

Private Export Funding Corporation

ANNUAL REPORT 2017

AMERICA'S EXPORT BUSINESS:

Continuing to Serve



PEFCO
PRIVATE EXPORT FUNDING CORPORATION



Heritage of Success

FOUNDED BY ASSURED
FINANCING AND SUPPORTING
AMERICAN EXPORTS

Private Export Funding Corporation

ANNUAL REPORT 2017

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To Our Shareowners:

LEFT:
TIMOTHY C. DUNNE
PRESIDENT & CHIEF EXECUTIVE OFFICER

RIGHT:
RICHARD S. ALDRICH, JR.
EXECUTIVE CHAIRMAN



THE OPERATING ENVIRONMENT FOR PEFCO DURING FISCAL YEAR 2017 WAS SIGNIFICANTLY IMPACTED BY THE PACE OF THE NOMINATION PROCESS FOR CONFIRMING NEW DIRECTORS TO THE BOARD OF THE EXPORT-IMPORT BANK OF THE U.S. (“EX-IM BANK”), AND A REDUCTION IN SUITABLE LOANS AVAILABLE FOR PURCHASE IN THE SECONDARY MARKET.

“
Our core mission is to supplement other forms of financing with our own privately-raised financing for loans guaranteed by Ex-Im Bank.
”

While we welcome the recent progress on vetting of nominees by the U.S. Senate Committee on Banking, Housing, and Urban Affairs, the continued lack of a voting quorum at Ex-Im Bank has significantly limited the number of available new guaranteed loan transactions to only those facilities of \$10 million or less, approved under existing delegated authority. We are aware of a number of viable transactions with financing requirements in excess of the \$10 million awaiting review and approval and look forward to the opportunity to offer PEFCO funding for these transactions once the facilities are reviewed and approved by Ex-Im Bank.

Earnings for 2017 resulted in a net loss of \$3.0 million, compared to a net loss in 2016 of \$0.6 million. Due to the financial results, the Board did not declare a dividend for 2017. The reduced lending activity for 2017, as noted above, resulted in 26 new credit facilities for PEFCO, split between the purchase of one long-term guaranteed loan in the secondary market for \$67 million, and the commitment to finance 25 medium-term guaranteed loan facilities for an aggregate amount of \$98 million and an average facility size of approximately \$4 million.

PEFCO experienced the second consecutive year with a low level of new loans, resulting in a reduction in loans held in PEFCO's portfolio year over year. This reduction in the size of the loan portfolio has also led to an increase in lending capacity which will be available for the time when Ex-Im Bank is ready to approve new long-term guaranteed loan facilities.

In our forty-seventh year of operation, PEFCO continues to serve our constituents: the exporters who sell goods and services abroad, the foreign buyers of U.S. goods and services, the financial firms that arrange transactions involving PEFCO funding, and our partners at Ex-Im Bank. Our core mission is to supplement other forms of financing with our own privately-raised financing for loans guaranteed by Ex-Im Bank, and to a lesser extent loans guaranteed by other U.S. government agencies such as OPIC. This has been our policy role since the creation of PEFCO, and has evolved to meet the needs of our customers in new ways, while remaining true to our mission.

In September 2016, PEFCO adopted a new set of corporate governance guidelines that updated existing policies and created formal roles of Lead Director and, alternatively, Chairman in cases where the role is segregated from the President & CEO role. Richard S. Aldrich, Jr., a member of the PEFCO Board since 1997, was elected to the Lead Director role at the following PEFCO Board meeting in December 2016. In July 2017, the PEFCO Board elected Richard S. Aldrich, Jr. to the role of Executive Chairman.

PEFCO mourned the passing of Robert Carswell, who figured prominently throughout our history. As our counsel from Shearman & Sterling, Bob was instrumental in the foundational work that created PEFCO in the late 1960s and thereafter, led our legal representation through 1971. He served as a member of the PEFCO Board of Directors from 1972 to 1976, and again as a director from 1981 through 1992 after serving as Deputy Secretary of the U.S. Treasury. In 1993, Bob was elected as Chairman of PEFCO, serving in that role through 1996. In the years after serving in an official capacity at PEFCO, Bob continued to remain interested and engaged in developments at PEFCO, and we continued to benefit from his wise counsel.

In the challenging period of Fiscal Year 2017, and in preparing for the activities of Fiscal year 2018, we acknowledge the support and dedication of the PEFCO Team, the engagement and leadership of the PEFCO Board in guiding the Corporation, and the continuing support of our loyal shareowners. We look forward to working with our colleagues at Ex-Im Bank on new lending transactions for financing U.S. exports, and the opportunity over the coming fiscal years to serve our clients: the banks and trade finance firms that are our partners, the borrowers who acquire U.S. products, and the U.S. exporters who produce them.

Sincerely yours,



Timothy C. Dunne
President & Chief Executive Officer



Richard S. Aldrich, Jr.
Executive Chairman

Committed to Growing Opportunities for America's Export Businesses

WE ARE FOCUSED ON THE GROWTH OF U.S. EXPORTS. BY HELPING OUR COUNTRY COMPETE, WE OPEN MORE MARKETS AND CREATE MORE OPPORTUNITIES TO GROW OUR ECONOMY.



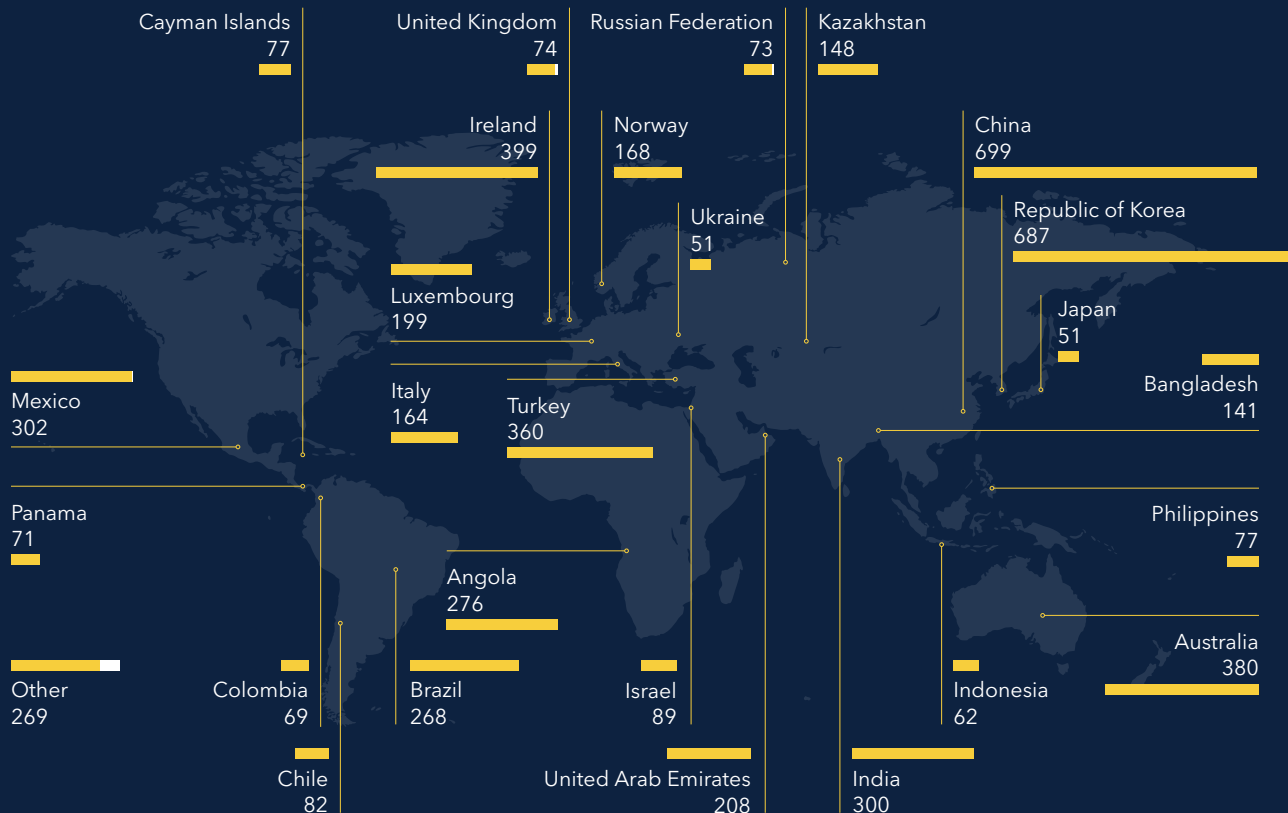
PEFCO's programs have enabled the world-wide export of various U.S. products. Outstanding Export Loans guaranteed or insured by Ex-Im Bank and OPIC as of September 30, 2017:

**OUTSTANDING LOANS BY PRODUCT WERE:
 (DOLLARS IN MILLIONS)**



TOTAL \$5,744 ● OPIC ● EX-IM

**OUTSTANDING LOANS BY COUNTRY WERE:
 (DOLLARS IN MILLIONS)**



LENDING

Private Export Funding Corporation’s (“PEFCO”) new loan commitments were \$165 million in 2017, compared to new loan commitments of \$292 million in 2016. New commitments in Medium – Term Loan Programs were \$98 million in 2017 and \$24 million in 2016.

EARNINGS

PEFCO’s net loss in 2017 was \$3.0 million compared to net loss of \$0.6 million in 2016. Net financing income decreased to \$5.9 million in 2017 from \$7.8 million in 2016. The average balance of financing assets decreased in 2017 by \$654 million and the average

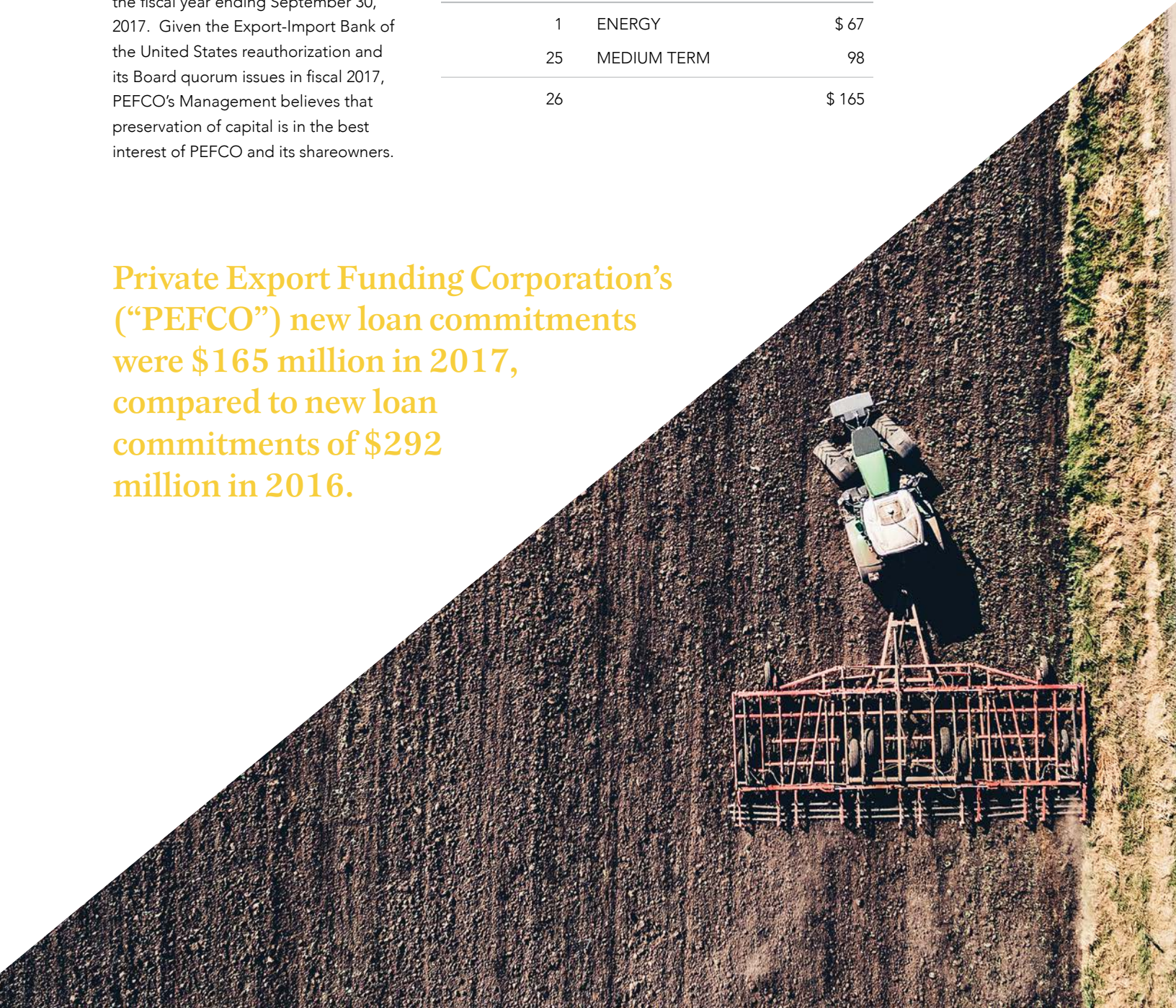
balance of financing liabilities decreased by \$1.2 billion in 2017. The average financing revenue interest rate increased by 0.43% and the average financing expense interest rate increased by 0.55%.

DIVIDEND

PEFCO did not declare a dividend for the fiscal year ending September 30, 2017. Given the Export-Import Bank of the United States reauthorization and its Board quorum issues in fiscal 2017, PEFCO’s Management believes that preservation of capital is in the best interest of PEFCO and its shareowners.

No. of Loan Commitments	Products	Amounts (in millions)
1	ENERGY	\$ 67
25	MEDIUM TERM	98
26		\$ 165

Private Export Funding Corporation’s (“PEFCO”) new loan commitments were \$165 million in 2017, compared to new loan commitments of \$292 million in 2016.





PEFCO was incorporated on April 9, 1970

under Delaware law and is principally engaged in making U.S. dollar loans to foreign importers to finance purchases of goods and services of United States manufacture or origin.

PEFCO's shareowners include most of the major commercial banks involved in financing U.S. exports, industrial companies involved in exporting U.S. products and services, and financial services companies. PEFCO was established with the support of the United States Department of the Treasury and the Export-Import Bank of the United States ("Ex-Im Bank") to assist in the financing of U.S. exports through the mobilization of private capital as a supplement to the financing already available through Ex-Im Bank, commercial banks and other lending institutions. Ex-Im Bank has cooperated in the operation of PEFCO through various agreements described under "PEFCO's Relationship with Ex-Im Bank" and in the "Notes to Consolidated Financial Statements."

Since all loans made by PEFCO are guaranteed as to the due and punctual payment of principal and interest by Ex-Im Bank or other U.S. government institutions, such as the Overseas Private Investment Corporation ("OPIC"), whose obligations are backed by the full faith and credit of the United States, PEFCO relies upon this U.S. government support and does not make evaluations of credit risks, appraisals of economic conditions in foreign countries, or reviews of other factors in making its loans.

PEFCO'S LENDING PROGRAMS

Long-term Loan Programs

Direct Loan Program

Under the Direct Loan Program, PEFCO acts as the original lender making loans directly to borrowers (as opposed to buying loans made by other lenders) to finance their purchases of U.S. goods and services. All such loans benefit from Ex-Im Bank's comprehensive long-term guarantee to PEFCO, dated December 15, 1971, as amended (see "PEFCO's Relationship with Ex-Im Bank"). PEFCO Direct Loans are available for transactions which have an Ex-Im Bank guaranteed value of \$20 million or more and a repayment term of five years or more. The PEFCO Direct Loan Program is typically limited to borrowers seeking a fixed-rate of interest on the Ex-Im Bank guaranteed loans. Ex-Im Bank also allows PEFCO to make its Direct Loans available on a floating-rate basis to borrowers located in sub-Saharan Africa and borrowers engaged in the purchase of "environmental" exports from the U.S. or exports from U.S. small business exporters.

Long-term Commitments

2017	\$	67 million
2016	\$	268 million
2015	\$	1,887 million

The interest rates on Direct Loans (whether fixed or floating) are based on PEFCO's estimated cost of funds at the time the rate is calculated, taking into account the disbursement and repayment characteristics of the loan. PEFCO's estimated cost of funds is a function of the then current U.S. Treasury yield for a maturity similar to the average life

PEFCO Direct Loans are available for transactions which have an Ex-Im Bank guaranteed value of \$20 million or more and a repayment term of five years or more.

of the loan being funded, plus the estimated margin over the Treasury yield required to place PEFCO Secured Notes with investors, warehousing and hedging costs, if any, and a modest margin for expenses, risk and return to shareholders.

In the case of fixed-rate loans, PEFCO allows a great deal of flexibility with respect to the timing of the rate fixing. Borrowers are able to set forward rates in advance of any disbursement under the loan facility or, if they prefer, borrowers may elect to wait up to one year after final disbursement of the loan to set the fixed rate.

Floating interest rates are set by determining a fixed spread to LIBOR, based on PEFCO's estimated cost of funds described above.

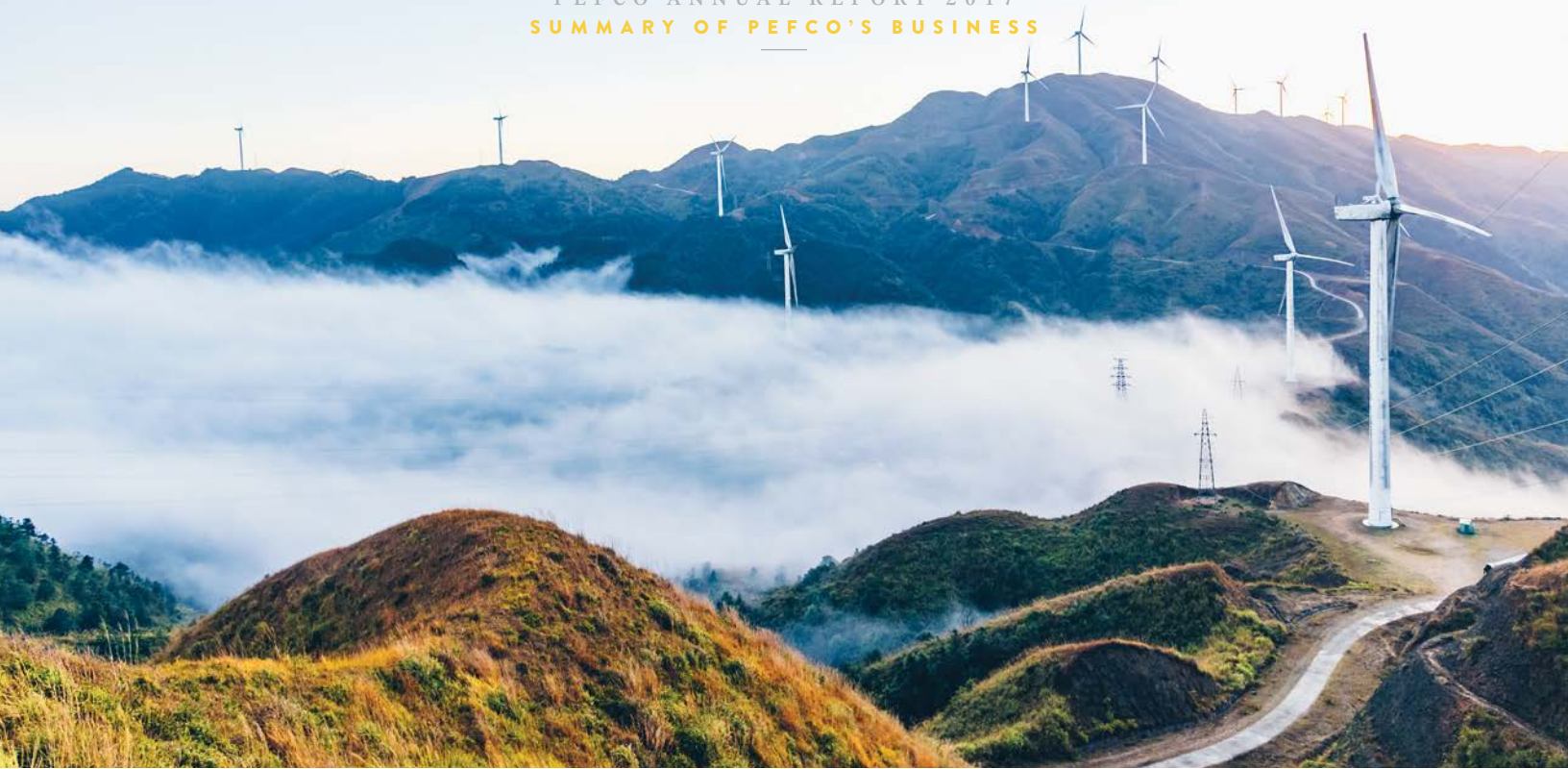
PEFCO may also charge commitment fees calculated on the undisbursed and uncanceled amount of the loan commitment.

Once the fixed rate has been established, a borrower may only cancel or prepay a portion of a loan or loan commitment by paying PEFCO a "make-whole" fee equal to the present value of the reinvestment loss, if any, that would be incurred by PEFCO as a result of such prepayment or cancellation.

Secondary Loan Program

The purpose of the Secondary Loan Program is to provide liquidity to lenders participating in the Ex-Im Bank guaranteed loan market. PEFCO will support lenders making long-term Ex-Im Bank guaranteed loans by buying such loans from the originating lender. As with the Direct Loan Program, the rates (yields) at which PEFCO is willing to buy such loans will be a function of PEFCO's estimated cost of funds at the time of such purchase.

Lenders are also able to obtain commitments from PEFCO to purchase loans in the future (in advance of disbursement of such loan by the originating lender). Moreover, by 2009 agreement with Ex-Im Bank, PEFCO is no longer limited to purchasing floating-rate loans in connection with "environmental" transactions, small business exporters and sub-Saharan borrowers. PEFCO is now free to purchase both floating and fixed-rate long-term loans for which Ex-Im Bank gave its guarantee commitment without restriction.



In fiscal year 2013, PEFCO developed with Ex-Im Bank the Secondary Market Long-term Loan Purchase Program (SMLTPP) to facilitate the development of an active secondary market in long-term Ex-Im Bank guaranteed loans. To be eligible for the purchase under SMLTPP, the loan must be fully disbursed and have been on the books of the originating lender for at least one year, determined from the date of the first disbursement under the facility sold. In addition, the selling institution will sign a representation stating that they are active in the business of originating Ex-Im Bank guaranteed loans, and will continue to generate such loans for their own account. PEFCO has agreed to set aside up to \$250 million of lending capacity per quarter for an aggregate annual amount of up to \$800 million. Pricing is subject to PEFCO pricing models for fixed-rate loans and current PEFCO spread quotations for floating-rate loans.

Medium-term Programs

These programs are a dependable source of liquidity for lenders using Ex-Im Bank Medium-term Guarantee Programs. The lender is always our customer; PEFCO does not finance exporters directly.

Medium-term Commitments

2017	\$ 98 million
2016	\$ 24 million
2015	\$ 108 million

The loans must be covered against non-payment under a guarantee by Ex-Im Bank. PEFCO will only purchase the amount covered by the Ex-Im Bank guarantee, and not the uncovered portion.

Under both programs, PEFCO will purchase loans from lenders who have demonstrated an understanding of, and ability to work with Ex-Im Bank guarantee programs. Loan amount, exporter size, borrower's country, and the underlying item financed are not factors in our decision to purchase. All loans are purchased by PEFCO on a non-recourse basis. While defaulted loans must and will be assigned to Ex-Im Bank upon its payment of a claim, performing loans are held by PEFCO in its portfolio to maturity. By selling to PEFCO, a lender achieves its financial objectives – improved profitability, removal from the balance sheet of low-yielding assets, a freeing-up of capacity for borrowers, and reduced loan portfolio size while maintaining its lending relationship with the borrower.

PEFCO offers three medium-term secondary market facilities.

Guaranteed Note Facility: PEFCO purchases medium-term loans guaranteed against non-payment under an Ex-Im Bank medium-term guarantee ("ECP-MGA"). Interest rates can be floating or fixed. Fixed rates can be set in advance of the PEFCO purchase date.

Discount Facility: PEFCO offers a special program under the Guaranteed Note Facility used for guaranteed loans requiring a fixed interest rate to be set prior to shipment of the items. Once set, the fixed interest is held constant until the final disbursement, even when the note has multiple disbursements over many months, without payment of an up-front fee.

Guaranteed Lease Facility: PEFCO purchases medium-term leases guaranteed against non-payment under an Ex-Im Bank ECP-MGA. Interest rates can be floating or fixed. Fixed rates can be set in advance of the PEFCO purchase date.

Other features of PEFCO Medium-term Facilities:

- All purchases are governed by a master note purchase agreement.
- PEFCO will fund any note structure acceptable to Ex-Im Bank.
- PEFCO will purchase single notes or portfolios, new notes or partially repaid notes, single-disbursement or multiple-disbursement notes, financial leases.
- Except for the Discount Facility, the lender may retain responsibility for servicing the loan and maintaining the Ex-Im Bank guarantee or policy. PEFCO holds the original note.
- For the Discount Facility, PEFCO always assumes responsibility for collecting payments and maintaining the Ex-Im Bank guarantee. PEFCO holds the original note.

PEFCO'S FUNDING ACTIVITIES

PEFCO manages the liquidity and interest rate exposures arising from loan assets and unfunded loan commitments through the combination of short-term funding, secured note issuances and interest rate derivatives. This approach allows for targeting the proper liquidity profile, while controlling exposure to market fluctuations. For fixed-rate loan commitments, PEFCO hedges the loan pricing at the time that a borrower accepts a fixed-rate loan offer, either through specific hedging actions or within the context of managing the interest rate risk in the overall book. In cases where a derivative hedge is utilized, PEFCO hedges the fixed-rate loan commitments using interest rate swaps at the time of pricing the loan to immunize the interest rate exposure. In cases where a cash hedge is utilized for fixed-rate loan commitments, PEFCO issues term funding and invests in U.S. Government Securities for the warehousing period prior to loan funding.

This approach allows for flexibility in accommodating a range of disbursement schedules. The impact of warehousing may reduce earnings during the warehousing period prior to disbursement of funds, which is incorporated into the loan pricing.

For lenders not able to make a loan directly, PEFCO will "stand-in" as direct lender on behalf of the originating party.

Secured Note Issuances

For longer term U.S. dollar funding requirements, PEFCO issues secured notes in public markets through underwriters. The Secured Note Program is issued through a trust arrangement on the books of Private Export Funding Corporation under the Indenture, dated June 15, 1975, as supplemented and amended (the "Indenture"). The principal repayments for the Secured Notes are backed by foreign importer notes, export loans guaranteed by Ex-Im Bank, and investment securities explicitly backed by the full faith and credit of the U.S. For each Secured Note issue, the principal cash flows backing the principal must mature prior to the maturity date for redemption of the Secured Note principal. Pledged assets are assigned to and held by The Bank of New York Mellon (a shareowner of PEFCO), as Trustee, as collateral for the benefit of the holders of PEFCO Secured Notes. Foreign importer notes pledged against the notes are backed by the 1971 Guarantee Agreement between Ex-Im Bank and PEFCO. Interest paid on the Secured Note Program is explicitly guaranteed by Ex-Im Bank, as specified in the 1971 Guarantee & Credit Agreement.

Since inception, PEFCO has issued \$17.6 billion aggregate principal amount of Secured Notes, of which \$5.3 billion aggregate principal amount were outstanding at September 30, 2017, currently rated Aaa by Moody's and AAA by Fitch on the long-term Issuer Default Rating for PEFCO, consistent with Fitch's U.S. sovereign rating.



SINCE INCEPTION, PEFCO HAS ISSUED \$17.6 BILLION AGGREGATE PRINCIPAL AMOUNT OF SECURED NOTES, OF WHICH \$5.3 BILLION AGGREGATE PRINCIPAL AMOUNT WERE OUTSTANDING AT SEPTEMBER 30, 2017.



Short-term Borrowings

PEFCO raises short-term liquidity to finance loan commitments through the issuance of commercial paper. As of September 30, 2017, PEFCO received short-term ratings of P-1 by Moody's and F1+ by Fitch. In 2017, PEFCO established a new \$850 million 364 day facility maturing in May 2018 and entered into a new \$200 million three year facility. In addition, PEFCO has an existing \$256 million three year facility maturing in May 2019. The combined total of all three facilities is \$1.3 billion. Of the thirteen lenders across the three credit facilities, eleven are shareholders of PEFCO. The credit agreements contain a number of covenants, including a covenant that PEFCO comply with its contractual commitments with Ex-Im Bank,

with customary exceptions. As of September 30, 2017, there were no amounts outstanding under any of the credit agreements. In addition, there were no amounts drawn under any of the credit agreements during fiscal year 2017.

Certain underwriters of PEFCO Secured Notes, certain dealers of PEFCO short-term notes, and certain participants in the 364 day and three year syndicated credit agreements are shareowners (or their affiliates are shareowners) of PEFCO. Certain officers of certain shareowners also serve as Directors of PEFCO as described herein. Certain shareowners have provided and presently provide a variety of commercial banking services to PEFCO. See Note 13, Related Party Transactions, for more information.



PEFCO POLICIES REGARDING RISK MANAGEMENT

PEFCO manages risk exposures for interest rate risk, liquidity and counterparty risk using guidelines approved by its Board of Directors. Management reports twice a year to the Risk Policy Committee of the Board.

For interest rate risk, Management routinely measures the net present value and duration of interest-sensitive assets and liabilities and maintains current schedules which show asset/liability mismatches and simulation of future income. Management will not place at risk a 100 basis point movement in interest rates in more than 10% of the pre-tax net present value of capital.

Management may use derivative contracts, such as interest rate swaps, in fair value and cash flow hedge strategies as part of the process to mitigate risk exposure to changes in market interest rates. However, Management will not use swaps or other derivative financial instruments for speculative purposes. As a financial institution, PEFCO has been required to clear all swap trades through a centralized clearinghouse since June 2013. As of September 30, 2017, over 95% of the derivatives portfolio are cleared through the Chicago Mercantile Exchange.

As a position limit on investments, Management will not allow non-core business investments (those investments that are not required to cover secured note installments in the trust estate and that are unrelated to the secured note program) with a maturity of more than 90 days to exceed \$400 million and will mark these investments to market daily.

To mitigate liquidity risk, the amount of short-term funding due to mature within a two-week period, including commercial paper, will not exceed the unutilized portion of the credit facility. In addition, a balance of unencumbered assets will be maintained to equal the level of outstanding unsecured borrowings less the unutilized portion of the credit facility.

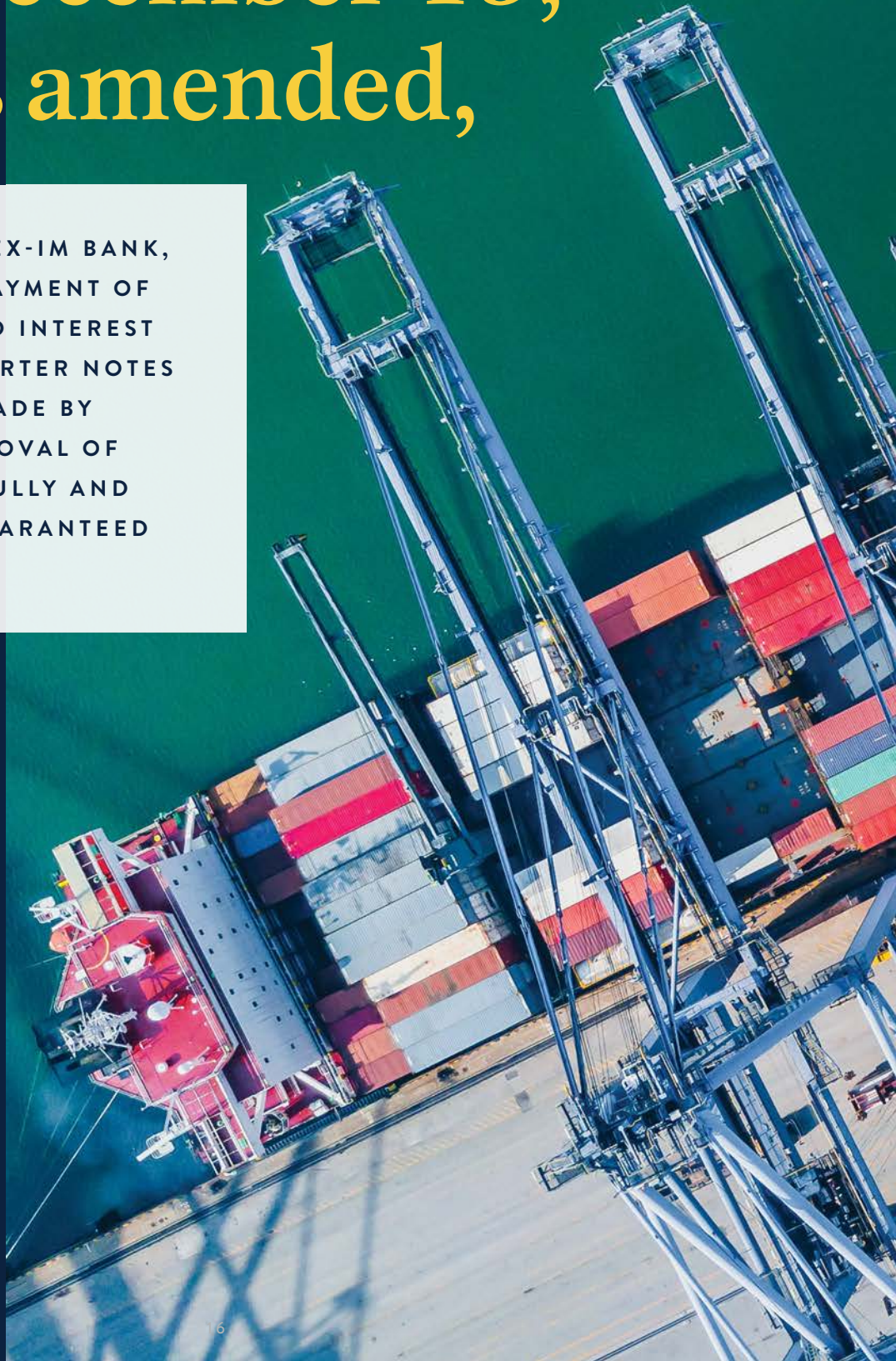
For managing capital leverage, Management operates under a leverage ratio limit that caps guaranteed assets to shareowners' equity to a level no greater than 75 to 1.

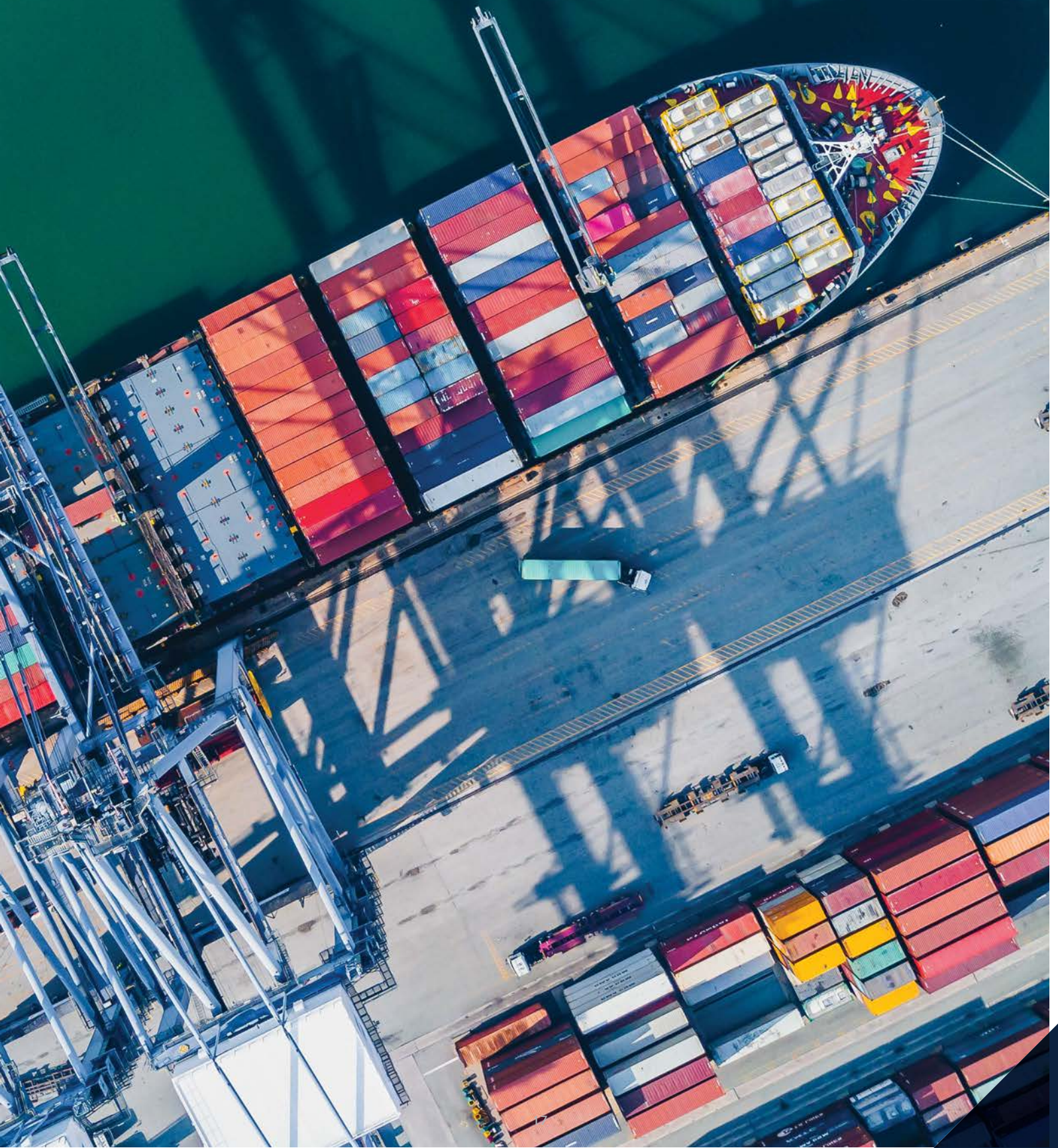
PEFCO has had a long and significant relationship with the Export-Import Bank of the United States since its inception, providing liquidity support for certain of its guarantee financing facilities. These arrangements are set forth in various agreements that are described herein.

PEFCO has had a long and significant relationship with the Export-Import Bank of the United States since its inception, providing liquidity support for certain of its guarantee financing facilities.

Dated December 15, 1971, as amended,

BETWEEN PEFCO AND EX-IM BANK,
DUE AND PUNCTUAL PAYMENT OF
THE PRINCIPAL OF AND INTEREST
ON ALL FOREIGN IMPORTER NOTES
EVIDENCING LOANS MADE BY
PEFCO WITH THE APPROVAL OF
EX-IM BANK WILL BE FULLY AND
UNCONDITIONALLY GUARANTEED
BY EX-IM BANK.





GUARANTEE AGREEMENT Dated 12/15/1971

Under the terms of a Guarantee Agreement, dated December 15, 1971, as amended, between PEFCO and Ex-Im Bank, due and punctual payment of principal and interest on all foreign importer notes ("Guaranteed Importer Notes") evidencing loans made by PEFCO with the approval of Ex-Im Bank will be fully and unconditionally guaranteed by Ex-Im Bank. At its option, PEFCO (or a trustee acting for the benefit of noteholders with which PEFCO may pledge Guaranteed Importer Notes under the Indenture, dated as of June 15, 1975, as supplemented and amended (the "Indenture"), among PEFCO, Ex-Im Bank and The Bank of New York Mellon, as Trustee (the "Trustee") may, after an event of default under any loan agreement pursuant to which PEFCO shall have acquired any Guaranteed Importer Note, elect (i) to have Ex-Im Bank service such Guaranteed Importer Note by continuing the payment of interest and principal in accordance with the terms thereof or (ii) to accelerate the maturity of such Guaranteed Importer Note and have Ex-Im Bank pay the entire amount of such Guaranteed Importer Note plus accrued interest to the date of payment. If PEFCO or the Trustee should exercise the option described in clause (ii) of the preceding sentence, Ex-Im Bank has the right to substitute another Guaranteed Importer Note with a yield to PEFCO at least equal to the yield on, and with approximately the same remaining stated maturities as, the Guaranteed Importer Note in default. The Indenture provides that any Guaranteed Importer Note substituted by Ex-Im Bank must have remaining stated maturities which, together with the stated maturities of the other collateral then subject to the lien of the Indenture, will be sufficient to ensure that, before the dates of any mandatory payments of principal on all Secured Notes outstanding under the Indenture, the Trustee will be provided with cash sufficient to make such payments. In consideration of Ex-Im Bank's guarantee of the Guaranteed Importer Notes, a one-time front-end exposure fee is payable to Ex-Im Bank by PEFCO at a rate determined by Ex-Im Bank. Such fee is normally paid directly to Ex-Im Bank by the borrower on behalf of PEFCO. Under the terms of a Guarantee Fee Guarantee Agreement dated as of September 15, 1988 between PEFCO and Ex-Im Bank, Ex-Im Bank guarantees PEFCO's reimbursement by borrowers of all amounts of guarantee fees paid by PEFCO to Ex-Im Bank. The Indenture provides that no failure by PEFCO to pay the required guarantee fee will affect Ex-Im Bank's obligation under any Guaranteed Importer Note subject to the lien of the Indenture.

In September 2008, PEFCO entered into an agreement with Ex-Im Bank pursuant to which certain loans purchased by PEFCO that had been guaranteed by Ex-Im Bank under the Ex-Im Bank Master Guarantee Agreement would be eligible to be approved by Ex-Im Bank for coverage under the 1971 Guarantee Agreement and, as a result, could then be eligible to be pledged as collateral in connection with issuances of Secured Notes.

1971 GUARANTEE AND CREDIT AGREEMENT

In 1971, in order to assist PEFCO in its objective of mobilizing private capital to finance U.S. exports, Ex-Im Bank entered into a Guarantee and Credit Agreement (the "Agreement") with PEFCO. Pursuant to the Agreement, among other things, Ex-Im Bank agreed, when requested by PEFCO, to guarantee the due and punctual payment of interest on debt obligations of PEFCO approved for issuance by Ex-Im Bank, which currently are PEFCO's Secured Notes. The Agreement also provides that Ex-Im Bank will make any required payments under its interest guarantees directly to any trustee acting for the benefit of the holders of debt obligations so guaranteed, that any claims Ex-Im Bank may have against PEFCO for any payments made by Ex-Im Bank under such guarantees will not be collected from assets pledged to secure such obligations, unless and until the holders thereof have been paid in full, and that Ex-Im Bank will enter into an agreement with any such trustee to evidence the foregoing understandings. The Indenture contains provisions of the nature described in the foregoing sentence. A semi-annual guarantee fee on the total interest accrued by PEFCO during the preceding semi-annual period on securities on which interest payments have been guaranteed by Ex-Im Bank is payable to Ex-Im Bank under the Agreement. Such fee is computed at the rate of 1/4 of 1% on the first \$10,000,000 of such interest expense, 3/16 of 1% on the next \$10,000,000 of such interest expense and 1/8 of 1% on the balance, if any, of such interest expense.

If Ex-Im Bank makes any payments pursuant to its guarantees of interest on PEFCO's Secured Notes, the Agreement requires PEFCO, if its net worth exceeds 25% of its paid-in and callable capital, immediately to apply (i) cash and securities held by PEFCO and not pledged to secure any other obligations of PEFCO plus (ii) the aggregate amount which PEFCO can call pursuant to subscription agreements with its shareowners to reimburse Ex-Im Bank for such payments. Moreover, if PEFCO has net income

IN 1971, IN ORDER TO ASSIST PEFCO IN ITS OBJECTIVE OF MOBILIZING PRIVATE CAPITAL TO FINANCE U.S. EXPORTS, EX-IM BANK ENTERED INTO A GUARANTEE AND CREDIT AGREEMENT WITH PEFCO.



in any subsequent semi-annual period, it must apply the amount of such net income to repay Ex-Im Bank for any unreimbursed payments made by Ex-Im Bank under its guarantees of interest on PEFCO debt obligations. Finally, any amounts paid by Ex-Im Bank pursuant to its guarantees of interest must be repaid by PEFCO within one year after payment in full of the last maturing PEFCO debt obligation on which interest is guaranteed by Ex-Im Bank. Amounts paid by Ex-Im Bank under its guarantee of interest will bear interest at the prevailing rate of interest charged by Ex-Im Bank on direct loans made in the ordinary course of business on the date of such payment by Ex-Im Bank. Such interest is to be payable semi-annually.

The Agreement gives Ex-Im Bank a broad measure of supervision over PEFCO's major financial management decisions. In particular, the Agreement requires the approval of Ex-Im Bank before PEFCO can issue certain debt obligations, make direct loans guaranteed by Ex-Im Bank, purchase its long-term debt obligations prior to their originally stated maturity date, invest its surplus funds in assets other than Ex-Im Bank approved investments, declare or pay dividends on its capital stock, transfer all or substantially all of its assets or engage in any business other than the financing of exports of U.S. goods and services. Additionally, the Agreement gives Ex-Im Bank the right to have representatives present at all meetings of PEFCO's Board of Directors and the right to receive information as to PEFCO's budgets, financial condition and operating results.

The Agreement, which, as originally executed, was scheduled to terminate on December 31, 1995, has been extended by agreement between Ex-Im Bank and PEFCO to December 31, 2020. PEFCO may also terminate the Agreement as of December 31 in any year on 60 days prior written notice if it is not indebted to Ex-Im Bank at the time. No termination will affect any then outstanding guarantees of Ex-Im Bank or PEFCO's obligations to pay the guarantee fee on, or to reimburse Ex-Im Bank for any payment by it under, any such guarantee. Under the Agreement, Ex-Im Bank has agreed that no failure by PEFCO to pay the

required guarantee fee will affect Ex-Im Bank's obligations under any outstanding guarantees and that Ex-Im Bank will not exercise any right to terminate, cancel or rescind the Agreement so long as any debt obligations of PEFCO are held by persons other than Ex-Im Bank.

The Agreement provides that Ex-Im Bank will, if necessary to meet its obligation, make payments which may be required under its guarantee of interest on all notes outstanding under the Indenture, and to the extent that funds are available in accordance with Section 6 of the Export-Import Bank Act of 1945, as amended, apply to the Secretary of the Treasury for a loan or loans in amounts which, together with other funds available to Ex-Im Bank for such purpose, shall be sufficient to make such payments.

Except for the Guarantee Agreement and the Guarantee and Credit Agreement, PEFCO's guarantees and insurance policies with Ex-Im Bank have additional requirements that must be observed in order to receive payment under the relevant guarantee or policy.

Various other provisions governing the relationship between Ex-Im Bank and PEFCO are contained in the Agreement, a copy of which is on file and available for inspection during normal business hours at the offices of PEFCO.

Over the years, Ex-Im Bank's statutory authority to exercise its functions has been limited to specified periods, which have been extended by Congressional action from time to time. The Export-Import Bank Reform and Reauthorization Act of 2015 (PL 114-94) extended Ex-Im Bank's corporate existence through September 30, 2019. If the corporate existence of Ex-Im Bank shall terminate or have been terminated, under the provisions of the Export-Import Bank Act of 1945, as amended, such a termination of the corporate existence of Ex-Im Bank would have no effect on Ex-Im Bank's guarantee of principal and interest on the Guaranteed Importer Notes, and no effect on Ex-Im Bank's guarantee of interest on the outstanding Secured Notes.

The Agreement gives Ex-Im Bank a broad measure of supervision over PEFCO's major financial management decisions.

Operations

The following discussion should be read in conjunction with PEFCO's Financial Statements and the Notes thereto found elsewhere in this report.

PEFCO's mission is to assist in the financing of U.S. exports by mobilizing private capital as a supplement to the financing already available through the Export-Import Bank of the United States (Ex-Im), commercial banks and other lending institutions. PEFCO accomplishes this objective primarily by purchasing medium- and long-term debt obligations issued by foreign importers of U.S. goods and services which are guaranteed or insured as to the timely payment of principal and interest by Ex-Im Bank, or by other U.S. government institutions whose obligations are backed by the full faith and credit of the United States, or

by purchasing from commercial bank lenders participating interests in such obligations. PEFCO finances these purchases through the sale of its own securities to investors in private transactions. PEFCO also assists small businesses in financing U.S. exports and provides support for certain securitized, guaranteed financing facilities of Ex-Im Bank.

Since PEFCO's creation, the volume of its export loan business has been subject to the initiation of financing transactions involving PEFCO by commercial banks and other lending institutions (including the shareowners of PEFCO), the approval by Ex-Im Bank of PEFCO's participation in each such transaction, the volume of U.S. exports, and the requirements and policies of Ex-Im Bank with respect to the financing of those exports.

The following table is an analysis of Financing Revenue for the years ended September 30,

(In thousands)	2017			2016			2015		
	Average Balance	Average Rate	Interest Revenue	Average Balance	Average Rate	Interest Revenue	Average Balance	Average Rate	Interest Revenue
Financing Revenue									
<i>Interest Revenue</i>									
Export loans guaranteed or insured by Ex-Im Bank:									
Primary Long-term									
Loan Program									
Fixed-rate	\$ 3,611,000	1.68%	\$ 60,497	\$ 4,241,000	1.15%	\$ 48,945	\$ 4,699,000	0.90%	\$ 42,253
Floating-rate	79,000	1.82%	1,437	96,000	1.27%	1,218	120,000	0.94%	1,124
Secondary Long-term									
Loan Program									
Fixed-rate	646,000	2.08%	13,464	758,000	1.64%	12,437	891,000	1.40%	12,454
Floating-rate	1,857,000	1.63%	30,178	2,043,000	1.12%	22,859	1,146,000	0.87%	9,964
Short & Medium-term Programs									
Medium-term Programs									
Medium-term	104,000	2.35%	2,444	119,000	2.16%	2,561	169,000	1.96%	3,313
Working Capital & Short-term Insurance									
Short-term Insurance	3,000	2.13%	64	23,000	2.23%	503	54,000	1.88%	1,016
Loans Insured by OPIC									
Long-term	21,000	1.78%	373	36,000	1.16%	422	51,000	0.82%	419
Medium-term	57,000	2.20%	1,256	74,000	1.75%	1,299	93,000	1.44%	1,339
Loans	6,378,000	1.72%	109,713	7,390,000	1.22%	90,244	7,223,000	1.00%	71,882
Investment securities	1,096,000	0.79%	8,646	528,000	0.88%	4,667	687,000	0.59%	4,033
Cash equivalents	244,000	1.12%	2,737	454,000	0.18%	826	307,000	0.03%	80
Total	\$ 7,718,000	1.57%	\$ 121,096	\$ 8,372,000	1.14%	\$ 95,737	\$ 8,217,000	0.92%	\$ 75,995
Commitment and prepayment fees			3,475			928			2,335
Financing Revenue			\$ 124,571			\$ 96,665			\$ 78,330

The following table is an analysis of Financing Expense and Net Financing Income for the years ended September 30,

(In thousands)	2017			2016			2015		
	Average Balance	Average Rate	Interest Expense	Average Balance	Average Rate	Interest Expense	Average Balance	Average Rate	Interest Expense
Financing Expense									
<i>Interest Expense</i>									
Long-term Notes	\$ 5,726,000	1.65%	\$ 94,686	\$ 6,656,000	1.10%	\$ 72,941	\$ 6,593,000	0.83%	\$ 54,708
Short-term Notes	1,877,000	1.08%	20,280	2,171,000	0.54%	11,765	2,175,000	0.27%	5,902
Total	\$ 7,603,000	1.51%	\$ 114,966	\$ 8,827,000	0.96%	\$ 84,706	\$ 8,768,000	0.69%	\$ 60,610
Commitment and other fees			3,732			4,167			4,214
Financing Expense			\$ 118,698			\$ 88,873			\$ 64,824
Net Financing Income			\$ 5,873			\$ 7,792			\$ 13,506

Ex-Im Bank's Charter

There has been significant debate in the U.S. Congress surrounding the reauthorization of the charter of the Export-Import Bank with opinions expressed for reauthorizing the original charter, reauthorizing under a revised charter, and permanent dissolution. On June 30, 2015, Congress recessed without reauthorizing Ex-Im's charter, thereby allowing the charter to lapse effective July 1.

Ex-Im's board of directors and employees were prohibited from approving any new authorizations, engaging in business development or other prohibited activities. During the period of the lapse, Ex-Im continued to monitor and manage its existing portfolio and met its continuing legal obligations under its charter. On December 4, 2015, President Barack Obama signed into law the Export-Import Bank Reform and Reauthorization Act of 2015 reauthorizing Ex-Im through September 30, 2019.

Since the reauthorization, Ex-Im has not had the requisite number of directors appointed by Congress to form the necessary quorum to approve loans greater than \$10 million.

This disruption in Ex-Im's charter has had a direct impact on PEFCO over this period, as Ex-Im, through certain agreements with PEFCO, exerts a broad measure of supervision over PEFCO's major financial management decisions, such as issuing certain debt obligations, making direct loans guaranteed by Ex-Im, investing surplus funds in assets other than Ex-Im approved investments or engaging in any business other than the financing of exports of U.S. goods and services.

2017 compared to 2016

PEFCO's Net Loss for 2017 was \$3.0 million compared to a Net Loss of \$595 thousand in 2016. The decrease in Net Income was primarily the result of a \$1.9 million decrease in Net Financing Income, combined with a \$2.1 million decrease in net securities gains. Total Financing Revenue increased by \$27.9 million; however the increase in Total Financing Expense amounted to \$29.8 million, resulting in the decrease in Net Financing Income. Securities sales produced a net loss of \$54 thousand in 2017 compared with a net gain of \$2.1 million in 2016. General and administrative expenses were down slightly in 2017 to \$10.3 million from \$10.8 million in 2016.

Total Financing Revenue

Total Financing Revenue is composed of interest income on loans, investment securities available for sale, and cash and cash equivalents, and also includes commitment and other fees earned. In addition, any gains recognized on the prepayment of a loan are reported as part of Total Financing Revenue. Interest income on loans is net of interest expense on fair value hedges, as well as ineffectiveness gains or losses related to fair value hedge relationships on loans.

For the year ended September 30, 2017, Total Financing Revenue increased by \$27.9 million to \$124.6 million from \$96.7 million in 2016. Ineffectiveness gains on a portion of the Company's fair value hedge relationships amounted to \$0.4 million in 2017 compared to ineffectiveness losses of \$0.6 million in 2016. The primary reason for the increase in Total Financing Revenue was attributable to an increase

in portfolio yield. Average loan volume decreased by \$1.0 billion compared to 2016 and the average yield increased by 50 basis points. Interest on investment securities available for sale increased by \$4.0 million in fiscal 2017 from \$4.7 million in fiscal 2016 due to an increase in average volume of \$568 million offset by a 9 basis point decline in yield. Interest on cash and cash equivalents increased year over year by \$1.9 million to \$2.7 million largely due to an increase in yield of 94 basis points and a decrease in average volume of \$210 million.

The overall average balance and yield of the lending portfolio was \$6,378 million and 1.72% in 2017 (inclusive of net hedge ineffectiveness gains and losses; 1.71% without) compared with \$7,390 million and 1.22% in 2016 (inclusive of net hedge ineffectiveness; 1.23% without). PEFCO utilizes interest rate swap contracts to hedge certain fixed-rate loans and accounts for these as fair value hedges. The net interest expense on these fair value hedges reported as an adjustment of interest income on fixed-rate loans was \$55.3 million in 2017 and \$93.6 million in 2016.

The available for sale investment securities portfolio had an average balance and yield of \$1,096 million and 0.79% in 2017 compared with \$528 million and 0.88% in 2016. The cash and cash equivalent portfolio had an average balance and yield of \$244 million and 1.12% in 2017 compared to an average balance and yield of \$454 million and 0.18% in 2016.

Commitment and Prepayment Fees

Commitment and prepayment fees amounted to \$3.5 million in 2017 compared to \$928 thousand in 2016. It is PEFCO's policy to permit borrowers to prepay loans only if the borrower makes PEFCO whole for the economic loss incurred as a result of such payment. In 2017, there were prepayment gains of \$3.5 million from 2 borrowers compared to prepayment gains of \$766 thousand from 6 borrowers in 2016. Commitment and other fees amounted to \$10 thousand in 2017 compared to \$162 thousand in 2016. The decrease was largely attributable to PEFCO's inability to originate large lending transactions as a result of the delay Ex-Im Bank faced in operating under its renewed charter, as well as an increase in net price alignment costs on the hedge portfolio.

Total Financing Expense

Total Financing Expense is comprised of interest on short-term and long-term notes, amortization of debt issuance costs, and commitment and other fees incurred.

For the year ended September 30, 2017, Total Financing Expense increased to \$118.7 million from \$88.9 million in 2016. The reason for the increase in Total Financing Expense was primarily attributable to higher cost of funds in 2017. Short-term interest rates (Commercial Paper) are the basis for pricing the short-term notes issued by PEFCO while long-term interest rates (Treasury Notes) are the basis for pricing Long-term Notes issued by PEFCO. The average balance and effective costs for Long-term notes were \$5,726 million and 1.65% in 2017 compared to \$6,656 million and 1.10% in 2016. The average balance and effective cost of the Short-term Notes was \$1,877 million and 1.08% in 2017 compared to \$2,171 million and 0.54% in 2016.

PEFCO utilizes interest rate swap contracts to hedge certain long-term notes and accounts for these contracts as fair value hedges. The net interest income on the fair value hedges of the long-term notes reported as an adjustment to interest expense was \$69.0 million in fiscal 2017 and \$106.8 million in fiscal 2016.

Amortization of debt issuance costs amounted to \$3.3 million in 2017 and \$3.8 million 2016. Commitment and other fees paid in 2017 and 2016 amounted to \$3.7 million and \$4.2 million, respectively.

Net Financing Income

PEFCO's Net Financing Income was \$5.9 million in 2017 compared to \$7.8 million in 2016. Net margin amounted to 6 basis points in 2017 (asset yield of 1.57% less interest cost of 1.51%) compared to 18 basis points in 2016 (asset yield of 1.14% less interest cost of 0.96%).

Net Securities Gains

In 2017, net securities transactions, the result of sales on investment securities available for sale, produced a net loss of \$54 thousand, compared to a net gain of \$2.1 million in 2016.

General and Administrative Expenses

General and administrative expenses were \$10.3 million in 2017 and \$10.8 million in 2016. A \$0.4 million decrease in Professional Fees and a \$0.3 million decrease in Benefits and Compensation expense were partially offset by higher Administrative expenses.

Income Tax Benefit

The Income tax benefit amounted to \$1.5 million in 2017 as a result of the pre-tax operating loss of \$4.5 million. By comparison the Income tax benefit in 2016 was \$0.3 million on a pre-tax operating loss of \$0.9 million. PEFCO's effective tax rate was 33.9% in 2017 and 36.9% in 2016.

Comprehensive income in 2017 amounted to a loss of \$4.4 million compared to a loss of \$1.0 million in 2016. The Comprehensive loss for 2017 was attributable to a net loss from operations of \$3.0 million, an adjustment of \$0.5 million from pension and post-retirement valuations, an unrealized loss on investment securities available for sale of \$1.9 million and reclassification adjustments for net securities losses realized in net income of \$36 thousand.

2016 compared to 2015

PEFCO's Net Loss for 2016 was \$595 thousand compared to Net Income of \$2.2 million in 2015. The decrease in Net Income was primarily the result of a \$5.7 million decrease in Net Financing Income. Total Financing Revenue increased by \$18.3 million; however the increase in Total Financing Expense amounted to \$24.0 million, resulting in the decrease in Net Financing Income. Net securities gains increased by \$1.5 million. General and administrative expenses were up slightly in 2016 to \$10.8 million from \$10.7 million in 2015.

Total Financing Revenue

Total Financing Revenue is composed of interest income on loans, investment securities available for sale, and cash and cash equivalents, and also includes commitment and other fees earned. In addition, any gains recognized on the prepayment of a loan are reported as part of Total Financing Revenue. Interest income on loans is net of interest expense on fair value hedges, as well as ineffectiveness gains or losses related to fair value hedge relationships on loans.

For the year ended September 30, 2016, Total Financing Revenue increased by \$18.3 million to \$96.7 million from \$78.3 million in 2015. Ineffectiveness losses on a portion of the Company's fair value hedge relationships amounted to \$0.6 million in both years. The primary reason for the increase in Total Financing Revenue was attributable to an increase in portfolio yield. Average loan volume increased by \$167 million compared to 2015 and the average yield increased by 22 basis points. Interest on investment securities available for sale increased by \$0.6 million in fiscal 2016 from \$4.0 million in fiscal 2015 due to increased yield. Interest on cash and cash equivalents increased year over year by \$746 thousand to \$826 thousand largely due to an increase in average volume of \$147 million and an increase in yield of 15 basis points.

The overall average balance and yield of the lending portfolio was \$7,390 million and 1.22% in 2016 (inclusive of hedge ineffectiveness losses; 1.23% without) compared with \$7,223 million and 1.00% in 2015 (with and without hedge ineffectiveness). PEFCO utilizes interest rate swap contracts to hedge certain fixed-rate loans and accounts for these as fair value hedges. The net interest expense on these fair value hedges reported as an adjustment of interest income on fixed-rate loans was \$93.6 million in 2016 and \$123.3 million in 2015.

The available for sale investment securities portfolio had an average balance and yield of \$528 million and 0.88% in 2016 compared with \$687 million and 0.59% in 2015. The cash and cash equivalent portfolio had an average balance and yield of \$454 million and 0.18% in 2016 compared to an average balance and yield of \$307 million and 0.03% in 2015.

Commitment and Prepayment Fees

Commitment and prepayment fees amounted to \$928 thousand in 2016 compared to \$2.3 million in 2015. It is PEFCO's policy to permit borrowers to prepay loans only if the borrower makes PEFCO whole for the economic loss incurred as a result of such payment. In 2016, there were prepayment gains of \$766 thousand from 6 borrowers compared to prepayment gains of \$1.7 million from 4 borrowers in 2015. Commitment and other fees amounted to \$162 thousand in 2016 compared to \$593 thousand in

2015. The decrease was largely attributable to PEFCO's inability to originate large lending transactions as a result of the delay Ex-Im Bank faced in operating under its renewed charter.

Total Financing Expense

Total Financing Expense is comprised of interest on short-term and long-term notes, amortization of debt issuance costs, and commitment and other fees incurred.

For the year ended September 30, 2016, Total Financing Expense increased to \$88.9 million from \$64.8 million in 2015. The reason for the increase in Total Financing Expense was primarily attributable to higher cost of funds in 2016. Short-term interest rates (Commercial Paper) are the basis for pricing the Short-term Notes issued by PEFCO while long-term interest rates (Treasury Notes) are the basis for pricing Long-term Notes issued by PEFCO. The average balance and effective costs for Long-term notes were \$6,656 million and 1.10% in 2016 compared to \$6,593 million and 0.83% in 2015. The average balance and effective cost of the Short-term Notes was \$2,171 million and 0.54% in 2016 compared to \$2,175 million and 0.27% in 2015.

PEFCO utilizes interest rate swap contracts to hedge certain long-term notes and accounts for these contracts as fair value hedges. The net interest income on the fair value hedges of the long-term notes reported as an adjustment to interest expense was \$106.8 million in fiscal 2016 and \$139.0 million in fiscal 2015. From time to time, PEFCO also uses interest rate swaps designated as cash flow hedges on certain short-term notes; however, PEFCO had no cash flow hedges in fiscal 2016 and 2015.

Amortization of debt issuance costs amounted to \$3.8 million in both 2016 and 2015. Commitment and other fees paid in 2016 and 2015 amounted to \$4.2 million in each year.

Net Financing Income

PEFCO's Net Financing Income was \$7.8 million in 2016 compared to \$13.5 million in 2015. Net margin amounted to 18 basis points in 2016 (asset yield of 1.14% less interest cost of 0.96%) compared to 23 basis points in 2015 (asset yield of 0.92% less interest cost of 0.69%).

Net Securities Gains

In 2016, net securities transactions, the result of sales on investment securities available for sale, produced a net gain of \$2.1 million, compared to a net gain of \$613 thousand in 2015.

General and Administrative Expenses

General and administrative expenses were \$10.8 million in 2016 and \$10.7 million in 2015. A \$0.3 million decrease in Compensation and benefits was offset by higher Administrative and Professional fees.

Income Tax Benefit/Provision

The Income tax benefit amounted to \$0.3 million in 2016 as a result of the pre-tax operating loss of \$0.9 million. By comparison the Income tax provision in 2015 amounted to \$1.2 million on \$3.4 million of Income before income tax. PEFCO's effective tax rate was 36.9% in 2016 and 34.1% in 2015.

Comprehensive income in 2016 amounted to a loss of \$1.0 million compared to income of \$3.1 million in 2015. The Comprehensive loss for 2016 was attributable to a net loss from operations of \$0.6 million, a negative adjustment of \$0.2 million from pension and post-retirement valuations, an unrealized loss on investment securities available for sale of \$1.5 million and reclassification adjustments for net securities gains realized in net income of \$1.4 million.

Liquidity and Capital Resources

The principal source of capital during the year were funds generated from the net issuance of PEFCO's Short-term notes. PEFCO did not issue any Long-term Secured Notes in fiscal 2017.

As of September 30, 2017, PEFCO has approximately \$7.1 billion of total obligations, of which approximately \$1.8 billion (25%) were short-term and \$5.3 billion (75%) were long-term.

As of September 30, 2017, the Secured Notes Program, which includes portions due within one year, had maturities of \$1,000 million in 2018 and 2019, \$725 million in 2020, zero in 2021, \$1,000 million in 2022 and \$1,550 million thereafter.

During the year ended September 30, 2017, PEFCO issued no additional common shares. PEFCO had total Shareowners' Equity of \$143.2 million, total capitalization (calculated as the sum of total debt and total Shareowners' Equity) of \$7.3 billion and a total debt to capitalization ratio of 98.0%.

On May 3, 2017, PEFCO entered into a new 364 day \$850 million revolving credit facility and a new \$200 million 3-year revolving credit facility. Combined with an existing \$256 million revolving credit facility maturing in 2019, PEFCO's credit facilities total \$1.3 billion.

The credit agreements contain a number of covenants, including a negative pledge covenant and a covenant that PEFCO will comply with its contractual commitments with Ex-Im Bank. As of September 30, 2017, there were no amounts outstanding under these credit facilities.

To the Board of Directors and Shareowners of Private Export Funding Corporation:

We have audited the accompanying financial statements of Private Export Funding Corporation (the "Company"), which comprise the statements of financial condition as of September 30, 2017 and 2016, and the related statements of operations, comprehensive income, changes in shareowners' equity, and cash flows for the two years then ended, and the related notes to the financial statements. We also have audited the Company's internal control over financial reporting as of September 30, 2017, based on the criteria established in the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's Responsibility for the Financial Statements and Internal Control over Financial Reporting

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of effective internal control over financial reporting relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. Management is also responsible for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements and an opinion on the Company's internal control over financial reporting based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement and whether effective internal control over financial reporting was maintained in all material respects.

An audit of financial statements involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit of financial statements also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

An audit of internal control over financial reporting involves performing procedures to obtain audit evidence about whether a material weakness exists. The procedures selected depend on the auditor's judgment, including the assessment of the risks that a material weakness exists. An audit of internal control over financial reporting also involves obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control over financial reporting based on the assessed risk.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Definition and Inherent Limitations of Internal Control over Financial Reporting

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting

includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction, of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

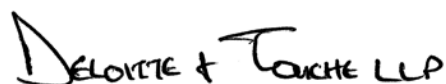
Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct, misstatements. Also, projections of any assessment of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Private Export Funding Corporation as of September 30, 2017 and 2016, and the results of its operations and its cash flows for the two years then ended in accordance with accounting principles generally accepted in the United States of America. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of September 30, 2017, based on the criteria established in the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Predecessor Auditors' Opinion on 2015 Financial Statements

The financial statements of the Company as of and for the year ended September 30, 2015 were audited by other auditors whose report, dated November 25, 2015 expressed an unmodified opinion on those statements.

A handwritten signature in black ink that reads "DELOITTE & TOUCHE LLP". The signature is stylized and appears to be written in a cursive or semi-cursive font.

December 12, 2017
New York, New York

STATEMENTS OF FINANCIAL CONDITION

<i>(In thousands, except share amounts)</i>	<i>September 30, 2017</i>	<i>September 30, 2016</i>
ASSETS		
Cash and cash equivalents	\$ 997,470	\$ 712,337
Investment securities available for sale	488,438	782,362
Interest and fees receivable	36,258	39,611
Export loans guaranteed or insured by Ex-Im Bank	5,705,564	6,939,197
Loans insured by OPIC	<u>63,301</u>	<u>89,587</u>
Total lending	5,768,865	7,028,784
Other assets and deferred charges	48,115	106,299
Total Assets	\$ 7,339,146	\$ 8,669,393
LIABILITIES AND SHAREOWNERS' EQUITY		
<i>Liabilities</i>		
Short-term notes	\$ 1,818,626	\$ 2,088,674
Interest payable	32,145	33,804
Accrued expenses and other liabilities	12,323	15,982
Long-term Secured Notes	5,332,825	6,383,332
Total Liabilities	7,195,919	8,521,792
<i>Shareowners' Equity</i>		
Common stock-no par value; authorized 40,000 shares; outstanding 17,786 shares		
at September 30, 2017 and September 30, 2016	38,950	38,950
Retained earnings	107,359	110,317
Accumulated other comprehensive loss	(3,082)	(1,666)
Total Shareowners' Equity	143,227	147,601
Total Liabilities and Shareowners' Equity	\$ 7,339,146	\$ 8,669,393

See Notes to Financial Statements

STATEMENTS OF OPERATIONS

<i>(In thousands, except per share amounts)</i>	<i>Year Ended September 30,</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
FINANCING REVENUE			
Interest	\$ 121,096	\$ 95,737	\$ 75,995
Commitment and prepayment fees	3,475	928	2,335
Total Financing Revenue	124,571	96,665	78,330
FINANCING EXPENSE			
Interest	(114,966)	(84,706)	(60,610)
Commitment and other fees	(3,732)	(4,167)	(4,214)
Total Financing Expense	(118,698)	(88,873)	(64,824)
Net Financing Income	5,873	7,792	13,506
Net securities gain (loss)	(54)	2,074	613
General and administrative expenses	(10,290)	(10,808)	(10,710)
Income (loss) before income tax	(4,471)	(942)	3,409
Income tax benefit/(provision)	1,513	347	(1,163)
Net Income (Loss)	\$ (2,958)	\$ (595)	\$ 2,246
NET INCOME (LOSS) PER SHARE			
Net Income (Loss)	\$ (166.29)	\$ (33.46)	\$ 126.28

See Notes to Financial Statements

STATEMENTS OF COMPREHENSIVE INCOME

<i>(In thousands)</i>	<i>Year Ended September 30,</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
Net Income (Loss)	\$ (2,958)	\$ (595)	\$ 2,246
Unrealized losses on investment securities - AFS (net of benefit of (\$988); (\$780) and (\$22))	(1,917)	(1,515)	(43)
Reclassification adjustment for net securities gains (losses) included in net income (net of (benefit)/tax of (\$18); \$705 and \$208)	(36)	1,369	404
Pension and post retirement adjustment (net of tax/(benefit) of \$277; (\$119) and \$274)	537	(231)	532
Other comprehensive income (loss)	(1,416)	(377)	893
Comprehensive Income (Loss)	\$ (4,374)	\$ (972)	\$ 3,139

See notes to Financial Statements

PEFCO ANNUAL REPORT 2017
STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY

STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY

<i>(In thousands, except per share amounts)</i>	<i>Common Stock</i>	<i>Retained Earnings</i>	<i>Accumulated Other Comprehensive Loss</i>	<i>Total Shareowners' Equity</i>
<i>Balances at September 30, 2014</i>	\$ 38,950	\$ 108,879	\$ (2,182)	\$ 145,647
Comprehensive income:				
Net income		2,246		2,246
Other comprehensive income			893	893
Dividend declared (\$12 per share)		(213)		(213)
<i>Balances at September 30, 2015</i>	\$ 38,950	\$ 110,912	\$ (1,289)	\$ 148,573
Comprehensive income:				
Net loss		(595)		(595)
Other comprehensive loss			(377)	(377)
<i>Balances at September 30, 2016</i>	\$ 38,950	\$ 110,317	\$ (1,666)	\$ 147,601
Comprehensive income:				
Net loss		(2,958)		(2,958)
Other comprehensive loss			(1,416)	(1,416)
<i>Balances at September 30, 2017</i>	\$ 38,950	\$ 107,359	\$ (3,082)	\$ 143,227

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS

<i>(In thousands)</i>	<i>Year Ended September 30,</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
OPERATING ACTIVITIES			
Net income (loss)	\$ (2,958)	\$ (595)	\$ 2,246
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	17,510	13,589	7,224
Net (gain) loss on investment securities	54	(2,074)	(613)
Net gain on prepayments of loans	(3,465)	(766)	(1,742)
Decrease (increase) in deferred taxes	525	(339)	(118)
Decrease in interest and fees receivable	3,353	11,392	11,971
Decrease in interest payable	(1,659)	(8,532)	(7,884)
Decrease in accrued expenses and other liabilities	(3,659)	(16,116)	(440)
Other, net	(2,879)	10,761	(2,948)
Net cash provided by operating activities	6,822	7,320	7,696
INVESTING ACTIVITIES			
Proceeds from maturities of investment securities	1,072,571	60,355	391,656
Proceeds from sales of investment securities	27,924	190,603	56,899
Purchases of investment securities	(810,718)	(800,685)	(129,730)
Principal collected on loans	1,293,567	1,417,286	1,319,290
Principal disbursed on loans	(169,035)	(504,313)	(1,746,990)
Net cash provided by (used in) investing activities	1,414,309	363,246	(108,875)
FINANCING ACTIVITIES			
Proceeds from issuance of Short-term notes	6,638,911	11,011,383	8,286,757
Repayments of Short-term notes	(6,924,909)	(11,113,717)	(8,289,118)
Proceeds from issuance of Long-term Secured Notes less issuance costs	-	-	571,252
Repayments and repurchases of Long-term Secured Notes	(850,000)	(650,000)	(730,000)
Dividends paid	-	(240)	(500)
Net cash used in financing activities	(1,135,998)	(752,574)	(161,609)
Increase (decrease) in Cash and cash equivalents	285,133	(382,008)	(262,788)
Cash and cash equivalents at the beginning of the year	712,337	1,094,345	1,357,133
Cash and cash equivalents at the end of the year	\$ 997,470	\$ 712,337	\$ 1,094,345
SUPPLEMENTAL DISCLOSURES			
Interest paid	\$ 168,197	\$ 194,699	\$ 202,103
Income taxes paid	\$ -	\$ 1,110	\$ 988
Dividends declared	\$ -	\$ -	\$ 213

See Notes to Financial Statements

1. ORGANIZATION

Private Export Funding Corporation ("PEFCO") was incorporated on April 9, 1970 under Delaware law and is principally engaged in making U.S. dollar loans to foreign importers to finance purchases of goods and services of United States manufacture or origin. PEFCO's shareowners include most of the major commercial banks involved in financing U.S. exports, industrial companies involved in exporting U.S. products and services, and financial services companies.

PEFCO was established with the support of the United States Department of the Treasury and the Export-Import Bank of the United States ("Ex-Im") to assist in the financing of U.S. exports through the mobilization of private capital as a supplement to the financing already available through Ex-Im, commercial banks and other lending institutions. Ex-Im has cooperated in the operation of PEFCO through various agreements.

2. AGREEMENTS WITH EX-IM BANK

PEFCO has agreements with Ex-Im which provide that Ex-Im will:

1. guarantee the due and punctual payment of principal and interest on all export loans made by PEFCO (the "Guarantee Agreement"); and
2. guarantee the due and punctual payment of interest on PEFCO's long-term Secured Notes in return for a fee paid by PEFCO.

Under its agreements with PEFCO, Ex-Im retains a broad measure of supervision over PEFCO's major financial management decisions. The approval of Ex-Im is required on the terms of PEFCO's individual loan commitments and on the terms of PEFCO's long-term debt issues. Surplus funds may be invested only in Ex-Im-approved types of assets. Ex-Im is entitled to representation at all meetings of PEFCO's Board of Directors and Advisory Board. PEFCO furnishes Ex-Im with full information as to budgets, financial condition, and operating results. Fees paid for the guarantee of interest on Long-term Secured Notes were \$245 thousand in 2017, \$267 thousand in 2016, and \$281 thousand in 2015.

Over the years, Ex-Im's statutory authority to exercise its functions has been limited to specified periods, which have been extended by Congressional action from time to time. The Export-Import Bank Reform and Reauthorization Act of 2015 (PL 114-94) extended Ex-Im's corporate existence through September 30, 2019.

Since the reauthorization, Ex-Im has not had the requisite number of directors appointed by Congress to form the necessary quorum to approve loans greater than \$10 million.

If the corporate existence of Ex-Im shall terminate or have been terminated, under the provisions of the Export-Import Bank Act of 1945, as amended, such a termination of the corporate existence of Ex-Im would have no effect on the Guarantee Agreement, and no effect on Ex-Im's guarantee of interest on the outstanding Secured Notes.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The accompanying financial statements include, in the opinion of management, all material and recurring adjustments considered necessary for a fair presentation in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires Management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, deposits held at banks, highly liquid money market account balances, and U.S. Treasury Securities with maturities of 90 days or less from date of purchase. Substantially all PEFCO's cash and cash equivalents are held by five financial institutions that Management believes are of high credit quality. At September 30, 2017 and September 30, 2016, approximately 70% and 82%, respectively, of the cash and cash equivalents were held in money market funds invested in U.S. Treasuries and repurchase agreements in respect of such securities.

Investment Securities

Investment securities that may be sold in response to changes in market interest rates, needs for liquidity, changes in funding sources and terms or other factors are classified as securities available for sale. The securities are

carried at fair value with unrealized gains and losses, net of income taxes, reported as a component of Accumulated other comprehensive income (loss) ("AOCI").

The classification is determined at the time each security is acquired. At each reporting date, the appropriateness of the classification is reassessed and the securities are assessed for other than temporary impairment.

Interest income on investment securities, including amortization of premiums and accretion of discounts, is recognized when earned using methods that approximate the interest method. Security transactions are accounted for as of the date these securities are purchased or sold (trade date). Realized gains and losses are reported on a first-in, first-out basis.

Loans, Interest and Fees

Loans are reported at their principal amounts outstanding. Interest income is recognized when earned using the interest method. Fees are received from the undisbursed balances of loan commitments. Fee income is recognized over the period the service is provided. A borrower may cancel all or any portion of an unused fixed-rate loan commitment or prepay a fixed-rate loan by paying PEFCO a fee equal to the present value of the reinvestment loss, if any, incurred by PEFCO. Cancellation and prepayment fees are recorded as income by PEFCO upon receipt.

Other Assets and Deferred Charges

Equipment and leasehold improvements are carried at cost less accumulated depreciation and amortization. Depreciation and amortization are computed using the straight-line method over the estimated useful life of the owned asset and, for leasehold improvements, over the estimated useful life of the improvement or the lease term, whichever is shorter.

Derivative Financial Instruments

In connection with PEFCO's asset/liability management process, the purpose of which is to manage and control the sensitivity of PEFCO's earnings to changes in market interest rates, PEFCO may enter into derivative financial instruments including interest rate swap contracts that are designated as cash flow or fair value hedges of specific assets or groups of similar assets or similar liabilities and anticipated debt issuance transactions. Interest rate swaps are transactions in which two parties agree to exchange, at specified intervals, interest payment streams calculated on an agreed-upon notional amount with at least one stream based on a

specified floating-rate index. The credit risk inherent in interest rate swaps arises from the potential inability of counterparties to meet the terms of their contracts.

Derivative financial instruments are recorded on the statement of financial condition as either an asset or liability measured at fair value. If the derivative is designated as a fair value hedge, the changes in fair value of the derivative and hedged item are recognized in earnings. If the derivative is designated as a cash flow hedge, changes in the fair value of the derivative are recorded in Other comprehensive income (loss) ("OCI") and are recognized in the income statement when the hedged item affects earnings. Interest on fair value hedges of fixed-rate loans is reported net of interest income on loans. Interest on fair value hedges of Long-term Secured Notes is reported net of interest expense on Long-term Secured Notes.

Effective January 3, 2017, the Chicago Mercantile Exchange ("CME") amended its rulebook to legally characterize variation margin payments for over-the-counter derivatives they clear as settled-to-market rather than collateralized-to-market. The change has the effect of recharacterizing the previously recorded mark-to-market gains or losses as derivative assets or liabilities to record a receivable from, or payable to, the central clearing party ("CCP") bank, who settles with the CME on PEFCO's behalf. While the CCP bank settles directly with the CME daily, PEFCO is entitled to withdraw amounts from this interest-bearing account which are in excess of required margins established by the CME.

PEFCO formally documents all relationships between hedging instruments and hedged items. Also, PEFCO formally assesses whether the derivatives used in hedging transactions have been highly effective in offsetting changes in the fair value or cash flows of hedged items and whether those derivatives may be expected to remain highly effective in future periods.

Allowance for Loan Losses

Since all loans made by PEFCO are guaranteed or insured as to the due and punctual payment of principal and interest by Ex-Im Bank or other U.S. government institutions, such as the Overseas Private Investment Corporation ("OPIC"), whose obligations are backed by the full faith and credit of the United States, PEFCO relies upon this U.S. government support and does not make evaluation of credit risks, appraisals of economic conditions

in foreign countries, or reviews of other factors in making its loans. In addition, insured loans are supported by guarantees from the respective lenders. Accordingly, PEFCO does not presently maintain an allowance for loan losses.

Debt issuance costs incurred in connection with the issuance of long-term debt are deferred and amortized to interest expense on a straight-line basis over the life of each issue.

Debt

Short-term notes and Long-term secured notes are accounted for at amortized cost, reported net of unamortized premium or discounts and, for 2017, deferred issuance costs. See the discussion of ASU No. 2015-03 in Recently Issued Accounting Pronouncements.

Fair Value Measurement

PEFCO reports fair value measurements for specialized classes of assets and liabilities. In measuring fair value, PEFCO utilizes fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The highest priority is given to quoted prices in active markets and the lowest priority to unobservable inputs. Additional disclosure requirements are required for the lowest priority level. At PEFCO, fair value measurement is calculated using prices from data providers and dealers.

Dividends and Distribution to Shareowners

Dividends and distribution to shareowners are recorded on the ex-dividend date.

Income Taxes

Income taxes are recorded based on the provisions of enacted tax laws, including the tax rates in effect for current and future years. Net deferred tax assets are recognized to the extent that it is more likely than not that these future benefits will be realized.

A tax position is recognized as a benefit only if it is "more likely than not" that the tax position would be sustained in a tax examination, with a tax examination being presumed to occur. The amount recognized is the largest amount of tax benefit that is greater than 50% likely of being realized on examination. For tax positions not meeting the "more likely than not" test, no tax benefit is recorded.

Recently Issued Accounting Pronouncements

In August 2017, the Financial Accounting Standards Board ("FASB") issued ASU No. 2017-12, *Targeted Improvements to Accounting for Hedging Activities*, which will better align an entity's risk management activities and financial reporting for hedging relationships through changes to

the designation and measurement guidance for qualifying hedging relationships and the presentation of hedge results. The mandatory effective date for PEFCO, a non-public company, is October 1, 2020 but the amendments may be early adopted in any interim or annual period after issuance. The targeted improvements in the ASU will allow increased flexibility to structure hedges of fixed and floating rate instruments. Application of the ASU is expected to reduce the amount of ineffectiveness as the revised accounting guidance will better reflect the economics of our risk management activities. The ASU requires the hedging instrument to be presented in the same line item as the hedged item and also requires expanded disclosures. PEFCO is evaluating the impact the guidance will have on its financial statements.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which changes the income statement presentation of net benefit expense and requires restating the Company's financial statements for each of the earlier periods presented. For PEFCO, the change in presentation is effective for annual and interim periods starting October 1, 2019. The ASU requires that only the service cost component of net benefit expense be included in the Compensation and benefits line on the income statement. The other components of net benefit expense will be required to be presented outside of the Compensation and benefits line and will be presented in Other operating expense. Since both of these income statement line items are part of General and administrative expenses, the total will not change, nor will there be any change in Net income. This change in presentation is not expected to have a material effect on PEFCO's financials. The components of the net benefit expense are currently disclosed in Note 10 to the Consolidated Financial Statements. The new standard also changes the components of net benefit expense that are eligible for capitalization when employee costs are capitalized in connection with various activities, such as internally developed software. Prospectively from October 1, 2019, only the service cost component of net benefit expense may be capitalized. Existing capitalized balances are not affected. Adoption of this guidance is not expected to have a material impact on PEFCO.

In August 2016, the FASB issued ASU 2016-15 – *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. The purpose of the ASU is to reduce diversity in practice regarding eight specific

cash flow issues. The amendments are effective for private companies for fiscal years beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Adoption of this ASU is not expected to have a material impact on PEFCO.

The FASB issued in June 2016 ASU 2016-13 – *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The objective of this ASU is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity. To do this, the incurred loss impairment methodology in current GAAP will be replaced with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The FASB does not specify a method for measuring expected credit losses and allows an entity to apply methods that reasonably reflect its expectations of the credit loss estimate. For private companies, the ASU will be effective for fiscal years beginning after December 15, 2020, and interim periods within fiscal years beginning after December 15, 2021. Adoption of this ASU is not expected to have a material impact on PEFCO.

In March 2016, the FASB issued ASU 2016-06 – *Derivatives and Hedging (Topic 815): Contingent Put and Call Options in Debt Instruments*. GAAP provides specific guidance for assessing whether call and put options that can accelerate the repayment of principal on a debt instrument meet the clearly and closely related criterion utilizing a four-step decision sequence. The amendments in this ASU are to clarify the requirements of existing GAAP to resolve diversity in practice resulting from different interpretations of the intent of the four-step decision sequence process. For private companies, the ASU is effective for financial statements beginning after December 15, 2017, and interim periods within fiscal years beginning after December 15, 2018. This ASU is not expected to have a material impact on PEFCO.

In March 2016, the FASB issued ASU 2016-05 – *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships*. The amendments in the ASU clarify that a change in the counterparty to a derivative instrument that has been designated as the hedging instrument under Topic 815 does not, in and of itself, require de-designation of that hedging relationship provided that all other hedge accounting criteria continue to be met. For private companies, the ASU is effective for financial statements

issued for fiscal years beginning after December 15, 2017 and interim periods within fiscal years beginning after December 15, 2018. This guidance is not expected to have a material impact on PEFCO.

In February 2016, the FASB issued ASU 2016-02 – *Leases (Topic 842)*, the purpose of which is to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. For lessees under an operating lease, the lessee is required to recognize a right-of-use asset and a lease liability, initially measured at the present value of the lease payments, in the statement of financial condition; recognize a single lease cost, calculated so that the cost of the lease is allocated over the lease term on a generally straight-line basis; and classify all cash payments within operating activities in the statement of cash flows. For private companies, the ASU is effective for fiscal years beginning after December 15, 2019, and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. This guidance is not expected to have a material impact on PEFCO.

In January 2016, the FASB issued ASU 2016-01 – *Financial Instruments – Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*. Among other provisions, the amendments in this update eliminate the requirement to disclose the fair value of financial instruments measured at amortized cost for private companies, require separate presentation of financial assets and financial liabilities by measurement category and form of financial asset on the balance sheet or the accompanying notes to the financial statements, and requires evaluation of the need for a valuation allowance on a deferred tax asset related to available-for-sale securities in combination with the entity's other deferred tax assets. For private companies, the amendments in this ASU are effective for financial statements issued for annual periods beginning after December 15, 2018, and interim periods within fiscal years beginning after December 15, 2019. Private companies may adopt the amendments in this update early for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. This guidance is not expected to have a material impact on PEFCO.

In August 2015, FASB issued ASU No. 2015-15, – *Interest – Imputation of Interest (Subtopic 835-30): Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements*. As ASU No. 2015-03 does not address presentation or subsequent

measurement of debt issuance costs related to line-of-credit arrangements, ASU 2015-15 adds a paragraph from the SEC Staff announcement at the June 18, 2015 Emerging Issues Task Force meeting in which the SEC announced no objection to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement, regardless of whether there are any outstanding borrowings on the line-of-credit arrangement. This amendment to ASU 2015-03 is not expected to have a material impact on PEFCO.

In August 2015, FASB issued ASU 2015-14 – *Revenue from Contracts with Customers (Topic 606)* which deferred by one year the effective date of ASU 2014-09 of the same title. The purpose of the ASU is to provide a comprehensive, industry-neutral revenue recognition model intended to increase financial statement comparability across companies and industries, and significantly reduce the complexity inherent in today's revenue recognition guidance. This ASU affects any entity that enters into contracts to transfer goods or services, or enters into contracts for the transfer of nonfinancial assets unless those contracts are within the scope of other standards (e.g., leases, insurance contracts, financial instruments). ASU 2015-15 defers the effective date of ASU 2014-09 for private companies to annual reporting periods beginning after December 15, 2018, and interim reporting periods within annual reporting periods beginning after December 15, 2019. Management is continuing to assess the effect of this ASU on PEFCO.

In April 2015, FASB issued ASU No. 2015-03 – *Interest – Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs* which requires debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct reduction from the carrying amount of that debt liability, consistent with debt discounts. For private companies, the amendments in this ASU are effective for financial statements issued for fiscal years beginning after December 15, 2015, and interim periods within fiscal years beginning after December 15, 2016. Application is prospective and applicable disclosures for a change in accounting principle are required. Early adoption is permitted for financial statements that have not been previously issued. Adoption of this guidance did not have a material impact on PEFCO.

In January 2015, FASB issued ASU No. 2015-01 – *Income Statement – Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items* as part of its initiative to reduce complexity in accounting standards. This ASU eliminates the concept of extraordinary items from U.S. GAAP, and concludes that existing presentation and disclosure guidance for items that are unusual in nature will be expanded to include items that are both unusual in nature and infrequently occurring. This update was effective for fiscal years beginning after December 15, 2015, for both public business entities and all other entities, and was adopted in this current year. A reporting entity may apply the changes prospectively or retrospectively. Adoption of this guidance had no material impact on PEFCO.

4. INVESTMENT SECURITIES

	September 30, 2017				
Available for Sale (In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value ^(a)	Average Yield ^(b)
U.S. Treasury Securities					
Maturity in one year or less	\$ 260,940	\$ 3	\$ 195	\$ 260,748	1.02%
Maturity after one year through five years	65,148	–	615	64,533	0.97%
U.S. Guaranteed Securities ^(c)					
Maturity in one year or less	9,128	–	50	9,078	1.42%
Maturity after one year through five years	31,736	–	543	31,193	1.67%
Maturity after five years through ten years	68,083	131	340	67,874	3.01%
Maturity after ten years	56,036	61	1,085	55,012	2.35%
Total Available for Sale Securities	\$ 491,071	\$ 195	\$ 2,828	\$ 488,438	1.49%

September 30, 2016

Available for Sale (In thousands)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value ^(a)	Average Yield ^(b)
U.S. Treasury Securities					
Maturity in one year or less	\$ 509,928	\$ 117	\$ 11	\$ 510,034	0.41%
Maturity after one year through five years	75,378	125	11	75,492	0.91%
U.S. Guaranteed Securities ^(c)					
Maturity in one year or less	27,827	6	53	27,780	0.99%
Maturity after one year through five years	52,525	308	65	52,768	1.66%
Maturity after five years through ten years	50,974	95	354	50,715	2.33%
Maturity after ten years	65,404	376	207	65,573	2.15%
Total Available for Sale Securities	\$ 782,036	\$ 1,027	\$ 701	\$ 782,362	0.83%

(a) The fair value of PEFCO's portfolio of investment securities is based on independent dealer quotations.

(b) The average yield is based on effective rates on carrying values at the end of the year.

(c) These securities are explicitly guaranteed by the U.S. and include securities issued by the Government National Mortgage Association, the Overseas Private Investment Corporation, and the Small Business Association.

Cash proceeds from the sales of available for sale securities during 2017, 2016, and 2015 were \$27.9 million, \$190.6 million, and \$56.9 million, respectively. Net losses from available for sale securities sold in 2017 amounted to \$54 thousand (gross gains of \$85 thousand and gross losses of \$139 thousand). Net gains from available for sale securities

sold in 2016 amounted to \$2.1 million (gross gains of \$2.1 million and gross losses of \$42 thousand). Net gains from available for sale securities sold in 2015 amounted to \$613 thousand (gross gains of \$624 thousand and gross losses of \$11 thousand).

The following table provides the gross unrealized losses and fair value aggregated by investment category and length of time the individual securities have been in a continuous unrealized loss position:

September 30, 2017 (In thousands)	Less than 12 months		12 months or more		September 30, 2016 (In thousands)	Less than 12 months		12 months or more	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses		Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. Treasury Securities	\$ 200,639	\$ 311	\$ 69,645	\$ 499	U.S. Treasury Securities	\$ 95,156	\$ 22	\$ -	\$ -
U.S. Guaranteed Securities	67,833	567	65,750	1,451	U.S. Guaranteed Securities	46,205	146	38,398	533
Total temporarily impaired securities	\$ 268,472	\$ 878	\$ 135,395	\$ 1,950	Total temporarily impaired securities	\$ 141,361	\$ 168	\$ 38,398	\$ 533

These investment securities are backed by the full faith and credit of the U.S. government. The unrealized losses on these investments resulted from the movement in the yield curve and are not credit related. PEFCO has not recognized any other-than-temporary impairment on any securities with

unrealized losses as there is no intent to sell these securities and it is not more likely than not that PEFCO will be required to sell the security before the recovery of the entire amortized cost basis of the security.

5. LENDING PROGRAMS

Loans outstanding at September 30, 2017, and related undisbursed commitments were classified as follows:

<i>(In thousands)</i>	<i>Outstanding Loans</i>		<i>Undisbursed Commitments</i>
Export loans guaranteed or insured by Ex-Im Bank	<i>Amount</i>	<i>Average Rate</i>	<i>Amount</i>
Direct & Secondary Long-term Loan Programs			
Fixed-rate	\$ 3,724,561	2.98%	\$ – ^(b)
Floating-rate	1,844,396 ^(a)		– ^(a)
Short-term & Medium-term Loan Programs			
Fixed-rate	32,241	3.93%	– ^(b)
Floating-rate	79,861 ^(a)		10,228 ^(a)
	\$ 5,681,059		\$ 10,228
Loans insured by OPIC			
Long-term Floating-rate	\$ 15,000 ^{(a)(c)}		\$ –
Medium-term Fixed-rate	1,512 ^(c)	5.78%	–
Medium-term Floating-rate	46,789 ^{(a)(c)}		– ^{(a)(c)}
	\$ 63,301		\$ –
Total	\$ 5,744,360		\$ 10,228

(a) The base interest rate is the London Interbank Offered Rate ("LIBOR").

(b) The interest rate will be determined upon pricing (Direct and Secondary) / disbursement (Short and Medium-term).

(c) These transactions are unconditionally guaranteed by the sovereign governments involved and are fully insured by OPIC against the non-honoring of such sovereign guarantees.

Loans outstanding at September 30, 2016, and related undisbursed commitments were classified as follows:

<i>(In thousands)</i>	<i>Outstanding Loans</i>		<i>Undisbursed Commitments</i>
Export loans guaranteed or insured by Ex-Im Bank	<i>Amount</i>	<i>Average Rate</i>	<i>Amount</i>
Direct & Secondary Long-term Loan Programs			
Fixed-rate	\$ 4,596,748	3.06%	\$ – ^(b)
Floating-rate	2,069,770 ^(a)		– ^(a)
Short-term & Medium-term Loan Programs			
Fixed-rate	35,895	2.83%	15,730 ^(b)
Floating-rate	73,427 ^(a)		20,097 ^(a)
	\$ 6,775,840		\$ 35,827
Loans insured by OPIC			
Long-term Floating-rate	\$ 30,000 ^{(a)(c)}		\$ –
Medium-term Fixed-rate	2,379 ^(c)	5.78%	–
Medium-term Floating-rate	57,208 ^{(a)(c)}		8,243 ^{(a)(c)}
	\$ 89,587		\$ 8,243
Total	\$ 6,865,427		\$ 44,070

(a) The base interest rate is the London Interbank Offered Rate ("LIBOR").

(b) The interest rate will be determined upon pricing (Direct and Secondary) / disbursement (Short and Medium-term).

(c) These transactions are unconditionally guaranteed by the sovereign governments involved and are fully insured by OPIC against the non-honoring of such sovereign guarantees.

Outstanding loans were scheduled for repayment at September 30, 2017 as follows (in thousands):

2018	\$ 1,280,349
2019	960,938
2020	891,025
2021	768,409
2022	593,382
2023 and thereafter	1,250,257
<hr/>	
Total before Fair Value Hedge Adjustment, Unamortized Premium, and Unamortized Discount	\$ 5,744,360
Fair Value Hedge Adjustment	28,402
Unamortized Premium	793
Unamortized Discount	(4,690)
<hr/>	
Total Carrying Value	\$ 5,768,865

Outstanding loans were scheduled for repayment at September 30, 2016 as follows (in thousands):

2017	\$ 1,065,123
2018	1,042,798
2019	988,065
2020	922,453
2021	811,280
2022 and thereafter	2,035,708
<hr/>	
Total before Fair Value Hedge Adjustment and Unamortized Discount	\$ 6,865,427
Fair Value Hedge Adjustment	169,953
Unamortized Discount	(6,596)
<hr/>	
Total Carrying Value	\$ 7,028,784

Under the liquidity support program, PEFCO supports both medium and long-term U.S. agency-guaranteed financing facilities by providing liquidity support during the waiting period prior to payment by the agency under its guarantee and by funding interim notes until securitization of the agency-guaranteed debt is effected. PEFCO's liquidity support advance, if any, will be repaid and is secured by the agency's guarantee and, in certain instances, by deposits held by a trustee. PEFCO supported no transactions as of September 30, 2017 and September 30, 2016.

6. SHORT-TERM NOTES

At September 30, 2017 and 2016, PEFCO's Short-term notes consisted of commercial paper in the amount of \$1.8 billion and \$2.1 billion, respectively. Commercial paper is generally issued in amounts not less than \$100 thousand and with maturities of 270 days or less.

Short-term notes averaged approximately \$1.9 billion in 2017 and \$2.2 billion in 2016. The average interest rate was 1.08% in 2017 and 0.54% in 2016.

PEFCO has three syndicated revolving credit facilities in place with 13 banks, of which 11 are shareowners, totaling \$1.3 billion: a 364-day facility for \$850 million, a three year \$256 million facility expiring in 2019, and a three year \$200 million facility expiring in 2020. At September 30, 2017, there were no amounts outstanding under any facility.

7. LONG-TERM SECURED NOTES

Secured Notes typically have original maturities of five years or longer and are sold through underwriters. Lead underwriters are often also shareowners of PEFCO. The principal of all Secured Notes is fully backed by collateral assets held in a trust arrangement residing on the books of PEFCO. Collateral assets include U.S. Treasury Securities or other obligations unconditionally guaranteed or fully insured by the United States or agencies of the United States, and foreign importer notes guaranteed by Ex-Im under the Guarantee Agreement. The securities and notes are assigned to, and held by, The Bank of New York Mellon (a shareowner of PEFCO), as Trustee. The collateral includes scheduled maturities which ensure that, before the date on which payment of principal of each Secured Note is due, the Trustee will have cash from maturing collateral sufficient to pay the principal of the Secured Notes. Payment of interest on the Secured Notes is fully guaranteed by Ex-Im in return for which PEFCO pays to Ex-Im a semi-annual fee expensed ratably over the year.

PEFCO did not issue any Secured Notes in 2017 and 2016. The average principal balance of Long-term Secured Notes was approximately \$5,726 million in 2017 and \$6,656 million in 2016. After taking into account the effect of the interest rate swap designated as hedges of the Secured Notes, the average interest cost for the year ended September 30, 2017 was 2.83% compared to 2.78% for the year ended September 30, 2016. A summary of the Secured Note maturities as of September 30, 2017 and September 30, 2016 appears below.

Remaining Maturities of Long-term Secured Notes at September 30, 2017 were as follows (in thousands):

2018	\$ 1,000,000
2019	1,000,000
2020	725,000
2021	-
2022	1,000,000
2023 and thereafter	1,550,000
Total Outstanding Principal Amount	\$ 5,275,000
Fair Value Hedge Adjustment	63,556
Unamortized Premium	8,020
Unamortized Discount	(4,802)
Deferred Issuance Costs	(8,949)
Total Carrying Value	\$ 5,332,825

Remaining Maturities of Long-term Secured Notes at September 30, 2016 were as follows (in thousands):

2017	\$ 850,000
2018	1,000,000
2019	1,000,000
2020	725,000
2021	-
2022 and thereafter	2,550,000
Total Outstanding Principal Amount	\$ 6,125,000
Fair Value Hedge Adjustment	253,367
Unamortized Premium	11,352
Unamortized Discount	(6,387)
Total Carrying Value	\$ 6,383,332

As noted above, the principal cash flows arising from the collateral pool backing each Secured Note series must mature before the due date when the Secured Note principal is due. The principal cash flows are segregated between designated installments (pledged in the trust against existing Secured Note issuances) and free installments (pledged in the Trust arrangement but not designated currently against any existing Secured Note issuances). Designated installments in excess of a Secured Note principal redemption are available to back the next scheduled Secured Note redemption. Free installments are available collateral for pledging against future Secured Note issuances, or transferring out of the trust if held as current cash.

The pledged collateral backing the Secured Notes at September 30, 2017 consists of \$5,016 million in foreign importer notes (export loans) backed by the Guarantee Agreement and \$265 million in U.S. Government guaranteed securities. Total pledged assets including cash are \$5,624 million against the balance of Secured Notes outstanding of \$5,275 million. For designated installments at September 30, 2017, the amount of principal installments in excess of Secured Note principal redemption amounted to \$16 million. For free installments at September 30, 2017, principal installments available after February 7, 2025 amount to \$333 million.

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Long-term Secured Notes outstanding as of September 30, 2017 (in thousands):

Issue Designation	Original Principal Amount	Principal Amount	Coupon Rate	Effective Rate ^{(a)(b)}	Maturity Schedule	Designated Collateral Installments	As a % of Principal	Principal Due Within One Year
Series CC	\$ 500,000	\$ 500,000	2.25%	2.18%	Dec-17	\$ 695,849	139%	\$ 500,000
Series JJ	500,000	500,000	1.88%	1.99%	Jul-18	698,563	140%	500,000
Series Z	500,000	500,000	4.38%	4.30%	Mar-19	766,808	153%	–
Series HH	500,000	500,000	1.45%	1.52%	Aug-19	641,385	128%	–
Series LL	400,000	400,000	2.25%	2.37%	Mar-20	600,021	150%	–
Series MM	325,000	325,000	2.30%	2.44%	Sep-20	600,037	185%	–
Series BB	500,000	500,000	4.30%	4.27%	Dec-21	1,156,834	231%	–
Series EE	500,000	500,000	2.80%	2.76%	May-22	903,459	181%	–
Series II	400,000	400,000	2.05%	2.11%	Nov-22	682,611	171%	–
Series KK	500,000	500,000	3.55%	3.56%	Jan-24	798,350	160%	–
Series GG	400,000	400,000	2.45%	2.52%	Jul-24	472,354	118%	–
Series NN	250,000	250,000	3.25%	3.30%	Jun-25	265,679	106%	–
	\$ 5,275,000	\$ 5,275,000	2.76%	2.79%				\$ 1,000,000

(a) Original issue discounts, premiums and deferred issuance costs are reflected in the effective interest rate.

(b) Weighted average

Long-term Secured Notes outstanding as of September 30, 2016 (in thousands):

Issue Designation	Original Principal Amount	Principal Amount	Coupon Rate	Effective Rate ^{(a)(b)}	Maturity Schedule	Designated Collateral Installments	As a % of Principal	Principal Due Within One Year
Series W	\$ 100,000	\$ 100,000	5.00%	5.01%	Dec-16	\$ 648,087	648%	\$ 100,000
Series FF	500,000	500,000	1.38%	1.24%	Feb-17	703,469	141%	500,000
Series X	250,000	250,000	5.45%	5.47%	Sep-17	704,095	282%	250,000
Series CC	500,000	500,000	2.25%	2.10%	Dec-17	680,571	136%	–
Series JJ	500,000	500,000	1.88%	1.91%	Jul-18	687,301	137%	–
Series Z	500,000	500,000	4.38%	4.25%	Mar-19	761,682	152%	–
Series HH	500,000	500,000	1.45%	1.47%	Aug-19	639,351	128%	–
Series LL	400,000	400,000	2.25%	2.29%	Mar-20	602,624	151%	–
Series MM	325,000	325,000	2.30%	2.35%	Sep-20	606,386	187%	–
Series BB	500,000	500,000	4.30%	4.23%	Dec-21	1,172,168	234%	–
Series EE	500,000	500,000	2.80%	2.71%	May-22	918,513	184%	–
Series II	400,000	400,000	2.05%	2.07%	Nov-22	695,143	174%	–
Series KK	500,000	500,000	3.55%	3.51%	Jan-24	790,264	158%	–
Series GG	400,000	400,000	2.45%	2.48%	Jul-24	450,703	113%	–
Series NN	250,000	250,000	3.25%	3.26%	Jun-25	265,714	106%	–
	\$ 6,125,000	\$ 6,125,000	2.79%	2.76%				\$ 850,000

(a) Original issue discounts and premiums are reflected in the effective interest rate. For 2016, deferred issuance costs are not reflected in the effective rate.

See Footnote 3

(b) Weighted average

8. SHAREOWNERS' EQUITY

Common stock outstanding amounted to \$39.0 million at September 30, 2017 and September 30, 2016, and shares issued and outstanding amounted to 17,786 at each period end.

Net income (loss) per share was \$(166.29) in fiscal 2017, \$(33.46) in fiscal 2016 and \$126.28 in fiscal 2015. Weighted average shares outstanding amounted to 17,786 for 2017, 2016 and 2015.

Under an agreement with Ex-Im Bank effective December 16, 2010, PEFCO has approval to declare or pay dividends of up to 50% of annual net income, subject to the following:

(i) the shareowners' equity of PEFCO, after giving effect to such dividend, is maintained at a minimum of \$60 million (excluding the impact on shareowners' equity of market value accounting for investment securities and for cash flow hedges); (ii) PEFCO maintains, after giving effect to such dividend, a leverage ratio of guaranteed assets to shareowners' equity not in excess of 75 to 1; and (iii) PEFCO maintains an AAA rating from a major rating agency on all secured debt issued.

The Board of Directors voted to declare a \$12 dividend per share for the fiscal year ended September 30, 2015. There were no dividends declared in the fiscal years ended September 30, 2017 and 2016.

9. INCOME TAXES

Income tax provision/(benefit) was as follows for the years ended September 30:

<i>(In thousands)</i>	2017	2016	2015
Federal-current	\$(1,761)	\$(127)	\$ 1,555
Federal-deferred	248	(220)	(392)
	\$ (1,513)	\$ (347)	\$ 1,163

A comparison of the U.S. Federal statutory tax rate to the effective income tax rate is as follows for the years ended September 30,

	2017	2016	2015
Tax at statutory rate	34.0%	34.0%	34.0%
Effective income tax rate	33.9%	36.9%	34.1%

Included in other assets and deferred charges at September 30, 2017 is a net deferred tax asset of \$3,460 thousand (\$3,014 thousand in 2016). PEFCO determined that, as it was more likely than not that such deferred tax asset

would be realized in the future, no valuation allowance was required as of September 30, 2017 and 2016. This determination was made based upon the evidence of prior years earnings as well as expected future earnings.

The following table is an analysis of the deferred tax assets/(liabilities) for the years ended September 30:

<i>(In thousands)</i>	2017	2016
	<i>Deferred Asset (Liability)</i>	<i>Deferred Asset (Liability)</i>
Total deferred assets	\$ 4,062	\$ 3,395
Total deferred liabilities	(602)	(381)
Net deferred assets	\$ 3,460	\$ 3,014

The Company has not recorded any uncertain tax positions as of September 30, 2017 and 2016. The Company does not expect its uncertain tax position balance to change significantly in the next 12 months. The Company is no longer subject to examinations by taxing authorities for all fiscal years prior to the one ended September 30, 2014.

Currently, there are no examinations in progress and the Company has not been notified of any future examination by applicable taxing authorities.

There are no significant matters affecting the comparability of the income tax information presented above.

10. EMPLOYEE BENEFIT PLANS

Pension and Postretirement Plans

PEFCO has two pension plans, a funded, noncontributory, qualified defined benefit pension plan covering all full-time employees and an unfunded, noncontributory, nonqualified pension plan which provides defined pension benefits to certain employees. Pension benefits are primarily based upon the participant's compensation level and years of credited service.

PEFCO provides healthcare and life insurance benefits to eligible retired employees. The postretirement

healthcare plan is contributory; the life insurance plan is noncontributory. All postretirement plans are funded on a pay-as-you-go basis.

PEFCO also has a defined contribution 401(k) plan in which all full-time employees, after completing six months of service, are eligible to participate. This plan allows employees to make pre-tax contributions to tax-deferred investment portfolios. Employees may contribute up to 12% of their compensation subject to certain limits based on federal income tax laws. PEFCO matches employee contributions up to 6% of an employee's compensation.

Pension Plans

The following table sets forth changes in benefit obligation, plan assets, funded status and net periodic benefit cost of each plan:

(In thousands)	Qualified Plan		Nonqualified Plan	
	2017	2016	2017	2016
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$ 13,235	\$ 11,332	\$ 5,912	\$ 5,483
Service cost	647	766	172	-
Interest cost	456	464	199	218
Actuarial loss (gain)	199	824	(163)	583
Benefits paid	(1,238)	(151)	(355)	(372)
Benefit obligation at end of year	\$ 13,299	\$ 13,235	\$ 5,765	\$ 5,912
Change in Plan Assets				
Fair value of plan assets at beginning of year	\$ 11,113	\$ 9,684	\$ -	\$ -
Actual return on plan assets	1,334	1,055	-	-
Employer contributions	710	525	355	372
Benefits paid	(1,238)	(151)	(355)	(372)
Fair value of plan assets at end of year	\$ 11,919	\$ 11,113	\$ -	\$ -
Funded status at end of year^(a)	\$ 1,380	\$ 2,122	\$ 5,765	\$ 5,912
 <i>(a) These amounts were recognized as liabilities in the Consolidated Statements of Financial Condition as of September 30, 2017 and 2016.</i>				
Amounts Recognized in Accumulated Other Comprehensive Income				
Net loss	\$ 1,874	\$ 2,564	\$ 1,991	\$ 2,245
Prior service cost	-	-	(3)	(3)
	\$ 1,874	\$ 2,564	\$ 1,988	\$ 2,242

The Net periodic benefit cost and other amounts recognized in OCI were as follows:

(In thousands)	Qualified Plan			Nonqualified Plan		
	2017	2016	2015	2017	2016	2015
Components of net periodic pension cost						
Service cost	\$ 647	\$ 766	\$ 715	\$ 172	\$ –	\$ 173
Interest cost	456	464	353	199	218	169
Expected return on plan assets	(562)	(491)	(477)	–	–	–
Amortization of prior service cost	–	(3)	(4)	(1)	3	5
Amortization of net losses	116	111	50	91	68	41
Net periodic pension cost	\$ 657	\$ 847	\$ 637	\$ 461	\$ 289	\$ 388
Other Changes⁽¹⁾						
Net (gain) loss	\$ (574)	\$ 261	\$ 896	\$ (164)	\$ 583	\$ 527
Amortization of gain	(116)	(111)	(50)	(91)	(68)	(41)
Amortization of prior service cost	–	3	4	1	(3)	(5)
Total Recognized in OCI	\$ (690)	\$ 153	\$ 850	\$ (254)	\$ 512	\$ 481

(1) Before taxes at PEFCO's effective tax rate of approximately 34%.

Assumptions Used for Pension Plan Accounting

Discount rate assumptions used for pension plan accounting reflect prevailing rates available on high-quality, fixed income debt instruments with maturities that match the benefit obligation.

The following rates were used in the measurement of the benefit obligation and net periodic pension costs:

	2017	2016	2015
Weighted average discount rate, end of period	3.63%	3.47%	4.12%
Weighted average discount rate, average for period	3.47%	4.12%	3.55%
Weighted average rate of pay increase	4.00%	4.00%	4.00%
Expected long-term rate of return on assets	5.00%	5.00%	5.00%

PEFCO's pension plan asset allocation target and actual performance based on fair values, were as follows:

(In thousands)	Target Allocation	September 30, 2017		September 30, 2016	
		Amount	Percent	Amount	Percent
Equity securities	70%	\$ 8,457	71%	\$ 8,009	72%
Debt securities	30%	\$ 3,462	29%	\$ 3,104	28%
Fair value at end of year	100%	\$ 11,919	100%	\$ 11,113	100%

The funding objectives of the noncontributory, qualified defined benefit plan are to achieve and maintain plan assets adequate to cover the accumulated benefit

obligation and to provide competitive investment returns and reasonable risk levels when measured against appropriate benchmarks.

Post Retirement Plan

The Benefit obligations, Plan assets, Funded status and Net periodic benefit cost of PEFCO's postretirement plan were as follows:

<i>(In thousands)</i>	2017	2016
Change in benefit obligation		
Benefit obligation at beginning of year	\$ 1,757	\$ 2,029
Service cost	119	148
Interest cost	62	88
Plan participants' contributions	27	30
Actuarial gain	(92)	(482)
Benefits paid	(39)	(56)
Benefit obligation at end of year	\$ 1,834	\$ 1,757
Change in plan assets		
Fair value of plan assets at beginning of year	\$ -	\$ -
Employer contribution	12	26
Plan participants' contributions	27	30
Benefits paid	(39)	(56)
Fair value of plan assets at end of year	-	-
Funded status at end of year^(a)	\$ 1,834	\$ 1,757

(a) These amounts were recognized as liabilities in the Consolidated Statements of Financial Condition at September 30, 2017 and 2016.

Amounts Recognized in AOCI

Net gain	\$ (1,796)	\$ (1,878)
Prior service credit	(29)	(77)
	\$ (1,825)	\$ (1,955)

The Net periodic benefit cost and other amounts recognized in OCI follow:

<i>(In thousands)</i>	2017	2016	2015
Components of periodic postretirement benefit cost			
Service cost	\$ 119	\$ 148	\$ 277
Interest cost	62	88	163
Amortization of prior service credit	(47)	(48)	(47)
Amortization of net gains/(losses)	(174)	(119)	26
Net periodic postretirement benefit cost⁽¹⁾	\$ (40)	\$ 69	\$ 419
Other Changes⁽²⁾			
Net gain	\$ (92)	\$ (482)	\$ (2,158)
Amortization of prior service credit	47	48	47
Amortization of actuarial gain/(loss)	174	119	(26)
Total Recognized in OCI	\$ 129	\$ (315)	\$ (2,137)

(1) The net periodic cost for 2017, 2016 and 2015 reflects the actuarially-determined expense.

(2) Before taxes at PEFCO's effective tax rate of approximately 34%.

Assumptions Used for Postretirement Plan Accounting

<i>(In thousands)</i>	2017	2016	2015
Weighted average discount rate, end of period	3.79%	3.56%	4.36%
Weighted average discount rate, average for period	3.56%	4.36%	4.34%
Assumed health care cost trend rate, pre-65	7.25%	7.50%	7.75%
Assumed health care cost trend rate, post-65	6.25%	6.50%	6.75%
Prescription cost trend rate	10.50%	10.50%	8.50%
Ultimate rate to which rates are assumed to decline	3.89%	3.89%	3.89%
Year in which ultimate rate is reached	2075	2075	2075
Impact of 1% increase in healthcare cost trend assumptions on PBO	\$ 336	\$ 338	\$ 392
Impact of 1% decrease in healthcare cost trend assumptions on PBO	\$ (288)	\$ (343)	\$ (444)

Defined Contribution 401(k) Plan

PEFCO sponsors a defined contribution 401(k) plan in accordance with local laws. The following table summarizes PEFCO's contributions to the defined contribution 401(k) plan:

<i>(In thousands)</i>	2017	2016	2015
Contribution expense	\$ 168	\$ 207	\$ 182

11. DERIVATIVE FINANCIAL INSTRUMENTS

PEFCO uses derivative financial instruments, including interest rate swap contracts, as part of its asset/liability management activities. The objective of the asset/liability management process is to manage and control the sensitivity of PEFCO's earnings to changes in market interest rates. The process seeks to preserve earnings while not placing at risk of a 100 basis point movement in interest rates more than 10% of the pre-tax net present value of PEFCO's capital, which is the acceptable specified limit authorized by PEFCO's Board of Directors. PEFCO does not enter into interest rate swap contracts or other derivatives which are not designated as hedging instruments.

Interest rate swap contracts are transactions in which two parties agree to exchange, at specified intervals, interest payment streams calculated on an agreed-upon notional amount with at least one stream based on a specified floating-rate index. The notional principal amount of interest rate swap contracts do not represent the market or credit risk associated with those contracts but rather provide

an indication of the volume of the transactions. The credit risk inherent in interest rate swaps arises from the potential inability of counterparties to meet the terms of their contracts. PEFCO performs credit reviews and enters into netting agreements to minimize the credit risk of interest rate swaps. There were no counterparty default losses in 2017, 2016, or 2015.

The following table summarizes the notional amount and credit exposure of PEFCO's derivative instruments at September 30, 2017 and 2016:

Derivative instruments designated as hedges				
<i>(In thousands)</i>	<i>Notional</i>		<i>Credit Exposure</i>	
	2017	2016	2017	2016
Interest Rate Swaps	\$ 8,550,391	\$10,053,241	\$ 96,946	\$ 253,374
Total	\$ 8,550,391	\$10,053,241	\$ 96,946	\$ 253,374
Effect of master netting agreements ^(a)			(60,253)	(168,891)
Total Credit Exposure			\$ 36,693	\$ 84,483

^(a) Represents the netting of derivative balances with the same counterparty under enforceable netting agreements.

PEFCO has interest rate swap contracts designated as fair value hedges, which hedge the change in fair value of certain fixed-rate long-term loans and certain fixed-rate Long-term Secured Notes (debt). The objective of the fair value hedge is to protect the fixed-rate long-term loans and the fixed-rate long-term debt against changes in LIBOR which is the designated benchmark interest rate used by PEFCO.

Certain fair value hedges are considered to be 100% effective as each meets shortcut method accounting requirements and, accordingly the changes in fair values of both the interest rate swap contracts and related debt or loans are recorded as equal and offsetting gains and losses in the Statements of Financial Condition. Accordingly, there was no gain or loss recognized in current period earnings related to these hedges.

Certain fair value hedges do not meet shortcut accounting requirements and accordingly, the extent to which these instruments are effective at achieving offsetting changes in fair value must be assessed at least quarterly. Any ineffectiveness must be recorded in current period earnings.

From time to time, PEFCO has interest rate swap contracts designated as cash flow hedges, which offset the variability in cash flows arising from the rollover of short-term notes (liabilities). The cash flow hedges are considered to be highly effective and accordingly, the changes in the cash flows of the interest rate swap contracts have been, and are expected to continue to be, highly effective at offsetting the changes in the cash flows of the short-term liabilities. Any ineffectiveness must be recorded in the current period earnings. The gains and losses deemed to be effective are recorded in accumulated other comprehensive income (loss), net of applicable income taxes. PEFCO had no interest rate swap contracts outstanding designated as cash flow hedges for the years ended September 30, 2017 and 2016.

Ineffectiveness related to derivatives and hedging relationships was recorded in net financing revenue as follows:

<i>(In thousands)</i>	<i>Year ended September 30,</i>		
	<i>2017</i>	<i>2016</i>	<i>2015</i>
Interest Rate Swaps			
Fair Value Hedge	\$ 469	\$ (592)	\$ (621)
Total	\$ 469	\$ (592)	\$ (621)

PEFCO has entered into interest rate swap contracts which are over-the-counter (“OTC”) agreements which clear directly with the counterparty or are cleared at the CME, a regulated clearinghouse. The notional value of swaps cleared through the CME at September 30, 2017 and 2016 were \$8.3 billion and \$9.6 billion, respectively, representing approximately 97% and 95% of the total notional values at September 30, 2017 and 2016.

The value of OTC derivatives which clear directly with the counterparty is included in the financial statements at the gross fair amount of the asset (included in Other assets and deferred charges) or liability (included in Accrued expenses and other liabilities), which represents the change in the fair value of the contract since inception.

The OTC trades which clear directly with the counterparty did not require PEFCO to pay or receive cash collateral in connection with uncleared derivative transactions in 2017 and 2016.

Clearing is a process by which a third-party, the clearinghouse, steps in between the original counterparties and guarantees the performance of both, by requiring each to post liquid collateral on an initial (initial margin) basis and mark-to-market (variation margin) basis to cover the clearinghouse’s potential future exposure in the event of a default. Due to a rulebook change at the CME (PEFCO’s clearinghouse) effective January 3, 2017, the CME legally characterizes variation margin payments (a payment made based on the changes in the fair value of the interest rate swaps contracts) as a settlement, not as a collateral transfer. Therefore, the mark-to-market gain or loss on a settled-to-market derivative is no longer classified as a derivative asset or liability but as a receivable from, or payable to, our CCP until PEFCO settles with the CCP.

The following table presents the gross and net fair values of PEFCO's derivative instruments on the Statements of Financial Condition:

(In thousands)	Asset Derivatives ^(a)		Liability Derivatives ^(b)	
	2017	2016	2017	2016
Interest Rate Swaps ^(c)	\$ 96,946	\$ 253,374	\$ 60,253	\$ 168,891
Total	\$ 96,946	\$ 253,374	\$ 60,253	\$ 168,891
Effect of master netting agreements	(60,253)	(168,891)	(60,253)	(168,891)
Total reported as Other assets and deferred charges ^(d)	\$ 36,693	\$ 84,483	\$ –	\$ –

(a) Reported as "Other assets and deferred charges" on the Statements of Financial Condition

(b) Reported as "Accrued expenses and other liabilities" on the Statements of Financial Condition

(c) Fair Values are on a gross basis, before consideration of master netting agreements as required by ASC 815-10 or settled-to-market positions with CME

(d) Due to the CME rulebook change described above, the September 30, 2017 balance reported as Other assets and deferred charges (\$36.7 million) is further bifurcated into a derivative asset of \$16.0 million for the OTC trades and \$20.7 million for amounts due from PEFCO's CCP for positions settled-to-market but for which the CCP has not remitted the funds at our request. The rulebook change was not effective for September 30, 2016 reporting so the entire \$84.5 million reported for September 30, 2016 was considered to be a derivative asset.

12. FAIR VALUE MEASUREMENTS

PEFCO is required to report fair value measurements for specialized classes of assets and liabilities and utilizes a three-level valuation hierarchy established under U.S. GAAP for disclosure of fair value measurements.

The valuation hierarchy is based on the transparency of inputs to the valuation of an asset or liability as of the measurement date.

The three-level hierarchy for fair value measurement is defined as follows:

- Level 1 – Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that PEFCO has the ability to access. Since valuations are

based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment. U.S. Treasury securities and equity securities are included in Level 1.

- Level 2 – Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly. Level 2 securities consist of U.S. Guaranteed Securities and interest rate swaps.
- Level 3 – Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

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The following tables present for each of the fair value hierarchy levels, PEFCO's assets and liabilities that are measured at fair value on a recurring basis at September 30, 2017 and September 30, 2016:

September 30, 2017 (in thousands)					
Assets	Quoted Prices in Active Market (Level 1)	Prices w/Other Observable Inputs (Level 2)	Prices w/Significant Unobservable Inputs (Level 3)	Netting ^(a)	Total
Treasury Bills (Cash Equivalents)	\$ 149,951	\$ -	\$ -	\$ -	\$ 149,951
Investment securities available for sale	325,281	163,157	-	-	488,438
Interest rate swaps	-	96,946	-	(60,253)	36,693
Total Assets at Fair Value	\$ 475,232	\$ 260,103	\$ -	\$(60,253)	\$ 675,082
Liabilities					
Interest rate swaps	\$ -	\$ 60,253	\$ -	\$(60,253)	\$ -
Total Liabilities at Fair Value	\$ -	\$ 60,253	\$ -	\$(60,253)	\$ -

September 30, 2016 (in thousands)					
Assets	Quoted Prices in Active Market (Level 1)	Prices w/Other Observable Inputs (Level 2)	Prices w/Significant Unobservable Inputs (Level 3)	Netting ^(a)	Total
Investment securities available for sale	\$ 585,526	\$ 196,836	\$ -	\$ -	\$ 782,362
Interest rate swaps	-	253,374	-	(168,891)	84,483
Total Assets at Fair Value	\$ 585,526	\$ 450,210	\$ -	\$(168,891)	\$ 866,845
Liabilities					
Interest rate swaps	\$ -	\$ 168,891	\$ -	\$(168,891)	\$ -
Total Liabilities at Fair Value	\$ -	\$ 168,891	\$ -	\$(168,891)	\$ -

(a) PEFCO has elected to net unrealized gains (receivables) and unrealized losses (payables) when a legally enforceable master netting agreement exists.

Treasury Bills (Cash Equivalents) - These securities have maturities of 90 day or less from date of purchase. Their cost is determined to be a reasonable estimate of their fair value.

Investment securities - The fair value of investment securities available for sale are recorded at fair value on the balance sheet. The fair value is generally determined using market prices provided by data providers (level 1) or dealer quotations (level 2).

Interest rate swaps - The fair values were based on model valuations (level 2) using market-based inputs. The fair value generally reflects the estimated amounts that PEFCO would receive or pay to replace the contracts at the reporting date.

PEFCO did not have any assets or liabilities that were measured at fair value on a recurring basis using significant unobservable inputs (Level 3) during the years ended September 30, 2017 and 2016. PEFCO did not have any assets or liabilities that were measured at fair value on a non-recurring basis during the years ended September 30, 2017 and 2016.

There were no transfers between Level 1 and Level 2 during the years ended September 30, 2017 and 2016.

13. RELATED PARTY TRANSACTIONS

Certain shareowners (or their affiliates) have provided and presented a variety of services to PEFCO, including underwriting the issuance of PEFCO's long-term secured notes, providing liquidity back-up lines, purchasing loans in the secondary market, and other banking services. All transactions with related parties were conducted at arm's length.

The following table summarizes fees paid to shareowners during 2017, 2016, and 2015:

(In thousands)	2017	2016	2015
Underwriting services	\$ -	\$ -	\$2,028
Liquidity lines	1,615	2,365	2,434
Other banking services	583	620	692
	\$ 2,198	\$2,985	\$ 5,154

Interest received from shareowners was as follows:

(In thousands)	2017	2016	2015
Interest received	\$ 1,899	\$ 1,168	\$ 185

The following table summarizes loans purchased from shareowners in the secondary market during 2017, 2016, and 2015:

(In thousands)	2017	2016	2015
Loans purchased	\$ 96,391	\$ 268,200	\$ 390,327

PEFCO had derivative contracts with certain shareowners as follows:

(In thousands)	September 30, 2017	September 30, 2016
Receivable, net	\$ 20,713	\$ 38,758
Payable, net	\$ -	\$ -

PEFCO has a relationship with Ex-Im Bank as described in Note 2, Agreements with Ex-Im Bank.

14. GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative Expenses were as follows:

(In thousands)	Year Ended September 30,		
	2017	2016	2015
Compensation and benefits	\$ 6,014	\$ 6,315	\$ 6,603
Administrative	3,210	2,985	2,790
Professional fees	1,066	1,508	1,317
Total	\$ 10,290	\$ 10,808	\$ 10,710

15. OPERATING LEASE

PEFCO has executed as lessee an operating lease for the rental of office space through fiscal 2020. Rent holidays and rent escalation clauses are recognized on a straight-line basis over the lease term. Leasehold improvements incentives are recorded as leasehold improvements and amortized over the shorter of their economic lives or the term of the lease. For the years ended September 30, 2017, 2016 and 2015, PEFCO recorded lease expense related to these agreements of \$648 thousand, \$642 thousand and \$640 thousand, respectively, which is included in the accompanying Statements of Operations in Administrative expenses.

Future minimum lease payments under the lease as of September 30, 2017 were as follows (in thousands):

2018	\$ 634
2019	634
2020	95
Total	\$ 1,363

TO THE BOARD OF DIRECTORS AND SHAREOWNERS OF PRIVATE EXPORT FUNDING CORPORATION

Private Export Funding Corporation ("PEFCO") maintains a system of internal control over financial reporting which is designed to provide reasonable assurance regarding the preparation of reliable published financial statements. The system contains self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified. Even an effective internal control system, no matter how well designed, has inherent limitations – including the possibility of the circumvention or overriding of controls – and therefore can provide only reasonable assurance with respect to financial statement preparation. Further, because of changes in conditions, internal control system effectiveness may vary over time.

PEFCO's management assessed its internal control over financial reporting as of September 30, 2017, in relation to criteria for effective internal control based on criteria

established in *Internal Control-Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this assessment, PEFCO believes that, as of September 30, 2017, its system of internal control over financial reporting was effective.



Timothy C. Dunne
PRESIDENT & CHIEF EXECUTIVE OFFICER
December 12, 2017



Michael J. McNally
SENIOR VICE PRESIDENT & CONTROLLER
December 12, 2017

PEFCO ANNUAL REPORT 2017
FIVE-YEAR FINANCIAL DATA

In thousands, except per share amounts

Year ended September 30,

Loan Commitments	2017	2016	2015	2014	2013
Commitments for year	\$ 165,000	\$ 292,000	\$ 1,995,000	\$ 1,562,000	\$ 1,927,000
Commitments, cumulative from inception	36,276,000				

Selected Assets

Cash and investment securities	\$ 1,485,908	\$ 1,494,699	\$ 1,322,373	\$ 1,900,779	\$ 1,151,099
Export loans guaranteed or insured by Ex-Im Bank	5,705,564	6,939,197	7,824,681	7,301,740	7,080,129
Loans insured by OPIC	63,301	89,587	128,841	158,484	190,302

Selected Liabilities

Short-term notes	\$ 1,818,626	\$ 2,088,674	\$ 2,179,281	\$ 2,175,814	\$ 2,191,479
Long-term Secured Notes	5,341,774	6,383,332	7,014,912	7,074,619	6,105,908

Other Financial Data

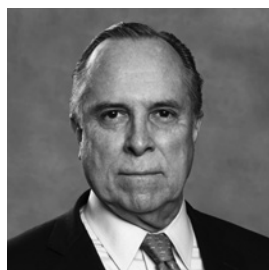
Net income (loss)	\$ (2,958)	\$ (595)	\$ 2,246	\$ 6,605	\$ 6,828
Net income (loss) per share	(166.29)	(33.46)	126.28	371.37	388.29
Dividends	-	-	213	516	516
Average shareowners' equity	142,434	147,917	147,104	143,257	133,867
Return on average shareowners' equity	(2.10%)	(0.40%)	1.53%	4.61%	5.10%

INDEPENDENT AUDIT FEES

PEFCO currently utilizes the services of Deloitte & Touche LLP for audit, other audit-related services and tax services. PEFCO's Audit Committee is responsible for the pre-approval of all audit and permitted audit-related and tax services performed by the independent auditors. The fees incurred in 2017 and 2016 were as follows:

Service	2017	2016
Audit	\$ 341,500	\$ 502,070
Substitutions of collateral	20,000	22,500
Tax	73,500	66,000
Total	\$ 435,000	\$ 590,570

Directors



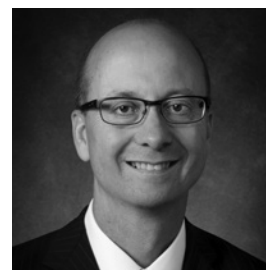
Richard S. Aldrich, Jr. ^{(1) (4)}
Executive Chairman
PEFCO



Timothy C. Dunne ^{(1) (3) (5) (6)}
*President &
Chief Executive Officer*
PEFCO



Mary K. Bush ^{(1) (3)}
Chairman
BUSH INTERNATIONAL, LLC



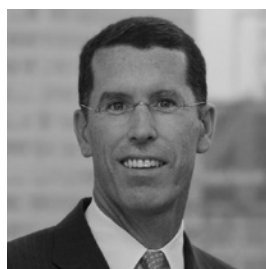
David A. Dohnalek ^{(2) (5)}
*Senior Vice President Finance &
Treasurer*
THE BOEING COMPANY



Benjamin M. Friedman ^{(1) (5)}
*William Joseph Maier Professor of
Political Economy*
HARVARD UNIVERSITY



John A. McAdams ^{(2) (3)}
Former COO
EXPORT-IMPORT BANK
OF U.S.



Andrew J. O'Brien ^{(4) (5)}
*Global Head of Loan
Capital Strategy*
J.P. MORGAN



Samir Pandiri ^{(2) (4)}
*Executive Vice President and CEO
Asset Servicing*
BNY MELLON



William R. Rhodes ^{(1) (3)}
President & CEO
WILLIAM R. RHODES GLOBAL
ADVISORS, INC.



Rita M. Rodriguez ^{(1) (2)}
Former Ex-Im Bank Director



Paul Simpson ^{(2) (5)}
*Global Banking & Markets
Operations & Regions Executive*
BANK OF AMERICA
MERRILL LYNCH



Francesco Vanni d'Archirafi ^{(3) (5)}
Chief Executive Officer
CITI HOLDINGS

⁽¹⁾ Member of the Executive Committee

⁽²⁾ Member of the Audit and Compliance Committee

⁽³⁾ Member of the Nominating & Governance Committee

⁽⁴⁾ Member of the Compensation & Management Development Committee

⁽⁵⁾ Member of the Risk Policy Committee

⁽⁶⁾ Mr. Dunne is an ex-officio member of the Audit Committee and Compensation and Management Development Committee

Officers



Richard S. Aldrich, Jr.
Executive Chairman



Timothy C. Dunne
*President &
Chief Executive Officer*



David T. Attisani
Assistant Vice President



Alexis M. Hollywood
*Assistant Vice President &
Assistant Controller*



Gordon L. Hough
Senior Vice President



Michael J. McNally
*Senior Vice President &
Controller*



Ann Marie Milano
Vice President & Secretary



Rajgopalan Nandkumar
Senior Vice President & Treasurer



Francoise M. Renieris
Assistant Vice President



Melinda A. Scott
Assistant Vice President

The Advisory Board provides feedback to Management on loan policy, lending rate policy, scope of activities, relationships with borrowers, commercial banks, other co-lenders, Ex-Im Bank and on such other matters as

Management may request. Their guidance and strong support contribute greatly to the success of PEFCO and are highly appreciated. We are also appreciative of the active participation of Ex-Im Bank.

Advisory Board

Jeff Cain

Managing Director
Siemens Financial Services

Carla Campos

Director
HSBC Securities (USA), Inc.

Valerie Colville

Principal
CC Solutions

Piers Constable

Director
Deutsche Bank AG

Raj Daryanani

Director
BNP Paribas

Louis Douady

Managing Director
Natixis

Bruce Drossman

Senior Vice President
General Electric

Valentino Gallo

Managing Director
Citicorp Global Markets

Patrick Gang

Executive Director
JP Morgan Chase Bank

Tim Gaul

International Export Finance
Manager
Caterpillar Financial

Terina Golfinos

Managing Director
ING Capital LLC

Kristi Kim

Senior Director
Boeing Capital Corporation

John King

Senior Vice President
Textron Financial

Phillips Lee

Managing Director
Societe General

Tom McCaffrey

Managing Director
Wells Fargo Bank

John Neblo

Head of Export Finance
Investec USA Holdings

Jeffrey Windland

Vice President & Asst. Treasurer
Orbital Science Corp.

PEFCO's stock is owned by 26 commercial banks, one financial services company, and six industrial companies. In the case of the commercial banks, the shares are owned directly or through an affiliate. Ownership and transferability of the common stock of PEFCO are restricted to "Qualified Investors". As defined in the

By-laws, a "Qualified Investor" is a financial institution or a corporation engaged in producing or exporting United States products or services. Under PEFCO's By-laws, no shareowner may own more than 18% of the outstanding shares. The following is a list of shareowners as of September 30, 2017:

Commercial Banks	Number of Shares	Financial Services Companies	Number of Shares
Bank of America	1,924	Assured Guaranty Corp.	212
The Bank of Miami, N.A.	280		
The Bank of New York Mellon	702	Industrial Companies	Number of Shares
Bank of the West	79	ABB, Inc.	80
Brown Brothers Harriman & Co.	38	The Boeing Company	1,425
Citibank, N.A.	1,507	General Electric Company	567
Citizens Financial Group, Inc.	1,549	KBR, Inc.	113
Deutsche Bank	1,066	Textron Inc.	40
HSBC USA Inc.	441	United Technologies Corporation	200
ING Capital LLC	267	Total	17,786
Investec Investments Ltd.	108		
JPMorgan Chase & Co.	2,937		
Key Bank	165		
MUFG Union Bank N.A.	93		
Natixis	738		
Paribas North America, Inc.	367		
PNC Bank Corp.	503		
Regions Bank	20		
Silicon Valley Bancshares	42		
Société Générale	100		
Standard Chartered Bank	300		
Sterling National Bank & Trust Company	39		
UBS AG	137		
UPS Capital Business Credit	431		
U.S. Bank N.A.	500		
Wells Fargo & Company	816		

Private Export Funding Corporation

280 Park Avenue, New York, NY 10017
Telephone: (212) 916-0300
Facsimile: (212) 286-0304

Internet

www.pefco.com

Common Stock

PEFCO is its own transfer agent and registrar for its common stock, and accordingly, all transfers of stock must be coordinated through PEFCO.

For inquiries, contact:

Ann Marie Milano, Vice President & Secretary

Financial Information About PEFCO, Contact:

Michael J. McNally
Senior Vice President & Controller

Long-term Secured Notes

The Bank of New York Mellon is trustee, registrar, transfer agent and paying agent for all outstanding issues of PEFCO's Secured Notes.

Short-term Notes

Bank of America, National Association, is the issuing and paying agent for PEFCO's commercial paper.

For inquiries regarding Long-term and Short-term Notes, Contact:

Raj Nandkumar
Senior Vice President & Treasurer

For Specific Inquiries Concerning PEFCO's Lending Programs, Contact:

Gordon L. Hough
Senior Vice President

Melinda A. Scott
Assistant Vice President

Independent Auditors

Deloitte & Touche LLP
30 Rockefeller Plaza
New York, NY 10112

Legal Counsel

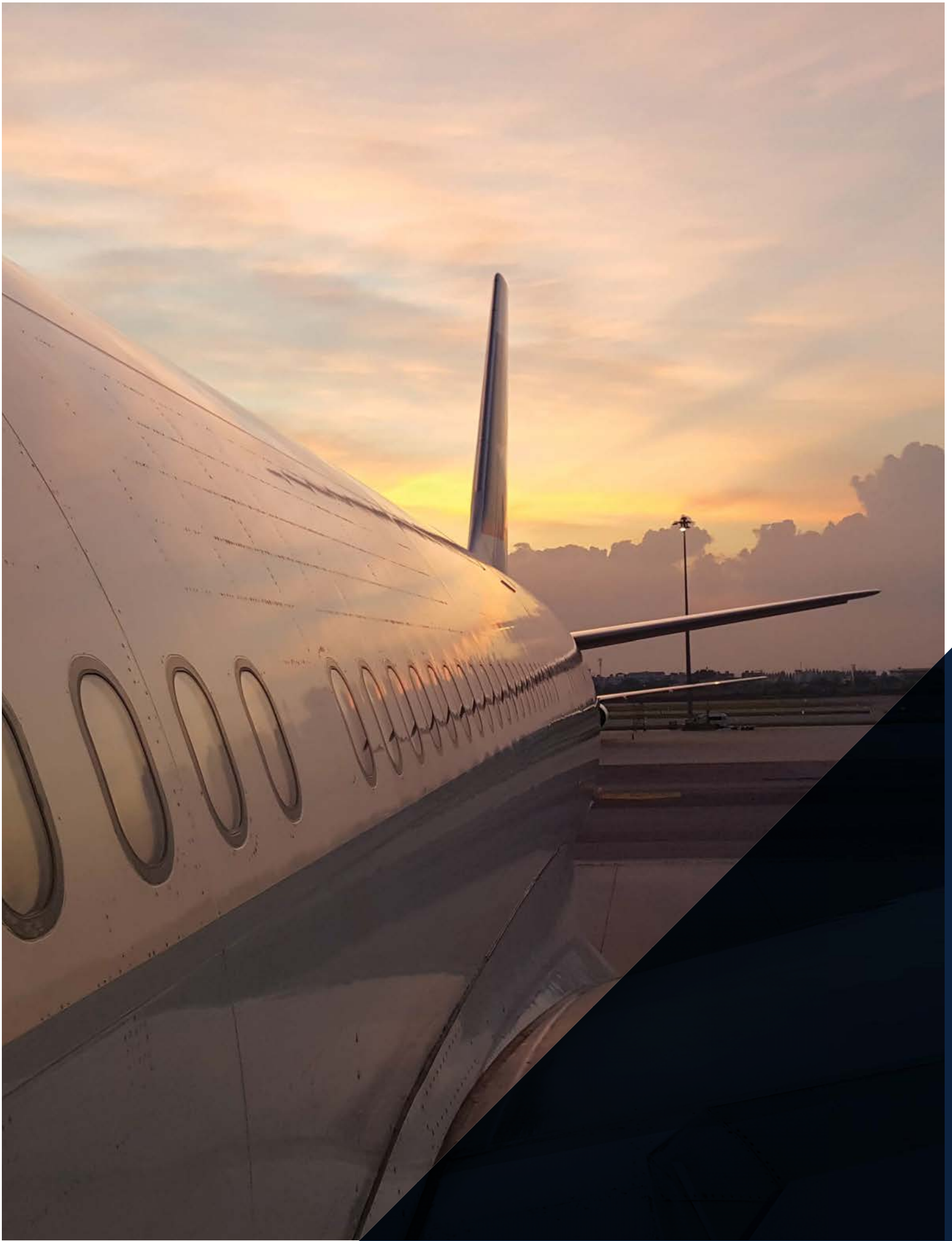
Shearman & Sterling LLP
599 Lexington Avenue
New York, NY 10022

Annual Meeting

4:30 p.m., Thursday, December 7, 2017
280 Park Avenue, 4th Floor
New York, NY 10017

To Contact Any of the Board of Directors Please Mail Correspondence to:

PEFCO
Attention (Board Member)
Office of the Secretary
280 Park Avenue, 4th Floor
New York, NY 10017

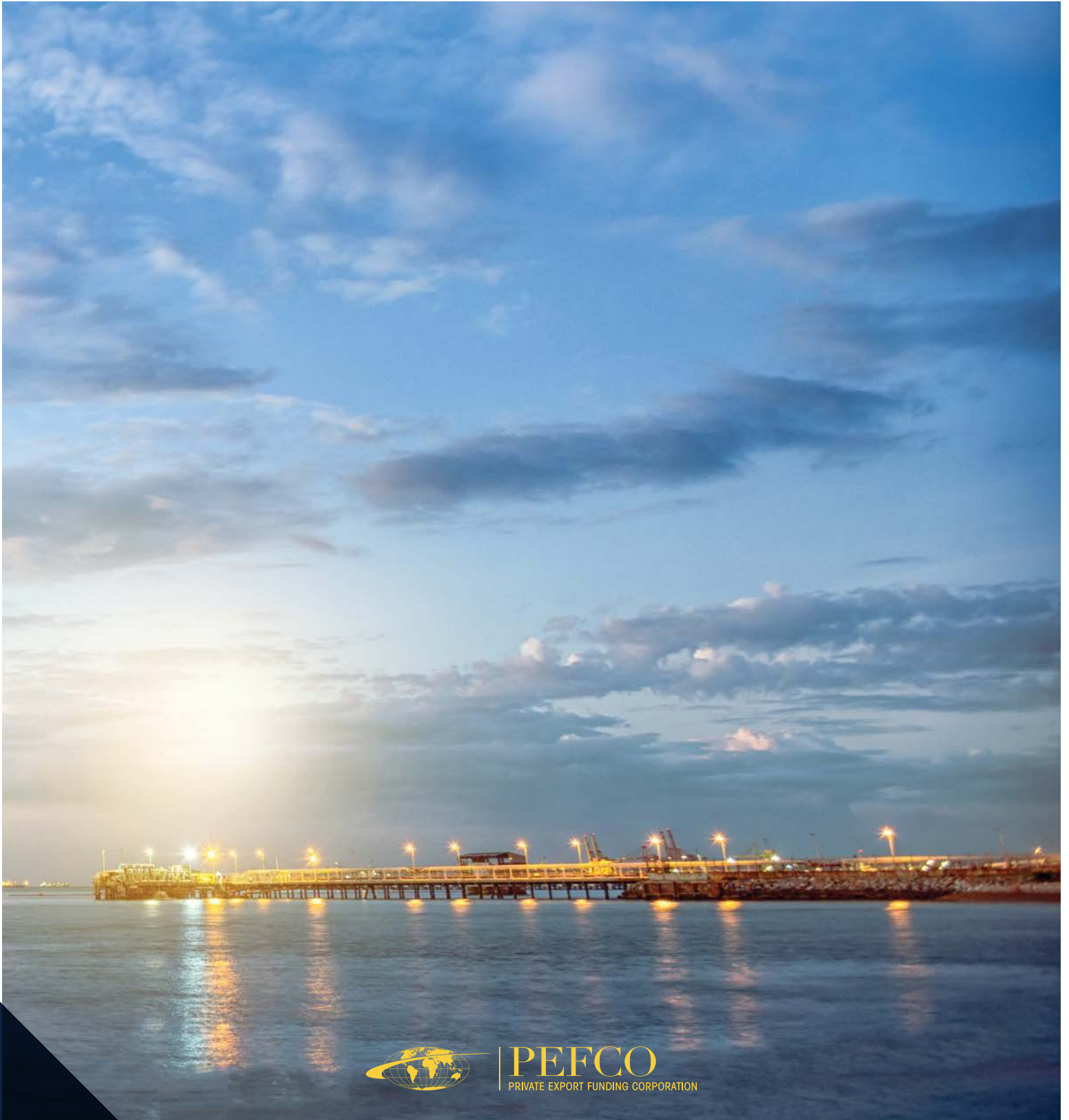


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ANNUAL REPORT 2017

280 PARK AVENUE, NEW YORK, NY 10017

WWW.PEFCO.COM



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PRIVATE EXPORT FUNDING CORPORATION