



PEFCO

PRIVATE EXPORT FUNDING CORPORATION

PRIVATE EXPORT FUNDING CORPORATION
FINANCING EXPORTS OF U.S. GOODS AND SERVICES

2021 ANNUAL REPORT

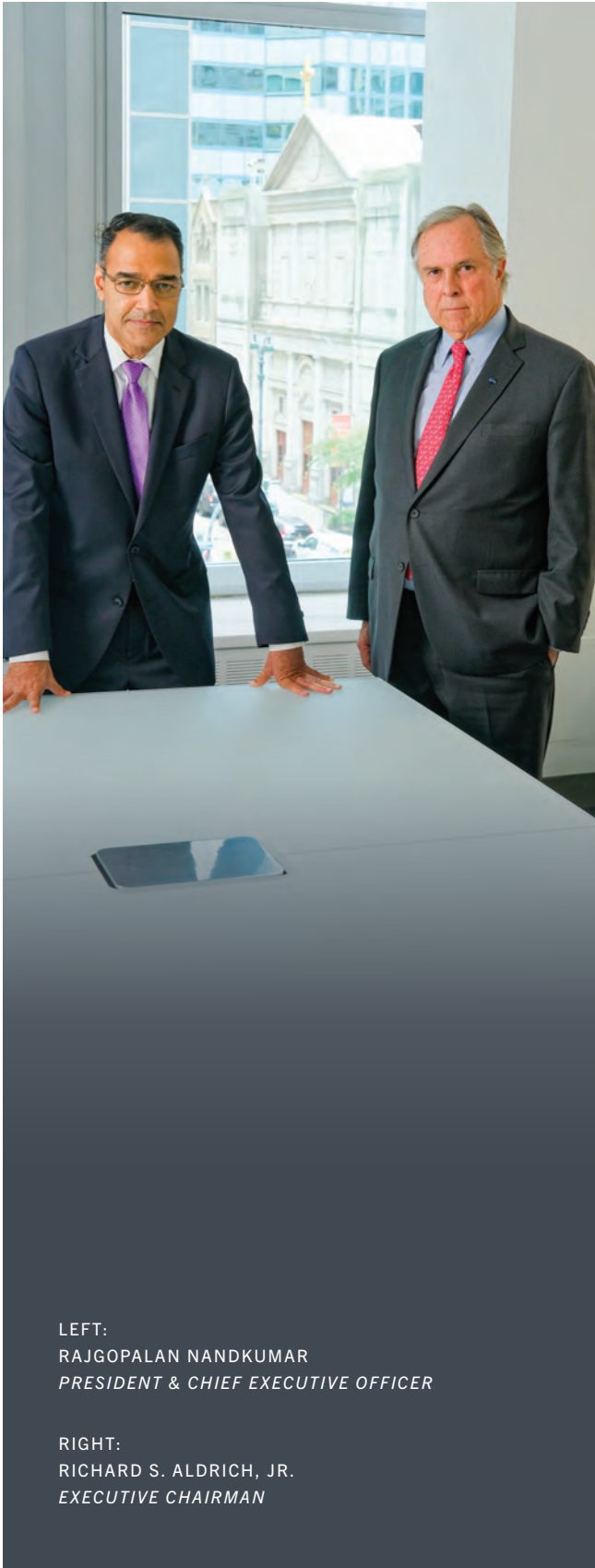


HERITAGE OF SUCCESS

Supporting American Exports

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LEFT:
RAJGOPALAN NANDKUMAR
PRESIDENT & CHIEF EXECUTIVE OFFICER

RIGHT:
RICHARD S. ALDRICH, JR.
EXECUTIVE CHAIRMAN

TO OUR SHAREOWNERS:

All of us at PEFCO hope you and your families are well as we all deal with the continuing impact of the COVID-19 pandemic.

Fiscal 2021 was a challenging year for PEFCO. The company experienced a loss of nearly \$21 million, or net loss per share of \$1,179.86, the largest in its history. At the same time, there is much cause for optimism.

Financial performance during the year was primarily attributable to EXIM's slow pipeline rebuild in the long-term product area – and our predominant focus on this area – as it continues to recover from its own challenges. In addition, the continued decline in our loan portfolio due to scheduled loan amortizations and prepayments, funded when interest rates were much higher, had a significant impact on financial performance.

We have traditionally – since 1975 – issued long-term debt with bullet maturities to generate liquidity in the loans. A requirement is that the excess cash remain in the debt programs and not be repatriated, so when the loans were paid down, we were forced to invest the excess cash in low-yielding treasury securities and other investments. Next year, however, three of these debt issuances totaling \$1.2 billion will mature, saving over \$31,000 per day in net income.

There have been several major positive developments this year that we expect to bear fruit down the line. Despite a relatively weak pipeline at EXIM, we funded approximately \$1.3 billion in loans through a combination of new originations and secondary market acquisitions, the most total loans since fiscal 2015. In December 2020, we funded our first supply-chain transaction with an exclusive guarantee from EXIM. With the COVID-19 pandemic continuing to cause major supply chain disruptions, and with our special guarantee from EXIM, we look forward to funding more supply chain loans in fiscal 2022.

In August 2021, we held a fixed rate over the life of the transaction for the first project loan with protracted disbursement periods versus the EXIM direct loan rate. With this capability, we hope to fund many more project transactions guaranteed by EXIM (as an alternative to EXIM direct loans).

Additionally, we focused on expanding beyond our traditional long- and medium-term EXIM-guaranteed loan programs. We are developing the capability to fund foreign currency denominated loans guaranteed by EXIM. We have also begun working on expanding our funding to other U.S. Government agencies and establishing or re-establishing relationships with the Development Finance Corporation (formerly OPIC), the Department of Energy, and the U.S. Department of Agriculture. At the same time, we will continue our commitment to our principal mission of supporting EXIM at every opportunity.

In late September 2021, the Board elected Raj Nandkumar to be President and CEO, and Tim Dunne to be Senior Vice Chairman of PEFCO. Raj has served as Treasurer for the last six years. We express our sincere gratitude to Tim for his many years of service to PEFCO and we look forward to working with Tim in his new capacity.

We are very grateful to the engagement and support of the PEFCO Board this year. The Board provided strategic guidance and important feedback in management's efforts to rebuild our balance sheet. In September, Diane Reyes announced her departure from the Board. We are grateful for Diane's service and guidance as a Board member. She will be missed.

We want to thank the dedicated EXIM management and staff who have provided continuous support and assistance in multiple ways, helping to further our close partnership with EXIM.

We sincerely thank the PEFCO staff for their dedication and support in 2021. We recognize that it is only due to their resourcefulness that the caliber of our output remains outstanding, while our expenses have never been leaner. We are fortunate to be surrounded and supported by such capable people, who, despite the continued "work from home" environment and the challenging financials, still make it a pleasure to be associated with PEFCO.

In 2021, we engaged in internal and external changes and began to lay the groundwork for long-term success by expanding into new product areas at EXIM and with other U.S. Government agencies. And we do not intend to stop there. We continue to review PEFCO's value proposition and have embarked on efforts to seek additional ongoing ways to add value to EXIM and our shareowners. While these efforts may take time to develop, we are focused on augmenting our capabilities to have multiple tools in our toolbox.

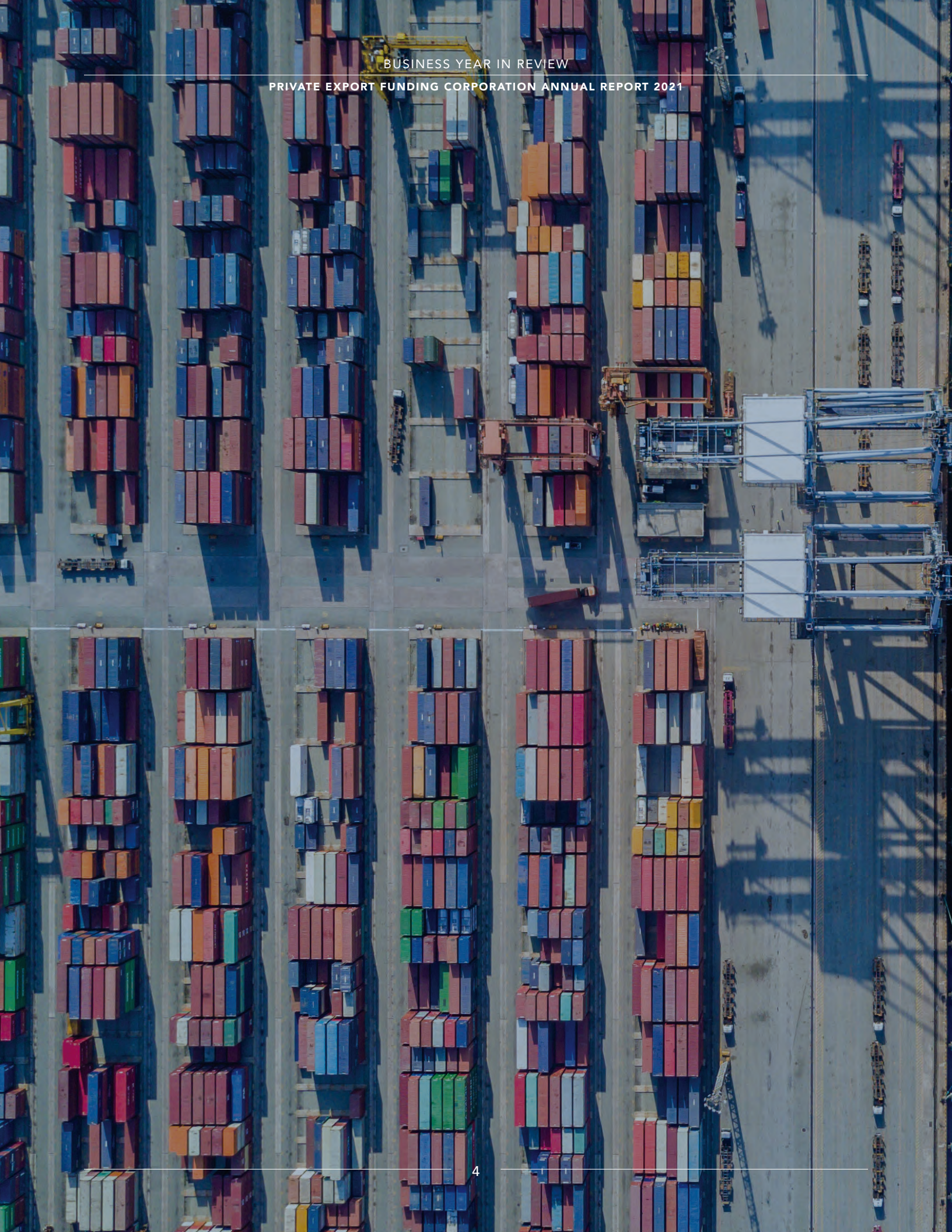
We wish everyone a safe and healthy 2022, as we look to the future with optimism.



Raj Nandkumar
President & Chief Executive Officer



Richard S. Aldrich, Jr.
Executive Chairman





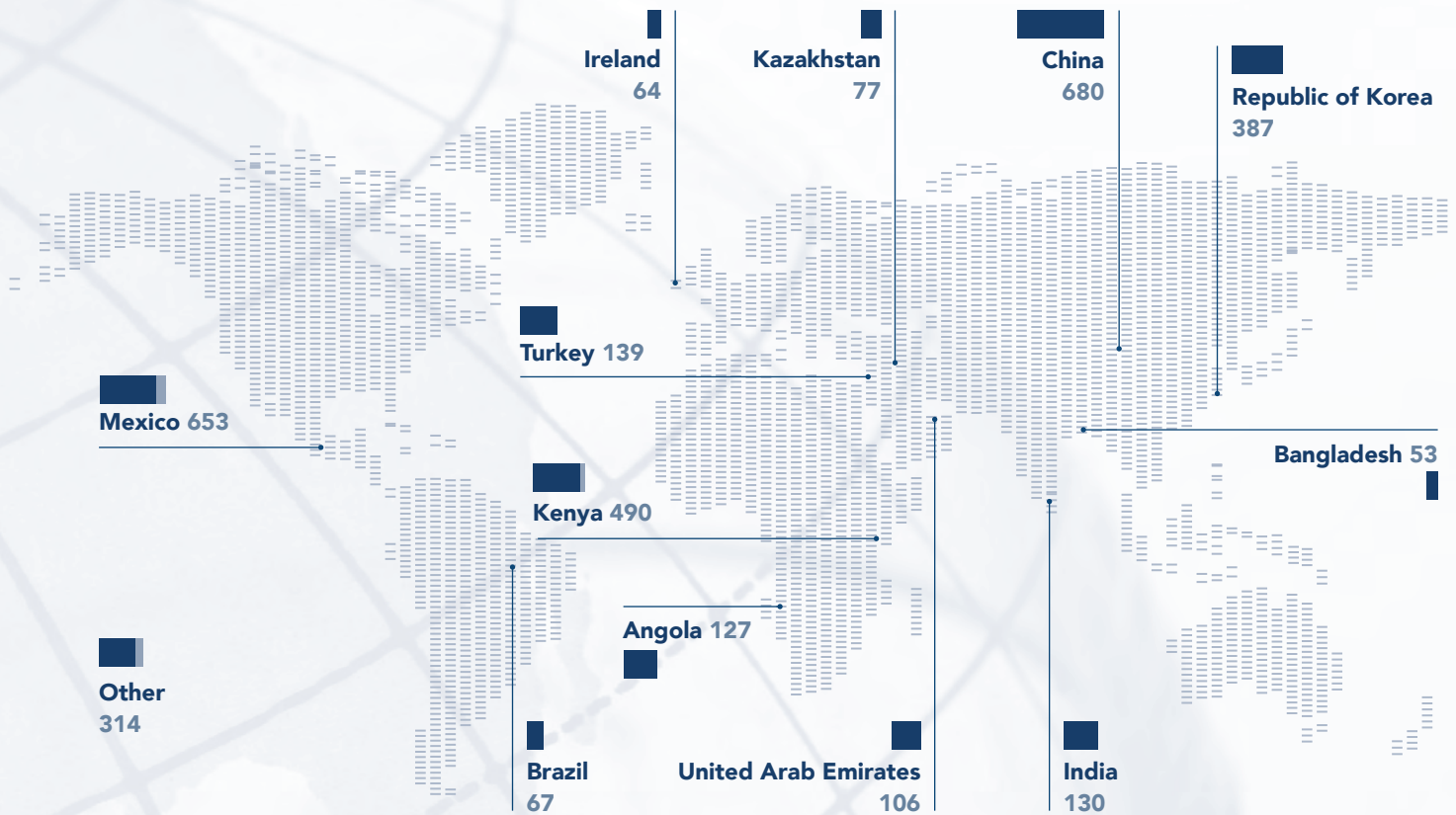
COMMITTED TO GROWING OPPORTUNITIES FOR AMERICA'S EXPORT BUSINESSES

**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.**

PRIVATE EXPORT FUNDING CORPORATION'S ("PEFCO") PROGRAMS HAVE ENABLED THE WORLD-WIDE EXPORT OF VARIOUS U.S. PRODUCTS. OUTSTANDING EXPORT LOANS GUARANTEED OR INSURED BY EXIM AND DFC AS OF SEPTEMBER 30, 2021:

OUTSTANDING LOANS BY COUNTRY WERE:

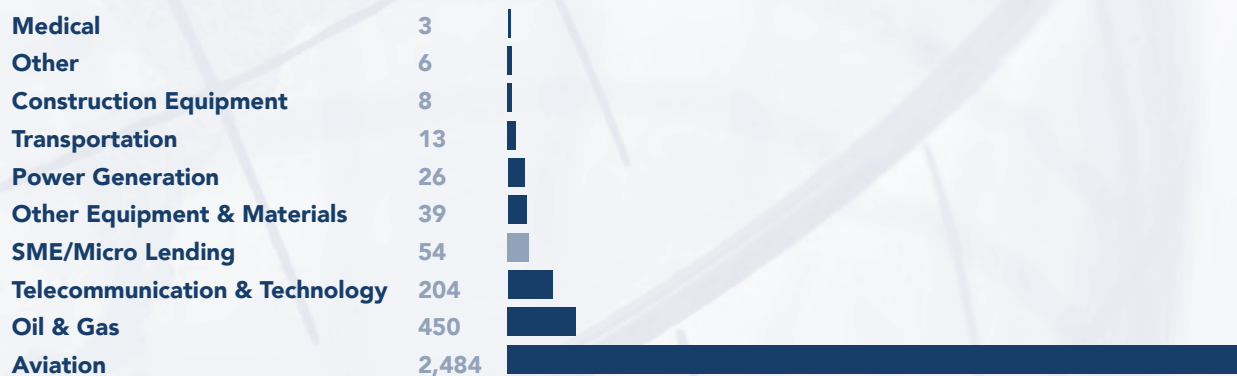
(DOLLARS IN MILLIONS)



TOTAL \$3,287 ■ EXIM ■ DFC

OUTSTANDING LOANS BY PRODUCT WERE:

(DOLLARS IN MILLIONS)



**PEFCO'S NEW LOAN COMMITMENTS WERE \$1,402 MILLION IN 2021,
COMPARED TO NEW LOAN COMMITMENTS OF \$207 MILLION IN 2020.**

LENDING

Private Export Funding Corporation's ("PEFCO") new loan commitments were \$1,402 million in 2021, compared to new loan commitments of \$207 million in 2020. New commitments in Medium – term Loan Programs were \$146 million in 2021 and \$88 million in 2020. New commitments in the Long-term Loan Programs were \$1,211 million versus \$119 million for the prior year. Commitments for the new Supply Chain Finance Guarantee Program were \$45 million in 2021 versus none for the prior year.

EARNINGS

PEFCO's net loss in 2021 was \$21.0 million compared to net loss of \$9.8 million in 2020. Net Financing Expense in 2021 was \$17.1 million compared to Net Financing Expense of \$4.0 million in 2020. The average financing revenue interest rate decreased by 1.21% and the average financing expense interest rate decreased by 1.04%.

FUNDING

During 2021, PEFCO issued \$350 million of Secured Notes under a \$2.0 billion issuance limit as approved by EXIM and the Board of Directors. PEFCO issued \$600 million of Medium-term Notes. The limit on the total amount of Medium-term Notes outstanding is \$2.5 billion, less the amount of commercial paper outstanding, as approved by PEFCO's Board of Directors. Issuances are detailed in the table below.

DIVIDEND

PEFCO did not declare a dividend for the fiscal year ending September 30, 2021.

Program	Series	Amounts (in millions)	Lead Underwriter(s)
Secured Notes	PP	\$ 350	HSBC/KeyBanc Capital Markets
Medium-term Notes	2021-1	300	Brean Capital, LLC
Medium-term Notes	2021-2	300	BofA Securities, Inc.
		\$ 950	

No. of Loan Commitments	Products	Amounts (in millions)
1	Telecom/Technology	\$ 74
1	Other	4
1	Environmental	2
1	Transportation	1
2	Power Generation	15
3	Oil & Gas	448
3	Construction Equipment	6
6	SME/Micro Lending	57
11	Other Equipment & Materials	36
25	Aviation	760
54		\$ 1,402



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 ("EXIM") to assist in the financing of U.S. exports through the mobilization of private capital as a supplement to the financing already available through EXIM, commercial banks and other lending institutions. EXIM has cooperated in the operation of PEFCO through various agreements described under "EXIM" (below) 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 EXIM or other U.S. government institutions, such as the U.S. International Development Finance Corporation ("DFC"), 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 EXIM's comprehensive long-term guarantee to PEFCO (see "EXIM"). PEFCO Direct Loans are available for transactions which have an EXIM guaranteed value of \$25 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 EXIM guaranteed loans. EXIM also allows PEFCO to offer Direct Loans with floating-rate coupons to borrowers in cases where the transaction meets the policy criteria of either (a) for borrowers located in Sub-Sahara Africa, (b) transactions in support of environmentally beneficial exports, or (c) transactions in support of small business exporters located in the U.S.

Long-term Commitments	
2021	\$ 1,211 million
2020	\$ 119 million
2019	\$ 719 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 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. PEFCO can price the fixed-rate coupon either at the time of the first disbursement or up to one year following the date of the last disbursement. 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.

PEFCO does not market or solicit exports or borrowers directly.

Secondary Loan Program

The purpose of the Secondary Loan Program is to provide liquidity to lenders participating in the EXIM guaranteed loan market. PEFCO will support lenders making long-term EXIM 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 may obtain commitments from PEFCO to purchase long-term guaranteed loans with fixed-rate coupons at any time after the first disbursement. In addition, PEFCO purchases disbursed long-term guaranteed loans with floating-rate coupons from a lender, either for a period of up to one year after the first disbursement (under the "Early Purchase Long-term Credits" program), or after the loan facility is held on the books of the lender for one year (under the Secondary Market Long-term Loan Purchase Program as discussed in the next paragraph).

PEFCO developed with EXIM the Secondary Market Long-term Loan Purchase Program ("LPP") to facilitate the development of an active secondary market in long-term EXIM guaranteed loans. To be eligible for the purchase under the LPP, 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 EXIM guaranteed loans, and will continue to generate such loans for their own account. PEFCO allocates up to \$250 million of lending capacity per quarter and an 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 Guarantee Programs

These programs are a dependable source of liquidity for lenders using EXIM Medium-term Guarantee Programs. The lender is always our customer; PEFCO does not solicit exporters or borrowers directly.

Medium-term Commitments

2021	\$ 146 million
2020	\$ 88 million
2019	\$ 123 million

The loans must be guaranteed against non-payment by EXIM. PEFCO will only purchase the amount covered by the EXIM 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 EXIM guarantee programs. Loan amount, exporter size, borrower's country, and the underlying item financed are not factors in PEFCO's decision to purchase. All loans are purchased by PEFCO on a non-recourse basis. While defaulted loans must and will be assigned to EXIM 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 lending capacity for borrowers, and reduced loan portfolio size while maintaining its lending relationship with the borrower.

PEFCO offers the following medium-term secondary market facilities.

Guaranteed Note Facility: PEFCO purchases medium-term loans guaranteed against non-payment under an EXIM 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. PEFCO will pay the discounted interest to the lender after PEFCO's final purchase under the facility.

Guaranteed Lease Facility: PEFCO purchases medium-term leases guaranteed against non-payment under an EXIM 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 EXIM.
- PEFCO will purchase single notes or portfolios, new notes or partially repaid notes, single-disbursement or multiple disbursement notes, and financial leases.
- Except for the Discount Facility, the lender may retain responsibility for servicing the loan and maintaining the EXIM guarantee or policy. PEFCO holds the original note.
- For the Discount Facility, PEFCO always assumes responsibility for collecting payments and maintaining the EXIM guarantee. PEFCO holds the original note.

Supply Chain Finance Guarantee Program

In fiscal year 2021, PEFCO initiated support for Supply Chain Finance Guarantee Facilities through a coordinated effort with EXIM. In these transactions, PEFCO acts in the capacity as a participant while the originating lender remains in the transaction and retains the lender and servicing role for the facility. The lender originates loan tranches under the facility, and sells some or all of the economics in these loan tranches to PEFCO in the form of a matching loan participation through a participation agreement. In this way, PEFCO funding supplements the capacity of the lender, which maintains its relationship with the borrower.

To facilitate PEFCO funding in these transactions, EXIM developed a new enhanced guarantee covering certain contingencies, thereby providing the opportunity for PEFCO to engage with lenders in supporting this important market.



IN FISCAL YEAR 2021, PEFCO
INITIATED SUPPORT FOR
SUPPLY CHAIN FINANCE
GUARANTEE FACILITIES
THROUGH A COORDINATED
EFFORT WITH EXIM.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OPERATIONS

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 EXIM, commercial banks and other lending institutions. PEFCO accomplishes this objective primarily by financing medium- and long-term loans to foreign buyers of U.S. goods and services which are guaranteed or insured as to the timely payment of principal and interest by EXIM, or by other U.S. governmental institutions whose obligations are backed by the full faith and credit of the U.S. Government, or by purchasing from commercial banks and other lenders participating interests in such obligations. PEFCO finances its origination or purchase of loans 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 EXIM. In addition, PEFCO purchases loans backed by the full faith and credit of the U.S. Government which are originated by banks and trade finance companies.

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

PEFCO business activities during fiscal year 2021 are covered in the following sections, along with market trends and an explanation of the PEFCO business model. Developments at EXIM are also covered. A promising development at PEFCO is the significant increase in loan commitments during fiscal year 2021, with loan fundings occurring primarily in the second half of the year – a welcome change from the trend of recent years.

The on-going prevalence of the COVID-19 Pandemic is a serious public health emergency that weighs on the economy. Since the emergence of the COVID-19 Pandemic, the Company has not been materially impacted by the COVID-19 Pandemic. The Company has continued to execute on its business plans in generally the same manner while splitting time between utilizing the offices and working remotely. PEFCO Management is closely monitoring the evolving developments concerning the Pandemic. If the COVID-19 Pandemic worsens and impacts the market for guaranteed export funding, it could materially affect the Company's financial and operational results. Additionally, as a result of the COVID-19 Pandemic, PEFCO may experience delays in collecting loan payments on time from its borrowers and will work closely with them and EXIM, or other guarantor, in these situations to ensure that the amounts due to PEFCO are paid in full.

IMPACT OF EXIM RECENT DEVELOPMENTS

As with some other Federal agencies, EXIM operates under the authority of a Charter mandated through legislation passed by Congress and signed into law. The EXIM Charter is authorized for a specific term, subject to a Sunset Date, and extended periodically through new legislation. A failure by Congress to pass an extension of the Sunset Date in a timely manner risks allowing the Charter to expire, and the authorities specified in the Charter to lapse.

In fact, Congressional inaction on passing legislation in a timely manner led to such a lapse in authorities on June 30, 2015. During the period of the lapse in authorities, EXIM's Board of Directors and employees were prohibited from approving any new authorizations, engaging in new business development or other prohibited activities. EXIM continued to monitor and manage its existing credit portfolio of direct loans, loan guarantees, and insurance, and met its continuing legal obligations under its Charter.

During the Fall of 2015, Congress passed legislation reauthorizing the Charter. On December 4, 2015, the White House signed into law the Export-Import Bank Reform and Reauthorization Act of 2015 reauthorizing

the EXIM Charter with a new sunset date of September 30, 2019, thereby reviving the statutory authorities mandated in the Charter legislation.

During the period of a lapse in the Charter in fiscal year 2015, the terms of two directors on the EXIM Board expired. Combined with one vacancy already unfilled at that time, the expiring terms left the EXIM Board one short of the required three voting members present to establish a quorum. The Senate deferred a confirmation vote on nominees to the EXIM Board for an extended period, until the confirmation of three nominees was completed four years later in May 2019. During the intervening years, the lack of a voting quorum at the EXIM Board level prevented all actions requiring Board authorization, including approval of loan facilities and policy matters, including matters related to PEFCO. Under policies already approved, delegated authority to EXIM staff limited approvals of new loan facilities to amounts up to \$10 million and loan tenors up to seven years. Proposals for loan facilities with larger amounts and longer tenors were stalled, forcing borrowers to seek cover from other export credit agencies, find alternative funding arrangements if possible, or abandon plans altogether. As a result, the number of new loan facilities approved, and the total authorized amount of loan commitments declined significantly. PEFCO lending opportunities were limited to purchasing existing long-term guaranteed loan facilities from other lenders, and new medium-term loan facilities approved by EXIM under delegated authority.

Following the Senate confirmation vote in 2019, EXIM Board moved to revive operational resources, address open policy issues mandated by the Charter (including an increase in delegated authority to \$25 million), and consider other matters requiring Board approval, including matters relating to PEFCO. In December 2019, the House and Senate passed a seven year extension of the EXIM Charter with a new Sunset Date of December 31, 2026, and new sections covering a focus on competitive issues regarding China and a new focus on transformation exports, as well as increased support for small business exporters amongst other modifications. Notably, the legislation established procedures for forming a temporary EXIM Board

with voting authority during times when there is an insufficient number of confirmed EXIM Board directors. This important change is intended to avoid the situation that existed between 2015 and 2019 when the EXIM Board did not have the required three voting members to establish a voting quorum.

EXIM responded to the outbreak of the COVID-19 Pandemic in March 2020 with changes in existing loan programs and two new initiatives. Changes made to the Working Capital Guarantee Program and the Supply Chain Finance Guarantee Program introduce greater flexibility and increased guarantee coverage to improve these programs in addressing liquidity pressures. The Bridge Financing Program is a new initiative to provide borrowers to benefit from guaranteed financing for short periods until commercial financing is available, with the option to extend the facility term. The Pre-Delivery / Pre-Export Financing Program covers guaranteed financing on progress payments of large capital goods in cases where such short term bridge financing is unavailable due to market liquidity issues.

The Guarantee and Credit Agreement establishes a legal framework in support of the relationship between EXIM and PEFCO. This Agreement was signed on February 1, 1971, amended on March 26, 1971, featured a 24-year term expiring in 1995. EXIM and PEFCO signed a second amendment extending the Guarantee and Credit Agreement to December 31, 2020.

During fiscal year 2020, EXIM initiated a review of the EXIM / PEFCO public private partnership embodied in the Guarantee and Credit Agreement. The review evaluated all aspects of the relationship, and provided opportunities for various constituencies and the public to comment on the public private partnership and renewal of the Agreement. Upon completion of the review process, EXIM and PEFCO moved forward with a formal amendment to the Guarantee and Credit Agreement. On September 8, 2020, the EXIM Board approved the amendment to the Guarantee and Credit Agreement expiring on December 31, 2045. In addition to this important amendment, the EXIM Board approved a new version of the PEFCO Standard Operating Procedures, the annual Secured Note Issuer

Limit, and an approval for a new EXIM enhanced guarantee designed to facilitate PEFCO financing of loan facilities under the Supply Chain Finance Guarantee Program in support of U.S. exporters.

The transition to the new Administration in January 2021 brought new changes to EXIM. The terms of EXIM Chairman Kimberly Reed expired at the end of the prior Administration. The term of Director Judith Pryor was extended for six months, and James Cruse was appointed Acting First Vice President and Vice Chairman. In July 2021, James Burrows was appointed Acting President and Chair following the expiration of Judith Pryor's term.

The Administration has nominated Reta Jo Lewis to become President & Chairman, Judith Pryor to First Vice President & Vice Chairman, and Owen Herrnstadt as Director. These nominees are presently awaiting a Senate confirmation vote. While these nominees are pending before the Senate, the acting terms of James Burrows and James Cruse will continue until the confirmations of Reta Jo Lewis and Judith Pryor. Together with Director Spencer Bachus III whose term extends to 2023, these actions served to maintain the required voting quorum at the Board.

EXIM, in working with the external members of the EXIM Advisory Committee, addressed the policy focus in the Charter on China Competition and transformation exports. In addition, the new Administration added a heightened focus on climate change as a policy objective. In 2020, EXIM established the EXIM Chair's Council on China Competition, with a focus on improving U.S. innovation and employment competitive export finance policies. In 2021, EXIM established the EXIM Chair's Council on Climate with an emphasis on supporting U.S. exporters and jobs in clean energy and support environmentally beneficial exports as mandated in the Charter.

HISTORICAL FINANCIAL INFORMATION AND OTHER DATA

The following tables summarize PEFCO's historical financial information for the periods and as of the dates indicated. The historical financial information for

the years ended September 30, 2021, 2020, and 2019 is derived from, and should be read in conjunction with, PEFCO's audited financial statements and notes included elsewhere in this report.

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

(In thousands)	2021			2020			2019		
	Average Balance	Average Rate	Interest	Average Balance	Average Rate	Interest	Average Balance	Average Rate	Interest
Financing Revenue									
<i>Interest Revenue</i>									
<i>Export loans guaranteed or insured by EXIM:</i>									
<i>Primary Long-term Loan Program</i>									
Fixed-rate	\$ 1,157,192	0.63%	\$ 7,326	\$ 1,595,814	1.87%	\$ 29,809	\$ 2,335,132	3.05%	\$ 71,223
Floating-rate	142,582	0.64%	912	19,558	2.34%	457	45,003	3.19%	1,434
<i>Secondary Long-term Loan Program</i>									
Fixed-rate	127,873	3.03%	3,880	191,457	3.09%	5,915	309,554	3.47%	10,740
Floating-rate	1,335,674	0.64%	8,543	1,542,475	1.97%	30,384	1,507,128	3.08%	46,452
<i>Short & Medium-term Programs</i>									
Medium-term	139,894	1.64%	2,298	111,323	2.53%	2,820	106,304	3.31%	3,520
Working Capital & Short-term Insurance	655	1.68%	11	763	2.49%	19	876	3.88%	34
Supply Chain Finance	19,638	0.57%	111	-	-	-	-	-	-
<i>Loans guaranteed by DFC:</i>									
Long-term	-	-	-	-	-	-	-	-	-
Medium-term	61,895	1.47%	909	48,769	2.20%	1,072	54,233	3.47%	1,882
<i>Loans</i>	2,985,403	0.80%	23,990	3,510,159	2.01%	70,476	4,358,230	3.10%	135,285
<i>Investment securities</i>	1,572,471	0.14%	2,227	1,492,751	1.27%	18,980	1,333,078	2.18%	29,101
<i>Cash equivalents, restricted cash equivalents & Time deposits</i>	557,319	0.08%	466	250,640	0.49%	1,219	134,993	2.44%	3,299
Total	\$ 5,115,193	0.52%	\$ 26,683	\$ 5,253,550	1.73%	\$ 90,675	\$ 5,826,301	2.88%	\$ 167,685
<i>Commitment and prepayment fees</i>			1,023			4,048			4,870
Total Financing Revenue			\$ 27,706			\$ 94,723			\$ 172,555
Financing Expense									
<i>Interest Expense</i>									
<i>Long-term Notes</i>	\$ 3,187,254	0.93%	29,611	\$ 3,553,683	1.97%	\$ 70,091	\$ 4,113,071	3.14%	\$ 129,101
<i>Medium-term Notes</i>	1,120,206	0.93%	10,453	898,939	1.78%	15,957	871,077	2.70%	23,552
<i>Short-term Notes</i>	652,688	0.14%	913	635,388	1.45%	9,244	721,239	2.46%	17,764
Total	\$ 4,960,148	0.83%	\$ 40,977	\$ 5,088,010	1.87%	\$ 95,292	\$ 5,705,387	2.99%	\$ 170,417
<i>Commitment and other fees</i>			3,789			3,431			3,121
Total Financing Expense			\$ 44,766			\$ 98,723			\$ 173,538
Net Financing Expense			\$ (17,060)			\$ (4,000)			\$ (983)

Three-Year Financial Data

(In thousands, except per share amounts)

Year ended September 30,

Loan Commitments	2021	2020	2019
Commitments for year	\$ 1,402,000	\$ 207,000	\$ 842,000
Commitments, cumulative from inception	39,106,000		

Selected Assets

Cash, cash equivalents, restricted cash, restricted cash equivalents, time deposits, and investment securities	\$ 2,075,775	\$ 1,663,012	\$ 1,424,563
Export loans guaranteed or insured by EXIM	3,266,600	3,043,419	3,799,420
Other guaranteed loans	54,155	43,857	53,058

Selected Liabilities

Short-term notes	\$ 554,888	\$ 490,027	\$ 640,922
Long-term debt	4,786,256	4,219,254	4,564,264

Other Financial Data

Net loss	\$ (20,985)	\$ (9,767)	\$ (8,456)
Net loss per share	(1,179.86)	(549.20)	(475.41)
Dividends	–	–	–
Average shareowners' equity	103,973	122,233	127,030
Return on average shareowners' equity	(20.20%)	(8.00%)	(6.70%)

2021 COMPARED TO 2020

PEFCO's Net Loss for 2021 was \$21.0 million compared to a Net Loss of \$9.8 million in 2020. The increase in the reported Net Loss was primarily the result of a \$13.1 million increase in Net Financing Expense, partially offset by a \$1.5 million tax gain. Total Financing Revenue decreased by \$67.0 million, while the decrease in Total Financing Expense amounted to \$53.9 million, resulting in the decline in Net Financing Expense. PEFCO maintained a provision for loan losses of \$497 thousand in 2021 and 2020. General and Administrative Expenses were lower in 2021 vs. 2020 by about \$0.3 million to \$9.8 million. Changes primarily related to \$0.1 million in lower Compensation and Benefits and \$0.3 million in lower Administrative Expenses, offset by \$0.1 million in higher Professional Fees.

Total Financing Revenue

Total Financing Revenue is composed of interest income on loans, investment securities available for sale, cash equivalents, restricted cash equivalents, and time deposits 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 2021, Total Financing Revenue decreased by \$67.0 million to \$27.7 million from \$94.7 million in 2020. The primary reason for the decrease in Total Financing Revenue was attributable to a decrease in portfolio size and yield. Average loan volume decreased by \$524.8 million compared to 2020 and the average yield decreased by 121 basis points. Interest on investment securities available for sale decreased by \$16.8 million in fiscal 2021 from \$19.0 million in fiscal 2020 due to an increase in average volume of \$79.7 million and offset by a 113 basis point decrease in yield. Interest on cash equivalents, restricted cash equivalents, and time deposits decreased year over year by \$0.8 million to \$0.5 million largely due to a decrease in yield of 41 basis points offset by an increase in average volume of \$306.7 million.

The overall average balance and yield of the lending

portfolio was \$2,985.4 million and 0.80% in 2021 (inclusive of net hedge ineffectiveness gains and losses; 0.79% without) compared with \$3,510.1 million and 2.01% in 2020 (inclusive of net hedge ineffectiveness gains and losses; 2.03% without). PEFCO utilizes interest rate swap contracts to hedge certain fixed-rate loans and accounts for these as fair value hedges. The net interest adjustment on these fair value hedges reported as interest income on fixed-rate loans was an expense of \$24.7 million in 2021 and an expense of \$13.5 million in 2020. Ineffectiveness gains on a portion of the Company's fair value hedge relationships amounted to \$0.5 million in 2021 compared to ineffectiveness losses of \$0.7 million in 2020.

The available for sale investment securities portfolio had an average balance and yield of \$1,572.5 million and 0.14% in 2021 compared with \$1,492.8 million and 1.27% in 2020. The cash equivalent, restricted cash equivalent, and time deposit portfolio had an average balance and yield of \$557.3 million and 0.08% in 2021 compared to an average balance and yield of \$250.6 million and 0.49% in 2020.

Commitment and prepayment fees amounted to \$1.0 million in 2021 compared to \$4.0 million in 2020. 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 2021, there were prepayment gains of \$0.8 million from 3 borrowers compared to prepayment gains of \$3.9 million from 6 borrowers in 2020.

Total Financing Expense

Total Financing Expense is comprised of interest on short-term and long-term notes, the impact of interest paid or received on derivatives hedging our fixed-rate debt, amortization of debt issuance costs, and commitment and other fees incurred.

For the year ended September 30, 2021, total interest expense decreased to \$41.0 million from \$95.3 million in 2020. The reason for the \$54.3 million decrease in total interest expense was primarily attributable to lower cost of funds in 2021. Short-term interest rates (LIBOR) are the basis for pricing the short-term notes issued by PEFCO while long-term interest rates (Treasury Notes and SOFR) are the basis for pricing

long-term debt issued by PEFCO. The average balance and effective costs for Long-term debt were \$4,307.5 million and 0.93% in 2021 compared to \$4,452.6 million and 1.93% in 2020. The average balance and effective cost of the Short-term Notes was \$652.7 million and 0.14% in 2021 compared to \$635.4 million and 1.45% in 2020.

PEFCO utilizes interest rate swap contracts to hedge certain long-term debt and accounts for these contracts as fair value hedges. The net interest income (expense) on the fair value hedges of the long-term debt reported as decreases to interest expense were \$67.3 million in fiscal 2021 and \$36.9 million in fiscal 2020.

Amortization of debt issuance costs amounted to \$2.8 million in 2021 compared to \$2.9 million in 2020. Commitment and other fees incurred in 2021 and 2020 amounted to \$3.8 million and \$3.4 million, respectively.

Net Financing Revenue (Expense)

PEFCO's Net Financing Expense was \$17.1 million in 2021 compared to \$4.0 million in 2020. Net margin amounted to negative 31 basis points in 2021 (asset yield of 0.52% less interest cost of 0.83%) compared to negative 14 basis points in 2020 (asset yield of 1.73% less interest cost of 1.87%).

Net Securities Gains (Losses)

In 2021, net securities transactions, the result of sales on investment securities available for sale, produced a net gain of \$284 thousand, compared to a net gain of \$268 thousand in 2020.

General and Administrative Expenses

General and Administrative Expenses were lower in 2021 vs. 2020 by about \$0.3 million. Changes primarily related to \$0.1 million in lower Compensation and Benefits and \$0.3 million in lower Administrative Expenses offset by \$0.1 million in higher Professional Fees.

Compensation and Benefits are \$0.1 million lower primarily due to \$0.3 million in reduced bonuses offset by \$0.1 million in higher wages and \$0.1 million in higher medical costs. Administrative Expenses are \$0.3 million lower in 2021 vs. 2020 primarily due to \$0.2 million in lower Board costs and \$0.1 million in lower rent.

Professional Fees are \$0.1 million higher in 2021 vs. 2020 primarily due to \$0.2 million in higher legal fees offset by \$0.1 million in lower IT consulting fees.

Income Tax Benefit

The Income tax benefit in 2021 was \$5.6 million on a pre-tax operating loss of \$26.6 million. The Income tax benefit in 2020 was \$4.1 million, on a pre-tax operating loss of \$13.8 million. PEFCO's effective tax rate was 21.0% in 2021 and 29.3% in 2020. PEFCO's statutory tax rate was 21.0% in 2021 and 2020.

As a result of the Section 163 (j) interest deduction limitation as amended by the Tax Cuts and Jobs Act, PEFCO has taxable income of about \$6.9 million in 2021 after fully utilizing its remaining net operating loss carry forward from prior years.

Comprehensive Loss

For the years ended September 30, 2021 and 2020, PEFCO's Comprehensive loss was \$20.3 million and \$8.7 million, respectively. The Comprehensive loss for 2021 primarily included a net loss from operations of \$21.0 million, unrealized losses on investment securities available for sale, net of taxes, of \$0.7 million, unrealized gains on cash flow hedge forward deals, net of taxes, of \$0.5 million, and pension and post retirement valuation gains, net of tax, of \$0.7 million. The Comprehensive loss for 2020 included a net loss from operations of \$9.8 million offset by unrealized gains on investment securities available for sale, net of taxes, of \$1.1 million.

2020 COMPARED TO 2019

PEFCO's Net Loss for 2020 was \$9.8 million compared to a Net Loss of \$8.5 million in 2019. The increase in the reported Net Loss was primarily the result of a \$3.0 million increase in Net Financing Expense, partially offset by a \$1.8 million tax gain. Total Financing Revenue decreased by \$77.8 million, however the decrease in Total Financing Expense amounted to \$74.8 million, resulting in the decline in Net Financing Expense. PEFCO recorded a provision for loan losses of \$497 thousand in 2018 and there was no such provision in 2020 or 2019. General and administrative expenses were slightly higher in 2020 to \$10.1 million from \$9.7 million in 2019.

Total Financing Revenue

Total Financing Revenue is composed of interest income on loans, investment securities available for sale, cash equivalents, restricted cash equivalents, and time deposits 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 2020, Total Financing Revenue decreased by \$77.8 million to \$94.7 million from \$172.6 million in 2019. The primary reason for the decrease in Total Financing Revenue was attributable to a decrease in portfolio size and yield. Average loan volume decreased by \$848 million compared to 2019 and the average yield decreased by 109 basis points. Interest on investment securities available for sale decreased by \$10.1 million in fiscal 2020 from \$29.1 million in fiscal 2019 due to an increase in average volume of \$159.7 million and a 91 basis point decrease in yield. Interest on cash equivalents, restricted cash equivalents, and time deposits decreased year over year by \$2.1 million to \$1.2 million largely due to a decrease in yield of 195 basis points offset by an increase in average volume of \$115.6 million.

The overall average balance and yield of the lending portfolio was \$3,510.1 million and 2.01% in 2020 (inclusive of net hedge ineffectiveness gains and losses; 2.03% without) compared with \$4,358.2 million and 3.10% in 2019 (inclusive of net hedge ineffectiveness; 3.13% without). PEFCO utilizes interest rate swap contracts to hedge certain fixed-rate loans and accounts for these as fair value hedges. The net interest adjustment on these fair value hedges reported as interest income on fixed-rate loans was an expense of \$13.5 million in 2020 and an improvement of \$8.1 million in 2019. Ineffectiveness losses on a portion of the Company's fair value hedge relationships amounted to \$0.7 million in 2020 compared to ineffectiveness losses of \$1.3 million in 2019.

The available for sale investment securities portfolio had an average balance and yield of \$1,492.8 million and 1.27% in 2020 compared with \$1,333.1 million and 2.18% in 2019. The cash equivalent, restricted cash

equivalent, and time deposit portfolio had an average balance and yield of \$250.6 million and 0.49% in 2020 compared to an average balance and yield of \$135.0 million and 2.44% in 2019.

Commitment and prepayment fees amounted to \$4.0 million in 2020 compared to \$4.9 million in 2019. 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 2020, there were prepayment gains of \$3.9 million from 6 borrowers compared to prepayment gains of \$5.5 million from 9 borrowers in 2019.

Total Financing Expense

Total Financing Expense is comprised of interest on short- term and long-term notes, the impact of interest paid or received on derivatives hedging our fixed-rate debt, amortization of debt issuance costs, and commitment and other fees incurred.

For the year ended September 30, 2020, total interest expense decreased to \$95.3 million from \$170.4 million in 2019. The reason for the \$75.1 million decrease in total interest expense was primarily attributable to lower cost of funds in 2020. Short-term interest rates (LIBOR) are the basis for pricing the short-term notes issued by PEFCO while long-term interest rates (Treasury Notes and SOFR) are the basis for pricing long-term debt issued by PEFCO. The average balance and effective costs for Long-term debt were \$4,452.6 million and 1.93% in 2020 compared to \$4,984.1 million and 3.06% in 2019. The average balance and effective cost of the Short- term Notes was \$635.4 million and 1.45% in 2020 compared to \$721.2 million and 2.46% in 2019.

PEFCO utilizes interest rate swap contracts to hedge certain long-term debt and accounts for these contracts as fair value hedges. The net interest income (expense) on the fair value hedges of the long-term debt reported as a decrease to interest expense was \$36.9 million in fiscal 2020 and an increase in interest expense of \$10.8 million in fiscal 2019.

Amortization of debt issuance costs amounted to \$2.9 million in 2020 compared to \$3.1 million in 2019. Commitment and other fees incurred in 2020 and 2019 amounted to \$3.4 million and \$3.1 million, respectively.

Net Financing Revenue (Expense)

PEFCO's Net Financing Expense was \$4.0 million in 2020 compared to \$1.0 million in 2019. Net margin amounted to negative 14 basis points in 2020 (asset yield of 1.73% less interest cost of 1.87%) compared to negative 11 basis points in 2019 (asset yield of 2.88% less interest cost of 2.99%).

Net Securities Gains (Losses)

In 2020, net securities transactions, the result of sales on investment securities available for sale, produced a net gain of \$268 thousand, compared to a net gain of \$9 thousand in 2019.

General and Administrative Expenses

The \$0.4 million increase is primarily due to an increase of \$0.3 million in Compensation and benefits, \$42 thousand in Administrative costs, and \$36 thousand in Professional fees. Compensation increases primarily related to an increase due to the conversion of a consultant to employee and increased retirement benefits offset by lower employee compensation paid. Administrative costs increased \$125 thousand primarily due to increases of \$85 thousand in depreciation, \$75 thousand in moving related costs, and \$62 thousand in board costs offset by \$102 thousand in lower rent paid due to the office relocation. PEFCO also incurred a \$36 thousand increase in Professional fees primarily due to \$84 thousand of increases in legal fees, \$58 thousand in trust substitution expenses related to the issuance of Secured Note Series OO offset by \$77 thousand in lower accounting fees and \$29 thousand in consulting expenses.

Income Tax Benefit

The Income tax benefit in 2020 was \$4.1 million on a pre-tax operating loss of \$13.8 million. The Income tax benefit in 2019 was \$2.2 million, on a pre-tax operating loss of \$10.7 million. PEFCO's effective tax rate was 29.3% in 2020 and 20.9% in 2019. In 2020, the higher rate is primarily attributable to the CARES Act and PEFCO's net operating loss carryback to a tax year in which the statutory tax rate was 34%.

Comprehensive Loss

For the years ended September 30, 2020 and 2019, PEFCO's Comprehensive loss was \$8.7 million and \$5.9 million, respectively. The Comprehensive loss for 2020 included a net loss from operations of \$9.8 million offset

by unrealized gains on investment securities available for sale, net of taxes, of \$1.1 million. The Comprehensive loss for 2019 included a net loss from operations of \$8.5 million, unrealized gains on investment securities available for sale, net of taxes, of \$4.0 million and pension and post-retirement valuation losses, net of tax benefit, of \$1.5 million.

RISK MANAGEMENT POLICIES

PEFCO manages risk exposures for interest rate risk, liquidity and counterparty risk using guidelines approved by its Board of Directors. Management reports to the PEFCO Board at each quarterly Board meeting. In addition, the Risk Policy Committee reviews risk limits and product mandates with Management at least twice a year.

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 of a 100 basis point movement in interest rates more than \$10 million 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, 2021, approximately 98% of the derivatives portfolio is cleared through the Chicago Mercantile Exchange.

PEFCO has stringent guidelines and limits in place for its short- and long-term debt programs. The Guarantee and Credit Agreement (as defined herein) with EXIM defines debt with a maturity of less than five years including commercial paper, Collateralized Notes (with an original maturity of less than five years), and Medium-term Notes as short-term debt; it further establishes that the issuance of short-term debt is subject to an overall approval by EXIM.

The PEFCO Board of Directors approves the issuance of Collateralized Notes under the Collateralized Notes Program subject to availability of eligible collateral. The Board has also approved Notes issued under the MTN Program at \$2.5 billion, less the amount of commercial paper outstanding. The annual issuance limit for Secured Notes was set in September 2020 at \$2 billion, as approved by both the EXIM Board of Directors and PEFCO Board of Directors. In September 2021, PEFCO submitted for the approval of a \$1.5 billion Secured Note Issuer Limit for fiscal 2022. Approval is expected from EXIM later this year.

Management establishes position limits on securities held in portfolio for investment purposes with a maturity of more than 90 days at a maximum of \$400 million and will mark these investments to market daily. In addition to securities held for investment purposes, PEFCO reinvests encumbered cash in securities as pledged assets for the separate collateral pools for the Collateralized Note Program and the Secured Note Program, as well as U.S. Treasury securities held in a separate unencumbered liquidity portfolio.

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 PEFCO's revolving credit facilities, plus the unencumbered Liquidity Portfolio, by \$1 billion. In addition, a balance of unencumbered assets will be maintained to equal the level of outstanding unsecured borrowings less the unutilized portion of PEFCO's revolving credit facilities.

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

LIQUIDITY AND CAPITAL RESOURCES

The principal source of financing for PEFCO during the year were funds generated from the issuance of PEFCO's Short-term, Medium-term, and Long-term Secured Notes. In fiscal 2021, PEFCO issued \$600 million of Medium-term notes and \$350 million of Long-term Secured Notes. There were no Collateralized Notes issuances in fiscal 2021.

As of September 30, 2021, PEFCO had approximately \$5.3 billion of total obligations, of which approximately \$555 million (10%) were short-term, \$1.3 billion (24%) were medium-term, and \$3.5 billion (66%) were long-term. As of September 30, 2021, the Medium-term Notes Program had maturities of \$159 million in fiscal year 2022, \$810 million in fiscal year 2023, and \$300 million in fiscal year 2024 and the Collateralized Notes Program had a scheduled maturity of \$200 million in fiscal year 2022. As of September 30, 2021, the Secured Notes Program had maturities of \$1.0 billion in fiscal year 2022, \$400 million in fiscal year 2023, \$900 million in fiscal year 2024, \$600 million in fiscal year 2025, and \$350 million in fiscal year 2028.

During the year ended September 30, 2021, PEFCO issued no additional common shares. As of September 30, 2021, PEFCO had total Shareowners' Equity of \$95.3 million, total capitalization (calculated as the sum of total debt and total Shareowners' Equity) of \$5.5 billion and a total debt to capitalization ratio of 98.0%.

On April 28, 2021, PEFCO entered into a new 364-day \$650 million revolving credit facility maturing April 27, 2022. As of September 30, 2021, PEFCO's credit facilities totaled up to \$650 million.

The credit agreements contain a number of covenants, including a covenant that PEFCO will comply with its contractual commitments with EXIM. As of September 30, 2021, PEFCO was in compliance with the covenants and there were no amounts outstanding under any credit facilities.

Funding Activities

General

PEFCO manages the liquidity and interest rate exposures arising from loan assets and unfunded loan commitments through the combination of commercial paper funding, Medium-term note issuances, Secured Note and Collateralized 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 in advance of loan funding to immunize the interest rate exposure. In cases where a portfolio hedge is utilized for fixed-rate loan commitments, PEFCO incorporates the new fixed-rate loan commitment into the risk profile of the Company, and identifies opportunities to create offsetting exposures to reduce the net interest rate risk position.

This approach allows for flexibility in accommodating a range of loan disbursement schedules in response to specific borrower requirements. The impact of raising funds in advance may reduce earnings during the warehousing period prior to disbursement of funds, and such costs are incorporated into the loan pricing.

PEFCO has never defaulted on an interest or principal payment.

Short-term Borrowings

Short-term debt as defined in the Guarantee and Credit Agreement comprises of debt maturing in less than five years. Therefore, commercial paper, with a maximum tenor of 397 days, Medium-Term Notes, and Collateralized Notes with original maturities of less than five years are classified as short-term borrowings. This differs from the U.S. GAAP definition of short-term debt and the financial statement presentation which limits it to debt maturing within one year or less.

Commercial Paper

PEFCO raises short-term funding liquidity to finance loan commitments through the issuance of commercial paper under three separate programs:

- (i) 4(a)2 program in denominations of \$250,000 and up to 397 days;
- (ii) 3(a)3 program in denominations of \$100,000 and up to 270 days; and
- (iii) Euro Commercial Paper program in U.S. dollars, denominations of \$500,000 and up to 183 days.

The maximum outstanding amount of commercial paper across all three programs at any time may not exceed \$2.0 billion. As of September 30, 2021, PEFCO received short-term ratings of P-1 by Moody's and F1+ by Fitch.

PEFCO backstops its commercial paper with an on-balance sheet liquidity portfolio of \$300 million invested in U.S. Treasury securities only, and the credit facilities. As of September 30, 2021, the total of PEFCO's credit facility was \$650 million, and inclusive of the liquidity portfolio was \$950 million. Of the eight lenders across the credit facility, seven are shareowners of PEFCO. The agreements for the credit facilities contain a number of covenants (with customary exceptions), including a covenant that PEFCO comply with its contractual commitments with EXIM. As of, and during the year ended September 30, 2021, there were no amounts outstanding under any credit facilities.

Medium-term Note Issuances

Medium-term notes with maturities under five years, such as the Notes issued under the MTN Program, are permitted under the Guarantee and Credit Agreement with EXIM and are classified therein as "short-term debt." The Notes issued under the MTN Program are

an important resource for enhancing PEFCO's working capital while simultaneously complementing the credit facilities in enhancing the liquidity profile with term funds, resulting in cost savings for PEFCO. The issuance of Notes enables PEFCO to acquire new EXIM and other U.S. sovereign-guaranteed assets.

Short-term Borrowing Guidelines

PEFCO has stringent guidelines and limits in place for the issuance of commercial paper, Collateralized Notes issued under the Collateralized Notes Program and Notes issued under the MTN Program. The Guarantee and Credit Agreement with EXIM defines debt with a maturity of less than five years including commercial paper, Collateralized Notes (with an original maturity of less than five years) issued under the Collateralized Notes Program and the Notes issued under the MTN Program as short-term debt, and further establishes that issuance of short-term debt is subject to an overall approval by EXIM.

In addition, the Board of Directors of PEFCO has approved limits on the issuance of Notes issued under the MTN Program as follows:

- (i) a maximum combined aggregate amount outstanding of commercial paper and Notes issued under the MTN Program of \$2.5 billion;
- (ii) a maximum aggregate amount outstanding of Notes issued under the MTN Program of \$2.5 billion;
- (iii) a maximum aggregate amount outstanding of commercial paper of \$2.0 billion; and
- (iv) the maturity of no more than \$1.0 billion aggregate combined amount of commercial paper and Notes issued under the MTN Program within a two-week period.

Secured and Collateralized Note Issuances

Secured Note Issuances

PEFCO issues Secured Notes in public markets through underwriters under the Secured Notes Program as a funding vehicle for PEFCO's lending activities. Following the renewal of the Secured Note Issuer Limit by the EXIM Board on September 8, 2020, PEFCO issued a new Series PP Secured Note on June 28,

2021. PEFCO intends to continue to issue Secured Notes as required to support the origination of new guaranteed loan facilities and the purchase of existing guaranteed loan facilities. In addition, consistent with past practice, PEFCO intends from time to time to substitute collateral pledged for PEFCO's Secured Notes with other eligible collateral when and if PEFCO determines that dispositions of eligible collateral are necessary or advisable.

The Secured Notes are issued under the Indenture, dated as of June 15, 1975, as supplemented and amended (the "Secured Notes Indenture"). The principal repayments for the Secured Notes are backed by export loans guaranteed by EXIM, and investment securities explicitly backed by the full faith and credit of the U.S. Government. 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 (the "Secured Notes Trustee"), as collateral for the benefit of the holders of PEFCO Secured Notes. The EXIM guaranteed loans pledged against the Secured Notes are guaranteed as to principal and interest payment by the 1971 Guarantee Agreement between EXIM and PEFCO. Interest coupons paid on each series of notes issued under the Secured Note Program are guaranteed by EXIM, under the Guarantee and Credit Agreement.

Issuance of Secured Notes requires preapproval from EXIM and the PEFCO Board of Directors. The annual limit for the issuance of Secured Notes is set at the end of each fiscal year for the following fiscal year. In September 2021, PEFCO submitted for the approval of a \$1.5 billion Secured Note Issuer Limit for fiscal 2022. Approval is expected from EXIM later in fiscal year 2022. Additional issuance beyond this amount requires approval from EXIM and the PEFCO Board of Directors.

Since inception through fiscal year 2021, PEFCO has issued \$18.3 billion aggregate principal amount of Secured Notes, of which \$3.3 billion aggregate principal amount were outstanding at September 30, 2021 and were rated Aaa by Moody's and AAA by Fitch.

Collateralized Note Issuances

During fiscal year 2019, PEFCO established the Collateralized Notes Program. Collateralized Notes are issued under an Indenture dated as of November 8, 2018, as supplemented and amended, between PEFCO, as issuer, and U.S. Bank National Association (a shareowner of PEFCO), as Trustee. All payments including repayment of principal (inclusive of premium, if any) and interest, due on each Collateralized Note are secured by the pledge of collateral assets with the Collateral Agent under the Pledge and Security Agreement. The Collateralized Notes' collateral will consist of pledged loans, U.S. Treasury Securities and/or cash. Pledged assets are assigned to and held by U.S. Bank National Association, as the Collateral Agent, as collateral for the benefit of the holders of the Collateralized Notes. The Collateralized Notes issued under the Collateralized Notes Program will have maturities of one year or more.

Collateralized Note issuance was initially approved by EXIM, subject to the following conditions (i) the total amount of the Collateralized Notes outstanding would not exceed \$1.0 billion; (ii) the proceeds from the Collateralized Notes offerings are used exclusively to purchase loans guaranteed by EXIM or other U.S. Government agencies, which will serve as collateral for the Collateralized Notes and (iii) PEFCO will coordinate closely with EXIM to ensure that PEFCO's cost of funds associated with the Collateralized Notes Program will be less than the revenue PEFCO expects to earn on the EXIM guaranteed debt securities it purchases with the proceeds of the issuances under the Program. In September 2020, the EXIM Board approved the Collateralized Note Program on an ongoing basis with the expectation of issuance of new note series subject to (ii) above. The profitability requirement as given in (iii) above applies only if the tenor is greater than five years.

Issuance under the Collateralized Notes Program improves PEFCO's liquidity profile with an additional term financing capability used to extend financing maturities. This funding program also enables PEFCO to originate or acquire new types of EXIM guaranteed loans, such as syndicated project loans, as well as other loans under U.S. Government guaranteed programs.

Related Party Transactions

Certain underwriters of PEFCO Secured Notes, certain dealers of PEFCO short-term notes, and certain participants in the credit facilities are shareowners (or their affiliates are shareowners) of PEFCO. Certain officers of some 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 12— Related Party Transactions, in PEFCO's audited financial statements, included elsewhere in this report for more information.

External Credit Agency Ratings

On November 5, 2021, Moody's affirmed a rating of Aaa on PEFCO's senior unsecured debt, AAA on PEFCO's senior secured debt, and a rating of P-1 on PEFCO's commercial paper.

On May 20, 2021, Fitch affirmed a rating of AAA on the long-term Issuer Default Rating ("IDR") for PEFCO, affirmed a rating of F-1+ on the short-term IDR, affirmed a rating of AAA on the secured debt, affirmed a rating of AA+ on the unsecured Medium-term Notes and affirmed a rating of F-1+ on PEFCO's commercial paper. Fitch also issued a Support Rating of '1' and Support Rating Floor of AAA, the highest possible, with the expressed view that PEFCO enjoys an extremely high degree of sovereign support through EXIM.

BUSINESS

OVERVIEW

PEFCO was incorporated on April 9, 1970 under the laws of the State of Delaware 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 was established by a group of U.S. financial institutions with the support of the U.S. Treasury, the Board of Governors of the Federal Reserve System, EXIM and other U.S. governmental institutions to assist in the financing of U.S. exports through the mobilization of private capital as a supplement to the financing already available through EXIM, commercial banks and other lending institutions. PEFCO has its offices at 675 Third Avenue, Suite 425, New York, New York 10017.

PEFCO's Board of Directors includes senior managers from international lending institutions and officers of major export-related companies. PEFCO Management includes persons with significant experience in export finance and the programs of EXIM, and in finance company management.

The principal agreements that govern PEFCO's relationship with EXIM are the Guarantee Agreement (as defined herein) and the Guarantee and Credit Agreement (as defined herein). See "—EXIM" below for more information on PEFCO's agreements with EXIM.

Under PEFCO's By-laws, ownership and transferability of PEFCO shares are restricted to (i) financial institutions or (ii) corporations engaged in producing or exporting U.S. products or services. PEFCO's shareowners currently consist of twenty-six commercial banks, including many of the U.S. and foreign commercial banks involved in export financing, six industrial companies involved in exporting U.S. products and services and one financial services company. In the case of the commercial banks, the shares are owned directly or through an affiliate. Under PEFCO's By-laws, no shareowner may own more than 18% of PEFCO's outstanding shares.

STRATEGY

PEFCO's core mission is to support the financing of U.S. exports, and for over 50 years it has been committed to this objective principally through a long-standing relationship with EXIM. As such, PEFCO operates in effect as a public-private partnership with EXIM and, to a lesser extent, with other U.S. governmental agencies in connection with the financing of U.S. exports. PEFCO's business is intended to be supportive of manufacturers and providers of U.S. goods and services as well as various arrangers and lenders seeking to provide export financing.

In the period between mid-2015 and 2019, PEFCO's business was negatively impacted by the political and legislative process surrounding the reauthorization of the EXIM Charter, the absence of a voting quorum at EXIM's Board of Directors, and the resulting negative impact on the level of U.S. Government support available for U.S. exports through EXIM's programs. PEFCO's lending activities, as was the case with others providing EXIM guaranteed export financing, were limited by the absence of a voting quorum at the EXIM Board. Under delegated authority in place at that time, EXIM staff were authorized to approve new loan facilities without EXIM Board action in amounts up to \$10 million and for tenors up to seven years. This limitation under delegated authority prevented EXIM from supporting new loan facilities during this period for larger amounts and longer tenors.

In May 2019, the Senate confirmed Ms. Kimberly Reed and Judith Pryor for terms running to January 2021, and Spencer Bachus III for a term running to January 2023. In the period that followed, the EXIM Board approved a number of policy matters, including an increase in delegated authority to \$25 million for EXIM staff, and initiated the review of new loan transactions. A new reauthorization of the Charter was passed and signed into law in December 2019, extending the Sunset Date to the end of 2026 and mandating a policy focus on China competition and transformational exports.

EXIM responded to the outbreak of the COVID-19 Pandemic with efforts on working with borrowers experiencing difficulties, and on providing important changes in lending programs designed to facilitate

liquidity. In two existing programs, the Working Capital Guarantee and the Supply Chain Finance Guarantee, EXIM increased the flexibility and coverage levels. Two new programs, the Bridge Financing Program and the Pre-Delivery / Pre-Export Financing Program, were created by EXIM to address needs for flexible solutions in cases where commercial financing was significantly reduced or unavailable.

In April 2020, EXIM initiated a review of the EXIM / PEFco public private partnership in connection with the renewal of the Guarantee and Credit Agreement, scheduled to expire on December 31, 2020. EXIM reviewed the role that PEFco plays in supporting the EXIM guaranteed loan market, solicited comments from key constituents and the general public in a transparent process, and sought to enhance the effectiveness and utility of this public private partnership for the future. On September 8, 2020, the EXIM Board approved the renewal of the Guarantee and Credit Agreement for a term expiring on December 31, 2045. In addition, the EXIM Board approved changes to the PEFco Standard Operating Procedures designed to facilitate PEFco funding capabilities and enhance transparency. The EXIM Board also approved the creation of an enhanced guarantee designed to facilitate PEFco funding of loan facilities under the Supply Chain Finance Guarantee Program in support of U.S. exporters.

PEFco is focused on supporting the core mission, funding U.S. exports under EXIM official cover, and continues to work with banks and other lenders in this objective. In addition, PEFco is committed to augment this important core strategy with lending in related guaranteed loan programs under other U.S. Government agencies and explore additional ways to support the core mission.

BUSINESS STRENGTHS

Deep Understanding of EXIM Programs

For over 50 years PEFco has worked with EXIM to facilitate the growth of U.S. exports and is intimately familiar with the various EXIM programs for large, medium, and small companies. PEFco believes it has close relationships with EXIM and, as a result, is well-positioned to assist EXIM in increasing the availability of financing for the export of U.S. goods and services.

Wide Knowledge of Export Credit Market

PEFco works primarily with EXIM and, to a lesser degree other agencies, to finance exports of U.S. goods and services, and is, therefore, intimately familiar with the nature of their U.S. Government guaranteed programs and more broadly with the officially-supported export credit market.

Focused Asset and Liability Management

PEFco raises debt on a basis optimized to support its lending activities. While PEFco enters into transactions that have U.S. Government guarantees, the funds needed to support its lending and servicing activities are obtained through the market. PEFco regularly reviews its existing loan portfolio, commitments, and planned lending and investment activities to ensure that it maintains sufficient funding liquidity to support all of its needs across a range of market conditions.

Limited Credit Risk Profile

Substantially all of PEFco's assets are guaranteed by EXIM, and, to a lesser extent other agencies, and thus PEFco is exposed principally to U.S. sovereign risk but not the risk of its borrowers. Accordingly, PEFco in general does not conduct its own credit assessment of borrowers on loan transactions. Instead, PEFco only enters into a loan transaction once EXIM, or other agency, has conducted its own credit assessment and has approved a guarantee for the transaction.

Flexible Corporate Structure

PEFco is a Delaware corporation, but is subject to oversight by EXIM under contractual restrictions in its principal agreements with EXIM and under standard operating procedures that defines the role of PEFco in the export finance market and the terms that EXIM agrees to make its guarantees available to PEFco in support of public policy objectives. For an overview of such restrictions and the standard operating procedures, see "Business—EXIM—Arrangements between PEFco and EXIM" below. PEFco is not subject to bank regulation under U.S. federal or state laws and, as a result, PEFco operates as a non-bank lender. PEFco as a prudential matter maintains appropriate compliance, anti-money laundering, hedging, and other relevant policies and practices related to its business and regularly appraises itself of key trends affecting the finance industry.

Unique Business Model

PEFCO believes it is in a unique market position as it was founded jointly by a group of U.S. financial institutions, the U.S. Treasury, the Board of Governors of the Federal Reserve System, EXIM and other U.S. governmental institutions to address a specific under-met policy objective—the financing of U.S. goods and services for export. Many of the large commercial banks have engaged, and continue to engage, PEFCO in the financing of U.S. goods and services given its role as a public-private partnership. PEFCO's portfolio of originated, acquired, and serviced loans is uniquely focused on U.S. Government guaranteed assets.

Dedicated Lending and Support Staff

PEFCO's small but dedicated staff has significant knowledge on a variety of loan structures used to finance exports of U.S. goods and services. In addition to regularly meeting with EXIM, PEFCO's staff also meets with a wide range of manufacturers and third-party credit providers to better understand the export financing market.

INDUSTRY OVERVIEW

Trade finance relates to financing activities that support global and regional trade, including letters of credit, collections, guarantees, trade loans, receivable finance, and supply chain finance. Officially-supported export credit is a subset of the trade finance industry where credit is extended to an importer by a bank, financial institution, or export credit agency to finance the purchase of capital goods or services. These transactions often involve more complex transactions with longer tenors, strategic trade flows, and more difficult risk profiles. Methods for extending credit include direct lending, financial intermediary loans, and secondary market purchases, among others. When private sector lenders are unable or unwilling to provide export financing, public sector support is provided by export credit agencies acting as financial intermediaries to fill the financing gap by providing credit enhancements and sources of liquidity, thus encouraging exports and international trade. In cases where a bank or other financial institution acts as the lender, the transaction benefits from credit enhancements provided under the programs of an

export credit agency. In other cases, the export credit agency takes on the role of lender by extending a loan to the borrower directly. In all cases, the export credit agency receives fees from borrowers to compensate for the credit risk associated with these transactions.

Trends in export finance are broadly linked to the trends in the global economy. In the years following the Global Financial Crisis of 2007-2010, global trade flows initially rebounded with the recovery and settled in an average growth between 2% and 4% per annum between 2011 and 2018. Trade flow moderated in 2019 and declined at the beginning of 2020. The onset of the global pandemic resulted in a significant shock to the global economy, and a significant decline of 12% year-over-year in the second quarter of 2020. Trade volumes recovered in the latter half of 2020, and continued to grow into early 2021. Since that time, overall growth in global trade moderated significantly and currently remains subdued.

Trade finance has traditionally been viewed as a quality asset with relatively lower default risk. Assets often have credit insurance and guarantees from government-sponsored export credit agencies and, as a result, attract relatively low-risk weights on lenders' balance sheets. While these factors have historically led to competition, the higher levels of inflation, potential for rising interest rates, and muted growth in global trade flows has led to a mixed picture for export credit in the near term. In addition, the policy response by export credit agencies to the COVID-19 Pandemic has provided important forms of support in promoting trade, especially for small and medium size exporters.

In addition to continued compliance with Basel capital mandates, liquidity ratios, and balance sheet leverage resulting in higher regulatory costs to lenders, the export finance sector is also heavily regulated with strict anti-money laundering, "know-your-customer" and sanctions compliance requirements. While these factors serve an important role to mitigate credit and legal risk for lenders, they also may hinder growth in new markets where information sources are limited.

Many large financial institutions seek to syndicate export loans to investors and non-bank financial institutions in the secondary market. Direct sales allow

financial institutions to free-up capital to originate new assets and maintain healthy transaction volumes. In light of these trends, financial intermediaries and secondary market participants are expected to play a larger role in providing liquidity moving forward.

OPERATIONS

PEFCO is principally engaged in making loans to foreign importers to finance purchases of goods and services of United States manufacture or origin and which are guaranteed by EXIM. PEFCO does not seek to solicit business directly from prospective borrowers or U.S. exporters, but rather only sources its business through commercial banks and other financial intermediaries. As a buyer of loans and as a direct lender, PEFCO provides an important source of liquidity to the guaranteed loan market that is recognized by banks and other lenders to supplement their own lending capacity.

In many cases, the role that PEFCO fulfills allows banks and other lenders to remain involved in the export credit market. PEFCO offers a range of financing programs as a secondary market buyer of loans that finance the export sales of U.S. goods and services and that are originated by such lenders. Lenders sell guaranteed loans to PEFCO in order to improve profitability, free up funding liquidity to redeploy in booking new assets, reduce loan assets in certain countries or legal jurisdictions, free up balance sheet capacity for specific borrowers or industries, and to manage the overall size of their loan portfolios. PEFCO's presence in the market as a buyer of loans demonstrates liquidity for guaranteed loans, especially for deals with longer tenors, thereby permitting banks to hold such loans in portfolio with the knowledge that a buyer is available if a loan sale is deemed necessary at some point in the future prior to maturity.

PEFCO also originates guaranteed loans where a bank or other financial institution assumes the role as the deal arranger on the guaranteed loan without requiring a balance sheet commitment on their part to support the transaction. The deal arranger typically receives a fee for their service, continues to fulfill an advisory role with the borrower, and may provide a commercial loan or other financial structures in parallel

to the guaranteed loan facility as an opportunity to offer a complete financing solution. PEFCO's role complements the deal arranger's advisory role, and never seeks to displace a bank or other financial institution serving a borrower in this capacity.

In fiscal year 2021, PEFCO coordinated with EXIM in developing a new capability for PEFCO to provide support to supply chain transactions under the EXIM Supply Chain Finance Guarantee Program. In these transactions, PEFCO serves in the role as a participant while the originating lender remains in the lending role and retains the loan servicing activities. PEFCO provides funding through the purchase of loan participations that match the terms of loan tranches drawn under the loan facility. PEFCO compliments the lender's own funding capacity, and allows the lender to utilize PEFCO funding for some or all of the loan tranches outstanding under the loan facility. To facilitate this arrangement, EXIM developed an enhanced guarantee that covers certain contingent exposures for PEFCO, separate from the guarantee provided by EXIM to the lender in these supply chain transactions.

In all of these cases, PEFCO partners with a lending institution, either a bank, a trade finance firm, or in some cases even EXIM. In addition to loans guaranteed by EXIM, PEFCO has funded loans guaranteed by DFC, whose obligations are backed by the full faith and credit of the U.S. Government. In addition, with the consent of EXIM, PEFCO may also consider funding loans backed by other U.S. government agencies.

Loans made by PEFCO are unconditionally guaranteed by EXIM or other U.S. governmental institutions whose obligations are backed by the full faith and credit of the U.S. Government, as to the due and punctual payment of principal and interest. A key aspect of the application and approval process is the credit underwriting role played by EXIM serving as the sovereign guarantor. EXIM is underwriting the credit risk and receives a credit exposure fee from the borrower to prudently compensate for this credit exposure. In approving a loan transaction, EXIM may impose additional terms, covenants, liens, or other requirements, consistent with or in excess of minimum

OECD standards. The EXIM guarantee mitigates the credit risk in the transaction, thereby providing a loan with U.S. sovereign credit risk profile to PEFCO. In turn, PEFCO prices the guaranteed loan transaction by taking into account the liquidity costs associated with the loan but not the credit risk associated with the borrower. The total cost of the loan transaction is the interest rate and commitment fees (if any) paid to PEFCO, plus the credit exposure fees and commitment fees paid to EXIM. Since all loans made by PEFCO are guaranteed as to the due and punctual payment of principal and interest by EXIM or other U.S. governmental institutions, PEFCO relies upon this U.S. Government support and is not exposed to the credit risks of foreign obligors, or the adverse impact of economic conditions in foreign countries. PEFCO has not incurred significant credit losses since inception. PEFCO does not underwrite the credit exposure associated with the guaranteed tranche of a lending transaction, nor seeks to displace deal arrangers in providing commercial loans to borrowers alongside the corresponding guaranteed loan facilities. The residual credit risk exposure to PEFCO, if any, is de minimis. Transactions involving other U.S. sovereign guarantors follow the same principals and similar procedures as described above for EXIM guaranteed loan transactions.

As part of its SOP (defined below), PEFCO is required to utilize a formula for fixed-rate loans that incorporates funding and other costs plus a lending spread that cannot exceed a maximum threshold as defined and adjusted from time to time. In addition, PEFCO sets floating-rate spreads over an index that is (i) consistent with pricing fixed-rate loans, and (ii) representative of a median interest rate as reasonably determined by PEFCO based on its review of market transactions.

PEFCO only purchases loans guaranteed by EXIM from lenders who have demonstrated an understanding of, and ability to work with, EXIM guarantee loan programs, or other U.S. Government guaranteed loan programs. Loan amount (except as otherwise described herein), exporter size, borrower's country, and the underlying item financed are not factors in PEFCO's decision to purchase. All such loans are purchased by PEFCO on a non-recourse basis. While defaulted loans

must and will be assigned to EXIM upon its payment of a claim, performing loans are held by PEFCO in its portfolio to maturity.

EXIM

The Export-Import Bank of the United States was founded in 1934, as the official export credit agency of the United States of America. EXIM now operates under the legal authority contained in the "Charter", known as the Export-Import Bank Act of 1945 ("EXIM Act"). EXIM is an independent agency of the U.S. Government, corporate in form, all of whose authorized and issued capital stock of \$1 billion is held by the Secretary of the Treasury. The mission is to aid in financing exports of goods and services from the United States to foreign countries by providing a level playing field for U.S. exporters in cases where private sector lenders are unable or unwilling to provide financing. The EXIM Act vests broad banking powers (except that of circulation) in EXIM, including the power to borrow and lend, to guarantee and insure against political and credit risks of loss and to purchase or guarantee negotiable instruments, evidences of indebtedness and other securities (except that EXIM may not acquire stock in another corporation except under certain circumstances). EXIM exercises these powers chiefly by making medium- and long-term U.S. dollar loans, repayable in U.S. dollars, directly to foreign buyers (public and private) of United States goods and services, by assuming the political and credit risks on short- and medium-term export transactions through the issuance of insurance to United States exporters, and by the issuance of guarantees on medium- and long-term loan facilities repayable in U.S. dollars or certain foreign currencies in support of export transactions or U.S. exporters. Over the years, EXIM's statutory authority to exercise its functions has been limited to specified periods, defined under the EXIM Act which have been extended by Congressional legislation from time to time that amends the authorized period, amongst other changes. In the past decade, there has been debate in the U.S. Congress surrounding the role of EXIM, and export credit agencies globally, in cross-border trade. This debate has impacted the legislative process for the reauthorization of the Charter from time to time, with opinions expressed ranging from support for reauthorizing EXIM under the existing Charter,

reauthorizing EXIM under a revised Charter that amends the EXIM Act, and permanent dissolution. On June 30, 2015, Congress recessed without reauthorizing EXIM's Charter, thereby allowing the Charter to lapse effective July 1, 2015. Due to the lapse in authority, the EXIM Board of Directors and EXIM staff were prohibited from approving any new authorizations, engaging in business development or other prohibited activities. During the period of the lapse in authority, EXIM continued to monitor and manage its existing portfolio and met its continuing legal obligations under its Charter. The House and Senate eventually passed legislation reauthorizing the Charter, and the White House signed into law the Export-Import Bank Reform and Reauthorization Act of 2015 in December 2015, reauthorizing EXIM through the end of 2019. After the 2015 reauthorization, EXIM continued to experience constraints on authorities under the Charter due to a failure of the Senate to confirm nominees to the EXIM Board, thereby causing a lack of a voting quorum necessary for approving loan facilities greater than \$10 million and other matters requiring Board approval. As a result, PEFCO was significantly impacted by the lack of EXIM Board approvals for new long-term guaranteed facilities until a requisite quorum was established in May 2019.

In May 2019, the Senate confirmed Ms. Kimberly Reed and Judith Pryor for terms running to January 2021, and Spencer Bachus III for a term running to January 2023, thereby establishing a voting quorum. In the following months, the EXIM Board focused on reviving the operating capabilities at EXIM, voted on various policy matters (including an increase in delegated approval authority limit to \$25 million), and began the process of moving applications for proposed loan facilities requiring Board authorization through the review and approval process.

In 2019, Congress took up the issue of reauthorization again and included a new Charter reauthorization that was passed by the House and Senate as part of the appropriation process. In mid- December 2019, the Charter reauthorization for a seven year term through the end of 2026 was signed into law. Included in the legislation were mandates on China competition and support for transformational exports, as well as increased support for small business exporters. Notably, the legislation also established procedures for forming a

temporary EXIM Board with voting authority during times when there is an insufficient number of confirmed EXIM Board directors. This important change is intended to avoid the situation that existed between 2015 and 2019 when the EXIM Board did not have the required three voting members to establish a voting quorum.

The transition to the new Administration in January 2021 brought new changes to EXIM. The terms of EXIM Chairman Kimberly Reed expired at the end of the prior Administration. The term of Director Judith Pryor was extended for six months, and James Cruse was appointed Acting First Vice President and Vice Chairman. In July 2021, James Burrows was appointed Acting President and Chair following the expiration of Judith Pryor's term. The Administration has nominated Reta Jo Lewis to President & Chairman, Judith Pryor to First Vice President & Vice Chairman, and Owen Herrnsstadt as Director. These nominees are presently awaiting a Senate confirmation vote. While these nominees are pending before the Senate, the acting terms of James Burrows and James Cruse will continue until the confirmations of Reta Jo Lewis and Judith Pryor. Together with Director Spencer Bachus III whose term extends to 2023, these actions served to maintain the required voting quorum at the Board.

EXIM, in working with the external members of the EXIM Advisory Committee, addressed the policy focus in the Charter on China Competition and transformation exports. In addition, the new Administration added a heightened focus on climate change as a policy objective. In 2020, EXIM established the EXIM Chair's Council on China Competition, with a focus on improving U.S. innovation and employment competitive export finance policies. In 2021, EXIM established the EXIM Chair's Council on Climate with an emphasis on supporting U.S. exporters and jobs in clean energy and support environmentally beneficial exports as mandated in the Charter.

The EXIM Board has met periodically to review proposed loan facilities, and address various policy issues including matters related to PEFCO. With the extension of the Charter in place and new procedures for addressing the voting quorum, EXIM can focus on moving proposed loan transactions through the review process in preparation for EXIM Board action, thereby gradually expanding the export credit market backed by EXIM.

If the corporate existence of EXIM terminates through the expiration of the EXIM Charter, under the provisions of the EXIM Act, such termination of the corporate existence of EXIM would have no effect on EXIM's guarantee of principal and interest on outstanding Guaranteed Importer Notes, and no effect on EXIM's guarantee of interest on PEFCO's outstanding Secured Notes.

Arrangements between PEFCO and EXIM

As described below, PEFCO's relationship with EXIM is primarily subject to (i) two principal agreements: the Guarantee Agreement (as defined herein) and the Guarantee and Credit Agreement (as defined herein), which set out conditions for the issuance of EXIM loan guarantees and contain contractual restrictions on PEFCO's operations, respectively, and (ii) standard operating procedures relating to EXIM's policies and objectives.

Guarantee Agreement

Many of the EXIM guaranteed loans that PEFCO funds are guaranteed under a Guarantee Agreement dated as of December 15, 1971 (as amended, the "Guarantee Agreement") between EXIM and PEFCO. Under the terms of the Guarantee Agreement, due and punctual payment of principal and interest on all guaranteed loans, defined as Guaranteed Importer Notes under the Guarantee Agreement and the Secured Note Indenture, made by PEFCO with the approval of EXIM will be fully and unconditionally guaranteed by EXIM. At its option, PEFCO (or a trustee acting for the benefit of noteholders with which PEFCO may pledge Guaranteed Importer Notes under the Secured Notes Indenture) 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 EXIM 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 EXIM pay the entire amount of such Guaranteed Importer Note plus accrued interest to the date of payment. If PEFCO or the Secured Notes Trustee should exercise the option described in clause (ii) of the preceding sentence, EXIM 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 Secured Notes Indenture provides that any Guaranteed Importer Note substituted by EXIM must have remaining stated maturities which, together with the stated maturities of the other collateral then subject to the lien of the Secured Notes Indenture, will be sufficient to ensure that, before the dates of any mandatory payments of principal on all Secured Notes outstanding under the Secured Notes Indenture, the Secured Notes Trustee will be provided with cash sufficient to make such payments.

PEFCO has entered into an agreement with EXIM, titled the PEFCO Standard Operating Procedures, which specifies the criteria used for granting certain loans purchased by PEFCO the benefits of official cover under the Guarantee Agreement, and therefore qualify as eligible collateral for the Secured Note Program. For each qualifying loan, EXIM substitutes the Guarantee Agreement for an existing EXIM loan guarantee provided under the EXIM Master Guarantee Agreement, EXIM's standard guarantee agreement for medium- and long-term loans.

Guarantee and Credit Agreement

In 1971, in order to assist PEFCO in its objective of mobilizing private capital to finance U.S. exports, EXIM entered into a Guarantee and Credit Agreement dated as of February 1, 1971 (as amended, the "Guarantee and Credit Agreement") with PEFCO. Pursuant to the Guarantee and Credit Agreement, among other things, EXIM agreed, when requested by PEFCO, to guarantee the due and punctual payment of interest on debt obligations of PEFCO approved for issuance by EXIM, which currently are PEFCO's Secured Notes. The Guarantee and Credit Agreement also provides that EXIM 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 EXIM may have against PEFCO for any payments made by EXIM 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 EXIM will enter into an agreement with any such trustee to evidence the foregoing understandings. The Secured Notes 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 EXIM is payable to EXIM under the Guarantee and Credit 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 EXIM makes any payments pursuant to its guarantees of interest on PEFCO's Secured Notes, the Guarantee and Credit 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 EXIM for such payments. Moreover, if PEFCO has net income in any subsequent semi-annual period, it must apply the amount of such net income to repay EXIM for any unreimbursed payments made by EXIM under its guarantees of interest on PEFCO debt obligations. Finally, any amounts paid by EXIM 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 EXIM. Amounts paid by EXIM under its guarantee of interest will bear interest at the prevailing rate of interest charged by EXIM on direct loans made in the ordinary course of business on the date of such payment by EXIM. Such interest is to be payable semi-annually.

The Guarantee and Credit Agreement gives EXIM a broad measure of supervision over PEFCO's major financial management decisions. In particular, the Guarantee and Credit Agreement requires the approval of EXIM before PEFCO can:

- (i) issue long-term debt obligations,
- (ii) make direct loans guaranteed by EXIM,
- (iii) purchase its long-term debt obligations prior to their originally stated maturity date,
- (iv) invest its surplus funds in assets other than EXIM-approved investments,
- (v) declare or pay dividends on its capital stock,

- (vi) transfer all or substantially all of its assets,
- (vii) engage in any business other than the financing of exports of U.S. goods and services, or
- (viii) issue short-term debt subject to an overall approval by EXIM.

Additionally, the Guarantee and Credit Agreement gives EXIM the right to have two 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 Guarantee and Credit Agreement was extended in 1994 by agreement between EXIM and PEFCO to December 31, 2020. On September 8, 2020, the Guarantee and Credit Agreement was extended again with an expiration on December 31, 2045. PEFCO may also terminate the Guarantee and Credit Agreement as of December 31 in any year on 60 days prior written notice if it is not indebted to EXIM at the time. No termination will affect any then outstanding guarantees of EXIM or PEFCO's obligations to pay the guarantee fee on, or to reimburse EXIM for any payment by it under, any such guarantee. Various other provisions governing the relationship between EXIM and PEFCO are contained in the Guarantee and Credit Agreement, a copy of which is on file and available for inspection during normal business hours at the offices of PEFCO.

PEFCO Standard Operating Procedures

PEFCO operates as a Delaware corporation with a wide range of powers and corporate abilities. However, its core mission is to support EXIM's policy of facilitating and expanding the export of U.S. goods and services, and PEFCO relies on EXIM's various guarantee programs to provide sovereign credit support for its lending activities. EXIM and PEFCO periodically and jointly sign a Standard Operating Procedures ("SOP"), which addresses a variety of subjects, including procedures related to EXIM's broad policy objectives, PEFCO's approach to supporting the export finance market, monthly reporting requirements on PEFCO's loans held in portfolio and new loan commitments, and financing terms offered by PEFCO. The SOP includes the procedures for requesting EXIM guarantees and, in effect, are part of Management's decisions on PEFCO's revenue generation and overall profitability. The latest SOP was entered into in October 2019. Each SOP is not legally enforceable by its terms,

but rather establishes a baseline of mutual expectations for PEFCO and EXIM. PEFCO believes it operates as a public-private partnership with EXIM, the effect of which is that PEFCO's primary objective is seeking how it can best support EXIM's public policy objectives, and only as a secondary objective, how PEFCO can generate revenue and profits for its business needs.

Under the SOP, PEFCO is expected to:

- maintain at least \$60 million in capital;
- maintain a loan-to-capital ratio of no more than 75 to one.
- not declare or pay dividends on equity capital in excess of 50% of current income; and
- maintain a credit rating no lower than the rating of the U.S. Government from one major rating agency on all secured debt issued by PEFCO.

PEFCO adhered to all of these standards in 2021.

Other Agreements with EXIM

EXIM and PEFCO are party to a number of other ancillary agreements that primarily deal with procedural and other matters related to the Guarantee Agreement and the Guarantee and Credit Agreement.

Relationship with DFC

In 2004, PEFCO entered into a series of agreements with the DFC, formerly the Overseas Private Investment Corporation ("OPIC"), pursuant to which portions of loans guaranteed by DFC could be sold to PEFCO. Similar to the role PEFCO plays in its relationship with EXIM, PEFCO is only involved in a guaranteed loan transaction with DFC after the transaction is proposed, reviewed, approved, and the credit exposure underwritten by DFC based on information provided by the borrower, the exporter and the financial institution acting in the role as the deal arranger. In transactions involving non-sovereign borrowers, DFC provides an unconditional guarantee covering the transaction. PEFCO purchases loan notes for the amount of the DFC guarantee cover and leaves any unguaranteed portion with the originating financial institution.

For each of 2021, 2020, and 2019, loans guaranteed or insured by DFC have comprised less than 5% of PEFCO's outstanding loans.

LENDING

PEFCO's new loan commitments were \$1,402 million in 2021, compared to new loan commitments of \$207 million in 2020. New commitments in the Long-term Programs were \$1,211 million in 2021 and \$119 million in 2020. New commitments in the Medium-term Programs (as defined herein) and under PEFCO's Small Business Initiatives were \$146 million in 2021 and \$88 million in 2020. A new commitment in the Supply Chain Finance Guarantee Program was \$45 million in 2021 and none in 2020.

No. of Loan Commitments	Products	Amounts (in millions)
1	Telecom/Technology	\$ 74
1	Other	4
1	Environmental	2
1	Transportation	1
2	Power Generation	15
3	Oil & Gas	448
3	Construction Equipment	6
6	SME/Micro Lending	57
11	Other Equipment & Materials	36
25	Aviation	760
54		<u>\$ 1,402</u>

Lending Programs

PEFCO offers all loan types that are covered by the EXIM guarantee: short-term lending programs ("Short-term Programs"), medium-term lending programs ("Medium-term Programs"), and long-term lending programs ("Long-term Programs"). The following table sets forth PEFCO's loan activity in 2021:

2021 PEFCO Programs		
Long-term:	\$ 1,211 million	(5 transactions)
Medium-term:	146 million	(48 transactions)
Supply Chain	45 million	(1 transaction)
Total	<u>\$ 1,402 million</u>	<u>(54 transactions)</u>

Long-term Programs

PEFCO's Long-term Programs are a dependable source of liquidity for lenders using EXIM Long-term Guarantee Programs. PEFCO offers two Long-term Programs:

Direct Loan Program. Under the Direct Loan Program, PEFCO acts as the original lender making loans ("Direct 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 the Guarantee Agreement. PEFCO Direct Loans are available for transactions which have an EXIM guaranteed value of \$25 million or more and a repayment term of five years or more. 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.

Secondary Loan Program. The purpose of the Secondary Loan Program is to provide liquidity to lenders participating in the EXIM guaranteed loan market. PEFCO will support lenders making long-term EXIM guaranteed loans by buying such loans from the originating lender at then-current market rates. 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. PEFCO allows the selling lender to retain a portion of any loan margin in excess of PEFCO's rate, without limitation.

The following table sets forth PEFCO's Long-term Commitments in 2019-2021:

Long-term Commitments	
2021	\$ 1,211 million
2020	\$ 119 million
2019	\$ 719 million

Medium-term Lending Programs

PEFCO's Short- and Medium-term Programs are a dependable source of liquidity for lenders using EXIM Short-term and Medium-term Guarantee Programs. PEFCO does not finance exporters or borrowers directly, but rather purchases EXIM guaranteed loans from originating lenders. The PEFCO Short- and Medium-term Programs include standard programs and special initiatives such as the Small Business Initiative.

Short-term loans have scheduled maturities of one year or shorter. They typically finance exports of consumer goods, bulk agricultural products, and small capital goods. PEFCO's Short-term Lending Programs include the Working Capital Facility and its Small Business Initiatives.

Medium-term loans have scheduled repayments of typically between two to seven years, but PEFCO can finance longer tenors as approved by EXIM, with financed amounts up to \$25 million. They typically finance the export of capital goods. PEFCO purchases both floating-rate and fixed-rate medium-term notes and leases.

The following table sets forth PEFCO's Medium-term Commitments in 2019-2021.

Medium-term Commitments	
2021	\$ 146 million
2020	\$ 88 million
2019	\$ 123 million

Supply Chain Finance Guarantee Program

In fiscal year 2021, PEFCO initiated support for Supply Chain Finance Guarantee Facilities through a coordinated effort with EXIM. In these transactions, PEFCO acts in the capacity as a participant while the originating lender remains in the transaction and retains the lender and servicing role for the facility. The lender originates loan tranches under the facility, and sells some or all of the economics in these loan tranches to PEFCO in the form of a matching loan participation through a participation agreement. In this way, PEFCO funding supplements the capacity of the lender.

To facilitate PEFCO funding in these transactions, EXIM developed a new enhanced guarantee covering certain contingencies, thereby providing the opportunity for PEFCO to engage with lenders in supporting this important market.

Supply Chain Commitments	
2021	\$ 45 million
2020	\$ -
2019	\$ -

PORTFOLIO COMPOSITION

PEFCO's programs have enabled the world-wide export of various U.S. products. The following tables set forth the outstanding loans guaranteed or insured by EXIM and DFC as of September 30, 2021:

(dollars in millions)

Product	Guaranteed or Insured by EXIM	Guaranteed or Insured by DFC	Amount
Aviation	\$ 2,484	\$ –	\$ 2,484
Oil & Gas	450	–	450
Telecommunication & Technology	204	–	204
SME/Micro Lending	–	54	54
Other Equipment & Materials	39	–	39
Power Generation	26	–	26
Transportation	13	–	13
Construction Equipment	8	–	8
Other	6	–	6
Medical	3	–	3
Total	\$ 3,233	\$ 54	\$ 3,287

(dollars in millions)

Country	Guaranteed or Insured by EXIM	Guaranteed or Insured by DFC	Amount
Angola	\$ 127	\$ –	\$ 127
Bangladesh	53	–	53
Brazil	67	–	67
China	680	–	680
India	130	–	130
Ireland	64	–	64
Kazakhstan	77	–	77
Kenya	486	4	490
Korea, Republic of	387	–	387
Mexico	624	29	653
Turkey	139	–	139
United Arab Emirates	106	–	106
Other	293	21	314
Total	\$ 3,233	\$ 54	\$ 3,287

CREDIT ACTIVITIES

Since all loans made by PEFCO are guaranteed or insured as to the due and punctual payment of principal and interest by EXIM or other U.S. government institutions, 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 an independent evaluation of the credit risks associated with the borrower, appraisals of economic conditions in foreign countries, or reviews of other factors in making its loans. With regards to its insured loans with EXIM, in the event official cover is denied or there is residual risk associated with the transaction, the Company evaluates the need for a reserve based on the probability of loss. See Note 5, Lending Programs, in PEFCO's audited financial statements, included elsewhere in this report for more information.

PEFCO's staff meets from time to time with a wide range of manufacturers and third-party credit providers to better understand the export financing market.

COMPETITION

PEFCO operates in the financing area focused exclusively on U.S. exports. In this capacity, PEFCO has a specialized mission of supporting EXIM and its policy objectives, and operates in a business line that is also engaged in by money center banks, regional and local banks, captive finance companies, trade finance companies and groups, and other similar financial institutions, including a number of entities that are PEFCO shareowners. PEFCO does not believe there are any other institutions that are dedicated to EXIM to the same extent. PEFCO believes there are no market participants that fully overlap with PEFCO's business activities. As part of its mission, PEFCO itself may ultimately compete in addressing a borrower's needs and provide direct financing on an exclusive basis, in coordination with a deal arranger, and in other circumstances it may do so on a complementary basis alongside other lenders in making direct loans as part of an overall financing plan. Unlike other export financing lenders, PEFCO's business is subject to various operating restrictions on various matters, including the spreads it charges for fixed-

rate and floating-rate notes, that affect its returns and profitability, which are subordinate to PEFCO's overall core mission of supporting U.S. exports as a public policy objective.

REGULATION

PEFCO is a Delaware corporation that is subject to oversight by EXIM provided in the 1971 Guarantee Agreement, the Guarantee and Credit Agreement and the Standard Operating Procedures. See "— Arrangements between PEFCO and EXIM" above.

PEFCO maintains appropriate compliance, anti-money laundering, hedging, and other relevant policies and practices related to its business.

PEFCO is not required to register its securities under the U.S. securities laws nor is it subject to bank regulation under U.S. federal or state laws.

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, 2021 and 2020, and the related statements of operations, comprehensive loss, changes in shareowners' equity, and cash flows for each of the three years in the period ended September 30, 2021, and the related notes to the financial statements. We also have audited the Company's internal control over financial reporting as of September 30, 2021, 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 about 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, 2021 and 2020, and the results of its operations and its cash flows for the three 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, 2021, based on the criteria established in the Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission.

The image shows a handwritten signature in black ink that reads "DELOITTE & TOUCHE LLP". The signature is written in a cursive, stylized font.

December 22, 2021
New York, New York

STATEMENTS OF FINANCIAL CONDITION
PRIVATE EXPORT FUNDING CORPORATION ANNUAL REPORT 2021

STATEMENTS OF FINANCIAL CONDITION

<i>(In thousands, except share amounts)</i>	<i>September 30, 2021</i>	<i>September 30, 2020</i>
ASSETS		
Cash and cash equivalents	\$ 196,934	\$ 646,109
Restricted cash and restricted cash equivalents	323,317	605,692
Time deposits	–	25,000
Investment securities available for sale ("AFS") at fair value	1,555,524	386,211
Interest and fees receivable	29,194	30,463
Export loans guaranteed or insured by EXIM	3,266,600	3,043,419
Other guaranteed loans	54,155	43,857
Lending, net of unearned income	3,320,755	3,087,276
Allowance for loan losses	(497)	(497)
Total lending, net	3,320,258	3,086,779
Other assets and deferred charges	54,128	87,951
Total Assets	\$ 5,479,355	\$ 4,868,205
LIABILITIES AND SHAREOWNERS' EQUITY		
<i>Liabilities</i>		
Short-term notes	\$ 554,888	\$ 490,027
Interest payable	31,551	30,651
Accrued expenses and other liabilities	11,339	12,617
Long-term debt	4,786,256	4,219,254
Total Liabilities	5,384,034	4,752,549
<i>Shareowners' Equity</i>		
Common stock-no par value; authorized 40,000 shares; outstanding 17,786 shares at September 30, 2021 and September 30, 2020	38,950	38,950
Retained earnings	57,699	78,684
Accumulated other comprehensive loss	(1,328)	(1,978)
Total Shareowners' Equity	95,321	115,656
Total Liabilities and Shareowners' Equity	\$ 5,479,355	\$ 4,868,205

See Notes to Financial Statements

STATEMENTS OF OPERATIONS

PRIVATE EXPORT FUNDING CORPORATION ANNUAL REPORT 2021

STATEMENTS OF OPERATIONS

Year Ended September 30,

<i>(In thousands, except per share amounts)</i>	2021	2020	2019
FINANCING REVENUE			
Interest	\$ 26,683	\$ 90,675	\$ 167,685
Commitment and prepayment fees	1,023	4,048	4,870
Total Financing Revenue	27,706	94,723	172,555
FINANCING EXPENSE			
Interest	(40,977)	(95,292)	(170,417)
Commitment and other fees	(3,789)	(3,431)	(3,121)
Total Financing Expense	(44,766)	(98,723)	(173,538)
Net Financing Expense	(17,060)	(4,000)	(983)
Net securities gain	284	268	9
General and administrative expenses	(9,787)	(10,092)	(9,718)
Loss before income tax	(26,563)	(13,824)	(10,692)
Income tax benefit	5,578	4,057	2,236
Net Loss	\$ (20,985)	\$ (9,767)	\$ (8,456)
NET LOSS PER SHARE	\$ (1,179.86)	\$ (549.20)	\$ (475.41)

See Notes to Financial Statements

STATEMENTS OF COMPREHENSIVE LOSS

PRIVATE EXPORT FUNDING CORPORATION ANNUAL REPORT 2021

STATEMENTS OF COMPREHENSIVE LOSS

	Year Ended September 30,		
(In thousands)	2021	2020	2019
Net Loss	\$ (20,985)	\$ (9,767)	\$ (8,456)
Unrealized (losses) gains on investment securities - AFS	(712)	1,098	4,040
(net of income tax (benefit) provision of (\$189); \$292 and \$1,074, respectively)			
Cashflow hedge forward deals	470	–	–
(net of income tax provision of \$125; \$0 and \$0, respectively)			
Reclassification adjustment for net securities gains included in net loss	224	212	7
(net of income tax provision of \$60; \$56 and \$2, respectively)			
Pension and post retirement adjustment	668	(259)	(1,446)
(net of income tax provision (benefit) of \$178; (\$69) and (\$384), respectively)			
Other comprehensive income	650	1,051	2,601
Comprehensive Loss	\$ (20,335)	\$ (8,716)	\$ (5,855)

See notes to Financial Statements

STATEMENTS OF CHANGES IN SHAREOWNERS' EQUITY
PRIVATE EXPORT FUNDING CORPORATION ANNUAL REPORT 2021

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, 2018</i>	\$ 38,950	\$ 96,907	\$ (5,630)	\$ 130,227
Comprehensive loss:				
Net loss		(8,456)		(8,456)
Other comprehensive income			2,601	2,601
<i>Balances at September 30, 2019</i>	\$ 38,950	\$ 88,451	\$ (3,029)	\$ 124,372
Comprehensive loss:				
Net loss		(9,767)		(9,767)
Other comprehensive income			1,051	1,051
<i>Balances at September 30, 2020</i>	\$ 38,950	\$ 78,684	\$ (1,978)	\$ 115,656
Comprehensive loss:				
Net loss		(20,985)		(20,985)
Other comprehensive income			650	650
<i>Balances at September 30, 2021</i>	\$ 38,950	\$ 57,699	\$ (1,328)	\$ 95,321

See Notes to Financial Statements

STATEMENTS OF CASH FLOWS

PRIVATE EXPORT FUNDING CORPORATION ANNUAL REPORT 2021

STATEMENTS OF CASH FLOWS

Year Ended September 30,

(In thousands)	2021	2020	2019
OPERATING ACTIVITIES			
Net loss	\$ (20,985)	\$ (9,767)	\$ (8,456)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation and amortization	6,841	11,297	11,627
Net gain on investment securities	(284)	(268)	(9)
Net gain on prepayments of loans	(836)	(3,879)	(5,465)
Increase in deferred tax assets	(4,905)	(4,057)	(2,236)
Decrease in interest and fees receivable	1,269	2,686	2,579
Increase (decrease) in interest payable	900	(189)	1,027
Decrease in accrued expenses and other liabilities	(1,278)	(140)	(15,043)
Other, net	(6,383)	15,657	15,483
Net cash (used in) provided by operating activities	(25,661)	11,340	(493)
INVESTING ACTIVITIES			
Repayment (placement) of time deposits	25,000	(25,000)	200,000
Proceeds from maturities of investment securities	590,746	1,297,107	1,804,516
Purchases of investment securities	(1,811,657)	(986,366)	(1,667,422)
Proceeds from sales of investment securities	48,214	23,601	12,703
Principal collected on loans	1,031,333	1,355,556	1,396,493
Principal disbursed on loans	(1,298,578)	(551,592)	(369,491)
Net cash (used in) provided by investing activities	(1,414,942)	1,113,306	1,376,799
FINANCING ACTIVITIES			
Proceeds from issuance of short-term notes	1,993,268	2,496,095	2,851,130
Repayments of short-term notes	(1,929,320)	(2,656,233)	(3,136,968)
Proceeds from issuance of long-term debt less issuance costs	945,105	856,336	357,877
Repayments and repurchases of long-term debt	(300,000)	(1,275,000)	(1,000,000)
Net cash provided by (used in) financing activities	709,053	(578,802)	(927,961)
(Decrease) increase in Cash, cash equivalents, restricted cash, and restricted cash equivalents	(731,550)	545,844	448,345
Cash, cash equivalents, restricted cash, and restricted cash equivalents at the beginning of the year	1,251,801	705,957	257,612
Cash, cash equivalents, restricted cash, and restricted cash equivalents at the end of the year	\$ 520,251	\$ 1,251,801	\$ 705,957
SUPPLEMENTAL DISCLOSURES			
Interest paid	\$ 104,046	\$ 120,587	\$ 138,275

The following table provides a reconciliation of cash, cash equivalents, restricted cash, and restricted cash equivalents reported in the Statements of Financial Condition to that shown in the Statements of Cash Flows:

Year Ended September 30,

(In thousands)	2021	2020	2019
Cash and cash equivalents	\$ 196,934	\$ 646,109	\$ 352,270
Restricted cash and restricted cash equivalents	323,317	605,692	353,687
Cash, cash equivalents, restricted cash and restricted cash equivalents in the Statements of Cash Flows	\$ 520,251	\$ 1,251,801	\$ 705,957

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 ("EXIM") to assist in the financing of U.S. exports through the mobilization of private capital as a supplement to the financing already available through EXIM, commercial banks and other lending institutions. EXIM has cooperated in the operation of PEFCO through various agreements.

The Company has not been materially impacted by the COVID-19 pandemic to date and will continue to closely monitor the impact it has on all aspects of the business. If the COVID-19 pandemic worsens and impacts the market for guaranteed export funding, it could materially affect the Company's financial and operational results. Since the onset of the COVID-19 pandemic, the Company has continued to execute on its business plans in generally the same manner while splitting time between utilizing the office and working remotely. Additionally, as a result of the COVID-19 pandemic, PEFCO may experience delays in collecting loan payments on time from its borrowers and will work closely with them and EXIM, or other guarantor, in these situations to ensure that the amounts due to PEFCO are settled in full.

2. AGREEMENTS WITH EXIM

PEFCO has agreements with EXIM which provide that EXIM 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, EXIM retains a broad measure of supervision over PEFCO's major financial management decisions. The approval of EXIM 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 EXIM-approved types of assets. The prior consent of EXIM is required in order for PEFCO to withdraw any excess collateral or substitute for any items previously collateralized under the Secured Notes program. EXIM has exercised similar oversight on the Collateralized Notes Program, with prior consent required for tenors beyond five years classified as long-term. EXIM is entitled to representation at all meetings of PEFCO's Board of Directors. PEFCO furnishes EXIM with full information as to budgets, financial condition, and operating results. If EXIM makes any payments pursuant to its guarantees of interest on PEFCO's Secured Notes, there are certain additional requirements imposed on PEFCO as established in the agreements with EXIM. There were no such payments in 2021. Fees paid for the guarantee of interest on Long-term Secured Notes were \$146 thousand in 2021, \$160 thousand in 2020, and \$186 thousand in 2019.

Like some other government agencies, EXIM operates under a Charter mandated for specific periods of time through legislation passed by Congress and signed into law. EXIM's Charter lapsed in the period between June 30, 2015 and December 4, 2015, when legislation renewing the Charter was passed by Congress and signed into law. The Export-Import Bank Reform and Reauthorization Act of 2015 (PL 114-94) extended EXIM's corporate existence through September 30, 2019. Congress passed reauthorization legislation again in 2019 as part of the appropriation process, resulting in a long-term extension of the Sunset Date of the Charter to December 31, 2026.

In April 2020, EXIM initiated a review of the EXIM / PEFCO public private partnership in connection with the renewal of the Guarantee and Credit Agreement, scheduled to expire on December 31, 2020. EXIM reviewed the role that PEFCO plays in supporting the EXIM guaranteed loan market, solicited comments from key constituents and the general public in a transparent process, and sought to enhance the effectiveness and utility of this public private partnership for the future. On September 8, 2020, the EXIM Board approved the renewal of the Guarantee and Credit Agreement for a term expiring on December 31, 2045. In addition, the EXIM Board approved changes to the PEFCO Standard Operating Procedures designed to facilitate PEFCO funding capabilities and enhance transparency.

The EXIM Board also approved the creation of an enhanced guarantee designed to facilitate PEFCO funding of loan facilities under the Supply Chain Finance Guarantee Program in support of U.S. exporters.

Under the Charter, EXIM has a five-member Board of Directors consisting of the President & Chairman, the First Vice President & Vice Chairman, and three Director positions. Members of the EXIM Board are nominated and confirmed for a defined term, typically ending in January. The expiring term of a Board Member may be extended by the Administration for an additional six month term. Vacancies in the President & Chairman and First Vice President & Vice Chairman may be filled by EXIM staff in an acting capacity for shorter periods under the provisions of the Federal Vacancies Reform Act of 1998. Expiring terms of Board Members in 2015 led to the lapse in the voting quorum due to the Charter requirement of three voting Members, and the provisions of the Federal Vacancies Reform Act of 1998 only covering two positions. The legislation reauthorizing the Charter in 2019 for a seven year term also introduced reforms in the Board composition to maintain the voting quorum. If there is an insufficient number of directors to constitute a voting quorum for 120 consecutive days, a temporary Board is authorized consisting of (i) the U.S. Trade Representative, (ii) the Secretary of the Treasury, (iii) the Secretary of Commerce, and (iv) the current members of the EXIM Board serving in either a regular or acting capacity.

If the corporate existence of EXIM 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 EXIM would have no effect on the Guarantee Agreement, and no effect on EXIM'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"). Certain prior year amounts have been reclassified to conform to fiscal 2021 presentation.

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

The Company considers cash on hand, deposits held at banks, highly liquid money market funds, and U.S. Treasury Securities with original maturities of three months or less from the date of purchase to be cash and cash equivalents. Substantially all cash and cash equivalents are held by six financial institutions which at times can exceed the Federal Deposit Insurance Corporation's insurance limit. Money market funds and U.S. Treasury securities are carried at amortized cost.

Restricted Cash and Restricted Cash Equivalents

Restricted cash and restricted cash equivalents consist of deposits held at banks and U.S. Treasury Securities with maturities of three months or less from the date of purchase which cannot be withdrawn or sold without a hold of at least one day due to contractual restrictions, either to meet collateral or margin requirements. Amounts include balances that are pledged as collateral for PEFCO's Collateralized Notes and Secured Notes programs and held for the initial margin requirement as determined by the Central Clearing Party ("CCP"), the institution which takes on the counterparty risk related to its interest rate swaps. Substantially all restricted cash and restricted cash equivalents are held by three financial institutions which at times can exceed the Federal Deposit Insurance Corporation's insurance limit. U.S. Treasury securities are carried at amortized cost.

Time Deposits

Time deposits are interest-bearing accounts which have specified dates of maturity of more than three months from the date of deposit and may be withdrawn by giving notice, with penalties for early withdrawal. The funds, which at times can exceed the Federal Deposit Insurance Corporation's insurance limit, are held by a financial institution Management believes is of high credit quality. Time deposits are carried at amortized cost.

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 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.

Investment securities may include securities pledged as collateral under the terms of the 1971 Guarantee and Credit Agreement with EXIM.

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").

Interest income on investment securities, including amortization of premiums and accretion of discounts, is recognized when earned using the effective 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, net of unamortized premium or discounts and adjustments under fair value hedge accounting (see Note 10) and may include loans pledged as collateral under the terms of the 1971 Guarantee and Credit Agreement with EXIM.

Interest income is recognized when earned and related unamortized premium and discount are amortized to interest income on an effective yield basis over the life of the loan. Fees received from the undisbursed balances of loan commitments and fee income are 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.

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 EXIM or other U.S. government institutions,

such as the International Development Finance Corporation ("DFC") 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. In addition, insured loans are supported by guarantees from the respective lenders. Accordingly, PEFCO does not presently maintain an allowance for its guaranteed loans. With regards to its insured loans with EXIM, in the event official cover is denied or there is residual operational risk associated with a transaction, the Company evaluates the need for an allowance for loan losses based on the probability of loss.

Other Assets and Deferred Charges and Accrued Expenses and Other Liabilities

Other Assets and Deferred Charges include, among other things, premises and equipment (including internally developed software), net deferred tax assets and the fair value of PEFCO's derivative financial instruments. Accrued Expenses and Other Liabilities include, among other things, operating expense accruals, tax accruals, other payables, and the fair value of PEFCO's derivative financial instruments.

Internally developed software, 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 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 fair value hedges or cash flow 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. Swap contracts may be novated and “cleared” through a CCP, an institution which takes on the counterparty risk and provides clearing and settlement services.

Derivative financial instruments are recorded on the Statements of Financial Condition as either an asset or liability measured at fair value. Derivatives are recorded on a net-by-counterparty basis in the Statements of Financial Condition when a legal right to offset exists under an enforceable netting arrangement. 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 Statements of Operations when the hedged item affects earnings. Net interest paid or received on fair value hedges of fixed-rate loans is reported as an adjustment to interest income. Net interest paid or received on fair value hedges of long-term debt is reported as an adjustment of interest expense. PEFCO had two interest rate swap contracts designated as cash flow hedges as of September 30, 2021. PEFCO had no cash flow hedges for the years ended 2020 and 2019.

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.

Debt

Short-term notes and Long-term debt are carried at amortized cost, reported net of unamortized premium or discounts, deferred issuance costs and adjustments under fair value hedge accounting (see Note 10). Unamortized premiums, discounts and deferred issuance costs are amortized to interest expense on a straight-line basis over the life of each issue.

Fair Value Measurement

PEFCO reports fair value measurements for certain classes of assets and liabilities. In measuring fair value, PEFCO utilizes a 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.

U.S. Treasury Securities reported as Cash and cash equivalents and Restricted cash and restricted cash equivalents are carried at amortized cost which approximates fair value, due to the short-term nature of the instrument.

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.

When accounting for interest and penalties related to income taxes, PEFCO reports them as General and administrative expenses in the Statements of Operations and Accrued expenses and other liabilities in the Statements of Financial Condition.

Recently Issued Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, *Reference Rate Reform (Topic 848) – Facilitation of the effects of reference rate reform on financial reporting*. The amendments in this ASU provide optional expedients and exceptions to applying GAAP to contracts, hedging relationships and other transactions impacted by reference rate reform if certain criteria are met. The amendments in this ASU are effective upon issuance through December 31, 2022. The Company did not

modify any LIBOR-based contracts during the fiscal year ended September 30, 2021 and is currently evaluating the impact of this guidance on the financial statements.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, which simplifies the accounting for income taxes by removing certain exceptions to the general principles in the existing guidance for income taxes and making other minor improvements. The amendments in the ASU are effective for the Company on October 1, 2022. The Company does not expect the adoption of ASU 2019-12 to have a material impact on its financial statements and will adopt the standard effective October 1, 2022.

In October 2018, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2018-16, *Derivatives and Hedging (Topic 815) Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes*. The FASB amended its hedge accounting guidance to add the SOFR as a benchmark interest rate that could be designated in certain hedging relationships. In August 2017, the 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 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 risk management activities. The ASU requires the hedging instrument to be presented in the same income statement line item as the hedged item and also requires expanded disclosures. For entities that have not early adopted ASU No. 2017-12, the amendments in this ASU 2018-16 and 2017-12 are to be adopted concurrently. PEFCO did not early adopt ASU 2017-12; therefore, for PEFCO, both ASU's are effective October 1, 2021, including interim periods within those fiscal years. Adoption of these ASUs did not have a material impact on PEFCO's financial statements.

In August 2018, FASB issued ASU No. 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20) Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* which amends ASC 715 to add, remove, and clarify disclosure requirements related to defined benefit pension and other postretirement plans. The ASU's changes related to disclosures are part of the FASB's disclosure framework project, which the Board launched in 2014 to improve the effectiveness of disclosures in notes to financial statements. The ASU is effective for years ending after December 15, 2021 but early adoption is permitted. PEFCO is evaluating the impact the guidance will have on its financial statements.

The FASB issued in June 2016 ASU No. 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 U.S. 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, 2022, and interim periods therein. Adoption of this ASU is not expected to have a material impact on PEFCO's financial statements.

In February 2016, the FASB issued ASU No. 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 Statements 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 Statements of Cash Flows. In March 2019, the FASB issued ASU No. 2019-01 – *Leases (Topic 842): Codification Improvements*, to clarify its position regarding lessor’s determination of fair value of underlying assets, presentation issues in the Statements of Cash Flows for sales-type and direct financing leases, and transition disclosure issues. In November 2019, the FASB issued ASU No. 2019-10 which defers the effective dates for ASU 2016-02 by one year for private companies. The ASU is effective for fiscal years beginning after December 15, 2021, and interim periods within fiscal years beginning after December 15, 2022. Early application is permitted. This guidance is not expected to have a material impact on PEFCO’s financial statements.

In August 2015, FASB issued ASU No. 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 2015-14 deferred the effective date of ASU 2014-09 for private companies to annual reporting periods beginning after December 15, 2018. ASU 2020-05 defers the effective date for annual reporting periods beginning after December 15, 2019, and interim reporting periods within annual reporting periods beginning after December 15, 2020. Adoption of this ASU on October 1, 2020 did not have a material impact on PEFCO’s financial statements.

4. INVESTMENT SECURITIES AVAILABLE FOR SALE

September 30, 2021

<i>(In thousands)</i>	<i>Amortized Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Fair Value^(a)</i>	<i>Average Yield^(b)</i>
U.S. Treasury Securities					
Maturity in one year or less	\$ 1,393,226	\$ 43	\$ 5	\$ 1,393,264	0.05%
Maturity after one year through five years	53,625	3	4	53,624	0.57%
U.S. Government Agency Securities ^(c)					
Maturity after one year through five years	9,760	138	66	9,832	2.38%
Maturity after five years through ten years	70,648	357	518	70,487	1.55%
Maturity after ten years	28,333	121	137	28,317	1.63%
Total Available for Sale Securities	\$ 1,555,592	\$ 662	\$ 730	\$ 1,555,524	0.18%

September 30, 2020

<i>(In thousands)</i>	<i>Amortized Cost</i>	<i>Gross Unrealized Gains</i>	<i>Gross Unrealized Losses</i>	<i>Fair Value^(a)</i>	<i>Average Yield^(b)</i>
U.S. Treasury Securities					
Maturity in one year or less	\$ 282,972	\$ 346	\$ -	\$ 283,318	1.60%
U.S. Government Agency Securities ^(c)					
Maturity in one year or less	1,438	1	-	1,439	1.46%
Maturity after one year through five years	7,244	-	109	7,135	2.64%
Maturity after five years through ten years	68,891	684	610	68,965	1.71%
Maturity after ten years	25,116	358	120	25,354	2.24%
Total Available for Sale Securities	\$ 385,661	\$ 1,389	\$ 839	\$ 386,211	1.68%

(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. government and include securities issued by, among others, the Government National Mortgage Association, the International Development Finance Corporation, and the Small Business Association.

Cash proceeds from the sales of available for sale securities during 2021, 2020, and 2019 were \$48.2 million, \$23.6 million, and \$12.7 million, respectively. Net gains from available for sale securities sold in 2021

amounted to \$284 thousand. Net gains from available for sale securities sold in 2020 amounted to \$268 thousand. Net gains from available for sale securities sold in 2019 amounted to \$9 thousand.

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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, 2021 (In thousands)	Less than 12 months		12 months or more		September 30, 2020 (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	\$ 394,995	\$ 9	\$ –	\$ –	U.S. Treasury Securities	\$ –	\$ –	\$ –	\$ –
U.S. Government Agency Securities	22,867	202	42,869	519	U.S. Government Agency Securities	16,083	114	46,702	725
Total temporarily impaired securities	\$ 417,862	\$211	\$ 42,869	\$ 519	Total temporarily impaired securities	\$ 16,083	\$ 114	\$ 46,702	\$ 725

These investment securities are backed by the full faith and credit of the U.S. government. The unrealized losses on these investments resulted from 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.

Investment securities include securities pledged as collateral for PEFCO's Secured and Collateralized Notes programs. The amount of securities pledged at September 30, 2021 and September 30, 2020 were \$1,144 million and \$283 million, respectively.

5. LENDING PROGRAMS

Loans outstanding at September 30, 2021, and related undisbursed commitments were classified as follows:

(In thousands)	Outstanding Loans		Undisbursed Commitments
	Amount	Average Rate	Amount
Export loans guaranteed or insured by EXIM			
Direct & Secondary Long-term Loan Programs			
Fixed-rate	\$ 1,105,626	2.70%	\$ 74,000 ^(b)
Floating-rate	1,980,991 ^(a)		– ^(a)
Short-term & Medium-term Loan Programs			
Fixed-rate	63,697	3.17%	22,364 ^(b)
Floating-rate	82,522 ^(a)		30,365 ^(a)
	\$ 3,232,836		\$ 126,729
Other guaranteed loans			
Fixed-rate	\$ 21,635 ^(c)	1.94%	\$ – ^{(b)(c)}
Floating-rate	32,520 ^{(a)(c)}		4,875 ^{(a)(c)}
	\$ 54,155		\$ 4,875
Total	\$ 3,286,991		\$ 131,604
Fair Value Hedge Adjustment	32,976		
Unamortized Premium	1,136		
Unamortized Discount	(348)		
Total Carrying Value	\$ 3,320,755		

(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) Loans are fully guaranteed by other U.S. sovereign government agencies and carry the full faith and credit of the U.S. government.

Loans outstanding at September 30, 2020, and related undisbursed commitments were classified as follows:

(In thousands)	Outstanding Loans		Undisbursed Commitments
	Amount	Average Rate	Amount
Export loans guaranteed or insured by EXIM			
Direct & Secondary Long-term Loan Programs			
Fixed-rate	\$ 1,498,498	2.70%	\$ – ^(b)
Floating-rate	1,358,906 ^(a)		83,000 ^(a)
Short-term & Medium-term Loan Programs			
Fixed-rate	37,214	4.33%	4,643 ^(b)
Floating-rate	81,178 ^(a)		21,212 ^(a)
	\$ 2,975,796		\$ 108,855
Other guaranteed loans	\$ 43,857 ^{(a)(c)}		\$ 4,875 ^{(a)(c)}
Total	\$ 3,019,653		\$ 113,730
Fair Value Hedge Adjustment	67,689		
Unamortized Premium	889		
Unamortized Discount	(955)		
Total Carrying Value	\$ 3,087,276		

(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) Loans are fully guaranteed by other U.S. sovereign government agencies and carry the full faith and credit of the U.S. government.

Outstanding loans were scheduled for repayment at September 30, 2021 as follows (in thousands):

2022	\$ 834,234
2023	706,165
2024	599,655
2025	458,792
2026	370,247
2027 and thereafter	317,898
Total before Fair Value Hedge Adjustment, Unamortized Premium, and Unamortized Discount	\$ 3,286,991

In fiscal year 2018, PEFCO recorded a loan loss provision on a loan whose insurance was denied by EXIM. The provision amounted to \$497 thousand. No change to such allowance was required as of September 30, 2021.

PEFCO uses derivative contracts, primarily interest rate swaps, to effectively limit exposure to changes in the value of its fixed-rate loans. The maturity structure of the derivatives generally corresponds to the maturity structure of the loans being hedged. Including the effect of its derivative contracts hedging loans, PEFCO's overall weighted average effective rate for the fixed-rate loan portfolio was 0.87% and 2.00% for the years ended September 30, 2021 and September 30, 2020, respectively.

Reported loan balances include export loans guaranteed by EXIM which are pledged as collateral for PEFCO's Secured Notes and Collateralized Notes programs. The amount of loans pledged at September 30, 2021 and September 30, 2020 were \$2.3 billion and \$2.6 billion, respectively.

6. DEBT

PEFCO manages its liquidity and interest rate exposures through the combination of short-term borrowings, secured and unsecured long-term debt issuances, and interest rate derivatives. Short-term notes and Long-term debt are accounted for at amortized cost except where the debt is in a fair value hedging relationship.

Short-term Notes

PEFCO's Short-term notes consist of commercial paper which is generally issued in amounts not less than \$100 thousand and with maturities of 270 days or less. At September 30, 2021 and 2020, PEFCO's commercial paper outstanding was \$554.9 million at a weighted average coupon of 0.10% and \$490.0 million at a weighted average coupon of 0.35%, respectively.

For the years ended September 30, 2021 and 2020, Short-term notes averaged approximately \$652.7 million (average interest rate of 0.14%), and \$635.4 million (average interest rate of 1.45%), respectively.

Long-term Debt

The Company issues long-term debt through one of three programs - Medium-term Notes, Collateralized Notes or Secured Notes. The notes are sold through underwriters who may also be shareowners of the Company. Medium-term Notes are unsecured notes with maturities from nine months to five years. Collateralized Notes and Secured Notes are secured by the pledge of (1) loans or other assets guaranteed by EXIM or other U.S. agencies as to interest and principal, (2) U.S. Treasury and U.S. Government Agency securities and/or (3) Cash. The collateral includes scheduled maturities which ensure, before the date on which payment of principal of each note is due, the trustee will have cash from maturing collateral sufficient to pay the principal of the notes. Payment of interest on the Secured Notes is fully guaranteed by EXIM in return for a fee paid by PEFCO, which is accounted for on an accrual basis. Typically, the Secured Notes have original maturities of five years or longer and the Collateralized Notes have maturities of one year or more.

PEFCO uses derivative contracts, primarily interest rate swaps, to effectively convert a portion of its fixed-rate debt to variable-rate debt. The maturity structure of the derivatives generally corresponds to the maturity structure of the debt being hedged.

NOTES TO FINANCIAL STATEMENTS

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	Balance Outstanding		Designated Collateral Installments ⁽¹⁾	
(In thousands)	2021	2020	2021	2020
Secured Notes				
Series BB - 4.30% notes due Dec-21	\$ 500,000	\$ 500,000	\$ 1,310,712	\$ 1,406,862
Series EE - 2.80% notes due May-22	500,000	500,000	1,063,993	1,150,326
Series II - 2.05% notes due Nov-22	400,000	400,000	853,576	928,816
Series KK - 3.55% notes due Jan-24	500,000	500,000	992,022	1,042,928
Series GG - 2.45% notes due Jul-24	400,000	400,000	693,028	729,621
Series OO - 1.75% notes due Nov-24	350,000	350,000	434,589	453,329
Series NN - 3.25% notes due Jun-25	250,000	250,000	258,048	258,789
Series PP - 1.40% notes due Jul-28	350,000	–	361,585	–
Sub-total	\$ 3,250,000	\$ 2,900,000		
Medium-term Notes (unsecured)				
Series 2018-01 - 2.65% notes due Feb-21	\$ –	\$ 300,000	N/A	N/A
Series 2019-01 - 1.75% notes due Jun-22	159,000	159,000	N/A	N/A
Series 2020-01 - Floating rate notes due Apr-23	250,000	250,000	N/A	N/A
Series 2021-02 - 0.30% notes due Apr-23	300,000	–	N/A	N/A
Series 2020-02 - Floating rate notes due Jul-23	260,000	260,000	N/A	N/A
Series 2021-01 - 0.55% notes due Jul-24	300,000	–	N/A	N/A
Sub-total	\$ 1,269,000	\$ 969,000		
Collateralized Notes				
Series 2018-A - 3.27% notes due Nov-21	\$ 200,000	\$ 200,000	\$ 201,015	\$ 201,539
Sub-total	\$ 200,000	\$ 200,000		
Total Long-term Debt	\$ 4,719,000	\$ 4,069,000		
Fair Value Hedge Adjustment	75,190	155,698		
Unamortized Premium	1,182	2,539		
Unamortized Discount	(2,680)	(1,957)		
Deferred Issuance Costs	(6,436)	(6,026)		
Total Carrying Value	\$ 4,786,256	\$ 4,219,254		
Average principal balance outstanding	\$ 4,307,460	\$ 4,452,622		
Effective interest rate	2.49%	2.76%		
Effective interest rate after hedge accounting	0.93%	1.93%		

(1) Excess amounts for each series are then applied to the next series due.

Remaining maturities of Long-term Debt at September 30, 2021 were as follows (in thousands):

2022	\$ 1,359,000
2023	1,210,000
2024	1,200,000
2025	600,000
2026	–
2027 and thereafter	350,000
Total	\$ 4,719,000

Collateral

The principal of all Secured Notes and Collateralized Notes is fully backed by collateral assets held in a trust arrangement which are owned and recorded by PEFCO in its Statements of Financial Condition. Collateral assets may include U.S. Treasury Securities or other obligations unconditionally guaranteed or fully insured by the United States or agencies of the United States, foreign importer notes supported directly by export loan guarantees by EXIM under the 1971 Guarantee Agreement and cash. The securities and notes are assigned to, and held by, the trustee, a shareowner of PEFCO. The collateral includes scheduled maturities which ensure, before the date on which payment of principal of each Secured Note and Collateralized Note is due, the trustee will have cash from maturing collateral sufficient to pay the principal of the Secured Notes and Collateralized Notes.

Payment of interest on the Secured Notes is fully guaranteed by EXIM in return for a fee paid by PEFCO, which is accounted for on an accrual basis.

The principal cash flows are segregated between designated installments (pledged in the trust against existing Secured Note and Collateralized Note issuances) and free installments (pledged in the trust arrangements but not designated currently against any existing Secured Note and Collateralized Note issuances). Designated installments in excess of a Secured Note or Collateralized Note principal redemption are available to back the next scheduled Secured Note or Collateralized Note redemption. Free installments are available collateral for pledging against future Secured Note or Collateralized Note issuances, or transferring out of the trust if held as current cash.

The assets pledged in support of the Secured Notes and Collateralized Notes programs were as follows:

<i>(In thousands)</i>	2021	2020
Cash and U.S. Treasury securities reported as Restricted cash and restricted cash equivalents	\$ 319,447	\$ 602,404
U.S. Treasury and Agency securities reported as Investment Securities AFS	1,143,706	283,000
Export loans guaranteed by EXIM reported as Loans	2,255,196	2,608,293
Total pledged collateral	\$ 3,718,349	\$ 3,493,697

Revolving Credit Facilities

PEFCO has a syndicated 364 day revolving credit facility in place with 8 banks, of which 7 are shareowners, totaling \$650 million. At September 30, 2021 and September 30, 2020, there were no amounts outstanding under any facility. This credit facility matures on April 27, 2022.

7. SHAREOWNERS' EQUITY

Common stock outstanding amounted to approximately \$39.0 million at September 30, 2021 and September 30, 2020, and shares issued and outstanding amounted to 17,786 at each period end.

Net loss per share was \$1,179.86 in fiscal 2021, \$549.20 in fiscal 2020, and \$475.41 in fiscal 2019.

Weighted average shares outstanding amounted to 17,786 for 2021, 2020 and 2019.

Under an agreement with EXIM 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.

No dividends have been declared in the fiscal years ended September 30, 2021, 2020, and 2019.

8. INCOME TAXES

Income Tax Benefit/Provision

The components of Income tax (benefit) provision for the three years ended September 30,:

(In thousands)	2021	2020	2019
Federal-current	\$ 1,447	\$ (1,193)	\$ -
Federal-deferred	(7,025)	(2,864)	(2,236)
Income tax benefit	\$ (5,578)	\$ (4,057)	\$ (2,236)

Tax Rate

The comparison of the U.S. Federal statutory tax rate to the effective income tax rate for the three years ended September 30,:

	2021	2020	2019
Tax at statutory rate	21.0%	21.0%	21.0%
Effective income tax rate	21.0%	29.3%	20.9%

As set forth in the table above, PEFCO's effective and statutory tax rates in 2021 were 21.0%. In 2020, PEFCO's effective tax rate was 29.3%, and differed from the 21.0% statutory tax rate, primarily as a result of the impact of the enactment of the Coronavirus Aid, Relief,

and Economic Security ("CARES") Act and PEFCO's net operating loss carryback to a tax year in which the statutory tax rate was 34%. The effective income tax rate in 2019 approximated the statutory 21% rate.

Deferred Income Taxes

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

(In thousands)	2021	2020
Total deferred tax assets	\$ 14,947	\$ 11,250
Total deferred tax liabilities	(648)	(681)
Net deferred tax assets	\$ 14,299	\$ 10,569

Included in Other assets and deferred charges at September 30, 2021 is a net deferred tax asset of \$14,299 thousand (\$10,569 thousand in 2020). Deferred tax assets and liabilities result from temporary timing differences when recognizing certain revenue and expenses for book and tax purposes. Differences include recording hedge ineffectiveness, depreciation, pension and post-retirement costs, loan losses, and net operating losses. 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, 2021 and 2020. This determination was made based upon the evidence of prior years' earnings as well as expected future earnings.

As a result of the Section 163(j) interest deduction limitation as amended by the Tax Cuts and Jobs Act, PEFCO has taxable income of about \$6.9 million in 2021 after fully utilizing its remaining net operating loss carry forwards from prior years.

The Company has not recorded any uncertain tax positions as of September 30, 2021 and 2020. 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, 2017. The Company has not been notified of any future examination by applicable taxing authorities.

Recent Tax Legislation

On March 27, 2020 the CARES Act was enacted into law, which changed existing U.S. tax law and included provisions which affected the business including changes to the net operating loss carryback and carryforward rules and allowed PEFCO to carryback the taxable losses incurred in the September 30, 2019 tax year to be deducted against the taxable income generated in the September 30, 2014 tax year.

9. 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 tables summarize the funded status and amounts recognized in the Statements of Financial Condition for PEFCO's pension plans:

(In thousands)	Qualified Plan		Nonqualified Plan	
	2021	2020	2021	2020
Change in Benefit Obligation				
Benefit obligation at beginning of year	\$ 18,263	\$ 15,449	\$ 6,076	\$ 5,744
Service cost	946	652	192	175
Interest cost	429	465	140	169
Actuarial (gain) loss	(48)	1,913	(202)	343
Benefits paid	(295)	(216)	(355)	(355)
Change in plan provisions	639	–	–	–
Benefit obligation at end of year	\$ 19,934	\$ 18,263	\$ 5,851	\$ 6,076
Change in Plan Assets				
Fair value of plan assets at beginning of year	\$ 15,733	\$ 13,989	\$ –	\$ –
Actual return on plan assets	1,909	1,110	–	–
Employer contributions	775	850	355	355
Benefits paid	(296)	(216)	(355)	(355)
Fair value of assets at end of year	\$ 18,121	\$ 15,733	\$ –	\$ –
Funded status at end of year ^(a)	\$ (1,813)	\$ (2,530)	\$ (5,851)	\$ (6,076)

(a) These amounts were recognized in accrued expenses and other liabilities in the Statements of Financial Condition as of September 30, 2021 and 2020.

Amounts recognized in Accumulated Other Comprehensive Loss

Net loss	\$ 2,306	\$ 3,700	\$ 1,751	\$ 2,048
Prior service cost	639	–	–	(1)
Total	\$ 2,945	\$ 3,700	\$ 1,751	\$ 2,047

The Net periodic benefit cost and other amounts recognized in Other Comprehensive Income (Loss) for the two pension plans were as follows:

(In thousands)	Qualified Plan			Nonqualified Plan		
	2021	2020	2019	2021	2020	2019
Components of Net periodic pension cost						
Service cost	\$ 946	\$ 652	\$ 550	\$ 192	\$ 175	\$ 165
Interest cost	429	465	530	140	169	205
Expected return on plan assets	(793)	(707)	(641)	–	–	–
Amortization of prior service cost (credit)	–	–	–	(1)	(1)	(1)
Amortization of net losses	229	91	–	95	75	44
	\$ 811	\$ 501	\$ 439	\$ 426	\$ 418	\$ 413
Other changes in plan assets and benefit obligations ⁽¹⁾						
Net (gain) loss	\$ (1,165)	\$ 1,510	\$ 1,159	\$ (202)	\$ 343	\$ 577
Amortization of gain	(228)	(91)	–	(94)	(75)	(44)
Amortization of prior service cost	638	–	–	1	1	1
Total Recognized in Other Comprehensive Loss	\$ (755)	\$ 1,419	\$ 1,159	\$ (295)	\$ 269	\$ 534

(1) Before taxes at PEFCO's effective tax rate of approximately 21% for 2021, 29.3% for 2020, and 20.9% for 2019.

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:

	2021	2020	2019
Weighted average discount rate, end of period	2.65%	2.37%	3.03%
Weighted average discount rate, average for period	2.37%	3.03%	4.13%
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, 2021		September 30, 2020	
		Amount	Percent	Amount	Percent
Equity securities	50%	\$ 9,895	55%	\$ 8,365	53%
Debt securities	50%	8,227	45%	7,367	47%
Fair value at end of year	100%	\$ 18,122	100%	\$ 15,732	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.

Postretirement Plan

The following tables summarize the funded status and amounts recognized in the Statements of Financial Condition for PEFCO's postretirement plan:

(In thousands)	2021	2020
Change in Benefit Obligation		
Benefit obligation at beginning of year	\$ 836	\$ 2,182
Service cost	51	128
Plan participants' contributions	59	46
Interest cost	18	66
Actuarial gain	(126)	(1,505)
Benefits paid	(103)	(81)
Benefit obligation at end of year	\$ 735	\$ 836
Change in Plan Assets		
Fair value of plan assets at beginning of year	\$ –	\$ –
Employer contribution	44	35
Plan participants' contributions	59	46
Benefits paid	(103)	(81)
Fair value of plan assets at end of year	\$ –	\$ –
Funded status at end of year^(a)	\$ (735)	\$ (836)

(a) These amounts were recognized in "Accrued expenses and other liabilities" in the Statements of Financial Condition as of September 30, 2021 and 2020.

Amounts recognized in Accumulated Other Comprehensive Income (Loss)

Net gain	\$ (2,489)	\$ (2,693)
Prior service credit	–	–
Total	\$ (2,489)	\$ (2,693)

The Net periodic benefit cost and other amounts recognized in OCI for the postretirement pension plan were as follows:

(In thousands)	2021	2020	2019
Components of periodic postretirement benefit cost			
Service cost	\$ 51	\$ 128	\$ 93
Interest cost	18	66	85
Expected return on plan assets	–	–	–
Amortization of prior service credit	–	–	–
Amortization of net losses	(330)	(145)	(147)
Net periodic postretirement benefit cost	\$ (261)	\$ 49	\$ 31
Other Changes in plan assets and benefit obligations⁽¹⁾			
Net (gain) loss	\$ (126)	\$ (1,505)	\$ (9)
Amortization of gain	330	145	147
Amortization of prior service cost	–	–	–
Total Recognized in Other Comprehensive Loss	\$ 204	\$ (1,360)	\$ 138

(1) Before taxes at PEFCO's effective tax rate of 21% for 2021, 29.3% for 2020, and 20.9% for 2019.

Assumptions Used for Postretirement Plan Accounting

	2021	2020	2019
Weighted average discount rate, end of period	2.66%	2.19%	3.08%
Weighted average discount rate, average for period	2.19%	3.08%	4.15%
Assumed healthcare cost trend rate, pre-65	6.75%	6.50%	6.75%
Assumed healthcare cost trend rate, post-65	4.40%	4.40%	4.75%
Prescription cost trend rate	6.75%	6.75%	9.00%
Ultimate rate to which rates are assumed to decline	3.78%	3.78%	3.78%
Year in which ultimate rate is reached	2075	2075	2075

Defined Contribution 401(k) Plan

PEFCO sponsors a defined contribution 401(k) plan in accordance with local laws. The following were PEFCO's contributions to the defined contribution plan for the three years ended September 30,

(In thousands)	2021	2020	2019
Contribution Expense	\$205	\$185	\$ 197

10. 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 million 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 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 swap contracts may be novated and cleared through a CCP, an institution which takes on the counterparty risk and provides claim and settlement services. The notional value of swaps cleared through the CCP at September 30, 2021 and September

30, 2020 were \$4.7 billion and \$4.4 billion, respectively, representing approximately 98% of the total notional values at September 30, 2021 and 2020.

The notional principal amount of interest rate swap contracts does not represent the market or credit risk associated with those contracts but rather provides 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 2021, 2020, and 2019.

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Derivative notional averages were \$4.5 billion and \$5.2 billion for the years ended September 30, 2021 and September 30, 2020, respectively. The following table summarizes the notional amount and credit exposure of PEFCO's derivative instruments designated as hedges at September 30, 2021 and September 30, 2020:

(In thousands)	Notional Amount ^(a)		Credit Exposure	
	2021	2020	2021	2020
Total Interest Rate Swaps	\$ 4,825,087	\$ 4,518,593	\$ 79,195	\$ 155,699
Effect of master netting agreements ^(b)			(36,482)	(68,235)
Total Credit Exposure			\$ 42,713	\$ 87,464

(a) At September 30, 2021, the Notional Amount includes \$4,759.6 million for Fair Value Hedges and \$65.5 million for Cash Flow Hedges. At September 30, 2020, the Notional Amount includes \$4,518.6 million for Fair Value Hedges.

(b) Represents the netting of derivative balances with the same counterparty under enforceable netting agreements and excludes negative cash balances of \$9.6 million and \$15.6 million at September 30, 2021 and September 30, 2020, respectively, that did not contain credit exposure.

PEFCO has interest rate swap contracts designated as fair value hedges which hedge certain fixed-rate long-term loans and certain fixed-rate long-term 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 Operations. 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. As the hedged items exposed to ineffectiveness are loans, any ineffectiveness is reported in current period earnings as an adjustment to Interest Revenue.

Hedge ineffectiveness on designated and qualifying fair value hedges was recorded as an adjustment to Interest Revenue as follows:

(In thousands)	Year ended September 30,		
	2021	2020	2019
Interest Rate Swaps	\$ 450	\$ (664)	\$ (1,315)

From time to time, PEFCO enters into interest rate swap contracts designated as cash flow hedges, which minimize the variability in cash flows arising from forecasted fixed-rate loan commitments or the rollover of short-term notes (liabilities). The changes in fair values of

derivatives designated as cash flow hedges are recorded in Accumulated Other Comprehensive Income ("AOCI") and are reclassified into the line item in the Statements of Operations in which the hedged items are recorded in the same period the hedged items affect earnings. The changes in fair values of hedges that are determined to be ineffective are immediately reclassified from AOCI into earnings. PEFCO's cash flow hedges at September 30, 2021 were considered to be highly effective and accordingly, the changes in the cash flows of the interest rate swap contracts have been recorded in accumulated other comprehensive income (loss), net of applicable income taxes. PEFCO had two interest rate swap contracts with a total notional amount of \$65.5 million as of and for the year ended September 30, 2021 and no interest rate swap contracts outstanding as of and for the years ended September 30, 2020 and September 30, 2019, that were designated as cash flow hedges.

The following table presents the effect of PEFCO's derivative instruments in cash flow hedging relationships on the Statements of Operations:

(In thousands)	Loss (Gain) Recognized in Other Comprehensive Income (OCI) on Derivatives, net of tax (Effective Portion)			Loss (Gain) Reclassified from OCI into Total Financing Expense		
	2021	2020	2019	2021	2020	2019
Interest Rate Swaps	\$ (470)	\$ –	\$ –	\$ –	\$ –	\$ –

The over-the-counter ("OTC") trades which clear directly with the counterparty did not require PEFCO to pay or receive cash collateral in connection with the uncleared derivative transactions in 2021 and 2020.

The OTC trades which have been novated to a CCP require each party to the trade to post liquid collateral on an initial basis (initial margin) and mark-to-market basis (variation margin) to cover the CCP's potential future exposure in the event of a default. At September 30, 2021, the CCP's margin requirement for PEFCO was \$22.2 million which restricts PEFCO's access to its open trade equity with the CCP by that amount.

Effective January 3, 2017, the CCP adopted a rule change which requires or allows entities to treat derivative assets or liabilities and the related variation margin as settlement of the related derivative fair value for legal accounting purposes, as opposed to presenting gross derivative assets and liabilities that are subject to collateral, whereby the counterparties would record a related collateral receivable or payable.

Derivative financial instruments including the right to reclaim cash collateral and the obligation to return cash collateral are recorded on the Statements of Financial Condition as either Other assets and deferred charges or Accrued expenses and other liabilities on a net-by-counterparty basis when a legal right to offset exists under an enforceable netting arrangement.

The following table presents the effect of PEFCO's derivative instruments designated as hedges on the Statements of Financial Condition:

(In thousands)	Asset Derivatives ^(a)		Liability Derivatives ^(b)	
	2021	2020	2021	2020
Interest Rate Swaps ^(c)	\$ 79,195	\$ 155,699	\$ 36,482	\$ 68,235
Effect of master netting agreements ^{(d)(e)}	(46,117)	(83,868)	(36,482)	(68,235)
Total reported on the Statements of Financial Condition	\$ 33,078	\$ 71,831	\$ –	\$ –

(a) Included in "Other assets and deferred charges" on the Statements of Financial Condition

(b) Included in "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

(d) All amounts qualifying for offset are offset as per ASU No. 2013-01, Clarifying the Scope of disclosures about Offsetting Assets and Liabilities

(e) At September 30, 2021, a \$9.6 million cash collateral payable was aggregated with similar and related Asset Derivatives (\$15.6 million at September 30, 2020).

11. FAIR VALUE MEASUREMENTS

PEFCO is required to report fair value measurements for certain classes of assets and liabilities that are carried at fair value 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, U.S. Treasury 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. Government Agency 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, 2021 and September 30, 2020:

September 30, 2021

(In thousands)	Quoted Prices in Active Market (Level 1)	Fair Value with Other Observable Inputs (Level 2)	Fair Value with Significant Unobservable Inputs (Level 3)	Netting ^(a)	Total
Assets					
U.S. Treasury Securities	\$1,446,888	\$ –	\$ –	\$ –	\$ 1,446,888
U.S. Government Agency Securities	–	108,636	–	–	108,636
Interest rate swaps	–	79,195	–	(46,117)	33,078
Total Assets at Fair Value	\$1,446,888	\$ 187,831	\$ –	\$ (46,117)	\$ 1,588,602
Liabilities					
Interest rate swaps	\$ –	\$ 36,482	\$ –	\$ (36,482)	\$ –
Total Liabilities at Fair Value	\$ –	\$ 36,482	\$ –	\$ (36,482)	\$ –

September 30, 2020

(In thousands)	Quoted Prices in Active Market (Level 1)	Fair Value with Other Observable Inputs (Level 2)	Fair Value with Significant Unobservable Inputs (Level 3)	Netting ^(a)	Total
Assets					
U.S. Treasury Securities	\$ 283,318	\$ –	\$ –	\$ –	\$ 283,318
U.S. Government Agency Securities	–	102,893	–	–	102,893
Interest rate swaps	–	155,699	–	(83,868)	71,831
Total Assets at Fair Value	\$ 283,318	\$ 258,592	\$ –	\$ (83,868)	\$ 458,042
Liabilities					
Interest rate swaps	\$ –	\$ 68,235	\$ –	\$ (68,235)	\$ –
Total Liabilities at Fair Value	\$ –	\$ 68,235	\$ –	\$ (68,235)	\$ –

(a) PEFCO has elected to net the fair value of derivatives when a legally enforceable master netting agreement exists.

U.S. Treasury Bills included in Cash and cash equivalents and Restricted cash and restricted cash equivalents have maturities of three months or less from date of purchase. As such, they are reported at amortized cost which approximates fair value due to the relatively short time between acquisition and maturity and are not included in the table above.

U.S. Treasury Securities and U.S. Government Agency Securities included in Investment securities available for sale are recorded at fair value on the balance sheet. The fair value of U.S. Treasury Securities is generally determined using market prices on an active market provided by data providers (level 1) and the fair value of U.S. Government Agency Securities is generally determined using 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, 2021 and 2020. 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, 2021 and 2020.

There were no transfers between level 1 and level 2 during the years ended September 30, 2021 and 2020.

12. 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 debt, providing liquidity back-up lines, selling loans in the secondary market, and other banking services.

The following table summarizes fees paid to shareowners and affiliates during 2021, 2020, and 2019:

(In thousands)	2021	2020	2019
Underwriting services ^(a)	\$ 1,493	\$ 1,949	\$ 746
Liquidity lines ^(b)	1,878	2,188	1,261
Other banking services ^(c)	811	492	543
	\$ 4,182	\$ 4,629	\$ 2,550

(a) Included in deferred issuance costs, netted in Long-term debt & amortized into Interest expense

(b) Included in Commitment and other fees

(c) Included in Commitment and other fees and deferred issuance costs, netted in Long-term debt, amortized into Interest expense

Interest received from shareowners and affiliates was as follows:

(In thousands)	2021	2020	2019
Interest received	\$ 269	\$ 4,099	\$ 7,220

The following table summarizes loans purchased from shareowners and affiliates in the secondary market during 2021, 2020, and 2019:

(In thousands)	2021	2020	2019
Loans purchased	\$ 724,170	\$ 463,977	\$ 294,108

PEFCO had derivative contracts with certain shareowners and affiliates as follows:

(In thousands)	September 30, 2021	September 30, 2020
Asset derivatives ^(a)	\$697	\$ 3,963

(a) Reported in "Other assets and deferred charges"

PEFCO has a relationship with EXIM as described in Note 2, Agreements with EXIM.

13. GENERAL AND ADMINISTRATIVE EXPENSES

General and Administrative Expenses were as follows:

	Year Ended September 30,		
(In thousands)	2021	2020	2019
Compensation and benefits	\$ 4,844	\$ 4,965	\$ 4,669
Administrative	3,551	3,797	3,755
Professional fees	1,392	1,330	1,294
Total	\$ 9,787	\$ 10,092	\$ 9,718

14. OPERATING LEASE

PEFCO has executed as lessee an operating lease for the rental of office space through February 2030. Rent holidays and rent escalation clauses are recognized on a straight-line basis over the lease term. For the years ended September 30, 2021, 2020 and 2019, PEFCO recorded lease expense of \$553 thousand, \$615 thousand, and \$717 thousand, respectively, which is included in the accompanying Statements of Operations in General and Administrative expenses.

Future minimum lease payments under the lease as of September 30, 2021 were as follows (in thousands):

2022	\$ 510
2023	510
2024	510
2025	535
2026	552
Thereafter	1,888
Total	\$ 4,505

15. SUBSEQUENT EVENTS

PEFCO has evaluated subsequent events through December 22, 2021, the date the financial statements are available to be issued. No subsequent events requiring adjustment to, or disclosure in, the Financial Statements were noted except for the following:

On November 8, 2021, PEFCO's Collateralized Notes matured and the Company paid \$200 million to Noteholders.

On December 15, 2021, PEFCO's Series BB Secured Notes matured and the Company paid \$500 million to Noteholders.

**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, 2021, 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, 2021, its system of internal control over financial reporting was effective.



Raj Nandkumar
PRESIDENT & CHIEF EXECUTIVE OFFICER
December 22, 2021



Timothy C. Dunne
SENIOR VICE CHAIRMAN
December 22, 2021



David Daniels
SENIOR VICE PRESIDENT & CONTROLLER
December 22, 2021

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 2021 and 2020 were as follows:

	2021	2020
Audit Fee	\$ 352,000	\$ 330,000
Audit Related Fee	190,000	211,500
Tax Fee	85,000	107,000
Total	\$ 627,000	\$ 648,500

MANAGEMENT

The following table sets forth the name, position and a summary of business experience for each person who is currently an executive officer or director of PEFCO as of September 30, 2021.

<i>Name</i>	<i>Position(s)</i>
Richard S. Aldrich, Jr.	<i>Executive Chairman and Director</i>
Raj Nandkumar	<i>President, Chief Executive Officer and Director</i>
Faiz Ahmad	<i>Director</i>
Mary K. Bush	<i>Director</i>
David A. Dohnalek	<i>Director</i>
Michael Fossaceca	<i>Director</i>
Benjamin M. Friedman	<i>Director</i>
Andrew J. O'Brien	<i>Director</i>
Diane S. Reyes	<i>Director</i>
William R. Rhodes	<i>Director</i>
Rita M. Rodriguez	<i>Director</i>
Timothy C. Dunne	<i>Senior Vice Chairman</i>
Gordon L. Hough	<i>Senior Vice President</i>
David Daniels	<i>Senior Vice President and Controller</i>

Richard S. Aldrich, Jr. has served as Executive Chairman of PEFCO since July 2017. Mr. Aldrich has served as a Director of PEFCO since 1997. From 2009 to 2016, Mr. Aldrich was a partner at Skadden, Arps, Slate, Meagher & Flom LLP. Prior to that, Mr. Aldrich was a partner at Shearman & Sterling LLP from 1983 to 2009. Over the course of his legal career, Mr. Aldrich was involved in securities offerings, mergers and acquisitions, debt restructurings and public and private financing transactions in the United States and abroad. Until 2021, Mr. Aldrich was a member of the Board of Directors of Cosan Limited, the NYSE-listed holding company of a Brazilian sugar and energy conglomerate. He is a member of the Board of Directors of The Buoniconti Fund To Cure Paralysis, and the International Executive Service Corps. He is also the past President and current member of the Board of Directors of the Brazilian - American Chamber of Commerce. Mr. Aldrich holds a JD degree from the School of Law of Vanderbilt University, where he is an adjunct professor of law, and a BA degree from Brown University.

Raj Nandkumar has served as President and CEO since September 2021. He has also served as Senior Vice President & Treasurer of PEFCO since October 2016, and previously as Vice President and Assistant Treasurer since October 2012. Before joining PEFCO, Mr. Nandkumar co-founded a small broker-dealer fund, trading and managing residential and commercial mortgage-backed securities. From 2003 to 2011, he was in the mortgage sales and trading desks at Performance Trust Capital, Countrywide Securities and Credit Suisse. From the mid-1990s to 2003, Mr. Nandkumar was a management and technology consultant and also spent time in venture capital.

Faiz Ahmad has been a Managing Director and Head of Global Transaction Services at Bank of America Merrill Lynch since 2017, responsible for delivering global transaction banking, mobile and digital FinTech solutions to the bank's clients. Mr. Ahmad is also a member of the Global Banking Management Committee and has served on the board of Merrill Lynch Commodities, Inc. and its approval committees. From 2015-2017, Mr. Ahmad was co-head of the Global Commodities Sales & Trading business and was also a member of the FICC Management Committee. Mr. Ahmad joined Merrill Lynch & Co. in 1996 and since then has held management positions in Mergers & Acquisitions, Structured & Corporate Finance and Principal Investments. Mr. Ahmad is a regular contributor to policy discussions within the finance industry on data analytics, civil liberties, international trade and other topics. He is the author of one of the first academic analyses on Single-Stock Futures as instruments within unsolicited M&A situations. He is a Corporate Member of the Council on Foreign Relations. Mr. Ahmad holds a Bachelor of Commerce degree from McGill University and an MBA degree from the Wharton School at the University of Pennsylvania.

Mary K. Bush has served as a Director of PEFCO since 2005. Ms. Bush has served as the Chairman of Bush International, LLC, a financial and business strategy advisory firm, since 1991. Ms. Bush is a member of the Board of Directors of ManTech International Corporation, Marriott International, Inc. and T. Rowe Price Group, Inc. In the past five years, she has also served as a director of the Pioneer Family of Mutual Funds. Ms. Bush brings

extensive financial market, banking, government and international experience to the Board. She advises U.S. companies and foreign governments on international financial markets, banking and economic matters. She has served as Managing Director of the Federal Housing Finance Board, where she established financial policies and oversaw management and safety and soundness for 12 Federal Home Loan Banks. She served as Vice President and Head of International Finance of Fannie Mae, where she led funding transactions globally, and as the U.S. Alternate Executive Director of the International Monetary Fund Board. In 2007, she served on the U.S. Department of the Treasury's Advisory Commission on the Auditing Profession. Ms. Bush brings a broad understanding of the operations and business and economic challenges of public companies and the financial services industry.

David A. Dohnalek has served as a Director of PEFCO since 2014. Mr. Dohnalek is the Senior Vice President of finance and Treasurer of The Boeing Company. In this position Mr. Dohnalek leads Boeing's activities in corporate finance and banking, pension and savings investments, global treasury operations, capital markets, global risk management and insurance, and aircraft finance and trading. Mr. Dohnalek also serves as Chairman of the employee benefits investment committee and is Chairman of Boeing Capital Corporation, Boeing's aircraft financing subsidiary. Prior to becoming Treasurer, Mr. Dohnalek served as Vice President of Financial Planning and Analysis. Mr. Dohnalek has also served as Boeing's Vice President of Investor Relations. Mr. Dohnalek first joined Boeing as Assistant Treasurer of Corporate Finance in 2002. Mr. Dohnalek also serves on the boards of National Merit Scholarship Corporation, NorthShore University HealthSystem and the Chicago Public Library Foundation. He also serves on the advisory board of FM Global Insurance Company.

Michael Fossaceca has served as a Director of PEFCO since December 2020. Mr. Fossaceca is Managing Director and Region Head of Citi's Treasury and Trade Solution business in North America. A business unit of Citi's Institutional Clients Groups, Treasury and Trade Solution provides integrated cash management and trade finance services to multinational corporations, financial institutions and public sector organizations

across the globe. Mr. Fossaceca has been in this role since August 2014 and is based in New York. Mr. Fossaceca has over 30 years of treasury management experience and has developed and implemented innovative treasury management and trade finance solutions for clients globally. He joined Citi in 2009 as North America Head of Corporate and Public Sector Solution Sales where he managed global sales and client management activities for U.S. multinational corporations. Mr. Fossaceca is on the Board of Directors for Citibank Canada, National Automated Clearing House Association (NACHA), Junior Achievement of New Jersey (JANJ), St. Bonaventure University and Mt. Irenaeus, a Franciscan community.

Benjamin M. Friedman has served as a Director of PEFCO since 1981. Dr. Friedman is the William Joseph Maier Professor of Political Economy at Harvard University. Dr. Friedman serves as a Director and member of the Editorial Board of the Encyclopedia Britannica, a Trustee of the Pioneer Funds, and a Director of the National Council on Economic Education. In addition, he has served as Director of Financial Markets and Monetary Economics Research at the National Bureau of Economic Research, as a member of the National Science Foundation Subcommittee on Economics, as an adviser to the Congressional Budget Office and to the Federal Reserve Bank of New York, as a trustee of the College Retirement Equities Fund, and as a Director of the American Friends of Cambridge University. He is also a member of the Council on Foreign Relations and the American Academy of Arts and Sciences.

Andrew J. O'Brien has served as a Director of PEFCO since 2016. Mr. O'Brien has been Head of Loan Capital Strategy at JPMorgan Chase & Co. since March 2014. Mr. O'Brien serves as Managing Director and Head of North American Loan Capital Markets and Head of Sales at JPMorgan Chase & Co. He previously served as Co-Head of Leveraged Finance at JPMorgan Chase & Co. since August 2008. Mr. O'Brien holds an MBA in Finance from Columbia University and a BA from The College of the Holy Cross.

Diane S. Reyes is the General Manager of the Global Liquidity and Cash Management Group at HSBC. Prior to joining HSBC, Ms. Reyes was previously the Global

Payments Head for the Global Transactions Services at Citi. Ms. Reyes joined Citi in 2000 and previously held various positions within GTS including Head of the North America Region for Cash, Treasury and Trade Solutions, Chief Operating Officer for Citi's Global Cash Management business and Global Sales Head for Citi's Treasury and Trade Solutions. Ms. Reyes earned her MBA degree from the University of Pittsburgh and completed the Program for Executives at Carnegie Mellon University.

William R. Rhodes has served as a Director of PEFCO since 1991. Mr. Rhodes is President and CEO of William R. Rhodes Global Advisors, LLC. He is a Senior Advisor Emeritus to the global management firm Oliver Wyman; Chairman Emeritus of the U.S.-Korea Business Council; Vice Chairman of the National Committee on U.S. - China Relations; a Director of the Korea Society; a member of the Advisory Board of the Museum of American Finance; a senior economic advisor to the Dalian Government in China; a member of the International Policy Committee of the U.S. Chamber of Commerce; and a member of the Board at the Foreign Policy Association. He is also a member of the Council on Foreign Relations, The Group of Thirty and the Advisory Council of the Brazilian-American Chamber of Commerce. He is the First Vice Chairman Emeritus of the Institute of International Finance and Chairman Emeritus of the Americas Society and Council of the Americas. He previously served as Chairman of the New York Blood Center, the Bankers Association for Finance and Trade and the U.S. Hong Kong Business Council. Mr. Rhodes is a Governor and Life Trustee of The New York-Presbyterian Hospital; a member of the Metropolitan Museum of Art Business Committee and Chairman's Council, and Chairman Emeritus of the Board of Trustees of the Northfield Mount Hermon School.

Rita M. Rodriguez has served as a Director of PEFCO since 2001. Dr. Rodriguez is a researcher and has been an advisor in the field of international finance since 1999. Dr. Rodriguez served as an Independent Director of PVH Corp. (also known as Phillips-Van Heusen Corp) from May 2005 to June 2015, Affiliated Managers Group Inc. from January 2000 until December 2014, and ENSCO International Inc. (Ensco Plc) from August 2003 to May

2013. Additionally, she served as a Full-Time Member of the Board of Directors of the Export-Import Bank of the United States from 1982 to 1999. Dr. Rodriguez also was a Fellow and Senior Fellow at the Woodstock Theological Center at Georgetown University from September 2002 through June 2013.

Timothy C. Dunne has served as Senior Vice Chairman since September 2021. He previously served as the Chief Executive Officer and President of PEFCO beginning in October 2014. Mr. Dunne also serves as a Member of the Executive Committee of PEFCO. Mr. Dunne served as the Chairman of the Board of PEFCO until July 2017. Mr. Dunne previously served as Senior Vice President and Treasurer of PEFCO since 2005. Prior to joining PEFCO, Mr. Dunne served as the Americas Regional Executive for market risk for the wholesale banking operations of ING. Prior to joining ING in 1998, Mr. Dunne held various positions at Chase Manhattan Bank over a 14-year period. He is a Director of Lakota Children's Enrichment, Inc. Mr. Dunne holds an MBA degree from NYU Stern School of Business and a BA degree in political science from Boston University.

Gordon L. Hough has served as Senior Vice President at PEFCO since 2013 and is responsible for the lending activities at PEFCO. Mr. Hough takes the lead in the origination and execution of all new transactions and regularly interacts with the banking community at large and EXIM. Nearly all of Mr. Hough's 30-year career has been in the financing of trade and projects in the developing world. Mr. Hough has successfully originated, negotiated and closed financings in Asia, Africa, the Middle East, Latin America and Central and Eastern Europe in a wide spectrum of industries including transportation, telecommunications, power and oil & gas. Prior to joining PEFCO, Mr. Hough held senior lending positions at Barclays, UBS, Standard Chartered, Wells Fargo and Banco Santander.

David Daniels has served as Senior Vice President and Controller of PEFCO since April 30, 2020. Before joining PEFCO, Mr. Daniels served in a variety of accounting and finance roles at Time Inc. and Deloitte & Touche LLP. He is a member of the American Institute of Certified Public Accountants and the New York State Society of CPA's.

DIRECTORS

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

Rajgopalan Nandkumar ^{(1) (3) (5) (b)}
President &
Chief Executive Officer
PEFCO

Faiz Ahmad ^{(2) (5)}
Managing Director &
Head of Global Transaction Services
BANK OF AMERICA MERRILL LYNCH

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

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

Michael Fossaceca ^{(3) (4)}
Managing Director
CITI BANK

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

Andrew J. O'Brien ^{(4) (5)}
Managing Director
J.P. MORGAN

Diane S. Reyes ^{(2) (5)}
Group General Manager
Global Head of Liquidity &
Cash Management
HSBC

William R. Rhodes ^{(1) (3) (4)}
President & CEO
WILLIAM R. RHODES GLOBAL
ADVISORS, LLC.

Rita M. Rodriguez ^{(1) (2)}
Former EXIM Director

COMMITTEES OF THE BOARD OF DIRECTORS

(1) Executive Committee

(2) Audit & Compliance Committee

(3) Nominating & Governance Committee

(4) Compensation & Management Development Committee

(5) Risk Policy Committee

^(1a) Effective from December 10, 2021, Mr. Aldrich is a member of the Audit & Compliance Committee, Nominating & Corporate Governance Committee, and Risk Policy Committee

^(b) Mr. Nandkumar is an ex-officio member of the Audit & Compliance Committee and Compensation & Management Development Committee

OFFICERS

Richard S. Aldrich, Jr.
Executive Chairman

David Daniels
Senior Vice President & Controller

Gordon L. Hough
Senior Vice President

Melinda A. Scott
Assistant Vice President

Raj Nandkumar
President & Chief Executive Officer

Timothy C. Dunne
Senior Vice Chairman

Ann Marie Milano
Vice President & Secretary

David T. Attisani
Assistant Vice President

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

Francoise M. Renieris
Vice President

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, 2021:

Commercial Banks	Number of Shares
Bank of America	1,924
The Bank of Miami, N.A.	280
The Bank of New York Mellon	702
Bank of the West	79
Brown Brothers Harriman & Co.	38
Citibank, N.A.	1,507
Citizens Financial Group, Inc.	1,549
Deutsche Bank	1,066
HSBC USA Inc.	441
ING Capital LLC	267
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

Financial Services Companies	Number of Shares
Assured Guaranty Corp.	212
Industrial Companies	Number of Shares
ABB, Inc.	80
The Boeing Company	1,425
General Electric Company	567
KBR, Inc.	113
Textron Inc.	40
United Technologies Corporation	200
Total	17,786

PRIVATE EXPORT FUNDING CORPORATION

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INDEPENDENT AUDITORS

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30 Rockefeller Plaza
New York, NY 10112

LEGAL COUNSEL

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

ANNUAL MEETING

11:00 a.m., Thursday, December 8, 2022

**TO CONTACT ANY OF THE BOARD
OF DIRECTORS PLEASE MAIL
CORRESPONDENCE TO:**

PEFCO
Attention (Board Member)
C/O Office of the Secretary
Private Export Funding Corporation
675 Third Avenue, Suite #425
New York, NY 10017



WISHING EVERYONE A
SAFE AND HEALTHY 2022
AS WE LOOK TO THE
FUTURE WITH OPTIMISM!



PEFCO

PRIVATE EXPORT FUNDING CORPORATION

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