

**Service
Integrity
Excellence**

The background of the cover is a photograph of a person in a white protective suit and mask, walking through a field. In the distance, there are industrial silos. The entire image is overlaid with a semi-transparent blue filter.

2017

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 \$25 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 75 percent 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

We are pleased to report that CFC delivered another solid financial performance during fiscal year 2017 (FY 2017). Loans outstanding totaled \$24.4 billion, an increase of \$1.2 billion—or 5 percent—compared with the prior fiscal year-end at May 31, 2016.

Aggregate term loan advances during FY 2017 were \$2.3 billion with 54 percent for capital expenditures and 39 percent for refinancing other lenders' debt.

In addition to a healthy increase in loans outstanding, CFC reported strong key financial metrics for FY 2017, including adjusted net income of \$133 million, adjusted times interest earned ratio (TIER) of 1.16 and an adjusted debt-to-equity ratio of 5.95-to-1.

CFC continued to earn an "A" or higher rating on a senior secured basis and "stable" outlooks from the three major credit rating agencies. 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 going to rural electric systems.

As the electric cooperative finance organization owned and run by its members, CFC continues its strong focus on serving members and their rural communities. In September 2017, CFC returned margins to members in the form of patronage capital payments, bringing total distributions to \$1.64 billion. We also allocated funds to the CFC Cooperative Educational Fund, with \$11.7 million contributed to date.

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

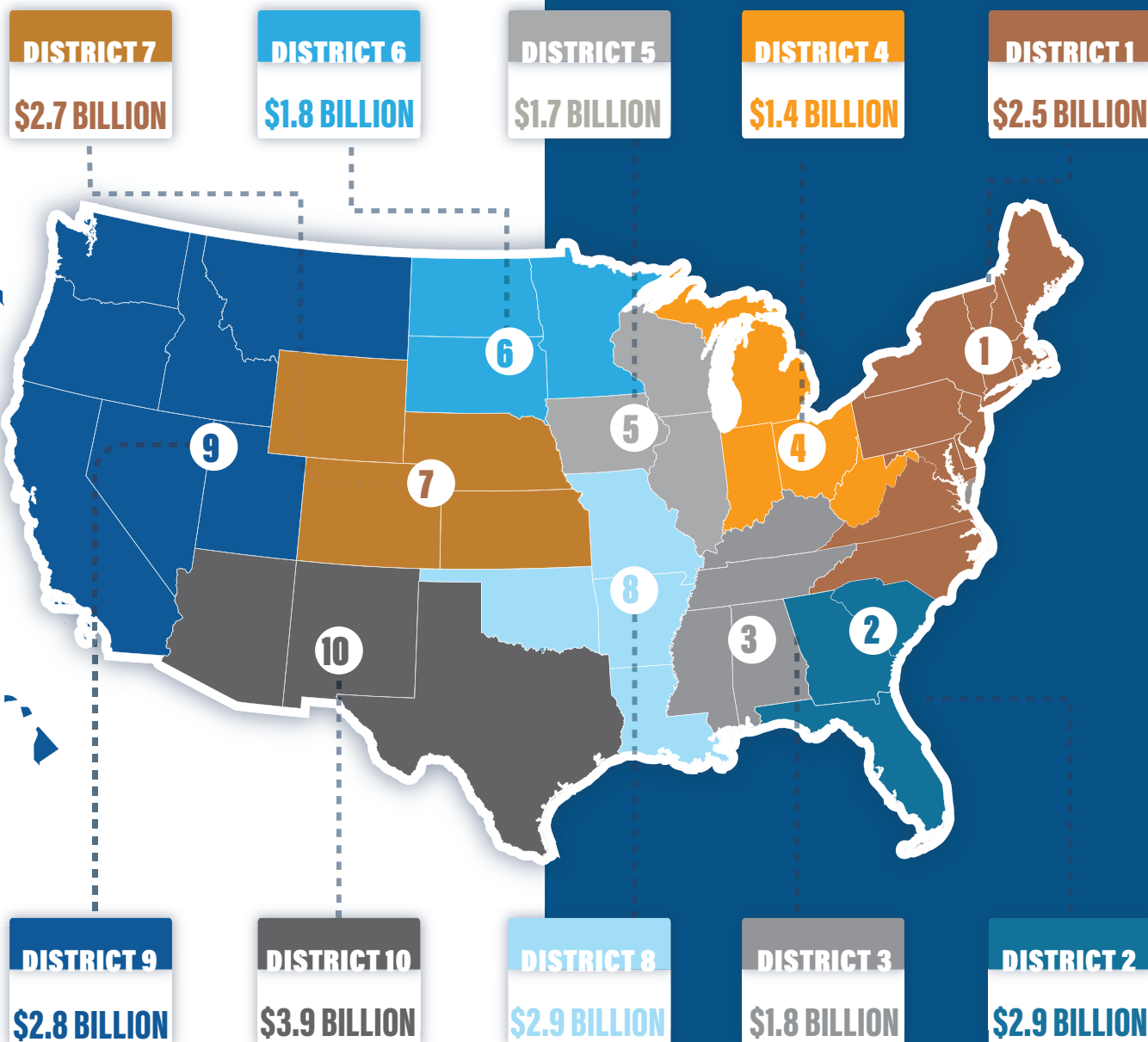


Mike Campbell
CFC Board President and
EVP & General Manager,
Central Florida Electric
Cooperative

Serving our electric cooperative
members for nearly

50 YEARS

Loans Outstanding BY CFC DISTRICT



2017 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.



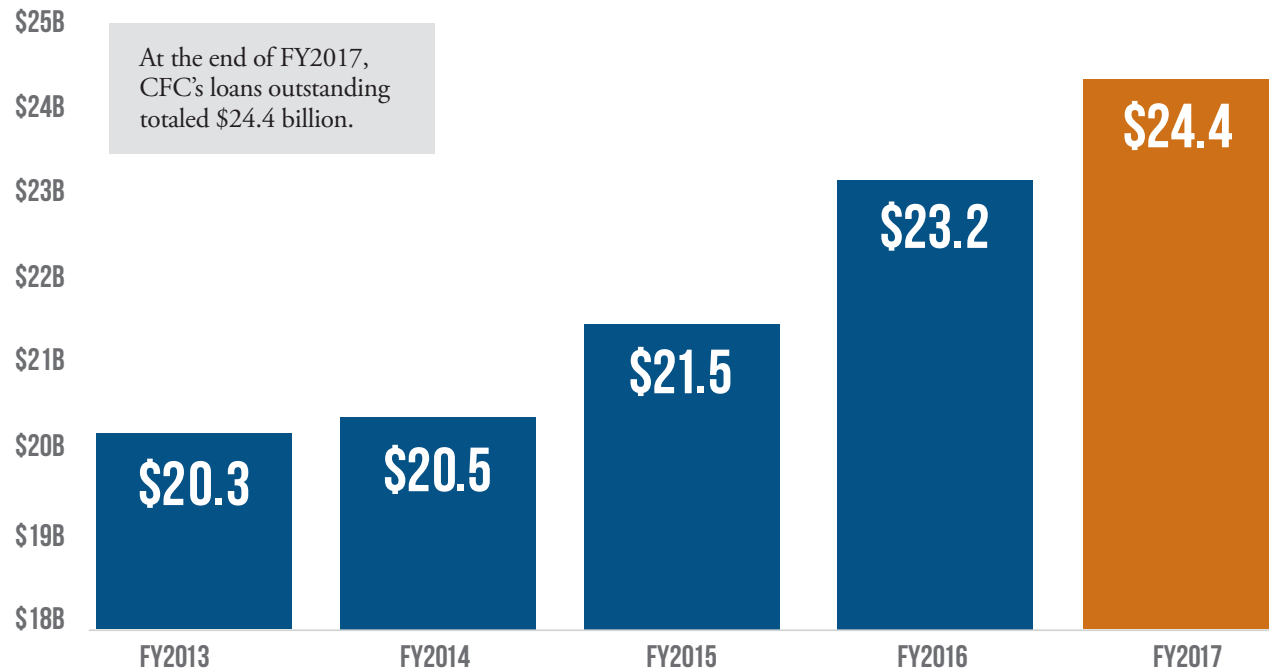
Pictured, front row from left, Jimmy A. LaFoy, Director, Baldwin County Electric Membership Corporation (AL); CFC Board Vice President Harry N. Park, Director, Southern Rivers Energy (GA); CFC Board President Mike Campbell, EVP & General Manager, Central Florida Electric Cooperative (FL); CFC Board Secretary-Treasurer Kent D. Farmer, President & CEO, Rappahannock Electric Cooperative (VA); Phil Carson, NRECA Board President and Director, Tri-County Electric Cooperative (IL). Middle row from left, Bruce Vitosh, General Manager & CEO, Norris Public Power District (NE); Doyle Jay Hanson, Director, Fall River Rural Electric Cooperative (ID); Debra Robinson, CEO & General Manager, Wood County Electric Cooperative (TX); Thomas L. Hayes, Director, Brown County Rural Electrical Association (MN); Alan Wattles, President & CEO, Monroe County Electric Co-Operative (IL); Marsha Thompson, Board Secretary, Trico Electric Cooperative (AZ); Stephen C. Vail, Director, NineStar Connect (IN); Dean R. Tesch, Board Chairman, Taylor Electric Cooperative, (WI); Roman E. Gillen, President & CEO, Consumers Power, Inc. (OR); Curtin R. Rakestraw II, Director, Sullivan County Rural Electric Cooperative (PA); Robert M. Hill, Board Chair, First Electric Cooperative Corporation (AR). Back row, from left, Mark D. Snowden, CEO, Cimarron Electric Cooperative (OK); Curtis Wynn, NRECA Board Vice President, and President & CEO, Roanoke Electric Cooperative (NC); Patrick L. Bridges, CFO, Tri-State G&T Association (CO); Bradley J. Schardin, General Manager, Southeastern Electric Cooperative (SD); Robert "Bob" Brockman, Board President, Wheatland Rural Electric Association (WY); Gregory D. Williams, General Manager & EVP, Appalachian Electric Cooperative (TN) and Todd P. Ware, President & CEO, Licking Rural Electrification (OH).

Meeting Members' Needs

TOTAL LOANS OUTSTANDING

As of May 31, 2017

Dollars in Billions



PATRONAGE CAPITAL RETIREMENT

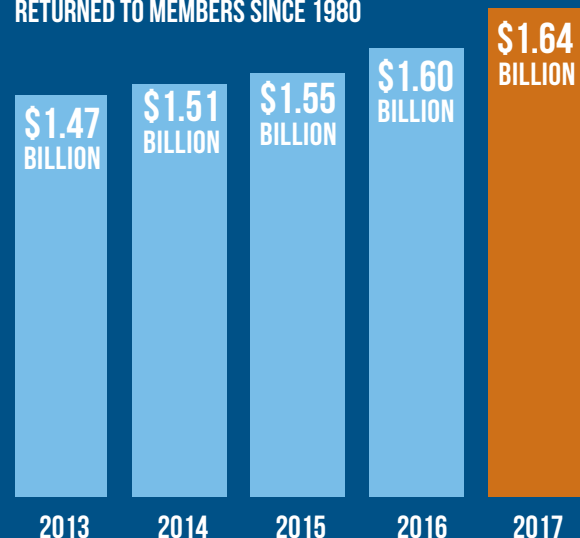
38 CONSECUTIVE CALENDAR YEARS OF CASH RETIREMENT OF PATRONAGE CAPITAL

CFC retired \$42 million in patronage capital in September 2016 (FY2017) and an additional \$45 million in patronage capital in September 2017 (FY2018).

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 \$1.64 billion in patronage capital to our members since 1980. The retirement in September 2017 represents the 38th consecutive calendar year CFC has made a cash retirement of patronage capital.

APPROXIMATE CUMULATIVE AMOUNT RETURNED TO MEMBERS SINCE 1980



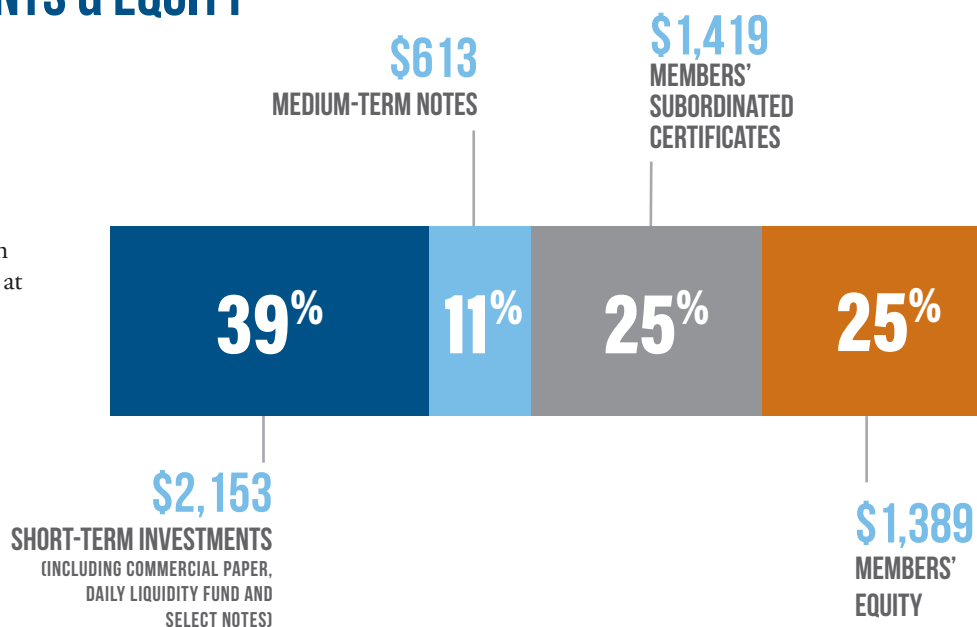
Our Members' Strength Is Our Strength

MEMBER INVESTMENTS & EQUITY

As of May 31, 2017

Dollars in Millions

Members had more than \$5 billion in investments and equity in CFC at May 31, 2017.

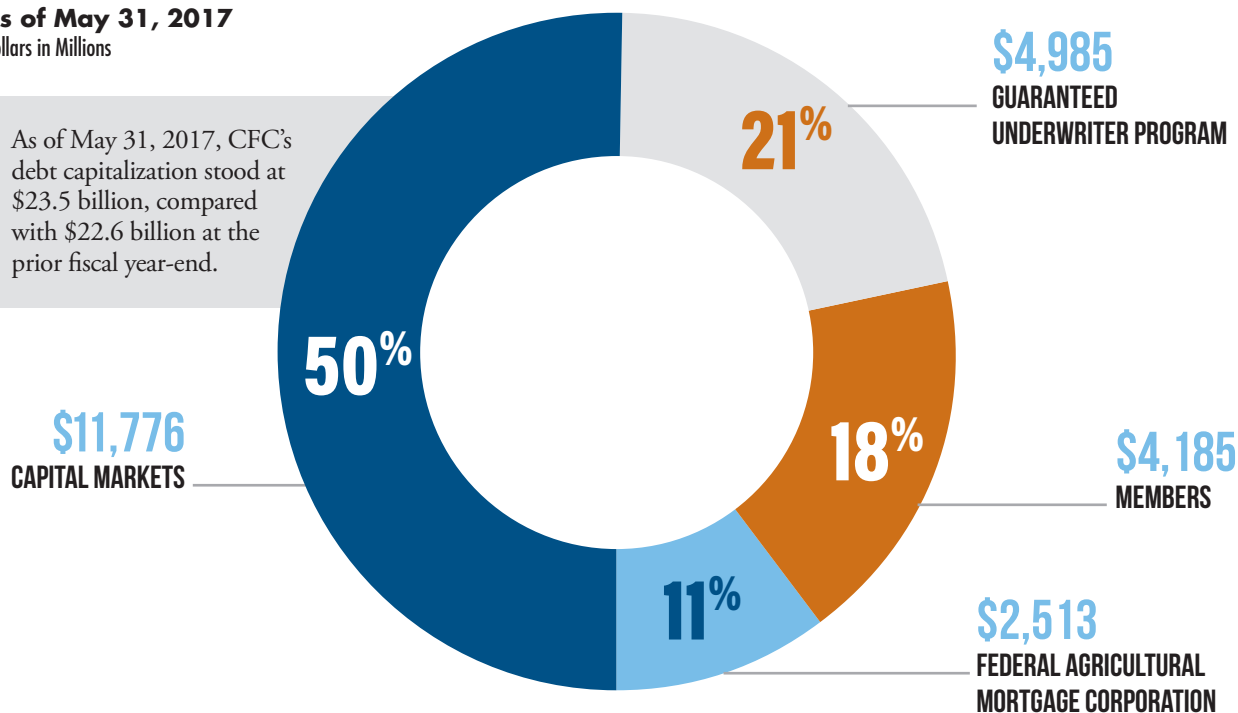


FUNDING SOURCES

As of May 31, 2017

Dollars in Millions

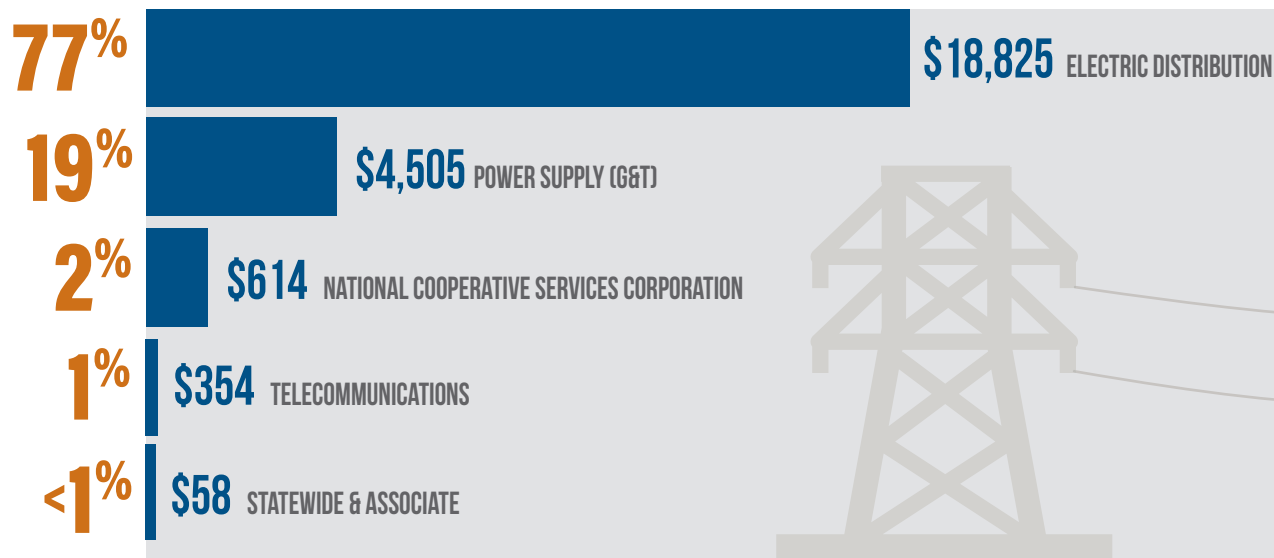
As of May 31, 2017, CFC's debt capitalization stood at \$23.5 billion, compared with \$22.6 billion at the prior fiscal year-end.



TOTAL OUTSTANDING LOANS BY MEMBER CLASS

As of May 31, 2017

Dollars in Millions



ADJUSTED NET INCOME

For the fiscal year ended May 31, 2017

CFC reported adjusted net income of \$133 million for fiscal year 2017.* CFC's FY 2017 year-end results include GAAP and non-GAAP adjusted financial measures. Please refer to CFC's annual report on Form 10-K for the fiscal year ended May 31, 2017, as filed with the U.S. Securities and Exchange Commission and as posted on the CFC website, for a discussion of why CFC believes the adjusted measures are useful information in analyzing its financial performance and the reconciliation to related GAAP measures.

**CFC reported a GAAP income of \$312 million for the fiscal year ended May 31, 2017*

CREDIT RATINGS

As of May 31, 2017

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 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.



**National Rural Utilities
Cooperative Finance Corporation**

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