

# **Investor Conference Call - FY2018 Third Quarter Ended February 28, 2018**

**April 20, 2018 at 10 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.**



# Financial Performance

J. Andrew Don, Chief Financial Officer



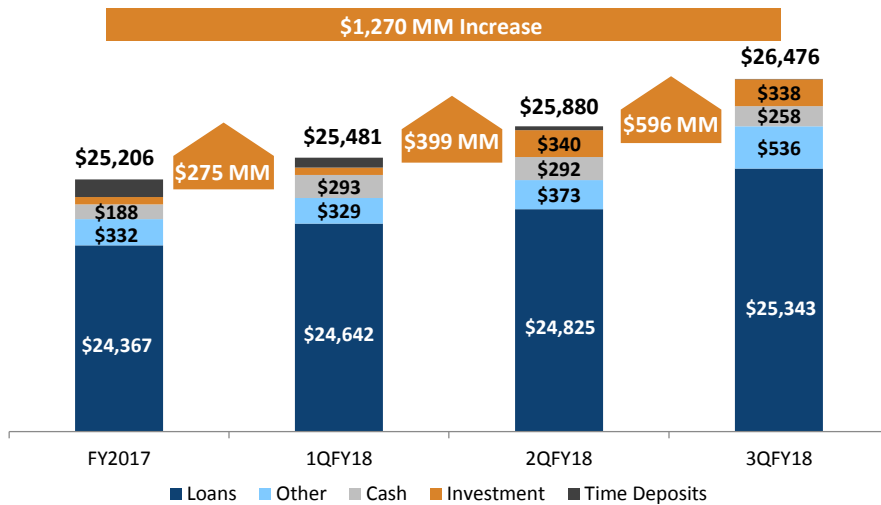
# None GAAP Financial Measures

**During our discussion, we may review certain non-GAAP adjusted financial measures. Please refer to our Form 10-Q for the fiscal quarter ended February 28, 2018, 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.**

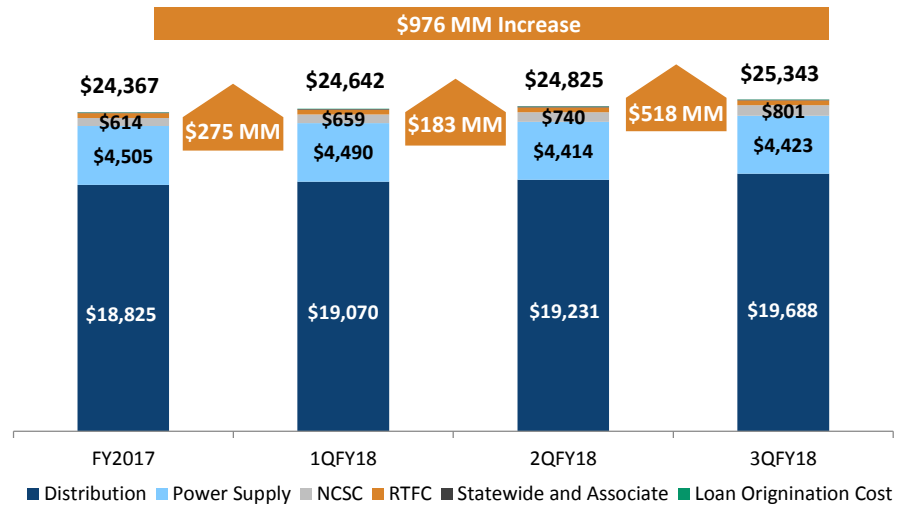


# 3QFY18 Financial Results – Balance Sheet

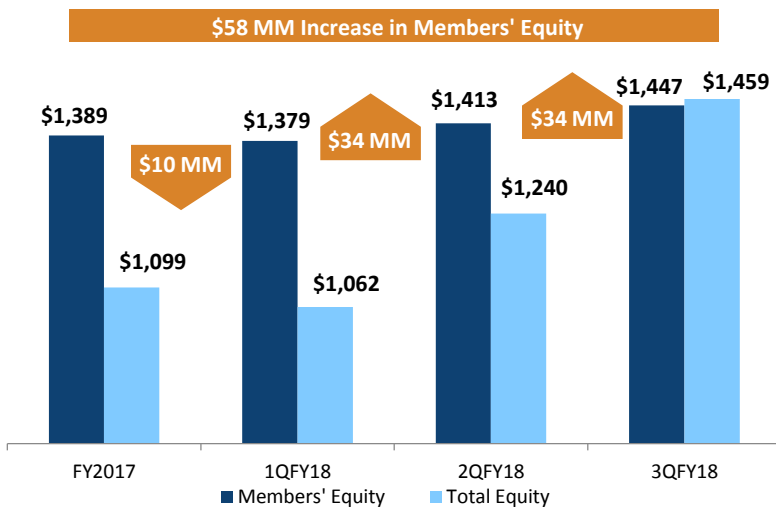
## Total Assets (\$ in Mils)



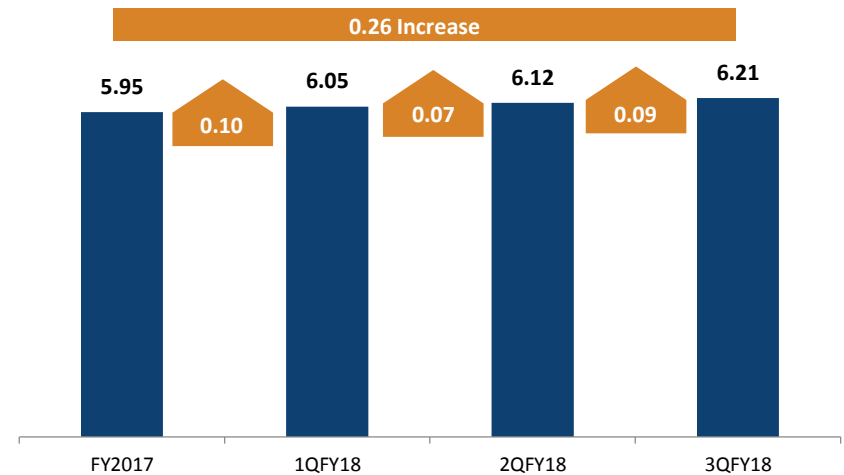
## Loans to Members (\$ in Mils)



## Members' Equity/Total Equity (\$ in Mils)

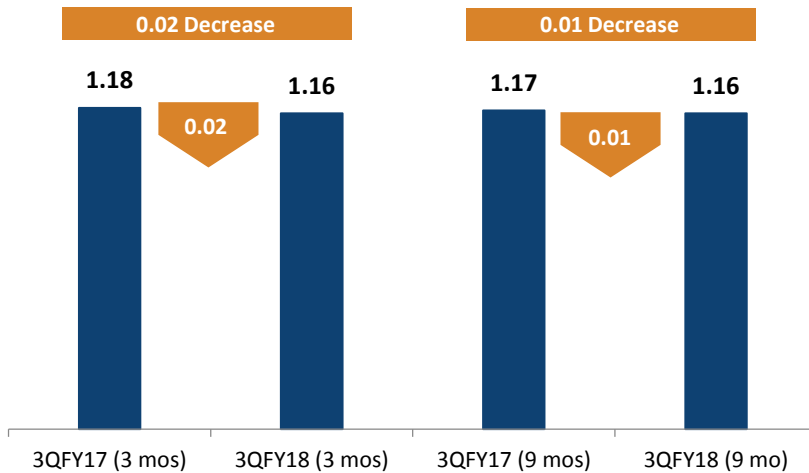


## Adjusted Debt to Equity Ratio

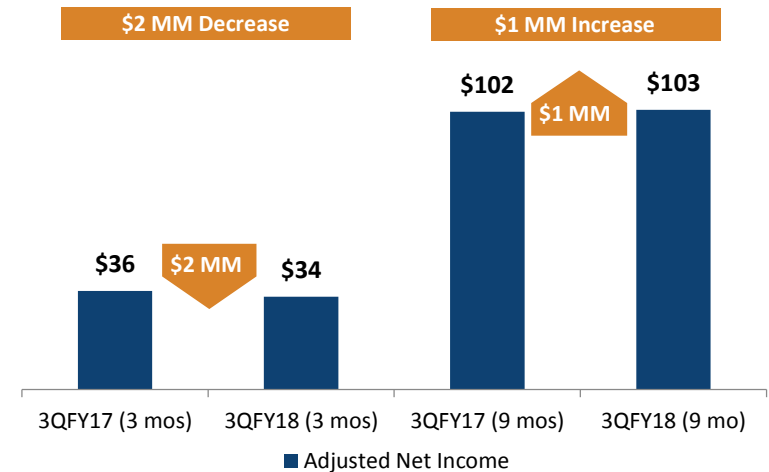


# 3QFY18 Financial Results – Income Statement

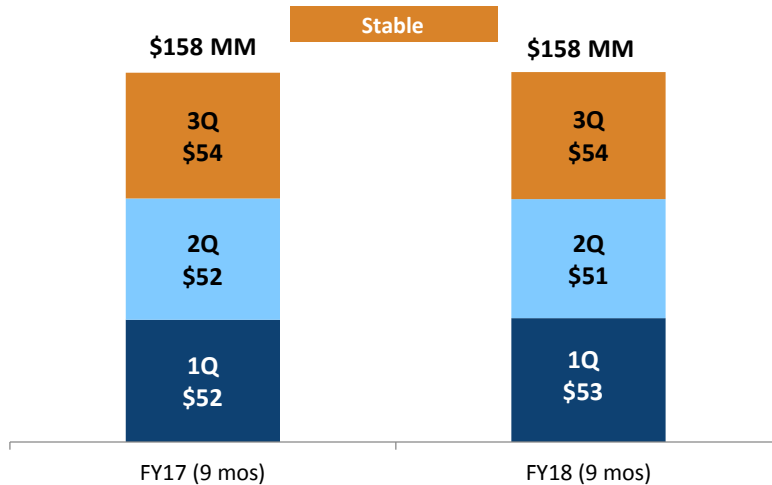
## Adjusted TIER



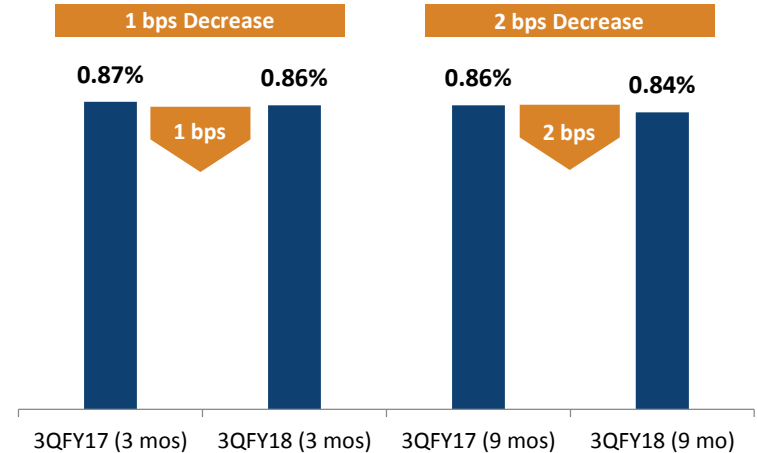
## Adjusted Net Income (\$ in Mils)



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



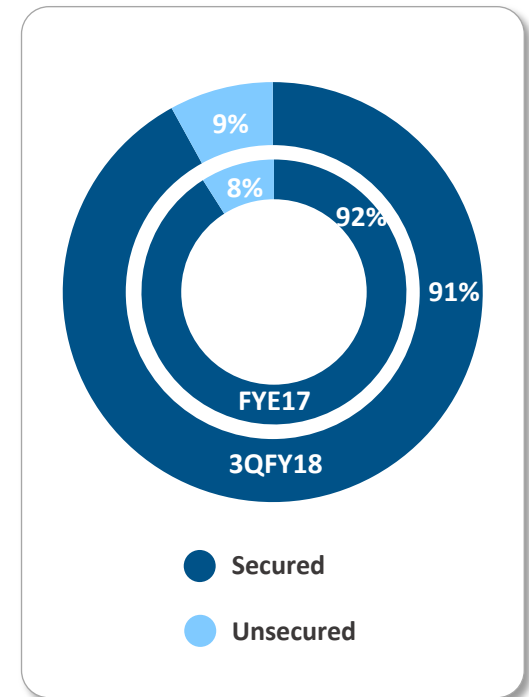
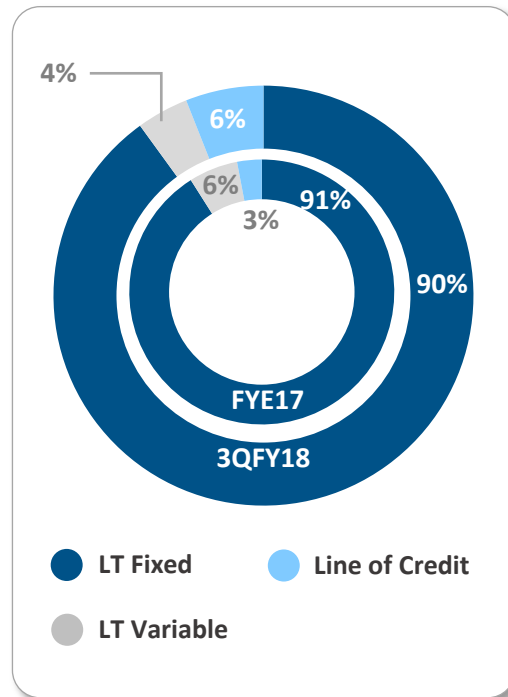
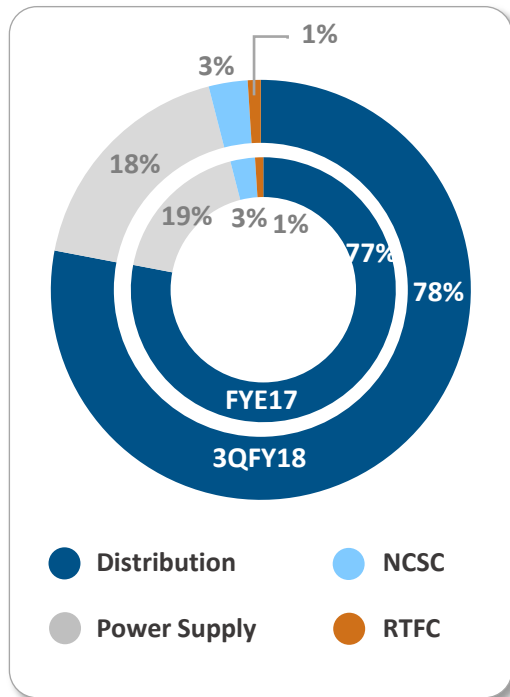
## Adjusted Net Interest Yield



# Loan Portfolio Overview

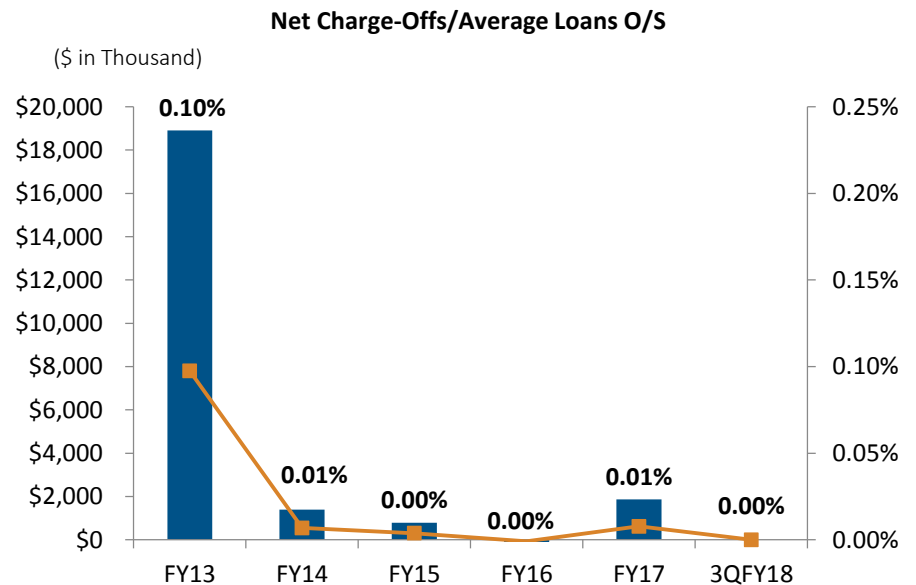
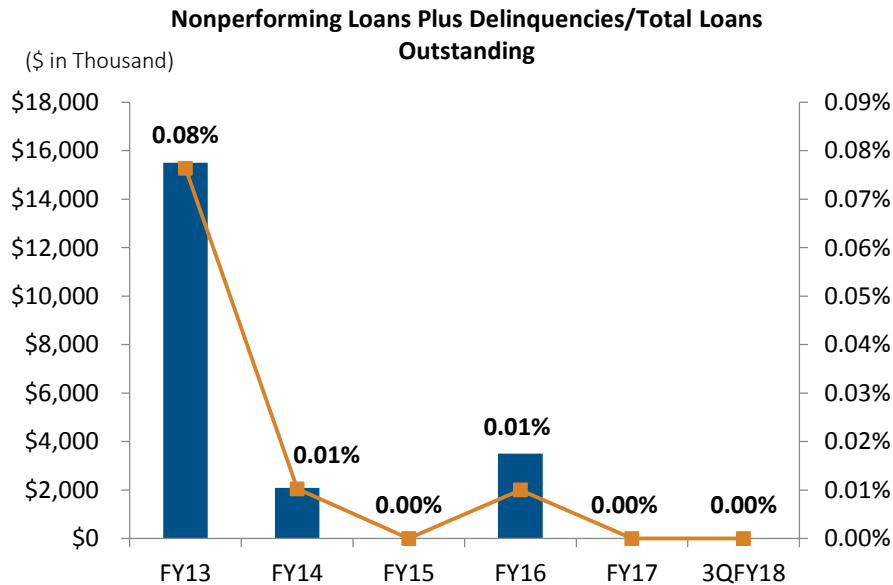
## CFC's Electric Cooperative Borrowers/Members:

- 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

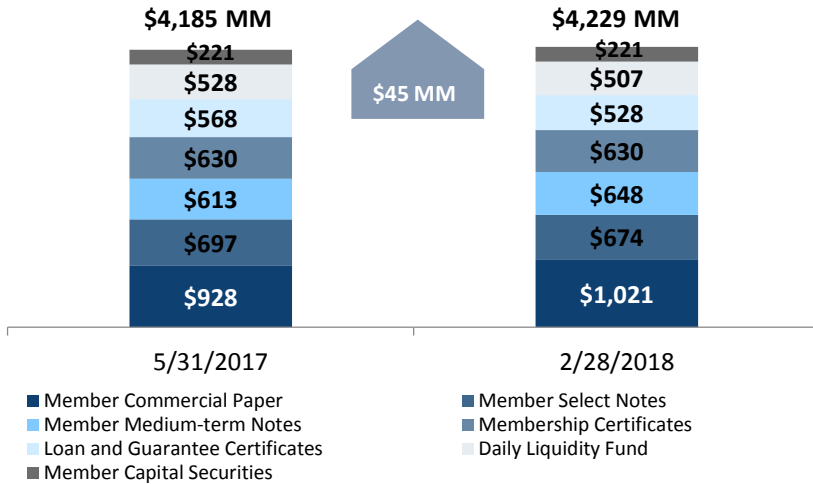
- During CFC's 49-year history, there have only been 16 defaults and six losses in the electric utility portfolio; net write-offs for the electric portfolio totaled \$86 million.
- At 3QFY18, CFC did not have any nonperforming loans.
- CFC had no charge-offs during year to date of fiscal year 2018.



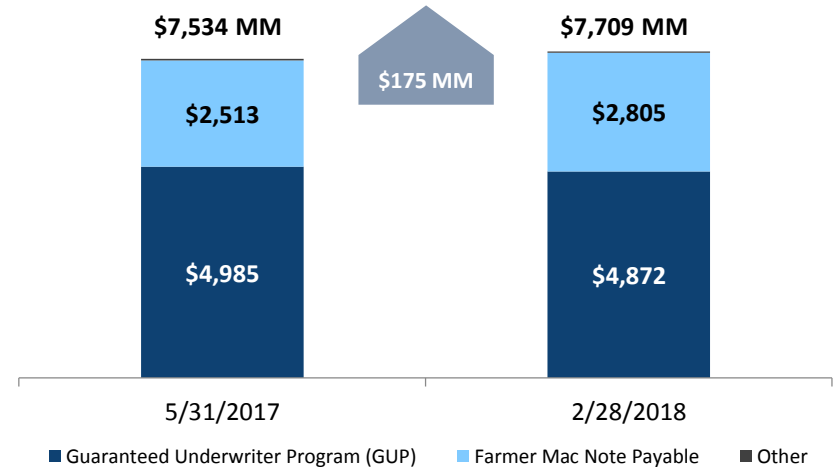


# Debt Funding Sources

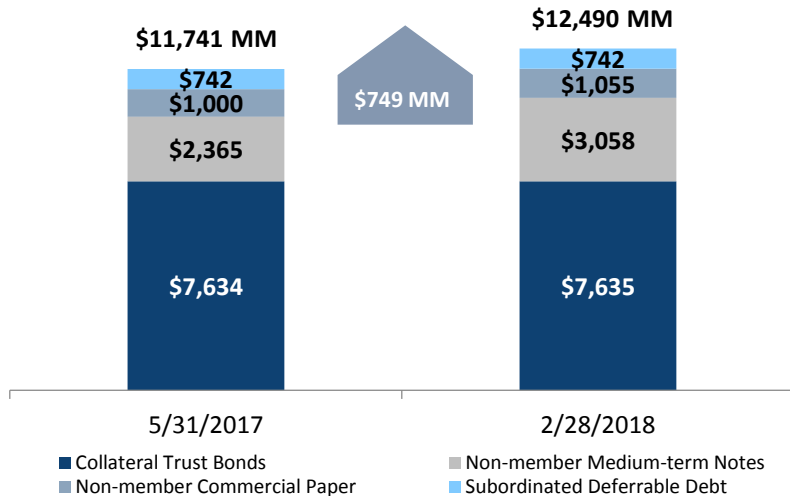
### Member Investment (\$ in Mils)



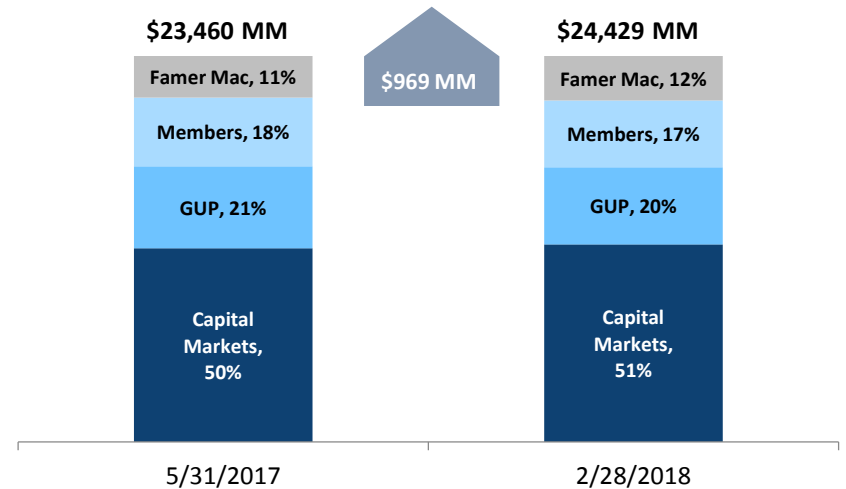
### GUP, Farmer Mac & Other (\$ in Mils)



### Capital Markets Funding (\$ in Mils)

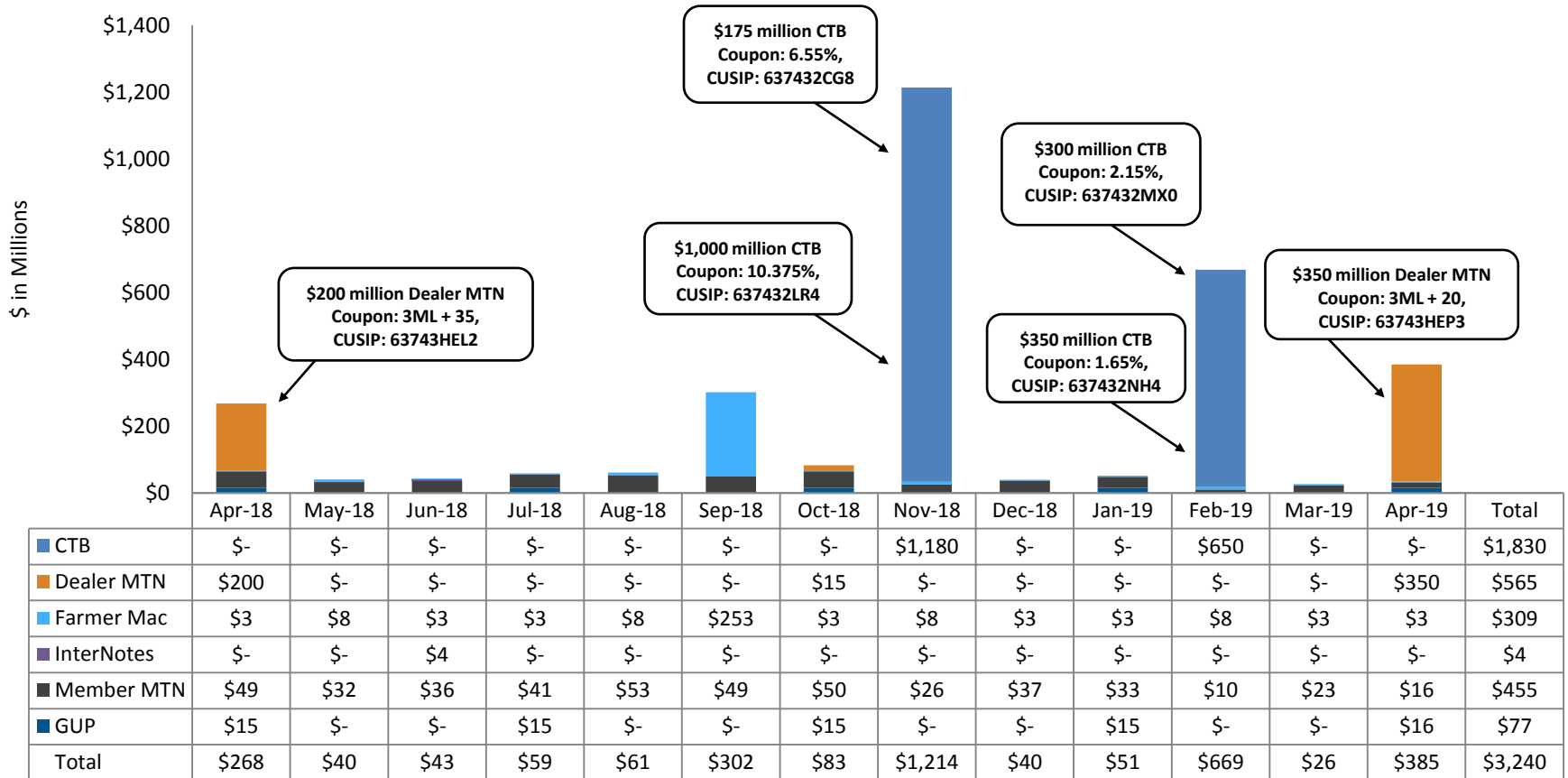


### Total Debt Outstanding



# Monthly Debt Maturity Schedule

Data as of 3/31/2018

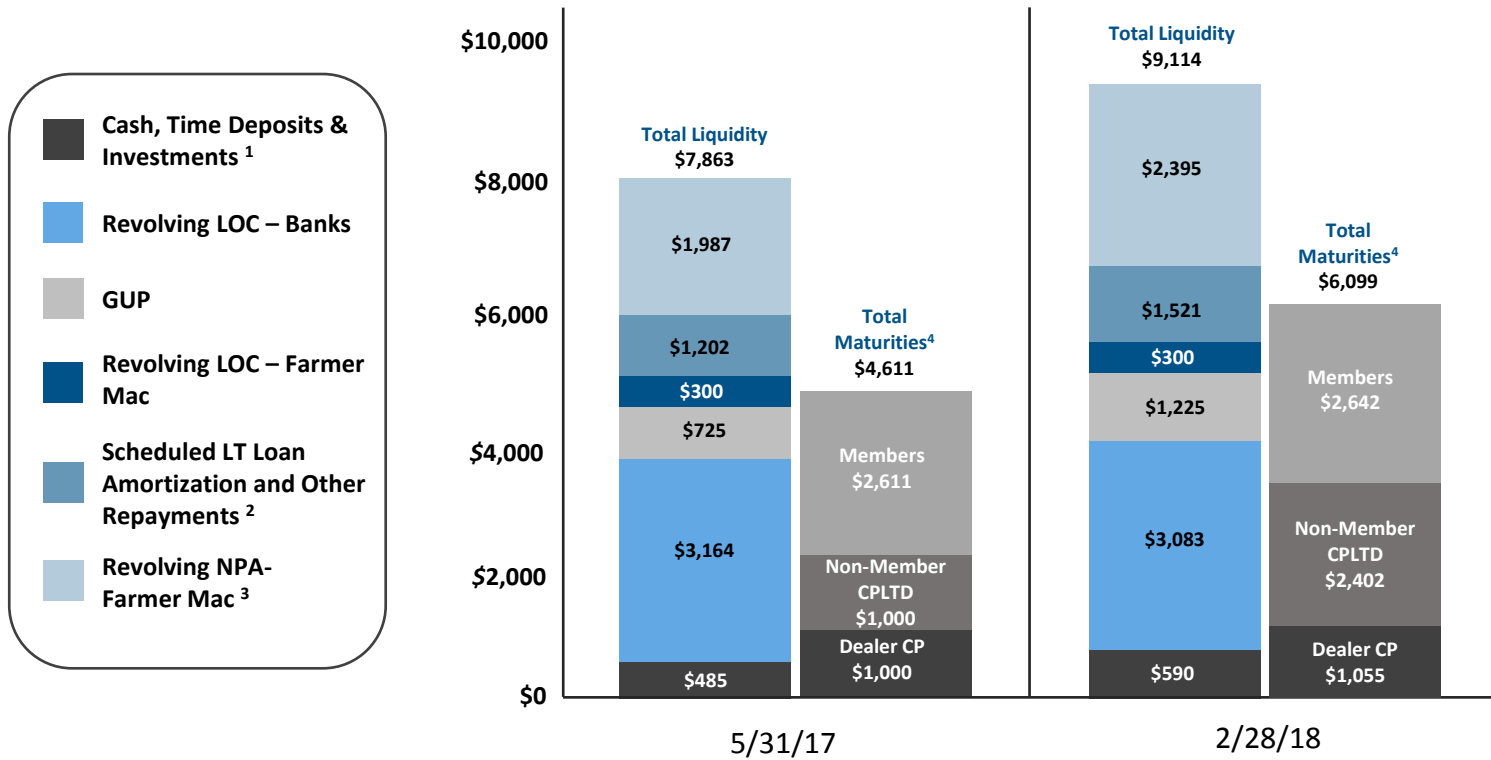


Note: Our members traditionally roll over their MTN investments at maturity.



# 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

1.7x/\$3,252

1.5x/\$3,015

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

3.9x/\$5,863

2.6x/\$5,657

(1) Certain investments are classified as held-to-maturity and it is our intention to hold these securities to maturity  
 (2) Scheduled LT loan amortization and other repayments over the next 12 months

(3) Revolving NPA - Farmer Mac is subject to market conditions  
 (4) Short-term debt maturities include long-term debt maturities over the next 12 months



# Liquidity Position as of 2/28/2018

(\$ in Mils.)	Projected Sources of Liquidity				Projected Uses of Liquidity				Other Sources/ (Uses) of Liquidity <sup>5</sup>	Net LT Loan Growth <sup>6</sup>
	LT Debt Issuance	Anticipated LT Loan Repayments <sup>1</sup>	Other Loan Repayments <sup>2</sup>	Total Projected Sources of Liquidity	LT Debt Maturities <sup>3</sup>	LT Loan Advances	Other Loan Advances <sup>4</sup>	Total Projected Uses of Liquidity		
5/31/18	\$365	\$300	\$220	<b>\$885</b>	\$336	\$405		<b>\$741</b>	(\$244)	\$105
8/31/18	150	316	52	<b>\$518</b>	166	480		<b>\$646</b>	135	\$164
11/30/18	1,875	327		<b>\$2,202</b>	1,601	528	13	<b>\$2,142</b>	(66)	\$201
2/28/19	1,175	306		<b>\$1,481</b>	760	549		<b>\$1,309</b>	(172)	\$243
5/31/19	510	282		<b>\$792</b>	407	354		<b>\$761</b>	(32)	\$72
8/31/19	295	309		<b>\$604</b>	167	405		<b>\$572</b>	(30)	\$96
<b>Totals</b>	<b>\$4,370</b>	<b>\$1,840</b>	<b>\$272</b>	<b>\$6,482</b>	<b>\$3,437</b>	<b>\$2,721</b>	<b>\$13</b>	<b>\$6,171</b>	<b>(\$409)</b>	<b>\$881</b>

(1) Anticipated long-term loan repayments include scheduled long-term loan amortizations, anticipated cash repayments at repricing date and sales.

(2) Other loan repayments include anticipated short-term loan repayments.

(3) Long-term debt maturities includes medium-term notes with an original maturity of one year or less and expected early redemptions of debt.

(4) Other loan advances include anticipated short-term loan advances.

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

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



# Year To Date FY18 Major Financing Activities

## Revolvers

- November 2017 – Amended and extended maturities of the credit facilities by one year to November 2020 and November 2022

## MTNs

- August 2017 – Issued \$350 million 5-year fixed-rate notes @ 2.30%
- February 2018 – Issued \$300 million 3-year fixed-rate notes @ 2.90%
- April 2018 – Reopened 2.90% MTN due 2021 and added \$150 million to this issuance

## CTBs

- February 2018 – Issued a \$700 million 10-year CTB @ 3.40%

## GUP

- August 2017 – Advanced \$100 million @ 2.83% with a 20-year final maturity
- November 2017 – Closed \$750 million committed facility under the GUP with a 5-year draw period
- January 2018 – Redeemed \$325 million @ 2.1% with an original maturity of April 15, 2026
- February 2018 – Advanced \$150 million @ 3.43% with a 20-year final maturity

## Farmer Mac

- February 2018 – Advanced \$325 million @ 3.76% with a 30-year final maturity
- February 2018 – Extended the draw period for one of the Farmer Mac revolving note purchase agreement by two years to 1/11/2022. Increased the total aggregate amount of the two Farmer Mac revolving note purchase agreements by \$700 million to \$5.5 billion

# Key Takeaways

## Robust 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 11/30/17)

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 Loan Portfolio

99% of loans are to rural electric systems

91% of loans are on a senior secured basis

0.15% loan loss allowance coverage ratio

No nonperforming loans

## Strong Member Support

17% of funding is from member-owners

Historically low reinvestment risk on member investments

Total members' equity at \$1.4 billion as of 2/28/2018, a 78% increase from \$815 million as of 5/31/2012

## Healthy Funding & Liquidity Profile

Maintain dealer commercial paper balance at the \$1 billion – \$1.25 billion level

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

1.5 times liquidity coverage ratio over the next 12 months

2.6 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***