



2019

ANNUAL REPORT



ABOUT CFC

Created and owned by America's electric cooperative network, the National Rural Utilities Cooperative Finance Corporation (CFC)—a nonprofit finance cooperative with more than \$27 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 the United States. 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 PRESIDENT AND CEO

Fiscal year 2019 saw CFC mark 50 years of serving the rural electric network. Since our incorporation on April 10, 1969, we have strived to be our members' most trusted resource in every way—from our loans outstanding in nearly every state, to the thousands of cooperative staff and directors we've guided through financial training, to the members we keep updated through our publications. We appreciate your continued patronage and are happy to share our most recent financial results.

CFC delivered another solid financial performance during fiscal year 2019 (FY 2019). Loans outstanding totaled \$25.9 billion, an increase of \$738 million—or 3 percent—compared with the prior fiscal year-end at May 31, 2018. Aggregate term loan advances during FY 2019 were \$1.8 billion with 87 percent for capital expenditures and 10 percent for refinancing other lenders' debt. Approximately 99 percent of loans are made to rural electric systems.

In addition to the increase in loans outstanding, CFC reported strong key financial metrics for FY 2019, including adjusted net income of \$169 million, adjusted times interest earned ratio (TIER) of 1.19 and an adjusted debt-to-equity ratio of 5.73-to-1.*

In September 2019, CFC returned \$63 million to members in the form of patronage capital payments. Since 1980—40 consecutive

calendar years—CFC has returned \$1.75 billion to members, a number unrivaled among rural electric cooperative organizations.

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.

For 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 over the next 50 years.



Sheldon C. Petersen
CFC CEO



Kent D. Farmer
CFC Board President and
President and CEO of
Rappahannock Electric
Cooperative in
Fredericksburg, Virginia

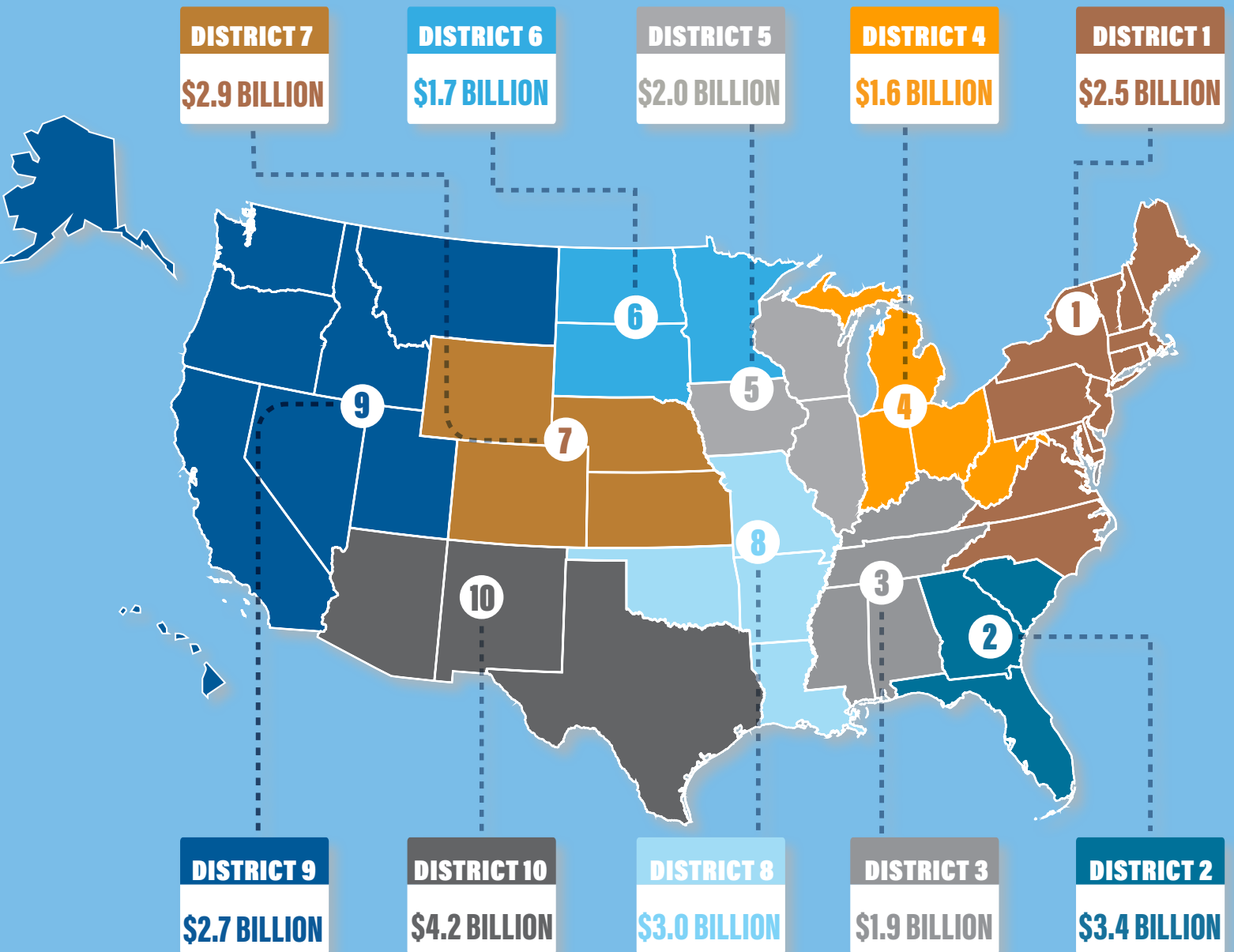
* CFC reported a GAAP loss of \$151 million, TIER of 0.82 and a debt-to-equity ratio of 19.80-to-1 for the fiscal year ended May 31, 2019.

* Please refer to our Form 10-K for the fiscal year ended May 31, 2019, 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

50 YEARS

Loans Outstanding BY CFC DISTRICT



2019 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.

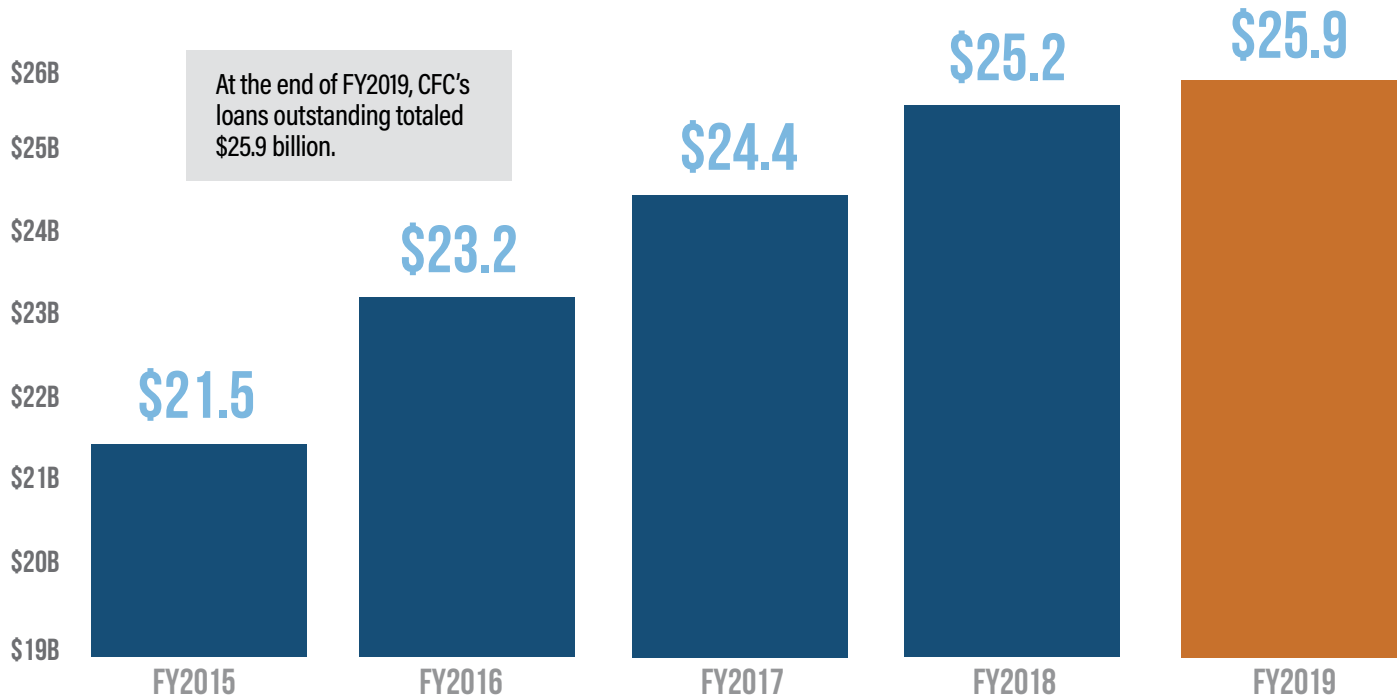


Pictured, front row from left: Marsha Thompson, Board Vice President, Trico Electric Cooperative (AZ); CFC Board Vice President Dean R. Tesch, Board Chairman, Taylor Electric Cooperative (WI); CFC Board President Kent D. Farmer, President & CEO, Rappahannock Electric Cooperative (VA); CFC Board Secretary-Treasurer Alan Wattles, President & CEO, Monroe County Electric Co-Operative (IL); Timothy Rodriguez, CEO, Kay Electric Cooperative (OK); Thomas A. Bailey, Director, Vermont Electric Cooperative (VT); and Jimmy A. LaFoy, Director, Baldwin County Electric Membership Corporation (AL). Pictured, second row from left: Stephen C. Vail, Director, NineStar Connect (IN); Debra Robinson, CEO & General Manager, Wood County Electric Cooperative (TX); Thomas L. Hayes, Director, Brown County Rural Electrical Association (MN); Bradley Janorschke, General Manager, Homer Electric Association and Alaska Electric & Energy Cooperative (AK); G. Anthony Norton, Director, Snapping Shoals Electric Membership Corporation (GA); Todd P. Ware, President & CEO, Licking Rural Electrification (OH); and Gregory D. Williams, General Manager & EVP, Appalachian Electric Cooperative (TN). Pictured, back row from left: Bruce Vitosh, General Manager & CEO, Norris Public Power District (NE); David E. Felkel, CEO, Edisto Electric Cooperative (SC); Robert "Bob" Brockman, Board President, Wheatland Rural Electric Association (WY); Chris D. Christensen, NRECA Board Vice President and Director, Norval Electric Cooperative (MT); Doyle Jay Hanson, Director, Fall River Rural Electric Cooperative (ID); Curtis Wynn, NRECA Board President and President & CEO, Roanoke Electric Cooperative (NC); Dennis Fulk, Director, Platte-Clay Electric Cooperative (MO); Barbara E. Hampton, SVP & CFO, Georgia Transmission Corporation (GA); and Bradley J. Schardin, General Manager, Southeastern Electric Cooperative (SD).

Meeting Members' Needs

TOTAL LOANS OUTSTANDING

As of May 31, 2019
Dollars in Billions



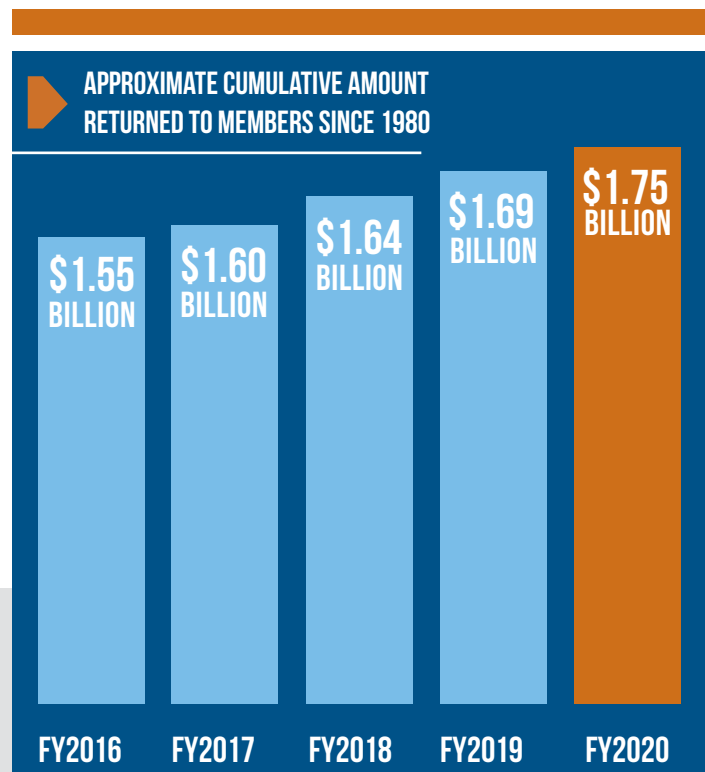
PATRONAGE CAPITAL RETIREMENT

CFC retired \$63 million in cash in September 2019 (FY2020).

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 \$1.8 billion in patronage capital to our members since 1980. The retirement in September 2019 represents the 40th consecutive calendar year CFC has made a cash retirement of patronage capital.

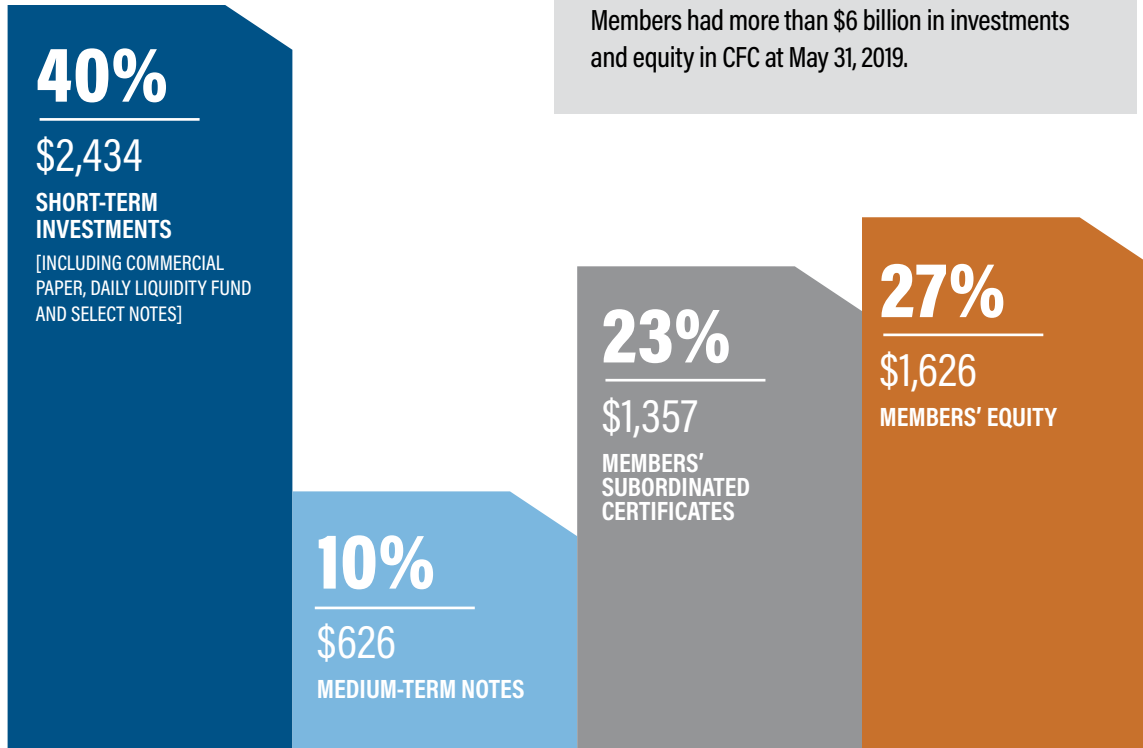
40 CONSECUTIVE CALENDAR
YEARS OF CASH RETIREMENT
OF PATRONAGE CAPITAL



Our Members' Strength Is Our Strength

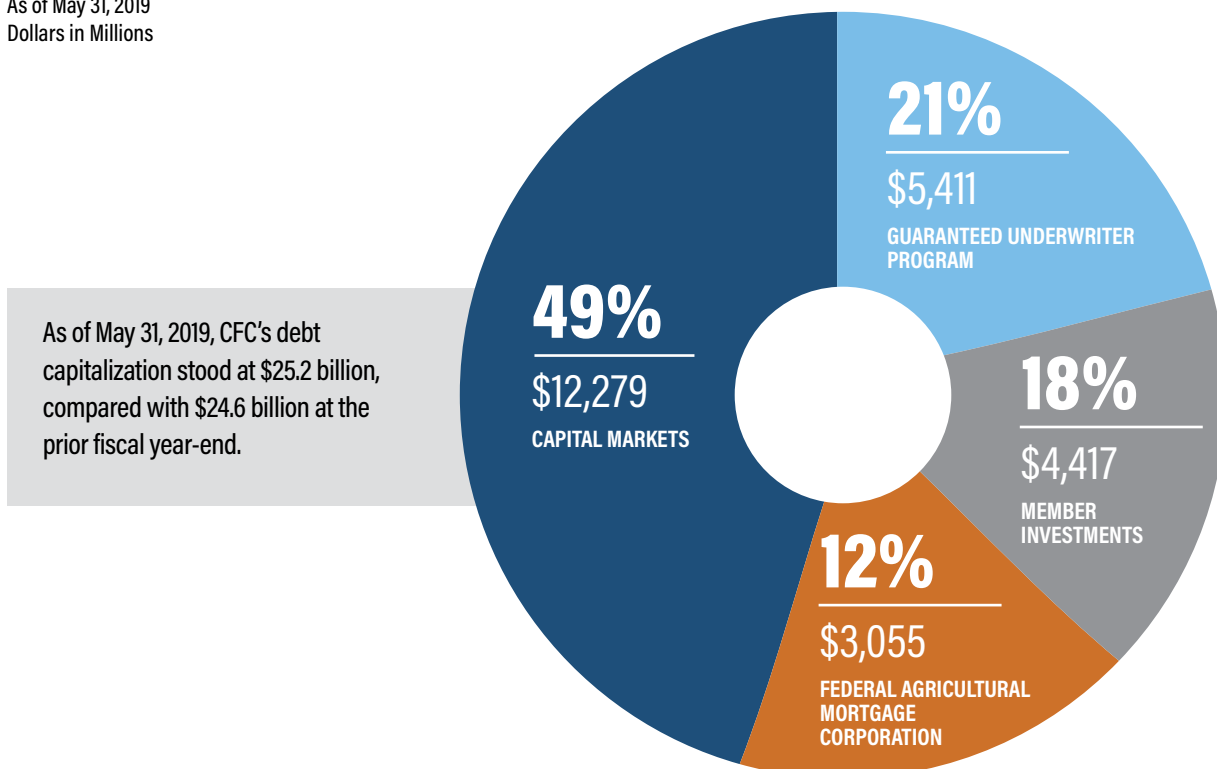
MEMBER INVESTMENTS & EQUITY

As of May 31, 2019
Dollars in Millions



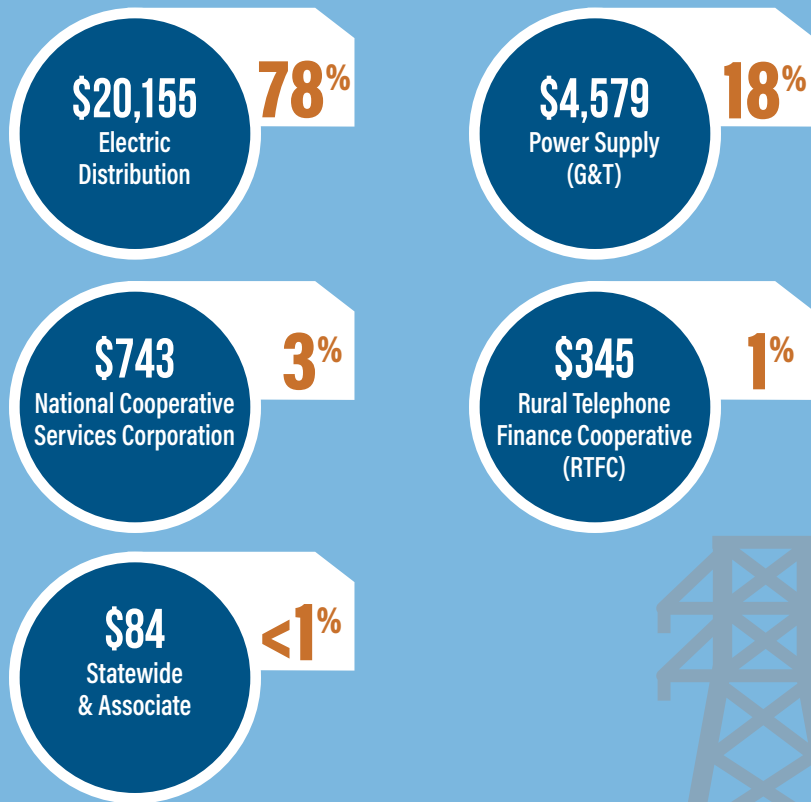
FUNDING SOURCES

As of May 31, 2019
Dollars in Millions



TOTAL OUTSTANDING LOANS BY MEMBER CLASS

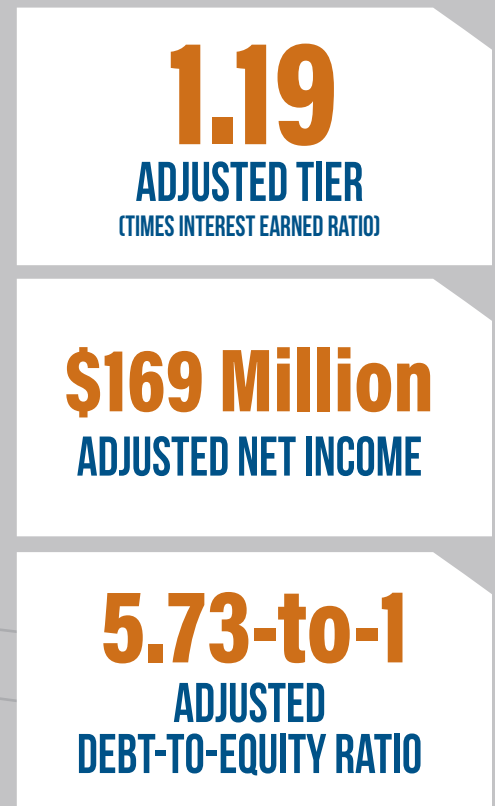
As of May 31, 2019
Dollars in Millions



KEY FINANCIAL METRICS

For the fiscal year ended May 31, 2019

*CFC reported a GAAP loss of \$151 million, TIER of 0.82 and a debt-to-equity ratio of 19.80-to-1 for the fiscal year ended May 31, 2019.



CREDIT RATINGS

As of May 31, 2019

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.

FitchRatings
MOODY'S

S&P Global

CFC DEBT INSTRUMENT	FITCH RATINGS	MOODY'S INVESTORS SERVICE	S&P GLOBAL
Collateral Trust Bonds (CTBs)	A+	A1	A
Medium-Term Notes (MTNs)	A	A2	A
InterNotes	A	A2	A
Subordinated Notes	BBB+	A3	BBB+
Commercial Paper (CP)	F1	P-1	A-1
Rating Outlook	Stable	Stable	Stable

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 50 years. Your 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.



**National Rural Utilities
Cooperative Finance Corporation**

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