



**National Rural Utilities  
Cooperative Finance Corporation**

*Created and Owned by America's Electric Cooperative Network*

# Investor Conference Call

*Fiscal Year 2018 First Quarter – August 31, 2017*

**October 12, 2017, at 11 a.m. ET**



# Forward-Looking Statements

This presentation contains forward-looking statements within the Securities Act of 1933, as amended, and the Exchange Act of 1934, as amended. Forward looking statements, which are based on certain assumptions and describe our future plans, strategies and expectations, are generally identified by our use of words such as “intend,” “plan,” “may,” “should,” “will,” “project,” “estimate,” “anticipate,” “believe,” “expect,” “continue,” “potential,” “opportunity” and similar expressions, whether in the negative or affirmative. All statements about future expectations or projections are forward-looking statements. Although we believe that the expectations reflected in our forward-looking statements are based on reasonable assumptions, actual results and performance may differ materially from our forward-looking statements. Factors that could cause future results to vary from forward-looking statements about our current expectations are included in our annual and quarterly periodic reports previously filed with the U.S. Securities and Exchange Commission. Except as required by law, we undertake no obligation to update or publicly release any revisions to forward-looking statements to reflect events, circumstances or changes in expectations after the date on which the statement is made.





# Non-GAAP Financial Measures

During our discussion today, we will review certain non-GAAP adjusted financial measures. Please refer to our Form 10-Q for the fiscal quarter ended August 31, 2017, as filed with the SEC and as posted on the CFC website, for a discussion of why we believe our adjusted measures provide useful information in analyzing CFC's financial performance and the reconciliation to the most comparable GAAP measures.







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# Financial Performance

J. Andrew Don, SVP and Chief Financial Officer





# Balance Sheet Summary

(dollar amounts in thousands)	05/31/17	08/31/17	Change	% Change
Cash and Cash Equivalents	\$188,421	\$292,661	\$104,240	55%
Time Deposits	226,000	126,000	(100,000)	-44%
Investments	92,554	91,404	(1,150)	-1%
Gross Loans to Members	24,367,044	24,642,077	275,033	1%
Less: Allowance for Loan Losses	(37,376)	(37,078)	298	-1%
<b>Loans to Members, Net</b>	<b>\$24,329,668</b>	<b>\$24,604,999</b>	<b>\$275,331</b>	<b>1%</b>
Derivative Assets	49,481	40,466	(9,015)	-18%
Other Assets	319,568	324,996	5,428	2%
<b>Total Assets</b>	<b>\$25,205,692</b>	<b>\$25,480,526</b>	<b>\$274,834</b>	<b>1%</b>
Short-term Debt	3,342,900	3,074,660	(268,240)	-8%
Long-term Debt	17,955,594	18,428,819	473,225	3%
Subordinated Deferrable Debt	742,274	742,307	33	0%
Members' Subordinated Certificates	1,419,025	1,418,207	(818)	0%
<b>Total Debt Outstanding</b>	<b>\$23,459,793</b>	<b>\$23,663,993</b>	<b>\$204,200</b>	<b>1%</b>
Derivative Liabilities	385,337	402,423	17,086	4%
Other Liabilities	261,757	352,530	90,773	35%
<b>Total Equity</b>	<b>1,098,805</b>	<b>1,061,580</b>	<b>(37,225)</b>	<b>-3%</b>
<b>Total Liabilities &amp; Equity</b>	<b>\$25,205,692</b>	<b>\$25,480,526</b>	<b>\$274,834</b>	<b>1%</b>
<b>Members' Equity</b>	<b>\$1,389,303</b>	<b>\$1,378,971</b>	<b>(\$10,332)</b>	<b>-1%</b>
<b>Key Financial Metrics</b>				
Adjusted Liabilities <sup>1</sup>	\$21,392,856	\$21,690,216	\$297,360	1%
Adjusted Total Equity <sup>2</sup>	\$3,597,378.00	\$3,585,537.00	(\$11,841)	0%
Adjusted Debt-to-Equity Ratio	5.95	6.05	0.10	2%

<sup>1</sup> Adjusted Liabilities = Total Liabilities - (Derivative Liabilities + Debt Used to Fund Loans Guaranteed by RUS + Subordinated Deferrable Debt + Subordinated Certificates)

<sup>2</sup> Adjusted Equity = Total Equity - (Prior-Year Cumulative Derivative Forward Value and Foreign Currency Adjustments + Year-to-Date Derivative Forward Value Gains (Losses) + Accumulated Other Comprehensive Income) + (Subordinated Deferrable Debt + Subordinated Certificates)



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# Operating Results

(dollar amounts in thousands)	Three Months Ended			% Change
	8/31/2016	8/31/2017	\$ Change	
Interest Income	\$256,835	\$265,915	\$9,080	4%
Interest Expense	(181,080)	(192,731)	(11,651)	6%
Derivative Cash Settlements	(23,390)	(20,222)	3,168	-14%
Adjusted Net Interest Income	\$52,365	\$52,962	\$597	1%
(Provision) Benefit for Loan Losses	(1,928)	298	2,226	-115%
Other Non-Interest Income	3,418	3,921	503	15%
Non-Interest Expense	(21,213)	(22,190)	(977)	5%
Adjusted Net Income	\$32,642	\$34,991	\$2,349	7%
Derivative Forward Value Losses	(164,903)	(25,976)	138,927	84%
Net Income (Loss)	(\$132,261)	\$9,015	\$141,276	107%
Adjusted TIER <sup>(1)</sup>	1.16	1.16	0.00	0%

(1) Adjusted TIER = [(Interest Expense + Derivative Cash Settlements) + (Net Income +/- Derivative Forward Value Losses/Gains)] ÷ (Interest Expense + Derivative Cash Settlements)

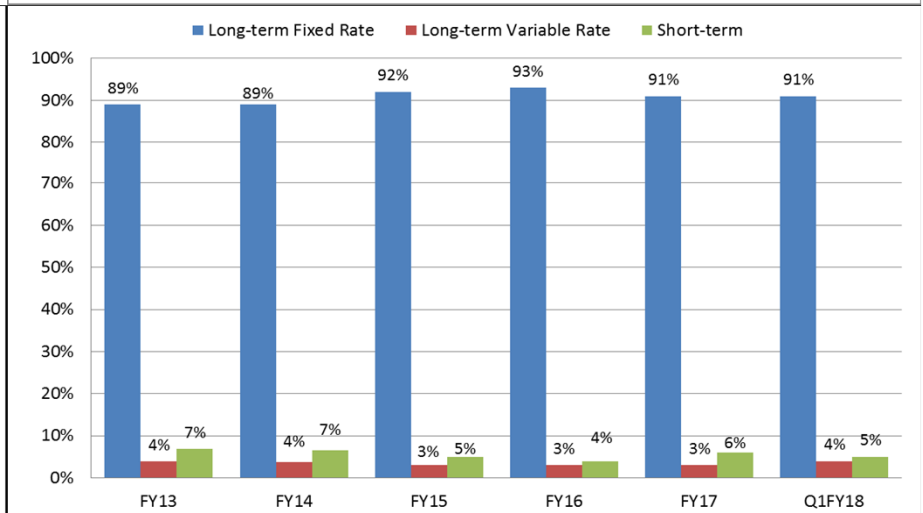
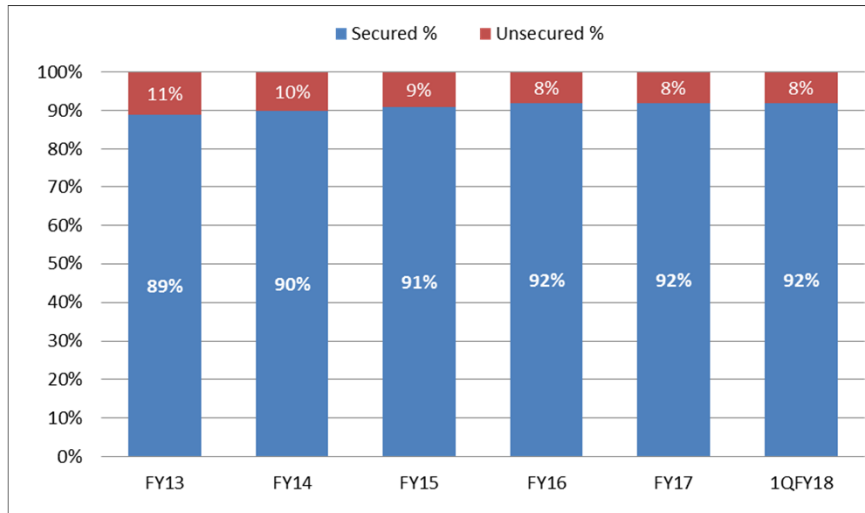
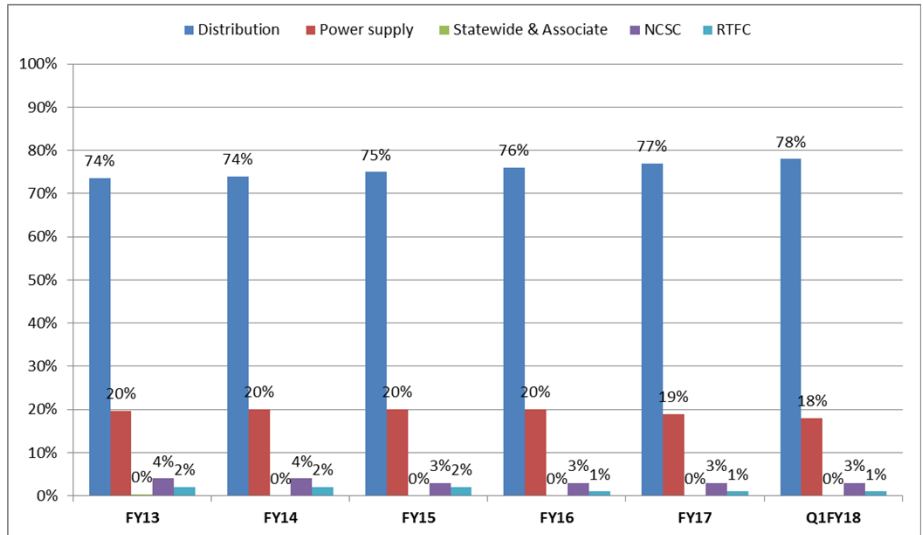




# Loan Portfolio Overview

## CFC's Electric Cooperative Borrowers/Members:

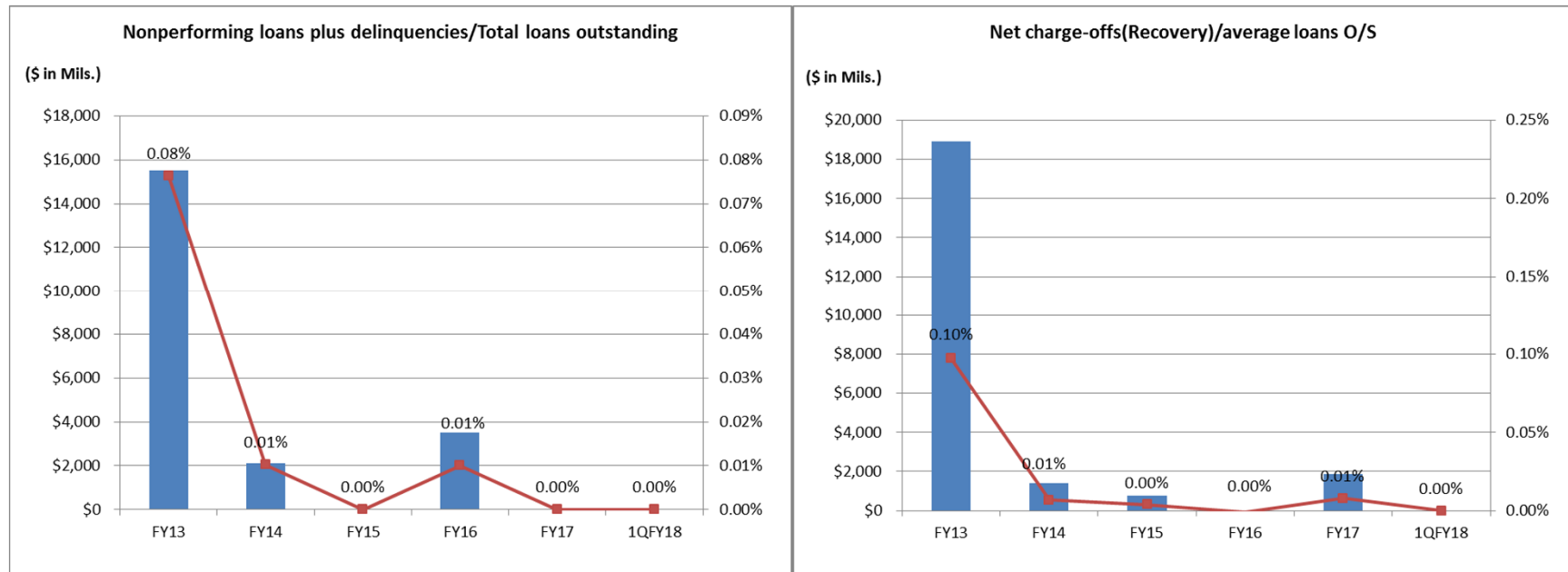
- Provide an essential service
- Experience limited competition
- Generally serve exclusive territories with majority number of customers being residential
- Demonstrate stable operating and strong financial performance
- Are not rate regulated in the majority of states





# Credit Performance

- During CFC's 48-year history, there have only been 16 defaults and six losses in the electric utility portfolio; net write-offs for the electric portfolio totaled \$86 million.
- At 1QFY18, CFC did not have any nonperforming loans.
- During 1QFY18, CFC had no charge-offs.





# Debt Funding Sources

*49% from Capital Markets*

*21% from Guaranteed Underwriter Program*

*19% from Member-Owners*

*11% from Farmer Mac*

Debt Instrument	Maturity Range	5/31/2017 Amount (\$000s)	%	8/31/2017 Amount (\$000s)	%	Change from 5/31/17
Daily Liquidity Fund	Demand note	\$527,990	2.3%	\$585,624	2.5%	\$57,634
Member Commercial Paper	1 to 270 days	\$928,158	4.0%	\$1,049,829	4.4%	\$121,671
Member Select Notes	30 to 270 days	\$696,889	3.0%	\$729,484	3.1%	\$32,595
Member Medium-term Notes	Up to 30 years	\$612,951	2.6%	\$618,490	2.6%	\$5,539
Member Capital Securities	Up to 35 years	\$221,097	0.9%	\$221,097	0.9%	\$0
Membership Certificates	Up to 100 years	\$630,098	2.7%	\$630,098	2.7%	\$0
Loan and Guarantee Certificates	Up to 100 years	\$567,830	2.4%	\$567,012	2.4%	(\$818)
Total - Members		\$4,185,013	17.8%	\$4,401,634	18.6%	\$216,621
Guaranteed Underwriter Program	Up to 20 years	\$4,985,484	21.3%	\$5,073,356	21.4%	\$87,872
Notes Payable (Farmer Mac)	Up to 30 years	\$2,513,389	10.7%	\$2,502,467	10.6%	(\$10,922)
Other	Up to 30 years	\$35,223	0.2%	\$35,278	0.1%	\$55
Total - Other		\$7,534,096	32.1%	\$7,611,101	32.2%	\$77,005
Non-member Commercial Paper	1 to 270 days	\$999,691	4.3%	\$509,850	2.2%	(\$489,841)
Non-member Medium-term Notes	Up to 30 years	\$2,364,671	10.1%	\$2,760,973	11.7%	\$396,302
Collateral Trust Bonds	Up to 30 years	\$7,634,048	32.5%	\$7,638,128	32.3%	\$4,080
Subordinated Deferrable Debt	Up to 30 years	\$742,274	3.2%	\$742,307	3.1%	\$33
Total - Capital Markets		\$11,740,684	50.0%	\$11,651,258	49.2%	(\$89,426)
Total Debt Outstanding		\$23,459,793	100.0%	\$23,663,993	100.0%	\$204,200

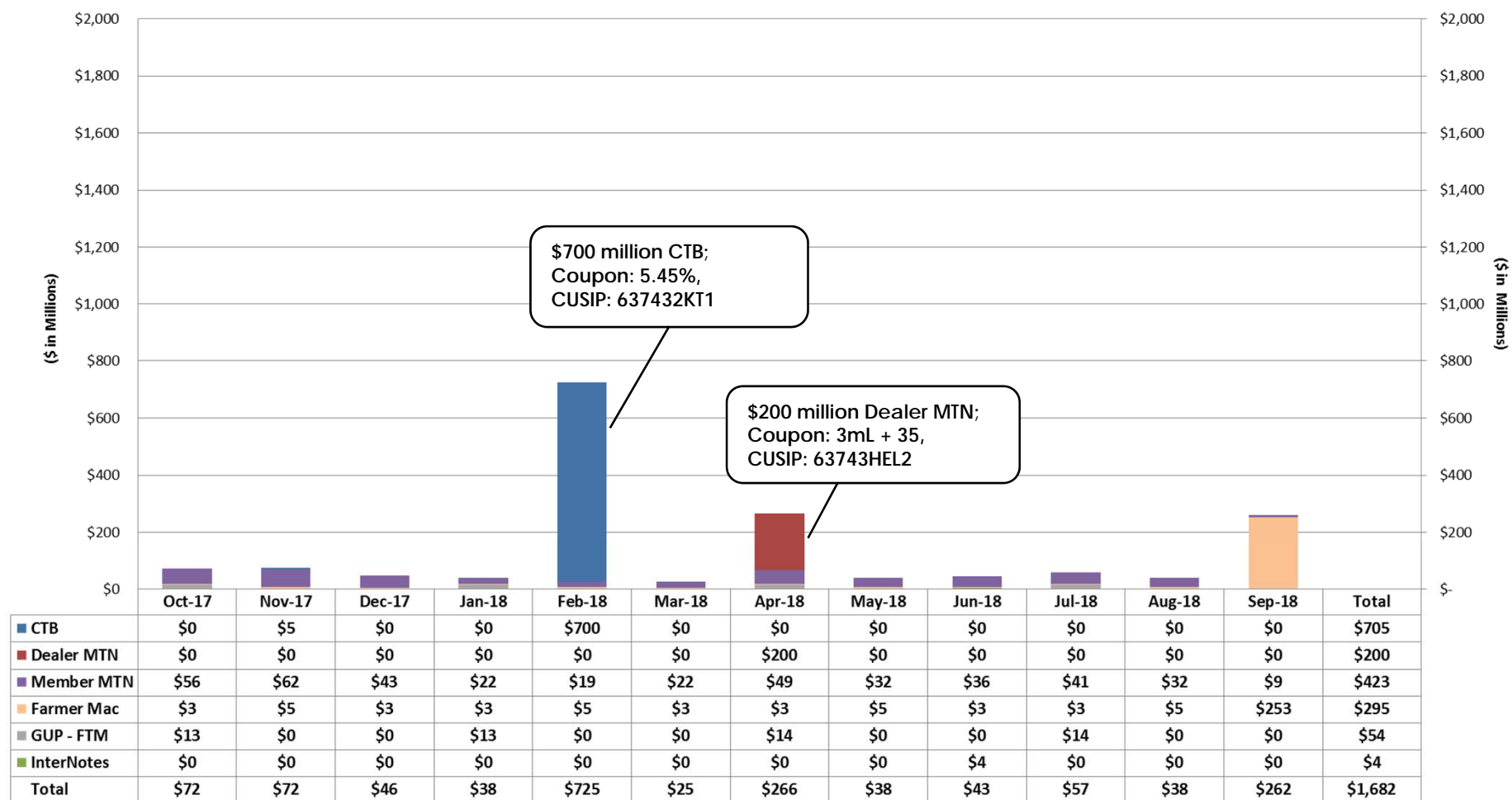


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# Monthly Debt Maturity Schedule

Data as of 9/30/2017



Note: Our members traditionally roll over their MTN investments at maturity.



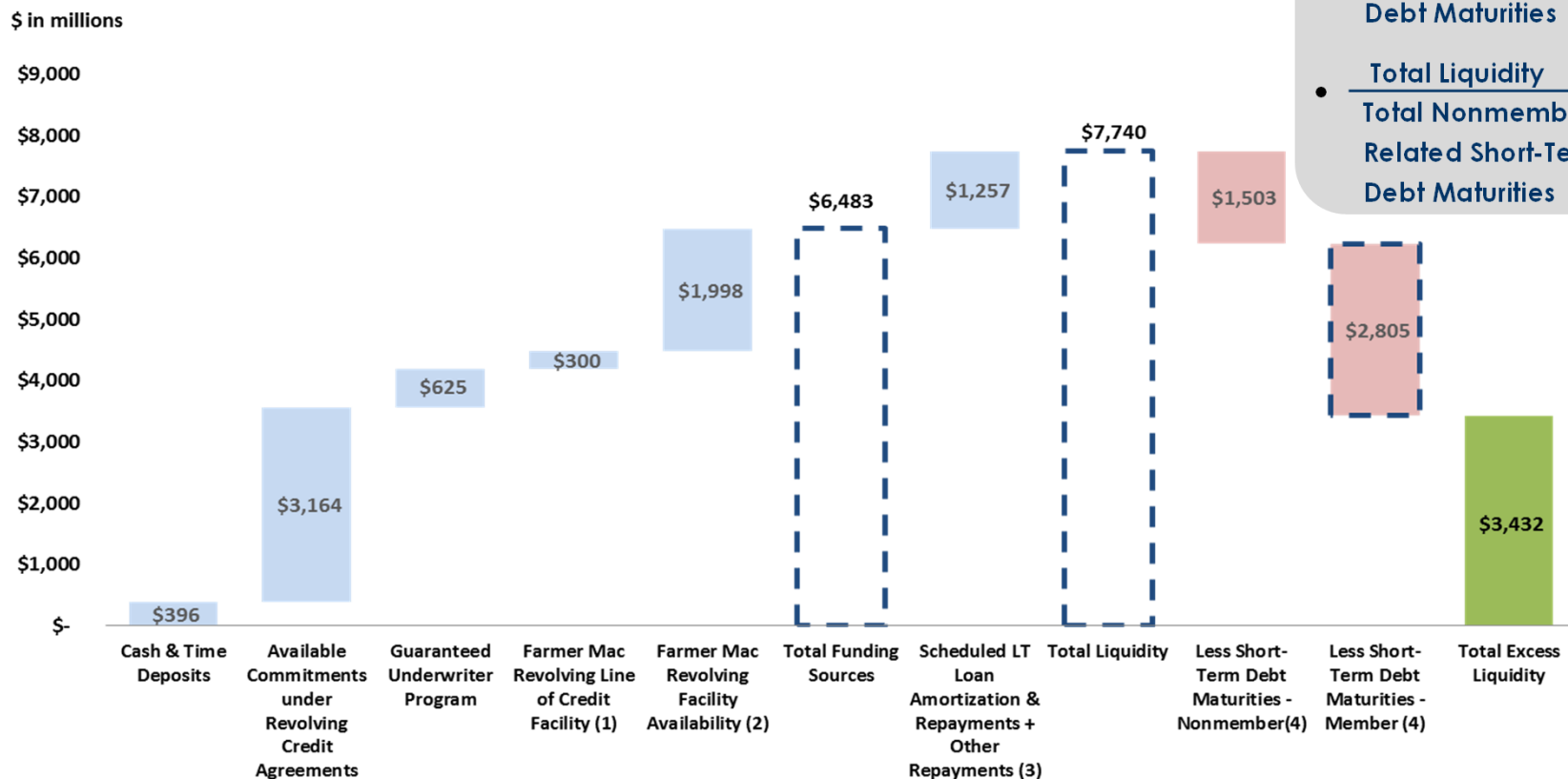
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# Liquidity Management

- At August 31, 2017, CFC had the following projected liquidity sources available:

*CFC is a well-known seasoned issuer and believes it has adequate access to both long-term and short-term funding options.*



- $\frac{\text{Total Liquidity}}{\text{Total Short-Term Debt Maturities}} = 1.8x$

- $\frac{\text{Total Liquidity}}{\text{Total Nonmember Related Short-Term Debt Maturities}} \approx 5.1x$

(1) Scheduled to expire on 7/31/2018

(2) Subject to market conditions for debt issued by Farmer Mac.

(3) Anticipated loan repayments over the next 12 months.

(4) Short-term debt maturities include long-term debt maturities over the next 12 months.



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# Liquidity Position at 8/31/2017

(\$ in Mils.)	Projected Sources of Liquidity			Projected Uses of Liquidity			Other Sources/ (Uses) of Liquidity (2)	Net LT Loan Growth (3)
	LT Debt Issuance	Anticipated Loan Repayments	Total Projected Sources of Liquidity	LT Debt Maturities (1)	LT Loan Advances	Total Projected Uses of Liquidity		
11/30/17	\$90	\$311	<b>\$401</b>	\$176	\$426	<b>\$602</b>	\$149	\$115
2/28/18	840	302	<b>\$1,142</b>	815	489	<b>\$1,304</b>	84	\$187
5/31/18	590	327	<b>\$917</b>	333	265	<b>\$598</b>	(374)	(\$62)
8/31/18	90	317	<b>\$407</b>	130	314	<b>\$444</b>	42	(\$3)
11/30/18	1,590	305	<b>\$1,895</b>	1,495	414	<b>\$1,909</b>	77	\$109
2/28/19	840	283	<b>\$1,123</b>	693	400	<b>\$1,093</b>	(68)	\$117
<b>Totals</b>	<b>\$4,040</b>	<b>\$1,845</b>	<b>\$5,885</b>	<b>\$3,642</b>	<b>\$2,308</b>	<b>\$5,950</b>	<b>(\$90)</b>	<b>\$463</b>

(1) Long-term debt maturities includes medium-term notes with an original maturity of one year or less.

(2) Includes net increase or decrease to dealer commercial paper, and purchases and maturity of investments.

(3) Cumulative LT Loan Advances minus Anticipated Loan Repayments including scheduled loan amortizations, repricings and sales.





# FY18 Major Financing Activities

## MTNs

- August 2017 – Issued \$350 million 5-year fixed-rate notes @ 2.30%.

## GUP

- August 2017 – Advanced \$100 million @ 2.83% with a 20-year final maturity.
- August 2017 – Received an approval for additional \$750 million funding under the GUP.





# Key Takeaways

## Credit Ratings

- Fitch: **F1** (Short-Term); **A+** (Senior Secured); **A** (Senior Unsecured); **Stable** Outlook (Affirmed on 5/15/17)
- Moody's: **P-1** (Short-Term); **A1** (Senior Secured); **A2** (Senior Unsecured); **Stable** Outlook (Affirmed on 11/30/16)
- S&P: **A-1** (Short-Term); **A** (Senior Secured); **A** (Senior Unsecured); **Stable** Outlook (Affirmed on 5/1/17)
- Management's long-term incentives are tied to CFC credit ratings

## High-Quality Portfolio

- 99% of loans are to rural electric systems
- 92% of loans are on a senior secured basis
- No loans in the portfolio are classified as nonperforming

## Stable Member Investment & Strong Member Support

- 19% of funding is from member-owners
- Historically low reinvestment risk on member investments
- Total members' equity at \$1,379 million at 8/31/2017, a 106% increase from \$669 million at 5/31/2010

## Liquidity and Funding Diversity

- Maintain dealer commercial paper balance at the \$1 – \$1.25 billion level
- 1.8 times liquidity coverage ratio over the next 12 months
- 5.1 times liquidity coverage ratio over the next 12 months, excluding short-term debt maturities related to member investments





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