios based on the 2% default limits set by Congress. The variables used are applied at the country level, but the dashboard aggregates at the regional level. The tool forecasts default rates at the total portfolio level and at sub-portfolio levels and also performs stress tests on various parts of the portfolio to compliment stress tests already performed.

The dashboard is a risk management tool that will enable Ex-Im Bank to determine the impact of a specific transaction on the portfolio. Ultimately, the dashboard will generate an additional section for BOD memos.

Tyler advised that he met with Directors Loui and Mulvaney to update them on the project. In addition, he had a detailed discussion with CREA regarding the dashboard and provided feedback from all those discussions to EIU. Tyler noted that he expects the tool to be updated with June data shortly.

Item 4. Other Business.

There was no other business.

The meeting adjourned at 1:26 PM.

ENTERPRISE RISK COMMITTEE (ERC)

MINUTES OF ERC MEETING HELD ON September 3, 2015

Date: September 3, 2015

Present: Charles Hall (Chair)
David Sena (Secretariat)
David Carter (representing Kenneth Tinsley, Secretariat, w/voting power)
James Burrows
Angela Freyre
Erin Gulick
Robert Morin
Claudia Slacik

The meeting began at 3:01 PM. There was a quorum, given 7 ERC members, including the Committee Chair, and a voting representative for Kenneth Tinsley were in attendance.

Item 1. Minutes of the ERC meeting of July 30, 2015 (ERC Decision Needed)

The ERC members unanimously approved the Minutes of the ERC meeting held on July 30, 2015.

Item 2. Impaired Credits & Watch List Update (ERC Discussion)

1. Updates were provided on the following transactions appearing on the "Impaired Credits" list:

Projects and Corporates

- a. *Jabiru Satellite Ltd. (New Sat Ltd.). The "lessons learned" report will be available at the end of September 2015.
- b. * Saba. The Stop-Loss (expiry) Date was extended another month.

Transportation

- c. **UTAir. An update was provided regarding the company's continuing liquidity issues and the current status of the company's debt restructuring and liquidity facility.
2. Updates were provided on the following transactions appearing on the "Watch List":

Projects and Corporates

- a. *Rise – Company PJSC. The trend is negative. The company paid interest but no principal. An Asset Management team will go to Ukraine at the end of September 2015. The expectation is that principal will have to be deferred for up to two years. This transaction will appear on the “Impaired Credits” list in October.
- b. *Sasan. Asset Mgmt. planned a special briefing for the Chairman and Vice Chair re Reliance Power during month of September.

Transportation

- c. **Kenya Airways. The company has received significant local criticism, due to its recent financial performance. Nevertheless, the carrier continues to repay the Ex-Im Bank guaranteed debt on a timely basis.

*Updates provided by Walter Keating, VP, Asset Management Group

**Updates provided by Andrew Falk, Transportation Portfolio Management Division

Item 3. Temporary Administrative Hold – Greece (ERC Decision Needed)

- 1. For this item, staff distributed prior to the ERC meeting the following two memoranda:
 - a. “Impact of Administrative Hold re: Greece on Working Capital and Multi-Buyer Insurance Products” (dated 9/1/2015) by Erin Staton and John Connor, OGC
 - b. “Greece – Request for an Administrative Hold” (dated 9/3/2015) by Deborah Thompson, Credit Policy Committee (CPC) with an attachment on Greece by Robert Klein, CREA
- 2. Robert Klein, CREA, prepared a detailed memorandum (originally submitted on 8/21/2015 and revised per the CPC on 8/26/2015) summarizing highlights of the Greek crisis, Ex-Im Bank’s exposure and aspects of the recommended administrative hold for Greece vis-à-vis recent administrative holds implemented in other countries. At the ERC meeting, Robert Klein summarized his CREA memorandum as follows:
 - a. Greece’s creditworthiness is now in question, in light of recent defaults to the IMF.
 - b. The recent EU loan adds to the burden and does not immediately address unsustainable debt. To achieve debt sustainability, European creditors will

have to agree not only to take significant losses on their existing portfolio, but continue to lend at concessionary rates. This is not clearly politically feasible.

- c. This has affected the entire economy, as evidenced by impaired banks and capital controls in place since June 29, 2015. Risk may be lower for transactions of smaller value (< € 100,000), but there are no clear criteria for exceptions. Consequently, the capital controls in place are of limited use in reducing Ex-Im Bank's risk.
 - d. The situation may improve, but only with the following measures:
 - i. Sovereign debt forgiveness;
 - ii. Bank recapitalization;
 - iii. Strong political will on the part of European partners (i.e., Germany), despite popular opposition; and,
 - iv. Greek elections anticipated on 9/20/2015 must have a positive outcome.
 - e. Capital controls should be lifted or exemptions codified in a way that limits Ex-Im Bank's risk.
 - f. Outstanding trade insurance exposure is \$5.4 MM (@ month end June 2015).
 - g. Undisbursed exposure under operative SBCLs in effect for Greece is \$3.5 MM.
3. Following are the issues to be addressed by ERC in implementing the recommended administrative hold for Greece:
- a. How to realize an administrative hold and how to extend that administrative hold > 60 days in the absence of a quorum for Board.¹
 - b. How to address the resulting CLS issue – specifically, the inability to take a country off cover, due to the absence of a quorum for Board.

¹ Per the Administrative Hold Guidelines that were signed by Alice Albright, Executive Vice President & Chief Operating Officer on April 29, 2011, the administrative hold can be approved by the CPC/ERC for two consecutive 30-day periods, if the situation is warranted. According to the policy, during the second temporary administrative hold period, and if the country's situation remains protracted, the ERC would recommend to the Board to formalize the administrative hold in order to continue an administrative hold without any lapse. However, in view of the current lack of a quorum for Board, this Board procedure to continue the Administrative Hold is not available.

4. Ex-Im Bank's existing exposure in Greece is in the form of multi-buyer insurance policies and working capital lines of credit. The proposed administrative hold would have the following impact on this exposure:
 - a. Revoke SBCL endorsements on existing multi-buyer insurance policies;
 - b. Restrict authority with respect to DCL endorsements on multi-buyer insurance policies; and,
 - c. Prohibit the inclusion of new accounts receivable resulting from sales to buyers in Greece from being eligible for cover under existing working capital facilities.

Proposal presented by the Chair of the ERC (as stated in a memo dated 9/2/2015 presented to the ERC Chair by Angela Freyre, General Counsel, OGC) regarding the proposed action which should be taken by the ERC to effect an administrative hold on Greece:

- a. Ex-Im Bank staff should contact the working capital facility holders and policy holders to request that, due to a material deterioration in country conditions in Greece and given limitations on changing the CLS under Ex-Im Bank's current policies and practices, such parties refrain from undertaking sales to buyers in Greece for which Ex-Im Bank coverage is being sought.
 - b. The Administrative Hold Working Group should present a revised Administrative Hold policy to the ERC for consideration at its September 2015 meeting. The new policy will have the same structure as the present policy (that is, management action for two 30-day periods and then BOD action to change the CLS) and will clarify the effect of the Administrative Hold on the Bank's programs and products. In addition, the new policy should propose that, in the event of a lapse in the BOD quorum, the ERC may propose to the remaining BOD members that the CLS schedule be changed to reflect the closing of a market and, if such remaining BOD members agree, the CLS schedule would be amended to reflect such change.
5. The reasons for this proposal include:
 - a. Ex-Im Bank's fiduciary responsibilities to the US taxpayer, as there is a real risk of nonpayment.

- b. An informal review of BOD action by OGC staff back to 1986 reveals that the BOD has typically made CLS changes on the recommendation of senior management.
 - c. This proposal protects Ex-Im Bank against potential losses in Greece under DCL endorsements and working capital policies while the Bank lacks a quorum on the Board. Jean Fitzgibbons, Trade Credit Insurance Division, indicated that only 26 policyholders have realized shipments to Greece. However, there are up to 1,000 policyholders who could potentially ship to Greece (under DCL authority).
6. John Connor, OGC, recommended that Jean Fitzgibbons accomplish Step 1 of the proposal by contacting the following:
- a. The 26 policyholders who have already realized shipments to Greece;
 - b. The most active brokers and
 - c. The largest banks that utilize the ELC policy.
7. **Decision:** A vote was taken on the proposal of the Office of the General Counsel presented under a and b above. The proposal was unanimously approved.

Item 4. Update on BCL Risk Rating Project with S&P (ERC Discussion)

- 1. Steven Dell'Acqua, Credit Policy Division, reported that the draft final report for Phase 2 and 3 of the BCL Risk Rating Project was received from S&P at the end of July 2015. The report was reviewed by the project committee during August and comments were sent to S&P. The final report (revised) from S&P is expected on 9/4/2015.
- 2. S&P is expected to make its final project presentation at the next Audit Committee meeting (as yet, not scheduled).

Item 5. Update on Completed Audit Committee Credit Loss Factors Project (ERC Discussion)

- 1. Tyler Robinson, CFO's Office, reported that the final report of the Independent Verification and Validation (IV&V) of the Credit Loss Factors Model conducted by Summit was approved by the Audit Committee at its last meeting on 6/26/2015, pending minor changes.
- 2. The IV&V stated that the model was reasonable pending minor changes that, among other things, were related to documentation.

Item 6. Other Business. There was no other business.

The meeting concluded at 4:08 PM.

ENTERPRISE RISK COMMITTEE (ERC)

MINUTES OF ERC MEETING HELD ON SEPTEMBER 29, 2015

Date: September 29, 2015

Present: Charles Hall (Chair)
David Sena (Co-Secretariat)
Kenneth Tinsley (Co-Secretariat)
Angela Freyre
James Cruse
Brad Carroll
Michael Cushing
Robert Morin

The meeting began at 3:00 PM. There was a quorum, given eight ERC members, including the Committee Chair, were in attendance.

Item 1. Minutes of the ERC meeting of September 3, 2015 (ERC Decision Needed)

The ERC members unanimously approved the Minutes of the ERC meeting held on September 3, 2015.

Item 2. Impaired Credits & Watch List Update (ERC Discussion)

1. Updates were provided on the following transactions appearing on the "Impaired Credits" list:

Projects and Corporates

- a. *Rise-Company PJSC. The trend is negative. The company paid interest but no principal, due to problems in Ukraine. A \$58 MM claim was filed by PEFCO. The asset management team Ex-Im Bank sent to Ukraine is reviewing their financials in order to devise a rescheduling for them. The expectation is that principal will have to be deferred for up to two years.

Charles Hall recommended Asset Management prepare a special report reflecting the status of Ex-Im Bank's exposure in Ukraine, for presentation at the ERC meeting in October 2015. David Sena suggested Tyler Robinson, Office of the Treasurer, CFO, print the Ukraine country report to determine

REVISED

the extent of Ex-Im Bank's exposure in Ukraine (estimated at slightly < \$300 MM).

- b. * Saba. The expectation is that Ex-Im Bank will be fully paid by month end October 2015.

Transportation

- a. **UTAir. An update was provided regarding the company's continuing liquidity issues and the current status of the company's debt restructuring and liquidity facility with the Russian Government. The company owes \$1 MM rent monthly on four 737-800 aircraft and recently made a \$2 MM payment to be applied toward the payment of this rent before these delinquent payments became PEFCO claimable events under the Ex-Im Bank guarantee. The company's non-Ex-Im Bank creditors have signed off on a restructuring. Ex-Im Bank awaits a report from E&Y re the company's financial condition and their restructuring. The company is very responsive to any information requests received from Ex-Im Bank and accommodates information requests received from E&Y on behalf of Ex-Im Bank.
2. Updates were provided on the following transactions appearing on the "Watch List":

Projects and Corporates

- a. *Abener Energia, SA (Abengoa SA). The company's CEO recently resigned. Ex-Im Bank is waiting to see what options the company has to raise new capital.

Transportation

- b. **Kenya Airways. The company has received significant local criticism, due to its recent financial performance. Nevertheless, this is an important carrier because it's the national carrier. The company continues to repay the Ex-Im Bank guaranteed debt on a timely basis.

*Updates provided by Walter Keating, VP, Asset Management Group

**Updates provided by Andrew Falk, VP, Transportation Portfolio Management Division

Item 3. Policy regarding Changes to the CLS in the absence of a Board Quorum (ERC Decision Needed)

- 1. John Connor provided an overview of the proposed policy, "Policy Regarding Changes to the CLS in the Absence of a Quorum of the Board of Directors"

REVISED

(dated 9/16/2015) by John Connor, OGC and Deborah Thompson, Credit Policy Division, Credit and Risk Management.

a. Background: Some of Ex-Im Bank's short term programs, including those with discretionary endorsements, are "keyed" to the Country Limitation Schedule ("CLS"); consequently, it is important that Ex-Im Bank has a current CLS. However, the question arises as to how the CLS can remain up-to-date in the absence of a quorum of members of the Bank's Board of Directors ("BOD"). At the meeting of September 3, 2015, the Enterprise Risk Committee approved a proposal whereby, with the consent of the remaining Board members, Bank management could make changes to the Country Limitation Schedule (CLS) in the absence of a quorum of members of the Bank's Board of Directors. This proposed policy formalizes the process by which Bank management would make such changes to the Country Limitation Schedule.

b. The proposed policy specifically states the following:

i. "In the event that, and during the time that, vacancies on the Board of Directors of the Bank result in the lack of a quorum of the Board, the Enterprise Risk Committee may, with the written approval of all remaining members of the Board of Directors, if any, make any of the same changes to the Country Limitation Schedule that the Board of Directors itself could make if a quorum existed. These changes include opening or closing in a country, adding or removing any of the existing notes in the Country Limitation Schedule, and creating new notes to add to the Country Limitation Schedule.

ii. The changes made to the Country limitation Schedule pursuant to this policy will be effective upon publication of the revisions to the Country Limitation Schedule on the Bank's external website and need not be ratified by the Board of Directors if and when a quorum for the Board is subsequently established."

2. The purpose of the proposed policy is to protect the Bank against losses in its portfolio in the absence of a Board which would act to protect the same if there was a Board quorum.

3. Ken Tinsley commented that the proposal is acceptable in a broad context as to how Ex-Im Bank can change the CLS in the absence of a BOD quorum. However, in the specific scenario of Greece and enabling senior management to efficiently and effectively manage Ex-Im Bank's short-term discretionary potential exposure, it has the following issues:

REVISED

- a. Ex-Im Bank needs to be able to act quickly in order to protect the US taxpayers against potential claims that could occur under short-term programs with discretionary endorsements. Rather than have to wait to change the CLS, the policy endorsement language could be amended to restrict usage in markets where Ex-Im Bank has repayment capacity concerns.
 - b. Furthermore, not amending the short term policy endorsement language to allow Ex-Im Bank to restrict usage in markets during an administrative hold where Ex-Im Bank has repayment capacity concerns could have the unintended consequence of rendering Ex-Im Bank more conservative or risk adverse in higher risk markets. For example, staff would more frequently place CLS Note # 1, which withdraws Discretionary Credit Limits, on markets with higher BCLs, since those markets can deteriorate quickly. Such actions would increase the number of SBCLs for Trade Credit Insurance.
4. Charles Hall requested a briefing from Business Credit (to include the Vice Chair) and other interested staff members as to the methodology in determining country exposure under WCG program.
5. **Decision:** The proposal was unanimously approved. It was mentioned that the application of this policy will have to be in accordance with the existing “permitted and prohibited functions” policy in place during the lapse in Ex-Im Bank’s authorization. OGC will prepare a document containing the proposal in policy format for presentation by Charles Hall to the Chairman for signature.

Item 4. Financial Model Risk Management and Governance Policy (ERC Decision Needed)

The ERC members unanimously approved ratification of the following policy: Financial Model Risk Management and Governance Policy (dated 9/23/2015) by Charles J. Hall, Executive Vice President/Chief Risk Officer.

Item 5. Portfolio Risk Mitigation Policy (ERC Decision Needed)

The ERC members unanimously approved ratification of the following policy: Portfolio Risk Mitigation Policy (dated 9/23/2015) by Charles J. Hall, Executive Vice President/Chief Risk Officer.

REVISED

Item 6. Other Business. There was no other business.

The meeting concluded at 3:49 PM.

ENTERPRISE RISK COMMITTEE (ERC)

MINUTES OF ERC MEETING HELD ON OCTOBER 29, 2015

Date: October 29, 2015

Present: Charles Hall (Chair)
David Sena (Secretariat)
Kenneth Tinsley (Secretariat)
Angela Freyre
James Burrows
Michael Cushing

The meeting began at 3:00 PM. There was a quorum, given 6 ERC members, including the Committee Chair, were in attendance.

Item 1. Adoption of Minutes of the ERC meeting of September 29, 2015 (ERC Decision Needed)

The ERC members unanimously approved the Minutes of the ERC meeting held on September 29, 2015, subject to the following changes:

“Furthermore, ~~without~~ not amending the short policy endorsement language to allow Ex-Im Bank to restrict usage in markets during an administrative hold where Ex-Im Bank has repayment capacity concerns could have the unintended consequence of rendering Ex-Im Bank more conservative or risk adverse in higher risk markets. For example, staff would more frequently place CLS Note #1, which withdraws Discretionary Credit Limits, on markets with higher BCLs, since those markets can deteriorate quickly. Such actions would increase the number of SBCLs for Trade Credit Insurance.”

Item 2. Revised Minutes of the CPC meeting of August 26, 2015 (for information purposes)

The Revised Minutes of the CPC meeting of August 26, 2015, addressed primarily the approval by the CPC of an administrative hold in Greece, with recommendation to the ERC. There were no queries regarding the minutes.

Item 3. Impaired Credits & Watch List Update (ERC Discussion)

- A. Updates were provided on the following transactions appearing on the “Impaired Credits” list:

Projects and Corporates - Walter Keating, VP, Asset Management Group highlighted updates on Rise-Company PJSC as reflected in the September 2015 "Impaired Credits" report.

Transportation – Andrew Falk, VP, Transportation Portfolio Management Division provided the following additional updates on UTair not reflected in the September 2015 "Impaired Credits" report: Ex-Im Bank received an invitation to a financial presentation in New York and expects a visit to Ex-Im Bank during the first week of November 2015. Ex-Im Bank has not received any audited financials from the company.

B. Updates were provided on the following transactions appearing on the "Watch List":

Projects and Corporates: Updates provided by Walter Keating, VP, Asset Management Group on the following transactions: Ferrexpo, Pueblo Viejo, Smalkot, Sasan, and Space Communications. If updates included information not part of the written report, then the transaction is listed below with the additional information.

- i. Samalkot. Their second payment of principal (\$26.6 million) and interest (\$6.7 million) were received on-time in October 2015.
- ii. Sasan. Another Ex-Im Bank loan that is dependent on R-Power support. Ex-Im Bank staff planned a meeting with R-Power in Mumbai in October 2015 to discuss R-Power's and Sasan's financial position, operations of the power plant, health & safety concerns at Sasan and to obtain updates on the tariff petitions. The plan is to hire more security people and to erect a fence around the ash pond to reduce the theft at the site.
- iii. Space Communications. In accordance with the recently-approved arrangement, Spacecom issued new bond financing in October and prepaid Ex-Im Bank's loan after the bond's closing. This removed Ex-Im Bank's \$106.1 MM exposure from our books.

Transportation: Updates provided by Andrew Falk, VP, Transportation Portfolio Management Division on the following transactions: Kenya Airways and TAAG Angola. If updates included information not part of the written report, then the transaction is listed below with the additional information.

TAAG Angola. This company has a long history of trouble making payments on time. One payment is four months late. Ex-Im Bank is in contact with the company daily. It is frustrating to deal with

REVISED

the mechanics of receiving payments from them. The recommendation was made that that TPMD with input from CREA examine Angola's BoP situation to determine the cause of TAAG's payment delays.

Item 4. Ukraine – Update on Exposure (ERC Discussion)

At the previous ERC meeting in September 2015, Charles Hall recommended Asset Management prepare a special report reflecting the status of Ex-Im Bank's exposure in Ukraine, for presentation at the ERC meeting in October 2015. David Sena suggested Tyler Robinson, Office of the Treasurer, CFO, print the Ukraine country report to determine the extent of Ex-Im Bank's outstanding exposure in Ukraine. Reference is made to the "Monthly Portfolio Highlights – Exposure: Ukraine" chart @ 8/31/2015 prepared by Tyler Robinson, reflecting outstanding exposure in Ukraine of \$161.7 MM.

Ex-Im Bank's outstanding exposure in Ukraine primarily consists of two transactions – Rise-Company PJSC on the Impaired Credits list and Ferrexpo reflected on the Watch list. Ferrexpo represents the largest outstanding exposure for Ex-Im Bank in Ukraine. This company continues to earn hard currency, because it is selling iron ore. Ex-Im Bank continues to receive payments and no restructuring of the Ex-Im Bank exposure has been requested. However, claims in the market have increased, the majority of which involve Rise-Company with \$53.7 million in exposure. Impaired credits in the Ukraine total approximately \$60 million, with transactions on the Watch List totaling \$101.7 million.

Item 5. New Policy – Changes to the CLS in the absence of a Board quorum (for information purposes)

The purpose of the new policy is to formalize the process by which required updates to the CLS may be made in the absence of a quorum of the Ex-Im Bank Board of Directors. The new policy was effective 10/8/2015 and is available to use, as necessary.

Item 6. Greece – CPC Referral Recommendation to Close (ERC Decision Needed)

Reference is made to a memorandum to the ERC, from Deborah Thompson, Secretariat, CPC, dated 10/29/2015 – which presented the CPC referral recommendation to close in Greece.

This subject recommendation was made in the context of the recently adopted Bank policy entitled "Updates to the Country Limitation Schedule in the Absence of a Board Quorum", pursuant to which the ERC, with the agreement of all of the remaining

REVISED

members of the Board of Directors, may make changes to the Country Limitation Schedule.

Staff's recommendation would serve to close Ex-Im Bank for business in Greece in all markets and sectors. However, in light of the lapse in full authority of the Bank, if adopted, this recommendation would immediately impact the following programs only:

- i. Discretionary Credit Limits: Insureds' Discretionary Credit Limits under multi-buyer insurance policies and insureds' Discretionary Bank Credit Limits under letter of credit policies would be withdrawn.
- ii. Working Capital Facilities: Lenders under the Working Capital Guarantee Program (WCGP) and the Global Credit Express (GCE) will not allow new Accounts Receivable and Inventory related to Greek buyers to be eligible for the Borrowing Base in Loan Facilities.

Staff advised the ERC of the implications of closing in Greece by placing X's in CLS. The recommendation to close in Greece with X's does not align with conventional Ex-Im Bank practice of closing in markets that are rated BCL 9 and above. For background, Ex-Im Bank, as secretariat of the ICRAS process, had reviewed Greece in December 2013 and recommended a BCL 9 for sovereign risk and a BCL 7 for non-sovereign risk. However, Ex-Im Bank's recommendation was contested during the interagency process. The ICRAS process concluded in March 2014 with OMB finalizing Greece's rating with a BCL of 8 for sovereign risk (i.e., open for short- and medium-term transactions) and a BCL of 7 for non-sovereign risk (i.e., open short-, medium- and long term transactions). Currently, Greece remains a BCL 8 for sovereign and a BCL of 7 for non-sovereign. According to CREA, if Greece was to be reviewed via the ICRAS process in the near future, Ex-Im Bank's ratings would probably be contested again, and it cannot be assured that the Office of Management and Budget's (OMB) finalized ratings for sovereign/non-sovereign risks would result in BCL 9's.

Greece's condition has further deteriorated since its last ICRAS review.

There was a discussion as to which CLS Notes would remain for Greece if Ex-Im Bank closed in the market. The CPC recommended leaving in place the existing Notes #10 and #13. The rationale to maintain Note #10 in a market where Ex-Im Bank is closed is to provide guidance to the customer that if a public sector transaction meets Note # 13 conditions, then Ex-Im Bank would still want the transaction to conform with IMF program limits on non-concessional debt. Regarding Note # 13, this note is routinely used in markets where Ex-Im Bank is closed, and it advises customers that the Bank can consider financing arrangements that eliminate or externalize country risks.

Decision: This item was unanimously approved by the ERC for recommendation to the remaining BOD members (the Chairman and Vice Chair). This decision was based on Ex-

REVISED

Im Bank's fiduciary responsibility to protect the institution's assets. The HelpDesk will distribute a bank-wide e-mail regarding the closing in Greece. (This e-mail will be released immediately after the Chairman and Vice Chair concur with their signatures regarding the "Updates to the Country Limitation Schedule (CLS)" document (i.e., a document listing the CLS Cover Policy and Notes Changes, as stated in Agenda items No. 6 and 7, , of which the closing in Greece is one of the recommendations). The ERC also decided to retain CLS Notes #10 and #13 for Greece.

Item 7. CLS Cover Policy, Note Changes and Review of Note # 4 – Referral Recommendation from ERC **(ERC Decision Needed)**

7a. CLS Cover Policy and Note Changes

7b. Review of Note # 4

Reference is made to the memorandum to the ERC from Deborah Thompson, Secretariat of the CPC and Director, Credit Policy Division, summarizing the CPC's recommendations to the ERC regarding CLS Cover Policy and Note Changes. The following are the implied cover policy changes resulting from such BCL changes.

1. Implied Cover Policy Changes related to OMB finalized ratings of September 1, 2015:

Burkina Faso: The one-step downgrade to budget cost level **8** for the non-sovereign rating implies closing for long-term transactions in the private sector.

The Gambia: The one-step downgrade to budget cost level **9** for the non-sovereign rating implies closing for short- and medium-term transactions in the private sector.

Iraq: The one-step downgrade to budget cost level **9** for the non-sovereign rating implies closing for short- and medium-term transactions in the private sector.

Tajikistan: The one-step downgrade to budget cost level **9** for both the sovereign and non-sovereign ratings implies closing for short- and medium-term transactions in the public and private sectors.

2. CLS Note Change Recommendations

The CPC's referral recommendations regarding the CLS Note changes are shown below.

Country	Current Notes	Changes to Notes	New Notes
Burkina Faso	Notes # 1, 10, and 13	Add Notes # 3 and 5	Notes # 1, 3, 5, 10 and 13
Dominica	Note # 1	Add Notes # 3 and 5	Notes # 1, 3, and 5
The Gambia	Notes # 10, 11a, and 13	Add Note # 1	Notes # 1, 10, 11a, and 13
Iraq	Notes # 1, 3, 5, 13, and 14	Remove Note # 14	Notes # 1, 3, 5, and 13
St. Vincent and the Grenadines	Note # 1	Add Notes # 3 and 5	Notes # 1, 3, and 5
Tajikistan	Notes # 1, 4, 5, and 13	Remove Notes # 1, 4, and 5	Note # 13
Tuvalu	Note # 3	Add Notes # 1 and 5	Notes # 1, 3, and 5
Zambia	Notes # 1, 5, and 14	Add Note # 3	Notes # 1, 3, 5, and 14
Guinea-Bissau	Note # 13	Add Note # 10	Notes # 10 and 13
Haiti	Note # 13	Add Note # 10	Notes # 10 and 13
Kyrgyzstan	Notes # 1, 3, 4, 5 and 13	Add Note # 10	Notes # 1, 3, 4, 5, 10, and 13
Bosnia-Herzegovina	Notes # 1, 4, 10, and 13	Remove Note # 10	Notes # 1, 4, and 13

Decision: A vote was taken on CPC's referral recommendations regarding CLS cover policy and note changes. Item 7a was unanimously approved for recommendation to the remaining BOD active members (the Chairman and Vice Chair). OGC will prepare a signature document for the Chairman and the Vice Chair to sign to reflect concurrence with the recommended CLS cover policy and note changes (i.e., "Updates to the Country Limitation Schedule (CLS)" signature document).

REVISED

Item No. 7b. Review of Note # 4

Decision: The ERC concurred with CPC's referral recommendations to remove Note # 4 from Tajikistan and maintain Note # 4 in Ghana, Indonesia, and Ukraine.

Item No. 8. Other Business

There was no other business.

The meeting concluded at 4:10 PM.

ENTERPRISE RISK COMMITTEE (ERC)

MINUTES OF ERC MEETING HELD ON NOVEMBER 18, 2015

Date: November 18, 2015

Present: Charles Hall (Chair)
David Sena (Co-Secretariat)
Kenneth Tinsley (Co-Secretariat)
Brad Carroll
James Burrows
James Cruse
Michael Cushing
Angela Freyre
Erin Gulick
Robert Morin
Claudia Slacik

The meeting began at 3:00 PM. There was a quorum, given 10 ERC members, including the Committee Chair, were in attendance.

Item 1. Adoption of Minutes of the ERC meeting of October 29, 2015 (ERC Decision Needed)

Due to late comments regarding the minutes of the ERC meeting of October 29, 2015, consideration of these minutes will be deferred until the next ERC meeting scheduled for December 21, 2015.

Item 2. Impaired Credits & Watch List Update (ERC Discussion)

- A. Walter Keating, VP, Asset Management Group, had no comments regarding “Impaired Credits” in his portfolio. An update was provided by Andrew Falk, VP, Transportation Portfolio Management Division on the following transaction that appeared on the “Impaired Credits” list:

Transportation - UTAir

- B. Walter Keating, VP, Asset Management Group, had no comments regarding “Watch List” transactions in his portfolio. Updates were provided by Andrew Falk on the following transactions that appeared on the “Watch List”:

Transportation - TAAG Angola. Because of TAAG's history of delayed payments, Charles Hall requested a macroeconomic discussion about Angola at the next ERC meeting and the potential impact on the TAAG payments.

Item 3. ERC ratification of the NewSat lessons learned review report (ERC Decision Needed)

Highlights from the following memos were mentioned during this discussion:

- A. Memorandum dated November 16, 2015 to the ERC re "Lessons Learned on AP086539XX – Jabiru Satellite Limited \$300.5 MM Direct Loan". A memorandum prepared by the following:
 - i. Ken Tinsley, SVP, Credit Risk Management
 - ii. Cameron Miller, Senior Credit Policy Officer, Credit Policy Division
 - iii. Monique Fridell, Managing Director, Structured and Project Finance Division
 - iv. Douglas Kohn, Senior Counsel, Office of General Counsel
 - v. Diane Marciniak, Senior Portfolio Manager, Asset Management Division
 - vi. Ricardo Exantus, Counsel, Office of General Counsel
- B. Memorandum dated November 16, 2015 to the ERC re "Comments on Lessons Learned Memo: Jabiru Satellite Limited \$300.5 MM Direct Loan". A memorandum prepared by the following:
 - i. Michael Whalen, Vice President, Structured Finance Division
 - ii. Hala El-Mohandes, Deputy Vice President, Structured Finance Division
- C. Memorandum dated November 18, 2015 to CJ Hall, Executive Vice President & Chief Risk Officer, ERC re "Comments re NewSat Lessons Learned Memo". A memorandum prepared by the following:
 - i. Angela M. Freyre, Senior Vice President & General Counsel
 - ii. Douglas O. Adler, Deputy General Counsel
 - iii. Roger I. Cohen, Assistant General Counsel for Structured Finance
 - iv. Lisa G. Geberth, Assistant General Counsel for Structured Finance
 - v. John Connor, Assistant General Counsel for Compliance & Litigation

Discussion. Ken Tinsley made the initial presentation and acknowledged the work done by the working group and the transaction team in preparing the lessons learned memo under A. above. He summarized the transaction, mentioning that the sponsor was small and had no satellite experience. The default under the transaction occurred during the project execution phase. Ex-Im Bank authorized \$300.5 MM to support the acquisition of a satellite, related equipment and launch insurance. Ex-Im Bank's exposure under the transaction is \$134.8 MM (\$139.1 initial disbursement less \$4.3 MM recovery). Commercial lenders guaranteed by COFACE authorized \$108.4 MM and have exposure

under the transaction of \$26.8 MM. Standard Chartered authorized \$25 MM and has exposure of \$25 MM.

The key findings and recommendations of the working group, as summarized on page 2 of the memo, include:

Key Findings:

1. The core weakness of the transaction's structure, and primary cause of the Default, was the weak financial standing of the sponsor, which was not sufficiently mitigated during the pre-completion phase of the Project.
2. The presentations to senior staff and the Board for this transaction failed to adequately explain the unprecedented nature and key risk factors of the deal structure.
3. At the time critical problems arose in the transaction, there was no workout specialist engaged, who could proactively and consistently manage the issues and parties involved due in part to the transfer process between SFD and AMD along with the personnel movement within each division.

Recommendations:

1. Enhance the procedures for the transfer of a transaction from SFD to AMD.
2. Create a process whereby transaction structures without precedent are vetted with senior staff.
3. Ensure that the level of due diligence performed is commensurate with the scope of risk present in a transaction.

Indicating that he had not yet joined Ex-Im Bank when this transaction was authorized, Michael Whalen's presentation to ERC summarized comments contained in the memo under B. above. Michael Whalen and Hala El-Mohandes advised that this memo is sufficient to memorialize the Structured Finance Division's comments for the ERC minutes. Hala El-Mohandes commented that project financing is done when sponsors are weak and are unable to support traditional financing.

Ken Tinsley indicated that Ex-Im Bank does not have to support only project financings involving a strong sponsor but that there must be a level of due diligence commensurate with the risk. David Sena noted that more due diligence should have been done, due to the existence of a weak sponsor. He indicated that there is greater concern about weak character when there is a weak sponsor, than when there is a strong sponsor. The Vice Chair noted that financial strength and technical expertise of the sponsor are essential to a good project financing. Charles Hall advised that in the final analysis, the level of risk to be taken by Ex-Im Bank is a decision to be made by the BOD. The BOD needs sufficient information to determine what that risk level should be.

John Connor, Assistant General Counsel for Litigation, Fraud and Compliance, OGC,

presented the main issues summarized in the third memo under C. above, noting the importance of broadening the scope of the lessons learned memo. He commented that while the original lessons learned memo details the events leading to the default under the NewSat transaction, the memo does not explain why these events transpired.

Following John Connor's summary of OGC "general comments" with respect to the New Sat lessons learned memo, Roger Cohen, Assistant General Counsel for Structured Finance, OGC, provided a sample of some of OGC's specific comments with respect to the memo. These included both (a) criticism of matters that OGC believes were either incorrect or overemphasized, such as recommendations calling for procedural remedies (eg, enhancing SFD-AMD transfer procedures; improving senior management vetting; etc) that OGC believes addresses areas that were not the cause of the significant problems with the NewSat credit, and (b) recommendations on areas that OGC believes should have been addressed (such as flaws in the nature of the due diligence examination and the need for more focus on post-bankruptcy events including decisions regarding step-in/payment to Lockheed to postpone action and the timing of the declaration of impaired status; and the need to reconsider the basis for entering into any transaction with COFACE and any other ECAs).

This matter was discussed only. No vote was taken today. Charles Hall advised that he and Claudia Slacik, SVP, Export Finance, will draft their own lessons learned memorandum (attaching copies of the memos referenced above) to be presented at the next ERC meeting.

Item 4. Analysis of Global Credit Express Program (ERC Decision Needed)

Nicholas Tuszynski, OCFO, made a presentation regarding Ex-Im Bank's Global Credit Express (GCE) program. The program was intended to give US businesses the ability to access cash flow and increase international sales. OMB approved this pilot program in 2012 offering direct working capital loans to small business exporters via a 6- or 12-month revolving line of credit of up to \$500,000. Principal is due in one year, and interest is due monthly. Reapproval of the loans must be requested from OMB annually. OMB has requested a program review of the GCE pilot program to decide if it should be continued.

Under Ex-Im Bank's GCE program, 138 working capital direct loans have been made since inception – representing \$52 MM in authorizations. One hundred small businesses have been supported since inception plus another 37 were authorized in 2015. FY2015 GCEs supported or created 416 jobs – representing 3% of the total 109,000 jobs supported or created by Ex-Im Bank annually. Twenty percent of the authorized GCEs have never been drawn upon. The program offers two sources of revenues: interest on disbursed loans and fees. To date, \$2 MM has been collected – 61% from fees and 39% from interest. Defaults have occurred under 17 transactions totaling \$5.4 MM (25% of total authorized). This has no impact on Ex-Im Bank's default rate report. As the program stands, the GCE program is no longer subsidy neutral. If

Ex-Im Bank authorizes new GCEs, either the subsidy must be assessed on new credits or fees would have to increase significantly. Recoveries total \$190,000 to date. This is an arduous process, because the borrowers are small and inexperienced. The recovery process is time consuming.

The purpose of this discussion is to determine if Ex-Im Bank should continue this program. Pam Bowers, VP, Business Credit, commented that there will be an additional 23 transactions expiring in 2015. She added that Ex-Im Bank should do the renewals, because interest is being paid. At the same time, Business Credit does not have the staff needed to administer the program. Claudia Slacik noted that the product is important to small businesses. David Sena does not support renewing expiring transactions to keep them from defaulting.

Charles Hall commented that the Bank needs to determine what should be done about expiring transactions – whether the Bank should continue accepting renewal applications until the date of the next ERC meeting, potentially accepting renewal applications with no intent to continue the program. We would need some idea of the pricing, if we decide to continue the program after Ex-Im Bank is reauthorized. He asked who would coordinate the inter-divisional group to review the program, and it was determined that Walter Keating and Pam Bowers would conduct the review and report back to the ERC. Pam Bowers noted that during the review process, it would be a good idea to determine if there is another program that could take the place of the GCE program, if it is discontinued. The recommendation was made, and it was agreed, to place a hold on the GCE program until a more formal determination to continue, revamp or discontinue the program is made at a future ERC meeting.

This matter was discussed only. No vote was taken today.

Item 5. Presentation on Changes to the Credit Loss Factors Model (ERC Discussion)

This discussion was deferred until the next ERC meeting scheduled for December 21, 2015.

Item 6. Other Business. There was no other business.

The meeting concluded at 4:45 PM.

ENTERPRISE RISK COMMITTEE (ERC)

MINUTES OF ERC MEETING HELD ON DECEMBER 21, 2015

Date: December 21, 2015

Present: Charles Hall (Chair)
Andrew Falk (representing David Sena, Co-Secretariat, – with voting rights)
Kenneth Tinsley (Co-Secretariat)
James Burrows
James Cruse
Michael Cushing
Angela Freyre
Erin Gulick
Robert Morin
Claudia Slacik

The meeting began at 1:00 PM. There was a quorum, given 10 ERC members, including the Committee Chair, were in attendance.

Item 1. Adoption of Revised Minutes of the ERC meeting of October 29, 2015
(ERC Decision Needed)

The ERC members unanimously approved the Revised Minutes of the ERC meeting held on October 29, 2015. There were no comments.

Item 2. Adoption of Minutes of the ERC meeting of November 18, 2015 **(ERC Decision Needed)**

The ERC members unanimously approved the Minutes of the ERC meeting held on November 18, 2015. There were no comments.

Item 3. Minutes of the CPC meeting of October 15, 2015 **(for Information Purposes)**

Ms. Thompson provided the following overview of the CPC meeting of October 15, 2015. She advised that staff recommended closing in Greece as well as certain implied cover policy changes related to OMB finalized ratings of September 1, 2015. The CPC concurred with staff's recommendation to close in Greece and referred it to the ERC. The CPC also decided to retain for Greece CLS Notes #10 and #13, but not add Note #1, and referred the same to the ERC.

As to the implied cover policy changes related to the OMB finalized ratings of September 1, 2015, the CPC approved the following and referred the same to the ERC.

Burkina Faso: close for long-term transactions in the private sector.

Gambia, The: close for short and medium-term transactions in the private sector.

Iraq: close for short and medium-term transactions in the private sector.

Tajikistan: close for short and medium-term transactions in the public and private sectors.

As to the CLS note changes, the CPC concurred with staff recommendations regarding the CLS Note changes, subject to the following changes as noted: for Tajikistan, in addition to deleting CLS Note #4, delete CLS Notes #1 and #5, so only CLS Note #13 remains, and for Greece, do not add CLS Note #1, so CLS Notes #10 and #13 remains.

These aforementioned CPC referral recommendations as well as CLS Note changes in certain markets have since been approved by the ERC, and the remaining Board members concurred with these recommendations on November 4, 2015.

Item 4. Impaired Credits & Watch List Update as of November 2015 (ERC Discussion)

- A. Updates were provided on the following transactions appearing on the “Impaired Credits” list:

Projects and Corporates –

1. Andrew McCabe, Managing Director, Special Assets Control Group, provided an update on Abener Energia, S.A. (Abengoa, S.A.).

Ex-Im Bank’s \$64 MM corporate guarantee, fee and insurance exposure to Abengoa S.A. (“Abengoa”) constitutes the following four loans (reflecting names of end users) and two small insurance claims:

End Users	Borrowers	US\$ Exposure
Shams	Teyma	6 MM
Solaben	Teyma	2 MM
Ecocarburantes	Ecocarburantes Espanoles	2 MM
ACT Nuevo Pemex	Instalaciones Inabensa Abener Energia	53 MM

	Total:	63 MM
--	--------	-------

Note: The fee and insurance exposure represent the additional \$1 MM to total \$64 MM.

The borrowers are indirect subsidiaries of Abengoa, which filed for so-called pre-insolvency protection in Spain in late November.

The ownership of two of the four authorized end-users (Solaben and ACT Nuevo Pemex) was transferred to Abengoa Yield, a separate entity.

The aggregate exposure figure does not include Palmatir (\$68 MM). Palmatir was structured as a standalone project finance transaction; Abengoa has an estimated maximum \$500,000 residual obligation to the project. Palmatir was excluded from aggregate exposure herein due to the fact that the residual obligation of Abengoa could be covered by cash retained in the project. Kaxu (\$16 MM) and Centro Morelos (\$79 MM) were also excluded, since both were fully paid off.

Abengoa is trying to secure a short-term line of credit (\$120 MM) from its largest commercial banks to fund its operating needs through YE2015.

Ex-Im Bank's AMD Staff has taken the following steps to protect Ex-Im Bank's position:

- Ensured that any loan availabilities have been cancelled
- Hired local counsel
- Identified potential financial advisers
- Conferred with other ECAs, primarily EKN Sweden, which has \$450 MM in exposure to Abengoa. In response to the pre-insolvency filing and a lack of information coming out of Abengoa directly, Ex-Im Bank sent letters to Abengoa and KPMG (financial adviser to some of the commercial banks with the highest Abengoa exposures) requesting further information.
- Downgraded the transaction from BCL 7 to a BCL 9.

We also note that:

- The company defaulted on a \$150,000 payment on 12/9/2015.
- Reservation of Rights (RoR) letters are being prepared. Ex-Im Bank is conferring with Citibank, the facility agent, on ACT Nuevo Pemex.

Ex-Im Bank's next steps will include:

- The valuation of the Ecocarburantes collateral and

- Identification of possible solutions involving assets owned by Abengoa Yield, but with debt obligations remaining with Abengoa SA.

Wanda Felton, Ex-Im Bank's Vice Chair, wondered if allegations against Abengoa's regarding price fixing might impact Ex-Im Bank's negotiations regarding this transaction, noting that two Abengoa executives may have to set aside personal funds for potential fraud.

2. Richard Park, Deputy Vice President, Asset Management Division, provided an update regarding Saba but offered no new information from that reflected in the "Impaired Credits & Watch List" booklet.

Transportation –

3. Andrew Falk, VP, Transportation Portfolio Management Division provided an update regarding UTAir but offered no new information from that reflected in the "Impaired Credits & Watch List" booklet.

- B. Updates were provided on the following transactions appearing on the "Watch List":

Projects and Corporates –

1. Andrew McCabe, Managing Director, Special Assets Control Group, provided an update on Palmatir SA. Abengoa SA is the sponsor of this project. Ex-Im Bank is making no decisions regarding waivers until the situation becomes clearer with respect to residual sponsor obligations.

Transportation –

2. Andrew Falk, VP, Transportation Portfolio Management Division provided an update regarding Somon Airlines but offered no new information from that reflected in the "Impaired Credits & Watch List" booklet.
3. Because of the history of delayed payments by TAAG Angola, Charles Hall requested a macroeconomic discussion about Angola and the potential impact on the TAAG payments. Ignacio Diaz, Financial Economist, Country Risk & Economic Analysis (CREA), summarized the macroeconomic situation of Angola, as follows:

Angola is in a difficult situation but has the wherewithal to meet financial obligations until the situation begins to improve in 2017. Angola is experiencing a major oil price shock and is slowly adjusting to the new reality. Oil accounted for 95% of export revenues in 2014. The price of

oil paid to Angola went from around \$100 per barrel in 2014 to a projected level of \$50 per barrel in 2015. This caused the current account balance to turn sharply negative in 2015 from a small deficit the year before. The Angolan Government has begun to take some measures to remedy the situation. The exchange rate has recently fallen 25% against the US Dollar. This, however, has not been enough to prevent a growing black market rate. The government obviously needs to devalue the currency further to close this gap. The good news is that international reserves remain at comfortable, albeit falling levels—the import coverage ratio is forecast at over 7 - 6 months in 2015-16. The situation is also expected to improve, but this will depend on the price of oil at that time.

Item 5. Presentation on Changes to the Credit Loss Factors Model (**ERC Discussion**) Presenter: Tyler Robinson

This discussion was deferred until the next ERC meeting scheduled for January 26, 2016.

Item 6. Recent Court Opinion – False Claims Act and Implications on Ex-Im Bank’s Business (**ERC Discussion**) Presenter: John Connor

This discussion was deferred until the next ERC meeting scheduled for January 26, 2016.

Item 7. CLS Cover Policy, Note Changes and Note #4 Review – Country Review Cycle ending June 1, 2015 (**ERC Reaffirmation Decision Needed**) Presenter: Deborah Thompson

7a. CLS Cover Policy and Note Changes

Reference is made to the memorandum to the Enterprise Risk Committee (ERC) from Deborah Thompson, Secretariat of the Credit Policy Committee (CPC) regarding CLS Cover Policy and Note Changes related to ICRAS Process ending June 1, 2015 – Recommendation to Reaffirm ERC’s decisions of June 25, 2015. The purpose of this presentation was to reaffirm ERC’s recommendations of 6/25/2015 regarding CLS cover policy, note changes and text note changes as follows:

1. Recommendation to Reaffirm ERC’s Decisions for CLS Cover Policy Note Changes in Certain Markets.

Egypt: open for long-term transactions in the public and private sectors.

Ethiopia: open for long-term transactions in the public and private sectors.

Laos: open for short- and medium-term transactions in the private sector.

Niger: open for short- and medium-term transactions in the public sector.

St. Lucia: close for long-term transactions in the public sector.

2. Recommendation to Reaffirm ERC's Decisions for CLS Note Changes in Certain Markets

The table below summarizes the recommendations to reaffirm ERC's decisions regarding CLS note changes.

Country	Current Notes	Changes to Notes	New Notes
Burundi	Notes # 1, 10, 11a, 11b, 13	Delete Notes # 11a and 11b	Notes # 1, 10, and 13
Cameroon	Notes # 4, 5, and 6a	Add Note # 3	Notes # 3, 4, 5 and 6a
Central African Republic	Notes # 1, 10, 11a, 11b, and 13	Remove Notes # 11a and 11b	Notes # 1, 10, 13
Egypt	Notes # 1, 4, 5, and 13	Add Note # 3; remove Note # 13	Notes # 1, 3, 4, and 5
Ethiopia	Notes # 1, 4 5 and 13	Add Note # 3; remove Note # 13	Notes # 1, 3, 4, and 5
Guinea	Notes # 10 and 13	Add Notes # 11a and 11b	Notes # 10, 13, 11a, and 11b
Kenya	Notes # 1 and 5	Add Note # 10	Notes # 1, 5, and 10
Laos	Notes # 1, 5, and 13	Add Notes # 3 and 14	Notes # 1, 3, 5, 13, and 14
Mali	Notes # 10 and 13	Add Notes # 11a and 11b	Notes # 10, 11a, 11b, and 13
Niger	Notes # 1, 10, 11a,	Add Notes # 3, 4, and 5; remove	Notes # 1, 3, 4, 5, 10

	and 13	Note # 11a	and 13
Serbia	Notes # 1 and 4	Add Note # 10; remove Note # 4	Notes # 1 and 10
St. Lucia	Note # 1	Add Notes # 3, 5, and 13	Notes # 1, 3, 5, and 13
The Gambia	Notes # 10, 11a. and 13	Remove Note # 10	Notes # 11a and 13
Tanzania	Notes # 1, 4 and 5	Add Note # 3	Notes # 1, 3, 4, and 5
Zimbabwe	Note # 13	Add Notes # 11a and 11b	Notes # 11a, 11b, and 13

3. Recommendation to Reaffirm ERC's Decisions for CLS Note Text Changes

Recommendation to Reaffirm ERC's Decision on CLS Text Change for Note # 3

The recommendation was to reaffirm ERC's decision to amend Note # 3. This amendment will provide guidance to staff as to host government support. (These changes are in **bold** for memo purposes only).

"3. Prior to accepting an application for a preliminary or final commitment for a public sector transaction, or for any insurance or WCGP coverage for a public sector transaction, Ex-Im Bank will require an indication of host government support for the application **from an appropriate government authority such as the Ministry of Finance or the Central Bank**. Contact Ex-Im Bank for more detailed information on specific markets."

Recommendation to Reaffirm ERC's Decision on CLS Text Change for Note # 4

This recommendation to reaffirm ERC's decision to amend Note #4 will provide clarification that the bank statements should reflect **historical** evidence of material bank borrowings. The recommended text change to Note # 4 is in the fourth sentence of the first paragraph, and this sentence should read as follows (the proposed change is in **bold** for memo purposes only):

“Such information should include financial statements audited by an affiliate of an international accounting firm and prepared in accordance with International Financial Reporting Standards (IFRS), and the statements should reflect **historical material bank borrowings.**”

Recommendation to Reaffirm ERC’s Decision on CLS Text Change for Note # 14

The recommendation was to reaffirm ERC’s decision to amend Note # 14. This amendment will provide further guidance to staff and customers as well as to harmonize the CLS Notes. By adding the phrase, “**the statements should reflect historical material bank borrowings**”, it acts as a possible filter to differentiate between a more creditworthy buyer and a potential poor performing credit.

The recommended text change to Note # 14 is in the second sentence of the first paragraph, and this sentence should read as follows (the proposed change is reflected below in **bold** for memo purposes only):

“Financial statements provided in support of the transaction should be audited by an affiliate of an international accounting firm and prepared in accordance with International Financial Reporting Standards (IFRS), **and the statements should reflect historical material bank borrowings.**”

Discussion: Angela Freyre, SVP, Office of the General Counsel (OGC) advised that ERC’s reaffirmations should be subject to revising the ERC memorandum to state “With respect to proposed reaffirmation of (1) the implied cover policy changes and (2) the note changes above, the Credit and Risk Management Group confirms that there have been no material changes in the referenced countries since the ERC considered and approved such changes in implied cover policy and notes on June 25, 2015.”

Decision: ERC unanimously voted to reaffirm its June 25, 2015 decisions regarding the aforementioned CLS cover policy, note changes in certain markets as well as text note changes, subject to the CRM confirmation indicated.

With the aforementioned ERC reaffirmation, the concurrence of the remaining Board of Directors (BOD) members will be sought. The effective date of the referenced actions will be one week following the date of the signature of the last BOD member.

7b. Review of Note # 4

Reference is made to the December 21, 2015 Memorandum to the Enterprise Risk Committee (ERC) from Deborah Thompson, Secretariat of the Credit Policy Committee (CPC) regarding Review of Note # 4 The purpose of this presentation was to reaffirm

recommendations of 6/25/2015 that Note # 4 be removed from Serbia and maintained in Ethiopia, Egypt, Nigeria, Philippines, and Tanzania.

Discussion: Angela Freyre, SVP, Office of the General Counsel (OGC) advised that reaffirmation of the recommendations regarding Note # 4 should be subject to the inclusion of the following statement by CRM, “With respect to proposed reaffirmation of the CLS Note # 4 recommendations, the Credit and Risk Management Group confirms that there have been no material changes in the referenced countries since the ERC considered and approved such changes in implied cover policy and notes on June 25, 2015.”

Decision: The ERC members unanimously voted to reaffirm the above-referenced recommendations regarding Note # 4, subject to the CRM confirmation indicated.

With the ERC reaffirmation of the recommended Note # 4 actions, the concurrence of the remaining Board of Directors (BOD) members will be sought.

Item 8. CLS Cover Policy, Note Changes/Note # 4 Rationale – Referral Recommendation from CPC – Country Review Cycle ending December 1, 2015 (**ERC Decision Needed**) Presenter: Deborah Thompson

8a. CLS Cover Policy and Note Changes

Reference is made to the December 21, 2015 Memorandum to the Enterprise Risk Committee (ERC) from Deborah Thompson, Secretariat of the Credit Policy Committee (CPC) regarding CLS Cover Policy and Note Changes related to ICRAS Process ending December 1, 2015 – CPC’s Referral Recommendations to the ERC. The purpose of this presentation was to request ERC approval of the CLS cover policy and note changes recommended as follows.

1. Implied Cover Policy Changes related to OMB finalized ratings of December 1, 2015

Based on Board-approved cover policy, the following markets had BCL changes where there are implied cover policy modifications of the Country Limitation Schedule as indicated below.

Congo, Republic of: open for long-term transactions in both the public and private sectors.

Kosovo: open for long-term transactions in both the public and private sectors.

Pakistan: open for long-term transactions in the public sector.

2. Referral Recommendations regarding Notes Changes

The table below summarizes the CPC referred recommendations regarding CLS Note changes.

Country	Current Notes	Changes to Notes	New Notes
Congo, Republic of	Notes # 1, 4, 5, and 13	Add Note # 3; remove Note # 13	Notes # 1, 3, 4, and 5
Equatorial Guinea	Notes # 1, 4, 5, and 13	Add Note # 3	Notes # 1, 3, 4, 5 and 13
Gabon	Notes # 5 and 6a	Add Note # 3	Notes # 3, 5, and 6a
Kosovo	Notes # 1, 3, 4, 5, and 13	Remove Note # 13	Notes # 1, 3, 4, and 5
Pakistan	Notes # 1, 4, 5, 10, and 13	Add Note # 3	Notes # 1, 3, 4, 5, 10, and 13
Bangladesh	Notes # 1, 4, 5, and 10	Remove Note # 10	Notes # 1, 4, and 5
Jordan	Note # 6a and 10	Remove Note # 10	Note # 6a
Romania	Notes # 3, 5, 6a and 10	Remove Note # 10	Notes # 3, 5, and 6a

Decision: The ERC members unanimously voted to approve the above-referenced recommendations regarding CLS cover policy and note changes. With the aforementioned ERC approvals, the concurrence of the remaining Board of Directors (BOD) members will be sought. The effective date of the referenced changes will be one week following the date of the signature of the last BOD member.

8b. Review of Note # 4

Reference is made to the December 21, 2015 Memorandum to the Enterprise Risk Committee (ERC) from Deborah Thompson, Secretariat of the Credit Policy Committee (CPC) regarding Review of Note # 4 – CPC’s Referral Recommendations to the ERC. The CPC’s referral recommendation to the ERC is that Note # 4 be maintained in Congo, Republic of; Equatorial Guinea; Kosovo and Pakistan.

Decision: The ERC members unanimously voted to approve the above-referenced recommendations regarding Note # 4. With the aforementioned ERC approval, the concurrence of the remaining Board of Directors (BOD) members will be sought. The effective date of the referenced changes will be one week following the date of the signature of the last BOD member.

Item 9. Other Business.

Charles Hall, current ERC Chairman, advised that this would be the last ERC meeting he would chair, due to the new requirements included in Ex-Im Bank's reauthorization legislation. Congress mandates that the Chief Risk Officer (CRO) role be performed by a career member of the Civil Service rather than by a political appointee. As a result, Charles Hall, current ERC Chairman, will relinquish his CRO duties. Effective January 1, 2016, Mr. Hall will assume the title of Executive Vice President and Chief Operating Officer. While senior management considers various options for the CRO role and awaits reconstitution of Ex-Im Bank's Board of Directors (BOD) to approve a permanent appointment, Ken Tinsley will serve as acting Chief Risk Officer, in addition to his current role as Senior Vice President for Credit & Risk Management. As acting Chief Risk Officer, Ken Tinsley will chair the Enterprise Risk Committee (ERC).

Charles Hall recommended that the Chief of Staff and Chief Operating Officer positions be added to the ERC Committee, and Mr. Hall wants to attend ERC meetings when he assumes his new role. The Vice Chair thanked Mr. Hall for his management style and welcomed Ken Tinsley in his new role. Ken Tinsley confirmed that Mr. Hall has managed the role of CRO well and acknowledged the importance of ERC in view of the new reauthorization requirements.

The meeting concluded at 2 PM.