Created and owned by America’s electric cooperative network, the National Rural Utilities Cooperative Finance Corporation (CFC)—a nonprofit finance cooperative with more than $26 billion of total assets—provides capital and industry-leading financial products to serve the needs of our member-owners America’s 900-plus, consumer-controlled electric cooperatives.

CFC operates under the seven cooperative principles and our core values of Service, Integrity and Excellence. By delivering unparalleled industry expertise, flexibility and responsiveness, we help our members maintain a sophisticated system of generation, transmission and distribution resources that spans much of the United States land mass. This infrastructure provides a safe, reliable and affordable flow of power to 42 million consumers each day and plays a critical role in boosting the nation’s economy and rural quality of life.

CFC operates from its corporate headquarters in Dulles, Virginia.

MESSAGE FROM THE CEO & BOARD PRESIDENT

W
ewe are pleased to report that CFC delivered another solid financial performance during fiscal year 2018 (FY 2018). Loans outstanding totaled $25.2 billion, an increase of $812 million—or 3 percent—compared with the prior fiscal year-end at May 31, 2017.

Aggregate term loan advances during FY 2018 were $2.2 billion with 67 percent for capital expenditures and 24 percent for refinancing other lenders’ debt.

In addition to a healthy increase in loans outstanding, CFC reported strong key financial metrics for FY 2018, including adjusted net income of $151 million, adjusted times interest earned ratio (TIER) of 1.17 and an adjusted debt-to-equity ratio of 6.18-to-1*.

CFC continued to earn an “A+/A1/A” rating on a senior secured basis and “stable” outlooks from the three major credit rating agencies—Fitch Ratings Service, Moody’s Investors Service and S&P Global. They recognize that CFC’s financial strength rests with the quality of our loan portfolio and the combined strength of our member-owners, which have long demonstrated stable operating performance and financial ratios.

CFC’s primary mission is to be a cost-based provider of funds to our members, and we work diligently to develop new sources of capital to meet members’ needs, with approximately 99 percent of loans made to rural electric systems.

As the electric cooperative finance organization owned and governed by rural electric utilities, CFC continues its strong focus on serving members and their rural communities. In August 2018, CFC returned margins to members in the form of patronage capital payments, bringing total distributions to nearly $1.7 billion. We also allocated funds to the CFC Cooperative Educational Fund, with more than $13 million contributed to statewide associations since 1981.

For almost 50 years we have worked to be your most trusted independent finance cooperative. Your success is our success, and the long-term financial health of the rural electric network is our goal. We look forward to working with you in the coming year.

Sheldon C. Petersen
CFC CEO

Harry N. Park
CFC Board President and Director, Southern Rivers Energy

* Please refer to our Form 10-K for the fiscal year ended May 31, 2018, as filed with the SEC and posted on the CFC website for a discussion of why we believe our adjusted measures provide useful information in analyzing CFC’s financial performance and the reconciliation to the most comparable GAAP measures.
Serving our electric cooperative members for nearly 50 YEARS

Loans Outstanding BY CFC DISTRICT

DISTRICT 1: $2.4 BILLION
DISTRICT 2: $3.2 BILLION
DISTRICT 3: $1.8 BILLION
DISTRICT 4: $1.5 BILLION
DISTRICT 5: $1.9 BILLION
DISTRICT 6: $1.8 BILLION
DISTRICT 7: $2.8 BILLION
DISTRICT 8: $3.0 BILLION
DISTRICT 9: $2.7 BILLION
DISTRICT 10: $4.1 BILLION

Map of the United States showing loans outstanding by district.
CFC Board of Directors

FROM ELECTRIC CO-OPS, FOR ELECTRIC CO-OPS

CFC is guided by 23 board members who represent 10 geographically defined districts, an at-large financial expert from a member electric system and two representatives of the cooperative network’s national trade association. Comprised exclusively of electric cooperative directors, trustees and executives, the board sets overall policy, establishes programs and develops strategies for CFC.
At the end of FY2018, CFC’s loans outstanding totaled $25.2 billion.

CFC retired $45 million in cash in September 2017 (FY2018) and an additional $48 million in patronage capital in August 2018 (FY2019).

As the only lender created and owned by America’s electric cooperative network, CFC is committed to our members’ financial success like no other. CFC’s patronage capital retirements play a role in that commitment and represent a key tenet of the cooperative business model.

CFC is proud to have returned nearly $1.7 billion in patronage capital to our members since 1980. The retirement in August 2018 represents the 39th consecutive calendar year CFC has made a cash retirement of patronage capital.
**Our Members’ Strength Is Our Strength**

**MEMBER INVESTMENTS & EQUITY**

As of May 31, 2018

Dollars in Millions

- Members had more than $5 billion in investments and equity in CFC at May 31, 2018.
- $644 MEDIUM-TERM NOTES
- $1,380 MEMBERS’ SUBORDINATED CERTIFICATES
- $2,383 SHORT-TERM INVESTMENTS (INCLUDING COMMERCIAL PAPER, DAILY LIQUIDITY FUND AND SELECT NOTES)
- $644 MEDIUM-TERM NOTES
- $1,497 MEMBERS’ EQUITY

**FUNDING SOURCES**

As of May 31, 2018

Dollars in Millions

- As of May 31, 2018, CFC’s debt capitalization stood at $24.6 billion, compared with $23.5 billion at the prior fiscal year-end.
- $4,856 GUARANTEED UNDERWRITER PROGRAM
- $12,449 CAPITAL MARKETS
- $4,407 MEMBER INVESTMENTS
- $2,891 FEDERAL AGRICULTURAL MORTGAGE CORPORATION
**TOTAL OUTSTANDING LOANS BY MEMBER CLASS**

As of May 31, 2018

<table>
<thead>
<tr>
<th>Member Class</th>
<th>Dollars in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Electric Distribution</td>
<td>$19,552</td>
</tr>
<tr>
<td>Power Supply (G&amp;T)</td>
<td>$4,397</td>
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<tr>
<td>National Cooperative Services Corporation</td>
<td>$786</td>
</tr>
<tr>
<td>Rural Telephone Finance Cooperative (RTFC)</td>
<td>$363</td>
</tr>
<tr>
<td>Statewide &amp; Associate</td>
<td>$70</td>
</tr>
</tbody>
</table>

**78%**

**18%**

**3%**

**1%**

<1%

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**KEY FINANCIAL METRICS**

For the fiscal year ended May 31, 2018

1.17

$151 Million

6.18 to 1

**ADJUSTED TIER**
TIMES INTEREST EARNED RATIO

ADJUSTED NET INCOME

ADJUSTED DEBT-TO-EQUITY RATIO

* CFC reported a GAAP income of $457 million, TIER of 1.58 and a debt-to-equity ratio of 16.72 for the fiscal year ended May 31, 2018.

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**CREDIT RATINGS**

As of May 31, 2018

CFC’s long- and short-term debt securities are rated by three nationally recognized credit rating agencies registered with the U.S. Securities and Exchange Commission: Fitch Ratings, Moody’s Investors Service and S&P Global.

<table>
<thead>
<tr>
<th>CFC DEBT INSTRUMENT</th>
<th>FITCH RATINGS</th>
<th>MOODY’S INVESTORS SERVICE</th>
<th>S&amp;P GLOBAL</th>
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</thead>
<tbody>
<tr>
<td>Collateral Trust Bonds (CTBs)</td>
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<td>A</td>
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<td>Medium-Term Notes (MTNs)</td>
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<td>A2</td>
<td>A</td>
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<tr>
<td>InterNotes</td>
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<tr>
<td>Subordinated Notes</td>
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<td>A3</td>
<td>BBB+</td>
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<td>Commercial Paper (CP)</td>
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<td>P-1</td>
<td>A-1</td>
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<tr>
<td>Rating Outlook</td>
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<td>Stable</td>
<td>Stable</td>
</tr>
</tbody>
</table>

The ratings shown here have the meaning defined by each of the rating agencies. They are not recommendations to buy, sell or hold securities and are subject to revision at any time by the rating agencies.
Our dedicated staff strives to exceed our members’ expectations by focusing exclusively on the needs of the electric cooperative network that created us.

We have been our members’ trusted and independent finance cooperative for nearly 50 years. Their long-term financial health is our goal.

We provide our members with reliable access to funding regardless of market conditions, leveraging relationships in the financial community to build a stable, diverse base of funds.