

# **Investor Conference Call – FY2021 First Quarter Ended August 31, 2020**

**October 20, 2020 at 10 a.m. ET**



# Forward-Looking Statements

This presentation contains certain statements that are considered 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 our forward-looking statements about our current expectations are included in our annual and quarterly periodic reports 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, we review certain non-GAAP adjusted financial measures. Please refer to our Form 10-Q for the first quarter ended August 31, 2020, of our fiscal year 2021, as filed with the SEC and 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.**



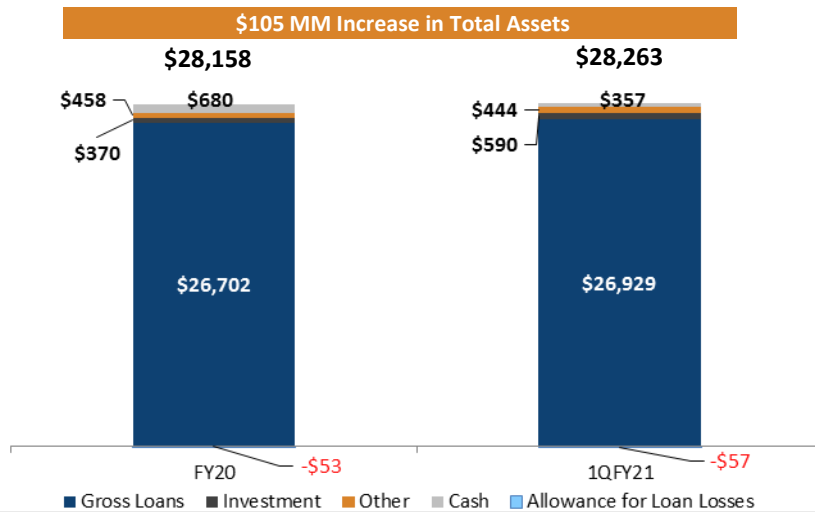
# Financial Performance

**J. Andrew Don, Chief Financial Officer**

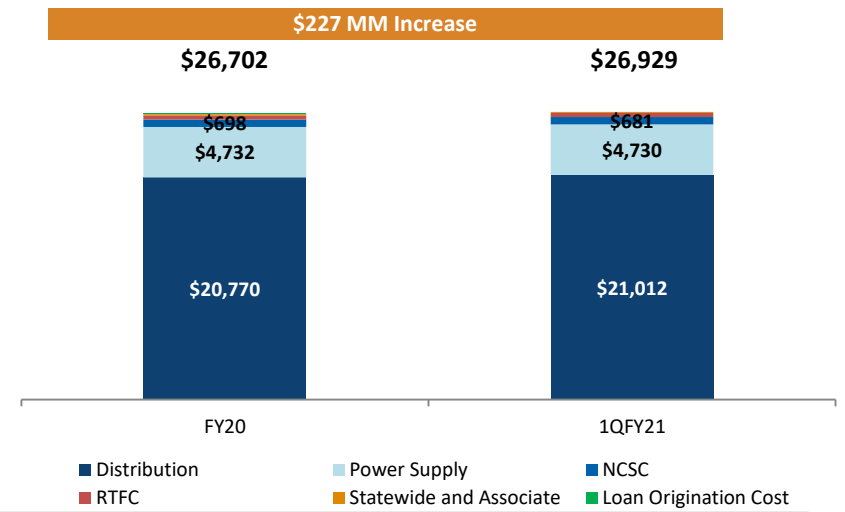


# 1QFY21 Financial Results – Balance Sheet

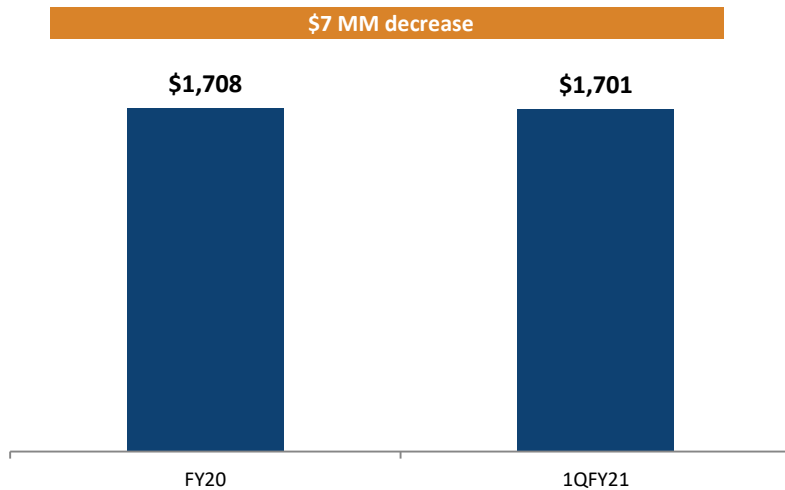
## Total Assets (\$ in Mils)



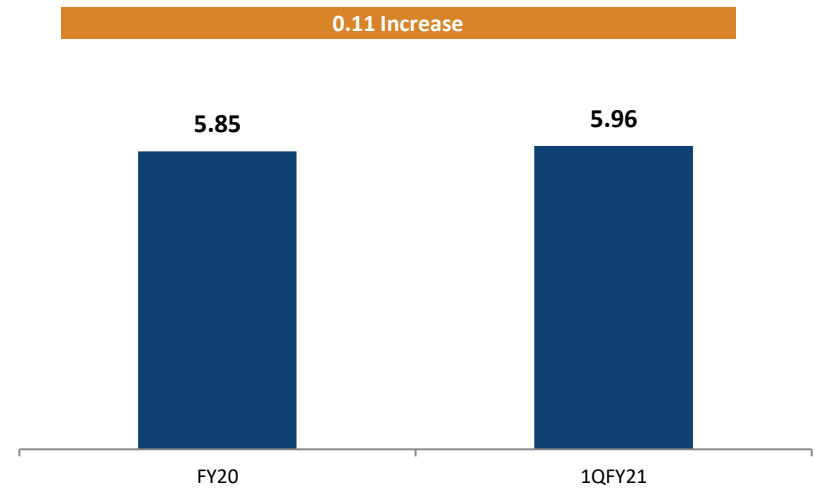
## Gross Loans to Members (\$ in Mils)



## Members' Equity (\$ in Mils)



## Adjusted Debt to Equity Ratio



# 1QFY21 Financial Results – Income Statement

## Adjusted TIER

0.01 Increase

1.27



1QFY20 (3 mos)

1.28



1QFY21 (3 mos)

## Adjusted Net Income (\$ in Mils)

\$4 MM Decrease

\$61



1QFY20 (3 mos)

\$57



1QFY21 (3 mos)

## Adjusted Net Interest Income (\$ in Mils)

\$7 MM Increase

\$66



1QFY20 (3 mos)

\$73



1QFY21 (3 mos)

## Adjusted Net Interest Yield

7 bps Increase

0.97%



1QFY20 (3 mos)

1.04%



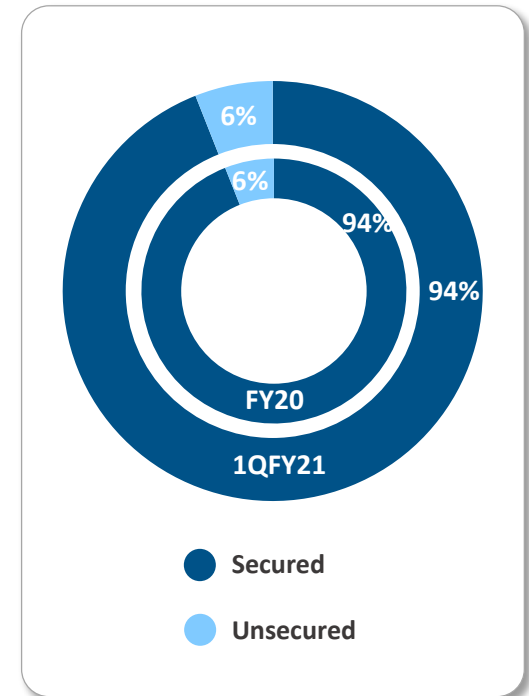
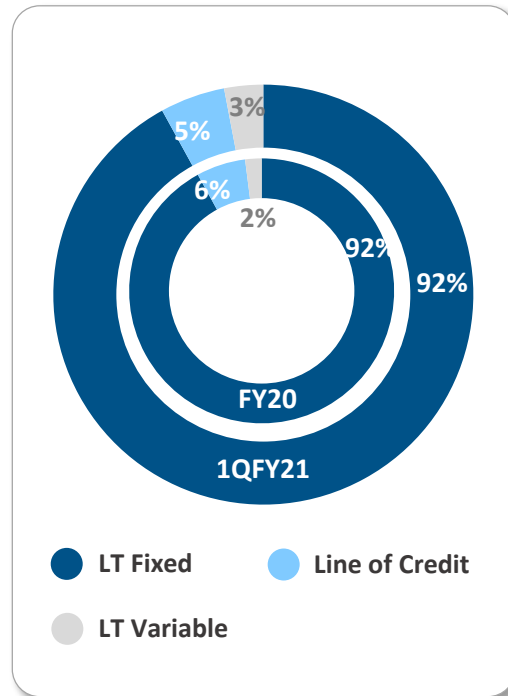
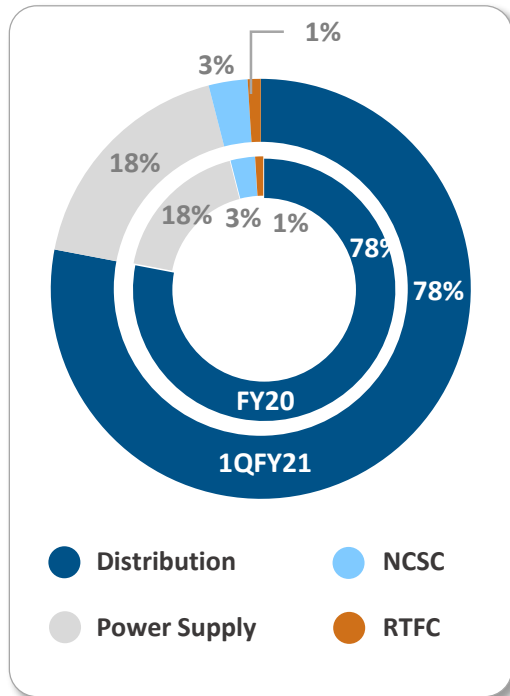
1QFY21 (3 mos)



# Loan Portfolio Overview

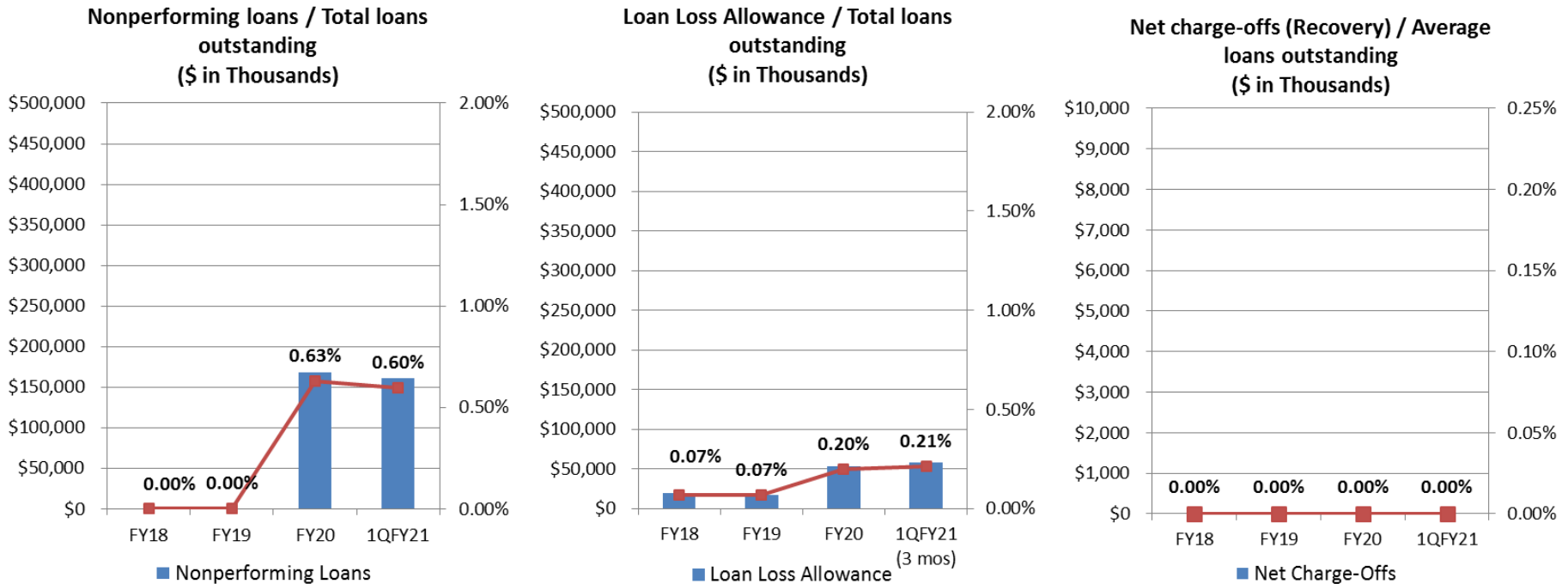
## CFC's Electric Cooperative Borrowers/Members:

- Provide an essential service to their customers/owners
- 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

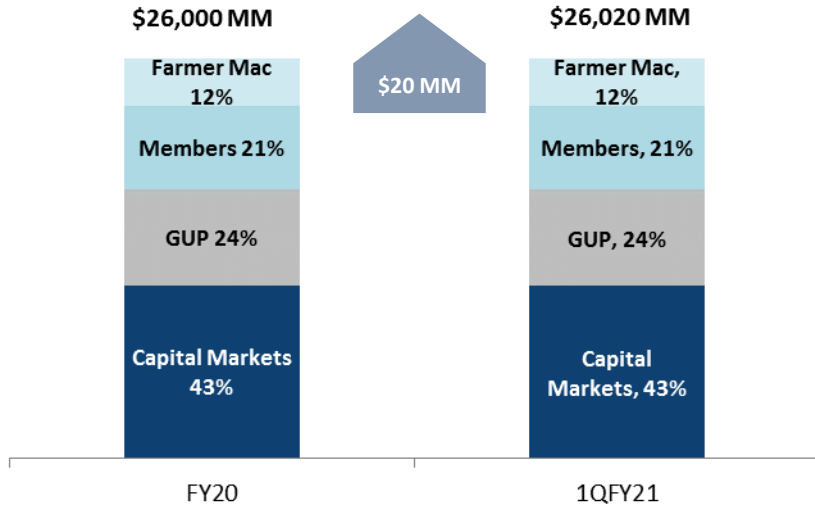
- During CFC's 51-year history, in the electric utility portfolio, there have only been 16 defaults, which resulted in six losses; net write-offs for the electric portfolio totaled \$86 million
- CFC had no charge-offs, loan defaults, or delinquent loans during three months ended 8/31/2020



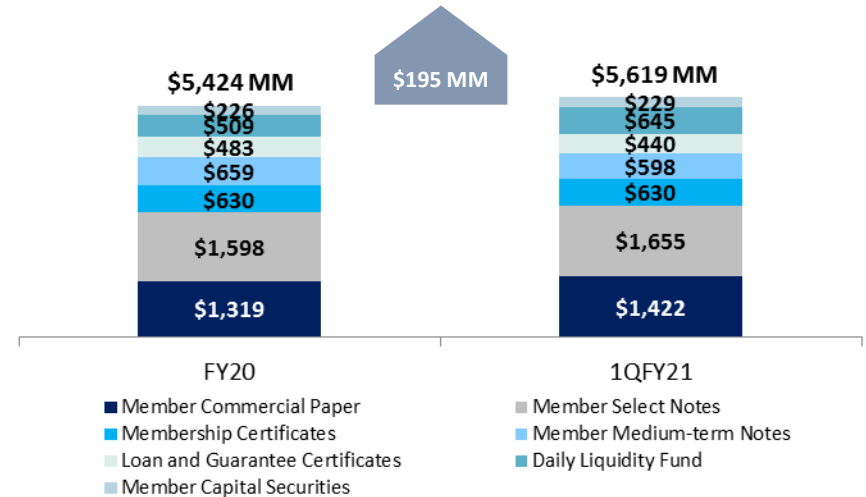


# Debt Funding Sources

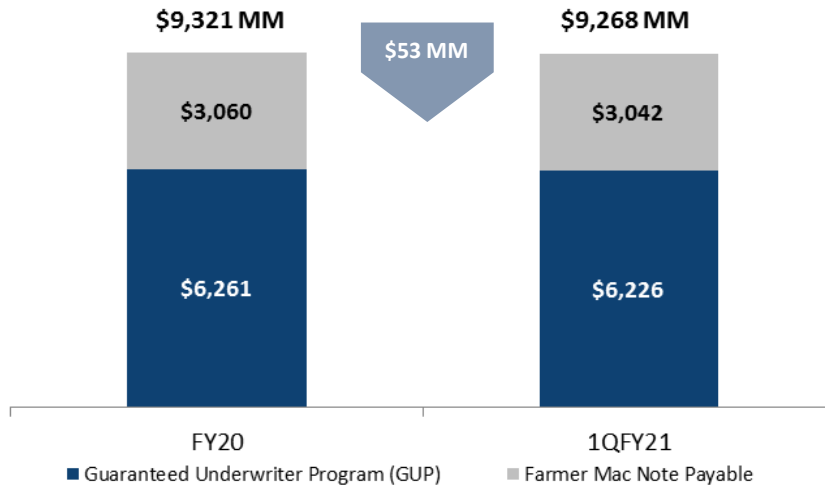
Total Debt Outstanding (\$ in Mils)



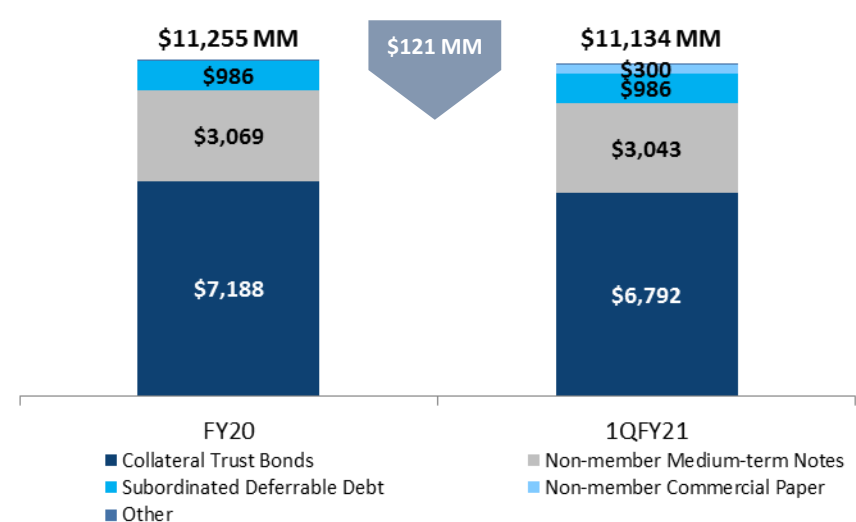
Member Investment (\$ in Mils)



GUP & Farmer Mac (\$ in Mils)



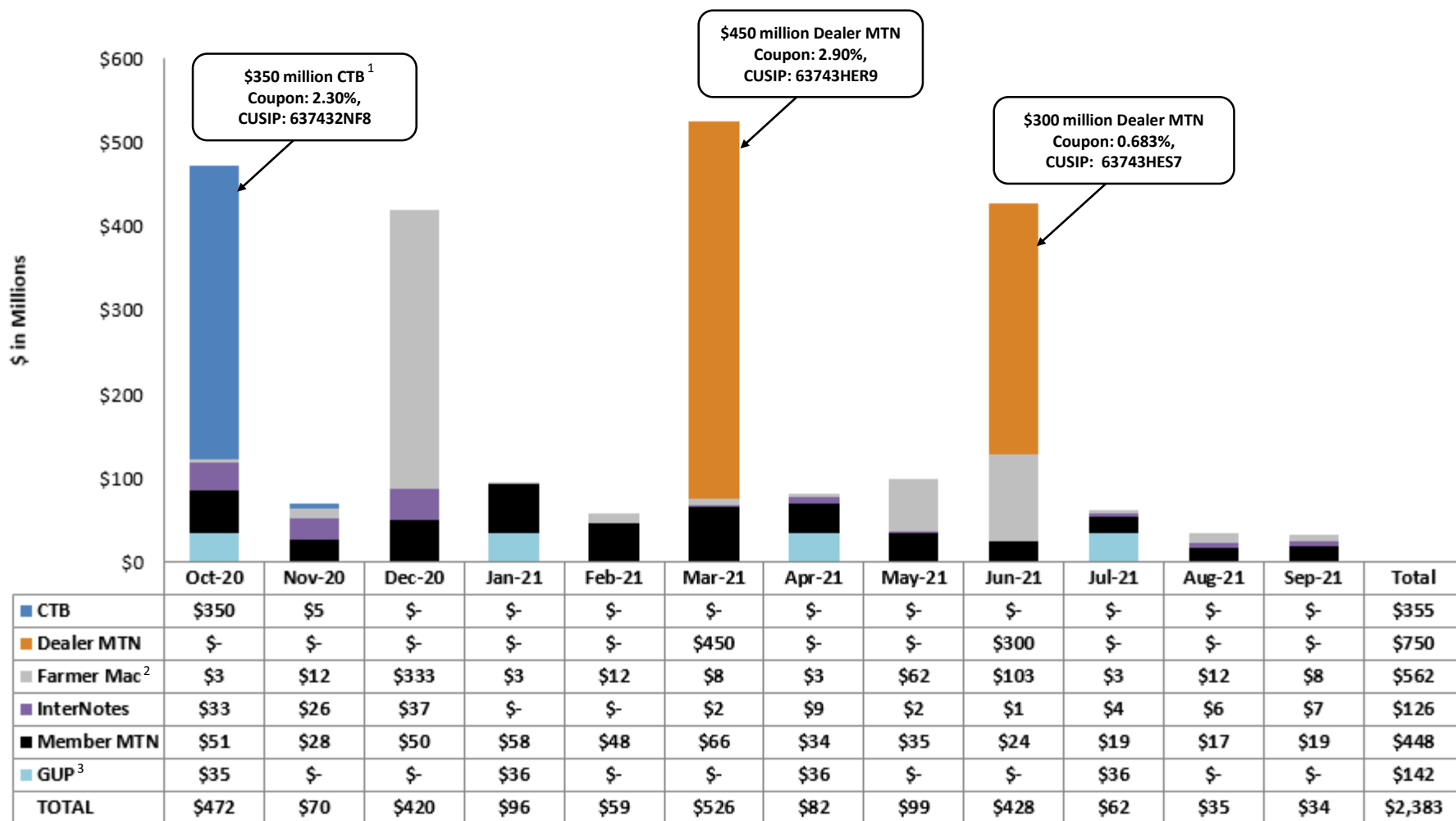
Capital Markets Funding (\$ in Mils)



# Sustainability Bond

- **On October 8<sup>th</sup>, 2020, CFC closed its first sustainability bond issuance:**
  - \$400 million 10-year Collateral Trust Bond (CTB) issued at T+73bps with a coupon of 1.35%
  - Net proceeds will be used to fund eligible projects defined in CFC’s Sustainability Bond Framework
  - Eligible projects include access to essential services (i.e. broadband services) for underserved and rural populations and certain renewable energy projects
  - Sustainalytics provided a Second Party Opinion on the environmental and social benefits of CFC’s Sustainability Bond Framework
- **Reporting and Review Process:**
  - CFC will publish a Sustainability Bond Report on our website within 12 month of the issuance
  - An independent registered public accounting firm will provide annual attestation of management’s assertion regarding amounts allocated to each eligible project category until the proceeds are fully allocated

# Monthly Debt Maturity/Amortization Schedule



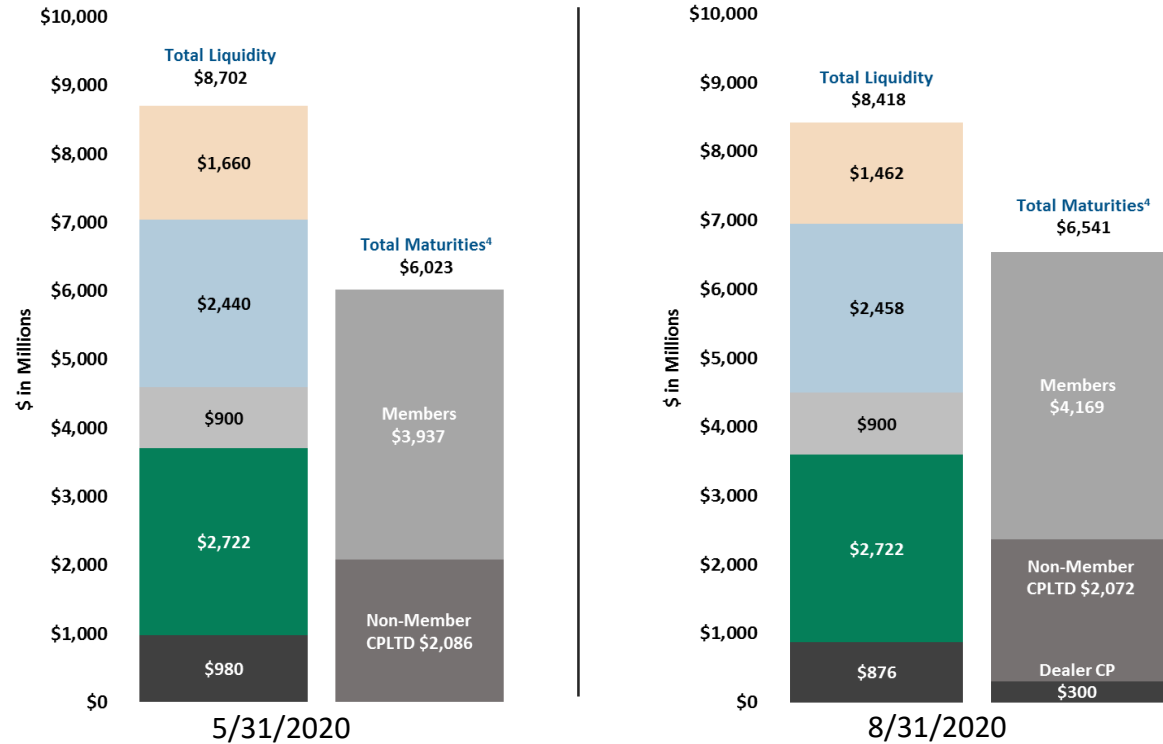
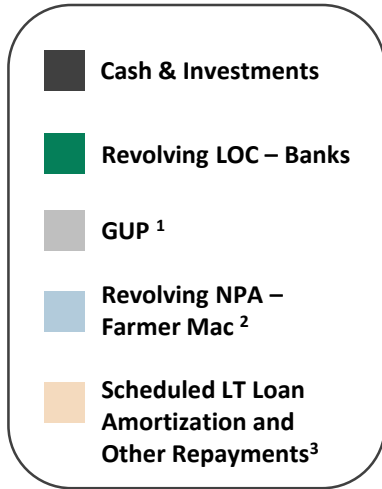
Note: Our members traditionally roll over their MTN investments at maturity. Data as of 9/30/2020



(1) Original maturity date was 11/1/2020. Redeemed early on 10/1/2020  
 (2) \$470 million in maturities and \$92 million in scheduled principal amortization  
 (3) Amounts represent scheduled principal amortization

# Liquidity Management

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



Liquidity Coverage/Excess Liquidity

1.4x/\$2,679

1.3x/\$1,877

Liquidity Coverage/Excess Liquidity  
(excluding short-term member debt)

4.2x/\$6,616

3.5x/\$6,047

(1) The committed facilities under the GUP are not revolving  
(2) Revolving NPA - Farmer Mac is subject to market conditions

(3) Scheduled LT loan amortization and other repayments over the next 12 months  
(4) Short-term debt maturities include long-term debt maturities over the next 12 months



# Projected Sources and Uses of Liquidity as of 8/31/2020

(\$ in Mils.)	LT Debt Maturities	Projected Net Loan Growth	Other Sources/(Uses) of Cash	Projected Cash Needs	Projected LT Debt Issuances
11/30/20	\$593	\$146	\$50	\$689	\$563
2/28/21	454	130	205	379	461
5/31/21	707	19	535	191	121
8/31/21	516	134	58	592	552
11/30/21	269	145	316	98	35
2/28/22	1,233	149	(64)	1,446	1,421
<b>Totals</b>	<b>\$3,772</b>	<b>\$723</b>	<b>\$1,100</b>	<b>\$3,395</b>	<b>\$3,153</b>

\* Refer to Page 42 of 10-Q for more details



# Key Takeaways

## Robust Credit Ratings

Fitch: **F1** (Short-Term); **A+** (Senior Secured); **A** (Senior Unsecured); **Stable** Outlook (Last commented on 10/5/20)

Moody's: **P-1** (Short-Term); **A1** (Senior Secured); **A2** (Senior Unsecured); **Stable** Outlook (Last commented on 11/26/19)

S&P: **A-1** (Short-Term); **A** (Senior Secured); **A** (Senior Unsecured); **Stable** Outlook (Last commented on 11/4/19)

Management's long-term incentives are tied to CFC credit ratings

## High Quality Loan Portfolios

99% of loans are to rural electric systems

94% of loans are on a senior secured basis

0.21% loan loss allowance coverage ratio

Low levels of charge-offs, loan defaults, nonperforming loans, and delinquencies historically

## Strong Member Support

21% of funding is from member-owners

Historically low reinvestment risk on member investments

Total members' equity at \$1.7 billion as of 8/31/2020, a 32% increase from \$1.3 billion as of 5/31/2016

## Healthy Funding & Liquidity Profile

Diversified funding sources (Cash, investments, bank lines, GUP & Farmer Mac)

1.3x times liquidity coverage ratio over the next 12 months

3.5x times liquidity coverage ratio over the next 12 months, excluding short-term debt maturities related to member investments



An outline map of the United States, including Alaska and Hawaii, serving as a background for the text.

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