

Medium-Term Credit Standards

Ex-Im Bank has adopted credit standards in order to simplify and expedite processing of medium-term transactions. The credit standards define the criteria Ex-Im Bank will apply in evaluating creditworthiness of the primary source of repayment. Medium-term transactions are exports of capital goods and services with a financed amount not exceeding \$10 million (excluding the exposure fee) and a repayment term of 7 years or less. Medium-term programs are insurance, guarantees, and loans.

Attachment A lists the credit standards that relate to Ex-Im Bank's determination of reasonable assurance of repayment and the need for credit enhancements, such as repayment guarantees and security interests. Other Ex-Im Bank policies, such as those regarding eligible export items and maximum repayment terms, must also be satisfied in order to obtain medium-term support.

Different standards exist for transactions up to and including \$1 million, those greater than \$1 million up to and including \$5 million and those greater than \$5 million up to and including \$10 million. The standards allow increased transparency of credit criteria and a reduced scope of analysis for transactions up to \$5 million. Within each transaction size category, there are standards for five types of risk: sovereign risk, political risk, pre-approved entities, financial institutions, and non-financial institutions.

A "pre-approved entity" is a financial institution or non-financial institution for which Ex-Im Bank has established a credit limit and a fee level. Transactions with pre-approved entities can be approved if Ex-Im Bank determines that no material adverse changes in the company's financial condition have occurred since the approval. Since a full credit evaluation is unnecessary, transactions with pre-approved entities can be quickly processed. Contact Business Development (1-800-565-EXIM) to determine if a particular company has been pre-approved.

Part I of Attachment A lists the credit standards for transactions up to and including \$1 million (financed portion). The standards for these transactions with financial institutions and non-financial institutions which do not have market indications include performance criteria, mostly financial ratios. The components of the performance criteria are defined in **Attachment B**. Please note that the standards, particularly the performance criteria, include a degree of flexibility. If mitigating credit factors exist, Ex-Im Bank will consider approval of a transaction that does not meet the standards. Ex-Im Bank normally processes a **complete** application within 20 business days after it is received, regardless of its conformance to the standards.

Part II of Attachment A lists the credit standards for transactions greater than \$1 million up to and including \$5 million. The standards for these transactions also include performance criteria, mostly financial ratios. There is also a degree of flexibility in these standards as described above. Ex-Im Bank normally processes a **complete** application which meets all the credit standards, including performance criteria, within 20 business days after it is received. Processing time for a **complete** application which does not meet the standards is normally 30 business days.

Part III of Attachment A describes the credit standards for transactions greater than \$5 million up to and including \$10 million. Supplemental information **is required** to evaluate the financial condition of the primary source of repayment if it is not a financial institution and may be found in **Attachment C**. If the applicant has prepared a credit memorandum, submitting it to Ex-Im Bank may facilitate processing of the application. **Attachment D** describes the guidelines for medium-term higher risk private sector transactions.

While the credit standards are designed to help Ex-Im Bank process applications faster, certain transactions will continue to require additional time because specialized information and/or analysis is needed. Exports of nuclear-related products, higher risk private sector transactions or tied aid requests are examples. Please note that, notwithstanding the limitations on the scope of analysis for a particular type of risk, Ex-Im Bank will take into account any material adverse credit information known to Ex-Im Bank at the time of the credit decision and that Ex-Im Bank reserves the right to

request additional information which it deems necessary to exercise due diligence for a specific product, participant or market.

Attachment A
Medium-Term Credit Standards
Part I
Transactions Up to and Including \$1 Million (excluding exposure fee)

Unless otherwise indicated, the standards apply to the primary source of repayment, which may be the buyer (insurance only), borrower, or a corporate or financial institution guarantor.

Notwithstanding the limitations on the scope of analysis for a particular type of risk, any material adverse credit information known to Ex-Im Bank at the time of the credit decision must be taken into account. Ex-Im Bank normally provides 20 business day turn-around time on **complete** applications.

Sovereign Risk

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.

Political Risk

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. Credit report contains no material adverse information.

Pre-Approved Entities

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. Market indications and other available information disclose no material adverse change in financial condition.

Financial Institutions With Market Indications

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. In same general line of business at least 3 years.
5. Creditor bank reference contains no material adverse information.
6. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
7. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
8. Ex-Im Bank exposure does not exceed 40% of shareholders' equity at end of last fiscal year.
9. Market indications are reliable and relate to comparable risk (in terms of security and payment priority).
10. Market indications suggest a fee level no riskier than Standard and Poor's Long Term B, Moody's Long

Term B2, or the equivalent.

11. Financial statements disclose no basis for doubting reliability of market indications.

Financial Institutions Without Market Indications

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. In same general line of business at least 3 years.
5. Creditor bank reference contains no material adverse information.
6. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
7. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
8. Performance Criteria, which include the following, are met:

- A. Net income in last fiscal year is at least 1% of average of total assets at end of last 2 fiscal years.
- B. Liquid assets are at least 10% of total assets at end of last fiscal year.
- C. Loan loss reserves are at least 80% of non-performing loans at end of last fiscal year.
- D. Borrowed funds are less than 100% of net loans at end of last fiscal year.
- E. Shareholders' equity is at least 5% of total assets at end of last fiscal year.
- F. Ex-Im Bank exposure does not exceed 40% of shareholders' equity at end of last fiscal year.
- G. Interim statements disclose no material adverse change in financial condition.

Non-Financial Institutions With Market Indications

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. In same general line of business at least 3 years.
5. Credit report and creditor bank reference contain no material adverse information.
6. Audited or unaudited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
7. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
8. Ex-Im Bank exposure does not exceed 40% of tangible net worth at end of last fiscal year.
9. Market indications are reliable and relate to comparable risk (in terms of security and payment priority).
10. Market indications suggest a fee level no riskier than Standard and Poor's Long Term B, Moody's Long Term B2, or the equivalent.
11. Financial statements disclose no basis for doubting reliability of market indications.

Non-Financial Institutions Without Market Indications

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. In same general line of business at least 3 years.
5. Credit report and creditor bank reference contain no material adverse information.
6. Audited or unaudited statements adequately disclose financial condition and were prepared according to

- accounting principles that afford a reasonable basis for reliance on the information provided.
7. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances considered material to creditworthiness.
 8. Performance Criteria are met, which include the following:

Positive operating profit and net income in each of last 2 fiscal years.

B. Positive cash from operations in last fiscal year.

C. EBITDA/debt service (including Ex-Im Bank debt if more than 25% of total debt) is at least 1.5 for last fiscal year.

D. Total liabilities (excluding Ex-Im Bank debt) do not exceed 1.75 times tangible net worth at end of last fiscal year.

E. Ex-Im Bank exposure does not exceed 40% of tangible net worth at end of last fiscal year.

F. Interim statements disclose no material adverse change in financial condition.

Corporate and Financial Institution Guarantees

1. If primary source of repayment is a start-up company, a guarantor that meets applicable standards is required.
2. If ability of primary source of repayment to service its debt is materially dependent on cash flow from a major expansion or a new line of business, a guarantor that meets applicable standards is required.
3. If more than 25% of sales of primary source of repayment in last fiscal year were to a related or commonly owned company, a guarantee of the related or commonly owned company is required.
4. If more than 25% of purchases of primary source of repayment in last fiscal year were from a related or commonly owned company, a guarantee of the related or commonly owned company is required.

Personal Guarantees

1. For financial institutions, personal guarantees are not required.
2. For non-financial institutions with sales revenue of at least \$50 million in last fiscal year, personal guarantees are not required.
3. For non-financial institutions with sales revenue of less than \$50 million in last fiscal year, personal guarantees are required of (a) individuals with ownership interest exceeding 50% and (b) if no individual owns more than 50%, any individual with ownership interest of at least 20%. Personal financial statements are not required.

Security Interests and Covenants

1. All medium-term transactions would typically be structured to include a security interest in the goods to be financed.
2. Lender/Insured obtains from the borrower a signed financial statement reporting letter (Exhibit 2 to Annex-A) or include in their loan documentation a covenant that the borrower provide regular financial reporting to Ex-Im Bank in accordance with (Exhibit 2 to Annex-A).
3. Standard special conditions required for aircraft transactions.

Ex-Im Bank Action if Standards are Not Met

1. **Consider approval without supplemental information**, if overall financial strengths adequately mitigate indicated weaknesses and/or uncertainties. For example, if company reported a small net loss in next-to-last fiscal year, but meets or exceeds all other standards, company will be considered for approval.
2. **Consider approval with supplemental information**, if mitigating information regarding indicated risk(s) is readily available and will not materially expand the scope of analysis. For example, if company reported negative cash flow from operations in last fiscal year, but applicant can provide confirmable information on availability of adequate credit lines and company meets or exceeds all other standards, company will be considered for approval. Ex-Im Bank will not request extensive supplemental information.

Require a guarantor that meets applicable standards.

4. If 1, 2, or 3 is not feasible, Ex-Im Bank will **deny the credit**. Applicant will be given an opp withdraw application if denial appears likely.

Attachment A
Medium-Term Credit Standards
Part II
Transactions Greater Than \$1 Million Up To and Including \$5 Million
(excluding exposure fee)

Unless otherwise indicated, the standards apply to the primary source of repayment, which may be the buyer (insurance only), borrower, or a corporate or financial institution guarantor.

Notwithstanding the limitations on the scope of analysis for a particular type of risk, any material adverse credit information known to Ex-Im Bank at the time of the credit decision must be taken into account. Ex-Im Bank normally provides 20 business day turn-around time on **complete** applications which meet all of the credit standards and performance criteria. Processing time for a complete application which does not meet the standards is normally 30 business days.

"Small economies" are designated at www.exim.gov under Country and Fee Information, Exposure Fees, Exposure Fee Advice Tables, next to the name of the country.

Sovereign Risk

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or otherwise barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. Potential macroeconomic impact of a transaction in a country designated by Ex-Im Bank as a "small economy" is acceptable to Ex-Im Bank.

Political Risk

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. Potential macroeconomic impact of a transaction in a country designated by Ex-Im Bank as a "small

- economy" is acceptable to Ex-Im Bank.
5. Credit report contains no material adverse information.

Pre-Approved Entities

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. Market indications and other available information disclose no material adverse change in financial condition.

Financial Institutions With Market Indications

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. In same general line of business at least 3 years.
5. Potential macroeconomic impact of a transaction in a country designated by Ex-Im Bank as a "small economy" is acceptable to Ex-Im Bank.
6. Creditor bank reference contains no material adverse information.
7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
9. Ex-Im Bank exposure does not exceed 40% of shareholders' equity at end of last fiscal year.
10. Market indications are reliable and relate to comparable risk (in terms of security and payment priority).
11. Market indications suggest a fee level no riskier than Standard and Poor's Long Term B, Moody's Long Term B2, or the equivalent.
12. Financial statements disclose no basis for doubting reliability of market indications.

Financial Institutions Without Market Indications

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. In same general line of business at least 3 years.
5. Potential macroeconomic impact of a transaction in a country designated by Ex-Im Bank as a "small economy" is acceptable to Ex-Im Bank.
6. Creditor bank reference contains no material adverse information.
7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances

not considered material to creditworthiness.

9. Performance Criteria, which include the following, are met:

- A. Net income in last fiscal year is at least 1% of average of total assets at end of last 2 fiscal years.
- B. Liquid assets are at least 10% of total assets at end of last fiscal year.
- C. Loan loss reserves are at least 80% of non-performing loans at end of last fiscal year.
- D. Borrowed funds are less than 100% of net loans at end of last fiscal year.
- E. Shareholders' equity is at least 5% of total assets at end of last fiscal year.
- F. Ex-Im Bank exposure does not exceed 40% of shareholders' equity at end of last fiscal year.
- G. Interim statements disclose no material adverse change in financial condition.

Non-Financial Institutions With Market Indications

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2. Not suspended or barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. In same general line of business at least 3 years.
5. Potential macroeconomic impact of a transaction in a country designated by Ex-Im Bank as a "small economy" is acceptable to Ex-Im Bank.
6. Credit report and creditor bank reference contain no material adverse information.
7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
9. Ex-Im Bank exposure does not exceed 40% of tangible net worth at end of last fiscal year.
10. Market indications are reliable and relate to comparable risk (in terms of security and payment priority).
11. Market indications suggest a fee level no riskier than Standard and Poor's Long Term B, Moody's Long Term B2, or the equivalent.
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6. Credit report and creditor bank reference contain no material adverse information.
7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.

• **Performance Criteria are met, which include the following:**

- A. Positive operating profit and net income in each of last 2 fiscal years.
- B. Positive cash from operations in last fiscal year.
- C. EBITDA/debt service (including Ex-Im Bank debt if more than 25% of total debt) is at least 1.5 for last fiscal year.
- D. Total liabilities (excluding Ex-Im Bank debt) do not exceed 1.75 times tangible net worth at end of last fiscal year.
- E. Ex-Im Bank exposure does not exceed 40% of tangible net worth at end of last fiscal year.
- F. Interim statements disclose no material adverse change in financial condition.

Corporate and Financial Institution Guarantees

1. If primary source of repayment is a start-up company, a guarantor that meets applicable standards is required.
2. If ability of primary source of repayment to service its debt is materially dependent on cash flow from a major expansion or a new line of business, a guarantor that meets applicable standards is required.

Exception: If *all of* the following conditions are satisfied, Ex-Im Bank will *consider processing an application* for (but not necessarily approving) financing without a guarantor for a major expansion or new line of business:

- A. Applicant can demonstrate that export sale is highly unlikely to proceed without unguaranteed Ex-Im Bank support. The presence of latent (i.e., unconfirmed) competition would not be sufficient to satisfy this condition.
- B. Applicant can provide supplemental information that will include, but is not limited to, a business plan, feasibility study, technical information, and financial projections with supporting assumptions and sensitivity analysis.
- C. Lender and/or borrower agree to bear the cost of all non-standard documentation and legal expenses related to any security interests and covenants that Ex-Im Bank may deem necessary.

3. If more than 25 percent of sales of primary source of repayment in last fiscal year were to a related or commonly owned company, a guarantee of the related or commonly owned company is required.

4. If more than 25 percent of purchases of primary source of repayment in last fiscal year were commonly owned company, a guarantee of the related or commonly owned company is required or

Personal Guarantees

1. For financial institutions, personal guarantees are not required.
2. For non-financial institutions with sales revenue of at least \$50 million in last fiscal year, personal guarantees are not required.
3. For non-financial institutions with sales revenue of less than \$50 million in last fiscal year, personal guarantees are required of (a) individuals with ownership interest exceeding 50 percent and (b) if no individual owns more than 50 percent, any individual with ownership interest of at least 20 percent. Personal financial statements are not required.

Security Interests and Covenants

1. All medium-term transactions would typically be structured to include a security interest in the goods to be financed.
2. Lender/Insured obtains from the borrower a signed financial statement reporting letter (Exhibit 2 to Annex-A) or include in their loan documentation a covenant that the borrower provide regular financial reporting to Ex-Im Bank in accordance with (Exhibit 2 to Annex-A).
3. Standard special conditions required for aircraft transactions.

Ex-Im Bank Action if Standards are not met

1. **Consider approval without supplemental information**, if overall financial strengths adequately mitigate indicated weaknesses and/or uncertainties. For example, if company reported a small net loss in next-to-last fiscal year, but meets or exceeds all other standards, company will be considered for approval.
2. **Consider approval with supplemental information**, if mitigating information regarding indicated risk(s) is readily available and will not materially expand the scope of analysis. For example, if company reported negative cash flow from operations in last fiscal year, but applicant can provide confirmable information on availability of adequate credit lines and company meets or exceeds all other standards, company will be considered for approval. Ex-Im Bank will not request extensive supplemental information.
3. **Require a guarantor** that meets applicable standards.
4. If 1, 2, or 3 is not feasible, Ex-Im Bank will **deny the credit**. Applicant will be given an opportunity to withdraw application if denial appears likely.

Attachment A
Medium-Term Credit Standards
Part III
Transactions Greater Than \$5 Million up to and Including \$10 Million
(excluding exposure fee)

Unless otherwise indicated, the standards apply to the primary source of repayment, which may be the buyer (insurance only), borrower, or a corporate or financial institution guarantor.

Notwithstanding the limitations on the scope of analysis for a particular type of risk, any material adverse credit information known to Ex-Im Bank at the time of the credit decision must be taken into account.

"Small economies" are designated at www.exim.gov under Country and Fee Information, Exposure Fees, Exposure Fee Advice Tables, next to the name of the country.

Sovereign Risk

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or otherwise barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. Potential macroeconomic impact of a transaction in a country designated by Ex-Im Bank as a "small economy" is acceptable to Ex-Im Bank.

Political Risk

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or otherwise barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. Potential macroeconomic impact of a transaction in a country designated by Ex-Im Bank as a "small economy"

is acceptable to Ex-Im Bank.

5. Credit report contains no material adverse information.

Pre-Approved Entities

1. Domicile acceptable according to Country Limitation Schedule.
2. Not suspended or otherwise barred from doing business with U.S. Government.
3. No unresolved payment issues concerning debts to or guaranteed or insured by Ex-Im Bank.
4. Market indications and other available information disclose no material adverse change in financial condition.

Financial Institutions With Market Indications

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5. In same general line of business at least 3 years.
6. Creditor bank reference contains no material adverse information.
7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
9. Ex-Im Bank exposure does not exceed 40% of shareholders' equity at end of last fiscal year.
10. Market indications are reliable and relate to comparable risk (in terms of security and payment priority).
11. Market indications suggest a fee level no riskier than Standard and Poor's Long Term B, Moody's Long Term B2, or the equivalent.
12. Financial statements disclose no basis for doubting reliability of market indications.

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7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
9. Performance Criteria, which include the following, are met:
 - A. Net income in last fiscal year is at least 1% of average of total assets at end of last 2 fiscal years.
 - B. Liquid assets are at least 10% of total assets at end of last fiscal year.
 - C. Loan loss reserves are at least 80% of non-performing loans at end of last fiscal year.
 - D. Borrowed funds are less than 100% of net loans at end of last fiscal year.
 - E. Shareholders' equity is at least 5% of total assets at end of last fiscal year.
 - F. Ex-Im Bank exposure does not exceed 40% of shareholders' equity at end of last fiscal year.
 - G. Interim statements disclose no material adverse change in financial condition.

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4. Potential macroeconomic impact of a transaction in a country designated by Ex-Im Bank as a "small economy" is acceptable to Ex-Im Bank.
5. In same general line of business at least 3 years.
6. Credit report and creditor bank reference contain no material adverse information.
7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. If (a) more than 25% of sales in last fiscal year were to a related or commonly owned company, or (b) more than 25% of purchases in last fiscal year were from a related or commonly owned company, statements are provided which adequately disclose the consolidated or combined financial condition, whichever applies, of the primary source of repayment and the related or commonly owned company (or companies).
9. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
10. Ex-Im Bank exposure does not exceed 40% of tangible net worth at end of last fiscal year.
11. Market indications are reliable and relate to comparable risk (in terms of security and payment priority).
12. Market indications suggest a fee level no riskier than Standard and Poor's Long Term B, Moody's Long Term B2, or the equivalent.
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6. Credit report and creditor bank reference contain no material adverse information.
7. Audited statements adequately disclose financial condition and were prepared according to accounting principles that afford a reasonable basis for reliance on the information provided.
8. If (a) more than 25% of sales in last fiscal year were to a related or commonly owned company, or (b) more than 25% of purchases in last fiscal year were from a related or commonly owned company, statements are provided which adequately disclose the consolidated or combined financial condition, whichever applies, of the primary source of repayment and the related or commonly owned company (or companies).
9. Auditor's opinion is either (a) unqualified or (b) qualified with respect to amounts and circumstances not considered material to creditworthiness.
10. Ex-Im Bank exposure does not exceed 40% of tangible net worth at end of last fiscal year.
11. Ex-Im Bank concludes that entity is creditworthy based on analysis of its financial statements, supplemental financial information (See Attachment B), and Ex-Im Bank's knowledge of its operating environment. Scope of analysis will be expanded only for transactions that qualify for exception described in item 2 of Corporate and Financial Institution Guarantees.

Corporate and Financial Institution Guarantees

1. If primary source of repayment is a start-up company, a guarantor that meets applicable standards is required.
2. If ability of primary source of repayment to service its debt is materially dependent on cash flow from a major expansion or a new line of business, a guarantor that meets applicable standards is required. **Exception:**

If *all of* the following conditions are satisfied, Ex-Im Bank will *consider processing an application* for (but not necessarily approving) financing without a guarantor for a major expansion or new line of business:

- A. Applicant can demonstrate that export sale is highly unlikely to proceed without unguaranteed Ex-Im Bank support. The presence of latent (i.e., unconfirmed) competition would not be sufficient to satisfy this condition.
- B. Applicant can provide supplemental information that will include, but is not limited to, a business plan, feasibility study, technical information, and financial projections with supporting assumptions and sensitivity analysis.
- C. Lender and/or borrower agree to bear the cost of all non-standard documentation and legal expenses related to any security interests and covenants that Ex-Im Bank may deem necessary.

- 3. If more than 25% of sales of primary source of repayment in last fiscal year were to a related or commonly owned company, a guarantee of the related or commonly owned company is required.
- 4. If more than 25% of purchases of primary source of repayment in last fiscal year were from a related or commonly owned company, a guarantee of the related or commonly owned company is required.

Personal Guarantees

- 1. If primary source of repayment is a financial institution, personal guarantees are not required.
- 2. If primary source of repayment is a non-financial institution with sales revenue of at least \$50 million in last fiscal year, personal guarantees are not required.
- 3. If primary source of repayment is a non-financial institution with sales revenue of less than \$50 million in last fiscal year, personal guarantees are required of (a) an individual with ownership interest in the primary source of repayment exceeding 50% and (b) if no individual owns more than 50%, any individual with ownership interest in the primary source of repayment of at least 20%. Personal financial statements are not required.

Security Interests and Covenants

- 1. All medium-term transactions would typically be structured to include a security interest in the goods to be financed.
- 2. Lender/Insured obtains from the borrower a signed financial statement reporting letter (Exhibit 2 to Annex-A) or include in their loan documentation a covenant that the borrower provide regular financial reporting to Ex-Im Bank in accordance with (Exhibit 2 to Annex-A).
- 3. Standard special conditions required for aircraft transactions.

Ex-Im Bank Action if Standards are Not Met

- 1. **Require a guarantor** that meets applicable standards.
- 2. If an acceptable guarantee is not available, Ex-Im Bank will **deny the credit**. Applicant will be given an opportunity to withdraw application if denial appears likely.

ATTACHMENT B
EXPLANATION OF TERMS IN PERFORMANCE CRITERIA
 (Items in Attachment A with an asterisk)

Part A. FINANCIAL INSTITUTIONS

Shareholders' Equity, Total Assets, and Net Income are as reported in the financial statements.

Borrowed Funds are interbank borrowings + notes, bills, and bonds payable.

Net Loans are loans and advances - general and specific loan loss reserves.

Liquid Assets are cash + short-term marketable and trading securities + government securities + due from banks.

Loan Loss Reserves are general and specific reserves available to absorb loan and other credit losses.

Non-Performing Loans are loans which are not producing current income + loans with a high probability of restructuring or loss of principal.

Part B. NON-FINANCIAL INSTITUTIONS

Operating Profit and Net Income are as reported in the financial statements.

EBITDA (Earnings before interest, taxes, depreciation, and amortization) is as reported in the financial statements.

Debt Service is interest paid during the most recent fiscal year + CMLTD (Current maturities of long-term debt) at the end of the most recent fiscal year. If the proposed Ex-Im Bank financing is greater than 25 percent of total debt (including short term bank debt, long term bank debt, CMLTD, and any other scheduled debt obligations, i.e., scheduled tax obligations or loans from shareholders) at the end of the most recent fiscal year, include in Debt Service the amount of the Ex-Im Bank financing that would be classified as CMLTD + 12 months of interest on the Ex-Im Bank financing.

Cash From Operations is as defined using the FASB 95 Indirect Method under U.S. GAAP.

Total Liabilities are as reported in the financial statements.

Tangible Net Worth is shareholders' equity (as reported) - intangible assets such as goodwill, patents, and licenses.

ATTACHMENT C SUPPLEMENTAL FINANCIAL INFORMATION

This Attachment applies to transactions with a financed amount (excluding exposure fee) of **more than \$5 million** and up to and including \$10 million **involving non-financial institutions without market indications**. It does not apply to transactions up to and including \$5 million or to financial institution, sovereign, political, or pre-approved risk

transactions. Ex-Im Bank has developed these financial considerations in order to expedite the credit evaluation process. **If the items listed here are not addressed, the application may be withdrawn.**

Please address the items according to the following guidance. Indicate whether the information is attached or not applicable by marking the appropriate box. Certain items apply to all transactions and are indicated as "**Required**" as indicated.

- Enclose with your application the information requested in either Part A or Part B of this attachment, whichever applies.
- If the requested information is provided in the notes to the financial statements, refer to the notes and indicate the note number.
- If the requested information is provided in a credit write-up that is enclosed, refer to the write-up and indicate the page number.
- Unless otherwise indicated, provide information for each fiscal year for which financial statements are submitted, i.e., 2 years of data for year-to-year data and 3 years of data for year-end data.
- Items regarding changes in amounts or percentages refer to changes measured in U.S. dollars.
- A "change" means any change, either an increase or a decrease.

Operating Performance

N/A Attached

1. Describe the expected operational and financial impact of the goods and/or services being purchased. **Required for all transactions.**
2. Describe the principal customer base, e.g., manufacturers, wholesalers and provide the percentage of domestic versus export sales and the amount of sales to each major export market. **Required for all transactions.**
3. If any customer accounted for more than 25 percent of sales revenue in the last fiscal year, provide the customer's name, industry, percentage of revenue, length of relationship, sales terms, and whether or not the customer is a related or commonly owned entity.
4. If sales revenue changed by more than 15 percent, provide reasons.
5. Provide the level of production (in units) for principal product lines for each fiscal year and, if the production level changed by more than 15 percent, provide reasons. **Required for all transactions.**
6. For each component of cost of goods sold for the last fiscal year, provide the component type, amount, origin (domestic or foreign), and range of terms offered by suppliers. **Required for all transactions.**
7. If cost of goods sold as a percentage of sales revenue changed by more than 5 percent, provide reasons.
8. If any non-operating expense (other than interest or income taxes) represented more than 20 percent of operating profit, describe the expense.
9. If an operating loss or a net loss was incurred, provide reasons.

Balance Sheet

N/A Attached

10. If total investments were more than 15 percent of total assets at the end of the last fiscal year, provide for each investment the type, amount, currency, security issuer, and/or company owned.
11. If there has been a change of more than 20 percent in receivables days-on-hand, provide the reasons and the range of terms granted for trade receivables.
12. If aggregate related company receivables, commonly owned company receivables, and non-trade related receivables exceeded 15 percent of total assets, provide the amount and purpose of each category of receivables.
13. If inventory was more than 20 percent of total assets at the end of the last fiscal year and/or inventory days-on-hand increased more than 20 percent, provide reasons.
14. If payables days-on-hand increased more than 20 percent, provide reasons and the terms granted by each supplier which represented more than 20 percent of payables.
15. If capital expenditures anticipated during the next 2 fiscal years exceed 15 percent of net fixed assets at the end of the last fiscal year, provide the amount, purpose, and financing plans for the capital expenditures.
16. Provide the source, amount, currency, terms, and security/guarantees for credit lines available from financial institutions and credits owed to financial institutions. **Required for all transactions.**
17. Provide the aggregate amount of principal maturities due to all creditors in each of the next five fiscal years.
18. Provide the source, amount, and dates of equity cash infusions in each of the last three fiscal years and anticipated during the next fiscal year. **Required for all transactions.**
19. If any asset, liability, or equity account represented more than 15 percent of total assets and has not been previously described, provide the amount and a description of the accounts.

Off Balance Sheet Items

N/A Attached

20. If the aggregate amount of contingent/off balance sheet items was more than 10 percent of total assets at the end of the last fiscal year, provide a description of the items.

Interim Statements

N/A Attached

21. Explain any material changes in the interim financial statements relative to the statements for the last fiscal year. This item **not applicable only** if interim statements are not required.

Subsequent Events

N/A Attached

22. Provide details of events subsequent to the end of the last fiscal year which could have a material effect on the creditworthiness of the company, and plans to deal with any **material adverse changes**. If no material events exist insert "none" _____.

Ex-Im Bank Guidelines for Medium-Term Higher Risk Private Sector Transactions Attachment D

There are many feasible business opportunities involving medium-term higher risk private sector transactions.

Ex-Im Bank defines higher risk transactions under the medium-term insurance and guarantee programs as non-aircraft, non-sovereign transactions including one or more of the following characteristics: markets where the exposure fee level is 7, countries with a CLS footnote 4 (i.e., typically requiring a commercial bank as obligor or guarantor), or transactions where used equipment is the export product. To address the issues involving higher risk transactions, Ex-Im Bank has formalized underwriting guidelines¹ for medium-term higher risk private sector transactions. These guidelines are intended to both catalyze Ex-Im Bank's support for higher risk export opportunities as well as promote efficiency in case processing and improved customer service by providing applicants with guidance for satisfying Ex-Im Bank's information requirements for these types of transactions.

These higher risk guidelines apply to transactions involving either:

- ▶ *Countries with an exposure fee level of 7, where the transaction does not have an acceptable bank guarantee; or*
- ▶ *Countries with a CLS footnote 4, where the transaction does not have an acceptable bank guarantee*

The guidelines will apply to all such applications involving used equipment and may also apply to new equipment/services transactions as well.

1) Financial Statements on the PSOR for higher risk transactions

For markets where a CLS footnote 4 is applicable, Ex-Im Bank will typically require a financial institution as the obligor or guarantor. For non-financial institution borrowers that Ex-Im Bank deems *creditworthy* (i.e., does not require a bank guarantee) in CLS footnote 4 markets or borrowers in exposure fee level 7 markets, Ex-Im Bank may consider: (a) three years of financial statements, including notes, *audited by a company that is affiliated with an international accounting firm* (which would be Ex-Im Bank's preference) or (b) alternatively, due to the additional costs related to this type of auditor, Ex-Im Bank may consider financial statements audited by a verifiable, properly accredited regional/local company if the following is included in the application:

- a. The auditing firm satisfactorily completes the Ex-Im Bank questionnaire for auditing companies (please see the attachment);
- b. A lender's call report on the primary source of repayment (PSOR) that includes information on the visit as well as a written statement from the lender that its visual observation of the PSOR's premises comport with the PSOR's financial statements; and,
- c. A call report from the lender demonstrating that it has visited the local auditor's office and has discussed with the auditor the latter's responses to the Ex-Im Bank questionnaire.
- d. If a lender's visits to the PSOR (item b above) and the auditor (item c above) are not feasible, the lender should provide the following: (1) documentation describing its knowledge of the auditor and (2) information demonstrating how it became comfortable with the auditor. Regarding item (2), the lender can provide two recent references that are acceptable to Ex-Im Bank from the auditor's clients (which should be multinational corporations, major local corporations or financial institutions where audits were done); or, if Ex-Bank has received such information on a prior transaction and the information is still current, the latter may obviate the need for a visit.

2) Additional information to be provided in the application for a higher risk transaction

➤ Customer Background

¹ Sovereign, aircraft, and bank guarantee transactions are exempt from these guidelines.

- It is strongly desirable that the lender (e.g., an officer of the lender and not an agent) or the exporter visit the borrower/PSOR at least once within six months prior to the application being submitted to Ex-Im Bank and provide a call report of such visit in the application or; alternatively,
 - The lender should provide written documentation demonstrating how they know their customer.
 - The lender should provide specific information on the manner in which the transaction was originated.
- **Information on Agents**
- Background information on any local agent involved in the transaction (i.e., a biographical sketch, resume, etc.)
 - Information regarding the amount of fees the agent is receiving (i.e., whether the fees are for originating, obtaining an Ex-Im Bank approval, or monitoring the transaction after approval to avoid claims)
 - Identification of which parties are paying the agent on the transaction
 - Description of the due diligence undertaken in selection of the agent
- **Borrowing or Account Relationships**
- Does the lender have any borrowing or account relationships with the PSOR? If yes, the lender needs to provide details.
- **Assessment of Cash Position**
- Do the financial statements demonstrate a sufficient level of cash to make the down payment? The application should include information on how the borrower/buyer will pay for the down payment, legal fees and custom duties.
- **Market has experienced or is likely to experience significant depreciation in currency**
- If the market has experienced significant depreciation in the currency during the period under review or there is a risk of such occurrence during the debt servicing period of the subject financing, the borrower/PSOR should provide information regarding how it hedges such foreign currency risk.

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Attachment D

Also, if the borrower/PSOR imports any of its inputs (i.e., inventory, raw materials, etc.) it should indicate what countries it imports from and the percents of such foreign inputs represent of its total inputs.

- If the borrower/PSOR has any foreign denominated debt, then it should indicate the currency of such debt and its debt profile.
- **References**
- If the application does not include a current credit financial institution reference due to no bank borrowing relationship, the applicant should provide at least two supplier references on the borrower/PSOR's from suppliers that represent the two largest accounts of the borrower/PSOR's accounts payable. Such favorable references should have the following information:
1. Current: dated within six (6) months of the application
 2. Verifiable source (on letterhead of supplier)
 3. References which reflect extension of credit
 4. Contain the following information: Years of experience with borrower/PSOR, payment terms, annual sales to borrower/PSOR, date of last sale, recent high credit, current outstanding amount, past due amount (if any), days past due, experience

➤ Identification of the Borrower and guarantors

- In order for the application to be technically complete, the lender should provide documents which evidence the location and street addresses of the borrower and guarantors (i.e., copy of a bank statement, lease agreement etc.).

3) Structure of Higher Risk Transactions

➤ Special Conditions that may apply to higher risk transactions

- Personal guarantees: For higher risk transactions any individual owning 20% or more will provide their personal guarantees.
 - Quarterly payments: Where appropriate, transactions may be structured with quarterly payments.
 - Evidence of cash payment: If the financial condition (i.e., minimal cash position) of the PSOR does not show the ability to pay the cash payment, custom duties, legal fees, etc., Ex-Im Bank may require the following special condition: Prior to disbursement, the lender shall obtain evidence that the 15% cash payment has been paid in cash by the buyer to the exporter (e.g., commercial bank advice of payment). Although the exporter typically will not be permitted to provide financing for the 15% cash payment if this special condition is used, a local bank may provide such financing.
 - Registration of promissory note, personal guarantees and liens: If Ex-Im Bank determines that registration of certain debt documents are required in a market, then the lender will be required to undertake such debt registrations of the promissory note, personal guarantees, liens, etc.
- Special conditions that may apply to used equipment for higher risk transactions
- Debt obligation is separate from the equipment/services export contract: The borrower shall provide to the lender a written statement by an authorized official of the PSOR (indicate name of the company) that the latter understands that the debt obligation is separate and independent from the equipment/services contract and exporter performance, and that the PSOR (indicate name of the company) is obligated to make timely payments under the debt instrument no matter what events may or may not occur under such export contract.
 - Inspection: The lender shall cause the buyer to inspect the used equipment in the U.S. After such inspection, the buyer would have to sign and date a certificate which documents that the equipment has been inspected and that the equipment matches what the buyer in the contract requested (i.e., manufacturer, model, year, miles/operating years, special accessory list, serial number, etc.). The lender or the insured shall obtain a copy of these signed and dated inspection documents prior to disbursement. If there are any changes in the equipment being procured, such changes shall also be inspected by the buyer. Such inspection and documentation of the results of such inspection shall be provided to the lender prior to disbursement.

In circumstances where the buyer/borrower may not be able to travel to the U.S. to inspect the equipment in a timely manner in order to meet shipping schedules, Ex-Im Bank may allow the inspection of the equipment by an independent third party in the U.S., with the results of such inspection being provided to the lender prior to disbursement.

Auditing Firm Questions

1. Please provide a detailed written profile of the auditing firm, if available.
2. When did the auditing firm begin operations?
3. What other services does the firm provide?

4. How many auditing clients does the firm have? How many clients does the firm have for other services such as accounting services and consulting services?
5. What is the size of the firm in terms of number of employees? How many staff is in each of the following categories: administrative staff, junior accountant or trainee, senior accountant, manager, and partner? What qualifications (level of education, number of qualifying exams passed, professional certification [i.e., CPA or equivalent] and experience) does each individual have?
6. Describe the continuing education undertaken by the firm's staff (including partners).
7. Please indicate the firm's or its staff's membership or participation in any peer groups or professional associations.
8. Please list some of the firm's larger clients or, if possible, supply a client list.
9. Does the firm audit any multi-national corporations or institutions? If so, please list them.
10. Please provide two recent references from the firm's larger clients and /or multi-national corporations or financial institutions where audits were involved.
11. Please describe the firm's office facilities (e.g., how many computers, is there a separately dedicated fax and phone line, what kind of accounting software is used, does the firm use e-mail, etc.?).
12. Please describe the firm's audit processes and methodology. What steps does the firm undertake when auditing a client? For example, does staff go to the premises of the client? If so, how many staff and what kind of staff (junior auditor, senior auditors, partners, etc.) go? Who is eligible to sign-off on the audit?
13. Please describe any fines or judgments that have been placed against the firm by professional associations, the judicial/court system or the government.
14. What steps does the firm take to prevent fraudulent use of the firm's name (e.g., letterhead and stamp)?
15. Do the firm's auditors specialize in sectors (financial services, telecom, oil and gas, manufacturing, etc.).