



# Review of Stranded Assets Risk to EXIM's Portfolio



OIG-SR-25-03  
September 30, 2025

Office of Inspector General  
Export-Import Bank of the United States



## MEMORANDUM

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Subject: Review of Stranded Assets Risk to EXIM's Portfolio (OIG-SR-25-03)

Date: September 30, 2025

This final report presents the Office of Inspector General (OIG) review of stranded assets risk to EXIM's portfolio. The objectives were to conduct research and provide information to Export-Import Bank of the United States (EXIM) management regarding: (1) the risk of potential stranded assets to EXIM's portfolio due to various factors; and (2) the potential impact those stranded assets pose to EXIM's portfolio, default rate cap, and the reasonable reassurance of repayment related to such transactions. The review covers the period from Fiscal Year (FY) 2020 through FY 2024.

EXIM OIG conducted this evaluation in accordance with the *Quality Standards for Inspection and Evaluation*, as issued in 2020 by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that OIG obtain evidence that sufficiently and appropriately support findings and provide a reasonable basis for conclusions. OIG believes its findings and conclusions meet these quality standards. This report contains one recommendation.

OIG appreciates the cooperation and courtesies provided during the review. If you have any questions or comments regarding this report, please contact me at 202-460-2128 or at [ami.schaefer@exim.gov](mailto:ami.schaefer@exim.gov).



**Office of Inspector General  
Export-Import Bank of the United States**

OIG-SR-25-03

**What OIG Reviewed**

Acting on behalf of the Office of Inspector General (OIG), KPMG conducted the review of the risk of stranded assets to the Export-Import Bank of the United States' (EXIM's) portfolio. The objectives were to conduct research and provide information to EXIM management regarding: (1) the risk of potential stranded assets to EXIM's portfolio due to various factors; and (2) the potential impact those stranded assets pose to EXIM's portfolio, default rate cap, and the reasonable reassurance of repayment related to such transactions.

**What OIG Recommends**

OIG issued one recommendation to strengthen both the internal documentation and communication of its credit risk reviews. In its comments on the draft report, EXIM concurred with the recommendation. OIG considers the recommendation unresolved. EXIM's response to the recommendation, and OIG's reply, can be found in the [Recommendation](#) section of this report. EXIM's formal response is reprinted in its entirety in [Appendix B](#).

## EXECUTIVE SUMMARY

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### **Review of Stranded Assets Risk to EXIM's Portfolio September 30, 2025**

#### **What OIG Found**

The review found that EXIM had policies and procedures that require credit file reviews to consider potential stranded assets risks within EXIM's portfolio. KPMG determined that these risk reviews, generally, consider the potential risk factors that could result in a credit becoming stranded. Assets become "stranded" when they no longer can generate revenue or generate less revenue than anticipated. This can occur for several reasons, such as political, commercial, operational technical events or situations, and Acts of God.

The review also found that that concentration risk within EXIM's portfolio evolved over the past five years and that three transactions reported to EXIM's Risk Management Committee as being at increased risk of default made up 2.3 percent of EXIM's total portfolio exposure at the time of the review. In addition, KPMG found that EXIM conducted semi-annual stress testing of its default rate to consider the potential impact on its portfolio due to certain risk factors, such as changes to budget cost level (BCL) ratings, e.g., the transaction's risk rating.

Finally, the review found a deficiency in EXIM's processes that could impact its stranded asset risk. KPMG's review of aircraft credit files found that EXIM did not document impairment assessments for the associated collateral of those transactions with a BCL 7 or 8. As a result, EXIM may not recover the estimated value of the collateral in the event of a default. This is significant because some transactions with aircraft collateral receive a positive net increase of +1 to their BCL rating based upon EXIM's ability to re-possess and sell the aircraft to recover payment. Further, KPMG identified that the risk rating for transactions with sovereign entities is based on the Interagency Credit Risk Assessment System (ICRAS) report instead of an evaluation process. Though this follows the established procedures; in some instances, the ICRAS rating was based upon the sovereign entity's risk from 12 months prior.

## CONTENTS

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|                                                                                                                                    |    |
|------------------------------------------------------------------------------------------------------------------------------------|----|
| OBJECTIVE .....                                                                                                                    | 1  |
| BACKGROUND .....                                                                                                                   | 1  |
| EXIM Processes for Managing Portfolio Risk .....                                                                                   | 2  |
| FINDINGS.....                                                                                                                      | 4  |
| Finding 1: EXIM’s Annual Review and Default Rate Procedures Identified Potential Stranded Assets Risks.....                        | 4  |
| Finding 2: Concentration Risk Within EXIM’s Portfolio Changed by Industry and Region Since FY 2020 .....                           | 4  |
| Finding 3: EXIM’s “Watch List” Exposure Concentrated in Three Transactions .....                                                   | 8  |
| Finding 4: EXIM Stress Testing Indicated Risk of EXIM Exceeding Its Default Rate Cap .....                                         | 9  |
| Finding 5: EXIM Did Not Maintain Documentation of Collateral Impairment Assessments for Its BCL 7 or 8 Aircraft Transactions ..... | 10 |
| OTHER MATTERS.....                                                                                                                 | 12 |
| RECOMMENDATION .....                                                                                                               | 13 |
| APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY.....                                                                                | 14 |
| Objectives and Scope .....                                                                                                         | 14 |
| Methodology .....                                                                                                                  | 14 |
| Findings and Conclusion.....                                                                                                       | 18 |
| APPENDIX B: MANAGEMENT RESPONSE .....                                                                                              | 19 |
| ABBREVIATIONS .....                                                                                                                | 21 |

## OBJECTIVE

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On behalf of the Office of Inspector General (OIG), KPMG conducted this review to identify:

1. The risk of potential “stranded assets” to EXIM’s portfolio due to various factors; and
2. The potential impact those stranded assets pose to EXIM’s portfolio, default rate cap, and the reasonable reassurance of repayment related to such transactions.

This review focused specifically on transactions with exposure to EXIM from FY 2020 through FY 2024. See [Appendix A](#) for details on the scope and methodology of this review.

### What is a Stranded Asset?

For the purposes of this report, the term stranded asset refers to investments (i.e., EXIM-financed projects) that have lost their value or have an inability to generate revenue. Assets can become “stranded” for various reasons, including regulatory changes, geopolitical instability, and natural disasters. Although the term is often associated with assets that are adversely impacted by environmental regulation, this review uses the term in its broadest sense and in a manner consistent with EXIM practice. For example, OIG previously conducted an inspection of an EXIM-project in India that the agency deemed a stranded asset.<sup>1</sup>

Using this broader definition, *regulatory changes*, such as new environmental laws or carbon pricing, can make certain assets financially unviable. *Geopolitical conflicts*, such as the conflict in Ukraine, can result in collateral-backed loans that are no longer recoverable. Finally, *physical risks*, such as natural disasters, can damage infrastructure, further stranding assets. Within the last five years, there have been numerous natural disasters, regional conflicts, and a global pandemic that have directly affected the operations and supply chains for the businesses that EXIM supports through its financing programs. These risks are important to EXIM as it highlights potential financial risks associated with holding loans and loan guarantees that may not perform as expected and thus impact the reasonable reassurance of repayment and the calculation of EXIM’s statutory default rate, both of which are required by EXIM’s Charter.<sup>2</sup>

## BACKGROUND

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EXIM was established in 1934 through an Executive Order and was made an independent agency through congressional charter in 1945. EXIM serves as the official export credit agency of the United States. Its mission is to support U.S. exports by providing export financing in cases where the private sector is unable or unwilling to provide financing or where such support is necessary to level the playing field due to financing provided by foreign governments to their exporters that are in competition for export sales with U.S. exporters. EXIM’s Charter requires reasonable assurance of repayment for the transactions EXIM authorizes, and close monitoring

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<sup>1</sup> OIG, *Inspections of EXIM’s Financing of the Sasan Power Limited and Samalkot Power Limited Projects* (OIG-ISP-24-01; September 30, 2024)

<sup>2</sup> EXIM Charter Section 2(b)(1)(B) and Section 6(a)(3).

of credit and other risks in its portfolio. In pursuit of its mission of supporting U.S. exports, EXIM offers four financial programs: direct loans, loan guarantees, working capital guarantees, and export credit insurance.

The transactions authorized under these four programs are categorized as either long-, medium-, or short-term. Long-term transactions require extensive credit assessments, feasibility assessments, and environmental and social due diligence reviews performed by underwriters with subject-matter expertise before being considered for approval. The evaluations assess key transactional risks such as the borrower's industry, competitive position, operating performance, liquidity position, leverage, ability to service debt obligations, and other factors. Medium- and short-term transactions are largely approved under individual delegated authority<sup>3</sup> granted by the Board of Directors to EXIM employees and commercial banks pursuant to prescribed credit standards and information requirements. These obligations carry the full faith and credit of the U.S. Government.

### **EXIM Processes for Managing Portfolio Risk**

The Office of Management and Budget (OMB) requires EXIM to reserve cash for expected credit losses arising from its transactions. To meet this requirement, EXIM has established policies and procedures to rate each transaction in its portfolio. Those assessed as having higher risk require more cash to be set aside for possible losses. The risk rating, referred to by EXIM as Budget Cost Level (BCL), can range from 1 (least risk of loss) to 11 (highest risk of loss). BCL 9 or higher ratings indicate a payment default, whether imminent or actual, may occur. BCL 7 to 8 indicate a potential risk or actual risk for emerging problems with the transaction.<sup>4</sup>

EXIM conducts the initial risk rating during the origination of the credit. The relevant EXIM division responsible for originating the transactions determines the risk rating based on factors such as credit ratings, financial performance, and/or information derived from the Interagency Credit Risk Assessment System (ICRAS).<sup>5</sup> After origination of the credit, the transaction is then monitored by a division under the Office of Board Authorized Finance (OBAF) or the Office of Chief Financial Officer (OCFO), based upon the type of transaction, risk level, and type of

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<sup>3</sup> This authority allows lenders to approve loans and receive an EXIM Guarantee without prior consent of EXIM, based on agreed upon underwriting requirements. Lenders must apply for authorization and eligibility is determined based on factors such as lender's financial condition, knowledge of trade finance, and ability to manage loans.

<sup>4</sup> EXIM states that BCL rating 7 or 8 are marginal credit quality, and are either at potential risk for emerging problems, or have emerging problems, respectively.

<sup>5</sup> The Federal Credit Reform Act of 1990 requires common standards for country risk assessments for all U.S. Government agencies and programs providing cross-border loans, guarantees, or insurances. To implement this, OMB chairs an inter-agency group that makes recommendations on country risk assessments. ICRAS is responsible for assessing the sovereign and non-sovereign risks of foreign countries for the U.S. Government. EXIM acts as the Secretariat to the ICRAS, performing much of the countries' technical analysis (i.e., preparing discussion papers such as the Country Risk and Assessment Reports and risk rating recommendations for various countries). ICRAS requires the combined effort of several U.S. Government departments and trade agencies including the Departments of State and Treasury as well as the U.S. International Development Finance Corporation. Based on interagency discussions, OMB establishes two risk ratings for each country—a sovereign rating and a rating for the country risks associated with non-sovereign transactions.

borrower, among other factors. For example, OBAF's Transportation Portfolio Management Division (TPMD) manages transportation-related transactions, and OCFO's Portfolio Risk Management division manages sovereign claim transactions. The division or office that manages the transaction is responsible for reviewing and assigning a BCL rating.

EXIM reviews each non-sovereign (i.e., commercial) credit file at least annually to assess if a BCL change is needed. The relevant portfolio manager will review documentation for the Primary Source of Repayment (PSOR)/Borrower for the transaction to make their determination. EXIM's risk rating policy provides specific criteria based on the industry to guide these credit reviews. Once completed, the heads of each division approve the credit risk reviews. Under EXIM policy, an ad hoc review may be performed if a triggering event occurs outside the normal annual credit file review. These reviews have previously considered such factors as the conflict in Ukraine, flooding in India, and earthquakes in Turkey as matters that potentially impacted a transaction's value.

### **Sovereign Transactions**

EXIM's risk rating process for transactions entered into directly with sovereign entities (i.e., foreign governments), or transactions where a sovereign entity has guaranteed the loan for the borrower differs compared to transactions with non-sovereign borrowers. For these transactions, the ICRAS rating at the time of origination drives the rating. EXIM only conducts a subsequent risk review when a change to the reported ICRAS rating occurs.

### **Risk Management Committee**

As established under EXIM's Charter, the Risk Management Committee, in conjunction with OCFO, is responsible for overseeing EXIM's portfolio, monitoring its exposure, and reviewing the default rate. Each quarter the committee meets to review the portfolio and the statutory default rate.<sup>6</sup> OCFO and OBAF provide the committee with a report providing an overview of EXIM's portfolio; key transactional risk developments; overviews of the regions and industries; and top borrowers. The quarterly reporting also includes a discussion of the EXIM's impaired credits—those transactions rated with a BCL 9 to 11.

### **EXIM's Default Rate**

EXIM is required by statute to monitor and report on its default rate each quarter. If EXIM's default rate reaches two percent or higher in any quarter, EXIM cannot authorize any new transactions until the rate falls below two percent. OCFO calculates the default rate as outlined by statute.<sup>7</sup> This information is compiled into an addendum to the quarterly Risk Management Committee report and once approved subsequently submitted to the relevant congressional oversight committee. Over the last 5 years, EXIM's default rate has ranged from a low of

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<sup>6</sup> EXIM Charter Section 3(m).

<sup>7</sup> 12 U.S.C. 635g(g) outlines the formula EXIM must use to calculate its default rate as "total amount of required payments that are overdue" by the "total amount of financing involved."

0.819 percent, to a high of 1.56 percent in the 3<sup>rd</sup> quarter of FY 2021, with a current default rate of 0.91 percent, as of September 30, 2024.

### **Portfolio Stress Testing**

EXIM established a stress testing protocol<sup>8</sup> in FY 2014 based on industry best practices to support its risk management framework. The stated goal of EXIM’s stress testing is to “build capacity to understand EXIM’s risks and the potential impact of stressful events and circumstances on EXIM’s financial condition.”<sup>9</sup> EXIM also uses applicable data from the Federal Reserve’s Comprehensive Capital Analysis and Review adverse and severely adverse scenarios to consider specific impacts to transactions. Portfolio stress tests results are included as part of the 2<sup>nd</sup> and 4<sup>th</sup> quarter reporting to the Risk Management Committee.

## **FINDINGS**

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### **Finding 1: EXIM’s Annual Review and Default Rate Procedures Identified Potential Stranded Assets Risks**

The review found that EXIM had policies and procedures that require credit file reviews to consider potential stranded assets risks within EXIM’s portfolio. Specifically, EXIM conducted annual risk reviews of its portfolio, which considered the potential risk factors that could result in a credit becoming stranded—such as the impact of the COVID-19 pandemic on the airline industry or flooding in India that impacted a power plant—on EXIM’s transactions and overall portfolio. KPMG determined that these risk reviews, generally, consider the potential risk factors that could result in a credit becoming stranded. In addition, EXIM conducted semi-annual stress testing of its default rate to consider the potential impact on its portfolio due to certain risk factors, such as BCL ratings. This stress test considered potential stranded assets risk within EXIM’s portfolio.

The remaining findings outline areas of additional potential stranded asset risk, such as changing regional concentration risks, that EXIM’s processes should continue to be mindful of moving forward.

### **Finding 2: Concentration Risk Within EXIM’s Portfolio Changed by Industry and Region Since FY 2020**

The review found that concentration risk within EXIM’s portfolio evolved over the period of this review. Although EXIM’s total portfolio exposure decreased from \$46.9 billion to \$36.1 billion over the past five fiscal years, EXIM’s risk of stranded assets continues to exist. EXIM’s portfolio

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<sup>8</sup> The federal reserve definition states: “For purposes of this guidance, stress testing refers to exercises used to conduct a forward-looking assessment of the potential impact of various adverse events and circumstances on a banking organization.” Guidance on Stress Testing for Banking Organizations with Total Consolidated Assets of More than \$10 Billion. SR Letter 12-7 Attachment. Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency. May 14, 2012. <https://www.federalreserve.gov/bankinfo/srletters/sr1207a1.pdf>

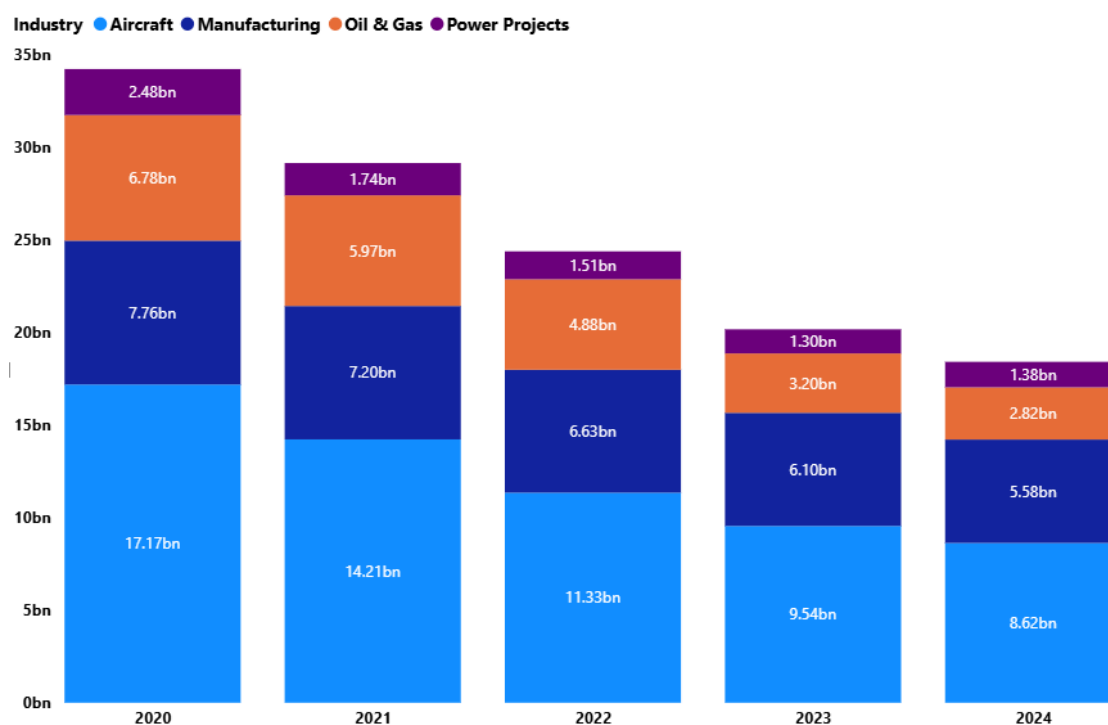
<sup>9</sup> EXIM 4<sup>th</sup> Quarter 2024 Stress Test Addendum.

maintains exposure to a variety of industries and regions. As illustrated in the data reported in this section, EXIM's region concentration risk changed during the period covered by this review.

### Industry Concentration

EXIM's largest industry concentrations remained relatively consistent, with the aircraft, manufacturing, and oil and gas industries remaining the largest sector exposures for the portfolio. See Figure 1, below, for a breakdown of exposure across industry.

**Figure 1: Total Exposure by Major Industry, Fiscal Year 2020 to FY 2024**



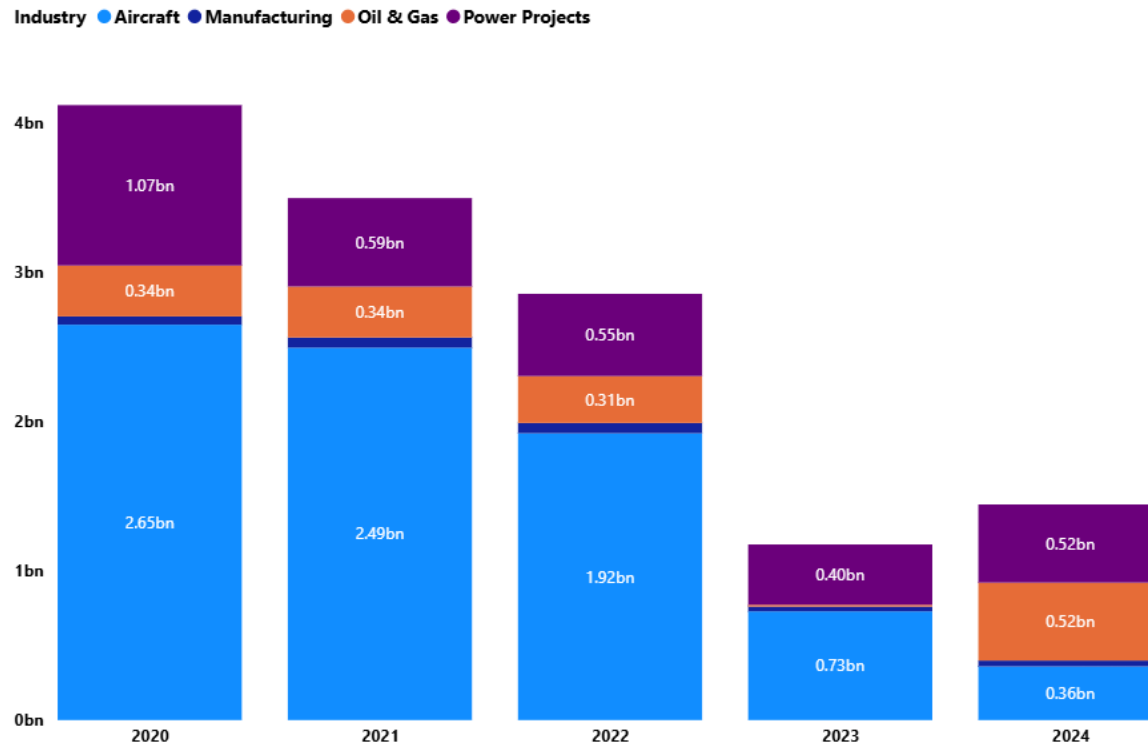
Source: KPMG Analysis of EXIM portfolio data from October 1, 2019, through September 30, 2024.

When considering EXIM's industries, KPMG noted that EXIM experienced a significant increase in the number of transactions rated at a BCL 7 or 8 (i.e., those just below the impaired credit threshold) between FY 2020 and FY 2023.<sup>10</sup> This was especially true for aircraft transactions. EXIM officials stated that the primary cause of the risk increase was driven by additional strain on the aircraft industry stemming from the impacts of the COVID-19 pandemic. During this time, EXIM restructured some of its aircraft transactions to help increase or maintain liquidity for the borrower. KPMG noted that once the travel industry began to recover, the quantity of these BCL 7 or 8 aircraft transactions began to decrease, with a significant decrease occurring in FY 2024. As risks decreased for aircraft transactions, the oil and gas and power projects industries made up the majority of BCL 7 or 8 transactions, even while the exposure of oil and gas and power projects credits decreased from \$1.41 billion in FY 2020 to \$1.04 billion in FY

<sup>10</sup> KPMG focused on BCL 7 and BCL 8 transactions based upon EXIM's stress testing for the default rate. In EXIM's stress testing these transactions become impaired credits, and recent scenarios projected a default rate above the two percent threshold.

2024. See Figure 2, below, for more information about the exposure percentage by industry for BCL 7 or 8 transactions in EXIM’s portfolio.

**Figure 2: BCL 7 to 8 Transactions by Industry, FY 2020 to FY 2024**

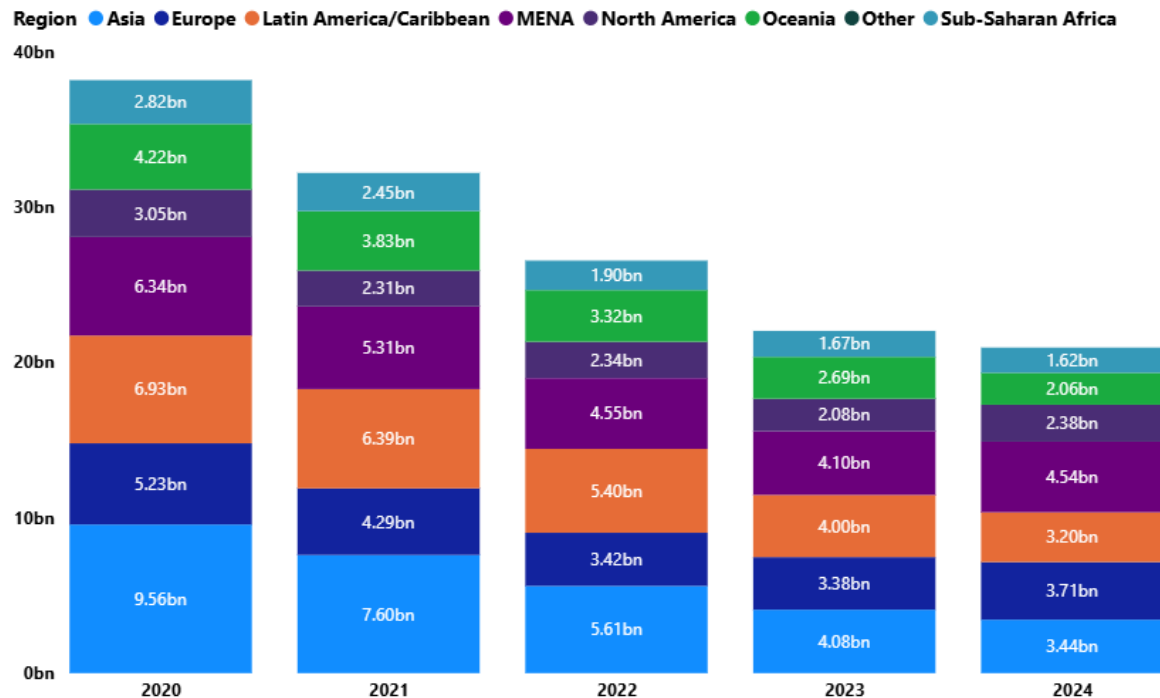


Source: KPMG Analysis of EXIM portfolio data from October 1, 2019, through September 30, 2024.

### ***Geographic Region Concentration***

EXIM’s regional exposure percentage (or concentration) has also remained fairly consistent since FY 2020. See Figure 3, below, for a breakdown of EXIM’s exposure by geographic region.

**Figure 3: Total Exposure by Region, FY 2020 to FY 2024**



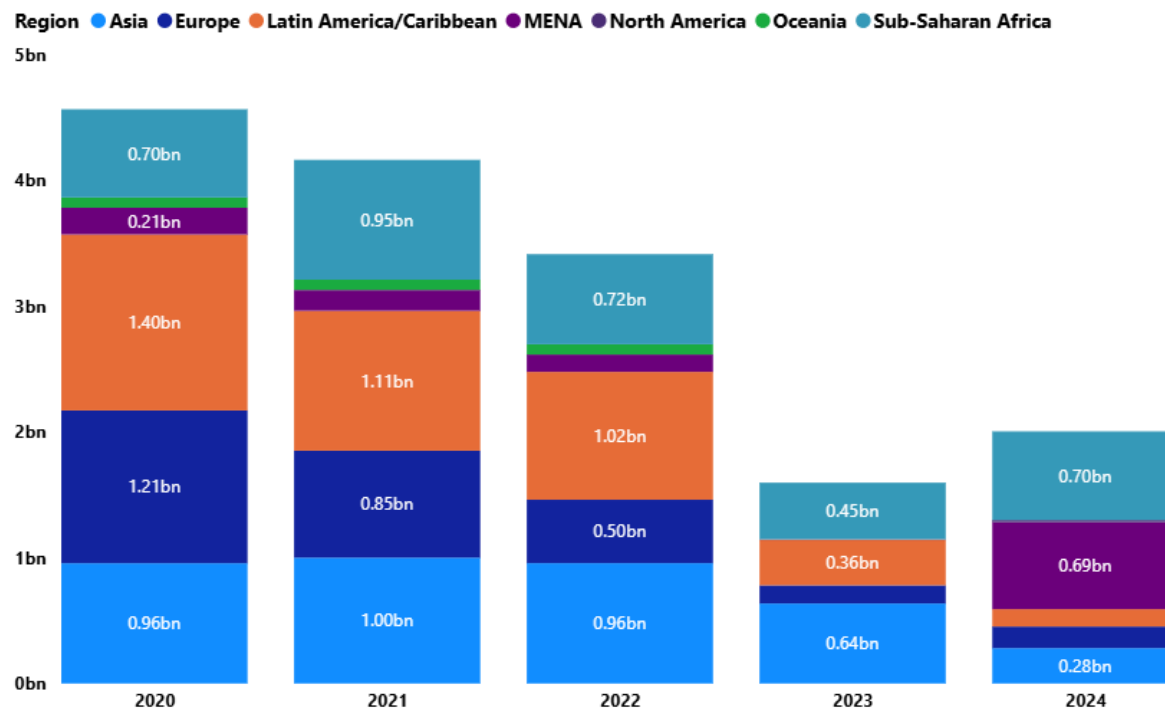
Source KPMG Analysis of EXIM portfolio data from October 1, 2019, through September 30, 2024.

Although the overall region exposure percentages remained consistent, KPMG noted changes in the regional composition of credits at a BCL 7 or 8 rating over the past five years. Initially, Europe, Asia, and Latin America/Caribbean made up a substantial portion of BCL 7 or 8 transactions. As shown in Figure 4, below, that percentage began to decrease from FY 2020 through FY 2023, as those transactions matured. Over the same period, new transactions within the Middle East and North Africa (MENA) and Sub-Saharan Africa regions caused those region to become a larger portion of EXIM's region exposure risk, and make up the majority of region risk for EXIM at BLC level of 7 or 8. EXIM entered into larger transactions in regions that had previously made up a smaller portion of the EXIM's portfolio, while older transactions in other regions have matured. As noted by a recent International Monetary Fund (IMF) regional outlooks for MENA and Sub-Saharan Africa identify risks such as global economic uncertainty that is impacting growth forecasts and economic stability and ongoing conflicts; and challenges with inflation management and public debt vulnerabilities.<sup>11,12</sup>

<sup>11</sup> IMF Regional Economic Outlook Middle East and Central Asia, *Charting a Path through the Haze*, May 2025; <https://www.imf.org/en/Publications/REO>

<sup>12</sup> IMF Regional Economic Outlook Sub-Saharan Africa, *Recovery Interrupted*, April 2025; <https://www.imf.org/en/Publications/REO>

**Figure 4: BCL 7 to 8 Transactions by Region, FY 2020 to FY 2024**



Source: KPMG Analysis of EXIM portfolio data from October 1, 2019, through September 30, 2024.

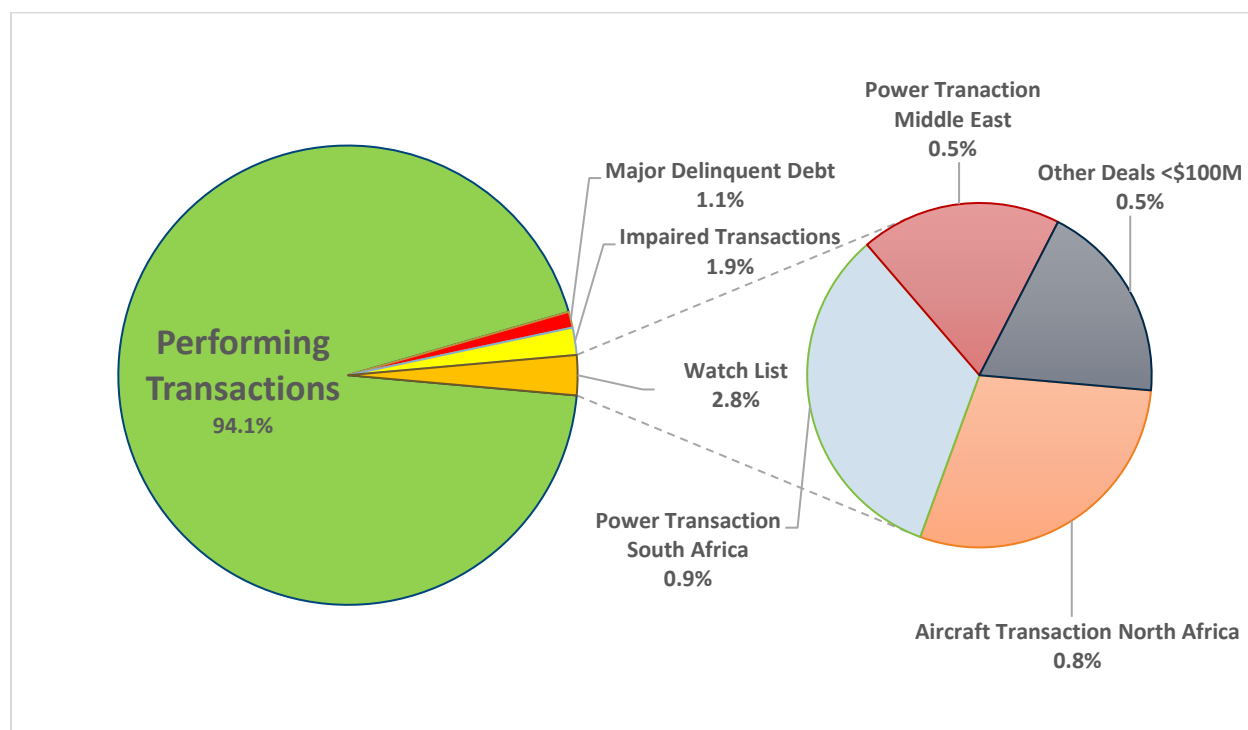
### Finding 3: EXIM’s “Watch List” Exposure Concentrated in Three Transactions

The review found that EXIM’s “Watch List”<sup>13</sup> exposure was concentrated in three transactions at the time of this review. EXIM places transactions on its “Watch List” that get reported to the Risk Management Committee when EXIM determines that those transactions are experiencing political, commercial, operational and/or technical events or situations, and/or Acts of God, which could affect the Borrower’s ability to repay EXIM, but which have not yet been rated a BCL 9 or greater. Transactions on the Watch List can vary in BCL rating, and a higher BCL rating of 7 or 8 does not automatically place a transaction on the Watch List. In FY 2024, three transactions identified on EXIM’s Watch List made up 2.3 percent of EXIM’s total portfolio exposure, amounting to \$698.1 million. These transactions were concentrated in the aircraft and power project industries and were rated between BCL 4 and 8. To illustrate, if these three transactions defaulted, with no recovery of the exposure, EXIM’s default rate would nearly double to approximately 1.9 percent.<sup>14</sup> As long as everything else remained constant, this would place EXIM close to its two percent default rate cap.

<sup>13</sup> This list is distinct from the “Watch List” maintained by EXIM’s Office of General Counsel, which EXIM states is a due diligence and risk mitigation tool that acts as a central repository of names of parties that have given rise to concerns by EXIM personnel.

<sup>14</sup> The default rate is calculated by dividing the total amount of the required payments that are overdue by the total amount of the financing involved (i.e., total disbursements for active transactions), rather than using the total financing amount of a loan in default (i.e., the current exposure).

**Figure 5: Watch List Exposure, FY 2024**



Source: EXIM Risk Management Committee Portfolio Report, September 30, 2024.

Note: Impaired transactions are risk rated as BCL 9 to 11, and/or on the verge of delinquency due to political, commercial, operational and/or technical events or situations, and/or Acts of God that have affected the Borrower's ability to service repayment of EXIM guarantees or direct loans. Major delinquent debt are transactions for which EXIM is engaging in current recovery efforts for claims paid for long-term credits or those claims in excess \$10 million, or for direct loans in payment default. These transactions are included in the default rate calculation to the extent that they are active and a specific payment amount is overdue.

#### **Finding 4: EXIM Stress Testing Indicated Risk of EXIM Exceeding Its Default Rate Cap**

The review found that changes to the BCL rating of individual credits could risk EXIM exceeding its default rate cap. EXIM's stress testing for the 4<sup>th</sup> quarter of FY 2024 noted that under a stressed scenario where all ratings were downgraded by two BCLs, the median default rate for the current non-overdue portfolio would increase to 2.46 percent. The results of EXIM's stress testing are presented in Figure 6, below. Under this extreme scenario, the resulting default rate would freeze EXIM's ability to authorize any new transactions. Under this stressed scenario, transactions rated as BCL 7 or 8, would move into the impaired rating levels of BCL 9 and 10. As of September 2024, there are 256 transactions rated as BCL 7 or 8, with an exposure of approximately \$10.2 billion.

**Figure 6: EXIM Stress Testing Results for FY 2024, 4<sup>th</sup> Quarter**

| <b>Active Portfolio: Base Scenario &amp; Standard Stressed Scenario</b> |               |        |                |        |                      |        |
|-------------------------------------------------------------------------|---------------|--------|----------------|--------|----------------------|--------|
| <i>(Amounts in USD Billions)</i>                                        |               |        |                |        |                      |        |
|                                                                         | <u>Median</u> |        | <u>Average</u> |        | <u>95 Percentile</u> |        |
|                                                                         | Percent       | Amount | Percent        | Amount | Percent              | Amount |
| Total                                                                   | 0.58%         | \$0.36 | 0.98%          | \$0.61 | 2.68%                | \$1.67 |
| No Recoveries                                                           | 1.24%         | \$0.76 | 2.04%          | \$1.25 | 5.39%                | \$3.38 |
| Downgrade 2 Notches                                                     | 2.46%         | \$1.53 | 2.71%          | \$1.68 | 4.88%                | \$3.03 |

Source: Copy of EXIM table from the FY 2024, 4<sup>th</sup> Quarter Default Rate Report.

### **Finding 5: EXIM Did Not Maintain Documentation of Collateral Impairment Assessments for Its BCL 7 or 8 Aircraft Transactions**

In KPMG’s sample review of 10 aircraft transactions with a BCL 7 or 8 rating, KPMG noted that an updated review for the value of the aircraft collateral was not documented after the initial underwriting of the transaction, which is recommended by industry practices and federal internal control standards. Collateral is one of the largest assets that EXIM has to potentially offset credit losses and bring down exposure risk within its portfolio. Although EXIM is conducting inspections of commercial aircraft to ensure collateral is maintained properly, EXIM is not documenting that the collateral is retaining its anticipated value, putting those transactions at risk of becoming stranded assets. This risk increases because transactions rated at BCL 7 or 8 approach the risk level threshold of becoming an impaired credit (i.e., BCL 9), wherein EXIM may eventually default the transaction and begin the process to seize the aircraft as collateral. As borrowers move closer to default, and experience financial challenges, they could forgo proper maintenance of their aircraft.

EXIM management told KPMG that the requirements for collateral monitoring differ depending on the type of aircraft transaction. As described below, EXIM procedures allow for a positive BCL adjustment (+ 1 BCL) for some aircraft transactions based upon the collateral associated with the transactions. Transactions that are not eligible for the +1 BCL upgrade do not undergo an EXIM assessment unless there is an event that indicates a default may occur, or if another triggering event identified by EXIM occurs. When EXIM identifies that such an event has occurred, EXIM may choose to perform its own inspection of the aircraft.<sup>15</sup> EXIM management stated that aircraft transactions require that the airlines conduct appropriate maintenance on the aircraft as part of the terms of the transaction and that in order for airlines to operate they must stay in compliance with all local flight rules and regulations. As such, EXIM officials believe that no further in-person assessments would typically be needed.

Industry practices for assessing collateral generally require all collateral, including aircraft, to be assessed for potential impairment for commercial and sovereign transactions when the risk of default begins to increase, such as when financial distress indicators begin to be identified in a credit review (e.g., missed payments). In addition, federal internal control standards state that

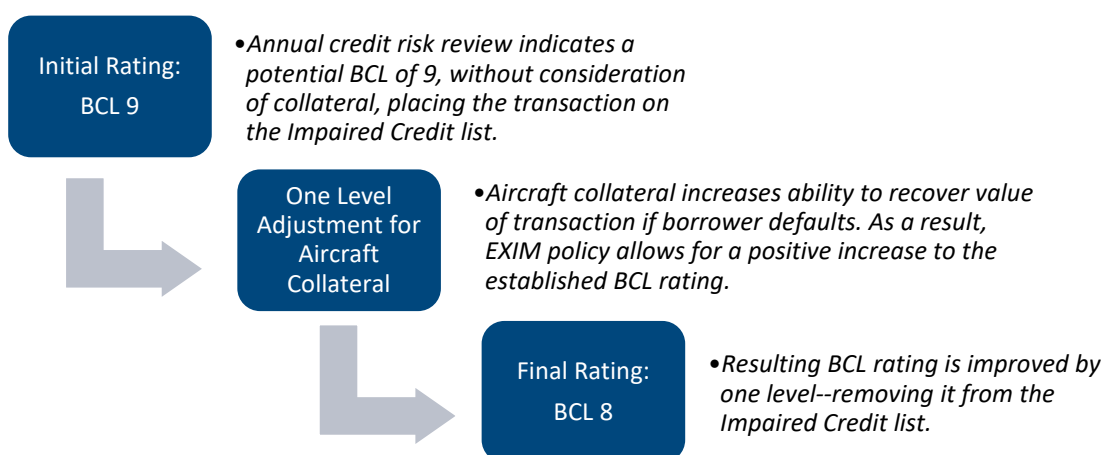
<sup>15</sup> OIG is currently conducting a review of EXIM’s management of concentration risk in the aircraft sector, which will include a discussion of EXIM’s aircraft inspection program. OIG anticipates publishing its report in early FY 2026.

management should consider external risk factors, such as regulations, economic instability and potential natural disasters at the transaction level to identify risk to achieving objectives.<sup>16</sup>

### ***BCLs Adjusted Without Documentation of Properly Maintained Collateral***

The review further found that EXIM may be allowing for a one level improvement of the BCL rating for the aircraft collateral without verifying or ensuring the collateral is maintained in the manner it should be. As previously described, current EXIM procedures allow for a positive BCL adjustment (+ 1 BCL) for aircraft transactions based upon the collateral associated with the transactions. This is particularly relevant for those transactions that would have had a BCL 9 rating—placing them on the impaired credit list—without the +1 BCL adjustment to a BCL 8 assuming anticipated collateral value. See Figure 7, below, for an illustration of the adjustment process. Not ensuring that the borrower maintains the aircraft as anticipated could result in EXIM not being able to sell the aircraft as a whole in the event of a default, and instead, only being able to sell individual components of the aircraft (e.g., aircraft engines).

**Figure 7: BCL Collateral Adjustment Process Example**



Source: KPMG illustration of EXIM's collateral adjustment process.

Insufficient documentation of the consideration of collateral may result in incomplete assessments of the recoverability and the total value of the collateral, thus resulting in the transaction losing its value and becoming stranded. Furthermore, insufficient documentation of impairment assessments in the credit risk reviews may hinder the ability of new risk review personnel to obtain a complete understanding of the history of a transaction and considering the risk of stranded assets while conducting subsequent risk reviews. These factors combined could impact the reasonable reassurance of repayment to EXIM.

<sup>16</sup> U.S. Government Accountability Office (GAO), *Standards for Internal Control in the Federal Government* (Green Book), Principle 7: Identify, Analyze, and Respond to Risks (GAO-24-106889; June 2024).

## *ICRAS Rating Process Could Delay Impairment Assessments for Sovereign Transactions*

EXIM's impairment assessment could be delayed for sovereign transactions (those originated or backed by a sovereign), in part, based upon the current ICRAS review process.<sup>17</sup> The review found that, for sovereign transactions, the ratings adjustments lagged behind identified negative performance indicators for the borrowers by as much as 12 months, even though EXIM policy allows for ad hoc re-evaluations outside of the ICRAS process if warranted. For example, for one African sovereign transaction, EXIM was aware that multiple payments were not made throughout calendar year 2022. However, the transaction was only downgraded by EXIM to a BCL 8 at the end of 2022 based on the updated ICRAS rating and was not further downgraded to a BCL 9, an impaired status, until June of 2023. As a result, this lag could be delaying collateral impairment assessments for transactions with or backed by a sovereign. Ensuring collateral retains its value helps ensure that EXIM is not solely reliant upon the sovereign's ability to repay the remaining principal balance and interest.

**Recommendation 1:** EXIM OIG recommends the Office of Board-Authorized Finance update its policies and procedures to consider additional documentation on the status of collateral as part of the scheduled or ad hoc credit risk reviews. These updates should include information on inspections or site visits performed as well as the appropriateness of maintaining a one level improvement on the Budget Cost Level.

## OTHER MATTERS

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During this review KPMG observed that EXIM's credit file risk reviews are completed in a siloed, but structured process for reporting to the Risk Management Committee. EXIM management told KPMG that weekly touchpoints and other informal communications occur across the various divisions within OBAF and OCFO to share information on emerging risk factors that arise from the credit risk file reviews. While KPMG's review did not explicitly identify negative effects to EXIM's portfolio risk due to this established process, these informal coordination processes may not allow for documentation to be maintained to highlight potential challenges with a transaction over the life of the transaction. EXIM's long-term transactions can have terms exceeding 10 years, where some transactions may outlast staff tenure at EXIM.

OIG previously reported that EXIM had a high percentage of its workforce eligible for retirement and faced challenges with entry-level staff departing the organization within 3-5 years.<sup>18</sup> Given this structure, EXIM may want to consider formalizing its documentation of management's weekly meetings and informal communications within the divisions of OBAF and OCFO to document institutional knowledge that can be retained when individuals depart and shared when new individuals join EXIM.

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<sup>17</sup> As previously noted, EXIM's process for rating sovereign transactions, regardless of industry or project type, is driven by ICRAS. However, EXIM policy does allow for ad hoc risk re-evaluations if warranted. This process may entail EXIM conducting a scheduled or ad hoc inspection of the aircraft using EXIM inspection contractors.

<sup>18</sup> OIG, [Evaluation of EXIM's Human Capital Function](#) (OIG-EV-24-03, August 14, 2024).

## RECOMMENDATION

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OIG provided a draft of this report to EXIM stakeholders for their review and comment on the findings and recommendation. OIG issued the following recommendation to EXIM. The agency's complete response can be found in Appendix B.

**Recommendation 1:** EXIM OIG recommends the Office of Board-Authorized Finance update its policies and procedures to consider additional documentation on the status of collateral as part of the scheduled or ad hoc credit risk reviews. These updates should include information on inspections or site visits performed as well as the appropriateness of maintaining a one level improvement on the Budget Cost Level.

**Management Response:** In its September 26, 2025 response, EXIM concurred with this recommendation.

**OIG Reply:** Within 30 calendar days from the issuance of this report, EXIM should submit to OIG a written action plan detailing the proposed actions to implement the recommendation along with the proposed implementation date. The recommendation can be resolved when OIG receives and accepts EXIM's plan to implement this recommendation.

## APPENDIX A: OBJECTIVES, SCOPE, AND METHODOLOGY

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This review was conducted from April 2025 to September 2025 in accordance with the *Quality Standards for Inspection and Evaluation*, as issued in 2020 by the Council of the Inspectors General on Integrity and Efficiency. Those standards require that KPMG plan and perform the review to obtain sufficient, appropriate evidence to provide a reasonable basis for the findings and conclusions based on the review objective. KPMG believes that the evidence obtained provides a reasonable basis for our findings and conclusions.

This report did not constitute an audit of financial statements or an attestation engagement as defined under Generally Accepted Government Auditing Standards or AICPA professional standards. KPMG cautions that projecting the evaluation results to future periods is subject to the risks of changes in conditions.

### Objectives and Scope

On behalf of the Office of Inspector General (OIG), KPMG conducted this review to identify:

1. The risk of potential “stranded assets” to EXIM’s portfolio due to various factors; and
2. The potential impact those stranded assets pose to EXIM’s portfolio, default rate cap, and the reasonable reassurance of repayment related to such transactions.

This review focused specifically on transactions with exposure to EXIM from FY 2020 through FY 2024.

### Methodology

KPMG conducted portions of this project remotely and relied on audio- and video-conferencing tools to hold interviews with EXIM personnel. KPMG also reviewed pertinent records provided by EXIM. KPMG used professional judgment and analyzed physical, documentary, and testimonial evidence to develop its findings, conclusions, and actionable recommendation. See the list below for a summary of the procedures performed:

- Reviewed the EXIM policies and procedures documents;
- Inquired about the prior audit history of EXIM, including internal/external audit reports and other relevant audit history, and validated the results of KPMG’s inquiry;
- Reviewed applicable rules, regulations, and other guidance, as necessary;
- Assessed the EXIM’s policies and procedures to develop and/or modify existing audit procedures;
- Reviewed EXIM data files and annual reports as well as other records and documentation provided by EXIM;
- Selected samples of EXIM transactions for testing and reviewed supporting documentation provided by EXIM; and
- Documented results of testing procedures.

KPMG discussed the substance of this report and its findings and recommendation with offices, individuals, and organizations affected by the evaluation.

### ***Sampling Approach - Targeted Sampling by BCL and Industry***

This section describes the procedures used to select a sample from the population of EXIM Primary Sources of Repayment (PSORs) that had at least one active transaction between October 1, 2019 (FY 2020) and September 30, 2024 (FY 2024). Evaluators use sampling techniques to understand an aspect of large group or population, and reviewing the entire transaction universe would be too expensive or time-consuming. Evaluators carefully pick a small number from the group to create a “sample” that is representative of the population. The purpose of the sample is to conduct thorough research and provide EXIM management with detailed insights regarding the risk of potential “stranded assets” across the portfolio due to various factors as well as to assess the impact that these assets could have on EXIM’s default rate cap and the reasonable assurance of repayment. By leveraging a structured sampling approach, we secure a representative snapshot of the overall risk profile while avoiding the need to analyze every transaction.

KPMG used a targeted sampling methodology to evaluate the risk of EXIM’s assets becoming impaired or stranded and focused on PSORs that recorded at least one active transaction between October 1, 2019, and September 30, 2024. To create a representative, targeted sample of EXIM assets, KPMG employed specific selection criteria designed to capture the portfolio’s overall risk profile. This was done by *stratifying* the sample: each subpopulation or stratum of assets is sampled independently, and those samples are combined, so that the whole sample may offer representativeness and permit comparison between categories than would a non-stratified sample.

After obtaining EXIM’s transaction data, KPMG cleaned the PSOR data obtained from EXIM to correct for discrepancies in entries, such as one PSOR being entered with and without accent marks. These refinements ensured a clean, accurate, and representative data sample of the overall risk profile. This also improves the reliability of the data and the assessment of EXIM’s assets potentially becoming impaired or stranded.

The sampling strategy employed a two-layer stratification approach to ensure comprehensive coverage and representation. For the first layer, KPMG stratified transactions by EXIM’s Budget Cost Level (BCL) ratings, which group assets on a scale from 1 to 11 where higher ratings represent a greater risk of becoming impaired or stranded. The highest ratings (9-11) indicate assets that have already had a default or impairment. KPMG grouped the transactions into four distinct BCL categories: BCLs 1-6, BCLs 7-8, BCL 9, and BCLs 10-11, to aggregate similar risk profiles and conduct a precise evaluation of asset impairments.

In the second layer, KPMG further stratified transactions within the BCL 7-8 range by industry (Aircraft vs. Non-Aircraft) to capture sector diversity in risk profiles. This two-layer approach allowed for a thorough evaluation of asset impairment risks across various sectors and regions, offering insights into the potential vulnerabilities within EXIM’s portfolio.

### ***Sample Coverage***

KPMG limited the overall sample size to 25 PSORs, considering the feasibility and intensive analysis required for each transaction. This allocation was informed by the assessment of the relative risk of assets becoming impaired or stranded. For example, assets with BCL 7-8 ratings,

indicating a higher likelihood of impairment, received a proportionally larger share of the sample relative to those in lower-risk categories (e.g., BCL 6 or below). This targeted approach allowed KPMG to focus on the areas of greatest potential risk while still providing a balanced and representative evaluation of EXIM’s exposures.

**Table A1** displays the representation of samples by BCL rating, indicating the weighted average outstanding balance and percentage of portfolio coverage for each BCL category. The stratification by BCL ratings aimed to identify transactions at risk of becoming impaired or stranded. Therefore, particular attention was paid to the BCL 7-8 rating category with 20 of the 25 selected PSORs sampled from this category, contributing to a weighted average outstanding balance of \$3.69 billion (82 percent of the portfolio within this BCL category). This coverage allows for a strong focus on capturing the nuances and potential risks for entries with BCL 7-8 ratings.

**Table A1: Representation of Selected Samples by BCL Rating**

| BCL Category      | Sample: Count of Selected PSOR | Sample: Sum of Weighted Avg. Outstanding Balance (\$ Billion) | % of Portfolio | Population: Distinct Count of Clean PSOR | Population: Sum of Weighted Avg. Outstanding Balance (\$ Billion) |
|-------------------|--------------------------------|---------------------------------------------------------------|----------------|------------------------------------------|-------------------------------------------------------------------|
| <b>BCLs 1-6</b>   | 1                              | 3.518                                                         | 16.20%         | 479                                      | 21.716                                                            |
| <b>BCLs 7-8</b>   | 20                             | 3.693                                                         | 81.89%         | 180                                      | 4.509                                                             |
| <b>BCL 9</b>      | 3                              | 0.652                                                         | 53.87%         | 87                                       | 1.211                                                             |
| <b>BCLs 10-11</b> | 1                              | 0.152                                                         | 14.15%         | 497                                      | 1.071                                                             |
| Total             | 24                             | 8.015                                                         | 28.68%         | 1200*                                    | 28.507                                                            |

Note: \* The overall PSOR totals are lower (24 and 1200 for the sample and population, respectively) than the sum of the counts (25 and 1243, respectively) in each individual BCL category, as some PSORs are aggregated in multiple buckets due to the extended periods during which their transactions remained active.

KPMG also structured the sample coverage to be representative across diverse industries and countries, reflecting the broad scope of EXIM's transaction portfolio. **Table A2** illustrates the distribution of the sample by industry and country, and specific industry sectors such as Aircraft, Construction, Information & Communication Services, Manufacturing, Mining, Oil & Gas, Power Projects, Transportation & Warehousing, and Utilities. The coverage of industries and countries allowed for a detailed examination of the risk landscape, providing valuable insights into the potential challenges facing EXIM’s assets. This inclusion of diverse sectors and regions in the sample ensured that the evaluation and findings were robust and provided a clear understanding of the potential risks associated with EXIM's transaction portfolio.

**Table A2: Representation of Selected Samples by Industries and Countries**

| Country / Sector | Aircraft | Construction | Information & Communication Service Providers | Manufacturing | Mining | Oil & Gas | Power Projects | Public Admin. | Transportation & Warehousing | Utilities | Total |
|------------------|----------|--------------|-----------------------------------------------|---------------|--------|-----------|----------------|---------------|------------------------------|-----------|-------|
| Angola           | 1        |              |                                               |               |        |           |                |               |                              |           | 1     |
| Azerbaijan       | 1        |              |                                               |               |        |           |                |               |                              |           | 1     |
| Bahrain          |          |              |                                               |               |        | 1         |                |               |                              |           | 1     |
| Bulgaria         |          |              | 1                                             |               |        |           |                |               |                              |           | 1     |
| Cameroon         |          | 1            |                                               |               |        |           |                | 1             |                              | 1         | 1     |
| Chile            | 1        |              |                                               |               |        |           |                |               |                              |           | 1     |
| Colombia         | 1        |              |                                               |               |        |           |                |               |                              |           | 1     |
| Ghana            |          | 1            |                                               |               |        |           | 1              |               | 1                            | 1         | 1     |
| Honduras         |          |              |                                               |               |        |           | 1              |               |                              |           | 1     |
| India            |          |              |                                               |               |        |           | 2              |               |                              |           | 2     |
| Iraq             |          |              |                                               |               |        |           | 1              |               |                              |           | 1     |
| Kenya            | 1        |              |                                               |               |        |           |                |               |                              |           | 1     |
| Mexico           | 1        |              |                                               |               |        |           |                |               |                              |           | 1     |
| Mongolia         |          |              |                                               |               | 1      |           |                |               |                              |           | 1     |
| Panama           | 1        |              |                                               |               |        |           |                |               |                              |           | 1     |
| Philippines      | 1        |              |                                               |               |        |           |                |               |                              |           | 1     |
| Poland           | 1        |              |                                               |               |        |           |                |               |                              |           | 1     |
| Saudi Arabia     |          |              |                                               | 1             |        |           |                |               |                              |           | 1     |
| South Africa     |          |              |                                               |               |        |           | 1              |               | 1                            |           | 2     |
| Thailand         | 1        |              |                                               |               |        |           |                |               |                              |           | 1     |
| Turkey           | 1        |              |                                               |               |        | 1         | 1              |               |                              |           | 3     |
| Total            | 10       | 2            | 1                                             | 1             | 1      | 2         | 7              | 1             | 2                            | 2         | 24    |

Source: KPMG Analysis of EXIM portfolio data from October 1, 2019, through September 30, 2024.

### Credit File Risk Review

KPMG completed an independent credit file review of EXIM's for the 25 PSORs included in its sample. Specifically, KPMG conducted a detailed examination of the EXIM's transaction portfolio to assess the quality and risk associated with the transactions.

The primary goal was to evaluate the credit quality of the transactions, ensure compliance with internal policies and regulatory requirements, and identify potential risks or weaknesses in the loan portfolio, specifically around potentially stranded assets. The components of the credit file review included the following:

- **Loan Documentation:** Review all relevant documentation for completeness and accuracy, including EXIM prepared memos, transaction agreements, financial statements, and collateral documentation.
- **Credit Analysis:** Assess the creditworthiness of borrowers by analyzing financial statements, cash flow, and other relevant financial metrics.
- **Collateral Evaluation:** Verify the adequacy and valuation of collateral securing the loans.

To complete the credit file review, KPMG completed the following steps:

1. **Documentation Review:** Examine loan files for completeness, accuracy, and compliance with policies and regulations.
2. **Credit Assessment:** Analyze the financial health and creditworthiness of borrowers, including an assessment of their ability to meet transaction obligations.
3. **Risk Rating:** Validate risk ratings (BCL) for each transaction based on the findings, considering factors like borrower performance and market conditions.
4. **Reporting:** Compile a report detailing any findings, including any identified risks, deficiencies, or areas for improvement.

The results of the credit file review provided insights into the EXIM's transaction portfolio, identified potential problem transactions (i.e., stranded assets), and provided observations regarding other matters as identified.

## Findings and Conclusion

We completed the objectives for the review and identified five findings, one other matter, and one recommendation, as presented in the Findings section of the report, which have been reported to EXIM management.

## APPENDIX B: MANAGEMENT RESPONSE



*Helping American Businesses Win the Future*

**DATE:** September 26, 2025

**TO:** Ami Schaefer, Assistant Inspector General for Special Review

**THROUGH:** Ravi Singh, Chief Financial Officer and Senior Vice President, Office of the Chief Financial Officer

**RAVI SINGH**  
Digitally signed by RAVI SINGH  
Date: 2025.09.26 14:02:51 -04'00'

**FROM:** Bryan Rolfe, Senior Vice President, Office of Board Authorized Finance

**BRYAN ROLFE**  
Digitally signed by BRYAN ROLFE  
Date: 2025.09.25 15:47:56 -04'00'

Kenneth Tinsley, Chief Risk Officer and Senior Vice President, Office of the Chief Risk Officer

**KENNETH TINSLEY**  
Digitally signed by KENNETH TINSLEY  
Date: 2025.09.26 08:52:41 -04'00'

**SUBJECT:** EXIM Management Response to the draft Report  
*Review of Stranded Assets Risk to EXIM's Portfolio (Report No. OIG-SR-25-03)*

Dear Assistant Inspector General Schaefer,

Thank you for providing the Export-Import Bank of the United States ("EXIM" or "EXIM Bank") management with the Office of Inspector General's ("OIG") Review of Stranded Assets Risk to the Export-Import Bank of the United States' Portfolio (Report No. OIG-SR-25-03), dated September 2025 (the "Report"). Management continues to support the OIG's work which complement EXIM's efforts to continually improve its processes. EXIM Bank is proud of the strong and cooperative relationship it has with the OIG.

EXIM acknowledges and concurs with OIG's finding that our credit review policies and procedures appropriately account for potential stranded asset risks within the portfolio. At the same time, we recognize the importance of strengthening our practices by improving impairment assessment documentation for higher risk transactions and ensuring the timeliness and completeness of sovereign risk evaluations, particularly in instances where reliance on ICRAS ratings may reflect prior period conditions.

EXIM appreciates OIG's and KPMG's efforts in identifying these areas for improvement, which will allow us to strengthen the clarity, consistency, and rigor of our risk management framework. We are committed to updating our procedures, reinforcing documentation requirements, and taking additional steps to enhance our internal controls over collateral and sovereign assessments. These actions will help EXIM further safeguard taxpayer resources while continuing to fulfill our mission of supporting U.S. exports.

**Recommendation 1:** EXIM OIG recommends the Office of Board Authorized Finance update its policies and procedures to consider additional documentation on the status of collateral as part of the scheduled or ad hoc credit risk reviews. These updates should include information on inspections or site visits performed as well as the appropriateness of maintaining a one level improvement on the Budget Cost Level.

**Management response:** EXIM concurred with this recommendation. The Office of Board Authorized Finance will update its policies and procedures to consider additional documentation on the status of collateral as part of the scheduled or ad hoc credit risk reviews. These updates will include information on inspections or site visits performed as well as the appropriateness of maintaining a one level improvement on the Budget Cost Level.

CC:

The Honorable John Jovanovic, President and Chairman of the Board of Directors

Anthony Onorato, Senior Vice President and General Counsel

Bryce McFerran, Acting Chief Banking officer and Senior Advisor, Office of the President and Chairman

David Baughan, Vice President of Transportation Portfolio Management, Office of Board Authorized Finance

David Slade, Lead And Senior Counselor, Office of the President and Chairman

Katherine Bowels, Senior Vice President, Chief of Staff

Michaela Smith, Director of Audit and Internal Controls Program Internal Controls

Polina Williams, Deputy Vice President of Transportation Portfolio Management, Office of Board Authorized Finance

Thad Brock, White House Liaison and Senior Advisor, Office of the President and Chairman

Victoria Coleman, Deputy General Counsel, Office of General Counsel

## ABBREVIATIONS

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|       |                                              |
|-------|----------------------------------------------|
| BCL   | Budget Cost Level                            |
| EXIM  | Export-Import Bank of the United States      |
| IMF   | International Monetary Fund                  |
| ICRAS | Interagency Credit Risk Assessment System    |
| MENA  | Middle East and North Africa                 |
| OBAF  | Office of Board Authorized Finance           |
| OCFO  | Office of the Chief Financial Officer        |
| OIG   | Office of Inspector General                  |
| PSOR  | Primary Source of Repayment                  |
| TPMD  | Transportation Portfolio Management Division |

**Office of Inspector General**  
**Export-Import Bank of the United States**

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If you fear reprisal, contact EXIM OIG's Whistleblower Protection Coordinator at  
[oig.whistleblower@exim.gov](mailto:oig.whistleblower@exim.gov).

For additional resources and information about whistleblower protections and unlawful retaliation, please visit [the whistleblower's resource page](#) at [oversight.gov](https://oversight.gov).