Conference Title: Fourth Quarter 2021 Investor Call

Date: August 4th 2021

Operator: Good day and welcome to the National Rural Utilities Cooperative Finance Corp. fiscal year ended May 31st, 2021 investor call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Ethan Choy[?], director capital markets relations. Please go ahead.

Ethan Choy: Hi, good morning. This is Ethan Choy, director of capital market relations in National Rural Utilities Cooperative Finance Corporation. Thanks for joining us on our fiscal year 2021 investor call. Before we begin, I want to take a moment to introduce our speakers for today's call. Andrew Don, our chief executive officer, and Ling Wang, our chief financial officer who assumed these roles in May of this year. Prior to being named CEO, Mr. Don served as our chief financial officer since 2013. As chief financial officer, Mr. Don had oversight of CFC's treasury and finance in the generation and transmission portfolio management groups. Mr. Don joined CFC in 1989 and has held various positions within CFC finance group, including vice-president of capital markets and vice president of capital markets relations.

Ms. Wang's previous roles included responsibility for CFC's long-term funding and treasury operations, investor and banking relations, rating agency engagement, loan syndication, and loan state of functions. On today's call Mr. Don will offer remarks on CFC's operations industry and business climate. And then Ms. Wang will cover financial highlights from CFC's annual report on form 10-K, which was filed last Friday. Before I turn this call over to Andrew for his remarks, let me remind you that some information provided and comments made during today's call will contain forward looking statements within the Securities Act of 1933 as amended in 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 intent, plan, may, should, with, 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 research 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 period in reports filed with the US Securities and Exchange Commission. All the forward looking statements are made as of today, August 4th, 2021, and we undertake no obligation to update or publicly release any revisions to forward looking statements to reflect events, circumstances, or changes in our expectations after the statements are made.

We will have a training session at the end of this presentation, you can ask questions via phone or submit your questions online. If you are participating in this event via webcast, we encourage you to take this opportunity to ask any questions you may have. In addition, all of the materials for this event, including the presentation slides and financial reports, are available in our investor relations section in our website at www.NRUCFC.coop. A replay and course transcript will be available on our website after the event. With that, I will turn this call over to Andrew.

Andrew Don: Thank you, Ethan. And again, good morning. And thank you for joining us today for National Rural Utilities Cooperative Finance Corporation's call to review our financial performance for the fiscal year ended May 31st, 2021. Before discussing our operational performance and the key drivers behind that performance, I wanted to provide you with an overview of some of the organizational changes that have transpired during the past fiscal year. As those of you who have followed CFC for some time know, my predecessor and longtime CFC CEO, Sheldon Peterson, retired on April 30th, 2021. This retirement concluded a 26 year period of Sheldon serving as CFC's CEO. As part of the transition that occurred with Sheldon's retirement, there was a significant amount of turnover that also took place within the senior management team at CFC. In particular, there were three other members of the senior management team that have subsequently retired between the period May 31st, 2021 and July 31st, 2021, as well as one of the departure from the prior senior management team.

These retirements were not unexpected and provided an opportunity to effect some organizational realignment while promoting certain members of existing management at CFC to increase levels of responsibility. This slide represents the current senior management team at CFC with the inclusion of the promotion of Ling Wang to CFC's SVP and CFO from her prior position as VP of capital markets. Mo Saleh to a new position at CFC of SVP chief risk officer from his prior position of VP of financial risk management, and Gary Bradbury to SVP of corporate services from his prior position of VP of internal audit. Ling's promotion to CFC CFO reflects her strong performance in the treasury and finance group at CFC with her primary responsibilities just previously described. Mo Saleh as chief risk officer has responsibility for CFC's credit risk management and our asset liability management function, as well as the management of CFC's information and business technology group. This position consolidates the oversight management of CFC's primary risk areas, namely credit risk, asset liability risk and technology and cybersecurity risk.

As I mentioned, organization's realignment also was affected with the consolidation of the corporate relations functions under Brad Captain as SVP and chief corporate affairs officer, primarily managing corporate communications industry and federal relations, our member meetings and training activities, regulatory affairs, and electric industry analysis functions. Finally, CFC member services group activities, namely the member relationship management and credit underwriting, or all of CFC's members, both electric distribution and generation and transmission borrowers, has been consolidated under Joel Allen, CFC's SVP of member services.

CFC's legal department was essentially the only area without any change in management or area's responsibility and continues to be managed by CFC's general counsel, Roberta Aronson. From a strategic direction perspective, CFC will continue to build upon our strong brand recognition with our members, not only delivering lending products in the form of both short and long-term financing solutions and investment options, but the further build out of our financial tools and services, enhanced industry and business research and analysis and the extension of certain existing products and capabilities to further our position as our members most trusted and valued financial service provider.

We looked at resources, both in the form of additional staff with subject matter expertise in the electric industry and cooperative business fields, as well as resources in the enhancement of our digital platform to deliver content and information that is most relevant to our members, assist them in meeting the business and industry challenges they face as a result of the ongoing changes in the electric industry. Primarily the continued increase in the deployment of renewable resources and the impact of these changes on the electric generation mix ability to forecast load management effectively while maintaining low cost, reliable electric service to their residential and commercial industrial customers.

I will now turn to slide five to give you an overview of the key metrics concerning our business in the most recent fiscal year. For fiscal year 2021, we continue to see strong loan demand from our members and recorded the highest year over year increase in our loans to members since fiscal year 2001. During fiscal year 2021, which is the period of June 1st, 2020 to May 31st, 2021, our loans to members increased by $1.72 billion or 6% from fiscal year 2020 to $28.43 billion. The increase in loans to members was driven by an increase in long-term loans of $1.05 billion and an increase in line of credit loans of $679 million. At May 31st, 2021 our loans outstanding to electric borrowers represented all of our total loan portfolio, which was 99% and increased by $1.7 billion during fiscal year 2021, compared with an increase of $745 million during fiscal year 2020.

During the last five fiscal year periods from 2016 to 2021, our loans to members increased by $5.26 billion or 23% from $23.16 billion to $28.43 billion with an annual compounded growth rate of 4%. a total of $4.4 billion or 83% of the increase over the last five fiscal year periods was attributable to increases in loans to distribution borrowers. For the 12 months ended May 31st, 2021, CFC's long-term loan advances totaled $2.51 billion consisting of $2.16 billion or 86% for capital expenditure purchases and $201 million or 88% to refinance other lenders debt. In comparison, during fiscal year 2020, long-term loan advances total $2.42 billion, with $1.94 billion or 80% for capital expenditure purposes and $363 million or 15% for the refinancing of other lenders debt.

Over the last three fiscal years the primary purpose of our members long-term loan advances has been related to our members' needs for capital expenditures averaging 84% of the total long-term loan advances. On average, the annual long-term loan advances to our members was approximately $2.45 billion over the last five fiscal years. CFC continued to add new 100% borrowers during fiscal year 2021. CFC had 248, 100% borrowers May 31st, 2021, an increase of three from the prior fiscal year end. CFC 100% borrowers represent those members who have 100% of their long-term funding needs sourced exclusively from CFC.

Since most of our electric borrowers are private companies, there's limited public information to determine precisely the actual size of the rural electric lending market. We therefore estimate the size of the overall rural electric lending market from annual financial and statistical reports. Our borrowers provide to us on a calendar year basis based on the most current available information we estimated that our market share in terms of long-term loans outstanding to electric cooperative borrowers was approximately 26% at December 31st, 2020, an increase from 25% at December 31st, 2019. We continue to be the largest private lender to the rural electric cooperative sector. The next slide depicts CFC's consolidated loans outstanding by state and the states with the largest overall loan outstanding increases during fiscal year 2021.

The consolidated number of borrowers with loans outstanding total 892 as of May 31st, 2021, an increase of three compared with 889 as of May 30th, 2020. Texas continues to be our largest state in terms of loans outstanding and number of borrowers. At May 31st, 2021 Texas accounted for $4.88 billion or 17% or total loans outstanding compared with $4.22 billion or 16% at fiscal year 2020. In the state of Texas, 67 borrowers had loans with CFC at May 31st, 2021 of which seven of them are power supplier borrowers. A total of $172 million of the loans outstanding to Texas borrowers was covered by the farmer max standby repurchase agreement as of May 31st, 2021, slightly reducing our credit risk exposure to Texas borrowers.

In terms of the loan growth by state, approximately one-third of loan demand was attributable to weather related events in certain states such as Texas, Louisiana and Oklahoma coupled with our members funding needs for capital expenditures. Texas had the largest loan growth in fiscal year 2021 as total loans outstanding in Texas increased by $657 million representing more than one third of our overall increase in loans outstanding. Loan growth in Texas was primarily driven by advances in line of credit facilities due to Texas based borrowers emergency funding needs caused by weather related events, specifically the February winter storm Uri that affected Texas and some parts of the Midwest region.

Louisiana was our second highest growth state during fiscal year 2021 with an increase in total loans outstanding of $309 million. The loan growth in Louisiana was primarily driven by the increase in line of credit advances due to a hurricane in calendar year 2020. We expect a substantial amount of these lines of credit advances will be repaid with reimbursement from the Federal Energy Management Agency, also known as FEMA, funds. In terms of single borrower concentration, our largest exposure to a single borrower represented less than 2% of total loans outstanding as of May 31st, 2021 while our net loan exposure to our top 20 borrowers, which excludes loans guaranteed by the federal agriculture mortgage corporation, or Farmer Mac, was 21% of total loans outstanding or $5.9 billion compared with the same 21% and $5.6 billion at fiscal yearend 2020. Our top 20 borrowers consisted of 11 distribution systems and nine power supply systems at May 31st, 2021. The same as at May 31st, 2020.

As I just mentioned, our line of credit loans outstanding increased by $679 million to $2.24 billion during fiscal year 2021 from fiscal year ended May 31st, 2020. The majority of the increase in our line of credit loan outstanding were driven by advances made to members affected by the February, 2021 winter storm Uri to meet their increase in weather related funding needs. At May 31st, 2021, the total amount outstanding for advances associated with the winter storm Uri was approximately $593 million with $165 million in line of credit loans and $28 million in long-term loans. We expect that, except for the $150 million line of credit advanced to Rayburn Country Electric Cooperative, most of the advances will be refinanced with us or with other lenders in the form of long-term loans in the near future.

In terms of legislative update on securitization of storm-related costs for Texas based electric cooperatives, on June 18th, 2021, the Texas governor signed into law Senate bill 1580, the Electric Cooperative Securitization Bill, which became effective immediately with the governor's signature. This bill allows electric cooperatives to securitize extraordinary costs and expenses incurred due to exposure to the high power costs during the February, 2021 polar vortex, including amounts owed to the Electric Reliability Council of Texas, also known as ERCOT. Qualifying cooperatives may issue bonds directly or through a special purpose vehicle legal entity. Payments of the bonds are required to be made every period not to exceed 30 years. The bill also requires the cooperatives that are caught use all means necessary to securitize the amount owed calculated according to ERCOT's protocols in effect during the period of the February, 2021 winter storm Uri and stipulates that failure to pay such amount may result in being borrowed from ERCOT administrated from market by the public utility commission of Texas.

While Brazos Electric Power Cooperative and Rayburn Country Electric Cooperative are eligible to utilize the provisions of this bill, we are currently uncertain whether they will elect to do so. At May 31st, 2021 we had 85 million loans outstanding with Brazos Electric Power Cooperative and 379 million loans outstanding with Rayburn Country Electric Cooperative, which will be discussed further in slide 12. We are continuing to closely monitor developments related to those two Texas based power supply cooperatives. With that, I will turn the next portion of the presentation over to Ling Wang.

Ling Wang: Hi, good morning. Before I start my remarks, I just wanted to go through some disclaimers; during our discussion, we will review certain non-gaap adjusted financial measures. Please refer to our form 10-K for the fiscal year ended May 31st, 2021 as filed with the SEC and posted on the CFC website for 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. Looking at balance sheet, our total assets at May 31st, 2021 were a profit of nearly $29.64 billion, an increase of $1.48 billion or 5% from the prior fiscal year end May 31st, 2020. The increasing total assets was driven by strong loan demands on our members during the fiscal year 2021, which totaled $1.72 billion or a 6% increase from the prior fiscal year.

And as Andrew mentioned earlier, during fiscal year 2021, we recorded the highest year over year loans outstanding increase in 20 years. The increase in loans to members was attributable to $1.26 billion increase in distribution loans, $423 million increase in power supply loans, $35 million increase in our TFC loans and $9 million increase in CFC loans. In terms of loan products, our long-term loans outstanding increased by $1.05 billion and our line of credit loans outstanding increased by $679 million. Our members equity excludes cumulative derivative for value losses and accumulated other comprehensive loss increased by $128 million from the prior fiscal year end. The increase was driven by our adjusted net income of $192 million partially offset by CFC board of directors authorization in the first quarter of fiscal year 2021 to retire pageants to capital of $50 million.

Our adjusted debt to equity ratio increased to 6.1521 at May 31st, 2021 from 5.85 to one at May 31st, 2020. The increase was primarily driven by an increase in our debt outstanding. In order to fund the loan growth, we currently expect our adjusted to equity ratio will remain above our target threshold of six to one for the next 12 months. Based on our adjusted debt and adjusted equity amount at May 31st, 2021, every $600 million change in adjusted liability with no change being adjusted equity or every $100 million changing adjusted equity with no change in adjusted liability, what results in a change in our adjusted debt to equity ratio of approximately 0.15. In July, 2021, subsequent to our May 31st, 2021 fiscal year end, our board of directors authorized the retirement of Patronage Capital, totaling $58 million of which $45 million we presented 50% of Patronage Capital allocation for fiscal year 2021 and $13 million we presented a portion of the allocation from fiscal year, 1996. We expect to return this amount to our members in cash in September, 2021.

The Patronage Capital retirement will result in a reduction in our members equity and a slight increase in our adjusted debt to equity ratio. During the first quarter of fiscal year 2022, as a reminder, our current [inaudible] capital policy, which was adopted by our board of directors in 2009, is to allocate a portion of our annual adjusted net income to our members in the form of patronage capital each year. Of the allocated Patronage Capital amount, 50% is pay out to our members in the form of cash in the following fiscal year. And the remaining 50% is retained by us for 25 years to fund the operations.

For fiscal year 2021, CFC generated an adjusted net income of $192 million and an adjusted tier of 1.23 times, compared with adjusted net income of $145 million and adjusted tier of 1.17 times for fiscal year 2020. The $47 million increase in adjusted net income was primarily attributable to an increase in adjusted net interest income of $25 million and the essence of a non-cash impairment charge of $31 million recorded in the prior fiscal year. Our business fundamentals remain strong, adjusted net interest income for the fiscal year 2021 increased by $25 million or 9% to $299 million driven by an increase in the adjusted net yield of six basis points or 6% to 1.06% and an increase in average interest earning assets of $859 million or 3%. The increasing adjusted net interest yield reflected the favorable impact of a reduction in our adjusted cost of fund of 31 basis points to 3.09% partially offset by a decrease in average yield on interest earning assets of 25 basis points to 3.95%.

While several US industry sectors have been severely affected by COVID 19 pandemic, we continue to feel, believe that we have been able to navigate the challenges of COVID-19 pandemic to date, and the pandemic has not had any significant effect on our financial condition and operating results. We also believe that the pandemic has not had a significant negative impact on the overall financial performance of our members and therefore the credit quality of our loan portfolio has remained strong throughout the pandemic. The overall composition of our loan portfolio at fiscal yearend May 31st, 2021 remains similar to the composition at the prior fiscal year end of May 31st, 2020 with $28 billion or 99% of our loan portfolio consist of loans to real electric systems and $420 million or 1% to telecommunication sector.

CFC's long-term fixed rate loans accounted for 90% of our loans outstanding at May 31st, 2021 compared with 92% at May 31st, 2020. We typically lend to our members on a senior secure basis with 93% of our loans being senior secured at May 31st, 2021, compared with 94% as of May 31st, 2020. The decreases in percentage of fixed rates and senior secure loans resulted from a greater increase in our secure line of credit loans then secure long-term loans at the current fiscal year end relative to the outstanding amount at the prior fiscal year end. At May 31st, 2021 line of credit loans outstanding totaled $2.24 billion and accounted for 8% of total loans outstanding. In comparison, at May 31st, 2020 line of credit loans outstanding totaled $1.56 billion or 6% of total loans outstanding. A total of $377 million or 17% of our line of credit outstanding was secured at May 31st, 2021 compared to $191 million or 12% at May 31st, 2020.

We had long-term fixed rate loans totaling $397 million that were scheduled to reprice during fiscal year 2021, 99% of the loans were repriced with a new long-term fixed or variable rate loans. The average loan retention rate calculated based on the election made by the borrower and the repricing date was 96% for our loans that we priced during the three fiscal years from 2019 to 2021. Our non-performing loans increased by $69 million to $237 million or 0.84% of total loans outstanding at May 31st, 2021 from $168 million or 0.63% of total loans outstanding at May 31st, 2020. The increase was primarily attributable to our classification of loans outstanding to Brazos electric power cooperatives, totaling $85 million as of May 31st, 2021. That's non-performing loan due to chapter 11 bankruptcy protection filed on March 1st, 2021.

We also classified loans outstanding to two affiliate, our TFC telecommunication borrowers, totaling $9 million as non-performing in the third quarter of fiscal year 2021 .during fiscal year 2021, we downgraded Rayburn Country Electric Cooperative to substandard, a rating in the criticized category from a rating within the past category as of May 31st, 2020. Loans outstanding to Rayburn Country Electric Cooperative consisted of secure loans of $167 million and announced secure loans of $212 million, totaling $375 million as of May 31st, 2021. While the Rayburn Country Electric Cooperative is current on all of its debt obligations, the risk rating downgrade of Rayburn was attributable to the significant adverse financial impact on exposure to the elevated power costs during the February, 2021 winter storm Uri.

Despite an increase in non-performing and criticized loans, we believe the overall credit quality of our loan portfolio remains strong as of May 31st, 2021. As the adverse impact on the credit quality of our loan portfolio from the winter storm Uri is primarily limited to Brazos Electric Power Cooperative and Rayburn Country Electric Cooperative. Our allowance for credit losses increased by $33 million to $86 million at May 31st, 2021 from $53 million from the prior fiscal year end. The increase was primarily due to the material borrower risk rating downgrade of Brazos Electric Power and Rayburn Country Electric Cooperative, who experienced, as mentioned earlier, the significant adverse financial impact due to their exposure to elevated wholesale power prices during winter storm Uri.

Our allowance coverage ratio was at 30 basis points at May 31st, 2021 compared with 20 basis points at May 31st, 2020. We did not have any loan charge offs during fiscal year 2021, or during the last three fiscal years. Prior to Brazos bankruptcy filing, we have not experienced any loan defaults or charge offs in our electric utility and telecommunication loan portfolio since fiscal year, 2013 and 2017 respectively. Our total debt outstanding increased to $27.43 billion as of May 31st, 2021, an increase of $1.43 billion from May 31st, 2020, primarily to fund that net loan growth of $1.72 billion for fiscal year 2021. CFC continues to maintain diverse funding source to minimize the risk of being depending on any single source of market. As of May 31st, 2021, $4.97 billion of CFC funding came from our members in the form of short-term and long-term investment compared with $5.42 billion at May 31st, 2020.

Our member investments represented 18% of our total debt outstanding at May 31st, 2021 compared with 21% at May 31st, 2020. Over the last five fiscal years from 2007 to 2021, the average member investment was $4.68 billion. At May 31st, 2021, our funding under the guarantee underwriter program and notes payable with Farmer Mac totaled $9.25 billion or 34% of our total debt outstanding, a decrease of $74 million from May 31st, 2020. The decrease was due to the maturity of several Farmer Mac notes and scheduled principle amortization payments under those financing programs offset by new advances under both programs. In terms of new advances on these funding programs, we advanced a total of $300 million under the guarantee underwriter program and a total of $475 million under the Farmer Mac purchase agreement during fiscal year 2021.

Our capital markets related funding sources totaled $13.2 billion at May 31st, 2021, an increase of $1.95 billion from the prior fiscal year end. The increase in our capital markets funding was attributable to increases in our dealer commercial paper and dealer median term notes outstanding of $895 million and $855 respectively. During fiscal year 2021, we accessed the debt capital markets several times largely to fund a loan growth, as well as debt maturity. We issued a total of

$1.46 billion in non-member median term loans and had maturity totaling $604 million. In addition, we issued $750 million in collateral trust fund, including our inaugural $400 million sustainability bond and had CTB maturities totaling $755 million.

As of May 31st, 2021, we had $200 million outstanding on the master repurchase agreement. We subsequently repaid this borrowing in early June. At May 31st, 2021, capital markets related funding sources accounted for 48% of our total funding compared with 43% at the prior fiscal year end. Also at May 31st, 2021, 61% of our total debt was secured as 39% was unsecured compared with 64% secured and 36% unsecured at May 31st, 2020. The change in our secured versus unsecured funding mix was partly due to the February issuance of $1.43 billion dealer median term loans, largely to fund an increased demand from our members for the line of credit loan products.

Our short-term borrowing totaled $4.58 billion accounting for 17% of our total debt outstanding at May 31st, 2021 compared with $3.96 billion or 15% of total debt outstanding at May 31st, 2020. 76% of our short term borrowings temper our member investment at May 31st, 2021 compared with 94% at the prior fiscal year. And the difference was primarily due to an $890 million increase in our dealer commercial paper outstanding at the current fiscal year end as we did not have any dealer commercial paper outstanding at the prior fiscal year. As we have repeatedly stated, the investments from our members is a very reliable funding source with very little reinvestment risk as our members consistently invest a large portion of their access funds with CFC.

This slide presents CFC long-term debt maturities, and amortization from August, 2021 to July, 2022. For the next 12 months from this August, we have a total of $2.69 billion of debt maturities, primarily consisting of, one, $855 million in collateral trust bond maturities, two, $607 million in foreign note maturities, three, $500 million of dealer median internal maturity, and four, $448 million in our member media and term loan maturity. Our members have traditionally reinvested their maturing investment with us. We believe we have input source of liquidity to meet cash to meet each of the maturities as will be highlighted on the next slide.

This slide depicts the various non-capital markets funding source of liquidity that CFC had in place at May 31st, 2021 compared with the prior fiscal year end. During fiscal year 2021, and subsequent to our fiscal year end, we completed several financing activities to further strengthen our liquidity position. In November, 2020, we closed an additional $375 million committed loan facility with the federal financing bank under the guarantee underwriter program, which allowed us to borrow any time before July 15th, 2025 for up to 30 years at a very attractive owing spread of 42.5 to 55 basis points. In May of 2021, we amended our revolving loan purchase agreement with Farmer Mac to extend the draw period from January, 2022 to June, 2026. During fiscal year 2021, we put in place two master repurchase agreements allowing us to use corporate debt securities in our investment portfolio as collateral to borrow funds as needed.

In June of 2021, we closed an amend extend transaction for our two committed bank revolving line of credit facilities and extended the maturity dates to November, 2024 and November, 2025. At the same time, we terminated $125 million commitments reducing the total commitment amount under these two facilities from $2.7 billion to $2.6 billion. As indicated in the graph, we have an aggregate of approximately $7.19 billion of member and non-member debt maturities scheduled over the next 12 months from May 31st, 2021 compared with $6.02 billion at May 31st, 2020. The $1.17 billion increase was primarily due to an $895 million increase in dealer commercial paper outstanding, $200 million borrowing under the repurchase agreement and a $409 million increase in scheduled long-term debt maturities, offset by $341 million decrease in member debt maturities.

At May 31st, 2021, together with $1.83 billion in scheduled loan amortization and other repayments, we had access to $8.92 billion of liquidity. $1.74 billion in access, or is 1.2 times the combined member and non-member debt maturities. Approximately 51% or $3.6 billion in debt maturities over the next 12 months, we present short-term investment that our members have with CFC. We consider our member investments to be a very stable and reliable source of funding for CFC. If we were to exclude the $3.6 billion debt maturity related to our member short term investments, we will have a total access liquidity of $5.3 billion or 2.5 times to cover dealer commercial paper and the current portion of non-member long-term debt scheduled to mature within the next 12 months from May 31st, 2021.

This slide presents CFC's projected long-term debt issuance needs over the next 18 months, subsequent to May 31st, 2021. Our uses of cash are for two primary purposes; to refinance existing debt maturities and to fund a loan growth. We expect approximately $791 million of net loan growth over the next 18 months after taking into consideration the scheduled amortization and repayment of loans. Our loan growth has been strong recently in June and July of 2021, which are the first two months of our fiscal year, 2022. We had a total net loan growth of approximately $350 million. As indicated in the last column, we expect long-term debt issuances over this period of approximately $3.6 billion, two third to refinance existing long-term debt maturities, and one-third to fund our anticipated loan growth.

Also note that the other sources and uses of cash column in the middle of the slide primarily reflects the projected net increases or decreases to our dealer commercial paper outstanding and short-term member investments. For future potential funding needs, we will continue to look to balance capital markets and non-capital market secured and unsecured financings while always looking to access the most attractive cause of funds for our member borrowers. To conclude our call, I'd like to leave you with a few key takeaways when you consider CFC as investment opportunity. These items are areas that CFC has consistently focused on and represent key credit strengths when viewing CFC as an investment.

As indicated, CFC's rating remains strong. And despite the downgrade from S&P in March, we will continue to have discussions with S&P regarding their assessment of CFC loan portfolio, financial performance, and other business fundamentals. We continue to maintain an A2 and AC senior unsecure credit rating with stable outlook from Moody's and Fitch, respectively. As we have previously disclosed, CFC's long-term incentive plan is tied to our credit ratings. Our primary corporate goal is to maintain strong long-term credit fundamentals for our members and investors. The overall quality of our loan portfolio continue to be strong with 99% of our loans to Royal Electric Systems and 93% of our loans being on a senior secured basis.

Prior to Brazos bankruptcy filing, we have not experienced any loan defaults or charge offs in our electric portfolio since fiscal year 2013. The coverage ratio of our allowance for credit losses was at 30 basis points of our total loan portfolio at May 31st, 2021. In CFC's 52 year history throughout various economic cycles, we have experienced very limited charge offs, loan default, loan delinquencies, and non-performing loans in our electric portfolio. We believe that the pandemic has had no significant impact on the credit quality of our loan portfolios. Although the surge in wholesale power price in Texas and natural gas price during the winter storm Uri has had an unfavorable financial impact on some of our Texas based borrowers, we continue to believe the significant adverse financial impact is only limited to Brazos Electric Power Cooperative and Rayburn Country Electric Cooperative.

CFC continues to receive strong support from our members, both in terms of new lending business, and as a very valuable funding source. Our member investments totaled $4.97 billion at May 31st, 2021 representing 18% of our total funding. The average member investment was $4.68 billion over the last five fiscal years. As a member owned cooperative organization, CFC cannot issue common or preferred equity. However, we are committed to grow our equity through retained earnings. Our member's equity increased by $128 million or 8% during fiscal year 2021, and has grown by 41% to $1.8 billion from $1.3 billion since our fiscal year end 2016. We continue to maintain diversified funding sources and a strong liquidity profile. Our funding sources are very well established and have remained stable.

From a liquidity perspective, at May 31st, 2021, we had $871 million of cash, cash equivalent and short to intermediate term liquid fixed income investment securities, $2.72 billion committed revolving credit facilities from our relationship banks, $975 million committed availability in the guarantee underwriter program, and $2.52 billion revolving credit capacity via Farmer Mac secured loan purchase agreement. These sources together with $1.83 billion in scheduled loan amortization and other repayments from our members resulted in CFC having $8.92 billion of liquidity available at May 31st, 2021 to meet the $7.18 billion of debt maturities over the next 12 months, a 1.2 times liquidity coverage ratio. Excluding debt maturities related to our member investments, which historically have had a high investment rate, our liquidity coverage ratio would have been 2.5 times.

Thank you once again for joining us today to review our results for the fiscal year end May 31st, 2021. We appreciate your interest in CFC and look forward to discussing financial performance and funding plans in the future. I'd like to ask the operator to open the line for questions, and also suggest that you submit your questions via the web services, so we may respond to those as well.

Operator: Thank you. If you'd like to ask an audio question, please signal by pressing star one on your telephone keypad. If you're using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, to ask an audio question, you may press star one now. We'll pause for just a moment to allow everyone an opportunity to signal for questions.

Ling Wang: Operator, I think we got one question on the phone.

Operator: Our first question comes from Ted Olshanski with Scotiabank.

Ted Olshanski: Yeah. Good morning. Can you hear me?

Ling Wang: Yeah, we can.

Ted Olshanski: Hey, appreciate all the information. I don't think it's any surprise that when you look at the geographic composition of your loans, that a lot of them that you've seen a significant increase in Texas given what went on there in February, but as you look out over the next, say two to three years, how do you see the geographic composition of loans changing, or do you see Texas as staying relatively high as an overall percent of your loans?

Andrew Don: Ted, thanks for your question. Good to hear from you. I mean, obviously as we detailed on the call, the percentage increase on a relative basis was due to the issues related to the winter storm Uri. So with a lot of that financing, even though it was initially a short-term basis, expected to be termed out. So whether that amount of Texas stays at the same level of goes down, depends on obviously how they refinance it, how much is done through securitization or taking out debt with others. So I think it was just an anomaly related to the weather event in February of this year. So looking forward, Texas will always be our largest borrower in terms of outstanding's.

In terms of other geographical mix, we're not seeing anything right now that is going to push one state forward. I mean, again, Louisiana had some increases just due to the significant devastation of the electric lines in the Southern part of that state. So, I mean, I think it's the ability to predict the weather is obviously pretty challenging and the magnitude of the impact from those. But I think those are where the anomalies occur is from what I'll call weather related events. And those typically are obviously hurricanes. It could be winter storms not as severe as Uri, but there have been ice storms in the past, which have impacted parts of the Midwest, notably in Oklahoma and Kansas. So it's really, I think, anything that would really deviate the concentration by state would really be something from a weather event as a practical matter. We're not seeing kind of a significant growth from a CAPEX perspective or anything like that. Probably the only area where we might see a little bit of deviation would be potentially in the broadband area. Some states are looking to have more of some electric cooperatives in certain states are looking to have potentially more build out and kind of supporting that infrastructure build. But again, we don't see that to be materially changing the overall percentages by state.

Ling Wang: And Ted, just to add, I think historically where we see the co-ops have the greater capital growth is generally is where there are population growth.

Ted Olshanski: Okay. Much appreciated. Appreciate that information. Secondly, I understand that you're not sure whether or not Brazos and Rayburn will take advantage of the recently passed legislation 1580 in Texas. However, I was wondering if maybe you could provide what you think the timeline might be for either of those to make a decision and whether or not securitization bonds would be issued this year or next year, what that timing might look like?

Andrew Don: I think the earliest that any issuance could be done would be September, but we're not expecting that to take place. Obviously Brazos having filed for bankruptcy and being in the bankruptcy court, that could take a significant period of time and potentially the same with Rayburn. I think, related to Rayburn, I think there's a decision by them to potentially move forward with securitization could be expected during this calendar year, but the actual consummation of a securitization financing might not occur during this calendar year. More likely in 2022. So obviously it'll take some time.

Ted Olshanski: Right. Okay. Thank you. That's it for me.

Operator: Thank you again. That is star one if you'd like to ask an audio question. There are no additional audio questions at this time.

Ling Wang: It doesn't look like we have any web questions either, so with that, we would like to conclude today's call. And if you have any questions afterwards, please feel free to contact me or Ethan Choy and we're happy to answer any questions that you might have. Thank you, everybody.

Operator: Thank you, ladies and gentlemen. This concludes today's presentation. You may now disconnect.