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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549  
**FORM 10-K**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the fiscal year ended May 31, 2021**

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission File Number: 1-7102**

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**

**(Exact name of registrant as specified in its charter)**

**District of Columbia**

(State or other jurisdiction of incorporation or organization)

52-0891669

(I.R.S. employer identification no.)

**20701 Cooperative Way, Dulles, Virginia, 20166**

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(703) 467-1800**

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of Each Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Each Exchange on Which Registered</u>
7.35% Collateral Trust Bonds, due 2026	NRUC 26	New York Stock Exchange
5.50% Subordinated Notes, due 2064	NRUC	New York Stock Exchange

**Securities Registered Pursuant to Section 12(g) of the Act: None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company  Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C.7262(b)) by the registered public accounting firm that prepared or issued its audit report.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The Registrant is a tax-exempt cooperative and therefore does not issue capital stock.

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## FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K for the fiscal year ended May 31, 2021 (“this Report” or “2021 Form 10-K”) contains certain statements that are considered “forward-looking statements” as defined in and within the meaning of the safe-harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements do not represent historical facts or statements of current conditions. Instead, forward-looking statements represent management’s current beliefs and expectations, based on certain assumptions and estimates made by, and information available to, management at the time the statements are made, regarding our future plans, strategies, operations, financial results or other events and developments, many of which, by their nature, are inherently uncertain and outside our control. Forward-looking statements are generally identified by the 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, including statements about loan volume, the adequacy of the allowance for credit losses, operating income and expenses, leverage and debt-to-equity ratios, borrower financial performance, impaired loans, and sources and uses of liquidity, are forward-looking statements. Although we believe 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. Therefore, you should not place undue reliance on any forward-looking statement and should consider the risks and uncertainties that could cause our current expectations to vary from our forward-looking statements, including, but not limited to, legislative changes that could affect our tax status and other matters, demand for our loan products, lending competition, changes in the quality or composition of our loan portfolio, changes in our ability to access external financing, changes in the credit ratings on our debt, valuation of collateral supporting impaired loans, charges associated with our operation or disposition of foreclosed assets, nonperformance of counterparties to our derivative agreements, economic conditions and regulatory or technological changes within the rural electric industry, the costs and impact of legal or governmental proceedings involving us or our members, general economic conditions, governmental monetary and fiscal policies, the occurrence and effect of natural disasters, including severe weather events or public health emergencies, such as the emergence in 2019 and spread of a novel coronavirus that causes coronavirus disease 2019 (“COVID-19”) and the factors listed and described under “Item 1A. Risk Factors” in this Report. Forward-looking statements speak only as of the date they are made, and, except as required by law, we undertake no obligation to update any forward-looking statement to reflect the impact of events, circumstances or changes in expectations that arise after the date any forward-looking statement is made.

## PART I

### Item 1. Business

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#### OVERVIEW

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Our financial statements include the consolidated accounts of National Rural Utilities Cooperative Finance Corporation (“CFC”), National Cooperative Services Corporation (“NCSC”), Rural Telephone Finance Cooperative (“RTFC”) and subsidiaries created and controlled by CFC to hold foreclosed assets resulting from defaulted loans or bankruptcy. CFC and its consolidated entities have not held any foreclosed assets since the fiscal year ended May 31, 2017. Our principal operations are currently organized for management reporting purposes into three business segments, which are based on the accounts of each of the legal entities included in our consolidated financial statements and discussed below.

The business affairs of CFC, NCSC and RTFC are governed by separate boards of directors for each entity. We provide information on CFC’s corporate governance in “Item 10. Directors, Executive Officers and Corporate Governance.” We provide information on the members of each of these entities below in “Item 1. Business—Members” and describe the financing products offered to members by each entity under “Item 1. Business—Loan and Guarantee Programs.” Information on the financial performance of our business segments is disclosed in “Note 16—Business Segments.” Unless stated otherwise, references to “we,” “our” or “us” relate to CFC and its consolidated entities. All references to members within this document include members, associates and affiliates of CFC and its consolidated entities, except where indicated otherwise.

## **CFC**

CFC is a member-owned, nonprofit finance cooperative association incorporated under the laws of the District of Columbia in April 1969. CFC's principal purpose is to provide its members with financing to supplement the loan programs of the Rural Utilities Service ("RUS") of the United States Department of Agriculture ("USDA"). CFC extends loans to its rural electric members for construction, acquisitions, system and facility repairs and maintenance, enhancements and ongoing operations to support the goal of electric distribution and generation and transmission ("power supply") systems of providing reliable, affordable power to the customers they service. CFC also provides its members with credit enhancements in the form of letters of credit and guarantees of debt obligations. As a cooperative, CFC is owned by and exclusively serves its membership, which consists of not-for-profit entities or subsidiaries or affiliates of not-for-profit entities. CFC is exempt from federal income taxes under Section 501(c)(4) of the Internal Revenue Code. As a member-owned cooperative, CFC's objective is not to maximize profit, but rather to offer members cost-based financial products and services. As described below under "Allocation and Retirement of Patronage Capital," CFC annually allocates its net earnings, which consist of net income excluding the effect of certain noncash accounting entries, to: (i) a cooperative educational fund; (ii) a general reserve, if necessary; (iii) members based on each member's patronage of CFC's loan programs during the year; and (iv) a members' capital reserve. CFC funds its activities primarily through a combination of public and private issuances of debt securities, member investments and retained equity. As a Section 501(c)(4) tax-exempt, member-owned cooperative, CFC cannot issue equity securities.

## **NCSC**

NCSC is a taxable cooperative incorporated in 1981 in the District of Columbia as a member-owned cooperative association. The principal purpose of NCSC is to provide financing to its members, entities eligible to be members of CFC and the for-profit and not-for-profit entities that are owned, operated or controlled by, or provide significant benefit to Class A, B and C members of CFC. See "Members" below for a description of our member classes. NCSC's membership consists of distribution systems, power supply systems and statewide and regional associations that were members of CFC as of May 31, 2021. CFC, which is the primary source of funding for NCSC, manages NCSC's business operations under a management agreement that is automatically renewable on an annual basis unless terminated by either party. NCSC pays CFC a fee and, in exchange, CFC reimburses NCSC for loan losses under a guarantee agreement. As a taxable cooperative, NCSC pays income tax based on its reported taxable income and deductions. NCSC is headquartered with CFC in Dulles, Virginia.

## **RTFC**

RTFC is a taxable Subchapter T cooperative association originally incorporated in South Dakota in 1987 and reincorporated as a member-owned cooperative association in the District of Columbia in 2005. RTFC's principal purpose is to provide financing for its rural telecommunications members and their affiliates. RTFC's membership consists of a combination of not-for-profit and for-profit entities. CFC is the sole lender to and manages RTFC's business operations through a management agreement that is automatically renewable on an annual basis unless terminated by either party. RTFC pays CFC a fee and, in exchange, CFC reimburses RTFC for loan losses under a guarantee agreement. As permitted under Subchapter T of the Internal Revenue Code, RTFC pays income tax based on its taxable income, excluding patronage-sourced earnings allocated to its patrons. RTFC is headquartered with CFC in Dulles, Virginia.

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## **OUR BUSINESS**

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CFC was established by and for the rural electric cooperative network to provide affordable financing alternatives to electric cooperatives. While our business strategy and policies are set by CFC's board of directors and may be amended or revised from time to time, the fundamental goal of our overall business model is to work with our members to ensure that CFC is able to meet their financing needs, as well as provide industry expertise and strategic services to aid them in delivering affordable and reliable essential services to their communities.

## **Focus on Electric Lending**

As a member-owned, nonprofit finance cooperative, our primary objective is to provide our members with the credit products they need to fund their operations. As such, we primarily focus on lending to electric systems and securing access to capital through diverse funding sources at rates that allow us to offer cost-based credit products to our members. Rural electric cooperatives, most of which are not-for-profit entities, were established to provide electricity in rural areas historically deemed too costly to be served by investor-owned utilities. As such, our electric cooperative members experience limited competition because they generally operate in exclusive territories, the majority of which are not rate regulated. Loans to electric utility organizations accounted for approximately 99% of our total loans outstanding as of both May 31, 2021 and 2020. Substantially all of our electric cooperative borrowers continued to demonstrate stable operating performance and strong financial ratios as of May 31, 2021.

## **Maintain Diversified Funding Sources**

We strive to maintain diversified funding sources beyond capital market offerings of debt securities. We offer various short- and long-term unsecured investment products to our members and affiliates, including commercial paper, select notes, daily liquidity fund notes, medium-term notes and subordinated certificates. We continue to issue debt securities, such as secured collateral trust bonds, unsecured medium-term notes and dealer commercial paper, in the capital markets. We also have access to funds through bank revolving line of credit arrangements, government-guaranteed programs such as funding from the Federal Financing Bank that is guaranteed by RUS through the Guaranteed Underwriter Program of the USDA (the "Guaranteed Underwriter Program"), as well as private placement note purchase agreements with the Federal Agricultural Mortgage Corporation ("Farmer Mac"). We provide additional information on our funding sources in "Item 7. MD&A—Consolidated Balance Sheet Analysis," "Item 7. MD&A—Liquidity Risk," "Note 6—Short-Term Borrowings," "Note 7—Long-Term Debt," "Note 8—Subordinated Deferrable Debt" and "Note 9—Members' Subordinated Certificates."

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## **MEMBERS**

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Our consolidated membership, after taking into consideration entities that are members of both CFC and NCSC and eliminating overlapping members between CFC, NCSC and RTFC, totaled 1,424 members and 246 associates as of May 31, 2021, compared with 1,439 members and 232 associates as of May 31, 2020.

### **CFC**

CFC lends to its members and associates and also provides credit enhancements in the form of guarantees of debt obligations and letters of credit. Membership in CFC is limited to cooperative or not-for-profit rural electric systems that are eligible to borrow from RUS under its Electric Loan Program and affiliates of these entities. CFC categorizes its members, all of which are not-for-profit entities or subsidiaries or affiliates of not-for-profit entities, into classes based on member type because the demands and needs of each member class differs. Affiliates represent holding companies, subsidiaries and other entities that are owned, controlled or operated by members. Members are not required to have outstanding loans from RUS as a condition of borrowing from CFC. CFC membership consists of members in 49 states and three U.S. territories. In addition to members, CFC has associates that are nonprofit groups or entities organized on a cooperative basis that are owned, controlled or operated by members and are engaged in or plan to engage in furnishing non-electric services primarily for the benefit of the ultimate consumers of CFC members. Associates are not eligible to vote on matters put to a vote of the membership. CFC's members, by member class, and associates were as follows as of May 31, 2021.

<b>Member Type</b>	<b>CFC Member</b>	
	<b>Class</b>	<b>May 31, 2021</b>
Distribution systems.....	A	842
Power supply systems.....	B	67
Statewide and regional associations, including NCSC..	C	62
National association of cooperatives <sup>(1)</sup> .....	D	1
Total CFC members.....		972
Associates, including RTFC.....		46
Total CFC members and associates.....		<b>1,018</b>

<sup>(1)</sup> National Rural Electric Cooperative Association is our sole class D member.

## NCSC

Membership in NCSC includes organizations that are Class A, B and C members of CFC, or eligible for such membership and are approved for membership by the NCSC Board of Directors. In addition to members, NCSC has associates that may include members of CFC, entities eligible to be members of CFC and for-profit and not-for-profit entities owned, controlled or operated by, or provide significant benefit to, Class A, B, and C members of CFC. All of NCSC's members also were CFC members as of May 31, 2021. CFC is not, however, a member of NCSC. NCSC's members and associates were as follows as of May 31, 2021.

<b>Member Type</b>	<b>CFC Member</b>	
	<b>Class</b>	<b>May 31, 2021</b>
Distribution systems.....	A	447
Power supply systems.....	B	3
Statewide associations.....	C	6
Total NCSC members.....		456
Associates.....		195
Total NCSC members and associates.....		<b>651</b>

## RTFC

Membership in RTFC is limited to cooperative corporations, nonprofit corporations, private corporations, public corporations, utility districts and other public bodies that are approved by the RTFC Board of Directors and are actively borrowing or are eligible to borrow from RUS's traditional infrastructure loan program. These companies must be engaged directly or indirectly in furnishing telephone services as the licensed incumbent carrier. Holding companies, subsidiaries and other organizations that are owned, controlled or operated by members, which are referred to as affiliates, are eligible to borrow from RTFC. Associates are organizations that provide non-telephone or non-telecommunications services to rural telecommunications companies that are approved by the RTFC Board of Directors. Neither affiliates nor associates are eligible to vote on matters put to a vote of the membership. CFC and NCSC are not members of RTFC. RTFC's members and associates were as follows as of May 31, 2021.

<b>Member Type</b>	<b>May 31, 2021</b>
Members.....	453
Associates.....	6
Total RTFC members and associates.....	<b>459</b>



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## **LOAN AND GUARANTEE PROGRAMS**

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CFC lends to its members and associates and also provides credit enhancements in the form of guarantees of debt obligations and letters of credit. NCSC and RTFC also lend and provide credit enhancements to their members and associates. For information on the membership of CFC, NCSC and RTFC, see “Item 1. Business—Members.”

CFC, NCSC and RTFC loan commitments generally contain provisions that restrict further borrower advances or trigger an event of default if there is any material adverse change in the business or condition, financial or otherwise, of the borrower. Below is additional information on the loan and guarantee programs offered by CFC, NCSC and RTFC.

### **CFC Loan Programs**

#### ***Long-Term Loans***

CFC’s long-term loans generally have the following characteristics:

- terms of up to 35 years on a senior secured basis and terms of up to five years on an unsecured basis;
- amortizing, bullet maturity or serial payment structures;
- the property, plant and equipment financed by and securing the long-term loan has a useful life generally equal to or in excess of the loan maturity;
- flexibility for the borrower to select a fixed interest rate for periods of one to 35 years or a variable interest rate; and
- the ability for the borrower to select various tranches with either a fixed or variable interest rate for each tranche.

Borrowers typically have the option of selecting a fixed or variable interest rate at the time of each advance on long-term loan facilities. When selecting a fixed rate, the borrower has the option to choose a fixed rate for a term of one year through the final maturity of the loan. When the selected fixed interest rate term expires, the borrower may select another fixed rate for a term of one year through the remaining loan maturity or the current variable rate.

To be in compliance with the covenants in the loan agreement and eligible for loan advances, distribution systems generally must maintain an average modified debt service coverage ratio, as defined in the loan agreement, of 1.35 or greater. CFC may make long-term loans to distribution systems, on a case-by-case basis, that do not meet this general criterion. Power supply systems generally are required: (i) to maintain an average modified debt service coverage ratio, as defined in the loan agreement, of 1.00 or greater; (ii) to establish and collect rates and other revenue in an amount to yield margins for interest, as defined in an indenture, in each fiscal year sufficient to equal at least 1.00; or (iii) both. CFC may make long-term loans to power supply systems, on a case-by-case basis, that may include other requirements, such as maintenance of a minimum equity level.

#### ***Line of Credit Loans***

Line of credit loans are designed primarily to assist borrowers with liquidity and cash management and are generally advanced at variable interest rates. Line of credit loans are typically revolving facilities. Certain line of credit loans require the borrower to pay off the principal balance for at least five consecutive business days at least once during each 12-month period. Line of credit loans are generally unsecured and may be conditional or unconditional facilities.

Line of credit loans can be made on an emergency basis when financing is needed quickly to address weather-related or other unexpected events and can also be made available as interim financing when a member either receives RUS approval to obtain a loan and is awaiting its initial advance of funds or submits a loan application that is pending approval from RUS (sometimes referred to as “bridge loans”). In these cases, when the borrower receives the RUS loan advance, the funds must be used to repay the bridge loans.

#### ***Syndicated Line of Credit Loans***

A syndicated line of credit loan is typically a large financing offered by a group of lenders that work together to provide funds for a single borrower. Syndicated loans are generally unsecured, floating-rate loans that can be provided on a

revolving or term basis for tenors that range from several months to five years. Syndicated financings are arranged for borrowers on a case-by-case basis. CFC may act as lead lender, arranger and/or administrative agent for the syndicated facilities. CFC will syndicate these line of credit facilities on a best effort basis.

### **NCSC Loan Programs**

NCSC makes loans to electric cooperatives and their subsidiaries that provide non-electric services in the energy and telecommunication industries as well as to entities that provide substantial benefit to CFC members, including eligible solar energy providers and investor-owned utilities. Loans to NCSC associates may require a guarantee of repayment to NCSC from the CFC member cooperative with which it is affiliated.

#### ***Long-Term Loans***

NCSC's long-term loans generally have the following characteristics:

- terms from 7 to up to 30 years on a senior secured basis and terms of up to five years on an unsecured basis;
- amortizing, balloon, bullet maturity or serial payment structures;
- the property, plant and equipment financed by and securing the long-term loan has a useful life equal to or in excess of the loan maturity;
- flexibility for the borrower to select a fixed interest rate for periods of one to 30 years or a variable interest rate; and
- the ability for the borrower to select various tranches with either a fixed or variable interest rate for each tranche.

NCSC allows borrowers to select a fixed interest rate or a variable interest rate at the time of each advance on long-term loan facilities. When selecting a fixed rate, the borrower has the option to choose a fixed rate for a term of one year through the final maturity of the loan. When the selected fixed interest rate term expires, the borrower may select another fixed rate for a term of one year through the remaining loan maturity or the current variable rate. The fixed rate on a loan generally is determined on the day the loan is advanced or repriced based on the term selected.

#### ***Line of Credit Loans***

NCSC also provides revolving line of credit loans to assist borrowers with liquidity and cash management on terms similar to those provided by CFC as described herein.

### **RTFC Loan Programs**

RTFC primarily makes long-term loans to rural local exchange carriers or holding companies of rural local exchange carriers for debt refinancing, construction or upgrades of infrastructure, acquisitions and other corporate purposes. Most of these rural telecommunications companies have diversified their operations and also provide broadband services.

#### ***Long-Term Loans***

RTFC's long-term loans generally have the following characteristics:

- terms not exceeding 10 years on a senior secured basis and terms of up to five years on an unsecured basis;
- amortizing or bullet maturity payment structures;
- the property, plant and equipment financed by and securing the long-term loan has a useful life generally equal to or in excess of the loan maturity;
- flexibility for the borrower to select a fixed interest rate for periods from one year to the final loan maturity or a variable interest rate; and
- the ability for the borrower to select various tranches with either a fixed or variable interest rate for each tranche.

When a selected fixed interest rate term expires, generally the borrower may select another fixed-rate term or the current variable rate. The fixed rate on a loan is generally determined on the day the loan is advanced or converted to a fixed rate based on the term selected.

To borrow from RTFC, a rural telecommunication system generally must be able to demonstrate the ability to achieve and maintain an annual debt service coverage ratio of 1.25. RTFC may make long-term loans to rural telecommunication systems, on a case-by-case basis, that do not meet this general criterion.

### ***Line of Credit Loans***

RTFC also provides revolving line of credit loans to assist borrowers with liquidity and cash management on terms similar to those provided by CFC as described herein.

### **Loan Features and Options**

#### ***Interest Rates***

As a member-owned cooperative finance organization, CFC is a cost-based lender. As such, our interest rates are set based on a yield that we believe will generate a reasonable level of earnings to cover our cost of funding, general and administrative expenses and provision for credit losses. Long-term fixed rates are set daily for new loan advances and loans that reprice. The fixed rate on each loan is generally determined on the day the loan is advanced or repriced based on the term selected. The variable rate is established monthly. Various standardized discounts may reduce the stated interest rates for borrowers meeting certain criteria related to performance, volume, collateral and equity requirements.

#### ***Conversion Option***

Generally, a borrower may convert a long-term loan from a variable interest rate to a fixed interest rate at any time without a fee and convert a long-term loan from a fixed rate to another fixed rate or to a variable rate at any time generally subject to a make-whole premium fee.

#### ***Prepayment Option***

Generally, borrowers may prepay long-term fixed-rate loans at any time, subject to payment of an administrative fee and a make-whole premium, and prepay long-term variable-rate loans at any time, subject to payment of an administrative fee. Line of credit loans may be prepaid at any time without a fee.

#### ***Loan Security***

Long-term loans made by CFC typically are senior secured on parity with other secured lenders (primarily RUS), if any, by all assets and revenue of the borrower, subject to standard liens typical in utility mortgages such as those related to taxes, worker's compensation awards, mechanics' and similar liens, rights-of-way and governmental rights. We are able to obtain liens on parity with liens for the benefit of RUS because RUS' form of mortgage expressly provides for other lenders such as CFC to have a parity lien position if the borrower satisfies certain conditions or obtains a written lien accommodation from RUS. When we make loans to borrowers that have existing loans from RUS, we generally require those borrowers to either obtain such a lien accommodation or satisfy the conditions necessary for our loan to be secured on parity under the mortgage with the loan from RUS. As noted above, CFC line of credit loans generally are unsecured.

We provide additional information on our loan programs in the sections "Item 7. MD&A—Consolidated Balance Sheet Analysis," and "Item 7. MD&A—Credit Risk."

### **Guarantee Programs**

When we guarantee our members' debt obligations, we use the same credit policies and monitoring procedures for guarantees as for loans. If a member system defaults in its obligation to pay debt service, then we are obligated to pay any required amounts under our guarantees. Meeting our guarantee obligations satisfies the underlying obligation of our member systems and prevents the exercise of remedies by the guarantee beneficiary based upon a payment default by a member system. The member system is required to repay any amount advanced by us with interest pursuant to the documents evidencing the member system's reimbursement obligation.

### ***Guarantees of Long-Term Tax-Exempt Bonds***

We guarantee debt issued for our members' construction or acquisition of pollution control, solid waste disposal, industrial development and electric distribution facilities. Governmental authorities issue such debt on a nonrecourse basis and the interest thereon is exempt from federal taxation. The proceeds of the offering are made available to the member system, which in turn is obligated to pay the governmental authority amounts sufficient to service the debt.

If a system defaults for failure to make the debt payments and any available debt service reserve funds have been exhausted, we are obligated to pay scheduled debt service under our guarantee. Such payment will prevent the occurrence of an event of payment default that would otherwise permit acceleration of the bond issue. The system is required to repay any amount that we advance pursuant to our guarantee plus interest on that advance. This repayment obligation, together with the interest thereon, is typically senior secured on parity with other lenders (including, in most cases, RUS), by a lien on substantially all of the system's assets. If the security instrument is a common mortgage with RUS, then in general, we may not exercise remedies for up to two years following default. However, if the debt is accelerated under the common mortgage because of a determination that the related interest is not tax-exempt, the system's obligation to reimburse us for any guarantee payments will be treated as a long-term loan. The system is required to pay us initial and/or ongoing guarantee fees in connection with these transactions.

Certain guaranteed long-term debt bears interest at variable rates that are adjusted at intervals of one to 270 days including weekly, every five weeks or semi-annually to a level favorable to their resale or auction at par. If funding sources are available, the member that issued the debt may choose a fixed interest rate on the debt. When the variable rate is reset, holders of variable-rate debt have the right to tender the debt for purchase at par. In some transactions, we have committed to purchase this debt as liquidity provider if it cannot otherwise be re-marketed. If we hold the securities, the member cooperative pays us the interest earned on the bonds or interest calculated based on our short-term variable interest rate, whichever is greater. The system is required to pay us stand-by liquidity fees in connection with these transactions.

### ***Letters of Credit***

In exchange for a fee, we issue irrevocable letters of credit to support members' obligations to energy marketers, other third parties and to the USDA Rural Business-Cooperative Service. Each letter of credit is supported by a reimbursement agreement with the member on whose behalf the letter of credit was issued. In the event a beneficiary draws on a letter of credit, the agreement generally requires the member to reimburse us within one year from the date of the draw, with interest accruing from the draw date at our line of credit variable interest rate.

The U.S. Federal Communications Commission ("FCC") has designated CFC as an acceptable source for letters of credit in support of USDA and FCC programs that encourage deployment of high-speed broadband services throughout rural America. The designation allows CFC to provide credit support for rural electric cooperatives and telecommunication providers that participate in programs designed to increase deployment of broadband services to underserved rural areas.

### ***Other Guarantees***

We may provide other guarantees as requested by our members. Other guarantees are generally unsecured with guarantee fees payable to us.

We provide additional information on our guarantee programs and outstanding guarantee amounts as of May 31, 2021 and 2020 in "Note 13—Guarantees."

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## INVESTMENT POLICY

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We invest funds in accordance with policies adopted by our board of directors. Pursuant to our current investment policy, an Investment Management Committee was established to oversee and administer our investments with the objective of seeking returns consistent with the preservation of principal and maintenance of adequate liquidity. The Investment Management Committee may direct funds to be invested in direct obligations of, or obligations guaranteed by, the United States (“U.S.”) or agencies thereof and investments in government-sponsored enterprises, certain financial institutions in the form of overnight investment products and Eurodollar deposits, bankers’ acceptances, certificates of deposit, working capital acceptances or other deposits. Other permitted investments include highly rated obligations, such as commercial paper, certain obligations of foreign governments, municipal securities, asset-backed securities, mortgage-backed securities and certain corporate bonds. In addition, we may invest in overnight or term repurchase agreements. Investments are denominated in U.S. dollars exclusively. All of these investments are subject to requirements and limitations set forth in our investment policy.

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## INDUSTRY

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### Overview

Our rural electric cooperative members operate in the energy sector, which is one of 16 critical infrastructure sectors identified by the U.S. government because the services provided by each sector, all of which have an impact on other sectors, are deemed as essential in supporting and maintaining the overall functioning of the U.S. economy. Rural electric cooperatives are an integral part of the U.S. electric utility industry, a sub-sector of the energy sector, serving as power providers for approximately 1 in 8 individuals in the U.S., totaling approximately 42 million people, including over 20 million businesses, homes, schools, churches, farms, irrigation systems and other establishments across the U.S. Based on the latest annual data reported by the U.S. Energy Information Administration, a statistical and analytical agency within the U.S. Department of Energy, the electric utility industry had revenue of approximately \$402 billion in 2019, of which approximately 12% was generated by electric cooperatives. For more than 75 years, electric cooperatives have powered local economies across approximately 56% of the nation’s land mass.

CFC was established by electric utility cooperatives to serve as a supplemental financing source to RUS loan programs and to mitigate uncertainty related to government funding. CFC aggregates the combined strength of its rural electric member cooperatives to access the public capital markets and other funding sources. CFC works cooperatively with RUS; however, CFC is not a federal agency or a government-sponsored enterprise. CFC meets the financial needs of its rural electric members by:

- providing financing to RUS-eligible rural electric utility systems for infrastructure, including for those facilities that are not eligible for financing from RUS;
- providing bridge loans required by borrowers in anticipation of receiving RUS funding;
- providing financial products not otherwise available from RUS, including lines of credit, letters of credit, guarantees on tax-exempt financing, weather-related emergency lines of credit, unsecured loans and investment products such as commercial paper, select notes, medium-term notes and member capital securities; and
- meeting the financing needs of those rural electric systems that repay or prepay their RUS loans and replace the government loans with private capital.

### Electric Member Operating Environment

In general, electric cooperatives have not been significantly impacted by the effects of retail deregulation. There were 19 states that had adopted programs that allow consumers to choose their supplier of electricity as of May 31, 2021. Depending on the state, the choices can range from being limited to commercial and industrial consumers to “retail choice” for all consumers. In most states, cooperatives have been exempted from or have been allowed to opt out of the regulations allowing for competition. In states offering retail competition, it is important to note that while consumers may be able to

choose their energy supplier, the electric utility still receives compensation for the necessary service of delivering electricity to consumers through its utility transmission and distribution plant.

The electric utility industry is facing a potential decrease to kilowatt-hour sales due to technology advances that increase energy efficiency of all appliances and devices used in the home and in businesses as well as from distributed generation in the form of rooftop solar and home generators (“behind-the-meter generation”). Electric cooperatives are facing the same issues, but in general to a lesser extent than investor-owned power systems. To date, we have not seen negative impacts in the electric cooperative financial results due to behind-the-meter generation.

Electric cooperatives have options to mitigate the impact of such issues, such as rate structures to ensure that costs are appropriately recovered for grid and other necessary ancillary services and the use of electricity for end-uses that would otherwise be powered by fossil fuels where doing so reduces emissions and saves consumers money (“beneficial electrification”). The push away from fossil fuel use may continue the trend toward beneficial electrification such as the adoption of electric vehicles, which may increase kilowatt-hour sales to many utilities. Beneficial electrification may also improve the utilities’ ability to balance load profiles by leveraging and balancing consumer and system assets such as electric vehicles and battery storage.

### **Facilitation of Rural Broadband Expansion by Electric Cooperatives**

Many electric cooperatives are making investments in fiber to support core electric plant communications. Some of these electric cooperatives are leveraging these fiber assets to offer broadband services, either directly or through partnering with local telecommunication companies and others. Over 30 electric cooperatives were awarded approximately \$250 million in federal funding through the Connect America Fund Phase II auction (“CAF II”) process by the FCC that was held in 2018. The awarded funds are being distributed over a 10-year period. More than 190 electric cooperatives, many of which are already offering or building out projects, were awarded approximately \$1.6 billion through the FCC’s Rural Development Opportunity Fund (“RDOF”). Those funds also will be distributed over a 10-year period. As federal and state governments increase funding opportunities for electric cooperatives in order to offer broadband services, we will continue to increase our credit support, which may include loans and/or letters of credit, to borrowers who participate in CAF II, RDOF and other programs designed to increase broadband services in rural areas. Loans outstanding to our members related to the construction and operation of broadband services totaled approximately \$854 million as of May 31, 2021.

### **Regulatory Oversight of Electric Cooperatives**

There are 11 states in which some or all electric cooperatives are subject to state regulatory oversight of their rates and tariffs by state utility commissions and do not have a right to opt out of regulation. Those states are Arizona, Arkansas, Hawaii, Kentucky, Louisiana, Maine, Maryland, New Mexico, Vermont, Virginia and West Virginia. Regulatory jurisdiction by state commissions generally includes rate and tariff regulation, the issuance of securities and the enforcement of service territory as provided for by state law.

The Federal Energy Regulatory Commission (“FERC”) has regulatory authority over three aspects of electric power, as provided for under Parts II and III of the Federal Power Act (“FPA”):

- the transmission of electric energy in interstate commerce;
- the sale of electric energy at wholesale in interstate commerce; and
- the approval and enforcement of reliability standards affecting all users, owners and operators of the bulk power system.

In addition, FERC regulates the issuance of securities by public utilities under the FPA in the event the applicable state commission does not.

Our electric distribution and power supply members are subject to regulation by various federal, regional, state and local authorities with respect to the environmental effects of their operations. At the federal level, the U.S. Environmental Protection Agency (“EPA”) from time to time proposes rulemakings that could force the electric utility industry to incur capital costs to comply with potential new regulations and possibly retire coal-fired generating capacity. Since there are only 11 states in which some or all electric cooperatives are subject to state regulatory oversight of their rates and tariffs, in most cases any associated costs of compliance can be passed on to cooperative consumers without additional regulatory approval.

On June 19, 2019, the EPA issued the final Affordable Clean Energy (“ACE”) rule. Falling under Section 111(d) of the Federal Clean Air Act, the ACE rule addresses existing sources of emissions and sets a framework under which states should develop plans establishing standards of performance for their existing emissions sources and then submit those plans to the EPA for approval. States will have three years from the date of the final rule to prepare and submit a plan that establishes a standard of performance. A coalition of 23 states, several local governments and several environmental organizations filed a lawsuit against the EPA challenging the ACE rule in the U.S. Court of Appeals for the D.C. Circuit. On January 19, 2021, the court vacated the ACE rule and directed the EPA to consider the greenhouse gas standards. A petition for certiorari has been filed with the U.S. Supreme Court.

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## **LENDING COMPETITION**

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### **Overview**

RUS is the largest lender to electric cooperatives, providing them with long-term secured loans. CFC provides financial products and services to its members, primarily in the form of long-term secured and short-term unsecured loans, to supplement RUS financing, to provide loans to members that have elected not to borrow from RUS, and to bridge long-term financing provided by RUS. We also offer other financing options, such as credit support in the form of letters of credit and guarantees, loan syndications and loan participations. Our credit products are tailored to meet the specific needs of each borrower, and we often offer specific transaction structures that our competitors do not provide. CFC also offers certain risk-mitigation products and interest rate discounts on secured, long-term loans for its members that meet performance, volume, collateral and equity requirements.

### **Primary Lending Competitors**

CFC’s primary competitor is CoBank, ACB a federally chartered instrumentality of the U.S. that is a member of the Farm Credit System. CFC also competes with banks, other financial institutions and the capital markets to provide loans and other financial products to our members. As a result, we are competing with the customer service, pricing and funding options our members are able to obtain from these sources. We attempt to minimize the effect of competition by offering a variety of loan options and value-added services and by leveraging the working relationships developed with the majority of our members over the past 52 years. Further, on an annual basis, we allocate substantially all net earnings to members (i) in the form of patronage capital, which reduces our members’ effective cost of borrowing, and (ii) through the members’ capital reserve. The value-added services that we provide include, but are not limited to, benchmarking tools, financial models, publications and various conferences, meetings and training workshops.

We are not able to specifically identify the amount of debt our members have outstanding to CoBank, ACB from either the annual financial and statistical reports our members file with us or from CoBank, ACB’s public disclosure; however, we believe CoBank, ACB is the additional lender, along with CFC and RUS, with significant long-term debt outstanding to rural electric cooperatives.

### **Rural Electric Lending Market**

Most of our rural electric borrowers are non-for-profit, private companies owned by the members they serve. As such, there is limited publicly available information to accurately determine the overall size of the rural electric lending market. We utilize the annual financial and statistical reports submitted to us by our members to estimate the overall size of the rural electric lending market. The substantial majority of our members have a fiscal year-end that corresponds with the calendar year-end. Therefore, the annual information we use to estimate the size of the rural electric market is typically based on the calendar year-end rather than CFC’s fiscal year-end.

Based on financial data submitted to us by our electric utility members, we present the long-term debt outstanding to CFC by member class, RUS and other lenders in the electric cooperative industry as of December 31, 2020 and 2019 in the table below. The data presented as of December 31, 2020, were based on information reported by 811 distribution systems and 52 power supply systems. The data presented as of December 31, 2019, were based on information reported by 800 distribution systems and 53 power supply systems.

(Dollars in thousands)	December 31,			
	2020		2019	
	Debt Outstanding	% of Total	Debt Outstanding	% of Total
<b>Total long-term debt reported by members:<sup>(1)</sup></b>				
Distribution.....	\$ 52,274,309		\$ 49,976,016	
Power supply.....	44,830,704		43,958,889	
Less: Long-term debt funded by RUS.....	(39,660,041)		(39,214,146)	
Members' non-RUS long-term debt.....	<u>\$ 57,444,972</u>		<u>\$ 54,720,759</u>	
<b>Funding sources of members' long-term debt:</b>				
Long-term debt funded by CFC by member class:				
Distribution.....	\$ 20,382,616	36 %	\$ 19,540,233	36 %
Power supply.....	4,723,956	8	4,398,516	8
Long-term debt funded by CFC.....	<u>25,106,572</u>	<u>44</u>	<u>23,938,749</u>	<u>44</u>
Long-term debt funded by other lenders.....	<u>32,338,400</u>	<u>56</u>	<u>30,782,010</u>	<u>56</u>
Members' non-RUS long-term debt.....	<u>\$ 57,444,972</u>	<u>100 %</u>	<u>\$ 54,720,759</u>	<u>100 %</u>

<sup>(1)</sup> Reported amounts are based on member-provided financial information, which may not have been subject to audit by an independent accounting firm.

While we believe our estimates of the overall size of the rural electric lending market serve as a useful tool in gauging the size of this lending sector, they should be viewed as estimates rather than precise measures as there are certain limitations in our estimation methodology, including, but not limited to, the following:

- Although certain underlying data included in the financial and statistical reports provided to us by members may have been audited by an independent accounting firm, our accumulation of the data from these reports has not been subject to a review for accuracy by an independent accounting firm.
- The data presented is not necessarily inclusive of all members because in some cases our receipt of annual member financial and statistical reports may be delayed and not received in a timely manner to incorporate into our market estimates.
- The financial and statistical reports submitted by members include information on indebtedness to RUS, but the reports do not include comprehensive data on indebtedness to other lenders and are not on a consolidated basis.

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## REGULATION

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### General

CFC, NCSC and RTFC are not subject to direct federal regulatory oversight or supervision with regard to lending. CFC, NCSC and RTFC are subject to state and local jurisdiction commercial lending and tax laws that pertain to business conducted in each state, including but not limited to lending laws, usury laws and laws governing mortgages. These state and local laws regulate the manner in which we make loans and conduct other types of transactions. The statutes, regulations and policies to which the companies are subject may change at any time. In addition, the interpretation and application by regulators of the laws and regulations to which we are subject may change from time to time. Certain of our contractual arrangements, such as those pertaining to funding obtained through the Guaranteed Underwriter Program, provide for the Federal Financing Bank and RUS to periodically review and assess CFC's compliance with program terms and conditions.

### Derivatives Regulation

CFC engages in over-the-counter ("OTC") derivative transactions to manage interest rate risk. As an end user of derivative financial instruments, CFC is subject to regulations that apply to derivatives generally. The Dodd-Frank Act ("DFA"), enacted July 2010, resulted in, among other things, comprehensive regulation of the OTC derivatives market. The DFA



provides for an extensive framework for the regulation of OTC derivatives, including mandatory clearing, exchange trading and transaction reporting of certain OTC derivatives. Subsequent to the enactment of the DFA, the U.S. Commodity Futures Trading Commission (“CFTC”) issued a final rule, “Clearing Exemption for Certain Swaps Entered into by Cooperatives,” which created an exemption from mandatory clearing for cooperatives. The CFTC’s final rule, “Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants,” includes an exemption from margin requirements for uncleared swaps for cooperatives that are financial end users. CFC is an exempt cooperative end user of derivative financial instruments and does not participate in the derivatives markets for speculative, trading or investing purposes and does not make a market in derivatives.

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## **HUMAN CAPITAL MANAGEMENT**

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CFC’s success in providing industry expertise and responsive service to meet the needs of our members across the U.S. is dependent on the quality of service provided by our employees and their relationships with our members. We therefore strive to align our human resource policies and staffing strategy with our member-focused mission and core values of service, integrity and excellence. Our staffing objectives are (i) to attract, develop and retain a highly qualified workforce, with diverse backgrounds and experience in multiple areas whose skills and strengths are consistent with CFC’s mission, and (ii) to create an engaged, inclusive and collaborative work culture, which we believe are both critical in delivering exceptional service to our members. Because much of our business operations involves significant member-facing interaction with a relatively stable base of long-standing member borrowers, we place a priority on the retention of high-performing employees who have extensive, in-depth experience serving the needs of our members. Over the last four fiscal years, our voluntary turnover rate has remained at or below 10%, which is lower than the annual voluntary separation rates reported by the U.S. Bureau of Labor Statistics for the financial activities industry sector for this period. We had 248 and 253 employees as of May 31, 2021 and 2020, respectively, all of which were located in the U.S. The slight decrease in the number of employees during fiscal year 2021 was primarily due to natural attrition.

Because attracting, developing and retaining high-level talent is a key component of our human capital objectives, we seek to provide competitive compensation and benefits packages. In establishing base salary amounts, we take into account market and industry competitive data. We encourage regular, ongoing employee performance feedback and conduct annual performance reviews of each employee, which are intended to evaluate individual performance, achievements and contributions to the company, identify development opportunities and serve as a basis for awarding annual merit increases. In addition to base salary amounts, we offer annual incentive bonus plan opportunities that are based on attainment of a scorecard of targeted corporate goals established at the beginning of each fiscal year. Attainment of each of the annual scorecard goals requires the collective engagement and effort of employees across the company, which we believe incentivizes employees to work together across teams and fosters an overall collaborative working environment.

We place a high priority on the health and wellness of our employees. We therefore offer various programs intended to promote the physical, mental and financial well-being of employees. Our benefits offerings include vacation and leave programs; health, dental, vision, life and disability insurance coverage; and flexible spending and health savings plans, most of which are funded in whole or in part by CFC. We make investments in the future financial security of our employees by offering retirement plans that consist of a 401(k) plan with a company match component and an employer-funded defined benefit retirement plan in which CFC makes an annual contribution in an amount that approximates 17% of each employee’s base salary, which we believe helps in our efforts to engage employees, retain high-performing employees and reduce turnover. We also offer programs and resources intended to promote work-life balance, assist in navigating life events and improve employee well-being, such as flexible work schedules, remote work options, an employee assistance program, legal insurance and identity theft coverage services.

As part of our efforts to promote an engaged, inclusive and collaborative workplace culture, we encourage employees to expand their capabilities and enhance their career potential through employer-funded onsite training, external training, tuition assistance and professional events. In fiscal year 2021, CFC employees completed more than 3,632 training hours through our internal corporate training classes and resources as well as through our support of employees’ enrollment in external professional training opportunities. We seek to tailor our training programs to evolving events and employee interests. Examples of training programs offered in the reporting period include Unconscious Bias & Allyship, Inclusive Leadership, Leading Virtual Teams, Personal Finance and Adapting to Change. We also support employee development

though a company-sponsored Toastmasters chapter, guest speakers from cooperative partners and staff trips to local electric cooperatives to allow new employees to learn first-hand how their efforts contribute to our members' success.

The onset of the COVID-19 pandemic in March 2020 introduced numerous, unprecedented challenges. Our priorities during the COVID-19 pandemic, which continues to persist, have been to protect the health and safety of our employees while also ensuring that we are able to meet the needs of our electric cooperative borrowers as they operate in a sector that provides an essential service to residential and commercial customers. We responded promptly to these challenges, taking a number of precautionary steps to safeguard our business operations and employees, including, but not limited to, implementing remote work arrangements, limiting employee travel and in-person meetings, providing flexible work schedules to accommodate school and childcare challenges and offering training to help our employees adapt to the changes in our work environment.

In July 2021, following the expiration on June 30, 2021 of the state of emergency declared in March 2020 by Virginia's governor in response to the pandemic and the lifting of all COVID-19 restrictions in Virginia, subject to certain exceptions, we brought 100% of our staff back to CFC's corporate headquarters building, which continues to adhere to the COVID-19 workplace safety and health standards established by Virginia and guidance provided by the CDC. While we have been able to maintain business continuity throughout the pandemic and experienced no pandemic-related employee furloughs or layoffs, we believe we can provide the highest quality of service and deliver more effectively on our member-focused mission, which requires a significant number of member-facing staff working collaboratively with other staff, by resuming full-time, in-office work.

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## AVAILABLE INFORMATION

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Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to these reports, are available for free at [www.nrucfc.coop](http://www.nrucfc.coop) as soon as reasonably practicable after they are electronically filed with or furnished to the U.S. Securities and Exchange Commission ("SEC"). These reports also are available for free on the SEC's website at [www.sec.gov](http://www.sec.gov). Information posted on our website is not incorporated by reference into this Form 10-K.

### Item 1A. Risk Factors

Our financial condition, results of operations and liquidity are subject to various risks and uncertainties, some of which are inherent in the financial services industry and others of which are more specific to our own business. The discussion below addresses the most significant risks, of which we are currently aware, that could have a material adverse impact on our business, financial condition, results of operations or liquidity. However, other risks and uncertainties, including those not currently known to us, could also negatively impact our business, financial condition, results of operations and liquidity. Therefore, the following should not be considered a complete discussion of all the risks and uncertainties we may face. For information on how we manage our key risks, see "Item 7. MD&A—Risk Management." You should consider the following risks together with all of the other information in this report.

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## RISK FACTORS

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### Credit Risks

*We are subject to credit risk that a borrower or other counterparty may not be able to meet its contractual obligations in accordance with agreed-upon terms, which could have a material adverse effect on our financial condition, results of operations and liquidity. Because we lend primarily to U.S. rural electric utility systems, we also are inherently subject to single-industry and single-obligor concentration risks.*

As a lender, our primary credit risk arises from the extension of credit to borrowers. Our loan portfolio, which represents the largest component of assets on our balance sheet, accounts for the substantial majority of our credit risk exposure. Loans outstanding to electric utility organizations represented approximately 99% of our total loans outstanding as of May 31, 2021. We had 892 borrowers with loans outstanding as of May 31, 2021, and our 20 largest borrowers accounted for 22% of total loans outstanding as of May 31, 2021. The largest total exposure to a single borrower or controlled group represented less than 2% of total loans outstanding as of May 31, 2021. Texas historically has had the largest number of borrowers with

loans outstanding and the largest loan concentration in any one state. Loans outstanding to Texas borrowers represented 17% of total loans outstanding as of May 31, 2021.

We face the risk that the principal of, or interest on, a loan will not be paid timely or at all or that the value of any underlying collateral securing a loan will be insufficient to cover our outstanding exposure. A deterioration in the financial condition of a borrower or underlying collateral could impair the ability of a borrower to repay a loan or our ability to recover unpaid amounts from the underlying collateral. We maintain an internal risk rating system in which we assign a rating to each borrower and credit facility that are intended to reflect the ability of a borrower to repay its obligations and assess the probability of default. Unforeseen events and developments that affect specific borrowers or that occur in a region where we have a high concentration of credit risk, such as the February 2021 polar vortex, may result in significant risk rating downgrades. Such an event may result in an increase in delinquent, nonperforming and criticized loans and net charge-offs and an increase in our credit risk.

We establish an allowance for credit losses for estimated expected credit losses in our loan portfolio. Because the process for determining our allowance for credit losses requires significant, complex judgments about the ability of borrowers to repay their loans, we identified the estimation of our allowance for credit losses as a critical accounting policy. Our borrower risk ratings are a key input in establishing our allowance for credit losses. Therefore, the deterioration in the financial condition of a borrower may result in a significant increase in our allowance for credit losses and provision for credit losses and may have a material adverse impact on our results of operations, financial condition and liquidity. In addition, we might underestimate expected credit losses and have credit losses in excess of the established allowance for credit losses if we fail to timely identify a deterioration in a borrower's financial condition or due to other factors, such as if the methodology and process we use in assigning risk ratings and making judgments in extending credit to our borrowers does not accurately capture the level of our credit risk exposure or our historical loss experience proves to be not indicative of our expected future losses.

***Adverse changes, developments or uncertainties in the rural electric utility industry could adversely impact the operations or financial performance of our member electric cooperatives, which, in turn, could have an adverse impact on our financial results.***

Our focus as a member-owned finance cooperative is on lending to our rural member electric utility cooperatives, which is the primary source of our revenue. As a result of lending primarily to our members, we have a loan portfolio with single-industry concentration. Loans to rural electric utility cooperatives accounted for approximately 99% of our total loans outstanding as of May 31, 2021. While we historically have experienced limited defaults and very low credit losses in our electric utility loan portfolio, factors that may have a negative impact on the operations of our member rural electric cooperatives include but are not limited to, the price and availability of distributed energy resources, regulatory or compliance factors related to managing greenhouse gas emissions (including the potential for stranded assets) and extreme weather conditions related to climate change. The factors listed above, individually or in combination, could result in declining sales or increased power supply and operating costs and could potentially cause a deterioration in the financial performance of our members and the value of the collateral securing their loans. This could impair their ability to repay us in accordance with the terms of their loans. In such case, it may be necessary to increase our allowance for credit losses, which would result in an increase in the provision for credit losses and a decrease in our net income.

***Advances in technology may change the way electricity is generated and transmitted, which could adversely affect the business operations of our members and negatively impact the credit quality of our loan portfolio and financial results.***

Advances in technology could reduce demand for power supply systems and distribution services. The development of alternative technologies that produce electricity, including solar cells, wind power and microturbines, has expanded and could ultimately provide affordable alternative sources of electricity and permit end users to adopt distributed generation systems that would allow them to generate electricity for their own use. As these and other technologies, including energy conservation measures, are created, developed and improved, the quantity and frequency of electricity usage by rural customers could decline. Advances in technology and conservation that cause our electric system members' power supply, transmission and/or distribution facilities to become obsolete prior to the maturity of loans secured by these assets could have an adverse impact on the ability of our members to repay such loans, which could result in an increase in nonperforming or restructured loans. These conditions could negatively impact the credit quality of our loan portfolio and financial results.

***We may obtain entities or other assets through foreclosure, which would subject us to the same performance and financial risks as any other owner or operator of similar businesses or assets.***

As a financial institution, from time to time we may obtain entities and assets of borrowers in default through foreclosure proceedings. If we become the owner and operator of entities or assets obtained through foreclosure, we are subject to the same performance and financial risks as any other owner or operator of similar assets or entities. In particular, the value of the foreclosed assets or entities may deteriorate and have a negative impact on our results of operations. We assess foreclosed assets, if any, for impairment periodically as required under generally accepted accounting principles in the U.S. (“U.S. GAAP.”) Impairment charges, if required, represent a reduction to earnings in the period of the charge. There may be substantial judgment used in the determination of whether such assets are impaired and in the calculation of the amount of the impairment. In addition, when foreclosed assets are sold to a third party, the sale price we receive may be below the amount previously recorded in our financial statements, which will result in a loss being recorded in the period of the sale.

***The nonperformance of our derivative counterparties could impair our financial results.***

We use interest rate swaps to manage our interest rate risk. There is a risk that the counterparties to these agreements will not perform as agreed, which could adversely affect our results of operations. The nonperformance of a counterparty on an agreement would result in the derivative no longer being an effective risk-management tool, which could negatively affect our overall interest rate risk position. In addition, if a counterparty fails to perform on our derivative obligation, we could incur a financial loss to replace the derivative with another counterparty and/or a loss through the failure of the counterparty to pay us amounts owed. We were in a net payable position for all of our interest rate swaps, after taking into consideration master netting agreements, of \$464 million as of May 31, 2021.

***A decline in our credit rating could trigger payments under our derivative agreements, which could impair our financial results.***

We have certain interest rate swaps that contain credit risk-related contingent features referred to as rating triggers. Under certain rating triggers, if the credit rating for either counterparty falls to the level specified in the agreement, the other counterparty may, but is not obligated to, terminate the agreement. If either counterparty terminates the agreement, a net payment may be due from one counterparty to the other based on the prevailing fair value, excluding credit risk, of the underlying derivative instrument. These rating triggers are based on our senior unsecured credit ratings by Moody’s Investors Service (“Moody’s”) and S&P Global Inc. (“S&P”). Based on our interest rate swap agreements subject to rating triggers, if all agreements for which we owe amounts were terminated as of May 31, 2021 and our senior unsecured ratings fell below Baa2 by Moody’s or below BBB by S&P, we would have been required to make a payment of up to \$328 million as of that date. In addition, if our senior unsecured ratings fell below Baa3 by Moody’s, below BBB- by S&P or below BBB- by Fitch Ratings Inc. (“Fitch”), we would have been required to make a payment of up to \$22 million as of that date. In calculating the required payments, we only consider agreements that, when netted for each counterparty pursuant to a master netting agreement, would require a payment upon termination. In the event that we are required to make a payment as a result of a rating trigger, it could have a material adverse impact on our financial results.

## **Liquidity Risks**

***If we are unable to access the capital markets or other external sources for funding, our liquidity position may be negatively affected and we may not have sufficient funds to meet all of our financial obligations as they become due.***

We depend on access to the capital markets and other sources of financing, such as our investment portfolio, repurchase agreements, bank revolving credit agreements, investments from our members, private debt issuances through Farmer Mac and through the Guaranteed Underwriter Program, to fund new loan advances and refinance our long- and short-term debt and, if necessary, to fulfill our obligations under our guarantee and repurchase agreements. Market disruptions, downgrades to our long-term and/or short-term debt ratings, adverse changes in our business or performance, downturns in the electric industry and other events over which we have no control may deny or limit our access to the capital markets and/or subject us to higher costs for such funding. Our access to other sources of funding also could be limited by the same factors, by adverse changes in the business or performance of our members, by the banks committed to our revolving credit agreements or Farmer Mac, or by changes in federal law or the Guaranteed Underwriter Program. Our funding needs are determined primarily by scheduled short- and long-term debt maturities and the amount of our loan advances to our borrowers relative to the scheduled payment amortization of loans previously made by us. If we are unable to timely issue debt into the capital markets or obtain funding from other sources, we may not have the funds to meet all of our obligations as they become due.

***A reduction in the credit ratings for our debt could adversely affect our liquidity and/or cost of debt.***

Our credit ratings are important to maintaining our liquidity position. We currently contract with three nationally recognized statistical rating organizations to receive ratings for our secured and unsecured debt and our commercial paper. In order to access the commercial paper markets at current levels, we believe that we need to maintain our current ratings for commercial paper of P-1 from Moody's, A-2 from S&P and F1 from Fitch. Changes in rating agencies' rating methodology, actions by governmental entities or others, losses from individually evaluated loans and other factors could adversely affect the credit ratings on our debt. A reduction in our credit ratings could adversely affect our liquidity and competitive position, increase our borrowing costs or limit our access to the capital markets and the sources of financing available to us. A significant increase in our cost of borrowings and interest expense could cause us to sustain losses or impair our liquidity by requiring us to seek other sources of financing, which may be difficult to obtain.

***Our ability to maintain compliance with the covenants related to our revolving credit agreements, collateral trust bond and medium-term note indentures and debt agreements could affect our ability to retire patronage capital, result in the acceleration of the repayment of certain debt obligations, adversely impact our credit ratings and hinder our ability to obtain financing.***

We must maintain compliance with all covenants and conditions related to our revolving credit agreements and debt indentures. We are required to maintain a minimum average adjusted times interest earned ratio ("adjusted TIER") for the six most recent fiscal quarters of 1.025 and an adjusted leverage ratio of no more than 10-to-1. In addition, we must maintain loans pledged as collateral for various debt issuances at or below 150% of the related secured debt outstanding as a condition to borrowing under our revolving credit agreements. If we were unable to borrow under the revolving credit agreements, our short-term debt ratings would likely decline, and our ability to issue commercial paper could become significantly impaired. Our revolving credit agreements also require that we earn a minimum annual adjusted TIER of 1.05 in order to retire patronage capital to members. See "Item 7. MD&A—Non-GAAP Financial Measures" for additional information on our adjusted measures and a reconciliation to the most comparable U.S. GAAP measures.

Pursuant to our collateral trust bond indentures, we are required to maintain eligible pledged collateral at least equal to 100% of the principal amount of the bonds issued under the indenture. Pursuant to one of our collateral trust bond indentures and our medium-term note indenture, we are required to limit senior indebtedness to 20 times the sum of our members' equity, subordinated deferrable debt and members' subordinated certificates. If we were in default under our collateral trust bond or medium-term note indentures, the existing holders of these securities have the right to accelerate the repayment of the full amount of the outstanding debt of the security before the stated maturity of such debt. That acceleration of debt repayments poses a significant liquidity risk, as we might not have enough cash or committed credit available to repay the debt. In addition, if we are not in compliance with the collateral trust bond and medium-term note covenants, we would be unable to issue new debt securities under such indentures. If we were unable to issue new collateral trust bonds and medium-term notes, our ability to fund new loan advances and refinance maturing debt would be impaired.

We are required to pledge eligible distribution system or power supply system loans as collateral equal to at least 100% of the outstanding balance of debt issued under a revolving note purchase agreement with Farmer Mac. We also are required to pledge distribution or power supply loans as collateral equal to at least 100% of the outstanding balance of debt under the Guaranteed Underwriter Program. Collateral coverage less than 100% for either of these debt programs constitutes an event of default, which if not cured within 30 days, could result in creditors accelerating the repayment of the outstanding debt principal before the stated maturity. An acceleration of the repayment of debt could pose a liquidity risk if we had insufficient cash or committed credit available to repay the debt. In addition, we would be unable to issue new debt securities under the applicable debt agreement, which could impair our ability to fund new loan advances and refinance maturing debt.

## **Market Risks**

***Changes in the level and direction of interest rates or our ability to successfully manage interest rate risk could adversely affect our financial results and condition.***

Our primary strategies for managing interest rate risk include the use of derivatives in order to manage the difference between interest-earning assets and interest-bearing liabilities. We face the risk that changes in interest rates could reduce our net interest income and our earnings, especially if actual conditions turn out to be materially different than those we assumed. Fluctuations in interest rates, including changes in the relationship between short-term rates and long-term rates

may affect the pricing of loans to borrowers and our cost of funds, which could adversely affect the difference between the interest that we earn on assets and the interest we pay on liabilities used to fund assets. Such changes may also result in increased costs to hedge existing interest rate risk which may have an adverse impact on the net interest income, earnings and cash flows. See “Item 7. MD&A—Market Risk” for additional information.

***The uncertainty as to the nature of potential changes or other reforms in the London Interbank Offered Rate (“LIBOR”) benchmark interest rate may adversely affect our financial condition and results of operations.***

We have loans, derivative contracts, debt securities and other financial instruments with attributes that are either directly or indirectly dependent on LIBOR. In 2017, the United Kingdom’s Financial Conduct Authority (“FCA”), which regulates LIBOR, announced that the FCA intends to stop persuading or compelling banks to submit the rates required to calculate LIBOR after December 31, 2021. In November 2020, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation issued a joint statement encouraging financial institutions to cease entering into new contracts that use U.S. dollar-denominated (“USD”) LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021, in order to facilitate an orderly, safe and sound LIBOR transition. The joint statement indicated that new contracts entered into before December 31, 2021 should either utilize a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after LIBOR’s discontinuation. In March 2021, the FCA and the Intercontinental Exchange (“ICE”) Benchmark Administration, the administrator for LIBOR, concurrently confirmed the intention to stop requesting banks to submit the rates required to calculate LIBOR after December 31, 2021 for one-week and two-month LIBOR and June 30, 2023 for all remaining LIBOR tenors.

Regulators and various financial industry groups have sponsored or formed committees (e.g., the Federal Reserve-sponsored Alternative Reference Rates Committee (“ARRC”) to, among other things, facilitate the identification of an alternative benchmark index to replace LIBOR, and publish consultations on recommended practices for transitioning away from LIBOR, including (i) the utilization of recommended fallback language for LIBOR-linked financial instruments, and (ii) development of alternative pricing methodologies for recommended alternative benchmarks such as the Secured Overnight Financing Rate (“SOFR”). SOFR is a measure of the cost of borrowing cash overnight, collateralized by U.S. Treasury securities, and is based on directly observable U.S. Treasury-based repurchase transactions. While the ARRC has selected SOFR as its recommended alternative to U.S. dollar LIBOR, other replacement rates have emerged as alternatives, including, but not limited to the Bloomberg Short-Term Bank Yield Index (“BSBY”). At this time, there is no consensus as to whether SOFR, BSBY or another rate will become acceptable alternatives to LIBOR. We are not able to predict how SOFR, BSBY or an alternate rate will perform in comparison to LIBOR in response to changing market conditions, what the effect of such rate’s implementation may be on the markets for floating-rate financial instruments or whether such rates will be vulnerable to manipulation.

The replacement of LIBOR creates operational and market risks. We will continue to assess all of our contracts and financial instruments that are directly or indirectly dependent on LIBOR to determine what impact the replacement of LIBOR will have on us. Uncertainty as to the nature of such potential changes or other reforms may adversely affect our financial condition and results of operations.

## **Operations and Business Risks**

***Breaches of our information technology systems, or those managed by third parties, may damage relationships with our members or subject us to reputational, financial, legal or operational consequences.***

Cyber-related attacks pose a risk to the security of our members’ strategic business information and the confidentiality and integrity of our data, which include strategic and proprietary information. Security breaches may occur through the actions of third parties, employee error, malfeasance, technology failures or other irregularities. Any such breach or unauthorized access could result in a loss of this information, a loss of integrity of this information, a delay or inability to provide service of affected products, damage to our reputation, including a loss of confidence in the security of our products and services, and significant legal and financial exposure. Because the techniques used to obtain unauthorized access, disable or degrade service or sabotage systems change frequently, we may be unable to anticipate these techniques or implement adequate preventative measures. As a result, cyber-related attacks may remain undetected for an extended period and may be costly to remediate.

Our business depends on the reliable and secure operation of computer systems, network infrastructure and other information technology managed by third parties including, but not limited to, our service providers for external storage and processing of our information on cloud-based systems; our consulting and advisory firms and contractors that have access to our confidential and proprietary data; and administrators for our employee payroll and benefits management. We have limited control and visibility over third-party systems that we rely on for our business. The occurrence of a cyber-related attack, breach, unauthorized access or other cybersecurity event could result in damage to our third parties' operations. The failure of third parties to provide services agreed upon through service-level agreements, whether as a result of the occurrence of a cyber-related attack or other event, could result in the loss of access to our data, the loss of integrity of our data, disruptions to our corporate functions, loss of business opportunities or reputational damage, or otherwise adversely impact our financial results and cause significant costs and liabilities.

While CFC maintains insurance coverage that, subject to policy terms and conditions, covers certain aspects of cyber risks, including business interruptions caused by cyber-related attacks on information technology systems managed by third parties, such insurance coverage may be insufficient to cover all losses. Our failure to comply with applicable laws and regulations regarding data security and privacy could result in fines, sanctions and litigation. Additionally, new regulation in the areas of data security and privacy may increase our costs and our members' costs.

***Our elected directors also serve as officers or directors of certain of our individual member cooperatives, which may result in a potential conflict of interest with respect to loans, guarantees and extensions of credit that we may make to or on behalf of such member cooperatives.***

In accordance with our charter documents and the purpose for which we were formed, we lend only to our members and associates. CFC's directors are elected or appointed from our membership, with 10 director positions filled by directors of members, 10 director positions filled by general managers or chief executive officers of members, two positions appointed by NRECA and one at-large position that must, among other things, be a director, financial officer, general manager or chief executive of one of our members. CFC currently has loans outstanding to members that are affiliated with CFC directors and may periodically extend new loans to such members. The relationship of CFC's directors to our members may give rise to conflicts of interests from time to time. See "Item 13. Certain Relationships and Related Transactions, and Director Independence—Review and Approval of Transactions with Related Persons" for a description of our policies with regard to approval of loans to members affiliated with CFC directors.

***Natural or man-made disasters, including widespread health emergencies such as the COVID-19 pandemic, or other similar external events beyond our control, could disrupt our business and adversely affect our results of operations and financial condition.***

Our operations may be subject to disruption due to the occurrence of natural disasters, acts of terrorism or war, public health emergencies, such as the ongoing COVID-19 pandemic, or other unexpected or disastrous conditions, events or emergencies beyond our control, some of which may be intensified by the effects of a government response to the event, or climate change and changing weather patterns.

COVID-19 resulted in the declaration of the COVID-19 outbreak as a pandemic by the World Health Organization and has caused significant economic and financial turmoil both in the U.S. and around the world. In early July 2021, pursuant to the lifting of restrictions in the Commonwealth of Virginia where our headquarters are located, we implemented a policy that required 100% of employees that work at headquarters to return to the office full-time subject to certain exceptions. While most states have allowed all businesses to resume operations at normal capacity, there continues to be uncertainty regarding the manner and timing in which all businesses will return to all of their business operations. If federal, state or local authorities impose new or additional restrictions in response to COVID-19 variants, such actions could disrupt the business, activities and operations of our members, as well our business and operations.

There is significant uncertainty about the duration and severity of the COVID-19 pandemic. The effect of the recent surge in COVID-19 variants in the U.S. and certain measures that may be taken by federal, state and local governments, in the U.S. to contain the spread, could adversely impact our business, results of operations and financial condition. The extent to which the COVID-19 pandemic impacts us will depend on future developments that are highly uncertain and cannot be predicted including, but not limited to, the duration and spread of the pandemic, its severity, actions taken to contain COVID-19 and mitigate its effects, and how quickly and to what extent normal economic and operating conditions resume.

Although we have implemented a business continuity management program that we enhance on an ongoing basis, there can be no assurance that the program will adequately mitigate the risks of business disruptions. Further, events such as natural disasters and public health emergencies may divert our attention away from normal operations and limit necessary resources. We generally must resume operations promptly following any interruption. If we were to suffer a disruption or interruption and were not able to resume normal operations within a period consistent with industry standards, our business, financial condition or results of operations could be adversely affected in a material manner. In addition, depending on the nature and duration of the disruption or interruption, we might become vulnerable to fraud, additional expense or other losses, or to a loss of business.

***Competition from other lenders could adversely impact our financial results.***

We compete with other lenders for the portion of the rural utility loan demand for which RUS will not lend and for loans to members that have elected not to borrow from RUS. The primary competition for the non-RUS loan volume is from CoBank, ACB, a federally chartered instrumentality of the U.S. that is a member of the Farm Credit System. As a government-sponsored enterprise, CoBank, ACB has the benefit of an implied government guarantee with respect to its funding. Competition may limit our ability to raise rates to adequately cover increases in costs, which could have an adverse impact on our results of operations, and increasing interest rates to cover costs could cause a reduction in new lending business.

**Regulatory and Compliance Risks**

***Loss of our tax-exempt status could adversely affect our earnings.***

CFC has been recognized by the IRS as an organization for which income is exempt from federal taxation under Section 501(c)(4) of the Internal Revenue Code (other than any net income from an unrelated trade or business). In order to maintain CFC's tax-exempt status, it must continue to operate exclusively for the promotion of social welfare by operating on a cooperative basis for the benefit of its members by providing them cost-based financial products and services consistent with sound financial management, and no part of CFC's net earnings may inure to the benefit of any private shareholder or individual other than the allocation or return of net earnings or capital to its members in accordance with CFC's bylaws and incorporating statute in effect in 1996.

If CFC were to lose its status as a 501(c)(4) organization, it would become a taxable cooperative and would be required to pay income tax based on its taxable income. If this event occurred, we would evaluate all options available to modify CFC's structure and/or operations to minimize any potential tax liability.

***As a tax-exempt cooperative and nonbank financial institution, our lending activities are not subject to the regulations and oversight of U.S. financial regulators such as the Federal Reserve, the Federal Deposit Insurance Corporation or the Office of Comptroller of Currency. Because we are not under the purview of such regulation, we could engage in activities that could expose us to greater credit, market and liquidity risk, reduce our safety and soundness and adversely affect our financial results.***

Financial institutions subject to regulations, oversight and monitoring by U.S. financial regulators are required to maintain specified levels of capital and may be restricted from engaging in certain lending-related and other activities that could adversely affect the safety and soundness of the financial institution or are considered conflicts of interest. As a tax-exempt, nonbank financial institution, we are not subject to the same oversight and supervision. There is no federal financial regulator that monitors compliance with our risk policies and practices or that identifies and addresses potential deficiencies that could adversely affect our financial results. Without regulatory oversight and monitoring, there is a greater potential for us to engage in activities that could pose a risk to our safety and soundness relative to regulated financial institutions.

***Changes in accounting standards or assumptions in applying accounting policies could materially impact our financial statements.***

Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Some of these policies require the use of estimates and assumptions that may affect the reported carrying amount of our assets or liabilities and our results of operations. We consider the accounting policies that require management to make difficult, subjective and complex judgments about matters that are inherently uncertain as our most critical accounting policies. The use of reasonably different estimates and assumptions could have a material impact on our financial statements



or if the assumptions, estimates or judgments were incorrectly made, we could be required to correct and restate prior-period financial statements. In addition, from time to time, the Financial Accounting Standards Board (“FASB”) and the SEC change the accounting and reporting standards that govern the preparation of our financial statements. These changes can be hard to predict and can materially impact how CFC records and reports its financial condition and results of operations. We could be required to apply a new or revised standard retroactively or apply an existing standard differently, on a retroactive basis, in each case potentially resulting in restating prior-period financial statements. For information on what we consider to be our most critical accounting policies and estimates and recent accounting changes, see “Item 7. MD&A—Critical Accounting Policies and Estimates” and “Note 1—Summary of Significant Accounting Policies—New Accounting Standards Adopted in Fiscal Year 2021” to our consolidated financial statements.

**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

CFC owns an office building, with approximately 141,000 gross square footage, in Loudoun County, Virginia, that serves as its headquarters.

**Item 3. Legal Proceedings**

From time to time, CFC is subject to certain legal proceedings and claims in the ordinary course of business, including litigation with borrowers related to enforcement or collection actions. Management presently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not materially harm our financial position, liquidity or results of operations. CFC establishes reserves for specific legal matters when it determines that the likelihood of an unfavorable outcome is probable and the loss is reasonably estimable. Accordingly, no reserve has been recorded with respect to any legal proceedings at this time.

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II**

**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

Not applicable.

**Item 6. Reserved**

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations (“MD&A”)

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### INTRODUCTION

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Our financial statements include the consolidated accounts of CFC, NCSC, RTFC and any subsidiaries created and controlled by CFC to hold foreclosed assets resulting from defaulted loans or bankruptcy. CFC and its consolidated entities have not held any foreclosed assets since the fiscal year ended May 31, 2017 (“fiscal year 2017”). We provide information on the business structure, mission, principal purpose and core business activities of each of these entities under “Item 1. Business.” Unless stated otherwise, references to “we,” “our” or “us” relate to CFC and its consolidated entities.

We conduct our operations through three business segments, which are based on each of the legal entities included in our consolidated financial statements: CFC, NCSC and RTFC. CFC’s business operations account for the substantial majority of our loans and revenue. Loans to members totaled \$28,427 million as of May 31, 2021, of which 96% was attributable to CFC. We generated total revenue, which consists of net interest income and fee and other income, of \$433 million for fiscal year ended May 31, 2021 (“fiscal year 2021”), compared with \$353 million for fiscal year ended May 31, 2020 (“fiscal year 2020”). Our adjusted total revenue was \$318 million for fiscal year 2021, compared with \$297 million for fiscal year 2020. We provide information on the financial performance of our business segments in “Note 16—Business Segments.”

Management monitors a variety of key indicators and metrics to evaluate our business performance. In addition to financial measures determined in accordance with U.S. GAAP, management also evaluates performance based on certain non-GAAP measures, which we refer to as “adjusted” measures. We identify our non-GAAP adjusted measures and describe our use of these measures below under “Summary of Selected Financial Data.”

The following MD&A is intended to enhance the understanding of our consolidated financial statements by providing material information that we believe is relevant in evaluating our results of operations, financial condition and liquidity and the potential impact of material known events or uncertainties that, based on management’s assessment, are reasonably likely to cause the financial information included in this Report not to be necessarily indicative of our future financial performance. Our MD&A is provided as a supplement to, and should be read in conjunction with, our audited consolidated financial statements and related notes for the fiscal year ended May 31, 2021 included in this Report and additional information contained elsewhere in this Report, including the risk factors discussed under “Item 1A. Risk Factors.”

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### SUMMARY OF SELECTED FINANCIAL DATA

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Table 1 provides a summary of consolidated selected reported financial data and non-GAAP adjusted measures for each fiscal year in the five-year period ended May 31, 2021. Our key non-GAAP financial measures are adjusted net income, adjusted net interest income, adjusted interest expense, adjusted net interest yield, adjusted TIER and adjusted debt-to-equity ratio. The most comparable U.S. GAAP measures are net income, net interest income, interest expense, net interest yield, TIER and debt-to-equity ratio, respectively. The primary adjustments we make to calculate these non-GAAP measures consist of (i) adjusting interest expense and net interest income to include the impact of net periodic derivative cash settlements expense; (ii) adjusting net income, total liabilities and total equity to exclude the non-cash impact of the accounting for derivative financial instruments; (iii) adjusting total liabilities to exclude the amount that funds CFC member loans guaranteed by RUS, subordinated deferrable debt and members’ subordinated certificates; and (iv) adjusting total equity to include subordinated deferrable debt and members’ subordinated certificates and exclude cumulative derivative forward value gains and losses and accumulated other comprehensive income (“AOCI”).

We believe our non-GAAP adjusted measures, which are not a substitute for U.S. GAAP and may not be consistent with similarly titled non-GAAP measures used by other companies, provide meaningful information and are useful to investors because management evaluates performance based on these metrics for purposes of (i) establishing short- and long-term performance goals; (ii) budgeting and forecasting; (iii) comparing period-to-period operating results, analyzing changes in results and identifying potential trends; and (iv) making compensation decisions. In addition, certain of the financial covenants in our committed bank revolving line of credit agreements and debt indentures are based on non-GAAP adjusted

measures. We provide a reconciliation of our non-GAAP adjusted measures to the most comparable U.S. GAAP measures in the section “Non-GAAP Financial Measures.”

**Table 1: Summary of Selected Financial Data<sup>(1)</sup>**

(Dollars in thousands)	Year Ended May 31,					Change			
	2021	2020	2019	2018	2017	2021 vs. 2020	2020 vs. 2019		
<b>Statements of operations</b>									
Interest income	\$ 1,116,601	\$ 1,151,286	\$ 1,135,670	\$ 1,077,357	\$ 1,036,634	(3)	%	1	%
Interest expense	(702,063)	(821,089)	(836,209)	(792,735)	(741,738)	(14)		(2)	
Net interest income	414,538	330,197	299,461	284,622	294,896	26		10	
Fee and other income	18,929	22,961	15,355	17,578	19,713	(18)		50	
Total revenue	433,467	353,158	314,816	302,200	314,609	23		12	
Benefit (provision) for credit losses	(28,507)	(35,590)	1,266	18,575	(5,978)	(20)		**	
Derivative gains (losses):									
Derivative cash settlements interest expense <sup>(2)</sup>	(115,645)	(55,873)	(43,611)	(74,281)	(84,478)	107		28	
Derivative forward value gains (losses) <sup>(3)</sup>	621,946	(734,278)	(319,730)	306,002	179,381	**		130	
Derivative gains (losses)	506,301	(790,151)	(363,341)	231,721	94,903	**		117	
Other non-interest income (expense)	1,495	9,431	(1,799)	—	(1,749)	(84)		**	
Non-interest expense <sup>(4)</sup>	(97,780)	(127,438)	(101,941)	(92,827)	(87,982)	(23)		25	
Income (loss) before income taxes	814,976	(590,590)	(150,999)	459,669	313,803	**		291	
Income tax benefit (provision)	(998)	1,160	(211)	(2,305)	(1,704)	**		**	
Net income (loss)	\$ 813,978	\$ (589,430)	\$ (151,210)	\$ 457,364	\$ 312,099	**		290	
<b>Adjusted operational financial measures</b>									
Interest income	\$ 1,116,601	\$ 1,151,286	\$ 1,135,670	\$ 1,077,357	\$ 1,036,634	(3)		1	
Interest expense	(702,063)	(821,089)	(836,209)	(792,735)	(741,738)	(14)		(2)	
Include: Derivative cash settlements interest expense <sup>(2)</sup>	(115,645)	(55,873)	(43,611)	(74,281)	(84,478)	107		28	
Adjusted interest expense <sup>(5)</sup>	(817,708)	(876,962)	(879,820)	(867,016)	(826,216)	(7)		—	
Adjusted net interest income <sup>(5)</sup>	\$ 298,893	\$ 274,324	\$ 255,850	\$ 210,341	\$ 210,418	9		7	
Net income (loss)	\$ 813,978	\$ (589,430)	\$ (151,210)	\$ 457,364	\$ 312,099	**		290	
Exclude: Derivative forward value gains (losses) <sup>(3)</sup>	621,946	(734,278)	(319,730)	306,002	179,381	**		130	
Adjusted net income <sup>(5)</sup>	\$ 192,032	\$ 144,848	\$ 168,520	\$ 151,362	\$ 132,718	33		(14)	
<b>Selected ratios</b>									
Times interest earned ratio (TIER) <sup>(6)</sup>	2.16	0.28	0.82	1.58	1.42	188	bps	(54)	bps
Adjusted TIER <sup>(5)</sup>	1.23	1.17	1.19	1.17	1.16	6		(2)	
Net interest yield <sup>(7)</sup>	1.47 %	1.21 %	1.14 %	1.12 %	1.20 %	26		7	
Adjusted net interest yield <sup>(5)(8)</sup>	1.06	1.00	0.97	0.83	0.86	6		3	
Net charge-off rate <sup>(9)</sup>	0.00	0.00	0.00	0.00	0.01	—		—	

(Dollars in thousands)	Year Ended May 31,					Change			
	2021	2020	2019	2018	2017	2021 vs. 2020	2020 vs. 2019		
<b>Balance sheets</b>									
Assets:									
Cash, cash equivalents and restricted cash	\$ 303,361	\$ 680,019	\$ 186,204	\$ 238,824	\$ 188,421	(55)	%	265	%
Investment securities	611,277	370,135	652,977	609,851	92,554	65		(43)	
Loans to members <sup>(10)</sup>	28,426,961	26,702,380	25,916,904	25,178,608	24,367,044	6		3	
Allowance for credit losses <sup>(11)</sup>	(85,532)	(53,125)	(17,535)	(18,801)	(37,376)	61		203	
Loans to members, net	28,341,429	26,649,255	25,899,369	25,159,807	24,329,668	6		3	
Total assets	29,638,363	28,157,605	27,124,372	26,690,204	25,205,692	5		4	
Liabilities and equity:									
Short-term borrowings	4,582,096	3,961,985	3,607,726	3,795,910	3,342,900	16		10	
Long-term debt	20,603,123	19,712,024	19,210,793	18,714,960	17,955,594	5		3	
Subordinated deferrable debt	986,315	986,119	986,020	742,410	742,274	—		—	
Members' subordinated certificates	1,254,660	1,339,618	1,357,129	1,379,982	1,419,025	(6)		(1)	
Total debt outstanding	27,426,194	25,999,746	25,161,668	24,633,262	23,459,793	5		3	
Total liabilities	28,238,484	27,508,783	25,820,490	25,184,351	24,106,887	3		7	
Total equity	1,399,879	648,822	1,303,882	1,505,853	1,098,805	116		(50)	
<b>Adjusted balance sheet measures</b>									
Adjusted total liabilities <sup>(5)</sup>	\$25,273,384	\$23,777,823	\$22,931,626	\$22,625,162	\$21,392,856	6		4	
Adjusted total equity <sup>(5)</sup>	4,106,172	4,061,411	3,999,164	3,661,239	3,597,378	1		2	
Members' equity <sup>(5)</sup>	1,836,135	1,707,770	1,625,847	1,496,620	1,389,303	8		5	
<b>Selected ratios period end</b>									
Allowance coverage ratio <sup>(11)(13)</sup>	0.30 %	0.20 %	0.07 %	0.07 %	0.15 %	10	bps	13	bps
Nonperforming loans ratio <sup>(14)</sup>	0.84	0.63	—	—	—	21		63	
Debt-to-equity ratio <sup>(15)</sup>	20.17	42.40	19.80	16.72	21.94	(52)	%	114	%
Adjusted debt-to-equity ratio <sup>(5)</sup>	6.15	5.85	5.73	6.18	5.95	5		2	

\*\*Calculation of percentage change is not meaningful.

(1) Certain reclassifications have been made to prior periods to conform to the current-period presentation.

(2) Consists of net periodic contractual interest amounts on our interest rate swaps, which we refer to as derivatives cash settlements interest (expense) income.

(3) Consists of derivative forward value gains (losses), which represent changes in fair value during the period, excluding net periodic contractual interest amounts, related to derivatives not designated for hedge accounting and amounts reclassified into income related to the cumulative transition adjustment amount recorded in accumulated other comprehensive income as of June 1, 2001, the adoption date of the derivative accounting guidance requiring derivatives to be reported at fair value on the balance sheet.

(4) Consists of salaries and employee benefits and the other general and administrative expenses components of non-interest expense, each of which are presented separately on our consolidated statements of operations.

(5) See "Non-GAAP Financial Measures" for a description of our non-GAAP adjusted measures and additional detail on the reconciliation of these measures to the most comparable U.S. GAAP measures.

(6) Calculated based on net income (loss) plus interest expense for the period divided by interest expense for the period.

(7) Calculated based on net interest income for the period divided by average interest-earning assets for the period.

(8) Calculated based on adjusted net interest income for the period divided by average interest-earning assets for the period.

(9) Calculated based on net charge-offs (recoveries) for the period divided by average total loans outstanding for the period.

(10) Consists of the unpaid principal balance of member loans plus unamortized deferred loan origination costs of \$12 million as of May 31, 2021, and \$11 million as of May 31, 2020, 2019, 2018, and 2017.

(11) On June 1, 2020, we adopted Accounting Standards Update ("ASU") 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology previously used for estimating our allowance for credit losses with an expected loss methodology referred to as the current expected credit loss ("CECL") model. At adoption, we recorded an increase in our

allowance for credit losses of \$4 million and a corresponding decrease in retained earnings through a cumulative-effect adjustment. Our allowance for credit losses prior to June 1, 2020 was determined based on the incurred loss methodology.

<sup>(12)</sup> Reflects the total amount of member obligations for which CFC has guaranteed payment to a third party as of the end of each period. This amount represents our maximum exposure to loss, which significantly exceeds the guarantee liability recorded on our consolidated balance sheets. See “Note 13 —Guarantees” for additional information.

<sup>(13)</sup> Calculated based on the allowance for credit losses at period end divided by total loans outstanding at period end.

<sup>(14)</sup> Calculated based on total nonperforming loans at period end divided by total loans outstanding at period end.

<sup>(15)</sup> Calculated based on total liabilities at period end divided by total equity at period end.

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## EXECUTIVE SUMMARY

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As a member-owned, nonprofit finance cooperative, our primary objective is to provide our rural electric utility members with access to affordable, flexible financing products while also maintaining a sound, stable financial position and adequate liquidity to meet our financial obligations and maintain ongoing investment-grade credit ratings. Because maximizing profit is not our primary objective, the interest rates on lending products offered to our member borrowers reflect our funding costs plus a spread to cover operating expenses and estimated credit losses and generate sufficient earnings to cover interest owed on our debt obligations and achieve certain financial target goals. Our financial goals focus on earning an annual minimum adjusted TIER of 1.10 and maintaining an adjusted debt-to-equity ratio at approximately 6.00-to-1 or below. As discussed above under “Summary of Selected Financial Data,” in addition to our reported U.S. GAAP results, management uses our non-GAAP adjusted measures to establish short- and long-term performance goals.

We are subject to period-to-period volatility in our reported U.S. GAAP results due to changes in market conditions and differences in the way our financial assets and liabilities are accounted for under U.S. GAAP. Our financial assets and liabilities expose us to interest-rate risk. We use derivatives, primarily interest rate swaps, as part of our strategy in managing this risk. Our derivatives are intended to economically hedge and manage the interest-rate sensitivity mismatch between our financial assets and liabilities. We are required under U.S. GAAP to carry derivatives at fair value on our consolidated balance sheets; however, the financial assets and liabilities for which we use derivatives to economically hedge are carried at amortized cost. Changes in interest rates and the shape of the swap curve result in periodic fluctuations in the fair value of our derivatives, which may cause volatility in our earnings because we do not apply hedge accounting for our interest rate swaps. As a result, the mark-to-market changes in our interest rate swaps are recorded in earnings. Because our derivative portfolio consists of a higher proportion of pay-fixed swaps, the majority of which are longer dated, than receive-fixed swaps, the majority of which are shorter dated, we generally record derivative losses when interest rates decline and derivative gains when interest rates rise. This earnings volatility generally is not indicative of the underlying economics of our business, as the derivative forward fair value gains or losses recorded each period may or may not be realized over time, depending on the terms of our derivative instruments and future changes in market conditions that impact the periodic cash settlement amounts of our interest rate swaps. As such, management uses our non-GAAP adjusted results to evaluate our operating performance. Our adjusted results include realized net periodic interest rate swap settlement amounts but exclude the impact of unrealized forward fair value gains and losses. Certain of the financial covenants in our committed bank revolving line of credit agreements and debt indentures are also based on our non-GAAP adjusted results, as the forward fair value gains and losses related to our interest rate swaps do not affect our cash flows, liquidity or ability to service our debt.

### Financial Performance

#### *Reported Results*

We reported net income of \$814 million for fiscal year 2021 (“current fiscal year”), which resulted in a TIER of 2.16. In comparison, we reported a net loss of \$589 million and a TIER of 0.28 for fiscal year 2020 (“prior fiscal year”). The significant variance between our current and prior fiscal year reported results was attributable to mark-to-market changes in the fair value of our derivative instruments. Our debt-to-equity ratio decreased to 20.17 as of May 31, 2021, from 42.40 as of May 31, 2020, primarily due to an increase in equity resulting from our reported net income of \$814 million for fiscal year 2021, which was partially offset by patronage capital retirement of \$60 million authorized by the CFC Board of Directors in July 2020 and paid to members in September 2020.

We experienced a variance of \$1,403 million between our reported net income of \$814 million for fiscal year 2021 and our reported net loss of \$589 million for the prior fiscal year. The variance reflected a favorable shift in the change in the fair

value of our derivatives of \$1,296 million between periods. We recorded derivative gains of \$506 million in fiscal year 2021 due to an increase in the net fair value of our swap portfolio attributable to increases in medium- and longer-term swap interest rates. In contrast, we recorded derivative losses of \$790 million in fiscal year 2020 due to a decrease in the net fair value of our swap portfolio resulting from declines in interest rates across the swap curve. In addition, net interest income increased \$84 million, or 26%, to \$415 million in fiscal year 2021, attributable to the combined impact of an increase in our reported net interest yield of 26 basis points, or 21%, to 1.47% and an increase in average interest-earning assets of \$859 million, or 3%. The increase in the net interest yield was largely driven by a reduction in our average cost of borrowings of 53 basis points to 2.66%, which was partially offset by a decrease in the average yield on interest-earning assets of 25 basis points to 3.95%.

The decreases in our average cost of borrowings and average yield on interest-earning assets were driven by lower interest rates on our short-term borrowings and line of credit and variable-rate loans attributable to a steep decline in short-term interest rates since the onset of the COVID-19 pandemic. In mid-March 2020, the Federal Open Market Committee (“FOMC”) of the Federal Reserve lowered the federal funds rate to a near-zero target range of 0% to 0.25% as part of a series of measures implemented to ease the economic impact of the COVID-19 pandemic. The benchmark federal funds rate has remained at this near-zero target range since March 2020. During fiscal year 2021, the 3-month LIBOR decreased 21 basis points to 0.13% as of May 31, 2021. In contrast, medium- and longer-term interest rates began trending up in fiscal year 2021, following significant declines during fiscal year 2020. The 10-year swap rate increased 92 basis points to 1.56% as of May 31, 2021, while the 30-year swap rate increased 106 basis points to 2.00% as of May 31, 2021.

We recorded a provision for credit losses of \$29 million in fiscal year 2021, a decrease of \$7 million from the provision for credit losses of \$36 million recorded in fiscal year 2020. The provision for the current fiscal year was primarily attributable to a significant adverse financial impact on two CFC Texas-based electric power supply borrowers, Brazos Electric Power Cooperative, Inc. (“Brazos”) and Rayburn Country Electric Cooperative, Inc. (“Rayburn”), due to their exposure to elevated wholesale electric power costs during the mid-February 2021 polar vortex (the “February 2021 polar vortex”). The provision for the prior fiscal year was primarily attributable to the establishment of an asset-specific allowance of \$34 million for a loan to a CFC power supply borrower totaling \$168 million as of May 31, 2020, resulting from our classification of this loan as nonperforming as of May 31, 2020. We provide additional information on these borrowers and the loans outstanding as of May 31, 2021 below under “Credit Quality.” The variance between our current and prior fiscal year results also reflects the absence of the non-cash impairment charge of \$31 million recorded in fiscal year 2020 due to management’s decision to abandon a software project to develop an internal-use loan origination and servicing platform.

### ***Adjusted Non-GAAP Results***

Our adjusted net income increased \$47 million to \$192 million in fiscal year 2021, resulting in an adjusted TIER of 1.23, from \$145 million in fiscal year 2020 and adjusted TIER of 1.17. Our adjusted debt-to-equity ratio increased above our target threshold of 6.00-to-1 to 6.15 as of May 31, 2021, from 5.85 as of May 31, 2020. The increase was primarily attributable to an increase in adjusted liabilities due to additional borrowings to fund the growth in our loan portfolio.

The increase in adjusted net income of \$47 million was attributable to an increase in adjusted net interest income of \$25 million and the absence of the non-cash impairment charge of \$31 million recorded in fiscal year 2020 due to management’s decision to abandon a software project to develop an internal-use loan origination and servicing platform, partially offset by the decrease in the provision for credit losses of \$7 million discussed above. The increase in adjusted net interest income of \$25 million, or 9%, to \$299 million for fiscal year 2021 was driven by the combined impact of an increase in the adjusted net interest yield of 6 basis points, or 6%, to 1.06% and an increase in average interest-earning assets of \$859 million, or 3%. The increase in our adjusted net interest yield was attributable to a reduction in our adjusted average cost of borrowings of 31 basis points to 3.09%, which was partially offset by a decrease in the average yield on interest-earning assets of 25 basis points to 3.95%. The reductions in our adjusted average cost of borrowings and average yield on interest-earning assets were largely attributable to the decrease in short-term interest rates, which reduced the average cost of our short-term borrowings and variable-rate debt and the average yield on line of credit and variable-rate loans.

See “Non-GAAP Financial Measures” for additional information on our adjusted measures, including a reconciliation of these measures to the most comparable U.S. GAAP measures.

## Lending Activity

Loans to members totaled \$28,427 million as of May 31, 2021, an increase of \$1,725 million, or 6%, from May 31, 2020. The increase was driven by increases in long-term and line of credit loans of \$1,046 million and \$679 million, respectively. Of the \$679 million increase in line of credit loans, approximately 38% was attributable to borrowings under emergency line of credit loans for weather-related events. We experienced increases in CFC distribution loans, CFC power supply loans, RTFC loans and NCSC loans of \$1,258 million, \$423 million, \$35 million and \$9 million, respectively.

Long-term loan advances totaled \$2,514 million during fiscal year 2021, of which approximately 86% was provided to members for capital expenditures and 8% was provided for the refinancing of loans made by other lenders. In comparison, long-term loan advances totaled \$2,422 million during fiscal year 2020, of which approximately 80% was provided to members for capital expenditures and 15% was provided for the refinancing of loans made by other lenders. CFC had long-term fixed-rate loans totaling \$397 million that were scheduled to reprice during fiscal year 2021. Of this amount, \$384 million repriced to a new long-term fixed rate, \$10 million repriced to a long-term variable rate and \$3 million was repaid in full. In comparison, CFC had long-term fixed-rate loans totaling \$463 million that were scheduled to reprice during fiscal year 2020, of which \$441 million repriced to a new long-term fixed rate, \$11 million repriced to a long-term variable rate and \$10 million was repaid in full.

## Credit Quality

We historically have had limited defaults and losses on loans in our electric utility loan portfolio largely because of the essential nature of the service provided by electric utility cooperatives as well as other factors, such as limited rate regulation and competition, which we discuss further in the section “Credit Risk—Loan Portfolio Credit Risk.” Loans outstanding to electric utility organizations of \$27,995 million and \$26,306 million as of May 31, 2021 and 2020, respectively, represented approximately 99% of total loans outstanding as of each date. In addition, we generally lend to members on a senior secured basis, which reduces the risk of loss in the event of a borrower default. Of our total loans outstanding, 93% and 94% were secured as of May 31, 2021 and 2020, respectively.

Texas historically has accounted for the largest number of borrowers with loans outstanding in any one state and also the largest concentration of loan exposure in any one state. Loans outstanding to Texas-based electric utility organizations totaled \$4,878 million and \$4,222 million as of May 31, 2021 and 2020, respectively, and accounted for 17% and 16% of total loans outstanding as of each respective date. Of the loans outstanding to Texas-based electric utility organizations, \$172 million and \$181 million as of May 31, 2021 and 2020, respectively, were covered by the Federal Agricultural Mortgage Corporation (“Farmer Mac”) standby repurchase agreement, which slightly reduces our Texas loan exposure.

In mid-February 2021, Texas and several neighboring states experienced a series of severe winter storms and record-low temperatures as a result of the polar vortex. The freezing conditions affected power demand, supply and market prices in Texas, triggering unprecedented increases in electrical power load demand in combination with significant reductions in power supply across Texas, including a loss of almost half of the electric generation within the Electric Reliability Council of Texas (“ERCOT”) service area. ERCOT raised wholesale electric power prices per megawatt-hour to the amount of \$9,000, to spur greater power generation by providing a financial incentive for power generators in the state to remain on-line. According to ERCOT data, pre-storm wholesale power prices were less than \$50 per megawatt-hour. ERCOT also initiated controlled rolling power outages, which impacted millions of residential and commercial customers, to protect and maintain the stability of the Texas electric grid.

The surge in wholesale electricity prices had a direct financial impact primarily on certain electric power supply utilities, including a significant adverse financial impact on two CFC Texas-based electric power supply borrowers, Brazos and Rayburn. These power supply borrowers had insufficient generation supply during the February 2021 polar vortex and were forced, at the height of the surge in power prices, to purchase power at peak prices to meet the electric demand of their member distribution system customers. On March 1, 2021, we were informed that Brazos filed for Chapter 11 bankruptcy protection. In the third quarter of fiscal year 2021, we downgraded Brazos’ borrower risk rating from a rating within the pass category to doubtful, classified its loans outstanding as nonperforming, placed the loans on nonaccrual status, and reversed unpaid interest amounts previously accrued and recognized in interest income. We had loans outstanding to Brazos of \$85 million as of May 31, 2021, pursuant to a syndicated Bank of America revolving credit agreement, of which \$64 million was unsecured and \$21 million was secured. The secured amount is based on the set-off provisions of the revolving credit

agreement, which was approved by the bankruptcy court. In the third quarter of fiscal year 2021, we also made a material downgrade in the borrower risk rating for Rayburn from a rating within the pass category to special mention. We further downgraded Rayburn's borrower risk rating to substandard in the fourth quarter of fiscal year 2021. Loans outstanding to Rayburn consisted of secured loans of \$167 million and unsecured loans of \$212 million, which together totaled \$379 million as of May 31, 2021.

Under the terms of the syndicated Bank of America revolving credit agreement, in the event of bankruptcy by Brazos, each lending participant is permitted to hold any deposited or investment funds from Brazos, up to the amount of the participant's exposure to Brazos pursuant to the agreement, for set-off against such exposure to Brazos. The total so held by all participants is required to be shared among the participants in accordance with the pro rata share of each participant in the agreement. As of the bankruptcy filing date, funds on deposit from or invested by Brazos with participating lenders of the agreement, available for set-off against Brazos' obligations, totaled \$124 million. Based on our exposure of \$85 million under the \$500 million syndicated Bank of America agreement, our pro rata share set-off right is 17%, or approximately \$21 million. The set-off rights have been agreed to and confirmed by Brazos and the bankruptcy court. In order to allow Brazos to access such deposited or invested funds, the lenders have been granted adequate protection liens and super-priority claims in an amount equal to the diminution of value of the amount available for set-off.

In mid-June 2021, the Texas governor signed into law a bill that offers a financing program intended to provide relief to retail electric providers that incurred extraordinary costs due to exposure to elevated power costs during the February 2021 polar vortex. The bill allows qualifying electric cooperatives to securitize these costs and issue bonds directly or through a special purpose vehicle legal entity, with a requirement that payments on the bonds be made over a period not to exceed 30 years. We provide information about the financing program offered pursuant to the provisions of this bill under "Credit Risk—Allowance for Credit Losses." While Brazos and Rayburn are eligible to utilize the provisions of this bill, we are currently uncertain whether they will elect to do so.

Nonperforming loans increased \$69 million to \$237 million, or 0.84% of total loans outstanding as of May 31, 2021, from \$168 million, or 0.63% of total loans outstanding, as of May 31, 2020, primarily due to our classification of the loans outstanding of \$85 million to Brazos as nonperforming as a result of its bankruptcy filing. In addition to Brazos, we classified loans outstanding to two affiliated RTFC telecommunications borrowers as nonperforming during fiscal year 2021. Loans outstanding to these RTFC borrowers totaled \$9 million as of May 31, 2021. Although we experienced an increase in nonperforming and criticized loans due to the polar vortex-related impact on Brazos and Rayburn, we believe the overall credit quality of our loan portfolio remained strong as of May 31, 2021, as the adverse impact on the credit quality of our loan portfolio from the February 2021 polar vortex is primarily limited to these two Texas-based electric power supply borrowers. Prior to Brazos' bankruptcy filing, we had not experienced any defaults or charge-offs in our electric utility and telecommunications loan portfolios since fiscal years 2013 and 2017, respectively. Brazos is not permitted to make scheduled loan payments without approval of the bankruptcy court. As a result, we have not received payments from Brazos, and its loans outstanding of \$85 million were delinquent as of May 31, 2021. In comparison, we had no delinquent loans as of May 31, 2020.

Our allowance for credit losses and allowance coverage ratio increased to \$86 million and 0.30%, respectively, as of May 31, 2021, from \$53 million and 0.20%, respectively, as of May 31, 2020. The increase was primarily due to an addition to the allowance of \$33 million in fiscal year 2021, attributable to the material risk rating downgrades of Brazos and Rayburn.

On June 1, 2020, we adopted the CECL accounting standard, which replaces the incurred loss methodology for estimating credit losses with an expected loss methodology. We used the modified retrospective approach in our adoption of CECL, which resulted in an increase in our allowance for credit losses for our loan portfolio of \$4 million and a corresponding decrease to retained earnings of \$4 million recorded through a cumulative-effect adjustment. The impact on the reserve for credit losses for our off-balance sheet credit exposures related to unadvanced loan commitments and financial guarantees was not material. While CECL had no impact on our earnings at adoption on June 1, 2020, subsequent estimates of lifetime expected credit losses for newly recognized loans, unadvanced loan commitments and financial guarantees, as well as changes during the period in our estimate of lifetime expected credit losses for existing financial instruments subject to CECL, are now recognized in earnings. Our reported allowance for credit losses prior to June 1, 2020 was determined based on the incurred loss methodology.



We discuss our methodology for estimating the allowance for credit losses under the CECL model in “Note 1—Summary of Significant Accounting Policies” of this Report. We also provide information on the allowance for credit losses below in the MD&A sections “Critical Accounting Policies and Estimates” and “Credit Risk—Allowance for Credit Losses” and in “Note 5—Allowance for Credit Losses.”

## **Financing Activity**

We issue debt primarily to fund growth in our loan portfolio. As such, our outstanding debt volume generally increases and decreases in response to member loan demand. Total debt outstanding increased \$1,426 million, or 5%, to \$27,426 million as of May 31, 2021, due to borrowings to fund the increase in loans to members. Outstanding dealer commercial paper of \$895 million as of May 31, 2021 was below our targeted maximum threshold of \$1,250 million.

On March 5, 2021, S&P issued a downgrade of our long-term issuer credit rating, citing a shift from “Strong” to “Adequate” in its view of CFC’s risk position due to CFC’s loan portfolio concentration in the State of Texas. S&P also revised its outlook on CFC to negative based on the potential for additional elevated credit stress posed by Texas electric cooperatives due to the February 2021 polar vortex. The downgrade of CFC’s long-term issuer credit rating by S&P resulted in a downgrade of: (i) our senior secured and senior unsecured debt ratings to A- from A; (ii) our subordinated debt rating to BBB from BBB+; and (iii) our short-term issuer credit and commercial paper ratings to A-2 from A-1, each with a negative outlook. Our credit ratings by Moody’s and Fitch remain unchanged from May 31, 2020, and as of the date of this Report.

We provide additional information on our financing activities during fiscal year 2021, as well as information on the amendment to and extension of our three-year and five-year committed bank revolving line of credit agreements under “Consolidated Balance Sheet Analysis—Debt” and “Liquidity Risk.”

## **Liquidity**

As of May 31, 2021, our sources of available liquidity totaled \$7,090 million, consisting of (i) \$295 million in cash and cash equivalents; (ii) investments in debt securities with a fair value of \$576 million, subject to changes in market value; (iii) up to \$2,722 million available for access under committed bank revolving line of credit agreements; (iv) up to \$975 million available under committed loan facilities under the Guaranteed Underwriter Program; and (v) up to \$2,522 million available under a revolving note purchase agreement with Farmer Mac, subject to market conditions.

Debt scheduled to mature over the next 12 months totaled \$7,180 million as of May 31, 2021, consisting of short-term borrowings of \$4,582 million and long-term debt of \$2,598 million. The short-term borrowings scheduled maturity amount of \$4,582 million consists of member investments of \$3,487 million, dealer commercial paper of \$895 million and secured borrowings under securities repurchase agreements of \$200 million. The long-term debt scheduled maturity amount of \$2,598 million consists of fixed-rate debt totaling \$1,537 million with a weighted average cost of 2.33%, variable-rate debt totaling \$810 million and scheduled amortization on borrowings under the Guaranteed Underwriter Program and notes payable to Farmer Mac totaling \$251 million. Our available liquidity of \$7,090 million as of May 31, 2021, was \$90 million below our total debt obligations over the next 12 months of \$7,180 million and \$3,598 million in excess of, or two times, our long-term debt and dealer commercial paper obligations over the next 12 months of \$2,598 million and \$895 million, respectively, which together total \$3,493 million.

Our members historically have maintained a relatively stable level of short-term investments in CFC in the form of daily liquidity fund notes, commercial paper, select notes and medium-term notes. Member short-term investments in CFC averaged \$3,639 million over the last six fiscal quarter-end reporting periods. We believe we can continue to roll over outstanding member short-term debt, which totaled \$3,487 million as of May 31, 2021, based on our expectation that our members will continue to reinvest their excess cash in these short-term investment products offered by CFC. We expect to continue accessing the dealer commercial paper market as a cost-effective means of satisfying our incremental short-term liquidity needs. Although the intra-period amount of outstanding dealer commercial paper may fluctuate based on our liquidity requirements, we intend to manage our short-term wholesale funding risk by maintaining outstanding dealer commercial paper at an amount near or below \$1,250 million for the foreseeable future. We expect to continue to be in compliance with the covenants under our committed bank revolving line of credit agreements, which will allow us to mitigate rollover risk, as we can draw on these facilities to repay dealer or member commercial paper that cannot be refinanced with similar debt.

We provide additional information on our primary sources and uses of liquidity and our liquidity profile below in the section “Liquidity Risk.”

## **COVID-19**

Our priorities during the COVID-19 pandemic, which continues to persist, have been to protect the health and safety of our employees, while also ensuring that we are able to meet the needs of our electric cooperative borrowers as they operate in a sector that provides an essential service to residential and commercial customers. In mid-June 2020, we implemented a return-to-work plan that included a rotating work schedule in which the in-office occupancy level at our corporate headquarters building located in Loudoun County, Virginia, was limited to approximately 25% of normal capacity and other measures to protect the well-being of our employees, as well as comply with Virginia’s reopening guidelines. In early May 2021, as Virginia eased some COVID-19 restrictions, we moved toward more normal operations by bringing staff back to our corporate office under a gradual transition schedule, with appropriate workplace protocols to mitigate risk and maintain the safety of our employees in compliance with federal, state and local laws and guidance from the CDC. In July 2021, following the expiration on June 30, 2021 of the state of emergency declared in March 2020 by Virginia’s governor in response to the pandemic and the lifting of all COVID-19 restrictions in Virginia, subject to certain exceptions, we brought 100% of our staff back to CFC’s corporate headquarters building, which continues to adhere to the COVID-19 workplace safety and health standards established by Virginia and guidance provided by the CDC. While we have been able to maintain business continuity throughout the pandemic and experienced no pandemic-related employee furloughs or layoffs, we believe we can provide the highest quality of service and deliver more effectively on our member-focused mission, which requires a significant number of member-facing staff working collaboratively with other staff, by resuming full-time, in-office work.

While several U.S. industry sectors have been severely affected by the COVID-19 pandemic, we believe we have been able to navigate the challenges of the COVID-19 pandemic to date and that the pandemic has not had any significant negative effect on our liquidity. During fiscal year 2021, we continued to be able to access the capital markets, private funding programs and our members for the funds required to repay maturing debt and provide loan advances to our members for capital improvements and to fund their operations. We also believe that the credit quality of our loan portfolio has remained strong throughout the pandemic. Our electric utility cooperative borrowers operate in a sector identified by the U.S. government as one of the 16 critical infrastructure sectors because the nature of the services provided in these sectors are considered essential and vital in supporting and maintaining the overall functioning of the U.S. economy. Historically, the utility sector in which our electric utility borrowers operate has been resilient to economic downturns. We have not experienced any delinquencies in scheduled loan payments or received requests for payment deferrals from our borrowers due to the pandemic. We are in contact with our member borrowers on a continuous basis, closely monitoring developments and key credit metrics to facilitate the timely identification of loans with potential credit weaknesses and assess any notable shifts in the credit quality of our loan portfolio. To date, we believe that the pandemic has not had a significant negative impact on the overall financial performance of our members.

## **Recent Developments**

On March 10, 2021, the CFC Board of Directors appointed J. Andrew Don, who had served as CFC’s Senior Vice President and Chief Financial Officer since 2013, to succeed Sheldon C. Petersen as CFC’s Chief Executive Officer (“CEO”), effective May 3, 2021. We do not anticipate any fundamental changes in CFC’s overall business model as a result of this leadership change. As a member-owned cooperative, we plan to continue working with our members to ensure that CFC is able to meet their financing needs, as well as provide industry expertise and strategic services to aid them in delivering affordable and reliable essential services to their communities.

## **Outlook**

We currently anticipate growth in loans outstanding over the next 12 months. Assuming the yield curve remains steep during this period, we believe our anticipated growth in loans outstanding will contribute to an increase in our net interest income, net interest yield, adjusted net interest income and adjusted net interest yield over the next 12 months. We expect that our adjusted debt-to-equity ratio, which excludes the impact of derivative forward fair value gains and losses, will remain elevated above our target threshold of 6.00-to-1 in the near term due to a projected increase in total debt outstanding to fund the anticipated growth in our loan portfolio. Our reported income and equity include the impact of periodic

unrealized fluctuations in the fair value of our interest rate swaps. These periodic fluctuations are primarily driven by changes in expected interest rates over the life of the swaps, which we are unable to predict because the majority of our swaps are long-term, with an average remaining life of approximately 14 years as of May 31, 2021. We therefore exclude the potential impact of derivative forward value gains and losses from our forecasted adjusted net income-related measures.

Despite S&P's downgrade of our issuer credit ratings in March 2021, we believe that the overall credit quality of our loan portfolio remained high as of May 31, 2021, as the significant adverse financial impact from the surge in wholesale power costs in Texas during the February 2021 polar vortex was primarily limited to our exposure to Brazos and Rayburn. Our estimate of expected credit losses on loans outstanding to these two borrowers, which together totaled \$464 million as of May 31, 2021, involves significant judgment and assumptions that are based on information available to us as of the date of this Report. Although Texas enacted legislation in mid-June 2021 that offers financing programs for qualifying electric cooperatives exposed to power costs during the February 2021 polar vortex, we are currently uncertain whether Brazos and Rayburn will utilize the provisions available under the legislation.

See "Item 1A. Risk Factors" for a discussion of the potential adverse impact of natural disasters, including weather-related events such as the February 2021 polar vortex, and widespread health emergencies, such as COVID-19, on our business, results of operations, financial condition and liquidity.

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## **CRITICAL ACCOUNTING POLICIES AND ESTIMATES**

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The preparation of financial statements in accordance with U.S. GAAP requires management to make a number of judgments, estimates and assumptions that affect the reported amount of assets, liabilities, income and expenses in our consolidated financial statements. Understanding our accounting policies and the extent to which we use management's judgment and estimates in applying these policies is integral to understanding our financial statements. We provide a discussion of our significant accounting policies under "Note 1—Summary of Significant Accounting Policies."

Certain accounting policies are considered critical because they involve significant judgments and assumptions about highly complex and inherently uncertain matters, and the use of reasonably different estimates and assumptions could have a material impact on our results of operations or financial condition. Our estimation of the allowance for expected credit losses involves significant judgments and assumptions. We have therefore identified the estimation of the allowance for credit losses as a critical accounting policy. See "Item 1A. Risk Factors" for a discussion of the risks associated with management's judgments and estimates in applying our accounting policies and methods.

Prior to the adoption of CECL on June 1, 2020, we maintained an allowance based on an estimate of probable incurred losses inherent in our loan portfolio as of each balance sheet date. Under CECL, we are required to maintain an allowance based on a current estimate of credit losses that are expected to occur over the remaining contractual life of the loans in our portfolio. The methods utilized to estimate the allowance for credit losses, key assumptions and quantitative and qualitative information considered by management in determining the appropriate allowance for credit losses is discussed in "Note 1—Summary of Significant Accounting Policies."

Some of the key inputs we use in determining the appropriate allowance for credit losses are more readily quantifiable, such as our historical loss data and third-party default data, while other inputs require more qualitative judgment, such as our internally assigned borrower risk ratings that are intended to assess a borrower's capacity to meet its financial obligations and provide information on the probability of default. Degrees of imprecision exist in each of these inputs due in part to subjective judgments involved and an inherent lag in the data available to quantify current conditions and events that may affect our credit loss estimate.

Our internally assigned borrower risk ratings serve as the primary credit quality indicator for our loan portfolio. We perform an annual comprehensive review of each of our borrowers, following the receipt of the borrower's annual audited financial statements, to reassess the borrower's risk rating. In addition, interim risk-rating adjustments may occur as a result of updated information affecting a borrower's ability to fulfill its obligations or other significant developments and trends. Our Credit Risk Management Group and Corporate Credit Committee review and provide rigorous oversight and governance around our internally assigned risk ratings to ensure that the ratings process is consistent. In addition, we engage third-party credit risk management experts to conduct an independent annual review of our risk rating system to validate the overall integrity of our rating system. This review involves an evaluation of the accuracy and timeliness of individual risk ratings and the overall effectiveness of our risk-rating framework relative to the risk profile of our credit exposures. While we have a robust risk-rating process, changes in our borrower risk ratings may not always directly coincide with changes in the risk profile of an individual borrower due to the timing of the rating process and a potential lag in the receipt of information necessary to evaluate the impact of emerging developments and current conditions on the risk ratings of our borrower. Although our allowance for credit losses is sensitive to each key input, shifts in the credit risk ratings of our borrowers generally have the most notable impact on our allowance for credit losses.

### **Allowance for Credit Losses**

Our allowance for credit losses was \$86 million as of May 31, 2021, consisting of an allowance for loans collectively evaluated of \$43 million and an allowance for loans individually evaluated of \$43 million. The allowance coverage ratio was 0.30% as of May 31, 2021. We discuss the methodology used to estimate the allowance for credit losses in "Note 1—Summary of Significant Accounting Policies."

### ***Key Assumptions***

Determining the appropriateness of the allowance for credit losses is subject to numerous estimates and assumptions requiring significant management judgment about matters that involve a high degree of subjectivity and are difficult to predict. The key assumptions in determining our collective allowance that require significant management judgment and may have a material impact on the amount of the allowance include the segmentation of our loan portfolio; our internally assigned borrower risk ratings; the probability of default; the loss severity or recovery rate in the event of default for each portfolio segment; and management's consideration of qualitative factors that may cause estimated credit losses associated with our existing loan portfolio to differ from our historical loss experience.

As discussed below in "Credit Risk—Loan Portfolio Credit Risk," CFC has experienced only 17 defaults in its 52-year history, and prior to Brazos we had no defaults in our electric utility loan portfolio since fiscal year 2013. As such, we have a limited history of defaults to develop reasonable and supportable estimated probability of default rates for our existing loan portfolio. We therefore utilize third-party default data for the utility sector as a proxy to estimate probability of default rates for our loan portfolio segments. However, we utilize our internal historical loss experience to estimate loss given default, or the recovery rate, for each of our loan portfolio segments. We believe our internal historical loss experience serves as a more reliable estimate of loss severity than third-party data due to the organizational structure and operating environment of rural utility cooperatives, our lending practice of generally requiring a senior security position on the assets and revenue of borrowers for long-term loans, the approach we take in working with borrowers that may be experiencing operational or financial issues and other factors discussed in "Credit Risk—Loan Portfolio Credit Risk."

The key assumptions in determining our asset-specific allowance that require significant management judgment and may have a material impact on the amount of the allowance include the determination that a loan is individually evaluated, measuring the amount and timing of future cash flows for individually evaluated loans that are not collateral-dependent and estimating the value of the underlying collateral for individually evaluated loans that are collateral-dependent.

The degree to which any particular assumption affects the allowance for credit losses depends on the severity of the change and its relationship to the other assumptions. We regularly evaluate the underlying assumptions used in determining the allowance for credit losses and periodically update our assumptions to better reflect present conditions, including current trends in credit performance and borrower risk profile, portfolio concentration risk, changes in risk-management practices, changes in the regulatory environment, general economic trends and other factors specific to our loan portfolio segments. We did not change the nature of the underlying inputs used in determining our allowance for credit losses during fiscal year 2021.

### ***Sensitivity Analysis***

As noted above, our allowance for credit losses is sensitive to a variety of factors. While management uses its best judgment to assess loss data and other factors to determine the allowance for credit losses, changes in our loss assumptions, adjustments to assigned borrower risk ratings, the use of alternate external data sources or other factors could affect our estimate of probable credit losses inherent in the portfolio as of each balance sheet date, which would also impact the related provision for credit losses recognized in our consolidated statements of operations. For example, changes in the inputs below, without taking into consideration the impact of other potential offsetting or correlated inputs, would have the following effect on our allowance of credit losses as of May 31, 2021.

- A 10% increase or decrease in the default rates for all of our portfolio segments would result in a corresponding increase or decrease of approximately \$4 million.
- A 1% increase or decrease in the recovery rates for all of our portfolio segments would result in a corresponding decrease or increase of approximately \$10 million.
- A one-notch downgrade in the internal borrower risk ratings for our entire loan portfolio would result in an increase of approximately \$23 million, while a one-notch upgrade would result in a decrease of approximately \$27 million.

These sensitivity analyses are intended to provide an indication of the isolated impact of hypothetical alternative assumptions on our allowance for credit losses. Because management evaluates a variety of factors and inputs in determining the allowance for credit losses, these sensitivity analyses are not considered probable and do not imply an expectation of future changes in loss rates or borrower risk ratings. Given current processes employed in estimating the allowance for credit losses, management believes the inherent loss rates and currently assigned risk ratings are appropriate. It is possible that others performing the analyses, given the same information, may at any point in time reach different reasonable conclusions that could be significant to our consolidated financial statements.

We evaluate our critical accounting estimates and judgments required by our policies on an ongoing basis and update them as necessary based on changing conditions. Management has discussed significant judgments and assumptions in applying our critical accounting policies with the Audit Committee of the CFC Board of Directors. We also provide additional information on the allowance for credit losses in the “Credit Risk—Allowance for Credit Losses” section and in “Note 5—Allowance for Credit Losses.” Also see the “Credit Risk—Loan Portfolio Credit Risk—Credit Quality Indicators” section and “Note 4—Loans” where we provide information on credit metrics and discuss the overall credit quality of our loan portfolio.

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## **RECENT ACCOUNTING CHANGES AND OTHER DEVELOPMENTS**

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### **Recent Accounting Changes**

See “Note 1—Summary of Significant Accounting Policies” for information on accounting standards adopted during the current fiscal year, as well as recently issued accounting standards not yet required to be adopted and the expected impact of the adoption of these accounting standards. To the extent we believe the adoption of new accounting standards has had or will have a material impact on our consolidated results of operations, financial condition or liquidity, we also discuss the impact in the applicable section(s) of this MD&A.

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## CONSOLIDATED RESULTS OF OPERATIONS

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The section below provides a comparative discussion of our consolidated results of operations between fiscal years 2021 and 2020. Following this section, we provide a discussion and analysis of material changes in amounts reported on our consolidated balance sheet as of May 31, 2021 from amounts reported as of May 31, 2020. You should read these sections together with our “Executive Summary—Outlook” where we discuss trends and other factors that we expect will affect our future results of operations. See “Item 7. MD&A—Consolidated Results of Operations” in our Annual Report on Form 10-K for the fiscal year ended May 31, 2020 (“2020 Form 10-K”) for a comparative discussion of our consolidated results of operations between fiscal year 2020 and the fiscal year ended May 31, 2019 (“fiscal year 2019”).

### **Net Interest Income**

Net interest income represents the difference between the interest income earned on our interest-earning assets, which includes loans and investment securities, and the interest expense on our interest-bearing liabilities. Our net interest yield represents the difference between the yield on our interest-earning assets and the cost of our interest-bearing liabilities plus the impact of non-interest bearing funding. We expect net interest income and our net interest yield to fluctuate based on changes in interest rates and changes in the amount and composition of our interest-earning assets and interest-bearing liabilities. We do not fund each individual loan with specific debt. Rather, we attempt to minimize costs and maximize efficiency by proportionately funding large aggregated amounts of loans.

Table 2 presents average balances for fiscal years 2021, 2020 and 2019, and for each major category of our interest-earning assets and interest-bearing liabilities, the interest income earned or interest expense incurred, and the average yield or cost. Table 2 also presents non-GAAP adjusted interest expense, adjusted net interest income and adjusted net interest yield, which reflect the inclusion of net accrued periodic derivative cash settlements expense in interest expense. We provide reconciliations of our non-GAAP adjusted measures to the most comparable U.S. GAAP measures under “Non-GAAP Financial Measures.”

**Table 2: Average Balances, Interest Income/Interest Expense and Average Yield/Cost**

(Dollars in thousands)	Year Ended May 31,								
	2021			2020			2019		
	Average Balance	Interest Income/Expense	Average Yield/Cost	Average Balance	Interest Income/Expense	Average Yield/Cost	Average Balance	Interest Income/Expense	Average Yield/Cost
<b>Assets:</b>									
Long-term fixed-rate loans <sup>(1)</sup> .....	\$ 24,978,267	\$1,051,524	4.21 %	\$ 23,890,577	\$1,043,918	4.37 %	\$ 22,811,905	\$1,012,277	4.44 %
Long-term variable-rate loans.....	645,819	14,976	2.32	891,541	31,293	3.51	1,093,455	41,219	3.77
Line of credit loans.....	1,626,092	35,596	2.19	1,718,364	55,140	3.21	1,609,629	57,847	3.59
Troubled debt restructuring (“TDR”) loans.....	10,328	790	7.65	11,238	836	7.44	12,183	846	6.94
Nonperforming loans.....	185,554	—	—	5,957	—	—	—	—	—
Other, net <sup>(2)</sup> .....	—	(1,381)	—	—	(1,304)	—	—	(1,128)	—
Total loans.....	<u>27,446,060</u>	<u>1,101,505</u>	<u>4.01</u>	<u>26,517,677</u>	<u>1,129,883</u>	<u>4.26</u>	<u>25,527,172</u>	<u>1,111,061</u>	<u>4.35</u>
Cash, time deposits and investment securities.....	796,566	15,096	1.90	866,013	21,403	2.47	838,599	24,609	2.93
<b>Total interest-earning assets..</b>	<b><u>\$ 28,242,626</u></b>	<b><u>\$1,116,601</u></b>	<b><u>3.95 %</u></b>	<b><u>\$ 27,383,690</u></b>	<b><u>\$1,151,286</u></b>	<b><u>4.20 %</u></b>	<b><u>\$ 26,365,771</u></b>	<b><u>\$1,135,670</u></b>	<b><u>4.31 %</u></b>
Other assets, less allowance for credit losses <sup>(3)</sup> .....	537,506	—	—	551,378	—	—	879,817	—	—
Total assets <sup>(3)</sup> .....	<u>\$ 28,780,132</u>	—	—	<u>\$ 27,935,068</u>	—	—	<u>\$ 27,245,588</u>	—	—
<b>Liabilities:</b>									
Commercial paper.....	\$ 2,189,558	\$ 8,330	0.38 %	\$ 2,318,112	\$ 45,713	1.97 %	\$ 2,413,784	\$ 62,175	2.58 %
Other short-term borrowings.....	2,148,767	6,400	0.30	1,795,351	32,282	1.80	1,315,455	30,679	2.33 %
Total short-term borrowings.....	<u>4,338,325</u>	<u>14,730</u>	<u>0.34</u>	<u>4,113,463</u>	<u>77,995</u>	<u>1.90</u>	<u>3,729,239</u>	<u>92,854</u>	<u>2.49</u>
Medium-term notes.....	3,904,603	113,582	2.91	3,551,973	125,954	3.55	3,813,666	133,797	3.51
Collateral trust bonds.....	6,938,534	249,248	3.59	7,185,910	257,396	3.58	7,334,957	273,413	3.73
Guaranteed Underwriter Program notes payable.....	6,146,410	167,403	2.72	5,581,854	162,929	2.92	5,045,478	147,895	2.93
Farmer Mac notes payable.....	2,844,252	50,818	1.79	2,986,469	87,617	2.93	2,807,705	90,942	3.24
Other notes payable.....	10,246	241	2.35	17,586	671	3.82	28,044	1,237	4.41
Subordinated deferrable debt.....	986,209	51,551	5.23	986,035	51,527	5.23	759,838	38,628	5.08
Subordinated certificates.....	1,270,385	54,490	4.29	1,349,454	57,000	4.22	1,369,051	57,443	4.20
<b>Total interest-bearing liabilities.....</b>	<b><u>\$ 26,438,964</u></b>	<b><u>\$ 702,063</u></b>	<b><u>2.66 %</u></b>	<b><u>\$ 25,772,744</u></b>	<b><u>\$ 821,089</u></b>	<b><u>3.19 %</u></b>	<b><u>\$ 24,887,978</u></b>	<b><u>\$ 836,209</u></b>	<b><u>3.36 %</u></b>
Other liabilities <sup>(3)</sup> .....	1,380,414	—	—	1,141,884	—	—	816,074	—	—
Total liabilities <sup>(3)</sup> .....	<u>27,819,378</u>	—	—	<u>26,914,628</u>	—	—	<u>25,704,052</u>	—	—
Total equity <sup>(3)</sup> .....	960,754	—	—	1,020,440	—	—	1,541,536	—	—
Total liabilities and equity <sup>(3)</sup> .....	<u>\$ 28,780,132</u>	—	—	<u>\$ 27,935,068</u>	—	—	<u>\$ 27,245,588</u>	—	—
Net interest spread <sup>(4)</sup> .....	—	—	1.29 %	—	—	1.01 %	—	—	0.95 %
Impact of non-interest bearing funding <sup>(5)</sup> .....	—	—	0.18	—	—	0.20	—	—	0.19
Net interest income/net interest yield <sup>(6)</sup> .....	<u>\$ 414,538</u>	<u>1.47 %</u>	—	<u>\$ 330,197</u>	<u>1.21 %</u>	—	<u>\$ 299,461</u>	<u>1.14 %</u>	—
<b>Adjusted net interest income/adjusted net interest yield:</b>									
Interest income.....	—	\$1,116,601	3.95 %	—	\$1,151,286	4.20 %	—	\$1,135,670	4.31 %
Interest expense.....	—	702,063	2.66	—	821,089	3.19	—	836,209	3.36
Add: Net periodic derivative cash settlements interest expense <sup>(7)</sup> .....	—	115,645	1.28	—	55,873	0.55	—	43,611	0.40
Adjusted interest expense/adjusted average cost <sup>(8)</sup> .....	—	<u>\$ 817,708</u>	<u>3.09 %</u>	—	<u>\$ 876,962</u>	<u>3.40 %</u>	—	<u>\$ 879,820</u>	<u>3.54 %</u>
Adjusted net interest spread <sup>(6)</sup> .....	—	—	0.86 %	—	—	0.80 %	—	—	0.77 %
Impact of non-interest bearing funding <sup>(5)</sup> .....	—	—	0.20	—	—	0.20	—	—	0.20
Adjusted net interest income/adjusted net interest yield <sup>(9)</sup> .....	—	<u>\$ 298,893</u>	<u>1.06 %</u>	—	<u>\$ 274,324</u>	<u>1.00 %</u>	—	<u>\$ 255,850</u>	<u>0.97 %</u>

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- (1) Interest income on long-term, fixed-rate loans includes loan conversion fees, which are generally deferred and recognized as interest income using the effective interest method.
- (2) Consists of late payment fees and net amortization of deferred loan fees and loan origination costs.
- (3) Average balance is calculated based on a month-end average balance.
- (4) Net interest spread represents the difference between the average yield on total average interest-earning assets and the average cost of total average interest-bearing liabilities. Adjusted net interest spread represents the difference between the average yield on total average interest-earning assets and the adjusted average cost of total average interest-bearing liabilities.
- (5) Includes other liabilities and equity.
- (6) Net interest yield is calculated based on net interest income for the period divided by total average interest-earning assets for the period.
- (7) Represents the impact of net periodic contractual interest amounts on our interest rate swaps during the period. This amount is added to interest expense to derive non-GAAP adjusted interest expense. The average (benefit)/cost associated with derivatives is calculated based on net periodic swap settlement interest amount during the period divided by the average outstanding notional amount of derivatives during the period. The average outstanding notional amount of interest rate swaps was \$9,062 million, \$10,180 million and \$10,968 million for fiscal years 2021, 2020 and 2019, respectively.
- (8) Adjusted interest expense consists of interest expense plus net periodic derivative cash settlements interest expense during the period. Net periodic derivative cash settlement interest amounts are reported on our consolidated statements of operations as a component of derivative gains (losses). Adjusted average cost is calculated based on adjusted interest expense for the period divided by total average interest-bearing liabilities during the period.
- (9) Adjusted net interest yield is calculated based on adjusted net interest income for the period divided by total average interest-earning assets for the period.

Table 3 displays the change in net interest income between periods and the extent to which the variance is attributable to (i) changes in the volume of our interest-earning assets and interest-bearing liabilities or (ii) changes in the interest rates of these assets and liabilities. The table also presents the change in adjusted net interest income between periods. Changes that are not solely due to either volume or rate are allocated to these categories on a pro-rata basis based on the absolute value of the change due to average volume and average rate.



**Table 3: Rate/Volume Analysis of Changes in Interest Income/Interest Expense**

(Dollars in thousands)	2021 versus 2020			2020 versus 2019		
	Total Variance	Variance Due To: <sup>(1)</sup>		Total Variance	Variance Due To: <sup>(1)</sup>	
		Volume	Rate		Volume	Rate
<b>Interest income:</b>						
Long-term fixed-rate loans.....	\$ 7,606	\$ 47,527	\$ (39,921)	\$ 31,641	\$ 47,866	\$ (16,225)
Long-term variable-rate loans.....	(16,317)	(8,625)	(7,692)	(9,926)	(7,611)	(2,315)
Line of credit loans.....	(19,544)	(2,961)	(16,583)	(2,707)	3,908	(6,615)
TDR loans.....	(46)	(68)	22	(10)	(66)	56
Other, net.....	(77)	—	(77)	(176)	—	(176)
Total loans.....	(28,378)	35,873	(64,251)	18,822	44,097	(25,275)
Cash, time deposits and investment securities.....	(6,307)	(1,716)	(4,591)	(3,206)	804	(4,010)
Total interest income.....	<u>\$ (34,685)</u>	<u>\$ 34,157</u>	<u>\$ (68,842)</u>	<u>\$ 15,616</u>	<u>\$ 44,901</u>	<u>\$ (29,285)</u>
<b>Interest expense:</b>						
Commercial paper.....	\$ (37,383)	\$ (2,535)	\$ (34,848)	\$ (16,462)	\$ (2,464)	\$ (13,998)
Other short-term borrowings.....	(25,882)	6,355	(32,237)	1,603	11,192	(9,589)
Total short-term borrowing.....	(63,265)	3,820	(67,085)	(14,859)	8,728	(23,587)
Medium-term notes.....	(12,372)	12,504	(24,876)	(7,843)	(9,181)	1,338
Collateral trust bonds.....	(8,148)	(8,861)	713	(16,017)	(5,556)	(10,461)
Guaranteed Underwriter Program notes payable.....	4,474	16,479	(12,005)	15,034	15,722	(688)
Farmer Mac notes payable.....	(36,799)	(4,172)	(32,627)	(3,325)	5,790	(9,115)
Other notes payable.....	(430)	(280)	(150)	(566)	(461)	(105)
Subordinated deferrable debt.....	24	9	15	12,899	11,499	1,400
Subordinated certificates.....	(2,510)	(3,340)	830	(443)	(822)	379
Total interest expense.....	(119,026)	16,159	(135,185)	(15,120)	25,719	(40,839)
Net interest income.....	<u>\$ 84,341</u>	<u>\$ 17,998</u>	<u>\$ 66,343</u>	<u>\$ 30,736</u>	<u>\$ 19,182</u>	<u>\$ 11,554</u>
<b>Adjusted net interest income:</b>						
Interest income.....	\$ (34,685)	\$ 34,157	\$ (68,842)	\$ 15,616	\$ 44,901	\$ (29,285)
Interest expense.....	(119,026)	16,159	(135,185)	(15,120)	25,719	(40,839)
Net periodic derivative cash settlements interest expense <sup>(2)</sup> .....	59,772	(6,137)	65,909	12,262	(3,136)	15,398
Adjusted interest expense <sup>(3)</sup> .....	(59,254)	10,022	(69,276)	(2,858)	22,583	(25,441)
Adjusted net interest income.....	<u>\$ 24,569</u>	<u>\$ 24,135</u>	<u>\$ 434</u>	<u>\$ 18,474</u>	<u>\$ 22,318</u>	<u>\$ (3,844)</u>

<sup>(1)</sup>The changes for each category of interest income and interest expense are divided between the portion of change attributable to the variance in volume and the portion of change attributable to the variance in rate for that category. The amount attributable to the combined impact of volume and rate has been allocated to each category based on the proportionate absolute dollar amount of change for that category.

<sup>(2)</sup>For the net periodic derivative cash settlements interest amount, the variance due to average volume represents the change in the net periodic derivative cash settlements interest amount resulting from the change in the average notional amount of derivative contracts outstanding. The variance due to average rate represents the change in the net periodic derivative cash settlements amount resulting from the net difference between the average rate paid and the average rate received for interest rate swaps during the period.

<sup>(3)</sup>See “Non-GAAP Financial Measures” for additional information on our adjusted non-GAAP measures.

### ***Reported Net Interest Income***

Reported net interest income of \$415 million for fiscal year 2021 increased \$84 million, or 26%, from fiscal year 2020, driven by the combined impact of an increase in the net interest yield of 21% (26 basis points) to 1.47% and an increase in average interest-earning assets of \$859 million, or 3%.

- *Net Interest Yield:* The increase in the net interest yield of 26 basis points, or 21%, was primarily attributable to a reduction in our average cost of borrowings of 53 basis points to 2.66%, which was partially offset by a decrease in the average yield on interest-earning assets of 25 basis points to 3.95%. The decreases in our average cost of borrowings and average yield on interest-earning assets were driven by lower interest rates on our short-term borrowings and line-of-credit and variable-rate loans attributable to a steep decline in short-term interest rates since the onset of the COVID-19 pandemic. In mid-March 2020, the FOMC of the Federal Reserve lowered the federal funds rate to a near-zero target range of 0% to 0.25% as part of a series of measures implemented to ease the economic impact of the COVID-19 pandemic. The benchmark federal funds rate has remained at this near-zero target range since March 2020. During fiscal year 2021, the 3-month LIBOR decreased 21 basis points to 0.13% as of May 31, 2021. In contrast, medium- and longer-term interest rates began trending up in fiscal year 2021, following significant declines during fiscal year 2020. The 10-year swap rate increased 92 basis points to 1.56% as of May 31, 2021, while the 30-year swap rate increased 106 basis points to 2.00% as of May 31, 2021.
- *Average Interest-Earning Assets:* The increase in average interest-earning assets of 3% during fiscal year 2021 was driven by growth in average total loans of \$928 million, or 4%, from fiscal year 2020, primarily attributable to an increase in average long-term fixed-rate loans of \$1,088 million, or 5%. The lower interest rate presented an opportunity for members to obtain advances to fund capital investments and refinance with us loans made by other lenders at a reduced fixed rate of interest.

### ***Adjusted Net Interest Income***

Adjusted net interest income of \$299 million for fiscal year 2021 increased \$25 million, or 9%, from fiscal year 2020, driven by an increase in the adjusted net interest yield of 6 basis points, or 6%, to 1.06%, and the increase in average interest-earning assets of \$859 million, or 3%.

- *Adjusted Net Interest Yield:* The increase in the adjusted net interest yield of 6 basis points, or 6%, reflected the favorable impact of a reduction in our adjusted average cost of borrowings of 31 basis points to 3.09%, which was partially offset by a decrease in the average yield on interest-earning assets of 25 basis points to 3.95%, both of which were attributable to the lower interest rate environment. Reductions in the average yields on line-of-credit and variable-rate loans drove the decrease in the average yield on interest-earning assets, while reductions in interest rates on our short-term and variable-rate borrowings drove the reduction in our adjusted average cost of borrowings.
- *Average Interest-Earning Assets:* The increase in average interest-earning assets of 3% was driven by the growth in average total loans of \$928 million, or 4%, from fiscal year 2020, primarily attributable to an increase in average long-term fixed-rate loans as described above.

We include the net periodic derivative interest settlement amounts on our interest rate swaps in the calculation of our adjusted average cost of borrowings, which, as a result, also impacts the calculation of adjusted net interest income and adjusted net interest yield. We recorded net periodic derivative cash settlements interest expense of \$116 million in fiscal year 2021, an increase of \$60 million, or 107%, from \$56 million in fiscal year 2020. Because our derivative portfolio consists of a higher proportion of pay-fixed swaps than receive-fixed swaps, we generally record derivative losses when interest rates decline and derivative gains when interest rates rise. The floating-rate payments on our interest rate swaps are typically based on the 3-month LIBOR, which decreased 21 basis points over the last 12 months to 0.13% as of May 31, 2021. The decrease in the 3-month LIBOR drove the increase in the net periodic derivative cash settlements interest expense recorded in fiscal year 2021.

See “Non-GAAP Financial Measures” for additional information on our adjusted measures, including a reconciliation of these measures to the most comparable U.S. GAAP measures.

## Provision for Credit Losses

We recorded a provision for credit losses, based on the CECL model for estimating the allowance, of \$29 million in fiscal year 2021. In comparison, we recorded a provision for credit losses, based on the incurred model for estimating the allowance, of \$36 million in fiscal year 2020.

Under CECL, we are required to maintain an allowance based on a current estimate of credit losses that are expected to occur over the remaining contractual term of the loans in our portfolio. Prior to the adoption of CECL using the modified retrospective approach on June 1, 2020, we maintained an allowance based on an estimate of probable incurred losses inherent in our loan portfolio as of each balance sheet date.

The provision for credit losses of \$29 million for fiscal year 2021 was primarily attributable to an addition to the allowance for credit losses of \$33 million in fiscal year 2021, resulting from material risk rating downgrades of Brazos and Rayburn due to their exposure to elevated power costs during the February 2021 polar vortex. The provision for credit losses of \$36 million for fiscal year 2020 was primarily attributable to the establishment of an asset-specific allowance of \$34 million in the fourth quarter resulting from the classification of loans outstanding to a CFC power supply borrower, which totaled \$168 million as of May 31, 2020, as nonperforming.

We discuss our methodology for estimating the allowance for credit losses under the CECL model, which we adopted using the modified retrospective approach on June 1, 2020, in “Note 1—Summary of Significant Accounting Policies.” We also provide information on the allowance for credit losses below in the section “Credit Risk—Allowance for Credit Losses” and in “Note 5—Allowance for Credit Losses.”

## Non-Interest Income

Non-interest income consists of fee and other income, gains and losses on derivatives not accounted for in hedge accounting relationships and gains and losses on equity and debt investment securities. In the fourth quarter of fiscal year 2020, we transferred all of the debt securities in our held-to-maturity investment portfolio to trading. As a result, we discontinued the reporting of our debt securities at amortized cost and began reporting these securities at fair value and recognizing the related unrealized gains and losses in earnings.

Table 4 presents the components of non-interest income (loss) recorded in our consolidated statements of operations for fiscal years 2021, 2020 and 2019.

**Table 4: Non-Interest Income**

(Dollars in thousands)	Year Ended May 31,		
	2021	2020	2019
<b>Non-interest income components:</b>			
Fee and other income .....	\$ 18,929	\$ 22,961	\$ 15,355
Derivative gains (losses) .....	506,301	(790,151)	(363,341)
Investment securities gains (losses) .....	1,495	9,431	(1,799)
Total non-interest income (loss) .....	<u>\$ 526,725</u>	<u>\$ (757,759)</u>	<u>\$ (349,785)</u>

The significant variances in non-interest income between fiscal years were primarily attributable to changes in the derivative gains (losses) recognized in our consolidated statements of operations during each fiscal year. In addition, we experienced a decrease of \$8 million in our investment securities gains, primarily due to changes in the fair market value and a decrease in fee and other income of \$4 million due to lower prepayment fees than in the same prior-year period.

## Derivative Gains (Losses)

Our derivative instruments are an integral part of our interest rate risk management strategy. Our principal purpose in using derivatives is to manage our aggregate interest rate risk profile within prescribed risk parameters. The derivative instruments we use primarily include interest rate swaps, which we typically hold to maturity. In addition, we may on occasion use treasury locks to manage the interest rate risk associated with debt that is scheduled to reprice in the future. The primary

factors affecting the fair value of our derivatives and derivative gains (losses) recorded in our results of operations include changes in interest rates, the shape of the swap curve and the composition of our derivative portfolio. We generally do not designate our interest rate swaps, which currently account for all our derivatives, for hedge accounting. Accordingly, changes in the fair value of interest rate swaps are reported in our consolidated statements of operations under derivative gains (losses). However, if we execute a treasury lock, we typically designate the treasury lock as a cash flow hedge. We did not have any derivatives designated as accounting hedges as of May 31, 2021 or May 31, 2020.

We currently use two types of interest rate swap agreements: (i) we pay a fixed rate of interest and receive a variable rate of interest (“pay-fixed swaps”), and (ii) we pay a variable rate of interest and receive a fixed rate of interest (“receive-fixed swaps”). The interest amounts are based on a specified notional balance, which is used for calculation purposes only. The benchmark variable rate for the substantial majority of the floating-rate payments under our swap agreements is 3-month LIBOR. As interest rates decline, pay-fixed swaps generally decrease in value and result in the recognition of derivative losses, as the amount of interest we pay remains fixed, while the amount of interest we receive declines. In contrast, as interest rates rise, pay-fixed swaps generally increase in value and result in the recognition of derivative gains, as the amount of interest we pay remains fixed, but the amount we receive increases. With a receive-fixed swap, the opposite results occur as interest rates decline or rise. Our derivative portfolio consists of a higher proportion of pay-fixed swaps than receive-fixed swaps; therefore, we generally record derivative losses when interest rates decline and derivative gains when interest rates rise. Because our pay-fixed and receive-fixed swaps are referenced to different maturity terms along the swap curve, different changes in the swap curve—parallel, flattening, inversion or steepening—will also impact the fair value of our derivatives.

Table 5 presents the components of net derivative gains (losses) recorded in our consolidated statements of operations. Derivative cash settlements interest expense represents the net periodic contractual interest amount for our interest-rate swaps during the reporting period. Derivative forward value gains (losses) represent the change in fair value of our interest rate swaps during the applicable reporting period due to changes in expected future interest rates over the remaining life of our derivative contracts.

**Table 5: Derivative Gains (Losses)**

(Dollars in thousands)	Year Ended May 31,		
	2021	2020	2019
<b>Derivative gains (losses) attributable to:</b>			
Derivative cash settlements interest expense .....	\$ (115,645)	\$ (55,873)	\$ (43,611)
Derivative forward value gains (losses) .....	621,946	(734,278)	(319,730)
Derivative gains (losses) .....	<u>\$ 506,301</u>	<u>\$ (790,151)</u>	<u>\$ (363,341)</u>

The derivative gains of \$506 million in fiscal year 2021 were due to an increase in the net fair value of our swap portfolio, attributable to increases in medium- and longer-term swap interest rates, as depicted by the comparative May 31, 2021 and May 31, 2020 swap curves presented in Table 7 below.

The net derivative losses of \$790 million in fiscal year 2020 were due to a decrease in the net fair value of our swap portfolio attributable to declines in interest rates across the swap curve, as depicted by the comparative May 31, 2020 and May 31, 2019 swap curves presented in Table 7 below.

#### *Derivative Cash Settlements*

As indicated in Table 5 above, we recorded derivative cash settlements interest expense of \$116 million in fiscal year 2021, an increase of \$60 million compared with fiscal year 2020. The variable-rate payments on our interest rate swaps are typically based on the 3-month LIBOR, which decreased 21 basis points during fiscal year 2021 to 0.13% as of May 31, 2021. Because our derivatives portfolio consists of a higher proportion of pay-fixed, receive-variable swaps, the decrease in the 3-month LIBOR resulted in a reduction in variable-rate payments due to us on our pay-fixed swaps, which drove the increase derivative cash settlements interest expense in fiscal year 2021.

Table 6 displays, by interest rate swap agreement type, the average outstanding notional amount and the weighted-average interest rate paid and received for the net periodic derivative cash settlements interest expense during each respective period.

Pay-fixed swaps accounted for approximately 73% and 71% of the outstanding notional amount of our derivative portfolio as of May 31, 2021 and 2020, respectively.

**Table 6: Derivatives—Average Notional Amounts and Interest Rates**

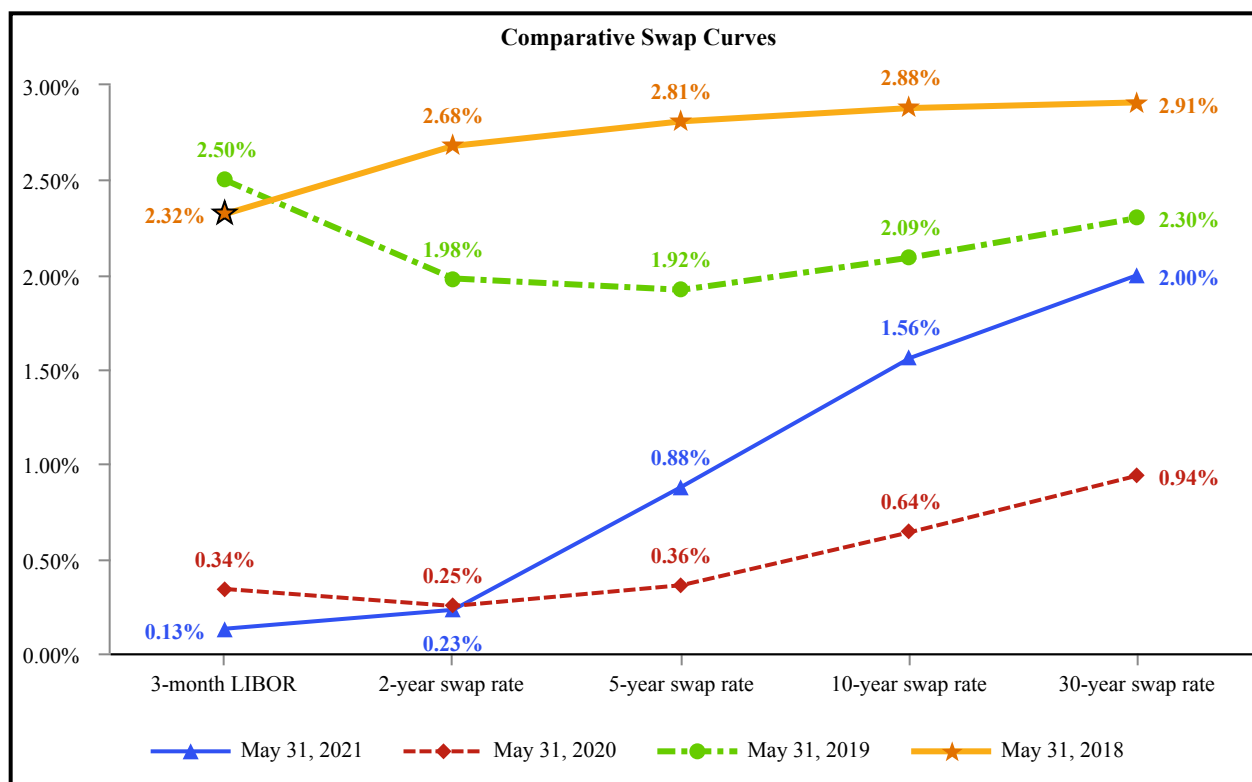
(Dollars in thousands)	Year Ended May 31,								
	2021			2020			2019		
	Average Notional Amount	Weighted-Average Rate		Average Notional Amount	Weighted-Average Rate		Average Notional Amount	Weighted-Average Rate	
	Paid	Received	Paid	Received	Paid	Received	Paid	Received	
Pay-fixed swaps.....	\$6,566,734	2.73 %	0.27 %	\$7,092,961	2.82 %	1.91 %	\$7,352,704	2.83 %	2.53 %
Receive-fixed swaps..	2,494,890	1.03	2.78	3,086,705	2.62	2.64	3,615,781	3.15	2.53
Total.....	<u>\$9,061,624</u>	<u>2.26 %</u>	<u>0.96 %</u>	<u>\$10,179,666</u>	<u>2.76 %</u>	<u>2.13 %</u>	<u>\$10,968,485</u>	<u>2.93 %</u>	<u>2.53 %</u>

The average remaining maturity of our pay-fixed and receive-fixed swaps was 19 years and three years, respectively, as of May 31, 2021. In comparison, the average remaining maturity of our pay-fixed and receive-fixed swaps was 20 years and four years, respectively, as of May 31, 2020.

*Comparative Swap Curves*

Table 7 table below depicts comparative swap curves as of May 31, 2021, 2020, 2019 and 2018.

**Table 7: Comparative Swap Curves**



Benchmark rates obtained from Bloomberg.

See “Note 1—Summary of Significant Accounting Policies—Derivative Instruments” and “Note 10—Derivative Instruments and Hedging Activities” for additional information on our derivative instruments. Also refer to “Note 14—Fair Value Measurement” for information on how we estimate the fair value of our derivative instruments.

## Non-Interest Expense

Non-interest expense consists of salaries and employee benefit expense, general and administrative expenses, gains and losses on the early extinguishment of debt and other miscellaneous expenses.

Table 8 presents the components of non-interest expense recorded in our consolidated statements of operations in fiscal years 2021, 2020 and 2019.

**Table 8: Non-Interest Expense**

(Dollars in thousands)	Year Ended May 31,		
	2021	2020	2019
<b>Non-interest expense components:</b>			
Salaries and employee benefits.....	\$ (55,258)	\$ (54,522)	\$ (49,824)
Other general and administrative expenses.....	(39,447)	(46,645)	(43,342)
Losses on early extinguishment of debt.....	(1,456)	(683)	(7,100)
Other non-interest expense.....	(1,619)	(25,588)	(1,675)
Total non-interest expense.....	<u>\$ (97,780)</u>	<u>\$ (127,438)</u>	<u>\$ (101,941)</u>

Non-interest expense of \$98 million for fiscal year 2021 decreased \$30 million, or 23%, from fiscal year 2020. The decrease was primarily attributable to the absence of a non-cash impairment charge of \$31 million recorded in the fourth quarter of fiscal 2020 due to management's decision to abandon a software project to develop an internal-use loan origination and servicing platform. We also experienced a reduction in other general and administrative expenses of \$7 million largely due to reduced travel and in-person meeting costs and the cancellation of certain events because of the COVID-19 pandemic, which was offset by the absence of a gain of \$8 million recorded in fiscal year 2020 in connection with our sale of land.

## Net Income (Loss) Attributable to Noncontrolling Interests

Net income (loss) attributable to noncontrolling interests represents 100% of the results of operations of NCSC and RTFC, as the members of NCSC and RTFC own or control 100% of the interest in their respective companies. The fluctuations in net income (loss) attributable to noncontrolling interests are primarily due to changes in the fair value of NCSC's derivative instruments recognized in NCSC's earnings.

We recorded a net income attributable to noncontrolling interests of \$2 million in fiscal year 2021. In comparison we recorded a net loss attributable to noncontrolling interests of \$4 million and \$2 million in fiscal years 2020 and 2019, respectively.

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## CONSOLIDATED BALANCE SHEET ANALYSIS

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Total assets increased \$1,481 million, or 5%, in fiscal year 2021 to \$29,638 million as of May 31, 2021, primarily due to growth in our loan portfolio. We experienced an increase in total liabilities of \$730 million, or 3%, to \$28,238 million as of May 31, 2021, largely due to the issuances of debt to partially fund the growth in our loan portfolio. Total equity increased \$751 million to \$1,400 million as of May 31, 2021, attributable to our reported net income of \$814 million, which was partially offset by patronage capital retirement of \$60 million authorized by the CFC Board of Directors in July 2020 and paid to members in September 2020.

Below is a discussion of changes in the major components of our assets and liabilities during fiscal year 2021. Period-end balance sheet amounts may vary from average balance sheet amounts due to liquidity and balance sheet management activities that are intended to manage our liquidity requirements and market risk exposure in accordance with our risk appetite framework.

## Loan Portfolio

We segregate our loan portfolio into segments based on the borrower member class, which consists of CFC distribution, CFC power supply, CFC statewide and associate, NCSC and RTFC. We offer both long-term and line of credit loans to our borrowers. Under our long-term loan facilities, a borrower may select a fixed interest rate or a variable interest rate at the time of each loan advance. Line of credit loans are revolving loan facilities and generally have a variable interest rate. We describe and provide additional information on our member classes in “Item 1. Business—Members” and information about our loan programs and loan product types in “Item 1. Business—Loan and Guarantee Programs.”

### Loans Outstanding

Table 9 presents loans outstanding, by member class and by loan product type, as of May 31, 2021 and 2020. As indicated in Table 9, loans to CFC distribution and power supply borrowers accounted for 96% of total loans to members as of both May 31, 2021 and 2020, and long-term fixed-rate loans accounted for 90% and 92% of loans to members as of May 31, 2021 and 2020, respectively.

**Table 9: Loans—Outstanding Amount by Member Class and Loan Type**

(Dollars in thousands)	May 31,				Change
	2021		2020		
Member class:	Amount	% of Total	Amount	% of Total	
CFC:					
Distribution	\$ 22,027,423	78 %	\$ 20,769,653	78 %	\$1,257,770
Power supply	5,154,312	18	4,731,506	18	422,806
Statewide and associate	106,121	—	106,498	—	(377)
CFC	27,287,856	96	25,607,657	96	1,680,199
NCSC	706,868	3	697,862	3	9,006
RTFC	420,383	1	385,335	1	35,048
Total loans outstanding <sup>(1)</sup>	28,415,107	100 %	26,690,854	100 %	1,724,253
Deferred loan origination costs—CFC <sup>(2)</sup>	11,854	—	11,526	—	328
Loans to members	<u>\$ 28,426,961</u>	<u>100 %</u>	<u>\$ 26,702,380</u>	<u>100 %</u>	<u>\$1,724,581</u>
<b>Loan type:</b>					
Long-term loans:					
Fixed-rate	\$ 25,514,766	90 %	\$ 24,472,003	92 %	\$1,042,763
Variable-rate	658,579	2	655,704	2	2,875
Total long-term loans	26,173,345	92	25,127,707	94	1,045,638
Line of credit loans	2,241,762	8	1,563,147	6	678,615
Total loans outstanding <sup>(1)</sup>	28,415,107	100 %	26,690,854	100 %	1,724,253
Deferred loan origination costs—CFC <sup>(2)</sup>	11,854	—	11,526	—	328
Loans to members	<u>\$ 28,426,961</u>	<u>100 %</u>	<u>\$ 26,702,380</u>	<u>100 %</u>	<u>\$1,724,581</u>

<sup>(1)</sup> Represents the unpaid principal balance, net of charge-offs and recoveries, of loans as of the end of each period.

<sup>(2)</sup> Deferred loan origination costs are recorded on the books of CFC.

Loans to members totaled \$28,427 million as of May 31, 2021, an increase of \$1,725 million, or 6%, from May 31, 2020. The increase in loans was driven by an increase in long-term and line of credit loans of \$1,046 million and \$679 million, respectively. We experienced increases in CFC distribution loans, CFC power supply loans, RTFC loans and NCSC loans of \$1,258 million, \$423 million, \$35 million and \$9 million, respectively.

Long-term loan advances totaled \$2,514 million during fiscal year 2021, of which approximately 86% was provided to members for capital expenditures and 8% was provided for the refinancing of loans made by other lenders. In comparison,

long-term loan advances totaled \$2,422 million during fiscal year 2020, of which approximately 80% was provided to members for capital expenditures and 15% was provided for the refinancing of loans made by other lenders.

We provide additional information about our loan product types in “Item 1. Business—Loan and Guarantee Programs” and “Note 4—Loans.” See “Debt—Collateral Pledged” below for information on encumbered and unencumbered loans and “Credit Risk—Credit Risk Management” for information on the credit risk profile of our loan portfolio.

### ***Loans—Retention Rate***

Table 10 presents a summary of the options selected by borrowers for CFC’s long-term fixed-rate loans that repriced, in accordance with our standard loan repricing provisions, during the past three fiscal years. At the repricing date, the borrower has the option of (i) selecting CFC’s current long-term fixed rate for a term ranging from one year to the full remaining term of the loan; (ii) selecting CFC’s current long-term variable rate; or (iii) repaying the loan in full.

**Table 10: Loans—Historical Retention Rate and Repricing Selection<sup>(1)</sup>**

<b>(Dollars in thousands)</b>	<b>May 31,</b>					
	<b>2021</b>		<b>2020</b>		<b>2019</b>	
	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>	<b>Amount</b>	<b>% of Total</b>
<b>Loans retained:</b>						
Long-term fixed rate selected.....	<b>\$ 383,939</b>	<b>97 %</b>	\$ 441,165	95 %	\$ 568,252	75 %
Long-term variable rate selected.....	<b>9,564</b>	<b>2</b>	11,446	3	123,636	16
Total loans retained by CFC.....	<b>393,503</b>	<b>99</b>	452,611	98	691,888	91
Loans repaid.....	<b>3,508</b>	<b>1</b>	10,350	2	69,250	9
Total.....	<b>\$ 397,011</b>	<b>100 %</b>	\$ 462,961	100 %	\$ 761,138	100 %

<sup>(1)</sup> Does not include NCSC and RTFC loans.

As displayed in Table 10, of the loans that repriced over the last three fiscal years, the substantial majority of borrowers selected a new long-term fixed or variable rate. The average retention rate, calculated based on the election made by the borrower at the repricing date, was 96% for CFC loans that repriced during the three fiscal years ended May 31, 2021.

### **Debt**

We utilize both short-term borrowings and long-term debt as part of our funding strategy and asset/liability interest rate risk management. We seek to maintain diversified funding sources across products, programs and markets to manage funding concentrations and reduce our liquidity or debt rollover risk. Our funding sources include a variety of secured and unsecured debt securities in a wide range of maturities to our members and affiliates and in the capital markets.

### ***Debt Product Types***

We offer various short- and long-term unsecured debt securities to our members and affiliates, including commercial paper, select notes, daily liquidity fund notes, medium-term notes and subordinated certificates. We also issue commercial paper, medium-term notes and collateral trust bonds in the capital markets. Additionally, we have access to funds under borrowing arrangements with banks, private placements and U.S. government agencies. Table 11 displays our primary funding sources and their selected key attributes.



**Table 11: Debt—Debt Product Types**

<b>Debt Product Type:</b>	<b>Maturity Range</b>	<b>Market</b>	<b>Secured/ Unsecured</b>
<b>Short-term funding programs:</b>			
Commercial paper .....	1 to 270 days	Capital markets, members and affiliates	Unsecured
Select notes .....	30 to 270 days	Members and affiliates	Unsecured
Daily liquidity fund notes .....	Demand note	Members and affiliates	Unsecured
Securities sold under repurchase agreements .....	1 to 90 days	Capital markets	Secured
<b>Other funding programs:</b>			
Medium-term notes .....	9 months to 30 years	Capital markets, members and affiliates	Unsecured
Collateral trust bonds <sup>(1)</sup> .....	Up to 30 years	Capital markets	Secured
Guaranteed Underwriter Program notes payable <sup>(2)</sup> .....	Up to 30 years	U.S. government	Secured
Farmer Mac notes payable <sup>(3)</sup> .....	Up to 30 years	Private placement	Secured
Other notes payable <sup>(4)</sup> .....	Up to 3 years	Private placement	Both
Subordinated deferrable debt <sup>(5)</sup> .....	Up to 45 years	Capital markets	Unsecured
Members' subordinated certificates <sup>(6)</sup> .....	Up to 100 years	Members	Unsecured
Revolving credit agreements .....	Up to 5 years	Bank institutions	Unsecured

<sup>(1)</sup>Collateral trust bonds are secured by the pledge of permitted investments and eligible mortgage notes from distribution system borrowers in an amount at least equal to the outstanding principal amount of collateral trust bonds.

<sup>(2)</sup>Represents notes payable under the Guaranteed Underwriter Program, which supports the Rural Economic Development Loan and Grant program. The Federal Financing Bank provides the financing for these notes, and RUS provides a guarantee of repayment. We are required to pledge eligible mortgage notes from distribution and power supply system borrowers in an amount at least equal to the outstanding principal amount of the notes payable.

<sup>(3)</sup>We are required to pledge eligible mortgage notes from distribution and power supply system borrowers in an amount at least equal to the outstanding principal amount under note purchase agreements with Farmer Mac.

<sup>(4)</sup>Other notes payable consist of unsecured and secured Clean Renewable Energy Bonds. We are required to pledge eligible mortgage notes from distribution and power supply system borrowers in an amount at least equal to the outstanding principal amount under the Clean Renewable Energy Bonds Series 2009A note purchase agreement.

<sup>(5)</sup>Subordinated deferrable debt is subordinate and junior to senior debt and debt obligations we guarantee, but senior to subordinated certificates. We have the right at any time, and from time to time, during the term of the subordinated deferrable debt to suspend interest payments for a maximum period of 20 consecutive quarters for \$1,000 par notes, or a maximum period of 40 consecutive quarters for \$25 par notes. To date, we have not exercised our option to suspend interest payments. We have the right to call the subordinated deferrable debt, at par, any time after 10 years for \$1,000 par notes or 5 years for \$25 par notes.

<sup>(6)</sup>Members' subordinated certificates consist of membership subordinated certificates, loan and guarantee certificates and member capital securities, and are subordinated and junior to senior debt, subordinated debt and debt obligations we guarantee. Membership subordinated certificates generally mature 100 years subsequent to issuance. Loan and guarantee subordinated certificates have the same maturity as the related long-term loan. Some certificates also may amortize annually based on the outstanding loan balance. Member capital securities mature 30 years subsequent to issuance. Member capital securities are callable at par beginning 10 years subsequent to the issuance and anytime thereafter.

### ***Debt Outstanding***

Table 12 displays the composition, by product type, of our outstanding debt and the weighted average interest rate as of May 31, 2021 and 2020. Table 12 also displays the composition of our debt based on several additional selected attributes.

**Table 12: Total Debt Outstanding and Weighted-Average Interest Rates**

(Dollars in thousands)	May 31,				Change
	2021		2020		
	Outstanding Amount	Weighted-Average Interest Rate	Outstanding Amount	Weighted-Average Interest Rate	
<b>Debt product type:</b>					
Commercial Paper:					
Members, at par	\$ 1,124,607	0.14 %	\$ 1,318,566	0.34 %	\$ (193,959)
Dealer, net of discounts	894,977	0.16	—	—	894,977
Total commercial paper	<u>2,019,584</u>	<u>0.15</u>	<u>1,318,566</u>	<u>0.34</u>	<u>701,018</u>
Select notes to members	1,539,150	0.30	1,597,959	0.75	(58,809)
Daily liquidity fund notes to members	460,556	0.08	508,618	0.10	(48,062)
Securities sold under repurchase agreements	200,115	0.30	—	—	200,115
Medium-term notes:					
Members, at par	595,037	1.28	658,959	2.32	(63,922)
Dealer, net of discounts	3,923,385	2.31	3,068,793	3.34	854,592
Total medium-term notes	<u>4,518,422</u>	<u>2.17</u>	<u>3,727,752</u>	<u>3.16</u>	<u>790,670</u>
Collateral trust bonds	7,191,944	3.15	7,188,553	3.23	3,391
Guaranteed Underwriter Program notes payable	6,269,303	2.76	6,261,312	2.74	7,991
Farmer Mac notes payable	2,977,909	1.68	3,059,637	1.99	(81,728)
Other notes payable	8,236	1.68	11,612	1.37	(3,376)
Subordinated deferrable debt	986,315	5.11	986,119	5.11	196
Members' subordinated certificates:					
Membership subordinated certificates	628,594	4.95	630,483	4.95	(1,889)
Loan and guarantee subordinated certificates	386,896	2.89	482,965	2.92	(96,069)
Member capital securities	239,170	5.00	226,170	5.00	13,000
Total members' subordinated certificates	<u>1,254,660</u>	<u>4.32</u>	<u>1,339,618</u>	<u>4.22</u>	<u>(84,958)</u>
Total debt outstanding	<u>\$ 27,426,194</u>	<u>2.42 %</u>	<u>\$ 25,999,746</u>	<u>2.72 %</u>	<u>\$ 1,426,448</u>
<b>Security type:</b>					
Secured debt	61 %		64 %		
Unsecured debt	39		36		
Total	<u>100 %</u>		<u>100 %</u>		
<b>Funding source:</b>					
Members	18 %		21 %		
Private placement:					
Guaranteed Underwriter Program notes payable	23		24		
Farmer Mac notes payable	11		12		
Total private placement	<u>34</u>		<u>36</u>		
Capital markets	48		43		
Total	<u>100 %</u>		<u>100 %</u>		
<b>Interest rate type:</b>					
Fixed-rate debt	77 %		75 %		
Variable-rate debt	23		25		
Total	<u>100 %</u>		<u>100 %</u>		
<b>Interest rate type including the impact of swaps:</b>					
Fixed-rate debt <sup>(1)</sup>	93 %		90 %		
Variable-rate debt <sup>(2)</sup>	7		10		
Total	<u>100 %</u>		<u>100 %</u>		
<b>Maturity classification:<sup>(3)</sup></b>					
Short-term borrowings	17 %		15 %		
Long-term and subordinated debt <sup>(4)</sup>	83		85		
Total	<u>100 %</u>		<u>100 %</u>		

- (1) Includes variable-rate debt that has been swapped to a fixed rate, net of any fixed-rate debt that has been swapped to a variable rate.
- (2) Includes fixed-rate debt that has been swapped to a variable rate, net of any variable-rate debt that has been swapped to a fixed rate. Also includes commercial paper notes, which generally have maturities of less than 90 days. The interest rate on commercial paper notes does not change once the note has been issued; however, the interest rate for new commercial paper issuances changes daily.
- (3) Borrowings with an original contractual maturity of one year or less are classified as short-term borrowings. Borrowings with an original contractual maturity of greater than one year are classified as long-term debt.
- (4) Consists of long-term debt, subordinated deferrable debt and total members' subordinated debt reported on our consolidated balance sheets. Maturity classification is based on the original contractual maturity as of the date of issuance of the debt.

We issue debt primarily to fund growth in our loan portfolio. As such, our outstanding debt volume generally increases and decreases in response to member loan demand. Total debt outstanding increased \$1,426 million, or 5%, to \$27,426 million as of May 31, 2021, due to borrowings to fund the increase in loans to members. Outstanding dealer commercial paper of \$895 million as of May 31, 2021 was below our targeted maximum threshold of \$1,250 million.

Below is a summary of significant financing activities during fiscal year 2021:

- On October 8, 2020, we issued \$400 million aggregate principal amount of 1.35% sustainability collateral trust bonds due March 15, 2031. On February 8, 2021, we issued \$350 million of aggregate principal amount of 1.65% collateral trust bonds due June 15, 2031. In February 2021, we issued dealer medium-term notes totaling \$1,425 million.
- On November 19, 2020, we closed on a \$375 million committed loan facility ("Series R") from the Federal Financing Bank under the Guaranteed Underwriter Program. Pursuant to this facility, we may borrow any time before July 15, 2025. Each advance is subject to quarterly amortization and a final maturity not longer than 30 years from the date of the advance.
- On May 25, 2021, we borrowed \$200 million under a securities repurchase agreement and pledged as collateral investment debt securities classified as trading, the fair value of which was \$211 million as of May 31, 2021. We repurchased these investment debt securities on June 2, 2021.

### Member Investments

Debt securities issued to our members represent an important, stable source of funding. Table 13 displays outstanding member debt, by product type, as of May 31, 2021 and 2020.

**Table 13: Member Investments**

(Dollars in thousands)	May 31,				Change
	2021		2020		
	Amount	% of Total <sup>(1)</sup>	Amount	% of Total <sup>(1)</sup>	
<b>Member investment product type:</b>					
Commercial paper.....	\$ 1,124,607	56 %	\$ 1,318,566	100 %	\$ (193,959)
Select notes.....	1,539,150	100	1,597,959	100	(58,809)
Daily liquidity fund notes.....	460,556	100	508,618	100	(48,062)
Medium-term notes.....	595,037	13	658,959	18	(63,922)
Members' subordinated certificates.....	1,254,660	100	1,339,618	100	(84,958)
Total member investments.....	<u>\$ 4,974,010</u>		<u>\$ 5,423,720</u>		<u>\$ (449,710)</u>
Percentage of total debt outstanding.....	18 %		21 %		

<sup>(1)</sup> Represents outstanding debt attributable to members for each debt product type as a percentage of the total outstanding debt for each debt product type.

Member investments totaled \$4,974 million and accounted for 18% of total debt outstanding as of May 31, 2021, compared with \$5,424 million, or 21%, of total debt outstanding as of May 31, 2020. Over the last three fiscal years, outstanding member investments as of the end of each quarterly reporting period have averaged \$4,995 million.

### Short-Term Borrowings

Short-term borrowings consist of borrowings with an original contractual maturity of one year or less and do not include the current portion of long-term debt. Short-term borrowings totaled \$4,582 million and accounted for 17% of total debt outstanding as of May 31, 2021, compared with \$3,962 million, or 15%, of total debt outstanding as of May 31, 2020. See “Liquidity Risk” below and in “Note 6—Short-Term Borrowings” for information on the composition of our short-term borrowings.

### Long-Term and Subordinated Debt

Long-term debt, defined as debt with an original contractual maturity term of greater than one year, primarily consists of medium-term notes, collateral trust bonds, notes payable under the Guaranteed Underwriter Program and notes payable under our note purchase agreement with Farmer Mac. Subordinated debt consists of subordinated deferrable debt and members’ subordinated certificates. Our subordinated deferrable debt and members’ subordinated certificates have original contractual maturity terms of greater than one year.

Long-term and subordinated debt of \$22,844 million and \$22,038 million as of May 31, 2021 and 2020, respectively, accounted for 83% and 85%, of total debt outstanding as of each respective date. We provide additional information on our long-term debt below under “Liquidity Risk” and in “Note 7—Long-Term Debt” and “Note 8—Subordinated Deferrable Debt.”

### Equity

Table 14 presents the components of total CFC equity and total equity as of May 31, 2021 and 2020.

**Table 14: Equity**

(Dollars in thousands)	May 31,		Change
	2021	2020	
<b>Equity components:</b>			
Membership fees and educational fund:			
Membership fees .....	\$ 968	\$ 969	\$ (1)
Educational fund .....	2,157	2,224	(67)
Total membership fees and educational fund .....	3,125	3,193	(68)
Patronage capital allocated .....	923,970	894,066	29,904
Members’ capital reserve .....	909,749	807,320	102,429
Total allocated equity .....	1,836,844	1,704,579	132,265
Unallocated net income (loss):			
Prior fiscal year-end cumulative derivative forward value losses <sup>(1)</sup> .....	(1,079,739)	(348,965)	(730,774)
Year-to-date derivative forward value gains (losses) <sup>(1)</sup> .....	618,577	(730,774)	1,349,351
Period-end cumulative derivative forward value losses <sup>(1)</sup> .....	(461,162)	(1,079,739)	618,577
Other unallocated net income .....	(709)	3,191	(3,900)
Unallocated net loss .....	(461,871)	(1,076,548)	614,677
CFC retained equity .....	1,374,973	628,031	746,942
Accumulated other comprehensive loss .....	(25)	(1,910)	1,885
Total CFC equity .....	1,374,948	626,121	748,827
Noncontrolling interests .....	24,931	22,701	2,230
Total equity .....	\$ 1,399,879	\$ 648,822	\$ 751,057

<sup>(1)</sup>Represents derivative forward value gains (losses) for CFC only, as total CFC equity does not include the noncontrolling interests of the variable interest

entities NCSC and RTFC, which we are required to consolidate. We present the consolidated total derivative forward value gains (losses) in Table 38 in the “Non-GAAP Financial Measures” section below. Also, see “Note 16—Business Segments” for the statements of operations for CFC.

Total equity increased \$751 million during fiscal year 2021 to \$1,400 million as of May 31, 2021, primarily attributable to our reported net income of \$814 million, which was partially offset by the retirement of patronage capital of \$60 million authorized by the CFC Board of Directors in July 2020 and paid to members in September 2020.

### ***Allocation and Retirement of Patronage Capital***

District of Columbia cooperative law requires cooperatives to allocate net earnings to patrons, to a general reserve in an amount sufficient to maintain a balance of at least 50% of paid-up capital and to a cooperative educational fund, as well as permits additional allocations to board-approved reserves. District of Columbia cooperative law also requires that a cooperative’s net earnings be allocated to all patrons in proportion to their individual patronage and each patron’s allocation be distributed to the patron unless the patron agrees that the cooperative may retain its share as additional capital. Pursuant to these provisions, the CFC Board of Directors is required to make annual allocations of net earnings, if any. CFC’s net earnings for determining allocations is based on non-GAAP adjusted net income, which excludes the impact of derivative forward value gains (losses). We provide a reconciliation of our adjusted net income to our reported net income and an explanation of the adjustments below in “Non-GAAP Financial Measures.”

In May 2021, the CFC Board of Directors authorized the allocation of \$1 million of net earnings for fiscal year 2021 to the cooperative educational fund. In July 2021, the CFC Board of Directors authorized the allocation of net earnings for fiscal year 2021 as follows: \$90 million to members in the form of patronage capital and \$102 million to the members’ capital reserve. In July 2021, the CFC Board of Directors also authorized the retirement of patronage capital totaling \$58 million, of which \$45 million represented 50% of the patronage capital allocation for fiscal year 2021 and \$13 million represented the portion of the allocation from fiscal year 1996 net earnings that has been held for 25 years pursuant to the CFC Board of Directors’ policy. We expect to return the authorized patronage capital retirement amount of \$58 million to members in cash in the second quarter of fiscal year 2022. The remaining portion of the patronage capital allocation for fiscal year 2021 will be retained by CFC for 25 years pursuant to the guidelines adopted by the CFC Board of Directors in June 2009.

In May 2020, the CFC Board of Directors authorized the allocation of \$1 million of net earnings for fiscal year 2020 to the cooperative educational fund. In July 2020 the CFC Board of Directors authorized the allocation of net earnings for fiscal year 2020 as follows: \$96 million to members in the form of patronage capital and \$48 million to the members’ capital reserve. In July 2020, the CFC Board of Directors also authorized the retirement of patronage capital totaling \$60 million, of which \$48 million represented 50% of the patronage capital allocation for fiscal year 2020 and \$12 million represented the portion of the allocation from net earnings for fiscal year 1995 that has been held for 25 years pursuant to the CFC Board of Directors’ policy. This amount was returned to members in cash in September 2020. The remaining portion of the patronage capital allocation for fiscal year 2020 will be retained by CFC for 25 years pursuant to the guidelines adopted by the CFC Board of Directors in June 2009.

The CFC Board of Directors is required to make annual allocations of adjusted net income, if any. CFC has made annual retirements of allocated net earnings in 41 of the last 42 fiscal years; however, future retirements of allocated amounts are determined based on CFC’s financial condition. The CFC Board of Directors has the authority to change the current practice for allocating and retiring net earnings at any time, subject to applicable laws. See “Item 1. Business—Allocation and Retirement of Patronage Capital” in our 2020 Form 10-K and “Note 11—Equity” for additional information.

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## RISK MANAGEMENT

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### Overview

We face a variety of risks that can significantly affect our financial performance, liquidity, reputation and ability to meet the expectations of our members, investors and other stakeholders. As a financial services company, the major categories of risk exposures inherent in our business activities include credit risk, liquidity risk, market risk and operational risk. These risk categories are summarized below.

- *Credit risk* is the risk that a borrower or other counterparty will be unable to meet its obligations in accordance with agreed-upon terms.
- *Liquidity risk* is the risk that we will be unable to fund our operations and meet our contractual obligations or that we will be unable to fund new loans to borrowers at a reasonable cost and tenor in a timely manner.
- *Market risk* is the risk that changes in market variables, such as movements in interest rates, may adversely affect the match between the timing of the contractual maturities, re-pricing and prepayments of our financial assets and the related financial liabilities funding those assets.
- *Operational risk* is the risk of loss resulting from inadequate or failed internal controls, processes, systems, human error or external events, including natural disasters or public health emergencies, such as the current COVID-19 pandemic. Operational risk also includes compliance risk, fiduciary risk, reputational risk and litigation risk.

Effective risk management is critical to our overall operations and to achieving our primary objective of providing cost-based financial products to our rural electric members while maintaining the sound financial results required for investment-grade credit ratings on our rated debt instruments. Accordingly, we have a risk-management framework that is intended to govern the principal risks we face in conducting our business and the aggregate amount of risk we are willing to accept, referred to as risk appetite and risk guidelines, in the context of CFC's mission and strategic objectives and initiatives.

### Risk-Management Framework

Our risk-management framework consists of defined policies, procedures and risk tolerances that are intended to align with CFC's mission. The CFC Board of Directors is responsible for risk governance by approving the enterprise risk-management framework and providing oversight on risk policies, risk appetite, guidelines and our performance against established goals. In fulfilling its risk governance responsibility, the CFC Board of Directors receives periodic reports on business activities from management. The CFC Board of Directors reviews CFC's risk profile and management's assessment of those risks throughout the year at its periodic meetings. The board also establishes CFC's loan policies and has established a Loan Committee of the board comprising no fewer than 10 directors that reviews the performance of the loan portfolio in accordance with those policies. For additional information about the role of the CFC Board of Directors in risk governance and oversight, see "Item 10. Directors, Executive Officers and Corporate Governance."

Management is responsible for execution of the risk-management framework, risk policy formation and daily management of the risks associated with our business. Management executes its responsibility by establishing processes for identifying, measuring, assessing, managing, monitoring and reporting risks. Management and operating groups maintain policies and procedures, specific to each major risk category, to identify and measure our primary risk exposures at the transaction, obligor and portfolio levels and ensure that our exposures remain within prescribed limits. Management also is responsible for establishing and maintaining internal controls to mitigate key risks. We have a number of management-level risk oversight committees across the organization and groups within the organization that have a defined set of authorities and responsibilities specific to one or more risk types, including the Corporate Credit Committee, Credit Risk Management group, Treasury group, Asset Liability Committee, Investment Management Committee, Corporate Compliance, Internal Audit group, Business Technology Services group and Disclosure Committee. These risk oversight committees and groups collectively help management facilitate enterprise-wide understanding and monitoring of CFC's risk profile and the control processes with respect to our inherent risks. Management and the risk oversight committees periodically report actual results, significant current and emerging risks, initiatives and risk-management concerns to the CFC Board of Directors.

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## CREDIT RISK

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Our loan portfolio, which represents the largest component of assets on our balance sheet, accounts for the substantial majority of our credit risk exposure. We also engage in certain non-lending activities that may give rise to counterparty credit risk, such as entering into derivative transactions to manage interest rate risk and purchasing investment securities. Our primary credit exposure is loans to rural electric cooperatives, which provide essential electric services to end-users, the majority of which are residential customers. We also have a limited portfolio of loans to not-for-profit and for-profit telecommunication companies.

### **Credit Risk Management**

We manage credit risk related to our loan portfolio consistent with credit policies established by the CFC Board of Directors and through credit underwriting, approval and monitoring processes and practices adopted by management. Our board-established credit policies include guidelines regarding the types of credit products we offer, limits on credit we extend to individual borrowers, approval authorities delegated to management, and use of syndications and loan sales. We maintain an internal risk rating system in which we assign a rating to each borrower and credit facility. We review and update the risk ratings at least annually. Assigned risk ratings inform our credit approval, borrower monitoring and portfolio review processes. Our Corporate Credit Committee approves individual credit actions within its own authority and together with our Credit Risk Management group, establishes standards for credit underwriting, oversees credits deemed to be higher risk, reviews assigned risk ratings for accuracy, and monitors the overall credit quality and performance statistics of our loan portfolio.

### **Loan Portfolio Credit Risk**

As a member-owned finance cooperative, CFC's principal focus is to provide funding to its rural electric utility cooperative members to assist them in acquiring, constructing and operating electric distribution systems, power supply systems and related facilities. Loans outstanding to electric utility organizations of \$27,995 million and \$26,306 million as of May 31, 2021 and 2020, respectively, represented 99% of total loans outstanding as of each respective date. The remaining loans outstanding in our portfolio were to RTFC members, affiliates and associates in the telecommunications industry.

Because we lend primarily to our rural electric utility cooperative members, we have had a loan portfolio inherently subject to single-industry and single-obligor concentration risks since our inception in 1969. We historically, however, have experienced limited defaults and losses in our electric utility loan portfolio due to several factors. First, the majority of our electric cooperative borrowers operate in states where electric cooperatives are not subject to rate regulation. Thus, they are able to make rate adjustments to pass along increased costs to the end customer without first obtaining state regulatory approval, allowing them to cover operating costs and generate sufficient earnings and cash flows to service their debt obligations. Second, electric cooperatives face limited competition, as they tend to operate in exclusive territories not serviced by public investor-owned utilities. Third, electric cooperatives typically are consumer-owned, not-for-profit entities that provide an essential service to end-users, the majority of which are residential customers. Fourth, electric cooperatives tend to adhere to a conservative core business strategy model that has historically resulted in a relatively stable, resilient operating environment and overall strong financial performance and credit strength for the electric cooperative network. Finally, we generally lend to our members on a senior secured basis, which reduces the risk of loss in the event of a borrower default.

Below we provide information on the credit risk profile of our loan portfolio, including security provisions, credit concentration, credit quality indicators and our allowance for credit losses.

### ***Security Provisions***

Except when providing line of credit loans, we generally lend to our members on a senior secured basis. Long-term loans are generally secured on parity with other secured lenders (primarily RUS), if any, by all assets and revenue of the borrower with exceptions typical in utility mortgages. Line of credit loans are generally unsecured. In addition to the collateral pledged to secure our loans, distribution and power supply borrowers also are required to set rates charged to customers to achieve certain specified financial ratios.

Table 15 presents, by loan type and by company, the amount and percentage of secured and unsecured loans in our loan portfolio as of May 31, 2021 and 2020. Of our total loans outstanding, 93% and 94% were secured as of May 31, 2021 and 2020, respectively.

**Table 15: Loan Portfolio Security Profile**

(Dollars in thousands)	May 31, 2021				
	Secured	% of Total	Unsecured	% of Total	Total
<b>Loan type:</b>					
Long-term loans:					
Long-term fixed-rate loans.....	\$ 25,278,805	99 %	\$ 235,961	1 %	\$ 25,514,766
Long-term variable-rate loans.....	655,675	100	2,904	—	658,579
Total long-term loans.....	25,934,480	99	238,865	1	26,173,345
Line of credit loans.....	376,991	17	1,864,771	83	2,241,762
Total loans outstanding <sup>(1)</sup> .....	<u>\$ 26,311,471</u>	93	<u>\$ 2,103,636</u>	7	<u>\$ 28,415,107</u>
<b>Company:</b>					
CFC.....	\$ 25,248,972	93 %	\$ 2,038,884	7 %	\$ 27,287,856
NCSC.....	662,782	94	44,086	6	706,868
RTFC.....	399,717	95	20,666	5	420,383
Total loans outstanding <sup>(1)</sup> .....	<u>\$ 26,311,471</u>	93	<u>\$ 2,103,636</u>	7	<u>\$ 28,415,107</u>
May 31, 2020					
(Dollars in thousands)	Secured	% of Total	Unsecured	% of Total	Total
<b>Loan type:</b>					
Long-term loans:					
Long-term fixed-rate loans.....	\$ 24,137,145	99 %	\$ 334,858	1 %	\$ 24,472,003
Long-term variable-rate loans.....	650,192	99	5,512	1	655,704
Total long-term loans.....	24,787,337	99	340,370	1	25,127,707
Line of credit loans.....	191,268	12	1,371,879	88	1,563,147
Total loans outstanding <sup>(1)</sup> .....	<u>\$ 24,978,605</u>	94	<u>\$ 1,712,249</u>	6	<u>\$ 26,690,854</u>
<b>Company:</b>					
CFC.....	\$ 23,977,438	94 %	\$ 1,630,219	6 %	\$ 25,607,657
NCSC.....	638,488	91	59,374	9	697,862
RTFC.....	362,679	94	22,656	6	385,335
Total loans outstanding <sup>(1)</sup> .....	<u>\$ 24,978,605</u>	94	<u>\$ 1,712,249</u>	6	<u>\$ 26,690,854</u>

<sup>(1)</sup>Represents the unpaid principal balance, net of charge-offs and recoveries of loans as of the end of each period. Excludes unamortized deferred loan origination costs of \$12 million and \$11 million as of May 31, 2021 and 2020, respectively.

### **Credit Concentration**

Concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or in geographic areas that would cause them to be similarly impacted by economic or other conditions or when there are large exposures to single borrowers. As discussed above under “Credit Risk—Loan Portfolio Credit Risk,” loans outstanding to electric utility organizations represented approximately 99% of our total loans outstanding as of both May 31, 2021 and 2020.



### *Geographic Concentration*

Although our organizational structure and mission results in single-industry concentration, we serve a geographically diverse group of electric and telecommunications borrowers throughout the U.S. The consolidated number of borrowers with loans outstanding totaled 892 and 889 as of May 31, 2021 and 2020, respectively, located in 49 states. Of the 892 borrowers with loans outstanding as of May 31, 2021, 49 were electric power supply borrowers. In comparison, of the 889 borrowers with loans outstanding as of May 31, 2020, 52 were electric power supply borrowers. Electric power supply borrowers generally require significantly more capital than electric distribution and telecommunications borrowers.

Texas, which had 67 borrowers with loans outstanding as of both May 31, 2021 and 2020, accounted for the largest number of borrowers with loans outstanding in any one state as of each respective date. Texas also accounted for the largest concentration of loan exposure in any one state as of each respective date. Loans outstanding to Texas-based electric utility organizations totaled \$4,878 million and \$4,222 million as of May 31, 2021 and 2020, respectively, and accounted for 17% and 16% of total loans outstanding as of each respective date. Of the loans outstanding to Texas-based electric utility organizations, \$172 million and \$181 million as of May 31, 2021 and 2020, respectively, were covered by the Farmer Mac standby repurchase agreement, which slightly reduced our credit risk exposure to Texas borrowers. Of the 49 electric power supply borrowers with loans outstanding as of May 31, 2021, seven were located in Texas.

Table 16 provides a breakdown, by state or U.S. territory, of the total number of borrowers with loans outstanding as of May 31, 2021 and 2020 and the outstanding loan exposure to borrowers in each jurisdiction as a percentage of total loans outstanding of \$28,415 million and \$26,691 million as of May 31, 2021 and 2020, respectively.

**Table 16: Loan Geographic Concentration**

U.S. State/Territory	May 31,			
	2021		2020	
	Number of Borrowers	% of Total Loans Outstanding	Number of Borrowers	% of Total Loans Outstanding
Alabama	24	2.28 %	22	2.29 %
Alaska	16	3.48	16	3.55
Arizona	11	0.80	11	0.82
Arkansas	20	2.21	20	2.32
California	4	0.12	4	0.13
Colorado	27	5.70	26	5.89
Delaware	3	0.31	3	0.40
Florida	18	3.84	18	4.15
Georgia	45	5.42	45	5.18
Hawaii	2	0.36	2	0.40
Idaho	11	0.40	11	0.46
Illinois	31	3.22	32	3.51
Indiana	39	3.21	39	3.11
Iowa	34	2.32	34	2.37
Kansas	29	4.13	31	4.40
Kentucky	23	2.65	23	2.81
Louisiana	9	1.95	10	0.92
Maine	3	0.08	2	0.03
Maryland	2	1.56	2	1.64
Massachusetts	1	0.21	1	0.23
Michigan	11	1.32	12	1.00
Minnesota	48	2.38	48	2.50
Mississippi	20	1.58	20	1.50
Missouri	46	5.65	45	5.42
Montana	25	0.77	25	0.75
Nebraska	12	0.10	12	0.11
Nevada	8	0.80	8	0.94
New Hampshire	2	0.30	1	0.30
New Jersey	2	0.06	2	0.07
New Mexico	13	0.20	14	0.23
New York	13	0.43	9	0.21
North Carolina	28	3.08	28	3.42
North Dakota	14	2.90	15	3.22
Ohio	27	2.18	27	2.27
Oklahoma	27	3.40	26	3.08
Oregon	19	1.27	19	1.33
Pennsylvania	16	1.78	16	1.92
Rhode Island	1	0.02	1	0.02
South Carolina	24	2.77	21	2.93
South Dakota	29	0.64	29	0.72
Tennessee	16	0.71	17	0.73
Texas	67	17.17	67	15.82
Utah	4	0.92	5	1.10
Vermont	5	0.18	5	0.20
Virginia	17	1.08	18	1.23
Washington	10	1.12	10	1.22
West Virginia	2	0.04	2	0.04
Wisconsin	23	1.82	24	1.89
Wyoming	11	1.08	11	1.22
Total	<u>892</u>	<u>100.00 %</u>	<u>889</u>	<u>100.00 %</u>

### Single-Obligor Concentration

Table 17 displays the outstanding loan exposure for our 20 largest borrowers, by company, as of May 31, 2021 and 2020. The 20 largest borrowers consisted of 10 distribution systems and 10 power supply systems as of May 31, 2021. The 20 largest borrowers consisted of 11 distribution systems and nine power supply systems as of May 31, 2020. The largest total exposure to a single borrower or controlled group represented less than 2% of total loans outstanding as of both May 31, 2021 and 2020.

**Table 17: Loan Exposure to 20 Largest Borrowers**

(Dollars in thousands)	May 31,				Change
	2021		2020		
	Amount	% of Total	Amount	% of Total	
<b>Company:</b>					
CFC.....	\$5,978,342	21 %	\$5,661,540	21 %	\$316,802
NCSC.....	203,392	1	215,595	1	(12,203)
Total loan exposure to 20 largest borrowers.....	6,181,734	22	5,877,135	22	304,599
Less: Loans covered under Farmer Mac standby purchase commitment.....	(308,580)	(1)	(313,644)	(1)	5,064
Net loan exposure to 20 largest borrowers.....	<u>\$5,873,154</u>	<u>21 %</u>	<u>\$5,563,491</u>	<u>21 %</u>	<u>\$309,663</u>

As part of our strategy in managing credit exposure to large borrowers, we entered into a long-term standby purchase commitment agreement with Farmer Mac during fiscal year 2016. Under this agreement, we may designate certain long-term loans to be covered under the commitment, subject to approval by Farmer Mac, and in the event any such loan later goes into payment default for at least 90 days, upon request by us, Farmer Mac must purchase such loan at par value. The aggregate unpaid principal balance of designated and Farmer Mac-approved loans was \$512 million and \$569 million as of May 31, 2021 and 2020, respectively. Loan exposure to our 20 largest borrowers covered under the Farmer Mac agreement totaled \$309 million and \$314 million as of May 31, 2021 and 2020, respectively. No loans had been put to Farmer Mac for purchase pursuant to this agreement as of May 31, 2021. Our credit exposure is also mitigated by long-term loans guaranteed by RUS. Guaranteed RUS loans totaled \$139 million and \$147 million as of May 31, 2021 and 2020, respectively.

### Credit Quality Indicators

Assessing the overall credit quality of our loan portfolio and measuring our credit risk is an ongoing process that involves tracking payment status, troubled debt restructurings, nonperforming loans, charge-offs, the internal risk ratings of our borrowers and other indicators of credit risk. We monitor and subject each borrower and loan facility in our loan portfolio to an individual risk assessment based on quantitative and qualitative factors. Payment status trends and internal risk ratings are indicators, among others, of the probability of borrower default and overall credit quality of our loan portfolio.

### Troubled Debt Restructurings

We actively monitor problem loans and, from time to time, attempt to work with borrowers to manage such exposures through loan workouts or modifications that better align with the borrower's current ability to pay. A loan restructuring or modification of terms is accounted for as a troubled debt restructuring ("TDR") if, for economic or legal reasons related to the borrower's financial difficulties, a concession is granted to the borrower that we would not otherwise consider. TDR loans generally are initially classified as nonperforming and placed on nonaccrual status, although in many cases such loans were already classified as nonperforming prior to modification. These loans may be returned to performing status and the accrual of interest resumed if the borrower performs under the modified terms for an extended period of time, and we expect the borrower to continue to perform in accordance with the modified terms. In certain limited circumstances in which a TDR loan is current at the modification date, the loan may remain on accrual status at the time of modification.

We have not had any loan modifications that were required to be accounted for as TDRs since fiscal year 2016. Table 18 presents the outstanding amount of modified loans accounted for as TDRs in prior periods, by member class, and the performance status of these loans as of May 31, 2021 and 2020. The TDR loans outstanding for CFC and RTFC each relate to the modification of a loan for one borrower that, at the time of the modification, was experiencing financial difficulty.

**Table 18: Troubled Debt Restructured Loans**

(Dollars in thousands)	May 31,					
	2021			2020		
	Number of Borrowers	Outstanding Amount <sup>(1)</sup>	% of Total Loans Outstanding	Number of Borrowers	Outstanding Amount <sup>(1)</sup>	% of Total Loans Outstanding
<b>TDR loans:</b>						
CFC—Distribution.....	1	\$ 5,379	0.02 %	1	\$ 5,756	0.02 %
RTFC.....	1	4,592	0.02	1	5,092	0.02
Total TDR loans.....	<u>2</u>	<u>\$ 9,971</u>	<u>0.04 %</u>	<u>2</u>	<u>\$ 10,848</u>	<u>0.04 %</u>
<b>Performance status of TDR loans:</b>						
Performing TDR loans.....	2	\$ 9,971	0.04 %	2	\$ 10,848	0.04 %
Total TDR loans.....	<u>2</u>	<u>\$ 9,971</u>	<u>0.04 %</u>	<u>2</u>	<u>\$ 10,848</u>	<u>0.04 %</u>

<sup>(1)</sup> Represents the unpaid principal balance net of charge-offs and recoveries as of the end of each period.

We did not have any TDR loans classified as nonperforming as of either May 31, 2021 or May 31, 2020. Although TDR loans may be returned to performing status if the borrower performs under the modified terms of the loan for an extended period of time, TDR loans are evaluated on an individual basis in estimating lifetime expected credit losses under the CECL model for determining the allowance for credit losses.

#### *Nonperforming Loans*

In addition to TDR loans that may be classified as nonperforming, we also may have nonperforming loans that have not been modified as a TDR loan. We classify such loans as nonperforming at the earlier of the date when we determine: (i) interest or principal payments on the loan is past due 90 days or more; (ii) as a result of court proceedings, the collection of interest or principal payments based on the original contractual terms is not expected; or (iii) the full and timely collection of interest or principal is otherwise uncertain. Once a loan is classified as nonperforming, we generally place the loan on nonaccrual status. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed against earnings. Table 19 presents the outstanding balance of nonperforming loans, by member class, as of May 31, 2021 and 2020.

**Table 19: Nonperforming Loans**

(Dollars in thousands)	May 31,					
	2021			2020		
	Number of Borrowers	Outstanding Amount <sup>(1)</sup>	% of Total Loans Outstanding	Number of Borrowers	Outstanding Amount <sup>(1)</sup>	% of Total Loans Outstanding
<b>Nonperforming loans:</b>						
CFC—Power supply <sup>(2)</sup> .....	2	\$ 228,312	0.81 %	1	\$ 167,708	0.63 %
RTFC.....	2	9,185	0.03	—	—	—
Total nonperforming loans.....	<u>4</u>	<u>\$ 237,497</u>	<u>0.84 %</u>	<u>1</u>	<u>\$ 167,708</u>	<u>0.63 %</u>

<sup>(1)</sup> Represents the unpaid principal balance net of charge-offs and recoveries as of the end of each period.

<sup>(2)</sup> In addition, we had less than \$1 million letters of credit outstanding to Brazos as of May 31, 2021.

Nonperforming loans increased \$69 million to \$237 million, or 0.84% of total loans outstanding as of May 31, 2021, from \$168 million, or 0.63% of total loans outstanding, as of May 31, 2020, primarily due to our classification of the loans

outstanding of \$85 million to Brazos as nonperforming in fiscal year 2021 as a result of its bankruptcy filing. In addition to Brazos, we classified loans outstanding to two affiliated RTFC telecommunications borrowers as nonperforming during fiscal year 2021. Loans outstanding to these RTFC borrowers totaled \$9 million as of May 31, 2021. Brazos is not permitted to make scheduled loan payments without approval of the bankruptcy court. As a result, we have not received payments from Brazos, and its loans outstanding of \$85 million were delinquent as of May 31, 2021. In comparison, we had no delinquent loans as of May 31, 2020. We provide additional information on Brazos and the impact of the February 2021 polar vortex on our Texas-based borrowers below under “Credit Risk—Allowance for Credit Losses.”

One loan to another CFC power supply borrower, with an outstanding balance of \$143 million and \$168 million as of May 31, 2021 and 2020, respectively, accounted for the majority of nonperforming loans as of May 31, 2021, and the entire amount of nonperforming loans as of May 31, 2020. Under the terms of this loan, which matures in December 2026, the amount the borrower is required to pay in 2024 and 2025 may vary, as the payments are contingent on the borrower’s financial performance in those years. Based on our review and assessment of the borrower’s forecast and underlying assumptions provided to us in May 2020, we no longer believed that the future expected cash payments from the borrower through the maturity of the loan in December 2026 would be sufficient to repay the outstanding loan balance. We therefore classified this loan as nonperforming, placed the loan on nonaccrual status and established an asset-specific allowance for credit losses as of May 31, 2020. Payments received from the borrower on this loan during fiscal year 2021 reduced the outstanding balance to \$143 million as of May 31, 2021. While the borrower is not in default and was current with respect to required payments on the loan as of May 31, 2021, we have continued to report the loan as nonperforming based on the expectation that we will not recover the full principal amount.

### *Net Charge-Offs*

Charge-offs represent the amount of a loan that has been removed from our consolidated balance sheet when the loan is deemed uncollectible. Generally the amount of a charge-off is the recorded investment in excess of the fair value of the expected cash flows from the loan, or, if the loan is collateral dependent, the fair value of the underlying collateral securing the loan. We report charge-offs net of amounts recovered on previously charged off loans. We did not experience any charge-offs during fiscal years 2021, 2020 or 2019. Prior to Brazos’ bankruptcy filing, we had not experienced any defaults or charge-offs in our electric utility loan portfolio since fiscal year 2013 and in our telecommunications loan portfolio since fiscal year 2017.

In our 52-year history, we have experienced only 17 defaults in our electric utility loan portfolio, which includes our most recent default by Brazos due to its bankruptcy filing in March 2021. Of the 16 defaults prior to Brazos, one remains unresolved with an expected ultimate resolution date in calendar year 2025, nine resulted in no loss and six resulted in cumulative net charge-offs of \$86 million. Of this amount, \$67 million was attributable to five electric power supply cooperatives and \$19 million was attributable to one electric distribution cooperatives. We cite the factors that have historically contributed to the relatively low risk of default by our electric utility cooperatives, our principal lending market, above under “Credit Risk—Loan Portfolio Credit Risk.”

In comparison, since inception in 1987, RTFC has experienced 15 defaults and cumulative net charge-offs of \$427 million in our telecommunications loan portfolio, the most significant of which was a charge-off of \$354 million in fiscal year 2011. We recorded this charge-off, which related to loans outstanding to Innovative Communications Corporation (“ICC”), a former RTFC member, pursuant to the transfer of ICC’s assets in foreclosure to Caribbean Asset Holdings, LLC.

### *Borrower Risk Ratings*

As part of our management of credit risk, we maintain a credit risk rating framework under which we employ a consistent process for assessing the credit quality of our loan portfolio. We evaluate each borrower and loan facility in our loan portfolio and assign internal borrower and loan facility risk ratings based on consideration of a number of quantitative and qualitative factors. Each risk rating is reassessed annually following the receipt of the borrower’s audited financial statements; however, interim risk-rating adjustments may occur as a result of updated information affecting a borrower’s ability to fulfill its obligations or other significant developments and trends. We categorize loans in our portfolio based on our internally assigned borrower risk ratings, which are intended to assess the general creditworthiness of the borrower and probability of default. Our borrower risk ratings align with the U.S. federal banking regulatory agencies credit risk definitions of pass and criticized categories, with the criticized category further segmented among special mention,

substandard and doubtful. Pass ratings reflect relatively low probability of default, while criticized ratings have a higher probability of default.

We use our internal risk ratings to measure the credit risk of each borrower and loan facility, identify or confirm problem or potential problem loans in a timely manner, differentiate risk within each of our portfolio segments, assess the overall credit quality of our loan portfolio and manage overall risk levels. Our internally assigned borrower risk ratings, which we map to equivalent credit ratings by external credit rating agencies, serve as the primary credit quality indicator for our loan portfolio. Because our internal borrower risk ratings provide important information on the probability of default, they are a key input in estimating our allowance for credit losses.

Criticized loans increased \$515 million to \$886 million as of May 31, 2021, from \$371 million as of May 31, 2020, representing approximately 3% and 1% of total loans outstanding as of each respective date. The increase was primarily due to the material borrower risk-ratings downgrades of Brazos and Rayburn in fiscal year 2021 due to their exposure to elevated power costs during the February 2021 polar vortex. Brazos and Rayburn had loans outstanding of \$85 million and \$379 million, respectively, as of May 31, 2021, together totaling \$464 million. Prior to the downgrades of the borrower risk ratings for Brazos and Rayburn to a rating in the “criticized” category, each borrower had a rating in the “pass” category. The increase also reflects the impact of a risk rating downgrade of a CFC electric distribution borrower made in fiscal year 2021. We downgraded the risk rating of this borrower, which had loans outstanding of \$219 million as of May 31, 2021, from a rating in the “pass” category to a rating in “criticized” category. The risk rating downgrade for this CFC electric distribution borrower was attributable to the adverse financial impact from restoration costs incurred to repair damage caused by two successive hurricanes. We expect that the borrower will receive grant funds from the Federal Emergency Management Agency and the state where it is located for reimbursement of the hurricane damage-related restoration costs. Each of the borrowers downgraded to a criticized rating in fiscal year 2021, except Brazos, was current with regard to scheduled principal and interest amounts due as of May 31, 2021. As noted above under “Nonperforming Loans,” Brazos is not permitted to make scheduled loan payments without approval of the bankruptcy court. As a result, we have not received payments from Brazos, and its loans outstanding of \$85 million were delinquent as of May 31, 2021.

The increase in criticized loans of \$683 million attributable to the risk rating downgrades of the three borrowers discussed above was partially offset by an upgrade in the risk rating of a CFC electric distribution borrower and its subsidiary from a rating in the “criticized” category to a rating in the “pass” category in fiscal year 2021. The upgrade in the risk rating for this borrower, which had loans outstanding of \$146 million as of May 31, 2021, was attributable to the borrower’s improved financial performance.

We provide additional information on our borrower risk rating classifications, including the amount of loans outstanding in each of the criticized loan categories of special mention, substandard and doubtful, in “Note 1—Summary of Significant Accounting Policies” and “Note 4—Loans.”

### **Allowance for Credit Losses**

We adopted the CECL accounting standard using the modified retrospective approach on June 1, 2020, which resulted in an increase in our allowance for credit losses for our loan portfolio of \$4 million and a corresponding decrease to retained earnings of \$4 million recorded through a cumulative-effect adjustment. The impact on the reserve for credit losses for our off-balance sheet credit exposures related to unadvanced loan commitments and financial guarantees from the adoption of CECL was not material. Under CECL, we are required to maintain an allowance based on a current estimate of credit losses that are expected to occur over the remaining contractual term of the loans in our portfolio. Prior to the adoption of CECL on June 1, 2020, we maintained an allowance based on an estimate of probable incurred losses inherent in our loan portfolio as of each balance sheet date. We discuss our methodology for estimating the allowance for credit losses under the CECL and incurred loss models in “Note 1—Summary of Significant Accounting Policies.”

Table 20 presents, by member borrower type, loans outstanding and the related allowance for credit losses and allowance coverage ratio as of May 31, 2021 and the allowance components. The allowance components, which are based on the evaluation method used to measure credit losses, consist of a collective allowance and an asset-specific allowance. Loans that share similar risk characteristics are evaluated on a collective basis in measuring credit losses, while loans that do not share similar risk characteristics with other loans in our portfolio are evaluated on an individual basis. The allowance for

credit losses as of May 31, 2020 is based on the incurred loss model, as our effective date for the adoption of CECL was June 1, 2020.

**Table 20: Allowance for Credit Losses by Borrower Member Class and Evaluation Methodology**

(Dollars in thousands)	May 31,					
	2021			2020		
	Loans Outstanding <sup>(1)</sup>	Allowance for Credit Losses	Allowance Coverage Ratio <sup>(2)</sup>	Loans Outstanding <sup>(1)</sup>	Allowance for Credit Losses	Allowance Coverage Ratio <sup>(2)</sup>
<b>Member class:</b>						
CFC:						
Distribution.....	\$ 22,027,423	\$ 13,426	0.06 %	\$ 20,769,653	\$ 8,002	0.04 %
Power supply.....	5,154,312	64,646	1.25	4,731,506	38,027	0.80
Statewide and associate.....	106,121	1,391	1.31	106,498	1,409	1.32
CFC total.....	27,287,856	79,463	0.29	25,607,657	47,438	0.19
NCSC.....	706,868	1,374	0.19	697,862	806	0.12
RTFC.....	420,383	4,695	1.12	385,335	4,881	1.27
Total.....	<u>\$ 28,415,107</u>	<u>\$ 85,532</u>	<u>0.30</u>	<u>\$ 26,690,854</u>	<u>\$ 53,125</u>	<u>0.20</u>
<b>Allowance components:</b>						
Collective allowance.....	\$ 28,167,639	\$ 42,442	0.15 %	\$ 26,512,298	\$ 18,292	0.07 %
Asset-specific allowance.....	247,468	43,090	17.41	178,556	34,833	19.51
Total allowance for credit losses.....	<u>\$ 28,415,107</u>	<u>\$ 85,532</u>	<u>0.30</u>	<u>\$ 26,690,854</u>	<u>\$ 53,125</u>	<u>0.20</u>
<b>Allowance coverage ratios:</b>						
Percentage of nonperforming and nonaccrual loans <sup>(3)</sup> .....	\$ 237,497		36.01 %	\$ 167,708		31.68 %

<sup>(1)</sup> Represents the unpaid principal balance, net of charge-offs and recoveries of loans as of each period end. Excludes unamortized deferred loan origination costs of \$12 million and \$11 million as of May 31, 2021 and 2020.

<sup>(2)</sup> Calculated based on the allowance for credit losses attributable to each member class divided by the related loans outstanding at period end.

<sup>(3)</sup> Calculated based on the total allowance for credit losses at period end divided by loans outstanding classified as nonperforming and on nonaccrual status at period end.

The allowance for credit losses increased \$32 million to \$86 million as of May 31, 2021, and the allowance coverage ratio increased to 0.30%. Of the \$32 million increase in the allowance, \$24 million was attributable to the collective allowance and \$8 million was attributable to the asset-specific allowance.

The increase in the collective allowance of \$24 million was primarily driven by the risk rating downgrade of Rayburn, a CFC Texas-based power supply borrower with loans outstanding of \$379 million as of May 31, 2021, from a pass rating to a criticized rating in fiscal year 2021, coupled with a decrease we made in the recovery rate assumption for power supply loans during fiscal year 2021 and the addition to the collective allowance of \$4 million upon our adoption of CECL using the modified retrospective approach on June 1, 2020. The increase in the asset-specific allowance of \$8 million was primarily driven by the classification of loans outstanding to Brazos totaling \$85 million as of May 31, 2021 as nonperforming due to its bankruptcy filing.

As indicated above in Table 20, the increase in the allowance was largely attributable to CFC power supply loans. While there was not a material change in the allowance coverage ratios for most of our member classes, the allowance coverage ratio for CFC power supply loans increased 45 basis points to 1.25% as of May 31, 2021, from 0.80% as of May 31, 2020. Below we provide additional information on the primary conditions and factors that contributed to the allowance increase for CFC power supply loans and recent developments that we expect will have an impact on our estimated credit losses.

## *Texas Polar Vortex*

In mid-February 2021, Texas and several neighboring states experienced a series of severe winter storms and record-low temperatures as a result of a polar vortex. The freezing conditions affected power demand, supply and market prices in Texas, triggering unprecedented increases in electrical power load demand in combination with significant reductions in power supply across Texas, including a loss of almost half of the electric generation within the ERCOT service area. ERCOT raised wholesale electric power prices to \$9,000 per megawatt-hour, to spur greater power generation by providing a financial incentive for power generators in the state to remain on-line. According to ERCOT data, pre-storm wholesale power prices were less than \$50 per megawatt-hour. ERCOT also initiated controlled rolling power outages, which impacted millions of residential and commercial customers, to protect and maintain the stability of the Texas electric grid.

### *Impact of Texas Polar Vortex*

The surge in wholesale electricity prices had a direct financial impact primarily on certain electric power supply utilities, including a significant adverse financial impact on two CFC Texas-based electric power supply borrowers, Brazos and Rayburn. These power supply borrowers had insufficient generation supply during the February 2021 polar vortex and were forced, at the height of the surge in power prices, to purchase power at peak prices to meet the electric demand of their member distribution system customers. On March 1, 2021, we were informed that Brazos filed for Chapter 11 bankruptcy protection. In fiscal year 2021, we downgraded Brazos' borrower risk rating from a rating within the pass category to doubtful, classified its loans outstanding as nonperforming, placed the loans on nonaccrual status, and reversed unpaid interest amounts previously accrued and recognized in interest income. We had loans outstanding to Brazos of \$85 million as of May 31, 2021, pursuant to a syndicated Bank of America revolving credit agreement, of which \$64 million was unsecured and \$21 million was secured. In the third quarter of fiscal year 2021, we also made a material downgrade in the borrower risk rating for Rayburn from a rating within the pass category to special mention. We further downgraded Rayburn's borrower risk rating to substandard in the fourth quarter of fiscal year 2021. Loans outstanding to Rayburn consisted of secured loans of \$167 million and unsecured loans of \$212 million, which together totaled \$379 million as of May 31, 2021. On March 12, 2021, the Public Utility Commission of Texas ("PUCT") ordered ERCOT to extend the deadline for filing an invoice, settlement statements or resettlement statement dispute or exception to an invoice, settlement statement, or resettlement statement, related to ERCOT operating days from February 14, 2021 to February 19, 2021, to six months after ERCOT posted the invoice, settlement statement, or resettlement statement. Rayburn received an invoice for February 14, 2021 on February 16, 2021 and as a result the deadline for disputing this invoice is August 16, 2021.

Under the terms of the syndicated Bank of America revolving credit agreement, in the event of bankruptcy by Brazos, each lending participant is permitted to hold any deposited or investment funds from Brazos, up to the amount of the participant's exposure to Brazos pursuant to the agreement, for set-off against such exposure to Brazos. The total held by all participants is required to be shared among the participants in accordance with the pro rata share of each participant in the agreement. As of the bankruptcy filing date, funds on deposit from or invested by Brazos with participating lenders of the agreement, available for set-off against Brazos' obligations, totaled \$124 million. Based on our exposure of \$85 million under the \$500 million syndicated Bank of America agreement, our pro rata share set-off right is 17%, or approximately \$21 million. The set-off rights have been agreed to and confirmed by Brazos and the bankruptcy court. In order to allow Brazos to access such deposited or invested funds, the lenders have been granted adequate protection liens and super-priority claims in an amount equal to the diminution of value of the amount available for set-off.

### *Texas Enactment of Legislation to Address Certain Polar-Vortex Related Costs*

On June 18, 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 high power costs during the February 2021 polar vortex, including amounts owed to ERCOT. Qualifying cooperatives may issue bonds directly or through a special purpose vehicle legal entity. Payments on the bonds are required to be made over a period not to exceed 30 years. The bill also requires that cooperatives that owe ERCOT use all means necessary to securitize the amount owed, calculated according to ERCOT's protocols in effect during the period of the February 2021 polar vortex, and stipulates that failure to pay such amount may result in being barred from the ERCOT-administered power market by the PUCT. While Brazos and Rayburn are eligible to utilize the provisions of this bill, we are currently uncertain whether they will elect to do so.



## Counterparty Credit Risk

We are exposed to counterparty credit risk related to the performance of the parties with which we enter into financial transactions, primarily for derivative instruments, cash and time deposit accounts and our investment security holdings. To mitigate this risk, we only enter into these transactions with financial institutions with investment-grade ratings. Our cash and time deposits with financial institutions generally have an original maturity of less than one year.

We manage our derivative counterparty credit risk by monitoring the overall creditworthiness of each counterparty based on our internal counterparty credit risk scoring model; using counterparty-specific credit risk limits; executing master netting arrangements; and diversifying our derivative transactions among multiple counterparties. We also require that our derivative counterparties be a participant in one of our committed bank revolving line of credit agreements. Our active derivative counterparties had credit ratings ranging from Aa2 to Baa2 by Moody's and from AA- to A- by S&P as of May 31, 2021. Our largest counterparty exposure, based on the outstanding notional amount, represented approximately 24% and 25% of the total outstanding notional amount of derivatives as of May 31, 2021 and 2020, respectively.

### Credit Risk-Related Contingent Features

Our derivative contracts typically contain mutual early-termination provisions, generally in the form of a credit rating trigger. Under the mutual credit rating trigger provisions, either counterparty may, but is not obligated to, terminate and settle the agreement if the credit rating of the other counterparty falls below a level specified in the agreement. If a derivative contract is terminated, the amount to be received or paid by us would be equal to the prevailing fair value, as defined in the agreement, as of the termination date.

Our senior unsecured credit ratings from Moody's, S&P and Fitch were A2, A- and A, respectively, as of May 31, 2021. Moody's and Fitch had our ratings on stable outlook as of May 31, 2021. S&P had our ratings on negative outlook as of May 31, 2021. As discussed below under "Liquidity Risk—Credit Ratings," on March 5, 2021, S&P downgraded our senior unsecured credit ratings from A to A- with a negative outlook. No action on our ratings had been taken by Moody's or Fitch as of the date of this Report. Table 21 displays the outstanding notional amounts of our derivative contracts with rating triggers as of May 31, 2021, and the payments that would be required if the contracts were terminated as of that date because of a downgrade of our unsecured credit ratings or the counterparty's unsecured credit ratings below A3/A-, below Baa1/BBB+, to or below Baa2/BBB, or to or below Ba2/BB+ by Moody's or S&P, respectively. In calculating the payment amounts that would be required upon termination of the derivative contracts, we assumed that the amounts for each counterparty would be netted in accordance with the provisions of the counterparty's master netting agreements. The net payment amounts are based on the fair value of the underlying derivative instrument, excluding the credit risk valuation adjustment, plus any unpaid accrued interest amounts.

**Table 21: Rating Triggers for Derivatives**

(Dollars in thousands)	Notional Amount	Payable Due From CFC	Receivable Due to CFC	Net (Payable)/ Receivable
<b>Impact of rating downgrade trigger:</b>				
Falls below A3/A- <sup>(1)</sup> .....	\$ 41,080	\$ (8,168)	\$ —	\$ (8,168)
Falls below Baa1/BBB+.....	6,031,373	(304,922)	—	(304,922)
Falls to or below Baa2/BBB <sup>(2)</sup> .....	407,712	(14,835)	—	(14,835)
Total.....	<u>\$ 6,480,165</u>	<u>\$ (327,925)</u>	<u>\$ —</u>	<u>\$ (327,925)</u>

<sup>(1)</sup> Rating trigger for CFC falls below A3/A-, while rating trigger for counterparty falls below Baa1/BBB+ by Moody's or S&P, respectively.

<sup>(2)</sup> Rating trigger for CFC falls to or below Baa2/BBB, while rating trigger for counterparty falls to or below Ba2/BB+ by Moody's or S&P, respectively.

Table 21 does not include an interest rate swap agreement with one counterparty that is subject to a ratings trigger and early termination provision in the event of a downgrade of CFC's senior unsecured credit ratings below Baa3, BBB- or BBB- by Moody's, S&P or Fitch, respectively. The outstanding notional amount of interest rate swaps with this counterparty totaled \$222 million as of May 31, 2021, and the swaps were in an unrealized loss position of \$22 million as of May 31, 2021.

The aggregate fair value amount, including the credit valuation adjustment, of all interest rate swaps with rating triggers that were in a net liability position was \$344 million as of May 31, 2021, compared with \$798 million as of May 31, 2020. There were no counterparties that fell below the rating trigger levels in our interest swap contracts as of May 31, 2021. If a counterparty has a credit rating that falls below the rating trigger level specified in the interest swap contract, we have the option to terminate all derivatives with the counterparty. However, we generally do not terminate such agreements prior to maturity because our interest rate swaps are critical to our matched funding strategy to mitigate interest rate risk.

See “Item 1A. Risk Factors” for additional information about credit risks related to our business.

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## LIQUIDITY RISK

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We define liquidity as the ability to convert assets into cash quickly and efficiently, maintain access to available funding and to roll over or issue new debt under normal operating conditions and periods of CFC-specific and/or market stress, to ensure that we can meet borrower loan requests, pay current and future obligations and fund our operations on a cost-effective basis. Our primary sources of liquidity include cash flows from operations, member loan repayments, securities held in our investment portfolio, committed bank revolving lines of credit, committed loan facilities under the Guaranteed Underwriter Program, revolving note purchase agreements with Farmer Mac and our ability to issue debt in the capital markets, to our members and in private placements. Our primary uses of liquidity include loan advances to members, principal and interest payments on borrowings, periodic settlement payments related to derivative contracts and operating expenses.

### Liquidity Risk Management

Our liquidity risk-management framework is designed to meet our liquidity objectives of providing a reliable source of funding to members, meet maturing debt and other financial obligations, issue new debt and fund our operations on a cost-effective basis under normal operating conditions as well as under CFC-specific and/or market stress conditions. We engage in various activities to manage liquidity risk and achieve our liquidity objectives. Our Asset Liability Committee establishes guidelines that are intended to ensure that we maintain sufficient, diversified sources of liquidity to cover potential funding requirements as well as unanticipated contingencies. Our Treasury group develops strategies to manage our targeted liquidity position, projects our funding needs under various scenarios, including adverse circumstances, and monitors our liquidity position on an ongoing basis.

### Available Liquidity

As part of our strategy in managing liquidity risk and meeting our liquidity objectives, we seek to maintain various sources of liquidity that are available to meet our near-term liquidity needs. Table 22 presents the sources of liquidity available for access as of May 31, 2021 and 2020.

**Table 22: Available Liquidity**

(Dollars in millions)	May 31,					
	2021			2020		
	Total	Accessed	Available	Total	Accessed	Available
<b>Liquidity sources:</b>						
Cash and cash equivalents	\$ 295	N/A	\$ 295	\$ 671	N/A	\$ 671
Debt securities investment portfolio <sup>(1)</sup>	576	N/A	576	309	N/A	309
Committed bank revolving line of credit agreements—unsecured <sup>(2)</sup>	2,725	3	2,722	2,725	3	2,722
Guaranteed Underwriter Program committed facilities—secured <sup>(3)</sup>	8,173	7,198	975	7,798	6,898	900
Farmer Mac revolving note purchase agreement, dated March 24, 2011, as amended—secured <sup>(4)</sup>	5,500	2,978	2,522	5,500	3,060	2,440
Total available liquidity	<u>\$17,269</u>	<u>\$ 10,179</u>	<u>\$ 7,090</u>	<u>\$ 17,003</u>	<u>\$ 9,961</u>	<u>\$ 7,042</u>

- <sup>(1)</sup>Our portfolio of equity securities consists primarily of preferred stock securities that are not as readily redeemable; therefore, we have excluded our portfolio of equity securities from our sources of available liquidity. As part of a securities repurchase transaction, we pledged \$211 million of our debt investment securities as of May 31, 2021. We repurchased these securities on June 2, 2021.
- <sup>(2)</sup>The committed bank revolving line of credit agreements consist of a three-year and a five-year revolving line of credit agreement. The accessed amount of \$3 million as of both May 31, 2021 and May 31, 2020 relates to letters of credit issued pursuant to the five-year revolving line of credit agreement.
- <sup>(3)</sup>The committed facilities under the Guaranteed Underwriter Program are not revolving.
- <sup>(4)</sup>Availability subject to market conditions.

## **Investment Securities Portfolio**

We have an investment portfolio of debt securities classified as trading and equity securities, which are reported on our consolidated balance sheets at fair value. The fair value of the securities in our investment portfolio was \$611 million as of May 31, 2021, consisting of debt securities with a fair value of \$576 million and equity securities with a fair value of \$35 million. In comparison, the fair value of the securities in our investment portfolio was \$370 million as of May 31, 2020, consisting of debt securities with a fair value of \$309 million and equity securities with a fair value of \$61 million.

Our debt securities investment portfolio, which increased \$267 million to \$576 million as of May 31, 2021, is intended to serve as an additional source of liquidity. The increase in our debt securities investment portfolio during fiscal year 2021 was largely due to the purchase of additional securities. During the fourth quarter of fiscal year 2020, we executed a plan for the orderly liquidation of a portion of our debt securities from our investment portfolio due to volatility in the financial markets at that time and the potential for future disruptions caused by the COVID-19 pandemic. As volatility across financial markets stabilized during the first quarter of our fiscal year 2021, we gradually purchased additional securities to restore the amount of our debt securities investment portfolio to a level more comparable with the level prior to the liquidation.

Our debt securities investment portfolio is structured so that the securities generally have active secondary or resale markets under normal market conditions. The objective of the portfolio is to achieve returns commensurate with the level of risk assumed subject to CFC's investment policy and guidelines and liquidity requirements. Pursuant to our investment policy and guidelines, all fixed-income debt securities, at the time of purchase, must be rated at least investment grade and on stable outlook based on external credit ratings from at least two of the leading global credit rating agencies, when available, or the corresponding equivalent, when not available. Securities rated investment grade, that is those rated Baa3 or higher by Moody's or BBB- or higher by S&P or BBB- or higher by Fitch, are generally considered by the rating agencies to be of lower credit risk than non-investment grade securities. We provide additional information on our investment securities portfolio in "Note 3—Investment Securities."

## **Borrowing Capacity Under Current Facilities**

Following is a discussion of our borrowing capacity and key terms and conditions under our revolving line of credit agreements with banks and committed loan facilities under the Guaranteed Underwriter Program and revolving note purchase agreements with Farmer Mac.

### ***Committed Bank Revolving Line of Credit Agreements—Unsecured***

Our committed bank revolving lines of credit may be used for general corporate purposes; however, we generally rely on them as a backup source of liquidity for our member and dealer commercial paper. We had \$2,725 million of commitments under committed bank revolving line of credit agreements as of May 31, 2021. Under our current committed bank revolving line of credit agreements, we have the ability to request up to \$300 million of letters of credit, which would result in a reduction in the remaining available amount under the facilities.

Table 23 presents the total commitment amount under our committed bank revolving line of credit agreements, outstanding letters of credit and the amount available for access as of May 31, 2021. We did not have any outstanding borrowings under our bank revolving line of credit agreements as of May 31, 2021.

**Table 23: Committed Bank Revolving Line of Credit Agreements**

(Dollars in millions)	May 31, 2021			Maturity	Annual Facility Fee <sup>(1)</sup>
	Total Commitment	Letters of Credit Outstanding	Available Amount		
3-year agreement.....	\$ 1,315	\$ —	\$ 1,315	November 28, 2022	7.5 bps
5-year agreement.....	1,410	3	1,407	November 28, 2023	10 bps
Total.....	<u>\$ 2,725</u>	<u>\$ 3</u>	<u>\$ 2,722</u>		

<sup>(1)</sup>Facility fee based on CFC's senior unsecured credit ratings in accordance with the established pricing schedules at the inception of the related agreement.

Our committed bank revolving line of credit agreements do not contain a material adverse change clause or rating triggers that would limit the banks' obligations to provide funding under the terms of the agreements; however, we must be in compliance with the covenants to draw on the facilities. We have been and expect to continue to be in compliance with the covenants under our committed bank revolving line of credit agreements. As such, we could draw on these facilities to repay dealer or member commercial paper that cannot be rolled over. See "Financial Ratios" and "Debt Covenants" below for additional information, including the specific financial ratio requirements under our committed bank revolving line of credit agreements.

Subsequent to our fiscal year-end, on June 7, 2021, we amended the three-year and five-year committed bank revolving line of credit agreements to extend the maturity dates to November 28, 2024 and November 28, 2025, respectively, and to terminate certain bank commitments totaling \$70 million under the three-year agreement and \$55 million under the five-year agreement. As a result, the total commitment amount under the three-year facility and the five-year facility is \$1,245 million and \$1,355 million, respectively, resulting in a combined total commitment amount under the two facilities of \$2,600 million.

#### ***Guaranteed Underwriter Program Committed Facilities—Secured***

Under the Guaranteed Underwriter Program, we can borrow from the Federal Financing Bank and use the proceeds to make new loans and refinance existing indebtedness. As part of the program, we pay fees, based on outstanding borrowings, supporting the USDA Rural Economic Development Loan and Grant program. The borrowings under this program are guaranteed by RUS.

On November 19, 2020, we closed on a \$375 million committed loan facility ("Series R") from the Federal Financing Bank under the Guaranteed Underwriter Program. Pursuant to this facility, we may borrow any time before July 15, 2025. Each advance is subject to quarterly amortization and a final maturity not longer than 30 years from the date of the advance. We borrowed \$300 million and redeemed \$150 million of notes payable outstanding under the Guaranteed Underwriter Program during the year ended May 31, 2021. This new commitment increases total funding available to CFC under committed loan facilities from the Federal Financing Bank ("FFB") to \$975 million. Of this amount, \$100 million is available for advance through July 15, 2023, \$500 million is available for advance through July 15, 2024 and \$375 million is available for advance through July 15, 2025.

The notes payable to FFB and guaranteed by RUS under the Guaranteed Underwriter Program contain a provision that if during any portion of the fiscal year, our senior secured credit ratings do not have at least two of the following ratings: (i) A3 or higher from Moody's, (ii) A- or higher from S&P, (iii) A- or higher from Fitch or (iv) an equivalent rating from a successor rating agency to any of the above rating agencies, we may not make cash patronage capital distributions in excess of 5% of total patronage capital.

We are required to pledge eligible distribution system loans or power supply system loans as collateral in an amount at least equal to the total outstanding borrowings under the Guaranteed Underwriter Program. See "Consolidated Balance Sheet Analysis—Debt—Collateral Pledged" and "Note 4—Loans" for additional information on pledged collateral.

### ***Farmer Mac Revolving Note Purchase Agreement—Secured***

As indicated in Table 22, we have a revolving note purchase agreement with Farmer Mac, dated March 24, 2011, as amended, under which we can borrow up to \$5,500 million from Farmer Mac, at any time, subject to market conditions. On May 20, 2021, we amended our revolving note purchase agreement with Farmer Mac to automatically extend the draw period from January 11, 2022 to June 30, 2026, with successive automatic one-year renewals without notice by either party. Beginning June 30, 2025, the revolving note purchase agreement is subject to termination of the draw period by Farmer Mac upon 425 days' prior written notice. Pursuant to this revolving note purchase agreement, we can borrow, repay and re-borrow funds at any time through maturity, as market conditions permit, provided that the outstanding principal amount at any time does not exceed the total available under the agreement. Each borrowing under the revolving note purchase agreement is evidenced by a pricing agreement setting forth the interest rate, maturity date and other related terms as we may negotiate with Farmer Mac at the time of each such borrowing. We may select a fixed rate or variable rate at the time of each advance with a maturity as determined in the applicable pricing agreement. Under this agreement, we had outstanding secured notes payable totaling \$2,978 million and \$3,060 million as of May 31, 2021 and 2020, respectively. We borrowed \$500 million under this note purchase agreement with Farmer Mac during the year ended May 31, 2021. The amount available for borrowing under this agreement was \$2,522 million as of May 31, 2021.

We are required to pledge eligible electric distribution system or electric power supply system loans as collateral in an amount at least equal to the total principal amount of notes outstanding, under this agreement. See "Consolidated Balance Sheet Analysis—Debt—Collateral Pledged" and "Note 4—Loans" for additional information on pledged collateral.

### **Short-Term Borrowings and Long-Term and Subordinated Debt**

Additional funding is provided by short-term borrowings and issuances of long-term and subordinated debt. We rely on short-term borrowings as a source to meet our daily, near-term funding needs. Long-term and subordinated debt represents the most significant component of our funding. The issuance of long-term debt allows us to reduce our reliance on short-term borrowings and effectively manage our refinancing and interest rate risk.

#### ***Short-Term Borrowings***

Our short-term borrowings consist of commercial paper, which we offer to members and dealers, select notes and daily liquidity fund notes offered to members, bank-bid notes, medium-term notes offered to members and dealers and securities sold under repurchase agreements. Table 24 displays information on the composition, by product type, of our outstanding short-term borrowings as of May 31, 2021 and 2020.

**Table 24: Short-Term Borrowings—Outstanding Amount and Weighted-Average Interest Rates**

(Dollars in thousands)	May 31,			
	2021		2020	
	Outstanding Amount	Weighted-Average Interest Rate	Outstanding Amount	Weighted-Average Interest Rate
<b>Short-term borrowings:</b>				
Commercial paper:				
Commercial paper sold through dealers, net of discounts.....	\$ 894,977	0.16 %	\$ —	— %
Commercial paper sold directly to members, at par.....	1,124,607	0.14	1,318,566	0.34
Total commercial paper.....	2,019,584	0.15	1,318,566	0.34
Select notes to members.....	1,539,150	0.30	1,597,959	0.75
Daily liquidity fund notes.....	460,556	0.08	508,618	0.10
Medium-term notes sold to members.....	362,691	0.42	286,842	1.64
Farmer Mac notes payable <sup>(1)</sup> .....	—	—	250,000	1.06
Securities sold under repurchase agreements.....	200,115	0.30	—	—
Total short-term borrowings outstanding.....	<u>\$ 4,582,096</u>	<u>0.22</u>	<u>\$3,961,985</u>	<u>0.62</u>

<sup>(1)</sup>Advanced under the revolving note purchase agreement with Farmer Mac dated March 24, 2011. See “Note 7—Long-Term Debt” for additional information on this revolving note purchase agreement with Farmer Mac.

Our short-term borrowings increased \$620 million to \$4,582 million as of May 31, 2021, and accounted for 17% of total debt outstanding, from \$3,962 million as of May 31, 2020 and 15% of total debt outstanding. The weighted-average cost of our outstanding short-term borrowings decreased to 0.22% as of May 31, 2021, from 0.62% as of May 31, 2020. The weighted-average maturity of our short-term borrowings decreased to 38 days as of May 31, 2021, from 50 days as of May 31, 2020.

The increase in short-term borrowings was driven primarily by issuances of dealer commercial paper and secured borrowings under a repurchase agreement. Outstanding dealer commercial paper totaled \$895 million as of May 31, 2021. We had no outstanding dealer commercial paper as of May 31, 2020. Although the intra-period amount of outstanding dealer commercial paper may fluctuate based on our liquidity requirements, our intent is to manage our short-term wholesale funding risk by maintaining outstanding dealer commercial paper at an amount below \$1,250 million for the foreseeable future. In fiscal year 2021, we entered into two master repurchase agreements under which we may sell debt securities from our investment portfolio to the counterparty with a commitment to repurchase such securities back from the counterparty. The transactions pursuant to these repurchase agreements do not qualify for sale accounting. We therefore are required to account for the transactions as secured borrowings.

Table 25 displays our outstanding short-term borrowings, by funding source, as May 31, 2021 and 2020.

**Table 25: Short-Term Borrowings—Funding Sources**

(Dollars in thousands)	May 31,			
	2021		2020	
	Outstanding Amount	% of Total Short-Term Borrowings	Outstanding Amount	% of Total Short-Term Borrowings
<b>Funding source:</b>				
Members.....	\$ 3,487,004	76 %	\$3,711,985	94 %
Private placement—Farmer Mac notes payable.....	—	—	250,000	6
Capital markets.....	1,095,092	24	—	—
Total.....	<u>\$ 4,582,096</u>	<u>100 %</u>	<u>\$3,961,985</u>	<u>100 %</u>

Members accounted for 76% of the source of our outstanding short-term borrowings as of May 31, 2021, down from 94% as of May 31, 2020.

### Long-Term and Subordinated Debt

Long-term and subordinated debt represents the most significant component of our funding. The issuance of long-term debt allows us to reduce our reliance on short-term borrowings and effectively manage our refinancing and interest rate risk, due in part to the multi-year contractual maturity structure of long-term debt. In addition to access to private debt facilities, we also issue debt in the public capital markets. Pursuant to Rule 405 of the Securities Act, we are classified as a “well-known seasoned issuer.” Under our effective shelf registration statements filed with the U.S. Securities and Exchange Commission (“SEC”), we may offer and issue the following debt securities:

- an unlimited amount of collateral trust bonds until October 2023;
- an unlimited amount of senior and subordinated debt securities, including medium-term notes, member capital securities and subordinated deferrable debt, until October 2023; and
- daily liquidity fund notes up to \$20,000 million in the aggregate—with a \$3,000 million limit on the aggregate principal amount outstanding at any time—until March 2022.

Although we register member capital securities and the daily liquidity fund notes with the SEC, these securities are not available for sale to the general public. Medium-term notes are available for sale to both the general public and members. Notwithstanding the foregoing, we have contractual limitations with respect to the amount of senior indebtedness we may incur.

As discussed in “Consolidated Balance Sheet Analysis—Debt,” long-term and subordinated debt of \$22,844 million and \$22,038 million as of May 31, 2021 and 2020, respectively, accounted for 83% and 85% of total debt outstanding as of each respective date. The increase in total debt outstanding, including long-term and subordinated debt, was primarily due to the issuance of debt to fund loan portfolio growth. Table 26 summarizes long-term and subordinated debt issuances and repayments during fiscal year 2021.

**Table 26: Long-Term and Subordinated Debt Issuances and Repayments**

(Dollars in thousands)	Year Ended May 31, 2021		
	Issuances	Repayments <sup>(1)</sup>	Change
<b>Debt product type:</b>			
Collateral trust bonds .....	\$ 750,000	\$ 755,000	\$ (5,000)
Guaranteed Underwriter Program notes payable .....	300,000	292,009	7,991
Farmer Mac notes payable .....	500,000	331,728	168,272
Medium-term notes sold to members .....	60,146	199,917	(139,771)
Medium-term notes sold to dealers .....	1,461,235	604,240	856,995
Other notes payable .....	—	3,564	(3,564)
Members’ subordinated certificates .....	14,292	84,659	(70,367)
Total .....	<u>\$ 3,085,673</u>	<u>\$ 2,271,117</u>	<u>\$ 814,556</u>

<sup>(1)</sup>Repayments include principal maturities, scheduled amortization payments, repurchases and redemptions.

We provide additional information on our financing activities above under “Consolidated Balance Sheet Analysis—Debt” and on the weighted-average interest rates on our long-term debt and subordinated certificates in “Note 7—Long-Term Debt,” “Note 8—Subordinated Deferrable Debt” and “Note 9—Members’ Subordinated Certificates.”

### Pledged Collateral

Under our secured borrowing agreements we are required to pledge loans, investment debt securities or other collateral and maintain certain pledged collateral ratios. Of our total debt outstanding of \$27,426 million as of May 31, 2021, \$16,644

million, or 61%, was secured by pledged loans totaling \$19,153 million and pledged investments totaling \$211 million. In comparison, of our total debt outstanding of \$26,000 million as of May 31, 2020, \$16,515 million, or 64%, was secured by pledged loans totaling \$19,643 million. Following is additional information on the collateral pledging requirements for our secured borrowing agreements.

### ***Secured Borrowing Agreements—Pledged Loan Requirements***

We are required to pledge loans or other collateral in transactions under our collateral trust bond indentures, bond agreements under the Guaranteed Underwriter Program and note purchase agreements with Farmer Mac. Total debt outstanding is presented on our consolidated balance sheets net of unamortized discounts and issuance costs. Our collateral pledging requirements are based, however, on the face amount of secured outstanding debt, which excludes net unamortized discounts and issuance costs. We are required to maintain pledged collateral equal to at least 100% of the face amount of outstanding borrowings. However, as discussed below, we typically maintain pledged collateral in excess of the required percentage. Under the provisions of our committed bank revolving line of credit agreements, the excess collateral that we are allowed to pledge cannot exceed 150% of the outstanding borrowings under our collateral trust bond indentures, the Guaranteed Underwriter Program or the Farmer Mac note purchase agreements. In certain cases, provided that all conditions of eligibility under the different programs are satisfied, we may withdraw excess pledged collateral or transfer collateral from one borrowing program to another to facilitate a new debt issuance. Table 27 displays the collateral coverage ratios pursuant to these secured borrowing agreements as of May 31, 2021 and 2020.

**Table 27: Collateral Pledged**

	Requirement Coverage Ratios		Actual Coverage Ratios <sup>(1)</sup>	
	Minimum Debt Indentures	Maximum Committed Bank Revolving Line of Credit Agreements	May 31,	
			2021	2020
<b>Secured borrowing agreement:</b>				
Collateral trust bonds 1994 indenture.....	100 %	150 %	116 %	114 %
Collateral trust bonds 2007 indenture.....	100	150	115	113
Guaranteed Underwriter Program notes payable.....	100	150	114	120
Farmer Mac notes payable.....	100	150	116	121
Clean Renewable Energy Bonds Series 2009A.....	100	150	120	120

<sup>(1)</sup> Calculated based on the amount of collateral pledged divided by the face amount of outstanding secured debt.

Table 28 displays the unpaid principal balance of loans pledged for secured debt, the excess collateral pledged and unencumbered loans as of May 31, 2021 and 2020.

**Table 28: Unencumbered Loans**

(Dollars in thousands)	May 31,	
	2021	2020
Total loans outstanding <sup>(1)</sup> .....	\$ 28,415,107	\$ 26,690,854
Less: Loans required to be pledged for secured debt <sup>(2)</sup> .....	(16,704,335)	(16,784,728)
Loans pledged in excess of requirement <sup>(2)(3)</sup> .....	(2,448,424)	(2,858,238)
Total pledged loans.....	\$ (19,152,759)	\$ (19,642,966)
Unencumbered loans.....	\$ 9,262,348	\$ 7,047,888
Unencumbered loans as a percentage of total loans outstanding.....	33 %	26 %

<sup>(1)</sup> Represents the unpaid principal balance of loans as of the end of each period. Excludes unamortized deferred loan origination costs of \$12 million and \$11 million as of May 31, 2021 and 2020, respectively.

<sup>(2)</sup> Reflects unpaid principal balance of pledged loans.



<sup>(3)</sup>Excludes cash collateral pledged to secure debt. If there is an event of default under most of our indentures, we can only withdraw the excess collateral if we substitute cash or permitted investments of equal value.

As displayed above in Table 28, we had excess loans pledged as collateral totaling \$2,448 million and \$2,858 million as of May 31, 2021 and 2020, respectively. We typically pledge loans in excess of the required amount for the following reasons: (i) our distribution and power supply loans are typically amortizing loans that require scheduled principal payments over the life of the loan, whereas the debt securities issued under secured indentures and agreements typically have bullet maturities; (ii) distribution and power supply borrowers have the option to prepay their loans; and (iii) individual loans may become ineligible for various reasons, some of which may be temporary.

We provide additional information on our borrowings, including the maturity profile, below in “Liquidity Risk.” Also refer to “Note 6—Short-Term Borrowings,” “Note 7—Long-Term Debt,” “Note 8—Subordinated Deferrable Debt” and “Note 9—Members’ Subordinated Certificates” for additional information on each of our debt product types. See “Note 4—Loans—Pledged Loans” for additional information related to pledged collateral.

### **Secured Borrowing Agreements—Pledged Investment Securities**

In fiscal year 2021, we entered into two master repurchase agreements under which we may transfer debt securities from our investment debt securities portfolio to the counterparty with a commitment to repurchase the transferred securities back from the counterparty. The transactions pursuant to these repurchase agreements do not qualify for sale accounting. We therefore are required to account for the transactions as secured borrowings. The transferred debt securities represent pledged collateral for the secured borrowings under the repurchase agreements.

On May 25, 2021, we borrowed \$200 million under the repurchase agreements and transferred debt securities to the counterparty. On June 2, 2021, we repurchased the transferred debt securities, which had a fair value of \$211 million as of May 31, 2021. We report the transferred debt securities as pledged collateral on our consolidated balance sheet as of May 31, 2021.

### **Member Loan Repayments**

Table 29 displays future scheduled loan principal payment amounts, by member class and by loan type, on loans outstanding as of May 31, 2021, disaggregated by amounts due (i) in one year or less; (ii) after one year up to five years; (iii) after five years up to 15 years; and (iv) after 15 years.

**Table 29: Loans—Maturities of Scheduled Principal Payments**

(Dollars in thousands)	May 31, 2021				
	Due ≤ 1 Year	Due > 1 Year Up to 5 Years	Due > 5 Years Up to 15 Years	Due After 15 Years	Total
<b>Member class:</b>					
CFC:					
Distribution .....	\$ 2,074,765	\$ 4,258,198	\$ 9,123,783	\$ 6,570,677	\$ 22,027,423
Power supply .....	605,433	1,337,364	1,851,289	1,360,226	5,154,312
Statewide and associate .....	9,316	63,697	16,625	16,483	106,121
Total CFC .....	2,689,514	5,659,259	10,991,697	7,947,386	27,287,856
NCSC .....	106,025	185,076	317,343	98,424	706,868
RTFC .....	40,619	150,116	229,648	—	420,383
Total loans outstanding .....	<u>\$ 2,836,158</u>	<u>\$ 5,994,451</u>	<u>\$ 11,538,688</u>	<u>\$ 8,045,810</u>	<u>\$ 28,415,107</u>
<b>Loan type:</b>					
Fixed rate .....	\$ 1,342,258	\$ 5,100,545	\$ 11,283,853	\$ 7,788,110	\$ 25,514,766
Variable rate .....	1,493,900	893,906	254,835	257,700	2,900,341
Total loans outstanding .....	<u>\$ 2,836,158</u>	<u>\$ 5,994,451</u>	<u>\$ 11,538,688</u>	<u>\$ 8,045,810</u>	<u>\$ 28,415,107</u>

## Contractual Obligations

Our contractual obligations affect both our short- and long-term liquidity needs. Our most significant contractual obligations include scheduled payments on our debt obligations. Table 30 displays scheduled amounts due on our debt obligations in each of the next five fiscal years and thereafter. The amounts presented reflect undiscounted future cash payment amounts due pursuant to these obligations, aggregated by the type of contractual obligation. The table excludes certain obligations where the obligation is short-term, such as trade payables, or where the amount is not fixed and determinable, such as derivatives subject to valuation based on market factors. The timing of actual future payments may differ from those presented due to a number of factors, such as discretionary debt redemptions or changes in interest rates that may impact our expected future cash interest payments.

**Table 30: Contractual Obligations<sup>(1)</sup>**

(Dollars in millions)	Fiscal Year Ended May 31,						Total
	2022	2023	2024	2025	2026	Thereafter	
Short-term borrowings .....	\$ 4,582	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 4,582
Long-term debt .....	2,598	1,844	1,652	842	2,428	11,520	20,884
Subordinated deferrable debt .....	—	—	—	—	—	1,000	1,000
Members' subordinated certificates <sup>(2)</sup> .....	7	19	11	10	55	1,153	1,255
Total long-term and subordinated debt .....	2,605	1,863	1,663	852	2,483	13,673	23,139
Contractual interest on long-term debt <sup>(3)</sup> .....	644	597	558	528	482	5,038	7,847
Total .....	\$ 7,831	\$ 2,460	\$ 2,221	\$ 1,380	\$ 2,965	\$ 18,711	\$ 35,568

<sup>(1)</sup> Callable debt is included in this table at its contractual maturity.

<sup>(2)</sup> Member loan subordinated certificates totaling \$190 million are amortizing annually based on the unpaid principal balance of the related loan. Amortization payments on these certificates totaled \$13 million in fiscal year 2021 and represented 7% of amortizing loan subordinated certificates outstanding.

<sup>(3)</sup> Represents the amounts of future interest payments on long-term and subordinated debt outstanding as of May 31, 2021, based on the contractual terms of the securities. These amounts were determined based on certain assumptions, including that variable-rate debt continues to accrue interest at the contractual rates in effect as of May 31, 2021 until maturity, and redeemable debt continues to accrue interest until its contractual maturity.

## Off-Balance Sheet Arrangements

In the ordinary course of business, we engage in financial transactions that are not presented on our consolidated balance sheets, or may be recorded on our consolidated balance sheets in amounts that are different from the full contract or notional amount of the transaction. Our off-balance sheet arrangements consist primarily of unadvanced loan commitments intended to meet the financial needs of our members and guarantees of member obligations, which may affect our liquidity requirements based on the likelihood that borrowers will advance funds under the loan commitments or we will be required to perform under the guarantee obligations. We provide additional information about our unadvanced loan commitments, including amounts outstanding, in "Note 4—Loans" and our guarantee obligations in "Note 13—Guarantees."

## Projected Near-Term Sources and Uses of Liquidity

As discussed above, our primary sources of liquidity include cash flows from operations, member loan repayments, committed bank revolving lines of credit, committed loan facilities, short-term borrowings and funds from the issuance of long-term and subordinated debt. Our primary uses of liquidity include loan advances to members, principal and interest payments on borrowings, periodic settlement payments related to derivative contracts and operating expenses.

Table 31 below displays our projected sources and uses of cash from debt and investment activity, by quarter, over the next six quarters through the quarter ended November 30, 2022. Our assumptions also include the following: (i) the estimated issuance of long-term debt, including collateral trust bonds and private placement of term debt, is based on maintaining a matched funding position within our loan portfolio with our bank revolving lines of credit serving as a backup liquidity facility for commercial paper and on maintaining outstanding dealer commercial paper at an amount below \$1,250 million; (ii) long-term loan scheduled amortization payments represent the scheduled long-term loan payments for loans outstanding

as of May 31, 2021, and our current estimate of long-term loan prepayments, which the amount and timing of are subject to change; (iii) other loan repayments and other loan advances primarily relate to line of credit repayments and advances; (iv) long-term debt maturities reflect scheduled maturities of outstanding term debt for the periods presented; and (v) long-term loan advances reflect our current estimate of member demand for loans, the amount and timing of which are subject to change.

**Table 31: Projected Sources and Uses of Liquidity from Debt and Investment Activity<sup>(1)</sup>**

(Dollars in millions)	Projected Sources of Liquidity				Projected Uses of Liquidity				Other Sources/ (Uses) of Liquidity <sup>(6)</sup>
	Long-Term Debt Issuance	Anticipated Long-Term Loan Repayments <sup>(2)</sup>	Other Loan Repayments <sup>(3)</sup>	Total Projected Sources of Liquidity	Long-Term Debt Maturities <sup>(4)</sup>	Long-Term Loan Advances	Other Loan Advances <sup>(5)</sup>	Total Projected Uses of Liquidity	
1Q FY 2022.....	\$ 533	\$ 372	\$ 84	\$ 989	\$ 552	\$ 794	\$ —	\$ 1,346	\$ 126
2Q FY 2022.....	62	352	196	610	402	450	—	852	239
3Q FY 2022.....	1,733	350	65	2,148	1,408	552	—	1,960	(229)
4Q FY 2022.....	351	351	64	766	594	436	—	1,030	205
1Q FY 2023.....	307	370	—	677	457	572	—	1,029	292
2Q FY 2023.....	648	357	—	1,005	733	548	—	1,281	275
<b>Total.....</b>	<b>\$ 3,634</b>	<b>\$ 2,152</b>	<b>\$ 409</b>	<b>\$ 6,195</b>	<b>\$ 4,146</b>	<b>\$ 3,352</b>	<b>\$ —</b>	<b>\$ 7,498</b>	<b>\$ 908</b>

<sup>(1)</sup>The dates presented represent the end of each quarterly period through the quarter ended November 30, 2022.

<sup>(2)</sup>Anticipated long-term loan repayments include scheduled long-term loan amortizations, anticipated cash repayments at repricing date and sales.

<sup>(3)</sup>Other loan repayments include anticipated short-term loan repayments.

<sup>(4)</sup>Long-term debt maturities also include medium-term notes with an original maturity of one year or less and expected early redemptions of debt.

<sup>(5)</sup>Other loan advances include anticipated short-term loan advances.

<sup>(6)</sup>Includes net increase or decrease to dealer commercial paper, member commercial paper and select notes, and purchases and maturity of investments.

As displayed in Table 31, we currently project long-term advances of \$2,232 million over the next 12 months, which we anticipate will exceed anticipated long-term loan repayments over the same period of \$1,425 million by approximately \$807 million. The estimates presented above are developed at a particular point in time based on our expected future business growth and funding. Our actual results and future estimates may vary, perhaps significantly, from the current projections, as a result of changes in market conditions, management actions or other factors.

## Credit Ratings

Our funding and liquidity, borrowing capacity, ability to access capital markets and other sources of funds and the cost of these funds are partially dependent on our credit ratings. Rating agencies base their ratings on numerous factors, including liquidity, funding diversity, capital adequacy, industry position, member support, management, asset quality, earnings stability and the probability of systemic support. Significant changes in these factors could result in different ratings.

On March 5, 2021, S&P issued a downgrade of our long-term issuer credit rating, citing a shift from “Strong” to “Adequate” in its view of CFC’s risk position due to CFC’s loan portfolio concentration in the State of Texas. S&P also revised its outlook on CFC to negative based on the potential for additional elevated credit stress posed by Texas electric cooperatives due to the February 2021 polar vortex. The downgrade of CFC’s long-term issuer credit rating by S&P resulted in a downgrade of (i) our senior secured and senior unsecured debt ratings to A- from A; (ii) our subordinated debt rating to BBB from BBB+; and (iii) our short-term issuer credit and commercial paper ratings to A-2 from A-1, each with a negative outlook. Table 32 displays our credit ratings as of May 31, 2021. Our credit ratings by Moody’s and Fitch remain unchanged from May 31, 2020, and as of the date of this Report.

**Table 32: Credit Ratings**

	May 31, 2021		
	Moody's	S&P	Fitch
Long-term issuer credit rating <sup>(1)</sup> .....	<b>A2</b>	<b>A-</b>	<b>A</b>
Senior secured debt <sup>(2)</sup> .....	<b>A1</b>	<b>A-</b>	<b>A+</b>
Senior unsecured debt <sup>(3)</sup> .....	<b>A2</b>	<b>A-</b>	<b>A</b>
Subordinated debt.....	<b>A3</b>	<b>BBB</b>	<b>BBB+</b>
Commercial paper.....	<b>P-1</b>	<b>A-2</b>	<b>F1</b>
Outlook.....	<b>Stable</b>	<b>Negative</b>	<b>Stable</b>

<sup>(1)</sup>Based on our senior unsecured debt rating.

<sup>(2)</sup>Applies to our collateral trust bonds.

<sup>(3)</sup>Applies to our medium-term notes.

The current split ratings have no impact on the pricing of our bank revolving credit facilities, and we do not believe that the current split ratings have a material impact on our access to the commercial paper markets or on our ability to issue long-term debt in the capital markets. Due to the S&P ratings downgrade, we have however, experienced a slight increase in the cost of our commercial paper issuances and we also may experience a slight increase in the credit spread of long-term debt issuances.

See “Credit Risk—Counterparty Credit Risk—Credit Risk-Related Contingent Features” above for information on credit rating provisions related to our derivative contracts.

### Financial Ratios

Our debt-to-equity ratio decreased to 20.17 as of May 31, 2021, from 42.40 as of May 31, 2020, primarily due to an increase in equity from our reported net income of \$814 million for fiscal year 2021 which was partially offset by a decrease in equity from the retirement of \$60 million in patronage capital authorized by the CFC Board of Directors in July 2020 and paid to members in September 2020.

Our adjusted debt-to-equity ratio increased above our targeted threshold of 6.00-to-1 to 6.15 as of May 31, 2021, from 5.85 as of May 31, 2020. The increase was primarily attributable to an increase in adjusted liabilities due to additional borrowings to fund growth in our loan portfolio. We provide a reconciliation of our adjusted debt-to-equity ratio to the most comparable U.S. GAAP measure and an explanation of the adjustments below in “Non-GAAP Financial Measures.”

### Debt Covenants

As part of our short-term and long-term borrowing arrangements, we are subject to various financial and operational covenants. If we fail to maintain specified financial ratios, such failure could constitute a default by CFC of certain debt covenants under our committed bank revolving line of credit agreements and senior debt indentures. We believe we were in compliance with all covenants and conditions under our committed bank revolving line of credit agreements and senior debt indentures as of May 31, 2021.

As discussed above in “Introduction” and “Selected Financial Data,” the financial covenants set forth in our committed bank revolving line of credit agreements and senior debt indentures are based on adjusted financial measures, including adjusted TIER. We provide a reconciliation of adjusted TIER and other non-GAAP measures disclosed in this Report to the most comparable U.S. GAAP measures and an explanation of the adjustments below in “Non-GAAP Financial Measures.”

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## MARKET RISK

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Interest rate risk represents our primary source of market risk, as movements in interest rates can have a significant impact on the earnings and safety and soundness of a financial institution. We are exposed to interest rate risk primarily from the differences in the timing between the maturities or repricing of our loans and the liabilities funding our loans. Below we discuss how we manage and measure interest rate risk. We also include a discussion about the current status of our preparation in transitioning from LIBOR as an interest reference rate to an alternative rate.

### **Interest Rate Risk Management**

Our interest rate risk management objective is to prudently manage the difference between interest-earning assets and interest-bearing liabilities in order to mitigate interest rate risk in accordance with CFC's board policy and risk limits and guidelines established by the Asset Liability Committee ("ALCO"). The ALCO provides oversight of our exposure to interest rate risk and ensures that our exposure is compliant with established risk limits and guidelines. We seek to generate stable adjusted net interest income on a sustained and long-term basis by minimize the mismatch between the cash flows from our financial assets and our financial liabilities. We use derivatives as a tool in matching the duration and repricing characteristics of our assets and liabilities, which we discuss above in "Consolidated Results of Operations—Non-Interest Income—Derivative Gains (Losses) and "Note 10—Derivatives and Hedging Activities."

### **Measurement of Interest Rate Risk**

We routinely measure and assess our interest rate risk exposure using various methodologies. We implemented enhancements to our Asset Liability Management ("ALM") framework that expanded our analytic tools and capabilities, which allowed us to provide a more comprehensive profile of our interest rate risk exposure. As a result of these enhancements, we are able to more accurately measure and monitor our interest rate risk exposure under multiple interest rate scenarios using several different techniques, including, among others, the sensitivity of our net interest and adjusted net interest income to changes in interest rates and duration gap analysis. Because we believe these measures are more meaningful and useful in evaluating our interest rate risk exposure, we changed the presentation of our quantitative measures of interest rate risk during the fourth quarter of fiscal year 2021. Below we present two measures we use to assess our interest rate risk exposure: (i) the interest rate sensitivity of our projected net interest income and adjusted net interest income; and (ii) duration gap.

### ***Interest Rate Sensitivity Analysis***

Our ALM models, which we use to evaluate the sensitivity of our interest-earning assets and the interest-bearing liabilities funding those assets under different interest rate scenarios, are updated monthly to reflect our current balance sheet position. We then overlay our current balance sheet position with management's forecast assumptions to generate a baseline projection of net interest income and adjusted net interest income over the next 12 months. Table 33 presents the estimated percentage impact on our projected base-line net interest income and adjusted net interest income, which includes the impact of derivative cash settlements interest expense, over the next 12 months resulting from a hypothetical instantaneous parallel shift of plus or minus 100 basis points in the interest rate yield curve as of May 31, 2021 and 2020. Shorter-term interest rates were less than 1%, or 100 basis points, as of May 31, 2021 and interest rates across the entire yield curve were less than 100 basis points as of May 31, 2020. We therefore assumed a floor interest rate of 0% if the hypothetical instantaneous interest shift of minus 100 would result in a negative interest rate.

**Table 33: Interest Rate Sensitivity Analysis<sup>(1)</sup>**

Estimated Impact <sup>(2)</sup>	May 31, 2021		May 31, 2020	
	+ 100 Basis Points	- 100 Basis Points <sup>(3)</sup>	+ 100 Basis Points	- 100 Basis Points <sup>(3)</sup>
Net interest income.....	<b>(6.13)%</b>	<b>(3.34)%</b>	(8.20)%	(2.30)%
Derivative cash settlements interest expense.....	<b>8.12%</b>	<b>(3.01)%</b>	8.34%	(4.32)%
Adjusted net interest income <sup>(4)</sup> .....	<b>1.99%</b>	<b>(6.35)%</b>	0.14%	(6.62)%

<sup>(1)</sup>Applies to all rate-sensitive assets and liabilities including fixed-rate loans with a repricing date within the next 12 months and forecasted new loan growth; no impact on fixed-rate loans that are priced to maturity and nonperforming loans that are held at zero interest rate until maturity.

<sup>(2)</sup>Actual net interest income (including adjusted) may differ significantly from the below referenced sensitivity analysis.

<sup>(3)</sup>Floored at zero percent interest rate.

<sup>(4)</sup>Includes derivative cash settlements that represent amounts received from or paid to counterparties.

### ***Duration Gap***

The duration gap is the difference between the estimated duration of assets and liabilities, which is calculated using an ALM model. The duration gap summarizes the extent to which cash-flows for assets and liabilities are matched over time. A positive duration gap denotes that the duration of our assets is greater than the duration of our debt and derivatives. Therefore there is increased exposure to rising interest rates over the long term. A negative duration gap indicates increased exposure to declining interest rates over the long term because the duration of our assets is less than the duration of our liabilities and derivatives. The duration gap provides a relatively concise and simple measure of the interest rate risk inherent in our balance sheet; however, it is not directly linked to expected future net interest income and adjusted net interest income. We had a positive duration gap of 1.69 months as of May 31, 2021, compared with a negative duration gap of 7.6 months as of May 31, 2020.

### ***Limitations of Interest Rate Risk Measures***

While we believe that the interest income sensitivities and duration gap measures provided are useful tools in assessing our interest rate risk exposure, there are inherent limitations in any methodology used to estimate the exposure to changes in market interest rates. These measures should be understood as estimates rather than as precise measurements. The interest rate sensitivity analyses only contemplate certain hypothetical movements in interest rates and are performed at a particular point in time based on the existing balance sheet and, in some cases, expected future business growth and funding mix assumptions. The strategic actions that management may take to manage our balance sheet may differ significantly from our projections, which could cause our actual interest income to differ substantially from the above sensitivity analysis.

### **LIBOR Transition**

In July 2017, the United Kingdom’s Financial Conduct Authority (“FCA”), which regulates the LIBOR index, announced that it intended to stop compelling banks to submit the rates required to calculate LIBOR after December 31, 2021. Following this announcement, the Federal Reserve Board and the Federal Reserve Bank of New York established the Alternative Reference Rates Committee (“ARRC”) which is comprised of private-market participants and ex-officio members representing banking and financial sector regulators. The ARRC has recommended the Secured Overnight Financing Rate (“SOFR”) as the alternative reference rate.

In November 2020, the Board of Governors of the Federal Reserve System, the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation issued a joint statement encouraging financial institutions to cease entering into new contracts that use U.S. dollar-denominated (“USD”) LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021, in order to facilitate an orderly, safe and sound LIBOR transition. The joint statement indicated that new contracts entered into before December 31, 2021 should either utilize a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after LIBOR’s discontinuation.

In March 2021, the FCA and the Intercontinental Exchange (“ICE”) Benchmark Administration, the administrator for LIBOR, concurrently confirmed the intention to stop requiring banks to submit the rates required to calculate LIBOR after

December 31, 2021 for one-week and two-month LIBOR and June 30, 2023 for all remaining LIBOR tenors. Pursuant to the announcement, one-week and two-month LIBOR will cease to be published or lose representativeness immediately after December 31, 2021, and all remaining USD LIBOR tenors will cease to be published or lose representativeness immediately after June 30, 2023.

We established a cross-functional LIBOR working group to identify CFC’s exposure, assess the potential risks related to the transition from LIBOR to a new index and develop a strategic transition plan. The LIBOR working group has been closely monitoring and assessing developments with respect to the LIBOR transition and providing regular reports to our Chief Financial Officer and the CFC Board of Directors. An assessment of all of CFC’s LIBOR-based contracts and financial instruments and the systems, models and processes that may be impacted has been completed. We have confirmed CFC’s adherence to the International Swaps and Derivatives Association, Inc. 2020 LIBOR Fallbacks Protocol for our derivative instruments. We plan to stop originating new LIBOR-based loans prior to December 31, 2021, and we have been working to ensure that new LIBOR-based loans and existing LIBOR-based loans otherwise being amended include hardwired fallback language. We are also closely monitoring the development of alternative credit-sensitive rates in addition to SOFR such as the Bloomberg Short Term Bank Yield index.

Table 34 summarizes our LIBOR-indexed financial instruments outstanding as of May 31, 2021 that have a contractual maturity date after June 30, 2023. These financial instruments are included in amounts reported on our consolidated balance sheets.

**Table 34: LIBOR-Indexed Financial Instruments**

<b>(Dollars in millions)</b>	<b>May 31, 2021</b>
Loans to members, performing.....	<b>\$ 413</b>
Investment securities.....	<b>49</b>
Debt.....	<b>1,733</b>

In addition, we have LIBOR-indexed derivatives with a notional amount of \$7,479 million as of May 31, 2021 that have a contractual maturity date after June 30, 2023.

We discuss the risks related to the uncertainty as to the nature of potential changes and other reforms associated with the transition away from and expected replacement of LIBOR as a benchmark interest rate in “Item 1A. Risk Factors.”

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## **OPERATIONAL RISK**

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Operational risk represents the risk of loss resulting from conducting our operations, including, but not limited to, the execution of unauthorized transactions by employees; errors relating to loan documentation, transaction processing and technology; the inability to perfect liens on collateral; breaches of internal control and information systems; and the risk of fraud by employees or persons outside the company. This risk of loss also includes potential legal actions that could arise as a result of operational deficiencies, noncompliance with covenants in our revolving credit agreements and indentures, employee misconduct or adverse business decisions. In the event of a breakdown in internal controls, improper access to or operation of systems or improper employee actions, we could incur financial loss. Operational/business risk also may include breaches of our technology and information systems resulting from unauthorized access to confidential information or from internal or external threats, such as cyberattacks.

Operational risk is inherent in all business activities. The management of such risk is important to the achievement of our objectives. We maintain business policies and procedures, employee training, an internal control framework, and a comprehensive business continuity and disaster recovery plan that are intended to provide a sound operational environment. Our business policies and controls have been designed to manage operational risk at appropriate levels given our financial strength, the business environment and markets in which we operate, the nature of our businesses, and considering factors such as competition and regulation. Corporate Compliance monitors compliance with established procedures and applicable law that are designed to ensure adherence to generally accepted conduct, ethics and business practices defined in our corporate policies. We provide employee compliance training programs, including information protection, Regulation FD

(“Fair Disclosure”) compliance and operational risk. Internal Audit examines the design and operating effectiveness of our operational, compliance and financial reporting internal controls on an ongoing basis.

Our business continuity and disaster recovery plan establishes the basic principles and framework necessary to ensure emergency response, resumption, restoration and permanent recovery of CFC’s operations and business activities during a business interruption event. This plan includes a duplication of our operating systems at an off-site facility coupled with an extensive business continuity and recovery process to leverage those remote systems. Each of our departments is required to develop, exercise, test and maintain business resumption plans for the recovery of business functions and processing resources to minimize disruption for our members and other parties with whom we do business. We conduct disaster recovery exercises periodically that include both the information technology group and business areas. The business resumption plans are based on a risk assessment that considers potential losses due to unavailability of service versus the cost of resumption. These plans anticipate a variety of probable scenarios ranging from local to regional crises.

In fiscal year 2020, we enhanced our crisis management framework to provide additional corporate guidance on the management of and response to significant crises that may have an adverse disruptive impact on our business. The crises identified include, but are not limited to, man-made and natural disasters including infectious disease pandemics, technology disruption and workforce issues. The objectives of the enhancements are to ensure, in the event of an identified crisis, we have well-documented plans in place to protect our employees and the work environment, safeguard CFC’s operations, protect CFC’s brand and reputation and minimize the impact of business disruptions. We conducted a business impact analysis for each identified crisis to assess the potential impact on our business operations, financial performance, technology and staff. The results of the business impact analysis have been utilized to develop management action plans that align business priorities, clarify responsibilities and establish processes and procedures that enable us to respond in a timely, proactive manner and take appropriate actions to manage and mitigate the potential disruptive impact of specified crises.

Cybersecurity risk is managed as part of our overall management of operational risk. Cyber-related attacks pose a risk to the security of our members’ strategic business information and the confidentiality and integrity of our data, which includes strategic and proprietary information. Because such an attack could have a material adverse impact on our operations, the CFC Board of Directors is actively engaged in the oversight of our continuous efforts in monitoring and managing the risks associated with the ever-evolving nature of cybersecurity threats. Each quarter, or more frequently as requested by the board of directors, management provides reports on CFC’s security operations, including any cybersecurity incidents, management’s efforts to manage any incidents and any other related information requested from management. On at least an annual basis, the board of directors reviews management reports concerning the disclosure controls and procedures in place to enable CFC to make accurate and timely disclosures about any material cybersecurity events. Additionally, upon the occurrence of a material cybersecurity incident, the board of directors will be notified of the event so it may properly evaluate such incident, including management’s remediation plan.



## SELECTED QUARTERLY FINANCIAL DATA

Table 35 provides a summary of condensed quarterly financial information for fiscal years 2021 and 2020.

**Table 35: Selected Quarterly Financial Data**

(Dollars in thousands)	Year Ended May 31, 2021				
	Aug 31, 2020	Nov 30, 2020	Feb 28, 2021	May 31, 2021	Total
Interest income .....	\$ 279,584	\$ 276,499	\$ 278,172	\$ 282,346	\$ 1,116,601
Interest expense .....	(179,976)	(174,422)	(173,040)	(174,625)	(702,063)
<b>Net interest income</b> .....	<b>99,608</b>	<b>102,077</b>	<b>105,132</b>	<b>107,721</b>	<b>414,538</b>
Benefit (provision) for credit losses .....	(326)	(1,638)	(33,023)	6,480	(28,507)
Net interest income after benefit (provision) for credit losses .....	99,282	100,439	72,109	114,201	386,031
Non-interest income:					
Derivative gains .....	60,276	81,287	330,196	34,542	506,301
Other non-interest income .....	8,175	4,971	1,012	6,266	20,424
<b>Total non-interest income</b> .....	<b>68,451</b>	<b>86,258</b>	<b>331,208</b>	<b>40,808</b>	<b>526,725</b>
Non-interest expense .....	(22,995)	(25,914)	(23,863)	(25,008)	(97,780)
Income before income taxes .....	144,738	160,783	379,454	130,001	814,976
Income tax provision .....	(151)	(262)	(507)	(78)	(998)
<b>Net income</b> .....	<b>144,587</b>	<b>160,521</b>	<b>378,947</b>	<b>129,923</b>	<b>813,978</b>
Less: Net income attributable to noncontrolling interests .....	(171)	(505)	(1,213)	(422)	(2,311)
<b>Net income attributable to CFC</b> .....	<b>\$ 144,416</b>	<b>\$ 160,016</b>	<b>\$ 377,734</b>	<b>\$ 129,501</b>	<b>\$ 811,667</b>

(Dollars in thousands)	Year Ended May 31, 2020				
	Aug 31, 2019	Nov 30, 2019	Feb 29, 2020	May 31, 2020	Total
Interest income .....	\$ 290,015	\$ 287,037	\$ 287,195	\$ 287,039	\$ 1,151,286
Interest expense .....	(213,271)	(207,871)	(203,040)	(196,907)	(821,089)
<b>Net interest income</b> .....	<b>76,744</b>	<b>79,166</b>	<b>84,155</b>	<b>90,132</b>	<b>330,197</b>
Provision for credit losses .....	(30)	1,045	(2,382)	(34,223)	(35,590)
Net interest income after provision for credit losses .....	76,714	80,211	81,773	55,909	294,607
Non-interest income:					
Derivative gains (losses) .....	(395,725)	183,450	(337,936)	(239,940)	(790,151)
Other non-interest income .....	12,561	3,728	4,396	11,707	32,392
<b>Total non-interest income (loss)</b> .....	<b>(383,164)</b>	<b>187,178</b>	<b>(333,540)</b>	<b>(228,233)</b>	<b>(757,759)</b>
Non-interest expense .....	(18,150)	(25,698)	(25,628)	(57,962)	(127,438)
Income (loss) before income taxes .....	(324,600)	241,691	(277,395)	(230,286)	(590,590)
Income tax benefit (provision) .....	521	(91)	426	304	1,160
<b>Net income (loss)</b> .....	<b>(324,079)</b>	<b>241,600</b>	<b>(276,969)</b>	<b>(229,982)</b>	<b>(589,430)</b>
Less: Net (income) loss attributable to noncontrolling interests .....	1,657	(8)	1,405	1,136	4,190
<b>Net income (loss) attributable to CFC</b> .....	<b>\$ (322,422)</b>	<b>\$ 241,592</b>	<b>\$ (275,564)</b>	<b>\$ (228,846)</b>	<b>\$ (585,240)</b>

We experienced a variance of \$360 million between our reported net income of \$130 million in the fourth quarter of fiscal year 2021 and our reported net loss of \$230 million in the fourth quarter of fiscal year 2020. The variance was primarily driven by a favorable shift in derivative fair value changes of \$275 million. We recorded derivative gains of \$35 million in the fourth quarter of fiscal year 2021, attributable to an increase in the net fair value of our swap portfolio resulting from increases in medium- and longer-term swap interest rates during the quarter. In contrast, we recorded derivative losses of \$240 million in the fourth quarter of fiscal year 2020, attributable to a decrease in the net fair value of our swap portfolio due to declines in interest rates across the swap curve.

In addition, net interest income increased \$18 million, or 20%, to \$108 million in the fourth quarter of fiscal year 2021, attributable to the combined impact of an increase in the net interest yield and an increase in average interest-earning assets. We also experienced a favorable shift in the provision of credit losses of \$41 million in the fourth quarter of fiscal year 2021. The shift was largely attributable to the absence of the asset-specific addition to the allowance for credit losses of \$34 million in the fourth quarter of 2020, which we established for a CFC power supply borrower in conjunction with our classification of a loan to this borrower totaling \$168 million as nonperforming as of May 31, 2020.

Other notable items contributing to the variance between our reported results for the fourth quarter of fiscal year 2021 and 2020 include the absence of a non-cash software impairment charge of \$31 million recorded in the fourth quarter of fiscal year 2020 due to management's decision to abandon a project to develop an internal-use loan origination and servicing platform.

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## **NON-GAAP FINANCIAL MEASURES**

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Below we discuss each of non-GAAP adjusted measures and provide a reconciliation of our adjusted measures to the most comparable U.S. GAAP measures. We believe our non-GAAP adjusted measures, which are not a substitute for U.S. GAAP and may not be consistent with similarly titled non-GAAP measures used by other companies, provide meaningful information and are useful to investors because management evaluates performance based on these metrics for purposes of (i) establishing short- and long-term performance goals; (ii) budgeting and forecasting; (iii) comparing period-to-period operating results, analyzing changes in results and identifying potential trends; and (iv) making compensation decisions. In addition, certain of the financial covenants in our committed bank revolving line of credit agreements and debt indentures are based on non-GAAP adjusted measures.

### **Statements of Operations Non-GAAP Adjustments**

One of our primary performance measures is TIER, which is a measure indicating our ability to cover the interest expense requirements on our debt. TIER is calculated by adding the interest expense to net income prior to the cumulative effect of change in accounting principle and dividing that total by the interest expense. We adjust the TIER calculation to add the derivative cash settlements expense to the interest expense and to remove the derivative forward value gains (losses) and foreign currency adjustments from total net income. Adding the cash settlements expense back to interest expense also has a corresponding effect on our adjusted net interest income.

We use derivatives to manage interest rate risk on our funding of the loan portfolio. The derivative cash settlements expense represents the amount that we receive from or pay to our counterparties based on the interest rate indexes in our derivatives that do not qualify for hedge accounting. We adjust the reported interest expense to include the derivative cash settlements expense. We use the adjusted cost of funding to set interest rates on loans to our members and believe that the interest expense adjusted to include derivative cash settlements expense represents our total cost of funding for the period. TIER calculated by adding the derivative cash settlements expense to the interest expense reflects management's perspective on our operations and, therefore, we believe that it represents a useful financial measure for investors.

The derivative forward value gains (losses) and foreign currency adjustments do not represent our cash inflows or outflows during the current period and, therefore, do not affect our current ability to cover our debt service obligations. The derivative forward value gains (losses) included in the derivative gains (losses) line of the statement of operations represents a present value estimate of the future cash inflows or outflows that will be recognized as net cash settlements expense for all periods through the maturity of our derivatives that do not qualify for hedge accounting. We have not issued foreign-denominated debt since 2007, and as of May 31, 2021 and 2020, there were no foreign currency derivative instruments outstanding.

For operational management and decision-making purposes, we subtract derivative forward value gains (losses) and foreign currency adjustments from our net income when calculating TIER and for other net income presentation purposes. In addition, since the derivative forward value gains (losses) and foreign currency adjustments do not represent current-period cash flows, we do not allocate such funds to our members and, therefore, exclude the derivative forward value gains (losses) and foreign currency adjustments from net income in calculating the amount of net income to be allocated to our members. TIER calculated by excluding the derivative forward value gains (losses) and foreign currency adjustments from net income reflects management's perspective on our operations and, therefore, we believe that it represents a useful financial measure for investors.

Total equity includes the noncash impact of derivative forward value gains (losses) and foreign currency adjustments recorded in net income. It also includes as a component of accumulated other comprehensive income the impact of changes in the fair value of derivatives designated as cash flow hedges as well as the remaining transition adjustment recorded when we adopted the accounting guidance that required all derivatives be recorded on the balance sheet at fair value. In evaluating our debt-to-equity ratio discussed further below, we make adjustments to equity similar to the adjustments made in calculating TIER. We exclude from total equity the cumulative impact of changes in derivative forward value gains (losses) and foreign currency adjustments and amounts included in accumulated other comprehensive income related to derivatives designated for cash flow hedge accounting and the remaining derivative transition adjustment to derive non-GAAP adjusted equity.

### Adjusted Operational Financial Measures

Table 36 provides a reconciliation of adjusted interest expense, adjusted net interest income, adjusted total revenue and adjusted net income to the comparable U.S. GAAP measures. These adjusted measures are used in the calculation of our adjusted net interest yield and adjusted TIER for each fiscal year in the five-year period ended May 31, 2021.

**Table 36: Adjusted Financial Measures—Income Statement**

(Dollars in thousands)	Year Ended May 31,				
	2021	2020	2019	2018	2017
<b>Adjusted net interest income:</b>					
Interest income.....	\$ 1,116,601	\$ 1,151,286	\$ 1,135,670	\$ 1,077,357	\$ 1,036,634
Interest expense.....	(702,063)	(821,089)	(836,209)	(792,735)	(741,738)
Include: Derivative cash settlements interest expense <sup>(1)</sup> .....	(115,645)	(55,873)	(43,611)	(74,281)	(84,478)
Adjusted interest expense.....	(817,708)	(876,962)	(879,820)	(867,016)	(826,216)
Adjusted net interest income.....	\$ 298,893	\$ 274,324	\$ 255,850	\$ 210,341	\$ 210,418
<b>Adjusted total revenue:</b>					
Net interest income.....	\$ 414,538	\$ 330,197	\$ 299,461	\$ 284,622	\$ 294,896
Fee and other income.....	18,929	22,961	15,355	17,578	19,713
Total revenue.....	433,467	353,158	314,816	302,200	314,609
Include: Derivative cash settlements interest expense <sup>(1)</sup> .....	(115,645)	(55,873)	(43,611)	(74,281)	(84,478)
Adjusted total revenue.....	\$ 317,822	\$ 297,285	\$ 271,205	\$ 227,919	\$ 230,131
<b>Adjusted net income:</b>					
Net income (loss).....	\$ 813,978	\$ (589,430)	\$ (151,210)	\$ 457,364	\$ 312,099
Exclude: Derivative forward value gains (losses) <sup>(2)</sup> .....	621,946	(734,278)	(319,730)	306,002	179,381
Adjusted net income.....	\$ 192,032	\$ 144,848	\$ 168,520	\$ 151,362	\$ 132,718

<sup>(1)</sup>Represents the net periodic contractual interest amount on our interest rate swaps during the reporting period.

<sup>(2)</sup>Represents the change in fair value of our interest rate swaps during the reporting period due to changes in expected future interest rates over the remaining life of our derivative contracts.

We primarily fund our loan portfolio through the issuance of debt. However, we use derivatives as economic hedges as part of our strategy to manage the interest rate risk associated with funding our loan portfolio. We therefore consider the interest expense incurred on our derivatives to be part of funding cost in addition to the interest expense on our debt. As such, we add derivative cash settlements interest expense to our reported interest expense to derive our adjusted interest expense and adjusted net interest income. We exclude the unrealized derivative forward value gains and losses from our adjusted total revenue and adjusted net income.

### TIER and Adjusted TIER

Table 37 displays the calculation of our TIER and adjusted TIER for each fiscal year in the five-year period ended May 31, 2021.

**Table 37: TIER and Adjusted TIER**

	Year Ended May 31,				
	2021	2020	2019	2018	2017
TIER <sup>(1)</sup> .....	<b>2.16</b>	0.28	0.82	1.58	1.42
Adjusted TIER <sup>(2)</sup> .....	<b>1.23</b>	1.17	1.19	1.17	1.16

<sup>(1)</sup> TIER is calculated based on our net income (loss) plus interest expense for the period divided by interest expense for the period.

<sup>(2)</sup> Adjusted TIER is calculated based on adjusted net income (loss) plus adjusted interest expense for the period divided by adjusted interest expense for the period.

### Debt-to-Equity and Adjusted Debt-to-Equity

Management relies on the adjusted debt-to-equity ratio as a key measure in managing our business. We therefore believe that this adjusted measure, in combination with the comparable U.S. GAAP measure, is useful to investors in evaluating our financial condition. We adjust the comparable U.S. GAAP measure to:

- exclude debt used to fund loans that are guaranteed by RUS from total liabilities;
- exclude from total liabilities, and add to total equity, debt with equity characteristics issued to our members and in the capital markets; and
- exclude the noncash impact of derivative financial instruments and foreign currency adjustments from total liabilities and total equity.

We are an eligible lender under an RUS loan guarantee program. Loans issued under this program carry the U.S. government's guarantee of all interest and principal payments. We have little or no risk associated with the collection of principal and interest payments on these loans. Therefore, we believe there is little or no risk related to the repayment of the liabilities used to fund RUS-guaranteed loans and we subtract such liabilities from total liabilities to calculate our adjusted debt-to-equity ratio.

Members may be required to purchase subordinated certificates as a condition of membership and as a condition to obtaining a loan or guarantee. The subordinated certificates are accounted for as debt under U.S. GAAP. The subordinated certificates have long-dated maturities and pay no interest or pay interest that is below market, and under certain conditions we are prohibited from making interest payments to members on the subordinated certificates. For computing our adjusted debt-to-equity ratio we subtract members' subordinated certificates from total liabilities and add members' subordinated certificates to total equity.

We also sell subordinated deferrable debt in the capital markets with maturities of up to 30 years and the option to defer interest payments. The characteristics of subordination, deferrable interest and long-dated maturity are all equity characteristics. In calculating our adjusted debt-to-equity ratio, we subtract subordinated deferrable debt from total liabilities and add it to total equity.

We record derivative instruments at fair value on our consolidated balance sheets. For computing our adjusted debt-to-equity ratio we exclude the noncash impact of our derivative accounting from liabilities and equity. Also, for computing our

adjusted debt-to-equity ratio we exclude the impact of foreign currency valuation adjustments from liabilities and equity. The debt-to-equity ratio adjusted to exclude the effect of foreign currency translation reflect management's perspective on our operations and, therefore, we believe is a useful financial measure for investors.

Table 38 provides a reconciliation between our total liabilities and total equity and the adjusted amounts used in the calculation of our adjusted debt-to-equity ratio as of the end of each fiscal year in the five-year period ended May 31, 2021. As indicated in the following table, subordinated debt is treated in the same manner as equity in calculating our adjusted debt-to-equity ratio.

**Table 38: Adjusted Financial Measures—Balance Sheet**

(Dollars in thousands)	May 31,				
	2021	2020	2019	2018	2017
Total liabilities .....	<b>\$28,238,484</b>	\$27,508,783	\$25,820,490	\$25,184,351	\$24,106,887
Exclude:					
Derivative liabilities .....	<b>584,989</b>	1,258,459	391,724	275,932	385,337
Debt used to fund loans guaranteed by RUS .....	<b>139,136</b>	146,764	153,991	160,865	167,395
Subordinated deferrable debt .....	<b>986,315</b>	986,119	986,020	742,410	742,274
Subordinated certificates .....	<b>1,254,660</b>	1,339,618	1,357,129	1,379,982	1,419,025
Adjusted total liabilities .....	<b><u>\$25,273,384</u></b>	<u>\$23,777,823</u>	<u>\$22,931,626</u>	<u>\$22,625,162</u>	<u>\$21,392,856</u>
Total equity .....	<b>\$ 1,399,879</b>	\$ 648,822	\$ 1,303,882	\$ 1,505,853	\$ 1,098,805
Exclude:					
Prior fiscal year-end cumulative derivative forward value losses <sup>(1)</sup> .....	<b>(1,088,982)</b>	(354,704)	(34,974)	(340,976)	(520,357)
Year-to-date derivative forward value gains (losses) <sup>(1)</sup> .....	<b>621,946</b>	(734,278)	(319,730)	306,002	179,381
Period-end cumulative derivative forward value losses <sup>(1)</sup> .....	<b>(467,036)</b>	(1,088,982)	(354,704)	(34,974)	(340,976)
Accumulated other comprehensive income attributable to derivatives <sup>(2)</sup> .....	<b>1,718</b>	2,130	2,571	1,980	3,702
Subtotal .....	<b><u>(465,318)</u></b>	<u>(1,086,852)</u>	<u>(352,133)</u>	<u>(32,994)</u>	<u>(337,274)</u>
Include:					
Subordinated deferrable debt .....	<b>986,315</b>	986,119	986,020	742,410	742,274
Subordinated certificates .....	<b>1,254,660</b>	1,339,618	1,357,129	1,379,982	1,419,025
Subtotal .....	<b><u>2,240,975</u></b>	<u>2,325,737</u>	<u>2,343,149</u>	<u>2,122,392</u>	<u>2,161,299</u>
Adjusted total equity .....	<b><u>\$ 4,106,172</u></b>	<u>\$ 4,061,411</u>	<u>\$ 3,999,164</u>	<u>\$ 3,661,239</u>	<u>\$ 3,597,378</u>

<sup>(1)</sup> Represents consolidated total derivative forward value gains (losses).

<sup>(2)</sup> Represents the AOCI amount related to derivatives. See "Note 11—Equity" for the additional components of AOCI.

Table 39 displays the calculations of our debt-to-equity and adjusted debt-to-equity ratios as of the end of each fiscal year during the five-year period ended May 31, 2021.

**Table 39: Debt-to-Equity Ratio and Adjusted Debt-to-Equity Ratio**

(Dollars in thousands)	May 31,				
	2021	2020	2019	2018	2017
<b>Debt-to-equity ratio:</b>					
Total liabilities .....	<b>\$28,238,484</b>	\$ 27,508,783	\$25,820,490	\$25,184,351	\$24,106,887
Total equity .....	<b>1,399,879</b>	648,822	1,303,882	1,505,853	1,098,805
Debt-to-equity ratio <sup>(1)</sup> .....	<b>20.17</b>	42.40	19.80	16.72	21.94
<b>Adjusted debt-to-equity ratio:</b>					
Adjusted total liabilities <sup>(2)</sup> .....	<b>\$25,273,384</b>	\$ 23,777,823	\$22,931,626	\$22,625,162	\$21,392,856
Adjusted total equity <sup>(2)</sup> .....	<b>4,106,172</b>	4,061,411	3,999,164	3,661,239	3,597,378
Adjusted debt-to-equity ratio <sup>(3)</sup> .....	<b>6.15</b>	5.85	5.73	6.18	5.95

<sup>(1)</sup> Calculated based on total liabilities at period end divided by total equity at period end.

<sup>(2)</sup> See Table 38 above for details on the calculation of these non-GAAP adjusted measures and the reconciliation to the most comparable U.S. GAAP measures.

<sup>(3)</sup> Calculated based on adjusted total liabilities at period end divided by adjusted total equity at period end.

### Members' Equity

Members' equity includes the noncash impact of derivative forward value gains (losses) and foreign currency adjustments recorded in net income. It also includes amounts recorded in accumulated other comprehensive income. We provide the components of accumulated other comprehensive income in "Note 11—Equity." Because these amounts generally have not been realized, they are not available to members and are excluded by CFC's board of directors in determining the annual allocation of adjusted net income to patronage capital, to the members' capital reserve and to other member funds. Table 40 presents a reconciliation of members' equity to total CFC equity as of May 31, 2021 and 2020.

**Table 40: Members' Equity**

(Dollars in thousands)	May 31,	
	2021	2020
<b>Members' equity:</b>		
Total CFC equity .....	<b>\$ 1,374,948</b>	\$ 626,121
Exclude:		
Accumulated other comprehensive loss .....	<b>(25)</b>	(1,910)
Period-end cumulative derivative forward value losses attributable to CFC <sup>(1)</sup> .....	<b>(461,162)</b>	(1,079,739)
Subtotal .....	<b>(461,187)</b>	(1,081,649)
Members' equity .....	<b>\$ 1,836,135</b>	\$ 1,707,770

<sup>(1)</sup> Represents period-end cumulative derivative forward value losses for CFC only, as total CFC equity does not include the noncontrolling interests of the variable interest entities NCSC and RTFC, which we are required to consolidate. We report the separate results of operations for CFC in "Note 16—Business Segments." The period-end cumulative derivative forward value total loss amounts as of May 31, 2021 and 2020 are presented above in Table 38.

### Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk, see "Item 7. MD&A—Market Risk" and "MD&A—Consolidated Results of Operations—Non-Interest Income—Derivatives Gains (Losses)" and also "Note 10—Derivative Instruments and Hedging Activities."

## Item 8. Financial Statements and Supplementary Data

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Members  
National Rural Utilities Cooperative Finance Corporation:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of National Rural Utilities Cooperative Finance Corporation and subsidiaries (the Company) as of May 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended May 31, 2021, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of May 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended May 31, 2021, in conformity with U.S. generally accepted accounting principles.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.

Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

### *Critical Audit Matter*

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the consolidated financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which they relate.

#### *Assessment of the allowance for credit losses of loans evaluated on a collective basis*

As discussed in Notes 1 and 5 to the consolidated financial statements, the Company's allowance for credit losses for loans evaluated on a collective basis (the collective ACL) was \$42.4 million as of May 31, 2021. The collective ACL includes the measure of expected credit losses on a collective (pool) basis for those loans that share similar risk characteristics. The Company estimates the collective ACL using a probability of default (PD) and loss given default (LGD) methodology. The Company segments its loan portfolio into pools based on member borrower type, which is based on the utility sector of the borrower, and further by internal borrower risk ratings. The Company then applies



loss factors, consisting of the PD and LGD, to the scheduled loan-level amortization amounts over the life of the loans of each of the identified pools. Due to a limited history of defaults in the portfolio, the Company utilizes third-party default data tables for the utility sector as a proxy to estimate default rates for each of the pools. Based on the mapping of internal borrower risk rating to equivalent credit rating provided in the third party utility default tables, the Company applies corresponding cumulative default rates to the scheduled loan amortization amounts over the remaining life of loan in each of the pools. For estimation of an LGD the Company utilizes its lifetime historical loss experience for each of the portfolio segments. The Company estimates that, based on historical experience, expected credit losses will not be affected by changes in economic conditions and therefore, the Company has not made adjustments to the historical rates for any economic forecasts. The Company considers the need to adjust the historical loss information for differences in the specific characteristics of its existing loan portfolio based on an evaluation of relevant qualitative factors, such as differences in the composition of the loan portfolio, underwriting standards, problem loan trends, the quality of Company's credit review functions, as well as changes in the regulatory environment and other pertinent external factors that may impact the amount of future credit losses.

We identified the assessment of the collective ACL as a critical audit matter. A high degree of audit effort, including specialized skills and knowledge, and subjective and complex auditor judgment was involved in the assessment of the collective ACL due to significant measurement uncertainty. Specifically, the assessment encompassed the evaluation of the collective ACL methodology, portfolio segmentation, and the methods used to estimate the PD and LGD and their significant assumptions, including third-party proxy default data for the utility sector, and borrower risk ratings. The assessment also included an evaluation of the conceptual soundness of the collective ACL methodology. In addition, auditor judgment was required to evaluate the sufficiency of audit evidence obtained.

The following are the primary procedures we performed to address this critical audit matter. We evaluated the design of certain internal controls related to the Company's measurement of the collective ACL estimate, including controls over the:

- development of the collective ACL methodology
- identification and determination of the method and significant assumptions used to develop the PD and LGD
- analysis of credit quality trends and ratios.

We evaluated the Company's process to develop the collective ACL estimate by testing certain sources of data, factors, and assumptions that the Company used, and considered the relevance and reliability of such data, factors, and assumptions. In addition, we involved credit risk professionals with specialized skills and knowledge, who assisted in:

- evaluating the Company's collective ACL methodology for compliance with U.S. generally accepted accounting principles
- evaluating the conceptual soundness and the judgments made by the Company relative to the development of the PD and LGD by comparing them to relevant Company-specific metrics and trends and the applicable industry and regulatory practices
- determining whether the loan portfolio is segmented by similar risk characteristics by comparing to the Company's business environment and relevant industry practices
- testing individual borrower risk ratings for a selection of borrowers by evaluating the financial performance of the borrower, sources of repayment, and any relevant guarantees or underlying collateral
- evaluating the appropriateness of mapping and alignment of internal borrower risk ratings to equivalent credit ratings provided in the third party utility default table.

We also assessed sufficiency of the audit evidence obtained related to the collective ACL estimate by evaluating the:

- cumulative results of the audit procedures
- qualitative aspects of the Company's accounting practices
- potential bias in the accounting estimate.

/s/ KPMG LLP

We have served as the Company's auditor since 2013.

McLean, Virginia

July 30, 2021

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**

(Dollars in thousands)	Year Ended May 31,		
	2021	2020	2019
Interest income.....	\$ 1,116,601	\$ 1,151,286	\$ 1,135,670
Interest expense.....	(702,063)	(821,089)	(836,209)
<b>Net interest income</b> .....	<b>414,538</b>	330,197	299,461
Benefit (provision) for credit losses.....	(28,507)	(35,590)	1,266
Net interest income after benefit (provision) for credit losses.....	<b>386,031</b>	294,607	300,727
Non-interest income:			
Fee and other income.....	18,929	22,961	15,355
Derivative gains (losses).....	506,301	(790,151)	(363,341)
Investment securities gains (losses).....	1,495	9,431	(1,799)
<b>Total non-interest income</b> .....	<b>526,725</b>	(757,759)	(349,785)
Non-interest expense:			
Salaries and employee benefits.....	(55,258)	(54,522)	(49,824)
Other general and administrative expenses.....	(39,447)	(46,645)	(43,342)
Losses on early extinguishment of debt.....	(1,456)	(683)	(7,100)
Other non-interest expense.....	(1,619)	(25,588)	(1,675)
<b>Total non-interest expense</b> .....	<b>(97,780)</b>	(127,438)	(101,941)
Income (loss) before income taxes.....	<b>814,976</b>	(590,590)	(150,999)
Income tax benefit (provision).....	(998)	1,160	(211)
<b>Net income (loss)</b> .....	<b>813,978</b>	(589,430)	(151,210)
Less: Net (income) loss attributable to noncontrolling interests....	(2,311)	4,190	1,979
<b>Net income (loss) attributable to CFC</b> .....	<b>\$ 811,667</b>	<b>\$ (585,240)</b>	<b>\$ (149,231)</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION  
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)**

<b>(Dollars in thousands)</b>	<b>Year Ended May 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Net income (loss)</b> .....	<b>\$ 813,978</b>	<b>\$ (589,430)</b>	<b>\$ (151,210)</b>
Other comprehensive income (loss):			
Unrealized gains on cash flow hedges.....	—	—	1,059
Reclassification of derivative gains to earnings.....	<b>(412)</b>	(441)	(468)
Defined benefit plan adjustments.....	<b>2,297</b>	(1,322)	(488)
Other comprehensive income (loss).....	<b>1,885</b>	(1,763)	103
<b>Total comprehensive income (loss)</b> .....	<b>815,863</b>	(591,193)	(151,107)
Less: Total comprehensive (income) loss attributable to noncontrolling interests.....	<b>(2,311)</b>	4,190	1,979
<b>Total comprehensive income (loss) attributable to CFC</b> .....	<b>\$ 813,552</b>	<b>\$ (587,003)</b>	<b>\$ (149,128)</b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**CONSOLIDATED BALANCE SHEETS**

(Dollars in thousands)	May 31,	
	2021	2020
<b>Assets:</b>		
Cash and cash equivalents.....	\$ 295,063	\$ 671,372
Restricted cash <sup>(1)</sup> .....	8,298	8,647
Total cash, cash equivalents and restricted cash.....	<u>303,361</u>	<u>680,019</u>
Investment securities:		
Debt securities trading, at fair value (\$210,894 pledged as collateral).....	576,175	309,400
Equity securities, at fair value.....	35,102	60,735
Total investment securities, at fair value.....	<u>611,277</u>	<u>370,135</u>
Loans to members.....	28,426,961	26,702,380
Less: Allowance for credit losses.....	(85,532)	(53,125)
Loans to members, net.....	<u>28,341,429</u>	<u>26,649,255</u>
Accrued interest receivable.....	107,856	117,138
Other receivables.....	37,197	41,099
Fixed assets, net.....	91,882	89,137
Derivative assets.....	121,259	173,195
Other assets.....	24,102	37,627
<b>Total assets</b> .....	<b><u>\$ 29,638,363</u></b>	<b><u>\$ 28,157,605</u></b>
<b>Liabilities:</b>		
Accrued interest payable.....	\$ 123,672	\$ 139,619
Debt outstanding:		
Short-term borrowings.....	4,582,096	3,961,985
Long-term debt.....	20,603,123	19,712,024
Subordinated deferrable debt.....	986,315	986,119
Members' subordinated certificates:		
Membership subordinated certificates.....	628,594	630,483
Loan and guarantee subordinated certificates.....	386,896	482,965
Member capital securities.....	239,170	226,170
Total members' subordinated certificates.....	<u>1,254,660</u>	<u>1,339,618</u>
Total debt outstanding.....	<u>27,426,194</u>	<u>25,999,746</u>
Deferred income.....	51,198	59,303
Derivative liabilities.....	584,989	1,258,459
Other liabilities.....	52,431	51,656
<b>Total liabilities</b> .....	<b><u>28,238,484</u></b>	<b><u>27,508,783</u></b>
<b>Equity:</b>		
CFC equity:		
Retained equity.....	1,374,973	628,031
Accumulated other comprehensive loss.....	(25)	(1,910)
Total CFC equity.....	<u>1,374,948</u>	<u>626,121</u>
Noncontrolling interests.....	24,931	22,701
<b>Total equity</b> .....	<b><u>1,399,879</u></b>	<b><u>648,822</u></b>
<b>Total liabilities and equity</b> .....	<b><u>\$ 29,638,363</u></b>	<b><u>\$ 28,157,605</u></b>

<sup>(1)</sup> Restricted cash consists primarily of member funds held in escrow for certain specifically designed cooperative programs.

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**

(Dollars in thousands)	Membership Fees and Educational Fund	Patronage Capital Allocated	Members' Capital Reserve	Unallocated Net Income (Loss)	CFC Retained Equity	Accumulated Other Comprehensive Income (Loss)	Total CFC Equity	Non-controlling Interests	Total Equity
Balance as of May 31, 2018...	\$ 2,945	\$ 811,493	\$ 687,785	\$ (36,434)	\$1,465,789	\$ 8,544	\$1,474,333	\$ 31,520	\$1,505,853
Cumulative effect from adoption of new accounting standard.....	—	—	—	8,794	8,794	(8,794)	—	—	—
Balance as of June 1, 2018	2,945	811,493	687,785	(27,640)	1,474,583	(250)	1,474,333	31,520	1,505,853
Net income (loss).....	1,000	96,592	71,312	(318,135)	(149,231)	—	(149,231)	(1,979)	(151,210)
Other comprehensive income.....	—	—	—	—	—	103	103	—	103
Patronage capital retirement...	—	(47,507)	—	—	(47,507)	—	(47,507)	(2,908)	(50,415)
Other.....	(963)	—	—	—	(963)	—	(963)	514	(449)
Balance as of May 31, 2019...	\$ 2,982	\$ 860,578	\$ 759,097	\$ (345,775)	\$1,276,882	\$ (147)	\$1,276,735	\$ 27,147	\$1,303,882
Net income (loss).....	1,000	96,310	48,223	(730,773)	(585,240)	—	(585,240)	(4,190)	(589,430)
Other comprehensive loss.....	—	—	—	—	—	(1,763)	(1,763)	—	(1,763)
Patronage capital retirement...	—	(62,822)	—	—	(62,822)	—	(62,822)	(1,933)	(64,755)
Other.....	(789)	—	—	—	(789)	—	(789)	1,677	888
Balance as of May 31, 2020...	\$ 3,193	\$ 894,066	\$ 807,320	\$(1,076,548)	\$ 628,031	\$ (1,910)	\$ 626,121	\$ 22,701	\$ 648,822
Cumulative effect from adoption of new accounting standard.....	—	—	—	(3,900)	(3,900)	—	(3,900)	—	(3,900)
Balance as of June 1, 2020	3,193	894,066	807,320	(1,080,448)	624,131	(1,910)	622,221	22,701	644,922
Net income.....	900	89,761	102,429	618,577	811,667	—	811,667	2,311	813,978
Other comprehensive income.....	—	—	—	—	—	1,885	1,885	—	1,885
Patronage capital retirement...	—	(59,857)	—	—	(59,857)	—	(59,857)	(2,054)	(61,911)
Other.....	(968)	—	—	—	(968)	—	(968)	1,973	1,005
Balance as of May 31, 2021...	\$ 3,125	\$ 923,970	\$ 909,749	\$ (461,871)	\$1,374,973	\$ (25)	\$1,374,948	\$ 24,931	\$1,399,879

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)	Year Ended May 31,		
	2021	2020	2019
<b>Cash flows from operating activities:</b>			
Net income (loss)	\$ 813,978	\$ (589,430)	\$ (151,210)
Adjustments to reconcile net income to net cash provided by operating activities:			
Amortization of deferred loan fees	(9,390)	(9,309)	(10,009)
Amortization of debt issuance costs and deferred charges	10,608	9,095	10,439
Amortization of discount on long-term debt	11,925	10,896	10,605
Amortization of issuance costs for bank revolving lines of credit	4,434	4,972	5,324
Depreciation and amortization	7,959	9,238	9,305
Provision (benefit) for credit losses	28,507	35,590	(1,266)
Loss on early extinguishment of debt	1,456	683	7,100
Fixed assets impairment	—	31,284	—
Gain on sale of land	—	(7,713)	—
Unrealized (gains) losses on equity and debt securities	(1,015)	(5,975)	1,799
Derivative forward value (gains) losses	(621,946)	734,278	319,730
Changes in operating assets and liabilities:			
Accrued interest receivable	9,282	16,467	(6,163)
Accrued interest payable	(15,947)	(19,378)	9,713
Deferred income	1,285	10,973	2,077
Other	(1,181)	(12,456)	(10,401)
Net cash provided by operating activities	<u>239,955</u>	<u>219,215</u>	<u>197,043</u>
<b>Cash flows from investing activities:</b>			
Advances on loans, net	(1,724,253)	(785,190)	(738,171)
Investments in fixed assets, net	(9,862)	(9,565)	(14,725)
Proceeds from sale of land	—	21,268	—
Net proceeds from time deposits	—	—	100,000
Purchase of trading securities	(397,522)	(3,883)	—
Proceeds from sales and maturities of trading securities	127,875	277,687	—
Proceeds from redemption of equity securities	30,000	25,000	—
Purchases of held-to-maturity debt securities	—	(76,339)	(80,123)
Proceeds from maturities of held-to-maturity debt securities	—	69,726	35,340
Net cash used in investing activities	<u>(1,973,762)</u>	<u>(481,296)</u>	<u>(697,679)</u>
<b>Cash flows from financing activities:</b>			
Proceeds from (repayments of) short-term borrowings, net	808,252	(208,340)	(452,618)
Proceeds from short-term borrowings with original maturity > 90 days	3,081,069	3,022,910	1,652,005
Repayments of short-term borrowings with original maturity > 90 days	(3,269,210)	(2,460,311)	(1,387,571)
Payments for issuance costs for revolving bank lines of credit	—	(1,025)	(2,382)
Proceeds from issuance of long-term debt, net of discount and issuance costs	3,055,220	2,156,711	3,281,595
Payments for retirement of long-term debt	(2,186,458)	(1,675,288)	(2,806,639)
Payments made for early extinguishment of debt	(1,456)	(683)	(7,100)
Payments for issuance costs for subordinated deferrable debt	—	(84)	(6,535)
Proceeds from issuance of subordinated deferrable debt	—	—	250,000
Proceeds from issuance of members' subordinated certificates	14,292	9,621	1,986
Payments for retirement of members' subordinated certificates	(84,659)	(24,572)	(24,861)
Payments for retirement of patronage capital	(59,889)	(63,035)	(49,860)
Repayments for membership fees, net	(12)	(8)	(4)
Net cash provided by financing activities	<u>1,357,149</u>	<u>755,896</u>	<u>448,016</u>
<b>Net increase (decrease) in cash, cash equivalents and restricted cash</b>	<b>(376,658)</b>	<b>493,815</b>	<b>(52,620)</b>
<b>Beginning cash, cash equivalents and restricted cash</b>	<b>680,019</b>	<b>186,204</b>	<b>238,824</b>
<b>Ending cash, cash equivalents and restricted cash</b>	<b><u>\$ 303,361</u></b>	<b><u>\$ 680,019</u></b>	<b><u>\$ 186,204</u></b>

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Dollars in thousands)	Year Ended May 31,		
	2021	2020	2019
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid for interest.....	\$ 687,145	\$ 805,086	\$ 801,966
Cash paid for income taxes.....	219	20	112
<b>Noncash financing and investing activities:</b>			
Net decrease in debt service reserve funds/debt service reserve certificates	\$ —	\$ 2,560	\$ —

The accompanying Notes to Consolidated Financial Statements are an integral part of these statements.



**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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**The Company**

National Rural Utilities Cooperative Finance Corporation (“CFC”) is a member-owned cooperative association incorporated under the laws of the District of Columbia in April 1969. CFC’s principal purpose is to provide its members with financing to supplement the loan programs of the Rural Utilities Service (“RUS”) of the United States Department of Agriculture (“USDA”). CFC makes loans to its rural electric members so they can acquire, construct and operate electric distribution systems, electric generation and transmission (“power supply”) systems and related facilities. CFC also provides its members with credit enhancements in the form of letters of credit and guarantees of debt obligations. As a cooperative, CFC is owned by and exclusively serves its membership, which consists of not-for-profit entities or subsidiaries or affiliates of not-for-profit entities. CFC is exempt from federal income taxes.

National Cooperative Services Corporation (“NCSC”) is a taxable cooperative incorporated in 1981 in the District of Columbia as a member-owned cooperative association. NCSC’s principal purpose is to provide financing to members of CFC, entities eligible to be members of CFC and the for-profit and nonprofit entities that are owned, operated or controlled by or provide significant benefit to certain members of CFC. NCSC’s membership consists of distribution systems, power supply systems and statewide and regional associations that are members of CFC. CFC is the primary source of funding for NCSC and manages NCSC’s business operations under a management agreement that is automatically renewable on an annual basis unless terminated by either party. NCSC pays CFC a fee and, in exchange, CFC reimburses NCSC for loan losses under a guarantee agreement. As a taxable cooperative, NCSC pays income tax based on its reported taxable income and deductions. NCSC is headquartered with CFC in Dulles, Virginia.

Rural Telephone Finance Cooperative (“RTFC”) is a taxable Subchapter T cooperative association originally incorporated in South Dakota in 1987 and reincorporated as a member-owned cooperative association in the District of Columbia in 2005. RTFC’s principal purpose is to provide financing for its rural telecommunications members and their affiliates. RTFC’s membership consists of a combination of not-for-profit and for-profit entities. CFC is the sole lender to and manages the business operations of RTFC through a management agreement that is automatically renewable on an annual basis unless terminated by either party. RTFC pays CFC a fee and, in exchange, CFC reimburses RTFC for loan losses under a guarantee agreement. As permitted under Subchapter T of the Internal Revenue Code, RTFC pays income tax based on its net income, excluding patronage-sourced earnings allocated to its patrons. RTFC is headquartered with CFC in Dulles, Virginia.

**Basis of Presentation and Use of Estimates**

The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“U.S. GAAP”). The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts and related disclosures during the period. Management’s most significant estimates and assumptions involve determining the allowance for credit losses and the fair value of financial assets and liabilities. Actual results could differ from these estimates. Certain reclassifications have been made to prior periods to conform to the current presentation.

**Risks and Uncertainties**

While the novel strain of coronavirus that causes coronavirus disease 2019 (“COVID-19”) continues to persist, disruptions caused by the virus have been significantly reduced as a result of the manufacturing and distribution of recently developed COVID-19 vaccines. Although most of the initial restrictions have been relaxed or lifted, the risk of future COVID-19 outbreaks remains. New information may emerge regarding the severity of COVID-19 variants or the effectiveness of the vaccines developed, causing federal, state and local governments to take additional actions to contain COVID-19 or to treat its impact. We continue to closely monitor developments; however, we cannot predict the future impact of COVID-19 on

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

our operational and financial performance, or the specific ways the pandemic uniquely impacts our members, all of which continue to involve uncertainties.

**Principles of Consolidation**

The accompanying consolidated financial statements include the accounts of CFC, variable interest entities (“VIEs”) where CFC is the primary beneficiary and subsidiary entities created and controlled by CFC to hold foreclosed assets. CFC did not have any entities that held foreclosed assets as of May 31, 2021 or May 31, 2020. All intercompany balances and transactions have been eliminated. NCSC and RTFC are VIEs that are required to be consolidated by CFC. Unless stated otherwise, references to “we,” “our” or “us” relate to CFC and its consolidated entities.

**Variable Interest Entities**

A VIE is an entity that has a total equity investment at risk that is not sufficient to finance its activities without additional subordinated financial support provided by another party, or where the group of equity holders does not have (i) the ability to make decisions about the entity’s activities that most significantly impact its economic performance; (ii) the obligation to absorb the entity’s expected losses; or (iii) the right to receive the entity’s expected residual returns.

NCSC and RTFC meet the definition of VIEs because they do not have sufficient equity investment at risk to finance their activities without additional financial support. When evaluating an entity for possible consolidation, we must determine whether or not we have a variable interest in the entity. If it is determined that we do not have a variable interest in the entity, no further analysis is required and we do not consolidate the entity. If we have a variable interest in the entity, we must evaluate whether we are the primary beneficiary based on an assessment of quantitative and qualitative factors. We are considered the primary beneficiary holder if we have a controlling financial interest in the VIE that provides (i) the power to direct the activities of the VIE that most significantly impact the VIE’s economic performance and (ii) the obligation to absorb losses of the VIE or the right to receive benefits from the VIE that could potentially be significant to the VIE. We consolidate the results of NCSC and RTFC with CFC because CFC is the primary beneficiary holder.

**Cash and Cash Equivalents**

Cash, certificates of deposit due from banks and other investments with original maturities of less than 90 days are classified as cash and cash equivalents.

**Restricted Cash**

Restricted cash, which consists primarily of member funds held in escrow for certain specifically designed cooperative programs, totaled \$8 million and \$9 million as of May 31, 2021 and 2020, respectively.

**Investment Securities**

Our investment securities portfolio consists of equity and debt securities. We record purchases and sales of securities on a trade-date basis. The accounting and measurement framework for investment securities differs depending on the security type and the classification. Equity securities are reported at fair value on our consolidated balance sheets with unrealized gains and losses recorded as a component of other non-interest income. All of our debt securities were classified as trading as of May 31, 2021 and 2020. Accordingly, we also report our debt securities at fair value on our consolidated balance sheets and record unrealized gains and losses as a component of non-interest income. Interest income is generally recognized over the contractual life of the securities based on the effective yield method.

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Loans to Members**

We originate loans to members and classify loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff as held for investment. Loans classified as held for investment are reported based on the unpaid principal balance, net of principal charge-offs, and deferred loan origination costs. Deferred loan origination costs are amortized using the straight-line method, which approximates the effective interest method, into interest income over the life of the loan.

***Accrued Interest Receivable***

As permitted by the current expected credit loss (“CECL”) model, we elected to continue reporting accrued interest on loans separately on our consolidated balance sheets as a component of the line item accrued interest receivable rather than as a component of loans to members. Accrued interest receivable amounts generally represent three months or less of accrued interest on loans outstanding. Because our policy is to write off past-due accrued interest receivable in a timely manner, we elected not to measure an allowance for credit losses for accrued interest receivable on loans outstanding, which totaled \$93 million and \$96 million as of May 31, 2021 and May 31, 2020, respectively. We also elected to exclude accrued interest receivable from the credit quality disclosures required under CECL.

***Interest Income***

Interest income on performing loans is accrued and recognized as interest income based on the contractual rate of interest. Loan origination costs and nonrefundable loan fees that meet the definition of loan origination fees are deferred and generally recognized in interest income as yield adjustments over the period to maturity of the loan using the effective interest method.

***Troubled Debt Restructurings***

A loan modification is considered a troubled debt restructuring (“TDR”) if the borrower is experiencing financial difficulties and a concession is granted to the borrower that we would not otherwise consider. Under CECL, we are required to estimate an allowance for lifetime expected credit losses for TDR loans. As discussed below under “Allowance for Credit Losses—Loan Portfolio—Asset-Specific Allowance,” TDR loans are evaluated on an individual basis in estimating expected credit losses. Credit losses for anticipated TDRs are accounted for similarly to TDRs and are identified when there is a reasonable expectation that a TDR will be executed with the borrower and when we expect the modification to affect the timing or amount of payments and/or the payment term.

We generally classify TDR loans as nonperforming and place the loan on nonaccrual status, although in many cases such loans were already classified as nonperforming prior to modification. These loans may be returned to performing status and the accrual of interest resumed if the borrower performs under the modified terms for an extended period of time, and we expect the borrower to continue to perform in accordance with the modified terms. In certain limited circumstances in which a TDR loan is current at the modification date, the loan may remain on accrual status at the time of modification.

***Nonperforming Loans***

We classify loans as nonperforming when contractual principal or interest is 90 days past due or when we believe the collection of principal and interest in full is not reasonably assured. When a loan is classified as nonperforming, we generally place the loan on nonaccrual status. Interest accrued but not collected at the date a loan is placed on nonaccrual status is reversed against current-period interest income. Interest income on nonaccrual loans is subsequently recognized only upon the receipt of cash payments. However, if we believe the ultimate collectability of the loan principal is in doubt, cash received is applied against the principal balance of the loan. Nonaccrual loans generally are returned to accrual status when principal and interest becomes and remains current for a specified period and repayment of the remaining contractual principal and interest is reasonably assured.

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

***Charge-Offs***

We charge off loans or a portion of a loan when we determine that the loan is uncollectible. The charge-off of uncollectible principal amounts results in a reduction to the allowance for credit losses for our loan portfolio. Recoveries of previously charged off principal amounts result in an increase to the allowance.

**Allowance for Credit Losses—Loan Portfolio**

***Current Allowance Methodology***

Beginning June 1, 2020, the allowance for credit losses is determined based on management’s current estimate of expected credit losses over the remaining contractual term, adjusted as appropriate for estimated prepayments, of loans in our loan portfolio as of each balance sheet date. The allowance for credit losses for our loan portfolio is reported on our consolidated balance sheet as a valuation account that is deducted from loans to members to present the net amount we expect to collect over the life of our loans. We immediately recognize an allowance for expected credit losses upon origination of a loan. Adjustments to the allowance each period for changes in our estimate of lifetime expected credit losses are recognized in earnings through the provision for credit losses presented on our consolidated statements of operations.

We estimate our allowance for lifetime expected credit losses for our loan portfolio using a probability of default/loss given default methodology. Our allowance for credit losses consists of a collective allowance and an asset-specific allowance. The collective allowance is established for loans in our portfolio that share similar risk characteristics and are therefore evaluated on a collective, or pool, basis in measuring expected credit losses. The asset-specific allowance is established for loans in our portfolio that do not share similar risk characteristics with other loans in our portfolio and are therefore evaluated on an individual basis in measuring expected credit losses. Expected credit losses are estimated based on historical experience, current conditions and forecasts, if applicable, that affect the collectibility of the reported amount.

Since inception in 1969, CFC has experienced limited defaults and losses as the utility sector generally tends to be less sensitive to changes in the economy than other sectors largely due to the essential nature of the service provided. The losses we have incurred were not tied to economic factors, but rather to distinct operating issues related to each borrower. Given that our borrowers’ creditworthiness, and accordingly our loss experience, has not correlated to specific underlying macroeconomic variables, such as U.S. unemployment rates or gross domestic product (“GDP”) growth, we have not made adjustments to our historical loss rates for any economic forecast. We consider the need, however, to adjust our historical loss information for differences in the specific characteristics of our existing loan portfolio based on an evaluation of relative qualitative factors, such as differences in the composition of our loan portfolio, our underwriting standards, problem loan trends, the quality of our credit review function, as well as changes in the regulatory environment and other pertinent external factors that may impact the amount of future credit losses.

***Collective Allowance***

We employ a quantitative methodology and a qualitative framework to measure the collective component of our allowance for expected credit losses. The first element in our quantitative methodology involves the segmentation of our loan portfolio into loan pools that share similar risk characteristics. We disaggregate our loan portfolio into segments that reflect the member borrower type, which is based on the utility sector of the borrower because the key operational, infrastructure, regulatory, environmental, customer and financial risks of each sector are similar in nature. Our primary member borrower types consist of CFC electric distribution, CFC electric power supply, CFC statewide and associate, NCSC and RTFC telecommunications. Our portfolio segments align with the sectors generally seen in the utilities industry. We further stratify each portfolio into loan pools based on our internal borrower risk ratings, as our borrower risk ratings provide important information on the collectibility of each of our loan portfolio segments. We then apply loss factors, consisting of the probability of default and loss given default, to the scheduled loan-level amortization amounts over the life of the loans for each of our loan pools. Below we discuss the source and basis for the key inputs, which include borrower risk ratings and the loss factors, in measuring expected credit losses for our loan portfolio.

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

- ***Borrower Risk Ratings:*** We evaluate each borrower and loan facility in our loan portfolio and assign internal borrower and loan facility risk ratings based on consideration of a number of quantitative and qualitative factors. Each risk rating is reassessed annually following the receipt of the borrower’s audited financial statements; however, interim risk-rating adjustments may occur as a result of updated information affecting a borrower’s ability to fulfill its obligations or other significant developments and trends. Our internally assigned borrower risk ratings are intended to assess the general creditworthiness of the borrower and probability of default. We use our internal borrower risk ratings, which we map to the equivalent credit ratings by external rating agencies, to differentiate risk within each of our portfolio segments and loan pools. We provide additional information on our borrower risk ratings below in “Note 4—Loans.”
- ***Probability of Default:*** The probability of default, or default rate, represents the likelihood that a borrower will default over a particular time horizon. Because of our limited default history, we utilize third-party default data for the utility sector as a proxy to estimate default rates for each of our loan pools. The third-party default data provide historical default rates, based on credit ratings and remaining maturities of outstanding bonds, for the utility sector. Based on the mapping and alignment of our internal borrower risk ratings to equivalent credit ratings provided in the third-party utility default table, we apply the corresponding cumulative default rates to the scheduled amortization amounts over the remaining term of the loans in each of our loan pools.
- ***Loss Given Default:*** The loss given default, or loss severity, represents the estimated loss, net of recoveries, on a loan that would be realized in the event of a borrower default. While we utilize third-party default data, we utilize our lifetime historical loss experience to estimate loss given default, or the recovery rate, for each of our loan portfolio segments. We believe our internal historical loss severity rates provide a more reliable estimate than third-party loss severity data due to the organizational structure and operating environment of rural utility cooperatives, our lending practice of generally requiring a senior security position on the assets and revenue of borrowers for long-term loans, the investment our member borrowers have in CFC and therefore the collaborative approach we generally take in working with members in the event that a default occurs.

In addition to the quantitative methodology used in our collective measurement of expected credit losses, management performs a qualitative evaluation and analyses of relevant factors, such as changes in risk-management practices, current and past underwriting standards, specific industry issues and trends and other subjective factors. Based on our assessment, we did not make a qualitative adjustment to the collective allowance for credit losses measured under our quantitative methodology as of May 31, 2021 or at adoption of CECL on June 1, 2020.

*Asset-Specific Allowance*

We generally consider nonperforming loans as well as loans that have been or are anticipated to be modified under a troubled debt restructuring for individual evaluation given the risk characteristics of such loans. Factors we consider in measuring the extent of expected credit loss include the payment status, the collateral value, the borrower’s financial condition, guarantor support, the probability of collecting scheduled principal and interest payments when due, anticipated modifications of payment structure or term for troubled borrowers, and recoveries if they can be reasonably estimated. We generally measure the expected credit loss as the difference between the amortized cost basis in the loan and the present value of the expected future cash flows from the borrower, which is generally discounted at the loan’s effective interest rate, or the fair value of the collateral, if the loan is collateral dependent.

*Prior Allowance Methodology*

Prior to June 1, 2020, the allowance for credit losses was determined based the incurred loss model under which management estimated probable losses inherent in our loan portfolio as of each balance sheet date. We used a probability of default/loss given default methodology in estimating probable losses based on a loss emergence period of five years. We utilized the same portfolio segments, borrower risk-rating framework, third-party default data and internal historical recovery rates under the incurred loss model that we use in determining the allowance based on the current expected credit loss model.

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**Unadvanced Loan Commitments**

Unadvanced commitments represent amounts for which we have approved and executed loan contracts, but the funds have not been advanced. The majority of the unadvanced commitments reported represent amounts that are subject to material adverse change clauses at the time of the loan advance. Prior to making an advance on these facilities, we would confirm there has been no material adverse change in the business or condition, financial or otherwise, of the borrower since the time the loan was approved and confirm the borrower is currently in compliance with loan terms and conditions. The remaining unadvanced commitments relate to line of credit loans that are not subject to a material adverse change clause at the time of each loan advance. As such, we would be required to advance amounts on these committed facilities as long as the borrower is in compliance with the terms and conditions of the loan commitment.

Unadvanced loan commitments related to line of credit loans are typically for periods not to exceed five years and are generally revolving facilities used for working capital and backup liquidity purposes. Historically, we have experienced a very low utilization rate on line of credit loan facilities, whether or not there is a material adverse change clause. Since we generally do not charge a fee on the unadvanced portion of the majority of our loan facilities, our borrowers will typically request long-term facilities to fund construction work plans and other capital expenditures for periods of up to five years and draw down on the facility over that time. These factors contribute to our expectation that the majority of the unadvanced line of credit loan commitments will expire without being fully drawn upon and that the total unadvanced amount does not necessarily represent future cash funding requirements.

**Reserve for Credit Losses—Off-Balance Sheet Credit Exposures**

We also maintain a reserve for credit losses for our off-balance sheet credit exposures related to unadvanced loan commitments and financial guarantees. Because our business processes and credit risks associated with our off-balance sheet credit exposures are essentially the same as for our loans, we measure expected credit losses for our off-balance sheet exposures, after adjusting for the probability of funding these exposures, consistent with the methodology used for our funded outstanding exposures. We include the reserve for expected credit losses for our off-balance sheet credit exposures as a component of other liabilities on our consolidated balance sheets.

**Fixed Assets**

Fixed assets are recorded at cost less accumulated depreciation. We recognize depreciation expense for each category of our depreciable fixed assets on a straight-line basis over the estimated useful life, which ranges from three to 40 years. We recognized depreciation expense of \$8 million, \$9 million and \$9 million in fiscal years 2021, 2020 and 2019, respectively. The following table displays the components of our fixed assets. Our headquarters facility in Loudoun County, Virginia, which is owned by CFC, is included as a component of building and building equipment.

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**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**Table 1.1: Fixed Assets**

(Dollars in thousands)	May 31,	
	2021	2020
Building and building equipment.....	\$ 50,090	\$ 50,087
Furniture and fixtures.....	6,039	6,015
Computer software and hardware.....	54,582	49,944
Other.....	1,048	1,051
Depreciable fixed assets.....	111,759	107,097
Less: Accumulated depreciation.....	(66,777)	(59,007)
Net depreciable fixed assets.....	44,982	48,090
Land.....	23,796	23,796
Software development in progress.....	23,104	17,251
Fixed assets, net.....	<u>\$ 91,882</u>	<u>\$ 89,137</u>

In fiscal year 2020, management made a decision to abandon a project to develop an internal-use loan origination and servicing platform. The project was intended to update our loan platform to provide increased functionality and flexibility and enhance the operational efficiency of our lending, loan servicing and loan accounting processes. As a result of the decision to abandon the project, we wrote off the capitalized amounts related to this project, which were recorded as a component of computer software and hardware and software development in progress, and recognized a non-cash impairment charge of \$31 million in the fourth quarter of fiscal year 2020. The impairment charge is reported as a component of other non-interest expense on our consolidated statements of operations.

**Foreclosed Assets**

Foreclosed assets acquired through our lending activities in satisfaction of indebtedness may be held in operating entities created and controlled by CFC and presented separately in our consolidated balance sheets under foreclosed assets, net. These assets are initially recorded at estimated fair value as of the date of acquisition. Subsequent to acquisition, foreclosed assets not classified as held for sale are evaluated for impairment, and the results of operations and any impairment are reported on our consolidated statements of operations under results of operations of foreclosed assets. When foreclosed assets meet the accounting criteria to be classified as held for sale, they are recorded at the lower of cost or fair value less estimated cost to sell at the date of transfer, with the amount at the date of transfer representing the new cost basis. Subsequent changes are recognized in our consolidated statements of operations under results of operations of foreclosed assets. We also review foreclosed assets classified as held for sale each reporting period to determine whether the existing carrying amounts are fully recoverable in comparison to estimated fair values. We did not carry any foreclosed assets on our consolidated balance sheet as of May 31, 2021 or May 31, 2020.

**Securities Sold Under Repurchase Agreements**

We enter into repurchase agreements to sell investment securities. These transactions are accounted for as collateralized financing transactions and are recorded on our consolidated balance sheets as part of short-term borrowings at the amounts at which the securities were sold.

**Debt**

We report debt at cost net of unamortized issuance costs and discounts or premiums. Issuance costs, discounts and premiums are deferred and amortized into interest expense using the effective interest method or a method approximating the effective interest method over the legal maturity of each bond issue. Short-term borrowings consist of borrowings with an original

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

contractual maturity of one year or less and do not include the current portion of long-term debt. Borrowings with an original contractual maturity of greater than one year are classified as long-term debt.

**Derivative Instruments**

We are an end user of derivative financial instruments and do not engage in derivative trading. We use derivatives, primarily interest rate swaps and Treasury rate locks, to manage interest rate risk. Derivatives may be privately negotiated contracts, which are often referred to as over-the-counter (“OTC”) derivatives, or they may be listed and traded on an exchange. We generally engage in OTC derivative transactions.

In accordance with the accounting standards for derivatives and hedging activities, we record derivative instruments at fair value as either a derivative asset or derivative liability on our consolidated balance sheets. We report derivative asset and liability amounts on a gross basis based on individual contracts, which does not take into consideration the effects of master netting agreements or collateral netting. Derivatives in a gain position are reported as derivative assets on our consolidated balance sheets, while derivatives in a loss position are reported as derivative liabilities. Accrued interest related to derivatives is reported on our consolidated balance sheets as a component of either accrued interest receivable or accrued interest payable.

If we do not elect hedge accounting treatment, changes in the fair value of derivative instruments, which consist of net accrued periodic derivative cash settlements expense and derivative forward value amounts, are recognized in our consolidated statements of operations under derivative gains (losses). If we elect hedge accounting treatment for derivatives, we formally document, designate and assess the effectiveness of the hedge relationship. Changes in the fair value of derivatives designated as qualifying fair value hedges are recorded in earnings together with offsetting changes in the fair value of the hedged item and any related ineffectiveness. Changes in the fair value of derivatives designated as qualifying cash flow hedges are recorded as a component of other comprehensive income (“OCI”), to the extent that the hedge relationships are effective, and reclassified from accumulated other comprehensive income (“AOCI”) to earnings using the effective interest method over the term of the forecasted transaction. Any ineffectiveness in the hedging relationship is recognized as a component of derivative gains (losses) in our consolidated statement of operations.

We generally do not designate interest rate swaps, which represent the substantial majority of our derivatives, for hedge accounting. Accordingly, changes in the fair value of interest rate swaps are reported in our consolidated statements of operations under derivative gains (losses). Net periodic cash settlements expense related to interest rate swaps are classified as an operating activity in our consolidated statements of cash flows.

We typically designate Treasury rate locks as cash flow hedges of forecasted debt issuances or repricings. Changes in the fair value of treasury locks designated as cash flow hedges are recorded as a component of OCI and reclassified from AOCI into interest expense when the forecasted transaction occurs using the effective interest method. Any ineffectiveness is recognized as a component of derivative gains (losses) in our consolidated statements of operations.

**Guarantee Liability**

We maintain a guarantee liability that represents our contingent and noncontingent exposure related to guarantees and standby liquidity obligations associated with our members’ debt. The guarantee liability is included in the other liabilities line item on the consolidated balance sheet, and the provision for guarantee liability is reported in non-interest expense as a separate line item on the consolidated statement of operations.

The contingent portion of the guarantee liability represents management’s estimate of our exposure to losses within the guarantee portfolio. The methodology used to estimate the contingent guarantee liability is consistent with the methodology used to determine the allowance for credit losses under the CECL model.



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We have recorded a noncontingent guarantee liability for all new or modified guarantees since January 1, 2003. Our noncontingent guarantee liability represents our obligation to stand ready to perform over the term of our guarantees and liquidity obligations that we have entered into or modified since January 1, 2003. Our noncontingent obligation is estimated based on guarantee and liquidity fees charged for guarantees issued, which represents management's estimate of the fair value of our obligation to stand ready to perform. The fees are deferred and amortized using the straight-line method into interest income over the term of the guarantee.

**Fair Value Valuation Processes**

We present certain financial instruments at fair value, including equity and debt securities, and derivatives. Fair value is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date (also referred to as an exit price). We have various processes and controls in place to ensure that fair value is reasonably estimated. We consider observable prices in the principal market in our valuations where possible. Fair value estimates were developed at the reporting date and may not necessarily be indicative of amounts that could ultimately be realized in a market transaction at a future date. With the exception of redeeming debt under early redemption provisions, terminating derivative instruments under early-termination provisions and allowing borrowers to prepay their loans, we held and intend to hold all financial instruments to maturity excluding common stock and preferred stock investments that have no stated maturity and our trading debt securities.

**Fair Value Hierarchy**

The fair value accounting guidance provides a three-level fair value hierarchy for classifying financial instruments. This hierarchy is based on the markets in which the assets or liabilities trade and whether the inputs to the valuation techniques used to measure fair value are observable or unobservable. Fair value measurement of a financial asset or liability is assigned a level based on the lowest level of any input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are summarized below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Observable market-based inputs, other than quoted prices in active markets for identical assets or liabilities

Level 3: Unobservable inputs

The degree of management judgment involved in determining the fair value of a financial instrument is dependent upon the availability of quoted prices in active markets or observable market parameters. When quoted prices and observable data in active markets are not fully available, management's judgment is necessary to estimate fair value. Changes in market conditions, such as reduced liquidity in the capital markets or changes in secondary market activities, may reduce the availability and reliability of quoted prices or observable data used to determine fair value.

**Membership Fees**

Members are charged a one-time membership fee based on member class. CFC distribution system members, power supply system members and national associations of cooperatives pay a \$1,000 membership fee. CFC service organization members pay a \$200 membership fee and CFC associates pay a \$1,000 fee. RTFC voting members pay a \$1,000 membership fee and RTFC associates pay a \$100 fee. NCSC members pay a \$100 membership fee. Membership fees are accounted for as members' equity.

**Financial Instruments with Off-Balance Sheet Risk**

In the normal course of business, we are a party to financial instruments with off-balance sheet risk to meet the financing needs of our member borrowers. These financial instruments include committed lines of credit, standby letters of credit and guarantees of members' obligations.

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**Early Extinguishment of Debt**

We redeem outstanding debt early from time to time to manage liquidity and interest rate risk. When we redeem outstanding debt early, we recognize a gain or loss related to the difference between the amount paid to redeem the debt and the net book value of the extinguished debt as a component of non-interest expense in the gain (loss).

**Income Taxes**

While CFC is exempt under Section 501(c)(4) of the Internal Revenue Code, it is subject to tax on unrelated business taxable income. NCSC is a taxable cooperative that pays income tax on the full amount of its reportable taxable income and allowable deductions. RTFC is a taxable cooperative under Subchapter T of the Internal Revenue Code and is not subject to income taxes on income from patronage sources that is allocated to its borrowers, as long as the allocation is properly noticed and at least 20% of the amount allocated is retired in cash prior to filing the applicable tax return.

The income tax benefit (expense) recorded in the consolidated statement of operations represents the income tax benefit (expense) at the applicable combined federal and state income tax rates resulting in a statutory tax rate. The federal statutory tax rate for both NCSC and RTFC was 21% for each of fiscal years 2021, 2020 and 2019. Substantially all of the income tax expense recorded in our consolidated statements of operations relates to NCSC. NCSC had a deferred tax asset of \$2 million and \$3 million as of May 31, 2021 and 2020, respectively, primarily arising from differences in the accounting and tax treatment for derivatives. We believe that it is more likely than not that the deferred tax assets will be realized through taxable earnings.

**New Accounting Standards Adopted in Fiscal Year 2021**

***Fair Value Measurement—Changes to the Disclosure Requirements for Fair Value Measurement***

On June 1, 2020, we adopted Accounting Standards Update (“ASU”) 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement*, which removes, adds and modifies certain disclosure requirements on fair value measurements. The adoption of this guidance, which resulted only in certain changes to the fair value measurement disclosures presented in “Note 14—Fair Value Measurement” did not otherwise affect our consolidated financial statements.

***Financial Instruments—Credit Losses: Measurement of Credit Losses on Financial Instruments***

On June 1, 2020, we adopted ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology for estimating credit losses with an expected loss methodology that is referred to as the CECL model. The incurred loss model delayed the recognition of credit losses until it was probable that a loss had occurred, while the CECL model requires the immediate recognition of expected credit losses over the contractual term, adjusted as appropriate for estimated prepayments, for financial instruments that fall within the scope of CECL at the date of origination or purchase of the financial instrument. The CECL model, which is applicable to the measurement of credit losses on financial assets measured at amortized cost and certain off-balance sheet credit exposures, affects our estimates of the allowance for credit losses for our loan portfolio and our off-balance sheet credit exposures related to unadvanced loan commitments and financial guarantees. In measuring lifetime expected credit losses, management is required to take into consideration relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amount of the financial instrument.

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We adopted CECL using the modified retrospective approach, which resulted in an increase in our allowance for credit losses for our loan portfolio of \$4 million and a corresponding decrease to retained earnings of \$4 million recorded as a cumulative-effect adjustment. The impact on the allowance for credit losses for our off-balance sheet credit exposures related to unadvanced loan commitments and financial guarantees was not material. The increase in the allowance for credit losses for our loan portfolio was attributable to the transition to measuring the allowance based on expected credit losses over the remaining contractual term of loans in our portfolio as required under the CECL model, whereas the allowance under the incurred model did not consider the remaining contractual term of our loans. The transition adjustment was primarily driven by an increase in the allowances for CFC distribution and CFC power supply loans, which have a longer remaining contractual term than the estimated loss emergence period of five years we used in estimating probable losses in our loan portfolio under the incurred loss model.

While CECL had no impact on our earnings at adoption on June 1, 2020, subsequent estimates of lifetime expected credit losses for newly recognized loans, unadvanced loan commitments and financial guarantees, as well as changes during the period in our estimate of lifetime expected credit losses for existing financial instruments subject to CECL, are now recognized in earnings. We present the expanded credit quality disclosures required under CECL for financial instruments measured at amortized cost in “Note 4—Loans” and “Note 5—Allowance for Credit Losses.” Amounts in periods prior to our adoption of CECL on June 1, 2020 continue to be reported in accordance with previously applicable U.S. GAAP.

**New Accounting Standards Issued But Not Yet Adopted**

***Reference Rate Reform***

On March 12, 2020, the Financial Accounting Standards Board (“FASB”) issued ASU 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, which provides temporary optional expedients and exceptions for applying U.S. GAAP on contracts, hedging relationships and other transactions subject to modification due to the expected discontinuance of the London Interbank Offered Rate (“LIBOR”) and other reference rate reform changes to ease the potential accounting and financial burdens related to the expected transition in market reference rates. This guidance permits entities to elect not to apply certain modification accounting requirements to contracts affected by reference rate transition, if certain criteria are met. An entity that makes this election would not be required to remeasure modified contracts at the modification date or reassess a previous accounting determination. The guidance was effective upon issuance on March 12, 2020, and can generally be applied through December 31, 2022. We expect to apply certain of the practical expedients and are in the process of evaluating the timing and application of those elections. Based on our current assessment, we do not believe that the application of this guidance will have a material impact on our consolidated financial statements.

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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**NOTE 2—INTEREST INCOME AND INTEREST EXPENSE**

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The following table displays the components of interest income, by interest-earning asset type, and interest expense, by debt product type, presented on our consolidated statements of operations for fiscal years 2021, 2020 and 2019.

**Table 2.1: Interest Income and Interest Expense**

<b>(Dollars in thousands)</b>	<b>Year Ended May 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Interest income:</b>			
Loans <sup>(1)(2)</sup> .....	\$ 1,101,505	\$ 1,129,883	\$ 1,111,061
Investment securities.....	15,096	21,403	24,609
<b>Total interest income</b>	<b>1,116,601</b>	<b>1,151,286</b>	<b>1,135,670</b>
<b>Interest expense:<sup>(3)(4)</sup></b>			
Short-term borrowings.....	14,730	77,995	92,854
Long-term debt.....	581,292	634,567	647,284
Subordinated debt.....	106,041	108,527	96,071
<b>Total interest expense</b> .....	<b>702,063</b>	<b>821,089</b>	<b>836,209</b>
<b>Net interest income</b> .....	<b>\$ 414,538</b>	<b>\$ 330,197</b>	<b>\$ 299,461</b>

<sup>(1)</sup>Includes loan conversion fees, which are generally deferred and recognized in interest income over the period to maturity using the effective interest method.

<sup>(2)</sup>Includes late payment fees, commitment fees and net amortization of deferred loan fees and loan origination costs.

<sup>(3)</sup>Includes amortization of debt discounts and debt issuance costs, which are generally deferred and recognized as interest expense over the period to maturity using the effective interest method. Issuance costs related to dealer commercial paper, however, are recognized in interest expense immediately as incurred.

<sup>(4)</sup>Includes fees related to funding arrangements, such as up-front fees paid to banks participating in our committed bank revolving line of credit agreements. Based on the nature of the fees, the amount is either recognized immediately as incurred or deferred and recognized in interest expense ratably over the term of the arrangement.

Deferred income reported on our consolidated balance sheets of \$51 million and \$59 million as of May 31, 2021 and 2020, respectively, consists primarily of deferred loan conversion fees that totaled \$45 million and \$53 million as of each respective date. Deferred loan conversion fees are recognized in interest income over the remaining period to maturity of loans using the effective interest method.

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
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**NOTE 3—INVESTMENT SECURITIES**

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We maintain a portfolio of equity and debt securities. Our debt securities portfolio, which is intended to serve as a supplemental source of liquidity, consists of certificates of deposit with maturities greater than 90 days, commercial paper, corporate debt securities, municipality debt securities, commercial mortgage-backed securities (“MBS”), foreign government debt securities and other asset-backed securities (“ABS”).

**Equity Securities**

The following table presents the composition of our equity security holdings and the fair value as of May 31, 2021 and 2020.

**Table 3.1: Investments in Equity Securities, at Fair Value**

(Dollars in thousands)	May 31,	
	2021	2020
<b>Equity securities, at fair value:</b>		
Farmer Mac—Series A non-cumulative preferred stock.....	\$ —	\$ 30,240
Farmer Mac—Series C non-cumulative preferred stock.....	27,450	25,400
Farmer Mac—Class A common stock.....	7,652	5,095
Total equity securities, at fair value.....	\$ 35,102	\$ 60,735

On September 19, 2020, Farmer Mac redeemed all of the outstanding shares of its 5.875% Series A non-cumulative preferred stock at a redemption price of \$25.00 per share, plus any declared and unpaid dividends through and including the redemption date. We held 1.2 million shares of Farmer Mac’s Series A non-cumulative preferred stock at an amortized cost of \$25 per share as of the redemption date, which was equal to the per-share redemption price.

We recognized net unrealized gains on our equity securities of \$4 million for the fiscal year ended May 31, 2021 and net unrealized losses of \$2 million for fiscal years ended May 31, 2020 and 2019. These unrealized amounts are reported as a component of non-interest income on our consolidated statements of operations. For additional information on our investments in equity securities, see “Note 1—Summary of Significant Accounting Policies” and “Note 11—Equity—Accumulated Other Comprehensive Income.”

**Debt Securities**

Pursuant to our investment policy guidelines, all fixed-income debt securities, at the time of purchase, must be rated at least investment grade and on stable outlook based on external credit ratings from at least two of the leading global credit rating agencies, when available, or the corresponding equivalent, when not available. Securities rated investment grade, that is those rated Baa3 or higher by Moody’s Investors Service (“Moody’s”) or BBB- or higher by S&P Global Inc. (“S&P”) or BBB- or higher by Fitch Ratings Inc. (“Fitch”), are generally considered by the rating agencies to be of lower credit risk than non-investment grade securities.

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**Debt Securities**

The following table presents the composition of our investments in trading debt securities and the fair value as of May 31, 2021 and 2020.

**Table 3.2: Investments in Debt Securities Trading, at Fair Value**

<u>(Dollars in thousands)</u>	May 31,	
	2021	2020
<b>Debt securities, at fair value:</b>		
Certificates of deposit.....	\$ 1,501	\$ 5,585
Commercial paper.....	12,365	—
Corporate debt securities.....	497,944	253,153
Commercial MBS:		
Agency <sup>(1)</sup> .....	8,683	7,655
Non-agency.....	—	3,207
Total commercial MBS.....	8,683	10,862
U.S. state and municipality debt securities.....	11,840	8,296
Foreign government debt securities.....	999	—
Other ABS <sup>(2)</sup> .....	42,843	31,504
Total debt securities trading, at fair value.....	\$ 576,175	\$ 309,400

<sup>(1)</sup>Consists of securities backed by Federal National Mortgage Association (“Fannie Mae”) and Federal Home Loan Mortgage Corporation (“Freddie Mac”).

<sup>(2)</sup>Consists primarily of securities backed by auto lease loans, equipment-backed loans, auto loans and credit card loans.

We received cash proceeds of \$6 million on the sale of debt securities at fair value during the year ended May 31, 2021, and recorded realized losses related to the sale of these securities of less than \$1 million for the year ended May 31, 2021. We received cash proceeds of \$239 million on the sale of debt securities at fair value during the year ended May 31, 2020, and recorded realized gains related to the sale of these securities of \$3 million for the year ended May 31, 2020. We did not sell any of our debt investment securities during the year ended May 31, 2019, and therefore have not recorded any realized gains or losses during fiscal year 2019.

We recognized net unrealized losses on our debt securities of \$3 million for the year ended May 31, 2021 and net unrealized gains of \$8 million for the year ended May 31, 2020. These realized and unrealized amounts are reported as a component of non-interest income on our consolidated statements of operations. For additional information on our investments in debt securities, see “Note 1—Summary of Significant Accounting Policies.”

We also pledge debt securities as collateral under our repurchase agreements. Debt securities with a carrying value of \$211 million as of May 31, 2021 were pledged as collateral for securities sold under repurchase agreements.

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**NOTE 4—LOANS**

We offer loans under secured long-term facilities with terms up to 35 years and line of credit loans. Under secured long-term facilities, borrowers have the option of selecting a fixed or variable rate for a period of one to 35 years for each long-term loan advance. When a selected fixed interest rate term expires, the borrower may select another fixed-rate term or a variable rate. Line of credit loans are revolving loan facilities that typically have a variable interest rate and are generally unsecured. Collateral and security requirements for advances on loan commitments are identical to those required at the time of the initial loan approval.

**Loans to Members**

Loans to members consist of total loans outstanding, which reflects the unpaid principal balance, net of charge-offs and recoveries, of loans and deferred loan origination costs. The following table presents loans to members and unadvanced loan commitments, by member class and by loan type, as of May 31, 2021 and 2020.

**Table 4.1: Loans to Members by Member Class and Loan Type**

(Dollars in thousands)	May 31,			
	2021		2020	
	Loans Outstanding	Unadvanced Commitments <sup>(1)</sup>	Loans Outstanding	Unadvanced Commitments <sup>(1)</sup>
<b>Member class:</b>				
CFC:				
Distribution .....	\$ 22,027,423	\$ 9,387,070	\$ 20,769,653	\$ 8,992,457
Power supply .....	5,154,312	3,970,698	4,731,506	3,409,227
Statewide and associate .....	106,121	161,340	106,498	153,626
Total CFC .....	<u>27,287,856</u>	<u>13,519,108</u>	25,607,657	12,555,310
NCSC .....	706,868	551,125	697,862	551,674
RTFC .....	420,383	286,806	385,335	281,642
Total loans outstanding <sup>(2)</sup> .....	<u>28,415,107</u>	<u>14,357,039</u>	26,690,854	13,388,626
Deferred loan origination costs .....	11,854	—	11,526	—
Loans to members .....	<u>\$ 28,426,961</u>	<u>\$ 14,357,039</u>	<u>\$ 26,702,380</u>	<u>\$ 13,388,626</u>
<b>Loan type:</b>				
Long-term loans:				
Fixed rate .....	\$ 25,514,766	\$ —	\$ 24,472,003	\$ —
Variable rate .....	658,579	5,771,813	655,704	5,458,676
Total long-term loans .....	<u>26,173,345</u>	<u>5,771,813</u>	25,127,707	5,458,676
Lines of credit .....	2,241,762	8,585,226	1,563,147	7,929,950
Total loans outstanding <sup>(2)</sup> .....	<u>28,415,107</u>	<u>14,357,039</u>	26,690,854	13,388,626
Deferred loan origination costs .....	11,854	—	11,526	—
Loans to members .....	<u>\$ 28,426,961</u>	<u>\$ 14,357,039</u>	<u>\$ 26,702,380</u>	<u>\$ 13,388,626</u>

<sup>(1)</sup>The interest rate on unadvanced loan commitments is not set until an advance is made; therefore, all unadvanced long-term loan commitments are reported as variable rate. However, the borrower may select either a fixed or a variable rate when an advance is drawn under a loan commitment.

<sup>(2)</sup>Represents the unpaid principal balance, net of charge-offs and recoveries, of loans as of the end of each period.

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**Loan Sales**

We transfer, from time to time, whole loans and participating interests to third parties. These transfers are made concurrently with the closing of the loan or participation agreement at par value and meet the accounting criteria required for sale accounting. Therefore, we remove the transferred loans or participating interests from our consolidated balance sheets when control has been surrendered and recognize a gain or loss on the sale. We retain a servicing performance obligation on the transferred loans and recognize related servicing fees on an accrual basis over the period for which servicing is provided, as we believe the servicing fee represents adequate compensation. Other than the servicing performance obligation, we have not retained any interest in the loans sold to date. In addition, we have no obligation to repurchase loans that are sold, except in the case of breaches of representations and warranties.

We sold CFC loans, at par for cash, totaling \$126 million, \$151 million and \$35 million in fiscal years 2021, 2020 and 2019, respectively. We recorded immaterial losses on the sale of these loans attributable to the unamortized deferred loan origination costs associated with the transferred loans.

**Credit Concentration**

Concentrations may exist when there are amounts loaned to borrowers engaged in similar activities or in geographic areas that would cause them to be similarly impacted by economic or other conditions or when there are large exposures to single borrowers. As a tax-exempt, member-owned finance cooperative, CFC's principal focus is to provide funding to its rural electric utility cooperative members to assist them in acquiring, constructing and operating electric distribution systems, power supply systems and related facilities.

Because we lend primarily to our rural electric utility cooperative members, we have had a loan portfolio subject to single-industry and single-obligor concentration risks since our inception in 1969. Loans outstanding to electric utility organizations of \$27,995 million and \$26,306 million as of May 31, 2021 and 2020, respectively, accounted for 99% of total loans outstanding as of both May 31, 2021 and 2020. The remaining loans outstanding in our portfolio were to RTFC members, affiliates and associates in the telecommunications industry.

*Geographic Concentration*

Although our organizational structure and mission results in single-industry concentration, we serve a geographically diverse group of electric and telecommunications borrowers throughout the U.S. The number of borrowers with outstanding loans totaled 892 and 889 as of May 31, 2021 and 2020, respectively, located in 49 states. Texas accounted for the largest number of borrowers in any one state and also the largest concentration of loan exposure in any one state as of each respective date. Loans outstanding to Texas-based electric utility organizations totaled \$4,878 million and \$4,222 million as of May 31, 2021 and 2020, respectively, and accounted for approximately 17% and 16% of total loans outstanding as of each respective date. Of the loans outstanding to Texas-based electric utility organizations, \$172 million and \$181 million as of May 31, 2021 and 2020, respectively, were covered by the Farmer Mac standby repurchase agreement, which slightly reduces our Texas loan exposure.

*Single-Obligor Concentration*

The outstanding loan exposure for our 20 largest borrowers totaled \$6,182 million and \$5,877 million as of May 31, 2021 and 2020, respectively, representing 22% of total loans outstanding as of each respective date. The 20 largest borrowers consisted of 10 distribution systems and 10 power supply systems as of May 31, 2021. The 20 largest borrowers consisted of 11 distribution systems and nine power supply systems as of May 31, 2020. The largest total outstanding exposure to a single borrower or controlled group represented less than 2% of total loans outstanding as of both May 31, 2021 and 2020. As part of our strategy in managing credit exposure to large borrowers, we entered into a long-term standby purchase commitment agreement with Farmer Mac during fiscal year 2016. Under this agreement, we may designate certain long-term loans to be covered under the commitment, subject to approval by Farmer Mac, and in the event any such loan later



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goes into payment default for at least 90 days, upon request by us, Farmer Mac must purchase such loan at par value. We are required to pay Farmer Mac a monthly fee based on the unpaid principal balance of loans covered under the purchase commitment. The aggregate unpaid principal balance of designated and Farmer Mac-approved loans was \$512 million and \$569 million as of May 31, 2021 and 2020, respectively. Loan exposure to our 20 largest borrowers covered under the Farmer Mac agreement totaled \$309 million and \$314 million as of May 31, 2021 and 2020, respectively, which reduced our exposure to the 20 largest borrowers to 21% as of each respective date. We have had no loan defaults for loans covered under this agreement; therefore, no loans had been put to Farmer Mac for purchase pursuant to the standby purchase agreement as of May 31, 2021. Our credit exposure is also mitigated by long-term loans guaranteed by the RUS. Guaranteed RUS loans totaled \$139 million and \$147 million as of May 31, 2021 and 2020, respectively.

**Credit Quality Indicators**

Assessing the overall credit quality of our loan portfolio and measuring our credit risk is an ongoing process that involves tracking payment status, troubled debt restructurings, nonperforming loans, charge-offs, the internal risk ratings of our borrowers and other indicators of credit risk. We monitor and subject each borrower and loan facility in our loan portfolio to an individual risk assessment based on quantitative and qualitative factors. Payment status trends and internal risk ratings are indicators, among others, of the probability of borrower default and overall credit quality of our loan portfolio.

**Payment Status of Loans**

Loans are considered delinquent when contractual principal or interest amounts become past due 30 days or more following the scheduled payment due date. Loans are placed on nonaccrual status when payment of principal or interest is 90 days or more past due or management determines that the full collection of principal and interest is doubtful. The following table presents the payment status, by member class, of loans outstanding as of May 31, 2021 and 2020.

**Table 4.2: Payment Status of Loans Outstanding**

<b>(Dollars in thousands)</b>	<b>May 31, 2021</b>					
	<b>Current</b>	<b>30-89 Days Past Due</b>	<b>90 Days or More Past Due</b>	<b>Total Past Due</b>	<b>Total Loans Outstanding</b>	<b>Nonaccrual Loans</b>
<b>CFC:</b>						
Distribution.....	\$ 22,027,423	\$ —	\$ —	\$ —	\$ 22,027,423	\$ —
Power supply.....	5,069,316	3,400	81,596	84,996	5,154,312	228,312
Statewide and associate.....	106,121	—	—	—	106,121	—
<b>CFC total.....</b>	<b>27,202,860</b>	<b>3,400</b>	<b>81,596</b>	<b>84,996</b>	<b>27,287,856</b>	<b>228,312</b>
NCSC.....	706,868	—	—	—	706,868	—
RTFC.....	420,383	—	—	—	420,383	9,185
<b>Total loans outstanding.....</b>	<b>\$ 28,330,111</b>	<b>\$ 3,400</b>	<b>\$ 81,596</b>	<b>\$ 84,996</b>	<b>\$ 28,415,107</b>	<b>\$ 237,497</b>
Percentage of total loans.....	99.70 %	0.01 %	0.29 %	0.30 %	100.00 %	0.84 %

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May 31, 2020

(Dollars in thousands)	Current	30-89 Days Past Due	90 Days or More Past Due	Total Past Due	Total Loans Outstanding	Nonaccrual Loans
<b>CFC:</b>						
Distribution.....	\$ 20,769,653	\$ —	\$ —	\$ —	\$ 20,769,653	\$ —
Power supply.....	4,731,506	—	—	—	4,731,506	167,708
Statewide and associate.....	106,498	—	—	—	106,498	—
CFC total.....	25,607,657	—	—	—	25,607,657	167,708
NCSC.....	697,862	—	—	—	697,862	—
RTFC.....	385,335	—	—	—	385,335	—
Total loans outstanding.....	<u>\$ 26,690,854</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 26,690,854</u>	<u>\$ 167,708</u>
Percentage of total loans.....	100.00 %	— %	— %	— %	100.00 %	0.63 %

We had one delinquent loan totaling \$85 million as of May 31, 2021 to Brazos Electric Power Cooperative, Inc. (“Brazos”), a CFC Texas-based power supply borrower, which we classified as nonperforming as a result of its bankruptcy filing as described below under “Nonperforming Loans.” Brazos is unable to make scheduled loan payments without approval of the bankruptcy court. We had no delinquent loans as of May 31, 2020. Loans outstanding on nonaccrual status increased \$69 million to \$237 million as of May 31, 2021, primarily due to the Brazos nonperforming loans. No interest income was recognized on nonaccrual loans for the years ended May 31, 2021 and 2020. See “Nonperforming Loans” below for additional information.

***Troubled Debt Restructurings***

We did not have any loan modifications that were required to be accounted for as a TDR during the year ended May 31, 2021, nor have we had any TDR loan modifications since fiscal year 2016. The following table presents the outstanding balance of modified loans accounted for as TDRs in prior periods and the performance status, by member class, of these loans as of May 31, 2021 and 2020.

**Table 4.3: Trouble Debt Restructurings**

(Dollars in thousands)	May 31,					
	2021			2020		
	Number of Borrowers	Outstanding Amount <sup>(1)</sup>	% of Total Loans Outstanding	Number of Borrowers	Outstanding Amount <sup>(1)</sup>	% of Total Loans Outstanding
<b>TDR loans:</b>						
CFC—Distribution.....	1	\$ 5,379	0.02 %	1	\$ 5,756	0.02 %
RTFC.....	1	4,592	0.02	1	5,092	0.02
Total TDR loans.....	<u>2</u>	<u>\$ 9,971</u>	<u>0.04 %</u>	<u>2</u>	<u>\$ 10,848</u>	<u>0.04 %</u>
<b>Performance status of TDR loans:</b>						
Performing TDR loans.....	<u>2</u>	<u>\$ 9,971</u>	<u>0.04 %</u>	<u>2</u>	<u>\$ 10,848</u>	<u>0.04 %</u>
Total TDR loans.....	<u>2</u>	<u>\$ 9,971</u>	<u>0.04 %</u>	<u>2</u>	<u>\$ 10,848</u>	<u>0.04 %</u>

<sup>(1)</sup> Represents the unpaid principal balance net of charge-offs and recoveries as of the end of each period.

The outstanding TDR loans for CFC and RTFC each relate to the modification of a loan for one borrower that, at the time of the modification, was experiencing financial difficulty. There were no unadvanced commitments related to these loans as of

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May 31, 2021 or May 31, 2020. We did not have any TDR loans classified as nonperforming as of May 31, 2021 or May 31, 2020. TDR loans classified as performing as of May 31, 2021 and 2020 were performing in accordance with the terms of their respective restructured loan agreement and on accrual status as of the respective reported dates.

The CFC borrower with the TDR loan also had one line of credit as of May 31, 2021 and two lines of credit as of May 31, 2020. The line of credit facility for \$6 million as of both May 31, 2021 and 2020, is restricted for fuel purchases only. There were no outstanding loans under this facility as of May 31, 2021. Outstanding loans under this facility totaled less than \$1 million as of May 31, 2020 and were classified as performing. The other line of credit facility for \$2 million as of May 31, 2020, was put in place during fiscal year 2019 to provide bridge funding for electric work plan expenditures in anticipation of receiving RUS funding. Outstanding loans under this facility totaled \$2 million as of May 31, 2020, and were classified as performing.

***Nonperforming Loans***

In addition to TDR loans that may be classified as nonperforming, we also may have nonperforming loans that have not been modified as a TDR. The following table presents the outstanding balance of nonperforming loans, by member class, as of May 31, 2021 and 2020.

**Table 4.4: Nonperforming Loans**

<b>(Dollars in thousands)</b>	<b>May 31,</b>					
	<b>2021</b>			<b>2020</b>		
	<b>Number of Borrowers</b>	<b>Outstanding Amount <sup>(1)</sup></b>	<b>% of Total Loans Outstanding</b>	<b>Number of Borrowers</b>	<b>Outstanding Amount <sup>(1)</sup></b>	<b>% of Total Loans Outstanding</b>
<b>Nonperforming loans:</b>						
CFC—Power supply <sup>(2)</sup> .....	<b>2</b>	<b>\$ 228,312</b>	<b>0.81 %</b>	1	\$ 167,708	0.63 %
RTFC .....	<b>2</b>	<b>9,185</b>	<b>0.03</b>	—	—	—
Total nonperforming loans .....	<b>4</b>	<b>\$ 237,497</b>	<b>0.84 %</b>	<b>1</b>	<b>\$ 167,708</b>	<b>0.63 %</b>

<sup>(1)</sup> Represents the unpaid principal balance net of charge-offs and recoveries as of the end of each period.

<sup>(2)</sup> In addition, we had less than \$1 million letters of credit outstanding to Brazos as of May 31, 2021.

Nonperforming loans increased \$69 million to \$237 million, or 0.84%, of total loans outstanding as of May 31, 2021, from \$168 million, or 0.63%, of total loans outstanding as of May 31, 2020, primarily due to our classification of the loans outstanding of \$85 million to Brazos, a CFC Texas-based power supply borrower, as nonperforming during fiscal year 2021 as a result of its bankruptcy filing as described below.

During the February 2021 polar vortex that affected Texas and several neighboring states, as the freezing conditions impacted power demand, Brazos had insufficient generation supply and was forced, to purchase power at peak prices to meet the electric demand of its member distribution customers. On March 1, 2021, we were informed that Brazos filed for Chapter 11 bankruptcy protection. In the third quarter of fiscal year 2021, we downgraded Brazos' borrower risk rating from a rating within the pass category to doubtful, classified its loans outstanding as nonperforming, placed the loans on nonaccrual status, and reversed unpaid interest amounts previously accrued and recognized in interest income. We had loans outstanding to Brazos of \$85 million as of May 31, 2021, pursuant to a syndicated Bank of America revolving credit agreement, of which \$64 million was unsecured and \$21 million was secured based on the set-off provisions of the revolving credit agreement approved by the bankruptcy court. In addition to Brazos, we classified loans outstanding to two affiliated RTFC telecommunications borrowers as nonperforming during fiscal year. Loans outstanding to these RTFC borrowers totaled \$9 million as of May 31, 2021.

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Under the terms of the syndicated Bank of America revolving credit agreement, in the event of bankruptcy by Brazos, each lending participant is permitted to hold any deposited or investment funds from Brazos, up to the amount of the participant's exposure to Brazos pursuant to the agreement, for set-off against such exposure to Brazos. The total so held by all participants is required to be shared among the participants in accordance with the pro rata share of each participant in the agreement. As of the bankruptcy filing date, funds on deposit from or invested by Brazos with participating lenders of the agreement, available for set-off against Brazos' obligations, totaled \$124 million. Based on our exposure of \$85 million under the \$500 million syndicated Bank of America agreement, our pro rata share set-off right is 17%, or approximately \$21 million. The set-off rights have been agreed to and confirmed by Brazos and the bankruptcy court. In order to allow Brazos to access such deposited or invested funds, the lenders have been granted adequate protection liens and super-priority claims in an amount equal to the diminution of value of the amount available for set-off.

One loan to another CFC power supply borrower, with an outstanding balance of \$143 million and \$168 million as of May 31, 2021 and 2020, respectively, accounted for the majority of nonperforming loans as of May 31, 2021, and the entire amount of nonperforming loans as of May 31, 2020. Under the terms of this loan, which matures in December 2026, the amount the borrower is required to pay in 2024 and 2025 may vary, as the payments are contingent on the borrower's financial performance in those years. Based on our review and assessment of the borrower's forecast and underlying assumptions provided to us in May 2020, we no longer believed that the future expected cash payments from the borrower through the maturity of the loan in December 2026 would be sufficient to repay the outstanding loan balance. We therefore classified this loan as nonperforming, placed the loan on nonaccrual status and established an asset-specific allowance for credit losses as of May 31, 2020. We received payments from the borrower on this loan during the current year-to-date period, reducing the outstanding balance to \$143 million as of May 31, 2021. While the borrower is not in default and was current with respect to required payments on the loan as of May 31, 2021, we have continued to report the loan as nonperforming.

***Net Charge-Offs***

Charge-offs represent the amount of a loan that has been removed from our consolidated balance sheet when the loan is deemed uncollectible. Generally the amount of a charge-off is the recorded investment in excess of the fair value of the expected cash flows from the loan, or, if the loan is collateral dependent, the fair value of the underlying collateral securing the loan. We report charge-offs net of amounts recovered on previously charged-off loans. We had no charge-offs during the years ended May 31, 2021, 2020 and 2019. Prior to Brazos' bankruptcy filing, we had not experienced any defaults or charge-offs in our electric utility and telecommunications loan portfolios since fiscal year 2013 and 2017, respectively. We had one delinquent loan to Brazos totaling \$85 million as of May 31, 2021, as Brazos is unable to make scheduled loan payments without approval of the bankruptcy court. We had no delinquent loans as of May 31, 2020.

***Borrower Risk Ratings***

As part of our management of credit risk, we maintain a credit risk-rating framework under which we employ a consistent process for assessing the credit quality of our loan portfolio. We evaluate each borrower and loan facility in our loan portfolio and assign internal borrower and loan facility risk ratings based on consideration of a number of quantitative and qualitative factors. Each risk rating is reassessed annually following the receipt of the borrower's audited financial statements; however, interim risk-rating adjustments may occur as a result of updated information affecting a borrower's ability to fulfill its obligations or other significant developments and trends. We categorize loans in our portfolio based on our internally assigned borrower risk ratings, which are intended to assess the general creditworthiness of the borrower and probability of default. Our borrower risk ratings align with the U.S. federal banking regulatory agency credit risk definitions of pass and criticized categories, with the criticized category further segmented among special mention, substandard and doubtful. Pass ratings reflect relatively low probability of default, while criticized ratings have a higher probability of default. Following is a description of the borrower risk-rating categories.

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- *Pass*: Borrowers that are not experiencing difficulty and/or not showing a potential or well-defined credit weakness.
- *Special Mention*: Borrowers that may be characterized by a potential credit weakness or deteriorating financial condition that is not sufficiently serious to warrant a classification of substandard or doubtful.
- *Substandard*: Borrowers that display a well-defined credit weakness that may jeopardize the full collection of principal and interest.
- *Doubtful*: Borrowers that have a well-defined credit weakness or weaknesses that make full collection of principal and interest, on the basis of currently known facts, conditions and collateral values, highly questionable and improbable.

We use our internal risk ratings to measure the credit risk of each borrower and loan facility, identify or confirm problem or potential problem loans in a timely manner, differentiate risk within each of our portfolio segments, assess the overall credit quality of our loan portfolio and manage overall risk levels. Our internally assigned borrower risk ratings, which we map to equivalent credit ratings by external credit rating agencies, serve as the primary credit quality indicator for our loan portfolio. Because our internal borrower risk ratings provide important information on the probability of default, they are a key input in estimating our allowance for credit losses.

Table 4.5 displays total loans outstanding, by borrower risk-rating category and borrower member class, as of May 31, 2021 and 2020. The borrower risk-rating categories presented below correspond to the borrower risk rating categories used in calculating our collective allowance for credit losses. If a parent company provides a guarantee of full repayment of loans of a subsidiary borrower, we include the loans outstanding in the borrower risk-rating category of the guarantor parent company rather than the risk-rating category of the subsidiary borrower for purposes of calculating the collective allowance.

In connection with our adoption of CECL, we present term loans outstanding as of May 31, 2021, by fiscal year of origination for each year during the five-year annual reporting period beginning in fiscal year 2017, and in the aggregate for periods prior to fiscal year 2017. The origination period represents the date CFC advances funds to a borrower, rather than the execution date of a loan facility for a borrower. Revolving loans are presented separately due to the nature of revolving loans. The substantial majority of loans in our portfolio represent fixed-rate advances under secured long-term facilities with terms up to 35 years. As indicated in Table 4.5 below, term loan advances made to borrowers prior to fiscal year 2017 totaled \$15,825 million, representing 56% of our total loans outstanding of \$28,415 million as of May 31, 2021. The average remaining maturity of our long-term loans, which accounted for 92% of total loans outstanding as of May 31, 2021, was 18 years.

As discussed above, as a member-owned finance cooperative, CFC's principal focus is to provide funding to its rural electric utility cooperative members to assist them in acquiring, constructing and operating electric distribution systems, power supply systems and related facilities. As such, since our inception in 1969 we have had an extended repeat lending and repayment history with substantially all of member borrowers through our various loan programs. Our secured long-term loan commitment facilities typically provide a five-year draw period under which a borrower may draw funds prior to the expiration of the commitment. Because our electric utility cooperative borrowers must make substantial annual capital investments to maintain operations and ensure delivery of the essential service provided by electric utilities, they require a continuous inflow of funds to finance infrastructure upgrades and new asset purchases. Due to the funding needs of electric utility cooperatives, a CFC borrower generally has multiple loans outstanding under advances drawn in different years. While the number of borrowers with loans outstanding was 892 borrowers as of May 31, 2021, the number of loans outstanding was 16,575 as of May 31, 2021, resulting in an average of 19 loans outstanding per borrower. Our borrowers, however, are subject to cross-default under the terms of our loan agreements. Therefore, if a borrower defaults on one loan, the borrower is considered in default on all outstanding loans. Due to these factors, we historically have not observed a correlation between the year of origination of our loans and default risk. Instead, default risk on our loans has typically been more closely correlated to the risk rating of our borrowers.

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**Table 4.5: Loans Outstanding by Borrower Risk Ratings and Origination Year**

(Dollars in thousands)	May 31, 2021								May 31, 2020
	Term Loans by Fiscal Year of Origination						Revolving Loans	Total	
	2021	2020	2019	2018	2017	Prior			
<b>Pass</b>									
CFC:									
Distribution .....	\$1,768,491	\$1,935,368	\$1,227,223	\$1,497,479	\$1,520,593	\$12,654,148	\$1,204,797	\$21,808,099	\$20,643,737
Power supply .....	568,917	201,122	345,496	252,783	259,358	2,510,572	379,160	4,517,408	4,516,595
Statewide and associate .....	2,491	22,028	3,686	—	547	23,534	37,975	90,261	90,274
CFC total .....	2,339,899	2,158,518	1,576,405	1,750,262	1,780,498	15,188,254	1,621,932	26,415,768	25,250,606
NCSC .....	41,506	241,576	4,379	44,848	14,325	248,127	112,107	706,868	697,862
RTFC .....	98,797	50,011	12,138	27,356	65,035	131,936	21,333	406,606	371,507
Total pass .....	<u>2,480,202</u>	<u>2,450,105</u>	<u>1,592,922</u>	<u>1,822,466</u>	<u>1,859,858</u>	<u>15,568,317</u>	<u>1,755,372</u>	<u>27,529,242</u>	<u>26,319,975</u>
<b>Special mention</b>									
CFC:									
Distribution .....	5,000	—	5,197	950	—	13,177	195,000	219,324	7,743
Power supply .....	—	—	—	—	—	29,611	—	29,611	—
Statewide and associate .....	—	—	5,000	4,000	5,704	1,156	—	15,860	16,224
CFC total .....	5,000	—	10,197	4,950	5,704	43,944	195,000	264,795	23,967
RTFC .....	—	—	—	—	—	4,592	—	4,592	8,736
Total special mention .....	<u>5,000</u>	<u>—</u>	<u>10,197</u>	<u>4,950</u>	<u>5,704</u>	<u>48,536</u>	<u>195,000</u>	<u>269,387</u>	<u>32,703</u>
<b>Substandard</b>									
CFC:									
Distribution .....	—	—	—	—	—	—	—	—	118,173
Power supply .....	23,600	—	85,839	—	—	64,982	204,560	378,981	47,203
CFC total .....	23,600	—	85,839	—	—	64,982	204,560	378,981	165,376
RTFC .....	—	—	—	—	—	—	—	—	5,092
Total substandard .....	<u>23,600</u>	<u>—</u>	<u>85,839</u>	<u>—</u>	<u>—</u>	<u>64,982</u>	<u>204,560</u>	<u>378,981</u>	<u>170,468</u>
<b>Doubtful</b>									
CFC:									
Power supply .....	—	—	—	—	—	143,316	84,996	228,312	167,708
CFC total .....	—	—	—	—	—	143,316	84,996	228,312	167,708
RTFC .....	—	—	1,411	2,947	2,993	—	1,834	9,185	—
Total doubtful .....	—	—	1,411	2,947	2,993	143,316	86,830	237,497	167,708
Total criticized loans .....	<u>28,600</u>	<u>—</u>	<u>97,447</u>	<u>7,897</u>	<u>8,697</u>	<u>256,834</u>	<u>486,390</u>	<u>885,865</u>	<u>370,879</u>
Total loans outstanding .....	<u>\$2,508,802</u>	<u>\$2,450,105</u>	<u>\$1,690,369</u>	<u>\$1,830,363</u>	<u>\$1,868,555</u>	<u>\$15,825,151</u>	<u>\$2,241,762</u>	<u>\$28,415,107</u>	<u>\$26,690,854</u>

Criticized loans increased \$515 million to \$886 million as of May 31, 2021, from \$371 million as of May 31, 2020, representing approximately 3% and 1% of total loans outstanding as of each respective date. The increase was attributable to increases in loans outstanding in the special mention, substandard and doubtful categories. Each of the borrowers with loans outstanding in the criticized category, with the exception of Brazos, was current with regard to all principal and interest

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amounts due as of May 31, 2021. As mentioned above, Brazos is unable to make scheduled loan payments without approval of the bankruptcy court.

*Special Mention*

One CFC electric distribution borrower totaling \$219 million accounted for the substantial majority of the special mention loan category amount of \$269 million as of May 31, 2021. The CFC electric distribution borrower with loans outstanding of \$219 million as of May 31, 2021 was downgraded to special mention in fiscal year 2021, from a rating within the pass category as of May 31, 2020. The downgrade was attributable to an adverse financial impact from restoration costs incurred to repair damage caused by two successive hurricanes. We expect that the borrower will receive grant funds from the Federal Emergency Management Agency and the state where it is located for reimbursement of the hurricane damage-related restoration costs.

*Substandard*

Loans outstanding to Rayburn Country Electric Cooperative, Inc. (“Rayburn”), a CFC Texas-based electric power supply borrower, consisted of secured loans of \$167 million and unsecured loans of \$212 million, which together totaled \$379 million as of May 31, 2021, and accounted for the substandard loan category amount of \$379 million as of May 31, 2021. Rayburn was downgraded to substandard in fiscal year 2021, from a rating within the pass category as of May 31, 2020. The downgrade was attributable to the significant adverse financial impact from exposure to the elevated power costs during the February 2021 polar vortex.

One CFC electric distribution borrower and its subsidiary with loans totaling \$146 million as of May 31, 2021, was upgraded to a risk rating grade in the pass category in fiscal year 2021, from a substandard rating as of May 31, 2020, based on the borrower’s improved financial performance.

*Doubtful*

The increase in loans outstanding in the doubtful category to \$237 million as of May 31, 2021, from \$168 million as of May 31, 2020 was attributable to the downgrades in the borrower risk ratings of Brazos and two affiliated RTFC telecommunications borrowers and the classification of loans outstanding to these borrowers of \$85 million and \$9 million, respectively, as nonperforming as of May 31, 2021, discussed above under “Nonperforming Loans.”

On June 18, 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 high power costs during the February 2021 polar vortex, including amounts owed to Electric Reliability Council of Texas (“ERCOT”). Qualifying cooperatives may issue bonds directly or through a special purpose vehicle legal entity. Payments on the bonds are required to be made over a period not to exceed 30 years. The bill also requires that cooperatives that owe ERCOT use all means necessary to securitize the amount owed, calculated according to ERCOT’s protocols in effect during the period of the February 2021 polar vortex, and stipulates that failure to pay such amount may result in being barred from the ERCOT-administered power market by the Public Utility Commission of Texas. While Brazos and Rayburn are eligible to utilize the provisions of this bill, we are currently uncertain whether they will elect to do so.

**Unadvanced Loan Commitments**

Unadvanced loan commitments represent approved and executed loan contracts for which funds have not been advanced to borrowers. The following table displays, by loan type, the available balance under unadvanced loan commitments as of May 31, 2021 and the related maturities in each fiscal year during the five-year period ended May 31, 2026, and thereafter.

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**Table 4.6: Unadvanced Loan Commitments**

(Dollars in thousands)	Available Balance	Notional Maturities of Unadvanced Loan Commitments					
		2022	2023	2024	2025	2026	Thereafter
Line of credit loans.....	\$ 8,585,226	\$4,333,891	\$1,523,158	\$1,169,922	\$1,061,235	\$ 378,815	\$ 118,205
Long-term loans.....	5,771,813	1,140,280	758,417	1,672,458	890,629	1,123,215	186,814
Total.....	<u>\$14,357,039</u>	<u>\$5,474,171</u>	<u>\$2,281,575</u>	<u>\$2,842,380</u>	<u>\$1,951,864</u>	<u>\$1,502,030</u>	<u>\$ 305,019</u>

Unadvanced line of credit commitments accounted for 60% of total unadvanced loan commitments as of May 31, 2021, while unadvanced long-term loan commitments accounted for 40% of total unadvanced loan commitments. Unadvanced line of credit commitments are typically revolving facilities for periods not to exceed five years. Unadvanced line of credit commitments generally serve as supplemental back-up liquidity to our borrowers. Historically, borrowers have not drawn the full commitment amount for line of credit facilities, and we have experienced a very low utilization rate on line of credit loan facilities regardless of whether or not we are obligated to fund the facility where a material adverse change exists.

Our unadvanced long-term loan commitments have a five-year draw period under which a borrower may draw funds prior to the expiration of the commitment. We expect that the majority of the long-term unadvanced loan commitments of \$5,772 million will be advanced prior to the expiration of the commitment.

Because we historically have experienced a very low utilization rate on line of credit loan facilities, which account for the majority of our total unadvanced loan commitments, we believe the unadvanced loan commitment total of \$14,357 million as of May 31, 2021 is not necessarily representative of our future funding requirements.

***Unadvanced Loan Commitments—Conditional***

The substantial majority of our line of credit commitments and all of our unadvanced long-term loan commitments include material adverse change clauses. Unadvanced loan commitments subject to material adverse change clauses totaled \$11,312 million and \$10,532 million as of May 31, 2021 and 2020, respectively. Prior to making an advance on these facilities, we confirm that there has been no material adverse change in the business or condition, financial or otherwise, of the borrower since the time the loan was approved and confirm that the borrower is currently in compliance with loan terms and conditions. In some cases, the borrower's access to the full amount of the facility is further constrained by the designated purpose, imposition of borrower-specific restrictions or by additional conditions that must be met prior to advancing funds.

***Unadvanced Loan Commitments—Unconditional***

Unadvanced loan commitments not subject to material adverse change clauses at the time of each advance consisted of unadvanced committed lines of credit totaling \$3,045 million and \$2,857 million as of May 31, 2021 and 2020, respectively. As such, we are required to advance amounts on these committed facilities as long as the borrower is in compliance with the terms and conditions of the facility. The following table summarizes the available balance under unconditional committed lines of credit and the related maturities by fiscal year and thereafter, as of May 31, 2021.

**Table 4.7: Unconditional Committed Lines of Credit—Available Balance**

(Dollars in thousands)	Available Balance	Notional Maturities of Unconditional Committed Lines of Credit					
		2022	2023	2024	2025	2026	Thereafter
Committed lines of credit.....	\$ 3,044,515	\$ 3,423	\$1,147,724	\$ 682,998	\$ 926,344	\$ 229,120	\$ 54,906



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**Pledged Loans**

We are required to pledge eligible mortgage notes in an amount at least equal to the outstanding balance of our secured debt. The following table summarizes loans outstanding pledged as collateral to secure our collateral trust bonds, notes payable under the USDA Guaranteed Underwriter Program (“Guaranteed Underwriter Program”), notes payable under the revolving note purchase agreement with Farmer Mac and Clean Renewable Energy Bonds, and the corresponding debt outstanding as of May 31, 2021 and 2020. See “Note 6—Short-Term Borrowings” and “Note 7—Long-Term Debt” for information on our borrowings.

**Table 4.8: Pledged Loans**

(Dollars in thousands)	May 31,	
	2021	2020
<b>Collateral trust bonds:</b>		
2007 indenture:		
Distribution system mortgage notes pledged .....	\$ 8,400,293	\$ 8,244,202
RUS-guaranteed loans qualifying as permitted investments .....	121,679	128,361
Total pledged collateral .....	\$ 8,521,972	\$ 8,372,563
Collateral trust bonds outstanding .....	7,422,711	7,422,711
1994 indenture:		
Distribution system mortgage notes pledged .....	\$ 34,924	\$ 39,785
Collateral trust bonds outstanding .....	30,000	35,000
<b>Guaranteed Underwriter Program:</b>		
Distribution and power supply system mortgage notes pledged .....	\$ 7,150,240	\$ 7,535,931
Notes payable outstanding .....	6,269,303	6,261,312
<b>Farmer Mac:</b>		
Distribution and power supply system mortgage notes pledged .....	\$ 3,440,307	\$ 3,687,418
Notes payable outstanding .....	2,977,909	3,059,637
Clean Renewable Energy Bonds Series 2009A:		
Distribution and power supply system mortgage notes pledged .....	\$ 5,316	\$ 7,269
Cash .....	394	395
Total pledged collateral .....	\$ 5,710	\$ 7,664
Notes payable outstanding .....	4,412	6,068

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**NOTE 5—ALLOWANCE FOR CREDIT LOSSES**

Upon adoption of CECL on June 1, 2020, we recorded an increase in our allowance for credit losses for our loan portfolio of \$4 million. The impact on the reserve for expected credit losses for our off-balance sheet credit exposures related to unadvanced loan commitments and financial guarantees was not material. Additional information on our adoption of CECL is provided in “Note 1—Summary of Significant Accounting Policies.”

**Allowance for Credit Losses—Loan Portfolio**

The following tables summarize, by member class, changes in the allowance for credit losses for our loan portfolio and present the allowance components for the years ended May 31, 2021, 2020 and 2019. The changes in the allowance and the allowance components prior to our adoption of CECL on June 1, 2020 are based on the incurred loss model. The allowance components, which consist of a collective allowance and an asset-specific allowance, are based on the evaluation method used to measure our loans for credit losses. Loans that share similar risk characteristics are evaluated on a collective basis in measuring credit losses, while loans that do not share similar risk characteristics with other loans in our portfolio are evaluated on an individual basis.

**Table 5.1: Changes in Allowance for Credit Losses**

	Year Ended May 31, 2021						
(Dollars in thousands)	Distribution	Power Supply	Statewide and Associate	CFC Total	NCSC	RTFC	Total
Balance as of May 31, 2020.....	\$ 8,002	\$ 38,027	\$ 1,409	\$ 47,438	\$ 806	\$ 4,881	\$ 53,125
Cumulative-effect adjustment from adoption of CECL accounting standard.....	3,586	2,034	25	5,645	(15)	(1,730)	3,900
Balance as of June 1, 2020.....	11,588	40,061	1,434	53,083	791	3,151	57,025
Provision (benefit) for credit losses.....	1,838	24,585	(43)	26,380	583	1,544	28,507
Balance as of May 31, 2021.....	<u>\$ 13,426</u>	<u>\$ 64,646</u>	<u>\$ 1,391</u>	<u>\$ 79,463</u>	<u>\$ 1,374</u>	<u>\$ 4,695</u>	<u>\$ 85,532</u>
	Year Ended May 31, 2020						
(Dollars in thousands)	Distribution	Power Supply	Statewide and Associate	CFC Total	NCSC	RTFC	Total
Balance as of May 31, 2019.....	\$ 7,483	\$ 4,253	\$ 1,384	\$ 13,120	\$ 2,007	\$ 2,408	\$ 17,535
Provision (benefit) for credit losses.....	519	33,774	25	34,318	(1,201)	2,473	35,590
Balance as of May 31, 2020.....	<u>\$ 8,002</u>	<u>\$ 38,027</u>	<u>\$ 1,409</u>	<u>\$ 47,438</u>	<u>\$ 806</u>	<u>\$ 4,881</u>	<u>\$ 53,125</u>
	Year Ended May 31, 2019						
(Dollars in thousands)	Distribution	Power Supply	Statewide and Associate	CFC Total	NCSC	RTFC	Total
Balance as of May 31, 2018.....	\$ 7,611	\$ 4,588	\$ 101	\$ 12,300	\$ 2,082	\$ 4,419	\$ 18,801
Provision (benefit) for credit losses.....	(128)	(335)	1,283	820	(75)	(2,011)	(1,266)
Balance as of May 31, 2019.....	<u>\$ 7,483</u>	<u>\$ 4,253</u>	<u>\$ 1,384</u>	<u>\$ 13,120</u>	<u>\$ 2,007</u>	<u>\$ 2,408</u>	<u>\$ 17,535</u>

The following tables present, by member class, the components of our allowance for credit losses as of May 31, 2021 and 2020.

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**Table 5.2: Allowance for Credit Losses Components**

May 31, 2021							
(Dollars in thousands)	Distribution	Power Supply	Statewide and Associate	CFC Total	NCSC	RTFC	Total
<b>Allowance components:</b>							
Collective allowance.....	\$ 13,426	\$ 25,104	\$ 1,391	\$ 39,921	\$ 1,374	\$ 1,147	\$ 42,442
Asset-specific allowance <sup>(1)</sup> .....	—	39,542	—	39,542	—	3,548	43,090
Total allowance for credit losses	<u>\$ 13,426</u>	<u>\$ 64,646</u>	<u>\$ 1,391</u>	<u>\$ 79,463</u>	<u>\$ 1,374</u>	<u>\$ 4,695</u>	<u>\$ 85,532</u>
<b>Loans outstanding:<sup>(2)</sup></b>							
Collectively evaluated loans.....	\$22,022,044	\$4,926,000	\$106,121	\$27,054,165	\$706,868	\$406,606	\$28,167,639
Individually evaluated loans <sup>(1)</sup> .....	5,379	228,312	—	233,691	—	13,777	247,468
Total loans outstanding.....	<u>\$22,027,423</u>	<u>\$5,154,312</u>	<u>\$106,121</u>	<u>\$27,287,856</u>	<u>\$706,868</u>	<u>\$420,383</u>	<u>\$28,415,107</u>
<b>Allowance ratios:</b>							
Collective allowance coverage ratio <sup>(3)</sup> .....	0.06 %	0.51 %	1.31 %	0.15 %	0.19 %	0.28 %	0.15 %
Asset-specific allowance coverage ratio <sup>(4)</sup> .....	—	17.32	—	16.92	—	25.75	17.41
Total allowance coverage ratio <sup>(5)</sup> .....	0.06	1.25	1.31	0.29	0.19	1.12	0.30
May 31, 2020							
(Dollars in thousands)	Distribution	Power Supply	Statewide and Associate	CFC Total	NCSC	RTFC	Total
<b>Allowance components:</b>							
Collective allowance.....	\$ 8,002	\$ 4,173	\$ 1,409	\$ 13,584	\$ 806	\$ 3,902	\$ 18,292
Asset-specific allowance.....	—	33,854	—	33,854	—	979	34,833
Total allowance for credit losses	<u>\$ 8,002</u>	<u>\$ 38,027</u>	<u>\$ 1,409</u>	<u>\$ 47,438</u>	<u>\$ 806</u>	<u>\$ 4,881</u>	<u>\$ 53,125</u>
<b>Loans outstanding:<sup>(2)</sup></b>							
Collectively evaluated loans.....	\$20,763,897	\$4,563,798	\$106,498	\$25,434,193	\$697,862	\$380,243	\$26,512,298
Individually evaluated loans.....	5,756	167,708	—	173,464	—	5,092	178,556
Total loans outstanding.....	<u>\$20,769,653</u>	<u>\$4,731,506</u>	<u>\$106,498</u>	<u>\$25,607,657</u>	<u>\$697,862</u>	<u>\$385,335</u>	<u>\$26,690,854</u>
<b>Allowance coverage ratios:</b>							
Collective allowance coverage ratio <sup>(3)</sup> .....	0.04 %	0.09 %	1.32 %	0.05 %	0.12 %	1.03 %	0.07 %
Asset-specific allowance coverage ratio <sup>(4)</sup> .....	—	20.19	—	19.52	—	19.23	19.51
Total allowance coverage ratio <sup>(5)</sup> .....	0.04	0.80	1.32	0.19	0.12	1.27	0.20

<sup>(1)</sup>In addition, we had less than \$1 million letters of credit outstanding to Brazos, for which the reserve is included in the asset-specific allowance as of May 31, 2021.

<sup>(2)</sup>Represents the unpaid principal amount of loans as of the end of each period. Excludes unamortized deferred loan origination costs of \$12 million and \$11 million as of May 31, 2021 and 2020, respectively.

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<sup>(3)</sup>Calculated based on the collective allowance component at period-end divided by collectively evaluated loans outstanding at period-end.

<sup>(4)</sup>Calculated based on the asset-specific allowance component at period-end divided by individually evaluated loans outstanding at period-end.

<sup>(5)</sup>Calculated based on the total allowance for credit losses at period-end divided by total loans outstanding at period-end.

The allowance for credit losses increased \$32 million to \$86 million as of May 31, 2021, and the allowance coverage ratio increased to 0.30%. Of the \$32 million increase in the allowance, \$24 million was attributable to the collective allowance and \$8 million was attributable to the asset-specific allowance.

The increase in the collective allowance of \$24 million was primarily driven by the risk-rating downgrade of Rayburn Country Electric Cooperative, Inc. (“Rayburn”), a CFC Texas-based power supply borrower with loans outstanding of \$379 million as of May 31, 2021, from a pass rating to a criticized rating in fiscal year 2021 coupled with a decrease we made in the recovery rate assumption for power supply loans during fiscal year 2021 and the addition to the collective allowance of \$4 million upon our adoption of CECL on June 1, 2020.

The increase in the asset-specific allowance of \$8 million was primarily driven by the risk-rating downgrade of Brazos, a CFC Texas-based power supply borrower, in fiscal year 2021 and the classification of Brazos’ loans outstanding, which totaled \$85 million as of May 31, 2021, as nonperforming due to the bankruptcy filing by Brazos as discussed above in “Note 4—Loans.”

**Individually Impaired Loans Under Incurred Loss Methodology**

Prior to our adoption of CECL on June 1, 2020, we assessed loan impairment on a collective basis unless we considered a loan to be impaired. We assessed loan impairment on an individual basis when, based on current information, it was probable that we would not receive all principal and interest amounts due in accordance with the contractual terms of the original loan agreement. In connection with our adoption of CECL, we no longer provide information on impaired loans. The following table provides information on loans previously classified as individually impaired under the incurred loss model for determining the allowance for credit losses.

**Table 5.3: Individually Impaired Loans—Incurred Loss Model**

(Dollars in thousands)	May 31, 2020			
	Recorded Investment	Related Allowance	With Specific Allowance	With No Specific Allowance
<b>Individually impaired loans:</b>				
CFC.....	\$ 173,464	\$ 33,854	\$ 167,708	\$ 5,756
RTFC.....	5,092	979	5,092	—
Total.....	<u>\$ 178,556</u>	<u>\$ 34,833</u>	<u>\$ 172,800</u>	<u>\$ 5,756</u>

The following tables present, by company, the components of our recorded investment and interest income recognized for the years ended May 31, 2020 and 2019.

**Table 5.4: Average Recorded Investment and Interest Income Recognized on Individually Impaired Loans—Incurred Loss Model**

(Dollars in thousands)	Year Ended May 31,		Year Ended May 31,	
	2020	2019	2020	2019
	Average Recorded Investment		Interest Income Recognized	
CFC.....	\$ 11,834	\$ 6,322	\$ 568	\$ 553
RTFC.....	5,361	5,861	268	293
Total impaired loans.....	<u>\$ 17,195</u>	<u>\$ 12,183</u>	<u>\$ 836</u>	<u>\$ 846</u>

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**Reserve for Credit Losses—Unadvanced Loan Commitments**

In addition to the allowance for credit losses for our loan portfolio, we maintain an allowance for credit losses for unadvanced loan commitments, which we refer to as our “reserve for credit losses” because this amount is reported as a component of other liabilities on our consolidated balance sheets. Upon adoption of CECL on June 1, 2020, we began measuring the reserve for credit losses for unadvanced loan commitments based on expected credit losses over the contractual period of our exposure to credit risk arising from our obligation to extend credit, unless that obligation is unconditionally cancellable by us. The reserve for credit losses related to our off-balance sheet exposure for unadvanced loan commitments was less than \$1 million as of both May 31, 2021 and 2020.

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**NOTE 6—SHORT-TERM BORROWINGS**

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Short-term borrowings consist of borrowings with an original contractual maturity of one year or less and do not include the current portion of long-term debt. Our short-term borrowings totaled \$4,582 million and accounted for 17% of total debt outstanding as of May 31, 2021, compared with \$3,962 million, or 15% of total debt outstanding, as of May 31, 2020. The following table provides comparative information on our short-term borrowings and weighted-average interest rates as of May 31, 2021 and 2020.

**Table 6.1: Short-Term Borrowings Sources and Weighted-Average Interest Rates**

(Dollars in thousands)	May 31,			
	2021		2020	
	Amount	Weighted-Average Interest Rate	Amount	Weighted-Average Interest Rate
<b>Short-term borrowings:</b>				
Commercial paper:				
Commercial paper sold through dealers, net of discounts.....	\$ 894,977	0.16 %	\$ —	— %
Commercial paper sold directly to members, at par.....	<u>1,124,607</u>	0.14	<u>1,318,566</u>	0.34
Total commercial paper.....	<u>2,019,584</u>	0.15	<u>1,318,566</u>	0.34
Select notes to members.....	1,539,150	0.30	1,597,959	0.75
Daily liquidity fund notes.....	460,556	0.08	508,618	0.10
Medium-term notes sold to members.....	362,691	0.42	286,842	1.64
Farmer Mac notes payable <sup>(1)</sup> .....	—	—	250,000	1.06
Securities sold under repurchase agreements.....	200,115	0.30	—	—
Total short-term borrowings.....	<u>\$ 4,582,096</u>	0.22	<u>\$3,961,985</u>	0.62

<sup>(1)</sup>Advanced under the revolving purchase agreement with Farmer Mac dated March 24, 2011. See “Note 7—Long-Term Debt” for additional information on this revolving note purchase agreement.

We issue commercial paper for periods of one to 270 days. We also issue select notes for periods ranging from 30 to 270 days. Select notes are unsecured obligations that do not require backup bank lines of credit for liquidity purposes. These notes require a larger minimum investment than our commercial paper sold to members and, as a result, offer a higher interest rate than our commercial paper. We also issue daily liquidity fund notes, which are unsecured obligations that do not require backup bank lines of credit for liquidity purposes. We also issue medium-term notes, which represent unsecured obligations that may be issued through dealers in the capital markets or directly to our members.

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We also enter into repurchase agreements to sell investment securities. These transactions are accounted for as collateralized borrowings. On May 25, 2021, we borrowed \$200 million under a securities repurchase agreement and pledged as collateral investment securities classified as trading, the fair value of which was \$211 million as of May 31, 2021. We repurchased these securities on June 2, 2021.

**Committed Bank Revolving Line of Credit Agreements**

The total commitment amount under our committed bank revolving line of credit agreements was \$2,725 million as of both May 31, 2021 and 2020. These agreements allow us to request up to \$300 million of letters of credit, which, if requested, results in a reduction in the total amount available for our use. The following table presents the amount available for access under our bank revolving line of credit agreements as of May 31, 2021 and 2020.

**Table 6.2: Committed Bank Revolving Line of Credit Agreements Available Amounts**

(Dollars in millions)	May 31,						Maturity	Annual Facility Fee <sup>(1)</sup>
	2021			2020				
	Total Commitment	Letters of Credit Outstanding	Available Amount	Total Commitment	Letters of Credit Outstanding	Available Amount		
3-year agreement.....	\$ 1,315	\$ —	\$ 1,315	\$ 1,315	\$ —	\$ 1,315	November 28, 2022	7.5 bps
5-year agreement.....	1,410	3	1,407	1,410	3	1,407	November 28, 2023	10 bps
Total.....	\$ 2,725	\$ 3	\$ 2,722	\$ 2,725	\$ 3	\$ 2,722		

<sup>(1)</sup> Facility fee determined by CFC's senior unsecured credit ratings based on the pricing schedules put in place at the inception of the related agreement.

On June 7, 2021, we amended the three-year and five-year committed bank revolving line of credit agreements to extend the maturity dates to November 28, 2024 and November 28, 2025, respectively, and to terminate certain bank commitments totaling \$70 million under the three-year agreement and \$55 million under the five-year agreement. As a result, the total commitment amount under the three-year facility and the five-year facility is \$1,245 million and \$1,355 million, respectively, resulting in a combined total commitment amount under the two facilities of \$2,600 million.

As indicated in the table above we had no borrowings outstanding under our committed bank revolving line of credit agreements as of May 31, 2021 and 2020. We were in compliance with all covenants and conditions under the agreements as of each respective date.

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**NOTE 7—LONG-TERM DEBT**

The following table displays long-term debt outstanding, by debt product type, and the weighted-average interest rate and maturity date for each debt product type, as of May 31, 2021 and 2020. Long-term debt outstanding totaled \$20,603 million and accounted for 75% of total debt outstanding as of May 31, 2021, compared with \$19,712 million and 76% of total debt outstanding as of May 31, 2020. Long-term debt with fixed- and variable-rate accounted for 89% and 11%, respectively, of our total long-term debt outstanding as of May 31, 2021, compared with 86% and 14%, respectively, of our total long-term debt outstanding as of May 31, 2020.

**Table 7.1: Long-Term Debt—Debt Product Types and Weighted-Average Interest Rates**

(Dollars in thousands)	May 31,					
	2021			2020		
	Amount	Weighted-Average Interest Rate	Maturity Date	Amount	Weighted-Average Interest Rate	Maturity Date
<b>Secured long-term debt:</b>						
Collateral trust bonds .....	\$ 7,452,711	3.15 %	2022-2049	\$ 7,457,711	3.23 %	2020-2049
Unamortized discount .....	(227,046)			(236,461)		
Debt issuance costs .....	(33,721)			(32,697)		
Total collateral trust bonds .....	<u>7,191,944</u>			<u>7,188,553</u>		
Guaranteed Underwriter Program notes payable .....	6,269,303	2.76	2025-2041	6,261,312	2.74	2025-2040
Farmer Mac notes payable .....	2,977,909	1.68	2021-2049	2,809,637	2.07	2020-2049
Other secured notes payable .....	4,412	3.14	2021-2023	6,068	2.69	2020-2023
Debt issuance costs .....	(22)			(117)		
Total other secured notes payable .....	<u>4,390</u>			<u>5,951</u>		
Total secured notes payable .....	<u>9,251,602</u>			<u>9,076,900</u>	2.53	
Total secured long-term debt .....	<u>16,443,546</u>	2.74		<u>16,265,453</u>	2.85	
<b>Unsecured long-term debt:</b>						
Medium-term notes sold through dealers .....	3,943,728	2.31	2021-2032	3,086,733	3.34	2020-2032
Medium-term notes sold to members .....	232,346	2.61	2021-2037	372,117	2.85	2020-2037
Subtotal medium-term notes .....	4,176,074	—		3,458,850	3.29	
Unamortized discount .....	(2,307)			(997)		
Debt issuance costs .....	(18,036)			(16,943)		
Total unsecured medium-term notes .....	<u>4,155,731</u>			<u>3,440,910</u>		
Unsecured notes payable .....	3,886	—	2021-2023	5,794	—	2020-2023
Unamortized discount .....	(35)			(107)		
Debt issuance costs .....	(5)			(26)		
Total unsecured notes payable .....	<u>3,846</u>			<u>5,661</u>		
Total unsecured long-term debt .....	<u>4,159,577</u>	2.33		<u>3,446,571</u>	3.29	
Total long-term debt .....	<u>\$20,603,123</u>	2.66		<u>\$19,712,024</u>	2.92	

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The following table presents the principal amount of long-term debt maturing in each of the five fiscal years subsequent to May 31, 2021 and thereafter.

**Table 7.2: Long-Term Debt—Maturities and Weighted-Average Interest Rates**

<b>(Dollars in thousands)</b>	<b>Maturity Amount</b>	<b>Weighted-Average Interest Rate</b>
2022 .....	\$ 2,597,519	1.81 %
2023 .....	1,843,775	1.65
2024 .....	1,652,300	2.18
2025 .....	842,377	2.76
2026 .....	2,428,251	2.86
Thereafter .....	11,520,073	3.03
Total .....	<u>\$ 20,884,295</u>	2.66

**Secured Debt**

Long-term secured debt of \$16,444 million and \$16,265 million as of May 31, 2021 and 2020, respectively, represented 80% and 83% of total long-term debt outstanding as of each respective date. The increase in long-term secured debt of \$179 million for the year ended May 31, 2021 was primarily attributable to advances under the Farmer Mac revolving note purchase agreement. We are required to pledge eligible mortgage notes in an amount at least equal to the outstanding balance of our secured debt. We believe we were in compliance with all covenants and conditions under our debt indentures as of May 31, 2021 and 2020. See “Note 4—Loans” for information on pledged collateral under our secured debt agreements.

***Collateral Trust Bonds***

Collateral trust bonds represent secured obligations sold to investors in the capital markets. Collateral trust bonds are secured by the pledge of mortgage notes or eligible securities in an amount at least equal to the principal balance of the bonds outstanding.

Collateral trust bonds outstanding increased \$3 million to \$7,192 million as of May 31, 2021. In June 2020, we redeemed \$400 million outstanding principal amount of our 2.35% collateral trust bonds due June 15, 2020. In October 2020, we redeemed \$350 million outstanding principal amount of our 2.30% collateral trust bonds, due November 1, 2020. On October 8, 2020, we issued \$400 million aggregate principal amount of 1.35% sustainability collateral trust bonds due March 15, 2031. On February 8, 2021, we issued \$350 million aggregate principal amount of 1.65% collateral trust bonds due June 15, 2031.

***Guaranteed Underwriter Program Notes Payable***

Notes payable outstanding under the Guaranteed Underwriter Program increased \$8 million to \$6,269 million as of May 31, 2021. We pay RUS a fee of 30 basis points per year on the total amount outstanding. On November 19, 2020, we closed on a \$375 million committed loan facility (“Series R”) from the Federal Financing Bank under the Guaranteed Underwriter Program. Pursuant to this facility, we may borrow any time before July 15, 2025. Each advance is subject to quarterly amortization and a final maturity not longer than 30 years from the date of the advance. We borrowed \$300 million and redeemed \$150 million of notes payable outstanding under the Guaranteed Underwriter Program during the year ended May 31, 2021. We had up to \$975 million available for access under the Guaranteed Underwriter Program as of May 31, 2021.



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The notes outstanding under the Guaranteed Underwriter Program contain a provision that if during any portion of the fiscal year, our senior secured credit ratings do not have at least two of the following ratings: (i) A3 or higher from Moody's, (ii) A- or higher from S&P, (iii) A- or higher from Fitch or (iv) an equivalent rating from a successor rating agency to any of the above rating agencies, we may not make cash patronage capital distributions in excess of 5% of total patronage capital. We are required to pledge eligible distribution system or power supply system loans as collateral in an amount at least equal to the total principal amount of notes outstanding under the Guaranteed Underwriter Program.

***Farmer Mac Notes Payable***

We have a revolving note purchase agreement with Farmer Mac, dated March 24, 2011, as amended, under which we can borrow up to \$5,500 million from Farmer Mac, at any time, subject to market conditions. On May 20, 2021, we amended our revolving note purchase agreement with Farmer Mac to automatically extend the draw period from January 11, 2022 to June 30, 2026, with successive automatic one-year renewals without notice by either party. Beginning June 30, 2025, the revolving note purchase agreement is subject to termination of the draw period by Farmer Mac upon 425 days' prior written notice. Pursuant to this revolving note purchase agreement, we can borrow, repay and re-borrow funds at any time through maturity, as market conditions permit, provided that the outstanding principal amount at any time does not exceed the total available under the agreement. Each borrowing under the revolving note purchase agreement is evidenced by a pricing agreement setting forth the interest rate, maturity date and other related terms as we may negotiate with Farmer Mac at the time of each such borrowing. We may select a fixed rate or variable rate at the time of each advance with a maturity as determined in the applicable pricing agreement. The amount outstanding under this agreement included \$2,978 million of long-term debt as of May 31, 2021. We advanced notes payable totaling \$500 million under the Farmer Mac Note purchase agreement during the year ended May 31, 2021. The amount available for borrowing totaled \$2,522 million as of May 31, 2021.

**Unsecured Debt**

Long-term unsecured debt of \$4,160 million and \$3,447 million as of May 31, 2021 and 2020, respectively, represented 20% and 17% of total long-term debt outstanding as of each respective date. The increase in long-term unsecured debt of \$712 million for the year ended May 31, 2021 was primarily attributable to dealer medium-term notes issuances.

***Medium-Term Notes***

Medium-term notes represent unsecured obligations that may be issued through dealers in the capital markets or directly to our members.

On February 8, 2021, we issued \$500 million aggregate principal amount of 0.35% dealer medium-term notes due February 8, 2024. On February 16, 2021, we issued \$250 million aggregate principal amount of 3-month LIBOR dealer medium-term notes due February 16, 2023. On February 24, 2021, we issued \$600 million aggregate principal amount of 1.00% dealer medium-term notes due June 15, 2026. On February 24, 2021, we also issued \$75 million aggregate principal amount of 0.25% dealer medium-term notes due February 24, 2023.

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**NOTE 8—SUBORDINATED DEFERRABLE DEBT**

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Subordinated deferrable debt represents long-term debt that is subordinated to all debt other than subordinated certificates held by our members. Our 4.75% and 5.25% subordinated debt due 2043 and 2046, respectively, was issued for a term of up to 30 years, pays interest semi-annually, may be called at par after 10 years, converts to a variable rate after 10 years and allows us to defer the payment of interest for one or more consecutive interest periods not exceeding five consecutive years. Our 5.50% subordinated debt due 2064 was issued for a term of up to 45 years, pays interest quarterly, may be called at par after five years and allows us to defer the payment of interest for one or more consecutive interest periods not exceeding 40 consecutive quarterly periods. To date, we have not exercised our right to defer interest payments.

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The following table presents, by issuance, subordinated deferrable debt outstanding and the weighted-average interest rates as of May 31, 2021 and 2020.

**Table 8.1: Subordinated Deferrable Debt Outstanding and Weighted-Average Interest Rates**

(Dollars in thousands)	May 31,				Maturity and Call Dates		
	2021		2020		Term in Years	Maturity	Call Date
	Outstanding Amount	Weighted-Average Interest Rate	Outstanding Amount	Weighted-Average Interest Rate			
Issuances of subordinated notes:							
4.75% issuance 2013.....	\$ 400,000	4.75 %	\$ 400,000	4.75 %	30	2043	April 30, 2023
5.25% issuance 2016.....	350,000	5.25	350,000	5.25	30	2046	April 20, 2026
5.50% issuance 2019.....	250,000	5.50	250,000	5.50	45	2064	May 15, 2024
Total aggregate principal amount.....	1,000,000		1,000,000				
Debt issuance costs.....	(13,685)		(13,881)				
Total subordinated deferrable debt.....	\$ 986,315	5.11	\$ 986,119	5.11			

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**NOTE 9—MEMBERS’ SUBORDINATED CERTIFICATES**

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**Membership Subordinated Certificates**

Prior to June 2009, CFC members were required to purchase membership subordinated certificates as a condition of membership. Such certificates are interest-bearing, unsecured, subordinated debt. Membership certificates typically have an original maturity of 100 years and pay interest at 5% semi-annually. No requirement to purchase membership certificates has existed for NCSC or RTFC members.

**Loan and Guarantee Subordinated Certificates**

Members obtaining long-term loans, certain line of credit loans or guarantees may be required to purchase additional loan or guarantee subordinated certificates with each such loan or guarantee based on the borrower’s debt-to-equity ratio with CFC. These certificates are unsecured, subordinated debt and may be interest bearing or non-interest bearing.

Under our current policy, most borrowers requesting standard loans are not required to buy subordinated certificates as a condition of a loan or guarantee. Borrowers meeting certain criteria, including but not limited to, high leverage ratios, or borrowers requesting large facilities, may be required to purchase loan or guarantee subordinated certificates or member capital securities (described below) as a condition of the loan. Loan subordinated certificates have the same maturity as the related long-term loan. Some certificates may amortize annually based on the outstanding loan balance.

The interest rates payable on guarantee subordinated certificates purchased in conjunction with our guarantee program vary in accordance with applicable CFC policy. Guarantee subordinated certificates have the same maturity as the related guarantee.

**Member Capital Securities**

CFC offers member capital securities to its voting members. Member capital securities are interest-bearing, unsecured obligations of CFC, which are subordinate to all existing and future senior and subordinated indebtedness of CFC held by

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non-members of CFC, but rank proportionally to our member subordinated certificates. Member capital securities mature 30 years from the date of issuance, typically pay interest at 5% and are callable at par at our option 10 years from the date of issuance and anytime thereafter. The interest rate for new member capital securities issuance is set at the time of issuance. These securities represent voluntary investments in CFC by the members. The following table displays members' subordinated certificates and the weighted-average interest rates as of May 31, 2021 and 2020.

**Table 9.1: Members' Subordinated Certificates Outstanding and Weighted-Average Interest Rates**

(Dollars in thousands)	May 31,			
	2021		2020	
	Amounts Outstanding	Weighted- Average Interest Rate	Amounts Outstanding	Weighted- Average Interest Rate
Membership subordinated certificates:				
Certificates maturing 2021 through 2119 .....	\$ 628,582		\$ 630,467	
Subscribed and unissued <sup>(1)</sup> .....	12		16	
Total membership subordinated certificates .....	628,594	4.95 %	630,483	4.95 %
Loan and guarantee subordinated certificates:				
Interest-bearing loan subordinated certificates maturing through 2047 .....	223,067		280,372	
Non-interest-bearing loan subordinated certificates maturing through 2047 .....	132,203		144,258	
Subscribed and unissued <sup>(1)</sup> .....	45		45	
Total loan subordinated certificates .....	355,315	2.61	424,675	2.71
Interest-bearing guarantee subordinated certificates maturing through 2044 .....	31,581		43,700	
Non-interest-bearing guarantee subordinated certificates maturing through 2037 .....	—		14,590	
Total guarantee subordinated certificates .....	31,581	6.06	58,290	4.43
Total loan and guarantee subordinated certificates .....	386,896	2.89	482,965	2.92
Member capital securities:				
Securities maturing through 2050 .....	239,170	5.00	226,170	5.00
Total members' subordinated certificates .....	\$ 1,254,660	4.32	\$ 1,339,618	4.22

<sup>(1)</sup> The subscribed and unissued subordinated certificates represent subordinated certificates that members are required to purchase. Upon collection of full payment of the subordinated certificate amount, the certificate will be reclassified from subscribed and unissued to outstanding.

The weighted-average maturity for all membership subordinated certificates outstanding was 56 years as of both May 31, 2021 and 2020. The following table presents the amount of members' subordinated certificates maturing in each of the five fiscal years subsequent to May 31, 2021 and thereafter.

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**Table 9.2: Members' Subordinated Certificate Maturities and Weighted-Average Interest Rates**

<u>(Dollars in thousands)</u>	<u>Amount Maturing<sup>(1)</sup></u>	<u>Weighted- Average Interest Rate</u>
2022 .....	\$ 6,879	2.64 %
2023 .....	18,820	3.87
2024 .....	10,635	2.46
2025 .....	10,458	2.87
2026 .....	55,073	2.88
Thereafter .....	1,152,739	4.44
Total .....	<u>\$ 1,254,604</u>	4.32

<sup>(1)</sup>Excludes \$0.06 million in subscribed and unissued member subordinated certificates for which a payment has been received, but no certificate has been issued. Amortizing member loan subordinated certificates totaling \$190 million are amortizing annually based on the unpaid principal balance of the related loan. Amortization payments on these certificates totaled \$13 million in fiscal year 2021 and represented 7% of amortizing loan subordinated certificates outstanding.

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**NOTE 10—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES**

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We are an end user of derivative financial instruments and do not engage in derivative trading. Derivatives may be privately negotiated contracts, which are often referred to as OTC derivatives, or they may be listed and traded on an exchange. We generally engage in OTC derivative transactions. Our derivative instruments are an integral part of our interest rate risk-management strategy. Our principal purpose in using derivatives is to manage our aggregate interest rate risk profile within prescribed risk parameters. The derivative instruments we use primarily include interest rate swaps, which we typically hold to maturity. In addition, we may on occasion use treasury locks to manage the interest rate risk associated with future debt issuance or debt that is scheduled to reprice in the future.

**Notional Amount and Maturities of Derivatives Not Designated as Accounting Hedges**

The notional amount is used only as the basis on which interest payments are determined and is not the amount exchanged, nor recorded on our consolidated balance sheets. The following table shows, by derivative instrument type, the notional amount, the weighted-average rate paid and the weighted-average interest rate received for our interest rate swaps as of May 31, 2021 and 2020. For the substantial majority of interest rate swap agreements, a LIBOR index is currently used as the basis for determining variable interest payment amounts each period.

**Table 10.1: Derivative Notional Amount and Weighted-Average Rates**

<u>(Dollars in thousands)</u>	<u>May 31,</u>					
	<u>2021</u>			<u>2020</u>		
	<u>Notional Amount</u>	<u>Weighted- Average Rate Paid</u>	<u>Weighted- Average Rate Received</u>	<u>Notional Amount</u>	<u>Weighted- Average Rate Paid</u>	<u>Weighted- Average Rate Received</u>
Pay-fixed swaps .....	\$ 6,579,516	2.65 %	0.20 %	\$ 6,604,808	2.78 %	0.88 %
Receive-fixed swaps .....	2,399,000	0.92	2.80	2,699,000	1.54	2.75
Subtotal .....	8,978,516	2.19	0.89	9,303,808	2.42	1.42
Forward pay-fixed swaps .....	—			3,000		
Total interest rate swaps .....	<u>\$ 8,978,516</u>			<u>\$ 9,306,808</u>		

The following table presents the maturities, based on the notional amount of our interest rate swaps as of May 31, 2021.

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**Table 10.2: Derivative Notional Amount Maturities**

(Dollars in thousands)	Notional Amount	Notional Amortization and Maturities					
		2022	2023	2024	2025	2026	Thereafter
Interest rate swaps.....	\$8,978,516	\$735,554	\$558,159	\$643,849	\$100,000	\$798,822	\$6,142,132

**Impact of Derivatives on Consolidated Balance Sheets**

The following table displays the fair value of the derivative assets and derivative liabilities, by derivatives type, recorded on our consolidated balance sheets and the related outstanding notional amount as of May 31, 2021 and 2020.

**Table 10.3: Derivative Assets and Liabilities at Fair Value**

(Dollars in thousands)	May 31,			
	2021		2020	
	Fair Value	Notional Amount	Fair Value	Notional Amount <sup>(1)</sup>
Derivative assets:				
Interest rate swaps.....	\$ 121,259	\$ 2,560,618	\$ 173,195	\$ 2,699,000
Derivative liabilities:				
Interest rate swaps.....	\$ 584,989	\$ 6,417,898	\$ 1,258,459	\$ 6,607,808

<sup>(1)</sup>The notional amount includes \$3 million notional amount of forward starting swaps, as shown above in Table 10.1: Derivative Notional Amount and Weighted Average Rates, with an effective start date of June 5, 2020, outstanding as of May 31, 2020. The fair value of these swaps as of May 31, 2020 is included in the above table and in our consolidated financial statements.

All of our master swap agreements include netting provisions that allow for offsetting of all contracts with a given counterparty in the event of default by one of the two parties. However, as indicated above, in “Note 1—Summary of Significant Accounting Policies,” we report derivative asset and liability amounts on a gross basis by individual contracts. The following table presents the gross fair value of derivative assets and liabilities reported on our consolidated balance sheets as of May 31, 2021 and 2020, and provides information on the impact of netting provisions and collateral pledged, if any.

**Table 10.4: Derivative Gross and Net Amounts**

(Dollars in thousands)	May 31, 2021					
	Gross Amount of Recognized Assets/ Liabilities	Gross Amount Offset in the Balance Sheet	Net Amount of Assets/ Liabilities Presented in the Balance Sheet	Gross Amount Not Offset in the Balance Sheet		Net Amount
				Financial Instruments	Cash Collateral Pledged	
Derivative assets:						
Interest rate swaps.....	\$ 121,259	\$ —	\$ 121,259	\$ 121,259	\$ —	\$ —
Derivative liabilities:						
Interest rate swaps.....	584,989	—	584,989	121,259	—	463,730

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(Dollars in thousands)	Gross Amount of Recognized Assets/ Liabilities	Gross Amount Offset in the Balance Sheet	Net Amount of Assets/ Liabilities Presented in the Balance Sheet	Gross Amount Not Offset in the Balance Sheet		
				Financial Instruments	Cash Collateral Pledged	Net Amount
Derivative assets:						
Interest rate swaps .....	\$ 173,195	\$ —	\$ 173,195	\$ 173,195	\$ —	\$ —
Derivative liabilities:						
Interest rate swaps .....	1,258,459	—	1,258,459	173,195	—	1,085,264

**Impact of Derivatives on Consolidated Statements of Operations**

The primary factors affecting the fair value of our derivatives and the derivative gains (losses) recorded in our consolidated statements of operations include changes in interest rates, the shape of the swap curve and the composition of our derivative portfolio. We generally record derivative losses when interest rates decline and derivative gains when interest rates rise, as our derivative portfolio consists of a higher proportion of pay-fixed swaps than receive-fixed swaps.

The following table presents the components of the derivative gains (losses) reported in our consolidated statements of operations for fiscal years 2021, 2020 and 2019. Derivative cash settlements interest expense represents the net periodic contractual interest amount for our interest-rate swaps during the reporting period. Derivative forward value gains (losses) represent the change in fair value of our interest rate swaps during the reporting period due to changes in expected future interest rates over the remaining life of our derivative contracts. We classify the derivative cash settlement amounts for the net periodic contractual interest expense on our interest rate swaps as an operating activity in our consolidated statements of cash flows.

**Table 10.5: Derivative Gains (Losses)**

(Dollars in thousands)	Year Ended May 31,		
	2021	2020	2019
Derivative gains (losses) attributable to:			
Derivative cash settlements interest expense .....	\$ (115,645)	\$ (55,873)	\$ (43,611)
Derivative forward value gains (losses) .....	621,946	(734,278)	(319,730)
Derivative gains (losses) .....	\$ 506,301	\$ (790,151)	\$ (363,341)

**Credit Risk-Related Contingent Features**

Our derivative contracts typically contain mutual early-termination provisions, generally in the form of a credit rating trigger. Under the mutual credit rating trigger provisions, either counterparty may, but is not obligated to, terminate and settle the agreement if the credit rating of the other counterparty falls below a level specified in the agreement. If a derivative contract is terminated, the amount to be received or paid by us would be equal to the prevailing fair value, as defined in the agreement, as of the termination date.

On March 5, 2021, S&P downgraded our senior unsecured credit ratings from A to A- with a negative outlook. Our senior unsecured credit ratings from Moody's, S&P and Fitch were A2, A- and A, respectively, as of May 31, 2021. Moody's and Fitch had our ratings on stable outlook as of May 31, 2021. S&P had our ratings on negative outlook as of May 31, 2021. As of the date of the filing of this Report, no action has been taken by Moody's and Fitch on our ratings. The following table displays the notional amounts of our derivative contracts with rating triggers as of May 31, 2021, and the payments that would be required if the contracts were terminated as of that date because of a downgrade of our unsecured credit ratings or

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the counterparty's unsecured credit ratings below A3/A-, below Baa1/BBB+, to or below Baa2/BBB, or to or below Ba2/BB+ by Moody's or S&P, respectively. In calculating the payment amounts that would be required upon termination of the derivative contracts, we assume that amounts for each counterparty would be netted in accordance with the provisions of the master netting agreements with the counterparty. The net payment amounts are based on the fair value of the underlying derivative instrument, excluding the credit risk valuation adjustment, plus any unpaid accrued interest amounts.

**Table 10.6: Derivative Credit Rating Trigger Exposure**

<b>(Dollars in thousands)</b>	<b>Notional Amount</b>	<b>Payable Due from CFC</b>	<b>Receivable Due to CFC</b>	<b>Net Payable</b>
Impact of rating downgrade trigger:				
Falls below A3/A- <sup>(1)</sup> .....	\$ 41,080	\$ (8,168)	\$ —	\$ (8,168)
Falls below Baa1/BBB+.....	6,031,373	(304,922)	—	(304,922)
Falls to or below Baa2/BBB <sup>(2)</sup> .....	407,712	(14,835)	—	(14,835)
Total.....	<u>\$ 6,480,165</u>	<u>\$ (327,925)</u>	<u>\$ —</u>	<u>\$ (327,925)</u>

<sup>(1)</sup>Rating trigger for CFC falls below A3/A-, while rating trigger for counterparty falls below Baa1/BBB+ by Moody's or S&P, respectively.

<sup>(2)</sup>Rating trigger for CFC falls to or below Baa2/BBB, while rating trigger for counterparty falls to or below Ba2/BB+ by Moody's or S&P, respectively.

We have interest rate swaps with one counterparty that are subject to a ratings trigger and early termination provision in the event of a downgrade of CFC's senior unsecured credit ratings below Baa3, BBB- or BBB- by Moody's, S&P or Fitch, respectively. The outstanding notional amount of these swaps, which is not included in the above table, totaled \$222 million as of May 31, 2021. These swaps were in an unrealized loss position of \$22 million as of May 31, 2021.

Our largest counterparty exposure, based on the outstanding notional amount, accounted for approximately 24% and 25% of the total outstanding notional amount of derivatives as of May 31, 2021 and 2020, respectively. The aggregate fair value amount, including the credit valuation adjustment, of all interest rate swaps with rating triggers that were in a net liability position was \$344 million as of May 31, 2021.

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**NOTE 11—EQUITY**

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Total equity increased \$751 million to \$1,400 million as of May 31, 2021, attributable to the combined impact of our reported net income of \$814 million for the year ended May 31, 2021, which was partially offset by the retirement of patronage capital of \$60 million authorized by the CFC Board of Directors in July 2020 and paid to members in September 2020, and a decrease to retained earnings of \$4 million from the cumulative-effect adjustment recorded at adoption of the CECL accounting standard on June 1, 2020.

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**Table 11.1: Equity**

(Dollars in thousands)	May 31,	
	2021	2020
Membership fees .....	\$ 968	\$ 969
Educational fund .....	2,157	2,224
Total membership fees and educational fund .....	3,125	3,193
Patronage capital allocated .....	923,970	894,066
Members' capital reserve .....	909,749	807,320
Unallocated net income (loss):		
Prior year-end cumulative derivative forward value losses .....	(1,079,739)	(348,965)
Current-year derivative forward value gains (losses) <sup>(1)</sup> .....	618,577	(730,774)
Current year-end cumulative derivative forward value losses .....	(461,162)	(1,079,739)
Other unallocated net income .....	(709)	3,191
Unallocated net loss .....	(461,871)	(1,076,548)
CFC retained equity .....	1,374,973	628,031
Accumulated other comprehensive loss .....	(25)	(1,910)
Total CFC equity .....	1,374,948	626,121
Noncontrolling interests .....	24,931	22,701
Total equity .....	<u>\$ 1,399,879</u>	<u>\$ 648,822</u>

<sup>(1)</sup> Represents derivative forward value gains (losses) for CFC only, as total CFC equity does not include the noncontrolling interests of the consolidated variable interest entities NCSC and RTFC. See "Note 16—Business Segments" for the statements of operations for CFC.

**Allocation of Net Earnings and Retirement of Patronage Capital—CFC**

District of Columbia cooperative law requires cooperatives to allocate net earnings to patrons, to a general reserve in an amount sufficient to maintain a balance of at least 50% of paid-in capital and to a cooperative educational fund, as well as permits additional allocations to board-approved reserves. District of Columbia cooperative law also requires that a cooperative's net earnings be allocated to all patrons in proportion to their individual patronage and each patron's allocation be distributed to the patron unless the patron agrees that the cooperative may retain its share as additional capital.

Annually, the CFC Board of Directors allocates its net earnings to its patrons in the form of patronage capital, to a cooperative educational fund, to a general reserve, if necessary, and to board-approved reserves. An allocation to the general reserve is made, if necessary, to maintain the balance of the general reserve at 50% of the membership fees collected. CFC's bylaws require the allocation to the cooperative educational fund to be at least 0.25% of its net earnings. Funds from the cooperative educational fund are disbursed annually to statewide cooperative organizations to fund the teaching of cooperative principles and for other cooperative education programs.

Currently, CFC has one additional board-approved reserve, the members' capital reserve. The CFC Board of Directors determines the amount of net earnings that is allocated to the members' capital reserve, if any. The members' capital reserve represents net earnings that CFC holds to increase equity retention. The net earnings held in the members' capital reserve have not been specifically allocated to members, but may be allocated to individual members in the future as patronage capital if authorized by the CFC Board of Directors.

All remaining net earnings are allocated to CFC's members in the form of patronage capital. The amount of net earnings allocated to each member is based on the member's patronage of CFC's lending programs during the year. No interest is



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earned by members on allocated patronage capital. There is no effect on CFC's total equity as a result of allocating net earnings to members in the form of patronage capital or to board-approved reserves. The CFC Board of Directors has voted annually to retire a portion of the patronage capital allocation. Upon retirement, patronage capital is paid out in cash to the members to whom it was allocated. CFC's total equity is reduced by the amount of patronage capital retired to its members and by amounts disbursed from board-approved reserves. CFC's net earnings for determining allocations is based on CFC's non-GAAP adjusted net income, which excludes the impact of derivative forward value gains and losses.

The current policy of the CFC Board of Directors is to retire 50% of the prior year's allocated patronage capital and hold the remaining 50% for 25 years. The retirement amount and timing is subject to annual approval by the CFC Board of Directors.

In May 2021, the CFC Board of Directors authorized the allocation of \$1 million of net earnings for fiscal year 2021 to the cooperative educational fund. In July 2021, the CFC Board of Directors authorized the allocation of net earnings for fiscal year 2021 as follows: \$90 million to members in the form of patronage capital and \$102 million to the members' capital reserve. In July 2021, the CFC Board of Directors also authorized the retirement of patronage capital totaling \$58 million, of which \$45 million represented 50% of the patronage capital allocation for fiscal year 2021 and \$13 million represented the portion of the allocation from net earnings for fiscal year 1996 that has been held for 25 years pursuant to the CFC Board of Directors' policy.

We expect to return the authorized patronage capital retirement amount of \$58 million to members in cash in the second quarter of fiscal year 2022. The remaining portion of the patronage capital allocation for fiscal year 2021 will be retained by CFC for 25 years pursuant to the guidelines adopted by the CFC Board of Directors in June 2009.

In May 2020, the CFC Board of Directors authorized the allocation of \$1 million of net earnings for fiscal year 2020 to the cooperative educational fund. In July 2020 the CFC Board of Directors authorized the allocation of net earnings for fiscal year 2020 as follows: \$96 million to members in the form of patronage capital and \$48 million to the members' capital reserve. In July 2020, the CFC Board of Directors also authorized the retirement of patronage capital totaling \$60 million, of which \$48 million represented 50% of the patronage capital allocation for fiscal year 2020 and \$12 million represented the portion of the allocation from net earnings for fiscal year 1995 that has been held for 25 years pursuant to the CFC Board of Directors' policy. This amount was returned to members in cash in September 2020. The remaining portion of the patronage capital allocation for fiscal year 2020 will be retained by CFC for 25 years pursuant to the guidelines adopted by the CFC Board of Directors in June 2009.

Future allocations and retirements of net earnings may be made annually as determined by the CFC Board of Directors with due regard for its financial condition. The CFC Board of Directors has the authority to change the current practice for allocating and retiring net earnings at any time, subject to applicable laws and regulations.

CFC's total equity includes noncontrolling interests, which consist of 100% of the equity of NCSC and RTFC, as the members of NCSC and RTFC own or control 100% of the interests in their respective companies. NCSC and RTFC also allocate annual net earnings, subject to approval by the board of directors for each company. The allocation of net earnings by NCSC and RTFC to members or board-approved reserves does not affect noncontrolling interests; however, the cash retirement of amounts allocated to members or to disbursements from board-approved reserves results in a reduction to noncontrolling interests.

**Allocation of Net Earnings and Retirement of Patronage Capital—RTFC**

In accordance with District of Columbia cooperative law and its bylaws and board policies, RTFC allocates its net earnings to its patrons, to a cooperative educational fund and to a general reserve, if necessary. RTFC's bylaws require that it allocate at least 1% of net income to a cooperative educational fund. Funds from the cooperative educational fund are disbursed annually to fund the teaching of cooperative principles and for other cooperative education programs. An allocation to the general reserve is made, if necessary, to maintain the balance of the general reserve at 50% of the membership fees collected. The remainder is allocated to borrowers in proportion to their patronage. RTFC retires at least 20% of its annual

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allocation, if any, to members in cash prior to filing the applicable tax return. Any additional amounts are retired as determined by the RTFC Board of Directors, taking into consideration RTFC's financial condition.

**Allocation of Net Earnings—NCSC**

NCSC's bylaws require that it allocate at least 0.25% of its net earnings to a cooperative educational fund and an amount to the general reserve required to maintain the general reserve balance at 50% of membership fees collected. Funds from the cooperative educational fund are disbursed annually to fund the teaching of cooperative principles and for other cooperative education programs.

**Accumulated Other Comprehensive Income (Loss)**

The following table presents, by component, changes in AOCI for the years ended May 31, 2021 and 2020 and the balance of each component as of the end of each respective period.

**Table 11.2: Changes in Accumulated Other Comprehensive Income (Loss)**

(Dollars in thousands)	Year Ended May 31, 2021		
	Derivatives Unrealized Gains <sup>(1)</sup>	Defined Benefit Plan Unrealized Losses <sup>(2)</sup>	Total
Beginning balance.....	\$ 2,130	\$ (4,040)	\$ (1,910)
Gains reclassified into earnings.....	(412)	—	(412)
Defined benefit plan adjustments.....	—	2,297	2,297
Other comprehensive loss.....	(412)	2,297	1,885
Ending balance.....	\$ 1,718	\$ (1,743)	\$ (25)
	Year Ended May 31, 2020		
(Dollars in thousands)	Derivatives Unrealized Gains <sup>(1)</sup>	Defined Benefit Plan Unrealized Losses <sup>(2)</sup>	Total
Beginning balance.....	\$ 2,571	\$ (2,718)	\$ (147)
Gains reclassified into earnings.....	(441)	—	(441)
Defined benefit plan adjustments.....	—	(1,322)	(1,322)
Other comprehensive loss.....	(441)	(1,322)	(1,763)
Ending balance.....	\$ 2,130	\$ (4,040)	\$ (1,910)

<sup>(1)</sup> Reclassified to earnings as a component of the derivative gains (losses) line item presented on our consolidated statements of operations.

<sup>(2)</sup> Reclassified to earnings as a component of the other non-interest expense line item presented on our consolidated statements of operations.

We expect to reclassify less than \$1 million of amounts in AOCI related to unrealized derivative gains to earnings over the next 12 months.

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**NOTE 12—EMPLOYEE BENEFITS**

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**National Rural Electric Cooperative Association (“NRECA”) Retirement Security Plan**

CFC is a participant in the NRECA Retirement Security Plan (“the Retirement Security Plan”), a multiple-employer defined benefit pension plan. The employer identification number of the Retirement Security Plan is 53-0116145, and the plan number is 333. Plan information is available publicly through the annual Form 5500, including attachments. The Retirement Security Plan is a qualified plan in which all employees are eligible to participate upon completion of one year of service. Under this plan, participating employees are entitled to receive annually, under a 50% joint and surviving spouse annuity, 1.70% of the average of their five highest base salaries during their participation in the plan, multiplied by the number of years of participation in the plan.

The risks of participating in the multiple-employer plan are different from the risks of single-employer plans due to the following characteristics of the plan:

- Assets contributed to the multiple-employer plan by one participating employer may be used to provide benefits to employees of other participating employers.
- If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- If CFC chooses to stop participating in the plan, CFC may be required to pay a withdrawal liability representing an amount based on the underfunded status of the plan.

Because of the current funding status of the Retirement Security Plan, it is not subject to a certified zone status determination under the Pension Protection Act of 2006 (“PPA”). Based on the PPA target and PPA actuarial value of the plan assets, it was more than 80% funded as of January 1, 2021, 2020 and 2019. We made contributions to the Retirement Security Plan of \$4 million, \$5 million and \$5 million in fiscal years 2021, 2020 and 2019, respectively. In each of these years, our contribution represented less than 5% of total contributions made to the plan by all participating employers. Our contribution did not include a surcharge. CFC’s expense is limited to the annual premium to participate in the Retirement Security Plan. Because it is a multiple-employer plan, there is no funding liability for CFC for the plan. There were no funding improvement plans, rehabilitation plans implemented or pending, and no required minimum contributions. There are no collective bargaining agreements in place that cover CFC’s employees.

**Pension Restoration Plan**

The Pension Restoration Plan (“PRP”) is a nonqualified defined benefit plan established to provide supplemental benefits to certain eligible employees whose compensation exceeds the Internal Revenue Service (“IRS”) limits for the qualified Retirement Security Plan. The PRP restores the value of the Retirement Security Plan for eligible officers to the level it would be if the IRS limits on annual pay and annual annuity benefits were not in place. The limit was \$290,000 for calendar year 2021. The PRP, which is administered by NRECA, was frozen as of December 31, 2014.

The benefit and payout formula under the nonqualified PRP component of the Retirement Security Plan is similar to that under the qualified plan component. Under the PRP, the amount NRECA invoices us for the Retirement Security Plan is based on the full compensation paid to each covered employee. Upon retirement of an employee covered under the PRP, NRECA will calculate the retirement benefits to be paid both with and without consideration of the IRS compensation limits. We will then pay the nonqualified supplemental benefit to the covered employee. NRECA will provide a credit for supplemental benefit payments made by us to covered employees against future contributions we are required to make to the Retirement Security Plan.

There were two executive officers who were participants in this plan. Both have satisfied the provisions established to receive the benefit from this plan. Since there is no longer a risk of forfeiture of the benefit under the PRP, we will make

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distributions of any earned benefit from the plan to each of the executive officers included in the plan and the distributions will be credited back to us by NRECA. Accordingly, the distributions have no impact on our consolidated financial statements.

**Executive Benefit Restoration Plan**

NRECA restricted additional participation in the PRP in December 2014. We therefore adopted a supplemental top-hat Executive Benefit Restoration (“EBR”) Plan, effective January 1, 2015. The EBR Plan is a nonqualified, unfunded plan maintained by CFC to provide retirement benefits to a select group of executive officers whose compensation exceeds IRS limits for qualified defined benefit plans. There is a risk of forfeiture if participants leave the company prior to becoming fully vested in the EBR Plan. This plan included five and seven participants as of May 31, 2021 and 2020, respectively.

We recognized net periodic pension expense for this plan of approximately \$2 million, \$2 million and \$1 million in fiscal years 2021, 2020 and 2019, respectively. The unfunded projected benefit obligation of this plan, which is included on our consolidated balance sheets as a component of other liabilities, decreased to \$5 million as of May 31, 2021 from \$7 million as of May 31, 2021 and 2020, respectively. The decrease in the projected benefit obligation was primarily due to lump-sum settlement payments to plan participants who became fully vested during the year. CFC made contributions to the plan of \$1 million and \$2 million in fiscal years 2021 and 2020, respectively, for lump-sum settlement payments to fully-vested participants of \$1 million and \$2 million in each respective year. There were no lump-sum settlement payments made in fiscal year 2019. Unrecognized pension costs recorded in accumulated other comprehensive income decreased to \$2 million as of May 31, 2021, from \$4 million as of May 31, 2020, largely due to the lump-sum payments to fully-vested plan participants. We expect to amortize less than \$1 million of the unrecognized pension costs as a component of our net periodic pension benefit expense in fiscal year 2022.

As a result of the settlement payments in fiscal year 2021 and 2020, we recognized a combined settlement and curtailment loss of approximately \$1 million in fiscal year 2021 and a settlement loss of approximately \$1 million in fiscal year 2020. The curtailment and settlements losses are recorded as a component of non-interest expense on our consolidated statements of operations.

**Defined Contribution Plan**

CFC offers a 401(k) defined contribution savings program, the 401(k) Pension Plan, to all employees who have completed a minimum of 1,000 hours of service in either the first 12 consecutive months or first full calendar year of employment. We contribute an amount up to 2% of an employee’s salary each year for all employees participating in the program with a minimum 2% employee contribution. We contributed approximately \$1 million to the plan in each of fiscal years 2021, 2020 and 2019.

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**NOTE 13—GUARANTEES**

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We guarantee certain contractual obligations of our members so they may obtain various forms of financing. We use the same credit policies and monitoring procedures in providing guarantees as we do for loans and commitments. If a member system defaults on its obligation to pay debt service, then we are obligated to pay any required amounts under our guarantees. Meeting our guarantee obligations satisfies the underlying obligation of our member systems and prevents the exercise of remedies by the guarantee beneficiary based upon a payment default by a member system. In general, the member system is required to repay any amount advanced by us with interest, pursuant to the documents evidencing the member system’s reimbursement obligation.

The following table displays the notional amount of our outstanding guarantee obligations, by guarantee type and by member class, as of May 31, 2021 and 2020.

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**Table 13.1: Guarantees Outstanding by Type and Member Class**

(Dollars in thousands)	May 31,	
	2021	2020
Guarantee type:		
Long-term tax-exempt bonds <sup>(1)</sup> .....	\$ 145,025	\$ 263,875
Letters of credit <sup>(2)</sup> .....	389,735	413,839
Other guarantees.....	154,320	143,072
Total.....	\$ 689,080	\$ 820,786
Member class:		
CFC:		
Distribution.....	\$ 251,023	\$ 266,301
Power supply.....	415,984	538,532
Statewide and associate <sup>(3)</sup> .....	5,523	5,954
CFC total.....	672,530	810,787
NCSC.....	16,550	9,999
RTFC.....	—	—
Total.....	\$ 689,080	\$ 820,786

<sup>(1)</sup>Represents the outstanding principal amount of long-term fixed-rate and variable-rate guaranteed bonds.

<sup>(2)</sup>Reflects our maximum potential exposure for letters of credit.

<sup>(3)</sup>Includes CFC guarantees to NCSC and RTFC members totaling \$3 million as of both May 31, 2021 and 2020.

We guarantee debt issued in connection with the construction or acquisition of pollution control, solid waste disposal, industrial development and electric distribution facilities, classified as long-term tax-exempt bonds in the table above. We unconditionally guarantee to the holders or to trustees for the benefit of holders of these bonds the full principal, interest, and in most cases, premium, if any, on each bond when due. If a member system defaults in its obligation to pay debt service, then we are obligated to pay any required amounts under our guarantees. Such payment will prevent the occurrence of an event of default that would otherwise permit acceleration of the bond issue. In general, the member system is required to repay any amount advanced by us with interest, pursuant to the documents evidencing the member system's reimbursement obligation.

Long-term tax-exempt bonds of \$145 million and \$264 million as of May 31, 2021 and 2020, respectively, included \$145 million and \$244 million, respectively, of adjustable or variable-rate bonds that may be converted to a fixed rate as specified in the applicable indenture for each bond offering. We are unable to determine the maximum amount of interest that we may be required to pay related to the remaining adjustable and variable-rate bonds. Many of these bonds have a call provision that allows us to call the bond in the event of a default, which would limit our exposure to future interest payments on these bonds. Our maximum potential exposure generally is secured by mortgage liens on the members' assets and future revenue. If a member's debt is accelerated because of a determination that the interest thereon is not tax-exempt, the member's obligation to reimburse us for any guarantee payments will be treated as a long-term loan. The maturities for long-term tax-exempt bonds and the related guarantees extend through calendar year 2037.

Of the outstanding letters of credit of \$390 million and \$414 million as of May 31, 2021 and 2020, respectively, \$104 million and \$106 million, respectively, were secured. We did not have any letters of credit outstanding that provided for standby liquidity for adjustable and floating-rate tax-exempt bonds issued for the benefit of our members as of May 31, 2021. The maturities for the outstanding letters of credit as of May 31, 2021 extend through calendar year 2040. In March 2021, subsequent to Brazos' bankruptcy filing, we had draws totaling \$3 million on the letters of credit for Brazos. With the exception of Brazos, we were not required to perform pursuant to any of our guarantee obligations during fiscal year 2021.

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In addition to the letters of credit listed in the table above, under master letter of credit facilities in place as of May 31, 2021, we may be required to issue up to an additional \$64 million in letters of credit to third parties for the benefit of our members. All of our master letter of credit facilities were subject to material adverse change clauses at the time of issuance as of May 31, 2021. Prior to issuing a letter of credit, we would confirm there has been no material adverse change in the business or condition, financial or otherwise, of the borrower since the time the loan was approved and confirm that the borrower is currently in compliance with the letter of credit terms and conditions.

The maximum potential exposure for other guarantees was \$154 million and \$143 million as of May 31, 2021 and 2020, respectively, of which \$25 million was secured as of both May 31, 2021 and 2020. The maturities for these other guarantees listed in the table above extend through calendar year 2025. Guarantees under which our right of recovery from our members was not secured totaled \$415 million and \$426 million and represented 60% and 52% of total guarantees as of May 31, 2021 and 2020, respectively.

In addition to the guarantees described above, we were also the liquidity provider for \$145 million of variable-rate tax-exempt bonds as of May 31, 2021, issued for our member cooperatives. While the bonds are in variable-rate mode, in return for a fee, we have unconditionally agreed to purchase bonds tendered or put for redemption if the remarketing agents are unable to sell such bonds to other investors. We were not required to perform as liquidity provider pursuant to these obligations during fiscal years 2021, 2020 or 2019.

**Guarantee Liability**

We recorded a total guarantee liability for noncontingent and contingent exposures related to guarantees and liquidity obligations of \$10 million and \$11 million as of May 31, 2021 and 2020, respectively. The noncontingent guarantee liability, which pertains to our obligation to stand ready to perform over the term of our guarantees and liquidity obligations we have entered into or modified since January 1, 2003, was \$9 million and \$10 million as of May 31, 2021 and 2020, respectively. The contingent guarantee liability, which is based on management's estimate of exposure to losses within our guarantee portfolio, was \$1 million as of both May 31, 2021 and 2020.

The following table details the scheduled maturities of our outstanding guarantees in each of the five fiscal years following May 31, 2021 and thereafter:

**Table 13.2: Guarantees Outstanding Maturities**

<u>(Dollars in thousands)</u>	<u>Amount Maturing</u>
2022 .....	\$ 219,647
2023 .....	26,825
2024 .....	52,750
2025 .....	90,964
2026 .....	157,362
Thereafter .....	141,532
Total .....	<u>\$ 689,080</u>

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**NOTE 14—FAIR VALUE MEASUREMENT**

Fair value, also referred to as an exit price, is defined as the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants on the measurement date. The fair value accounting guidance provides a three-level fair value hierarchy for classifying financial instruments. This hierarchy is based on the markets in which the assets or liabilities trade and whether the inputs to the valuation techniques used to measure fair value are observable or unobservable. The fair value measurement of a financial asset or liability is assigned a level based on the lowest level of any input that is significant to the fair value measurement in its entirety. The levels, in priority order based on the extent to which observable inputs are available to measure fair value, are Level 1, Level 2 and Level 3. The accounting guidance for fair value measurements requires that we maximize the use of observable inputs and minimize the use of unobservable inputs in determining fair value. We describe the valuation technique for each level in “Note 1—Summary of Significant Accounting Policies.”

The following table presents the carrying value and estimated fair value of all of our financial instruments, including those carried at amortized cost, as of May 31, 2021 and 2020. The table also displays the classification level within the fair value hierarchy based on the degree of observability of the inputs used in the valuation technique for estimating fair value.

**Table 14.1: Fair Value of Financial Instruments**

(Dollars in thousands)	May 31, 2021		Fair Value Measurement Level		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>					
Cash and cash equivalents .....	\$ 295,063	\$ 295,063	\$ 295,063	\$ —	\$ —
Restricted cash .....	8,298	8,298	8,298	—	—
Equity securities, at fair value .....	35,102	35,102	35,102	—	—
Debt securities trading, at fair value .....	576,175	576,175	—	576,175	—
Deferred compensation investments .....	7,222	7,222	7,222	—	—
Loans to members, net .....	28,341,429	29,967,692	—	—	29,967,692
Accrued interest receivable .....	107,856	107,856	—	107,856	—
Derivative assets .....	121,259	121,259	—	121,259	—
Total financial assets .....	\$ 29,492,404	\$ 31,118,667	\$ 345,685	\$ 805,290	\$ 29,967,692
<b>Liabilities:</b>					
Short-term borrowings .....	\$ 4,582,096	\$ 4,582,329	\$ —	\$ 4,582,329	\$ —
Long-term debt .....	20,603,123	21,799,736	—	12,476,073	9,323,663
Accrued interest payable .....	123,672	123,672	—	123,672	—
Guarantee liability .....	10,041	10,841	—	—	10,841
Derivative liabilities .....	584,989	584,989	—	584,989	—
Subordinated deferrable debt .....	986,315	1,062,748	265,200	797,548	—
Members’ subordinated certificates .....	1,254,660	1,254,660	—	—	1,254,660
Total financial liabilities .....	\$ 28,144,896	\$ 29,418,975	\$ 265,200	\$ 18,564,611	\$ 10,589,164

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(Dollars in thousands)	May 31, 2020		Fair Value Measurement Level		
	Carrying Value	Fair Value	Level 1	Level 2	Level 3
<b>Assets:</b>					
Cash and cash equivalents .....	\$ 671,372	\$ 671,372	\$ 671,372	\$ —	\$ —
Restricted cash .....	8,647	8,647	8,647	—	—
Equity securities, at fair value .....	60,735	60,735	60,735	—	—
Debt securities trading, at fair value .....	309,400	309,400	—	309,400	—
Deferred compensation investments .....	5,496	5,496	5,496	—	—
Loans to members, net .....	26,649,255	29,252,065	—	—	29,252,065
Accrued interest receivable .....	117,138	117,138	—	117,138	—
Debt service reserve funds .....	14,591	14,591	14,591	—	—
Derivative assets .....	173,195	173,195	—	173,195	—
Total financial assets .....	\$ 28,009,829	\$ 30,612,639	\$ 760,841	\$ 599,733	\$ 29,252,065
<b>Liabilities:</b>					
Short-term borrowings .....	\$ 3,961,985	\$ 3,963,164	\$ —	\$ 3,713,164	\$ 250,000
Long-term debt .....	19,712,024	21,826,337	—	11,981,580	9,844,757
Accrued interest payable .....	139,619	139,619	—	139,619	—
Guarantee liability .....	10,937	11,948	—	—	11,948
Derivative liabilities .....	1,258,459	1,258,459	—	1,258,459	—
Subordinated deferrable debt .....	986,119	1,030,108	—	1,030,108	—
Members' subordinated certificates .....	1,339,618	1,339,618	—	—	1,339,618
Total financial liabilities .....	\$ 27,408,761	\$ 29,569,253	\$ —	\$ 18,122,930	\$ 11,446,323

**Loans to Members, Net**

Because of the interest rate repricing options we provide to borrowers on loan advances and other characteristics of our loans, there is no ready market from which to obtain fair value quotes or observable inputs for similar loans. As a result, we are unable to use the exit price to estimate the fair value of loans to members. We therefore estimate fair value for fixed-rate loans by discounting the expected future cash flows based on the current rate at which we would make a similar new loan for the same remaining maturity to a borrower. The assumed maturity date used in estimating the fair value of loans with a fixed rate for a selected rate term is the next repricing date because at the repricing date, the loan will reprice at the current market rate. The carrying value of our variable-rate loans adjusted for credit risk approximates fair value since variable-rate loans are eligible to be reset at least monthly.

The fair value of loans with different risk characteristics, specifically nonperforming and restructured loans, is estimated using collateral valuations or by adjusting cash flows for credit risk and discounting those cash flows using the current rates at which similar loans would be made by us to borrowers for the same remaining maturities. See below for information on how we estimate the fair value of certain individually evaluated loans.

**Transfers Between Levels**

We monitor the availability of observable market data to assess the appropriate classification of financial instruments within the fair value hierarchy and transfer between Level 1, Level 2 and Level 3 accordingly. Observable market data include but are not limited to quoted prices and market transactions. Changes in economic conditions or market liquidity generally will



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drive changes in availability of observable market data. Changes in availability of observable market data, which also may result in changes in the valuation technique used, are generally the cause of transfers between levels. We did not have any transfers into or out of Level 3 of the fair value hierarchy during the fiscal years ended May 31, 2021 and 2020.

**Assets and Liabilities Measured at Fair Value on a Recurring Basis**

The following table presents the carrying value and fair value of financial instruments reported in our consolidated financial statements at fair value on a recurring basis as of May 31, 2021 and 2020, and the classification of the valuation technique within the fair value hierarchy. We did not have any assets and liabilities measured at fair value on a recurring basis using significant unobservable inputs for the years ended May 31, 2021 and 2020.

**Table 14.2: Assets and Liabilities Measured at Fair Value on a Recurring Basis**

<b>(Dollars in thousands)</b>	May 31,					
	2021			2020		
	Level 1	Level 2	Total	Level 1	Level 2	Total
<b>Assets:</b>						
Equity securities, at fair value.....	\$ 35,102	\$ —	\$ 35,102	\$ 60,735	\$ —	\$ 60,735
Debt securities trading, at fair value.....	—	576,175	576,175	—	309,400	309,400
Deferred compensation investments.....	7,222	—	7,222	5,496	—	5,496
Derivative assets.....	—	121,259	121,259	—	173,195	173,195
<b>Liabilities:</b>						
Derivative liabilities.....	—	584,989	584,989	—	1,258,459	1,258,459

Below is a description of the valuation techniques we use to estimate fair value of our financial assets and liabilities recorded at fair value on a recurring basis, the significant inputs used in those techniques, if applicable, and the classification within the fair value hierarchy.

***Equity Securities***

Our investments in equity securities consist of investments in Farmer Mac Class A common stock and Series C preferred stock. These securities are reported at fair value in our consolidated balance sheets. We determine the fair value based on quoted prices on the stock exchange where the stock is traded. That stock exchange with respect to Farmer Mac Class A common stock is an active market based on the volume of shares transacted. Fair values for these securities are classified within Level 1 of the fair value hierarchy.

***Debt Securities Trading***

As discussed above in “Note 1—Summary of Significant Accounting Policies” our debt securities consist of investments in certificates of deposit with maturities greater than 90 days, commercial paper, corporate debt securities, municipality debt securities, commercial MBS, foreign government debt securities and other ABS and were classified as trading as of May 31, 2021. Management estimates the fair value of our debt securities utilizing the assistance of third-party pricing services. Methodologies employed, controls relied upon and inputs used by third-party pricing vendors are subject to management review when such services are provided. This review may consist of, in part, obtaining and evaluating control reports issued and pricing methodology materials distributed. We review the pricing methodologies provided by the vendors in order to determine if observable market information is being used to determine the fair value versus unobservable inputs. Investment securities traded in secondary markets are typically valued using unadjusted vendor prices. These investment securities, which include those measured using unadjusted vendor prices, are generally classified as Level 2 because the valuation typically involves using quoted market prices for similar securities, pricing models, discounted cash flow analyses using

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significant observable market where available or a combination of multiple valuation techniques for which all significant assumptions are observable in the market.

***Deferred Compensation Investments***

CFC offers a nonqualified 457(b) deferred compensation plan to highly compensated employees and board members. Such amounts deferred by employees are invested by the company. The deferred compensation investments are presented as other assets in the consolidated balance sheets in the other assets category at fair value. We calculate fair value based on the daily published and quoted net asset value, and these investments are classified within Level 1 of the fair value hierarchy.

***Derivative Instruments***

Our derivatives primarily consist of OTC interest rate swaps. All of our swap agreements are subject to master netting agreements. There is not an active secondary market for the types of interest rate swaps we use. We determine the fair value of our derivatives using models that incorporate observable market inputs, such as spot LIBOR rates, Eurodollar futures contracts and market swap rates. These inputs can vary depending on the type of derivative and nature of the underlying rate, price or index upon which the derivative's value is based. The impact of counterparty nonperformance risk is considered when measuring the fair value of derivative assets. Internal pricing is compared against additional pricing sources, such as external valuation agents and other sources. Pricing variances among different pricing sources are analyzed and validated. The technique for determining the fair value for our interest rate swaps is classified as Level 2.

**Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis**

We may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis on our consolidated balance sheets. These assets and liabilities are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, such as in the application of lower of cost or fair value accounting or when we evaluate assets for impairment. We had certain loans measured at fair value on a nonrecurring basis as of and during the fiscal year ended May 31, 2021. We did not have any assets or liabilities measured at fair value on a nonrecurring basis as of and during the fiscal year ended May 31, 2020.

***Collateral-Dependent Loans***

Because our loans are classified as held for investment and carried at amortized cost, we generally do not record loans at fair value on a recurring basis. However, we periodically record nonrecurring fair value adjustments for nonperforming collateral-dependent loans through the allowance for credit losses and provision for credit losses. We had nonperforming collateral-dependent loans outstanding to two affiliated RTFC telecommunications borrowers totaling \$9 million as of May 31, 2021. The collateral underlying these loans consisted primarily of U.S. Federal Communications Commission ("FCC") wireless spectrum licenses. Our estimate of the fair value of these loans was \$6 million as of May 31, 2021. As a result, we recorded a nonrecurring fair value adjustment for these loans of \$3 million for the year ended May 31, 2021.

***Significant Unobservable Level 3 Inputs***

We employ various approaches and techniques to estimate the fair value of loans where we expect repayment to be provided solely by the continued operation or sale of the underlying collateral, including estimated cash flows from the collateral, valuations obtained from third-party specialists and comparable sales data. The technique depends on the nature of the collateral and the extent to which observable inputs are available. Our Credit Risk Management group reviews the valuation technique, including the use of any significant inputs that are not readily observable by market participants, to assess the appropriateness of the technique and the reasonableness of the assumptions involved. The estimated fair value of \$6 million as of May 31, 2021 for the two affiliated RTFC nonperforming collateral-dependent loans totaling \$9 million as of May 31, 2021 was derived primarily based on the lower end of limited publicly available sales data for the underlying FCC spectrum licenses collateral.

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**NOTE 15—VARIABLE INTEREST ENTITIES**

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NCSC and RTFC meet the definition of a VIE because they do not have sufficient equity investment at risk to finance their activities without financial support. CFC is the primary source of funding for NCSC and the sole source of funding for RTFC. Under the terms of management agreements with each company, CFC manages the business operations of NCSC and RTFC. CFC also unconditionally guarantees full indemnification for any loan losses of NCSC and RTFC pursuant to guarantee agreements with each company. CFC earns management and guarantee fees from its agreements with NCSC and RTFC.

All loans that require NCSC board approval also require CFC board approval. CFC is not a member of NCSC and does not elect directors to the NCSC board. If CFC becomes a member of NCSC, it would control the nomination process for one NCSC director. NCSC members elect directors to the NCSC board based on one vote for each member. NCSC is a Class C member of CFC. All loans that require RTFC board approval also require approval by CFC for funding under RTFC's credit facilities with CFC. CFC is not a member of RTFC and does not elect directors to the RTFC board. RTFC is a non-voting associate of CFC. RTFC members elect directors to the RTFC board based on one vote for each member.

NCSC and RTFC creditors have no recourse against CFC in the event of a default by NCSC and RTFC, unless there is a guarantee agreement under which CFC has guaranteed NCSC or RTFC debt obligations to a third party. The following table provides information on incremental consolidated assets and liabilities of VIEs included in CFC's consolidated financial statements, after intercompany eliminations, as of May 31, 2021 and 2020.

**Table 15.1: Consolidated Assets and Liabilities of Variable Interest Entities**

<b>(Dollars in thousands)</b>	<b>May 31,</b>	
	<b>2021</b>	<b>2020</b>
<b>Assets:</b>		
Loans outstanding .....	\$ 1,127,251	\$ 1,083,197
Other assets .....	11,343	11,352
Total assets .....	<b>\$ 1,138,594</b>	<b>\$ 1,094,549</b>
<b>Liabilities:</b>		
Total liabilities .....	<b>\$ 30,187</b>	<b>\$ 38,803</b>

The following table provides information on CFC's credit commitments to NCSC and RTFC, and potential exposure to loss under these commitments as of May 31, 2021 and 2020.

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**Table 15.2: CFC Exposure Under Credit Commitments to NCSC and RTFC**

(Dollars in thousands)	May 31,	
	2021	2020
<b>CFC credit commitments to NCSC and RTFC:</b>		
Total CFC credit commitments.....	\$ 5,500,000	\$ 5,500,000
<b>Outstanding commitments:</b>		
Borrowings payable to CFC <sup>(1)</sup> .....	1,107,185	1,062,103
Credit enhancements:		
CFC third-party guarantees.....	16,550	9,999
Other credit enhancements.....	8,386	11,755
Total credit enhancements <sup>(2)</sup> .....	24,936	21,754
Total outstanding commitments.....	1,132,121	1,083,857
CFC credit commitments available <sup>(3)</sup> .....	\$ 4,367,879	\$ 4,416,143

<sup>(1)</sup> Intercompany borrowings payable by NCSC and RTFC to CFC are eliminated in consolidation.

<sup>(2)</sup> Excludes interest due on these instruments.

<sup>(3)</sup> Represents total CFC credit commitments less outstanding commitments as of each period-end.

CFC loans to NCSC and RTFC are secured by all assets and revenue of NCSC and RTFC. CFC's maximum potential exposure, including interest due, for the credit enhancements totaled \$25 million. The maturities for obligations guaranteed by CFC extend through 2031.

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**NOTE 16—BUSINESS SEGMENTS**

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Our consolidated financial statements include the financial results of CFC, NCSC and RTFC and certain entities created and controlled by CFC to hold foreclosed assets. Separate financial statements are produced for CFC, NCSC and RTFC and are the primary reports that management reviews in evaluating performance. The separate financial statements for CFC represent the consolidation of the financial results for CFC and the entities controlled by CFC. For more detail on the requirement to consolidate the financial results of NCSC and RTFC see "Note 1—Summary of Significant Accounting Policies."

Our activities are conducted through three operating segments that are based on each of the legal entities included in our consolidated financial statements: CFC, NCSC and RTFC. We report segment information for CFC separately, while we aggregate NCSC and RTFC and report combined segment information for these entities. CFC is the primary source of funding to NCSC. CFC is the sole source of funding to RTFC. Pursuant to a guarantee agreement, CFC has agreed to indemnify NCSC and RTFC for loan losses. The loan loss allowance at NCSC and RTFC is offset by a guarantee receivable from CFC. The following tables display segment results for the years ended May 31, 2021, 2020 and 2019, and assets attributable to each segment as of May 31, 2021 and 2020.

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**Table 16.1: Business Segment Information**

(Dollars in thousands)	Year Ended May 31, 2021			
	CFC	Other	Elimination	Consolidated
<b>Statement of operations:</b>				
Interest income .....	\$ 1,108,543	\$ 43,632	\$ (35,574)	\$ 1,116,601
Interest expense .....	(702,063)	(35,574)	35,574	(702,063)
<b>Net interest income</b> .....	<b>406,480</b>	<b>8,058</b>	<b>—</b>	<b>414,538</b>
Provision for credit losses .....	(28,507)	—	—	(28,507)
Net interest income after provision for credit losses .....	377,973	8,058	—	386,031
Non-interest income:				
Fee and other income .....	23,732	2,800	(7,603)	18,929
Derivative gains:				
Derivative cash settlements interest expense .....	(113,951)	(1,694)	—	(115,645)
Derivative forward value gains .....	618,578	3,368	—	621,946
Derivative gains .....	504,627	1,674	—	506,301
Investment securities gains .....	1,495	—	—	1,495
<b>Total non-interest income</b> .....	<b>529,854</b>	<b>4,474</b>	<b>(7,603)</b>	<b>526,725</b>
Non-interest expense:				
General and administrative expenses .....	(93,085)	(7,849)	6,229	(94,705)
Losses on early extinguishment of debt .....	(1,456)	—	—	(1,456)
Other non-interest expense .....	(1,619)	(1,374)	1,374	(1,619)
<b>Total non-interest expense</b> .....	<b>(96,160)</b>	<b>(9,223)</b>	<b>7,603</b>	<b>(97,780)</b>
Income before income taxes .....	811,667	3,309	—	814,976
Income tax provision .....	—	(998)	—	(998)
<b>Net income</b> .....	<b>\$ 811,667</b>	<b>\$ 2,311</b>	<b>\$ —</b>	<b>\$ 813,978</b>
May 31, 2021				
	CFC	Other	Elimination	Consolidated
<b>Assets:</b>				
Total loans outstanding .....	\$ 28,395,040	\$ 1,127,251	\$ (1,107,184)	\$ 28,415,107
Deferred loan origination costs .....	11,854	—	—	11,854
Loans to members .....	28,406,894	1,127,251	(1,107,184)	28,426,961
Less: Allowance for credit losses .....	(85,532)	—	—	(85,532)
Loans to members, net .....	28,321,362	1,127,251	(1,107,184)	28,341,429
Other assets .....	1,285,591	100,298	(88,955)	1,296,934
<b>Total assets</b> .....	<b>\$ 29,606,953</b>	<b>\$ 1,227,549</b>	<b>\$ (1,196,139)</b>	<b>\$ 29,638,363</b>

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(Dollars in thousands)	Year Ended May 31, 2020			
	CFC	Other	Elimination	Consolidated
<b>Statement of operations:</b>				
Interest income .....	\$ 1,143,397	\$ 47,107	\$ (39,218)	\$ 1,151,286
Interest expense .....	(820,841)	(39,466)	39,218	(821,089)
<b>Net interest income</b> .....	<b>322,556</b>	<b>7,641</b>	<b>—</b>	<b>330,197</b>
Provision for credit losses .....	(35,590)	—	—	(35,590)
Net interest income after provision for credit losses .....	286,966	7,641	—	294,607
Non-interest income:				
Fee and other income .....	28,309	9,524	(14,872)	22,961
Derivative losses:				
Derivative cash settlements interest expense .....	(54,707)	(1,166)	—	(55,873)
Derivative forward value losses .....	(730,774)	(3,504)	—	(734,278)
Derivative losses .....	(785,481)	(4,670)	—	(790,151)
Investment securities gains .....	9,431	—	—	9,431
<b>Total non-interest income</b> .....	<b>(747,741)</b>	<b>4,854</b>	<b>(14,872)</b>	<b>(757,759)</b>
Non-interest expense:				
General and administrative expenses .....	(98,808)	(8,940)	6,581	(101,167)
Losses on early extinguishment of debt .....	(69)	(614)	—	(683)
Other non-interest expense .....	(25,588)	(8,291)	8,291	(25,588)
<b>Total non-interest expense</b> .....	<b>(124,465)</b>	<b>(17,845)</b>	<b>14,872</b>	<b>(127,438)</b>
Loss before income taxes .....	(585,240)	(5,350)	—	(590,590)
Income tax benefit .....	—	1,160	—	1,160
<b>Net loss</b> .....	<b>\$ (585,240)</b>	<b>\$ (4,190)</b>	<b>\$ —</b>	<b>\$ (589,430)</b>
May 31, 2020				
	CFC	Other	Elimination	Consolidated
<b>Assets:</b>				
Total loans outstanding .....	\$ 26,669,759	\$ 1,083,197	\$ (1,062,102)	\$ 26,690,854
Deferred loan origination costs .....	11,526	—	—	11,526
Loans to members .....	26,681,285	1,083,197	(1,062,102)	26,702,380
Less: Allowance for credit losses .....	(53,125)	—	—	(53,125)
Loans to members, net .....	26,628,160	1,083,197	(1,062,102)	26,649,255
Other assets .....	1,496,998	106,525	(95,173)	1,508,350
<b>Total assets</b> .....	<b>\$ 28,125,158</b>	<b>\$ 1,189,722</b>	<b>\$ (1,157,275)</b>	<b>\$ 28,157,605</b>

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

(Dollars in thousands)	Year Ended May 31, 2019			
	CFC	Other	Elimination	Consolidated
<b>Statement of operations:</b>				
Interest income .....	\$ 1,126,869	\$ 51,741	\$ (42,940)	\$ 1,135,670
Interest expense .....	(835,491)	(43,658)	42,940	(836,209)
<b>Net interest income</b> .....	<b>291,378</b>	<b>8,083</b>	<b>—</b>	<b>299,461</b>
Benefit for credit losses .....	1,266	—	—	1,266
Net interest income after benefit for credit losses .....	292,644	8,083	—	300,727
Non-interest income:				
Fee and other income .....	20,515	2,655	(7,815)	15,355
Derivative losses:				
Derivative cash settlements interest expense .....	(42,618)	(993)	—	(43,611)
Derivative forward value losses .....	(318,135)	(1,595)	—	(319,730)
Derivative losses .....	(360,753)	(2,588)	—	(363,341)
Investment securities losses .....	(1,799)	—	—	(1,799)
<b>Total non-interest income</b> .....	<b>(342,037)</b>	<b>67</b>	<b>(7,815)</b>	<b>(349,785)</b>
Non-interest expense:				
General and administrative expenses .....	(91,063)	(8,477)	6,374	(93,166)
Losses on early extinguishment of debt .....	(7,100)	—	—	(7,100)
Other non-interest expense .....	(1,675)	(1,441)	1,441	(1,675)
<b>Total non-interest expense</b> .....	<b>(99,838)</b>	<b>(9,918)</b>	<b>7,815</b>	<b>(101,941)</b>
Loss before income taxes .....	(149,231)	(1,768)	—	(150,999)
Income tax provision .....	—	(211)	—	(211)
<b>Net loss</b> .....	<b>\$ (149,231)</b>	<b>\$ (1,979)</b>	<b>\$ —</b>	<b>\$ (151,210)</b>

## **Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

### **Item 9A. Controls and Procedures**

#### **Evaluation of Disclosure Controls and Procedures**

Senior management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934. At the end of the period covered by this Report, based on this evaluation process, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures are effective at the reasonable assurance level.

#### **Management's Report on Internal Control Over Financial Reporting**

The management of National Rural Utilities Cooperative Finance Corporation ("we," "our" or "us") is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. Our internal control over financial reporting is designed under the supervision of management, including the Chief Executive Officer and Chief Financial Officer, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with U.S. generally accepted accounting principles. Our internal control over financial reporting includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with U.S. generally accepted accounting principles, and that receipts and expenditures of ours are being made only in accordance with authorizations of management and our directors;
- (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or dispositions of our assets that could have a material effect on our financial statements; and
- (iv) ensure disclosure controls and procedures include, without limitation, controls and procedures designed to provide reasonable assurance that information required to be disclosed by us in reports filed under the Exchange Act is accumulated and communicated to our management, including our principal executive and principal financial officers, or persons performing similar functions, as appropriate, to allow timely decisions regarding required disclosure.

Any system of internal control, no matter how well designed, has inherent limitations, including but not limited to the possibility that a control can be circumvented or overridden and misstatements due to error or fraud may occur and not be detected. Also, because of changes in conditions, internal control effectiveness may vary over time. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Our management assessed the effectiveness of internal control over financial reporting as of May 31, 2021. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission in Internal Control-Integrated Framework ("2013 Framework").

Based on management's assessment and those criteria, management believes that we maintained effective internal control over financial reporting as of May 31, 2021.

This Annual Report on Form 10-K does not include an attestation report of our registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by our registered public accounting firm pursuant to the rules of the U.S. Securities and Exchange Commission that permit us to furnish only management's report with this Annual Report on Form 10-K.



### **Changes in Internal Control Over Financial Reporting**

As a result of the COVID-19 pandemic, beginning in mid-March 2020, certain of our employees began working remotely. We have not identified any material changes in our internal control over financial reporting resulting from the changes to the working environment. We are continually monitoring and assessing the COVID-19 situation to determine any potential impacts on the design and operating effectiveness of our internal control over financial reporting.

By: /s/ J. ANDREW DON  
J. Andrew Don  
Chief Executive Officer  
July 30, 2021

By: /s/ YU LING WANG  
Yu Ling Wang  
Senior Vice President and Chief Financial Officer  
July 30, 2021

By: /s/ ROBERT E. GEIER  
Robert E. Geier  
Vice President and Chief Accounting Officer  
July 30, 2021

### **Item 9B. Other Information**

None.

### **Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

#### (a) Directors

Name	Age	Director Since	Date Present Term Expires
Alan W. Wattles (President of CFC).....	55	2016	2022
Bruce A. Vitosh (Vice President of CFC).....	55	2017	2023
David E. Felkel (Secretary-Treasurer of CFC).....	59	2018	2021
Anthony A. Anderson.....	59	2021	2024 <sup>(1)</sup>
Thomas A. Bailey.....	79	2019	2022
Kevin M. Bender.....	62	2020	2023
Robert Brockman.....	71	2015	2022
Chris D. Christensen.....	57	2019	2022 <sup>(1)</sup>
Jared Echternach <sup>(2)</sup> .....	49	2021	2024
Timothy Eldridge <sup>(2)</sup> .....	63	2021	2024
Dennis Fulk.....	70	2019	2022
Barbara E. Hampton.....	59	2019	2022
Doyle Jay Hanson <sup>(3)</sup> .....	75	2015	2021
William Keith Hayward.....	56	2020	2023
Michael Heinen <sup>(2)</sup> .....	58	2021	2024
Bradley P. Janorschke.....	57	2019	2022
Jimmy A. LaFoy <sup>(3)</sup> .....	80	2015	2021
Anthony Larson.....	47	2020	2023
Brent McRae <sup>(2)</sup> .....	61	2021	2024
John Metcalf <sup>(2)</sup> .....	55	2021	2024
Kendall Montgomery.....	57	2020	2022
G. Anthony Norton.....	69	2019	2022
Jeffrey Allen Rehder.....	54	2020	2024
Bradley J. Schardin <sup>(3)</sup> .....	61	2015	2021
Mark A. Suggs.....	63	2020	2023
Marsha L. Thompson.....	65	2017	2023
Todd P. Ware <sup>(3)</sup> .....	54	2015	2021

<sup>(1)</sup>Pursuant to CFC's bylaws, NRECA determines the method of director election and length of term for the seat occupied by this director.

<sup>(2)</sup> Director seated on June 14, 2021.

<sup>(3)</sup> Director's term ended on June 14, 2021.

Under CFC's bylaws, the board of directors shall be composed of the following individuals:

- 20 directors, which must include one general manager and one director of a member system from each of 10 districts (but no more than one director from each state except in a district where only one state has members);
- two directors designated by NRECA; and
- if the board determines at its discretion that an at-large director shall be elected, one at-large director who satisfies the requirements of an audit committee financial expert as defined by the Sarbanes-Oxley Act of 2002 and is a trustee, director, manager, chief executive officer or chief financial officer of a member.

The 20 district-level directors are each elected by a vote of the members within the district for which the director serves. The at-large director who satisfies the requirements of an audit committee financial expert is elected by the vote of all members. All CFC directors, other than the two directors designated by NRECA, are elected for a three-year term and can serve a maximum of two consecutive terms. Each CFC member (other than associates) is entitled to one vote with respect to elections of directors in their districts.

**(b) Executive Officers**

<b>Title</b>	<b>Name</b>	<b>Age</b>	<b>Held Present Office Since<sup>(1)</sup></b>
President and Director .....	Alan W. Wattles	55	2021
Vice President and Director .....	Bruce A. Vitosh	55	2021
Secretary-Treasurer and Director .....	David E. Felkel	59	2021
Chief Executive Officer .....	J. Andrew Don	61	2021
Senior Vice President and Chief Financial Officer .....	Yu Ling Wang	46	2021
Senior Vice President, Member Services .....	Joel Allen	55	2014
Senior Vice President and General Counsel .....	Roberta B. Aronson	63	2014
Senior Vice President and Chief Corporate Affairs Officer .....	Brad L. Captain	51	2014
Senior Vice President and Chief Risk Officer .....	Gholam M. Saleh	49	2022
Senior Vice President, Corporate Services .....	Gary Bradbury	50	2022
Senior Vice President and Chief Administrative Officer .....	Graceann D. Clendenen <sup>(2)</sup>	63	2019
Senior Vice President, Credit Risk Management .....	John M. Borak <sup>(3)</sup>	76	2003
Senior Vice President, Loan Operations .....	Robin C. Reed <sup>(4)</sup>	59	2016

<sup>(1)</sup> Refers to fiscal year.

<sup>(2)</sup> Retired on June 30, 2021.

<sup>(3)</sup> Retired on July 30, 2021.

<sup>(4)</sup> Retired on May 31, 2021.

The President, Vice President and Secretary-Treasurer are elected annually by the board of directors at its first organizational meeting immediately following CFC’s annual membership meeting, each to serve a term of one year; the Chief Executive Officer serves at the pleasure of the board of directors; and the other Executive Officers serve at the pleasure of the Chief Executive Officer.

**(c) Identification of Certain Significant Employees**

Not applicable.

**(d) Family Relationships**

No family relationship exists between any director or executive officer and any other director or executive officer of the registrant.

**(e) (1) and (2) Business Experience and Directorships**

Following is biographical information about the business experience for each member of the CFC Board of Directors and executive officers.

**Directors**

*Mr. Wattles* has been president and chief executive officer of Monroe County Electric Cooperative in Waterloo, Illinois since 2002. He has been a board member of Southern Illinois Power Cooperative since 2002. As president and chief

executive officer of Monroe County Electric Cooperative, Mr. Wattles has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Wattles has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Vitosh** has been general manager and CEO of Norris Public Power District in Beatrice, Nebraska, since 2012. From 2008 to 2012, Mr. Vitosh was the manager of finance and accounting at Norris Public Power District. Mr. Vitosh is a CPA and is a member of the Nebraska Society of Certified Public Accountants. Mr. Vitosh has also been a self-employed farmer since 2004. As general manager and CEO of Norris Public Power District, Mr. Vitosh has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Vitosh has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Felkel** has been president and CEO of Edisto Electric Cooperative, Inc. in Bamberg, South Carolina, since 1997. He has been a trustee on the Board of Trustees of Central Electric Power Cooperative since 1997. As the president and CEO of Edisto Electric Cooperative, Inc., Mr. Felkel has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Felkel has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Anderson** has served as the general manager of Cherryland Electric Cooperative in Grawn, Michigan since 2003. Additionally, Mr. Anderson has served as a director of NRECA in Arlington, Virginia since 2008 and has been its vice president since March 4, 2021. He has also served as director of the Michigan Electric Cooperative Association in Lansing, Michigan, since 2003, and as its vice president since 2016. As the general manager of Cherryland Electric Cooperative, Mr. Anderson has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Anderson has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Bailey** has served as a director of Vermont Electric Cooperative in Johnson, Vermont, since January 2004. From 2006 to 2015 Mr. Bailey served as board president of Vermont Electric Cooperative. He has operated a real estate investment business since 2009. As a director of Vermont Electric Cooperative, Mr. Bailey has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Bailey has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Bender** has served as a director of Carroll White Rural Electric Membership Corporation in Monticello, Indiana, since January 2012. Additionally, he has served as president of Carroll White Rural Electric Membership Corporation since July 2017. Mr. Bender also served as the president and CEO of the Bank of Wolcott in Wolcott, Indiana, from January 2010 to March 2021. He has served as a director of Wolcott Bancorp since March 1995 and was elected chairman of the board in March 2021. From June 2008 to January 2012, he served as a director of Carroll County Rural Electric Membership Corporation in Delphi, Indiana. As a director and president of Carroll White Rural Electric Membership Corporation, Mr. Bender has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Bender has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Brockman** has been a director at Wheatland Rural Electric Association in Wheatland, Wyoming, since 2006. He has served as president and real estate broker for Keyhole Land Co. in Wheatland, Wyoming, since 1988. As a director of Wheatland Rural Electric Association, Mr. Brockman has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Brockman has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Christensen** has served as a director of Norval Electric Cooperative, Inc. in Glasgow, Montana, since 2004. Mr. Christensen has also served as a director of the NRECA Board of Directors since 2014, and has served as NRECA board president since March 4, 2021. He has been a self-employed rancher since 1979. As a director of Norval Electric Cooperative, Inc. and NRECA, Mr. Christensen has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Christensen has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Echternach** has been president and CEO of Beltrami Electric Cooperative Inc. in Bemidji, Minnesota, since 2016, and a director of Cooperative Development, LLC, its subsidiary, since 2016. He also served as CEO of North Itasca Electric Cooperative Inc. in Big Fork, Minnesota, from 2012 to 2016. Mr. Echternach has also served as president and director of the Greater Bemidji Economic Development Corporation in Bemidji, Minnesota, since 2016, and as a director of Security Bank USA in Bemidji, Minnesota, since 2020. As the president and CEO of Beltrami Electric Cooperative, Inc., Mr. Echternach has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Echternach has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Eldridge** has served as a director of Fleming-Mason Energy Cooperative, Inc. in Flemingsburg, Kentucky, since 2000, and as a director of East Kentucky Power Cooperative, Inc. in Winchester, Kentucky, since 2014. Mr. Eldridge has also been Audit Committee chairman of Fleming-Mason Energy since 2014. He has served as a director of Citizens Bank located in Morehead, Kentucky since 2013 and served as its Audit Committee chairman throughout that time. Since 2015, Mr. Eldridge has been a member-owner and Certified Public Accountant at Baldwin CPAs, PLLC in Flemingsburg, Kentucky. He has held his Kentucky CPA license since 1986. As a director of Fleming-Mason Energy Cooperative, Inc., Mr. Eldridge has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Eldridge has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Fulk** has served as a director of Platte-Clay Electric Cooperative in Kearney, Missouri, since 1993, including serving as board president from 2000 to 2015. He served as a director of NW Electric Power Cooperative from 2004 until April 2019, serving as board vice president from 2011 to April 2019. Mr. Fulk also served as a director of the Association of Missouri Electric Cooperatives from 2000 until 2015, serving as board president from 2010 to 2011. As a director of Platte-Clay Electric Cooperative, Mr. Fulk has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Fulk has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mrs. Hampton** currently serves as the president and CEO of Georgia Transmission Corporation in Tucker, Georgia, a position she began in January of 2021. She served as the senior vice president and CFO of the organization from 2005 until moving to the CEO role. Mrs. Hampton has been a Certified Public Accountant since 1990. As president and CEO of Georgia Transmission Corporation, Mrs. Hampton has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mrs. Hampton has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board. We believe Mrs. Hampton's experience with accounting principles, financial reporting rules and regulations and evaluating financial results makes her qualified to serve as an audit committee financial expert as defined by Section 407 of the Sarbanes-Oxley Act of 2002 and as the chairperson of CFC's Audit Committee.

**Mr. Hanson** has been a director of Fall River Rural Electric Cooperative in Ashton, Idaho, since 2005. From 1968 until 2001 Mr. Hanson served as a cooperative extension agent for the University of Idaho and University of Wyoming. He also chaired the Idaho Consumer-Owned Utilities Association Nominating Committee from 2013 until 2014. As a director of Fall River Rural Electric Cooperative, Mr. Hanson has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Hanson has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Hayward** has served as the general manager and CEO of North East Mississippi Electric Power Association in Oxford, Mississippi, since February 2014. From July 2004 to January 2014, he served as its manager of Engineering and Operations. Mr. Hayward has also served as a director of SEDC, a software cooperative in Atlanta, Georgia, since 2014. As the general manager and CEO of North East Mississippi Electric Power Association, Mr. Hayward has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Hayward has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Heinen** has been general manager of Jefferson Davis Electric Cooperative, Inc. in Jennings, Louisiana, since 1999. He has also served as a director of the Association of Louisiana Electric Cooperatives in Baton Rouge, Louisiana, since 1999. As the general manager of Jefferson Davis Electric Cooperative, Inc., Mr. Heinen has acquired extensive experience with

and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Heinen has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Janorschke** has been the general manager at Homer Electric Association, Inc. in Homer, Alaska, since 2004. He has also been the general manager of Alaska Electric and Energy Cooperative in Homer, Alaska, since 2004. Mr. Janorschke has also served on the Board of Trustees of the Northwest Public Power Association in Vancouver, Washington, since 2014. As the general manager of Homer Electric Association, Inc., Mr. Janorschke has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Janorschke has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. LaFoy** has served as a director and the secretary-treasurer for Baldwin County Electric Membership Corporation in Summerdale, Alabama, since July 2009. Mr. LaFoy is a Certified Public Accountant and since 1977 has owned and operated the public accounting firm LaFoy & Associates. He is a founding organizer and has served as a member of the Southern States Bank Board since August 2007. Mr. LaFoy also was a member of the Farmers National Bank Board of Opelika from 1989 to 2002 and the First American Bank Advisory Board from 2002 to 2006. Mr. LaFoy was a council member from 1981 until 1986 and president from 1985 until 1986 of the Alabama Society of Certified Public Accountants. He was also a council member of the American Institute of Certified Public Accountants from 1986 until 1990. As a director and secretary-treasurer of Baldwin County Electric Membership Corporation, Mr. LaFoy has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. LaFoy has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Larson** has served as a director of Slope Electric Cooperative, Inc. in New England, North Dakota, since June 2010, and as a director of Upper Missouri Power Cooperative in Sidney, Montana, since April 2000. Mr. Larson has served as an advisory board member of Dakotas America since September 2017, a director of Innovative Energy Alliance since January 2019 and a director of Maintenance Solutions Cooperative since January 2019, each of which provides services to electric cooperatives. In addition to being a self-employed rancher since 1986 and a supervisor at Adams County Soil Conservation District in Hetlinger, North Dakota since February 2020, Mr. Larson was an ambulatory care officer at West River Health Services from August 2016 to September 2019, and an agricultural banker at Dacotah Bank from October 2012 to January 2015. As a director of Slope Electric Cooperative, Inc., Mr. Larson has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Larson has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. McRae** has served as a director of McCone Electric Cooperative, Inc. in Circle, Montana, since 2009. He has also served as an alternate director of Central Montana Electric Power Cooperative, Inc. in Great Falls, Montana, from March 2018 to March 2021. Mr. McRae has served as a director of the Montana Electric Cooperatives' Association, Inc. in Great Falls, Montana, since 2011 and has served as its board president since 2013. He has been a self-employed rancher since 1989. As a director of McCone Electric Cooperative, Inc., Mr. McRae has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. McRae has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Metcalf** has been president and CEO of Mid-Ohio Energy Cooperative Inc. in Kenton, Ohio, since 2004. He has also served as a director and vice chairman of Buckeye Power Inc. in Columbus, Ohio, since 2004, and has served on its Audit Committee since 2016. As the president and CEO of Mid-Ohio Energy Cooperative Inc., Mr. Metcalf has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Metcalf has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Montgomery** has been general manager and CEO of Fort Belknap Electric Cooperative, Inc. in Olney, Texas, since August 2003. Additionally, Mr. Montgomery has been CEO of Fort Belknap Services Corporation, since August 2003, and CEO of Link Field Services, Inc. since August 2003, each subsidiaries of Fort Belknap Electric Cooperative, Inc. Mr. Montgomery has been an alternate director of Brazos Electric Power Cooperative, Inc. in Waco, Texas, since August 2003. He has also been a Certified Public Accountant since 1988. As the general manager and CEO of Fort Belknap Electric Cooperative, Inc., Mr. Montgomery has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Montgomery has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Norton** has served as a director of Snapping Shoals Electric Membership Corporation in Covington, Georgia, since 1993. Mr. Norton has also served as a director at Georgia Electric Membership Corporation in Tucker, Georgia, since 2009 and Georgia System Operations Corporation in Tucker, Georgia, since 2012. Mr. Norton has owned and operated Conyers Pharmacy in Conyers, Georgia from 1982 to 2018. As a director of Snapping Shoals Electric Membership Corporation, Mr. Norton has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Norton has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Rehder** has served as a director of North West Rural Electric Cooperative in Orange City, Iowa, since 2005, and has served as its board president since 2012. He has served as a director of Rivers Edge Bank, in Marion, South Dakota, since 2007. Since 2007, he has also served as a director of First State Associates, a bank holding company in Hawarden, Iowa and has served as its chairman since 2012. Since 2010, he has served as president of Rehder Farms Inc. and director of 3R Feedlots Inc. in Hawarden, Iowa. As a director of North West Rural Electric Cooperative, Mr. Rehder has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Rehder has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Schardin** has served as general manager of Southeastern Electric Cooperative in Marion, South Dakota, since 1990. He chaired the Managers Advisory Committee for his cooperative's wholesale power supplier, East River Electric Power Cooperative from January 2013 to 2015 and at the same time was a member of the Basin Electric Power Cooperative Managers Advisory Committee. Mr. Schardin has also been a member of the South Dakota Rural Electric Association Strategic Issues Committee since 2005, having served terms as president, vice president, secretary and treasurer of the committee during that time. He has also served as a director on the Rural Electric Economic Development Fund Board of Directors since 1996. As general manager of Southeastern Electric Cooperative, Mr. Schardin has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Schardin has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Suggs** has served as Executive Vice President and General Manager of Pitt & Greene Electric Membership Cooperative in Farmville, North Carolina, since September 1983. Mr. Suggs has served as a director of North Carolina Electric Membership Corporation in Raleigh, North Carolina since 1984 and served as its President from 2015 to 2017. He has also served as a director of North Carolina Association of Electric Cooperatives in Raleigh, North Carolina since 1984 and served as its President from 2010 to 2011. Additionally, Mr. Suggs has served as a director of Tarheel Electric Membership Association in Raleigh, North Carolina, since 1984. As Executive Vice President and General Manager of Pitt & Greene Electric Membership Cooperative, Mr. Suggs has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mr. Suggs has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mrs. Thompson** has served as a director of Trico Electric Cooperative in Mariana, Arizona, since 2001, and has served as vice president of the board since 2019. Mrs. Thompson also serves as a member of Trico Electric Cooperative's Audit and Finance Committee and served as its chair from 2013 until 2015. Additionally, Mrs. Thompson has been a director of Grand Canyon State Electric Cooperative Association since 2002 and served as its board president from 2008 to 2010. As vice president of the board and a director of Trico Electric Cooperative, Mrs. Thompson has acquired extensive experience with and knowledge of the rural electric cooperative industry and, therefore, we believe Mrs. Thompson has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

**Mr. Ware** has been president and CEO of Licking Rural Electrification-The Energy Cooperative in Newark, Ohio, since 2012. Mr. Ware was the vice president and CFO of Licking Rural Electrification-The Energy Cooperative from 2000 until 2011. In May 2019, Mr. Ware was elected as a director of Farmer Mac, a federally chartered and publicly traded corporation that provides a secondary market for a variety of loans made to borrowers in rural America, where he serves on the Audit and Enterprise Risk Committees. He served as a director of Licking County United Way and Genesis Healthcare Foundation from 2009 to 2018. He also served as a director of Altheirs Oil Inc. since 2005, the cooperative's wholesale power supplier, Buckeye Power Cooperative, since 2012, and The Ohio State University-Newark Advisory Board since 2016, where he currently serves as vice-chairman. He is also a member of the Buckeye Power Cooperative Executive and Rate Committees and the American Gas Association Leadership Council. As president and CEO of Licking Rural Electrification-The Energy Cooperative, Mr. Ware has acquired extensive experience with and knowledge of the rural electric cooperative industry and,

therefore, we believe Mr. Ware has the qualifications, skills and experience necessary to act in the best interests of CFC and to serve as a director on the CFC board.

### **Executive Officers**

**Mr. Don** joined CFC in September 1999 as Director of Loan Syndications and became Vice President of Capital Market Relations in June 2005. In June 2010, Mr. Don was named CFC's Senior Vice President and Treasurer, and on July 1, 2013, he became Senior Vice President and Chief Financial Officer. Effective May 3, 2021, Mr. Don assumed the position of Chief Executive Officer. Prior to joining CFC, he held the position of Vice President and Manager of the Washington, D.C. Office for The Bank of Tokyo-Mitsubishi. Mr. Don started his banking career with the Bank of Montreal in New York in 1984 and subsequently was a Vice President for Corporate Banking for The Bank of New York from 1987 to 1990.

**Ms. Wang** first joined CFC in 1999. During her 22-year tenure, Ms. Wang has held various positions within the Company's finance department. Ms. Wang has been Vice President, Capital Markets since June 2017 after having served as Vice President, Capital Markets Relations since June 2012. Effective May 3, 2021, Ms. Wang became Senior Vice President and Chief Financial Officer.

**Mr. Allen** joined CFC in 1990. Throughout his career with CFC, Mr. Allen has held various positions. He served as a Director, Portfolio Management through 2010 and as Vice President, Portfolio Management from 2010 until April 2014, when he became Senior Vice President, Member Services.

**Ms. Aronson** joined CFC in 1995. She served as Vice President and Deputy General Counsel until June 2013. Effective July 1, 2013, Ms. Aronson became Senior Vice President and General Counsel. Prior to joining CFC, Ms. Aronson was a partner at the law firm of Thompson Hine LLP.

**Mr. Captain** joined CFC in 1999. He served as Vice President, Government Relations until 2010 when he became Vice President, Corporate Communications. In January 2014, Mr. Captain served as Vice President, Corporate Relations until April 2014 when he became Senior Vice President, Corporate Relations. Effective June 1, 2021, Mr. Captain became Senior Vice President and Chief Corporate Affairs Officer. Prior to joining CFC, he worked as a Special Assistant to the Undersecretary of Rural Development at the U.S. Department of Agriculture.

**Mr. Saleh** first joined CFC in August 1997 in the Treasury and Finance Group. He became the Director of Risk Management before leaving in November 2005 to pursue a career as Director of Asset-Liability Management at CapitalSource Inc., followed by an appointment as Director and Financial Industry Fellow at the Financial Industry Regulatory Authority in Washington, D.C., in October 2009. Mr. Saleh went abroad in December 2010 to focus on international banking supervision, financial industry regulation and financial stability analysis prior to returning to CFC in September 2016 as Vice President of Financial Risk Management. Effective June 1, 2021, Mr. Saleh was named the Senior Vice President and Chief Risk Officer.

**Mr. Bradbury** joined CFC in May 2001 as the Vice President, Internal Audit. Effective June 1, 2021, Mr. Bradbury became the Senior Vice President, Corporate Services. Prior to working at CFC, Mr. Bradbury was an Internal Audit Services Manager at PricewaterhouseCoopers from June 1998 to May 2001.

**Ms. Clendenen** joined CFC in 1982. Throughout her career with CFC, Ms. Clendenen has held various positions. She served as Vice President, Human Resources until February 2012. In February 2012, she became Vice President, Human Resources & Corporate Services until April 2014. In April 2014, she became Senior Vice President, Corporate Services. On December 17, 2018, Ms. Clendenen was named Senior Vice President and Chief Administrative Officer. Ms. Clendenen retired from CFC on June 30, 2021.

**Mr. Borak** joined CFC in June 2002 as Senior Vice President, Credit Risk Management. Previously, he was with Fleet National Bank, Boston, Massachusetts, from 1992 to 2001 where he was a senior credit officer with risk management and had loan approval responsibility for several industry banking portfolios including investor-owned utilities. Prior assignments at Fleet in Hartford, Connecticut, included Manager of Credit Review and Manager of Loan Workout. Mr. Borak retired from CFC on July 30, 2021.



*Ms. Reed* joined CFC in 1987. She served as Vice President, Portfolio Management from 2002 until 2014. On April 16, 2014, Ms. Reed became Senior Vice President, Member Services. On September 14, 2015, Ms. Reed became Senior Vice President, Loan Operations. Ms. Reed retired from CFC on May 31, 2021.

**(f) Involvement in Certain Legal Proceedings**

None to our knowledge.

**(g) Promoters and Control Persons**

Not applicable.

**(h) Code of Ethics**

We have adopted a Code of Ethics within the meaning of Item 406(b) of Regulation S-K. This Code of Ethics applies to our principal executive officer, principal financial officer and principal accounting officer. This Code of Ethics is publicly available on our website at [www.nrucfc.coop](http://www.nrucfc.coop) (under the link “Investor Relations/Corporate Governance”).

**(i) Nominating Committee**

Our board of directors does not have a standing nominating committee. As described above under “Item 10(a) Directors,” 20 of our directors are each elected by members in the district for which the director serves. To nominate director candidates, at the district meeting before the meeting at which candidates are to be elected from such district, a nominating committee is elected composed of one person from each state within the district. Each member of these nominating committees must be a trustee, director or manager of one of our members. Each district nominating committee then submits the names of two or more nominees for each position in the district for which an election is to be held. We provide members of nominating committees with director guidelines to use in reviewing applications from potential candidates. One or more candidates for the at-large director position who satisfies the requirements of an audit committee financial expert are nominated by our board of directors if the board determines that it is appropriate to fill the seat. Our board of directors believes that it is appropriate for the full board of directors to nominate this director because of the position’s specific qualification requirements and the lack of any local district qualification requirement.

While we do not have a formal policy regarding diversity, the director guidelines we provide to each district nominating committee specify that a variety of perspectives, opinions and backgrounds is critical to the board’s ability to perform its duties and various roles. We recognize the value of having a board that encompasses a broad range of skills, expertise, industry knowledge and diversity of professional and personal experience.

**(j) Audit Committee**

Our Audit Committee currently consists of 14 directors: Mrs. Hampton (Chairperson), Mr. Suggs (Vice Chairperson), Mr. Wattles (Ex Officio), Mr. Anderson, Mr. Echternach, Mr. Eldridge, Mr. Felkel, Mr. Heinen, Mr. Janorschke, Mr. McRae, Mr. Metcalf, Mr. Montgomery, Mr. Rehder and Mr. Vitosh. Mrs. Hampton was designated by the board as an “audit committee financial expert” as defined by Section 407 of the Sarbanes-Oxley Act of 2002. The members of the Audit Committee are “independent” as that term is defined in Rule 10A-3 under the Securities Exchange Act. Among other things, the Audit Committee reviews our financial statements and the disclosure under “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our Annual Report on Form 10-K. The Audit Committee meets with our independent registered public accounting firm, internal auditors, CEO and financial management executives to review the scope and results of audits and recommendations made by those persons with respect to internal and external accounting controls and specific accounting and financial reporting issues and to assess corporate risk. The board has adopted a written charter for the Audit Committee that may be found on our website, [www.nrucfc.coop](http://www.nrucfc.coop) (under the link “Investor Relations/Corporate Governance”).

The Audit Committee completed its review and discussions with management regarding our audited financial statements for the year ended May 31, 2021. The Audit Committee has discussed with the independent auditors the matters required to be discussed by Auditing Standard No. 1301, and received from the independent accountants written disclosures and the letter

from the independent accountant required by applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the Audit Committee concerning independence, and discussed with the accountants their independence.

Based on the review and discussions noted above, the Audit Committee recommended to the board that the audited financial statements be included in our Annual Report on Form 10-K for the year ended May 31, 2021 for filing with the U.S. Securities and Exchange Commission.

## **(k) Compensation Committee**

### **Role of the Compensation Committee**

Our Compensation Committee currently consists of seven directors: Mr. Wattles, Mr. Vitosh, Mr. Felkel, Mrs. Hampton, Mr. Fulk, Mr. Norton and Mr. Larson. The Compensation Committee of the board of directors reviews and makes appropriate recommendations to the full board of directors regarding CFC's total compensation philosophy and pay components, including, but not limited to, base and incentive pay programs. The Compensation Committee is also responsible for approving the compensation, employment agreements and perquisites for the CEO. The Compensation Committee annually reviews all approved corporate goals and objectives relevant to compensation, evaluates performance in light of those goals and approves the CEO's compensation based on this evaluation, all of which is then submitted to the full board of directors for ratification. The Compensation Committee has delegated authority to the CEO for evaluating the performance and approving the annual base compensation for all of the other named executive officers as identified in the "Summary Compensation Table" below. Other than the CEO, no other named executive officer makes decisions regarding executive compensation.

The Compensation Committee reports to the board of directors on its actions and recommendations following committee meetings and meets in executive session without members of management present when making specific compensation decisions. Although the board has delegated authority to the Compensation Committee with respect to CFC's executive and general employee compensation programs and practices, the full board of directors also reviews and ratifies CFC's compensation and benefit programs each year.

The Compensation Committee's charter can be found on our website at [www.nrucfc.coop](http://www.nrucfc.coop) (under the link "Investor Relations/Corporate Governance").

### **The Compensation Committee's Processes**

The Compensation Committee has established a process to assist it in ensuring that CFC's executive compensation program is achieving its objectives. Prior to the start of each fiscal year, the board of directors approves performance measures for the "corporate balanced scorecard," which is the basis for the short-term incentive plan, and the specific goal and metrics for the long-term incentive plan. The Compensation Committee reviews and assesses the accomplishment of goals as of the end of the fiscal year and determines whether to authorize the payment of incentive compensation. This authorization is then submitted to the full board of directors for ratification.

The President, Vice President and Secretary-Treasurer of the board of directors meet annually with the CEO to review his performance based on his individual achievements, contribution to CFC's performance and other leadership accomplishments. In determining former CEO Mr. Petersen's base pay, the Compensation Committee subjectively considers a variety of corporate performance measures, including financial metrics, portfolio management, customer satisfaction and market share, industry leadership, and peer group compensation data provided by the compensation consultant, as discussed below.

### **Role of Compensation Consultant**

In fiscal year 2021, the Compensation Committee hired Mercer (US) Inc. ("Mercer US") to advise it on the CEO's compensation as compared with the compensation of CEOs of peer group organizations. Through discussions with the Compensation Committee, Mercer US established a peer group of companies to use in assessing the competitiveness of the CEO's compensation (see "Compensation Analysis" in the "Compensation Discussion and Analysis" section below).

Mercer US advised the Compensation Committee through an assessment of compensation data from this peer group using a one-year compensation analysis, which assesses CFC's CEO compensation and the compensation of peer CEOs for the most recent fiscal year. The elements of compensation reviewed include current base pay, target and actual annual incentives, actual long-term incentive granted as well as long-term incentive payouts, and total direct compensation. Mercer US did not determine or provide the Compensation Committee with a specific recommendation on any component of executive compensation; it only reviewed benchmark data and discussed what is generally occurring with executive compensation. Mercer US did not provide any other service to CFC in fiscal year 2021.

In fiscal year 2021, the Compensation Committee conducted an evaluation of Mercer US' independence considering the relevant regulations of the U.S. Securities and Exchange Commission and the listing standards of the New York Stock Exchange, and concluded that the services performed by Mercer US raised no conflicts of interest.

### **Role of Executive Officers**

As described above, the Compensation Committee has delegated the authority for making base pay decisions for the other named executive officers to the CEO. The CEO exercises his judgment to set base pay rates, based on general market data, overall corporate performance and leadership accomplishments. For additional information about the CEO's role in compensation decisions, see "Base Pay" under the "Compensation Discussion and Analysis" section below.

### **(l) Section 16(a) Beneficial Ownership Reporting Compliance**

Not applicable.

### **(m) Board Leadership Structure and Role of Risk Oversight by the Board of Directors**

#### **Board Leadership Structure**

The positions of CEO and president of the CFC Board of Directors are held by two separate individuals. The president must be a member of the board of directors and is elected annually by the board of directors. The president of the CFC Board of Directors has authority, among other things, to appoint members of the board to standing committees, to appoint a vice chairperson to each board standing committee and to appoint members to ad-hoc board committees. The president of the board presides over board meetings, sets meeting agendas and determines materials to be distributed to the board. Accordingly, the board president has substantial ability to influence the direction of the board. CFC believes that separation of the positions of board president and CEO reinforces the independence of the board in its oversight of CFC's business and affairs. CFC also believes that this leadership structure is appropriate in light of the cooperative nature of the organization. The board of directors appoints the CEO. The CEO is not a member of the board of directors. If the CEO position becomes vacant, the board of directors will appoint an interim CEO who will exercise the responsibilities of the CEO until a permanent CEO is selected by the board of directors.

#### **Board Role in Risk Oversight**

The board of directors has primary responsibility for the oversight and strategic direction of risk management. The board of directors has adopted a comprehensive risk-management policy that describes the roles and responsibilities of the board and management within an established framework for identifying and managing risks. The board of directors reviews the risk-management policy annually and updates it accordingly. The board of directors has developed a risk-management philosophy, which is reviewed and, if appropriate, updated annually. It states CFC's set of shared beliefs and attitudes on how risk is considered from strategy development and implementation to our operations.

The board of directors has also established a risk appetite statement that includes a common understanding between the board of directors and management regarding acceptable risks and risk tolerances underlying the execution of CFC's strategy. The board of directors reviews the risk appetite on at least an annual basis. The risk appetite is also intended as a benchmark for discussing the implications of pursuing new strategies and business opportunities.

The board of directors has also approved and authorized an Enterprise Risk Management ("ERM") program for CFC that provides a holistic view of key risks that may impact CFC's strategic objectives. ERM provides CFC with a process that

allows CFC to become more anticipatory and effective at evaluating and managing uncertainties. The ERM activities, which include risk surveys, risk assessments and risk analyses, are executed within the context of CFC's strategic objectives, mission, values, culture, risk-management philosophy and risk appetite. The program provides a consistent approach for identifying CFC's key risks and determining appropriate responses in light of the board of directors' strategic objectives, risk appetite and tolerances. As part of the ERM program and the board of directors' strategic planning process, the board of directors periodically participates in a risk assessment process in order to evaluate each risk identified as part of the ERM program on the basis of likelihood and impact, and prioritizes the risks in order to effectively manage CFC's most critical risks. Management has primary responsibility for the execution of the ERM program in accordance with the risk philosophy, risk appetite and risk tolerances of the board of directors. Additionally, management is responsible for regularly evaluating the ERM program, making regular reports to the board of directors about its evaluation of the ERM program, and proposing to the board of directors changes to the ERM program to reflect best practices.

In fulfilling its risk-management oversight duties, the board of directors receives periodic reports on business activities and risk-management activities from management and from various operating groups and committees across the organization, including the Credit Risk Management, the Member Services, the Treasury, the Internal Audit, the Business Technology Services and the Legal Services groups, as well as Corporate Compliance, the Asset Liability Committee, the Corporate Credit Committee, the Investment Management Committee and the Disclosure Committee. Management provides reports to the board of directors at each regularly scheduled board meeting, and more frequently as requested by the board of directors, relating to, among other things, the ongoing progress of managing risk at CFC through the ERM program, management's responses for the critical business risks identified during each risk assessment process and the status of any gaps or deficiencies, and CFC's risk profile and trends, as well as emerging risks and opportunities.

The board of directors places particular emphasis on the oversight of cybersecurity risks. Each quarter, or more frequently as requested by the board of directors, management provides reports on CFC's security operations, including any cybersecurity incidents, management's efforts to manage any incidents, and any other information requested from management. On at least an annual basis, the board of directors reviews management reports concerning the disclosure controls and procedures in place to enable CFC to make accurate and timely disclosures about any material cybersecurity events. Additionally, upon the occurrence of a material cybersecurity incident, the board of directors will be notified of the event so it may properly evaluate such incident, including management's remediation plan.

## **Item 11. Executive Compensation**

### **Compensation Discussion and Analysis**

#### ***Executive Compensation Philosophy and Objectives***

The components of our compensation package for the named executive officers (consisting of Messrs. Petersen, Don, Starheim and Allen and Ms. Wang and Aronson) are consistent with those offered to all employees.

Our executive compensation program provides a balanced mix of compensation that incorporates the following key components:

- annual base pay;
- an annual cash incentive that is based on the achievement of short-term (one-year) corporate goals;
- a three-year cash incentive that is based on the achievement of long-term corporate goals; and
- retirement, health and welfare and other benefit programs.

While all elements of executive compensation work together to provide a competitive compensation package, each element of compensation is determined independently of the other elements.

Our compensation philosophy is to provide a total compensation package for employees—base pay, short-term incentive, long-term incentive and benefits—that is competitive in the local employment market. However, due to the cooperative nature of the organization, CFC does not meet the total cash compensation levels of named executive officers of other financial services organizations since we do not offer stock or other equity compensation. It is important to CFC, however, to pay the named executive officers of CFC competitively in base pay to retain key talent.

**Performance**—Named executive officers receive base pay that is both market competitive and reflective of their role in developing, implementing and overseeing CFC’s strategy and operations. Other components of compensation—short-term and long-term incentives—reflect the performance of the organization and its success in achieving corporate performance metrics established by the board of directors.

**Retention**—CFC’s success is due in large part to the relationship between our employees and our members. This makes the retention of employees, including the named executive officers, vital to our business and long-term success. The compensation package, particularly the long-term incentive plan and the retirement benefits, assist in the retention of a highly qualified management team.

### ***Compensation Analysis***

In fiscal year 2021, Mercer (US), Inc. (“Mercer US”) was engaged by the Compensation Committee to conduct a survey to provide compensation data for the CEO position using 14 peer organizations identified by Mercer US through discussions with the Compensation Committee. Mercer US included companies in the peer group that were similar to CFC in asset size, industry and business description. The peer group included financial institutions that are private market, commercial and/or mission-driven lenders, offering full-service financing, investment and related services. The companies targeted as peer companies included two members of the Farm Credit System and 12 regional banks and financial services companies.

The peer group companies had assets ranging from approximately 50% to 200% of CFC’s May 31, 2020 total assets of \$28.2 billion, and included eight companies with greater total assets than CFC’s. The peer group consisted of financial services organizations New York Community Bancorp, Inc.; Signature Bank; Nelnet, Inc.; Webster Financial Corporation; Flagstar Bancorp, Inc.; People’s United Financial, Inc.; Hancock Whitney Corporation; Onemain Holdings, Inc.; BankUnited, Inc.; Synovus Financial Corporation; TFS Financial Corporation; and Federal Agricultural Mortgage Corporation, as well as two Farm Credit System peers.

Mercer US led the Compensation Committee through an assessment of CEO compensation data for the peer group companies. Mercer US’ data included both actual compensation and target compensation based on information obtained from each peer group company’s most recent annual report or proxy statement.

The elements of compensation reviewed include:

- current base salary;
- target and actual annual incentive paid in fiscal year 2020;
- actual long-term incentive granted, which includes restricted stock awards (valued at face value on the date of grant), stock option awards (valued at grant date utilizing the Black-Scholes option pricing model), other long-term incentive target awards (valued at target value on date of award) and cash long-term incentive payouts (valued at actual payout on date of award if target value is not disclosed);
- sign-on awards, special awards and mega-grants annualized over the term of the employment contract or the vesting schedule; and
- annualized value of retirement, perquisites and other noncash compensation.

The Compensation Committee reviewed total compensation data for the peer group for informational purposes and used this data solely to determine the competitiveness of our CEO base pay.

In determining the base compensation paid to our other named executive officers, the CEO reviewed national, credible third-party compensation surveys (including the Mercer US Executive and CompAnalyst surveys) for financial services and other organizations of similar asset size as CFC in order to obtain a general understanding of current compensation practices and to ensure that the base pay component of compensation for the named executive officers other than the CEO is competitive with such institutions. CFC has often recruited non-CEO talent from industries outside the financial services sector. As a result, the CEO considers data from surveys covering a larger and broader group of for-profit companies in setting compensation for the other named executive officers than the Compensation Committee considers in setting compensation for the CEO. The CEO considered the data to gain a general understanding of current compensation practices at institutions of similar asset size to CFC; he did not review or consider underlying data pertaining to individual organizations comprising any of the survey groups. Instead, the CEO considered the aggregate compensation data to enhance his understanding of current practices in setting compensation at competitive levels.

## *Elements of Compensation*

Base Pay—Our philosophy is to provide annual base pay that reflects the value of the job in the marketplace, targeted at the 50th percentile. To attract and retain a highly skilled workforce, we must remain competitive with the pay of other employers that compete with us for talent.

After reviewing the performance of the organization and the evaluation of Mr. Petersen’s performance, the CEO at the time, by each board member, it was the assessment of the Compensation Committee that the CEO and the organization performed extremely well during this business year. In fact, the business results met or exceeded company targets for many key metrics of performance, and the CEO continued to demonstrate outstanding leadership. Therefore, in recognition of his strong performance and leadership, the Committee increased Mr. Petersen’s base pay to \$1,286,000 effective January 1, 2021. Effective May 3, 2021, Mr. Don became CEO following Mr. Petersen’s retirement. Mr. Don’s base pay as CEO was determined to be \$1,000,000.

As discussed under “Compensation Analysis” above, Mr. Petersen, in his then capacity as the CEO, exercised his judgment to set the annual base pay for the other named executive officers based on general market data, overall company performance and individual leadership accomplishments.

Mr. Petersen determined that Mr. Don, Mr. Starheim, Ms. Aronson and Mr. Allen all performed well in their various roles as senior leaders of the organization. They each contributed to the achievement of corporate strategies and objectives in a positive and meaningful way that would typically warrant a merit-based increase in base pay. Mr. Allen, Mr. Don, Mr. Starheim and Ms. Aronson received a merit increase. In May 2021, Mr. Don became CEO and Ms. Wang became CFO. At that time, Mr. Don, as the CEO, exercised his judgment to set the annual base pay for Ms. Wang as CFO. The increases are included in the total compensation table below.

Short-Term Incentive—Our short-term cash incentive program is a one-year cash incentive that is tied to the annual performance of the organization as a whole. We believe that by paying a short-term incentive tied to the achievement of annual operating goals, all employees, including named executive officers, will focus their efforts on the most important strategic objectives that will help us fulfill our mission to our members and our obligations to the financial markets. Additionally, the short-term incentive pay enhances our ability to provide competitive compensation while at the same time tying total compensation paid to the achievement of corporate goals. Every employee participates in the short-term incentive program, and the corporate strategic goals are the same for all employees, including the named executive officers. The short-term incentive program provides annual cash incentive opportunities based upon the level of the position within our base pay structure, ranging from 15% to 25% of base pay. Named executive officers are eligible to receive short-term cash incentive compensation up to 25% of their base pay. Over the last 10 years, the actual payout percentage has ranged from 52.5% to 100% of total opportunity, with an average over the 10 years of 83.75%. This equates to a 10-year average payout of 15.97% of base salaries for all employees.

Our approach to establishing corporate goals for short-term incentive compensation has not changed since the plan’s inception. Corporate performance is measured using a balanced scorecard approved by the board of directors prior to the start of the fiscal year. The balanced scorecard is a performance management tool that articulates the corporate strategy into specific, quantifiable and measurable goals. The goals have always been tied to enhancing service to our member-owners while ensuring all aspects of the business are effectively managed.

The scorecard is divided into four quadrants, reflecting crucial areas of business performance. Specific goals are established within those quadrants to focus all employees on the target results and measures that must be achieved if we are to succeed at realizing our strategic plan. The intent is to align organizational, departmental and individual initiatives to achieve a common set of goals.

The four quadrants for fiscal year 2021, which were the basis for the short-term incentive payment, were: Operational Excellence; Customer Engagement; Financial Ratios; and Internal Process. For fiscal year 2021, the board of directors established six corporate goals within these four quadrants. The board of directors establishes corporate goals and measures they believe are challenging but achievable if each individual performs well in their role and we meet our internal business plan goals.

The goals for fiscal year 2021 were:

- *Operational Excellence*: One goal focusing on maintaining our financial position and meeting the credit needs of our members.
- *Customer Engagement*: Two goals supporting our efforts to maintain or increase market share of borrowers in key segments of the loan portfolio.
- *Financial Ratios*: Two goals supporting efforts to meet or exceed established financial targets to maintain CFC’s financial strength.
- *Internal Process and Operations*: One goal focused on managing CFC’s operating expense levels.

The determination of the extent to which the six goals were achieved and, therefore, the amount to be paid out under the short-term incentive plan for fiscal year 2021, was confirmed by the board of directors in July 2021. The board determined that five goals were achieved at 100% and one was not met. Each goal carries a different weight varying between 5% and 75%, resulting in an aggregate payout of 95% of the total opportunity.

Long-Term Incentive—The long-term incentive program is a three-year plan that is tied to CFC’s long-term strategic objectives. The long-term incentive program was implemented to create dynamic tension between short-term objectives and long-term goals. It is also an effective retention tool, helping us to keep key employees, and supports CFC’s efforts to compensate its employees at market-competitive levels.

All individuals employed by CFC on the first day of each fiscal year in which there is a long-term incentive plan in place, June 1, are eligible to participate in the program for the performance period beginning on that date. Under the long-term incentive program, performance units covering a three-year performance period are issued to each employee at the start of each fiscal year. The long-term incentive is paid out in one lump-sum cash payment after the end of the performance period, subject to approval by the board of directors and the continued employment (or retirement, disability or death) of the participant by CFC on the date of payment. We sometimes refer to each three-year performance period as a plan cycle.

The performance measure for the active long-term incentive plans is the achievement of bond rating targets for our issuer credit ratings as rated by S&P Global Inc., Fitch Ratings Inc. and Moody’s Investors Service rating agencies, as outlined in each plan document. The value of the performance units ranges from \$0 to \$150 per performance unit according to the level of CFC’s issuer credit ratings by the rating agencies. To achieve the highest value of \$150, which exceeds the targeted value, the agencies defined in each plan would have to raise CFC’s issuer credit rating to AA (or the equivalent rating at Moody’s). To determine the payout value of performance units, the ratings by agencies identified in each plan are given a numerical value, i.e., 2 for A stable, 3 for A positive, etc. The ratings of these agencies are then averaged to achieve the final value of the performance units.

The number of performance units awarded to each employee for each plan cycle is calculated by dividing a percentage, ranging from 15% to 25%, of the participant’s base pay for the first fiscal year of the plan cycle by the payout value assigned to the target rating level. For the program cycle ending May 31, 2021, the target rating level was “A+ Stable,” which was assigned a payout value of \$100 per performance unit. For the named executive officers, the number of performance units awarded for that program cycle was based on 25% of each named executive officer’s base pay for fiscal year 2019, the first year of the plan cycle. If the highest rating level was achieved at the end of that plan cycle, resulting in payout of \$150 per performance unit, the long-term incentive pay for named executive officers would have been 37.5% of fiscal year 2019 base pay.

The following table presents the potential payout values for performance units awarded for the program cycles that end on May 31, 2021, May 31, 2022 and May 31, 2023:

**Issuer Credit Rating—Incentive-Performance Linkage**

Rating	A			A+			AA-
	Negative	Stable	Positive	Negative	Stable	Positive	
Outlook.....							
Numerical Score.....	1	2	3	4	5	6	
Plan Payout Unit Value....	\$20	\$40	\$60	\$60	\$100	\$120	\$150

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\* The target objective is in bold.

CFC uses our issuer credit rating as the performance measure for the long-term incentive plan because stronger ratings lead to lower interest cost and more reliable access to the capital markets. We also believe our long-term incentive measure will better align management's interests with the interests of our members and investors. Since we have no publicly held equity securities and our objective is to offer our members cost-based financial products and services consistent with sound financial management rather than to maximize net income, more traditional performance measures such as net income or earnings per share would not be appropriate.

As of May 31, 2021, there were three active long-term incentive plans in which named executive officers were participants. Performance units issued to all named executive officers in fiscal year 2019 had a payout value based on our issuer credit ratings in place on May 31, 2021. Performance units issued to all named executive officers in fiscal year 2020 will have a payout value based on issuer credit ratings in place on May 31, 2022; and performance units issued to named executive officers in fiscal year 2021 will have a payout value based on issuer credit ratings in place on May 31, 2023. The payout values will be determined based on the table above or a table as amended within the plan by the CFC Board of Directors.

Performance units issued in fiscal year 2019 were paid based on the May 31, 2021 issuer credit ratings. Those ratings were at an average numerical level of one. The table above previously assigned a value of \$0 per performance unit for this level, however, the CFC Board of Directors approved revisions to the three active long-term incentive plans to increase the numerical value of one to \$20 per performance unit or 20% of the targeted opportunity (5% of fiscal year 2019 base pay).

All current plans will pay out if the three rating agencies rate our issuer credit rating at a high enough level to receive a payout. The payout will be based on the average of the numerical score associated with the three ratings in the table above (averages are calculated and rounded down to the next whole number).

### ***Risk Assessment***

The Compensation Committee conducts an annual risk assessment of the company's compensation policies and practices, particularly the short-term and long-term incentive plan goals, to ensure that the policies and practices do not encourage excessive risk. For fiscal year 2021 the Compensation Committee concluded that our compensation policies and practices are not reasonably likely to provide incentives for behavior that could have a material adverse effect on the company.

### ***Benefits***

An important retention tool is our defined benefit pension plan, the Retirement Security Plan. CFC participates in a multiple-employer pension plan managed by NRECA. We balance the effectiveness of this plan as a compensation and retention tool with the cost of the annual premium incurred to participate in this pension plan. The value of the pension benefit is determined by base pay only and does not include other cash compensation.

We also offer a Pension Restoration Plan ("PRP") and an Executive Benefit Restoration Plan ("EBR"). The PRP is a plan for a select group of management, to increase their retirement benefits above amounts available under the Retirement Security Plan, which is restricted by Internal Revenue Service ("IRS") limitations on annual pay levels and maximum annual annuity benefits. The PRP restores the value of the Retirement Security Plan for named executive officers to the level it would be if the IRS limits on annual pay and annual annuity benefits were not in place. The PRP was frozen as of December 31, 2014. We then established the EBR to provide a similar benefit to a select group of management. A named executive officer may participate in the PRP or the EBR. Unlike the Retirement Security Plan, the PRP and the EBR are unfunded, unsecured obligations of CFC and are not qualified for tax purposes. Five of the named executive officers are participants in either the PRP or the EBR.



Under the PRP, we pay the amount owed to the named executive officers for the pension restoration benefit; amounts paid are then deducted from the premium due for the next Retirement Security Plan invoice(s) to NRECA. Under the EBR, we will also pay any amounts owed to the named executive officers for the restoration benefit once the risk of forfeiture has expired; amounts will be paid directly by CFC. We record an unfunded pension obligation and an offsetting adjustment to AOCI for this liability.

For more information on the Retirement Security Plan, the PRP and the EBR, see “Pension Benefits Table” below.

As an additional retention tool designed to assist named executive officers in deferring compensation for use in retirement, each named executive officer is also eligible to participate in CFC’s nonqualified 457(b) deferred compensation savings plan. Contributions to this plan are limited by IRS regulations. The calendar year 2021 cap for contributions is \$19,500. There is no CFC contribution to the deferred compensation plan. For more information see “Nonqualified Deferred Compensation” below.

The CEO is eligible to earn retirement benefits in addition to those credited under any of the above-mentioned plans in a Supplemental Executive Retirement Plan (“SERP”). This plan is an ineligible deferred compensation plan within the meaning of section 457 of the Internal Revenue Code. The account is considered unfunded and may be credited from time to time pursuant to the plan at the discretion of the CFC Board of Directors. During fiscal year 2021, the CFC Board of Directors used its discretion and did not credit this account.

### ***Other Compensation***

We provide named executive officers with other benefits, as reflected in the All Other Compensation column in the “Summary Compensation Table” below, that we believe are reasonable and consistent with our compensation philosophy. We do not provide significant perquisites or personal benefits to the named executive officers.

The Compensation Committee considers perquisites for the CEO in connection with its annual review of the CEO’s total compensation package described above. The perquisites provided to Mr. Petersen are limited to an annual automobile allowance, an annual spousal air travel allowance to permit Mr. Petersen’s spouse to accompany him on business travel, and home security. To provide the automobile and spousal travel perquisites in an efficient fashion, the board of directors authorizes an annual allowance rather than providing unlimited reimbursement or use of a company-owned vehicle. The amount of each allowance is authorized annually by the board of directors and is determined based on the estimated cost for operation and maintenance of an automobile and the anticipated cost of air travel by the CEO’s spouse. For 2021, the board of directors authorized an aggregate of \$50,000 to cover these two allowances. We provide security for Mr. Petersen, including security in addition to that provided at business facilities. We believe that all company-incurred security costs are reasonable and necessary and for the company’s benefit.

### ***Severance/Change-in-Control Agreements***

Mr. Petersen, CEO through May 2, 2021, and Mr. Don in his role as CEO effective May 3, 2021, each have an executive agreement with CFC under which they may continue to receive compensation and benefits in certain circumstances after resignation or termination of employment. The value of their severance package was determined to be appropriate for a CEO and approved by the Compensation Committee as part of their employment contract. No other named executive officers have termination or change-in-control agreements. For more information on these severance arrangements, see “Termination of Employment and Change-in-Control Arrangements” below.

### **Compensation Committee Report**

The Compensation Committee of the board of directors oversees CFC’s compensation program on behalf of the board. In fulfilling its oversight responsibilities, the Compensation Committee reviewed and discussed with management the “Compensation Discussion and Analysis” set forth in this Annual Report on Form 10-K. Based on this review and discussion, the Compensation Committee recommended to the board of directors that the “Compensation Discussion and Analysis” be included in this Form 10-K.

Submitted by the Compensation Committee:

David E. Felkel  
Dennis R. Fulk  
Barbara E. Hampton  
Anthony Larson  
G. Anthony Norton  
Bruce A. Vitosh  
Alan W. Wattles

### Summary Compensation Table

The summary compensation table below sets forth the aggregate compensation for the fiscal years ended May 31, 2021, 2020 and 2019 earned by the named executive officers.

Name and Principal Position	Year	Salary	Bonus <sup>(1)</sup>	Non-Equity Incentive Plan Compensation <sup>(2)</sup>	Change in Pension Value and Nonqualified Deferred Compensation Earnings <sup>(3)</sup>	All Other Compensation <sup>(4)</sup>	Total
Sheldon C. Petersen <sup>(5)</sup> ...	<b>2021</b>	<b>\$ 1,136,833</b>	<b>\$ —</b>	<b>\$ 325,178</b>	<b>\$ 49,387</b>	<b>\$ 321,738</b>	<b>\$ 1,833,136</b>
Former Chief	2020	1,173,750	—	364,796	544,784	47,798	2,131,128
Executive Officer	2019	1,118,750	—	246,293	415,728	40,870	1,821,641
J. Andrew Don <sup>(5)</sup> .....	<b>2021</b>	<b>560,166</b>	<b>—</b>	<b>156,500</b>	<b>624,196</b>	<b>8,241</b>	<b>1,349,103</b>
Chief Executive	2020	493,500	—	155,015	648,386	7,296	1,304,197
Officer	2019	470,000	10,000	105,688	49,564	8,125	643,377
Yu Ling Wang <sup>(5)</sup> .....	<b>2021</b>	<b>278,285</b>	<b>—</b>	<b>66,150</b>	<b>272,437</b>	<b>8,033</b>	<b>624,905</b>
Senior Vice President and Chief Financial Officer							
Gregory J. Starheim <sup>(5)</sup> ...	<b>2021</b>	<b>496,292</b>	<b>—</b>	<b>—</b>	<b>1,402,300</b>	<b>353,556</b>	<b>2,252,148</b>
Senior Vice President, Business and Industry Development	2020	493,500	—	153,015	553,962	10,981	1,211,458
	2019	459,750	10,000	101,454	113,379	8,292	692,875
Roberta B. Aronson .....	<b>2021</b>	<b>478,000</b>	<b>—</b>	<b>133,645</b>	<b>—</b>	<b>5,925</b>	<b>617,570</b>
Senior Vice President and General Counsel	2020	451,000	—	139,306	591,013	5,942	1,187,261
	2019	406,250	10,000	90,794	114,130	5,646	626,820
Joel Allen .....	<b>2021</b>	<b>420,000</b>	<b>—</b>	<b>117,750</b>	<b>709,253</b>	<b>8,400</b>	<b>1,255,403</b>
Senior Vice President, Member Services	2020	396,000	—	122,383	788,933	7,400	1,314,716
	2019	360,000	—	80,490	5,218	9,125	454,833

<sup>(1)</sup> Includes amounts given as one-time cash awards in lieu of or in addition to base pay increases. Details for 2021 can be found in “Elements of Compensation” in “Compensation Discussion and Analysis” above.

<sup>(2)</sup> Includes amounts earned during each respective fiscal year and payable as of May 31 under the long-term and short-term incentive plans. For a discussion of the long-term and short-term incentive plans, see “Elements of Compensation” in “Compensation Discussion and Analysis” above. The amounts earned by each named executive officer under these incentive plans are listed above.

<sup>(3)</sup> Represents the aggregate change in the actuarial present value of the accumulated pension benefit under NRECA Retirement Security Plan, the multiple-employer defined benefit pension plan in which CFC participates, during each respective fiscal year as calculated by NRECA. For Mr. Petersen, in fiscal years 2019 and 2020 this also includes a payment from the SERP. For a discussion of the SERP, see “Benefits” in “Compensation Discussion and Analysis” above. Ms. Aronson’s change in pension value was negative for fiscal year 2021 and is not included in total compensation.

(4) For Mr. Petersen for fiscal year 2021, includes (i) perquisites comprising Mr. Petersen’s automobile allowance and his spousal air travel allowance prorated through May 2, 2021 (ii) \$3,615 representing the approximate aggregate incremental cost to the company for maintaining security arrangements for Mr. Petersen in addition to security arrangements provided at the headquarters facility and (iii) payout for accrued and unused annual leave. We do not believe this provides a personal benefit (other than the intended security) nor do we view these security arrangements as compensation to the individual. We report these security arrangements as perquisites as required under applicable SEC rules. The annual automobile allowance is calculated based on estimated costs associated with maintenance, use and insurance of a personal automobile. The annual spousal travel allowance is calculated based on the anticipated air travel for Mrs. Petersen during the fiscal year. The remaining amounts included in this column represent CFC contributions on behalf of each named executive officer pursuant to the CFC 401(k) defined contribution plan and contributions to health savings accounts. The amount paid to Mr. Starheim included a lump-sum severance payment made at the end of his employment.

(5) Mr. Petersen retired May 2, 2021. Mr. Don was appointed CEO effective May 3, 2021 and Ms. Wang was appointed CFO effective May 3, 2021. Mr. Starheim’s employment ended effective May 15, 2021.

The following chart has the amounts paid to each named executive officer under the short-term and long-term incentive plans for the preceding three years.

Name	Year	Short-Term Incentive Plan	Long-Term Incentive Plan
Sheldon C. Petersen.....	<b>2021</b>	<b>\$ 271,828</b>	<b>\$ 53,350</b>
	2020	261,276	103,520
	2019	145,773	100,520
J. Andrew Don.....	<b>2021</b>	<b>133,000</b>	<b>23,500</b>
	2020	109,495	45,520
	2019	61,688	44,000
Yu Ling Wang.....	<b>2021</b>	<b>54,150</b>	<b>12,000</b>
Gregory J. Starheim.....	<b>2021</b>	—	—
	2020	109,495	43,520
	2019	60,454	41,000
Roberta B. Aronson.....	<b>2021</b>	<b>113,525</b>	<b>20,120</b>
	2020	100,066	39,240
	2019	53,274	37,520
Joel Allen.....	<b>2021</b>	<b>99,750</b>	<b>18,000</b>
	2020	87,863	34,520
	2019	47,250	33,240

### Grants of Plan-Based Awards

We have a long-term and a short-term incentive plan for all employees, under which the named executive officers may receive a cash incentive up to 37.5% and 25% of salary, respectively. The incentive payouts are based on the executive officer’s salary for the fiscal year in which the program becomes effective. See the “Compensation Discussion and Analysis” above for further information on these incentive plans.

The following table contains the estimated possible payouts under our short-term incentive plan and possible future payouts for grants issued under our long-term incentive plan during the year ended May 31, 2021.

Name	Estimated Future Payouts Under Non-Equity Incentive Plan Awards			
	Grant Date	Threshold	Target	Maximum
Sheldon C. Petersen				
Long-Term Incentive Plan <sup>(1)</sup> .....	June 1, 2020	\$ —	\$ 303,500	\$ 455,250
Short-Term Incentive Plan <sup>(2)</sup> .....		—	321,500	321,500
J. Andrew Don				
Long-Term Incentive Plan <sup>(1)</sup> .....	June 1, 2020	—	130,800	196,200
Short-Term Incentive Plan <sup>(2)</sup> .....		—	250,000	250,000
Yu Ling Wang				
Long-Term Incentive Plan <sup>(1)</sup> .....	June 1, 2020		67,000	100,500
Short-Term Incentive Plan <sup>(2)</sup> .....			100,000	100,000
Gregory J. Starheim <sup>(3)</sup>				
Long-Term Incentive Plan <sup>(1)</sup> .....	June 1, 2020	—	—	—
Short-Term Incentive Plan <sup>(2)</sup> .....		—	—	—
Roberta B. Aronson				
Long-Term Incentive Plan <sup>(1)</sup> .....	June 1, 2020	—	119,500	179,250
Short-Term Incentive Plan <sup>(2)</sup> .....		—	119,500	119,500
Joel Allen				
Long-Term Incentive Plan <sup>(1)</sup> .....	June 1, 2020	—	105,000	157,500
Short-Term Incentive Plan <sup>(2)</sup> .....		—	105,000	105,000

<sup>(1)</sup> Target payouts are calculated using unit values of \$100 based on our goal of achieving an average long-term senior secured credit rating of A+ stable as of May 31, 2023.

<sup>(2)</sup> Target and maximum payouts represent 25% of May 31, 2021 base salary. For the payout earned under the fiscal year 2021 short-term incentive plan, see the Non-Equity Incentive Plan Compensation column of the “Summary Compensation Table” above.

<sup>(3)</sup> Mr. Starheim became ineligible to receive payouts or grants when his employment ended.

The board of directors approved a new long-term incentive plan cycle with grants of performance units effective June 1, 2021. The performance units will be calculated and issued to the named executive officers in August 2021. The payout under these grants will be determined on May 31, 2024.

## Employment Contracts

Pursuant to an employment agreement effective as of January 1, 2015, CFC employed Mr. Petersen as Chief Executive Officer on a year-to-year basis, unless otherwise terminated in accordance with the terms of the Agreement. The amended Agreement provided that CFC would pay Mr. Petersen a base salary at an annual rate of not less than \$975,000 per annum, plus such incentive payments (if any) as may be awarded him. In addition, pursuant to the Agreement, Mr. Petersen was entitled to certain payments in the event of his termination other than for cause (e.g., Mr. Petersen leaving for good reason, disability or termination due to death). Mr. Petersen retired effective May 2, 2021; therefore, these provisions are no longer applicable.

Pursuant to an employment agreement executed on March 20, 2021, CFC employs Mr. Don as Chief Executive Officer effective May 3, 2021 until May 31, 2024 unless extended as provided by the terms of the contract or unless otherwise terminated in accordance with the terms of the Agreement. The Agreement provides that CFC shall pay Mr. Don a base salary at an annual rate of not less than \$1,000,000 per annum plus such incentive payments (if any) as may be awarded him. In addition, pursuant to the Agreement, Mr. Don is entitled to certain payments in the event of his termination other than for cause (e.g.; Mr. Don leaving for good reason, disability or termination due to death). See “Termination of Employment and Change-in-Control Arrangements” below for a description of these provisions and for information on these amounts.

## Pension Benefits Table

CFC is a participant in a multiple-employer defined benefit pension plan, the Retirement Security Plan, which is administered by NRECA. Since this plan is a multiple-employer plan in which CFC participates, CFC is not liable for the

amounts shown in the table below and such amounts are not reflected in CFC's audited financial statements. CFC's expense is limited to the annual premium to participate in the Retirement Security Plan. There is no funding liability for CFC for this plan.

The Retirement Security Plan is a qualified plan in which all employees are eligible to participate upon completion of one year of service. Each of the named executive officers participates in the qualified pension plan component of the Retirement Security Plan. CFC reduced the value of the pension plan effective September 1, 2010. Under the current pension plan, participants are entitled to receive annually, under a 50% joint and surviving spouse annuity, 1.70% of the average of their five highest base salaries during their participation in the Retirement Security Plan, multiplied by the number of years of participation in the plan. The value of the pension benefit is determined by base pay only and does not include other cash compensation. Normal retirement age under the qualified pension plan is age 65; however, the plan does allow for early retirement with reduced benefits beginning at age 55. For early retirement, the pension benefit will be reduced by 1/15 for each of the first five years and 1/30 for each of the next five years by which the elected early retirement date precedes the normal retirement date. Benefits accrued prior to September 1, 2010, are based on a benefit level of 1.90% of the average of their five highest base salaries during their participation in the Retirement Security Plan and a normal retirement age of 62.

CFC also offers a PRP and an EBR. Five of the named executive officers participate in either the PRP or the EBR. The purpose of these plans is to increase the retirement benefits above amounts available under the Retirement Security Plan, which is restricted by IRS limitations on annual pay levels and maximum annual annuity benefits. The PRP and the EBR restore the value of the Retirement Security Plan for the participating officers to the level it would be if the IRS limits on annual pay and annual annuity benefits were not in place.

The benefit and payout formula under these restoration plans is similar to that under the qualified Retirement Security Plan. However, one named executive officer has satisfied the provisions established to receive the benefit from the PRP. He was grandfathered in the plan and no longer has a risk of forfeiture of the benefit under the PRP. Two of the named executive officers have reached their vesting date in accordance with provisions of the EBR plan. As a result, they no longer have a risk of forfeiture of the benefit under the EBR plan. Distributions are made from these plans to those named executive officers annually. The details of these distributions are shown in the Pension Benefits table below.

In addition, Mr. Petersen was eligible for benefits under the SERP when he was CEO. This plan is an ineligible deferred compensation plan within the meaning of section 457 of the Internal Revenue Code. The account is considered unfunded and may be credited from time to time pursuant to the plan at the discretion of the CFC Board of Directors. During fiscal year 2021, the CFC Board of Directors used its discretion and did not credit the account.

The following table contains the years of service, the present value of the accumulated benefit for the named executive officers listed in the "Summary Compensation Table" as of May 31, 2021, as calculated by NRECA and distributions from the plans for the fiscal year then ended.

Name	Plan Name	Number of Years of Credited Service <sup>(1)</sup>	Present Value of Accumulated Benefit <sup>(2)</sup>	Payments During Last Fiscal Year <sup>(3)</sup>
Sheldon C. Petersen <sup>(4)</sup>	NRECA Retirement Security Plan	11.33	\$ —	\$ 899,736
	SERP	—	—	—
J. Andrew Don	NRECA Retirement Security Plan	20.66	3,353,040	—
Yu Ling Wang	NRECA Retirement Security Plan	19.66	1,031,316	—
Gregory J. Starheim	NRECA Retirement Security Plan	15.25	2,302,028	907,463
Roberta B. Aronson	NRECA Retirement Security Plan	24.83	1,037,523	19,290
Joel Allen	NRECA Retirement Security Plan	29.66	3,329,389	—

<sup>(1)</sup> CFC is a participant in a multiple-employer pension plan. Credited years of service, therefore, includes not only years of service with CFC, but also years of service with another cooperative participant in the multiple-employer pension plan. All other named executive officers, except for Mr. Starheim, have credited years of service only with CFC.

<sup>(2)</sup> Amount represents the actuarial present value of the named executive officer's accumulated benefit under this plan as of May 31, 2021, as provided by the plan administrator, NRECA, using interest rates ranging from 0.25% to 3.09% per annum and mortality according to tables prescribed by the IRS as published in Revenue Rulings 2001-62 and 2007-67.

- (3) Distributions during fiscal year 2021 were as a result of named executive officers no longer being at risk of forfeiture with respect to these amounts provided under the PRP and EBR plan. Mr. Starheim received an accelerated vested benefit due to his termination in accordance with the Plan. Mr. Don, and Mr. Allen continue to have a risk of forfeiture of the benefits under the EBR; therefore, no payments have been made.
- (4) The NRECA Pension Plan allows active employees who have reached normal retirement age to cash in their lump-sum benefit accrued through August 31, 2010, or “quasi-retire.” Due to the quasi-retirement of Mr. Petersen in February 2015 his credited years of service was reduced and he received 12 months of credited service in January of each year thereafter.

### Nonqualified Deferred Compensation

The CFC deferred compensation plan is a nonqualified deferred compensation savings program for the senior executive group, including each of the named executive officers, and other select management or highly compensated employees designated by CFC. Participants may elect to defer up to the lesser of 100% of their compensation for the year or the applicable IRS statutory dollar limit in effect for that calendar year. The calendar year 2021 cap for contributions is \$19,500. During the three plan years immediately prior to the date a participant attains normal retirement age, participants may be eligible for a statutory catch-up provision that allows them to defer more than the annual contribution limit. Compensation for the purpose of this plan is defined as the total amount of compensation, including incentive pay, if any, paid by CFC. CFC does not make any contributions to this plan.

The accounts are credited with “earnings” based on the participants’ selection of available investment options (currently, nine options) within the Homestead Funds. When a participant ceases to be an employee for any reason, distribution of the account will generally be made in 15 substantially equal annual payments beginning approximately 60 days after termination (unless an election is made to change the form and timing of the payout). The participant may elect either a single lump sum or substantially equal annual installments paid over no less than two and no more than 14 years. The amount paid is based on the accumulated value of the account.

The following table summarizes information related to the nonqualified deferred compensation plan in which the named executive officers listed in the “Summary Compensation Table” were eligible to participate during the fiscal year ended May 31, 2021.

Name	Executive Contributions in Last Fiscal Year <sup>(1)</sup>	Registrant Contributions in Last Fiscal Year	Aggregate Earnings in Last Fiscal Year	Aggregate Withdrawals/ Distributions	Aggregate Balance at Last Fiscal Year-End
Sheldon C. Petersen .....	\$ 30,875	\$ —	\$ 213,822	\$ —	\$ 1,163,464
J. Andrew Don .....	19,000	—	40,145	—	144,250
Yu Ling Wang .....	—	—	—	—	—
Gregory J. Starheim .....	18,208	—	75,961	—	346,448
Roberta B. Aronson .....	18,500	—	32,261	—	210,725
Joel Allen .....	—	—	—	—	—

<sup>(1)</sup>Executive contributions are also included in the fiscal year 2021 Salary column in the “Summary Compensation Table” above.

### Termination of Employment and Change-in-Control Arrangements

Mr. Petersen and Mr. Don have an executive agreement with CFC under which they may continue to receive base salary and benefits in certain circumstances after resignation or termination of employment. No other named executive officers have termination or change-in-control agreements.

#### *Mr. Petersen*

Under the executive agreement with Mr. Petersen, if CFC terminates his employment without “cause,” or Mr. Petersen terminated his employment for “good reason,” CFC was obligated to pay him a lump-sum payment equal to the product of three times his annual base salary at the rate in effect at the time of termination and his short-term incentive bonus, if any, for the previous year. On July 23, 2020, Mr. Petersen notified the Board of Directors of his decision to retire during the first half of 2021, subject to the successful completion of a search process for a successor by the CFC Board of Directors. This

search was completed and Mr. Petersen retired effective May 2, 2021. As a result, these payments were not triggered and the terms of this executive agreement are no longer applicable.

**Mr. Don**

Under the executive agreement with Mr. Don, if CFC terminates his employment without “cause” or Mr. Don terminates his employment for “good reason” (each term as defined below), CFC is obligated to pay him, in substantially equal monthly installments over the 12-month period following the termination of employment, an amount equal to the product of two times the sum of (i) his annual base salary at the rate in effect at the time of termination and (ii) the short-term incentive earned if any, for the year prior to the year in which such termination occurs.

Assuming a triggering event on May 31, 2021, the compensation payable to Mr. Don for termination without cause would be \$2,218,991. The actual payments due on a termination without cause on different dates could materially differ from this estimate.

For purposes of Mr. Don’s executive agreement, “cause” generally means (i) the willful and continued failure by Mr. Don to perform his duties under the agreement or comply with written policies of CFC, (ii) willful conduct materially injurious to CFC or (iii) conviction of a felony involving moral turpitude. “Good reason” generally means (i) a reduction in the rate of Mr. Don’s base salary, (ii) a decrease in his titles, duties or responsibilities, or the assignment of new responsibilities which, in either case, is materially less favorable to Mr. Don when compared with his titles, duties and responsibilities that were in effect immediately prior to such assignment or (iii) the relocation of CFC’s principal office or the relocation of Mr. Don to a location more than 50 miles from the principal office of CFC.

This estimate does not include amounts to which the named executive officer would be entitled to upon termination, such as base salary to date, unpaid bonuses earned, unreimbursed expenses, paid vacation time and any other earned benefits under company plans.

**Chief Executive Officer Pay Ratio**

The fiscal year 2021 compensation ratio of the median annual total compensation of all of our employees to the annual total compensation of our Chief Executive Officer is as follows:

Category and Ratio	Total Compensation
Median annual total compensation of all employees (excluding Chief Executive Officer).....	\$ 266,346
Annual total compensation of Sheldon C. Petersen, Chief Executive Officer <sup>(1)</sup> .....	1,988,038
Ratio of the median annual total compensation of all employees to the annual total compensation of Sheldon C. Petersen, Chief Executive Officer.....	7.46:1.0

<sup>(1)</sup> Mr. Petersen was the CEO in place on the date the median employee was selected and was the CEO for 92% of the fiscal year; therefore, total compensation for the CEO was annualized in the table above in order to determine the pay ratio.

In determining the median employee, a listing was prepared of all active employees of CFC as of March 31, 2021. We did not make any assumptions, adjustments or estimates with respect to total compensation. We did not annualize the compensation for any part-time employees or those who were not employed by us for the full 10-month portion of the fiscal year. We determined the compensation of our median employee by (i) taking the total gross compensation earned fiscal year-to-date for all active employees as of March 31, 2021 and (ii) ranking the total gross compensation of all employees, except the Chief Executive Officer, from lowest to highest.

After identifying the median employee, we calculated annual total compensation for such employee using the same methodology we use for our named executive officers as set forth in the above Summary Compensation Table.

## Director Compensation Table

Directors receive an annual fee for their service on the CFC board. Additionally, the directors receive reimbursement for reasonable travel expenses. The fee is paid on a monthly basis and reimbursement for travel expenses is paid following the conclusion of each board meeting.

Below is a summary of the total compensation earned by each of CFC's directors during the fiscal year ended May 31, 2021.

<u>Name</u>	<u>Total Fees Earned</u>
Alan W. Wattles .....	\$ 70,000
Anthony A. Anderson .....	15,000
Anthony Larson .....	60,000
Barbara E. Hampton .....	65,000
Bradley P. Janorschke .....	60,000
Bradley J. Schardin .....	60,000
Bruce A. Vitosh .....	70,000
Chris D. Christensen .....	60,000
Curtis Wynn .....	45,000
David E. Felkel .....	67,917
Dean R. Tesch .....	29,167
Dennis Fulk .....	60,000
Doyle Jay Hanson .....	65,000
G. Anthony Norton .....	62,917
Jeffrey Allen Rehder .....	30,000
Jimmy A. LaFoy .....	60,000
Kendall Montgomery .....	40,000
Kevin M. Bender .....	60,000
Mark A. Suggs .....	60,000
Marsha L. Thompson .....	60,000
Robert Brockman .....	65,000
Thomas A. Bailey .....	60,000
Timothy J. Rodriguez .....	45,000
Todd P. Ware .....	60,000
William Keith Hayward .....	60,000

## Compensation Committee Interlocks and Insider Participation

There were no compensation committee interlocks or insider participation related to executive compensation during the fiscal year ended May 31, 2021.

## Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

Not applicable.

## Item 13. Certain Relationships and Related Transactions, and Director Independence

### Review and Approval of Transactions with Related Persons

Our board of directors has established a written policy governing related-person transactions. The policy covers transactions between CFC, on the one hand, and its directors, executive officers or key employees and their immediate family members and entities of which any of our directors, executive officers or key employees (i) is an officer, director, trustee, alternative director or trustee or employee, (ii) controls or (iii) has a substantial interest. Under this policy, a related-person transaction



is any transaction in excess of \$120,000 in which CFC was, is or is proposed to be a direct or indirect participant in which a related person had, has or will have a direct or indirect material interest in the transaction. Related-person transactions do not include compensation or expense reimbursement arrangements with directors, officers or key employees (notwithstanding that officer compensation may be disclosed in “Item 13. Certain Relationships and Related Transactions, and Director Independence” in our Annual Report on Form 10-K, elsewhere in the CFC’s periodic reports filed with the SEC or otherwise disclosed publicly as a related-person transaction), transactions where the related person’s interest arises only from the person’s position as a director of another entity that is a party to the transaction, and transactions deemed to be related credits. Related-person transactions are subject to review by the Executive Committee of the board of directors (excluding any interested director), based on whether the transaction is fair and reasonable to CFC and consistent with the best interests of CFC and its members.

Related credits are extensions of credit to, or for the benefit of, related persons and entities that are made on substantially the same terms as, and follow underwriting procedures that are no less stringent than, those prevailing at the time for comparable transactions generally offered by CFC. Related credits are not subject to the procedures for transactions with related persons because we were established for the very purpose of extending financing to our members. We, therefore, enter into loan and guarantee transactions with members of which our officers and directors are officers, directors, trustees, alternative directors or trustees, or employees in the ordinary course of our business. All related credits are reviewed from time to time by our internal Corporate Credit Committee, which monitors our extensions of credit, and our independent third-party reviewer, which reviews our credit-extension policies on an annual basis. All loans, including related credits, are approved in accordance with an internal credit approval matrix, with each level of risk or exposure potentially escalating the required approval from our lending staff to management, a credit committee or the board of directors. Related credits of \$250,000 or less are generally approved by our lending staff or internal Corporate Credit Committee. Any related credit in excess of \$250,000 requires approval by the full board of directors, except that any interested directors may not participate, directly or indirectly, in the credit approval process, and the CEO has the authority to approve emergency lines of credit and certain other loans and lines of credit. Notwithstanding the related-person transaction policy, the CEO will extend such loans and lines of credit in qualifying situations to a member of which a CFC director was a director or officer, provided that all such credits are underwritten in accordance with prevailing standards and terms. Such situations are typically weather related and must meet specific qualifying criteria. To ensure compliance with this policy, no related persons may be present in person or by teleconference while a related credit is being considered. Under no circumstances may we extend credit to a related person or any other person in the form of a personal loan.

As a cooperative, CFC was established for the very purpose of extending financing to its members, from which our directors must be drawn. Loans and guarantees to member systems of which directors of CFC are officers, directors, trustees, alternative directors or trustees, or employees, are made in the ordinary course of CFC business on the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other members and that do not involve more than normal risk of uncollectibility or present other unfavorable features. It is anticipated that, consistent with its loan and guarantee policies in effect from time to time, additional loans and guarantees will be made by CFC to member systems and trade and service organizations of which directors of CFC or their immediate family members (i) are officers, directors, trustees, alternative directors or trustees or employees, (ii) control or (iii) have a substantial beneficial interest. CFC has adopted a policy whereby substantially all extensions of credit to such entities are approved only by the disinterested directors.

### **Related-Person Transactions**

The following table contains the total compensation earned by CFC’s executive officers during the year ended May 31, 2021 who are not named executive officers but meet the definition of a “related person” as described above. Total compensation disclosed below is made up of the same components included in the “Summary Compensation Table” under “Item 11. Executive Compensation.”

Name and Principal Position	Total Compensation
Graceann D. Clendenen Senior Vice President and Chief Administrative Officer.....	\$ 1,222,065
John M. Borak Senior Vice President, Credit Risk Management.....	595,397
Robin C. Reed Senior Vice President, Loan Operations.....	1,010,756
Brad L. Captain Senior Vice President, Corporate Relations.....	914,417

### Independence Determinations

The board of directors has determined the independence of each director based on a review by the full board. The Audit Committee is subject to the independence requirements of Rule 10A-3 under the Securities Exchange Act. To evaluate the independence of our directors, the board has voluntarily adopted categorical independence standards consistent with the New York Stock Exchange (“NYSE”) standards. However, because we only list debt securities on the NYSE, we are not subject to most of the corporate governance listing standards of the NYSE, including the independence requirements.

No director is considered independent unless the board has affirmatively determined that he or she has no material relationship with CFC, either directly or as a partner, shareholder or officer of an organization that has a relationship with CFC. Material relationships can include banking, legal, accounting, charitable and familial relationships, among others. In addition, a director is not considered independent if any of the following relationships existed:

- (i) the director is, or has been within the last three years, an employee of CFC or an immediate family member is, or has been within the last three years, an executive officer of CFC;
- (ii) the director has received, or has an immediate family member who has received, during any 12-month period within the last three years, more than \$120,000 in direct compensation from CFC, other than director and committee fees and pension or other forms of deferred compensation for prior service (provided that such compensation is not contingent in any way on continued service);
- (iii) (a) the director or an immediate family member is a current partner of a firm that is CFC’s internal or external auditor; (b) the director is a current employee of such a firm; (c) the director has an immediate family member who is a current employee of such a firm and personally works on CFC’s audit; or (d) the director or an immediate family member was within the last three years (but is no longer) a partner or employee of such a firm and personally worked on CFC’s audit within that time;
- (iv) the director or an immediate family member is, or has been within the last three years, employed as an executive officer of another company where any of CFC’s present executive officers at the same time serves or served on that company’s compensation committee; or
- (v) the director is a current employee, or an immediate family member is a current executive officer, of a company that has made payments to, or received payments from, CFC for property or services in an amount which, in any of the last three fiscal years, exceeds the greater of \$1 million, or 2% of such other company’s consolidated gross revenue.

The board of directors also reviewed directors’ responses to a questionnaire asking about their relationships with CFC and its affiliates (and those of their immediate family members) and other potential conflicts of interest.

Based on the criteria above, the board of directors has determined that the directors listed below are independent for the period of time served by such directors during fiscal year 2021. The board determined that none of the directors listed below had any of the relationships listed in (i)—(v) above or any other material relationship that would compromise their independence.

### Independent Directors

Thomas A. Bailey	Kevin M. Bender	Robert Brockman
Chris D. Christensen	David E. Felkel	Dennis Fulk
Barbara E. Hampton	Doyle Jay Hanson	Jimmy A. LaFoy
Anthony Larson	Kendall Montgomery	G. Anthony Norton
Jeffrey Allen Rehder	Bradley J. Schardin	Dean R. Tesch <sup>(1)</sup>
Marsha L. Thompson	Bruce A. Vitosh	

<sup>(1)</sup> This director served during fiscal year 2021; however, he was no longer a director as of May 31, 2021.

#### Item 14. Principal Accounting Fees and Services

CFC's Audit Committee is solely responsible for the nomination, approval, compensation, evaluation and discharge of the independent public accountants. The independent registered public accountants report directly to the Audit Committee, and the Audit Committee is responsible for the resolution of disagreements between management and the independent registered public accountants. Consistent with U.S. Securities and Exchange Commission requirements, the Audit Committee has adopted a policy to pre-approve all audit and permissible non-audit services provided by the independent registered public accountants, provided such services do not impair the independent public accountant's independence.

KPMG, LLP was our independent registered public accounting firm for the fiscal years ended May 31, 2021 and 2020. KPMG, LLP has advised the Audit Committee that they are independent accountants with respect to the Company, within the meaning of standards established by the Public Company Accounting Oversight Board and federal securities laws administered by the U.S. Securities and Exchange Commission. The following table displays the aggregate estimated or actual fees for professional services provided by KPMG, LLP in fiscal years 2021 and 2020, including fees for the 2021 and 2020 audits. All services for fiscal years 2021 and 2020 were pre-approved by the Audit Committee.

(Dollars in thousands)	Year Ended May 31,	
	2021	2020
Description of fees:		
Audit fees <sup>(1)</sup> .....	\$ 1,861	\$ 1,822
Tax fees <sup>(2)</sup> .....	22	15
All other fees <sup>(3)</sup> .....	55	12
Total.....	<u>\$ 1,938</u>	<u>\$ 1,849</u>

<sup>(1)</sup> Audit fees for fiscal years 2021 and 2020 consist of fees for the quarterly reviews of our interim financial information and the audit of our annual consolidated financial statements and fees for the preparation of the stand-alone financial statements for RTFC and NCSC. Audit fees for fiscal years 2021 and 2020 also include comfort letter fees and consents related to debt issuances and compliance work required by the independent auditors.

<sup>(2)</sup> Tax fees consist of assistance with matters related to tax compliance and consulting.

<sup>(3)</sup> All other fees for fiscal years 2021 and 2020 consist of fees for certain agreed-upon procedures.

## PART IV

### Item 15. Exhibit and Financial Statement Schedules

#### (a) Financial Statement Schedules

The following documents are filed as part of this Report in Part II, Item 8 and are incorporated herein by reference.

<b>1. Consolidated Financial Statements</b>	<b>Page</b>
<a href="#">Report of Independent Registered Public Accounting Firm</a> .....	84
<a href="#">Consolidated Statements of Operations for the Years Ended May 31, 2021, 2020 and 2019</a> .....	87
<a href="#">Consolidated Statements of Comprehensive Income for the Years Ended May 31, 2021, 2020 and 2019</a> .....	88
<a href="#">Consolidated Balance Sheets as of May 31, 2021 and 2020</a> .....	89
<a href="#">Consolidated Statements of Changes in Equity for the Years Ended May 31, 2021, 2020 and 2019</a> .....	90
<a href="#">Consolidated Statements of Cash Flows for the Years Ended May 31, 2021, 2020 and 2019</a> .....	91
<a href="#">Notes to Consolidated Financial Statements</a> .....	93

#### 2. Schedules

None.

#### (b) Exhibits

The following exhibits are incorporated by reference or filed herewith.

## EXHIBIT INDEX

<b><u>Exhibit No.</u></b>	<b><u>Description</u></b>
3.1	— <a href="#">Articles of Incorporation. Incorporated by reference to Exhibit 3.1 to our Form 10-K filed on August 28, 2014.</a>
3.2	— <a href="#">Amended Bylaws as approved by CFC's members on August 14, 2020. Incorporated by reference to Exhibit 3.2 to our Form 10-Q filed on October 15, 2020.</a>
4.1	— <a href="#">Description of Securities.</a>
4.2	— <a href="#">Form of Capital Term Certificate.</a>
4.3	— <a href="#">Indenture dated February 15, 1994, between the Registrant and First Bank National Association as trustee. Incorporated by reference to Exhibit 4.2 to our Form 10-Q filed on October 15, 2007.</a>
4.4	— <a href="#">Form of indenture between CFC and Mellon Bank, N.A., as Trustee. Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-3 filed on November 14, 1995 (Registration No. 33-64231).</a>
4.5	— <a href="#">Indenture dated as of December 15, 1987, between CFC and Chemical Bank, as Trustee. Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-3ASR filed on November 24, 2008 (Registration No. 333-155631).</a>
4.6	— <a href="#">First Supplemental Indenture between CFC and Chemical Bank, as Trustee. Incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-3 filed on April 5, 1995 (Registration No. 33-58445).</a>
4.7	— <a href="#">Form of indenture dated May 15, 2000, between the Registrant and Bank One Trust Company, National Association, as trustee. Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-3 filed on May 25, 2000 (Registration No. 333-37940).</a>
4.8	— <a href="#">First Supplemental Indenture dated March 12, 2007, between the Registrant and U.S. Bank National Association, as successor trustee. Incorporated by reference to Exhibit 4.2 to Registration Statement on Form S-3ASR filed on April 19, 2007 (Registration No. 333-142230).</a>
4.9	— <a href="#">Indenture dated October 25, 2007, between the Registrant and U.S. Bank National Association, as trustee. Incorporated by reference to Exhibit 4.1 to Registration Statement on Form S-3ASR filed on October 26, 2007 (Registration No. 333-146960).</a>
4.10	— <a href="#">Indenture dated October 15, 1996, between the Registrant and U.S. Bank National Association, as successor trustee. Incorporated by reference to Exhibit 4.1 to Form 8-K filed on October 28, 1996.</a>
10.1^	— <a href="#">Plan Document for CFC's Deferred Compensation Pension Restoration Plan amended and restated effective January 1, 2015.</a>
10.2^	— <a href="#">Plan Document for CFC's Deferred Compensation Program amended and restated February 1, 2014. Incorporated by reference to Exhibit 10.6 to our Form 10-K filed on August 28, 2014.</a>
10.3^	— <a href="#">Plan Document for CFC's Executive Benefit Restoration Plan dated December 9, 2014. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed on April 13, 2015.</a>
10.4^	— <a href="#">Employment Agreement between the Company and Sheldon C. Petersen, effective January 1, 2015. Incorporated by reference to Exhibit 10.1 to our Form 8-K filed on December 23, 2014.</a>
10.5^	— <a href="#">Employment Agreement, entered into and effective as of March 10, 2021, between the Company and J. Andrew Don. Incorporated by reference to Exhibit 10.1 to our Form 8-K filed on March 11, 2021.</a>
10.6^	— <a href="#">Supplemental Executive Retirement Plan of the Company, effective January 1, 2015. Incorporated by reference to Exhibit 10.2 to our Form 8-K filed on December 23, 2014.</a>
10.7	— <a href="#">Amended and Restated Revolving Credit Agreement dated November 19, 2015 maturing on November 19, 2018. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed on January 13, 2016.</a>
10.8	— <a href="#">Amended and Restated Revolving Credit Agreement dated November 19, 2015 maturing on November 19, 2020. Incorporated by reference to Exhibit 10.2 to our Form 10-Q filed on January 13, 2016.</a>
10.9	— <a href="#">Amendment No.1 dated as of November 18, 2016 to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 maturing on November 19, 2019. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed on January 13, 2017.</a>
10.10	— <a href="#">Amendment No.1 dated as of November 18, 2016 to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 maturing on November 19, 2021. Incorporated by reference to Exhibit 10.2 to our Form 10-Q filed on January 13, 2017.</a>

<b>Exhibit No.</b>	<b>Description</b>
10.11	— <a href="#">Amendment No. 2 dated as of November 20, 2017 to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 maturing on November 20, 2020. Incorporated by reference to Exhibit 10.01 to our Form 10-Q filed on January 11, 2018.</a>
10.12	— <a href="#">Amendment No. 2 dated as of November 20, 2017 to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 maturing on November 20, 2022. Incorporated by reference to Exhibit 10.02 to our Form 10-Q filed on January 11, 2018.</a>
10.13	— <a href="#">Amendment No. 3 dated as of November 28, 2018 to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 maturing on November 21, 2028. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed on January 11, 2019.</a>
10.14	— <a href="#">Amendment No. 3 dated as of November 28, 2018 to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 maturing on November 28, 2023. Incorporated by reference to Exhibit 10.2 to our Form 10-Q filed on January 11, 2019.</a>
10.15	— <a href="#">Amendment No. 4 dated as of November 26, 2019 to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 maturing on November 28, 2022. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed on January 13, 2020.</a>
10.16	— <a href="#">Amendment No. 4 dated as of November 26, 2019 to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 maturing on November 28, 2023. Incorporated by reference to Exhibit 10.2 to our Form 10-Q filed on January 13, 2020.</a>
10.17*	— <a href="#">Amendment No. 5 dated as of June 7, 2021 to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 maturing on November 28, 2024.</a>
10.18*	— <a href="#">Amendment No. 5 dated as of June 7, 2021 to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 maturing on November 28, 2025.</a>
10.19	— <a href="#">Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated June 14, 2005 for up to \$1,000,000,000. Incorporated by reference to Exhibit 4.12 to our Form 10-K filed on August 24, 2005.</a>
10.20	— <a href="#">Series A Future Advance Bond from the Registrant to the Federal Financing Bank dated June 14, 2005 for up to \$1,000,000,000 maturing on July 15, 2028. Incorporated by reference to Exhibit 4.15 to our Form 10-K filed on August 24, 2005.</a>
10.21	— <a href="#">Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated April 28, 2006 for up to \$1,500,000,000. Incorporated by reference to Exhibit 4.11 to our Form 10-K filed on August 25, 2006.</a>
10.22	— <a href="#">Series B Future Advance Bond from the Registrant to the Federal Financing Bank dated April 28, 2006 for up to \$1,500,000,000 maturing on July 15, 2029. Incorporated by reference to Exhibit 4.14 to our Form 10-K filed on August 25, 2006.</a>
10.23	— <a href="#">Series C Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated September 19, 2008 for up to \$500,000,000. Incorporated by reference to Exhibit 4.29 to our Form 10-Q filed on October 14, 2008.</a>
10.24	— <a href="#">Series C Future Advance Bond from the Registrant to the Federal Financing Bank dated September 19, 2008 for up to \$500,000,000 maturing on October 15, 2031. Incorporated by reference to Exhibit 4.32 to our Form 10-Q filed on October 14, 2008.</a>
10.25	— <a href="#">Series D Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of November 10, 2010 for up to \$500,000,000. Incorporated by reference to Exhibit 4.1 to our Form 10-Q filed on January 14, 2011.</a>
10.26	— <a href="#">Series D Future Advance Bond from the Registrant to the Federal Financing Bank dated as of November 10, 2010 for up to \$500,000,000 maturing on October 15, 2033. Incorporated by reference to Exhibit 4.4 to our Form 10-Q filed on January 14, 2011.</a>
10.27	— <a href="#">Series E Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of December 1, 2011 for up to \$499,000,000. Incorporated by reference to Exhibit 10.3 to our Form 10-Q filed on January 17, 2012.</a>
10.28	— <a href="#">Series E Future Advance Bond from the Registrant to the Federal Financing Bank dated as of December 1, 2011 for up to \$499,000,000 maturing on October 15, 2034. Incorporated by reference to Exhibit 10.6 to our Form 10-Q filed on January 17, 2012.</a>
10.29	— <a href="#">Series F Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of December 13, 2012 for up to \$424,286,000. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed on January 14, 2013.</a>

<b>Exhibit No.</b>	<b>Description</b>
10.30	— <a href="#">Series F Future Advance Bond from the Registrant to the Federal Financing Bank dated as of December 13, 2012 for up to \$424,286,000 maturing on October 15, 2035. Incorporated by reference to Exhibit 10.4 to our Form 10-Q filed in January 14, 2013.</a>
10.31	— <a href="#">Series G Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of November 21, 2013 for up to \$500,000,000. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed in January 13, 2014.</a>
10.32	— <a href="#">Series G Future Advance Bond from the Registrant to the Federal Financing Bank dated as of November 21, 2013 for up to \$500,000,000 maturing on October 15, 2036. Incorporated by reference to Exhibit 10.3 to our Form 10-Q filed in January 13, 2014.</a>
10.33	— <a href="#">Series H Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of November 18, 2014 for up to \$250,000,000. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed on January 14, 2015.</a>
10.34	— <a href="#">Series H Future Advance Bond from the Registrant to the Federal Financing Bank dated as of November 18, 2014 for up to \$250,000,000 maturing on October 15, 2034. Incorporated by reference to Exhibit 10.3 to our Form 10-Q filed on January 14, 2015.</a>
10.35	— <a href="#">Series K Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of March 29, 2016 for up to \$250,000,000. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed on April 4, 2016.</a>
10.36	— <a href="#">Series K Future Advance Bond from the Registrant to the Federal Financing Bank dated as of March 29, 2016 for up to \$250,000,000 maturing on January 15, 2039. Incorporated by reference to Exhibit 10.2 to our Form 10-Q filed on April 4, 2016.</a>
10.37	— <a href="#">Series L Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of December 1, 2016 for up to \$375,000,000. Incorporated by reference to Exhibit 10.3 to our Form 10-Q filed on January 13, 2017.</a>
10.38	— <a href="#">Series L Future Advance Bond from the Registrant to the Federal Financing Bank dated as of December 1, 2016 for up to \$375,000,000 maturing on October 15, 2039. Incorporated by reference to Exhibit 10.4 to our Form 10-Q filed on January 13, 2017.</a>
10.39	— <a href="#">Series M Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of November 9, 2017 for up to \$750,000,000. Incorporated by reference to Exhibit 10.03 to our Form 10-Q filed on January 11, 2018.</a>
10.40	— <a href="#">Series M Future Advance Bond from the Registrant to the Federal Financing Bank dated as of November 9, 2017 for up to \$750,000,000 maturing on July 15, 2042. Incorporated by reference to Exhibit 10.04 to our Form 10-Q filed on January 11, 2018.</a>
10.41	— <a href="#">Series N Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of November 15, 2018 for up to \$750,000,000. Incorporated by reference to Exhibit 10.3 to our Form 10-Q filed on January 11, 2019.</a>
10.42	— <a href="#">Series N Future Advance Bond from the Registrant to the Federal Financing Bank dated as of November 15, 2018 for up to \$750,000,000 maturing on July 15, 2043. Incorporated by reference to Exhibit 10.3 to our Form 10-Q filed on January 11, 2019.</a>
10.43	— <a href="#">Series P Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of February 13, 2020 for up to \$500,000,000. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed on April 10, 2020.</a>
10.44	— <a href="#">Series P Future Advance Bond from the Registrant to the Federal Financing Bank dated as of April 10, 2020 for up to \$500,000,000 maturing on July 15, 2054. Incorporated by reference to Exhibit 10.2 to our Form 10-Q filed on April 10, 2020.</a>
10.45	— <a href="#">Series R Bond Purchase Agreement between the Registrant, Federal Financing Bank and Rural Utilities Service dated as of November 19, 2020 for up to \$375,000,000. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed January 12, 2021.</a>
10.46	— <a href="#">Series R Future Advance Bond from the Registrant to the Federal Financing Bank dated as of November 19, 2020 for up to \$375,000,000 maturing on July 15, 2025. Incorporated by reference to Exhibit 10.2 to our Form 10-Q filed January 12, 2021.</a>
10.47	— <a href="#">Seventh Amended, Restated and Consolidated Pledge Agreement, dated as of November 19, 2020, among the Registrant, the Rural Utilities Service and U.S. Bank National Association. Incorporated by reference to Exhibit 10.3 to our Form 10-Q filed on January 12, 2021.</a>
10.48	— <a href="#">Seventh Amended, Restated and Consolidated Bond Guarantee Agreement, dated as of November 19, 2020, between the Registrant and the Rural Utilities Service. Incorporated by reference to Exhibit 10.4 to our Form 10-Q filed January 12, 2021.</a>

<b>Exhibit No.</b>	<b>Description</b>
10.49	— <a href="#">Amended and Restated Master Sale and Servicing Agreement, dated as of August 12, 2011, by and between the Registrant and the Federal Agricultural Mortgage Corporation, as amended by Amendment No. 1 dated as of November 28, 2016. Incorporated by reference to Exhibit 10.7 to our Form 10-Q filed on January 13, 2017.</a>
10.50	— <a href="#">Amended and Restated Master Note Purchase Agreement dated March 24, 2011 between the Registrant and Federal Agricultural Mortgage Corporation. Incorporated by reference to Exhibit 4.4 to our Form 10-Q filed on April 13, 2011.</a>
10.51	— <a href="#">Second Amended and Restated First Supplemental Note Purchase Agreement dated February 26, 2018 for up to \$5,500,000,000 between the Registrant and Federal Agricultural Mortgage Corporation. Incorporated by reference to Exhibit 10.01 to our Form 10-Q filed on April 11, 2018.</a>
10.52*	— <a href="#">Third Amended and Restated First Supplemental Note Purchase Agreement dated May 20, 2021 for up to \$5,500,000,000 between the Registrant and Federal Agricultural Mortgage Corporation.</a>
10.53	— <a href="#">Second Amended, Restated and Consolidated Pledge Agreement dated July 31, 2015, between the Registrant, Federal Agricultural Mortgage Corporation and U.S. Bank Trust National Association. Incorporated by reference to Exhibit 10.48 to our Form 10-K filed on August 26, 2015.</a>
10.54	— <a href="#">Long Term Standby Commitment to Purchase dated August 31, 2015, between the Registrant and Federal Agricultural Mortgage Corporation. Incorporated by reference to Exhibit 10.1 to our Form 10-Q filed on October 14, 2015.</a>
10.55	— <a href="#">Amendment No. 1 to Long Term Standby Commitment to Purchase, dated as of May 31, 2016, between the Registrant and Federal Agricultural Mortgage Corporation. Incorporated by reference to Exhibit 10.38 to our Form 10-K filed on August 25, 2016.</a>
	Registrant agrees to furnish to the Securities and Exchange Commission a copy of all other instruments defining the rights of holders of its long-term debt upon request.
23.1*	— <a href="#">Consent of KPMG LLP.</a>
31.1*	— <a href="#">Certification of the Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.</a>
31.2*	— <a href="#">Certification of the Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.</a>
32.1†	— <a href="#">Certification of the Chief Executive Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.</a>
32.2†	— <a href="#">Certification of the Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.</a>
101.INS*	— Inline XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
101.SCH*	— XBRL Taxonomy Extension Schema Document.
101.CAL*	— XBRL Taxonomy Calculation Linkbase Document.
101.LAB*	— XBRL Taxonomy Label Linkbase Document.
101.PRE*	— XBRL Taxonomy Presentation Linkbase Document
101.DEF*	— XBRL Taxonomy Definition Linkbase Document
104.00	— Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\*Indicates a document being filed with this Report.

^Identifies a management contract or compensatory plan or arrangement.

†Indicates a document that is furnished with this Report, which shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that Section.

## Item 16. Form 10-K Summary

None.



## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the County of Loudoun, Commonwealth of Virginia, on the 30th day of July 2021.

NATIONAL RURAL UTILITIES COOPERATIVE  
FINANCE CORPORATION

By: /s/ J. ANDREW DON

J. Andrew Don

Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the date indicated.

<b>Signature</b>	<b>Title</b>	<b>Date</b>
<u>/s/ J. ANDREW DON</u> <b>J. Andrew Don</b>	Chief Executive Officer	July 30, 2021
<u>/s/ YU LING WANG</u> <b>Yu Ling Wang</b>	Senior Vice President and Chief Financial Officer	July 30, 2021
<u>/s/ ROBERT E. GEIER</u> <b>Robert E. Geier</b>	Vice President and Chief Accounting Officer	July 30, 2021
<u>/s/ ALAN W. WATTLES</u> <b>Alan W. Wattles</b>	President and Director	July 30, 2021
<u>/s/ BRUCE A. VITOSH</u> <b>Bruce A. Vitosh</b>	Vice President and Director	July 30, 2021
<u>/s/ DAVID E. FELKEL</u> <b>David E. Felkel</b>	Secretary-Treasurer and Director	July 30, 2021
<u>/s/ ANTHONY A. ANDERSON</u> <b>Anthony A. Anderson</b>	Director	July 30, 2021
<u>/s/ THOMAS A. BAILEY</u> <b>Thomas A. Bailey</b>	Director	July 30, 2021
<u>/s/ KEVIN M. BENDER</u> <b>Kevin M. Bender</b>	Director	July 30, 2021
<u>/s/ ROBERT BROCKMAN</u> <b>Robert Brockman</b>	Director	July 30, 2021
<u>/s/ CHRIS D. CHRISTENSEN</u> <b>Chris D. Christensen</b>	Director	July 30, 2021
<u>/s/ JARED ECHTERNACH</u> <b>Jared Echternach</b>	Director	July 30, 2021
<u>/s/ TIMOTHY ELDRIDGE</u> <b>Timothy Eldridge</b>	Director	July 30, 2021

/s/ DENNIS FULK <hr/> <b>Dennis Fulk</b>	Director	July 30, 2021
/s/ BARBARA E. HAMPTON <hr/> <b>Barbara E. Hampton</b>	Director	July 30, 2021
/s/ WILLIAM KEITH HAYWARD <hr/> <b>William Keith Hayward</b>	Director	July 30, 2021
/s/ MICHAEL HEINEN <hr/> <b>Michael Heinen</b>	Director	July 30, 2021
/s/ BRADLEY P. JANORSCHKE <hr/> <b>Bradley P. Janorschke</b>	Director	July 30, 2021
/s/ ANTHONY LARSON <hr/> <b>Anthony Larson</b>	Director	July 30, 2021
/s/ BRENT MCRAE <hr/> <b>Brent McRae</b>	Director	July 30, 2021
/s/ JOHN METCALF <hr/> <b>John Metcalf</b>	Director	July 30, 2021
/s/ KENDALL MONTGOMERY <hr/> <b>Kendall Montgomery</b>	Director	July 30, 2021
/s/ G. ANTHONY NORTON <hr/> <b>G. Anthony Norton</b>	Director	July 30, 2021
/s/ JEFFREY ALLEN REHDER <hr/> <b>Jeffrey Allen Rehder</b>	Director	July 30, 2021
/s/ MARK A. SUGGS <hr/> <b>Mark A. Suggs</b>	Director	July 30, 2021
/s/ MARSHA L. THOMPSON <hr/> <b>Marsha L. Thompson</b>	Director	July 30, 2021

AMENDMENT NO. 5

Dated as of June 7, 2021

to the

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

Dated as of November 19, 2015

Among

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION,

THE BANKS PARTY HERETO,

MIZUHO BANK, LTD.,

as Administrative Agent and Initial Issuing Bank,

JPMORGAN CHASE BANK, N.A.,

as Syndication Agent

and

PNC BANK, NATIONAL ASSOCIATION, THE BANK OF NOVA SCOTIA,

and

ROYAL BANK OF CANADA

as Co-Documentation Agents

---

MIZUHO BANK, LTD.,

JPMORGAN CHASE BANK, N.A.,

PNC CAPITAL MARKETS LLC, THE BANK OF NOVA SCOTIA

and

RBC CAPITAL MARKETS as Co-Lead Arrangers and Joint Bookrunners

## AMENDMENT NO. 5

AMENDMENT NO. 5 dated as of June 7, 2021 (this "Amendment") to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015, as amended by Amendment No. 1 dated as of November 18, 2016, as further amended by Amendment No. 2 dated as of November 20, 2017, as further amended by Amendment No. 3 dated as of November 28, 2018 and as further amended by Amendment No. 4 dated as of November 26, 2019, among NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, a not-for-profit cooperative association incorporated under the laws of the District of Columbia, the BANKS party thereto from time to time, MIZUHO BANK, LTD., as Administrative Agent and as Initial Issuing Bank, JPMORGAN CHASE BANK, N.A., as Syndication Agent, and PNC BANK, NATIONAL ASSOCIATION, THE BANK OF NOVA SCOTIA and ROYAL BANK OF CANADA, as Co-Documentation Agents (the "Existing Credit Agreement") and, as amended by this Amendment, the "Amended Credit Agreement").

### WITNESSETH:

WHEREAS, the Borrower has requested that the Banks party to the Existing Credit Agreement, immediately prior to the effectiveness of this Amendment (each, an "Existing Bank"), enter into this Amendment pursuant to which (i) the Existing Banks agree to extend the termination of their Commitments to November 28, 2024 (the "Extended Commitment Termination Date") and (ii) certain other provisions of the Existing Credit Agreement will be amended;

WHEREAS, each financial institution identified on Schedule 1 hereto as an "Extending Bank" (each, an "Extending Bank") has agreed, on the terms and conditions set forth herein, to provide Commitments terminating on the Extended Commitment Termination Date in the amounts set forth on Schedule 1 hereto opposite such Extending Bank's name under the heading "Commitment" (the "Extended Commitments");

WHEREAS, on the Fifth Amendment Effective Date (as defined in Section 7 below), the existing Commitment of each Extending Bank will be converted into an Extended Commitment;

WHEREAS, certain other financial institutions referred to herein as "Non-Extending Banks" (each, a "Non-Extending Bank") have informed the Borrower of their desire to terminate their existing Commitments;

WHEREAS, certain other financial institutions referred to herein as "Reducing Banks" (each, a "Reducing Bank") have informed the Borrower of their desire to reduce their existing Commitments; and

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**Section 1. *Defined Terms; References.*** Unless otherwise specifically defined herein, each term used herein that is defined in the Existing Credit Agreement or in the Amended Credit Agreement, as the context shall require, has the meaning assigned to such term in the Existing Credit Agreement or in the Amended Credit Agreement, as applicable. Each reference to “hereof”, “hereunder”, “herein” and “hereby” and each other similar reference and each reference to “this Amendment” and each other similar reference contained in the Existing Credit Agreement shall, on and after the Fifth Amendment Effective Date, refer to the Amended Credit Agreement.

**Section 2. *Amended Terms and Fifth Amendment Effective Date Transactions.***

(a) Each of the parties hereto agrees that, effective on the Fifth Amendment Effective Date, the Existing Credit Agreement shall be amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double- underlined text (indicated textually in the same manner as the following example: double- underlined text) as set forth in the amended pages of the Existing Credit Agreement attached hereto as Exhibit A, and the Banks party hereto authorize the Administrative Agent and the Borrower to prepare a conformed copy of the Amended Credit Agreement that includes the changes contained in, and consistent with, the amended pages attached as Exhibit A.

(b) On the Fifth Amendment Effective Date, the Commitment of each Existing Bank that is an Extending Bank will be converted into an Extended Commitment under the Amended Credit Agreement in the amounts set forth on Schedule 1 hereto, so that the Commitment of such Extending Bank under the Amended Credit Agreement shall equal such Extended Bank’s Extended Commitments.

(c) On the Fifth Amendment Effective Date, MUFG Bank, Ltd.’s role as a Co-Documentation Agent shall be terminated and they shall not be entitled to any fees with respect to that role.

(d) Notwithstanding Section 2.10 of the Existing Credit Agreement, on the Fifth Amendment Effective Date, (i) the Commitment of each Non-Extending Bank shall be terminated and such Non-Extending Bank shall no longer be considered as a Bank under the Amended Credit Agreement and (ii) the Commitment of each Reducing Bank shall be reduced as reflected on Schedule I hereto.

**Section 3. *Representations of Borrower.*** The Borrower represents and warrants, as of the date hereof, that:

(a) the Borrower has the corporate power and authority to execute, deliver and perform its obligations under this Amendment and under the Amended Credit Agreement, and has taken all necessary corporate action to authorize the execution, delivery and performance by it of this Amendment and the Amended Credit Agreement. The Borrower has duly executed and

delivered this Amendment, and this Amendment and the Amended Credit Agreement constitutes its legal, valid and binding obligation enforceable in accordance with its terms, except as enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought by proceeding in equity or at law);

(b) no material authorization, consent, approval or license of, or declaration, filing or registration with or exemption by, any Governmental Authority, body or agency is required in connection with the execution, delivery and performance by the Borrower of this Amendment. The Banks acknowledge that the Borrower may file this Amendment with the Securities and Exchange Commission on or after the Fifth Amendment Effective Date; and

(c) the execution, delivery and performance by the Borrower of this Amendment and the Amended Credit Agreement, the borrowings contemplated hereunder and the use of the proceeds thereof will not (i) contravene any material provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or Governmental Authority to which the Borrower is subject, (ii) require any consent under, or violate or result in any breach of any of the material terms, covenants, conditions or provisions of, or constitute a material default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of the Borrower pursuant to the terms of the Amended Credit Agreement or any material indenture, mortgage, deed of trust, agreement or instrument, in each case to which the Borrower is a party or by which it or any its property or assets is bound or to which it may be subject, or (iii) violate any provision of the articles of incorporation or by-laws, as applicable, of the Borrower.

**Section 4. GOVERNING LAW.** (a) THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

(b) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES, TO THE FULLEST EXTENT PERMITTED BY LAW, THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AMENDMENT SHALL AFFECT ANY RIGHT

THAT ANY PARTY HERETO OR ANY BANK MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AMENDMENT AGAINST ANY OTHER PARTY HERETO OR ANY BANK OR THEIR RESPECTIVE PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) EACH PARTY TO THIS AMENDMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9.01 OF THE AMENDED CREDIT AGREEMENT. NOTHING IN THIS AMENDMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AMENDMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

**Section 5. *WAIVER OF JURY TRIAL.*** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**Section 6. *Counterparts.*** This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Amendment. The words “execution,” “signed,” “signature,” and words of similar import in this Amendment shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000, the Electronic Signatures and Records Act of 1999, or any other similar state Laws based on the Uniform Electronic Transactions Act. Notwithstanding the foregoing, if the Administrative Agent or any Lender reasonably requests a manually executed counterpart, the Company shall deliver such manually executed counterpart.

**Section 7. *Effectiveness.*** This Amendment shall become effective on the date (the “Fifth Amendment Effective Date”) on which the Administrative Agent shall have received the following documents or other items, each dated the Fifth Amendment Effective Date unless otherwise indicated:



(a) receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party), including receipt of consent from (i) each Extending Bank, (ii) each Non-Extending Bank, (iii) each Reducing Bank, and (iv) the Required Banks under the Existing Credit Agreement;

(b) receipt by the Administrative Agent of an opinion of the General Counsel of the Borrower, substantially in the form of Exhibit F to the Existing Credit Agreement, *provided* that an enforceability opinion under New York law, that is reasonably acceptable to the Administrative Agent, shall be furnished by the Borrower's New York counsel, Foley & Lardner LLP, subject to customary assumptions, qualifications and limitations;

(c) receipt by the Administrative Agent of a certificate signed by any one of the Chief Financial Officer, the Chief Executive Officer, the Treasurer, an Assistant Secretary-Treasurer, the Controller or the Vice President, Capital Markets Relations of the Borrower to the effect that the conditions set forth in clauses (c) through (g), inclusive, of Section 3.03 of the Amended Credit Agreement have been satisfied as of the Fifth Amendment Effective Date and, in the case of clauses (c), (d) and (g), setting forth in reasonable detail the calculations required to establish such compliance;

(d) receipt by the Administrative Agent of a certificate of an officer of the Borrower acceptable to the Administrative Agent stating that all consents, authorizations, notices and filings required or advisable in connection with this Amendment are in full force and effect, and the Administrative Agent shall have received evidence thereof reasonably satisfactory to it;

(e) receipt by the Administrative Agent and the Syndication Agent (or their respective permitted assigns) and by each Bank Party of all fees, including all such fees that are owed to each Reducing Bank and Non-Extending Bank required to be paid in the respective amounts heretofore mutually agreed in writing, and all expenses required to be reimbursed pursuant to the terms of the Existing Credit Agreement and for which invoices have been presented, at least one (1) business day prior to the Fifth Amendment Effective Date;

(f) receipt by the Administrative Agent and the Banks of a Beneficial Ownership Certification on the Fifth Amendment Effective Date and all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the USA PATRIOT Act (Title III of Pub. L. 107-56) and the FinCEN beneficial ownership regulations under the Beneficial Ownership Regulation; and

(g) receipt by the Administrative Agent of all documents the Administrative Agent may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Amendment all in form and substance reasonably satisfactory to the Administrative Agent.

The Administrative Agent shall promptly notify the Borrower and the Bank Parties of the Fifth Amendment Effective Date, and such notice shall be conclusive and binding on all parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE  
CORPORATION

By: /s/ LING WANG

Name: Ling Wang

Title: Senior Vice President and  
Chief Financial Officer

MIZUHO BANK, LTD., as  
Administrative Agent, Initial Issuing  
Bank and Extending Bank

By: /s/ EDWARD SACKS  
Name: Edward Sacks  
Title: Executive Director

JPMORGAN CHASE BANK, N.A., as  
Syndication Agent and Extending Bank

By: /s/ NANCY R. BARWIG  
Name: /s/ Nancy R. Barwig  
Title: Executive Director

SIGNATURE PAGE TO AMENDMENT NO. 5 (THE “**AMENDMENT**”) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AND AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, MIZUHO BANK, LTD., AS ADMINISTRATIVE AGENT, JPMORGAN CHASE BANK, N.A. AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE “**EXISTING CREDIT AGREEMENT**”).

Check only one of the following:

- The undersigned is a Bank with an existing Commitment and consents to this Amendment with respect to the full amount set forth on Schedule 1 hereto, which amount will be converted in full to an Extended Commitment.

Royal Bank of Canada, as Lender

By: /s/ MARK W. CONDON

Name: Mark W. Condon

Title: Authorized Signatory

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- The undersigned Bank with an existing Commitment consents to this Amendment with respect to its existing Commitment and also confirms its willingness to provide additional Commitment under the Amended Credit Agreement in an aggregate principal amount of \$ \_\_\_\_\_.
- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$ \_\_\_\_\_.

THE BANK OF NOVA SCOTIA

By: /s/ DAVID DEWAR  
Name: David Dewar  
Title: Director



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- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$ \_\_\_\_\_.

PNC BANK, NATIONAL ASSOCIATION

By: /s/ RICHARD G. TUTICH

Name: Richard G. Tutich

Title: Vice President

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- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$\_\_\_\_\_.

U.S. BANK NATIONAL ASSOCIATION

By: /s/ MICHAEL E. TEMNICK

Name: Michael E. Temnick

Title: Vice President

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TRUIST BANK

By:  /s/ JUSTIN LIEN  
Name: Justin Lien  
Title: Director

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- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$100,000,000.00

MUFG Bank, Ltd

By: /s/ MICHAEL AGRIMIS

Name: Michael Agrimis

Title: Director



SIGNATURE PAGE TO AMENDMENT NO. 5 (THE “**AMENDMENT**”) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AND AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, MIZUHO BANK, LTD., AS ADMINISTRATIVE AGENT, JPMORGAN CHASE BANK, N.A. AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE “**EXISTING CREDIT AGREEMENT**”).

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- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$\_\_\_\_\_.

REGIONS BANK

By: /s/ JIM SHARP  
Name: Jim Sharp  
Title: Managing Director

SIGNATURE PAGE TO AMENDMENT NO. 5 (THE “**AMENDMENT**”) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AND AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, MIZUHO BANK, LTD., AS ADMINISTRATIVE AGENT, JPMORGAN CHASE BANK, N.A. AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE “**EXISTING CREDIT AGREEMENT**”).

Check only one of the following:

- The undersigned is a Bank with an existing Commitment and consents to this Amendment with respect to the full amount set forth on Schedule 1 hereto, which amount will be converted in full to an Extended Commitment.
- The undersigned Bank with an existing Commitment consents to this Amendment with respect to its existing Commitment and also confirms its willingness to provide additional Commitment under the Amended Credit Agreement in an aggregate principal amount of \$ \_\_\_\_\_.
- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$ \_\_\_\_\_.

KeyBank National Association

By: /s/ Benjamin Cooper  
Name: Benjamin Cooper  
Title: Senior Vice President

SIGNATURE PAGE TO AMENDMENT NO. 5 (THE “**AMENDMENT**”) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AND AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, MIZUHO BANK, LTD., AS ADMINISTRATIVE AGENT, JPMORGAN CHASE BANK, N.A. AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE “**EXISTING CREDIT AGREEMENT**”).

Check only one of the following:

- The undersigned is a Bank with an existing Commitment and consents to this Amendment with respect to the full amount set forth on Schedule 1 hereto, which amount will be converted in full to an Extended Commitment.
- The undersigned Bank with an existing Commitment consents to this Amendment with respect to its existing Commitment and also confirms its willingness to provide additional Commitment under the Amended Credit Agreement in an aggregate principal amount of \$ \_\_\_\_\_.
- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$ \_\_\_\_\_.

APPLE BANK FOR SAVINGS

By: /s/ DANA R. MACKINNON  
Name: Dana R. MacKinnon  
Title: Senior Vice President

**SCHEDULE 1****EXTENDED COMMITMENTS**

<b><u>Extending Banks</u></b>	<b><u>Commitment</u></b>
Mizuho Bank Ltd.	\$150,000,000.00
Royal Bank of Canada	\$150,000,000.00
The Bank of Nova Scotia	\$150,000,000.00
JPMorgan Chase Bank, N.A.	\$150,000,000.00
PNC Bank, National Association	\$150,000,000.00
US Bank National Association	\$125,000,000.00
Truist Bank	\$125,000,000.00
MUFG Bank, Ltd	\$100,000,000.00
Regions Bank	\$75,000,000.00
KeyBank National Association	\$70,000,000.00
<b>Total</b>	<b><u><u>\$1,245,000,000.00</u></u></b>

**EXHIBIT A**

NOT A LEGAL DOCUMENT

COMPOSITE COPY REFLECTING

AMENDMENT NO. 45

DATED AS OF ~~NOVEMBER 26~~JUNE 7, 2019~~2021~~

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

dated as of

November 19, 2015

among

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION,  
THE BANKS LISTED HEREIN,

MIZUHO BANK, LTD., as Administrative Agent and Initial Issuing Bank, JPMORGAN CHASE BANK,

N.A.,

as Syndication Agent,

and

~~MUFG~~PNC BANK, ~~LTD.~~NATIONAL ASSOCIATION,

~~(F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.); PNC BANK, NATIONAL  
ASSOCIATION,~~

THE BANK OF NOVA SCOTIA,

and

ROYAL BANK OF CANADA

as Co-Documentation Agents

MIZUHO BANK, LTD.,

JPMORGAN CHASE BANK, N.A.,

~~MUFG BANK, LTD.~~

~~(F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.);~~

PNC CAPITAL MARKETS LLC,

THE BANK OF NOVA SCOTIA

and

RBC CAPITAL MARKETS as Co-Lead Arrangers and Joint Bookrunners



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## AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

This AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT dated as of November 19, 2015, is made by and among NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, a not-for-profit cooperative association incorporated under the laws of the District of Columbia, as Borrower, the BANKS listed on the signature pages hereof, MIZUHO BANK, LTD., as Administrative Agent and as Initial Issuing Bank for the Letters of Credit issued or to be issued pursuant to this Agreement, JPMORGAN CHASE BANK, N.A., as Syndication Agent, and ~~MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.)~~, PNC BANK, NATIONAL ASSOCIATION, THE BANK OF NOVA SCOTIA and ROYAL BANK OF CANADA, as Co-Documentation Agents.

WHEREAS, the Borrower, the several Banks, the Administrative Agent, the Syndication Agent and Co-Documentation Agents (as each is defined hereinafter) entered into a Revolving Credit Agreement dated as of October 21, 2011, as amended by Amendment No. 1 dated as of March 28, 2013, Amendment No. 2 dated as of October 28, 2013, Amendment No. 3 dated as of October 28, 2014 and Amendment No. 4 dated as of October 9, 2015 (collectively, the “Existing Credit Agreement”); and

WHEREAS, the Borrower has requested that the Banks, the Administrative Agent, the Syndication Agent and the Co-Documentation Agents agree, on the terms and conditions set forth herein, to amend and restate the Existing Credit Agreement. The Banks, Administrative Agent, Syndication Agent and Co-Documentation Agents have indicated their willingness to amend and restate the Existing Credit Agreement on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby amend and restate the Existing Credit Agreement in its entirety and the parties hereto hereby agree as follows:

### ARTICLE 1 Definitions

Section 1.01. *Definitions.* The following terms, as used herein, have the following meanings:

“**1994 Indenture**” means the Indenture dated as of February 15, 1994 and as amended as of September 16, 1994 between the Borrower and U.S. Bank National Association, as trustee, as amended and supplemented from time to time, providing for the issuance in series of certain collateral trust bonds of the Borrower.

**“2007 Indenture”** means the Indenture dated as of October 25, 2007 between the Borrower and U.S. Bank National Association, as trustee, as amended and supplemented from time to time, providing for the issuance in series of certain collateral trust bonds of the Borrower.

**“2016 Amendment”** means Amendment No. 1 to this Agreement dated as of November 18, 2016 among the Borrower, the Administrative Agent, the Syndication Agent and the Banks thereto.

**“2017 Amendment”** means Amendment No. 2 to this Agreement dated as of November 20, 2017 among the Borrower, the Administrative Agent, the Syndication Agent and the Banks thereto.

**“2017 Fee Letters”** means those certain Fee Letters dated October 13, 2017 among the Borrower, the Administrative Agent and the Syndication Agent.

**“2018 Amendment”** means Amendment No. 3 to this Agreement dated as of November 28, 2018 among the Borrower, the Administrative Agent, the Syndication Agent and the Banks thereto.

**“2018 Fee Letters”** means those certain Fee Letters dated October 16, 2018 among the Borrower, the Administrative Agent and the Syndication Agent.

**“2019 Amendment”** means Amendment No. 4 to this Agreement dated as of November 26, 2019 among the Borrower, the Administrative Agent, the Syndication Agent and the Banks thereto.

**“2019 Fee Letters”** means those certain Fee Letters dated October 16, 2019 among the Borrower, the Administrative Agent, the Syndication Agent and the Co-Lead Arrangers.

**“2021 Amendment”** means [Amendment No. 5 to this Agreement dated as of June 7, 2021 among the Borrower, the Administrative Agent, the Syndication Agent and the Banks thereto.](#)

**“2021 Fee Letters”** means [those certain Fee Letters dated May 11, 2021 among the Borrower, the Administrative Agent, the Syndication Agent and the Co-Lead Arrangers.](#)

**“Absolute Rate Auction”** means a solicitation of Money Market Quotes setting forth Money Market Absolute Rates pursuant to Section 2.03.

**“Additional Commitment Bank”** has the meaning set forth in Section 2.22(d).

~~**“Adjusted London Interbank Offered Rate”** has the meaning set forth in Section 2.07(b).~~

“**Administrative Agent**” means Mizuho Bank, Ltd., in its capacity as administrative agent for the Banks hereunder, and its successors in such capacity.

“**Administrative Questionnaire**” means, with respect to each Bank, the administrative questionnaire in the form submitted to such Bank by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Bank.

“**Affected Financial Institution**” means (i) any EEA Financial Institution or (ii) any UK Financial Institution.

“**Aggregate Commitment**” means the aggregate amount that is equal to the sum of the amounts of each of the Commitments.

“**Agreement**” means this Amended and Restated Revolving Credit Agreement, as the same may be amended from time to time.

“**Amendment Effective Date**” means the date this Agreement becomes effective in accordance with Section 3.01.

“**Anniversary Date**” has the meaning set forth in Section 2.22(a).

“**Anti-Corruption Laws**” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery, corruption or money laundering.

~~“**Anniversary Date**” has the meaning set forth in Section 2.22(a).~~

“**Applicable Law**” means, with respect to any Person, any and all laws, statutes, regulations, rules, orders, injunctions, decrees, judgments, writs determinations or awards having the force or effect of binding such Person at law and issued by any Governmental Authority, applicable to such Person, including all Environmental Laws.

“**Applicable Lending Office**” means, with respect to any Bank, (i) in the case of its Base Rate Loans, its Domestic Lending Office, (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office and (iii) in the case of its Money Market Loans, its Money Market Lending Office.

“**ASC 815**” means Accounting Standards Codification No. 815 Derivatives and Hedging, as amended from time to time (or any successor provision thereto).

“**ASC 830**” means Accounting Standards Codification No. 830 Foreign Currency Matters, as amended from time to time (or any successor provision thereto).

“**Assignee**” has the meaning set forth in Section 9.06(c).

“**Auto-Extension Letter of Credit**” has the meaning specified in Section 2.20(a)(iii).

“**Available Tenor**” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, any tenor for such Benchmark or payment period for interest calculated with reference to such Benchmark, as applicable, that is or may be used for determining the length of an Interest Period pursuant to this Agreement as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period”.

“**Back-Up Letter of Credit**” has the meaning set forth in Section 2.01(b).

“**Bail-In Action**” means the exercise of any Write-Down and Conversion Powers by the applicable ~~EEA~~ Resolution Authority in respect of any liability of an ~~EEA~~Affected Financial Institution.

“**Bail-In Legislation**” means, (i) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule; and (ii) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“**Bank**” means at any time, any Bank that has a Commitment specified on the Commitment Schedule hereto or any Assignee thereof and any subsequent Assignee of such Assignee which becomes a Bank pursuant to Section 9.06(c).

“**Bank Extension Notice Date**” has the meaning set forth in Section 2.22(b).

“**Bank Parties**” mean the Banks and the Issuing Banks.

“**Bankruptcy Event**” means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, *provided* that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental



Authority or instrumentality thereof, *provided, further*, that such ownership interest does not result in or provide such Person with immunity from the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

“**Base Rate**” means, for any day, a rate per annum equal to the highest of (i) the Prime Rate for such day, (ii) the Federal Funds Rate for such day plus 0.50% and (iii) the ~~Adjusted London Interbank Offered Rate taking into account any London Interbank Offered Rate floor under the definition of “London Interbank Offered Rate”~~ Benchmark, or a comparable or successor rate, which rate is selected by the Administrative Agent and Borrower as described in ~~the definition of “London Interbank Offered Rate” in~~ Section 2.07(b), for a one month Interest Period on such day (or if such day is not a Euro-Dollar Business Day, the immediately preceding Euro-Dollar Business Day) plus 1.00%.

“**Base Rate Loan**” means a Committed Loan that bears interest at the Base Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election or the last sentence of Section 2.08(a) or Article 8.

“**Base Rate Margin**” means a rate per annum determined in accordance with the Pricing Schedule.

“**Benchmark**” means, initially, USD LIBOR; provided that if a Benchmark Transition Event, a Term SOFR Transition Event or an Early Opt-in Election or an Other Benchmark Rate Election, as applicable, and its related Benchmark Replacement Date have occurred with respect to USD LIBOR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.07.

“**Benchmark Replacement**” means, for any Available Tenor, the first alternative set forth in the order below that can be determined by the Administrative Agent for the applicable Benchmark Replacement Date. Provided that, in the case of an Other Benchmark Rate Election, “Benchmark Replacement” shall mean the alternative set forth in (3) below; provided further, if the Administrative Agent decides that Term SOFR is not administratively feasible for the Administrative Agent, then Term SOFR will be deemed unable to be determined for purposes of this definition:

(1) the sum of: (a) Term SOFR and (b) the related Benchmark Replacement Adjustment;

- (2) the sum of: (a) Daily Simple SOFR and (b) the related Benchmark Replacement Adjustment;
- (3) the sum of: (a) the alternate benchmark rate that has been selected by the Administrative Agent and the Borrower as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for U.S. dollar-denominated syndicated credit facilities at such time and (b) the related Benchmark Replacement Adjustment;

provided that, in the case of clause (1), such Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; provided further that, in the case of clause (3), when such clause is used to determine the Benchmark Replacement in connection with the occurrence of an Other Benchmark Rate Election, the alternate benchmark rate selected by the Administrative Agent and the Borrower shall be the term benchmark rate that is used in lieu of a LIBOR-based rate in the relevant other Dollar-denominated syndicated credit facilities; provided further that, notwithstanding anything to the contrary in this Agreement or in any other Loan Document, upon the occurrence of a Term SOFR Transition Event, and the delivery of a Term SOFR Notice, on the applicable Benchmark Replacement Date the “Benchmark Replacement” shall revert to and shall be deemed to be the sum of (a) Term SOFR and (b) the related Benchmark Replacement Adjustment, as set forth in clause (1) of this definition (subject to the first proviso above). If the Benchmark Replacement as determined pursuant to clause (1), (2) or (3) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement.

“Benchmark Replacement Adjustment” means, with respect to any replacement of the then-current Benchmark with an Unadjusted Benchmark Replacement for any applicable Interest Period and Available Tenor for any setting of such Unadjusted Benchmark Replacement:

(1) for purposes of clauses (1) and (2) of the definition of “Benchmark Replacement,” the first alternative set forth in the order below that can be determined by the Administrative Agent:

(a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive

or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Interest Period that has been selected or recommended by the Relevant Governmental Body for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for the applicable Corresponding Tenor;

(b) the spread adjustment (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Interest Period that would apply to the fallback rate for a derivative transaction referencing the ISDA Definitions to be effective upon an index cessation event with respect to such Benchmark for the applicable Corresponding Tenor; and

(2) for purposes of clause (3) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body on the applicable Benchmark Replacement Date or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities;

provided that, in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to time as selected by the Administrative Agent in its reasonable discretion.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Business Day,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, length of lookback periods, the applicability of breakage provisions, the formula for calculating any successor rates identified pursuant to the definition of “Benchmark

Replacement”, the formula, methodology or convention for applying the successor Floor to the successor Benchmark Replacement and other technical, administrative or operational matters) that the Administrative Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark:

(1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof);

(2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein;

(3) in the case of a Term SOFR Transition Event, the date that is thirty (30) days after the date a Term SOFR Notice is provided to the Lenders and the Borrower pursuant to clause (b) of this Section titled “Benchmark Replacement Setting” or such later date as specified in such notice; or

(4) in the case of an Early Opt-in Election or an Other Benchmark Rate Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election or Other Benchmark Rate Election, as applicable, is provided to the Lenders, so long as the Administrative Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election or Other Benchmark Rate Election, as applicable, is provided to the Lenders, written notice of objection to such Early Opt-in Election or Other Benchmark Rate Election, as applicable, from Lenders comprising the Required Lenders; provided however, the Administrative Agent and the Borrower may choose a later date

as specified in such notice.

For the avoidance of doubt, (i) if the event giving rise to the Benchmark Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and (ii) the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1) or (2) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

(1) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);

(2) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or

(3) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing

that all Available Tenors of such Benchmark (or such component thereof) are no longer representative.

For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Unavailability Period” means the period (if any) (x) beginning at the time that a Benchmark Replacement Date pursuant to clauses (1) or (2) of that definition has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with this Section titled “Benchmark Replacement Setting” and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder in accordance with Section 2.07.

“**Beneficial Ownership Certification**” means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

“**Beneficial Ownership Regulation**” means 31 C.F.R. § 1010.230.

“**Bonds**” means any bonds issued pursuant to any of the Indentures, as the context may require.

“**Borrower**” means the National Rural Utilities Cooperative Finance Corporation, a not-for-profit cooperative association incorporated under the laws of the District of Columbia, and its successors.

“**Borrowing**” has the meaning set forth in Section 1.03

“**Cash Collateral Account**” means a deposit account or a non-interest bearing securities account (as contemplated by Section 2.20(e)) opened, or to be opened, by the Administrative Agent and in which a Lien has been granted to the Administrative Agent for the benefit of each Bank and each Issuing Bank pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and each Issuing Bank (which documents are hereby consented to by the Banks) to the extent that any Letter of Credit is required to be Cash Collateralized in accordance with this Agreement.

“**Cash Collateralize**” means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of each Issuing Bank and each Bank, as collateral for the L/C Obligations, cash or deposit account balances, and “Cash Collateral” shall refer to such cash or deposit account balances.

“**Central Banking Authority**” means any central bank, reserve bank or monetary authority that is principally engaged in the regulation of the currency, money supply or commercial banking system of any given sovereign state or states.

“**Change in Law**” means (a) the adoption of any law, rule, regulation or treaty after the Effective Date, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority after the Effective Date or (c) compliance by any Bank Party (or, for purposes of Section 8.03(b), by its Applicable Lending Office or by such Bank Party’s holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the Effective Date; *provided however*, that notwithstanding anything therein to the contrary, (i) any requirements imposed under the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives thereunder or enacted, adopted or issued in connection therewith and (ii) any requests, rules, guidelines or directives concerning capital adequacy promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or the United States financial regulatory authorities, in each case pursuant to Basel III, shall be deemed to be a “Change in Law”, regardless of the date adopted, issued, promulgated or implemented, but only if any such requirements are generally applicable to (and for which reimbursement is generally being sought by the Banks in respect of) credit transactions similar to this transaction from borrowers similarly situated to the Borrower.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Co-Documentation Agents**” means ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, each in their respective capacity as documentation agent hereunder, and their respective successors in such capacity.

“**Co-Lead Arrangers**” means Mizuho Bank, Ltd., JPMorgan Chase Bank, N.A., ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Capital Markets LLC, The Bank of Nova Scotia, and RBC Capital Markets, 1 each in their capacity as co-lead arranger and joint bookrunner.

“**Commitment**” means (i) with respect to any Bank, the amount, if any, set forth opposite the name of such Bank on the Commitment Schedule and (ii) with respect to any Bank that is an Assignee pursuant to Section 9.06(c), the amount of the transferor Bank’s commitment specified on the Commitment Schedule that is assigned to such Bank, and further, any subsequent assignment

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<sup>1</sup> RBC Capital Markets is a brand name for the capital markets businesses of Royal Bank of Canada and its affiliates.

made by an Assignee to another Assignee of such amounts pursuant to Section 9.06(c), in each case as such amount may from time to time be increased or decreased from time to time in accordance with the terms and conditions of this Agreement.

“**Commitment Schedule**” means the commitment schedule attached hereto under the heading, Commitment Schedule.

“**Commitment Termination Date**” means November 28, ~~2022~~2024 or, if such day is not a Euro-Dollar Business Day, the immediately preceding Euro-Dollar Business Day.

“**Committed Borrowing**” means a Borrowing under Section 2.01(a).

“**Committed Loan**” means a Revolving Loan; *provided* that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term “Committed Loan” shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

“**Confidential Information**” has the meaning set forth in Section 9.12.

“**Consolidated Entity**” means at any date any Subsidiary, and any other entity the accounts of which would be combined or consolidated with those of the Borrower in its combined or consolidated financial statements if such statements were prepared as of such date.

“**Corresponding Tenor**” with respect to any Available Tenor means, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

“**Credit Documentation**” has the meaning set forth in Section 9.15.

“**Credit Exposure**” means with respect to any Bank at any time, such Bank’s Pro Rata Share of each of (i) the aggregate principal amount of the Loans outstanding at such time and (ii) the Outstanding Amount of all L/C Obligations at such time (for the avoidance of doubt, the aggregate amount of such Bank’s participation in L/C Obligations are deemed to be “held” by such Bank for purposes of this definition).

“**Daily Simple SOFR**” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Administrative Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for syndicated business loans; provided, that if the Administrative Agent decides that any such convention is not



administratively feasible for the Administrative Agent, then the Administrative Agent may establish another convention in its reasonable discretion.

“**Default**” means any occurrence or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both (as specified in Section 6.01) would, unless cured or waived, become an Event of Default.

“**Defaulting Bank**” means any Bank that (a) has failed, within two Domestic Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or (iii) pay over to the Administrative Agent or any Bank Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Bank notifies the Administrative Agent and the Borrower, in writing that such failure is the result of such Bank’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower, the Administrative Agent or any Bank Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Bank’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Domestic Business Days after request by the Administrative Agent (the Administrative Agent hereby agreeing to make any such written request upon a request from the Borrower) or any Bank Party, acting in good faith, to provide a certification in writing from an authorized officer of such Bank (with a copy of such certification to be provided to the Borrower) that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit under this Agreement, *provided* that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon such Bank Party’s receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has, or has a Parent, that has become the subject of (i) a Bankruptcy Event or (ii) a Bail-In Action.

“**Derivative Cash Settlements**” means, for any period, the line item “derivative cash settlements” as it appears on the statement of operations of the Borrower and its Consolidated Entities (or any notes thereto) for such period delivered to the Banks pursuant to Section 5.03(b), calculated in accordance with U.S. GAAP as in effect from time to time.

“**Derivatives Obligations**” of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap

transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

“**Determination Date**” has the meaning set forth in Section 5.09.

“**Dollars**” or “**\$**” refers to lawful money of the United States of America.

“**Domestic Business Day**” means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

“**Domestic Lending Office**” means, as to each Bank Party, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Bank Party may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent.

“**Early Opt-in Election**” means, if the then-current Benchmark is USD LIBOR, the occurrence of:

(1) a notification by the Administrative Agent to (or the request by the Borrower to the Administrative Agent to notify) each of the other parties hereto that at least five currently outstanding U.S. dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed) a SOFR-based rate (including SOFR, a term SOFR or any other rate based upon SOFR) as a benchmark rate (and such syndicated credit facilities are identified in such notice and are publicly available for review), and

(2) the joint election by the Administrative Agent and the Borrower to trigger a fallback from USD LIBOR and the provision by the Administrative Agent of written notice of such election to the Lenders.

“**EEA Financial Institution**” means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“**EEA Member Country**” means any member state of the European Union, Iceland, Liechtenstein and Norway.

“**EEA Resolution Authority**” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member

Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“**Effective Date**” means October 21, 2011.

“**Environmental Laws**” means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

“**ERISA Group**” means the Borrower, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414(b) or (c) of the Code or, for purposes of Section 412 of the Code, under Section 414(b), (c), (m) or (o) of the Code.

“**Erroneous Payment**” has the meaning assigned to it in Section 7.11(a).

“**Erroneous Payment Deficiency Assignment**” has the meaning assigned to it in Section 7.11(d).

“**Erroneous Payment Return Deficiency**” has the meaning assigned to it in Section 7.11(d).

“**EU Bail-In Legislation Schedule**” means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

“**Euro-Dollar Business Day**” means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

“**Euro-Dollar Lending Office**” means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate

as its Euro-Dollar Lending Office by notice to the Borrower and the Administrative Agent.

“**Euro-Dollar Loan**” means a Committed Loan that bears interest at a Euro-Dollar Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election.

“**Euro-Dollar Margin**” means a rate per annum determined in accordance with the Pricing Schedule.

“**Euro-Dollar Rate**” means, for any day, a rate per annum determined in accordance with Section 2.07(b).

“**Euro-Dollar Reserve Percentage**” has the meaning set forth in Section 2.07(b).

“**Event of Default**” has the meaning set forth in Section 6.01.

“**Excluded Taxes**” means, with respect to any payment made by the Borrower under this Agreement or the Notes, any of the following Taxes imposed on or with respect to a Recipient:

(a) income Taxes imposed on (or measured by) net income and franchise Taxes by the United States of America, or by the jurisdiction under the laws of which such Recipient is organized or in which its principal office is located or, in the case of any Bank Party, in which its applicable lending office is located or are Other Connection Taxes, (b) any branch profits Taxes imposed by the United States of America or any similar Taxes imposed by any other jurisdiction in which the Borrower is located or are Other Connection Taxes, (c) in the case of a Non U.S. Bank Party (other than an assignee pursuant to a request by the Borrower under Section 2.18(b)), any U.S. Federal withholding Taxes resulting from any law in effect on the date such Non U.S. Bank Party becomes a party to this Agreement (or designates a new lending office) or is attributable to such Non U.S. Bank Party’s failure to comply with Section 2.16(f), except to the extent that such Non U.S. Bank Party (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from the Borrower with respect to such withholding Taxes pursuant to Section 2.16(a) and (d) any U.S. Federal withholding Taxes imposed under FATCA.

“**Existing Commitment Termination Date**” has the meaning set forth in Section 2.22(d).

“**Existing Credit Agreement**” has the meaning set forth in first WHEREAS clause above.

“**Existing Letters of Credit**” means the letters of credit issued and outstanding under the Existing Credit Agreement as of the Amendment Effective Date and set forth in the Existing Letters of Credit Schedule hereto.

“**Extended Commitment**” means an Extended Commitment as defined in the ~~2019~~2021 Amendment.

“**Extension Date**” has the meaning set forth in Section 2.22(d).

“**Facility Fee Rate**” means a rate per annum determined in accordance with the Pricing Schedule.

“**Farmer Mac**” means the Federal Agricultural Mortgage Corporation, a corporation organized and existing under the laws of the United States of America and a federally-chartered instrumentality of the United States of America and an institution of the Farm Credit System.

“**Farmer Mac Master Note Purchase Agreement**” means that certain Amended and Restated Master Note Purchase Agreement, dated as of ~~July 31, 2015~~March 24, 2011, as amended by the First Supplemental Note Purchase Agreement dated as of March 24, 2011, the Amended and Restated First Supplemental Note Purchase Agreement dated as of January 8, 2015, the Second Amended and Restated First Supplemental Note Purchase Agreement dated as of February 26, 2018, and the Third Amended and Restated First Supplemental Note Purchase Agreement dated as of May 20, 2021, among Farmer Mac Mortgage Securities Corporation, a wholly owned subsidiary of Farmer Mac, Farmer Mac and the Borrower.

“**Farmer Mac Master Note Purchase Agreement Liens**” means Liens on any assets of the Borrower required to be pledged as collateral to support obligations of the Borrower with respect to any notes issued pursuant to the Farmer Mac Master Note Purchase Agreement.

“**Farmer Mac Master Note Purchase Agreement Limit**” shall be the lesser of (i) the aggregate purchase amount of notes available for purchase at any such time, without regards to whether any such notes have been purchased, pursuant to one or more supplemental note purchase agreements to the Farmer Mac Master Note Purchase Agreement in effect at such time or (ii) \$1,000,000,000.

“**Farmer Mac Master Note Purchase Agreement Obligations**” means notes issued pursuant to the Farmer Mac Master Note Purchase Agreement.

“**FATCA**” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b) of the Code, and any applicable intergovernmental agreements and

related legislation and official administrative rules or practices with respect thereto.

**“Federal Funds Rate”** means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day; *provided* that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

**“Fifth Amendment Effective Date” means the Fifth Amendment Effective Date as defined in the 2021 Amendment.**

**“First Amendment Effective Date”** means the First Amendment Effective Date as defined in the 2016 Amendment.

**“Fitch” means Fitch Ratings, Inc., and its successors**

**“Fixed Rate Borrowing”** means either a Euro-Dollar Borrowing or a Money Market LIBOR Borrowing.

**“Fixed Rate Loans”** means Euro-Dollar Loans or Money Market Loans (excluding Money Market LIBOR Loans bearing interest at the Base Rate pursuant to Section 8.01) or any combination of the foregoing.

**“Floor” means the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to USD LIBOR.**

**“Foreclosed Asset”** has the meaning set forth in Section 5.12.

**“Fourth Amendment Effective Date”** means the Fourth Amendment Effective Date as defined in the 2019 Amendment.

**“Fronting Fee”** has the meaning specified in Section 2.09(d).

**“Governmental Authority”** means any national, state, county, city, town, village, municipal or other government department, commission, board, bureau, agency, authority or instrumentality of a country or any political subdivision

“**Interest Period**” means: (1) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one, ~~two~~, three or six months thereafter, as the Borrower may elect in the applicable Notice of Borrowing; *provided* that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period of any Euro-Dollar Loan included in such Borrowing which would otherwise end after the Maturity Date shall, with respect to such Euro-Dollar Loan, end on such Maturity Date;

(2) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 30 days thereafter; *provided* that:

(a) any Interest Period which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(b) any Interest Period of any Base Rate Loan included in such Borrowing which would otherwise end after the Maturity Date shall, with respect to such Base Rate Loan, end on such Maturity Date;

(3) with respect to each Money Market LIBOR Borrowing, the period commencing on the date of such Borrowing and ending any whole number of months thereafter (but not less than one month) as the Borrower may elect in the applicable Notice of Borrowing; *provided* that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall,

subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period which would otherwise end after the Commitment Termination Date shall end on the Commitment Termination Date; and

(4) with respect to each Money Market Absolute Rate Borrowing, the period commencing on the date of such Borrowing and ending such number of days thereafter (but not less than 30 days) as the Borrower may elect in the applicable Notice of Borrowing; *provided* that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Commitment Termination Date shall end on the Commitment Termination Date.

“**Interpolated Rate**” has the meaning set forth in Section 2.07(b).

“**Investments**” has the meaning set forth in Section 5.12.

“**IRS**” means the United States Internal Revenue Service.

**“ISDA Definitions” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.**

“**ISP**” means, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance of such Letter of Credit).

“**Issuer Documents**” means, with respect to any Letter of Credit, the Letter of Credit Application and any other document, agreement and instrument entered into by any Issuing Bank and the Borrower (or any Consolidated Entity of the Borrower) or in favor of any Issuing Bank and relating to any such Letter of Credit.

“**Issuing Bank**” means the Initial Issuing Bank and any Bank appointed by the Borrower (with the consent of the Administrative Agent) as such and each Person that shall become an Issuing Bank hereunder pursuant to Section 2.20(l) or Section 9.06(f). Each Issuing Bank may, with the consent of the Borrower (such



“**Notice of Borrowing**” means a Notice of Committed Borrowing or a Notice of Money Market Borrowing.

“**Notice of Committed Borrowing**” has the meaning set forth in Section 2.02.

“**Notice of Interest Rate Election**” has the meaning set forth in Section 2.08(a).

“**Notice of Money Market Borrowing**” has the meaning set forth in Section 2.03(f).

**“Other Benchmark Rate Election” means, with respect to any Loan denominated in Dollars, if the then-current Benchmark is the LIBO Rate, the occurrence of:**

**(a) a request by the Borrower to the Administrative Agent to notify each of the other parties hereto that, at the determination of the Borrower, Dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed), in lieu of a LIBOR-based rate, a term benchmark rate as a benchmark rate, and**

**(b) the Administrative Agent, in its sole discretion, and the Borrower jointly elect to trigger a fallback from the LIBO Rate and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Lenders.**

“**Other Connection Taxes**” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than a connection arising from such Recipient having executed, delivered, enforced, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to, or enforced, this Agreement or the Notes, or sold or assigned an interest in this Agreement or the Notes).

“**Other Taxes**” means any present or future stamp, court, documentary, intangible, recording, filing or similar excise or property Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, or from the registration, receipt or perfection of a security interest under, or otherwise with respect to, this Agreement or the Notes, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment under Section 2.18).

“**Outstanding Amount**” means with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any relevant L/C Credit Extension occurring on such date and any other changes in the aggregate amount of such L/C Obligations as of such date, including as a

result of any reimbursements of outstanding unpaid drawings under any relevant Letters of Credit or any reductions in the maximum amount available for drawing under any relevant Letters of Credit taking effect on such date.

“**Parent**” means, with respect to any Bank, any Person as to which such Bank is, directly or indirectly, a subsidiary.

“**Participant**” has the meaning set forth in Section 9.06(b).

“**Participant Register**” has the meaning set forth in Section 9.06(b).

“**Patronage Capital Certificates**” means those certificates that evidence the portion of Net Income allocated by the Borrower among its Members in accordance with applicable cooperative principles

“**Payment Recipient**” has the meaning assigned to it in Section 7.11(a).

“**PBGC**” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“**Performance Letter of Credit**” means any Existing Letter of Credit issued under the Existing Credit Agreement or any Letter of Credit issued under this Agreement, in each case, in order to guarantee performance under a contract.

“**Person**” means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“**Plan**” means any multiemployer plan or single employer plan (including any Multiple Employer Plan), as defined in Section 4001 and subject to Title IV of ERISA, which is maintained or contributed to by, or at any time during the five calendar years preceding the date of this Agreement was maintained or contributed to by, the Borrower or a Subsidiary of the Borrower or any member of the ERISA Group.

“**Pricing Schedule**” means the Pricing Schedule attached hereto.

“**Prime Rate**” means the rate of interest announced to all of its borrowers by the Administrative Agent as its prime rate in effect at such time at its principal office; provided that if the Administrative Agent does not or ceases to announce such rate of interest, then the Prime Rate shall mean the rate of interest published by the Wall Street Journal from time to time as the “Prime Rate”.

“**Pro Rata Share**” means, with respect to each Bank at any time, a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the amount of the Commitment of such Bank and the denominator of which is the total amount of the Commitments, subject to adjustment as provided in Section 2.19(a)(iv); *provided* that if the commitment of

each Bank to make Revolving Loans and the obligation of each Issuing Bank to make L/C Credit Extensions have been terminated pursuant to Sections 2.10 or 6.01, then the Pro Rata Share of each Bank shall be determined based on the Pro Rata Share of such Bank immediately prior to such termination and after giving effect to any subsequent assignments made pursuant to the terms hereof.

“**Qualified Subordinated Indebtedness**” means ~~the Borrower’s~~ (i) the Borrower’s 4.75% Subordinated Deferrable Interest Notes due 2043 and, (ii) ~~any other Indebtedness of the Borrower having substantially similar terms as to subordination~~ the Borrower’s 5.25% Subordinated Deferrable Interest Notes due 2046, (iii) the Borrower’s 5.50% Subordinated Deferrable Interest Notes due 2064 and (iv) any other subordinated as those contained in the instruments and documents relating to the foregoing Indebtedness or that would be junior to any of the foregoing; provided that such Indebtedness (a) will not mature prior to the Maturity Date and (b) does not require payments of principal prior to the Commitment Termination Date,; except pursuant to acceleration or at the option of the Borrower.

“**Recipient**” means, as applicable, (a) the Administrative Agent, (b) any Bank and (c) the Issuing Bank.

“**REDLG Program Liens**” means Liens on any asset of the Borrower required to be pledged as collateral to support obligations of the Borrower with respect to any government Guarantee provided pursuant to regulations issued under the Rural Electrification Act of 1936, 7 U.S.C. 901 et. seq., and the Food, Conservation and Energy Act of 2008, Pub. L. 110-234 Stat. 923 (“**REDLG Obligations**”) so long as such Guarantee supports long-term Indebtedness issued by the Borrower and permitted by Section 5.09.

“**REDLG Obligations**” has the meaning set forth in the definition of REDLG Program Liens.

“**Reference Time**” with respect to any setting of the then-current Benchmark means (1) if such Benchmark is USD LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such setting, and (2) if such Benchmark is not USD LIBOR, the time determined by the Administrative Agent in its reasonable discretion.

“**Regulation U**” means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“**Regulation X**” means Regulation X of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“**Relevant Governmental Body**” means the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the

**Federal Reserve System or the Federal Reserve Bank of New York, or any successor thereto.**

“**Reportable Event**” means an event described in Section 4043(c) of ERISA or regulations promulgated by the Department of Labor thereunder (with respect to which the 30 day notice requirement has not been waived by the PBGC).

“**Required Banks**” means, subject to Section 2.19, at any time Banks having at least 51% of the sum of (i) the aggregate amount of the unused Commitments, (ii) the aggregate principal outstanding amount of the Loans and (iii) the Outstanding Amount of all L/C Obligations (with the aggregate amount of each Bank’s participation in L/C Obligations deemed “held” by such Bank for purposes of this definition).

**“Resolution Authority” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.**

“**Responsible Officer**” means (i) with respect to the Borrower, the Chief Financial Officer, the Chief Executive Officer, an Assistant Secretary-Treasurer, the Controller, the Vice President, Capital Markets Relations or, in each case, an authorized signatory of such Person and (ii) with respect to any other Person, the president, any vice-president, the chief financial officer, any assistant-treasurer or, in each case, an authorized signatory of such Person.

“**Revolving Credit Period**” means the period from and including the Effective Date to but excluding the Commitment Termination Date.

“**Revolving Loan**” means a loan made by a Bank pursuant to Section 2.01(a).

“**RUS**” means the Rural Utilities Service of the Department of Agriculture of the United States of America (as successor to the Rural Electrification Administration of the Department of Agriculture of the United States of America) or any other regulatory body which succeeds to its functions.

“**RUS Guaranteed Loan**” means any loan made by any Person, which loan is guaranteed, in whole or in part, as to principal and interest by the United States of America through the RUS pursuant to a guarantee, which guarantee contains provisions no less favorable to the holder thereof than the provisions set forth in the form of Exhibit B-1 or Exhibit B-2 hereto; and “**Guaranteed Portion**” of any RUS Guaranteed Loan means that portion of principal of, and interest on, such RUS Guaranteed Loan which is guaranteed by the United States of America through the RUS.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successor thereto.

“**Sanctioned Country**” means, at any time, a country or territory which is the subject or target of any Sanctions.

“**Sanctioned Person**” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State or any other U.S. Governmental Authority, as may be amended, supplemented or substituted from time to time, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

“**Sanctions**” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

“**Second Amendment Effective Date**” means the Second Amendment Effective Date as defined in the 2017 Amendment.

“**Securities and Exchange Commission**” means the Securities and Exchange Commission or any other U.S. federal governmental authority succeeding to any or all of the functions of the Securities and Exchange Commission.

“**SOFR**” means, with respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately succeeding Business Day.

“**SOFR Administrator**” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“**SOFR Administrator’s Website**” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

5.12. “**Special Purpose Subsidiary**” has the meaning set forth in Section

“**Specified Date**” has the meaning set forth in Section 2.22(c).

“**Standby Letter of Credit**” means any Letter of Credit issued under this Agreement, other than (i) a Trade Letter of Credit, (ii) a Performance Letter of

Credit or (iii) a Backup Letter of Credit in support of either a performance letter of credit or a trade letter of credit issued by the Borrower.

“**Start-up Investments**” has the meaning set forth in Section 5.12.

“**Subsidiary**” of any Person means (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through its Subsidiaries, and (ii) any other Person in which such Person directly or indirectly through Subsidiaries has more than a 50% voting and equity interest; *provided* that no Person whose only assets are RUS Guaranteed Loans and investments incidental thereto shall be deemed a Subsidiary.

“**Superior Indebtedness**” means all Indebtedness of the Borrower and its Consolidated Entities (other than Members’ Subordinated Certificates and Qualified Subordinated Indebtedness), but excluding (i) Indebtedness of the Borrower or any of its Consolidated Entities to the extent that the proceeds of such Indebtedness are used to fund Guaranteed Portions of RUS Guaranteed Loans and (ii) any indebtedness of any Member Guaranteed by the Borrower or any of its Consolidated Entities (“Guaranteed Indebtedness”), to the extent that either (x) the long-term unsecured debt of such Member is rated at least BBB+ by S&P-~~or~~, Baal by Moody’s **or BBB+ by Fitch**, (y) the long-term secured debt of such Member is rated at least A- by S&P-~~or~~, A3 by Moody’s **or A- by Fitch** or (z) the payment of principal and interest by the Borrower or any of its Consolidated Entities in respect of such Guaranteed Indebtedness is covered by insurance or reinsurance provided by an insurer having an insurance financial strength rating of AAA by S&P-~~or~~, a financial strength rating of Aaa by Moody’s **or a financial strength rating of AAA by Fitch**.

“**Syndication Agent**” means JPMorgan Chase Bank, N.A., in its capacity as Syndication Agent hereunder, and its successors in such capacity.

“**Taxes**” means any present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

**“Term SOFR” means, for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.**

**“Term SOFR Notice” means a notification by the Administrative Agent to the Lenders and the Borrower of the occurrence of a Term SOFR**

## Transition Event.

“Term SOFR Transition Event” means the determination by the Administrative Agent that (a) Term SOFR has been recommended for use by the Relevant Governmental Body, (b) the administration of Term SOFR is administratively feasible for the Administrative Agent and (c) a Benchmark Transition Event or an Early Opt-in Election, as applicable (and, for the avoidance of doubt, not in the case of an Other Benchmark Rate Election), has previously occurred resulting in a Benchmark Replacement in accordance with this Section titled “Benchmark Replacement Setting” that is not Term SOFR.

“**Third Amendment Effective Date**” means the Third Amendment Effective Date as defined in the 2018 Amendment.

“**TIER**” means, for any period, the ratio of (x) Net Income *plus* Interest Expense *plus* Derivative Cash Settlements to (y) Interest Expense *plus* Derivative Cash Settlements, in each case for such period.

“**Trade Letter of Credit**” means any Existing Letter of Credit issued under the Existing Credit Agreement or any Letter of Credit issued under this Agreement, in each case, for the benefit of a supplier of goods or services to effect payment for such goods or services.

“**Type**” refers to whether a Loan is a Base Rate Loan, a Euro-Dollar Loan, a Money Market Absolute Rate Loan or a Money Market LIBOR Loan.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“**Unreimbursed Amount**” has the meaning specified in Section 2.20(b)(i).

“USD LIBOR” means the London interbank offered rate for U.S.

dollars.

“**U.S. GAAP**” means the generally accepted accounting principles as promulgated, from time to time, by the Financial Accounting Standards Board.

“**U.S. Person**” means a “United States person” within the meaning of Section 7701(a)(30) of the Code.

“**U.S. Tax Certificate**” has the meaning assigned to such term in Section 2.16(f)(ii)(D)(2).

“**Withholding Agent**” means the Borrower and the Administrative Agent.

“**Write-Down and Conversion Powers**” means, (i) with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule. and (ii) with respect to any UK Resolution Authority, any powers of such UK Resolution Authority from time to time under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.

Section 1.02. *Accounting Terms and Determinations.* Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with U.S. GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower’s independent public accountants) with the most recent audited financial statements of the Borrower and its Consolidated Entities delivered to the Bank Parties.

Section 1.03. *Types of Borrowings.* The term “**Borrowing**” denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article 2 on a single date and for a single Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a “**Euro-Dollar Borrowing**” is a Borrowing comprised of Euro-Dollar Loans) or by reference to the provisions of Article 2 under which participation therein is determined (i.e., a “**Revolving Borrowing**” is a Borrowing under Section 2.01(a) in which all Banks participate in proportion to their Commitments, while a “**Money Market Borrowing**” is a Borrowing under Section 2.03 in which the Bank participants are determined on



the basis of their bids in accordance therewith). All Loans and all Borrowings, including with respect to their respective Interest Periods, under the Existing Credit Agreement, if any, are listed on the Existing Commitment Schedule, that are outstanding on the Amendment Effective Date shall become Loans and Borrowings with the same Interest Period under this Agreement.

Section 1.04. *Letter of Credit.* Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the stated face amount of such Letter of Credit in effect at such time; *provided, however*, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed the maximum stated amount of such Letter of Credit after giving effect to all increases or decreases, as applicable, thereof, whether or not such maximum face amount is in effect at such time. All Existing Letters of Credit issued and outstanding on the Amendment Effective Date shall be deemed to be Letters of Credit under this Agreement and from and after the Amendment Effective Date shall be subject to and governed by the terms and conditions hereof.

**Section 1.05. Divisions. For all purposes under this Agreement, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction's laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its equity interests at such time.**

## ARTICLE 2 The Credits

Section 2.01. *Commitments to Lend and Issue Letters of Credit.* (a) *Revolving Loans.* During the Revolving Credit Period each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section from time to time in amounts such that the sum of (x) the aggregate principal amount of Revolving Loans by such Bank at any one time outstanding *plus* (y) such Bank's Pro Rata Share of the Outstanding Amount of all L/C Obligations shall not exceed the amount of its Commitment. Each Borrowing shall be in an aggregate principal amount of \$10,000,000 or any larger multiple of \$1,000,000 (except that any such Borrowing may be in the maximum aggregate amount available in accordance with Section 3.03(d)) and shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section, repay or, to the extent permitted by Section 2.12, prepay Loans and reborrow at any time during the Revolving Credit Period under this Section. All Loans will be made by all Banks in accordance with their Pro Rata Share of the

restrain such Issuing Bank from issuing such Letter of Credit, or any Applicable Law applicable to such Issuing Bank or any request or directive (whether or not having the force of law, but if not having the force of law, being a request or directive which is generally complied with by comparable financial institutions) from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that the Issuing Bank refrain from the issuance of Letters of Credit generally or such Letter of Credit in particular or shall impose upon such Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Bank is not otherwise compensated hereunder) not in effect on the ~~Fourth~~~~Fifth~~ Amendment Effective Date, or shall impose upon such Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the ~~Fourth~~~~Fifth~~ Amendment Effective Date and which such Issuing Bank in good faith reasonably deems material to it; *provided, however*, that in the event a Bank Party participating in the Letters of Credit is not affected by any such restriction, requirement or imposition, and is able to issue such Letter of Credit and expressly agrees in its sole discretion to issue such Letter of Credit, such Bank Party, subject to the consent of the Administrative Agent, such consent not to be unreasonably withheld, conditioned or delayed, shall issue such Letter of Credit and shall be deemed the Issuing Bank with regard to such Letter of Credit for all purposes of this Agreement;

(B) the making of such L/C Credit Extension would violate any Applicable Laws;

(C) except as otherwise agreed by the Administrative Agent and such Issuing Bank, such Letter of Credit is in an initial face amount less than \$25,000;

(D) such L/C Credit Extension is to be denominated in a currency other than Dollars;

(E) such L/C Credit Extension contains any provisions for automatic reinstatement of the stated amount after any L/C Borrowing thereunder; or

(F) a default of any Bank's obligations to fund under Section 2.20 exists, or any Bank is then a Defaulting Bank, unless, after giving effect to Section 2.19(a)(iv)) with respect to such Bank, such Issuing Bank has entered into satisfactory arrangements, including the delivery of Cash Collateral

such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences solely Loans and/or L/C Borrowings of the relevant Type. Each reference in this Agreement to the “**Note**” of such Bank Party shall be deemed to refer to and include any or all of such Notes, as the context may require.

(c) Upon the Administrative Agent’s receipt of each Note that was requested by a Bank Party pursuant to Section 3.01(b), the Administrative Agent shall forward such Note to such Bank Party. Each Bank Party shall record the date, amount, type and maturity of each Loan and/or L/C Borrowings made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank Party so elects in connection with any transfer or enforcement of its Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan and/or L/C Borrowings then outstanding; *provided* that the failure of any Bank Party to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank Party is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

(d) Any Note evidencing a Loan (as such term is defined in the Existing Credit Agreement) made prior to the Amendment Effective Date may be exchanged upon request of the relevant Bank, made through the Administrative Agent, and simultaneous surrender of such Note to the Borrower through the Administrative Agent in exchange for one or more new Notes evidencing the Loans, respectively, outstanding hereunder, if any, as of the Amendment Effective Date.

Section 2.06. *Maturity of Loans.* Each Loan hereunder shall mature, and the principal amount thereof shall be due and payable on the Maturity Date with respect to such Loan.

Section 2.07. *Interest Rates.* (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate plus the applicable Base Rate Margin for such day. Such interest shall be payable for each Interest Period on the last day thereof and, with respect to the principal amount of any Base Rate Loan that is prepaid or converted to a Euro-Dollar Loan, on the date of such prepayment or conversion. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin plus the applicable **Adjusted**

~~London Interbank Offered Rate~~ **Benchmark**. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, three months after the first day thereof and, with respect to the principal amount of any Euro-Dollar Loan that is prepaid or converted to a Base Rate Loan, on the date of such prepayment or conversion. Notwithstanding anything to the contrary herein, if a Benchmark Transition Event, an Early Opt-in Election or an Other Benchmark Rate Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (1) or (2) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document and (y) if a Benchmark Replacement is determined in accordance with clause (3) of the definition of "Benchmark Replacement" for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5th ) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document so long as the Administrative Agent has not received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders.

(c) Notwithstanding anything to the contrary herein and subject to the proviso below in this paragraph, if a Term SOFR Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder or under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings, without any amendment to, or further action or consent of any other party to, this; provided that, this clause (c) shall not be effective unless the Administrative Agent has delivered to the Lenders and the Borrower a Term SOFR Notice. For the avoidance of doubt, the Administrative Agent shall not be required to deliver a Term SOFR Notice after a Term SOFR Transition Event and may do so in its sole discretion.

(d) In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement

Conforming Changes will become effective without any further action or consent of any other party to this Agreement or any other Loan Document. The Administrative Agent will promptly notify the Borrower and the Lenders of (i) any occurrence of a Term SOFR Transition Event or an Early Opt-in Election, as applicable, and its related Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes, (iv) the removal or reinstatement of any tenor of a Benchmark pursuant to clause (e) below and (v) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section titled "Benchmark Replacement Setting," including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement, except, in each case, as expressly required pursuant to this Section titled "Benchmark Replacement Setting."

(e) Notwithstanding anything to the contrary herein, at any time (including in connection with the implementation of a Benchmark Replacement), (i) if the then-current Benchmark is a term rate (including Term SOFR or USD LIBOR) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark (1) is or will be no longer representative or (2) will cease to be provided by the administrator permanently or indefinitely as of a specified date, then the Administrative Agent may modify the definition of "Interest Period" for any Benchmark settings at or after such time to remove such affected tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is or will no longer be representative or will cease to be provided by the administrator for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of "Interest Period" for all Benchmark settings at or after such time to reinstate such previously removed tenor. However, the Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to USD LIBOR or other rates or with respect to any alternative or successor rate thereto, or replacement rate thereof.

(f) Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a Eurodollar Borrowing of, conversion to or continuation of Eurodollar Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a Borrowing of or conversion to Base Rate Loans. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

(g) The Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to LIBOR or the Screen Page or with respect to any alternative, successor or replacement rate thereof (including any Benchmark Replacement), or any calculation, component definition thereof or rate referenced in the definition thereof, including, without limitation, (i) any such alternative, successor or replacement rate implemented pursuant to this Section titled "Benchmark Replacement Setting", whether upon the occurrence of a Benchmark Transition Event, Term SOFR Transition Event, an Early Opt-in Election, or an Other Benchmark Rate Election and (ii) the effect, implementation or composition of any Benchmark Replacement Conforming Changes pursuant to clause (d) of this Section 2.07, including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, LIBOR or the Eurodollar Rate or have the same volume or liquidity as did LIBOR or the Eurodollar Rate prior to the discontinuance or unavailability of LIBOR. In addition, the discontinuation of LIBOR and any alternative, successor or replacement reference rate may result in a mismatch between the reference rate referenced in this Agreement and your other financial instruments, including potentially those that are intended as hedges. The Administrative Agent and its Affiliates and/or other related entities may engage in transactions that affect the calculation of any alternative, successor or replacement rate and/or any relevant adjustments thereto, in each case, with all determinations of such alternative, successor or replacement rate by the Administrative Agent to be conclusive, absent manifest error. The Administrative Agent may select information sources or services in its reasonable discretion to ascertain such alternative, successor or replacement rate, in each case pursuant to the terms of this Agreement (as amended, amended and restated, supplemented or otherwise modified from time to time), and shall have no liability to the Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in

equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

~~The “Adjusted London Interbank Offered Rate” applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.~~

~~The “London Interbank Offered Rate” applicable to any Interest Period means the rate appearing on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or on any successor or substitute page of such Reuters Service, or if the Reuters Service ceases to be available, any successor to or substitute for such Reuters Service, providing rate quotations comparable to those currently provided on such page of such Reuters Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days prior to the commencement of such Interest Period, as the rate for the offering of dollar deposits with a maturity comparable to such Interest Period; *provided*, that if such rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; *provided further*, that if the London Interbank Offered Rate is not available for such Interest Period, then the applicable London Interbank Offered Rate shall be the Interpolated Rate. “Interpolated Rate” means, at any time, for any Interest Period, the rate per annum (rounded to the same number of decimal places as the London Interbank Offered Rate) reasonably determined by the Administrative Agent (which determination shall be conclusive absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the London Interbank Offered Rate for the longest period (for which the London Interbank Offered Rate is available) that is shorter than the Interest Period and (b) the London Interbank Offered Rate for the shortest period (for which the London Interbank Offered Rate is available) that exceeds the Interest Period; *provided* that, if the Administrative Agent reasonably determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means still do not exist for ascertaining the Interpolated Rate, then the Administrative Agent shall give written notice thereof to the Borrower and the Banks as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Banks that the circumstances giving rise to such notice no longer exist, (i) any interest election request that requests the conversion of any Base Rate Loan to, or continuation of any Euro-Dollar Loan as, a Euro-Dollar Loan shall be ineffective and (ii) if any Loan requests a Euro-Dollar Loan, such Borrowing shall be made as a Base Rate Loan.~~

~~If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in the paragraph above have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth above have not arisen but the supervisor for the administrator of the rate appearing on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the rate appearing on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate shall no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the London Interbank Offered Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable. Notwithstanding anything to the contrary in Section 9.05, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such alternate rate of interest is provided to the Banks, a written notice from the Required Banks stating that such Required Banks object to such amendment. Until an alternate rate of interest shall be determined in accordance with this paragraph (but, in the case of the circumstances described in clause (ii) of the first sentence of this paragraph, only to the extent the rate appearing on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate for such Interest Period is not available or published at such time on a current basis), (x) any interest election request that requests the conversion of any Base Rate Loan to, or continuation of any Euro-Dollar Loan as, a Euro-Dollar Loan shall be ineffective and (y) if any Loan requests a Euro-Dollar Loan, such Borrowing shall be made as a Base Rate Loan; *provided* that if such alternate rate of interest shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.~~

~~To the extent a comparable or successor rate to the London Interbank Offered Rate is approved by the Administrative Agent in connection herewith, the approved rate shall be applied in a manner consistent with market practice; *provided* that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.~~

~~“Euro-Dollar Reserve Percentage” means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the~~



~~Federal Reserve System in New York City with deposits exceeding five billion Dollars in respect of “Eurocurrency liabilities” (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.~~

~~(h)~~ ~~(e)~~ Any overdue principal of or interest on any Euro-Dollar Loan and any other overdue amount payable hereunder (other than in respect of any Money Market Loan as provided in the following paragraph) shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus (i) in the case of principal, the rate otherwise applicable to Euro-Dollar Loans for such day or (ii) in the case of interest and any other overdue amount payable hereunder (other than in respect of any Money Market Loan as provided in the following paragraph), the sum of the Base Rate plus the applicable Base Rate Margin for such day.

~~(i)~~ ~~(e)~~ Subject to Section 8.01(a), each Money Market LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.07(b)) plus (or minus) the Money Market Margin quoted by the Bank making such Loan in accordance with Section 2.03. Each Money Market Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making such Loan in accordance with Section 2.03. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Money Market Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Prime Rate for such day.

~~(j)~~ ~~(e)~~ The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

~~(k)~~ The Administrative Agent does not warrant or accept responsibility for, and shall not have any liability with respect to (a) the administration of, submission of, calculation of or any other matter related to any Benchmark, any component definition thereof or rates referenced in the definition thereof or any alternative, comparable or successor rate

thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, comparable or successor rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, such Benchmark or any other Benchmark, or (b) the effect, implementation or composition of any Benchmark Replacement Conforming Changes.

Section 2.08. *Method of Electing Interest Rates.* (a) The Loans included in each Committed Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Committed Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Loans (subject to Section 2.08(d) and the provisions of Article 8), as follows:

- (i) if such Loans are Base Rate Loans, the Borrower may elect to convert such Loans to Euro-Dollar Loans as of any Euro-Dollar Business Day;
- (ii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans as of any Domestic Business Day, subject to Section 2.14 if any such conversion is effective on any day other than the last day of an Interest Period applicable to such Loans, or may elect to continue such Loans as Euro-Dollar Loans, as of the end of any Interest Period applicable thereto, for an additional Interest Period.

Each such election shall be made by delivering a notice (a “**Notice of Interest Rate Election**”) to the Administrative Agent not later than 10:30 A.M. (New York City time) on the third Euro-Dollar Business Day before the conversion or continuation selected in such notice is to be effective. A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; *provided* that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) such portion, and the remaining portion to which such Notice does not apply, are each at least \$10,000,000 (unless such portion is comprised of Base Rate Loans). If no such notice is timely received before the end of an Interest Period for any Group of Euro-Dollar Loans, the Borrower shall be deemed to have elected that such Group of Loans be converted to Base Rate Loans at the end of such Interest Period.

- (b) Each Notice of Interest Rate Election shall specify:
  - (i) the Group of Loans (or portion thereof) to which such notice applies;

(b) *Agents' Fees.* The Borrower shall pay to the Administrative Agent and the Syndication Agent, each for its own account, one or more fees in such amounts and at such times as has been previously agreed in writing between the Borrower and each of them.

(c) *Letter of Credit Fees.* Upon the issuance of each Letter of Credit pursuant to Section 2.01(b) and until termination, cancellation or expiration of such Letter of Credit, subject to Section 2.19(a)(iv), the Borrower agrees to pay to the Administrative Agent for the account of each Bank in accordance with its Pro Rata Share a Letter of Credit fee (the "Letter of Credit Fee") for each Letter of Credit equal to a rate per annum equal to the Euro-Dollar Margin in effect from time to time. Letter of Credit Fees shall be (i) computed on a quarterly basis in arrears on the basis of the actual number of days elapsed in a year of 360 days (including the first day but excluding the last day), as pro-rated for any partial quarter, as applicable, and (ii) subject to Section 2.19(a)(ii), due and payable on each January 1, April 1, July 1 and October 1, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. Notwithstanding anything to the contrary contained herein, upon the request of the Required Banks, while any payment-related Event of Default exists, all Letter of Credit Fees shall accrue at a rate per annum equal to the Euro-Dollar Margin plus 2%.

(d) *Fronting Fee and Documentary and Processing Charges Payable to Issuing Banks, Etc.* The Borrower shall pay directly to the relevant Issuing Bank for its own account a fronting fee with respect to each Letter of Credit issued hereunder on the average daily maximum amount available to be drawn under such Letter of Credit in an amount to be agreed between the Borrower and the applicable Issuing Bank of the L/C Obligations (whether or not such maximum amount is then in effect under such Letter of Credit) (the "Fronting Fee"). The Fronting Fee shall be computed on a quarterly basis in arrears on the basis of the actual number of days elapsed in a year of 360 days (including the first day but excluding the last day), as pro-rated for any partial quarter, as applicable, and shall be due and payable on each January 1, April 1, July 1 and October 1, commencing with the first such date to occur after the issuance of such Letter of Credit, on the Letter of Credit Expiration Date and thereafter on demand. In addition, the Borrower shall, with respect to all Letters of Credit issued at its request, pay directly to each Issuing Bank for its own account the customary issuance, presentation, amendment and other processing fees, and other standard costs and charges, of such Issuing Bank relating to letters of credit as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(e) *Amendment Fees.* The Borrower agrees to pay to the Administrative Agent for the account of each Bank on the ~~Fourth~~Fifth Amendment Effective Date the upfront fees required to be paid on such date, as set forth in the ~~2019~~2021 Fee Letters.

on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(l) *Replacement or Addition of Issuing Bank.* An Issuing Bank may be replaced or added at any time by written agreement among the Borrower, the Administrative Agent (unless, in the case of the replacement of an Issuing Bank, the successor Issuing Bank is a Bank and, if applicable, such agreement not to be unreasonably withheld, conditioned or delayed) and the successor or additional Issuing Bank, as applicable. The Administrative Agent shall notify the Banks of any such replacement or addition, as applicable, of an Issuing Bank. Where an Issuing Bank is replaced, at the time such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for account of the replaced Issuing Bank. Furthermore, from and after the effective date of such replacement, the successor Issuing Bank, shall have all the rights and obligations of the replaced Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter. References herein to the term “Issuing Bank” shall be deemed to refer to any successor or additional Issuing Bank, as applicable, or to any previous Issuing Bank, or to any successor or additional Issuing Banks, as applicable, and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

Section 2.21. [*Reserved*]

Section 2.22. *Extension of Commitment Termination Date.* (a) The Borrower may, by notice to the Administrative Agent (which shall promptly notify the Banks) not earlier than 45 days prior to any anniversary of ~~the Fourth Amendment Effective Date~~ November 28, 2021 (each, an “Anniversary Date”) but no later than 30 days prior to any such Anniversary Date, request that each Bank extend such Bank’s Commitment Termination Date for an additional one year after the Commitment Termination Date then in effect for such Bank hereunder (the “Existing Commitment Termination Date”); *provided, however*, the Borrower may request no more than two extensions pursuant to this Section.

(b) In the event it receives a notice from the Administrative Agent pursuant to Section 2.22(a), each Bank, acting in its sole and individual discretion, shall, by notice to the Administrative Agent given not earlier than 30 days prior to the applicable Anniversary Date and not later than the date (the “Bank Extension Notice Date”) that is 20 days prior to the applicable Anniversary Date, advise the Administrative Agent whether or not such Bank agrees to such extension (and each Bank that determines not to so extend its Existing Commitment Termination Date (a “Non-Extending Bank”) shall notify the Administrative Agent of such fact promptly after such determination (but in any event no later than the Bank Extension Notice Date)), and any Bank that does not so advise the Administrative Agent on or before the Bank Extension Notice

Agent shall have received the following, each dated the Extension Date and in form and substance satisfactory to the Administrative Agent: (1) a certificate signed by any one of the Chief Financial Officer, the Chief Executive Officer, the Treasurer, an Assistant Secretary-Treasurer, the Controller or the Vice President, Capital Markets Relations of the Borrower to the effect that the conditions set forth in clauses (c) through (g), inclusive, of Section 3.03 have been satisfied as of the Extension Date and, in the case of clauses (c), (d) and (g), setting forth in reasonable detail the calculations required to establish such compliance, (2) a certificate of an officer of the Borrower acceptable to the Administrative Agent stating that all consents, authorizations, notices and filings required or advisable in connection with the extension of the Existing Commitment Termination Date are in full force and effect, and the Administrative Agent shall have received evidence thereof reasonably satisfactory to it, (3) an opinion of the General Counsel of the Borrower, substantially in the form of Exhibit F hereof, provided that an enforceability opinion under New York law, that is reasonably acceptable to the Administrative Agent, shall be furnished by the Borrower's New York counsel, ~~Norton Rose Fulbright US~~ **Foley & Lardner** LLP, subject to customary assumptions, qualifications and limitations and (4) such other documents reasonably requested by the Administrative Agent in connection with any such transaction.

(g) Subject to subsection (e) above, the Commitment of any Non-Extending Bank that has not been replaced pursuant to subsection (d) above shall (i) automatically terminate on its Existing Commitment Termination Date or (ii) at the option of the Borrower, with respect to the Commitments of all Non-Extending Banks that have advised the Borrower of their unwillingness to agree to an extension in response to a notice delivered pursuant to Section 2.22(a), terminate on any Anniversary Date occurring prior thereto (in each case without regard to any extension by any other Bank); it being understood and agreed that such Non-Extending Bank's participations in Letters of Credit outstanding on such Existing Commitment Termination Date or such Anniversary Date, as the case may be, shall terminate thereon and any and all fees and expenses owed to each Non-Extending Bank as of that date shall be paid by the Borrower to such Non-Extending Bank.

### ARTICLE 3 Conditions

Section 3.01. *Effectiveness.* (i) The Existing Credit Agreement became effective on the Effective Date and (ii) this Agreement shall become effective on the date (the "**Amendment Effective Date**") on which the Administrative Agent shall have received the following documents or other items, each dated the Amendment Effective Date unless otherwise indicated:

(a) receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in

form satisfactory to it in facsimile transmission, electronic submission or other writing from such party of execution of a counterpart hereof by such party);

(b) receipt by the Administrative Agent for the account of each Bank that has requested a Note of a duly executed Note dated on or before the Amendment Effective Date complying with the provisions of Section 2.05;

(c) receipt by the Administrative Agent of an opinion of the General Counsel of the Borrower, substantially in the form of Exhibit F hereto, *provided* that an enforceability opinion under New York law, that is reasonably acceptable to the Administrative Agent, shall be furnished by the Borrower's New York counsel, ~~Norton Rose Fulbright US~~ [Foley & Lardner](#) LLP, subject to customary assumptions, qualifications and limitations;

(d) receipt by the Administrative Agent of a certificate signed by any one of the Chief Financial Officer, the Chief Executive Officer, an Assistant Secretary-Treasurer, the Controller or the Vice President, Capital Markets Relations of the Borrower to the effect that the conditions set forth in clauses (c) through (g), inclusive, of Section 3.03 have been satisfied as of the Amendment Effective Date and, in the case of clauses (c), (e) and (g), setting forth in reasonable detail the calculations required to establish such compliance;

(e) receipt by the Administrative Agent, with a copy for each Bank, of a certificate of an officer of the Borrower acceptable to the Administrative Agent stating that all consents, authorizations, notices and filings required or advisable in connection with this Agreement are in full force and effect, and the Administrative Agent shall have received evidence thereof reasonably satisfactory to it;

(f) receipt by the Administrative Agent and the Syndication Agent (or their respective assigns) and by each Bank Party of all fees required to be paid in the respective amounts heretofore mutually agreed in writing, and all expenses for which invoices have been presented, on or before the Amendment Effective Date;

(g) receipt by the Administrative Agent and the Banks of all documentation and other information requested by the Administrative Agent or such Bank and required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the USA PATRIOT Act (Title III of Pub. L. 107-56); and

(h) receipt by the Administrative Agent of all documents the Required Banks may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance reasonably satisfactory to the Administrative Agent.

The Administrative Agent shall promptly notify the Borrower and the Bank Parties of the Amendment Effective Date, and such notice shall be conclusive and binding on all parties hereto.

Section 3.02. [Reserved]

Section 3.03. *Borrowings and L/C Credit Extensions.* The obligation of any Bank to make a Loan on the occasion of any Borrowing and the obligation of the Issuing Bank to issue, amend or increase the principal amount thereof or extend any Letter of Credit (other than an extension pursuant to an Auto-Extension Letter of Credit in accordance with the original terms thereof) is subject to the satisfaction of the following conditions, in each case at the time of such Borrowing or L/C Credit Extensions and immediately thereafter:

(a) The Amendment Effective Date shall have occurred on or prior to November 19, 2015, the First Amendment Effective Date shall have occurred on or prior to November 18, 2016, the Second Amendment Effective Date shall have occurred on or prior to November 20, 2017; the Third Amendment Effective Date shall have occurred on or prior to November 28, 2018; ~~and the Fourth Amendment Effective Date shall have occurred on or prior to November 26, 2019;~~ **and the Fifth Amendment Effective Date shall have occurred on or prior to June 7, 2021.**

(b) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02 or 2.03, as the case may be;

(c) the fact that the Borrower is in compliance with Section 7.11 of the 1994 Indenture, as such Indenture is in effect as of the Effective Date and the Amendment Effective Date;

(d) Prior to the Commitment Termination Date, the fact that the sum of (i) the aggregate outstanding principal amount of the Loans and (ii) the Outstanding Amount of L/C Obligations will not exceed the Aggregate Commitments (as such Commitments may be increased or decreased from time to time in accordance with the terms and conditions of this Agreement);

(e) the fact that no Default shall have occurred and be continuing;

(f) the fact that the representations and warranties of the Borrower (in the case of a Borrowing or L/C Credit Extension, other than the representations set forth in Section 4.02(c), Section 4.03 and Section 4.14) contained in this Agreement shall be true in all material respects (other than any such representations or warranties that, by their terms, refer to a specific date other than the date of Borrowing or L/C Credit Extension, in which case such representations and warranties shall be true in all material respects as of such specific date); *provided that*, (i) in the case of the representations set forth in Section 4.02(a) and Section 4.02(b) being made after the Amendment Effective

Date shall be deemed to refer to the most recent balance sheets and statements furnished pursuant to Section 5.03(b)(ii) and Section 5.03(b)(i), respectively and (ii) in the case of the representation set forth in Section 4.06 being made after the ~~Fourth~~**Fifth** Amendment Effective Date, such representation shall be true except to the extent not reasonably expected to have a material adverse effect on the business, financial position or results of operations of the Borrower; and

(g) the fact that (i) there shall be no collateral securing Bonds issued pursuant to any Indenture of a type other than the types of collateral permitted to secure Bonds issued pursuant to such Indenture as of the date hereof, (ii) the allowable amount of eligible collateral then pledged under any Indenture shall not exceed 150% of the aggregate principal amount of Bonds then outstanding under such Indenture and (iii) no collateral shall secure Bonds other than (A) eligible collateral under such Indenture, the allowable amount of which is included within the computation under subsection (ii) above or (B) collateral previously so pledged which ceases to be such eligible collateral not as a result of any acts or omissions to act of the Borrower (other than the declaration of an “**event of default**” as defined in a mortgage which results in the exercise of any right or remedy described in such mortgage).

Each Borrowing or L/C Credit Extension hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing or L/C Credit Extension as to the facts specified in clauses (c), (d), (e), (f) and (g) of this Section 3.03.

#### ARTICLE 4 Representations and Warranties

The Borrower makes the following representations, warranties and agreements, which shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans or L/C Credit Extensions:

Section 4.01. *Corporate Existence, Power and Authority.* The Borrower is a cooperative association duly incorporated, validly existing and in good standing under the laws of the District of Columbia and has the corporate power and authority and all material governmental licenses, authorizations, consents and approvals required to own its property and assets and to transact the business in which it is engaged. The Borrower is duly qualified or licensed as a foreign corporation in good standing in every jurisdiction in which the nature of the business in which it is engaged makes such qualification or licensing necessary, except in those jurisdictions in which the failure to be so qualified or licensed would not (after qualification, assuming that the Borrower could so qualify without the payment of any fee or penalty and retain the rights as they existed prior to such qualification all to an extent so that any fees or penalties required to be so paid or any rights not so retained would not, individually or in the aggregate, have a material adverse effect on the business or financial position of the Borrower), individually or in the aggregate, have a material adverse effect



consolidated balance sheets of the Borrower and its Consolidated Entities and the related consolidated statements of operations, changes in equity and cash flow for such fiscal year for the Borrower and its Consolidated Entities, all in reasonable detail and certified (without any qualification as to the scope of the audit) by KPMG LLP or other independent public accountants of nationally recognized standing selected by the Borrower, who shall have audited the books and accounts of the Borrower for such fiscal year;

(iii) with reasonable promptness, copies of all regular and periodical reports (including Current Reports on Form 8-K) filed with, or furnished to, the Securities and Exchange Commission;

(iv) promptly after the public announcement of, or promptly after receiving a written notice of, a change (whether an increase or decrease) in any rating issued by either S&P ~~or~~, Moody's ~~or~~ Fitch, solely to the extent that the Borrower is then under an existing contract with such agency for the provision of ratings information pertaining to any securities of, or guaranteed by, the Borrower or any of its Subsidiaries or affiliates, a notice setting forth such change; and

(v) with reasonable promptness, such other information respecting the business, operations and financial condition of the Borrower or any of its Subsidiaries or any Joint Venture as any Bank may, from time to time, reasonably request, including, without limitation, with respect to the performance and observance by the Borrower of the covenants and conditions contained in this Agreement.

Reports or financial information required to be delivered pursuant to clauses (b)(i), (b)(ii) and (b)(iii) of this Section 5.03 shall be deemed to have been delivered on the date on which the Borrower posts such reports or financial information on the Borrower's website ([www.nrucfc.org](http://www.nrucfc.org)) or at such other website as may be notified to the Administrative Agent and the Banks or when such reports or financial information are posted on the SEC's website at [www.sec.gov](http://www.sec.gov); *provided*, that the Borrower shall notify the Administrative Agent of any such posting; and *provided* further that the Borrower shall deliver paper copies of the reports or financial information required to be delivered pursuant to clauses (b)(i), (b)(ii) and (b)(iii) of this Section 5.03 to the Administrative Agent, if so requested by any Bank to the Administrative Agent, until written notice to cease delivering such paper copies is given by such Bank to the Administrative Agent.

Section 5.04. *Default Certificates*. Concurrently with each financial statement delivered to the Administrative Agent pursuant to clauses (i) and (ii) of Section 5.03(b), the Borrower will furnish to the Administrative Agent a certificate signed by the Chief Executive Officer, the Chief Financial Officer, the Treasurer, an Assistant Secretary-Treasurer or the Controller of the Borrower to the effect that the review of the activities of the Borrower during such year or the

appropriate, made its own credit analysis and decision to enter into this Agreement. Each Bank Party also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Bank Party, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 7.08. *Successor Administrative Agent.* The Administrative Agent may, upon giving 5 Domestic Business Days prior written notice to the Borrower, and for so long as long as no Event of Default has occurred and is continuing, at the request of the Borrower, shall, resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation, the Borrower shall have the right, with the consent of the Required Banks, such consent not to be unreasonably withheld, conditioned or delayed, to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Borrower, and shall have accepted such appointment, within 15 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Bank Parties, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$1,000,000,000. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

Section 7.09. *Co-Documentation Agents, Syndication Agent and Co-Lead Arrangers Not Liable.* Nothing in this Agreement shall impose upon the Co-Documentation Agents, the Syndication Agent or the Co-Lead Arrangers, each in such capacity, any duties or responsibilities whatsoever.

Section 7.10. *Calculations.* The Administrative Agent shall not be liable for any calculation, apportionment or distribution of payments made by it in good faith. If such calculation, apportionment or distribution is subsequently determined to have been made in error, the sole recourse of any Lender to whom payment was due but not made shall be to recover from the other Banks any payment in excess of the amount to which they are determined to be entitled or, if the amount due was not paid by the Borrower, to recover such amount from the Borrower.

**Section 7.11. Erroneous Payments.**

(a) If the Administrative Agent notifies a Bank, Issuing Bank, or any Person who has received funds on behalf of a Bank or Issuing Bank, such Bank or Issuing Bank (any such Bank, Issuing Bank or other recipient, a “Payment Recipient”) that the Administrative Agent has determined in its sole discretion (whether or not after receipt of any notice under immediately succeeding clause (b)) that any funds received by such Payment Recipient from the Administrative Agent or any of its affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Bank, Issuing Bank or other Payment Recipient on its behalf) (any such funds, whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise, individually and collectively, an “Erroneous Payment”) and demands the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of the Administrative Agent and shall be segregated by the Payment Recipient and held in trust for the benefit of the Administrative Agent, and such Bank or Issuing Bank shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than one Business Day thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent in same day funds at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect. A notice of the Administrative Agent to any Payment Recipient under this clause (a) shall be conclusive, absent manifest error.

(b) Without limiting immediately preceding clause (a), each Bank and Issuing Bank hereby further agrees that if it receives a payment, prepayment or repayment (whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise) from the Administrative Agent (or any of its affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its affiliates) with respect to such payment, prepayment or repayment, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its affiliates), or (z) that such Bank or Issuing Bank, or other such recipient, otherwise becomes aware was transmitted, or received, in error or by mistake (in whole or in part) in each case:

(i) (A) in the case of immediately preceding clauses (x) or (y), an error shall be presumed to have been made (absent written confirmation from the Administrative Agent to the contrary) or (B)

an error has been made (in the case of immediately preceding clause (z)), in each case, with respect to such payment, prepayment or repayment; and

(ii) such Bank or Issuing Bank shall (and shall cause any other recipient that receives funds on its respective behalf to) promptly (and, in all events, within one Business Day of its knowledge of such error) notify the Administrative Agent of its receipt of such payment, prepayment or repayment, the details thereof (in reasonable detail) and that it is so notifying the Administrative Agent pursuant to this Section 7.11(b).

(c) Each Bank and Issuing Bank hereby authorizes the Administrative Agent to set off, net and apply any and all amounts at any time owing to such Bank or Issuing Bank under this Agreement, or otherwise payable or distributable by the Administrative Agent to such Bank or Issuing Bank from any source, against any amount due to the Administrative Agent under immediately preceding clause (a) or under the indemnification provisions of this Agreement.

(a) In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor by the Administrative Agent in accordance with immediately preceding clause (a), from any Bank or Issuing Bank that has received such Erroneous Payment (or portion thereof) (and/or from any Payment Recipient who received such Erroneous Payment (or portion thereof) on its respective behalf) (such unrecovered amount, an “Erroneous Payment Return Deficiency”), upon the Administrative Agent’s notice to such Bank or Issuing Bank at any time, (i) such Bank or Issuing Bank shall be deemed to have assigned its Loans (but not its Commitments) in an amount equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not Commitments), the “Erroneous Payment Deficiency Assignment”) at par plus any accrued and unpaid interest (with the assignment fee to be waived by the Administrative Agent in such instance), and is hereby (together with the Borrower) deemed to execute and deliver an Assignment and Assumption Agreement with respect to such Erroneous Payment Deficiency Assignment, and such Bank or Issuing Bank shall deliver any Notes evidencing such Loans to the Borrower or the Administrative Agent, (ii) the Administrative Agent as the assignee Bank shall be deemed to acquire the Erroneous Payment Deficiency Assignment, (iii) upon such deemed acquisition, the Administrative Agent as the assignee Bank shall become a Bank or Issuing Bank, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment and the assigning Bank or assigning Issuing Bank shall cease to be a Bank or Issuing Bank, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment, excluding, for the avoidance of doubt, its obligations under the indemnification provisions

of this Agreement and its applicable Commitments which shall survive as to such assigning Bank or assigning Issuing Bank and (iv) the Administrative Agent may reflect in the register its ownership interest in the Loans subject to the Erroneous Payment Deficiency Assignment. The Administrative Agent may, in its discretion, sell any Loans acquired pursuant to an Erroneous Payment Deficiency Assignment in compliance with the terms set forth in Section 9.06 hereof and upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by the applicable Bank or Issuing Bank shall be reduced by the net proceeds of the sale of such Loan (or portion thereof), and the Administrative Agent shall retain all other rights, remedies and claims against such Bank or Issuing Bank (and/or against any recipient that receives funds on its respective behalf). For the avoidance of doubt, no Erroneous Payment Deficiency Assignment will reduce the Commitments of any Bank or Issuing Bank and such Commitments shall remain available in accordance with the terms of this Agreement. In addition, each party hereto agrees that, except to the extent that the Administrative Agent has sold a Loan (or portion thereof) acquired pursuant to an Erroneous Payment Deficiency Assignment, and irrespective of whether the Administrative Agent may be equitably subrogated, the Administrative Agent shall be contractually subrogated to all the rights and interests of the applicable Bank or Issuing Bank under this Agreement with respect to each Erroneous Payment Return Deficiency.

(b) The parties hereto agree that an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by the Borrower, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower for the purpose of making a payment or prepayment of the Obligations.

(d) To the extent permitted by Applicable Law, no Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payment received, including without limitation waiver of any defense based on “discharge for value” or any similar doctrine.

(e) Each party’s obligations, agreements and waivers under this Section 7.11 shall survive the resignation or replacement of the Administrative Agent, the termination of the Commitments and/or the repayment, satisfaction or discharge of all obligations (or any portion thereof) under this Agreement.

ARTICLE 8  
Change in Circumstances

Section 8.01. *Basis for Determining Interest Rate Inadequate or Unfair.* If on or prior to the first day of any Interest Period for any Fixed Rate Borrowing:

(a) the Administrative Agent determines that the London Interbank Offered Rate is not available in the manner set forth in the definition of London Interbank Offered Rate for any such Interest Period (each such Interest Period an “Affected Interest Period”) or

(b) in the case of a Committed Borrowing, Banks having 50% or more of the aggregate amount of the Commitments advise the Administrative Agent in writing that the ~~Adjusted London Interbank Offered Rate~~ **Benchmark**, as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period, in either the case of clause (a) or clause (b) above, the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make Euro-Dollar Loans or to continue or convert outstanding Loans as or into Euro-Dollar Loans shall be suspended and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of any Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (i) if such Fixed Rate Borrowing is a Euro-Dollar Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (ii) if such Fixed Rate Borrowing is a Money Market LIBOR Borrowing, the Money Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day.

Section 8.02. *Illegality.* If a Change in Law shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans or to convert outstanding Loans into Euro-Dollar Loans or continue outstanding Loans as Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. The Borrower hereby agrees to pay the reasonable costs and expenses incurred by such Bank in connection with any such

similar writing) and shall be given to such party (subject to subparagraph (b) below): (w) in the case of the Borrower:

National Rural Utilities Cooperative Finance Corporation  
20701 Cooperative Way  
Dulles, Virginia 20166  
Attn: Capital Markets Relations  
Phone: (703) ~~467-7402~~[467-1628](tel:467-1628)  
Fax: (703) 467-5178  
Email: [BankingRelations@nrucfc.coop](mailto:BankingRelations@nrucfc.coop)

with a copy to:

National Rural Utilities Cooperative Finance Corporation  
20701 Cooperative Way  
Dulles, Virginia 20166  
Attn: General Counsel  
Phone: (703) ~~467-7404~~[467-1872](tel:467-1872)  
Fax: (703) 467-5651  
**Email: [Roberta.Aronson@nrucfc.coop](mailto:Roberta.Aronson@nrucfc.coop)**

(x) in the case of the Administrative Agent:

Mizuho Bank, Ltd.  
1251 Avenue of the Americas  
New York, New York 10020  
Attn: Cole Darrington  
Email: [lau\\_agent@mizuhocbus.com](mailto:lau_agent@mizuhocbus.com)

(y) in the case of any Bank, at its address, email address or telecopier number set forth in its Administrative Questionnaire or (z) in the case of any other party, such other address, email address or telecopier number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower. Each such notice, request, direction, consent, approval or other communication shall be effective (i) if given by facsimile transmission or other electronic submission, when such facsimile transmission or other electronic submission is transmitted to the facsimile number or email address specified in this Section and receipt is confirmed or (ii) if given by any other means, when delivered or received at the address specified in this Section; *provided* that (A) notices to the Administrative Agent under Article 2 or Article 8 shall also be confirmed by telephone call and shall not be effective until received and (B) any communications deemed received hereunder must have been received during the recipient's normal business hours; *provided, however*, that any communication that is not received during the recipient's normal business hours on a particular Domestic Business Day, shall be deemed to be received on the immediately following Domestic Business Day.

Section 9.09. *Counterparts; Integration.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement. The words “execution,” “signed,” “signature,” and words of similar import in this Agreement shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000, the Electronic Signatures and Records Act of 1999, or any other similar state Laws based on the Uniform Electronic Transactions Act. This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. Notwithstanding the foregoing, if the Administrative Agent or any Lender reasonably requests a manually executed counterpart, the Company shall deliver such manually executed counterpart.

Section 9.10. *Several Obligations.* The obligations of the Bank Parties hereunder are several. Neither the failure of any Bank Party to carry out its obligations hereunder nor of this Agreement to be duly authorized, executed and delivery by any Bank Party shall relieve any other Bank Party of its obligations hereunder (or affect the rights hereunder of such other Bank). No Bank Party shall be responsible for the obligations of, or any action taken or omitted by, any other Bank Party hereunder.

Section 9.11. *Severability.* In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

Section 9.12. *Confidentiality.* The Administrative Agent and each Bank Party represent that they will maintain the confidentiality of any written or oral information provided by or on behalf of the Borrower or any of its Consolidated Entities (hereinafter collectively called “Confidential Information”), subject to the Administrative Agent’s and each Bank’s (a) obligation to disclose any such Confidential Information pursuant to a request or order under applicable laws or regulations or from a regulatory authority or pursuant to a subpoena or other legal process, (b) right to disclose any such Confidential Information to its bank examiners, auditors, counsel and other professional advisors, and its employees, officers and directors, and to other Bank Parties (it being understood that such Persons shall be informed of the confidential nature of such information and instructed to keep it confidential), (c) right to disclose any such Confidential



compliance with, the provisions of the Credit Documentation (including without limitation, the definitions, representations, warranties, covenants, agreements, conditions and events of default set forth in the Credit Documentation) and may be excluded from any certifications, notices, reports or statements delivered or to be delivered pursuant to the Credit Documentation. Without limiting the generality of the foregoing, the defined terms “ERISA Group,” “Joint Venture,” “Member” and “Subsidiary,” among others, as used in the Credit Documentation shall not include the ICC Related Companies. Notwithstanding the preceding provisions of this Section 9.15, any new investments in the ICC Related Companies by purchase of equity and/or debt securities, funding (through capital contributions and/or newly originated loans) of working capital or capital expenditure needs of the ICC Related Companies, payment by RTFC (as such term is defined in Schedule 9.15 hereto) or the Borrower of claims of other creditors of the ICC Related Companies, and/or provision of any new guarantees, letters of credit and/or other new credit support or credit enhancement of the debt or other obligations of the ICC Related Companies, in the case of each of the foregoing, made or provided by the Borrower and/or RTFC at any time from December 9, 2008 shall not exceed in the aggregate (but without double-counting any such new investments) \$275,000,000 without the consent of the Required Banks. To the extent that the Credit Documentation provides that any of the ICC Transactions may be implemented if certain advance notice thereof is given, all such conditions or requirements of advance notice shall be deemed to have been complied with and all such notices shall be deemed to have been duly and timely given in accordance with the terms of the Credit Documentation.

Section 9.16. *Acknowledgement and Consent to Bail-In of Affected Financial Institutions.* Notwithstanding anything to the contrary in this Agreement or any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any ~~EEA~~**Affected** Financial Institution arising under this Agreement may be subject to the Write-Down and Conversion Powers of ~~an EEA~~**a** Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

(a) the application of any Write-Down and Conversion Powers by ~~an EEA~~**the applicable** Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an ~~EEA~~**Affected** Financial Institution; **and**

(b) the effects of any Bail-In Action on any such liability, including, if applicable (i) a reduction in full or in part or cancellation of any such liability, (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such ~~EEA~~**Affected** Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other ~~Loan Document~~**agreement, arrangement or understanding among any such parties** or (iii) the variation of the terms of such liability in connection with the exercise

of the Write-Down and Conversion Powers of ~~any EEA~~ the applicable Resolution Authority.

**[remainder of page intentionally left blank]**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE CORPORATION

By: /s/ ~~J. Andrew Don~~Ling Wang  
Name: ~~J. Andrew Don~~Ling Wang  
Title: Senior Vice President and  
Chief Financial Officer

MUFG BANK, LTD. (F/K/A THE BANK  
OF TOKYO-MITSUBISHI UFJ, LTD.),  
as Co-Documentation Agent and as  
a BANK, LTD., as a Bank

By: /s/ ~~Robert MacFarlane~~ Michael  
Agrimis

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Name: ~~Robert~~  
~~MacFarlane~~ Michael  
Agrimis

Title: Director

ROYAL BANK OF CANADA , as Co-  
Documentation Agent and as a Bank

By: /s/~~Rahul D. Shah~~Mark Condon

Name: ~~Rahul D. Shah~~Mark  
Condon

Title: Authorized-Signatory

SUNTRUST ~~TRUIST~~ BANK, as a Bank

By: ~~/s/Shannon Juhan~~ Justin Lien

Name: ~~Shannon Juhan~~ Justin Lien

Title: Director

## AGENT SCHEDULE

<u>Institution</u>	<u>Title</u>
Mizuho Bank, Ltd.	Administrative Agent
JPMorgan Chase Bank, N.A.	Syndication Agent
<del>MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi-UFJ, Ltd.)</del>	<del>Co-Documentation Agent</del>
PNC Bank, National Association	Co-Documentation Agent
The Bank of Nova Scotia	Co-Documentation Agent
Royal Bank of Canada	Co-Documentation Agent

## EXISTING COMMITMENT SCHEDULE

<u>Institution</u>	<u>Commitment Prior to the <del>Fourth</del>Fifth Amendment Effective Date</u>	<u>Loans Outstanding on the <del>Fourth</del>Fifth Amendment Effective Date</u>
<b><u>Bank</u></b>		
Mizuho Bank Ltd.	<del>\$187,500,000.00</del> <u>150,000,000.00</u>	\$0
Royal Bank of Canada	<del>\$187,500,000.00</del> <u>150,000,000.00</u>	\$0
The Bank of Nova Scotia	<del>\$187,500,000.00</del> <u>150,000,000.00</u>	\$0
MUFG Bank, Ltd. ( <del>f/k/a The Bank of Tokyo-Mitsubishi —UFJ, Ltd.</del> )	<del>\$187,500,000.00</del> <u>150,000,000.00</u>	\$0
	<del>\$187,500,000.00</del> <u>150,000,000.00</u>	
JPMorgan Chase Bank, N.A.		\$0
PNC Bank, National Association	\$125,000,000.00	\$0
US Bank National Association	\$125,000,000.00	\$0
SunTrust Bank	\$125,000,000.00	\$0
Regions Bank	\$75,000,000.00	\$0
KeyBank National Association	\$70,000,000.00	\$0
Apple Bank for Savings	<del>\$17,500,000.00</del> <u>20,000,000.00</u>	\$0
<b>Total</b>	<del>\$1,532,500,000.00</del> <u>1,315,000,000.00</u>	<u>\$0</u>



## COMMITMENT SCHEDULE

### Commitment Schedule

<u>Bank</u>	<u>Commitment</u>
Mizuho Bank Ltd.	\$150,000,000.00
Royal Bank of Canada	\$150,000,000.00
The Bank of Nova Scotia	\$150,000,000.00
<del>MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</del>	<del>\$150,000,000.00</del>
JPMorgan Chase Bank, N.A.	\$150,000,000.00
PNC Bank, National Association	\$150,000,000.00
US Bank National Association	\$125,000,000.00
<del>SunTrust</del> <del>Truist</del> Bank	\$125,000,000.00
<del>MUFG Bank, Ltd</del>	<del>\$100,000,000.00</del>
Regions Bank	\$75,000,000.00
KeyBank National Association	\$70,000,000.00
<del>Apple Bank for Savings</del>	<del>\$20,000,000.00</del>
<b>Total:</b>	<b><u>\$1,315,000,000.00</u></b> <b><u>245,000,000.00</u></b>

## PRICING SCHEDULE

The “**Euro-Dollar Margin**”, the “**Base Rate Margin**” and the “**Facility Fee Rate**” for the Borrower at any date are the respective percentages set forth below in the applicable row and column based upon the Status of the Borrower that exists on such date.

Status	Level I	Level II	Level III	Level IV	Level V
Euro-Dollar Margin	0.5750%	0.6900%	0.8000%	0.9000%	0.9750%
Base Rate Margin	0%	0%	0%	0%	0%
Facility Fee Rate	0.0500%	0.0600%	0.0750%	0.1000%	0.1500%

For purposes of this Pricing Schedule, the following terms have the following meanings, subject to the concluding paragraph of this Pricing Schedule:

**“Fitch” means Fitch Ratings, Inc.**

“**Level I Status**” exists at any date if, at such date, the Borrower’s Unsecured Long-Term Debt is rated AA- or higher by S&P-~~or~~, Aa3 or higher by Moody’s **or AA- or higher by Fitch**.

“**Level II Status**” exists at any date if, at such date, (i) the Borrower’s Unsecured Long-Term Debt is rated A+ or higher by S&P-~~or~~, A1 or higher by Moody’s **or A+ or higher by Fitch**, and (ii) Level I Status does not exist.

“**Level III Status**” exists at any date if, at such date, (i) the Borrower’s Unsecured Long-Term Debt is rated A or higher by S&P-~~or~~, A2 or higher by Moody’s **or A or higher by Fitch**, and (ii) Level II Status does not exist.

“**Level IV Status**” exists at any date if, at such date, (i) the Borrower’s Unsecured Long-Term Debt is rated A- or higher by S&P-~~or~~, A3 or higher by Moody’s **or A- or higher by Fitch**, and (ii) Level III Status does not exist.

“**Level V Status**” exists at any date if, at such date, neither Level I Status, Level II Status, Level III Status or Level IV Status exists.

“**Moody’s**” means Moody’s Investors Services, Inc.

“**Rating Agencies**” means each of S&P-~~and~~, Moody’s **and Fitch**.

“**S&P**” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successor thereto.

“**Status**” refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status exists at any date.

The credit ratings to be utilized for purposes of this Pricing Schedule are those assigned to the senior unsecured long-term debt securities of the Borrower without third-party credit enhancement (the “**Borrower’s Unsecured Long-Term Debt**”), and any ratings assigned to any other debt security of the Borrower shall be disregarded; *provided* that if at any date there is no such rating assigned by a particular Rating Agency, such Rating Agency’s rating of the Borrower’s Unsecured Long-Term Debt shall be deemed to be one notch below such Rating Agency’s rating of the senior secured debt of the Borrower at such date. In the event that the ~~two~~three assigned ratings differ, then ~~the~~(i) if two of the ratings are higher than the third rating, the higher rating assigned to the Borrower’s Unsecured Long-Term Debt (after giving effect to the proviso in the first sentence of this paragraph) shall be used, (ii) if two of the ratings assigned differ by only one rating (e.g., A+/A2 results in Level II Status). ~~In the event the two assigned ratings differ by more than one are lower than the third~~ rating, the lower rating ~~below the highest rating shall be used~~ (e.g., A+/A3 results in Level III Status).

assigned to the Borrower’s Unsecured Long-Term Debt (after giving effect to the proviso in the first sentence of this paragraph) shall be used or (iii) if all three ratings are different, the intermediate shall be used.

**SCHEDULE 5.03(a)**  
**NON-GAAP SUBSIDIARIES**  
**NONE**

Schedule 5.03(a)

FORM OF NOTE

New York, New York \_\_\_\_\_ [DATE]

For value received, National Rural Utilities Cooperative Finance Corporation, a not-for-profit cooperative association incorporated under the laws of the District of Columbia (the “**Borrower**”), promises to pay to the order of [●] (the “**Bank**”), for the account of its Applicable Lending Office, the principal sum of \$[\_\_\_\_\_] (\$ \_\_\_\_\_), or, if less, the aggregate unpaid principal amount of each Loan and L/C Borrowing made by the Bank to the Borrower pursuant to the Revolving Credit Agreement referred to below on the Maturity Date with respect to such Loan or L/C Borrowing. The Borrower promises to pay interest on the unpaid principal amount of each such Loan and L/C Borrowing on the dates and at the rate or rates provided for in the Revolving Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of Mizuho Bank, Ltd., 1251 Avenue of the Americas, New York, New York 10020, Attn: Cole Darrington, Email: lau\_agent@mizuhocbus.com.

All Loans and L/C Borrowings made by the Bank, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; *provided* that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Revolving Credit Agreement.

This note is one of the Notes referred to in that certain Amended and Restated Revolving Credit Agreement, dated as of November 19, 2015, among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada as Co-Documentation Agents (as the same may be amended, supplemented or otherwise modified, from time to time, in each case, pursuant to the terms and conditions thereof, the “**Revolving Credit Agreement**”). Terms defined in the Revolving Credit Agreement are used herein with the same meanings. Reference is made to the Revolving Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof. This Note shall be governed by and construed in accordance with the laws of the State of New York.

**FORM OF MONEY MARKET QUOTE REQUEST**

[Date]

To: Mizuho Bank, Ltd. (the “**Administrative Agent**”)

From: National Rural Utilities Cooperative Finance Corporation (the “**Borrower**”)

Re: Amended and Restated Revolving Credit Agreement, dated as of November 19, 2015, among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada as Co-Documentation Agents (as amended, supplemented, or otherwise modified from time to time, in each case, pursuant to the terms and conditions thereof the “**Revolving Credit Agreement**”)

We hereby give notice pursuant to Section 2.03 of the Revolving Credit Agreement that we request Money Market Quotes for the following proposed Money Market Borrowing(s):

Date of Borrowing: \_\_\_\_\_  
*Principal Amount*<sup>1</sup> \_\_\_\_\_ *Interest Period*<sup>2</sup>  
\$

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Terms used herein have the meanings assigned to them in the Revolving Credit Agreement.

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE  
CORPORATION

By: \_\_\_\_\_  
Name:

<sup>1</sup>Amount must be \$10,000,000 or a larger multiple of \$1,000,000.

<sup>2</sup>Any number of whole months (but not less than one month) (LIBOR Auction) or not less than 30 days (Absolute Rate Auction), subject to the provisions of the definition of Interest Period.

FORM OF INVITATION FOR MONEY MARKET QUOTES

[Date]

To: [Name of Bank]

Re: Invitation for Money Market Quotes to the National Rural Utilities Cooperative Finance Corporation (the “**Borrower**”)

Pursuant to Section 2.03 of the Amended and Restated Revolving Credit Agreement, dated as of November 19, 2015, among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada as Co-Documentation Agents (as amended, supplemented or otherwise modified from time to time, in each case, pursuant to the terms and conditions thereof, the “**Revolving Credit Agreement**”):

Date of Borrowing: \_\_

*Principal Amount*

*Interest Period*

\$

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Please respond to this invitation by no later than 9:30 A.M. (New York City time) on [date].

MIZUHO BANK, LTD.

By:

Name: \_\_\_\_\_

Title: Authorized Officer

[*provided*, that the aggregate principal amount of Money Market Loans for which the above offers may be accepted shall not exceed \$\_\_\_\_\_]\*\*

We understand and agree that the offer[s] set forth above [is][are] subject to the satisfaction of the applicable conditions set forth in the Amended and Restated Revolving Credit Agreement, dated as of November 19, 2015, among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada as Co-Documentation Agents, as amended, supplemented or otherwise modified from time to time, in each case, pursuant to the terms and conditions thereof.

Very truly yours,

[NAME OF BANK]

By: \_\_\_\_\_

Name:

Title: Authorized Officer

Dated: \_\_\_\_\_



OPINION OF GENERAL COUNSEL OF THE BORROWER

~~November 26~~ June 7, 2019 ~~2021~~

To the Administrative Agent and each of the Banks party  
to the Revolving Credit Agreement referred to below  
c/o Mizuho Bank, Ltd.  
1251 Avenue of the Americas  
New York, New York 10020

Ladies and Gentlemen:

Reference is hereby made to (i) that certain Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 (as amended by the Amendments (defined below), the “**Extended Agreement**”), by and among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and MUFG Bank, Ltd. (~~f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.~~), PNC Bank, National Association, The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents, (ii) that certain Amendment No. 1 dated as of November 18, 2016 (“**Amendment No. 1**”), by and among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and MUFG Bank, Ltd. (~~f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.~~), The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents, (iii) that certain Amendment No. 2 dated as of November 20, 2017 (“**Amendment No. 2**”), by and among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and MUFG Bank, Ltd. (~~f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.~~), The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents, (iv) that certain Amendment No. 3 dated as of November ~~18~~28, 2016~~2018~~ (“**Amendment No. 3**”), by and among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and MUFG Bank, Ltd. (~~f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.~~), PNC Bank, National Association, The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents ~~and~~; (v) that certain Amendment No. 4 dated as of November 26, 2019 (“**Amendment No. 4**” ~~and together with Amendment No. 1, Amendment No. 2 and Amendment No. 3, the “Amendments”~~), by and among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and MUFG Bank, Ltd. (~~f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.~~), PNC Bank, National Association, The Bank of Nova Scotia, and Royal Bank of Canada,

as Co-Documentation Agents and (vi) that certain Amendment No. 5 dated as of June 7, 2021 (“Amendment No. 5”, and together with Amendment No. 1, Amendment No. 2, Amendment No. 3 and Amendment No. 4, the “Amendments”), by and among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and PNC Bank, National Association, The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents. I, Roberta B. Aronson, General Counsel of the National Rural Utilities Cooperative Finance Corporation (the “**Borrower**”), am delivering this opinion at the request of the Borrower pursuant to Section 7(b) of Amendment No. 4<sup>5</sup>. Terms defined in the Extended Agreement are used herein as therein defined.

I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as I have deemed necessary or advisable for purposes of this opinion. This opinion is limited to the laws of the District of Columbia.

Upon the basis of the foregoing, I am of the opinion that:

1. The Borrower is a cooperative association duly incorporated, validly existing and in good standing under the laws of the District of Columbia and has the corporate power and authority and all material governmental licenses, authorizations, consents and approvals required to own its property and assets and to transact the business in which it is engaged. The Borrower is duly qualified or licensed as a foreign corporation in good standing in every jurisdiction in which the nature of the business in which it is engaged makes such qualification or licensing necessary, except in those jurisdictions in which the failure to be so qualified or licensed would not (after qualification, assuming that the Borrower could so qualify without the payment of any fee or penalty and retain its rights as they existed prior to such qualification all to an extent so that any fees or penalties required to be so paid or any rights not so retained would not, individually or in the aggregate, have a material adverse effect on the business or financial position of the Borrower), individually or in the aggregate, have a material adverse effect upon the business or financial position of the Borrower.

2. The Borrower has the corporate power and authority to execute, deliver and carry out the terms and provisions of the Extended Agreement and each of the Notes dated the date hereof (the “**Subject Notes**”). The Extended Agreement and the Subject Notes have been duly and validly authorized, executed and delivered by the Borrower.<sup>1</sup>

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<sup>1</sup>The opinion with respect to the enforceability of the Amended and Restated Revolving Credit Agreement under New York law shall be provided by Borrower’s New York counsel, ~~Norton Rose~~ Fulbright US ~~Foley & Lardner~~ LLP, subject to customary assumptions, qualifications and limitations.

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of \_\_\_\_\_, 20\_\_\_\_ among [ASSIGNOR] (the “**Assignor**”), [ASSIGNEE] (the “**Assignee**”), NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the “**Borrower**”) and MIZUHO BANK, LTD., as Administrative Agent (the “**Agent**”).

## W I T N E S S E T H

WHEREAS, this Assignment and Assumption Agreement (the “**Agreement**”) relates to the Amended and Restated Revolving Credit Agreement, dated as of November 19, 2015 (as amended, supplemented or otherwise modified from time to time, in each case pursuant to the terms and conditions thereof, (the “**Credit Agreement**”), among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank (the “**Agent**”), and JPMorgan Chase Bank, N.A., as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents.

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Loans and/or make or participate in L/C Obligations to the Borrower in an aggregate principal amount at any time outstanding not to exceed \$\_\_\_\_\_;

WHEREAS, Committed Loans and L/C Obligations made to the Borrower |by the Assignor under the Credit Agreement in the aggregate principal amount of \$\_\_\_\_\_ are outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its Commitment thereunder in an amount equal to \$\_\_\_\_\_ (the “**Assigned Amount**”), together with a corresponding portion of its outstanding Committed Loans and/or L/C Obligations, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. *Definitions.* All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement.

SECTION 2. *Assignment.* The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment

[FORM OF]

U.S. TAX CERTIFICATE

**(For Non-U.S. Bank Parties That Are Not Partnerships For U.S. Federal Income Tax Purposes)**

Reference is hereby made to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 (as amended, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a member of Borrower, it does not exercise voting power over Borrower and is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code and (v) the interest payments in question are not effectively connected with the undersigned’s conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF BANK PARTY]

By: \_\_\_\_\_

Name:

Title:

## [FORM OF]

## U.S. TAX CERTIFICATE

**(For Non-U.S. Bank Parties That Are Partnerships For U.S. Federal Income Tax Purposes)**

Reference is hereby made to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 (as amended, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)),

(iii) with respect to the extension of credit pursuant to this Credit Agreement, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a member of Borrower, exercise voting power over Borrower or otherwise is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned's or its partners/members' conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[FORM OF]

U.S. TAX CERTIFICATE

**(For Non-U.S. Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)**

Reference is hereby made to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 (as amended, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (v) the interest payments in question are not effectively connected with the undersigned’s conduct of a U.S. trade or business.

The undersigned has furnished its participating Bank with a certificate of its non-U.S. person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Bank in writing and (2) the undersigned shall have at all times furnished such Bank with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: \_\_\_\_\_

Name:

Title:

Date: \_\_\_\_\_, 20[ ]

[FORM OF]  
U.S. TAX CERTIFICATE

**(For Non-U.S. Participants That Are Partnerships For U.S. Federal Income Tax Purposes)**

Reference is hereby made to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 (as amended, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned’s or its partners/members’ conduct of a U.S. trade or business.

The undersigned has furnished its participating Bank with IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Bank and (2) the undersigned shall have at all times furnished such Bank with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: \_\_\_\_\_

AMENDMENT NO. 5

Dated as of June 7, 2021

to the

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

Dated as of November 19, 2015

Among

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE CORPORATION,

THE BANKS PARTY HERETO,

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent and Initial Issuing Bank,

MIZUHO BANK, LTD.  
as Syndication Agent

and

PNC BANK, NATIONAL ASSOCIATION,  
THE BANK OF NOVA SCOTIA,

and

ROYAL BANK OF CANADA,  
as Co-Documentation Agents

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J.P. MORGAN CHASE BANK, N.A.

MIZUHO BANK, LTD.

PNC CAPITAL MARKETS LLC

THE BANK OF NOVA SCOTIA,

and

RBC CAPITAL MARKETS  
as Co-Lead Arrangers and Joint Bookrunners



## AMENDMENT NO. 5

AMENDMENT NO. 5 dated as of June 7, 2021 (this “Amendment”) to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015, as amended by Amendment No. 1 dated as of November 18, 2016, as further amended by Amendment No. 2 dated as of November 20, 2017, as further amended by Amendment No. 3 dated as of November 28, 2018 and as further amended by Amendment No. 4 dated as of November 26, 2019, among NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, a not-for-profit cooperative association incorporated under the laws of the District of Columbia, the BANKS party thereto from time to time, JPMORGAN CHASE BANK, N.A., as Administrative Agent and as Initial Issuing Bank, MIZUHO BANK (USA), as Syndication Agent, and PNC BANK, NATIONAL ASSOCIATION, THE BANK OF NOVA SCOTIA and ROYAL BANK OF CANADA, as Co-Documentation Agents (the “Existing Credit Agreement” and, as amended by this Amendment, the “Amended Credit Agreement”).

### WITNESSETH:

WHEREAS, the Borrower has requested that the Banks party to the Existing Credit Agreement, immediately prior to the effectiveness of this Amendment (each, an “Existing Bank”) enter into this Amendment pursuant to which (i) the Existing Banks agree to extend the termination of their Commitments to November 28, 2025 (the “Extended Commitment Termination Date”) and (ii) certain other provisions of the Existing Credit Agreement will be amended;

WHEREAS, each financial institution identified on Schedule 1 hereto as an “Extending Bank” (each, an “Extending Bank”) has agreed, on the terms and conditions set forth herein, to provide Commitments terminating on the Extended Commitment Termination Date in the amounts set forth on Schedule 1 hereto opposite such Extending Bank’s name under the heading “Commitment” (the “Extended Commitments”);

WHEREAS, on the Fifth Amendment Effective Date (as defined in Section 7 below), the existing Commitment of each Extending Bank will be converted into an Extended Commitment;

WHEREAS, certain other financial institutions referred to herein as “Non-Extending Banks” (each, a “Non-Extending Bank”) have informed the Borrower of their desire to terminate their existing Commitments;

WHEREAS, certain other financial institutions referred to herein as “Reducing Banks” (each, a “Reducing Bank”) have informed the Borrower of their desire to reduce their existing Commitments; and

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

**Section 1. *Defined Terms; References.*** Unless otherwise specifically defined herein, each term used herein that is defined in the Existing Credit Agreement or in the Amended Credit Agreement, as the context shall require, has the meaning assigned to such term in the Existing Credit Agreement or in the Amended Credit Agreement, as applicable. Each reference to “hereof”, “hereunder”, “herein” and “hereby” and each other similar reference and each reference to “this Amendment” and each other similar reference contained in the Existing Credit Agreement shall, on and after the Fifth Amendment Effective Date, refer to the Amended Credit Agreement.

**Section 2. *Amended Terms and Fifth Amendment Effective Date Transactions.***

(a) Each of the parties hereto agrees that, effective on the Fifth Amendment Effective Date, the Existing Credit Agreement shall be amended to delete the stricken text (indicated textually in the same manner as the following example: ~~stricken text~~) and to add the double-underlined text (indicated textually in the same manner as the following example: double-underlined text) as set forth in the amended pages of the Existing Credit Agreement attached hereto as Exhibit A, and the Banks party hereto authorize the Administrative Agent and the Borrower to prepare a conformed copy of the Amended Credit Agreement that includes the changes contained in, and consistent with, the amended pages attached as Exhibit A.

(b) On the Fifth Amendment Effective Date, the Commitment of each Existing Bank that is an Extending Bank will be converted into an Extended Commitment under the Amended Credit Agreement in the amounts set forth on Schedule 1 hereto, so that the aggregate Commitment of such Extending Bank under the Amended Credit Agreement shall equal such Extended Bank’s Extended Commitments.

(c) On the Fifth Amendment Effective Date, MUFGBank, Ltd.’s role as a Co-Documentation Agent shall be terminated and they shall not be entitled to any fees with respect to that role.

(d) Notwithstanding Section 2.10 of the Existing Credit Agreement, on the Fifth Amendment Effective Date, (i) the Commitment of each Non-Extending Bank shall be terminated and such Non-Extending Bank shall no longer be considered as a Bank under the Amended Credit Agreement and (ii) the Commitment of each Reducing Bank shall be reduced as reflected on Schedule I hereto.

**Section 3. *Representations of Borrower.*** The Borrower represents and warrants, as of the date hereof, that:

(a) the Borrower has the corporate power and authority to execute, deliver and perform its obligations under this Amendment and under the Amended Credit Agreement, and has taken all necessary corporate action to authorize the execution, delivery and performance by it of this Amendment and the Amended Credit Agreement. The Borrower has duly executed and

delivered this Amendment, and this Amendment and the Amended Credit Agreement constitutes its legal, valid and binding obligation enforceable in accordance with its terms, except as enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting the enforcement of creditors' rights generally and by general equitable principles (regardless of whether enforcement is sought by proceeding in equity or at law);

(b) no material authorization, consent, approval or license of, or declaration, filing or registration with or exemption by, any Governmental Authority, body or agency is required in connection with the execution, delivery and performance by the Borrower of this Amendment. The Banks acknowledge that the Borrower may file this Amendment with the Securities and Exchange Commission on or after the Fifth Amendment Effective Date; and

(c) the execution, delivery and performance by the Borrower of this Amendment and the Amended Credit Agreement, the borrowings contemplated hereunder and the use of the proceeds thereof will not (i) contravene any material provision of any law, statute, rule or regulation or any order, writ, injunction or decree of any court or Governmental Authority to which the Borrower is subject, (ii) require any consent under, or violate or result in any breach of any of the material terms, covenants, conditions or provisions of, or constitute a material default under, or give rise to any right to accelerate or to require the prepayment, repurchase or redemption of any obligation under, or result in the creation or imposition of (or the obligation to create or impose) any Lien upon any of the property or assets of the Borrower pursuant to the terms of the Amended Credit Agreement or any material indenture, mortgage, deed of trust, agreement or instrument, in each case to which the Borrower is a party or by which it or any its property or assets is bound or to which it may be subject, or (iii) violate any provision of the articles of incorporation or by-laws, as applicable, of the Borrower.

**Section 4. GOVERNING LAW.** (a) THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF NEW YORK.

EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY SUBMITS, FOR ITSELF AND ITS PROPERTY, TO THE EXCLUSIVE JURISDICTION OF THE SUPREME COURT OF THE STATE OF NEW YORK SITTING IN NEW YORK COUNTY AND OF THE UNITED STATES DISTRICT COURT OF THE SOUTHERN DISTRICT OF NEW YORK, AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH NEW YORK STATE COURT OR, TO THE EXTENT PERMITTED BY LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES, TO THE FULLEST EXTENT PERMITTED BY LAW, THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AMENDMENT SHALL AFFECT ANY RIGHT THAT ANY PARTY HERETO OR ANY BANK MAY OTHERWISE HAVE TO BRING ANY

THAT ANY PARTY HERETO OR ANY BANK MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AMENDMENT AGAINST ANY OTHER PARTY HERETO OR ANY BANK OR THEIR RESPECTIVE PROPERTIES IN THE COURTS OF ANY JURISDICTION.

(c) EACH PARTY HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT IT MAY LEGALLY AND EFFECTIVELY DO SO, ANY OBJECTION WHICH IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY SUIT, ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

(d) EACH PARTY TO THIS AMENDMENT IRREVOCABLY CONSENTS TO SERVICE OF PROCESS IN THE MANNER PROVIDED FOR NOTICES IN SECTION 9.01 OF THE AMENDED CREDIT AGREEMENT. NOTHING IN THIS AMENDMENT WILL AFFECT THE RIGHT OF ANY PARTY TO THIS AMENDMENT TO SERVE PROCESS IN ANY OTHER MANNER PERMITTED BY LAW.

**Section 5. *WAIVER OF JURY TRIAL.*** EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AMENDMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**Section 6. *Counterparts.*** This Amendment may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. Delivery of an executed counterpart of a signature page to this Amendment by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Amendment. The words “execution,” “signed,” “signature,” and words of similar import in this Amendment shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000, the Electronic Signatures and Records Act of 1999, or any other similar state Laws based on the Uniform Electronic Transactions Act. Notwithstanding the foregoing, if the Administrative Agent or any Lender reasonably requests a manually executed counterpart, the Company shall deliver such manually executed counterpart.

**Section 7. *Effectiveness.*** This Amendment shall become effective on the date (the “Fifth Amendment Effective Date”) on which the Administrative Agent shall have received the following documents or other items, each dated the Fifth Amendment Effective Date unless otherwise indicated:

(a) receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it of telegraphic, telex or other written confirmation from such party of execution of a counterpart hereof by such party), including receipt of consent from (i) each Extending Bank, (ii) each Non-Extending Bank, (iii) each Reducing Bank, and (iv) the Required Banks under the Existing Credit Agreement;

(b) receipt by the Administrative Agent of an opinion of the General Counsel of the Borrower, substantially in the form of Exhibit F to the Existing Credit Agreement, *provided* that an enforceability opinion under New York law, that is reasonably acceptable to the Administrative Agent, shall be furnished by the Borrower's New York counsel, Foley & Lardner LLP, subject to customary assumptions, qualifications and limitations;

(c) receipt by the Administrative Agent of a certificate signed by any one of the Chief Financial Officer, the Chief Executive Officer, the Treasurer, an Assistant Secretary-Treasurer, the Controller or the Vice President, Capital Markets Relations of the Borrower to the effect that the conditions set forth in clauses (c) through (g), inclusive, of Section 3.03 of the Amended Credit Agreement have been satisfied as of the Fifth Amendment Effective Date and, in the case of clauses (c), (d) and (g), setting forth in reasonable detail the calculations required to establish such compliance;

(d) receipt by the Administrative Agent of a certificate of an officer of the Borrower acceptable to the Administrative Agent stating that all consents, authorizations, notices and filings required or advisable in connection with this Amendment are in full force and effect, and the Administrative Agent shall have received evidence thereof reasonably satisfactory to it;

(e) receipt by the Administrative Agent and the Syndication Agent (or their respective permitted assigns) and by each Bank Party of all fees, including all such fees that are owed to each Reducing Bank and Non-Extending Bank required to be paid in the respective amounts heretofore mutually agreed in writing, and all expenses required to be reimbursed pursuant to the terms of the Existing Credit Agreement and for which invoices have been presented, at least one (1) business day prior to the Fifth Amendment Effective Date;

(f) receipt by the Administrative Agent and the Banks of a Beneficial Ownership Certification on the Fifth Amendment Effective Date and all documentation and other information required by regulatory authorities under applicable "know your customer" and anti-money laundering rules and regulations, including, without limitation, the USA PATRIOT Act (Title III of Pub. L. 107-56) and the FinCEN beneficial ownership regulations under the Beneficial Ownership Regulation; and

(g) receipt by the Administrative Agent of all documents the Administrative Agent may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Amendment all in form and substance reasonably satisfactory to the Administrative Agent.

The Administrative Agent shall promptly notify the Borrower and the Bank Parties of the Fifth Amendment Effective Date, and such notice shall be conclusive and binding on all parties hereto.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be duly executed as of the date first above written.

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE  
CORPORATION

By: /s/ Ling Wang  
Name: Ling Wang  
Title: Senior Vice President and  
Chief Financial Officer

JPMORGAN CHASE BANK, N.A., as  
Administrative Agent, Initial Issuing Bank  
and Bank

By: /s/ Nancy R Barwig

Name: Nancy R. Barwig

Title: Executive Director



MIZUHO BANK, LTD., as Syndication Agent  
and Bank

By: /s/ Edward Sacks

Name: Edward Sacks

Title: Executive Director

SIGNATURE PAGE TO AMENDMENT NO. 5 (THE “**AMENDMENT**”) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT, MIZUHO BANK (USA) AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE “**EXISTING CREDIT AGREEMENT**”).

- The undersigned is a Bank with an existing Commitment and consents to this Amendment with respect to the full amount set forth on Schedule 1 hereto, which amount will be converted in full to an Extended Commitment.

Royal Bank of Canada, as Leader

By: /s/ Mark W. Condon  
Name: Mark W. Condon  
Title: Authorized Signatory

SIGNATURE PAGE TO AMENDMENT NO. 5 (THE “**AMENDMENT**”) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT, MIZUHO BANK (USA) AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE “**EXISTING CREDIT AGREEMENT**”).

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- The undersigned Bank with an existing Commitment consents to this Amendment with respect to its existing Commitment and also confirms its willingness to provide additional Commitment under the Amended Credit Agreement in an aggregate principal amount of \$\_\_\_\_\_.
  
- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
  
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$\_\_\_\_\_.

THE BANK OF NOVA SCOTIA

By:     /s/ David Dewar      
Name: David Dewar  
Title: Director

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- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$\_\_\_\_\_.

PNC BANK, NATIONAL  
ASSOCIATION

By: /s/ Richard G. Tutich

Name: Richard G. Tutich

Title: Vice President

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- The undersigned Bank with an existing Commitment consents to this Amendment with respect to its existing Commitment and also confirms its willingness to provide additional Commitment under the Amended Credit Agreement in an aggregate principal amount of \$\_\_\_\_\_.
- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$\_\_\_\_\_.

ROYAL BANK OF CANADA

By: /s/ Benjamin Cooper  
Name: Benjamin Cooper  
Title: Senior Vice President



SIGNATURE PAGE TO AMENDMENT NO. 5 (THE “**AMENDMENT**”) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT, MIZUHO BANK (USA) AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE “**EXISTING CREDIT AGREEMENT**”).

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- The undersigned Bank with an existing Commitment consents to this Amendment with respect to its existing Commitment and also confirms its willingness to provide additional Commitment under the Amended Credit Agreement in an aggregate principal amount of \$ \_\_\_\_\_.
- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$ \_\_\_\_\_.

U.S. Bank National Association

By: /s/ Michael E. Temnick

Name: Michael E. Temnick

Title: Vice President

SIGNATURE PAGE TO AMENDMENT NO. 5 (THE “**AMENDMENT**”) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT, MIZUHO BANK (USA) AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE “**EXISTING CREDIT AGREEMENT**”).

- The undersigned is a Bank with an existing Commitment and consents to this Amendment with respect to the full amount set forth on Schedule 1 hereto, which amount will be converted in full to an Extended Commitment
  
- The undersigned Bank with an existing Commitment consents to this Amendment with respect to its existing Commitment and also confirms its willingness to provide additional Commitment under the Amended Credit Agreement in an aggregate principal amount of \$\_\_\_\_\_.
  
- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
  
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$\_\_\_\_\_.

Truist Bank

By: /s/ Justin Lien

Name: Justin Lien

Title: DIRECTOR

SIGNATURE PAGE TO AMENDMENT NO. 5 (THE **“AMENDMENT”**) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT, MIZUHO BANK (USA) AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE **“EXISTING CREDIT AGREEMENT”**).

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- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$100,000,000.00

MUFG Bank, Ltd.

By: Michael Agrimis

Name: Michael Agrimis

Title: Director

SIGNATURE PAGE TO AMENDMENT NO. 5 (THE “**AMENDMENT**”) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, JPMORGAN CHASE BANK, N.A., AS ADMINISTRATIVE AGENT, MIZUHO BANK (USA) AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE “**EXISTING CREDIT AGREEMENT**”).

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- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$ \_\_\_\_\_.

REGIONS BANK

By: /s/ Jim Sharp

Name: Jim Sharp

Title: Managing Director



SIGNATURE PAGE TO AMENDMENT NO. 5 (THE “**AMENDMENT**”) TO THE AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT DATED AS OF NOVEMBER 19, 2015, AS AMENDED BY AMENDMENT NO. 1 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 18, 2016, AS FURTHER AMENDED BY AMENDMENT NO. 2 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 20, 2017, AS FURTHER AMENDED BY AMENDMENT NO. 3 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 28, 2018, AND AS FURTHER AMENDED BY AMENDMENT NO. 4 TO THE EXISTING CREDIT AGREEMENT, DATED AS OF NOVEMBER 26, 2019 AMONG NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, AS BORROWER, THE BANKS PARTY THERETO, MIZUHO BANK, LTD., AS ADMINISTRATIVE AGENT, JPMORGAN CHASE BANK, N.A. AS SYNDICATION AGENT AND THE OTHER AGENTS PARTY THERETO (THE “**EXISTING CREDIT AGREEMENT**”).

Check only one of the following:

- The undersigned is a Bank with an existing Commitment and consents to this Amendment with respect to the full amount set forth on Schedule 1 hereto, which amount will be converted in full to an Extended Commitment.
- The undersigned Bank with an existing Commitment consents to this Amendment with respect to its existing Commitment and also confirms its willingness to provide additional Commitment under the Amended Credit Agreement in an aggregate principal amount of \$\_\_\_\_\_.
- The undersigned is a “Non-Extending Bank” and consents to this Amendment and the termination of its existing Commitment.
- The undersigned is a “Reducing Bank” and consents to this Amendment and the reduction of its Commitment under the Amended Credit Agreement to an aggregate principal amount of \$\_\_\_\_\_.

APPLE BANK FOR SAVINGS

By: /s/ Dana R. MacKinnon

Name: Dana R. MacKinnon

Title: Senior Vice President

## SCHEDULE 1

### EXTENDED COMMITMENTS

<b><u>Extending Banks</u></b>	<b><u>Commitment</u></b>
JPMorgan Chase Bank, N.A.	\$150,000,000.00
Mizuho Bank, Ltd.	\$150,000,000.00
Royal Bank of Canada	\$150,000,000.00
The Bank of Nova Scotia	\$150,000,000.00
PNC Bank, National Association	\$150,000,000.00
KeyBank National Association	\$180,000,000.00
US Bank National Association	\$125,000,000.00
Truist Bank	\$125,000,000.00
MUFG Bank, Ltd.	\$100,000,000.00
Regions Bank	\$75,000,000.00
<b><u>Total:</u></b>	<b><u>\$1,355,000,000.00</u></b>

**EXHIBIT A**

NOT A LEGAL DOCUMENT

COMPOSITE COPY REFLECTING  
AMENDMENT NO. 45  
DATED AS OF ~~NOVEMBER 26~~JUNE 7, 2019~~2021~~

AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

dated as of

November 19, 2015

among

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE CORPORATION,

THE BANKS LISTED HEREIN,

JPMORGAN CHASE BANK, N.A.,  
as Administrative Agent and Initial Issuing Bank,

MIZUHO BANK, LTD.,  
as successor Syndication Agent,

and

~~MUFG~~PNC BANK, ~~LTD.~~NATIONAL ASSOCIATION,  
~~(F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.),~~  
~~PNC BANK, NATIONAL ASSOCIATION, A,~~  
THE BANK OF NOVA SCOTIA,  
and  
ROYAL BANK OF CANADA  
as Co-Documentation Agents

---

J.P. MORGAN CHASE BANK, N.A.  
MIZUHO BANK, LTD.  
~~MUFG BANK, LTD.~~  
~~(F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.),~~  
PNC CAPITAL MARKETS LLC  
THE BANK OF NOVA SCOTIA,  
and  
RBC CAPITAL MARKETS

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## AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT

This AMENDED AND RESTATED REVOLVING CREDIT AGREEMENT dated as of November 19, 2015, is made by and among NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, a not-for-profit cooperative association incorporated under the laws of the District of Columbia, as Borrower, the BANKS listed on the signature pages hereof, JPMORGAN CHASE BANK, N.A., as Administrative Agent and as Initial Issuing Bank for the Letters of Credit issued or to be issued pursuant to this Agreement, MIZUHO BANK, LTD., as successor Syndication Agent, and ~~MUFG BANK, LTD. (F/K/A THE BANK OF TOKYO-MITSUBISHI UFJ, LTD.)~~, PNC BANK, NATIONAL ASSOCIATION, THE BANK OF NOVA SCOTIA and ROYAL BANK OF CANADA, as Co-Documentation Agents.

WHEREAS, the Borrower, the several Banks, the Administrative Agent, the Syndication Agent and Co-Documentation Agents (as each is defined hereinafter) entered into a Revolving Credit Agreement dated as of October 21, 2011, as amended by Amendment No. 1 dated as of March 28, 2013, Amendment No. 2 dated as of October 28, 2013 and Amendment No. 3 dated as of October 28, 2014 (collectively, the “Existing Credit Agreement”); and

WHEREAS, the Borrower has requested that the Banks, the Administrative Agent, the Syndication Agent and the Co-Documentation Agents agree, on the terms and conditions set forth herein, to amend and restate the Existing Credit Agreement. The Banks, Administrative Agent, Syndication Agent and Co-Documentation Agents have indicated their willingness to amend and restate the Existing Credit Agreement on the terms and conditions of this Agreement.

NOW, THEREFORE, in consideration of the foregoing and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto do hereby amend and restate the Existing Credit Agreement in its entirety and the parties hereto hereby agree as follows:

### ARTICLE 1 DEFINITIONS

Section 1.01. *Definitions.* The following terms, as used herein, have the following meanings:

“**1994 Indenture**” means the Indenture dated as of February 15, 1994 and as amended as of September 16, 1994 between the Borrower and U.S. Bank National Association, as trustee, as amended and supplemented from time to time, providing for the issuance in series of certain collateral trust bonds of the Borrower.

“**2007 Indenture**” means the Indenture dated as of October 25, 2007 between the Borrower and U.S. Bank National Association, as trustee, as



amended and supplemented from time to time, providing for the issuance in series of certain collateral trust bonds of the Borrower.

“**2016 Amendment**” means Amendment No. 1 to this Agreement dated as of November 18, 2016 among the Borrower, the Administrative Agent, the Syndication Agent and the Banks thereto.

“**2017 Amendment**” means Amendment No. 2 to this Agreement dated as of November 20, 2017 among the Borrower, the Administrative Agent, the Syndication Agent and the Banks thereto.

“**2017 Fee Letters**” means those certain Fee Letters dated October 13, 2017 among the Borrower, the Administrative Agent and the Syndication Agent.

“**2018 Amendment**” means Amendment No. 3 to this Agreement dated as of November 28, 2018 among the Borrower, the Administrative Agent, the Syndication Agent and the Banks thereto.

“**2018 Fee Letters**” means those certain Fee Letters dated October 16, 2018 among the Borrower, the Administrative Agent and the Syndication Agent.

“**2019 Amendment**” means Amendment No. 4 to this Agreement dated as of November 26, 2019 among the Borrower, the Administrative Agent, the Syndication Agent and the Banks thereto.

“**2019 Fee Letters**” means those certain Fee Letters dated October 16, 2019 among the Borrower, the Administrative Agent, the Syndication Agent and the Co-Lead Arrangers; *provided, that*, it is understood that the Agency Fee and Fronting Letter, dated October 16, 2018 between the Borrower and the Administrative Agent is still in effect and shall be considered a 2019 Fee Letter.

**“2021 Amendment” means Amendment No. 5 to this Agreement dated as of June 7, 2021 among the Borrower, the Administrative Agent, the Syndication Agent and the Banks thereto.**

**“2021 Fee Letters” means those certain Fee Letters dated May 11, 2021 among the Borrower, the Administrative Agent, the Syndication Agent and the Co-Lead Arrangers.**

“**Absolute Rate Auction**” means a solicitation of Money Market Quotes setting forth Money Market Absolute Rates pursuant to Section 2.03.

“**Additional Commitment Bank**” has the meaning set forth in Section 2.22(d).

**~~“Adjusted London Interbank Offered Rate” has the meaning set forth in Section 2.07(b).~~**

“**Administrative Agent**” means JPMorgan Chase Bank, N.A., in its capacity as administrative agent for the Banks hereunder, and its successors in such capacity.

“**Administrative Questionnaire**” means, with respect to each Bank, the administrative questionnaire in the form submitted to such Bank by the Administrative Agent and submitted to the Administrative Agent (with a copy to the Borrower) duly completed by such Bank.

**“Affected Financial Institution” means (i) any EEA Financial Institution or (ii) any UK Financial Institution.**

“**Aggregate Commitment**” means the aggregate amount that is equal to the sum of the amounts of each of the Commitments.

“**Agreement**” means this Amended and Restated Revolving Credit Agreement, as the same may be amended from time to time.

“**Amendment Effective Date**” means the date this Agreement becomes effective in accordance with Section 3.01.

“**Anti-Corruption Laws**” means all laws, rules, and regulations of any jurisdiction applicable to the Borrower or its Subsidiaries from time to time concerning or relating to bribery, corruption or money laundering

“**Anniversary Date**” has the meaning set forth in Section 2.22(a).

“**Applicable Law**” means, with respect to any Person, any and all laws, statutes, regulations, rules, orders, injunctions, decrees, judgments, writs determinations or awards having the force or effect of binding such Person at law and issued by any Governmental Authority, applicable to such Person, including all Environmental Laws.

“**Applicable Lending Office**” means, with respect to any Bank, (i) in the case of its Base Rate Loans, its Domestic Lending Office, (ii) in the case of its Euro-Dollar Loans, its Euro-Dollar Lending Office and (iii) in the case of its Money Market Loans, its Money Market Lending Office.

“**ASC 815**” means Accounting Standards Codification No. 815 Derivatives and Hedging, as amended from time to time (or any successor provision thereto).

“**ASC 830**” means Accounting Standards Codification No. 830 Foreign Currency Matters, as amended from time to time (or any successor provision thereto).

“**Assignee**” has the meaning set forth in Section 9.06(c).

“**Auto-Extension Letter of Credit**” has the meaning specified in Section 2.20(a)(iii).

“**Available Tenor**” means, as of any date of determination and with respect to the then-current Benchmark, as applicable, any tenor for such Benchmark or payment period for interest calculated with reference to such Benchmark, as applicable, that is or may be used for determining the length of an Interest Period pursuant to this Agreement as of such date and not including, for the avoidance of doubt, any tenor for such Benchmark that is then-removed from the definition of “Interest Period”.

“**Back-Up Letter of Credit**” has the meaning set forth in Section 2.01(b).

“**Bail-In Action**” means the exercise of any Write-Down and Conversion Powers by the applicable ~~EEA~~ Resolution Authority in respect of any liability of an ~~EEA~~Affected Financial Institution.

“**Bail-In Legislation**” means, (i) with respect to any EEA Member Country implementing Article 55 of Directive 2014/59/EU of the European Parliament and of the Council of the European Union, the implementing law for such EEA Member Country from time to time which is described in the EU Bail-In Legislation Schedule. and (ii) with respect to the United Kingdom, Part I of the United Kingdom Banking Act 2009 (as amended from time to time) and any other law, regulation or rule applicable in the United Kingdom relating to the resolution of unsound or failing banks, investment firms or other financial institutions or their affiliates (other than through liquidation, administration or other insolvency proceedings).

“**Bank**” means at any time, any Bank that has a Commitment specified on the Commitment Schedule hereto or any Assignee thereof and any subsequent Assignee of such Assignee which becomes a Bank pursuant to Section 9.06(c).

“**Bank Extension Notice Date**” has the meaning set forth in Section 2.22(b).

“**Bank Parties**” mean the Banks and the Issuing Banks.

“**Bankruptcy Event**” means, with respect to any Person, such Person becomes the subject of a bankruptcy or insolvency proceeding, or has had a receiver, conservator, trustee, administrator, custodian, assignee for the benefit of creditors or similar Person charged with the reorganization or liquidation of its business appointed for it, or, in the good faith determination of the Administrative Agent, has taken any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any such proceeding or appointment, *provided* that a Bankruptcy Event shall not result solely by virtue of any ownership interest, or the acquisition of any ownership interest, in such Person by a Governmental Authority or instrumentality thereof, *provided, further*, that such ownership interest does not result in or provide such Person with immunity from

the jurisdiction of courts within the United States or from the enforcement of judgments or writs of attachment on its assets or permit such Person (or such Governmental Authority or instrumentality) to reject, repudiate, disavow or disaffirm any contracts or agreements made by such Person.

“**Base Rate**” means, for any day, a rate per annum equal to the highest of the Prime Rate for such day, (ii) the Federal Funds Rate for such day plus 0.50% and (iii) the ~~Adjusted London Interbank Offered Rate, taking into account any London Interbank Offered Rate floor under the definition of “London Interbank Offered Rate”~~ **Benchmark**, or a comparable or successor rate, which rate is selected by the Administrative Agent and the Borrower as described in ~~the definition of London Interbank Offered Rate in~~ Section 2.07(b), for a one month Interest Period on such day (or if such day is not a Euro-Dollar Business Day, the immediately preceding Euro-Dollar Business Day) plus 1.00%.

“**Base Rate Loan**” means a Committed Loan that bears interest at the Base Rate pursuant to the applicable Notice of Committed Borrowing or Notice of Interest Rate Election or the last sentence of Section 2.08(a) or Article 8.

“**Base Rate Margin**” means a rate per annum determined in accordance with the Pricing Schedule.

“**Benchmark**” means, initially, USD LIBOR; provided that if a Benchmark Transition Event, a Term SOFR Transition Event or an Early Opt-in Election or an Other Benchmark Rate Election, as applicable, and its related Benchmark Replacement Date have occurred with respect to USD LIBOR or the then-current Benchmark, then “Benchmark” means the applicable Benchmark Replacement to the extent that such Benchmark Replacement has replaced such prior benchmark rate pursuant to Section 2.07.

“**Benchmark Replacement**” means, for any Available Tenor, the first alternative set forth in the order below that can be determined by the Administrative Agent for the applicable Benchmark Replacement Date. Provided that, in the case of an Other Benchmark Rate Election, “Benchmark Replacement” shall mean the alternative set forth in (3) below; provided further, if the Administrative Agent decides that Term SOFR is not administratively feasible for the Administrative Agent, then Term SOFR will be deemed unable to be determined for purposes of this definition:

(1) the sum of: (a) Term SOFR and (b) the related Benchmark Replacement Adjustment;

(2) the sum of: (a) Daily Simple SOFR and (b) the related Benchmark Replacement Adjustment;

(3) the sum of: (a) the alternate benchmark rate that has been selected by the Administrative Agent and the Borrower as the replacement for the then-current Benchmark for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a replacement benchmark rate or the mechanism for determining such a rate by the Relevant Governmental Body or (ii) any evolving or then-prevailing market convention for determining a benchmark rate as a replacement for the then-current Benchmark for U.S. dollar-denominated syndicated credit facilities at such time and (b) the related Benchmark Replacement Adjustment;

provided that, in the case of clause (1), such Unadjusted Benchmark Replacement is displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion; provided further that, in the case of clause (3), when such clause is used to determine the Benchmark Replacement in connection with the occurrence of an Other Benchmark Rate Election, the alternate benchmark rate selected by the Administrative Agent and the Borrower shall be the term benchmark rate that is used in lieu of a LIBOR-based rate in the relevant other Dollar-denominated syndicated credit facilities; provided further that, notwithstanding anything to the contrary in this Agreement or in any other Loan Document, upon the occurrence of a Term SOFR Transition Event, and the delivery of a Term SOFR Notice, on the applicable Benchmark Replacement Date the “Benchmark Replacement” shall revert to and shall be deemed to be the sum of (a) Term SOFR and (b) the related Benchmark Replacement Adjustment, as set forth in clause (1) of this definition (subject to the first proviso above). If the Benchmark Replacement as determined pursuant to clause (1), (2) or (3) above would be less than the Floor, the Benchmark Replacement will be deemed to be the Floor for the purposes of this Agreement.

“Benchmark Replacement Adjustment” means, with respect to any replacement of the then- current Benchmark with an Unadjusted Benchmark Replacement for any applicable Interest Period and Available Tenor for any setting of such Unadjusted Benchmark Replacement:

- (1) for purposes of clauses (1) and (2) of the definition of “Benchmark Replacement,” the first alternative set forth in the order below that can be determined by the Administrative Agent:
  - (a) the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Interest Period that has been selected or recommended by the Relevant

Governmental Body for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for the applicable Corresponding Tenor;

- (b) the spread adjustment (which may be a positive or negative value or zero) as of the Reference Time such Benchmark Replacement is first set for such Interest Period that would apply to the fallback rate for a derivative transaction referencing the ISDA Definitions to be effective upon an index cessation event with respect to such Benchmark for the applicable Corresponding Tenor; and
- (2) for purposes of clause (3) of the definition of “Benchmark Replacement,” the spread adjustment, or method for calculating or determining such spread adjustment, (which may be a positive or negative value or zero) that has been selected by the Administrative Agent and the Borrower for the applicable Corresponding Tenor giving due consideration to (i) any selection or recommendation of a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement by the Relevant Governmental Body on the applicable Benchmark Replacement Date or (ii) any evolving or then-prevailing market convention for determining a spread adjustment, or method for calculating or determining such spread adjustment, for the replacement of such Benchmark with the applicable Unadjusted Benchmark Replacement for U.S. dollar-denominated syndicated credit facilities;

provided that, in the case of clause (1) above, such adjustment is displayed on a screen or other information service that publishes such Benchmark Replacement Adjustment from time to time as selected by the Administrative Agent in its reasonable discretion.

“Benchmark Replacement Conforming Changes” means, with respect to any Benchmark Replacement, any technical, administrative or operational changes (including changes to the definition of “Business Day,” the definition of “Interest Period,” timing and frequency of determining rates and making payments of interest, timing of borrowing requests or prepayment, conversion or continuation notices, length of lookback periods, the applicability of breakage provisions, the formula for calculating any successor rates identified pursuant to the definition of “Benchmark Replacement”, the formula, methodology or convention for applying the successor Floor to the successor Benchmark Replacement and other technical, administrative or operational matters) that the Administrative

Agent decides may be appropriate to reflect the adoption and implementation of such Benchmark Replacement and to permit the administration thereof by the Administrative Agent in a manner substantially consistent with market practice (or, if the Administrative Agent decides that adoption of any portion of such market practice is not administratively feasible or if the Administrative Agent determines that no market practice for the administration of such Benchmark Replacement exists, in such other manner of administration as the Administrative Agent decides is reasonably necessary in connection with the administration of this Agreement).

“Benchmark Replacement Date” means the earliest to occur of the following events with respect to the then-current Benchmark:

- (1) in the case of clause (1) or (2) of the definition of “Benchmark Transition Event,” the later of (a) the date of the public statement or publication of information referenced therein and (b) the date on which the administrator of such Benchmark (or the published component used in the calculation thereof) permanently or indefinitely ceases to provide all Available Tenors of such Benchmark (or such component thereof);
- (2) in the case of clause (3) of the definition of “Benchmark Transition Event,” the date of the public statement or publication of information referenced therein;
- (3) in the case of a Term SOFR Transition Event, the date that is thirty (30) days after the date a Term SOFR Notice is provided to the Lenders and the Borrower pursuant to clause (b) of this Section titled “Benchmark Replacement Setting” or such later date as specified in such notice; or
- (4) in the case of an Early Opt-in Election or an Other Benchmark Rate Election, the sixth (6th) Business Day after the date notice of such Early Opt-in Election or Other Benchmark Rate Election, as applicable, is provided to the Lenders, so long as the Administrative Agent has not received, by 5:00 p.m. (New York City time) on the fifth (5th) Business Day after the date notice of such Early Opt-in Election or Other Benchmark Rate Election, as applicable, is provided to the Lenders, written notice of objection to such Early Opt-in Election or Other Benchmark Rate Election, as applicable, from Lenders comprising the Required Lenders; provided however, the Administrative Agent and the Borrower may choose a later date as specified in such notice.

For the avoidance of doubt, (i) if the event giving rise to the Benchmark

Replacement Date occurs on the same day as, but earlier than, the Reference Time in respect of any determination, the Benchmark Replacement Date will be deemed to have occurred prior to the Reference Time for such determination and (ii) the “Benchmark Replacement Date” will be deemed to have occurred in the case of clause (1) or (2) with respect to any Benchmark upon the occurrence of the applicable event or events set forth therein with respect to all then-current Available Tenors of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Transition Event” means the occurrence of one or more of the following events with respect to the then-current Benchmark:

- (1) a public statement or publication of information by or on behalf of the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that such administrator has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof), permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof);
- (2) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof), the Board of Governors of the Federal Reserve System, the Federal Reserve Bank of New York, an insolvency official with jurisdiction over the administrator for such Benchmark (or such component), a resolution authority with jurisdiction over the administrator for such Benchmark (or such component) or a court or an entity with similar insolvency or resolution authority over the administrator for such Benchmark (or such component), which states that the administrator of such Benchmark (or such component) has ceased or will cease to provide all Available Tenors of such Benchmark (or such component thereof) permanently or indefinitely, provided that, at the time of such statement or publication, there is no successor administrator that will continue to provide any Available Tenor of such Benchmark (or such component thereof); or
- (3) a public statement or publication of information by the regulatory supervisor for the administrator of such Benchmark (or the published component used in the calculation thereof) announcing that all Available Tenors of such Benchmark (or such component thereof) are no longer representative.



For the avoidance of doubt, a “Benchmark Transition Event” will be deemed to have occurred with respect to any Benchmark if a public statement or publication of information set forth above has occurred with respect to each then-current Available Tenor of such Benchmark (or the published component used in the calculation thereof).

“Benchmark Unavailability Period” means the period (if any) (x) beginning at the time that a Benchmark Replacement Date pursuant to clauses (1) or (2) of that definition has occurred if, at such time, no Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder and under any Loan Document in accordance with this Section titled “Benchmark Replacement Setting” and (y) ending at the time that a Benchmark Replacement has replaced the then-current Benchmark for all purposes hereunder in accordance with Section 2.07.

“**Beneficial Ownership Certification**” means a certification regarding beneficial ownership required by the Beneficial Ownership Regulation.

“**Beneficial Ownership Regulation**” means 31 C.F.R. § 1010.230.

“**Bonds**” means any bonds issued pursuant to any of the Indentures, as the context may require.

“**Borrower**” means the National Rural Utilities Cooperative Finance Corporation, a not-for-profit cooperative association incorporated under the laws of the District of Columbia, and its successors.

“**Borrowing**” has the meaning set forth in Section 1.03.

“**Cash Collateral Account**” means a deposit account or a non-interest bearing securities account (as contemplated by Section 2.20(e)) opened, or to be opened, by the Administrative Agent and in which a Lien has been granted to the Administrative Agent for the benefit of each Bank and each Issuing Bank pursuant to documentation in form and substance reasonably satisfactory to the Administrative Agent and each Issuing Bank (which documents are hereby consented to by the Banks) to the extent that any Letter of Credit is required to be Cash Collateralized in accordance with this Agreement.

“**Cash Collateralize**” means to pledge and deposit with or deliver to the Administrative Agent, for the benefit of each Issuing Bank and each Bank, as collateral for the L/C Obligations, cash or deposit account balances, and “Cash Collateral” shall refer to such cash or deposit account balances.

“**Central Banking Authority**” means any central bank, reserve bank or monetary authority that is principally engaged in the regulation of the currency,

money supply or commercial banking system of any given sovereign state or states.

“**Change in Law**” means (a) the adoption of any law, rule, regulation or treaty after the Effective Date, (b) any change in any law, rule, regulation or treaty or in the interpretation or application thereof by any Governmental Authority after the Effective Date or (c) compliance by any Bank Party (or, for purposes of Section 8.03(b), by its Applicable Lending Office or by such Bank Party’s holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the Effective Date; *provided however*, that notwithstanding anything therein to the contrary, (i) any requirements imposed under the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, regulations, guidelines or directives thereunder or enacted, adopted or issued in connection therewith and (ii) any requests, rules, guidelines or directives concerning capital adequacy promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or the United States financial regulatory authorities, in each case pursuant to Basel III, shall be deemed to be a “Change in Law”, regardless of the date adopted, issued, promulgated or implemented, but only if any such requirements are generally applicable to (and for which reimbursement is generally being sought by the Banks in respect of) credit transactions similar to this transaction from borrowers similarly situated to the Borrower.

“**Code**” means the Internal Revenue Code of 1986, as amended.

“**Co-Documentation Agents**” means ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, each in their respective capacity as documentation agent hereunder, and their respective successors in such capacity.

“**Co-Lead Arrangers**” means J.P. Morgan Chase Bank, N.A., Mizuho Bank, Ltd., ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Capital Markets LLC, The Bank of Nova Scotia, and RBC Capital Markets,<sup>[1]</sup> each in their capacity as co-lead arranger and joint bookrunner.

“**Commitment**” means (i) with respect to any Bank, the amount, if any, set forth opposite the name of such Bank on the Commitment Schedule and (ii) with respect to any Bank that is an Assignee pursuant to Section 9.06(c), the amount of the transferor Bank’s commitment specified on the Commitment Schedule that is assigned to such Bank, and further, any subsequent assignment made by an Assignee to another Assignee of such amounts pursuant to Section 9.06(c), in each case as such amount may from time to time be increased or

<sup>1</sup>RBC Capital Markets is a brand name for the capital markets businesses of Royal Bank of Canada and its affiliates.

decreased from time to time in accordance with the terms and conditions of this Agreement.

“**Commitment Schedule**” means the commitment schedule attached hereto under the heading, Commitment Schedule.

“**Commitment Termination Date**” means November 28, ~~2023~~2025 or, if such day is not a Euro-Dollar Business Day, the immediately preceding Euro-Dollar Business Day.

“**Committed Borrowing**” means a Borrowing under Section 2.01(a).

“**Committed Loan**” means a Revolving Loan; *provided* that, if any such loan or loans (or portions thereof) are combined or subdivided pursuant to a Notice of Interest Rate Election, the term “Committed Loan” shall refer to the combined principal amount resulting from such combination or to each of the separate principal amounts resulting from such subdivision, as the case may be.

“**Confidential Information**” has the meaning set forth in Section 9.12.

“**Consolidated Entity**” means at any date any Subsidiary, and any other entity the accounts of which would be combined or consolidated with those of the Borrower in its combined or consolidated financial statements if such statements were prepared as of such date.

“**Corresponding Tenor**” with respect to any Available Tenor means, as applicable, either a tenor (including overnight) or an interest payment period having approximately the same length (disregarding business day adjustment) as such Available Tenor.

“**Credit Documentation**” has the meaning set forth in Section 9.15.

“**Credit Exposure**” means with respect to any Bank at any time, such Bank’s Pro Rata Share of each of (i) the aggregate principal amount of the Loans outstanding at such time and (ii) the Outstanding Amount of all L/C Obligations at such time (for the avoidance of doubt, the aggregate amount of such Bank’s participation in L/C Obligations are deemed to be “held” by such Bank for purposes of this definition).

“**Daily Simple SOFR**” means, for any day, SOFR, with the conventions for this rate (which will include a lookback) being established by the Administrative Agent in accordance with the conventions for this rate selected or recommended by the Relevant Governmental Body for determining “Daily Simple SOFR” for syndicated business loans; provided, that if the Administrative Agent decides that any such convention is not administratively feasible for the Administrative Agent, then the

**Administrative Agent may establish another convention in its reasonable discretion.**

“**Default**” means any occurrence or event which constitutes an Event of Default or which with the giving of notice or lapse of time or both (as specified in Section 6.01) would, unless cured or waived, become an Event of Default.

“**Defaulting Bank**” means any Bank that (a) has failed, within two Domestic Business Days of the date required to be funded or paid, to (i) fund any portion of its Loans, (ii) fund any portion of its participations in Letters of Credit or (iii) pay over to the Administrative Agent or any Bank Party any other amount required to be paid by it hereunder, unless, in the case of clause (i) above, such Bank notifies the Administrative Agent and the Borrower, in writing that such failure is the result of such Bank’s good faith determination that a condition precedent to funding (specifically identified and including the particular default, if any) has not been satisfied, (b) has notified the Borrower, the Administrative Agent or any Bank Party in writing, or has made a public statement to the effect, that it does not intend or expect to comply with any of its funding obligations under this Agreement (unless such writing or public statement indicates that such position is based on such Bank’s good faith determination that a condition precedent (specifically identified and including the particular default, if any) to funding a loan under this Agreement cannot be satisfied) or generally under other agreements in which it commits to extend credit, (c) has failed, within three Domestic Business Days after request by the Administrative Agent (the Administrative Agent hereby agreeing to make any such written request upon a request from the Borrower) or any Bank Party, acting in good faith, to provide a certification in writing from an authorized officer of such Bank (with a copy of such certification to be provided to the Borrower) that it will comply with its obligations to fund prospective Loans and participations in then outstanding Letters of Credit under this Agreement, *provided* that such Bank shall cease to be a Defaulting Bank pursuant to this clause (c) upon such Bank Party’s receipt of such certification in form and substance satisfactory to it and the Administrative Agent, or (d) has, or has a Parent, that has become the subject of (i) a Bankruptcy Event or (ii) a Bail-In Action.

“**Derivative Cash Settlements**” means, for any period, the line item “derivative cash settlements” as it appears on the statement of operations of the Borrower and its Consolidated Entities (or any notes thereto) for such period delivered to the Banks pursuant to Section 5.03(b), calculated in accordance with U.S. GAAP as in effect from time to time.

“**Derivatives Obligations**” of any Person means all obligations of such Person in respect of any rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other

similar transaction (including any option with respect to any of the foregoing transactions) or any combination of the foregoing transactions.

“**Determination Date**” has the meaning set forth in Section 5.09.

“**Dollars**” or “**\$**” refers to lawful money of the United States of America.

“**Domestic Business Day**” means any day except a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to close.

“**Domestic Lending Office**” means, as to each Bank Party, its office located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Domestic Lending Office) or such other office as such Bank Party may hereafter designate as its Domestic Lending Office by notice to the Borrower and the Administrative Agent.

“**Early Opt-in Election**” means, if the then-current Benchmark is USD LIBOR, the occurrence of:

(1) a notification by the Administrative Agent to (or the request by the Borrower to the Administrative Agent to notify) each of the other parties hereto that at least five currently outstanding U.S. dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed) a SOFR-based rate (including SOFR, a term SOFR or any other rate based upon SOFR) as a benchmark rate (and such syndicated credit facilities are identified in such notice and are publicly available for review), and

(2) the joint election by the Administrative Agent and the Borrower to trigger a fallback from USD LIBOR and the provision by the Administrative Agent of written notice of such election to the Lenders.

“**EEA Financial Institution**” means (a) any institution established in any EEA Member Country which is subject to the supervision of an EEA Resolution Authority, (b) any entity established in an EEA Member Country which is a parent of an institution described in clause (a) of this definition, or (c) any institution established in an EEA Member Country which is a subsidiary of an institution described in clauses (a) or (b) of this definition and is subject to consolidated supervision with its parent.

“**EEA Member Country**” means any member state of the European Union, Iceland, Liechtenstein and Norway

“**EEA Resolution Authority**” means any public administrative authority or any Person entrusted with public administrative authority of any EEA Member

Country (including any delegee) having responsibility for the resolution of any EEA Financial Institution.

“**Effective Date**” means October 21, 2011.

“**Environmental Laws**” means any and all federal, state, local and foreign statutes, laws, judicial decisions, regulations, ordinances, rules, judgments, orders, decrees, plans, injunctions, permits, concessions, grants, franchises, licenses, agreements and governmental restrictions relating to the environment, the effect of the environment on human health or to emissions, discharges or releases of pollutants, contaminants, Hazardous Substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, Hazardous Substances or wastes or the clean-up or other remediation thereof.

“**ERISA**” means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute.

“**ERISA Group**” means the Borrower, any Subsidiary and all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the Borrower or any Subsidiary, are treated as a single employer under Section 414(b) or (c) of the Code or, for purposes of Section 412 of the Code, under Section 414(b), (c), (m) or (o) of the Code.

**“Erroneous Payment” has the meaning assigned to it in Section 7.11(a).**

**“Erroneous Payment Deficiency Assignment” has the meaning assigned to it in Section 7.11(d).**

**“Erroneous Payment Return Deficiency” has the meaning assigned to it in Section 7.11(d).**

“**EU Bail-In Legislation Schedule**” means the document described as such and published by the Loan Market Association (or any successor person) from time to time.

“**Euro-Dollar Business Day**” means any Domestic Business Day on which commercial banks are open for international business (including dealings in dollar deposits) in London.

“**Euro-Dollar Lending Office**” means, as to each Bank, its office, branch or affiliate located at its address set forth in its Administrative Questionnaire (or identified in its Administrative Questionnaire as its Euro-Dollar Lending Office) or such other office, branch or affiliate of such Bank as it may hereafter designate

“**Existing Letters of Credit**” means the letters of credit issued and outstanding under the Existing Credit Agreement as of the Amendment Effective Date and set forth in the Existing Letters of Credit Schedule hereto.

“**Extended Commitment**” means an Extended Commitment as defined in the ~~2018~~2021 Amendment.

“**Extension Date**” has the meaning set forth in Section 2.22(d).

“**Facility Fee Rate**” means a rate per annum determined in accordance with the Pricing Schedule.

“**Farmer Mac**” means the Federal Agricultural Mortgage Corporation, a corporation organized and existing under the laws of the United States of America and a federally-chartered instrumentality of the United States of America and an institution of the Farm Credit System.

“**Farmer Mac Master Note Purchase Agreement**” means that certain Amended and Restated Master Note Purchase Agreement, dated as of ~~July 31, 2015~~March 24, 2011, as amended by the First Supplemental Note Purchase Agreement dated as of March 24, 2011, the Amended and Restated First Supplemental Note Purchase Agreement dated as of January 8, 2015, the Second Amended and Restated First Supplemental Note Purchase Agreement dated as of February 26, 2018, and the Third Amended and Restated First Supplemental Note Purchase Agreement dated as of May 20, 2021, among Farmer Mac Mortgage Securities Corporation, a wholly owned subsidiary of Farmer Mac, Farmer Mac and the Borrower.

“**Farmer Mac Master Note Purchase Agreement Liens**” means Liens on any assets of the Borrower required to be pledged as collateral to support obligations of the Borrower with respect to any notes issued pursuant to the Farmer Mac Master Note Purchase Agreement.

“**Farmer Mac Master Note Purchase Agreement Limit**” shall be the lesser of (i) the aggregate purchase amount of notes available for purchase at any such time, without regards to whether any such notes have been purchased, pursuant to one or more supplemental note purchase agreements to the Farmer Mac Master Note Purchase Agreement in effect at such time or (ii) \$1,000,000,000.

“**Farmer Mac Master Note Purchase Agreement Obligations**” means notes issued pursuant to the Farmer Mac Master Note Purchase Agreement.

“**FATCA**” means Sections 1471 through 1474 of the Code, as of the date of this Agreement (or any amended or successor version that is substantively comparable and not materially more onerous to comply with), any regulations or official interpretations thereof, any agreements entered into pursuant to Section 1471(b) of the Code, and any applicable intergovernmental agreements and

related legislation and official administrative rules or practices with respect thereto.

**“Federal Funds Rate”** means, for any day, the rate per annum (rounded upward, if necessary, to the nearest 1/100th of 1%) equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Domestic Business Day next succeeding such day; *provided* that (i) if such day is not a Domestic Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Domestic Business Day as so published on the next succeeding Domestic Business Day, and (ii) if no such rate is so published on such next succeeding Domestic Business Day, the Federal Funds Rate for such day shall be the average rate quoted to the Administrative Agent on such day on such transactions as determined by the Administrative Agent.

**“Fifth Amendment Effective Date” means the Fifth Amendment Effective Date as defined in the 2021 Amendment.**

**“First Amendment Effective Date”** means the First Amendment Effective Date as defined in the 2016 Amendment.

**“Fitch” means Fitch Ratings, Inc., and its successors**

**“Fixed Rate Borrowing”** means either a Euro-Dollar Borrowing or a Money Market LIBOR Borrowing.

**“Fixed Rate Loans”** means Euro-Dollar Loans or Money Market Loans (excluding Money Market LIBOR Loans bearing interest at the Base Rate pursuant to Section 8.01) or any combination of the foregoing.

**“Floor” means the benchmark rate floor, if any, provided in this Agreement initially (as of the execution of this Agreement, the modification, amendment or renewal of this Agreement or otherwise) with respect to USD LIBOR.**

**“Foreclosed Asset”** has the meaning set forth in Section 5.12.

**“Fourth Amendment Effective Date”** means the Fourth Amendment Effective Date as defined in the 2019 Amendment.

**“Fronting Fee”** has the meaning specified in Section 2.09(d).

**“Governmental Authority”** means any national, state, county, city, town, village, municipal or other government department, commission, board, bureau, agency, authority or instrumentality of a country or any political subdivision



Consolidated Entities for such period delivered to the Banks pursuant to Section

“**Interest Period**” means: (1) with respect to each Euro-Dollar Borrowing, the period commencing on the date of such Borrowing and ending one, ~~two~~, three or six months thereafter, as the Borrower may elect in the applicable Notice of Borrowing; *provided* that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c) any Interest Period of any Euro-Dollar Loan included in such Borrowing which would otherwise end after the Maturity Date shall, with respect to such Euro-Dollar Loan, end on such Maturity Date;

(2) with respect to each Base Rate Borrowing, the period commencing on the date of such Borrowing and ending 30 days thereafter; *provided* that:

(a) any Interest Period which would otherwise end on a day which is not a Domestic Business Day shall be extended to the next succeeding Domestic Business Day; and

(b) any Interest Period of any Base Rate Loan included in such Borrowing which would otherwise end after the Maturity Date shall, with respect to such Base Rate Loan, end on such Maturity Date;

(3) with respect to each Money Market LIBOR Borrowing, the period commencing on the date of such Borrowing and ending any whole number of months thereafter (but not less than one month) as the Borrower may elect in the applicable Notice of Borrowing; *provided* that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day unless such Euro-Dollar Business Day falls in another calendar month, in which case such Interest Period shall end on the next preceding Euro-Dollar Business Day;

(b) any Interest Period which begins on the last Euro-Dollar Business Day of a calendar month (or on a day for which there is no numerically

corresponding day in the calendar month at the end of such Interest Period) shall, subject to clause (c) below, end on the last Euro-Dollar Business Day of a calendar month; and

(c). any Interest Period which would otherwise end after the Commitment Termination Date shall end on the Commitment Termination Date; and

(4) with respect to each Money Market Absolute Rate Borrowing, the period commencing on the date of such Borrowing and ending such number of days thereafter (but not less than 30 days) as the Borrower may elect in the applicable Notice of Borrowing; *provided* that:

(a) any Interest Period which would otherwise end on a day which is not a Euro-Dollar Business Day shall be extended to the next succeeding Euro-Dollar Business Day; and

(b) any Interest Period which would otherwise end after the Commitment Termination Date shall end on the Commitment Termination Date.

“**Interpolated Rate**” has the meaning set forth in Section 2.07(b).

“**Investments**” has the meaning set forth in Section 5.12.

“**IRS**” means the United States Internal Revenue Service.

“**ISDA Definitions**” means the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or any successor thereto, as amended or supplemented from time to time, or any successor definitional booklet for interest rate derivatives published from time to time by the International Swaps and Derivatives Association, Inc. or such successor thereto.

“**ISP**” means, with respect to any Letter of Credit, the “International Standby Practices 1998” published by the Institute of International Banking Law & Practice (or such later version thereof as may be in effect at the time of issuance of such Letter of Credit).

“**Issuer Documents**” means, with respect to any Letter of Credit, the Letter of Credit Application and any other document, agreement and instrument entered into by any Issuing Bank and the Borrower (or any Consolidated Entity of the Borrower) or in favor of any Issuing Bank and relating to any such Letter of Credit.

“**Issuing Bank**” means the Initial Issuing Bank and any Bank appointed by the Borrower (with the consent of the Administrative Agent) as such and each Person that shall become an Issuing Bank hereunder pursuant to Section 2.20(l) or Section 9.06(f). Each Issuing Bank may, with the consent of the Borrower (such

of the Borrower to repay the Loans, and “**Note**” means any one of such promissory notes issued hereunder.

“**Notice of Borrowing**” means a Notice of Committed Borrowing or a Notice of Money Market Borrowing.

“**Notice of Committed Borrowing**” has the meaning set forth in Section 2.02.

“**Notice of Interest Rate Election**” has the meaning set forth in Section 2.08(a).

“**Notice of Money Market Borrowing**” has the meaning set forth in Section 2.03(f).

**“Other Benchmark Rate Election” means, with respect to any Loan denominated in Dollars, if the then-current Benchmark is the LIBO Rate, the occurrence of:**

**(a) a request by the Borrower to the Administrative Agent to notify each of the other parties hereto that, at the determination of the Borrower, Dollar-denominated syndicated credit facilities at such time contain (as a result of amendment or as originally executed), in lieu of a LIBOR-based rate, a term benchmark rate as a benchmark rate, and**

**(b) the Administrative Agent, in its sole discretion, and the Borrower jointly elect to trigger a fallback from the LIBO Rate and the provision, as applicable, by the Administrative Agent of written notice of such election to the Borrower and the Lenders.**

“**Other Connection Taxes**” means, with respect to any Recipient, Taxes imposed as a result of a present or former connection between such Recipient and the jurisdiction imposing such Taxes (other than a connection arising from such Recipient having executed, delivered, enforced, become a party to, performed its obligations under, received payments under, received or perfected a security interest under, or engaged in any other transaction pursuant to, or enforced, this Agreement or the Notes, or sold or assigned an interest in this Agreement or the Notes).

“**Other Taxes**” means any present or future stamp, court, documentary, intangible, recording, filing or similar excise or property Taxes that arise from any payment made under, from the execution, delivery, performance, enforcement or registration of, or from the registration, receipt or perfection of a security interest under, or otherwise with respect to, this Agreement or the Notes, except any such Taxes that are Other Connection Taxes imposed with respect to an assignment (other than an assignment under Section 2.18).

“**Outstanding Amount**” means with respect to any L/C Obligations on any date, the amount of such L/C Obligations on such date after giving effect to any relevant L/C Credit Extension occurring on such date and any other changes in the aggregate amount of such L/C Obligations as of such date, including as a result of any reimbursements of outstanding unpaid drawings under any relevant Letters of Credit or any reductions in the maximum amount available for drawing under any relevant Letters of Credit taking effect on such date.

“**Parent**” means, with respect to any Bank, any Person as to which such Bank is, directly or indirectly, a subsidiary.

“**Participant**” has the meaning set forth in Section 9.06(b).

“**Participant Register**” has the meaning set forth in Section 9.06(b).

“**Patronage Capital Certificates**” means those certificates that evidence the portion of Net Income allocated by the Borrower among its Members in accordance with applicable cooperative principles.

[“Payment Recipient” has the meaning assigned to it in Section 7.11\(a\).](#)

“**PBGC**” means the Pension Benefit Guaranty Corporation or any entity succeeding to any or all of its functions under ERISA.

“**Performance Letter of Credit**” means any Existing Letter of Credit issued under the Existing Credit Agreement or any Letter of Credit issued under this Agreement, in each case, [in order](#) to guarantee performance under a contract.

“**Person**” means an individual, a corporation, a partnership, an association, a trust or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

“**Plan**” means any multiemployer plan or single employer plan (including any Multiple Employer Plan), as defined in Section 4001 and subject to Title IV of ERISA, which is maintained or contributed to by, or at any time during the five calendar years preceding the date of this Agreement was maintained or contributed to by, the Borrower or a Subsidiary of the Borrower or any member of the ERISA Group.

“**Pricing Schedule**” means the Pricing Schedule attached hereto.

“**Prime Rate**” means the rate of interest publically announced by the Administrative Agent as its prime rate in effect at such time at its principal office in New York City; [provided](#) that if the Administrative Agent ceases to publically announce such rate of interest, then the Prime Rate shall mean the rate of interest published by the Wall Street Journal from time to time as the “Prime Rate”.

“**Pro Rata Share**” means, with respect to each Bank at any time, a fraction (expressed as a percentage, carried out to the ninth decimal place), the numerator of which is the amount of the Commitment of such Bank and the denominator of which is the total amount of the Commitments, subject to adjustment as provided in Section 2.19(a)(iv); *provided* that if the commitment of each Bank to make Revolving Loans and the obligation of each Issuing Bank to make L/C Credit Extensions have been terminated pursuant to Sections 2.10 or 6.01, then the Pro Rata Share of each Bank shall be determined based on the Pro Rata Share of such Bank immediately prior to such termination and after giving effect to any subsequent assignments made pursuant to the terms hereof.

“**Qualified Subordinated Indebtedness**” means ~~the Borrower’s~~ (i) the Borrower’s 4.75% Subordinated Deferrable Interest Notes due 2043 ~~and~~, (ii) ~~any other Indebtedness of the Borrower having substantially similar terms as to subordination~~ the Borrower’s 5.25% Subordinated Deferrable Interest Notes due 2046, (iii) the Borrower’s 5.50% Subordinated Deferrable Interest Notes due 2064 and (iv) any other subordinated as those contained in the instruments and documents relating to the foregoing Indebtedness or that would be junior to any of the foregoing; provided that such Indebtedness (a) will not mature prior to the Maturity Date and (b) does not require payments of principal prior to the Commitment Termination Date, ~~;~~ except pursuant to acceleration or at the option of the Borrower.

“**Recipient**” means, as applicable, (a) the Administrative Agent, (b) any Bank and (c) the Issuing Bank.

“**REDLG Program Liens**” means Liens on any asset of the Borrower required to be pledged as collateral to support obligations of the Borrower with respect to any government Guarantee provided pursuant to regulations issued under the Rural Electrification Act of 1936, 7 U.S.C. 901 et. seq., and the Food, Conservation and Energy Act of 2008, Pub. L. 110-234 Stat. 923 (“**REDLG Obligations**”) so long as such Guarantee supports long-term Indebtedness issued by the Borrower and permitted by Section 5.09.

“**REDLG Obligations**” has the meaning set forth in the definition of REDLG Program Liens.

“**Reference Time**” with respect to any setting of the then-current Benchmark means (1) if such Benchmark is USD LIBOR, 11:00 a.m. (London time) on the day that is two London banking days preceding the date of such setting, and (2) if such Benchmark is not USD LIBOR, the time determined by the Administrative Agent in its reasonable discretion.

“**Regulation U**” means Regulation U of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“**Regulation X**” means Regulation X of the Board of Governors of the Federal Reserve System, as in effect from time to time.

“**Relevant Governmental Body**” means the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or a committee officially endorsed or convened by the Board of Governors of the Federal Reserve System or the Federal Reserve Bank of New York, or any successor thereto.

“**Reportable Event**” means an event described in Section 4043(c) of ERISA or regulations promulgated by the Department of Labor thereunder (with respect to which the 30 day notice requirement has not been waived by the PBGC).

“**Required Banks**” means, subject to Section 2.19, at any time Banks having at least 51% of the sum of (i) the aggregate amount of the unused Commitments, (ii) the aggregate principal outstanding amount of the Loans and the Outstanding Amount of all L/C Obligations (with the aggregate amount of each Bank’s participation in L/C Obligations deemed “held” by such Bank for purposes of this definition).

“**Resolution Authority**” means an EEA Resolution Authority or, with respect to any UK Financial Institution, a UK Resolution Authority.

“**Responsible Officer**” means (i) with respect to the Borrower, the Chief Financial Officer, the Chief Executive Officer, an Assistant Secretary-Treasurer, the Controller, the Vice President, Capital Markets Relations or, in each case, an authorized signatory of such Person and (ii) with respect to any other Person, the president, any vice-president, the chief financial officer, any assistant-treasurer or, in each case, an authorized signatory of such Person.

“**Revolving Credit Period**” means the period from and including the Effective Date to but excluding the Commitment Termination Date.

“**Revolving Loan**” means a loan made by a Bank pursuant to Section 2.01(a).

“**RUS**” means the Rural Utilities Service of the Department of Agriculture of the United States of America (as successor to the Rural Electrification Administration of the Department of Agriculture of the United States of America) or any other regulatory body which succeeds to its functions.

“**RUS Guaranteed Loan**” means any loan made by any Person, which loan is guaranteed, in whole or in part, as to principal and interest by the United States of America through the RUS pursuant to a guarantee, which guarantee contains provisions no less favorable to the holder thereof than the provisions set forth in the form of Exhibit B-1 or Exhibit B-2 hereto; and “**Guaranteed Portion**” of any RUS Guaranteed Loan means that portion of principal of, and

interest on, such RUS Guaranteed Loan which is guaranteed by the United States of America through the RUS.

“**S&P**” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successor thereto.

“**Sanctioned Country**” means, at any time, a country or territory which is the subject or target of any Sanctions.

“**Sanctioned Person**” means, at any time, (a) any Person listed in any Sanctions-related list of designated Persons maintained by the Office of Foreign Assets Control of the U.S. Department of the Treasury, the U.S. Department of State or any other U.S. Governmental Authority, as may be amended, supplemented or substituted from time to time, (b) any Person operating, organized or resident in a Sanctioned Country or (c) any Person controlled by any such Person.

“**Sanctions**” means economic or financial sanctions or trade embargoes imposed, administered or enforced from time to time by the U.S. government, including those administered by the Office of Foreign Assets Control of the U.S. Department of the Treasury or the U.S. Department of State.

“**Second Amendment Effective Date**” means the Second Amendment Effective Date as defined in the 2017 Amendment.

“**Securities and Exchange Commission**” means the Securities and Exchange Commission or any other U.S. federal governmental authority succeeding to any or all of the functions of the Securities and Exchange Commission.

“**SOFR**” means, with respect to any Business Day, a rate per annum equal to the secured overnight financing rate for such Business Day published by the SOFR Administrator on the SOFR Administrator’s Website on the immediately succeeding Business Day.

“**SOFR Administrator**” means the Federal Reserve Bank of New York (or a successor administrator of the secured overnight financing rate).

“**SOFR Administrator’s Website**” means the website of the Federal Reserve Bank of New York, currently at <http://www.newyorkfed.org>, or any successor source for the secured overnight financing rate identified as such by the SOFR Administrator from time to time.

“**Special Purpose Subsidiary**” has the meaning set forth in Section 5.12.

“**Specified Date**” has the meaning set forth in Section 2.22(c).

“**Standby Letter of Credit**” means any Letter of Credit issued under this Agreement, other than (i) a Trade Letter of Credit, (ii) a Performance Letter of Credit or (iii) a Backup Letter of Credit in support of either a performance letter of credit or a trade letter of credit issued by the Borrower.

“**Start-up Investments**” has the meaning set forth in Section 5.12.

“**Subsidiary**” of any Person means (i) any corporation more than 50% of whose stock of any class or classes having by the terms thereof ordinary voting power to elect a majority of the directors of such corporation (irrespective of whether or not at the time stock of any class or classes of such corporation shall have or might have voting power by reason of the happening of any contingency) is at the time owned by such Person directly or indirectly through its Subsidiaries, and (ii) any other Person in which such Person directly or indirectly through Subsidiaries has more than a 50% voting and equity interest; *provided* that no Person whose only assets are RUS Guaranteed Loans and investments incidental thereto shall be deemed a Subsidiary.

“**Superior Indebtedness**” means all Indebtedness of the Borrower and its Consolidated Entities (other than Members’ Subordinated Certificates and Qualified Subordinated Indebtedness), but excluding (i) Indebtedness of the Borrower or any of its Consolidated Entities to the extent that the proceeds of such Indebtedness are used to fund Guaranteed Portions of RUS Guaranteed Loans and (ii) any indebtedness of any Member Guaranteed by the Borrower or any of its Consolidated Entities (“**Guaranteed Indebtedness**”), to the extent that either (x) the long-term unsecured debt of such Member is rated at least BBB+ by S&P ~~or~~, Baal by Moody’s or BBB+ by Fitch, (y) the long-term secured debt of such Member is rated at least A- by S&P ~~or~~, A3 by Moody’s or A- by Fitch or (z) the payment of principal and interest by the Borrower or any of its Consolidated Entities in respect of such Guaranteed Indebtedness is covered by insurance or reinsurance provided by an insurer having an insurance financial strength rating of AAA by S&P ~~or~~, a financial strength rating of Aaa by Moody’s or a financial strength rating of AAA by Fitch.

“**Syndication Agent**” means Mizuho Bank, Ltd., in its capacity as Syndication Agent hereunder, and its successors in such capacity.

“**Taxes**” means any present or future taxes, levies, imposts, duties, deductions, withholdings, assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“**Term SOFR**” means, for the applicable Corresponding Tenor as of the applicable Reference Time, the forward-looking term rate based on SOFR that has been selected or recommended by the Relevant Governmental Body.

“**Term SOFR Notice**” means a notification by the Administrative



Agent to the Lenders and the Borrower of the occurrence of a Term SOFR Transition Event.

“Term SOFR Transition Event” means the determination by the Administrative Agent that (a) Term SOFR has been recommended for use by the Relevant Governmental Body, (b) the administration of Term SOFR is administratively feasible for the Administrative Agent and (c) a Benchmark Transition Event or an Early Opt-in Election, as applicable (and, for the avoidance of doubt, not in the case of an Other Benchmark Rate Election), has previously occurred resulting in a Benchmark Replacement in accordance with this Section titled “Benchmark Replacement Setting” that is not Term SOFR.

“**Third Amendment Effective Date**” means the Third Amendment Effective Date as defined in the 2018 Amendment.

“**TIER**” means, for any period, the ratio of (x) Net Income *plus* Interest Expense *plus* Derivative Cash Settlements to (y) Interest Expense *plus* Derivative Cash Settlements, in each case for such period.

“**Trade Letter of Credit**” means any Existing Letter of Credit issued under the Existing Credit Agreement or any Letter of Credit issued under this Agreement, in each case, for the benefit of a supplier of goods or services to effect payment for such goods or services, the conditions to drawing under which include the presentation to an Issuing Bank.

“**Type**” refers to whether a Loan is a Base Rate Loan, a Euro-Dollar Loan, a Money Market Absolute Rate Loan or a Money Market LIBOR Loan.

“Unadjusted Benchmark Replacement” means the applicable Benchmark Replacement excluding the related Benchmark Replacement Adjustment.

“UK Financial Institution” means any BRRD Undertaking (as such term is defined under the PRA Rulebook (as amended from time to time) promulgated by the United Kingdom Prudential Regulation Authority) or any person falling within IFPRU 11.6 of the FCA Handbook (as amended from time to time) promulgated by the United Kingdom Financial Conduct Authority, which includes certain credit institutions and investment firms, and certain affiliates of such credit institutions or investment firms.

“UK Resolution Authority” means the Bank of England or any other public administrative authority having responsibility for the resolution of any UK Financial Institution.

“Unreimbursed Amount” has the meaning specified in Section 2.20(b)(i).

**“USD LIBOR” means the London interbank offered rate for U.S. dollars.**

“U.S. GAAP” means the generally accepted accounting principles as promulgated, from time to time, by the Financial Accounting Standards Board.

“U.S. Person” means a “United States person” within the meaning of Section 7701(a)(30) of the Code.

“U.S. Tax Certificate” has the meaning assigned to such term in Section 2.172.16(f)(ii)(D)(2).

“Withholding Agent” means the Borrower and the Administrative Agent.

“Write-Down and Conversion Powers” means, **(i)** with respect to any EEA Resolution Authority, the write-down and conversion powers of such EEA Resolution Authority from time to time under the Bail-In Legislation for the applicable EEA Member Country, which write-down and conversion powers are described in the EU Bail-In Legislation Schedule. **and (ii) with respect to any UK Resolution Authority, any powers of such UK Resolution Authority from time to time under the Bail-In Legislation to cancel, reduce, modify or change the form of a liability of any UK Financial Institution or any contract or instrument under which that liability arises, to convert all or part of that liability into shares, securities or obligations of that person or any other person, to provide that any such contract or instrument is to have effect as if a right had been exercised under it or to suspend any obligation in respect of that liability or any of the powers under that Bail-In Legislation that are related to or ancillary to any of those powers.**

Section 1.02 *Accounting Terms and Determinations*. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with U.S. GAAP as in effect from time to time, applied on a basis consistent (except for changes concurred in by the Borrower’s independent public accountants) with the most recent audited financial statements of the Borrower and its Consolidated Entities delivered to the Bank Parties.

Section 1.03 *Types of Borrowings*. The term “**Borrowing**” denotes the aggregation of Loans of one or more Banks to be made to the Borrower pursuant to Article 2 on a single date and for a single Interest Period. Borrowings are classified for purposes of this Agreement either by reference to the pricing of Loans comprising such Borrowing (e.g., a “**Euro-Dollar Borrowing**” is a Borrowing comprised of Euro-Dollar Loans) or by reference to the provisions of

Article 2 under which participation therein is determined (*i.e.*, a “**Revolving Borrowing**” is a Borrowing under Section 2.01(a) in which all Banks participate in proportion to their Commitments, while a “**Money Market Borrowing**” is a Borrowing under Section 2.03 in which the Bank participants are determined on the basis of their bids in accordance therewith). All Loans and all Borrowings, including with respect to their respective Interest Periods, under the Existing Credit Agreement, if any, are listed on the Existing Commitment Schedule, that are outstanding on the Amendment Effective Date shall become Loans and Borrowings with the same Interest Period under this Agreement.

Section 1.04 *Letter of Credit*. Unless otherwise specified, all references herein to the amount of a Letter of Credit at any time shall be deemed to mean the stated face amount of such Letter of Credit in effect at such time; *provided, however*, that with respect to any Letter of Credit that, by its terms or the terms of any Issuer Document related thereto, provides for one or more automatic increases in the stated amount thereof, the amount of such Letter of Credit shall be deemed the maximum stated amount of such Letter of Credit after giving effect to all increases or decreases, as applicable, thereof, whether or not such maximum face amount is in effect at such time. All Existing Letters of Credit issued and outstanding on the Amendment Effective Date shall be deemed to be Letters of Credit under this Agreement and from and after the Amendment Effective Date shall be subject to and governed by the terms and conditions hereof.

**Section 1.05. Divisions. For all purposes under this Agreement, in connection with any division or plan of division under Delaware law (or any comparable event under a different jurisdiction’s laws): (a) if any asset, right, obligation or liability of any Person becomes the asset, right, obligation or liability of a different Person, then it shall be deemed to have been transferred from the original Person to the subsequent Person, and (b) if any new Person comes into existence, such new Person shall be deemed to have been organized on the first date of its existence by the holders of its equity interests at such time.**

## ARTICLE 2 THE CREDITS

### Section 2.01. *Commitments to Lend and Issue Letters of Credit*.

(a) *Revolving Loans*. During the Revolving Credit Period each Bank severally agrees, on the terms and conditions set forth in this Agreement, to make loans to the Borrower pursuant to this Section from time to time in amounts such that the sum of (x) the aggregate principal amount of Revolving Loans by such Bank at any one time outstanding *plus* (y) such Bank’s Pro Rata Share of the Outstanding Amount of all L/C Obligations shall not exceed the amount of its Commitment. Each Borrowing shall be in an aggregate principal amount of \$10,000,000 or any larger multiple of \$1,000,000 (except that any such Borrowing may be in the maximum aggregate amount available in accordance with Section 3.03(d)) and

shall be made from the several Banks ratably in proportion to their respective Commitments. Within the foregoing limits, the Borrower may borrow under this Section, repay or, to the extent permitted by Section 2.12, prepay Loans and reborrow at any time during the Revolving Credit Period under this Section. All Loans will be made by all Banks in accordance with their Pro Rata Share of the Aggregate Commitments until the Commitment Termination Date, and in each case subject to the limitations set forth in Section 3.03(d).

(b) *Letters of Credit*. Subject to the terms and conditions set forth herein, (i) each Issuing Bank agrees, in reliance upon the agreements of the other Banks set forth in Section 2.20, (A) from time to time on any Domestic Business Day during the period from the Amendment Effective Date until the Letter of Credit Expiration Date, to make L/C Credit Extensions either (i) for the account of the Borrower, its Consolidated Entities, its Members or members of its Consolidated Entities or (ii) in support of a letter of credit issued by the Borrower as a back-up confirmation or backup credit support of such letter of credit (“**Back-Up Letter of Credit**”), and to amend or extend Letters of Credit previously issued by it, in accordance with Section 2.20(a)(i) and (ii), and (B) to honor drawings under the Letters of Credit issued by it; and (ii) the Banks severally agree to participate in Letters of Credit issued for the account of the Borrower, its Consolidated Entities, its Members or members of its Consolidated Entities and any L/C Borrowings thereunder; *provided* that after giving effect to any L/C Credit Extension with respect to any Letter of Credit, (1) the sum of (x) the aggregate principal amount of Revolving Loans of any Bank, *plus* (y) such Bank’s Pro Rata Share of the Outstanding Amount of all L/C Obligations shall not exceed such Bank’s Commitment, (2) the Outstanding Amount of all L/C Obligations shall not exceed the Letter of Credit Sublimit and (3) the Outstanding Amount of all L/C Obligations of each Initial Issuing Bank shall not exceed the Initial Issuing Bank Sublimit of such Initial Issuing Bank unless otherwise agreed by such Initial Issuing Bank. Each request by the Borrower for the issuance of, or an amendment to increase the amount of, any Letter of Credit shall be deemed to be a representation by the Borrower that the L/C Credit Extension so requested complies with the condition set forth in the proviso to the preceding sentence. Within the foregoing limits, and subject to the terms and conditions hereof, the Borrower’s ability to obtain Letters of Credit shall be fully revolving, and accordingly the Borrower may, during the foregoing period, obtain Letters of Credit to replace Letters of Credit that have expired or that have been drawn upon and reimbursed.

(c) *Letters of Credit Generally*. (i) No Issuing Bank shall issue any Letter of Credit if the expiry date of such requested Letter of Credit would occur after the Letter of Credit Expiration Date, unless all the Banks have approved such expiry date; *provided* that in no event shall the expiry date of any requested Letter of Credit occur on or after the Domestic Business Day immediately preceding the Commitment Termination Date.

(ii) No Issuing Bank shall be under any obligation to make any L/C Credit Extension if:

(A) any order, judgment or decree of any Governmental Authority or arbitrator shall by its terms purport to enjoin or restrain such Issuing Bank from issuing such Letter of Credit, or any Applicable Law applicable to such Issuing Bank or any request or directive (whether or not having the force of law, but if not having the force of law, being a request or directive which is generally complied with by comparable financial institutions) from any Governmental Authority with jurisdiction over such Issuing Bank shall prohibit, or request that the Issuing Bank refrain from the issuance of Letters of Credit generally or such Letter of Credit in particular or shall impose upon such Issuing Bank with respect to such Letter of Credit any restriction, reserve or capital requirement (for which such Issuing Bank is not otherwise compensated hereunder) not in effect on the **FourthFifth** Amendment Effective Date, or shall impose upon such Issuing Bank any unreimbursed loss, cost or expense which was not applicable on the **FourthFifth** Amendment Effective Date and which such Issuing Bank in good faith reasonably deems material to it; *provided, however*, that in the event a Bank Party participating in the Letters of Credit is not affected by any such restriction, requirement or imposition, and is able to issue such Letter of Credit and expressly agrees in its sole discretion to issue such Letter of Credit, such Bank Party, subject to the consent of the Administrative Agent, such consent not to be unreasonably withheld, conditioned or delayed, shall issue such Letter of Credit and shall be deemed the Issuing Bank with regard to such Letter of Credit for all purposes of this Agreement;

(B) the making of such L/C Credit Extension would violate any Applicable Laws;

(C) except as otherwise agreed by the Administrative Agent and such Issuing Bank, such Letter of Credit is in an initial face amount less than \$25,000;

(D) such L/C Credit Extension is to be denominated in a currency other than Dollars;

(E) such L/C Credit Extension contains any provisions for automatic reinstatement of the stated amount after any L/C Borrowing thereunder; or

(F) a default of any Bank's obligations to fund under Section 2.20 exists, or any Bank is then a Defaulting Bank, unless,

such Note shall be in substantially the form of Exhibit A hereto with appropriate modifications to reflect the fact that it evidences solely Loans and/or L/C Borrowings of the relevant Type. Each reference in this Agreement to the “**Note**” of such Bank Party shall be deemed to refer to and include any or all of such Notes, as the context may require.

(c). Upon the Administrative Agent’s receipt of each Note that was requested by a Bank Party pursuant to Section 3.01(b), the Administrative Agent shall forward such Note to such Bank Party. Each Bank Party shall record the date, amount, type and maturity of each Loan and/or L/C Borrowings made by it and the date and amount of each payment of principal made by the Borrower with respect thereto, and may, if such Bank Party so elects in connection with any transfer or enforcement of its Note, endorse on the schedule forming a part thereof appropriate notations to evidence the foregoing information with respect to each such Loan and/or L/C Borrowings then outstanding; *provided* that the failure of any Bank Party to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Notes. Each Bank Party is hereby irrevocably authorized by the Borrower so to endorse its Note and to attach to and make a part of its Note a continuation of any such schedule as and when required.

(d) Any Note evidencing a Loan (as such term is defined in the Existing Credit Agreement) made prior to the Amendment Effective Date may be exchanged upon request of the relevant Bank, made through the Administrative Agent, and simultaneous surrender of such Note to the Borrower through the Administrative Agent in exchange for one or more new Notes evidencing the Loans, respectively, outstanding hereunder, if any, as of the Amendment Effective Date.

Section 2.06. *Maturity of Loans*. Each Loan hereunder shall mature, and the principal amount thereof shall be due and payable on the Maturity Date with respect to such Loan.

Section 2.07. *Interest Rates*. (a) Each Base Rate Loan shall bear interest on the outstanding principal amount thereof, for each day from the date such Loan is made until it becomes due, at a rate per annum equal to the Base Rate plus the applicable Base Rate Margin for such day. Such interest shall be payable for each Interest Period on the last day thereof and, with respect to the principal amount of any Base Rate Loan that is prepaid or converted to a Euro-Dollar Loan, on the date of such prepayment or conversion. Any overdue principal of or interest on any Base Rate Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the rate otherwise applicable to Base Rate Loans for such day.

(b) Each Euro-Dollar Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the Euro-Dollar Margin plus the applicable **Adjusted**

~~London Interbank Offered Rate~~ **Benchmark**. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, three months after the first day thereof and, with respect to the principal amount of any Euro-Dollar Loan that is prepaid or converted to a Base Rate Loan, on the date of such prepayment or conversion. Notwithstanding anything to the contrary herein, if a Benchmark Transition Event, an Early Opt-in Election or an Other Benchmark Rate Election, as applicable, and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then (x) if a Benchmark Replacement is determined in accordance with clause (1) or (2) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder and under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document and (y) if a Benchmark Replacement is determined in accordance with clause (3) of the definition of “Benchmark Replacement” for such Benchmark Replacement Date, such Benchmark Replacement will replace such Benchmark for all purposes hereunder in respect of any Benchmark setting at or after 5:00 p.m. (New York City time) on the fifth (5<sup>th</sup>) Business Day after the date notice of such Benchmark Replacement is provided to the Lenders without any amendment to, or further action or consent of any other party to, this Agreement or any other Loan Document so long as the Administrative Agent has not received, by such time, written notice of objection to such Benchmark Replacement from Lenders comprising the Required Lenders.

(c). Notwithstanding anything to the contrary herein and subject to the proviso below in this paragraph, if a Term SOFR Transition Event and its related Benchmark Replacement Date have occurred prior to the Reference Time in respect of any setting of the then-current Benchmark, then the applicable Benchmark Replacement will replace the then-current Benchmark for all purposes hereunder or under any Loan Document in respect of such Benchmark setting and subsequent Benchmark settings, without any amendment to, or further action or consent of any other party to, this; provided that, this clause (c) shall not be effective unless the Administrative Agent has delivered to the Lenders and the Borrower a Term SOFR Notice. For the avoidance of doubt, the Administrative Agent shall not be required to deliver a Term SOFR Notice after a Term SOFR Transition Event and may do so in its sole discretion.

(d) In connection with the implementation of a Benchmark Replacement, the Administrative Agent will have the right to make Benchmark Replacement Conforming Changes from time to time and, notwithstanding anything to the contrary herein or in any other Loan Document, any amendments implementing such Benchmark Replacement Conforming Changes will become effective without any further action or

consent of any other party to this Agreement or any other Loan Document. The Administrative Agent will promptly notify the Borrower and the Lenders of (i) any occurrence of a Term SOFR Transition Event, an Early Opt-in Election, or an Other Benchmark Rate Election, as applicable, and its related Benchmark Replacement Date, (ii) the implementation of any Benchmark Replacement, (iii) the effectiveness of any Benchmark Replacement Conforming Changes, (iv) the removal or reinstatement of any tenor of a Benchmark pursuant to clause (e) below and (v) the commencement or conclusion of any Benchmark Unavailability Period. Any determination, decision or election that may be made by the Administrative Agent or, if applicable, any Lender (or group of Lenders) pursuant to this Section titled “Benchmark Replacement Setting,” including any determination with respect to a tenor, rate or adjustment or of the occurrence or non-occurrence of an event, circumstance or date and any decision to take or refrain from taking any action or any selection, will be conclusive and binding absent manifest error and may be made in its or their sole discretion and without consent from any other party to this Agreement, except, in each case, as expressly required pursuant to this Section titled “Benchmark Replacement Setting.”

(e) the contrary herein, at any time (including in connection with the implementation of a Benchmark Replacement), (i) if the then-current Benchmark is a term rate (including Term SOFR or USD LIBOR) and either (A) any tenor for such Benchmark is not displayed on a screen or other information service that publishes such rate from time to time as selected by the Administrative Agent in its reasonable discretion or (B) the regulatory supervisor for the administrator of such Benchmark has provided a public statement or publication of information announcing that any tenor for such Benchmark (1) is or will be no longer representative or (2) will cease to be provided by the administrator permanently or indefinitely as of a specified date, then the Administrative Agent may modify the definition of “Interest Period” for any Benchmark settings at or after such time to remove such affected tenor and (ii) if a tenor that was removed pursuant to clause (i) above either (A) is subsequently displayed on a screen or information service for a Benchmark (including a Benchmark Replacement) or (B) is not, or is no longer, subject to an announcement that it is or will no longer be representative or will cease to be provided by the administrator for a Benchmark (including a Benchmark Replacement), then the Administrative Agent may modify the definition of “Interest Period” for all Benchmark settings at or after such time to reinstate such previously removed tenor. However, the Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to USD LIBOR or other rates or with respect to any alternative or successor rate thereto, or replacement rate thereof.



(f) Upon the Borrower's receipt of notice of the commencement of a Benchmark Unavailability Period, the Borrower may revoke any request for a Eurodollar Borrowing of, conversion to or continuation of Eurodollar Loans to be made, converted or continued during any Benchmark Unavailability Period and, failing that, the Borrower will be deemed to have converted any such request into a request for a Borrowing of or conversion to Base Rate Loans. During any Benchmark Unavailability Period or at any time that a tenor for the then-current Benchmark is not an Available Tenor, the component of the Base Rate based upon the then-current Benchmark or such tenor for such Benchmark, as applicable, will not be used in any determination of the Base Rate.

(g) The Administrative Agent does not warrant or accept any responsibility for, and shall not have any liability with respect to, the administration, submission or any other matter related to LIBOR or the Screen Page or with respect to any alternative, successor or replacement rate thereof (including any Benchmark Replacement), or any calculation, component definition thereof or rate referenced in the definition thereof, including, without limitation, (i) any such alternative, successor or replacement rate implemented pursuant to this Section titled "Benchmark Replacement Setting", whether upon the occurrence of a Benchmark Transition Event, Term SOFR Transition Event, an Early Opt-in Election, or an Other Benchmark Rate Election, and (ii) the effect, implementation or composition of any Benchmark Replacement Conforming Changes pursuant to clause (d) of this Section 2.07, including without limitation, whether the composition or characteristics of any such alternative, successor or replacement reference rate will be similar to, or produce the same value or economic equivalence of, LIBOR or the Eurodollar Rate or have the same volume or liquidity as did LIBOR or the Eurodollar Rate prior to the discontinuance or unavailability of LIBOR. In addition, the discontinuation of LIBOR and any alternative, successor or replacement reference rate may result in a mismatch between the reference rate referenced in this Agreement and your other financial instruments, including potentially those that are intended as hedges. The Administrative Agent and its Affiliates and/or other related entities may engage in transactions that affect the calculation of any alternative, successor or replacement rate and/or any relevant adjustments thereto, in each case, with all determinations of such alternative, successor or replacement rate by the Administrative Agent to be conclusive, absent manifest error. The Administrative Agent may select information sources or services in its reasonable discretion to ascertain such alternative, successor or replacement rate, in each case pursuant to the terms of this Agreement (as amended, amended and restated, supplemented or otherwise modified from time to time), and shall have no liability to the Borrower, any Lender or any other person or entity for damages of any kind, including direct or indirect, special, punitive, incidental or consequential damages, costs, losses or expenses (whether in tort, contract or otherwise and whether at law or in

equity), for any error or calculation of any such rate (or component thereof) provided by any such information source or service.

~~The “Adjusted London Interbank Offered Rate” applicable to any Interest Period means a rate per annum equal to the quotient obtained (rounded upward, if necessary, to the next higher 1/100 of 1%) by dividing (i) the applicable London Interbank Offered Rate by (ii) 1.00 minus the Euro-Dollar Reserve Percentage.~~

~~The “London Interbank Offered Rate” applicable to any Interest Period means the rate appearing on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate (or on any successor or substitute page of such Reuters Service, or if the Reuters Service ceases to be available, any successor to or substitute for such Reuters Service, providing rate quotations comparable to those currently provided on such page of such Reuters Service, as determined by the Administrative Agent from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) at approximately 11:00 A.M. (London time) two Euro-Dollar Business Days prior to the commencement of such Interest Period, as the rate for the offering of dollar deposits with a maturity comparable to such Interest Period; *provided*, that if such rate shall be less than zero, such rate shall be deemed to be zero for the purposes of this Agreement; *provided further*, that if the London Interbank Offered Rate is not available for such Interest Period, then the applicable London Interbank Offered Rate shall be the Interpolated Rate. “Interpolated Rate” means, at any time, for any Interest Period, the rate per annum (rounded to the same number of decimal places as the London Interbank Offered Rate) reasonably determined by the Administrative Agent (which determination shall be conclusive absent manifest error) to be equal to the rate that results from interpolating on a linear basis between: (a) the London Interbank Offered Rate for the longest period (for which the London Interbank Offered Rate is available) that is shorter than the Interest Period and (b) the London Interbank Offered Rate for the shortest period (for which the London Interbank Offered Rate is available) that exceeds the Interest Period; *provided* that, if the Administrative Agent reasonably determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means still do not exist for ascertaining the Interpolated Rate, then the Administrative Agent shall give written notice thereof to the Borrower and the Banks as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrower and the Banks that the circumstances giving rise to such notice no longer exist, (i) any interest election request that requests the conversion of any Base Rate Loan to, or continuation of any Euro-Dollar Loan as, a Euro-Dollar Loan shall be ineffective and (ii) if any Loan requests a Euro-Dollar Loan, such Borrowing shall be made as a Base Rate Loan.~~

~~If at any time the Administrative Agent determines (which determination shall be conclusive absent manifest error) that (i) the circumstances set forth in the paragraph above have arisen and such circumstances are unlikely to be temporary or (ii) the circumstances set forth above have not arisen but the supervisor for the administrator of the rate appearing on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate or a Governmental Authority having jurisdiction over the Administrative Agent has made a public statement identifying a specific date after which the rate appearing on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate shall no longer be used for determining interest rates for loans, then the Administrative Agent and the Borrower shall endeavor to establish an alternate rate of interest to the London Interbank Offered Rate that gives due consideration to the then prevailing market convention for determining a rate of interest for syndicated loans in the United States at such time, and shall enter into an amendment to this Agreement to reflect such alternate rate of interest and such other related changes to this Agreement as may be applicable. Notwithstanding anything to the contrary in Section 9.05, such amendment shall become effective without any further action or consent of any other party to this Agreement so long as the Administrative Agent shall not have received, within five Business Days of the date notice of such alternate rate of interest is provided to the Banks, a written notice from the Required Banks stating that such Required Banks object to such amendment. Until an alternate rate of interest shall be determined in accordance with this paragraph (but, in the case of the circumstances described in clause (ii) of the first sentence of this paragraph, only to the extent the rate appearing on pages LIBOR01 or LIBOR02 of the Reuters screen that displays such rate for such Interest Period is not available or published at such time on a current basis), (x) any interest election request that requests the conversion of any Base Rate Loan to, or continuation of any Euro-Dollar Loan as, a Euro-Dollar Loan shall be ineffective and (y) if any Loan requests a Euro-Dollar Loan, such Borrowing shall be made as a Base Rate Loan; *provided* that if such alternate rate of interest shall be less than zero, such rate shall be deemed to be zero for purposes of this Agreement.~~

~~To the extent a comparable or successor rate to the London Interbank Offered Rate is approved by the Administrative Agent in connection herewith, the approved rate shall be applied in a manner consistent with market practice; *provided* that to the extent such market practice is not administratively feasible for the Administrative Agent, such approved rate shall be applied in a manner as otherwise reasonably determined by the Administrative Agent.~~

~~“Euro-Dollar Reserve Percentage” means for any day that percentage (expressed as a decimal) which is in effect on such day, as prescribed by the Board of Governors of the Federal Reserve System (or any successor) for determining the maximum reserve requirement for a member bank of the~~

~~Federal Reserve System in New York City with deposits exceeding five billion Dollars in respect of “Eurocurrency liabilities” (or in respect of any other category of liabilities which includes deposits by reference to which the interest rate on Euro-Dollar Loans is determined or any category of extensions of credit or other assets which includes loans by a non-United States office of any Bank to United States residents). The Adjusted London Interbank Offered Rate shall be adjusted automatically on and as of the effective date of any change in the Euro-Dollar Reserve Percentage.~~

(eh) Any overdue principal of or interest on any Euro-Dollar Loan and any other overdue amount payable hereunder (other than in respect of any Money Market Loan as provided in the following paragraph) shall bear interest, payable on demand, for each day from and including the date payment thereof was due to but excluding the date of actual payment, at a rate per annum equal to the sum of 2% plus (i) in the case of principal, the rate otherwise applicable to Euro-Dollar Loans for such day or (ii) in the case of interest and any other overdue amount payable hereunder (other than in respect of any Money Market Loan as provided in the following paragraph), the sum of the Base Rate plus the applicable Base Rate Margin for such day.

(di) Subject to Section 8.01(a), each Money Market LIBOR Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the sum of the London Interbank Offered Rate for such Interest Period (determined in accordance with Section 2.07(b)) plus (or minus) the Money Market Margin quoted by the Bank making such Loan in accordance with Section 2.03. Each Money Market Absolute Rate Loan shall bear interest on the outstanding principal amount thereof, for the Interest Period applicable thereto, at a rate per annum equal to the Money Market Absolute Rate quoted by the Bank making such Loan in accordance with Section 2.03. Such interest shall be payable for each Interest Period on the last day thereof and, if such Interest Period is longer than three months, at intervals of three months after the first day thereof. Any overdue principal of or interest on any Money Market Loan shall bear interest, payable on demand, for each day until paid at a rate per annum equal to the sum of 2% plus the Prime Rate for such day.

(ej) The Administrative Agent shall determine each interest rate applicable to the Loans hereunder. The Administrative Agent shall give prompt notice to the Borrower and the participating Banks of each rate of interest so determined, and its determination thereof shall be conclusive in the absence of manifest error.

(k) The Administrative Agent does not warrant or accept responsibility for, and shall not have any liability with respect to (a) the administration of, submission of, calculation of or any other matter related to any Benchmark, any component definition thereof or rates referenced in the definition thereof or any alternative, comparable or successor rate

thereto (including any Benchmark Replacement), including whether the composition or characteristics of any such alternative, comparable or successor rate (including any Benchmark Replacement) will be similar to, or produce the same value or economic equivalence of, or have the same volume or liquidity as, such Benchmark or any other Benchmark, or (b) the effect, implementation or composition of any Benchmark Replacement Conforming Changes.

Section 2.08. *Method of Electing Interest Rates.* (a) The Loans included in each Committed Borrowing shall bear interest initially at the type of rate specified by the Borrower in the applicable Notice of Committed Borrowing. Thereafter, the Borrower may from time to time elect to change or continue the type of interest rate borne by each Group of Loans (subject to Section 2.08(d) and the provisions of Article 8), as follows:

- (i) if such Loans are Base Rate Loans, the Borrower may elect to convert such Loans to Euro-Dollar Loans as of any Euro-Dollar Business Day;
- (ii) if such Loans are Euro-Dollar Loans, the Borrower may elect to convert such Loans to Base Rate Loans as of any Domestic Business Day, subject to Section 2.14 if any such conversion is effective on any day other than the last day of an Interest Period applicable to such Loans, or may elect to continue such Loans as Euro-Dollar Loans, as of the end of any Interest Period applicable thereto, for an additional Interest Period.

Each such election shall be made by delivering a notice (a “**Notice of Interest Rate Election**”) to the Administrative Agent not later than 10:30 A.M. (New York City time) on the third Euro-Dollar Business Day before the conversion or continuation selected in such notice is to be effective. A Notice of Interest Rate Election may, if it so specifies, apply to only a portion of the aggregate principal amount of the relevant Group of Loans; *provided* that (i) such portion is allocated ratably among the Loans comprising such Group and (ii) such portion, and the remaining portion to which such Notice does not apply, are each at least \$10,000,000 (unless such portion is comprised of Base Rate Loans). If no such notice is timely received before the end of an Interest Period for any Group of Euro-Dollar Loans, the Borrower shall be deemed to have elected that such Group of Loans be converted to Base Rate Loans at the end of such Interest Period.

- (b) Each Notice of Interest Rate Election shall specify:
  - (i) the Group of Loans (or portion thereof) to which such notice applies;

as from time to time in effect. Such customary fees and standard costs and charges are due and payable on demand and are nonrefundable.

(e) *Amendment Fees.* The Borrower agrees to pay to the Administrative Agent for the account of each Bank on the ~~Fourth~~Fifth Amendment Effective Date the upfront fees required to be paid on such date, as set forth in the ~~2019~~2021 Fee Letters.

Section 2.010. *Optional Termination or Reduction of Commitments.* During the Revolving Credit Period, the Borrower may, upon at least three Domestic Business Days' notice to the Administrative Agent (which notice the Administrative Agent will promptly deliver to the Banks), (i) terminate all Commitments at any time, if no Loans are outstanding at such time or (ii) ratably reduce from time to time by an aggregate amount of \$10,000,000 or any larger multiple of \$1,000,000, the aggregate amount of the Commitments in excess of the aggregate outstanding principal amount of the Loans.

Section 2.011. *Mandatory Termination of Commitments.* The Commitments shall terminate on the Commitment Termination Date.

Section 2.012. *Optional Prepayments.* (a) Subject in the case of Euro-Dollar Loans to Section 2.14, the Borrower may (i) on any Domestic Business Day, upon notice to the Administrative Agent, prepay any Group of Base Rate Loans (or any Money Market Borrowing bearing interest at the Base Rate pursuant to Section 8.01(a)) or (ii) upon at least three Euro-Dollar Business Days' notice to the Administrative Agent, prepay any Group of Euro-Dollar Loans, in each case in whole at any time, or from time to time in part in amounts aggregating \$10,000,000 or any larger multiple of \$1,000,000, by paying the principal amount to be prepaid together with accrued interest thereon to the date of prepayment. Each such optional prepayment shall be applied to prepay ratably the Loans of the several Banks included in such Group of Loans (or such Money Market Borrowing).

(b) Except as provided in Section 2.12(a), the Borrower may not prepay all or any portion of the principal amount of any Money Market Loan prior to the maturity thereof.

(c) Upon receipt of a notice of prepayment pursuant to this Section, the Administrative Agent shall promptly notify each Bank of the contents thereof and of such Bank's ratable share (if any) of such prepayment and such notice shall not thereafter be revocable by the Borrower.

Section 2.013. *General Provisions as to Payments.* (a) The Borrower shall make each payment of principal of, and interest on, the Loans or L/C Obligations and of fees hereunder, not later than 1:00 P.M. (New York City time) on the date when due, in Federal or other funds immediately available in New York City, to the Administrative Agent at its address referred to in Section 9.01.

circumstances whatsoever in making or failing to make payment under any Letter of Credit, except that, anything in such clauses (i) through (iv) to the contrary notwithstanding, the Borrower shall have a claim against such Issuing Bank, and such Issuing Bank shall be liable to the Borrower, to the extent of any direct (but not special, indirect, consequential or punitive) damages suffered by the Borrower that the Borrower proves were caused by (A) such Issuing Bank's willful misconduct or gross negligence as determined in a final, non-appealable judgment by a court of competent jurisdiction in determining whether documents presented under any Letter of Credit comply with the terms thereof or (B) such Issuing Bank's willful failure to make lawful payment under any Letter of Credit after the presentation to it by the beneficiary of a draft and certificate(s) strictly complying with the terms and conditions of any Letter of Credit. In furtherance and not in limitation of the foregoing, such Issuing Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

(1) *Replacement or Addition of Issuing Bank.* An Issuing Bank may be replaced or added at any time by written agreement among the Borrower, the Administrative Agent (unless, in the case of the replacement of an Issuing Bank, the successor Issuing Bank is a Bank and, if applicable, such agreement not to be unreasonably withheld, conditioned or delayed) and the successor or additional Issuing Bank, as applicable. The Administrative Agent shall notify the Banks of any such replacement or addition, as applicable, of an Issuing Bank. Where an Issuing Bank is replaced, at the time such replacement shall become effective, the Borrower shall pay all unpaid fees accrued for account of the replaced Issuing Bank. Furthermore, from and after the effective date of such replacement, the successor Issuing Bank, shall have all the rights and obligations of the replaced Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter. References herein to the term "Issuing Bank" shall be deemed to refer to any successor or additional Issuing Bank, as applicable, or to any previous Issuing Bank, or to any successor or additional Issuing Banks, as applicable, and all previous Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

Section 2.021. [*Reserved*]

Section 2.022. *Extension of Commitment Termination Date.* (a) The Borrower may, by notice to the Administrative Agent (which shall promptly notify the Banks) not earlier than 45 days prior to any anniversary of **the Third Amendment Effective Date November 28, 2021** (each, an "Anniversary Date") but no later than 30 days prior to any such Anniversary Date, request that each Bank extend such Bank's Commitment Termination Date for an additional one year after the Commitment Termination Date then in effect for such Bank

that is one year after the Existing Commitment Termination Date, and each Additional Commitment Bank shall thereupon become a “Bank” for all purposes of this Agreement.

- a. Notwithstanding the foregoing, the extension of any Bank’s Existing Commitment Termination Date (and the accession of each Additional Commitment Bank) pursuant to this Section shall be effective on the Extension Date only if (i) the following statements shall be true: (A) no Default or Event of Default has occurred and is continuing, or would result from the extension of the Existing Commitment Termination Date and (B) all the representations and warranties of the Borrower set forth in this Agreement shall be true and correct in all material respects (without duplication of materiality qualifications otherwise set forth in such representations and warranties, before and after giving effect to such extension), and (ii) on or prior to the Extension Date the Administrative Agent shall have received the following, each dated the Extension Date and in form and substance satisfactory to the Administrative Agent: (1) a certificate signed by any one of the Chief Financial Officer, the Chief Executive Officer, the Treasurer, an Assistant Secretary-Treasurer, the Controller or the Vice President, Capital Markets Relations of the Borrower to the effect that the conditions set forth in clauses (c) through (g), inclusive, of Section 3.03 have been satisfied as of the Extension Date and, in the case of clauses (c), (d) and (g), setting forth in reasonable detail the calculations required to establish such compliance, (2) a certificate of an officer of the Borrower acceptable to the Administrative Agent stating that all consents, authorizations, notices and filings required or advisable in connection with the extension of the Existing Commitment Termination Date are in full force and effect, and the Administrative Agent shall have received evidence thereof reasonably satisfactory to it, (3) an opinion of the General Counsel of the Borrower, substantially in the form of Exhibit F hereof, provided that an enforceability opinion under New York law, that is reasonably acceptable to the Administrative Agent, shall be furnished by the Borrower’s New York counsel, ~~Norton Rose Fulbright~~ **USFoley & Lardner** LLP, subject to customary assumptions, qualifications and limitations and (4) such other documents reasonably requested by the Administrative Agent in connection with any such transaction.

(g) Subject to subsection (e) above, the Commitment of any Non-Extending Bank that has not been replaced pursuant to subsection (d) above shall (i) automatically terminate on its Existing Commitment Termination Date or at the option of the Borrower, with respect to the Commitments of all Non-Extending Banks that have advised the Borrower of their unwillingness to agree to an extension in response to a notice delivered pursuant to Section 2.22(a), terminate on any Anniversary Date occurring prior thereto (in each case without regard to any extension by any other Bank); it being understood and agreed that such Non-Extending Bank’s participations in Letters of Credit outstanding on such Existing Commitment Termination Date or such Anniversary Date, as the case may be, shall terminate thereon and any and all fees and



expenses owed to each Non-Extending Bank as of that date shall be paid by the Borrower to such Non-Extending Bank.

### ARTICLE 3 CONDITIONS

Section 3.01. *Effectiveness.* (i) The Existing Credit Agreement became effective on the Effective Date and (ii) this Agreement shall become effective on the date (the “**Amendment Effective Date**”) on which the Administrative Agent shall have received the following documents or other items, each dated the Amendment Effective Date unless otherwise indicated:

(a) receipt by the Administrative Agent of counterparts hereof signed by each of the parties hereto (or, in the case of any party as to which an executed counterpart shall not have been received, receipt by the Administrative Agent in form satisfactory to it in facsimile transmission, electronic submission or other writing from such party of execution of a counterpart hereof by such party);

(b) receipt by the Administrative Agent for the account of each Bank that has requested a Note of a duly executed Note dated on or before the Amendment Effective Date complying with the provisions of Section 2.05;

(c) receipt by the Administrative Agent of an opinion of the General Counsel of the Borrower, substantially in the form of Exhibit F hereto, *provided* that an enforceability opinion under New York law, that is reasonably acceptable to the Administrative Agent, shall be furnished by the Borrower’s New York counsel, ~~Norton-Rose-Fulbright-US~~ **Foley & Lardner** LLP, subject to customary assumptions, qualifications and limitations;

(d) receipt by the Administrative Agent of a certificate signed by any one of the Chief Financial Officer, the Chief Executive Officer, an Assistant Secretary-Treasurer, the Controller or the Vice President, Capital Markets Relations of the Borrower to the effect that the conditions set forth in clauses (c) through (g), inclusive, of Section 3.03 have been satisfied as of the Amendment Effective Date and, in the case of clauses (c), (e) and (g), setting forth in reasonable detail the calculations required to establish such compliance;

(e) receipt by the Administrative Agent, with a copy for each Bank, of a certificate of an officer of the Borrower acceptable to the Administrative Agent stating that all consents, authorizations, notices and filings required or advisable in connection with this Agreement are in full force and effect, and the Administrative Agent shall have received evidence thereof reasonably satisfactory to it;

(f) receipt by the Administrative Agent and the Syndication Agent (or their respective assigns) and by each Bank Party of all fees required to be paid in

the respective amounts heretofore mutually agreed in writing, and all expenses for which invoices have been presented, on or before the Amendment Effective Date;

(g) receipt by the Administrative Agent and the Banks of all documentation and other information requested by the Administrative Agent or such Bank and required by regulatory authorities under applicable “know your customer” and anti-money laundering rules and regulations, including, without limitation, the USA PATRIOT Act (Title III of Pub. L. 107-56); and

(h) receipt by the Administrative Agent of all documents the Required Banks may reasonably request relating to the existence of the Borrower, the corporate authority for and the validity of this Agreement and the Notes, and any other matters relevant hereto, all in form and substance reasonably satisfactory to the Administrative Agent.

The Administrative Agent shall promptly notify the Borrower and the Bank Parties of the Amendment Effective Date, and such notice shall be conclusive and binding on all parties hereto.

#### Section 3.02. [Reserved]

Section 3.03. *Borrowings and L/C Credit Extensions.* The obligation of any Bank to make a Loan on the occasion of any Borrowing and the obligation of the Issuing Bank to issue, amend or increase the principal amount thereof or extend any Letter of Credit (other than an extension pursuant to an Auto-Extension Letter of Credit in accordance with the original terms thereof) is subject to the satisfaction of the following conditions, in each case at the time of such Borrowing or L/C Credit Extensions and immediately thereafter:

(a) The Amendment Effective Date shall have occurred on or prior to November 19, 2015, the First Amendment Effective Date shall have occurred on or prior to November 18, 2016, the Second Amendment Effective Date shall have occurred on or prior to November 20, 2017, the Third Amendment Effective Date shall have occurred on or prior to November 28, 2018 ~~and~~, the Fourth Amendment Effective Date shall have occurred on or prior to November 26, 2019 and the Fifth Amendment Effective Date shall have occurred on or prior to June 7, 2021;

(b) receipt by the Administrative Agent of a Notice of Borrowing as required by Section 2.02 or 2.03, as the case may be;

(c) the fact that the Borrower is in compliance with Section 7.11 of the 1994 Indenture, as such Indenture is in effect as of the Effective Date and the Amendment Effective Date;

(d) Prior to the Commitment Termination Date, the fact that the sum of (i) the aggregate outstanding principal amount of the Loans and (ii) the Outstanding Amount of L/C Obligations will not exceed the Aggregate

Commitments (as such Commitments may be increased or decreased

(e) the fact that no Default shall have occurred and be continuing;

(f) the fact that the representations and warranties of the Borrower (in the case of a Borrowing or L/C Credit Extension, other than the representations set forth in Section 4.02(c), Section 4.03 and Section 4.14) contained in this Agreement shall be true in all material respects (other than any such representations or warranties that, by their terms, refer to a specific date other than the date of Borrowing or L/C Credit Extension, in which case such representations and warranties shall be true in all material respects as of such specific date); *provided that*, (i) in the case of the representations set forth in Section 4.02(a) and Section 4.02(b) being made after the Amendment Effective Date shall be deemed to refer to the most recent balance sheets and statements furnished pursuant to Section 5.03(b)(ii) and Section 5.03(b)(i), respectively and (ii) in the case of the representation set forth in Section 4.06 being made after the ~~Fourth~~Fifth Amendment Effective Date, such representation shall be true except to the extent not reasonably expected to have a material adverse effect on the business, financial position or results of operations of the Borrower; and

(g) the fact that (i) there shall be no collateral securing Bonds issued pursuant to any Indenture of a type other than the types of collateral permitted to secure Bonds issued pursuant to such Indenture as of the date hereof, (ii) the allowable amount of eligible collateral then pledged under any Indenture shall not exceed 150% of the aggregate principal amount of Bonds then outstanding under such Indenture and (iii) no collateral shall secure Bonds other than (A) eligible collateral under such Indenture, the allowable amount of which is included within the computation under subsection (ii) above or (B) collateral previously so pledged which ceases to be such eligible collateral not as a result of any acts or omissions to act of the Borrower (other than the declaration of an “**event of default**” as defined in a mortgage which results in the exercise of any right or remedy described in such mortgage).

Each Borrowing or L/C Credit Extension hereunder shall be deemed to be a representation and warranty by the Borrower on the date of such Borrowing or L/C Credit Extension as to the facts specified in clauses (c), (d), (e), (f) and (g) of this Section 3.03.

#### ARTICLE 4 REPRESENTATIONS AND WARRANTIES

The Borrower makes the following representations, warranties and agreements, which shall survive the execution and delivery of this Agreement and the Notes and the making of the Loans or L/C Credit Extensions:

and the related unaudited consolidated statements of operations, changes in equity and cash flow of the Borrower and its Consolidated Entities for such quarter and for the portion of the Borrower's fiscal year ended at the end of such quarter, setting forth in each case in comparative form the figures for the corresponding quarter and the corresponding portion of the Borrower's previous fiscal year, all in reasonable detail and certified (subject to normal year-end adjustments) as to fairness of presentation in accordance with U.S. GAAP in all material respects and consistency (except for changes concurred in by the Borrower's independent public accountants) by the Chief Executive Officer, the Chief Financial Officer, an Assistant Secretary-Treasurer or the Controller of the Borrower;

(ii) as soon as practicable and in any event within the earlier of (i) two Domestic Business Days after filing with the Securities and Exchange Commission and (ii) 120 days after the close of each fiscal year of the Borrower, as at the end of and for the fiscal year just closed, consolidated balance sheets of the Borrower and its Consolidated Entities and the related consolidated statements of operations, changes in equity and cash flow for such fiscal year for the Borrower and its Consolidated Entities, all in reasonable detail and certified (without any qualification as to the scope of the audit) by KPMG LLP or other independent public accountants of nationally recognized standing selected by the Borrower, who shall have audited the books and accounts of the Borrower for such fiscal year;

(iii) with reasonable promptness, copies of all regular and periodical reports (including Current Reports on Form 8-K) filed with, or furnished to, the Securities and Exchange Commission;

(iv) promptly after the public announcement of, or promptly after receiving a written notice of, a change (whether an increase or decrease) in any rating issued by either S&P ~~or~~, Moody's ~~or~~ Fitch, solely to the extent that the Borrower is then under an existing contract with such agency for the provision of ratings information pertaining to any securities of, or guaranteed by, the Borrower or any of its Subsidiaries or affiliates, a notice setting forth such change; and

(v) with reasonable promptness, such other information respecting the business, operations and financial condition of the Borrower or any of its Subsidiaries or any Joint Venture as any Bank may, from time to time, reasonably request, including, without limitation, with respect to the performance and observance by the Borrower of the covenants and conditions contained in this Agreement.

Reports or financial information required to be delivered pursuant to clauses (b)(i), (b)(ii) and (b)(iii) of this Section 5.03 shall be deemed to have been delivered on the date on which the Borrower posts such reports or financial

continue to make its own credit decisions in taking or not taking any action under this Agreement.

Section 7.08. *Successor Administrative Agent.* The Administrative Agent may, upon giving 5 Domestic Business Days prior written notice to the Borrower, and for so long as long as no Event of Default has occurred and is continuing, at the request of the Borrower, shall, resign at any time by giving written notice thereof to the Banks and the Borrower. Upon any such resignation, the Borrower shall have the right, with the consent of the Required Banks, such consent not to be unreasonably withheld, conditioned or delayed, to appoint a successor Administrative Agent. If no successor Administrative Agent shall have been so appointed by the Borrower, and shall have accepted such appointment, within 15 days after the retiring Administrative Agent gives notice of resignation, then the retiring Administrative Agent may, on behalf of the Bank Parties, appoint a successor Administrative Agent, which shall be a commercial bank organized or licensed under the laws of the United States of America or of any State thereof and having a combined capital and surplus of at least \$1,000,000,000. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor Administrative Agent, such successor Administrative Agent shall thereupon succeed to and become vested with all the rights and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. After any retiring Administrative Agent's resignation hereunder as Administrative Agent, the provisions of this Article shall inure to its benefit as to any actions taken or omitted to be taken by it while it was Administrative Agent.

Section 7.09. *Co-Documentation Agents, Syndication Agent and Co-Lead Arrangers Not Liable.* Nothing in this Agreement shall impose upon the Co-Documentation Agents, the Syndication Agent, or the Co-Lead Arrangers, each in such capacity, any duties or responsibilities whatsoever.

Section 7.010. *Calculations.* The Administrative Agent shall not be liable for any calculation, apportionment or distribution of payments made by it in good faith. If such calculation, apportionment or distribution is subsequently determined to have been made in error, the sole recourse of any Lender to whom payment was due but not made shall be to recover from the other Banks any payment in excess of the amount to which they are determined to be entitled or, if the amount due was not paid by the Borrower, to recover such amount from the Borrower.

**Section 7.011. Erroneous Payments.**

**(a) If the Administrative Agent notifies a Bank, Issuing Bank, or any Person who has received funds on behalf of a Bank or Issuing Bank, such Bank or Issuing Bank (any such Bank, Issuing Bank or other recipient, a "Payment Recipient") that the Administrative Agent has determined in its sole discretion (whether or not after receipt of any notice under immediately**

succeeding clause (b)) that any funds received by such Payment Recipient from the Administrative Agent or any of its affiliates were erroneously transmitted to, or otherwise erroneously or mistakenly received by, such Payment Recipient (whether or not known to such Bank, Issuing Bank or other Payment Recipient on its behalf) (any such funds, whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise, individually and collectively, an “Erroneous Payment”) and demands the return of such Erroneous Payment (or a portion thereof), such Erroneous Payment shall at all times remain the property of the Administrative Agent and shall be segregated by the Payment Recipient and held in trust for the benefit of the Administrative Agent, and such Bank or Issuing Bank shall (or, with respect to any Payment Recipient who received such funds on its behalf, shall cause such Payment Recipient to) promptly, but in no event later than one Business Day thereafter, return to the Administrative Agent the amount of any such Erroneous Payment (or portion thereof) as to which such a demand was made, in same day funds (in the currency so received), together with interest thereon in respect of each day from and including the date such Erroneous Payment (or portion thereof) was received by such Payment Recipient to the date such amount is repaid to the Administrative Agent in same day funds at the greater of the Federal Funds Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation from time to time in effect. A notice of the Administrative Agent to any Payment Recipient under this clause (a) shall be conclusive, absent manifest error.

(b) Without limiting immediately preceding clause (a), each Bank and Issuing Bank hereby further agrees that if it receives a payment, prepayment or repayment (whether received as a payment, prepayment or repayment of principal, interest, fees, distribution or otherwise) from the Administrative Agent (or any of its affiliates) (x) that is in a different amount than, or on a different date from, that specified in a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its affiliates) with respect to such payment, prepayment or repayment, (y) that was not preceded or accompanied by a notice of payment, prepayment or repayment sent by the Administrative Agent (or any of its affiliates), or (z) that such Bank or Issuing Bank, or other such recipient, otherwise becomes aware was transmitted, or received, in error or by mistake (in whole or in part) in each case:

(i) (A) in the case of immediately preceding clauses (x) or (y), an error shall be presumed to have been made (absent written confirmation from the Administrative Agent to the contrary) or (B) an error has been made (in the case of immediately preceding clause (z)), in each case, with respect to such payment, prepayment or repayment; and

(ii) such Bank or Issuing Bank shall (and shall cause any other recipient that receives funds on its respective behalf to) promptly (and, in all events, within one Business Day of its knowledge of such error) notify the Administrative Agent of its receipt of such payment, prepayment or repayment, the details thereof (in reasonable detail) and that it is so notifying the Administrative Agent pursuant to this Section 7.11(b).

(c). Each Bank and Issuing Bank hereby authorizes the Administrative Agent to set off, net and apply any and all amounts at any time owing to such Bank or Issuing Bank under this Agreement, or otherwise payable or distributable by the Administrative Agent to such Bank or Issuing Bank from any source, against any amount due to the Administrative Agent under immediately preceding clause (a) or under the indemnification provisions of this Agreement.

(d) In the event that an Erroneous Payment (or portion thereof) is not recovered by the Administrative Agent for any reason, after demand therefor by the Administrative Agent in accordance with immediately preceding clause (a), from any Bank or Issuing Bank that has received such Erroneous Payment (or portion thereof) (and/or from any Payment Recipient who received such Erroneous Payment (or portion thereof) on its respective behalf) (such unrecovered amount, an “Erroneous Payment Return Deficiency”), upon the Administrative Agent’s notice to such Bank or Issuing Bank at any time, (i) such Bank or Issuing Bank shall be deemed to have assigned its Loans (but not its Commitments) in an amount equal to the Erroneous Payment Return Deficiency (or such lesser amount as the Administrative Agent may specify) (such assignment of the Loans (but not Commitments), the “Erroneous Payment Deficiency Assignment”) at par plus any accrued and unpaid interest (with the assignment fee to be waived by the Administrative Agent in such instance), and is hereby (together with the Borrower) deemed to execute and deliver an Assignment and Assumption Agreement with respect to such Erroneous Payment Deficiency Assignment, and such Bank or Issuing Bank shall deliver any Notes evidencing such Loans to the Borrower or the Administrative Agent, (ii) the Administrative Agent as the assignee Bank shall be deemed to acquire the Erroneous Payment Deficiency Assignment, (iii) upon such deemed acquisition, the Administrative Agent as the assignee Bank shall become a Bank or Issuing Bank, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment and the assigning Bank or assigning Issuing Bank shall cease to be a Bank or Issuing Bank, as applicable, hereunder with respect to such Erroneous Payment Deficiency Assignment, excluding, for the avoidance of doubt, its obligations under the indemnification provisions of this Agreement and its applicable Commitments which shall survive as to such assigning Bank or assigning Issuing Bank and (iv) the Administrative Agent may reflect in the register its ownership interest in the Loans subject to the Erroneous Payment Deficiency Assignment. The Administrative Agent

may, in its discretion, sell any Loans acquired pursuant to an Erroneous Payment Deficiency Assignment in compliance with the terms set forth in Section 9.06 hereof and upon receipt of the proceeds of such sale, the Erroneous Payment Return Deficiency owing by the applicable Bank or Issuing Bank shall be reduced by the net proceeds of the sale of such Loan (or portion thereof), and the Administrative Agent shall retain all other rights, remedies and claims against such Bank or Issuing Bank (and/or against any recipient that receives funds on its respective behalf). For the avoidance of doubt, no Erroneous Payment Deficiency Assignment will reduce the Commitments of any Bank or Issuing Bank and such Commitments shall remain available in accordance with the terms of this Agreement. In addition, each party hereto agrees that, except to the extent that the Administrative Agent has sold a Loan (or portion thereof) acquired pursuant to an Erroneous Payment Deficiency Assignment, and irrespective of whether the Administrative Agent may be equitably subrogated, the Administrative Agent shall be contractually subrogated to all the rights and interests of the applicable Bank or Issuing Bank under this Agreement with respect to each Erroneous Payment Return Deficiency.

(e) The parties hereto agree that an Erroneous Payment shall not pay, prepay, repay, discharge or otherwise satisfy any Obligations owed by the Borrower, except, in each case, to the extent such Erroneous Payment is, and solely with respect to the amount of such Erroneous Payment that is, comprised of funds received by the Administrative Agent from the Borrower for the purpose of making a payment or prepayment of the Obligations.

(f) To the extent permitted by Applicable Law, no Payment Recipient shall assert any right or claim to an Erroneous Payment, and hereby waives, and is deemed to waive, any claim, counterclaim, defense or right of set-off or recoupment with respect to any demand, claim or counterclaim by the Administrative Agent for the return of any Erroneous Payment received, including without limitation waiver of any defense based on “discharge for value” or any similar doctrine.

(g) Each party’s obligations, agreements and waivers under this Section 7.11 shall survive the resignation or replacement of the Administrative Agent, the termination of the Commitments and/or the repayment, satisfaction or discharge of all obligations (or any portion thereof) under this Agreement.

## ARTICLE 8

### CHANGE IN CIRCUMSTANCES

Section 8.01. *Basis for Determining Interest Rate Inadequate or Unfair.*  
If on or prior to the first day of any Interest Period for any Fixed Rate Borrowing:



(a) the Administrative Agent determines that the London Interbank Offered Rate is not available in the manner set forth in the definition of London Interbank Offered Rate for any such Interest Period (each such Interest Period an “**Affected Interest Period**”), or

(b) in the case of a Committed Borrowing, Banks having 50% or more of the aggregate amount of the Commitments advise the Administrative Agent in writing that the ~~Adjusted London Interbank Offered Rate~~ Benchmark, as determined by the Administrative Agent, will not adequately and fairly reflect the cost to such Banks of funding their Euro-Dollar Loans for such Interest Period, in either the case of clause (a) or clause (b) above, the Administrative Agent shall forthwith give notice thereof to the Borrower and the Banks, whereupon until the Administrative Agent notifies the Borrower that the circumstances giving rise to such suspension no longer exist, (i) the obligations of the Banks to make Euro-Dollar Loans or to continue or convert outstanding Loans as or into Euro-Dollar Loans shall be suspended and (ii) each outstanding Euro-Dollar Loan shall be converted into a Base Rate Loan on the last day of the then current Interest Period applicable thereto. Unless the Borrower notifies the Administrative Agent at least two Domestic Business Days before the date of any Fixed Rate Borrowing for which a Notice of Borrowing has previously been given that it elects not to borrow on such date, (i) if such Fixed Rate Borrowing is a Euro-Dollar Borrowing, such Borrowing shall instead be made as a Base Rate Borrowing and (ii) if such Fixed Rate Borrowing is a Money Market LIBOR Borrowing, the Money Market LIBOR Loans comprising such Borrowing shall bear interest for each day from and including the first day to but excluding the last day of the Interest Period applicable thereto at the Base Rate for such day.

Section 8.02. *Illegality.* If a Change in Law shall make it unlawful or impossible for any Bank (or its Euro-Dollar Lending Office) to make, maintain or fund its Euro-Dollar Loans and such Bank shall so notify the Administrative Agent, the Administrative Agent shall forthwith give notice thereof to the other Banks and the Borrower, whereupon until such Bank notifies the Borrower and the Administrative Agent that the circumstances giving rise to such suspension no longer exist, the obligation of such Bank to make Euro-Dollar Loans or to convert outstanding Loans into Euro-Dollar Loans or continue outstanding Loans as Euro-Dollar Loans, shall be suspended. Before giving any notice to the Administrative Agent pursuant to this Section, such Bank shall designate a different Euro-Dollar Lending Office if such designation will avoid the need for giving such notice and will not, in the judgment of such Bank, be otherwise disadvantageous to such Bank. The Borrower hereby agrees to pay the reasonable costs and expenses incurred by such Bank in connection with any such designation. If such Bank shall determine that it may not lawfully continue to maintain and fund any of its outstanding Euro-Dollar Loans to maturity and shall so specify in such notice, the Borrower shall immediately prepay in full the then-outstanding principal amount of each such Euro-Dollar Loan, together with accrued interest thereon. Concurrently with prepaying each such Euro-Dollar Loan, the Borrower shall borrow a Base Rate Loan in an equal principal amount

Attn: Capital Markets Relations  
Phone: (703) ~~467-7402~~[467-1628](tel:467-1628)  
Fax: (703) 467-5178  
Email: [BankingRelations@nrucfc.coop](mailto:BankingRelations@nrucfc.coop)

with a copy to:

National Rural Utilities Cooperative Finance Corporation  
20701 Cooperative Way  
Dulles, Virginia 20166  
Attn: General Counsel  
Phone: (703) ~~467-7404~~[467-1872](tel:467-1872)  
Fax: (703) 467-5651  
[Email: Roberta.Aronson@nrucfc.coop](mailto:Roberta.Aronson@nrucfc.coop)

(x) in the case of the Administrative Agent:

JPMorgan Chase Bank, N.A.  
500 Stanton Christiana Road, ~~Ops-2NCC5~~, Floor ~~031~~  
Newark, DE 19713  
Attn: ~~Ido Yehuda~~  
~~Fax: 302-634-1911~~[Chris Bickert](mailto:Chris.Bickert@chase.com)  
[E-mail: christopher.bickert@chase.com](mailto:christopher.bickert@chase.com)  
Telephone: ~~302-634-1417~~[484-889-2178](tel:484-889-2178)

with a copy to:

JPMorgan Chase Bank, N.A.  
383 Madison Ave, 24<sup>th</sup> Floor  
New York, NY 10079  
Attn: ~~Bridget Killaekey~~[Nancy R. Barwig](mailto:Nancy.R.Barwig@jpmorgan.com)  
~~Fax: 212-270-3308~~  
[E-mail: nancy.r.barwig@jpmorgan.com](mailto:nancy.r.barwig@jpmorgan.com)  
Telephone: ~~212-270-3308~~[972-324-1721](tel:972-324-1721)

(y) in the case of any Bank, at its address, email address or telecopier number set forth in its Administrative Questionnaire or (z) in the case of any other party, such other address, email address or telecopier number as such party may hereafter specify for the purpose by notice to the Administrative Agent and the Borrower. Each such notice, request, direction, consent, approval or other communication shall be effective (i) if given by facsimile transmission or other electronic submission, when such facsimile transmission or other electronic submission is transmitted to the facsimile number or email address specified in this Section and receipt is confirmed or (ii) if given by any other means, when delivered or received at the address specified in this Section; *provided* that (A) notices to the Administrative Agent under Article 2 or Article 8 shall also be confirmed by

(b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

Section 9.09. *Counterparts; Integration.* This Agreement may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

**Delivery of an executed counterpart of a signature page to this Agreement by facsimile or in electronic (i.e., “pdf” or “tif”) format shall be effective as delivery of a manually executed counterpart of this Agreement. The words “execution,” “signed,” “signature,” and words of similar import in this Agreement shall be deemed to include electronic or digital signatures or the keeping of records in electronic form, each of which shall be of the same effect, validity and enforceability as manually executed signatures or a paper-based recordkeeping system, as the case may be, to the extent and as provided for under applicable law, including the Electronic Signatures in Global and National Commerce Act of 2000, the Electronic Signatures and Records Act of 1999, or any other similar state Laws based on the Uniform Electronic Transactions Act.** This Agreement constitutes the entire agreement and understanding among the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof. **Notwithstanding the foregoing, if the Administrative Agent or any Lender reasonably requests a manually executed counterpart, the Company shall deliver such manually executed counterpart.**

Section 9.010. *Several Obligations.* The obligations of the Bank Parties hereunder are several. Neither the failure of any Bank Party to carry out its obligations hereunder nor of this Agreement to be duly authorized, executed and delivery by any Bank Party shall relieve any other Bank Party of its obligations hereunder (or affect the rights hereunder of such other Bank). No Bank Party shall be responsible for the obligations of, or any action taken or omitted by, any other Bank Party hereunder.

Section 9.011. *Severability.* In case any provision in or obligation under this Agreement shall be invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining provisions or obligations, or of such provision or obligation in any other jurisdiction, shall not in any way be affected or impaired thereby.

Section 9.012. *Confidentiality.* The Administrative Agent and each Bank Party represent that they will maintain the confidentiality of any written or oral information provided by or on behalf of the Borrower or any of its Consolidated

Default or other breach, violation, default or noncompliance with the provisions of the Credit Documentation that might otherwise be caused by or be attributable to, the “ICC Transactions” as such term is defined in Schedule 9.15 hereto, and (b) the ICC Transactions, the “ICC Assets,” the “ICC Related Companies” (as such terms are respectively defined in Schedule 9.15 hereto), and the assets, liabilities and operations of the ICC Related Companies (including without limitation any circumstances, events, occurrences, actions or omissions relating to, of or by any of the ICC Related Companies), are hereby excluded from, and shall not be taken into account in applying, interpreting or determining compliance with, the provisions of the Credit Documentation (including without limitation, the definitions, representations, warranties, covenants, agreements, conditions and events of default set forth in the Credit Documentation) and may be excluded from any certifications, notices, reports or statements delivered or to be delivered pursuant to the Credit Documentation. Without limiting the generality of the foregoing, the defined terms “ERISA Group,” “Joint Venture,” “Member” and “Subsidiary,” among others, as used in the Credit Documentation shall not include the ICC Related Companies. Notwithstanding the preceding provisions of this Section 9.15, any new investments in the ICC Related Companies by purchase of equity and/or debt securities, funding (through capital contributions and/or newly originated loans) of working capital or capital expenditure needs of the ICC Related Companies, payment by RTFC (as such term is defined in Schedule 9.15 hereto) or the Borrower of claims of other creditors of the ICC Related Companies, and/or provision of any new guarantees, letters of credit and/or other new credit support or credit enhancement of the debt or other obligations of the ICC Related Companies, in the case of each of the foregoing, made or provided by the Borrower and/or RTFC at any time from December 9, 2008 shall not exceed in the aggregate (but without double-counting any such new investments) \$275,000,000 without the consent of the Required Banks. To the extent that the Credit Documentation provides that any of the ICC Transactions may be implemented if certain advance notice thereof is given, all such conditions or requirements of advance notice shall be deemed to have been complied with and all such notices shall be deemed to have been duly and timely given in accordance with the terms of the Credit Documentation.

Section 9.016. *Acknowledgement and Consent to Bail-In of Affected Financial Institutions*. Notwithstanding anything to the contrary in this Agreement or any other agreement, arrangement or understanding among any such parties, each party hereto acknowledges that any liability of any ~~EEA~~Affected Financial Institution arising under this Agreement may be subject to the Write-Down and Conversion Powers of ~~an EEA~~ Resolution Authority and agrees and consents to, and acknowledges and agrees to be bound by:

- (a) the application of any Write-Down and Conversion Powers by ~~an EEA~~the applicable Resolution Authority to any such liabilities arising hereunder which may be payable to it by any party hereto that is an ~~EEA~~Affected Financial Institution; and

(b) the effects of any Bail-In Action on any such liability, including, if applicable (i) a reduction in full or in part or cancellation of any such liability, (ii) a conversion of all, or a portion of, such liability into shares or other instruments of ownership in such ~~EEA~~Affected Financial Institution, its parent entity, or a bridge institution that may be issued to it or otherwise conferred on it, and that such shares or other instruments of ownership will be accepted by it in lieu of any rights with respect to any such liability under this Agreement or any other ~~Loan~~ Documentagreement, arrangement or understanding among any such parties or (iii) the variation of the terms of such liability in connection with the exercise of the Write-Down and Conversion Powers of ~~any-EEA~~the applicable Resolution Authority.

**[remainder of page intentionally left blank]**

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE  
CORPORATION

By: /s/ ~~J. Andrew Don~~Ling Wang  
Name: ~~J. Andrew Don~~Ling Wang  
Title: Senior Vice President and Chief  
Financial Officer

MUFG ~~BANK, LTD. (F/K/A THE BANK  
OF TOKYO-MITSUBISHI UFJ,  
LTD.)~~BANK, LTD., as a Bank

By: /s/ ~~Robert MacFarlane~~Michael  
Agrimis  
Name: ~~Robert Mac Farlane~~Michael  
Agrimis  
Title: Director

ROYAL BANK OF CANADA

By: /s/ ~~Rahul D. Shah~~ Mark Condon  
Name: ~~Rahul D. Shah~~ Mark Condon  
Title: Authorized Signatory



**SUNTRUST****TRUIST** BANK, as a Lender

By: /s/ **Shannon JuhanJustin Lien**  
Name: **Shannon JuhanJustin Lien**  
Title: Director

*Signature Page to **2023****2025** Facility*

NATIONAL COOPERATIVE SERVICES  
CORPORATION, as a Bank

By: /s/ ~~J. Andrew DonLing~~ Wang  
Name: ~~J. Andrew DonLing~~ Wang  
Title: Senior Vice President and  
Chief Financial Officer

## AGENT SCHEDULE

<b><u>Institution</u></b>	<b><u>Title</u></b>
JPMorgan Chase Bank, N.A.	Administrative Agent
Mizuho Bank, Ltd.	Syndication Agent
<b>MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</b>	<b>Co-Documentation Agent</b>
PNC Bank, National Association	Co-Documentation Agent
The Bank of Nova Scotia	Co-Documentation Agent
Royal Bank of Canada	Co-Documentation Agent

## EXISTING COMMITMENT SCHEDULE

<u>Institution</u>	<u>Commitment Prior to the <del>Fourth</del> <sup>Fifth</sup> Amendment Effective</u>	<u>Loans Outstanding on the <del>Fourth</del> <sup>Fifth</sup> Amendment Effective Date</u>
<b>Bank</b>		\$0
JPMorgan Chase Bank, N.A.	\$ <del>180,000,000.00</del> <sup>15</sup> <u>0,000,000.00</u>	\$0
Mizuho Bank (USA)	\$ <del>187,500,000.00</del> <sup>15</sup> <u>0,000,000.00</u>	\$0
Royal Bank of Canada	\$ <del>187,500,000.00</del> <sup>15</sup> <u>0,000,000.00</u>	\$0
The Bank of Nova Scotia	\$ <del>187,500,000.00</del> <sup>15</sup> <u>0,000,000.00</u>	\$0
MUFG Bank, Ltd. ( <del>f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.</del> )	<del>187,500,000.00</del> <sup>15</sup> <u>0,000,000.00</u>	\$0
KeyBank National Association	\$180,000,000.00	\$0
PNC Bank, National Association	\$150,000,000.00	\$0
US Bank National Association	\$125,000,000.00	\$0
<del>SunTrust</del> <sup>Truist</sup> Bank	\$125,000,000.00	\$0
Regions Bank	\$75,000,000.00	\$0
Apple Bank for Savings	\$ <del>7,500,000.00</del> <sup>5,000,000.00</sup>	\$0
<b>Total:</b>	<del>\$1592,500,000.00</del> <sup>1,</sup> <u>410,00,000.00</u>	\$0

## COMMITMENT SCHEDULE

### Commitment Schedule

<u>Bank</u>	<u>Commitment</u>
JPMorgan Chase Bank, N.A.	\$150,000,000.00
Mizuho Bank, Ltd.	\$150,000,000.00
Royal Bank of Canada	\$150,000,000.00
The Bank of Nova Scotia	\$150,000,000.00
<b>MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)</b>	<b>\$150,000,000.00</b>
KeyBank National Association	\$180,000,000.00
PNC Bank, National Association	\$150,000,000.00
US Bank National Association	\$125,000,000.00
<del>SunTrust</del> <u>Truist</u> Ban	\$125,000,000.00
<u>MUFG Bank, Ltd.</u>	<u>\$100,000,000.00</u>
Regions Bank	\$75,000,000.00
<del>Apple Bank for Savings</del>	<del>\$5,000,000.00</del>
<b>Total:</b>	<b>\$1,410,000,000.00</b> <b>001,355,000.00</b>

## EXISTING LETTERS OF CREDIT

L/C# TFTX-374881 - Deseret Generation & Transmission Cooperative  
Beneficiary: Rockwood Casualty Insurance Company  
Amount: \$~~1,000,000~~2,000,000  
Effective Date: October 16, 2012  
Expiration Date: : ~~November 28, 2018~~December 31, 2021

L/C# SLCLSTL11173 - Allamakee-Clayton Electric Cooperative, Inc.  
Beneficiary: Universal Service Administrative Company  
Amount: \$~~436,080~~1,017,520  
Effective Date: March 18, 2016  
Expiration Date: March 18, ~~2018~~2022

## PRICING SCHEDULE

The “Euro-Dollar Margin”, the “Base Rate Margin” and the “Facility Fee Rate” for the Borrower at any date are the respective percentages set forth below in the applicable row and column based upon the Status of the Borrower that exists on such date.

Status	Level I	Level II	Level III	Level IV	Level V
Euro-Dollar	0.6900%	0.8000%	0.9000%	1.0000%	1.1000%
Base Rate	0%	0%	0%	0%	0.1000%
Facility Fee	0.0600%	0.0750%	0.1000%	0.1250%	0.1500%

For purposes of this Pricing Schedule, the following terms have the following meanings, subject to the concluding paragraph of this Pricing Schedule:

**“Fitch” means Fitch Ratings, Inc.**

“Level I Status” exists at any date if, at such date, the Borrower’s Unsecured Long-Term Debt is rated AA- or higher by S&P-~~or~~, Aa3 or higher by Moody’s or AA- or higher by Fitch.

“Level II Status” exists at any date if, at such date, (i) the Borrower’s Unsecured Long-Term Debt is rated A+ or higher by S&P-~~or~~, A1 or higher by Moody’s or A+ or higher by Fitch, and (ii) Level I Status does not exist.

“Level III Status” exists at any date if, at such date, (i) the Borrower’s Unsecured Long-Term Debt is rated A or higher by S&P-~~or~~, A2 or higher by Moody’s or A or higher by Fitch, and (ii) Level II Status does not exist.

“Level IV Status” exists at any date if, at such date, (i) the Borrower’s Unsecured Long-Term Debt is rated A- or higher by S&P-~~or~~, A3 or higher by Moody’s or A- or higher by Fitch, and (ii) Level III Status does not exist.

“Level V Status” exists at any date if, at such date, neither Level I Status, Level II Status, Level III Status or Level IV Status exists.

“Moody’s” means Moody’s Investors Services, Inc.

“Rating Agencies” means each of S&P-~~and~~, Moody’s and Fitch.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC, or any successor thereto.

“Status” refers to the determination of which of Level I Status, Level II Status, Level III Status, Level IV Status or Level V Status exists at any date.

Pricing Schedule

The credit ratings to be utilized for purposes of this Pricing Schedule are those assigned to the senior unsecured long-term debt securities of the Borrower without third-party credit enhancement (the “**Borrower’s Unsecured Long-Term Debt**”), and any ratings assigned to any other debt security of the Borrower shall be disregarded; *provided* that if at any date there is no such rating assigned by a particular Rating Agency, such Rating Agency’s rating of the Borrower’s Unsecured Long-Term Debt shall be deemed to be one notch below such Rating Agency’s rating of the senior secured debt of the Borrower at such date. In the event that the ~~two~~**three** assigned ratings differ, then ~~the~~**(i) if two of the ratings are higher than the third rating, the** higher rating assigned to the Borrower’s Unsecured Long-Term Debt (after giving effect to the proviso in the first sentence of this paragraph) shall be used, **(ii) if two of the ratings** ~~assigned differ by only one rating (e.g., A+/A2 results in Level II Status). In the event the two assigned ratings differ by more than one are~~ **lower than the third** rating, the **lower** rating ~~below the highest assigned to the Borrower’s Unsecured Long-Term Debt (after giving effect to the proviso in the first sentence of this paragraph) shall be used or~~ **(iii) if all three ratings are different, the intermediate** rating shall be used ~~(e.g., A+/A3 results in Level III Status).~~



## EXHIBIT A

New York, New York \_\_\_\_\_ [DATE]

For value received, National Rural Utilities Cooperative Finance Corporation, a not-for-profit cooperative association incorporated under the laws of the District of Columbia (the “**Borrower**”), promises to pay to the order of [·] (the “**Bank**”), for the account of its Applicable Lending Office, the principal sum of [\$ \_\_\_\_\_](\$ \_\_\_\_\_.), or, if less, the aggregate unpaid principal amount of each Loan and L/C Borrowing made by the Bank to the Borrower pursuant to the Revolving Credit Agreement referred to below on the Maturity Date with respect to such Loan or L/C Borrowing. The Borrower promises to pay interest on the unpaid principal amount of each such Loan and L/C Borrowing on the dates and at the rate or rates provided for in the Revolving Credit Agreement. All such payments of principal and interest shall be made in lawful money of the United States in Federal or other immediately available funds at the office of JPMorgan Chase Bank, N.A., 1111 Fannin St., 10th Floor, Houston, TX 77002, Attn: Leslie Hill.

All Loans and L/C Borrowings made by the Bank, the respective types and maturities thereof and all repayments of the principal thereof shall be recorded by the Bank and, prior to any transfer hereof, appropriate notations to evidence the foregoing information with respect to each such Loan then outstanding may be endorsed by the Bank on the schedule attached hereto, or on a continuation of such schedule attached to and made a part hereof; *provided* that the failure of the Bank to make any such recordation or endorsement shall not affect the obligations of the Borrower hereunder or under the Revolving Credit Agreement.

This note is one of the Notes referred to in that certain Amended and Restated Revolving Credit Agreement, dated as of November 19, 2015, among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank (USA), as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada as Co-Documentation Agents (as the same may be amended, supplemented or otherwise modified, from time to time, in each case, pursuant to the terms and conditions thereof, the “**Revolving Credit Agreement**”). Terms defined in the Revolving Credit Agreement are used herein with the same meanings. Reference is made to the Revolving Credit Agreement for provisions for the prepayment hereof and the acceleration of the maturity hereof. This Note shall be governed by and construed in accordance with the laws of the State of New York.

FORM OF MONEY MARKET QUOTE REQUEST

[Date]

To: JPMorgan Chase Bank, N.A. (the “**Administrative Agent**”)

From: National Rural Utilities Cooperative Finance Corporation (the “**Borrower**”)

Re: Amended and Restated Revolving Credit Agreement, dated as of November 19, 2015, among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank (USA), as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents (as amended, supplemented, or otherwise modified from time to time, in each case, pursuant to the terms and conditions thereof, the “**Revolving Credit Agreement**”)

We hereby give notice pursuant to Section 2.03 of the Revolving Credit Agreement that we request Money Market Quotes for the following proposed Money Market Borrowing(s):

Date of Borrowing: \_\_\_\_\_

*Principal Amount*<sup>1</sup> \_\_\_\_\_ *Interest Period*<sup>2</sup>  
\$

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Terms used herein have the meanings assigned to them in the Revolving Credit Agreement.

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE  
CORPORATION

By: \_\_\_\_\_  
Name:

<sup>1</sup>Amount must be \$10,000,000 or a larger multiple of \$1,000,000.

<sup>2</sup>Any number of whole months (but not less than one month) (LIBOR Auction) or not less than 30 days (Absolute Rate Auction), subject to the provisions of the definition of Interest Period.

**EXHIBIT D**

FORM OF INVITATION FOR MONEY MARKET QUOTES

[Date]

To: [Name of Bank]

Re: Invitation for Money Market Quotes to the National Rural Utilities Cooperative Finance Corporation (the “**Borrower**”)

Pursuant to Section 2.03 of the Amended and Restated Revolving Credit Agreement, dated as of November 19, 2015, among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank (USA), as Syndication Agent, and ~~MUFG Bank, Ltd.(f/k/a The Bank of Tokyo-Mitsubishi-UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents (as amended, supplemented or otherwise modified from time to time, in each case, pursuant to the terms and conditions thereof, the “**Revolving Credit Agreement**”):

Date of Borrowing: \_\_\_\_\_

*Principal Amount*

*Interest Period*

\$

Such Money Market Quotes should offer a Money Market [Margin] [Absolute Rate]. [The applicable base rate is the London Interbank Offered Rate.]

Please respond to this invitation by no later than 9:30 A.M. (New York City time) on [date].

JPMORGAN CHASE BANK, N.A.

By:

Name:

Title: Authorized Officer

[*provided*, that the aggregate principal amount of Money Market Loans for which the above offers may be accepted shall not exceed \$ \_\_\_\_\_.]\*\*

We understand and agree that the offer[s] set forth above [is][are] subject to the satisfaction of the applicable conditions set forth in the Amended and Restated Revolving Credit Agreement, dated as of November 19, 2015, among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank (USA), as Syndication Agent, and **MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)**, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents, as amended, supplemented or otherwise modified from time to time, in each case, pursuant to the terms and conditions thereof.

Very truly yours,

[NAME OF BANK]

By:

Name:

Title: Authorized Officer

Dated:

## EXHIBIT F

### OPINION OF GENERAL COUNSEL OF THE BORROWER

~~November 26~~June 7, 2019~~2021~~

To the Administrative Agent and each of the Banks party to the Revolving Credit Agreement referred to below c/o JPMorgan Chase Bank, N.A. 1111 Fannin Street, 10<sup>th</sup> Floor Houston, TX 77002

Ladies and Gentlemen:

Reference is hereby made to (i) that certain Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 (as amended by the Amendments (defined below), the “**Extended Agreement**”), by and among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank (USA), as successor Syndication Agent, and MUFG Bank, Ltd. ~~(f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents, (ii) that certain Amendment No. 1 dated as of November 18, 2016 (“**Amendment No. 1**”), by and among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank (USA), as Syndication Agent, and MUFG Bank, Ltd. ~~(f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents, (iii) that certain Amendment No. 2 dated as of November 20, 2017 (“**Amendment No. 2**”), by and among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and MUFG Bank, Ltd. ~~(f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents, (iv) that certain Amendment No. 3 dated as of November ~~1828, 2016~~2018 (“**Amendment No. 3**”), by and among the Borrower, the Banks listed on the signature pages thereof, Mizuho Bank, Ltd., as Administrative Agent and Initial Issuing Bank, JPMorgan Chase Bank, N.A., as Syndication Agent, and MUFG Bank, Ltd. ~~(f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents; (v) that certain Amendment No. 4 dated as of November 26, 2019 (“Amendment No. 4”) by and among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank, Ltd., as Syndication Agent, and PNC Bank, National Association, The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents and (v*vi*) that certain Amendment No. 45 dated as of ~~November 26~~June 7, 2019~~2021~~ (“**Amendment No. 45**”), and together with

Amendment No. 1, Amendment No. 2 ~~and~~, Amendment No. 3 and Amendment No. 4, the “**Amendments**”), by and among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank, Ltd., as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia, and Royal Bank of Canada, as Co-Documentation Agents. I, Roberta B. Aronson, General Counsel of the National Rural Utilities Cooperative Finance Corporation (the “**Borrower**”), am delivering this opinion at the request of the Borrower pursuant to Section 7(b) of Amendment No. 45. Terms defined in the Extended Agreement are used herein as therein defined.

I have examined originals or copies, certified or otherwise identified to my satisfaction, of such documents, corporate records, certificates of public officials and other instruments and have conducted such other investigations of fact and law as I have deemed necessary or advisable for purposes of this opinion. This opinion is limited to the laws of the District of Columbia.

Upon the basis of the foregoing, I am of the opinion that:

1. The Borrower is a cooperative association duly incorporated, validly existing and in good standing under the laws of the District of Columbia and has the corporate power and authority and all material governmental licenses, authorizations, consents and approvals required to own its property and assets and to transact the business in which it is engaged. The Borrower is duly qualified or licensed as a foreign corporation in good standing in every jurisdiction in which the nature of the business in which it is engaged makes such qualification or licensing necessary, except in those jurisdictions in which the failure to be so qualified or licensed would not (after qualification, assuming that the Borrower could so qualify without the payment of any fee or penalty and retain its rights as they existed prior to such qualification all to an extent so that any fees or penalties required to be so paid or any rights not so retained would not, individually or in the aggregate, have a material adverse effect on the business or financial position of the Borrower), individually or in the aggregate, have a material adverse effect upon the business or financial position of the Borrower.

2. The Borrower has the corporate power and authority to execute, deliver and carry out the terms and provisions of the Extended Agreement and each of the Notes dated the date hereof (the “**Subject Notes**”). The Extended Agreement and the Subject Notes have been duly and validly authorized, executed and delivered by the Borrower.<sup>1</sup>

<sup>1</sup> The opinion with respect to the enforceability of the Amended and Restated Revolving Credit Agreement under New York law shall be provided by Borrower’s New York counsel, ~~Norton Rose Fulbright US~~ Foley & Lardner LLP, subject to customary assumptions, qualifications and limitations.

**EXHIBIT G**

ASSIGNMENT AND ASSUMPTION AGREEMENT

AGREEMENT dated as of \_\_\_\_\_, 20\_\_ among [ASSIGNOR] (the “**Assignor**”), [ASSIGNEE] (the “**Assignee**”), NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION (the “**Borrower**”) and JPMORGAN CHASE BANK, N.A., as Administrative Agent (the “**Agent**”).

W I T N E S S E T H

WHEREAS, this Assignment and Assumption Agreement (the “**Agreement**”) relates to the Amended and Restated Revolving Credit Agreement, dated as of November 19, 2015 (as amended, supplemented or otherwise modified from time to time, in each case pursuant to the terms and conditions thereof, (the “**Credit Agreement**”), among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank (the “**Agent**”), and Mizuho Bank (USA), as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents.

WHEREAS, as provided under the Credit Agreement, the Assignor has a Commitment to make Loans and/or make or participate in L/C Obligations to the Borrower in an aggregate principal amount at any time outstanding not to exceed \$\_\_;

WHEREAS, Committed Loans and L/C Obligations made to the Borrower by the Assignor under the Credit Agreement in the aggregate principal amount of \$\_\_ are outstanding at the date hereof; and

WHEREAS, the Assignor proposes to assign to the Assignee all of the rights of the Assignor under the Credit Agreement in respect of a portion of its Commitment thereunder in an amount equal to \$\_\_ (the “**Assigned Amount**”), together with a corresponding portion of its outstanding Committed Loans and/or L/C Obligations, and the Assignee proposes to accept assignment of such rights and assume the corresponding obligations from the Assignor on such terms;

NOW, THEREFORE, in consideration of the foregoing and the mutual agreements contained herein, the parties hereto agree as follows:

SECTION 1. *Definitions.* All capitalized terms not otherwise defined herein shall have the respective meanings set forth in the Credit Agreement.

SECTION 2. *Assignment.* The Assignor hereby assigns and sells to the Assignee all of the rights of the Assignor under the Credit Agreement to the extent of the Assigned Amount, and the Assignee hereby accepts such assignment

[FORM OF]

U.S. TAX CERTIFICATE

(For Non-U.S. Bank Parties That Are Not Partnerships For U.S. Federal  
Income Tax Purposes)

Reference is hereby made to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 (as amended, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank (USA), as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a member of Borrower, it does not exercise voting power over Borrower and is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code and (v) the interest payments in question are not effectively connected with the undersigned’s conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrower with a certificate of its non-U.S. person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF BANK PARTY]

By: \_\_\_\_\_  
Name:  
Title:



## [FORM OF]

## U.S. TAX CERTIFICATE

## (For Non-U.S. Bank Parties That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 (as amended, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank (USA), as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its direct or indirect partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), with respect to the extension of credit pursuant to this Credit Agreement, neither the undersigned nor any of its direct or indirect partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its direct or indirect partners/members is a member of Borrower, exercise voting power over Borrower or otherwise is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned’s or its direct or indirect partners/members’ conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrower with IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrower and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrower and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

[FORM OF]

U.S. TAX CERTIFICATE

(For Non-U.S. Participants That Are Not Partnerships For U.S. Federal  
Income Tax Purposes)

Reference is hereby made to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 (as amended, supplemented or otherwise modified from time to time, the "*Credit Agreement*"), among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank (USA), as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (v) the interest payments in question are not effectively connected with the undersigned's conduct of a U.S. trade or business.

The undersigned has furnished its participating Bank with a certificate of its non-U.S. person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Bank in writing and (2) the undersigned shall have at all times furnished such Bank with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.  
[NAME OF PARTICIPANT]

By: \_\_\_\_\_  
Name:  
Title:

Date: \_\_\_\_\_, 20[ ]

[FORM OF]

U.S. TAX CERTIFICATE

(For Non-U.S. Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Revolving Credit Agreement dated as of November 19, 2015 (as amended, supplemented or otherwise modified from time to time, the “*Credit Agreement*”), among the Borrower, the Banks listed on the signature pages thereof, JPMorgan Chase Bank, N.A., as Administrative Agent and Initial Issuing Bank, Mizuho Bank (USA), as Syndication Agent, and ~~MUFG Bank, Ltd. (f/k/a The Bank of Tokyo-Mitsubishi UFJ, Ltd.)~~, PNC Bank, National Association, The Bank of Nova Scotia and Royal Bank of Canada, as Co-Documentation Agents.

Pursuant to the provisions of Section 2.16 of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its partners/members is a ten percent shareholder of the Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a controlled foreign corporation related to the Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned’s or its partners/members’ conduct of a U.S. trade or business.

The undersigned has furnished its participating Bank with IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Bank and the undersigned shall have at all times furnished such Bank with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By:

**THIRD AMENDED AND RESTATED  
FIRST SUPPLEMENTAL NOTE PURCHASE AGREEMENT**

THIRD AMENDED AND RESTATED FIRST SUPPLEMENTAL NOTE PURCHASE AGREEMENT, dated as of May 20, 2021 (this "Supplemental Note Purchase Agreement"), among Farmer Mac Mortgage Securities Corporation (the "Purchaser"), a wholly owned subsidiary of FEDERAL AGRICULTURAL MORTGAGE CORPORATION, a federally-chartered instrumentality of the United States and an institution of the Farm Credit System ("Farmer Mac" or the "Guarantor"); NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, a cooperative association existing under the laws of the District of Columbia ("National Rural"); and Farmer Mac, as Guarantor.

RECITALS

WHEREAS National Rural, the Purchaser and the Guarantor have heretofore executed and delivered the Amended and Restated Master Note Purchase Agreement dated as of March 24, 2011, among National Rural, the Purchaser and the Guarantor (the "Master Agreement");

WHEREAS, pursuant to the Master Agreement, National Rural, the Purchaser and the Guarantor entered into the First Supplemental Note Purchase Agreement dated as of March 24, 2011, the Amended and Restated First Supplemental Note Purchase Agreement dated as of January 8, 2015, and the Second Amended and Restated First Supplemental Note Purchase Agreement dated as of February 26, 2018 (collectively, the "Amended Supplement"), providing for the terms of a series of Notes issued by National Rural and purchased by the Purchaser; and

WHEREAS, the parties wish to amend and restate the Amended Supplement, as provided herein.

NOW, THEREFORE, in consideration of the mutual agreements herein contained, Farmer Mac, the Purchaser and National Rural agree as follows:

1. Capitalized Terms. Capitalized terms used herein without definition shall have the meanings assigned to them in the Master Agreement.

2. Title of Series. The Pricing Agreement for any Notes and each such Note issued hereunder on or after the date hereof may identify the name (if any name is designated) of such series of Notes. Failure to make a notation of the name of a series within any Pricing Agreement or on the applicable Note shall not affect the validity and effect of such Note.

3. Purchase of Notes. The parties agree that the Purchaser may purchase Notes, at 100% of their principal amount and on terms and conditions acceptable to each of Purchaser and National Rural, from time to time during the Draw Period, as requested by National Rural by written notice by electronic mail to Farmer Mac at such email address as designated by Farmer Mac to National Rural by written

notice by electronic mail from time to time, or such other address as may be provided in writing (each, a “Notice of Borrowing”), in an aggregate principal amount, for all Notes issued prior to the date hereof or to be issued under this Supplemental Note Purchase Agreement at any one time, not in excess of the Maximum Purchase Amount, subject to the conditions set forth in the Master Agreement.

For purposes hereof, “Draw Period” means the period from the date hereof through June 30, 2026; provided, however, on June 30<sup>th</sup> of each year beginning June 30, 2025, the Draw Period shall be deemed automatically extended for one (1) additional year without further action, unless at least sixty (60) days prior to any such anniversary date, Farmer Mac or the Purchaser provides National Rural with written notice that the Draw Period will not be extended beyond the then-remaining term.

Further for purposes hereof, “Maximum Purchase Amount” means \$5.5 billion.

National Rural may borrow, repay (subject to the terms of the applicable Notes being repaid) and reborrow funds at any time or from time to time during the Draw Period. Each borrowing under this Supplemental Note Purchase Agreement (or, in the case of Notes issued prior to the date hereof, the applicable Original Note Purchase Agreement and/or Amended Supplement) shall be made in accordance with the Note applicable thereto.

Each advance under this Supplemental Note Purchase Agreement shall be disbursed in such increments as agreed upon by the parties in the applicable Pricing Agreement.

4. Amendment and Restatement. This Supplemental Note Purchase Agreement amends and restates in its entirety all of the terms, conditions and provisions of the Amended Supplement.

5. GOVERNING LAW. EXCEPT AS SET FORTH IN SECTION 9.01 OF THE MASTER AGREEMENT, THIS Supplemental Note Purchase AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, FEDERAL LAW. TO THE EXTENT FEDERAL LAW INCORPORATES STATE LAW, THAT STATE LAW SHALL BE THE LAWS OF THE DISTRICT OF COLUMBIA APPLICABLE TO CONTRACTS MADE AND PERFORMED THEREIN.

6. Counterparts; Electronic Signature. This Supplemental Note Purchase Agreement may be executed in two or more counterparts, each of which shall be an original, but all of which together shall constitute one and the same instrument. The word “execution” and words of like import in this Supplemental Note Purchase Agreement shall be deemed to include electronic signatures or electronic records, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law, including the Federal Electronic Signatures in Global and National Commerce Act or any other similar state laws based on the Uniform Electronic Transactions Act.

7. Inconsistency. In the event of any inconsistency between the terms of this Supplemental Note Purchase Agreement and the Master Agreement, the terms of this Supplemental Note Purchase Agreement shall apply.

IN WITNESS WHEREOF, each party hereto has caused this Supplemental Note Purchase Agreement to be executed by an authorized officer as of the day and year first above written.

FARMER MAC MORTGAGE SECURITIES  
CORPORATION

By: /s/ ZACHARY CARPENTER  
Name: Zachary Carpenter  
Title: Executive Vice President - Chief  
Business Officer

FEDERAL AGRICULTURAL MORTGAGE  
CORPORATION

By: /s/ ZACHARY CARPENTER  
Name: Zachary Carpenter  
Title: Executive Vice President - Chief  
Business Officer

NATIONAL RURAL UTILITIES  
COOPERATIVE FINANCE CORPORATION

By: /s/ LING WANG  
Name: Ling Wang  
Title: Senior Vice President and  
Chief Financial Officer

[Remainder of page intentionally left blank]

**Consent of Independent Registered Public Accounting Firm**

The Board of Directors  
National Rural Utilities Cooperative Finance Corporation:

We consent to the incorporation by reference in the registration statements (No. 333-230569 and No. 333-249702) on Form S-3 of National Rural Utilities Cooperative Finance Corporation of our report dated July 30, 2021, with respect to the consolidated balance sheets of National Rural Utilities Cooperative Finance Corporation as of May 31, 2021 and 2020, the related consolidated statements of operations, comprehensive income (loss), changes in equity, and cash flows for each of the years in the three-year period ended May 31, 2021, and the related notes, which report appears in the May 31, 2021 Annual Report on Form 10-K of National Rural Utilities Cooperative Finance Corporation.

/s/ KPMG LLP

McLean, Virginia  
July 30, 2021

**National Rural Utilities Cooperative Finance Corporation**  
**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**  
**(18 U.S.C. Section 1350)**

I, J. Andrew Don, certify that:

1. I have reviewed this report on Form 10-K of National Rural Utilities Cooperative Finance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors:
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2021

By: /s/ J. ANDREW DON

J. Andrew Don

Chief Executive Officer

A signed original of this written statement required by Section 302 has been provided to National Rural Utilities Cooperative Finance Corporation and will be retained by National Rural Utilities Cooperative Finance Corporation and furnished to the Securities and Exchange Commission or its staff upon request.



**National Rural Utilities Cooperative Finance Corporation**  
**Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**  
**(18 U.S.C. Section 1350)**

I, Yu Ling Wang, certify that:

1. I have reviewed this report on Form 10-K of National Rural Utilities Cooperative Finance Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and we have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the Audit Committee of the registrant's board of directors:
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: July 30, 2021

By:           /s/ YU LING WANG            
Yu Ling Wang  
Chief Financial Officer

A signed original of this written statement required by Section 302 has been provided to National Rural Utilities Cooperative Finance Corporation and will be retained by National Rural Utilities Cooperative Finance Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**National Rural Utilities Cooperative Finance Corporation**  
**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(18 U.S.C. Section 1350)**

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), I, the Chief Executive Officer of National Rural Utilities Cooperative Finance Corporation (“CFC”), hereby certify to the best of my knowledge as follows:

1. CFC’s Annual Report on Form 10-K for the fiscal year ended May 31, 2021 filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CFC.

Date: July 30, 2021

By:           /s/ J. ANDREW DON            
J. Andrew Don  
Chief Executive Officer

A signed original of this written statement required by Section 906 has been provided to National Rural Utilities Cooperative Finance Corporation and will be retained by National Rural Utilities Cooperative Finance Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

**National Rural Utilities Cooperative Finance Corporation**  
**Certification Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**  
**(18 U.S.C. Section 1350)**

Pursuant to the requirements of Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. Sections 1350(a) and (b)), I, the Chief Financial Officer of National Rural Utilities Cooperative Finance Corporation (“CFC”), hereby certify to the best of my knowledge as follows:

1. CFC’s Annual Report on Form 10-K for the fiscal year ended May 31, 2021 filed with the Securities and Exchange Commission (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of CFC.

Date: July 30, 2021

By:           /s/ YU LING WANG          

Yu Ling Wang

Chief Financial Officer

A signed original of this written statement required by Section 906 has been provided to National Rural Utilities Cooperative Finance Corporation and will be retained by National Rural Utilities Cooperative Finance Corporation and furnished to the Securities and Exchange Commission or its staff upon request.