



**National Rural Utilities
Cooperative Finance Corporation**

Created and Owned by America's Electric Cooperative Network

National Rural Utilities Cooperative Finance Corporation (CFC) Overview

November 2017

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 Forms 10-K and/or 10-Q for a discussion of why we believe the adjusted measures are useful information in analyzing CFC's financial performance and the reconciliation to the related GAAP measures.



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**National Rural Utilities
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A. Business Overview & Strategy

CFC Overview

*** Largest private lender in the electric cooperative industry ***

Formed	1969
Entity Type	Tax-exempt, member-owned cooperative
Ownership	Created, owned and governed by rural electric cooperatives
Headquarter	Dulles, Virginia
Members	1,680 in consolidated total <ul style="list-style-type: none">- 909 for distribution and G&T cooperatives- 771 for statewide & regional associations, NRECA, CFC & NCSC associates, RTFC members and associates
Primary Objective	To provide member-owners with an assured source of capital and financial products and services
Total Loans	\$24.6 billion at 8/31/2017
Total Assets	\$25.5 billion at 8/31/2017



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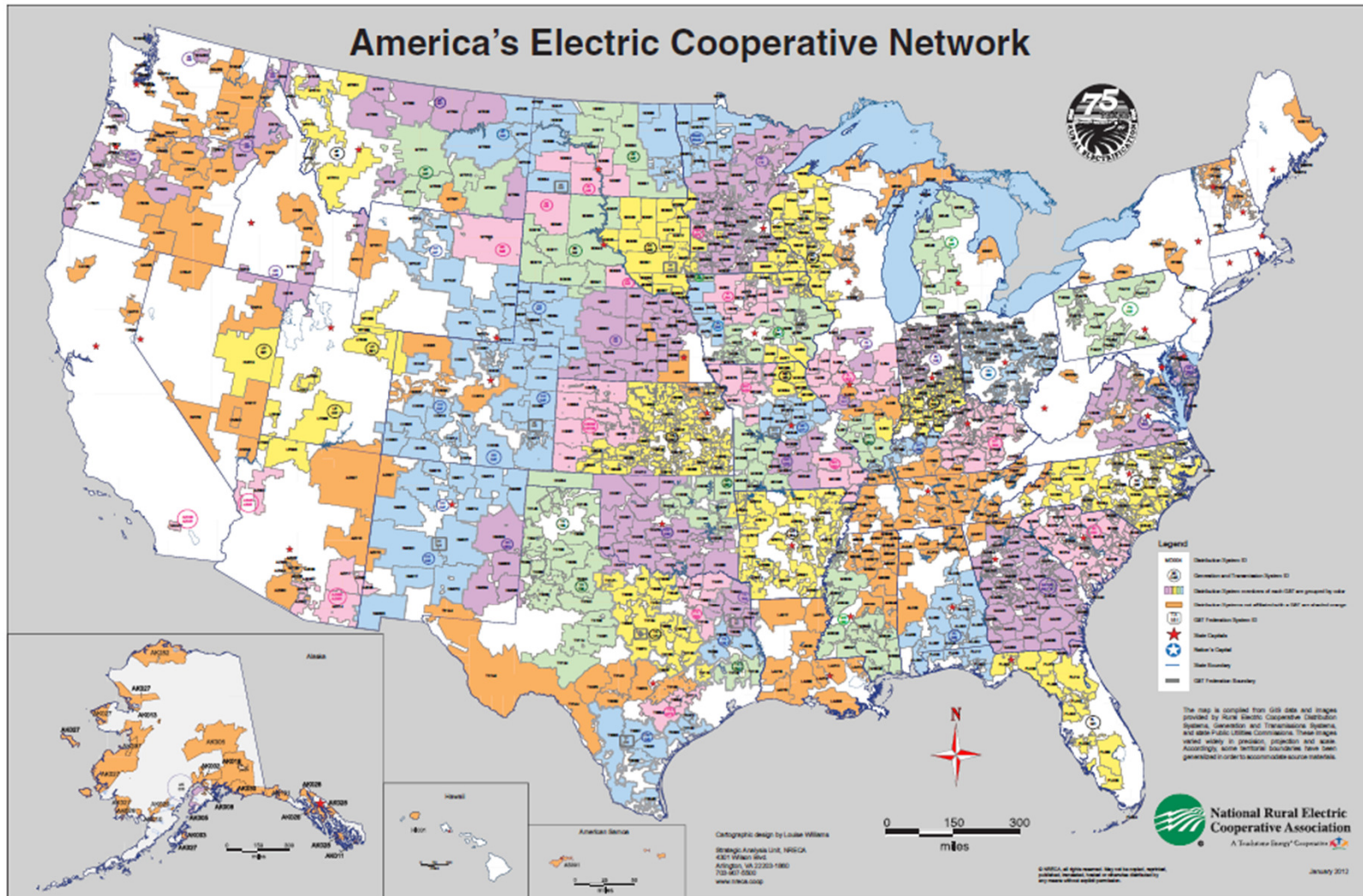
Business Strategies

- ✓ Focus on lending to the electric cooperative sector
- ✓ Maintain solid credit quality of loan portfolio
- ✓ Manage cost structure to maintain competitiveness in loan pricing and protect net margins
- ✓ Retain member investments and grow members' equity
- ✓ Balance loan growth and leverage objectives
- ✓ Maintain healthy liquidity and funding diversity

GOAL: Continue to be the dominant lender to the electric cooperative sector

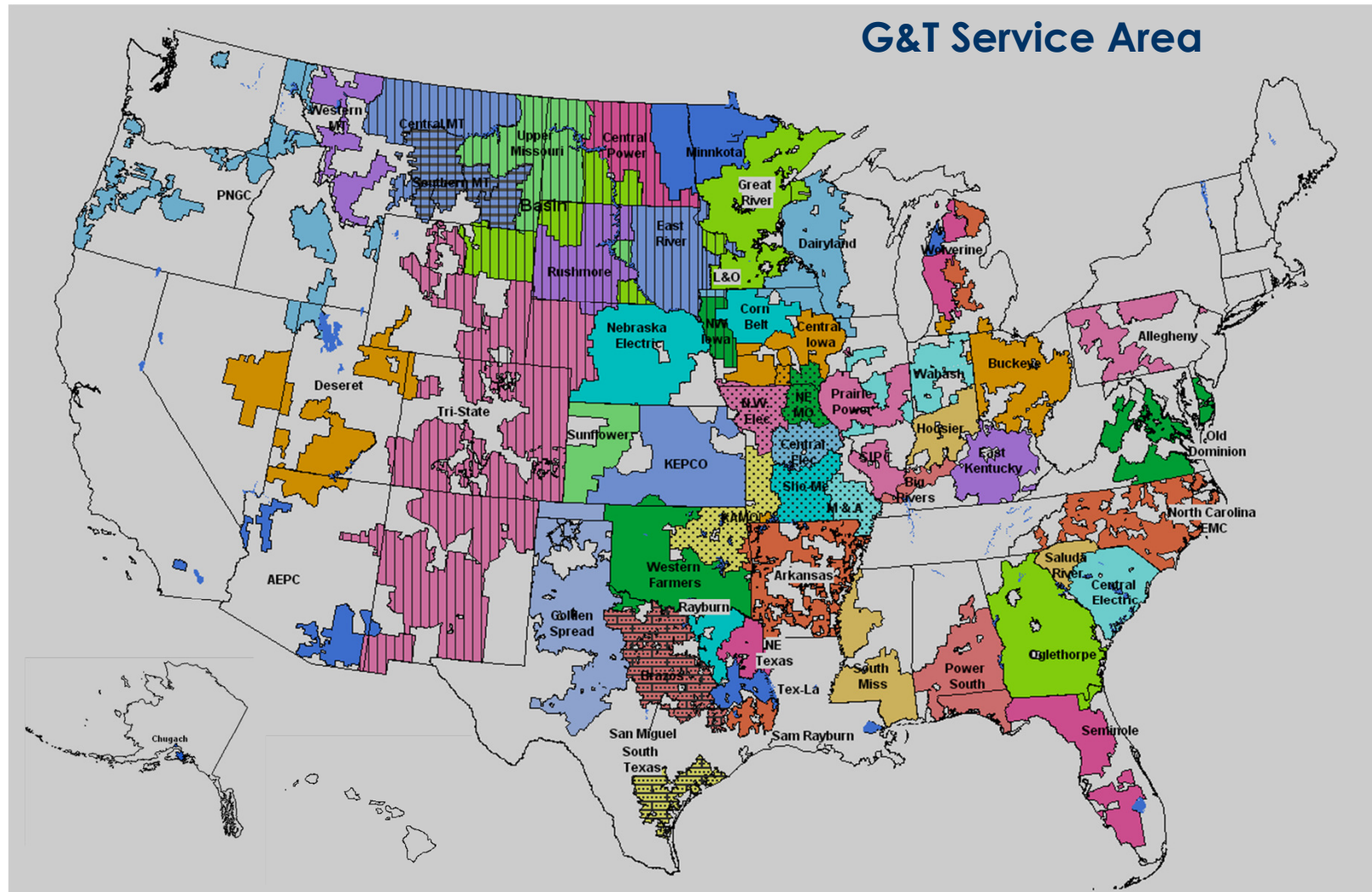


CFC Members



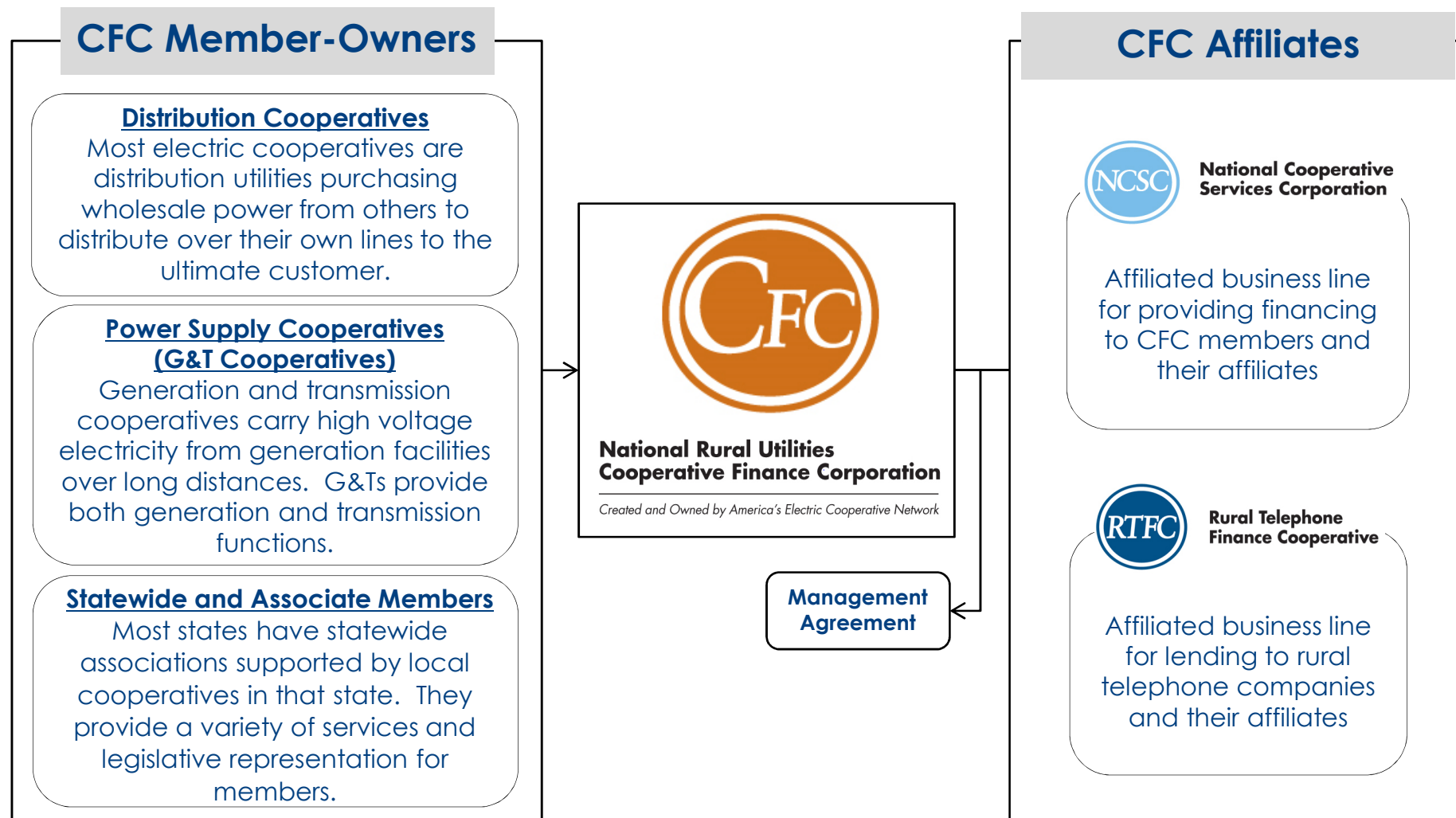
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CFC Members



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CFC Company Overview



Credit Ratings & Debt Instrument

- CFC's Management compensation is based on the long-term success of CFC
- Long-term incentives are tied to CFC's credit ratings.

Debt Instrument		Fitch	Moody's	S&P
	Ratings Outlook	Stable	Stable	Stable
	Last Commented	9/8/2017	11/30/2016	10/20/2017
Collateral Trust Bonds	Offer a direct pledge of electric distribution mortgage notes	A+	A1	A
Medium Term Notes & InterNotes	Offer a direct general corporate obligation of CFC	A	A2	A
Subordinated Notes	Offer a direct general corporate obligation of CFC; Obligations are subordinated to other senior debt but senior to CFC's members' subordinated certificates	BBB+	A3	BBB+
Commercial Paper	Offer a direct general corporate obligation of CFC with backup lines of credit provided by a group of banks	F1	P-1	A-1
Guarantee of Tax-exempt Bonds	CFC acts as guarantor and a stand-by liquidity provider.	A/F1	A2/P-1	A/A-1

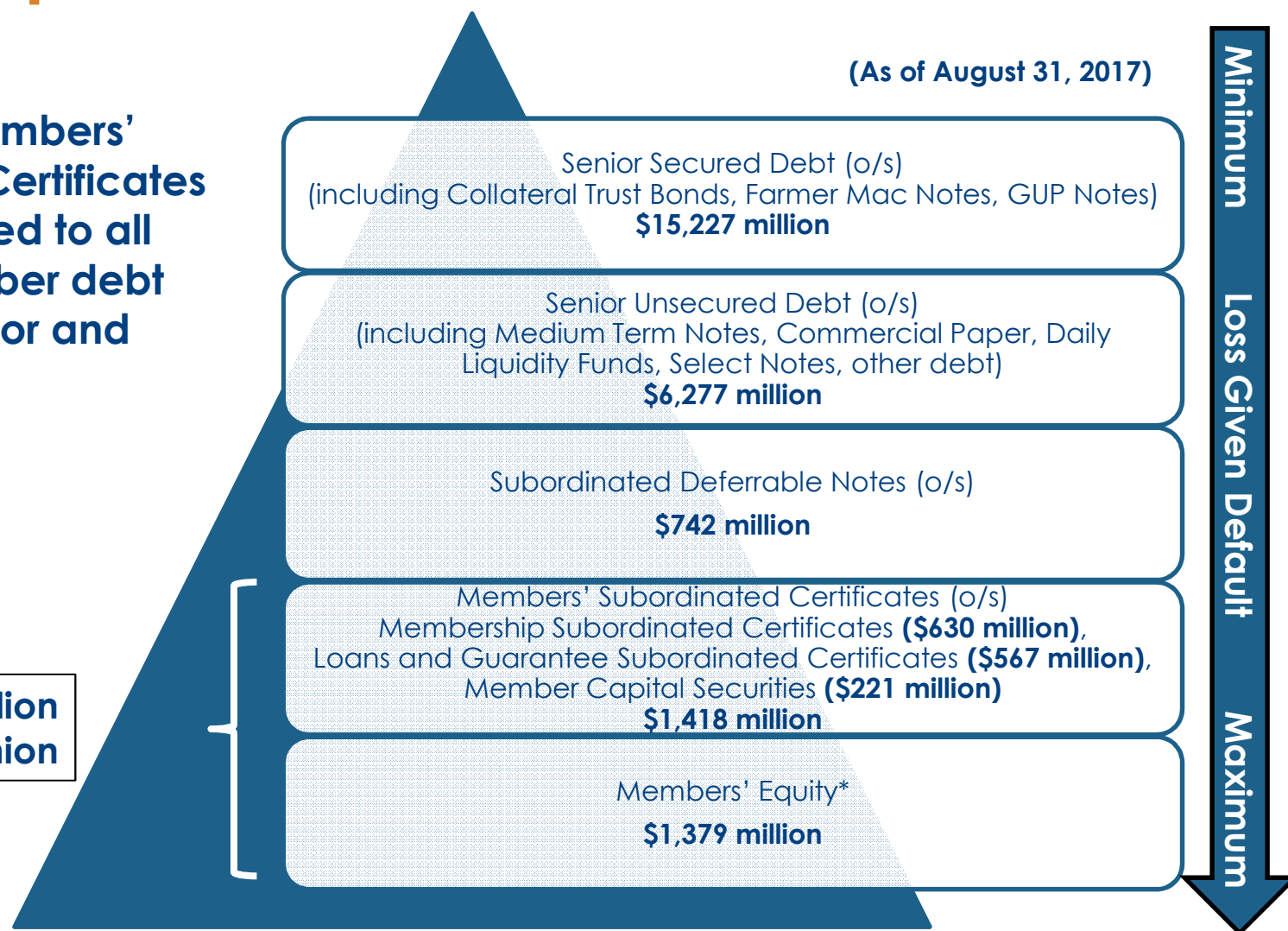


CFC Capital Structure

(As of August 31, 2017)

All of CFC's Members' Subordinated Certificates are subordinated to all CFC non-member debt issuances (senior and subordinated)

**\$2,797 million
of cushion**

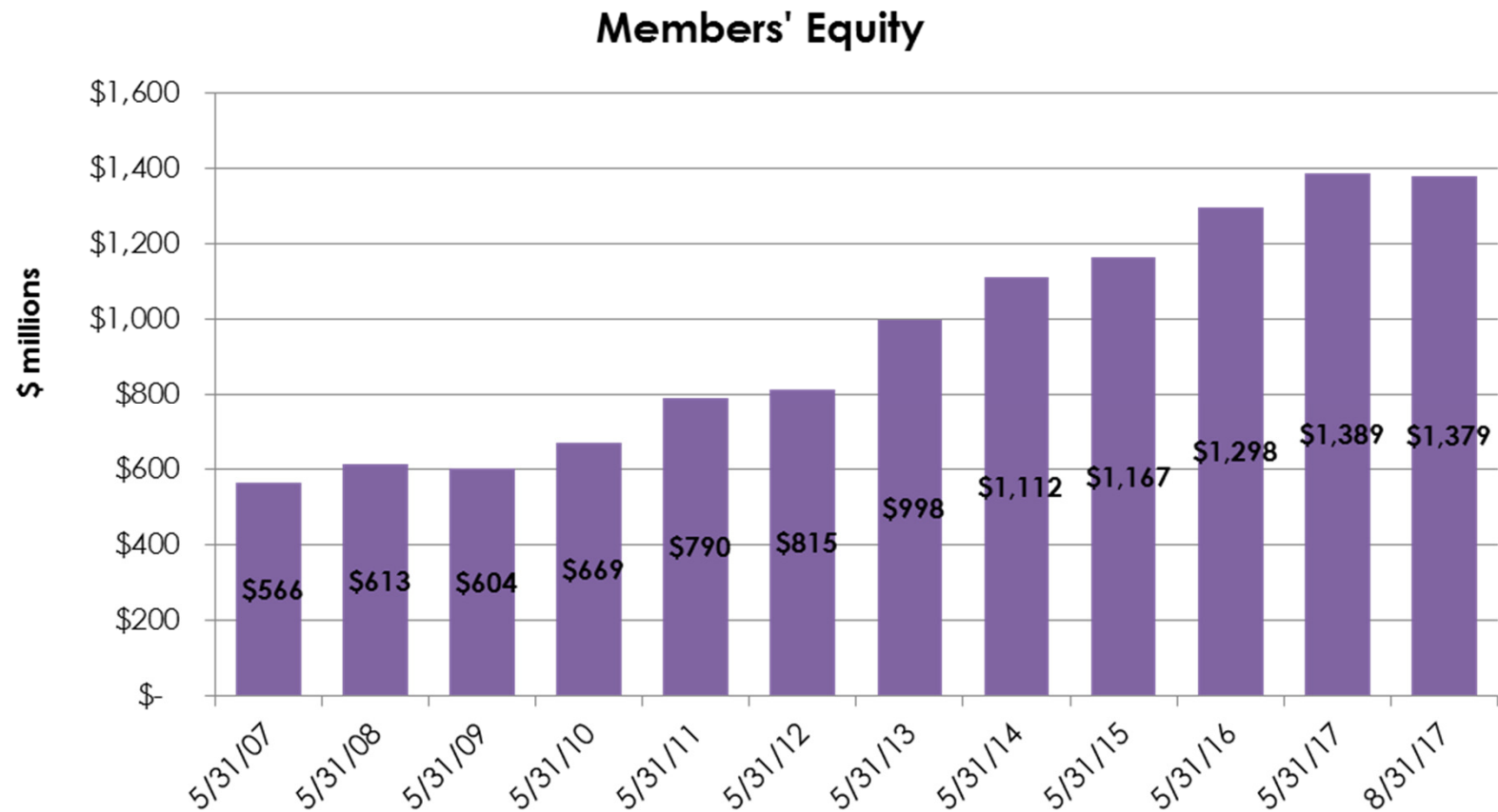


* Members' Equity = GAAP equity – AOCI – Noncontrolling interests – Cumulative derivative forward value losses



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Members' Equity



* Members' Equity = GAAP equity – AOCI – Noncontrolling interests – Cumulative derivative forward value losses



Collateral Trust Bonds (CTBs)

- Secured by the pledge of permitted investments and eligible senior secured mortgage notes from distribution system borrowers.
- Principal amount of eligible mortgage notes pledged must be in an amount at least equal to the outstanding principal amount of CTBs.

Trustee **usbank**

Description of Collateral

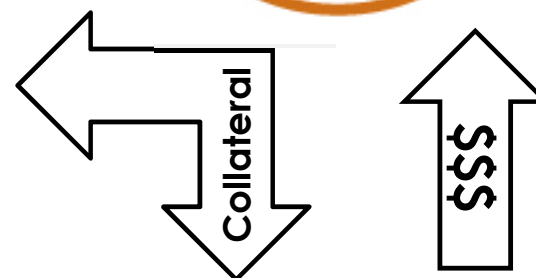
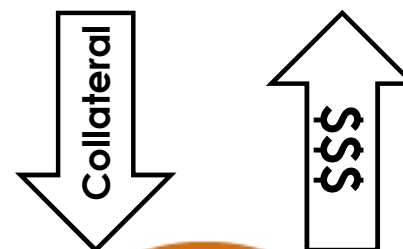
Electric distribution cooperative senior secured mortgage notes:

Lien on all utility assets, a pledge of revenue and after acquired property.

Eligible Mortgage Notes Criteria:

- The borrower must be performing and in good standing with CFC
- Notes of distribution members where 50% or more of the operating revenues are derived from direct sales of electricity
- Distribution members having equity ratios of at least 20% and average debt service coverage ratios of at least 1.35x
- All eligible mortgage notes of any one member cannot exceed 10% of the aggregate amount of all eligible collateral

CFC Members/Borrowers



Investors/CTBs Buyers



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B. Operating Results, Liquidity & Funding

FY2017 in Review

Lending

- **Loan Demand:** Made \$2.3 billion of new term loan advances
 - Distribution Sector - \$1.8 billion new term loan advances
 - G&T Sector - \$353 million new term loan advances
- **Net Loan Volume:** Increased nearly \$1.2 billion during FY17
- **Loan Repricing:** \$987 million fixed-rate loans repriced during FY17
- **Loan Retention:** \$963 million or 98% of the re-priced loans were retained during FY17
- **100% Borrowers:** Continued to gain additional 100% borrowers during FY17 (a total of 224 100% borrowers at FYE17)

Funding & Liquidity

- **Funding:**
 - Smaller tranche, secured and unsecured, opportunistic issuances through various funding vehicles at attractive spreads
- **Liquidity:**
 - Maintained an adequate level of highly liquid assets consisting cash and time deposits on balance sheet
 - Maintained outstanding dealer commercial paper at an amount below \$1.25 billion
 - Extended the maturity dates of committed bank lines
 - Continued to receive additional funding commitments under the Guaranteed Underwriter Program

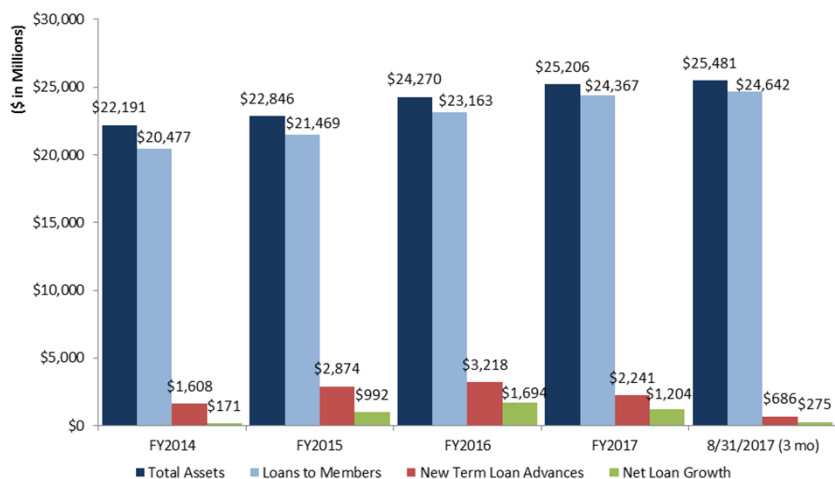
Portfolio Management

- **Electric Lending:**
 - Continued to focus on lending to the rural electric cooperative sector with 99% of loans to this sector
 - Maintained high quality portfolio with no non-performing loans at FYE17 and 0.01% net charge-offs during FY17

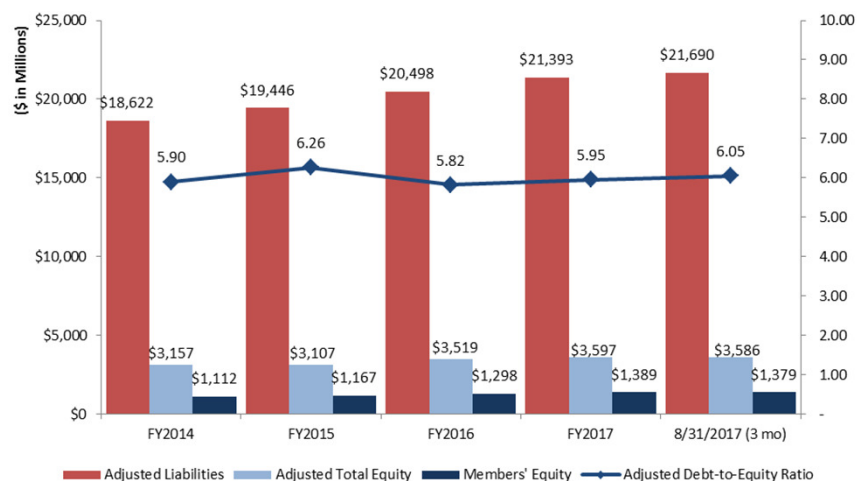


Historical Financial Performance

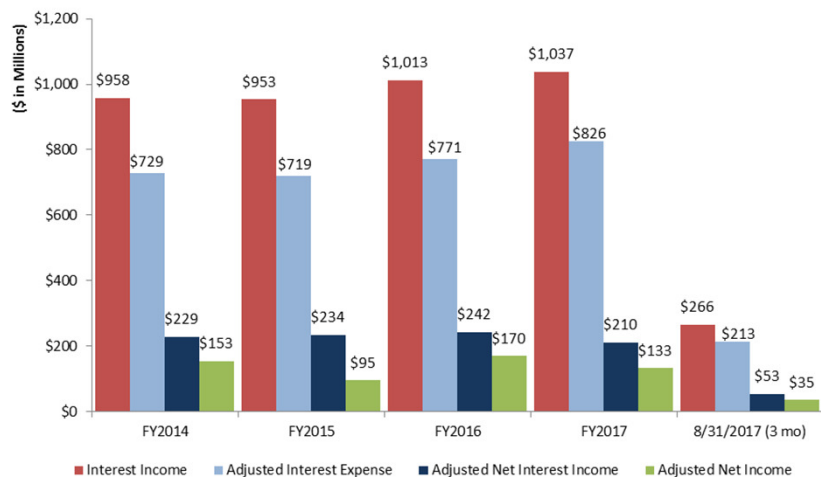
Balance Sheet Growth Driven by Loan Growth



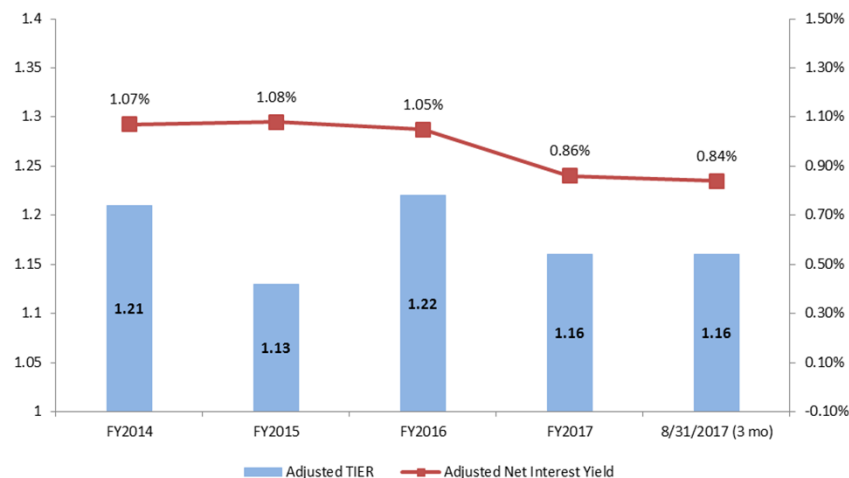
Balance Loan Growth with Leverage Goals



Consistent Financial Performance



Maintain Adjusted TIER of 1.10x or Higher



Balance Sheet Summary

- Growing GAAP equity through net margins accumulation
- Long-term goal of maintaining an adjusted debt-to-equity ratio of around 6.0 to 1

(dollar amounts in thousands)	05/31/13	05/31/14	05/31/15	05/31/16	05/31/17	2016 to 2017 change	Change in %
Cash and Cash Equivalents	\$184,758	\$339,235	\$249,321	\$209,168	\$188,421	(\$20,747)	-10%
Investments	731,632	605,177	569,472	427,940	318,554	(109,386)	-26%
Gross Loans to Members	20,305,874	20,476,642	21,469,017	23,162,696	24,367,044	1,204,348	5%
Less: Allowance for Loan Losses	(54,325)	(56,429)	(33,690)	(33,258)	(37,376)	(4,118)	12%
Loans to Members, Net	20,251,549	20,420,213	21,435,327	23,129,438	24,329,668	1,200,230	5%
Foreclosed Assets	261,472	245,651	116,507	102,967	0	(102,967)	-100%
Derivative Assets	257,878	209,759	115,276	80,095	49,481	(30,614)	-38%
Other Assets	345,413	370,650	360,156	320,592	319,568	(1,024)	0%
Total Assets	\$22,032,702	\$22,190,685	\$22,846,059	\$24,270,200	\$25,205,692	\$935,492	4%
Short-term Debt	\$4,557,434	\$4,099,331	\$3,127,754	\$2,938,848	\$3,342,900	\$404,052	14%
Long-term Debt ¹	13,787,254	14,475,635	16,244,794	17,473,603	17,955,594	481,991	3%
Subordinated Deferrable Debt	395,729	395,627	395,699	742,212	742,274	62	0%
Members' Subordinated Certificates	1,765,776	1,612,191	1,505,420	1,443,810	1,419,025	(24,785)	-2%
Total Debt Outstanding	20,506,193	20,582,784	21,273,667	22,598,473	23,459,793	861,320	4%
Derivative Liabilities	475,278	388,208	408,382	594,820	385,337	(209,483)	-35%
Other Liabilities	239,970	249,319	252,224	259,529	261,757	2,228	1%
Total Equity	811,261	970,374	911,786	817,378	1,098,805	281,427	34%
Total Liabilities & Equity	\$22,032,702	\$22,190,685	\$22,846,059	\$24,270,200	\$25,205,692	\$935,492	4%
Members' Equity ²	\$998,115	\$1,112,300	\$1,167,319	\$1,298,138	\$1,389,303	\$91,165	7%
Key Financial Ratios							
Adjusted Liabilities ³	\$18,373,843	\$18,622,422	\$19,445,531	\$20,498,466	\$21,392,856	\$894,390	4%
Adjusted Total Equity ⁴	\$3,190,201	\$3,157,053	\$3,106,808	\$3,519,270	\$3,597,378	\$78,108	2%
Adjusted Debt-to-Equity Ratio	5.76	5.90	6.26	5.82	5.95	0.13	2%

¹Includes long-term debt maturities due within twelve months

²Members' Equity = GAAP equity – AOCI – Noncontrolling interests – Cumulative derivative forward value losses

³Adjusted Liabilities = Total Liabilities - (Derivative Liabilities + Debt used to fund loans guaranteed by RUS + Subordinated Deferrable Debt + Subordinated Certificates)

⁴Adjusted Equity = Total Equity - (Prior Year Cumulative Derivative Forward Value and Foreign Currency Adjustments + Year to Date Derivative Forward Value, net + Accumulated Other Comprehensive Income) + (Subordinated Deferrable Debt + Subordinated Certificates)



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Income Statement Summary

- Tax exempt, cost-plus based cooperative lender
- Design rates to earn an adjusted TIER of 1.10x or higher

For the 12 months ended May 31,							
(dollar amounts in thousands)	2013	2014	2015	2016	2017	2016 to 2017 Change	Change in %
Interest Income	\$955,753	\$957,540	\$952,976	\$1,012,636	\$1,036,634	\$23,998	2%
Interest Expense	(692,025)	(654,655)	(635,684)	(681,850)	(741,738)	(59,888)	9%
Derivative Cash Settlements	(56,461)	(73,962)	(82,906)	(88,758)	(84,478)	4,280	-5%
Adjusted Net Interest Income	207,267	228,923	234,386	242,028	210,418	(31,610)	-13%
Recovery of (Provision for) Loan Losses	70,091	(3,498)	21,954	646	(5,978)	(6,624)	-1025%
Other Non-Interest (Loss) Income	37,284	4,268	(83,365)	14,886	17,964	3,078	21%
Non-Interest Expense	(97,859)	(76,308)	(77,809)	(87,993)	(89,686)	(1,693)	2%
Adjusted Net Income	216,783	153,385	95,166	169,567	132,718	(36,849)	-22%
Derivative Forward Value	141,304	39,541	(114,093)	(221,083)	179,381	400,464	-181%
Net Income (Loss)	\$358,087	\$192,926	(\$18,927)	(\$51,516)	\$312,099	\$363,615	-706%
Adjusted TIER ⁽¹⁾	1.29	1.21	1.13	1.22	1.16	(0.06)	-5%

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



1QFY18 Results – Balance Sheet

(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%
Loans to Members, Net	\$24,329,668	\$24,604,999	\$275,331	1%
Derivative Assets	49,481	40,466	(9,015)	-18%
Other Assets	319,568	324,996	5,428	2%
Total Assets	\$25,205,692	\$25,480,526	\$274,834	1%
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%
Total Debt Outstanding	\$23,459,793	\$23,663,993	\$204,200	1%
Derivative Liabilities	385,337	402,423	17,086	4%
Other Liabilities	261,757	352,530	90,773	35%
Total Equity	1,098,805	1,061,580	(37,225)	-3%
Total Liabilities & Equity	\$25,205,692	\$25,480,526	\$274,834	1%
Members' Equity¹	\$1,389,303	\$1,378,971	(\$10,332)	-1%
Key Financial Metrics				
Adjusted Liabilities ²	\$21,392,856	\$21,690,216	\$297,360	1%
Adjusted Total Equity ³	\$3,597,378	\$3,585,537	(\$11,841)	0%
Adjusted Debt-to-Equity Ratio	5.95	6.05	0.10	2%

¹ Members' Equity = GAAP equity – AOCI – Noncontrolling interests – Cumulative derivative forward value losses

² Adjusted Liabilities = Total Liabilities - (Derivative Liabilities + Debt Used to Fund Loans Guaranteed by RUS + Subordinated Deferrable Debt + Subordinated Certificates)

³ 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)



1QFY18 Results – Income Statement

(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 ⁽¹⁾	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)



Debt Funding Sources

49% from Capital Markets

21% from Guaranteed Underwriter Program

19% from Member-Owners

11% from Farmer Mac

Debt Instrument	Maturity Range	5/31/2016 Amount (\$000s)	%	5/31/2017 Amount (\$000s)	%	8/31/2017 Amount (\$000s)	%	Change from 5/31/17
Daily Liquidity Fund	Demand note	\$525,959	2.3%	\$527,990	2.3%	\$585,624	2.5%	\$57,634
Member Commercial Paper	1 to 270 days	\$848,007	3.8%	\$928,158	4.0%	\$1,049,829	4.4%	\$121,671
Member Select Notes	30 to 270 days	\$701,849	3.1%	\$696,889	3.0%	\$729,484	3.1%	\$32,595
Member Medium-term Notes	Up to 30 years	\$654,058	2.9%	\$612,951	2.6%	\$618,490	2.6%	\$5,539
Member Capital Securities	Up to 35 years	\$220,046	1.0%	\$221,097	0.9%	\$221,097	0.9%	\$0
Membership Certificates	Up to 100 years	\$630,063	2.8%	\$630,098	2.7%	\$630,098	2.7%	\$0
Loan and Guarantee Certificates	Up to 100 years	\$593,701	2.6%	\$567,830	2.4%	\$567,012	2.4%	(\$818)
Total - Members		\$4,173,683	18.5%	\$4,185,013	17.8%	\$4,401,634	18.6%	\$216,621
Guaranteed Underwriter Program	Up to 20 years	\$4,777,111	21.1%	\$4,985,484	21.3%	\$5,073,356	21.4%	\$87,872
Notes Payable (Farmer Mac)	Up to 30 years	\$2,303,123	10.2%	\$2,513,389	10.7%	\$2,502,467	10.6%	(\$10,922)
Other	Up to 30 years	\$40,944	0.2%	\$35,223	0.2%	\$35,278	0.1%	\$55
Total - Other		\$7,121,178	31.5%	\$7,534,096	32.1%	\$7,611,101	32.2%	\$77,005
Non-member Commercial Paper	1 to 270 days	\$659,935	2.9%	\$999,691	4.3%	\$509,850	2.2%	(\$489,841)
Non-member Medium-term Notes	Up to 30 years	\$2,648,369	11.7%	\$2,364,671	10.1%	\$2,760,973	11.7%	\$396,302
Collateral Trust Bonds	Up to 30 years	\$7,253,096	32.1%	\$7,634,048	32.5%	\$7,638,128	32.3%	\$4,080
Subordinated Deferrable Debt	Up to 30 years	\$742,212	3.3%	\$742,274	3.2%	\$742,307	3.1%	\$33
Total - Capital Markets		\$11,303,612	50.0%	\$11,740,684	50.0%	\$11,651,258	49.2%	(\$89,426)
Total Debt Outstanding		\$22,598,473	100.0%	\$23,459,793	100.0%	\$23,663,993	100.0%	\$204,200





Revolving Credit Facilities

- Availability as of 8/31/2017

(\$ in Thousands)	Total Commitment	Letter of Credit Outstanding	Available Commitment
Three-year 11/19/19 maturity	\$1,532,500	\$0	\$1,532,500
Five-year 11/19/21 maturity	<u>1,632,500</u>	<u>1,436</u>	<u>1,631,064</u>
Total	<u>\$3,165,000</u>	<u>\$1,436</u>	<u>\$3,163,564</u>

- Compliance

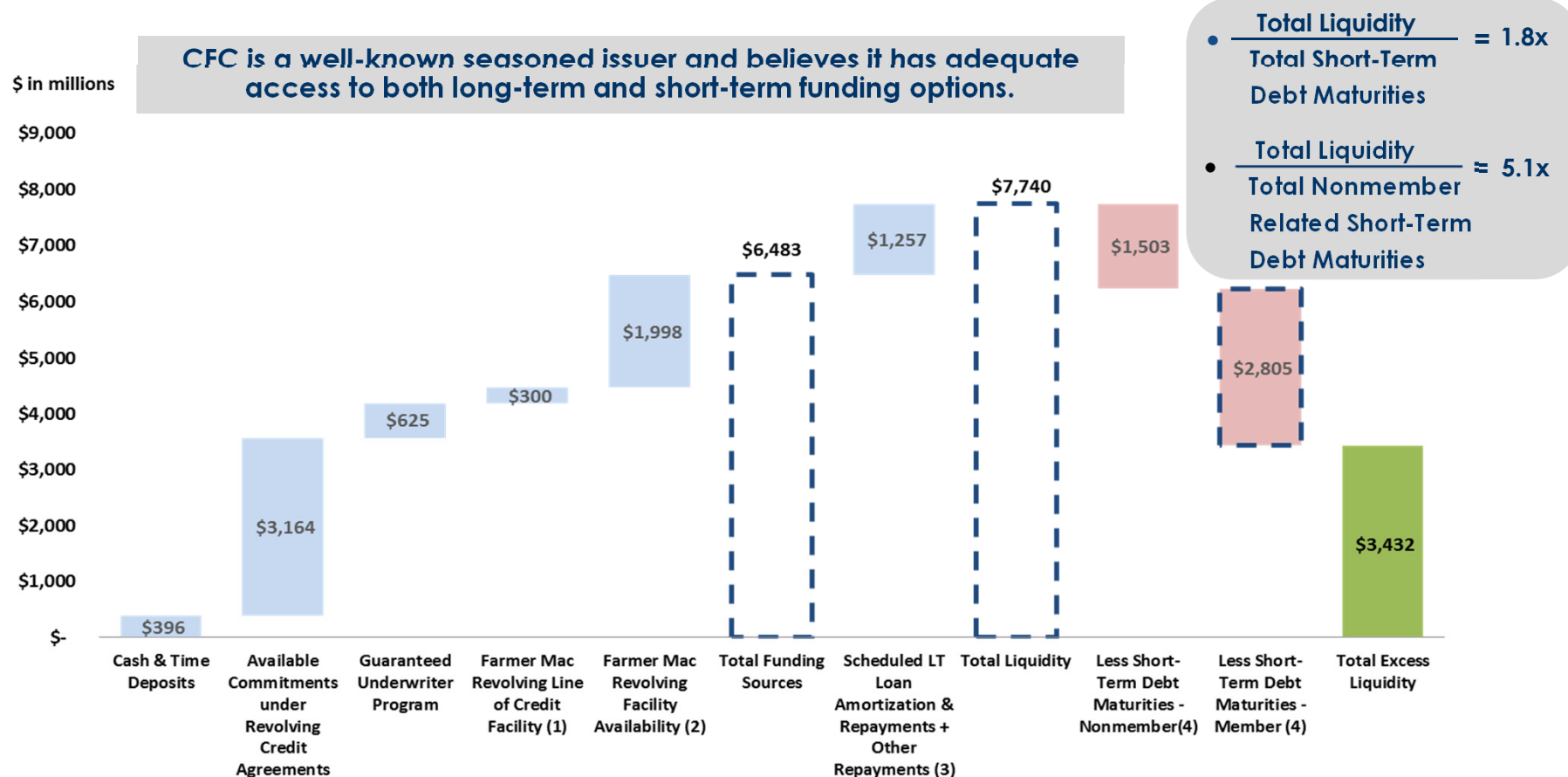
	11/30/16	2/28/17	5/31/17	8/31/17
Average TIER— Actual (minimum adjusted TIER over the six most recent fiscal quarters)	1.21	1.20	1.18	1.17
Leverage Ratio— Actual (maximum ratio of senior debt to total equity)	5.74	5.83	5.67	5.77

Requirement	In Compliance?
1.025	
Max 10.00	



Liquidity Management

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



(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	\$401	\$176	\$426	\$602	\$149	\$115
2/28/18	840	302	\$1,142	815	489	\$1,304	84	\$187
5/31/18	590	327	\$917	333	265	\$598	(374)	(\$62)
8/31/18	90	317	\$407	130	314	\$444	42	(\$3)
11/30/18	1,590	305	\$1,895	1,495	414	\$1,909	77	\$109
2/28/19	840	283	\$1,123	693	400	\$1,093	(68)	\$117
Totals	\$4,040	\$1,845	\$5,885	\$3,642	\$2,308	\$5,950	(\$90)	\$463

(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.



FY17 & FY18 Major Financing Activities

Revolvers

- November 2016 – Amended and extended maturities of the credit facilities by one year to November 2019 and November 2021.

MTNs

- November 2016 – Issued \$300 million 3-year fixed-rate notes @ 1.50%.
- April 2017 – Issued \$350 million 2-year floating-rate notes @ 3ML + 20 bps.
- **August 2017 – Issued \$350 million 5-year fixed-rate notes @ 2.30%.**

InterNotes

- FY17 - \$197 million InterNotes issued with a weighted-average life of 10.34 years and weighted-average rate of 2.87%.

CTBs

- February 2017 – Issued a \$450 million 7-year CTB @ 2.95%.
- April 2017 – Issued a \$450 million 5-year CTB @ 2.40%, and a \$350 million 10-year CTB @ 3.05%.

GUP

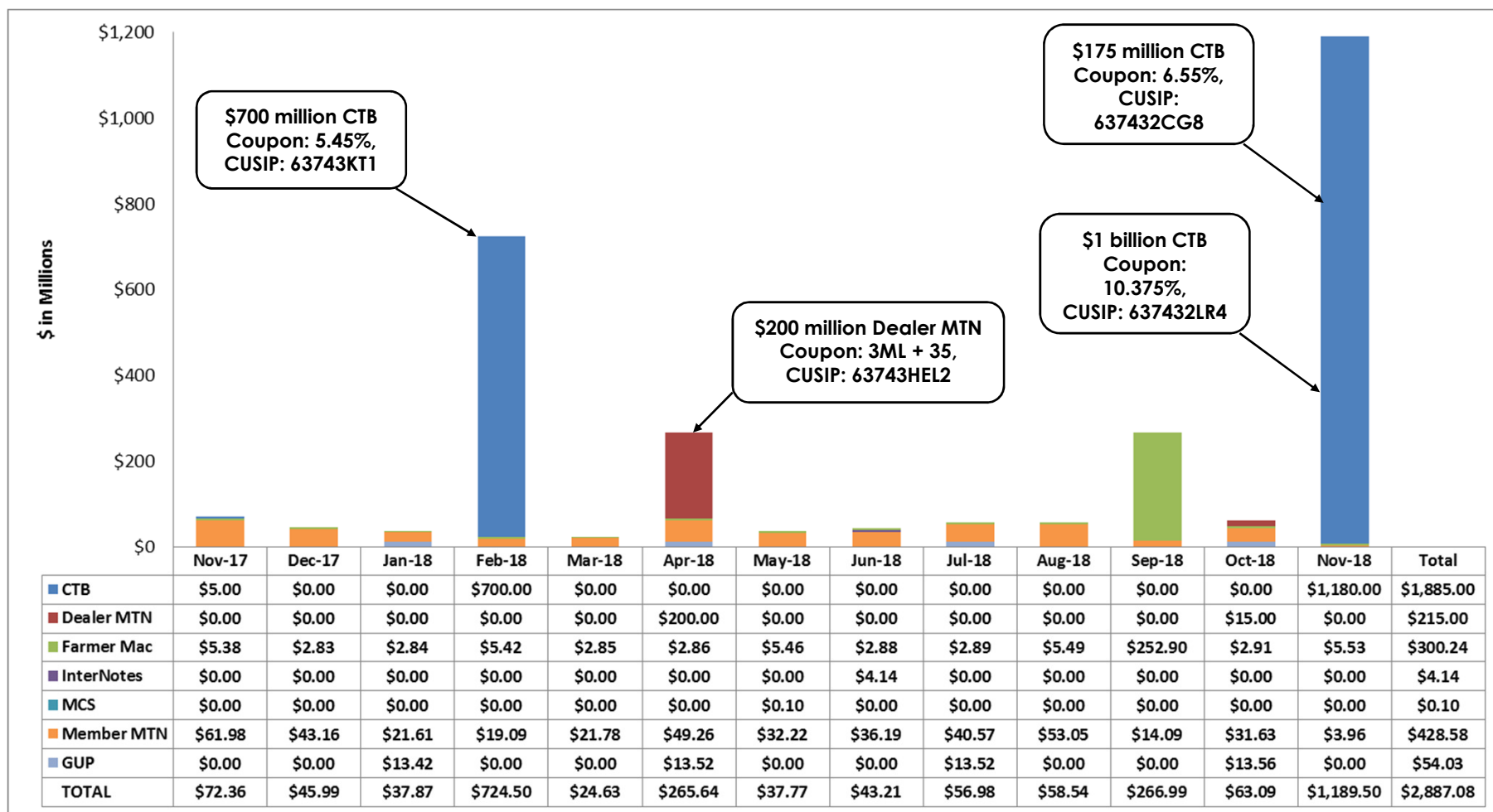
- August 2016 – Advanced \$100 million @ 2.30%, with a 20-year final maturity.
- December 2016 – Closed on the previously approved \$375 million funding under the GUP.
- February 2017 – Advanced \$150 million @ 3.01% with a 20-year final maturity.
- **August 2017 – Advanced \$100 million @ 2.83% with a 20-year final maturity.**
- **August 2017 – Received an approval for additional \$750 million funding under the GUP (anticipated closing by the end of 2017).**

Farmer Mac

- February 2017 – Advanced a \$250 million, 30-year note @ 3ML + 84 bps and a \$100 million short-term note @ 1ML + 25 bps under the note purchase agreements.



Monthly LT Debt Maturity Schedule

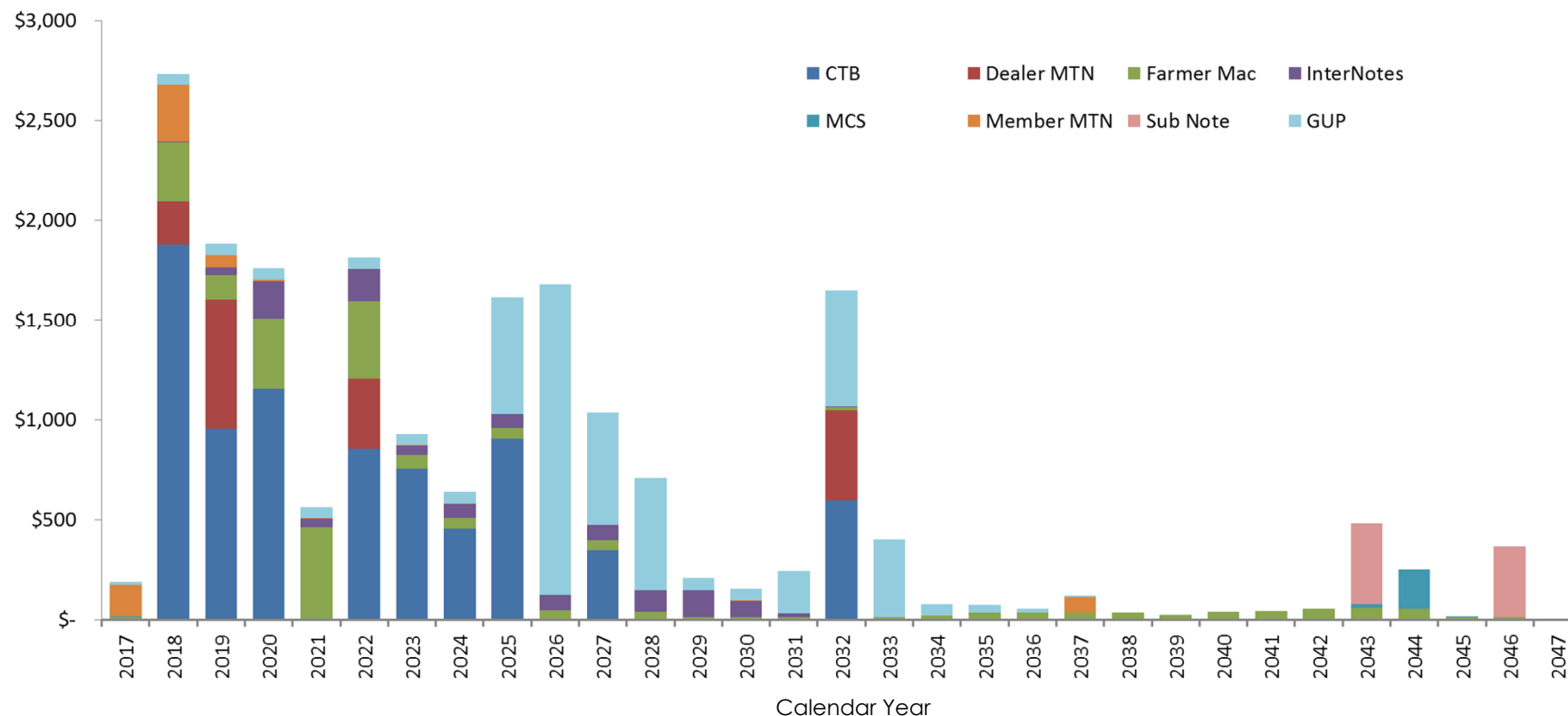


- Note: Our members traditionally roll over their MTN investments at maturity.
- Data as of 10/31/2017



Annual LT Debt Maturity Schedule

(\$ in millions)



Note: Our members traditionally roll over their MTN investments at maturity.
Data as of 10/31/2017



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Funding Strategy

Member Investments	Attract additional and retain existing investments from members
Dealer CP Issuance	Minimize wholesale funding risk by maintaining dealer CP at a maximum balance of \$1.25 billion
CTB and MTN Issuance	Smaller tranches and more frequent issuances with strategic balance between secured and unsecured issuances
InterNotes Issuance	Unsecured issuances targeting retail investors
GUP & Farmer Mac Issuance	Maintain flexibility and preserve availability



Interest Rate Management Overview

❑ CFC Loan Portfolio Characteristics:

- 92% of the loans are fixed-rate amortizing loans with maturities up to 35 years
- Borrowers have the option to fix the interest rate period from one year up to the maturity date of the loan
- Borrowers pay make-whole and prepayment fees if they decide to prepay the loan prior to the repricing date (if not fixed to maturity)

❑ CFC Interest rate management objectives:

- Match fund balance sheet targeting no more than a 5-10% mismatch
- Maintain cash flow stability
- Manage loan portfolio flexibility
- Maintain funding flexibility

❑ Asset Liability Committee monitors interest rate risk and funding mismatch on the monthly basis



Interest Rate Management Overview

- ❑ Interest rate swaps with CFC's bank relationships synthetically and cost efficiently mitigate the balance sheet's exposure to interest rate risk
- ❑ CFC is an end-user of interest rate swaps and does not engage in derivative trading or speculative activities
- ❑ CFC receives U.S. Commodity Futures Trading Commission clearing and margin exemption on interest rate swaps—a recognition of the low risk nature of CFC's business activities and the benefits swaps afford to CFC and its member-owners via competitive interest rates on loans
- ❑ Hedge accounting treatment on interest rate swaps does not apply to CFC swaps
- ❑ Accounting treatment of CFC's interest rate swaps under GAAP:
 - All CFC's derivatives are recorded at fair value as either assets or liabilities on the balance sheet (no off-balance sheet derivatives)
 - Both unrealized gains and losses from changes in fair value and realized gains and losses from cash settlements are recorded in the derivative gains (losses) line on the consolidated statement of operations for each reporting period
 - As a result, both unrealized and realized gains/losses impact CFC's total equity at the end of each reporting period
- ❑ The covenant calculations in all CFC debt indentures and loan agreements exclude the impact of unrealized derivative gains/losses from CFC's key financial results



Interest Rate Swaps – Impact on Financial Statements

□ Notional outstanding for interest rate swaps:

(\$ in 000s)	FY15	%	FY16	%	FY17	%	Q1FY18	%
Pay fixed/Receive floating	\$5,776,533	60%	\$6,661,471	66%	\$6,807,013	65%	\$7,090,088	65%
Pay floating/Receive fixed	\$3,849,000	40%	\$3,499,000	34%	\$3,699,000	35%	\$3,849,000	35%
Total - Notional Amount Outstanding	\$9,625,533	100%	\$10,160,471	100%	\$10,506,013	100%	\$10,939,088	100%

□ Derivative Gains/(Losses) on the income statement:

(\$ in 000s)	FY15	FY16	FY17	Q1FY18	
Derivative Cash Settlements	\$ (82,906)	\$ (88,758)	\$ (84,478)	\$ (20,222)	Represents realized gains/losses
Derivative Forward Value	\$ (114,093)	\$ (221,083)	\$ 179,381	\$ (25,976)	Represents unrealized gains/losses
Derivative Gains (Losses)	\$ (196,999)	\$ (309,841)	\$ 94,903	\$ (46,198)	



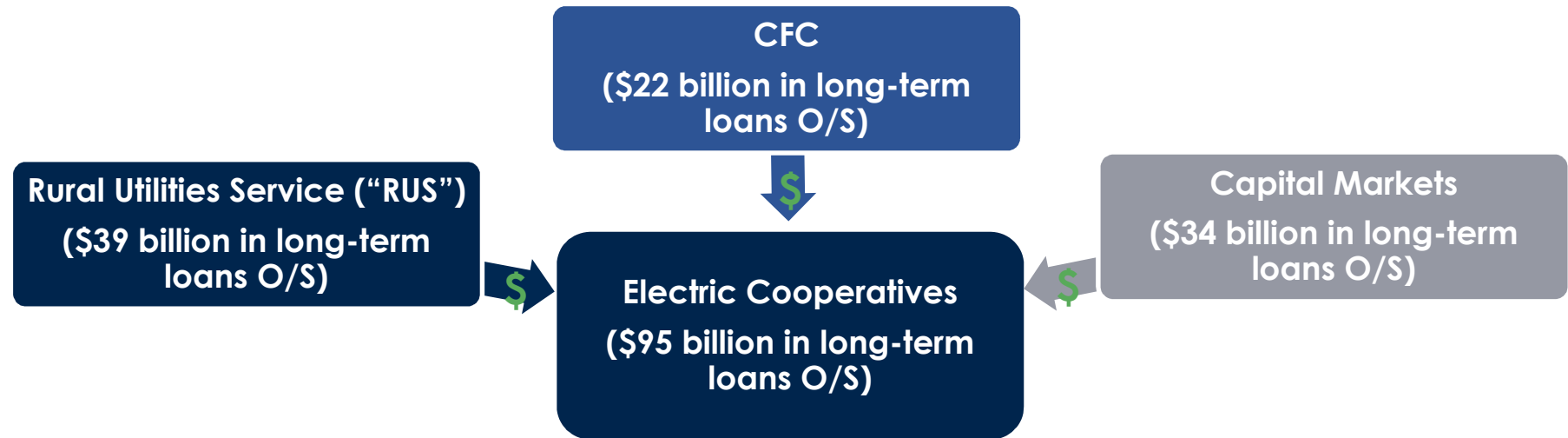


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C. Electric Cooperative Lending Landscape & Portfolio Overview

Electric Cooperative Lending Landscape



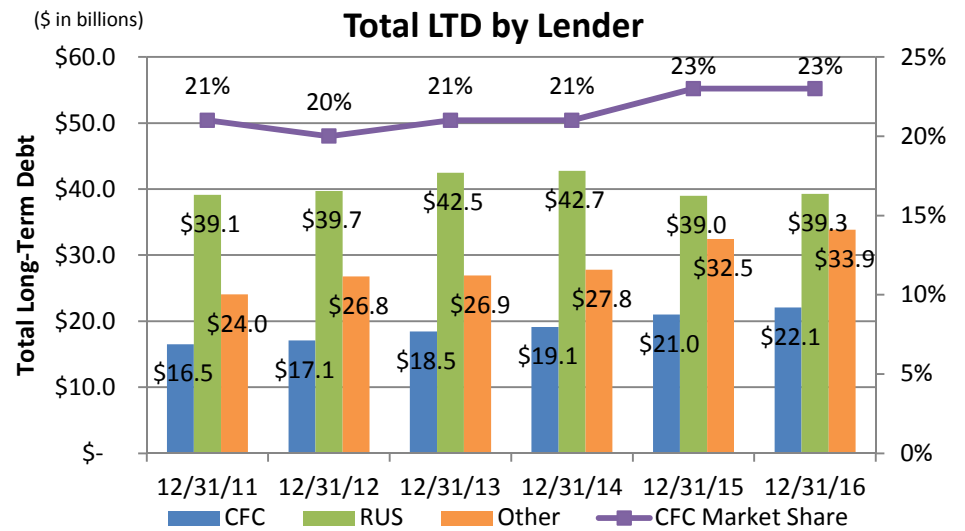
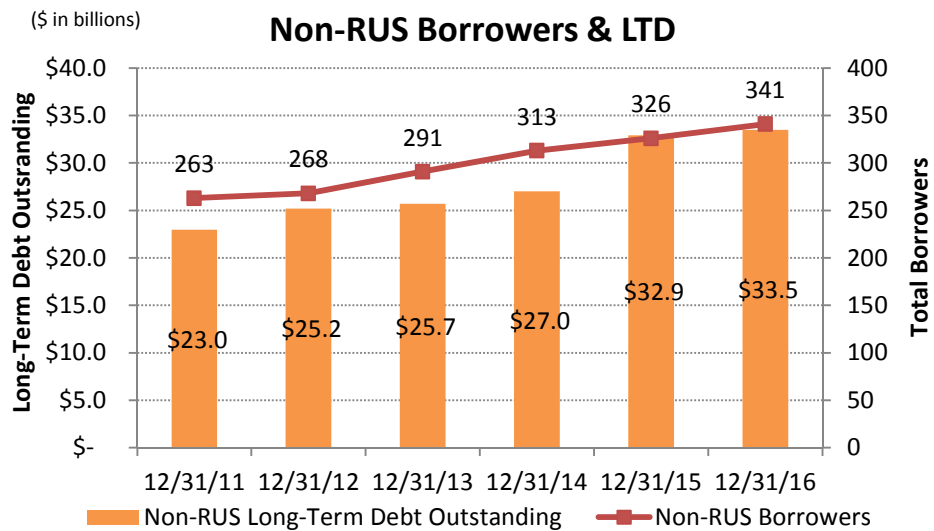
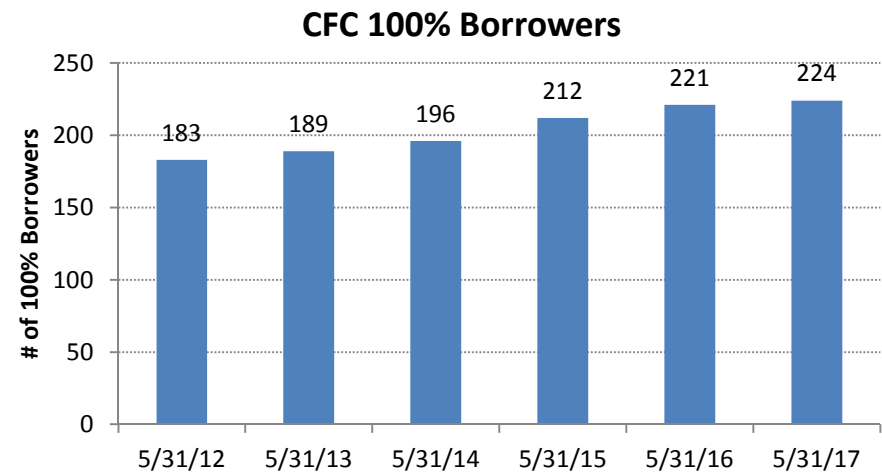
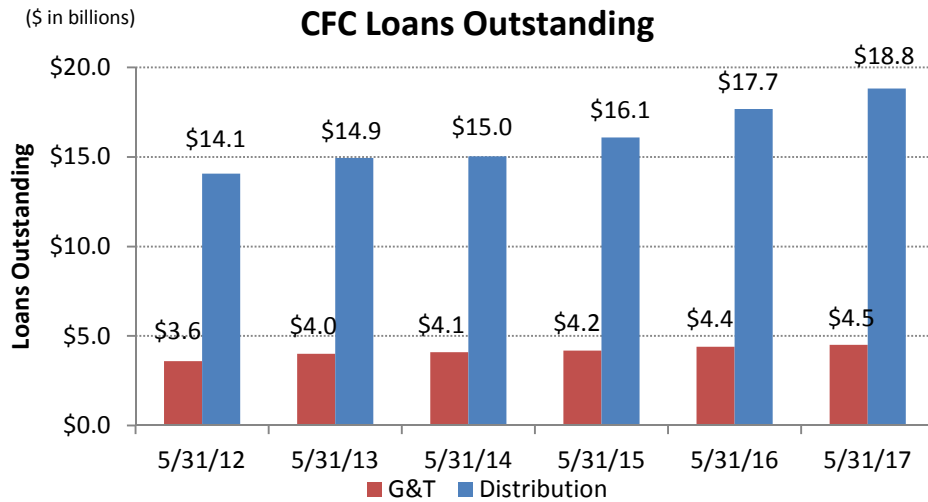
- **RUS: Largest lender to electric cooperatives**
- **CFC: Largest private lender to electric cooperatives and 100% owned by electric cooperatives**
- **Capital Markets: Banks, insurance companies, pension funds, etc.**

Data as of 12/31/2016; Except for CFC amount, other reported amounts are based on member-provided information.



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CFC Market Share



Except for CFC-related data, other reported data are based on member-provided information.

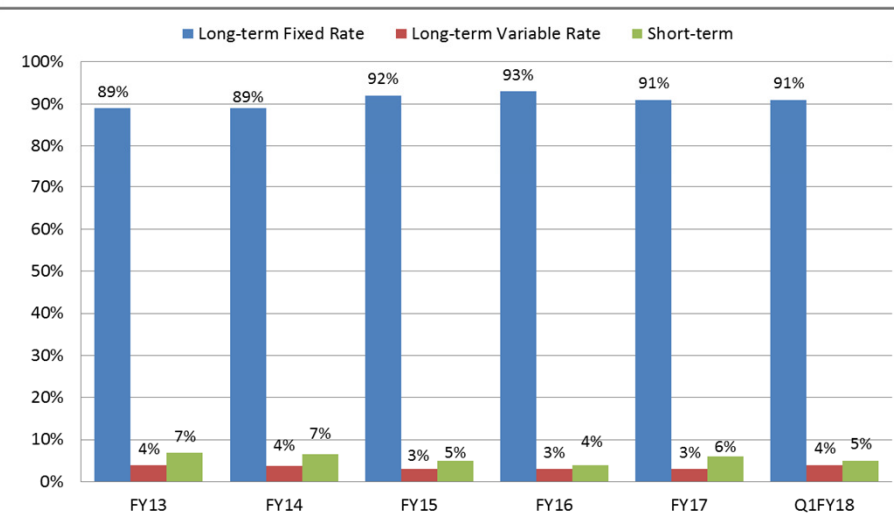
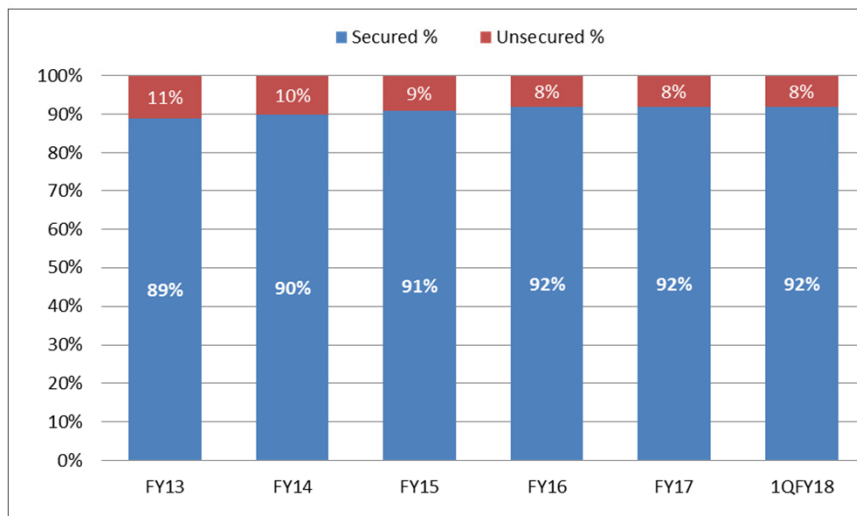
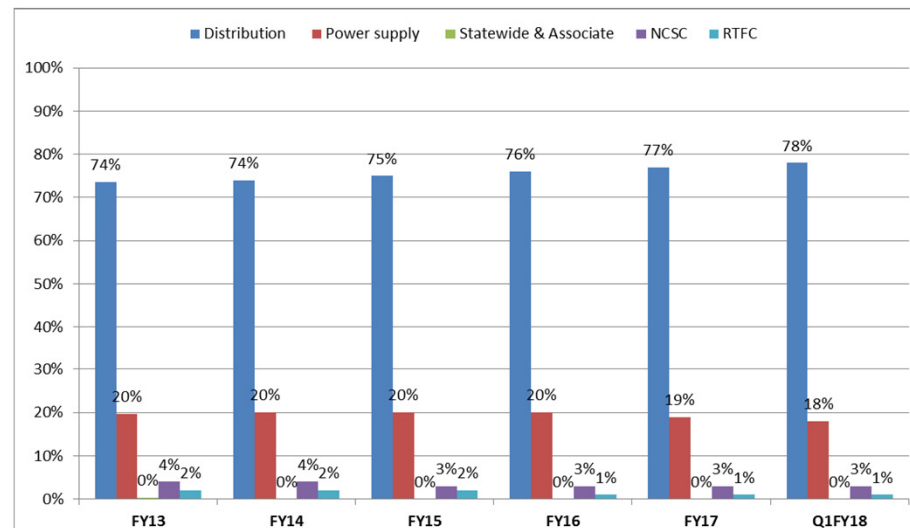


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CFC Portfolio Overview

Strategy: Focus on lending to the rural electric cooperative sector

- 92% of loans are on a senior secured basis.
- 99% of loans are to the electric utility sector.
- Loan portfolio consists of primarily long-term fixed rate loans.
- 98% of repricing loans were retained.

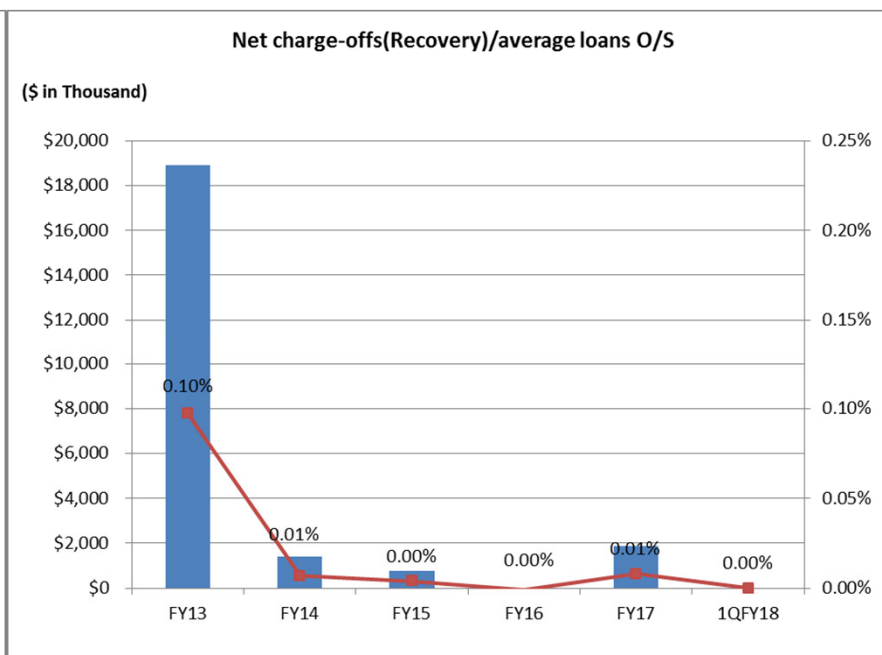
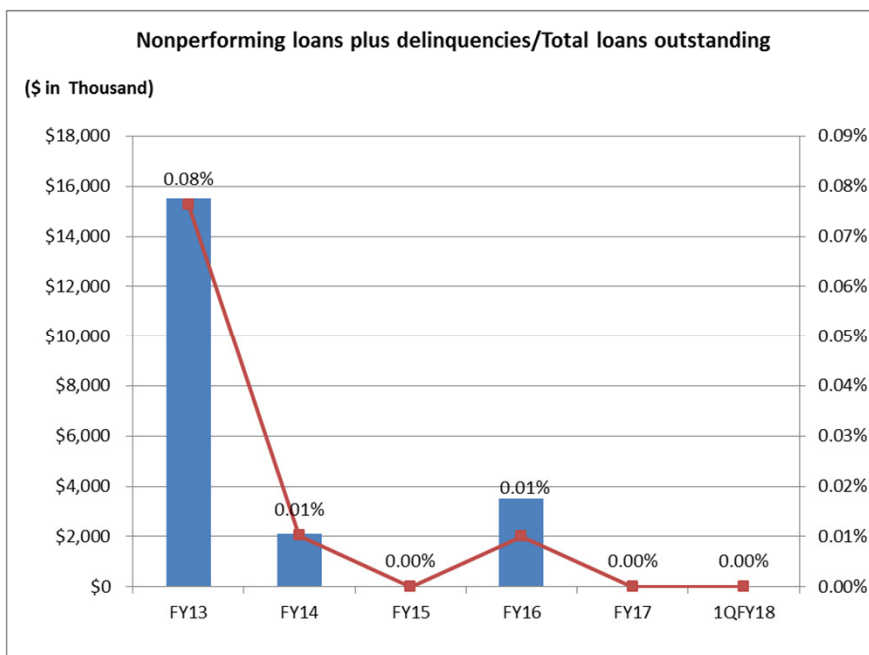


CFC Portfolio Overview

Strategy: Focus on lending to the rural electric cooperative sector

High quality asset portfolio

- 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.



Consolidated Loans Outstanding by State & Territory at May 31, 2017

(Sorted by Loan Balance)

State/Territory	Loan Balance (\$ in 000s)	Loan Balance %	Number of Borrowers
Texas	\$ 3,619,134	14.86%	73
Georgia	\$ 1,404,985	5.77%	44
Missouri	\$ 1,284,707	5.27%	48
Colorado	\$ 1,282,993	5.27%	26
Kansas	\$ 1,112,240	4.57%	31
North Dakota	\$ 881,043	3.62%	18
Alaska	\$ 879,924	3.61%	16
Illinois	\$ 836,444	3.43%	27
Florida	\$ 773,514	3.17%	17
North Carolina	\$ 772,096	3.17%	28
South Carolina	\$ 759,646	3.12%	23
Indiana	\$ 740,714	3.04%	38
Kentucky	\$ 735,386	3.02%	24
Minnesota	\$ 726,350	2.98%	54
Oklahoma	\$ 720,068	2.95%	26
Arkansas	\$ 573,613	2.36%	21
Alabama	\$ 549,208	2.26%	27
Ohio	\$ 521,774	2.14%	28
Maryland	\$ 501,375	2.06%	2
Pennsylvania	\$ 491,910	2.02%	17
Iowa	\$ 462,510	1.90%	39
Wisconsin	\$ 409,652	1.68%	24
Utah	\$ 392,757	1.61%	6
Mississippi	\$ 378,955	1.56%	18
Oregon	\$ 347,598	1.43%	22

State/Territory	Loan Balance (\$ in 000s)	Loan Balance %	Number of Borrowers
Virginia	\$ 346,035	1.42%	18
Nevada	\$ 327,813	1.35%	5
Washington	\$ 321,566	1.32%	11
Louisiana	\$ 293,897	1.21%	10
Wyoming	\$ 265,782	1.09%	15
South Dakota	\$ 226,100	0.93%	32
Arizona	\$ 198,594	0.81%	11
Montana	\$ 173,000	0.71%	25
Michigan	\$ 151,026	0.62%	14
Hawaii	\$ 146,527	0.60%	2
Idaho	\$ 136,031	0.56%	12
Delaware	\$ 118,244	0.48%	3
New Hampshire	\$ 90,539	0.37%	1
Tennessee	\$ 86,979	0.36%	17
New Mexico	\$ 71,903	0.29%	16
Massachusetts	\$ 60,000	0.25%	1
Vermont	\$ 46,326	0.19%	4
California	\$ 34,201	0.14%	4
Nebraska	\$ 32,127	0.13%	16
New York	\$ 29,166	0.12%	6
New Jersey	\$ 16,438	0.07%	2
West Virginia	\$ 14,068	0.06%	2
Maine	\$ 9,870	0.04%	3
Washington DC	\$ 1,500	0.01%	1
Total	\$ 24,356,330	100.00%	928

Top 10 States - FY16-17 Loan Growth

State/Territory	FY16-FY17 Loan Growth (\$ in 000s)	% of FY16-FY17 Total Loan Growth
Texas	\$ 186,048	15.45%
Colorado	\$ 120,656	10.02%
Kansas	\$ 114,868	9.54%
North Carolina	\$ 113,637	9.44%
Hawaii	\$ 102,878	8.55%
Indiana	\$ 90,436	7.51%
Kentucky	\$ 86,252	7.16%
Florida	\$ 79,354	6.59%
Maryland	\$ 66,949	5.56%
Missouri	\$ 61,935	5.14%
All Other States	\$ 180,799	15.04%
Total Loan Growth	\$ 1,203,813	100.00%

Loans Outstanding to 20 Largest Borrowers

	Amount	% of Total
Loans Outstanding	\$5.75 billion	23%
(Less Loans covered under Farmer Mac Agreement)	(\$352 million)	(1%)
Net Loans Outstanding Exposure	\$5.40 billion	22%

 = Top 10 State - FY16-17 Loan Growth



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D. Conclusion

Key Takeaways at 8/31/2017

Credit Ratings

- Fitch: **F1** (Short-Term); **A+** (Senior Secured); **A** (Senior Unsecured); **Stable** Outlook (Last commented on 9/8/17)
- Moody's: **P-1** (Short-Term); **A1** (Senior Secured); **A2** (Senior Unsecured); **Stable** Outlook (Last commented on 11/30/16)
- S&P: **A-1** (Short-Term); **A** (Senior Secured); **A** (Senior Unsecured); **Stable** Outlook (Last commented on 10/20/17)
- 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 as of 8/31/2017

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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E. Appendix

- 1. Electric Cooperative Overview**
- 2. Rated Electric Cooperatives**
- 3. Corporate Governance, Organization Chart & Bios**

U.S. Electric Utilities Overview

- In the U.S., there are primarily three kinds of utilities that are distinguished by their business structure. They are electric cooperatives, investor-owned utilities (“IOUs”), and municipal systems.
 - An **electric cooperative** is owned by the members it serves. Therefore, all of the owners live in the cooperative's service territory, with most customers living in rural or semi-rural areas. A cooperative operates on a non-profit, cost-of-service basis.
 - An **IOU** is owned by stockholders who may or may not be customers and who may or may not live in the service area. The IOU is a for-profit enterprise.
 - **Municipal systems** are usually owned by a city, a state or federal government agency. Municipal customers are usually located in urban or semi-urban areas.



U.S. Electric Utilities Overview

IOUs	Municipals	Cooperatives
Rate regulated	Not rate regulated	Most are not rate regulated
Profit seeking; operated for the benefit of public shareholders with obligations to serve regulated ratepayers	Operated for public benefit for the region served with obligation to serve customers	Not-for-profit; operated for the benefit of their member owners
Most are large and may have multiple subsidiaries	Most are small relative to IOUs	All are small relative to IOUs
Subject to competition in the wholesale market, with some competition in the retail market	Little retail competition although subject to competition in the wholesale market	Little competition
Tend to have comparable rates to cooperatives and higher rates compared to municipals	Tend to have lower rates than G&T cooperatives and IOUs	Rates tend to be comparable to IOUs
Private shareholder equity; no government support	No private equity; may have access to local government fiscal support in times of fiscal stress	Most borrow from the RUS and cooperative financial institutions; larger issuers access the capital markets



U.S. Electric Utilities Overview

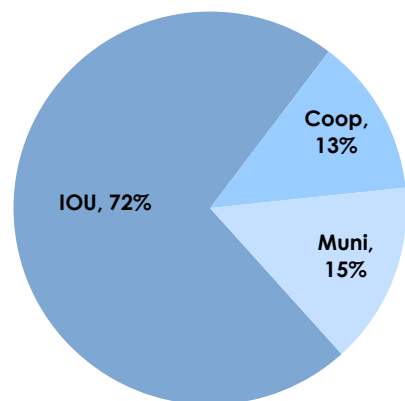
	IOUs	Municipals	Cooperatives	Total
Total Revenue (\$ billions)	\$285	\$60	\$44	\$389
Number of organizations	200	2,000	900	3,100
Number of total customers (in millions)	108	22	19	149
Size (median number of customers)	450,000	2,000	14,000	
Customers, % of total	72%	15%	13%	
Revenues, % of total	73%	15%	12%	
Kilowatt-hour sales, % of total	73%	15%	12%	
Sales (billions of kilowatt-hours)	IOUs	Municipals	Cooperatives	Total
Residential	962	210	233	1,404
Commercial	1,040	221	93	1,354
Industrial	698	144	104	946
Total	2,700	575	429	3,704
	IOUs	Municipals	Cooperatives	Total
Percentage of distribution line owned	50%	7%	42%	
Customers per mile of line (density)	34	48	7.4	
Revenue per mile of line (\$)	\$75,500	\$113,000	\$16,000	
Distribution plant per customer (\$)	\$2,798	\$2,740	\$3,290	
Assets (\$ billions)	\$1,060	\$295	\$176	\$1,531
Equity (\$ billions)	\$336	\$93	\$58	\$487
Equity %	32%	32%	33%	

Source: NRECA and EIA

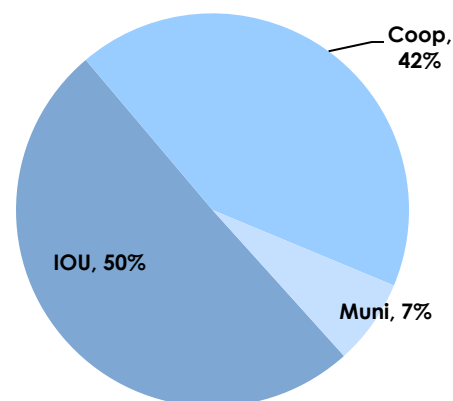


U.S. Electric Utilities Comparison

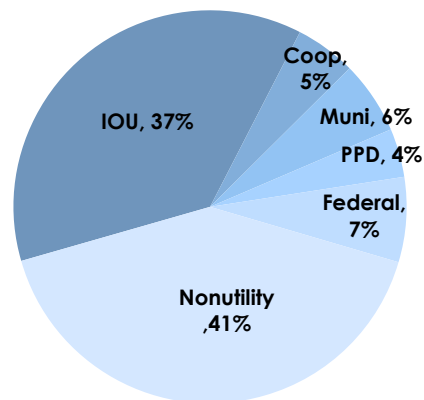
Share of Customers



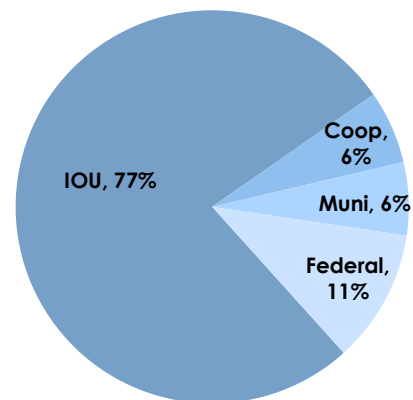
Miles of Distribution Line



Share of Generation



Miles of Transmission Line



Source: NRECA and EIA



Electric Cooperative Facts and Figures

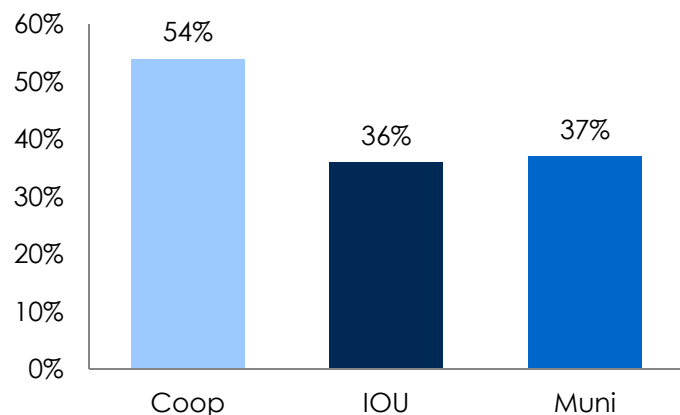
- **836 distribution and 65 G&T cooperatives serve:**
 - 42 million people in 47 states
 - 19 million businesses, homes, schools, churches, farms, irrigation systems, and other establishments in 2,500 of 3,141 counties in the United States
 - Nearly 13% of the U.S. population
- **To perform their mission, electric cooperatives:**
 - Own assets worth \$176 billion (distribution and G&T co-ops combined);
 - Own and maintain 2.6 million miles, or 42%, of the nation's electric distribution lines, covering 75% of the U.S. landmass;
 - Deliver 11% of the total kilowatt-hours sold in the U.S. each year;
 - Generate nearly 5% of the total electricity produced in the U.S. each year ;
 - Employ 70,000 people in the U.S.;
 - Retire over \$1 billion in capital credits annually;
 - Pay over \$1.3 billion in state and local taxes.
- **Compared with Other Electric Utilities**
 - Co-ops serve an average of 7.4 consumers per mile of line and collect annual revenue of approximately \$16,000 per mile of line
 - IOUs average 34 customers per mile of line and collect \$75,500 per mile of line
 - Municipals average 48 consumers per mile of line and collect \$113,000 per mile of line

Source: NRECA (February 2017)

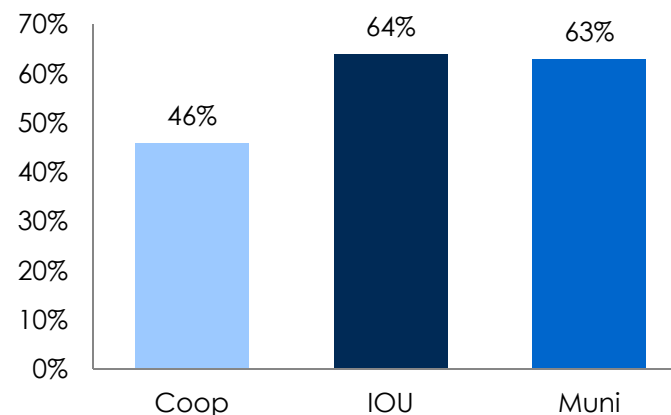


Electric Cooperative Facts and Figures

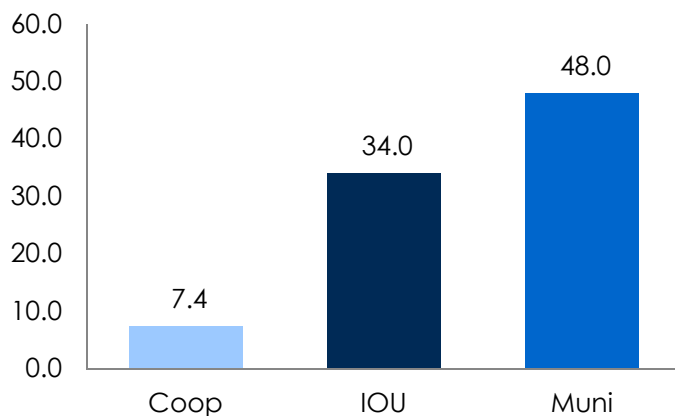
Coops Serve Primarily Farms & Families (kWh Residential Sales)



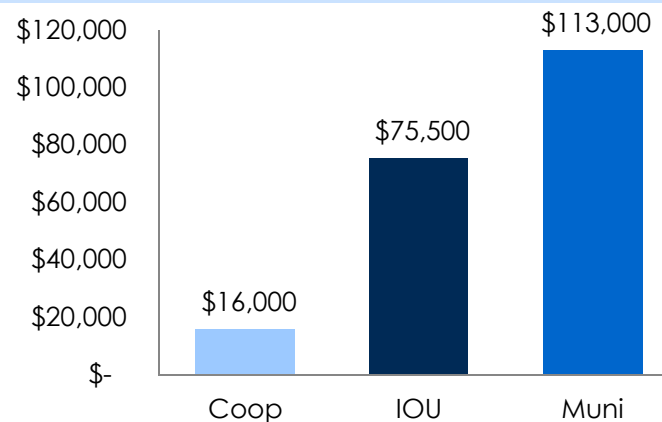
Other Utilities Serve Primarily Businesses (kWh Commercial & Industrial Sales)



Coops Serve the Most Rural Areas & Have Fewest Customers Per Mile



Coops Have The Least Amount of Revenue Per Mile



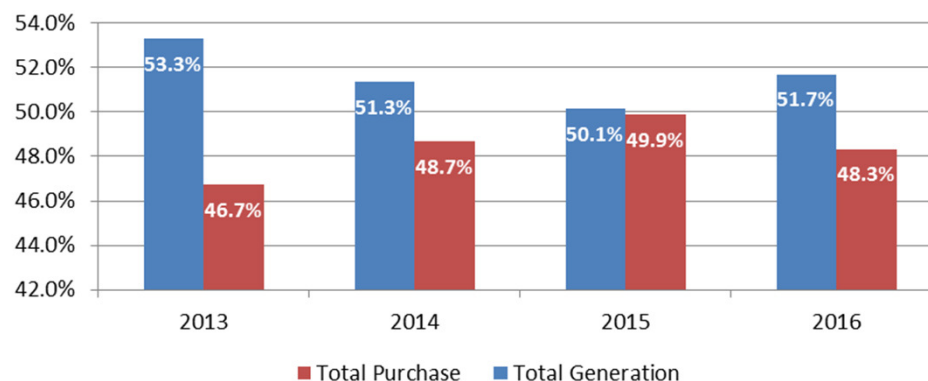
Source: NRECA and EIA



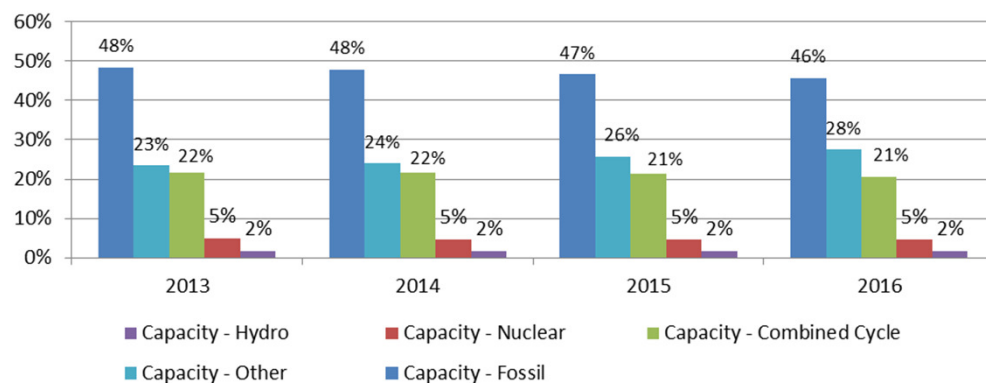
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G&T Cooperatives Generation Profile

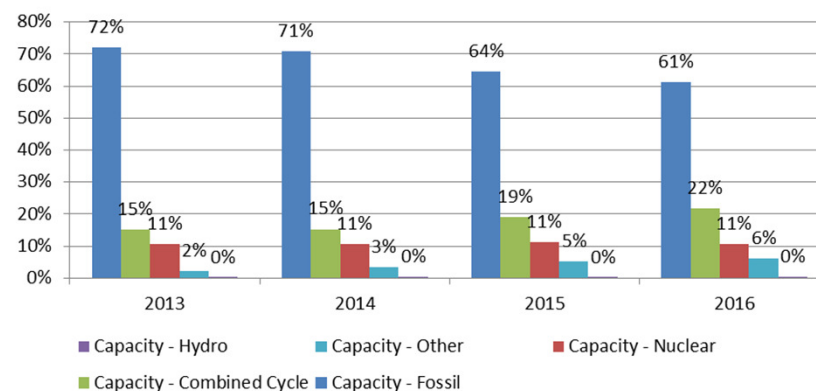
Generation vs. Purchase



Capacity by Fuel Type



Output by Fuel Type



Data Source: CFC KPI as of 7/26/2017



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Distribution Electric Cooperative Credit Ratings

Cooperative	State	Type	L-T Credit Ratings (S&P/Moody's/Fitch)	Outlook
Brunswick E.M.C.	NC	DIST	A//A+	Stable/Not Rated/Stable
CoServ	TX	DIST	//AA-	Not Rated/Not Rated/Stable
Delaware Electric Cooperative, Inc.	DE	DIST	A//	Stable/Not Rated/Not Rated
Diverse Power	GA	DIST	A//	Stable/Not Rated/Not Rated
Guadalupe Valley Elec	TX	DIST	AA-//AA-	Stable/Not Rated/Stable
Lakeview Light & Power	WA	DIST	/Baa2/	Not Rated/Stable/Not Rated
New Hampshire Electric	NH	DIST	A+//	Positive/Not Rated/Not Rated
Overton Power District #5	NV	DIST	/Baa1/BBB+	Not Rated/None/Positive
Sulphur Springs Valley Electric	AZ	DIST	A-//A-	Stable/Not Rated/Stable
Vermont Electric	VT	DIST	A+//A-	Stable/Ratings Withdrawn/Stable

(As of 8/31/2017; Source: CFC, S&P, Moody's, Fitch)



Generation & Transmission Electric Cooperative Credit Ratings

Cooperative	State	Type	L-T Credit Ratings (S&P/Moody's/Fitch)	Outlook
Arizona Electric	AZ	G&T	//A-	Not Rated/Not Rated/Stable
Arkansas Electric	AR	G&T	AA/A1/A+	Stable/Positive/Positive
Associated Electric	MO	G&T	AA/A1/AA-	Stable/Stable/Stable
Basin Electric Power	ND	G&T	A/Baa1/A+	Stable/Stable/Stable
Big Rivers Electric Corp.	KY	G&T	BB-/Ba2/BB	Stable/Stable/Stable
Brazos Electric	TX	G&T	A//A	Stable/Not Rated/Stable
Brazos Sandy Creek	TX	G&T	A//	Stable/Not Rated/Not Rated
Buckeye Power, Inc.	OH	G&T	A/A3/A	Stable/Stable/Stable
Central Electric	SC	G&T	AA-//	Stable/Not Rated/Not Rated
Central Iowa Power	IA	G&T	A//A	Stable/Not Rated/Stable
Corn Belt Power	IA	G&T	A//	Stable/Not Rated/Withdrawn
Chugach Electric	AK	DIST	A-//A	Stable/Withdrawn/Stable
East Kentucky Power	KY	G&T	A-//BBB+	Stable/Not Rated/Positive
Georgia Transmission Corp.	GA	G&T	AA-/A2/AA-	Stable/Stable/Stable
Golden Spread Elec	TX	G&T	A+/A3/A	Stable/Stable/Stable
Great River Energy	MN	G&T	A-/Baa1/A-	Stable/Stable/Stable
Hoosier Energy	IN	G&T	A/A3/	Stable/Stable/Not Rated
Kansas Electric	KS	G&T	A+//	Not Meaningful/Not Rated/Not Rated
North Carolina Electric	NC	G&T	A-//A-	Stable/Not Rated/Positive
Oglethorpe Power	GA	G&T	A/Baa2/A	Negative/Stable/Negative
PowerSouth Energy	AL	G&T	A-/Baa1/A-	Stable/Stable/Stable
Rayburn Country Electric	TX	G&T	A-//	Stable/Not Rated/Not Rated
San Miguel Electric	TX	G&T	A-//A-	Stable/Not Rated/Positive
Seminole Electric	FL	G&T	A-/A3/	Stable/Stable/Not Rated
South Mississippi Electric	MS	G&T	A-/A3/A-	Stable/Stable/Stable
South Texas EC	TX	G&T	A-//A-	Stable/Not Rated/Positive
Southern Illinois Power	IL	G&T	BBB//BBB	Stable/Not Rated/Stable
Square Butte Electric	ND	G&T	A-/Baa1/	Stable/Positive/Not Rated
Tri-State Generation	CO	G&T	A/Baa1/A-	Stable/Stable/Negative
Wabash Valley Power	IN	G&T	A-//	Stable/Not Rated/Not Rated
Western Farmers	OK	G&T	A-//A-	Stable/Not Rated/Stable

(As of 8/31/2017; Source:
CFC, S&P, Moody's, Fitch)

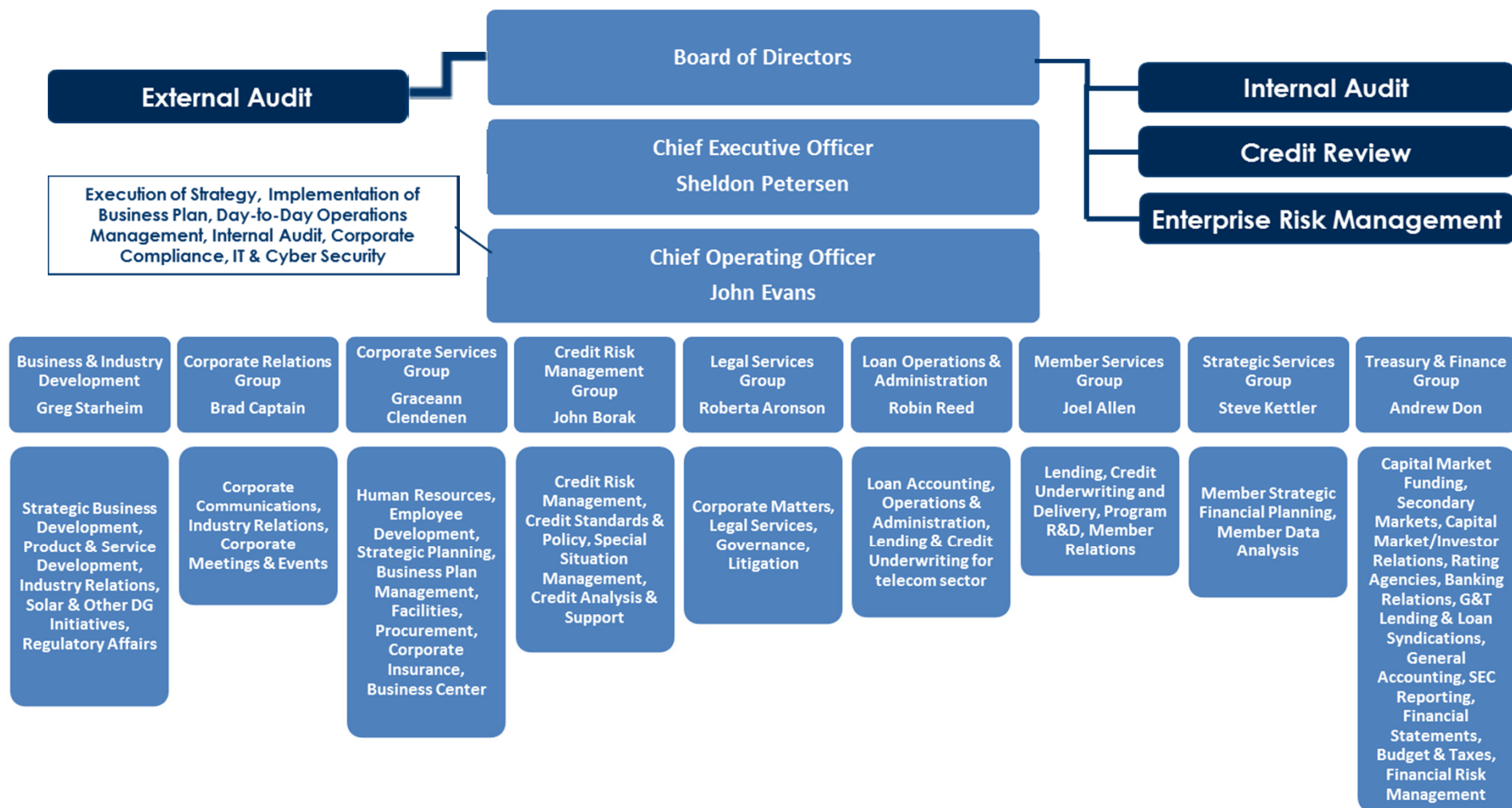


Corporate Governance

- **CFC is committed to strong corporate governance.**
- **Board of directors consists of up to 23 members**
- **20 managers and directors elected from 10 geographic districts**
 - 2 from the industry's trade association, National Rural Electric Cooperative Association ("NRECA")
 - 1 at-large position elected from general membership that meets the requirements of the audit committee financial expert as defined by Section 407 of the Sarbanes-Oxley Act of 2002
- **No members of CFC management hold board seats.**
- **Elected board members serve a 3-year term; limited to a maximum of 2 consecutive terms.**
- **Audit, finance advisory, executive, loan, compensation and corporate relations committees are maintained by the board.**
- **Audit committee consists of no less than 7 board members. Meetings held up to 5 times annually.**



Organization Chart



248 Employees as of 5/31/2017



CFC Leadership

Board of Directors –

http://www.nrucfc.coop/content/cfc/about_cfc/leadership/board_of_directors.html

CFC Senior Leadership –

https://www.nrucfc.coop/content/cfc/about_cfc/leadership/senior-leadership.html



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