UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended February 28, 2025

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	**52-0891669**
(State or other jurisdiction of incorporation or organization)	(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:

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

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, a 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 Section13(a) of the Exchange Act. ☐

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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PART I—FINANCIAL INFORMATION

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A")

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2025 ("this Report") 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, and the factors listed and described under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended May 31, 2024 ("2024 Form 10-K"), as well as any risk factors identified under "Part II—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.

INTRODUCTION

As of February 28, 2025, our financial statements included the consolidated accounts of National Rural Utilities Cooperative Finance Corporation ("CFC") and National Cooperative Services Corporation ("NCSC"). On December 1, 2023, Rural Telephone Finance Cooperative ("RTFC"), which was consolidated into our financial statements in prior periods, completed the sale of its business to NCSC (hereon referred to as the "RTFC sale transaction") and was subsequently dissolved. See "Note 1—Summary of Significant Accounting Policies" in our 2024 Form 10-K for additional information on the RTFC sale transaction.

CFC is a member-owned, nonprofit finance cooperative association with a principal purpose of providing financing to its members 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 and associates with credit enhancements in the form of letters of credit and guarantees of debt obligations. As a Section 501(c)(4) tax-exempt, member-owned cooperative, CFC's objective is not to maximize profit, but rather to offer members cost-based financial products and services. 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, while also generating sufficient earnings to cover interest owed on our debt obligations and achieve certain financial target goals.

CFC's primary funding sources consist of a combination of public and private issuances of debt securities, member investments and retained equity. As a tax-exempt cooperative, CFC cannot issue equity securities as a source of funding.

NCSC is a member-owned taxable cooperative that is permitted to provide financing to two types of members: NCSC electric and NCSC telecommunication. NCSC electric members and associates consist of members of CFC, entities eligible to be members of CFC, government or quasi-government entities that own electric utility systems that meet the Rural Electrification Act definition of "rural," and for-profit and nonprofit entities that are owned, operated or controlled by, or provide significant benefits to certain members of CFC. NCSC telecommunication ("telecom") members and associates consist of rural telecommunications members and their affiliates.

Cooperative Securities LLC ("Cooperative Securities") is a limited liability company and a wholly-owned subsidiary of NCSC. Cooperative Securities is a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC"), and is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Cooperative Securities provides institutional debt placement services, which may include advising, arranging and structuring private debt financing transactions, for NCSC's members, and for-profit and not-for-profit entities that are owned, operated or controlled by, or provide a significant benefit to certain rural utility providers.

See "Item 1. Business" in our 2024 Form 10-K for additional information on the business structure, mission, principal purpose, members and core business activities of each of these entities. 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.

The following MD&A is intended to enhance the understanding of our consolidated financial statements by providing 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. Management monitors a variety of key indicators and metrics to evaluate our business performance. We discuss these key measures and factors influencing changes from period to period. Our MD&A is provided as a supplement to, and should be read in conjunction with, the unaudited consolidated financial statements included in this Report, our audited consolidated financial statements and related notes for the fiscal year ended May 31, 2024 ("fiscal year 2024") included in our 2024 Form 10-K and additional information, including the risk factors discussed under "Item 1A. Risk Factors," contained in our 2024 Form 10-K, as well as additional information contained elsewhere in this Report.

Our fiscal year begins on June 1 and ends on May 31. References to "Q3 FY2025" and "YTD FY2025" refer to three and nine months ended February 28, 2025, respectively. References to "Q3 FY2024" and "YTD FY2024" refer to three and nine months ended February 29, 2024, respectively.

Non-GAAP Financial Measures

Our reported financial results are determined in conformity with generally accepted accounting principles in the United States ("U.S. GAAP") and are subject to period-to-period volatility 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, therefore we use derivatives, primarily interest rate swaps, 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. The majority of our derivative portfolio consists of pay-fixed swaps with longer maturities, leading to 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.

Therefore, management uses non-GAAP financial measures, which we refer to as "adjusted" measures, to evaluate financial performance. Our key non-GAAP financial measures are adjusted net income, adjusted net interest income, adjusted interest expense, adjusted net interest yield, adjusted times interest earned ratio ("TIER"), adjusted debt-to-equity ratio and members' equity. The most comparable U.S. GAAP financial measures are net income, net interest income, interest expense, net interest yield, TIER, debt-to-equity ratio and CFC equity, respectively. The primary adjustments we make to calculate these non-GAAP financial measures consist of (i) adjusting interest expense and net interest income to include the impact of net periodic derivative cash settlements income (expense) amounts; (ii) adjusting net income and total equity to exclude the non-cash impact of the accounting for derivative financial instruments; (iii) adjusting total debt outstanding to exclude members' subordinated certificates and 50% of the subordinated deferrable debt; (iv) adjusting total equity to include members' subordinated certificates and 50% of the subordinated deferrable debt, and exclude cumulative derivative forward value gains and losses and the amounts of accumulated other comprehensive income (loss) ("AOCI"); and (v) adjusting CFC equity to exclude derivative forward value gains and losses and AOCI.

We believe our non-GAAP financial measures, which should not be considered in isolation or as a substitute for measures determined in conformity with U.S. GAAP, 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 financial measures, as the forward fair value gains and losses related to our interest rate swaps that are excluded from our non-GAAP financial measures do not affect our cash flows, liquidity or ability to service our debt. Our non-GAAP financial measures may not be comparable to similarly titled measures reported by other companies due to differences in the way these measures are calculated. We provide a reconciliation of our non-GAAP adjusted measures to the most directly comparable U.S. GAAP measures in the section "Non-GAAP Financial Measures and Reconciliations."

EXECUTIVE SUMMARY

Reported Results

Net Income and TIER

The table below shows our net income and TIER for the periods presented and the variance between these periods. We provide a more detailed discussion of our reported results under the section "Consolidated Results of Operations."

Table 1: Net Income and TIER

(Dollars in thousands)	Q3 FY2025	Q3 FY2024	Change	YTD FY2025	YTD FY2024	Change
Net income	**$ 86,136**	$ 31,189	$ 54,947	**$ 66,613**	$ 407,508	$ (340,895)
TIER[1]	**1.24**	1.09	0.15	**1.06**	1.41	(0.35)

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

Q3 FY2025 versus Q3 FY2024

The increase in net income was primarily driven by:

- A shift to gains from losses recorded on our derivatives portfolio of $59 million, primarily attributable to increases in the longer-term swap interest rates during Q3 FY2025. In comparison, the interest rates across the entire swap curve decreased during Q3 FY2024;
- An increase in net interest income of $2 million, driven primarily by an increase in average interest-earning assets of $1,461 million, or 4%; and
- An increase in fee and other income of $1 million;

Partially offset by:

- A decrease in gains recorded on our investment securities portfolio of approximately $4 million, primarily due to period-to-period market fluctuations in fair value; and
- An increase in operating and other expenses of $3 million.

We recorded a benefit for credit losses of $6 million for both Q3 FY2025 and Q3 FY2024, primarily attributable to a reduction in the asset-specific allowance for a nonperforming CFC power supply loan due to increases in the expected payments on the loan for both periods.

The increase in TIER for Q3 FY2025, compared with Q3 FY2024, was primarily driven by an increase in net income attributable to our derivative portfolio forward value change as discussed above.

YTD FY2025 versus YTD FY2024

The decrease in net income was primarily driven by:

- A shift to losses from gains recorded on our derivatives portfolio of $327 million, primarily attributable to decreases in interest rates across the swap curve, with the exception of the 30-year swap rate which increased slightly during YTD FY2025. In comparison, the medium- and longer-term swap interest rates increased during YTD FY2024;
- An increase in operating and other expenses of $11 million;
- A decrease in gains recorded on our investment securities of $2 million, primarily due to period-to-period market fluctuations in fair value;
- A reduction in the benefit for credit losses of $1 million. The recorded benefit for credit losses of $4 million and $5 million for YTD FY2025 and YTD FY2024, respectively, was primarily due to a decrease in the asset specific allowance for a nonperforming CFC power supply loan attributable to increases in the expected payments on the loan, partially offset by an increase in the collective allowance due to loan portfolio growth for both periods; and
- A decrease in net interest income of $1 million, driven by a decrease in the net interest yield of 4 basis points, or 5%, to 0.72%, partially offset by an increase in average interest-earning assets of $1,669 million, or 5%;

Partially offset by:

- An increase in fee and other income of $1 million.

The decrease in TIER for YTD FY2025, compared with YTD FY2024, was driven by the combined impact of a decrease in net income primarily attributable to our derivative portfolio forward value change as discussed above and an increased interest expense during YTD FY2025.

Debt-to-Equity Ratio

The debt-to-equity ratio was 11.31 and 10.86 as of February 28, 2025 and May 31, 2024, respectively. The increase in the debt-to-equity ratio during YTD FY2025 was due to an increase in debt to fund loan growth, partially offset by an increase in total equity. The increase in total equity was primarily driven by our reported net income of $67 million for YTD FY2025, partially offset by the CFC Board of Directors' authorized patronage capital retirement of $47 million in July 2024.

Non-GAAP Adjusted Results

Adjusted Net Income and Adjusted TIER

The table below shows our adjusted net income and adjusted TIER for the periods presented and the variance between these periods. Our financial goals focus on earning an annual minimum adjusted TIER of 1.10. We provide a more detailed discussion of our non-GAAP adjusted results under the section "Consolidated Results of Operations."

Table 2: Adjusted Net Income and Adjusted TIER

(Dollars in thousands)	Q3 FY2025	Q3 FY2024	Change	YTD FY2025	YTD FY2024	Change
Adjusted Net income	**$ 66,303**	$ 88,006	$ (21,703)	**$ 194,534**	$ 224,136	$ (29,602)
Adjusted TIER	**1.19**	1.29	(0.10)	**1.20**	1.25	(0.05)

Q3 FY2025 versus Q3 FY2024

The decrease in adjusted net income was primarily driven by:

- A decrease in adjusted net interest income of $16 million, driven by a decrease in the adjusted net interest yield of 21 basis points, or 18%, to 0.97%, partially offset by an increase in average interest-earning assets of $1,461 million, or 4%;
- A decrease in gains recorded on our investment securities portfolio of approximately $4 million; and
- An increase in operating and other expenses of approximately $3 million.

Partially offset by:

- An increase in fee and other income of $1 million.

YTD FY2025 versus YTD FY2024

The decrease in adjusted net income was primarily driven by:

- A decrease in adjusted net interest income of approximately $17 million, driven by a decrease in the adjusted net interest yield of 11 basis points, or 10%, to 1.02%, partially offset by an increase in average interest-earning assets of $1,669 million, or 5%;
- An increase in operating and other expenses of $11 million;
- A decrease in gains recorded on our investment securities of $2 million; and
- A reduction in the benefit for credit losses of $1 million;

Partially offset by:

- An increase in fee and other income of $1 million.

The decreases in adjusted TIER for Q3 FY2025 and YTD FY2025, compared with Q3 FY2024 and YTD FY2024, were primarily driven by increased adjusted interest expense during both Q3 FY2025 and YTD FY2025.

Adjusted Debt-to-Equity Ratio

Our financial goals focus on maintaining an adjusted debt-to-equity ratio at approximately 8.5-to-1 or below. The adjusted debt-to-equity ratio was 7.37 and 7.27 as of February 28, 2025 and May 31, 2024, respectively. The increase in the adjusted debt-to-equity ratio during YTD FY2025 was due to an increase in adjusted total debt outstanding resulting from additional borrowings to fund growth in our loan portfolio, partially offset by an increase in adjusted total equity. The increase in adjusted total equity was primarily due to our adjusted net income of $195 million for YTD FY2025, partially offset by a decrease in equity of $47 million attributable to the CFC Board of Directors' authorized patronage capital retirement in July 2024, as discussed above.

We provide a more detailed discussion of the methodology for calculating the adjusted debt-to-equity ratio and a reconciliation of our non-GAAP adjusted measures to the most directly comparable U.S. GAAP measures under the section "Non-GAAP Financial Measures and Reconciliations" in this Report.

Lending and Credit Quality

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 electric and NCSC telecom.

Loans to members totaled $36,479 million as of February 28, 2025, an increase of $1,937 million, or 6%, from May 31, 2024, reflecting net increases in long-term and line of credit loans of $774 million and $1,163 million, respectively. Of the increase in line of credit loans, 60% was attributable to borrowings under emergency line of credit loans by our members primarily for recovery cost for Hurricane Helene, which impacted the Southeastern United States in September 2024, and the remaining 40% was primarily attributable to funding provided for member working capital and capital expenditures requirements. Our loan portfolio composition remained largely unchanged from May 31, 2024 with 79% of loans outstanding to CFC distribution borrowers, 16% to CFC power supply borrowers, 3% to NCSC electric borrowers, 2% to NCSC telecom borrowers as of February 28, 2025.

The overall credit quality of our loan portfolio remained strong as of February 28, 2025. We had no loan charge-offs during YTD FY2025 and YTD FY2024. We recorded $1 million in net loan recoveries to previously charged-off loan amounts during YTD FY2024.

We had one loan totaling $42 million and $49 million classified as nonperforming as of February 28, 2025 and May 31, 2024, respectively. In March 2025, we received a $16 million payment on this nonperforming loan which reduced its outstanding balance to $26 million as of the date of this Report.

Our allowance for credit losses and allowance coverage ratio was approximately $44 million and 0.12%, respectively, as of February 28, 2025, compared with $49 million and 0.14%, respectively, as of May 31, 2024. The decrease in the allowance for credit losses reflected a reduction in the asset-specific allowance of $7 million attributable to an increase in the expected payments on a nonperforming CFC power supply loan, partially offset by an increase in the collective allowance of $3 million during YTD FY2025 primarily due to loan portfolio growth.

Financing and Liquidity

Total debt outstanding increased $1,559 million, or 5%, to $34,278 million as of February 28, 2025, primarily due to borrowings to fund the increase in loans to members. During YTD FY2025, we issued:

- Unsecured long-term dealer medium-term notes totaling approximately $2,400 million, of which $1,800 million was at a weighted average fixed interest rate of 4.65% with an average term of four years and $600 million was at floating interest rates with an average term of two years; and
- Secured long-term debt totaling $1,150 million at a weighted average fixed interest rate of 4.87% with an average term of 16 years.

In addition, during YTD FY2025, we also settled $300 million collateral trust bonds at a fixed rate of 5.23% with weighted average term of 13.3 years in a private placement transaction and issued a total of $35 million of 30-year subordinated deferrable interest notes (“subordinated notes”) under a new subordinated debt program that was launched in November 2024. Outstanding dealer commercial paper was $1,258 million as of February 28, 2025.

During YTD FY2025, Moody’s Investors Service (“Moody’s”), Fitch Ratings (“Fitch”) and S&P Global Inc.(“S&P”) affirmed CFC’s credit ratings and stable outlook.

Our available liquidity consists of cash and cash equivalents, investments in debt securities, availability under committed bank revolving line of credit agreements, committed loan facilities under the USDA Guaranteed Underwriter Program (“Guaranteed Underwriter Program”), and a revolving note purchase agreement with the Federal Agricultural Mortgage Corporation (“Farmer Mac”). As of February 28, 2025, our available liquidity totaled $7,737 million and was $414 million in excess of our total scheduled debt obligations over the next 12 months of $7,323 million. In addition to our existing available liquidity, we expect to receive $1,672 million from scheduled long-term loan principal payments over the next 12 months.

We believe we can continue to roll over our member short-term investments of $2,978 million based on our expectation that our members will continue to reinvest their excess cash primarily in short-term investment products offered by CFC. Our members historically have maintained a relatively stable level of short-term investments in CFC. Member short-term investments in CFC have averaged $3,452 million over the last 12 fiscal quarter-end reporting periods. Our available liquidity as of February 28, 2025 was $3,392 million in excess of, or 1.8 times over, our total $4,345 million scheduled debt obligations over the next 12 months, excluding member short-term investments.

Outlook

Macroeconomic Outlook

Following its meeting held in March 2025, the Federal Open Market Committee ("FOMC") of the Federal Reserve kept its target for the federal funds rate unchanged at a range of 4.25% - 4.50%. The FOMC reiterated that (i) the U.S. economy continues to expand at a solid pace, (ii) the unemployment rate has stabilized at a low level, and (iii) inflation remains somewhat elevated. The Federal Reserve's current median projection for gross domestic product ("GDP") annual growth rate in 2025 is 1.7%. Its median projection for Personal Consumption Expenditures ("PCE") inflation in 2025 is at 2.7%, and for U.S. unemployment in 2025 is 4.4%. While the FOMC has signaled that further rate cuts remain on the table, it continues to emphasize a cautious approach, closely monitoring labor market conditions and inflation trends. In March 2025, federal funds futures markets anticipated two additional rate cuts in 2025, totaling 50 basis points, which would bring the target rate range to 3.75% - 4.00% by the end of 2025. Market expectations for interest rates continue to trend lower across the yield curve, with shorter-term rates expected to decline faster than longer-term rates, and for long-term rates to remain largely elevated. The U.S Treasury yield curve remains normalized overall and is expected to further steepen throughout 2025, though the curve is again inverted for tenors shorter than 2-years.

Projected Reported Results

Based on our current forecast assumptions, including the yield curve forecast noted above, we project increases in our reported net interest income and net interest yield over the next 12 months compared with the 12-month period ended February 28, 2025. See "Market Risk—Interest Rate Risk Assessment" in this Report for an additional discussion.

Projected Non-GAAP Adjusted Results

Based on our current forecast assumptions, including the yield curve forecast noted above, we project:

- An increase in our adjusted net interest income over the next 12 months relative to the 12-month period ended February 28, 2025, primarily driven by an increase in interest-earning assets due to projected loan growth.
- A decrease in adjusted net interest yield over the next 12 months, primarily due to the current yield curve assumptions and our interest-earning assets, primarily lines of credit, repricing faster than our interest-bearing liabilities combined with the impact of lower cost debt maturing in the near term, which will need to be refinanced at a relatively higher interest rate. See "Market Risk—Interest Rate Risk Assessment" in this Report for an additional discussion.
- Decreases in our adjusted net income and adjusted TIER over the next 12 months, primarily attributable to increases in projected adjusted interest expense and operating expenses.
- Our adjusted debt-to-equity ratio is expected to stay slightly above our current level of 7.37 as of February 28, 2025, primarily due to the projected increase in total debt outstanding to fund anticipated growth in our loan portfolio.

As stated above, we exclude the impact of unrealized derivative forward fair value gains and losses from our non-GAAP financial measures. As the majority of our swaps are long-term with an average remaining life of approximately 14 years as of February 28, 2025, the unrealized periodic derivative forward value gains and losses are largely based on future expected changes in longer-term interest rates, which we are unable to accurately predict for each reporting period over the next 12 months. Due to the difficulty in predicting these unrealized amounts, we are unable to provide without unreasonable effort a reconciliation of our forward-looking adjusted financial measures to the most directly comparable GAAP financial measures.

Projected Loan Portfolio

As further described below in the “Liquidity Risk—Projected Near-Term Sources and Uses of Funds” section, we currently anticipate net long-term loan growth of $1,508 million over the next 12 months. We also expect that our variable-rate line of credit loans outstanding will increase over the same period.

CONSOLIDATED RESULTS OF OPERATIONS

This section provides a comparative discussion of our consolidated results of operations between Q3 FY2025 and Q3 FY2024, and between YTD FY2025 and YTD FY2024. Following this section, we provide a discussion and analysis of material changes between amounts reported on our consolidated balance sheets as of February 28, 2025 and May 31, 2024. You should read these sections together with our “Executive Summary—Outlook” in this Report where we discuss trends and other factors that we expect will affect our future results of operations.

Net Interest Income

Net interest income, which is our largest source of revenue, represents the difference between the interest income earned on our interest-earning assets 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 3 presents average balances 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 3 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 financial measures to the most comparable U.S. GAAP financial measures under the section “Non-GAAP Financial Measures and Reconciliations” in this Report.

Table 3: Average Balances, Interest Income/Interest Expense and Average Yield/Cost

	Q3 FY2025			Q3 FY2024		
(Dollars in thousands)	Average Balance	Interest Income/ Expense	Average Yield/Cost	Average Balance	Interest Income/ Expense	Average Yield/Cost
Assets:						
Long-term fixed-rate loans[1]	**$30,953,865**	**$ 347,021**	**4.55 %**	$29,833,708	$ 324,528	4.38 %
Long-term variable-rate loans	**889,537**	**13,699**	**6.25**	860,320	15,296	7.15
Line of credit loans	**4,404,359**	**65,998**	**6.08**	3,562,227	62,298	7.03
Other, net[2]	**—**	**(502)**	**—**	—	(431)	—
Total loans	**36,247,761**	**426,216**	**4.77**	34,256,255	401,691	4.72
Cash, time deposits and investment securities	**380,206**	**2,644**	**2.82**	910,430	10,144	4.48
Total interest-earning assets	**$36,627,967**	**$ 428,860**	**4.75 %**	$35,166,685	$ 411,835	4.71 %
Other assets, less allowance for credit losses[3]	**1,237,658**			1,160,625		
Total assets[3]	**$37,865,625**			$36,327,310		
Liabilities:						
Commercial paper	**$ 2,752,959**	**$ 32,073**	**4.72 %**	$ 3,051,437	$ 42,348	5.58 %
Other short-term borrowings	**1,583,025**	**16,923**	**4.34**	1,637,296	21,682	5.33
Short-term borrowings[4]	**4,335,984**	**48,996**	**4.58**	4,688,733	64,030	5.49
Medium-term notes	**10,416,775**	**122,412**	**4.77**	7,968,782	84,224	4.25
Collateral trust bonds[5]	**7,029,299**	**70,000**	**4.04**	7,069,156	67,561	3.84
Guaranteed Underwriter Program notes payable	**6,267,281**	**50,503**	**3.27**	6,869,399	54,962	3.22
Farmer Mac notes payable	**3,578,692**	**35,373**	**4.01**	3,894,223	42,497	4.39
Other notes payable	**5,579**	**71**	**5.16**	2,112	28	5.33
Subordinated deferrable debt	**1,314,467**	**21,449**	**6.62**	1,209,070	20,411	6.79
Subordinated certificates	**1,188,408**	**13,114**	**4.48**	1,201,360	13,306	4.45
Total interest-bearing liabilities	**$34,136,485**	**$ 361,918**	**4.30 %**	$32,902,835	$ 347,019	4.24 %
Other liabilities[3]	**733,390**			544,225		
Total liabilities[3]	**34,869,875**			33,447,060		
Total equity[3]	**2,995,750**			2,880,250		
Total liabilities and equity[3]	**$37,865,625**			$36,327,310		
Net interest spread[6]			**0.45 %**			0.47 %
Impact of non-interest bearing funding[7]			**0.29**			0.27
Net interest income/net interest yield[8]		**$ 66,942**	**0.74 %**		$ 64,816	0.74 %
Adjusted net interest income/adjusted net interest yield:						
Interest income		**$ 428,860**	**4.75 %**		$ 411,835	4.71 %
Interest expense		**361,918**	**4.30**		347,019	4.24
Add: Net periodic derivative cash settlements interest income[9]		**(20,309)**	**(1.15)**		(38,342)	(2.04)
Adjusted interest expense/adjusted average cost[10]		**$ 341,609**	**4.06 %**		$ 308,677	3.77 %
Adjusted net interest spread[6]			**0.69**			0.94
Impact of non-interest bearing funding[7]			**0.28**			0.24
Adjusted net interest income/adjusted net interest yield[11]		**$ 87,251**	**0.97 %**		$ 103,158	1.18 %

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(Dollars in thousands)	YTD FY2025 Average Balance	YTD FY2025 Interest Income/ Expense	YTD FY2025 Average Yield/Cost	YTD FY2024 Average Balance	YTD FY2024 Interest Income/ Expense	YTD FY2024 Average Yield/Cost
Assets:						
Long-term fixed-rate loans[1]	**$30,722,695**	**$1,026,224**	**4.47 %**	$29,170,484	$ 937,316	4.29 %
Long-term variable-rate loans	**884,165**	**44,432**	**6.72**	924,997	49,117	7.09
Line of credit loans	**3,825,158**	**187,744**	**6.56**	3,330,579	174,089	6.98
Other, net[2]	**—**	**(1,460)**	**—**	—	(1,253)	—
Total loans	**35,432,018**	**1,256,940**	**4.74**	33,426,060	1,159,269	4.63
Cash, time deposits and investment securities	**426,954**	**9,916**	**3.11**	763,748	22,509	3.94
Total interest-earning assets	**$35,858,972**	**$1,266,856**	**4.72 %**	$34,189,808	$1,181,778	4.62 %
Other assets, less allowance for credit losses[3]	**1,173,247**			1,104,821		
Total assets[3]	**$37,032,219**			$35,294,629		
Liabilities:						
Commercial paper	**$ 2,171,440**	**$ 81,785**	**5.04 %**	$ 2,524,302	$ 103,923	5.50 %
Other short-term borrowings	**1,659,387**	**59,441**	**4.79**	1,820,469	71,056	5.21
Short-term borrowings[4]	**3,830,827**	**141,226**	**4.93**	4,344,771	$ 174,979	5.38
Medium-term notes	**10,201,547**	**356,500**	**4.67**	7,372,069	222,095	4.02
Collateral trust bonds[5]	**6,968,539**	**205,542**	**3.94**	7,387,453	210,911	3.81
Guaranteed Underwriter Program notes payable	**6,318,852**	**153,376**	**3.25**	6,801,552	161,862	3.18
Farmer Mac notes payable	**3,612,338**	**111,576**	**4.13**	3,634,622	116,259	4.27
Other notes payable	**4,194**	**173**	**5.52**	2,130	72	4.52
Subordinated deferrable debt	**1,295,988**	**64,705**	**6.68**	1,201,501	60,831	6.76
Subordinated certificates	**1,193,867**	**39,723**	**4.45**	1,213,384	40,136	4.42
Total interest-bearing liabilities	**$33,426,152**	**$1,072,821**	**4.29 %**	$31,957,482	$ 987,145	4.13 %
Other liabilities[3]	**667,980**			557,082		
Total liabilities[3]	**34,094,132**			32,514,564		
Total equity[3]	**2,938,087**			2,780,065		
Total liabilities and equity[3]	**$37,032,219**			$35,294,629		
Net interest spread[6]			**0.43 %**			0.49 %
Impact of non-interest bearing funding[7]			**0.29**			0.27
Net interest income/net interest yield[8]		**$ 194,035**	**0.72 %**		$ 194,633	0.76 %
Adjusted net interest income/adjusted net interest yield:						
Interest income		**$1,266,856**	**4.72 %**		$1,181,778	4.62 %
Interest expense		**1,072,821**	**4.29**		987,145	4.13
Add: Net periodic derivative cash settlements interest income[9]		**(78,776)**	**(1.45)**		(94,978)	(1.65)
Adjusted interest expense/adjusted average cost[10]		**$ 994,045**	**3.98 %**		$ 892,167	3.73 %
Adjusted net interest spread[6]			**0.74**			0.89
Impact of non-interest bearing funding[7]			**0.28**			0.24
Adjusted net interest income/adjusted net interest yield[11]		**$ 272,811**	**1.02 %**		$ 289,611	1.13 %

[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] The average balance represents average monthly balances, which is calculated based on the month-end balance as of the beginning of the reporting period and the balances as of the end of each month included in the specified reporting period.

(4) Short-term borrowings reported on our consolidated balance sheets consist of borrowings with an original contractual maturity of one year or less. However, short-term borrowings presented in Table 3 consist of commercial paper, select notes, and daily liquidity fund notes. Short-term borrowings presented on our consolidated balance sheets related to medium-term notes, Farmer Mac notes payable and other notes payable are reported in the respective category for presentation purposes in Table 3. The period-end amounts reported as short-term borrowings on our consolidated balances sheets, which are excluded from the calculation of average short-term borrowings presented in Table 3, totaled $449 million and $982 million as of February 28, 2025 and February 29, 2024, respectively.

(5) Collateral trust bonds represent secured obligations sold to investors in the capital markets including also those issued in a private placement transaction.

(6) 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.

(7) Includes other liabilities and equity.

(8) Net interest yield is calculated based on the annualized net interest income for the period divided by total average interest-earning assets for the period.

(9) 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 the annualized 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 $7,141 million and $7,568 million for Q3 FY2025 and Q3 FY2024, respectively. The average outstanding notional amount of interest rate swaps was $7,269 million and $7,675 million for YTD FY2025 and YTD FY2024, respectively.

(10) Adjusted interest expense consists of interest expense plus net periodic derivative cash settlements interest income (expense) during the period. Net periodic derivative cash settlements interest income (expense) is reported in our consolidated statements of operations as a component of derivative gains (losses). Adjusted average cost is calculated based on the annualized adjusted interest expense for the period divided by total average interest-bearing liabilities during the period.

(11) Adjusted net interest yield is calculated based on the annualized adjusted net interest income for the period divided by total average interest-earning assets for the period.

Table 4 displays the change in net interest income between periods and the extent to which the variance for each category of interest-earning assets and interest-bearing liabilities is attributable to (i) changes in volume, which represents the change in the average balances of our interest-earning assets and interest-bearing liabilities or volume, and (ii) changes in the rate, which represents the change in the average interest rates of these assets and liabilities. The table also presents the change in adjusted net interest income between periods.

Table 4: Rate/Volume Analysis of Changes in Interest Income/Interest Expense

	Q3 FY2025 versus Q3 FY2024			YTD FY2025 versus YTD FY2024		
	Total	Variance Due To:[1]		Total	Variance Due To:[1]	
(Dollars in thousands)	Variance	Volume	Rate	Variance	Volume	Rate
Interest income:						
Long-term fixed-rate loans	$ 22,493	$ 9,397	$ 13,096	$ 88,908	$ 48,968	$ 39,940
Long-term variable-rate loans	(1,597)	389	(1,986)	(4,685)	(2,211)	(2,474)
Line of credit loans	3,700	14,090	(10,390)	13,655	25,668	(12,013)
Other, net	(71)	—	(71)	(207)	—	(207)
Total loans	24,525	23,876	649	97,671	72,425	25,246
Cash, time deposits and investment securities	(7,500)	(5,943)	(1,557)	(12,593)	(9,937)	(2,656)
Total interest income	17,025	17,933	(908)	85,078	62,488	22,590
Interest expense:						
Commercial paper	(10,275)	(4,459)	(5,816)	(22,138)	(14,609)	(7,529)
Other short-term borrowings	(4,759)	(892)	(3,867)	(11,615)	(6,347)	(5,268)
Short-term borrowings	(15,034)	(5,351)	(9,683)	(33,753)	(20,956)	(12,797)
Medium-term notes	38,188	24,962	13,226	134,405	84,960	49,445
Collateral trust bonds	2,439	(937)	3,376	(5,369)	(12,143)	6,774
Guaranteed Underwriter Program notes payable	(4,459)	(5,233)	774	(8,486)	(11,626)	3,140
Farmer Mac notes payable	(7,124)	(3,767)	(3,357)	(4,683)	(819)	(3,864)
Other notes payable	43	45	(2)	101	70	31
Subordinated deferrable debt	1,038	1,596	(558)	3,874	4,723	(849)
Subordinated certificates	(192)	(252)	60	(413)	(682)	269
Total interest expense	14,899	11,063	3,836	85,676	43,527	42,149
Net interest income (expense)	**$ 2,126**	**$ 6,870**	**$ (4,744)**	**$ (598)**	**$ 18,961**	**$ (19,559)**
Adjusted net interest income:						
Interest income	$ 17,025	$ 17,933	$ (908)	$ 85,078	$ 62,488	$ 22,590
Interest expense	14,899	11,063	3,836	85,676	43,527	42,149
Net periodic derivative cash settlements interest expense[2]	18,033	2,463	15,570	16,202	5,109	11,093
Adjusted interest expense[3]	32,932	13,526	19,406	101,878	48,636	53,242
Adjusted net interest income[3]	$ (15,907)	$ 4,407	$ (20,314)	$ (16,800)	$ 13,852	$ (30,652)

[1]The changes for each category of interest income and interest expense represent changes in either average balances (volume) or average rates for both interest-earning assets and interest-bearing liabilities. We allocate the amount attributable to the combined impact of volume and rate to the rate variance.

[2]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.

[3]See “Non-GAAP Financial Measures and Reconciliations” in this Report for additional information on our adjusted non-GAAP financial measures.

Reported Net Interest Income

Reported net interest income of $67 million for Q3 FY2025 increased $2 million from Q3 FY2024, driven primarily by an increase in average interest-earning assets of $1,461 million, or 4%.

- *Average Interest-Earning Assets*: The increase in average interest-earning assets of 4% was primarily attributable to the growth in average total loans of $1,992 million, or 6%, partially offset by a decrease of $531 million in our average total investments, which include cash, time deposits and investment securities. The average loans increase was driven primarily by an increase in average long-term fixed-rate loans of $1,120 million and an increase in average line of credit loans of $842 million, as members continued to advance loans to fund capital expenditures and for working capital purposes. In addition, the increase in line of credit loans during Q3 FY2025 was also attributable to borrowings under emergency line of credit loans by our members primarily for Hurricane Helene recovery costs.

- *Net Interest Yield:* The net interest yield of 0.74% for Q3 FY2025 remained largely unchanged from Q3 FY2024. Our average cost of borrowings increased 6 basis points to 4.30% for Q3 FY2025, compared with Q3 FY2024, which was offset by an increase in the average yield on interest-earning assets of 4 basis points to 4.75% and an increase in the benefit from non-interest bearing funding of 2 basis points to 0.29%. The increase in average yields on long-term fixed-rate loans was the primary driver for the increase in the average yield on interest-earning assets, while the interest rates for variable-rate and line of credit loans decreased due to the federal funds rate cuts since February 29, 2024. Meanwhile, our average cost of borrowings increased due to the long-term debt issued at higher interest rates after February 29, 2024.

Reported net interest income of $194 million for YTD FY2025 decreased $1 million from YTD FY2024, driven by a decrease in the net interest yield of 4 basis points, or 5%, to 0.72%, partially offset by an increase in average interest-earning assets of $1,669 million, or 5%.

- *Average Interest-Earning Assets:* The increase in average interest-earning assets of 5% was attributable to growth in average total loans of $2,006 million, or 6%, partially offset by a decrease of $337 million in our average total investments. The average loans increase was driven primarily by an increase in average long-term fixed-rate loans of $1,552 million and an increase in average line of credit loans of $495 million, as members continued to advance loans to fund capital expenditures and for working capital purposes. In addition, the increase in line of credit loans during YTD FY2025 was also attributable to borrowings under emergency line of credit loans by our members primarily for Hurricane Helene recovery costs.

- *Net Interest Yield:* The decrease in the net interest yield of 4 basis points, or 5%, was primarily attributable to an increase in our average cost of borrowings of 16 basis points to 4.29%, which was partially offset by an increase in the average yield on interest-earning assets of 10 basis points to 4.72% and an increase in the benefit from non-interest bearing funding of 2 basis points to 0.29%. As mentioned above, the increases in the average cost of borrowings and average yield on interest-earning assets were driven by the continued high long-term interest rates.

Adjusted Net Interest Income

Adjusted net interest income of $87 million for Q3 FY2025 decreased $16 million, or 15%, from Q3 FY2024, driven by a decrease in the adjusted net interest yield of 21 basis points, or 18%, to 0.97%, partially offset by an increase in average interest-earning assets of $1,461 million, or 4%.

- *Average Interest-Earning Assets:* The increase in average interest-earning assets of 4% during Q3 FY2025 was primarily driven by the growth in average total loans of $1,992 million, or 6%, attributable primarily to the increases in average long-term fixed-rate and line of credit loans, partially offset by a decrease in our average total investments, as discussed above.

- *Adjusted Net Interest Yield*: The decrease in the adjusted net interest yield of 21 basis points, or 18%, to 0.97%, was primarily attributable to an increase in our adjusted average cost of borrowings of 29 basis points to 4.06%, which was partially offset by an increase in the average yield on interest-earning assets of 4 basis points to 4.75% and an increase in the benefit from non-interest bearing funding of 4 basis points to 0.28%. The increase in average yield on interest-earning assets was attributable to the higher interest rates for our long-term fixed-rate loans, partially offset by lower interest rates for variable-rate and line of credit loans attributable to the federal funds rate cuts since February 29, 2024, as discussed above. The increase in adjusted average cost of borrowings was attributable to the long-term debt issued at higher interest rates since February 29, 2024, and a lower average yield earned on our interest rate swaps as discussed below under the "Derivatives Cash Settlements" section.

Adjusted net interest income of $273 million for YTD FY2025 decreased $17 million from YTD FY2024, driven by a decrease in the adjusted net interest yield of 11 basis points, or 10%, to 1.02%, partially offset by an increase in average interest-earning assets of $1,669 million, or 5%.

- *Average Interest-Earning Assets:* The increase in average interest-earning assets of 5% during YTD FY2025 was driven by the growth in average total loans of $2,006 million, or 6%, attributable primarily to increases in average long-term fixed-rate and line of credit loans, partially offset by a decrease in our average total investments, as discussed above.

- *Adjusted Net Interest Yield:* The decrease in the adjusted net interest yield of 11 basis points, or 10%, was attributable to an increase in our adjusted average cost of borrowings of 25 basis points to 3.98%, which was partially offset by the combined impact of an increase in the average yield on interest-earning assets of 10 basis points to 4.72% and an increase in the benefit from non-interest bearing funding of 4 basis points to 0.28%. We discussed above the primary drivers for the increases in the average yield on interest-earning assets and adjusted average cost of borrowings.

Derivative Cash Settlements

We include the net periodic derivative cash settlements interest income (expense) 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. Because our derivative portfolio consists of a higher proportion of pay-fixed swaps than receive-fixed swaps, the net periodic derivative cash settlements interest income (expense) amounts generally change based on changes in the floating interest amount received each period. When floating rates increase during the period, the floating interest amounts received on our pay-fixed swaps increase and, conversely, when floating rates decrease, the floating interest amounts received on our pay-fixed swaps decrease. We recorded net periodic derivative cash settlements interest income of $20 million for Q3 FY2025 compared with $38 million for Q3 FY2024, and net periodic derivative cash settlements interest income of $79 million for YTD FY2025 compared with $95 million for YTD FY2024. The decreases were primarily due to the lower net interest rates received on our pay-fixed swaps in Q3 FY2025 and YTD FY2025, compared with Q3 FY2024 and YTD FY2024, due to the federal funds rate cuts since February 29, 2024 and an $8 million gain related to treasury locks recorded during Q3 FY2024. See "Note 9—Derivative Instruments and Hedging Activities" in this Report for additional information on our treasury locks activity.

See "Non-GAAP Financial Measures and Reconciliations" in this Report for additional information on our non-GAAP financial measures, including a reconciliation of these measures to the most comparable U.S. GAAP financial measures.

Provision (Benefit) for Credit Losses

Our provision (benefit) for credit losses for each period is driven by changes in our measurement of lifetime expected credit losses for our loan portfolio recorded in the allowance for credit losses. Our allowance for credit losses and allowance coverage ratio was approximately $44 million and 0.12%, respectively, as of February 28, 2025. In comparison, our allowance for credit losses and allowance coverage ratio was $49 million and 0.14%, respectively, as of May 31, 2024.

We recorded a benefit for credit losses of $6 million for both Q3 FY2025 and Q3 FY2024, primarily from a reduction in the asset-specific allowance for a nonperforming CFC power supply loan attributable to increases in the expected payments on the loan for both periods.

We recorded a benefit for credit losses of $4 million for YTD FY2025, primarily from a decrease of $7 million in the asset-specific allowance for a nonperforming CFC power supply loan attributable to an increase in the expected payments on the loan, partially offset by a $3 million increase in the collective allowance due to loan portfolio growth. In comparison, we recorded a benefit for credit losses of $5 million for YTD FY2024, resulting from a decrease of $8 million in the asset-specific allowance for a nonperforming CFC power supply loan and a recovery of $1 million attributable to additional loan payments received on the previously charged-off loans, partially offset by an increase of $4 million in the collective allowance due to loan portfolio growth and a slight decline in the overall credit quality and risk profile of our loan portfolio.

We discuss our methodology for estimating the allowance for credit losses in “Note 1—Summary of Significant Accounting Policies—Allowance for Credit Losses—Current Methodology” in our 2024 Form 10-K. We also provide additional information on our allowance for credit losses below under section “Credit Risk—Allowance for Credit Losses” and “Note 5—Allowance for Credit Losses” in this Report.

Non-Interest Income (Loss)

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, which consists of both unrealized and realized gains and losses.

Table 5 presents the components of non-interest income (loss) recorded in our consolidated statements of operations.

Table 5: Non-Interest Income (Loss)

(Dollars in thousands)	Q3 FY2025	Q3 FY2024	YTD FY2025	YTD FY2024
Non-interest income (loss) components:				
Fee and other income	**$ 5,982**	$ 5,025	**$ 17,074**	$ 16,173
Derivative gains (losses)	**40,142**	(18,475)	**(49,145)**	278,350
Investment securities gains	**663**	4,140	**6,891**	8,916
Total non-interest income (loss)	**$ 46,787**	$ (9,310)	**$ (25,180)**	$ 303,439

The variance in non-interest income (loss) was primarily attributable to changes in the derivative gains (losses) recognized in our consolidated statements of operations. In addition, we experienced a decrease in gains recorded on our debt and equity investment securities of approximately $4 million and $2 million for Q3 FY2025 and YTD FY2025, respectively, compared with Q3 FY2024 and YTD FY2024. We expect period-to-period market fluctuations in the fair value of our equity and debt investment securities, which we report together with realized gains and losses from the sale of investment securities in our consolidated statements of operations.

Derivative Gains (Losses)

As of February 28, 2025 and May 31, 2024, our derivatives portfolio included interest rate swap agreements not designated for hedge accounting, composed of pay-fixed swaps and receive-fixed swaps, with the benchmark variable rate for the floating rate payments based on daily compounded Secured Overnight Financing Rate (“SOFR”). Additionally, treasury locks may be used to manage the interest rate risk associated with future debt issuance or repricing and are typically designated as cash flow hedges. We did not have any derivatives designated as accounting hedges as of February 28, 2025 and May 31, 2024.

The total notional amount for our interest rate swaps was $7,093 million and $7,366 million as of February 28, 2025 and May 31, 2024, respectively. The portfolio was primarily composed of longer-dated pay-fixed swaps, which accounted for approximately 80% and 79% of the outstanding notional amount as of February 28, 2025 and May 31, 2024, respectively. Consequently, changes in medium- and longer-term swap rates generally have a more pronounced impact on the net fair value of our swap portfolio. As of February 28, 2025, the average remaining maturity of our pay-fixed and receive-fixed swaps was 17 years and two years, respectively, compared with 18 years and two years, respectively, as of May 31, 2024.

Table 6 presents the components of net derivative gains (losses) recorded in our consolidated statements of operations. Derivative cash settlements interest income (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 6: Derivative Gains (Losses)

(Dollars in thousands)	Q3 FY2025	Q3 FY2024	YTD FY2025	YTD FY2024
Derivative gains attributable to:				
Derivative cash settlements interest income	**$ 20,309**	$ 38,342	**$ 78,776**	$ 94,978
Derivative forward value gains (losses)	**19,833**	(56,817)	**(127,921)**	183,372
Derivative gains (losses)	**$ 40,142**	$ (18,475)	**$ (49,145)**	$ 278,350

We recorded derivative gains of $40 million for Q3 FY2025, primarily attributable to increases in the longer-term swap interest rates during Q3 FY2025. In comparison, we recorded derivative losses of $18 million for Q3 FY2024, attributable to decreases in interest rates across the entire swap curve during Q3 FY2024.

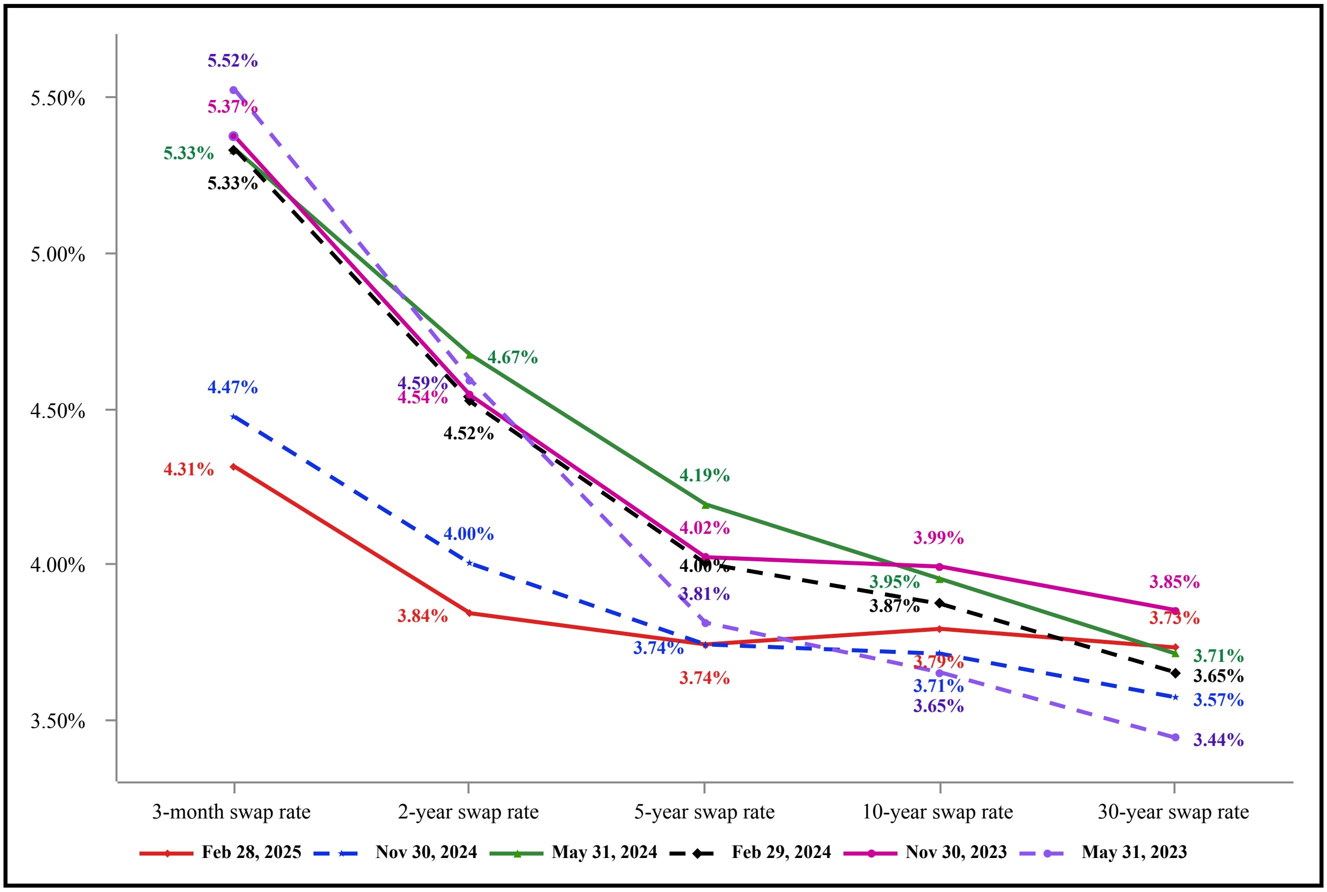
We recorded derivative losses of $49 million for YTD FY2025, attributable to decreases in interest rates across the swap curve, with the exception of the 30-year swap rate which increased slightly during YTD FY2025. In comparison, we recorded derivative gains of $278 million for YTD FY2024, primarily attributable to increases in the medium- and longer-term swap interest rates during YTD FY2024.

We present comparative swap curves, which depict the relationship between swap rates at varying maturities, for the periods presented in Table 7 below.

Comparative Swap Curves

Table 7 provides comparative swap curves as of February 28, 2025, November 30, 2024, May 31, 2024, February 29, 2024, November 30, 2023 and May 31, 2023.

Table 7: Comparative Swap Curves



Benchmark rates obtained from Bloomberg.

See “Note 9—Derivative Instruments and Hedging Activities” in this Report for additional information on our derivative instruments. Also refer to “Note 14—Fair Value Measurement” to the Consolidated Financial Statements in our 2024 Form 10-K for information on how we measure the fair value of our derivative instruments.

Non-Interest Expense

Non-interest expense consists of salaries and employee benefit expense, general and administrative expenses, 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.

Table 8: Non-Interest Expense

(Dollars in thousands)	Q3 FY2025	Q3 FY2024	YTD FY2025	YTD FY2024
Non-interest expense components:				
Salaries and employee benefits	**$ (18,123)**	$ (16,706)	**$ (52,750)**	$ (49,126)
Other general and administrative expenses	**(15,167)**	(13,283)	**(52,759)**	(43,878)
Operating expenses	**(33,290)**	(29,989)	**(105,509)**	(93,004)
Losses on early extinguishment of debt	**(10)**	(33)	**(50)**	(998)
Other non-interest expense	**(320)**	(287)	**(845)**	(715)
Total non-interest expense	**$ (33,620)**	$ (30,309)	**$ (106,404)**	$ (94,717)

Non-interest expense of $34 million and $106 million for Q3 FY2025 and YTD FY2025, respectively, increased $3 million, or 11% and $12 million, or 12%, respectively, from Q3 FY2024 and YTD FY2024, primarily attributable to an increase in operating expenses, driven by higher expenses recorded for salaries and employee benefits, information technology, member relations and board expenses. We recorded lower losses on early extinguishment of debt for YTD FY2025, as during YTD FY2024 we redeemed $100 million of our $400 million subordinated deferrable debt due 2043, at par plus accrued interest for which we recognized $1 million of losses on early extinguishment of debt related to the unamortized debt issuance costs.

Net Income (Loss) Attributable to Noncontrolling Interests

We recorded a net income attributable to noncontrolling interests of less than $1 million for both Q3 FY2025 and YTD FY2025, which represented 100% of the results of operations of NCSC, as the members of NCSC own or control 100% of the interest in its company during YTD FY2025. In comparison, we recorded a net loss attributable to noncontrolling interests of less than $1 million for Q3 FY2024, which represented 100% of the results of operations of NCSC. We recorded a net loss attributable to noncontrolling interests of less than $1 million for YTD FY2024, which represented 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 during YTD FY2024. On December 1, 2023, we completed the RTFC sale transaction and RTFC was subsequently dissolved. 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.

CONSOLIDATED BALANCE SHEET ANALYSIS

Total assets increased $1,601 million, or 4%, to $37,779 million as of February 28, 2025 compared with May 31, 2024, primarily due to growth in our loan portfolio. We experienced an increase in total liabilities of $1,582 million, or 5%, to $34,748 million as of February 28, 2025, largely due to the issuances of debt to fund the growth in our loan portfolio. Total equity increased $19 million to $3,031 million as of February 28, 2025, primarily attributable to our reported net income of $67 million for YTD FY2025, partially offset by the CFC Board of Directors' authorized patronage capital retirement of $47 million during the period.

Below is a discussion of changes in the major components of our assets and liabilities during YTD FY2025. 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, by legal entity, based on the borrower member class, which consists of CFC distribution, CFC power supply, CFC statewide and associate, NCSC electric and NCSC telecom. 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 under "Item 1. Business—Members" and information about our loan programs and loan product types under "Item 1. Business—Loan and Guarantee Programs" in our 2024 Form 10-K.

Loans Outstanding

Loans to members totaled $36,479 million and $34,542 million as of February 28, 2025 and May 31, 2024, respectively. Loans to CFC distribution, power supply, and statewide and associate borrowers accounted for 95% of total loans to members as of both February 28, 2025 and May 31, 2024. The increase in loans to members of $1,937 million, or 6%, from May 31, 2024, was primarily attributable to net increases in long-term and line of credit loans of $774 million and $1,163 million, respectively. Of the increase in line of credit loans, 60% was attributable to borrowings under emergency line of credit loans by our members primarily for Hurricane Helene recovery costs and the remaining 40% was primarily attributable to funding provided for member working capital and capital expenditures requirements. We experienced increases in CFC distribution loans, CFC power supply loans, CFC statewide and associate loans, NCSC electric and NCSC telecom loans of $1,747 million, $96 million, $28 million, $59 million and $5 million, respectively during YTD FY2025.

Long-term loan advances totaled $2,083 million during YTD FY2025, of which approximately 97% was provided to members for capital expenditures, 2% was provided for the refinancing of loans made by other lenders and 1% was provided for other purposes. In comparison, long-term loan advances totaled $2,680 million during YTD FY2024, of which approximately 95% was provided to members for capital expenditures and approximately 5% was provided for other purposes, primarily business acquisitions. Of the $2,083 million total long-term loans advanced during the YTD FY2025, $1,911 million were fixed-rate loan advances with a weighted average fixed-rate term of eight years. In comparison, of the $2,680 million total long-term loans advanced during YTD FY2024, $2,494 million were fixed-rate loan advances with a weighted average fixed-rate term of 12 years.

Our aggregate loans outstanding to CFC electric distribution cooperative members relating to broadband projects, which we started tracking in October 2017, increased to an estimated $3,350 million as of February 28, 2025, from approximately $3,103 million as of May 31, 2024.

We provide information on the credit performance and risk profile of our loan portfolio below under the section "Credit Risk—Loan Portfolio Credit Risk" in this Report. Also refer to "Note 4—Loans" in this Report for addition information on our loans to members.

Debt

We utilize both secured and unsecured 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, including our members, affiliates, the capital markets and other private funding sources. Our funding strategy consists of various products and programs across markets to manage funding concentrations and reduce our liquidity or debt rollover risk.

Debt Outstanding

Table 9 displays the composition, by product type, of our outstanding debt as of February 28, 2025 and May 31, 2024. Table 9 also displays the composition of our debt based on several additional selected attributes.

Table 9: Debt—Total Debt Outstanding

(Dollars in thousands)	February 28, 2025	May 31, 2024	Change
Debt product type:			
Commercial paper:			
Members, at par	**$ 1,062,530**	$ 1,158,020	$ (95,490)
Dealer, net of discounts	**1,258,387**	504,631	753,756
Total commercial paper	**2,320,917**	1,662,651	658,266
Select notes to members	**1,141,440**	1,274,066	(132,626)
Daily liquidity fund notes to members	**324,652**	375,191	(50,539)
Medium-term notes:			
Members, at par	**834,681**	879,626	(44,945)
Dealer[1]	**9,947,312**	8,947,076	1,000,236
Total medium-term notes	**10,781,993**	9,826,702	955,291
Collateral trust bonds[1][2]	**6,891,161**	6,739,921	151,240
Guaranteed Underwriter Program notes payable	**6,511,355**	6,491,814	19,541
Farmer Mac notes payable	**3,800,132**	3,863,510	(63,378)
Subordinated deferrable debt[1]	**1,321,168**	1,286,861	34,307
Members' subordinated certificates:			
Membership subordinated certificates	**628,631**	628,625	6
Loan and guarantee subordinated certificates	**310,150**	322,863	(12,713)
Member capital securities	**246,163**	246,163	—
Total members' subordinated certificates	**1,184,944**	1,197,651	(12,707)
Total debt outstanding	**$ 34,277,762**	$ 32,718,367	$ 1,559,395
Security type:			
Secured debt	**50 %**	52 %	
Unsecured debt	**50**	48	
Total	**100 %**	100 %	
Funding source:			
Members	**13 %**	15 %	
Other non-capital markets:			
Guaranteed Underwriter Program notes payable	**19**	20	
Farmer Mac notes payable	**11**	12	
Total other non-capital markets	**30**	32	
Capital markets	**57**	53	
Total	**100 %**	100 %	
Interest rate type:			
Fixed-rate debt	**82 %**	82 %	
Variable-rate debt	**18**	18	
Total	**100 %**	100 %	
Interest rate type including swaps impact:			
Fixed-rate debt[3]	**95 %**	95 %	
Variable-rate debt[4]	**5**	5	
Total	**100 %**	100 %	
Maturity classification:[5]			
Short-term borrowings	**12 %**	13 %	
Long-term and subordinated debt[6]	**88**	87	
Total	**100 %**	100 %	

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[1] Amount is presented net of unamortized discounts, premium and issuance costs as applicable.

[2] Amount also includes collateral trust bonds issued in a private placement transaction.

(3)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.

(4)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.

(5)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.

(6)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 debt outstanding generally increases and decreases in response to member loan demand. Total debt outstanding increased $1,559 million, or 5%, to $34,278 million as of February 28, 2025 compared with May 31, 2024, due to borrowings to fund the increase in loans to members. Outstanding dealer commercial paper was $1,258 million as of February 28, 2025. We provide additional information on our financing activities during YTD FY2025 in the below section "Liquidity Risk" of this Report.

Member Investments

Debt securities issued to our members represent an important, stable source of funding. Table 10 displays member debt outstanding, by product type, as of February 28, 2025 and May 31, 2024.

Table 10: Debt—Member Investments

	February 28, 2025		May 31, 2024		
(Dollars in thousands)	Amount	% of Total[1]	Amount	% of Total[1]	Change
Member investment product type:					
Commercial paper	**$ 1,062,530**	**46 %**	$ 1,158,020	70 %	$ (95,490)
Select notes	**1,141,440**	**100**	1,274,066	100	(132,626)
Daily liquidity fund notes	**324,652**	**100**	375,191	100	(50,539)
Medium-term notes	**834,681**	**8**	879,626	9	(44,945)
Members' subordinated certificates	**1,184,944**	**100**	1,197,651	100	(12,707)
Total member investments	**$ 4,548,247**		$ 4,884,554		$ (336,307)
Percentage of total debt outstanding	**13 %**		15 %		

(1)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 accounted for 13% and 15% of total debt outstanding as of February 28, 2025 and May 31, 2024, respectively. Over the last twelve fiscal quarters, our member investments, including both short-term and long-term investments, have averaged $4,999 million, calculated based on outstanding member investments as of the end of each fiscal quarter during the period.

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 decreased to $4,236 million as of February 28, 2025, from $4,333 million as of May 31, 2024, primarily driven by a repayment of $500 million in short-term notes payable under the Farmer Mac revolving purchase agreement and a decrease in short-term member investments of $350 million, partially offset by an increase in outstanding dealer commercial paper of $753 million during YTD FY2025. Short-term borrowings accounted for 12% and 13% of total debt outstanding as of February 28, 2025 and May 31, 2024, respectively.

See "Liquidity Risk" below and "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 the Farmer Mac revolving note purchase agreement. 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 increased to $30,042 million as of February 28, 2025, from $28,386 million as of May 31, 2024, primarily due to net increases of $1,027 million in dealer and member medium-term notes, $437 million in notes payable under the Farmer Mac revolving purchase agreement, $151 million in collateral trust bonds, $34 million in subordinated deferrable debt and $20 million in notes payable under the Guaranteed Underwriter Program, partially offset by a net decrease of $13 million in members' subordinated certificates during YTD FY2025. Long-term and subordinated debt accounted for 88% and 87% of total debt outstanding as of February 28, 2025 and May 31, 2024, respectively.

We provide additional information on our long-term debt below under the section "Liquidity Risk" and "Note 7—Long-Term Debt" and "Note 8—Subordinated Deferrable Debt" in this Report.

Equity

Table 11 presents the components of total CFC equity and total equity as of February 28, 2025 and May 31, 2024.

Table 11: Equity

(Dollars in thousands)	February 28, 2025	May 31, 2024
Equity components:		
Membership fees and educational fund:		
Membership fees	**$ 966**	$ 968
Educational fund	**1,806**	2,608
Total membership fees and educational fund	**2,772**	3,576
Patronage capital allocated	**881,386**	928,232
Members' capital reserve	**1,455,564**	1,455,564
Total allocated equity	**2,339,722**	2,387,372
Unallocated net income (loss):		
Prior fiscal year-end cumulative derivative forward value gains[(1)]	**606,215**	342,624
Year-to-date derivative forward value gains (losses)[(1)]	**(127,466)**	263,591
Period-end cumulative derivative forward value gains[(1)]	**478,749**	606,215
Other unallocated net income (loss)	**193,342**	(709)
Unallocated net income	**672,091**	605,506
CFC retained equity	**3,011,813**	2,992,878
Accumulated other comprehensive loss	**(1,364)**	(1,416)
Total CFC equity	**3,010,449**	2,991,462
Noncontrolling interests	**20,737**	20,707
Total equity	**$ 3,031,186**	$ 3,012,169

[(1)]Represents derivative forward value gains (losses) for CFC only, as total CFC equity does not include the noncontrolling interests of the variable interest entities, which we are required to consolidate. We present the consolidated total derivative forward value gains (losses) in Table 28 in the "Non-GAAP Financial Measures and Reconciliations" section below. Also, see "Note 14—Business Segments" in this Report for the statements of operations for CFC.

The increase in total equity of $19 million to $3,031 million as of February 28, 2025 compared with May 31, 2024 was attributable to our reported net income of $67 million for YTD FY2025, partially offset by the CFC Board of Directors' authorized patronage capital retirement of $47 million during the period.

Allocation and Retirement of Patronage Capital

We are subject to District of Columbia law governing cooperatives, under which CFC is required to make annual allocations of net earnings, if any, in accordance with the provisions of the District of Columbia statutes. We describe the allocation requirements under "Item 7. MD&A—Consolidated Balance Sheet Analysis—Equity—Allocation and Retirement of Patronage Capital" in our 2024 Form 10-K. The amount of patronage capital allocated each year by CFC's Board of Directors 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 and Reconciliations."

In May 2024, the CFC Board of Directors authorized the allocation of $1 million of net earnings for fiscal year 2024 to the cooperative educational fund. In July 2024, the CFC Board of Directors authorized the allocation of fiscal year 2024 adjusted net income as follows: $61 million to members in the form of patronage capital and $228 million to the members' capital reserve.

In July 2024, the CFC Board of Directors also authorized the retirement of patronage capital totaling $47 million, of which $30 million represented 50% of the patronage capital allocation for fiscal year 2024, and $17 million represented the portion of the allocation from fiscal year 1999 net earnings 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 2024. The remaining portion of the patronage capital allocation for fiscal year 2024 will be retained by CFC for 25 years pursuant to the guidelines adopted by the CFC Board of Directors in June 2009.

ENTERPRISE RISK MANAGEMENT

Overview

CFC has an Enterprise Risk Management ("ERM") framework that is designed to identify, assess, monitor and manage the risks we assume in conducting our activities to serve the financial needs of our members. We face a variety of potential internal and external risks that can significantly affect our financial condition, liquidity position, 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 financial 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, repricing 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 COVID-19 pandemic. Operational risk also includes cybersecurity risk, 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 to retain our investment-grade credit ratings on our rated debt instruments. In line with this, we have established a risk-management framework designed to oversee the key risks encountered in our operations and the maximum level of risk we are prepared to undertake, known as risk tolerance. This also includes risk limits and guidelines that are in alignment with CFC's mission and strategic objectives. We provide a discussion of our risk management framework in our 2024 Form 10-K under "Item 7. MD&A—Enterprise Risk Management" and describe how we manage these risks under each respective MD&A section in our 2024 Form 10-K.

CREDIT RISK

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 nonlending activities that may give rise to counterparty credit risk, such as entering into derivative transactions to manage interest rate risk and investment in debt and equity securities. We provide additional information on our credit risk-management framework under "Item 7. MD&A—Credit Risk—Credit Risk Management" in our 2024 Form 10-K.

Loan Portfolio Credit Risk

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. The substantial majority of loans to our borrowers are long-term fixed-rate loans with terms of up to 35 years. Long-term fixed-rate loans accounted for 85% and 88% of total loans outstanding as of February 28, 2025 and May 31, 2024, respectively.

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 credit concentration risk 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. As not-for-profit entities, rural electric cooperatives, unlike investor-owned utilities, generally are eligible to apply for assistance from the Federal Emergency Management Agency ("FEMA") and states to help recover from major disasters or emergencies. 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. Table 12 presents, by legal entity and member class and by loan type, secured and unsecured loans in our loan portfolio as of February 28, 2025 and May 31, 2024. Of our total loans outstanding, 89% and 92% were secured as of February 28, 2025 and May 31, 2024, respectively.

Table 12: Loans—Loan Portfolio Security Profile

	February 28, 2025				
(Dollars in thousands)	Secured	% of Total	Unsecured	% of Total	Total
Member class:					
CFC:					
Distribution	**$ 26,004,215**	**90 %**	**$ 2,847,127**	**10 %**	**$ 28,851,342**
Power supply	**4,770,174**	**83**	**967,174**	**17**	**5,737,348**
Statewide and associate	**243,760**	**92**	**21,934**	**8**	**265,694**
Total CFC	**31,018,149**	**89**	**3,836,235**	**11**	**34,854,384**
NCSC:					
Electric	**987,762**	**98**	**17,396**	**2**	**1,005,158**
Telecom	**568,682**	**94**	**35,216**	**6**	**603,898**
Total NCSC	**1,556,444**	**97**	**52,612**	**3**	**1,609,056**
Total loans outstanding[(1)]	**$ 32,574,593**	**89**	**$ 3,888,847**	**11**	**$ 36,463,440**
Loan type:					
Long-term loans:					
Fixed rate	**$ 30,846,443**	**100 %**	**$ 135,756**	**— %**	**$ 30,982,199**
Variable rate	**894,817**	**100**	**738**	**—**	**895,555**
Total long-term loans	**31,741,260**	**100**	**136,494**	**—**	**31,877,754**
Line of credit loans	**833,333**	**18**	**3,752,353**	**82**	**4,585,686**
Total loans outstanding[(1)]	**$ 32,574,593**	**89**	**$ 3,888,847**	**11**	**$ 36,463,440**

	May 31, 2024				
(Dollars in thousands)	Secured	% of Total	Unsecured	% of Total	Total
Member class:					
CFC:					
Distribution	$ 25,114,323	93 %	$ 1,990,140	7 %	$ 27,104,463
Power supply	4,836,612	86	805,286	14	5,641,898
Statewide and associate	215,229	91	22,117	9	237,346
Total CFC	30,166,164	91	2,817,543	9	32,983,707
NCSC:					
Electric	921,321	97	24,559	3	945,880
Telecom	554,797	93	43,800	7	598,597
Total NCSC	1,476,118	96	68,359	4	1,544,477
Total loans outstanding[(1)]	$ 31,642,282	92	$ 2,885,902	8	$ 34,528,184
Loan type:					
Long-term loans:					
Fixed rate	$ 30,118,544	100 %	$ 147,499	— %	$ 30,266,043
Variable rate	838,045	100	1,413	—	839,458
Total long-term loans	30,956,589	100	148,912	—	31,105,501
Line of credit loans	685,693	20	2,736,990	80	3,422,683
Total loans outstanding[(1)]	$ 31,642,282	92	$ 2,885,902	8	$ 34,528,184

[(1)]Represents the unpaid principal balance, net of discounts, charge-offs and recoveries, of loans as of the end of each period. Excludes unamortized deferred loan origination costs of $16 million and $14 million as of February 28, 2025 and May 31, 2024, respectively.

Credit Concentration

Concentrations of credit may exist when a lender has large credit exposures to single borrowers, large credit exposures to borrowers in the same industry sector or engaged in similar activities or large credit exposures to borrowers in a geographic region that would cause the borrowers to be similarly impacted by economic or other conditions in the region. As discussed above under "Credit Risk—Loan Portfolio Credit Risk," because we lend primarily to our rural electric utility cooperative members, our loan portfolio is inherently subject to single-industry and single-obligor credit concentration risk. Loans outstanding to electric utility organizations totaled $35,860 million and $33,930 million as of February 28, 2025 and May 31, 2024, respectively, and represented approximately 98% of our total loans outstanding as of each respective date. Our credit exposure is partially mitigated by long-term loans guaranteed by RUS, which totaled $107 million and $114 million as of February 28, 2025 and May 31, 2024, respectively.

Single-Obligor Concentration

Table 13 displays the outstanding loan exposure for our 20 largest borrowers, by legal entity and member class, as of February 28, 2025 and May 31, 2024. Our 20 largest borrowers consisted of 13 distribution systems and seven power supply systems as of both February 28, 2025 and May 31, 2024. The largest total exposure to a single borrower or controlled group represented approximately 1% of total loans outstanding as of both February 28, 2025 and May 31, 2024.

Table 13: Loans—Loan Exposure to 20 Largest Borrowers

	February 28, 2025		May 31, 2024	
(Dollars in thousands)	**Amount**	**% of Total**	**Amount**	**% of Total**
Member class:				
CFC:				
Distribution	**$ 4,728,942**	**13 %**	$ 4,583,422	13 %
Power supply	**2,149,161**	**6**	2,090,648	6
Total CFC	**6,878,103**	**19**	6,674,070	19
NCSC Electric	**186,706**	**—**	177,238	1
Total loan exposure to 20 largest borrowers	**7,064,809**	**19**	6,851,308	20
Less: Loans covered under Farmer Mac standby purchase commitment	**(151,048)**	**—**	(226,171)	(1)
Net loan exposure to 20 largest borrowers	**$ 6,913,761**	**19 %**	$ 6,625,137	19 %

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 $350 million and $370 million as of February 28, 2025 and May 31, 2024, respectively. Loan exposure to our 20 largest borrowers covered under the Farmer Mac agreement totaled $151 million and $226 million as of February 28, 2025 and May 31, 2024, respectively, which reduced our exposure to the 20 largest borrowers to $6,914 million and $6,625 million as of each respective date. No loans have been put to Farmer Mac for purchase pursuant to this agreement.

Geographic Concentration

Although our organizational structure and mission result 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 895 and 885 as of February 28, 2025 and May 31, 2024, respectively, located in 49 states and the District of Columbia. Of the 895 and 885 borrowers with loans outstanding as of February 28, 2025 and May 31, 2024, respectively, 48 and 50 were electric power supply borrowers as of each respective date. 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 February 28, 2025 and May 31, 2024, accounted for the largest number of borrowers with loans outstanding in any one state as of each respective date, as well as the largest concentration of loan exposure in any one state. Loans outstanding to Texas-based borrowers totaled $6,045 million and $5,768 million as of February 28, 2025 and May 31, 2024, respectively, and accounted for approximately 17% of total loans outstanding as of each respective date. Of the loans outstanding to Texas-based borrowers, $119 million and $126 million as of February 28, 2025 and May 31, 2024, respectively, were covered by the Farmer Mac standby repurchase agreement, which reduced our credit risk exposure to Texas-based borrowers to $5,926 million and $5,642 million as of each respective date. See "Note 4—Loans" in this Report for information on the Texas-based number of borrowers and loans outstanding by legal entity and member class.

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, modifications to borrowers experiencing financial difficulty, 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. We believe the overall credit quality of our loan portfolio remained strong as of February 28, 2025.

Loan Modifications to Borrowers Experiencing Financial Difficulty

We had no loan modifications to borrowers experiencing financial difficulty entered during Q3 FY2025, YTD FY2025 and Q3 FY2024. We had one loan modification to an NCSC telecom borrower experiencing financial difficulty entered during YTD FY2024. This loan received a term extension and had an amortized cost of $3 million, representing 1% of the NCSC telecom loan portfolio as of February 29, 2024. The loan has been performing in accordance with the terms of the loan agreement after the modification. There were no unadvanced loan commitments related to this loan as of February 28, 2025 and May 31, 2024.

Nonperforming Loans

We classify loans as nonperforming at the earlier of the date when we determine: (i) interest or principal payments on the loan are 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.

We had a loan to one CFC electric power supply borrower of $42 million and $49 million classified as nonperforming, which represented 0.12% and 0.14% of total loans outstanding as of February 28, 2025 and May 31, 2024, respectively. The reduction in nonperforming loan was due to a payment received on the nonperforming loan during YTD FY2025. In March 2025, we received a $16 million payment on this nonperforming loan which reduced its outstanding balance to $26 million as of the date of this Report.

Net Charge-Offs

We had no charge-offs during YTD FY2025 and YTD FY2024. We recorded $1 million in net loan recoveries on previously charged-off loan amounts related to two CFC electric power supply loans during YTD FY2024. Prior to the two CFC electric power supply loan defaults in fiscal years 2021 and 2022, we had not experienced any defaults or charge-offs in our electric utility and telecommunications loan portfolios since fiscal year 2013 and 2017, respectively.

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. 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. Our internally assigned borrower risk ratings 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 determining our allowance for credit losses.

Criticized loans totaled $248 million and $249 million as of February 28, 2025 and May 31, 2024, respectively, and represented approximately 1% of total loans outstanding as of each respective date. The decrease of $1 million in criticized loans was primarily due to a $6 million payment received from a CFC electric power supply borrower in the doubtful category, partially offset by a $5 million net increase in loans outstanding in the special mention category during YTD FY2025. Each of the borrowers with loans outstanding in the criticized category was current with regard to all principal and interest amounts due to us as of February 28, 2025 and May 31, 2024.

We provide additional information on our borrower risk rating framework in our 2024 Form 10-K under "Item 7. MD&A Credit Risk—Loan Portfolio Credit Risk—Credit Quality Indicators." See "Note 4—Loans" of this Report for detail, by member class, on loans outstanding in each borrower risk rating category.

Allowance for Credit Losses

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. 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.

Table 14 presents, by legal entity and member class, loans outstanding and the related allowance for credit losses and allowance coverage ratio as of February 28, 2025 and May 31, 2024 and the allowance components as of each date.

Table 14: Allowance for Credit Losses by Borrower Member Class and Evaluation Methodology

(Dollars in thousands)	February 28, 2025 Loans Outstanding[1]	February 28, 2025 Allowance for Credit Losses	February 28, 2025 Allowance Coverage Ratio[2]	May 31, 2024 Loans Outstanding[1]	May 31, 2024 Allowance for Credit Losses	May 31, 2024 Allowance Coverage Ratio[2]
Member class:						
CFC:						
Distribution	**$ 28,851,342**	**$ 19,501**	**0.07 %**	$ 27,104,463	$ 15,954	0.06 %
Power supply	**5,737,348**	**16,995**	**0.30**	5,641,898	25,583	0.45
Statewide and associate	**265,694**	**1,167**	**0.44**	237,346	1,189	0.50
Total CFC	**34,854,384**	**37,663**	**0.11**	32,983,707	42,726	0.13
NCSC:						
Electric	**1,005,158**	**4,381**	**0.44**	945,880	3,937	0.42
Telecom	**603,898**	**2,412**	**0.40**	598,597	2,063	0.34
Total NCSC	**1,609,056**	**6,793**	**0.42**	1,544,477	6,000	0.39
Total	**$ 36,463,440**	**$ 44,456**	**0.12**	$ 34,528,184	$ 48,726	0.14
Allowance components:						
Collective allowance	**$ 36,414,750**	**$ 34,752**	**0.10 %**	$ 34,472,276	$ 31,556	0.09 %
Asset-specific allowance	**48,690**	**9,704**	**19.93**	55,908	17,170	30.71
Total allowance for credit losses	**$ 36,463,440**	**$ 44,456**	**0.12**	$ 34,528,184	$ 48,726	0.14
Allowance coverage ratios:						
Nonaccrual loans[3]	**$ 42,371**		**104.92 %**	$ 48,669		100.12 %

(1) Represents the unpaid principal balance, net of discounts, charge-offs and recoveries, of loans as of each period end. Excludes unamortized deferred loan origination costs of $16 million and $14 million as of February 28, 2025 and May 31, 2024, respectively.

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

(3) Calculated based on the total allowance for credit losses at period end divided by loans outstanding on nonaccrual status at period end. Nonaccrual loans represented 0.12% and 0.14% of total loans outstanding as of February 28, 2025 and May 31, 2024, respectively. We provide additional information on our nonaccrual loans in “Note 4—Loans” in this Report.

The allowance for credit losses and allowance coverage ratio was approximately $44 million and 0.12%, respectively, as of February 28, 2025, compared with $49 million and 0.14%, respectively, as of May 31, 2024. The decrease in the allowance for credit losses reflected a reduction in the asset-specific allowance of $7 million, partially offset by an increase in the collective allowance of $3 million. The decrease in the asset-specific allowance was attributable to an increase in the expected payments on a nonperforming CFC power supply loan. The increase in the collective allowance was primarily due to loan portfolio growth.

We discuss our methodology for estimating the allowance for credit losses under the current expected credit loss (“CECL”) model in “Note 1—Summary of Significant Accounting Policies—Allowance for Credit Losses—Loan Portfolio” and provide information on management’s judgment and the uncertainties involved in our determination of the allowance for credit losses in “MD&A—Critical Accounting Estimates” in our 2024 Form 10-K. We provide additional information on our loans and allowance for credit losses under “Note 4—Loans” and “Note 5—Allowance for Credit Losses” of this Report.

Counterparty Credit Risk

In addition to credit exposure from our borrowers, we enter into other types of financial transactions in the ordinary course of business that expose us to counterparty credit risk, primarily related to transactions involving our cash and cash equivalents, securities held in our investment securities portfolio and derivatives. We mitigate our risk by only entering into these transactions with counterparties with investment-grade ratings, establishing operational guidelines and counterparty exposure limits and monitoring our counterparty credit risk position. We evaluate our counterparties based on certain quantitative and qualitative factors and periodically assign internal risk rating grades to our counterparties.

Cash and Investments Securities Counterparty Credit Exposure

Our cash and cash equivalents and investment securities totaled $245 million and $162 million, respectively, as of February 28, 2025. The primary credit exposure associated with investments held in our investment portfolio is that issuers will not repay principal and interest in accordance with the contractual terms. Our cash and cash equivalents with financial institutions generally have an original maturity of less than one year and pursuant to our investment policy guidelines, all fixed-income debt securities, at the time of purchase, must be rated at least investment grade 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. We therefore believe that the risk of default by these counterparties is low. As of February 28, 2025, our overall counterparty credit risk was deemed to be satisfactory and not materially changed compared with May 31, 2024.

We provide additional information on the holdings in our investment securities portfolio below under "Liquidity Risk—Investment Securities Portfolio" and in "Note 3—Investment Securities."

Derivative Counterparty Credit Exposure

Our derivative counterparty credit exposure relates principally to interest rate swap contracts. We generally engage in over-the-counter ("OTC") derivative transactions, which expose us to individual counterparty credit risk because these transactions are executed and settled directly between us and each counterparty. We are exposed to the risk that an individual derivative counterparty defaults on payments due to us, which we may not be able to collect or which may require us to seek a replacement derivative from a different counterparty. This replacement may be at a higher cost, or we may be unable to find a suitable replacement.

We manage our derivative counterparty credit exposure through diversification of our derivative positions among various counterparties and by executing derivative transactions with financial institutions that have investment-grade credit ratings and maintaining enforceable master netting arrangements with these counterparties, which allow us to net derivative assets and liabilities with the same counterparty. We also manage the credit risk associated with our derivative counterparties by using internal credit risk analysis, limits and a monitoring process. We had 12 active derivative counterparties with credit ratings ranging from Aa1 to Baa1 by Moody's as of both February 28, 2025 and May 31, 2024, and from AA- to BBB+ by S&P as of both February 28, 2025 and May 31, 2024. The total outstanding notional amount of derivatives with these counterparties was $7,093 million and $7,366 million as of February 28, 2025 and May 31, 2024, respectively. The highest single derivative counterparty concentration, by outstanding notional amount, accounted for approximately 24% of the total outstanding notional amount of our derivatives as of both February 28, 2025 and May 31, 2024.

While our derivative 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, we report the fair value of our derivatives on a gross basis by individual contract as either a derivative asset or derivative liability on our consolidated balance sheets. The fair value of our derivatives includes credit valuation adjustments reflecting counterparty credit risk. We estimate our exposure to credit loss on our derivatives by calculating the replacement cost to settle at current market prices, as defined in our derivative agreements, of all outstanding derivatives in a net gain position at the counterparty level where a right of legal offset exists. We provide information on the impact of netting provisions under our master swap agreements and collateral pledged, if any, in "Note 9—Derivative Instruments and Hedging Activities—Impact of Derivatives on Consolidated Balance Sheets." We believe our exposure to derivative counterparty risk, at any point in time, is equal to the amount of our outstanding derivatives in a net gain position, at the individual counterparty level, which totaled $483 million and $611 million as of February 28, 2025 and May 31, 2024, respectively.

We provide additional detail on our derivative agreements, including a discussion of derivative contracts with credit rating triggers and settlement amounts that would be required in the event of a ratings trigger, in "Note 9—Derivative Instruments and Hedging Activities" of this Report.

See "Item 1A. Risk Factors" in our 2024 Form 10-K and "Item 1A. Risk Factors" of this Report for additional information about credit risks related to our business.

LIQUIDITY RISK

We define liquidity as the ability to convert assets into cash quickly and efficiently, maintain access to available funding and 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 in a cost-effective manner. We provide additional information on our liquidity risk-management framework under "Item 7. MD&A—Liquidity Risk—Liquidity Risk Management" in our 2024 Form 10-K.

In addition to cash on hand and investment securities, our primary sources of funds include member loan principal repayments, committed bank revolving lines of credit, committed loan facilities under the Guaranteed Underwriter Program, a revolving note purchase agreement with Farmer Mac and proceeds from debt issuances to members and in the public capital markets. Our primary uses of funds include loan advances to members, principal and interest payments on borrowings, periodic interest settlement payments related to our derivative contracts and operating expenses.

Available Liquidity

As part of our strategy in managing liquidity risk and meeting our liquidity objectives, we seek to maintain various committed sources of funding that are available to meet our near-term liquidity needs. Table 15 presents a comparison between our available liquidity, which consists of cash and cash equivalents, our debt securities investment portfolio and amounts under committed credit facilities, as of February 28, 2025 and May 31, 2024.

Table 15: Available Liquidity

	February 28, 2025			May 31, 2024		
(Dollars in millions)	**Total**	**Accessed**	**Available**	**Total**	**Accessed**	**Available**
Liquidity sources:						
Cash and investment debt securities:						
Cash and cash equivalents	**$ 245**	**$ —**	**$ 245**	$ 280	$ —	$ 280
Debt securities investment portfolio[1]	**149**	**—**	**149**	281	—	281
Total cash and investment debt securities	**394**	**—**	**394**	561	—	561
Committed credit facilities:						
Committed bank revolving line of credit agreements—unsecured[2]	**3,300**	**7**	**3,293**	2,800	2	2,798
Guaranteed Underwriter Program committed facilities—secured[3]	**10,373**	**9,023**	**1,350**	9,923	8,723	1,200
Farmer Mac revolving note purchase agreement—secured[4]	**6,500**	**3,800**	**2,700**	6,000	3,864	2,136
Total committed credit facilities	**20,173**	**12,830**	**7,343**	18,723	12,589	6,134
Total available liquidity	**$ 20,567**	**$ 12,830**	**$ 7,737**	$ 19,284	$ 12,589	$ 6,695

(1)Represents the aggregate fair value of our portfolio of debt securities as of period end.

(2)The committed bank revolving line of credit agreements consist of a three-year and a four-year revolving line of credit agreement. The accessed amount of $7 million and $2 million as of February 28, 2025 and May 31, 2024, respectively, relates to letters of credit issued pursuant to the four-year revolving line of credit agreement.

(3)The committed facilities under the Guaranteed Underwriter Program are not revolving.

(4)Availability subject to market conditions.

Although as a nonbank financial institution we are not subject to regulatory liquidity requirements, our liquidity management framework includes monitoring our liquidity and funding positions on an ongoing basis and assessing our ability to meet our scheduled debt obligations and other cash flow requirements based on point-in-time metrics as well as forward-looking projections. Our liquidity and funding assessment takes into consideration amounts available under existing liquidity sources, the expected rollover of member short-term investments and scheduled loan principal payment amounts, as well as our continued ability to access the capital markets and other non-capital market related funding sources.

Liquidity Risk Assessment

We utilize several measures to assess our liquidity risk and ensure we have adequate coverage to meet our liquidity needs. Our primary liquidity measures indicate the extent to which we have sufficient liquidity to cover the payment of scheduled debt obligations over the next 12 months. We calculate our liquidity coverage ratios under several scenarios that take into consideration various assumptions about our near-term sources and uses of liquidity, including the assumption that maturities of member short-term investments will not have a significant impact on our anticipated cash outflows. Our members have historically 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. As such, we expect that our members will continue to reinvest their excess cash in short-term investment products offered by CFC.

Table 16 presents our primary liquidity coverage ratios as of February 28, 2025 and May 31, 2024 and displays the calculation of each ratio as of these respective dates based on the assumptions discussed above.

Table 16: Liquidity Coverage Ratios

(Dollars in millions)	February 28, 2025	May 31, 2024
Liquidity coverage ratio:[1]		
Total available liquidity[2]	**$ 7,737**	$ 6,695
Debt scheduled to mature over next 12 months:		
Short-term borrowings	**4,236**	4,333
Long-term and subordinated debt scheduled to mature over next 12 months	**3,087**	2,676
Total debt scheduled to mature over next 12 months	**7,323**	7,009
Excess (deficit) in available liquidity over debt scheduled to mature over next 12 months	**$ 414**	$ (314)
Liquidity coverage ratio	**1.06**	0.96
Liquidity coverage ratio, excluding expected maturities of member short-term investments[3]		
Total available liquidity[2]	**$ 7,737**	$ 6,695
Total debt scheduled to mature over next 12 months	**7,323**	7,009
Exclude: Member short-term investments[4]	**(2,978)**	(3,328)
Total debt, excluding member short-term investments, scheduled to mature over next 12 months	**4,345**	3,681
Excess in available liquidity over total debt, excluding member short-term investments, scheduled to mature over next 12 months	**$ 3,392**	$ 3,014
Liquidity coverage ratio, excluding expected maturities of member short-term investments	**1.78**	1.82

(1) Calculated based on available liquidity at period end divided by total debt scheduled to mature over the next 12 months at period end.

(2) Total available liquidity is presented above in Table 15.

(3) Calculated based on available liquidity at period end divided by debt, excluding member short-term investments, scheduled to mature over the next 12 months.

(4) Member short-term investments include commercial paper sold directly to members, selected notes, daily liquidity fund note and short-term medium-term notes sold to members. See Table 18: Short-Term Borrowings — Funding Sources below for additional information.

As presented in Table 16 above, our available liquidity of $7,737 million as of February 28, 2025 was $414 million in excess of our total scheduled debt obligations over the next 12 months of $7,323 million, consisting of short-term borrowings and long-term and subordinated debt. The short-term borrowings scheduled maturity amount consists of member investments of $2,978 million and dealer commercial paper of $1,258 million. The long-term and subordinated scheduled debt obligations over the next 12 months of $3,087 million consist of debt maturities and scheduled debt payment amounts, of which, $232 million was from member investments.

We believe we can continue to roll over our member short-term investments of $2,978 million as of February 28, 2025, based on our expectation that our members will continue to reinvest their excess cash in short-term investment products offered by CFC. As mentioned above, our members historically have maintained a relatively stable level of short-term investments in CFC. Member short-term investments in CFC have averaged $3,452 million over the last 12 fiscal quarter-end reporting periods. Our available liquidity as of February 28, 2025 was $3,392 million in excess of, or 1.8 times over, our total $4,345 million scheduled debt obligations over the next 12 months, excluding member short-term investments. In addition, we expect to receive $1,672 million from scheduled long-term loan principal payments over the next 12 months.

We expect to continue accessing the dealer commercial paper market as a cost-effective means of satisfying our incremental short-term liquidity needs. To mitigate commercial paper rollover risk, we expect to continue to maintain our committed bank revolving line of credit agreements and be in compliance with the covenants of these agreements so we can draw on these facilities, if necessary, to repay dealer or member commercial paper that cannot be refinanced with similar debt. Under master repurchase agreements we have with our bank counter parties, we can obtain short-term funding in secured borrowing transactions by selling investment-grade corporate debt securities from our investment securities portfolio subject to an obligation to repurchase the same or similar securities at an agreed-upon price and date.

The issuance of long-term debt, which represents the most significant component of our funding, allows us to reduce our reliance on short-term borrowings, as well as effectively manage our refinancing and interest rate risk. We expect to continue to issue long-term debt in the public capital markets and under our other non-capital market debt arrangements to meet our funding needs and believe that we have sufficient sources of liquidity to meet our debt obligations and support our operations over the next 12 months.

Investment Securities Portfolio

We have an investment portfolio of debt securities classified as trading and equity securities, both of which are reported on our consolidated balance sheets at fair value. Our debt securities investment portfolio totaled $149 million and $281 million as of February 28, 2025 and May 31, 2024, respectively, and is intended to serve as an additional source of liquidity. Under master repurchase agreements that we have with counterparties, we can obtain short-term funding by selling investment-grade corporate debt securities from our investment portfolio subject to an obligation to repurchase the same or similar securities at an agreed-upon price and date. Because we retain effective control over the transferred securities, transactions under these repurchase agreements are accounted for as collateralized financing agreements (i.e., secured borrowings) and not as a sale and subsequent repurchase of securities. The obligation to repurchase the securities is reflected as a component of our short-term borrowings on our consolidated balance sheets. The aggregate fair value of debt securities underlying repurchase transactions is parenthetically disclosed on our consolidated balance sheets. We had no borrowings under repurchase agreements outstanding as of both February 28, 2025 and May 31, 2024; therefore, we had no debt securities in our investment portfolio pledged as collateral as of each respective date.

Our investment portfolio also included equity securities with a fair value of $13 million as of February 28, 2025, consisting of common stock, and $37 million as of May 31, 2024, consisting primarily of preferred stock securities that are not as readily redeemable, therefore, we excluded the equity securities from our available liquidity.

We provide additional information on our investment securities portfolio in "Note 3—Investment Securities" of this Report.

Borrowing Capacity Under Various Credit Facilities

The aggregate borrowing capacity under our committed bank revolving line of credit agreements, committed loan facilities under the Guaranteed Underwriter Program and revolving note purchase agreement with Farmer Mac totaled $20,173 million and $18,723 million as of February 28, 2025 and May 31, 2024, respectively, and the aggregate amount available for access totaled $7,343 million and $6,134 million as of each respective date. The following is a discussion of our borrowing capacity and key terms and conditions under each of these credit facilities.

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.

On December 5, 2024, we amended our three-year and four-year committed bank revolving line of credit agreements to extend the maturity dates to November 28, 2027 and November 28, 2028, respectively, and to increase commitments by $250 million (excluding the $150 million commitment termination described below) under each of the three-year and four-year revolving credit agreements. Commitments of $150 million that were scheduled to mature on November 28, 2025 were terminated under the three-year revolving credit agreement and commitments of $150 million will continue to expire at the prior maturity date of November 28, 2026 under the four-year revolving credit agreement. As of February 28, 2025, the total commitment amount under the three-year facility and the four-year facility was $1,595 million and $1,705 million, respectively, resulting in a combined total commitment amount under the two facilities of $3,300 million. 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 17 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 February 28, 2025.

Table 17: Committed Bank Revolving Line of Credit Agreements

	February 28, 2025				
(Dollars in millions)	Total Commitment	Letters of Credit Outstanding	Amount Available for Access	Maturity	Annual Facility Fee [1]
Bank revolving agreements:					
3-year agreement	$ 1,595	$ —	$ 1,595	November 28, 2027	7.5 bps
Total 3-year agreement	1,595	—	1,595		
4-year agreement	150	—	150	November 28, 2026	10.0 bps
4-year agreement	1,555	7	1,548	November 28, 2028	10.0 bps
Total 4-year agreement	1,705	7	1,698		
Total	$ 3,300	$ 7	$ 3,293		

[1] Facility fee based on CFC's senior unsecured credit ratings in accordance with the established pricing schedules at the inception of the related agreement.

We did not have any outstanding borrowings under our committed bank revolving line of credit agreements as of February 28, 2025; however, we had letters of credit outstanding of $7 million under the four-year committed bank revolving agreement as of this date.

Although 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, 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.

Guaranteed Underwriter Program Committed Facilities—Secured

Under the Guaranteed Underwriter Program, we can borrow from the FFB and use the proceeds to extend new loans to our members and refinance existing member debt. As part of the program, we pay fees, based on our outstanding borrowings, that are intended to help fund the USDA Rural Economic Development Loan and Grant program and thereby support additional investment in rural economic development projects. The borrowings under this program are guaranteed by RUS. Each advance is subject to quarterly amortization and a final maturity not longer than 30 years from the date of the advance.

On December 18, 2024, we closed on a $450 million Series V committed loan facility from the FFB under the Guaranteed Underwriter Program. Pursuant to this facility, we may borrow any time before July 15, 2029. Each advance is subject to quarterly amortization and a final maturity not longer than 30 years from the date of the advance.

As displayed in Table 15, we had accessed $9,023 million under the Guaranteed Underwriter Program and up to $1,350 million was available for borrowing as of February 28, 2025. Of the $1,350 million available borrowing amount, $450 million is available for advance through July 15, 2027, $450 million is available for advance through July 15, 2028 and $450 million is available for advance through July 15, 2029. We are required to pledge eligible distribution system loans or power supply system loans as collateral in an amount at least equal to our total outstanding borrowings under the Guaranteed Underwriter Program committed loan facilities, which totaled $6,511 million as of February 28, 2025.

Farmer Mac Revolving Note Purchase Agreement—Secured

We have a revolving note purchase agreement with Farmer Mac which allows us to borrow, repay and re-borrow funds at any time through maturity, provided the outstanding principal does not exceed the agreement limit. On January 14, 2025, we amended the revolving note purchase agreement with Farmer Mac to increase the maximum borrowing availability to $6,500 million from $6,000 million, and extend the draw period from June 30, 2027 to January 14, 2030, with successive one-year renewals upon sixty days' notice by CFC, subject to approval by Farmer Mac and Farmer Mac Mortgage Securities Corporation. Under this agreement, we had outstanding secured notes payable totaling $3,800 million and $3,864 million as of February 28, 2025 and May 31, 2024, respectively. We borrowed $500 million in long-term notes payable, and repaid $500 million in short-term and $63 million in long-term notes payable under this note purchase agreement with Farmer Mac during YTD FY2025. As displayed in Table 15, the amount available for borrowing under this agreement was $2,700 million as of February 28, 2025. 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.

We provide additional information on pledged collateral below under "Pledged Collateral" in this section and in "Note 3—Investment Securities" and "Note 4—Loans."

Short-Term Borrowings

Our short-term borrowings, which we rely on to meet our daily, near-term funding needs, consist of commercial paper, which we offer to members and dealers, select notes and daily liquidity fund notes offered to members, medium-term notes offered to members and dealers and funds from repurchase secured borrowing transactions.

Short-term borrowings decreased $97 million to $4,236 million as of February 28, 2025, from $4,333 million as of May 31, 2024, and accounted for 12% and 13% of total debt outstanding as of each respective period.

Member investments have historically been our primary source of short-term borrowings. Table 18 displays the composition, by funding source, of our short-term borrowings as of February 28, 2025 and May 31, 2024. As indicated in Table 18, members' investments represented 70% and 77% of our outstanding short-term borrowings as of February 28, 2025 and May 31, 2024, respectively.

Table 18: Short-Term Borrowings—Funding Sources

	February 28, 2025		May 31, 2024	
(Dollars in thousands)	Amount Outstanding	% of Total Short-Term Borrowings	Amount Outstanding	% of Total Short-Term Borrowings
Funding source:				
Members	**$ 2,977,642**	**70 %**	$ 3,328,059	77 %
Farmer Mac notes payable	**—**	**—**	500,000	11
Capital markets	**1,258,387**	**30**	504,631	12
Total	**$ 4,236,029**	**100 %**	$ 4,332,690	100 %

Dealer commercial paper outstanding was $1,258 million and $505 million as of February 28, 2025 and May 31, 2024, respectively.

See "Note 6—Short-Term Borrowings" in this Report for additional information on our short-term borrowings.

Long-Term and Subordinated Debt

Long-term and subordinated debt, which represents the most significant source of our funding, totaled $30,042 million and $28,386 million as of February 28, 2025 and May 31, 2024, respectively, and accounted for 88% and 87% of total debt outstanding as of each respective period. See Table 19 below for a summary of our long-term and subordinated debt issuances and repayments during YTD FY2025.

On November 1, 2024, we entered into an agency agreement with InspereX LLC, Citigroup Global Markets Inc., RBC Capital Markets, LLC and Wells Fargo Clearing Services, LLC, as agents, to launch a program through which we may offer and sell, from time to time, an unlimited aggregate principal amount of our subordinated deferrable interest notes. On November 1, 2024, we filed a prospectus supplement with the SEC related to these subordinated notes, which are issued under our effective shelf registration statement filed with the SEC in October 2023.

These subordinated notes are unsecured and rank subordinate in right of payment to all of our current and future senior indebtedness. The subordinated notes are senior to our members' subordinated certificates and rank equal in right of payment and upon liquidation to our outstanding subordinated deferrable debt and any other equally-ranked subordinated notes we may issue. We issued an aggregate principal amount of $35 million subordinated notes that mature in 30 years during YTD FY2025 under this new program.

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 January 2025, we settled $300 million collateral trust bonds at a fixed rate of 5.23% with weighted average term of 13.3 years in a private placement transaction, which is an unregistered debt offering. 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 and senior and subordinated debt securities, including medium-term notes, member capital securities and subordinated deferrable debt, until October 2026; 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 2025. Subsequent to the quarter ended February 28, 2025, we renewed the daily liquidity fund registration statement until March 2028.

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.

Long-Term Debt and Subordinated Debt—Issuances and Repayments

Table 19 summarizes long-term and subordinated debt issuances and repayments during YTD FY2025.

Table 19: Long-Term and Subordinated Debt— Issuances and Repayments

(Dollars in thousands)	YTD FY2025 Issuances	YTD FY2025 Repayments[1]
Debt product type:		
Collateral trust bonds[2]	$ 650,000	$ 505,000
Guaranteed Underwriter Program notes payable	300,000	280,459
Farmer Mac notes payable	500,000	63,378
Medium-term notes sold to members	102,569	75,752
Medium-term notes sold to dealers	2,409,465	1,413,516
Subordinated deferrable debt	35,277	—
Members' subordinated certificates	6	12,712
Total	$ 3,997,317	$ 2,350,817

(1)Repayments include principal maturities, scheduled amortization payments, repurchases and redemptions.
(2)Amount also includes the collateral trust bonds issued in a private placement transaction.

Long-Term and Subordinated Debt—Principal Maturity and Amortization

Table 20 summarizes scheduled principal maturity and amortization of our long-term debt, subordinated deferrable debt and members' subordinated certificates outstanding as of February 28, 2025, in each fiscal year during the five-year period ending May 31, 2029, and thereafter.

Table 20: Long-Term and Subordinated Debt—Scheduled Principal Maturities and Amortization[1]

(Dollars in thousands)	Scheduled Amortization[2]	% of Total
Fiscal year ending May 31:		
2025	$ 470,695	2 %
2026	3,667,044	12
2027	3,531,621	12
2028	3,690,618	12
2029	2,828,359	9
Thereafter	16,088,191	53
Total	$ 30,276,528	100 %

(1)Amounts presented are based on the face amount of debt outstanding as of February 28, 2025, and therefore does not include related debt issuance costs and discounts.
(2)In addition, member loan subordinated certificates totaling $124 million amortize annually based on the unpaid principal balance of the related loan.

We provide additional information on our financing activities under the above "Consolidated Balance Sheet Analysis—Debt" and in "Note 7—Long-Term Debt" and "Note 8—Subordinated Deferrable Debt" of this Report.

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 $34,278 million as of February 28, 2025, $17,203 million, or 50%, was secured by pledged loans totaling $20,251 million. In comparison, of our total debt outstanding of $32,718 million as of May 31, 2024, $17,095 million, or 52%, was secured by pledged loans totaling $21,403 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 agreement 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. 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 2007 indenture, the Guaranteed Underwriter Program or the Farmer Mac note purchase agreements as of February 28, 2025.

Table 21 displays the collateral coverage ratios pursuant to these secured borrowing agreements as of February 28, 2025 and May 31, 2024.

Table 21: Collateral Pledged

	Requirement Coverage Ratios		Actual Coverage Ratios[1]	
	Minimum Debt Indentures	Maximum Committed Bank Revolving Line of Credit Agreements	February 28, 2025	May 31, 2024
Secured borrowing agreement type:				
Collateral trust bonds 1994 indenture[2]	**100 %**	**N/A**	**150 %**	128 %
Collateral trust bonds 2007 indenture	**100**	**150**	**117**	129
Guaranteed Underwriter Program notes payable	**100**	**150**	**119**	124
Farmer Mac notes payable	**100**	**150**	**110**	115

[1]Calculated based on the amount of collateral pledged divided by the face amount of outstanding secured debt.

[2]In December 2024, our committed bank revolving line of credit agreements were amended to exclude collateral pledged under the collateral trust bonds 1994 indenture from the maximum coverage ratio required under the agreements. The required maximum coverage ratio was 150% prior to the amendments.

Table 22 displays the unpaid principal balance of loans pledged for secured debt, the excess collateral pledged and unencumbered loans as of February 28, 2025 and May 31, 2024.

Table 22: Loans—Unencumbered Loans

(Dollars in thousands)	February 28, 2025	May 31, 2024
Total loans outstanding[1]	**$ 36,463,440**	$ 34,528,184
Less: Loans required to be pledged under secured debt agreements[2]	**(17,394,198)**	(17,293,035)
Loans pledged in excess of required amount[2][3]	**(2,856,776)**	(4,110,051)
Total pledged loans	**(20,250,974)**	(21,403,086)
Unencumbered loans	**$ 16,212,466**	$ 13,125,098
Unencumbered loans as a percentage of total loans outstanding	**44 %**	38 %

[1]Represents the unpaid principal balance of loans as of the end of each period. Excludes unamortized deferred loan origination costs of $16 million and $14 million as of February 28, 2025 and May 31, 2024, respectively.

[2]Reflects unpaid principal balance of pledged loans.

[3]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.

To ensure that we do not fall below the minimum collateral coverage ratio requirement, 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” and additional information on pledged loans in “Note 4—Loans” in this Report. For additional detail on each of our debt product types, refer to “Note 5—Short-Term Borrowings,” “Note 7—Long-Term Debt,” “Note 8—Subordinated Deferrable Debt” and “Note 9—Members’ Subordinated Certificates” in our 2024 Form 10-K.

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 and funding 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 information on our unadvanced loan commitments in “Note 4—Loans” and information on our guarantee obligations in “Note 11—Guarantees.”

Projected Near-Term Sources and Uses of Funds

Table 23 below displays a projection of our primary long-term sources and uses of funds, by quarter, over each of the next six fiscal quarters. Our projection is based on the following, which includes several assumptions: (i) the estimated issuance of long-term debt, including capital market and other non-capital market term debt, is based on our market-risk management goal of minimizing the mismatch between the cash flows from our financial assets and our financial liabilities; (ii) long-term loan scheduled amortization repayment amounts represent scheduled loan principal payments for long-term loans outstanding as of February 28, 2025 and estimated loan principal payments for long-term loan advances, plus estimated prepayment amounts on long-term loans; (iii) long-term and subordinated debt maturities consist of both scheduled principal maturity and amortization amounts and projected principal maturity and amortization amounts on term debt outstanding in each period presented; and (iv) long-term loan advances are based on our current projection of member demand for loans. In addition, amounts available under our committed bank revolving lines of credit, net increases in dealer commercial paper and short-term member investments are intended to serve as a backup source of liquidity.

Table 23: Projected Long-Term Sources and Uses of Funds[1]

	Projected Long-Term Sources of Funds			Projected Long-Term Uses of Funds		
(Dollars in millions)	Long-Term Debt Issuance	Anticipated Long-Term Loan Repayments[2]	Total Projected Long-Term Sources of Funds	Long-Term and Subordinated Debt Maturities[3]	Long-Term Loan Advances	Total Projected Long-Term Uses of Funds
Q4 FY2025	$ 64	$ 406	$ 470	$ 595	$ 1,015	$ 1,610
Q1 FY2026	638	411	1,049	565	633	1,198
Q2 FY2026	1,392	409	1,801	1,245	645	1,890
Q3 FY2026	2,072	446	2,518	1,144	887	2,031
Q4 FY2026	1,166	406	1,572	1,062	877	1,939
Q1 FY2027	961	492	1,453	741	842	1,583
Total	$ 6,293	$ 2,570	$ 8,863	$ 5,352	$ 4,899	$ 10,251

[1]The dates presented represent the end of each quarterly period through the quarter ended August 31, 2026.
[2]Anticipated long-term loan repayments include scheduled long-term loan amortizations and anticipated cash repayments at repricing date.
[3]Long-term debt maturities also include medium-term notes with an original maturity of one year or less and expected early redemptions of debt.

As displayed in Table 23, we currently project long-term advances of $3,180 million over the next 12 months, which we project will exceed anticipated long-term loan repayments over the same period of $1,672 million, resulting in net long-term loan growth of approximately $1,508 million over the next 12 months.

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.

During YTD FY2025, Moody's, Fitch and S&P affirmed CFC's credit ratings and stable outlook. Table 24 displays our credit ratings as of February 28, 2025, which remain unchanged as of the date of this Report.

Table 24: Credit Ratings

	February 28, 2025		
	Moody's	S&P	Fitch
CFC credit ratings and outlook:			
Long-term issuer credit rating[1]	**A2**	**A-**	**A**
Senior secured debt[2]	**A1**	**A-**	**A+**
Senior unsecured debt[3]	**A2**	**A-**	**A**
Subordinated debt	**A3**	**BBB**	**BBB+**
Commercial paper	**P-1**	**A-2**	**F1**
Outlook	**Stable**	**Stable**	**Stable**
Rating agency credit opinion/report date	**February 21, 2025**	**November 14, 2024**	**September 19, 2024**

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(1)Based on our senior unsecured debt rating.

(2)Applies to our collateral trust bonds.

(3)Applies to our medium-term notes.

See "Credit Risk—Counterparty Credit Risk—Derivative Counterparty Credit Exposure" above for information on credit rating provisions related to our derivative contracts.

Financial Ratios

Our debt-to-equity ratio was 11.31 and 10.86 as of February 28, 2025 and May 31, 2024, respectively. The increase in the debt-to-equity ratio during YTD FY2025 was due to an increase in debt to fund loan growth, partially offset by an increase in total equity. The increase in total equity was primarily due to our reported net income of $67 million for YTD FY2025, partially offset by the CFC Board of Directors' authorized patronage capital retirement of $47 million in July 2024.

Our adjusted debt-to-equity ratio was 7.37 and 7.27 as of February 28, 2025 and May 31, 2024, respectively. The increase in the adjusted debt-to-equity ratio during YTD FY2025 was due to an increase in adjusted total debt outstanding resulting from additional borrowings to fund growth in our loan portfolio, partially offset by an increase in adjusted total equity. The increase in adjusted total equity was primarily due to our adjusted net income of $195 million for YTD FY2025, partially offset by a decrease in equity of $47 million from CFC Board of Directors' authorized patronage capital retirements in July 2024.

We provide a more detailed discussion of the debt-to-equity ratio and adjusted debt-to-equity ratio under the section "Non-GAAP Financial Measures and Reconciliations" of this Report.

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 covenants under our committed bank revolving line of credit agreements and senior debt indentures. We were in compliance with all covenants and conditions under our committed bank revolving line of credit agreements and senior debt indentures as of February 28, 2025.

As discussed above in "Introduction—Non-GAAP Financial Measures," 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 financial measures disclosed in this Report to the most comparable U.S. GAAP financial measures below in "Non-GAAP Financial Measures and Reconciliations." See "Item 7. MD&A—Non-GAAP Financial Measures and Reconciliations" in our 2024 Form 10-K for a discussion of each of our non-GAAP measures and an explanation of the adjustments to derive these measures.

MARKET RISK

Interest rate risk represents our primary source of market risk, as interest rate-volatility can have a significant impact on our earnings and overall financial condition as a financial institution. We are exposed to interest rate risk primarily from the differences in the timing between the maturity or repricing of our loans and the liabilities funding our loans. We seek to generate stable adjusted net interest income on a sustained and long-term basis by minimizing the mismatch between the cash flows from our interest rate-sensitive financial assets and our financial liabilities. We use derivatives as a tool in matching the duration and repricing characteristics of our assets and liabilities. We provide additional information on our management of interest rate risk in our 2024 Form 10-K under "Item 7. MD&A—Market Risk—Interest Rate Risk Management." Below we discuss how we manage and measure interest rate risk.

Interest Rate Risk Assessment

Our Asset Liability Management ("ALM") framework includes the use of analytic tools and capabilities, enabling CFC to generate a comprehensive profile of our interest rate risk exposure. We routinely measure and assess our interest rate risk exposure using various methodologies through the use of ALM models that enable us to accurately measure and monitor our interest rate risk exposure under multiple interest rate scenarios using several different techniques. Below we present two measures used to assess our interest rate risk exposure: (i) the interest rate sensitivity of projected net interest income and adjusted net interest income; and (ii) duration gap.

Interest Rate Sensitivity Analysis

We regularly evaluate the sensitivity of our interest-earning assets and the interest-bearing liabilities funding those assets and our net interest income and adjusted net interest income projections under multiple interest rate scenarios. Each month we update our ALM models to reflect our existing balance sheet position and incorporate different assumptions about forecasted changes in our balance sheet position over the next 12 months. Based on the forecasted balance sheet changes, we generate various projections of net interest income and adjusted net interest income over the next 12 months. Management reviews and assesses these projections and underlying assumptions to identify a baseline scenario of projected net interest income and adjusted net interest income over the next 12 months, which reflects what management considers, at the time, as the most likely scenario. As discussed under "Non-GAAP Financial Measures," we derive adjusted net interest income by adjusting our reported interest expense and net interest income to include the impact of net derivative cash settlements amounts.

Our interest rate sensitivity analyses take into consideration existing interest rate-sensitive assets and liabilities as of the reported balance sheet date and forecasted changes to the balance sheet over the next 12 months under management's baseline projection. As discussed in the "Executive Summary—Outlook" section, we currently anticipate net long-term loan growth of $1,508 million over the next 12 months. We also expect that our variable-rate line of credit loans outstanding will increase over the same period. The U.S. Treasury curve remains normalized overall and is expected to further steepen throughout 2025, though the curve is again inverted for tenors shorter than 2-years.

Based on our current baseline forecast assumptions, which includes a total of 50 basis points of federal funds rate cuts from March 2025 through March 2026, we project increases in our reported net interest income and net interest yield over the next 12 months compared to the 12-month period ended February 28, 2025. We also project an increase in our adjusted net interest income over the next 12 months relative to the 12-month period ended February 28, 2025, primarily driven by projected loan growth. We project a decrease in adjusted net interest yield over the next 12 months, primarily due to the current yield curve assumptions and interest-earning assets, primarily lines of credit, repricing faster than our interest-bearing liabilities combined with the impact of lower cost debt maturing in the near term, which will need to be refinanced at a relatively higher interest rate.

Table 25 presents the estimated percentage impact that a hypothetical instantaneous parallel shift of plus or minus 100 basis points in the interest rate yield curve, relative to our base case forecast yield curve, would have on our projected baseline 12-month net interest income and adjusted net interest income as of February 28, 2025 and May 31, 2024. In instances where the hypothetical instantaneous interest rate shift of minus 100 basis points results in a negative interest rate, we assume an interest rate floor rate of 0% in a negative interest rate. We also present the estimated percentage impact on our projected baseline 12-month net interest income and adjusted net interest income assuming a hypothetical inverted yield curve under which shorter-term interest rates increase by an instantaneous 75 basis points and longer-term interest rates decrease by an instantaneous 75 basis points.

Table 25: Interest Rate Sensitivity Analysis

	February 28, 2025			May 31, 2024		
Estimated Impact[1]	**+ 100 Basis Points**	**– 100 Basis Points**	**Inverted**	**+ 100 Basis Points**	**– 100 Basis Points**	**Inverted**
Net interest income	**1.18 %**	**(1.06)%**	**(6.15)%**	(3.10)%	3.22 %	(5.12)%
Derivative cash settlements	**10.10 %**	**(10.09)%**	**9.66 %**	11.25 %	(11.25)%	9.31 %
Adjusted net interest income[2]	**11.28 %**	**(11.15)%**	**3.51 %**	8.15 %	(8.04)%	4.20 %

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[1] The actual impact on our reported and adjusted net interest income may differ significantly from the sensitivity analysis presented.

[2] We include net periodic derivative cash settlement interest amounts as a component of interest expense in deriving adjusted net interest income. See the section "Non-GAAP Financial Measures and Reconciliations" for a reconciliation of the non-GAAP financial measures presented in this Report to the most comparable U.S. GAAP financial measures.

The changes in the sensitivity measures between February 28, 2025 and May 31, 2024 are primarily attributable to changes in the size and composition of our forecasted balance sheet, as well as changes in current interest rates and forecasted interest rates. As the interest rate sensitivity simulations displayed in Table 25 indicate, we would expect an unfavorable impact on our projected net interest income over a 12-month horizon as of February 28, 2025, under the hypothetical scenario of an instantaneous parallel shift of minus 100 basis points in the interest rate yield curve and an inverted yield curve. We would expect an unfavorable impact on our adjusted net interest income over a 12-month horizon as of February 28, 2025, under the hypothetical scenario of an instantaneous parallel shift of minus 100 basis points in the interest rate yield curve.

Duration Gap

The duration gap, which represents the difference between the estimated duration of our interest-earning assets and the estimated duration of our interest-bearing liabilities, summarizes the extent to which the cash flows for assets and liabilities are matched over time. We use derivatives in managing the differences in timing between the maturities or repricing of our interest earning assets and the debt funding those assets. A positive duration gap indicates that the duration of our interest-earning assets is greater than the duration of our debt and derivatives, and therefore denotes an increased exposure to rising interest rates over the long term. Conversely, a negative duration gap indicates that the duration of our interest-earning assets is less than the duration of our debt and derivatives, and therefore denotes an increased exposure to declining interest rates over the long term. While the duration gap provides a relatively concise and simple measure of the interest rate risk inherent on our consolidated balance sheet as of the reported date, it does not incorporate projected changes on our consolidated balance sheet.

The duration gap widened to positive 0.85 months as of February 28, 2025, from negative 1.13 months as of May 31, 2024 and was within the risk limits and guidelines established by CFC's Asset Liability Committee as of each respective date. The shift to a positive duration gap is primarily due to shorter duration liabilities funding interest-earning assets.

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. Moreover, as discussed above, we use various other methodologies to measure and monitor our interest rate risk under multiple interest rate scenarios, which, together, provide a comprehensive profile of our interest rate risk.

CRITICAL ACCOUNTING ESTIMATES

The preparation of financial statements in conformity 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 in "Note 1—Summary of Significant Accounting Policies" in our 2024 Form 10-K.

Certain accounting estimates 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. The determination of the allowance for expected credit losses over the remaining expected life of the loans in our loan portfolio involves a significant degree of management judgment and level of estimation uncertainty. As such, we have identified our accounting policy governing the estimation of the allowance for credit losses as a critical accounting estimate. We describe our allowance methodology and process for estimating the allowance for credit losses under "Note 1—Summary of Significant Accounting Policies—Allowance for Credit Losses–Loan Portfolio" in our 2024 Form 10-K.

We identify the key inputs used in determining the allowance for credit losses, discuss the assumptions that require the most significant management judgment and contribute to the estimation uncertainty and disclose the sensitivity of our allowance to hypothetical changes in the assumptions underlying the calculation of our reported allowance for credit losses under "Item 7. MD&A—Critical Accounting Estimates" in our 2024 Form 10-K. Management established policies and control procedures intended to ensure that the methodology used for determining our allowance for credit losses, including any judgments and assumptions made as part of such method, are well-controlled and applied consistently from period to period. We regularly evaluate the key inputs and assumptions used in determining the allowance for credit losses and update them, as necessary, 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 and other factors relevant to our loan portfolio segments. We did not change our allowance methodology or the nature of the underlying key inputs and assumptions used in measuring our allowance for credit losses during the current quarter.

We discuss the risks and uncertainties related to management's judgments and estimates in applying accounting policies that have been identified as critical accounting estimates under "Item 1A. Risk Factors—Regulatory and Compliance Risks" in our 2024 Form 10-K. We provide additional information on the allowance for credit losses under the section "Credit Risk—Allowance for Credit Losses" and "Note 5—Allowance for Credit Losses" in this Report.

RECENT ACCOUNTING CHANGES AND OTHER DEVELOPMENTS

Recent Accounting Changes

We provide information on recently adopted accounting standards and the adoption impact on CFC's consolidated financial statements and recently issued accounting standards not yet required to be adopted and the expected adoption impact in "Note 1—Summary of Significant Accounting Policies." 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 discuss the impact in the applicable section(s) of this MD&A.

NON-GAAP FINANCIAL MEASURES AND RECONCILIATIONS

As discussed above in the section "Introduction—Non-GAAP Financial Measures," in addition to financial measures determined in accordance with U.S. GAAP, management evaluates performance based on certain non-GAAP financial measures, which we refer to as "adjusted" financial measures. Below we provide a reconciliation of our adjusted financial measures presented in this Report to the most comparable U.S. GAAP financial measures. Starting in the quarter ended November 30, 2024 ("Q2 FY2025"), we have refined our methodology for calculating the adjusted debt-to-equity ratio, which we explain in more detail below. For the remaining non-GAAP measures see "Item 7. MD&A—Non-GAAP Financial Measures and Reconciliations" in our 2024 Form 10-K for a discussion of each of these non-GAAP financial measures and an explanation of the adjustments to derive these measures.

Net Income and Adjusted Net Income

Table 26 provides a reconciliation of adjusted interest expense, adjusted net interest income, and adjusted net income to the comparable U.S. GAAP financial measures. These adjusted financial measures are used in the calculation of our adjusted net interest yield and adjusted TIER.

Table 26: Adjusted Net Income

(Dollars in thousands)	Q3 FY2025	Q3 FY2024	YTD FY2025	YTD FY2024
Adjusted net interest income:				
Interest income	**$ 428,860**	$ 411,835	**$ 1,266,856**	$ 1,181,778
Interest expense	**(361,918)**	(347,019)	**(1,072,821)**	(987,145)
Include: Derivative cash settlements interest income[1]	**20,309**	38,342	**78,776**	94,978
Adjusted interest expense	**(341,609)**	(308,677)	**(994,045)**	(892,167)
Adjusted net interest income	**$ 87,251**	$ 103,158	**$ 272,811**	$ 289,611
Adjusted net income:				
Net income	**$ 86,136**	$ 31,189	**$ 66,613**	$ 407,508
Exclude: Derivative forward value gains (losses)[2]	**19,833**	(56,817)	**(127,921)**	183,372
Adjusted net income	**$ 66,303**	$ 88,006	**$ 194,534**	$ 224,136

[1] Represents the net periodic contractual interest income (expense) amount on our interest rate swaps during the reporting period.

[2] 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 income and expense incurred on our derivatives to be part of our funding cost in addition to the interest expense on our debt. As such, we add net periodic derivative cash settlements interest income and expense amounts to our reported interest expense to derive our adjusted interest expense and adjusted net interest income. We exclude unrealized derivative forward value gains and losses from our adjusted net income.

TIER and Adjusted TIER

Table 27 displays the calculation of our TIER and adjusted TIER.

Table 27: TIER and Adjusted TIER

	Q3 FY2025	Q3 FY2024	YTD FY2025	YTD FY2024
TIER[(1)]	**1.24**	1.09	**1.06**	1.41
Adjusted TIER[(2)]	**1.19**	1.29	**1.20**	1.25

[(1)] TIER is calculated based on our net income (loss) plus interest expense for the period divided by interest expense for the period.

[(2)] 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 Outstanding and Equity and Adjusted Debt Outstanding and Equity

Adjusted debt-to-equity ratio is one of the key measures in managing our business and is used for: (i) establishing corporate goals; (ii) budgeting and forecasting; and (iii) monitoring our overall leverage and credit ratings. We therefore believe that this adjusted financial measure, in combination with the comparable U.S. GAAP financial measure, is useful to investors in evaluating our financial condition.

Beginning in Q2 FY2025, we have refined our methodology for calculating the adjusted debt-to-equity ratio and have adjusted our internally established adjusted threshold from 6-to-1 to 8.5-to-1. Key changes to our methodology included replacing total liabilities with total debt outstanding, which includes our interest-bearing debt and excludes non-interest bearing liabilities, and reducing equity credit for subordinated deferrable debt from 100% to 50%. These changes aim to provide a more accurate representation of our financial condition given the continued growth in our loan portfolio, align our methodology more closely with rating agency methodologies and provide a ratio that is consistent with our business objectives. We will continue to assess the appropriateness of our non-GAAP financial measures, which could be subject to change for a variety of reasons, including changes to our strategy or business operations.

The most directly comparable financial measure calculated and presented in accordance with U.S. GAAP was also revised from total liabilities divided by total equity to total debt outstanding divided by total equity. Prior-period amounts have been recast to reflect the updated presentation for both adjusted debt-to-equity and debt-to-equity ratios.

Table 28 provides a reconciliation between our total debt outstanding and total equity and the adjusted amounts used in the calculation of our adjusted debt-to-equity ratio as of February 28, 2025 and May 31, 2024.

Table 28: Adjusted Total Debt Outstanding and Equity

(Dollars in thousands)	February 28, 2025	May 31, 2024
Adjusted total debt outstanding:		
Total debt outstanding[(1)]	**$ 34,277,762**	$ 32,718,367
Exclude:		
50% of Subordinated deferrable debt	**660,584**	643,431
Members' subordinated certificates	**1,184,944**	1,197,651
Adjusted total debt outstanding	**$ 32,432,234**	$ 30,877,285
Adjusted total equity:		
Total equity	**$ 3,031,186**	$ 3,012,169
Exclude:		
Prior fiscal year-end cumulative derivative forward value gains[(2)]	**607,969**	343,098
Year-to-date derivative forward value gains (losses)[(2)]	**(127,921)**	264,871
Period-end cumulative derivative forward value gains[(2)]	**480,048**	607,969
Accumulated other comprehensive loss	**(1,364)**	(1,416)
Subtotal	**478,684**	606,553
Include:		
50% of Subordinated deferrable debt	**660,584**	643,431
Members' subordinated certificates	**1,184,944**	1,197,651
Subtotal	**1,845,528**	1,841,082
Adjusted total equity	**$ 4,398,030**	$ 4,246,698

(1) Total debt outstanding includes our interest-bearing debt and excludes non-interest bearing liabilities, such as derivative liabilities.
(2) Represents consolidated total derivative forward value gains (losses).

Debt-to-Equity and Adjusted Debt-to-Equity Ratios

Table 29 displays the calculations of our debt-to-equity and adjusted debt-to-equity ratios as of February 28, 2025 and May 31, 2024.

Table 29: Debt-to-Equity Ratio and Adjusted Debt-to-Equity Ratio

(Dollars in thousands)	February 28, 2025	May 31, 2024
Debt-to equity ratio:		
Total debt outstanding	**$ 34,277,762**	$ 32,718,367
Total equity	**3,031,186**	3,012,169
Debt-to-equity ratio[(1)]	**11.31**	10.86
Adjusted debt-to-equity ratio:		
Adjusted total debt outstanding[(2)]	**$ 32,432,234**	$ 30,877,285
Adjusted total equity[(2)]	**4,398,030**	4,246,698
Adjusted debt-to-equity ratio[(3)]	**7.37**	7.27

(1) Calculated based on total debt outstanding at period end divided by total equity at period end.
(2) See Table 28 above for details on the calculation of these non-GAAP financial measures and the reconciliation to the most comparable U.S. GAAP financial measures.
(3) Calculated based on adjusted total debt outstanding at period end divided by adjusted total equity at period end.

Total CFC Equity and Members' Equity

Members' equity excludes the noncash impact of derivative forward value gains (losses) and foreign currency adjustments recorded in net income and amounts recorded in AOCI. Because these amounts generally have not been realized, they are not available to members and are excluded by the CFC 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 30 provides a reconciliation of members' equity to total CFC equity as of February 28, 2025 and May 31, 2024. We present the components of AOCI in "Note 10—Equity."

Table 30: Members' Equity

(Dollars in thousands)	February 28, 2025	May 31, 2024
Members' equity:		
Total CFC equity	**$ 3,010,449**	$ 2,991,462
Exclude:		
Accumulated other comprehensive loss	**(1,364)**	(1,416)
Period-end cumulative derivative forward value gains attributable to CFC[1]	**478,749**	606,215
Subtotal	**477,385**	604,799
Members' equity	**$ 2,533,064**	$ 2,386,663

[1]Represents period-end cumulative derivative forward value gains for CFC only, as total CFC equity does not include the noncontrolling interest of the variable interest entity, which we are required to consolidate. We report the separate results of operations for CFC in "Note 14—Business Segments." The period-end cumulative derivative forward value total gain amounts as of February 28, 2025 and May 31, 2024 are presented above in Table 28.

Item 1. Financial Statements

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(Dollars in thousands)	Q3 FY2025	Q3 FY2024	YTD FY2025	YTD FY2024
Interest income	**$ 428,860**	$ 411,835	**$ 1,266,856**	$ 1,181,778
Interest expense	**(361,918)**	(347,019)	**(1,072,821)**	(987,145)
Net interest income	**66,942**	64,816	**194,035**	194,633
Benefit for credit losses	**6,093**	6,559	**4,270**	5,131
Net interest income after benefit for credit losses	**73,035**	71,375	**198,305**	199,764
Non-interest income (loss):				
Fee and other income	**5,982**	5,025	**17,074**	16,173
Derivative gains (losses)	**40,142**	(18,475)	**(49,145)**	278,350
Investment securities gains	**663**	4,140	**6,891**	8,916
Total non-interest income (loss)	**46,787**	(9,310)	**(25,180)**	303,439
Non-interest expense:				
Salaries and employee benefits	**(18,123)**	(16,706)	**(52,750)**	(49,126)
Other general and administrative expenses	**(15,167)**	(13,283)	**(52,759)**	(43,878)
Losses on early extinguishment of debt	**(10)**	(33)	**(50)**	(998)
Other non-interest expense	**(320)**	(287)	**(845)**	(715)
Total non-interest expense	**(33,620)**	(30,309)	**(106,404)**	(94,717)
Income before income taxes	**86,202**	31,756	**66,721**	408,486
Income tax provision	**(66)**	(567)	**(108)**	(978)
Net income	**86,136**	31,189	**66,613**	407,508
Less: Net (income) loss attributable to noncontrolling interests	**(150)**	281	**(28)**	262
Net income attributable to CFC	**$ 85,986**	$ 31,470	**$ 66,585**	$ 407,770

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

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

(Dollars in thousands)	Q3 FY2025	Q3 FY2024	YTD FY2025	YTD FY2024
Net income	**$ 86,136**	$ 31,189	**$ 66,613**	$ 407,508
Other comprehensive income (loss):				
Changes in unrealized gains on derivative cash flow hedges	**—**	—	**803**	483
Reclassification to earnings of realized gains on derivatives	**(117)**	(7,818)	**(1,038)**	(8,132)
Defined benefit plan adjustments	**95**	53	**287**	159
Other comprehensive income (loss)	**(22)**	(7,765)	**52**	(7,490)
Total comprehensive income	**86,114**	23,424	**66,665**	400,018
Less: Total comprehensive (income) loss attributable to non-controlling interests	**(150)**	281	**(28)**	262
Total comprehensive income attributable to CFC	**$ 85,964**	$ 23,705	**$ 66,637**	$ 400,280

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

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands)	February 28, 2025	May 31, 2024
Assets:		
Cash and cash equivalents	**$ 245,437**	$ 280,124
Restricted cash	**8,350**	8,217
Total cash, cash equivalents and restricted cash	**253,787**	288,341
Investment securities:		
Debt securities trading, at fair value	**148,548**	281,351
Equity securities, at fair value	**13,069**	36,886
Total investment securities, at fair value	**161,617**	318,237
Loans to members	**36,479,209**	34,542,285
Less: Allowance for credit losses	**(44,456)**	(48,726)
Loans to members, net	**36,434,753**	34,493,559
Accrued interest receivable	**187,287**	190,247
Other receivables	**25,124**	29,240
Fixed assets, net of accumulated depreciation of $89,270 and $83,706 as of February 28, 2025 and May 31, 2024, respectively	**82,652**	85,119
Derivative assets	**539,410**	691,249
Other assets	**94,113**	81,822
Total assets	**$ 37,778,743**	$ 36,177,814
Liabilities:		
Accrued interest payable	**$ 313,244**	$ 263,372
Debt outstanding:		
Short-term borrowings	**4,236,029**	4,332,690
Long-term debt	**27,535,621**	25,901,165
Subordinated deferrable debt	**1,321,168**	1,286,861
Members' subordinated certificates:		
Membership subordinated certificates	**628,631**	628,625
Loan and guarantee subordinated certificates	**310,150**	322,863
Member capital securities	**246,163**	246,163
Total members' subordinated certificates	**1,184,944**	1,197,651
Total debt outstanding	**34,277,762**	32,718,367
Deferred income	**31,643**	33,356
Derivative liabilities	**57,773**	80,988
Other liabilities	**67,135**	69,562
Total liabilities	**34,747,557**	33,165,645
Equity:		
CFC equity:		
Retained equity	**3,011,813**	2,992,878
Accumulated other comprehensive loss	**(1,364)**	(1,416)
Total CFC equity	**3,010,449**	2,991,462
Noncontrolling interests	**20,737**	20,707
Total equity	**3,031,186**	3,012,169
Total liabilities and equity	**$ 37,778,743**	$ 36,177,814

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

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(UNAUDITED)

(Dollars in thousands)	Membership Fees and Educational Fund	Patronage Capital Allocated	Members' Capital Reserve	Unallocated Net Income	CFC Retained Equity	Accumulated Other Comprehensive Income (Loss)	Total CFC Equity	Non-controlling Interests	Total Equity
Q3 FY2025									
Balance as of November 30, 2024	**$ 2,868**	**$ 881,386**	**$1,455,564**	**$ 586,105**	**$2,925,923**	**$ (1,342)**	**$2,924,581**	**$ 20,587**	**$2,945,168**
Net income	**—**	**—**	**—**	**85,986**	**85,986**	**—**	**85,986**	**150**	**86,136**
Other comprehensive loss	**—**	**—**	**—**	**—**	**—**	**(22)**	**(22)**	**—**	**(22)**
Other	**(96)**	**—**	**—**	**—**	**(96)**	**—**	**(96)**	**—**	**(96)**
Balance as of February 28, 2025	**$ 2,772**	**$ 881,386**	**$1,455,564**	**$ 672,091**	**$3,011,813**	**$ (1,364)**	**$3,010,449**	**$ 20,737**	**$3,031,186**
YTD FY2025									
Balance as of May 31, 2024	**$ 3,576**	**$ 928,232**	**$1,455,564**	**$ 605,506**	**$2,992,878**	**$ (1,416)**	**$2,991,462**	**$ 20,707**	**$3,012,169**
Net income	**—**	**—**	**—**	**66,585**	**66,585**	**—**	**66,585**	**28**	**66,613**
Other comprehensive income	**—**	**—**	**—**	**—**	**—**	**52**	**52**	**—**	**52**
Patronage capital retirement	**—**	**(46,846)**	**—**	**—**	**(46,846)**	**—**	**(46,846)**	**—**	**(46,846)**
Other	**(804)**	**—**	**—**	**—**	**(804)**	**—**	**(804)**	**2**	**(802)**
Balance as of February 28, 2025	**$ 2,772**	**$ 881,386**	**$1,455,564**	**$ 672,091**	**$3,011,813**	**$ (1,364)**	**$3,010,449**	**$ 20,737**	**$3,031,186**

(Dollars in thousands)	Membership Fees and Educational Fund	Patronage Capital Allocated	Members' Capital Reserve	Unallocated Net Income	CFC Retained Equity	Accumulated Other Comprehensive Income	Total CFC Equity	Non-controlling Interests	Total Equity
Q3 FY2024									
Balance as of November 30, 2023	$ 2,886	$ 934,135	$1,202,152	$ 718,215	$2,857,388	$ 8,618	$2,866,006	$ 30,134	$2,896,140
Net income (loss)	—	—	—	31,470	31,470	—	31,470	(281)	31,189
Other comprehensive loss	—	—	—	—	—	(7,765)	(7,765)	—	(7,765)
Patronage capital retirement	—	(66,502)	25,353	—	(41,149)	—	(41,149)	—	(41,149)
Other	(182)	—	—	—	(182)	—	(182)	(10,372)	(10,554)
Balance as of February 29, 2024	$ 2,704	$ 867,633	$1,227,505	$ 749,685	$2,847,527	$ 853	$2,848,380	$ 19,481	$2,867,861
YTD FY2024									
Balance as of May 31, 2023	$ 3,534	$1,006,115	$1,202,152	$ 341,915	$2,553,716	$ 8,343	$2,562,059	$ 27,190	$2,589,249
Net income (loss)	—	—	—	407,770	407,770	—	407,770	(262)	407,508
Other comprehensive loss	—	—	—	—	—	(7,490)	(7,490)	—	(7,490)
Patronage capital retirement	—	(138,482)	25,353	—	(113,129)	—	(113,129)	—	(113,129)
Other	(830)	—	—	—	(830)	—	(830)	(7,447)	(8,277)
Balance as of February 29, 2024	$ 2,704	$ 867,633	$1,227,505	$ 749,685	$2,847,527	$ 853	$2,848,380	$ 19,481	$2,867,861

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

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands)	YTD FY2025	YTD FY2024
Cash flows from operating activities:		
Net income	**$ 66,613**	$ 407,508
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred loan fees	**(2,252)**	(4,914)
Amortization of debt issuance costs and discounts	**25,249**	21,975
Amortization of guarantee fee	**14,621**	15,480
Depreciation and amortization	**9,352**	7,910
Benefit for credit losses	**(4,270)**	(5,131)
Loss on early extinguishment of debt	**50**	998
Unrealized gains on equity and debt securities	**(7,902)**	(13,736)
Derivative forward value losses (gains)	**127,921**	(183,372)
Advances on loans held for sale	**(378,000)**	(222,500)
Proceeds from sales of loans held for sale	**375,500**	207,500
Changes in operating assets and liabilities:		
Accrued interest receivable	**2,960**	(16,725)
Accrued interest payable	**49,872**	84,557
Deferred income	**539**	758
Other	**(29,463)**	(33,115)
Net cash provided by operating activities	**250,790**	267,193
Cash flows from investing activities:		
Advances on loans held for investment, net	**(1,932,756)**	(1,863,331)
Investments in fixed assets, net	**(3,653)**	(4,199)
Proceeds from sales and maturities of trading securities	**138,512**	147,608
Cash impact of VIE deconsolidation	**—**	(10,341)
Proceeds from redemption of equity securities	**25,000**	—
Net cash used in investing activities	**(1,772,897)**	(1,730,263)
Cash flows from financing activities:		
Proceeds from (repayments of) short-term borrowings ≤ 90 days, net	**615,486**	(360,558)
Proceeds from short-term borrowings with original maturity > 90 days	**1,565,320**	2,486,862
Repayments of short-term borrowings with original maturity > 90 days	**(2,277,467)**	(2,067,953)
Payments for issuance costs for revolving bank lines of credit	**(3,576)**	(2,612)
Proceeds from issuance of long-term debt, net of discount and issuance costs	**3,951,287**	3,634,422
Payments for retirement of long-term debt	**(2,338,105)**	(2,148,018)
Proceeds from issuance of subordinated debt	**35,277**	103,500
Payments for issuance costs for subordinated deferrable debt	**(1,117)**	(1,109)
Payments for retirement of subordinated deferrable debt	**—**	(100,000)
Proceeds from issuance of members' subordinated certificates	**6**	98
Payments for retirement of members' subordinated certificates	**(12,712)**	(25,109)
Payments for retirement of patronage capital	**(46,846)**	(110,202)
Repayments for membership fees, net	**—**	(431)
Net cash provided by financing activities	**1,487,553**	1,408,890
Net decrease in cash, cash equivalents and restricted cash	**(34,554)**	(54,180)
Beginning cash, cash equivalents and restricted cash	**288,341**	207,237
Ending cash, cash equivalents and restricted cash	**$ 253,787**	$ 153,057

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

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(Dollars in thousands)	YTD FY2025	YTD FY2024
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 992,806	$ 881,859
Cash paid for income taxes	533	395

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

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company

National Rural Utilities Cooperative Finance Corporation ("CFC") is a tax-exempt, 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 and associates 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.

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 its members and associates, which consists of two classes: NCSC electric and NCSC telecommunications. NCSC electric members and associates consist of members of CFC, entities eligible to be members of CFC, government or quasi-government entities that own electric utility systems that meet the Rural Electrification Act definition of "rural," and the for-profit and not-for-profit entities that are owned, operated or controlled by, or provide significant benefit to, certain members of CFC. NCSC telecommunication ("telecom") members and associates consist of rural telecommunications members and their affiliates.

Cooperative Securities LLC ("Cooperative Securities") is a limited liability company organized and incorporated in 2021 in Delaware and a wholly-owned subsidiary of NCSC. Cooperative Securities is a broker-dealer registered with the U.S. Securities and Exchange Commission ("SEC"), and is a member of the Financial Industry Regulatory Authority and the Securities Investor Protection Corporation. Cooperative Securities provides institutional debt placement services, which may include advising, arranging and structuring private debt financing transactions, for NCSC's members, and for-profit and not-for-profit entities that are owned, operated or controlled by, or provide a significant benefit to certain rural utility providers.

Basis of Presentation and Use of Estimates

The accompanying unaudited interim consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States ("U.S. GAAP"). These consolidated financial statements include the accounts of CFC and variable interest entities ("VIEs") where CFC is the primary beneficiary. NCSC is a VIE that is required to be consolidated by CFC. Prior to December 1, 2023, Rural Telephone Finance Cooperative ("RTFC") qualified as a VIE that was required to be consolidated by CFC. RTFC was a taxable Subchapter T cooperative association that provided financing for its rural telecommunications members and their affiliates. RTFC was dissolved following the sale of RTFC's business to NCSC (hereon referred to as the "RTFC sale transaction"), which was completed on December 1, 2023. For additional discussion of the "RTFC Sale Transaction," see "Note 1—Summary of Significant Accounting Policies" in our Annual Report on Form 10-K for the fiscal year ended May 31, 2024 ("2024 Form 10-K").

All intercompany balances and transactions have been eliminated. Unless stated otherwise, references to "we," "our" or "us" relate to CFC and its consolidated entities.

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. These estimates are based on information available as of the date of the consolidated financial statements. While management makes its best judgments, actual amounts or results could differ from these estimates. In the opinion of management, these unaudited interim financial statements reflect all adjustments of a normal, recurring nature that are necessary for the fair statement of results for the periods presented. The results in the interim financial statements included in our Quarterly Report on Form 10-Q for the quarterly period ended February 28, 2025 ("this Report") are not necessarily indicative of results that may be expected for the full fiscal year, and the unaudited interim consolidated financial statements should be read in conjunction with our audited consolidated financial statements included in our 2024 Form 10-K.

Our fiscal year begins on June 1 and ends on May 31. References to "Q3 FY2025" and "YTD FY2025" refer to three and nine months ended February 28, 2025, respectively. References to "Q3 FY2024" and "YTD FY2024" refer to three and nine months ended February 29, 2024, respectively.

Leases

Our lease program is intended to provide equipment financing for leased assets, such as vehicles, to our members. We determine whether an arrangement is a lease and the lease classification under ASC Topic 842, *Leases* at lease inception for all lease transactions with an initial term greater than one year. We recorded a total finance lease liability of $6 million and $3 million as of February 28, 2025 and May 31, 2024, respectively, which were included in other liabilities on the consolidated balance sheets. Interest expenses and variable lease cost from the finance leases were not material for Q3 FY2025, Q3 FY2024, YTD FY2025 and YTD FY2024. We recorded a total net investment in leases for sales-type leases of $6 million and $3 million as of February 28, 2025 and May 31, 2024, respectively, which were included in other assets on the consolidated balance sheets. Interest income and variable lease payment income from the sales-type leases were not material for Q3 FY2025, Q3 FY2024, YTD FY2025 and YTD FY2024.

New Accounting Standards Issued But Not Yet Adopted

Income Statement —Expense Disaggregation Disclosures

In November 2024, the FASB issued Accounting Standards Update ("ASU") 2024-03, *Income Statement —Reporting Comprehensive Income — Expense Disaggregation Disclosures (Subtopic 220-40)*. The amendments require public entities to disclose, in interim and annual reporting periods, additional information about certain expenses in notes to financial statements, including purchases of inventory, employee compensation, depreciation, intangible asset amortization, and other specific expense categories. ASU 2024-03 is effective for public business entities for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027, with early adoption permitted. Upon adoption, ASU 2024-03 should be applied on a prospective basis, while retrospective application is also permitted. We expect to adopt the guidance in our annual report for the fiscal year ended May 31, 2028, and the interim disclosure requirements in the quarterly report for the quarter ended August 31, 2028. We are currently in the process of reviewing the guidance and evaluating its impact on our consolidated financial statements and related disclosures.

Segment Reporting—Improvements to Reportable Segment Disclosures

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures,* which introduced key amendments to enhance disclosures for public entities' reportable segments. The amendments require disclosure of significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, an amount and description of its composition for other segment items to reconcile to segment profit or loss, and the title and position of the entity's CODM. The amendments also expand the interim segment disclosure requirements. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted and requires retrospective application to all prior periods presented in the financial statements. We expect to adopt the guidance in our annual report for the fiscal year ended May 31, 2025, and the interim disclosure requirements in the quarterly report for the quarter ended August 31, 2025. We are currently in the process of reviewing the guidance and evaluating its impact on our consolidated financial statements and related disclosures.

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Disclosure Improvements—Codification Amendment in Response to the SEC's Disclosure Update and Simplification Initiative

In October 2023, the FASB issued ASU 2023-06, *Disclosure Improvements—Codification Amendment in Response to the SEC's Disclosure Update and Simplification Initiative*. The amendments in this update modify the disclosure or presentation requirements of a variety of Topics in the Accounting Standards Codification ("ASC") in response to the SEC's Release No. 33-10532, Disclosure Update and Simplification Initiative, and align the ASC's requirements with the SEC's regulations. For entities subject to the SEC's existing disclosure requirements, the effective date for each amendment will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the Codification and not become effective. Early adoption is prohibited. We are currently in the process of evaluating the impact of the amendment on our consolidated financial statements and related disclosures.

NOTE 2—INTEREST INCOME AND INTEREST EXPENSE

The following table displays the components of interest income, by interest-earning asset type, and interest expense, by debt product type, presented in our consolidated statements of operations.

Table 2.1: Interest Income and Interest Expense

(Dollars in thousands)	Q3 FY2025	Q3 FY2024	YTD FY2025	YTD FY2024
Interest income:				
Loans[1]	**$ 426,216**	$ 401,691	**$ 1,256,940**	$ 1,159,269
Cash, time deposits and investment securities	**2,644**	10,144	**9,916**	22,509
Total interest income	**428,860**	411,835	**1,266,856**	1,181,778
Interest expense:[2][3]				
Short-term borrowings	**48,996**	71,485	**145,643**	192,909
Long-term debt	**278,359**	241,817	**822,750**	693,269
Subordinated debt	**34,563**	33,717	**104,428**	100,967
Total interest expense	**361,918**	347,019	**1,072,821**	987,145
Net interest income	**$ 66,942**	$ 64,816	**$ 194,035**	$ 194,633

[1]Includes loan conversion fees, which are generally deferred and recognized in interest income over the period to maturity using the effective interest method, late payment fees, commitment fees and net amortization of deferred loan fees and loan origination costs.

[2]Includes amortization of debt discounts and premiums, 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.

[3]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 $32 million and $33 million as February 28, 2025 and May 31, 2024, respectively, consists primarily of deferred loan conversion fees that totaled $22 million and $24 million as of February 28, 2025 and May 31, 2024, respectively.

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NOTE 3—INVESTMENT SECURITIES

Our investment securities portfolio consists of debt securities classified as trading and equity securities with readily determinable fair values. We therefore record changes in the fair value of our debt and equity securities in earnings and report these unrealized changes together with realized gains and losses from the sale of securities as a component of non-interest income in our consolidated statements of operations.

Debt Securities

The following table presents the composition of our investment debt securities portfolio and the fair value as of February 28, 2025 and May 31, 2024.

Table 3.1: Investments in Debt Securities, at Fair Value

(Dollars in thousands)	February 28, 2025	May 31, 2024
Debt securities, at fair value:		
Corporate debt securities	**$ 137,405**	$ 246,041
Commercial agency mortgage-backed securities ("MBS")[1]	**564**	6,663
U.S. state and municipality debt securities	**3,011**	8,179
Other asset-backed securities[2]	**7,568**	20,468
Total debt securities trading, at fair value	**$ 148,548**	$ 281,351

[1] Consists of securities backed by the Federal National Mortgage Association ("Fannie Mae") and the Federal Home Loan Mortgage Corporation ("Freddie Mac").
[2] Consists primarily of securities backed by auto lease loans, equipment-backed loans, auto loans and credit card loans.

We recognized net unrealized gains on our debt securities of $1 million and $7 million for Q3 FY2025 and YTD FY2025, respectively. We recognized net unrealized gains of $5 million and $13 million for Q3 FY2024 and YTD FY2024, respectively.

We sold $14 million in principal amount of debt securities during YTD FY2025 and realized gains on the sale of these securities of less than $1 million during the period. We did not sell any debt securities during Q3 FY2025 or YTD FY2024; therefore, no realized gains or losses were recorded during these periods for sale of securities.

Equity Securities

The following table presents the composition of our equity security holdings and the fair value as of February 28, 2025 and May 31, 2024.

Table 3.2: Investments in Equity Securities, at Fair Value

(Dollars in thousands)	February 28, 2025	May 31, 2024
Equity securities, at fair value:		
Farmer Mac—Series C non-cumulative preferred stock	**$ —**	$ 25,130
Farmer Mac—Class A common stock	**13,069**	11,756
Total equity securities, at fair value	**$ 13,069**	$ 36,886

On July 18, 2024, Farmer Mac redeemed its Series C noncumulative preferred stock at a redemption price of $25.00 per share, plus any declared and unpaid dividends through and including the redemption date. We recorded an immaterial loss as part of this transaction.

We recognized net unrealized losses on our equity securities of less than $1 million and net unrealized gains of $1 million for Q3 FY2025 and YTD FY2025, respectively. We recognized net unrealized gains on our equity securities of $1 million for both Q3 FY2024 and YTD FY2024.

NOTE 4—LOANS

Our loan portfolio is segregated into segments by borrower member class, which is based on the utility sector of the borrowers because the key operational, infrastructure, regulatory, environmental, customer and financial risks of each sector are similar in nature. Total loan portfolio member class consists of CFC distribution, CFC power supply, CFC statewide and associate, NCSC electric and NCSC telecom. 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 generally revolving loan facilities and have a variable interest rate.

Loans to Members

Loans to members consist of loans held for investment and loans held for sale. The outstanding amount of loans held for investment is recorded based on the unpaid principal balance, net of discounts, net charge-offs and recoveries, of loans and deferred loan origination costs. The outstanding amount of loans held for sale is recorded based on the lower of cost or fair value. The following table presents loans to members by legal entity, member class and loan type, as of February 28, 2025 and May 31, 2024.

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

(Dollars in thousands)	February 28, 2025 Amount	February 28, 2025 % of Total	May 31, 2024 Amount	May 31, 2024 % of Total
Member class:				
CFC:				
Distribution	**$ 28,851,342**	**79 %**	$ 27,104,463	78 %
Power supply	**5,737,348**	**16**	5,641,898	16
Statewide and associate	**265,694**	**—**	237,346	1
Total CFC	**34,854,384**	**95**	32,983,707	95
NCSC:				
Electric	**1,005,158**	**3**	945,880	3
Telecom	**603,898**	**2**	598,597	2
Total NCSC	**1,609,056**	**5**	1,544,477	5
Total loans outstanding[1]	**36,463,440**	**100**	34,528,184	100
Deferred loan origination costs—CFC[2]	**15,769**	**—**	14,101	—
Loans to members	**$ 36,479,209**	**100 %**	$ 34,542,285	100 %
Loan type:				
Long-term loans:				
Fixed rate	**$ 30,982,199**	**85 %**	$ 30,266,043	88 %
Variable rate	**895,555**	**2**	839,458	2
Total long-term loans	**31,877,754**	**87**	31,105,501	90
Lines of credit	**4,585,686**	**13**	3,422,683	10
Total loans outstanding[1]	**36,463,440**	**100**	34,528,184	100
Deferred loan origination costs—CFC[2]	**15,769**	**—**	14,101	—
Loans to members	**$ 36,479,209**	**100 %**	$ 34,542,285	100 %

(1)Represents the unpaid principal balance, net of discounts, charge-offs and recoveries, of loans as of the end of each period.
(2)Deferred loan origination costs are recorded at CFC segment.

Loan Sales

We may transfer whole loans and participating interests to third parties. These transfers are typically made concurrently or within a short period of time with the closing of the loan sale or participation agreement at par value and meet the accounting criteria required for sale accounting.

We sold CFC and NCSC loans, at par for cash, totaling $376 million and $208 million during YTD FY2025 and YTD FY2024, respectively. We recorded immaterial losses on the sale of these loans attributable to the unamortized deferred loan origination costs associated with the transferred loans. We had loans held for sale totaling $5 million as of February 28, 2025. We had loans held for sale totaling $3 million as of May 31, 2024, which were sold at par for cash during YTD FY2025.

Accrued Interest Receivable

We report 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 on loans totaled $156 million and $147 million as of February 28, 2025 and May 31, 2024, respectively. 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. We also elected to exclude accrued interest receivable from the credit quality disclosures required under CECL.

Credit Concentration

Concentrations of credit may exist when a lender has large credit exposures to single borrowers, large credit exposures to borrowers in the same industry sector or engaged in similar activities or large credit exposures to borrowers in a geographic region that would cause the borrowers to be similarly impacted by economic or other conditions in the region. 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 $35,860 million and $33,930 million as of February 28, 2025 and May 31, 2024, respectively, accounted for 98% of total loans outstanding as of each respective date. The remaining loans outstanding in our portfolio were to members, affiliates and associates in the telecommunications industry. Our credit exposure is partially mitigated by long-term loans guaranteed by RUS, which totaled $107 million and $114 million as of February 28, 2025 and May 31, 2024, respectively.

Single-Obligor Concentration

The outstanding loan exposure for our 20 largest borrowers totaled $7,065 million and $6,851 million as of February 28, 2025 and May 31, 2024, respectively, representing 19% and 20% of total loans outstanding as of each respective date. Our 20 largest borrowers consisted of 13 distribution systems and seven power supply systems as of both February 28, 2025 and May 31, 2024. The largest total outstanding exposure to a single borrower or controlled group represented approximately 1% of total loans outstanding as of both February 28, 2025 and May 31, 2024.

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. 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 $350 million and $370 million as of February 28, 2025 and May 31, 2024, respectively. Loan exposure to our 20 largest borrowers covered under the Farmer Mac agreement totaled $151 million and $226 million as of February 28, 2025 and May 31, 2024, respectively, which reduced our exposure to the 20 largest borrowers to $6,914 million and $6,625 million as of each respective date. We have had no loan defaults for loans covered under this agreement; therefore, no loans have been put to Farmer Mac for purchase pursuant to the standby purchase agreement as of February 28, 2025.

Geographic Concentration

Although our organizational structure and mission result 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 895 and 885 as of February 28, 2025 and May 31, 2024, respectively, located in 49 states and the District of Columbia. Of the 895 and 885 borrowers with loans outstanding, 48 and 50 were electric power supply borrowers as of February 28, 2025 and May 31, 2024, respectively. Electric power supply borrowers generally require significantly more capital than electric distribution and telecommunications borrowers.

Texas accounted for the largest number of borrowers with loans outstanding in any one state as of both February 28, 2025 and May 31, 2024, as well as the largest concentration of loan exposure. The following table presents the Texas-based number of borrowers and loans outstanding by legal entity and member class, as of February 28, 2025 and May 31, 2024.

Table 4.2: Loan Exposure to Texas-Based Borrowers

	February 28, 2025			May 31, 2024		
(Dollars in thousands)	Number of Borrowers	Amount	% of Total	Number of Borrowers	Amount	% of Total
Member class:						
CFC:						
Distribution	**57**	**$ 4,791,654**	**13 %**	57	$ 4,518,859	13 %
Power supply	**6**	**1,160,260**	**4**	6	1,148,100	4
Statewide and associate	**1**	**70,627**	**—**	1	75,089	—
Total CFC	**64**	**6,022,541**	**17**	64	5,742,048	17
NCSC:						
Electric	**1**	**10,800**	—	1	15,067	—
Telecom	**2**	**11,814**	—	2	11,426	—
Total NCSC	**3**	**22,614**	—	3	26,493	—
Total loan exposure to Texas-based borrowers	**67**	**6,045,155**	**17**	67	5,768,541	17
Less: Loans covered under Farmer Mac standby purchase commitment		**(119,210)**	**—**		(126,185)	—
Net loan exposure to Texas-based borrowers		**$ 5,925,945**	**17 %**		$ 5,642,356	17 %

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, modifications to borrowers experiencing financial difficulty, 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 legal entity and member class, of loans outstanding as of February 28, 2025 and May 31, 2024.

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Table 4.3: Payment Status of Loans Outstanding

	February 28, 2025					
(Dollars in thousands)	Current	30-89 Days Past Due	> 90 Days Past Due	Total Past Due	Total Loans Outstanding	Nonaccrual Loans
Member class:						
CFC:						
Distribution	$ 28,851,342	$ —	$ —	$ —	$ 28,851,342	$ —
Power supply	5,737,348	—	—	—	5,737,348	42,371
Statewide and associate	265,694	—	—	—	265,694	—
Total CFC	34,854,384	—	—	—	34,854,384	42,371
NCSC:						
Electric	1,005,158	—	—	—	1,005,158	—
Telecom	603,898	—	—	—	603,898	—
Total NCSC	1,609,056	—	—	—	1,609,056	—
Total loans outstanding	$ 36,463,440	$ —	$ —	$ —	$ 36,463,440	$ 42,371
Percentage of total loans	100.00 %	— %	— %	— %	100.00 %	0.12 %

	May 31, 2024					
(Dollars in thousands)	Current	30-89 Days Past Due	> 90 Days Past Due	Total Past Due	Total Loans Outstanding	Nonaccrual Loans
Member class:						
CFC:						
Distribution	$ 27,104,463	$ —	$ —	$ —	$ 27,104,463	$ —
Power supply	5,641,898	—	—	—	5,641,898	48,669
Statewide and associate	237,346	—	—	—	237,346	—
Total CFC	32,983,707	—	—	—	32,983,707	48,669
NCSC:						
Electric	945,880	—	—	—	945,880	—
Telecom	598,597	—	—	—	598,597	—
Total NCSC	1,544,477	—	—	—	1,544,477	—
Total loans outstanding	$ 34,528,184	$ —	$ —	$ —	$ 34,528,184	$ 48,669
Percentage of total loans	100.00 %	— %	— %	— %	100.00 %	0.14 %

We had a CFC electric power supply loan outstanding of $42 million and $49 million on nonaccrual status as of February 28, 2025 and May 31, 2024, respectively.

Loan Modifications to Borrowers Experiencing Financial Difficulty

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. Therefore, as part of our loss mitigation efforts, we may provide modifications to a borrower experiencing financial difficulty to improve long-term collectability of the loan and to avoid the need for exercising remedies. We consider the impact of all loan modifications when estimating the credit quality of our loan portfolio and establishing the allowance for credit losses.

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We had no loan modifications to borrowers experiencing financial difficulty entered during Q3 FY2025, YTD FY2025 and Q3 FY2024. We had one loan modification to an NCSC telecom borrower experiencing financial difficulty entered during YTD FY2024. This loan received a term extension and had an amortized cost of $3 million, representing 1% of the NCSC telecom loan portfolio as of February 29, 2024. The loan has been performing in accordance with the terms of the loan agreement after the modification. There were no unadvanced loan commitments related to this loan as of February 28, 2025 and May 31, 2024.

Nonperforming Loans

We had a loan to one CFC electric power supply borrower of $42 million and $49 million classified as nonperforming, which represented 0.12% and 0.14% of total loans outstanding as of February 28, 2025 and May 31, 2024, respectively. The reduction in nonperforming loan was due to a payment received on the nonperforming loan during YTD FY2025. In March 2025, we received a $16 million payment on this nonperforming loan, which reduced its outstanding balance to $26 million as of the date of this Report.

Net Charge-Offs

We had no charge-offs during YTD FY2025 and YTD FY2024. We recorded $1 million in net loan recoveries to previously charged-off loan amounts related to two CFC electric power supply loans during YTD FY2024. Prior to the two CFC electric power supply loan defaults in fiscal years 2021 and 2022, we had not experienced any defaults or charge-offs in our electric utility and telecommunications loan portfolios since fiscal year 2013 and 2017, respectively.

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 the 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.

The following is a description of the borrower risk rating categories.

- *Pass*: Borrowers that are not included in the categories of special mention, substandard or doubtful.
- *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.

Our internally assigned borrower risk ratings 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 determining our allowance for credit losses.

Table 4.4 displays total loans outstanding, by borrower risk rating category and by legal entity and member class, as of February 28, 2025 and May 31, 2024. 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.

We present term loans outstanding as of February 28, 2025 and May 31, 2024, by fiscal year of origination for each year during the five-year annual reporting period beginning in fiscal year 2021 and 2020, and in the aggregate for periods prior to fiscal year 2021 and 2020, respectively. 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. The substantial majority of loans in our portfolio represent fixed-rate advances under secured long-term facilities with terms up to 35 years, and as indicated in Table 4.4 below, term loan advances made to borrowers prior to fiscal year 2021 totaled $18,786 million, representing 52% of our total loans outstanding as of February 28, 2025. In comparison, term loan advances made to borrowers prior to fiscal year 2020 totaled $17,519 million, representing 51% of our total loans outstanding as of May 31, 2024. The average remaining maturity of our long-term loans, which accounted for 87% and 90% of total loans outstanding as of February 28, 2025 and May 31, 2024, respectively, was 19 years, as of each respective date.

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Table 4.4: Loans Outstanding by Borrower Risk Ratings and Origination Year

	February 28, 2025							
	Term Loans by Fiscal Year of Origination							
(Dollars in thousands)	YTD Q3 FY2025	2024	2023	2022	2021	Prior	Revolving Loans	Total
Pass								
CFC:								
Distribution	$ 1,674,563	$ 2,483,407	$ 2,332,765	$ 2,270,467	$ 1,551,221	$ 15,197,295	$ 3,149,831	$ 28,659,549
Power supply	130,175	499,877	444,959	302,004	517,506	2,898,923	901,533	5,694,977
Statewide and associate	—	36,422	57,517	13,023	1,487	22,851	123,410	254,710
Total CFC	1,804,738	3,019,706	2,835,241	2,585,494	2,070,214	18,119,069	4,174,774	34,609,236
NCSC:								
Electric	27,555	122,592	250,746	16,983	4,328	394,974	187,980	1,005,158
Telecom	49,310	131,887	42,066	66,336	55,373	200,474	55,887	601,333
Total NCSC	76,865	254,479	292,812	83,319	59,701	595,448	243,867	1,606,491
Total pass	$ 1,881,603	$ 3,274,185	$ 3,128,053	$ 2,668,813	$ 2,129,915	$ 18,714,517	$ 4,418,641	$ 36,215,727
Special mention								
CFC:								
Distribution	$ —	$ 361	$ 4,126	$ —	$ 4,568	$ 15,693	$ 167,045	$ 191,793
Statewide and associate	—	—	—	—	—	10,984	—	10,984
Total CFC	—	361	4,126	—	4,568	26,677	167,045	202,777
NCSC telecom	—	—	—	—	—	2,565	—	2,565
Total special mention	$ —	$ 361	$ 4,126	$ —	$ 4,568	$ 29,242	$ 167,045	$ 205,342
Substandard								
Total substandard	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Doubtful								
CFC power supply	$ —	$ —	$ —	$ —	$ —	$ 42,371	$ —	$ 42,371
Total doubtful	$ —	$ —	$ —	$ —	$ —	$ 42,371	$ —	$ 42,371
Total criticized loans	$ —	$ 361	$ 4,126	$ —	$ 4,568	$ 71,613	$ 167,045	$ 247,713
Total loans outstanding	$ 1,881,603	$ 3,274,546	$ 3,132,179	$ 2,668,813	$ 2,134,483	$ 18,786,130	$ 4,585,686	$ 36,463,440

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	May 31, 2024							
	Term Loans by Fiscal Year of Origination							
(Dollars in thousands)	2024	2023	2022	2021	2020	Prior	Revolving Loans	Total
Pass								
CFC:								
Distribution	$ 2,523,296	$2,370,847	$2,328,295	$1,589,581	$1,766,002	$14,117,758	$2,223,311	$ 26,919,090
Power supply	509,948	454,010	321,289	536,052	170,017	2,866,848	735,065	5,593,229
Statewide and associate	36,794	59,348	13,174	1,684	11,123	16,534	86,796	225,453
Total CFC	3,070,038	2,884,205	2,662,758	2,127,317	1,947,142	17,001,140	3,045,172	32,737,772
NCSC:								
Electric	76,061	256,974	17,606	4,914	183,510	249,338	157,477	945,880
Telecom	139,732	46,632	74,222	63,580	22,730	188,462	60,209	595,567
Total NCSC	215,793	303,606	91,828	68,494	206,240	437,800	217,686	1,541,447
Total pass	$ 3,285,831	$3,187,811	$2,754,586	$2,195,811	$2,153,382	$17,438,940	$3,262,858	$ 34,279,219
Special mention								
CFC:								
Distribution	$ 364	$ 4,170	$ —	$ 4,658	$ —	$ 16,356	$ 159,825	$ 185,373
Statewide and associate	—	—	—	—	—	11,893	—	11,893
Total CFC	364	4,170	—	4,658	—	28,249	159,825	197,266
NCSC telecom	—	—	—	—	—	3,030	—	3,030
Total special mention	$ 364	$ 4,170	$ —	$ 4,658	$ —	$ 31,279	$ 159,825	$ 200,296
Substandard								
Total substandard	$ —	$ —	$ —	$ —	$ —	$ —	$ —	$ —
Doubtful								
CFC Power supply	$ —	$ —	$ —	$ —	$ —	$ 48,669	$ —	$ 48,669
Total doubtful	$ —	$ —	$ —	$ —	$ —	$ 48,669	$ —	$ 48,669
Total criticized loans	$ 364	$ 4,170	$ —	$ 4,658	$ —	$ 79,948	$ 159,825	$ 248,965
Total loans outstanding	$ 3,286,195	$3,191,981	$2,754,586	$2,200,469	$2,153,382	$17,518,888	$3,422,683	$ 34,528,184

Criticized loans totaled $248 million and $249 million as of February 28, 2025 and May 31, 2024, respectively, and represented approximately 1% of total loans outstanding as of each respective date. The decrease of $1 million in criticized loans was primarily due to a $6 million payment received from a CFC electric power supply borrower in the doubtful category, partially offset by a $5 million net increase in loans outstanding in the special mention category during YTD FY2025. The increase in loan outstanding in the special mention category was primarily driven by one CFC electric distribution borrower discussed below. Each of the borrowers with loans outstanding in the criticized category was current with regard to all principal and interest amounts due to us as of February 28, 2025 and May 31, 2024.

Special Mention

One CFC electric distribution borrower with loans outstanding of $192 million and $185 million as of February 28, 2025 and May 31, 2024, respectively, accounted for the substantial majority of loans in the special mention loan category amount of $205 million and $200 million as of each respective date. This borrower experienced an adverse financial impact from restoration costs incurred to repair damage caused by two successive hurricanes. We expect that the borrower will continue to receive grant funds from the Federal Emergency Management Agency and the state where it is located for the full reimbursement of the hurricane damage-related restoration costs.

Substandard

We did not have any loans classified as substandard as of February 28, 2025 or May 31, 2024.

Doubtful

We had one loan outstanding classified as doubtful totaling $42 million and $49 million to a CFC electric power supply borrower as of February 28, 2025 and May 31, 2024, respectively. In March 2025, we received a $16 million payment on this nonperforming loan, which reduced its outstanding balance to $26 million as of the date of this Report.

Unadvanced Loan Commitments

Unadvanced loan commitments represent approved and executed loan contracts for which funds have not been advanced to borrowers. The following table presents unadvanced loan commitments, by member class and by loan type, as of February 28, 2025 and May 31, 2024.

Table 4.5: Unadvanced Commitments by Member Class and Loan Type[(1)]

(Dollars in thousands)	February 28, 2025	May 31, 2024
Member class:		
CFC:		
Distribution	**$ 11,325,176**	$ 11,174,041
Power supply	**5,105,518**	4,519,150
Statewide and associate	**207,469**	254,250
Total CFC	**16,638,163**	15,947,441
NCSC:		
Electric	**476,176**	622,125
Telecom	**422,091**	423,796
Total NCSC	**898,267**	1,045,921
Total unadvanced commitments	**$ 17,536,430**	$ 16,993,362
Loan type:[(2)]		
Long-term loans:		
Fixed rate	**$ —**	$ —
Variable rate	**7,250,458**	6,880,295
Total long-term loans	**7,250,458**	6,880,295
Lines of credit	**10,285,972**	10,113,067
Total unadvanced commitments	**$ 17,536,430**	$ 16,993,362

(1) Excludes the portion of any commitment to advance funds under swingline loan facilities in excess of CFC's total commitment amount in a syndicated credit facility. Other syndicate lenders have an absolute obligation to acquire participations in such swingline loans upon CFC's election, including during a default by the borrower.

(2) 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.

The following table displays, by loan type, the available balance under unadvanced loan commitments as of February 28, 2025, and the related maturities in each fiscal year during the five-year period ended May 31, 2029, and thereafter.

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Table 4.6: Unadvanced Loan Commitments

(Dollars in thousands)	Available Balance	Notional Maturities of Unadvanced Loan Commitments 2025	2026	2027	2028	2029	Thereafter
Line of credit loans	**$10,285,972**	**$ 330,537**	**$ 4,443,725**	**$ 1,390,343**	**$ 1,449,067**	**$ 1,513,255**	**$1,159,045**
Long-term loans	**7,250,458**	**228,673**	**627,026**	**1,078,904**	**1,375,371**	**2,567,088**	**1,373,396**
Total	**$17,536,430**	**$ 559,210**	**$ 5,070,751**	**$ 2,469,247**	**$ 2,824,438**	**$ 4,080,343**	**$2,532,441**

Unadvanced line of credit commitments accounted for 59% of total unadvanced loan commitments as of February 28, 2025. Unadvanced line of credit commitments are typically revolving facilities for periods not to exceed five years and 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 when a material adverse change has occurred.

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 $17,536 million as of February 28, 2025 is not necessarily representative of our future funding requirements.

Our unadvanced long-term loan commitments typically 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 $7,250 million will be advanced prior to the expiration of the commitment.

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 $14,171 million and $13,379 million as of February 28, 2025 and May 31, 2024, 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 $3,365 million and $3,614 million as of February 28, 2025 and May 31, 2024, respectively. 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 as of February 28, 2025, and the related maturity amounts in each fiscal year during the five-year period ending May 31, 2029, and thereafter.

Table 4.7: Unconditional Committed Lines of Credit—Available Balance

(Dollars in thousands)	Available Balance	Notional Maturities of Unconditional Committed Lines of Credit 2025	2026	2027	2028	2029	Thereafter
Committed lines of credit	**$ 3,364,962**	**$ —**	**$ 209,400**	**$ 847,986**	**$ 725,555**	**$ 944,620**	**$ 637,401**

Pledged Collateral—Loans

We are required to pledge eligible mortgage notes or other collateral in an amount at least equal to the outstanding balance of our secured debt. Table 4.8 displays the borrowing amount under each of our secured borrowing agreements and the corresponding loans outstanding pledged as collateral as of February 28, 2025 and May 31, 2024. See "Note 6—Short-Term Borrowings" and "Note 7—Long-Term Debt" in this Report for information on our secured borrowings and other borrowings.

Table 4.8: Pledged Loans

(Dollars in thousands)	February 28, 2025	May 31, 2024
Collateral trust bonds:		
2007 indenture:		
Collateral trust bonds outstanding	**$ 7,072,711**	$ 6,922,711
Pledged collateral:		
Distribution system mortgage notes pledged	**8,193,582**	8,799,864
RUS-guaranteed loans qualifying as permitted investments pledged	**106,727**	113,890
Total pledged collateral	**8,300,309**	8,913,754
1994 indenture:		
Collateral trust bonds outstanding	**$ 10,000**	$ 15,000
Pledged collateral:		
Distribution system mortgage notes pledged	**14,964**	19,174
Guaranteed Underwriter Program:		
Notes payable outstanding	**$ 6,511,355**	$ 6,491,814
Pledged collateral:		
Distribution and power supply system mortgage notes pledged	**7,750,617**	8,020,508
Farmer Mac:		
Notes payable outstanding	**$ 3,800,132**	$ 3,863,510
Pledged collateral:		
Distribution and power supply system mortgage notes pledged	**4,185,084**	4,449,650

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NOTE 5—ALLOWANCE FOR CREDIT LOSSES

We are required to maintain an allowance based on a current estimate of credit losses that are expected to occur over the remaining term of the loans in our portfolio. 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.

Allowance for Credit Losses—Loan Portfolio

The following tables summarize, by legal entity and member class, changes in the allowance for credit losses for our loan portfolio and present the allowance components for the periods presented.

Table 5.1: Changes in Allowance for Credit Losses

	Q3 FY2025							
(Dollars in thousands)	**CFC Distribution**	**CFC Power Supply**	**CFC Statewide & Associate**	**CFC Total**	**NCSC Electric**	**NCSC Telecom**	**NCSC Total**	**Total**
Balance as of November 30, 2024	**$ 18,049**	**$ 24,785**	**$ 1,198**	**$ 44,032**	**$ 4,091**	**$ 2,426**	**$ 6,517**	**$ 50,549**
Provision (benefit) for credit losses	**1,452**	**(7,790)**	**(31)**	**(6,369)**	**290**	**(14)**	**276**	**(6,093)**
Balance as of February 28, 2025	**$ 19,501**	**$ 16,995**	**$ 1,167**	**$ 37,663**	**$ 4,381**	**$ 2,412**	**$ 6,793**	**$ 44,456**

	Q3 FY2024							
(Dollars in thousands)	**CFC Distribution**	**CFC Power Supply**	**CFC Statewide & Associate**	**CFC Total**	**NCSC Electric**	**NCSC Telecom**	**NCSC Total**	**Total**
Balance as of November 30, 2023	$ 16,037	$ 33,312	$ 1,271	$ 50,620	$ 2,941	$ 1,993	$ 4,934	$ 55,554
Provision (benefit) for credit losses	(32)	(7,021)	(43)	(7,096)	562	(25)	537	(6,559)
Balance as of February 29, 2024	$ 16,005	$ 26,291	$ 1,228	$ 43,524	$ 3,503	$ 1,968	$ 5,471	$ 48,995

	YTD FY2025							
(Dollars in thousands)	**CFC Distribution**	**CFC Power Supply**	**CFC Statewide & Associate**	**CFC Total**	**NCSC Electric**	**NCSC Telecom**	**NCSC Total**	**Total**
Balance as of May 31, 2024	**$ 15,954**	**$ 25,583**	**$ 1,189**	**$ 42,726**	**$ 3,937**	**$ 2,063**	**$ 6,000**	**$ 48,726**
Provision (benefit) for credit losses	**3,547**	**(8,588)**	**(22)**	**(5,063)**	**444**	**349**	**793**	**(4,270)**
Balance as of February 28, 2025	**$ 19,501**	**$ 16,995**	**$ 1,167**	**$ 37,663**	**$ 4,381**	**$ 2,412**	**$ 6,793**	**$ 44,456**

	YTD FY2024							
(Dollars in thousands)	**CFC Distribution**	**CFC Power Supply**	**CFC Statewide & Associate**	**CFC Total**	**NCSC Electric**	**NCSC Telecom**	**NCSC Total**	**Total**
Balance as of May 31, 2023	$ 14,924	$ 33,306	$ 1,194	$ 49,424	$ 2,464	$ 1,206	$ 3,670	$ 53,094
Provision (benefit) for credit losses	1,081	(8,047)	34	(6,932)	1,039	762	1,801	(5,131)
Recoveries	—	1,032	—	1,032	—	—	—	1,032
Balance as of February 29, 2024	$ 16,005	$ 26,291	$ 1,228	$ 43,524	$ 3,503	$ 1,968	$ 5,471	$ 48,995

The following tables present, by legal entity and member class, the components of our allowance for credit losses as of February 28, 2025 and May 31, 2024.

Table 5.2: Allowance for Credit Losses Components

	February 28, 2025							
(Dollars in thousands)	CFC Distribution	CFC Power Supply	CFC Statewide & Associate	CFC Total	NCSC Electric	NCSC Telecom	NCSC Total	Total
Allowance components:								
Collective allowance	$ 19,501	$ 7,509	$ 1,167	$ 28,177	$ 4,381	$ 2,194	$ 6,575	$ 34,752
Asset-specific allowance	—	9,486	—	9,486	—	218	218	9,704
Total allowance for credit losses	$ 19,501	$ 16,995	$ 1,167	$ 37,663	$ 4,381	$ 2,412	$ 6,793	$ 44,456
Loans outstanding:(1)								
Collectively evaluated loans	$28,847,588	$5,694,977	$ 265,694	$34,808,259	$1,005,158	$601,333	$1,606,491	$36,414,750
Individually evaluated loans	3,754	42,371	—	46,125	—	2,565	2,565	48,690
Total loans outstanding	$28,851,342	$5,737,348	$ 265,694	$34,854,384	$1,005,158	$603,898	$1,609,056	$36,463,440
Allowance coverage ratios:								
Collective allowance coverage ratio(2)	0.07 %	0.13 %	0.44 %	0.08 %	0.44 %	0.36 %	0.41 %	0.10 %
Asset-specific allowance coverage ratio(3)	—	22.39	—	20.57	—	8.50	8.50	19.93
Total allowance coverage ratio(4)	0.07	0.30	0.44	0.11	0.44	0.40	0.42	0.12

	May 31, 2024							
(Dollars in thousands)	CFC Distribution	CFC Power Supply	CFC Statewide & Associate	CFC Total	NCSC Electric	NCSC Telecom	NCSC Total	Total
Allowance components:								
Collective allowance	$ 15,954	$ 8,676	$ 1,189	$ 25,819	$ 3,937	$ 1,800	$ 5,737	$ 31,556
Asset-specific allowance	—	16,907	—	16,907	—	263	263	17,170
Total allowance for credit losses	$ 15,954	$ 25,583	$ 1,189	$ 42,726	$ 3,937	$ 2,063	$ 6,000	$ 48,726
Loans outstanding:(1)								
Collectively evaluated loans	$27,100,254	$ 5,593,229	$ 237,346	$32,930,829	$945,880	$595,567	$1,541,447	$34,472,276
Individually evaluated loans	4,209	48,669	—	52,878	—	3,030	3,030	55,908
Total loans outstanding	$27,104,463	$ 5,641,898	$ 237,346	$32,983,707	$945,880	$598,597	$1,544,477	$34,528,184
Allowance coverage ratios:								
Collective allowance coverage ratio(2)	0.06 %	0.16 %	0.50 %	0.08 %	0.42 %	0.30 %	0.37 %	0.09 %
Asset-specific allowance coverage ratio(3)	—	34.74	—	31.97	—	8.68	8.68	30.71
Total allowance coverage ratio(4)	0.06	0.45	0.50	0.13	0.42	0.34	0.39	0.14

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(1) Represents the unpaid principal amount of loans as of the end of each period. Excludes unamortized deferred loan origination costs of $16 million and $14 million as of February 28, 2025 and May 31, 2024, respectively.
(2) Calculated based on the collective allowance component at period end divided by collectively evaluated loans outstanding at period end.
(3) Calculated based on the asset-specific allowance component at period end divided by individually evaluated loans outstanding at period end.
(4) Calculated based on the total allowance for credit losses at period end divided by total loans outstanding at period end.

Our allowance for credit losses and allowance coverage ratio decreased to approximately $44 million and 0.12%, respectively, as of February 28, 2025, compared with $49 million and 0.14%, respectively, as of May 31, 2024. The decrease in the allowance for credit losses reflected a reduction in the asset-specific allowance of $7 million, partially offset by an increase in the collective allowance of $3 million. The decrease in the asset-specific allowance was attributable to an increase in the expected payments on a nonperforming CFC power supply loan. The increase in the collective allowance was primarily due to loan portfolio growth.

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. We measure 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 February 28, 2025 and May 31, 2024.

NOTE 6—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. Our short-term borrowings totaled $4,236 million as of February 28, 2025, compared with $4,333 million as of May 31, 2024, and accounted for 12% and 13% of total debt outstanding as of February 28, 2025 and May 31, 2024. The following table provides information on our short-term borrowings as of February 28, 2025 and May 31, 2024.

Table 6.1: Short-Term Borrowings Sources

	February 28, 2025		May 31, 2024	
(Dollars in thousands)	Amount	% of Total Debt Outstanding	Amount	% of Total Debt Outstanding
Short-term borrowings:				
Commercial paper:				
Commercial paper sold through dealers, net of discounts	**$ 1,258,387**	**4 %**	$ 504,631	1 %
Commercial paper sold directly to members, at par	**1,062,530**	**3**	1,158,020	4
Total commercial paper	**2,320,917**	**7**	1,662,651	5
Select notes to members	**1,141,440**	**3**	1,274,066	4
Daily liquidity fund notes to members	**324,652**	**1**	375,191	1
Medium-term notes sold to members	**449,020**	**1**	520,782	2
Farmer Mac notes payable(1)	**—**	**—**	500,000	1
Total short-term borrowings	**$ 4,236,029**	**12 %**	$ 4,332,690	13 %

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(1)Advanced under the revolving purchase agreement with Farmer Mac dated March 24, 2011. See "Note 7—Long-Term Debt" in the Report for additional information on this revolving note purchase agreement with Farmer Mac.

Committed Bank Revolving Line of Credit Agreements

The following table presents the amount available for access under our bank revolving line of credit agreements as of February 28, 2025.

Table 6.2: Committed Bank Revolving Line of Credit Agreements Available Amounts

	February 28, 2025				
(Dollars in millions)	Total Commitment	Letters of Credit Outstanding	Available Amount	Maturity	Annual Facility Fee[1]
Bank revolving agreements:					
3-year agreement	$ 1,595	$ —	$ 1,595	November 28, 2027	7.5 bps
Total 3-year agreement	1,595	—	1,595		
4-year agreement	150	—	150	November 28, 2026	10.0 bps
4-year agreement	1,555	7	1,548	November 28, 2028	10.0 bps
Total 4-year agreement	1,705	7	1,698		
Total	$ 3,300	$ 7	$ 3,293		

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(1)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 December 5, 2024, we amended our three-year and four-year committed bank revolving line of credit agreements to extend the maturity dates to November 28, 2027 and November 28, 2028, respectively, and to increase commitments by $250 million (excluding the $150 million commitment termination described below) under each of the three-year and four-year revolving credit agreements. Commitments of $150 million that were scheduled to mature on November 28, 2025 were terminated under the three-year revolving credit agreement and commitments of $150 million will continue to expire at the prior maturity date of November 28, 2026 under the four-year revolving credit agreement.

The total commitment amount under the three-year facility and the four-year facility was $1,595 million and $1,705 million, respectively, resulting in a combined total commitment amount under the two facilities of $3,300 million as of February 28, 2025. We did not have any outstanding borrowings under our committed bank revolving line of credit agreements as of February 28, 2025; however, we had letters of credit outstanding of $7 million under the four-year committed bank revolving agreement as of this date. 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. We were in compliance with all covenants and conditions under the agreements as of February 28, 2025.

NOTE 7—LONG-TERM DEBT

The following table displays, by debt product type, long-term debt outstanding as of February 28, 2025 and May 31, 2024. Long-term debt outstanding totaled $27,536 million as of February 28, 2025, compared with $25,901 million as of May 31, 2024, and accounted for 80% and 79% of total debt outstanding as of February 28, 2025 and May 31, 2024, respectively.

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Table 7.1: Long-Term Debt by Debt Product Type

(Dollars in thousands)	February 28, 2025	May 31, 2024
Secured long-term debt:		
Collateral trust bonds[(1)]	**$ 7,082,711**	$ 6,937,711
Unamortized discount, net	**(158,949)**	(166,458)
Debt issuance costs	**(32,601)**	(31,332)
Total collateral trust bonds	**6,891,161**	6,739,921
Guaranteed Underwriter Program notes payable	**6,511,355**	6,491,814
Farmer Mac notes payable	**3,800,132**	3,363,510
Total secured notes payable	**10,311,487**	9,855,324
Total secured long-term debt	**17,202,648**	16,595,245
Unsecured long-term debt:		
Medium-term notes sold through dealers	**9,976,462**	8,980,513
Medium-term notes sold to members	**385,661**	358,844
Medium term notes sold through dealers and to members	**10,362,123**	9,339,357
Unamortized premium (discount), net	**2,681**	(2,209)
Debt issuance costs	**(31,831)**	(31,228)
Total unsecured long-term debt	**10,332,973**	9,305,920
Total long-term debt	**$ 27,535,621**	$ 25,901,165

[(1)]Collateral trust bonds represent secured obligations sold to investors in the capital markets, including also those issued in a private placement transaction.

Secured Debt

Long-term secured debt of $17,203 million and $16,595 million as of February 28, 2025 and May 31, 2024, respectively, represented 62% and 64% of total long-term debt outstanding as of each respective date. We were in compliance with all covenants and conditions under our secured debt indentures as of February 28, 2025 and May 31, 2024. We are required to pledge eligible mortgage notes in an amount at least equal to the outstanding balance of our secured debt. See "Note 4—Loans" in this Report 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. We issued $350 million of 5.00% fixed-rate collateral trust bonds due August 15, 2034 and repaid $505 million in principal amount of collateral trust bonds that matured during YTD FY2025. In addition, we also issued an aggregate amount of $300 million collateral trust bonds at a fixed rate of 5.23% with weighted average term of 13.3 years in a private placement transaction during YTD FY2025.

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Guaranteed Underwriter Program Notes Payable

We borrowed $300 million and repaid $280 million of notes payable outstanding under the Guaranteed Underwriter Program during YTD FY2025. We had up to $1,350 million available for access under the Guaranteed Underwriter Program as of February 28, 2025.

On December 18, 2024, we closed on a $450 million Series V committed loan facility from the U.S. Treasury Department's Federal Financing Bank ("FFB") under the Guaranteed Underwriter Program. Pursuant to this facility, we may borrow any time before July 15, 2029. Each advance is subject to quarterly amortization and a final maturity not longer than 30 years from the date of the advance.

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 Investors Service ("Moody's"), (ii) A- or higher from S&P Global Inc. ("S&P"), (iii) A- or higher from Fitch Ratings ("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 which allows us to borrow, repay and re-borrow funds at any time through maturity, provided the outstanding principal does not exceed the agreement limit. Each borrowing is documented with a pricing agreement setting forth the interest rate, maturity date and other terms. We may select a fixed or variable rate for each advance. On January 14, 2025, we amended our revolving note purchase agreement with Farmer Mac to increase the maximum borrowing availability to $6,500 million from $6,000 million, and extend the draw period from June 30, 2027 to January 14, 2030, with successive one-year renewals upon sixty days' notice by CFC, subject to approval by Farmer Mac and Farmer Mac Mortgage Securities Corporation. During YTD FY2025, we borrowed an aggregate principal amount of $500 million and repaid $63 million in long-term notes under the Farmer Mac note purchase agreement. As of February 28, 2025, $3,800 million was outstanding with $2,700 million available for borrowing. We are required to pledge eligible electric distribution system or electric power supply system loans as collateral at least equal to the total principal amount of notes outstanding under this agreement.

Unsecured Debt

Long-term unsecured debt of $10,333 million and $9,306 million as of February 28, 2025 and May 31, 2024, respectively, represented 38% and 36% of total long-term debt outstanding as of each respective date.

Medium-Term Notes

Medium-term notes represent unsecured obligations that may be issued through dealers in the capital markets or directly to our members. During YTD FY2025, we issued an aggregate principal amount of dealer medium-term notes totaling $1,800 million at an average fixed interest rate of 4.65% with an average term of four years, and an aggregate principal amount of dealer medium-term notes totaling $600 million at floating interest rates with an average term of two years. We repaid $1,414 million in principal amount of dealer medium-term notes that matured during YTD FY2025.

See "Note 7—Long-Term Debt" in our 2024 Form 10-K for additional information on our various long-term debt product types.

NOTE 8—SUBORDINATED DEFERRABLE DEBT

Subordinated deferrable debt represents long-term debt that is subordinated to all debt other than subordinated certificates held by our members. We had subordinated deferrable debt outstanding of $1,321 million and $1,287 million as of February 28, 2025 and May 31, 2024, respectively. See "Note 8—Subordinated Deferrable Debt" in our 2024 Form 10-K for additional information on the terms and conditions, including maturity and call dates, of our subordinated deferrable debt outstanding issued prior to May 31, 2024.

Subordinated Notes

On November 1, 2024, we entered into an agency agreement with InspereX LLC, Citigroup Global Markets Inc., RBC Capital Markets, LLC and Wells Fargo Clearing Services, LLC, as agents, to launch a program through which we may offer and sell, from time to time, an unlimited aggregate principal amount of our subordinated deferrable interest notes ("subordinated notes"). On November 1, 2024, we filed a prospectus supplement with the SEC related to these subordinated notes, which are issued under our effective shelf registration statement filed with the SEC in October 2023.

The subordinated notes are unsecured and rank subordinate in right of payment to all of our current and future senior indebtedness. The subordinated notes are senior to our members' subordinated certificates and rank equal in right of payment and upon liquidation to our outstanding subordinated deferrable debt and any other equally-ranked subordinated notes we may issue.

We issued an aggregate principal amount of $35 million subordinated notes that mature in 30 years during YTD FY2025 under this new program.

NOTE 9—DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

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 over-the-counter ("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 consist of interest rate swaps, which we typically hold to maturity. In addition, we may use treasury locks to manage the interest rate risk associated with future debt issuance or debt that is scheduled to reprice in the future. We typically designate the treasury locks as cash flow hedges. We did not have any derivatives designated as accounting hedges as of February 28, 2025 and May 31, 2024. We provide a discussion of our accounting for derivatives policy in "Note 1—Summary of Significant Accounting Policies" in our 2024 Form 10-K.

Notional Amount 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 rate received for our interest rate swaps as of February 28, 2025 and May 31, 2024. For the substantial majority of interest rate swap agreements, the daily compounded Secured Overnight Financing Rate ("SOFR") is used as the basis for determining variable interest payment amounts each period.

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Cash Flow Hedges

We use treasury locks to manage the interest rate risk associated with future debt issuance or debt that is scheduled to reprice in the future. We typically designate the treasury locks as cash flow hedges.

During YTD FY2025, we executed five treasury lock agreements with an aggregate notional amount of $700 million to hedge interest rate risk on anticipated debt issuances. We terminated the treasury locks upon the pricing of the debt issuances and recorded a net gain of $1 million in accumulated other comprehensive income (loss) ("AOCI"), which is reclassified into interest expense over the terms of the related debt.

During YTD FY2024, we executed two treasury lock agreements with an aggregate notional amount of $300 million to hedge interest rate risk on anticipated debt issuances. We terminated the treasury locks upon the pricing of the anticipated debt and recorded a net settlement gain of less than $1 million in AOCI during YTD FY2024, which is reclassified into interest expense over the terms of the related debt. In addition, during YTD FY2024, we reclassified an $8 million gain related to prior settled treasury locks from AOCI to earnings as a component of derivative gains (losses) in our consolidated statements of operations, as the hedged forecasted transaction did not occur in the time period specified in the hedge documentation.

We did not have any derivatives designated as accounting hedges as of February 28, 2025 and May 31, 2024.

Table 9.1: Derivative Notional Amount and Weighted Average Rates

	February 28, 2025			May 31, 2024		
(Dollars in thousands)	Notional Amount	Weighted-Average Rate Paid	Weighted-Average Rate Received	Notional Amount	Weighted-Average Rate Paid	Weighted-Average Rate Received
Pay-fixed swaps	**$ 5,672,618**	**2.79 %**	**4.58 %**	$ 5,842,540	2.77 %	5.57 %
Receive-fixed swaps	**1,419,987**	**5.10**	**3.39**	1,523,396	6.08	3.33
Total interest rate swaps	**$ 7,092,605**	**3.25**	**4.34**	$ 7,365,936	3.46	5.10

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 February 28, 2025 and May 31, 2024.

Table 9.2: Derivative Assets and Liabilities at Fair Value

	February 28, 2025		May 31, 2024	
(Dollars in thousands)	Fair Value	Notional Amount	Fair Value	Notional Amount
Derivative assets:				
Interest rate swaps	**$ 539,410**	**$ 5,525,509**	$ 691,249	$ 5,770,691
Total derivative assets	**$ 539,410**	**$ 5,525,509**	$ 691,249	$ 5,770,691
Derivative liabilities:				
Interest rate swaps	**$ 57,773**	**$ 1,567,096**	$ 80,988	$ 1,595,245
Total derivative liabilities	**$ 57,773**	**$ 1,567,096**	$ 80,988	$ 1,595,245

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, we report derivative asset and liability amounts on a gross basis by individual contract. The following table presents the gross fair value of derivative assets and liabilities reported on our consolidated balance sheets as of February 28, 2025 and May 31, 2024, and provides information on the impact of netting provisions under our master swap agreements and collateral pledged, if any.

Table 9.3: Derivative Gross and Net Amounts

	February 28, 2025					
				Gross Amount Not Offset in the Balance Sheet		
(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	Financial Instruments	Cash Collateral Pledged	Net Amount
Derivative assets:						
Interest rate swaps	**$ 539,410**	**$ —**	**$ 539,410**	**$ 56,225**	**$ —**	**$ 483,185**
Derivative liabilities:						
Interest rate swaps	**57,773**	**—**	**57,773**	**56,225**	**—**	**1,548**

	May 31, 2024					
				Gross Amount Not Offset in the Balance Sheet		
(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	Financial Instruments	Cash Collateral Pledged	Net Amount
Derivative assets:						
Interest rate swaps	$ 691,249	$ —	$ 691,249	$ 80,026	$ —	$ 611,223
Derivative liabilities:						
Interest rate swaps	80,988	—	80,988	80,026	—	962

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. Derivative cash settlements interest income (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 9.4: Derivative Gains (Losses)

(Dollars in thousands)	Q3 FY2025	Q3 FY2024	YTD FY2025	YTD FY2024
Derivative gains (losses) attributable to:				
Derivative cash settlements interest income	**$ 20,309**	$ 38,342	**$ 78,776**	$ 94,978
Derivative forward value gains (losses)	**19,833**	(56,817)	**(127,921)**	183,372
Derivative gains (losses)	**$ 40,142**	$ (18,475)	**$ (49,145)**	$ 278,350

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.

During YTD FY2025, Moody's, Fitch and S&P affirmed CFC's credit ratings and stable outlook. Our senior unsecured credit ratings from Moody's, S&P and Fitch were A2, A- and A, respectively, as of February 28, 2025. Moody's, S&P and Fitch had our ratings on stable outlook as of February 28, 2025. Our credit ratings and outlook remain unchanged as of the date of this Report.

The following table displays the notional amounts of our derivative contracts with rating triggers as of February 28, 2025, 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 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 9.5: Derivative Credit Rating Trigger Exposure

(Dollars in thousands)	Notional Amount	Payable Due from CFC	Receivable Due to CFC	Net Receivable (Payable)
Impact of rating downgrade trigger:				
Falls below A3/A-[(1)]	**$ 19,890**	**$ (742)**	**$ —**	**$ (742)**
Falls below Baa1/BBB+	**4,738,642**	**(917)**	**317,959**	**317,042**
Falls to or below Baa2/BBB[(2)]	**340,126**	**—**	**21,495**	**21,495**
Total	**$ 5,098,658**	**$ (1,659)**	**$ 339,454**	**$ 337,795**

[(1)]Rating trigger for CFC falls below A3/A-, while rating trigger for counterparty falls below Baa1/BBB+ by Moody's or S&P, respectively.
[(2)]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 $265 million as of February 28, 2025. These swaps were in an unrealized gain position of $34 million as of February 28, 2025.

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 $2 million as of February 28, 2025.

Derivative Counterparty Credit Exposure

Our interest rate swap contracts are subject to credit risk associated with counterparties to these derivative contracts. As mentioned above, we generally engage in OTC derivative transactions, which expose us to individual counterparty credit risk because these transactions are executed and settled directly between us and each counterparty. To manage this risk, we diversify our derivative positions among counterparties with investment-grade credit ratings, perform an internal credit risk analysis and maintain enforceable master netting arrangements, allowing us to net derivative assets and liabilities with the same counterparty. The fair value of our derivatives includes credit valuation adjustments reflecting counterparty credit risk.

We had 12 active derivative counterparties with credit ratings ranging from Aa1 to Baa1 by Moody's as of both February 28, 2025 and May 31, 2024, and from AA- to BBB+ by S&P as of both February 28, 2025 and May 31, 2024. Our largest counterparty exposure, based on the outstanding notional amount, accounted for approximately 24% of the total outstanding notional amount of our derivatives as of both February 28, 2025 and May 31, 2024. We believe our exposure to derivative counterparty risk, at any point in time, is equal to the amount of our outstanding derivatives in a net gain position, at the individual counterparty level based on the legally enforceable netting provisions under our master swap agreements, which totaled $483 million and $611 million as of February 28, 2025 and May 31, 2024, respectively, as presented in Table 9.3 above.

NOTE 10—EQUITY

Total equity increased $19 million to $3,031 million as of February 28, 2025 compared to May 31, 2024. The increase was attributable primarily to the impact of our reported net income of $67 million for YTD FY2025, partially offset by the CFC Board of Directors' authorized patronage capital retirements of $47 million during the period, as discussed below.

Allocation of Net Earnings and Retirement of Patronage Capital

The amount of patronage capital allocated each year by CFC's Board of Directors is based on adjusted net income, which excludes the impact of derivative forward value gains (losses). See "MD&A—Non-GAAP Financial Measures and Reconciliations" in this Report for information on adjusted net income. In May 2024, the CFC Board of Directors authorized the allocation of $1 million of net earnings for fiscal year 2024 to the cooperative educational fund. In July 2024, the CFC Board of Directors authorized the allocation of net earnings for fiscal year 2024 as follows: $61 million to members in the form of patronage capital and $228 million to the members' capital reserve.

In July 2024, the CFC Board of Directors also authorized the retirement of allocated net earnings totaling $47 million, of which $30 million represented 50% of the patronage capital allocation for fiscal year 2024 and $17 million represented the portion of the allocation from net earnings for fiscal year 1999 that had been held for 25 years pursuant to the CFC Board of Directors' policy. The authorized patronage capital retirement amount of $47 million was returned to members in cash in September 2024. The remaining portion of the patronage capital allocation for fiscal year 2024 will be retained by CFC for 25 years pursuant to the guidelines adopted by the CFC Board of Directors in June 2009.

See "Note 11—Equity" in our 2024 Form 10-K for additional information on our policy for allocation and retirement of patronage capital.

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Accumulated Other Comprehensive Income (Loss)

The following table presents, by component, changes in AOCI for the periods presented and the balance of each component as of the end of each respective period.

Table 10.1: Changes in Accumulated Other Comprehensive Income (Loss)

	Q3 FY2025			Q3 FY2024		
(Dollars in thousands)	Unrealized Gains on Derivative Hedges(1)	Unrealized Losses on Defined Benefit Plans(2)	Total	Unrealized Gains on Derivative Hedges(1)	Unrealized Losses on Defined Benefit Plans(2)	Total
Beginning balance	**$ 3,169**	**$ (4,511)**	**$ (1,342)**	$ 11,271	$ (2,653)	$ 8,618
Realized (gains) losses reclassified to earnings	**(117)**	**95**	**(22)**	(7,818)	53	(7,765)
Ending balance	**$ 3,052**	**$ (4,416)**	**$ (1,364)**	$ 3,453	$ (2,600)	$ 853

	YTD FY2025			YTD FY2024		
(Dollars in thousands)	Unrealized Gains on Derivative Hedges(1)	Unrealized Losses on Defined Benefit Plans(2)	Total	Unrealized Gains on Derivative Hedges(1)	Unrealized Losses on Defined Benefit Plans(2)	Total
Beginning balance	**$ 3,287**	**$ (4,703)**	**$ (1,416)**	$ 11,102	$ (2,759)	$ 8,343
Changes in unrealized gains	**803**	**—**	**803**	483	—	483
Realized (gains) losses reclassified to earnings	**(1,038)**	**287**	**(751)**	(8,132)	159	(7,973)
Ending balance	**$ 3,052**	**$ (4,416)**	**$ (1,364)**	$ 3,453	$ (2,600)	$ 853

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(1) Of the derivative gains reclassified to earnings, a portion is reclassified as a component of the derivative gains (losses) line item and the remainder is reclassified as a component of the interest expense line item in our consolidated statements of operations.
(2) Reclassified to earnings as a component of the other non-interest expense line item presented in our consolidated statements of operations.

See "Note 9—Derivative Instruments and Hedging Activities" in this Report for discussion on our derivatives designated as accounting hedges. We expect to reclassify realized net gains of less than $1 million attributable to derivative cash flow hedges from AOCI into earnings over the next 12 months.

NOTE 11—GUARANTEES

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 February 28, 2025 and May 31, 2024.

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Table 11.1: Guarantees Outstanding by Type and Member Class

(Dollars in thousands)	February 28, 2025	May 31, 2024
Guarantee type:		
Long-term tax-exempt bonds[1]	**$ 49,755**	$ 73,755
Letters of credit[2][3]	**940,268**	752,019
Other guarantees	**184,009**	184,142
Total	**$ 1,174,032**	$ 1,009,916
Member class:		
CFC:		
Distribution	**$ 507,556**	$ 472,210
Power supply	**548,027**	451,828
Statewide and associate[4]	**48,529**	42,257
CFC total	**1,104,112**	966,295
NCSC electric	**69,920**	43,621
Total	**$ 1,174,032**	$ 1,009,916

[1] Represents the outstanding principal amount of long-term variable-rate guaranteed bonds.
[2] Reflects our maximum potential exposure for letters of credit, which also includes interest due, if any.
[3] Under a hybrid letter of credit facility, we had $24 million and $30 million of commitments that may be used for the issuance of letters of credit as of February 28, 2025 and May 31, 2024, respectively.
[4] Includes CFC guarantees to NCSC telecom members totaling $47 million and $41 million as of February 28, 2025 and May 31, 2024, respectively.

We had guarantees outstanding totaling $1,174 million and $1,010 million as of February 28, 2025 and May 31, 2024, respectively. Guarantees under which our right of recovery from our members was not secured totaled $761 million and $718 million and represented 65% and 71% of total guarantees as of February 28, 2025 and May 31, 2024, respectively. We were not required to perform pursuant to any of our guarantee obligations during YTD FY2025 or YTD FY2024.

Long-term tax-exempt bonds of $50 million and $74 million as of February 28, 2025 and May 31, 2024, respectively, consist 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 $940 million and $752 million as of February 28, 2025 and May 31, 2024, respectively, $338 million and $194 million were secured at each respective date. The maturities for the outstanding letters of credit as of February 28, 2025 extend through calendar year 2044.

In addition to the outstanding letters of credit listed in the table above, under master letter of credit facilities in place as of February 28, 2025, we may be required to issue up to an additional $136 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 February 28, 2025. Prior to issuing a letter of credit, we would confirm that there has been no material adverse change in the business or condition, financial or otherwise, of the borrower since the master letter of credit facility was approved and confirm that the borrower is currently in compliance with the terms and conditions of the agreement governing the facility.

The maximum potential exposure for other guarantees was $184 million as of both February 28, 2025 and May 31, 2024, of which $25 million was secured as of both February 28, 2025 and May 31, 2024. The maturities for these other guarantees listed in the table above extend through calendar year 2025.

In addition to the guarantees described above, we were also the liquidity provider for $50 million of variable-rate tax-exempt bonds as of February 28, 2025, 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 YTD FY2025 or YTD FY2024.

Guarantee Liability

We recorded a total guarantee liability for noncontingent and contingent exposures related to guarantees and liquidity obligations of $15 million and $16 million as of February 28, 2025 and May 31, 2024, 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 and accounts for the substantial majority of our guarantee liability, totaled $14 million and $15 million as of February 28, 2025 and May 31, 2024, respectively. The remaining amount pertains to our contingent guarantee exposures.

NOTE 12—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.

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 February 28, 2025 and May 31, 2024. 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.

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Table 12.1: Fair Value of Financial Instruments

	February 28, 2025		Fair Value Measurement Level		
(Dollars in thousands)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 245,437	$ 245,437	$ 245,437	$ —	$ —
Restricted cash	8,350	8,350	8,350	—	—
Equity securities, at fair value	13,069	13,069	13,069	—	—
Debt securities trading, at fair value	148,548	148,548	—	148,548	—
Deferred compensation investments	7,912	7,912	7,912	—	—
Loans to members, net	36,434,753	33,544,970	—	—	33,544,970
Accrued interest receivable	187,287	187,287	—	187,287	—
Derivative assets	539,410	539,410	—	539,410	—
Total financial assets	$ 37,584,766	$ 34,694,983	$ 274,768	$ 875,245	$ 33,544,970
Liabilities:					
Short-term borrowings	$ 4,236,029	$ 4,238,596	$ —	$ 4,238,596	$ —
Long-term debt	27,535,621	26,786,895	—	17,054,868	9,732,027
Accrued interest payable	313,244	313,244	—	313,244	—
Guarantee liability	14,999	15,969	—	—	15,969
Derivative liabilities	57,773	57,773	—	57,773	—
Subordinated deferrable debt	1,321,168	1,332,119	235,000	1,097,119	—
Members' subordinated certificates	1,184,944	1,184,944	—	—	1,184,944
Total financial liabilities	$ 34,663,778	$ 33,929,540	$ 235,000	$ 22,761,600	$ 10,932,940

	May 31, 2024		Fair Value Measurement Level		
(Dollars in thousands)	Carrying Value	Fair Value	Level 1	Level 2	Level 3
Assets:					
Cash and cash equivalents	$ 280,124	$ 280,124	$ 280,124	$ —	$ —
Restricted cash	8,217	8,217	8,217	—	—
Equity securities, at fair value	36,886	36,886	36,886	—	—
Debt securities trading, at fair value	281,351	281,351	—	281,351	—
Deferred compensation investments	7,763	7,763	7,763	—	—
Loans to members, net	34,493,559	30,884,906	—	—	30,884,906
Accrued interest receivable	190,247	190,247	—	190,247	—
Derivative assets	691,249	691,249	—	691,249	—
Total financial assets	$ 35,989,396	$ 32,380,743	$ 332,990	$ 1,162,847	$ 30,884,906
Liabilities:					
Short-term borrowings	$ 4,332,690	$ 4,333,635	$ —	$ 3,833,635	$ 500,000
Long-term debt	25,901,165	24,470,693	—	15,529,041	8,941,652
Accrued interest payable	263,372	263,372	—	263,372	—
Guarantee liability	15,896	16,477	—	—	16,477
Derivative liabilities	80,988	80,988	—	80,988	—
Subordinated deferrable debt	1,286,861	1,295,729	244,636	1,051,093	—
Members' subordinated certificates	1,197,651	1,197,651	—	—	1,197,651
Total financial liabilities	$ 33,078,623	$ 31,658,545	$ 244,636	$ 20,758,129	$ 10,655,780

For additional information regarding fair value measurements, the fair value hierarchy and a description of the methodologies we use to estimate fair value, see “Note 14—Fair Value Measurement” to the Consolidated Financial Statements in our 2024 Form 10-K.

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 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 YTD FY2025 or YTD FY2024.

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 on our consolidated financial statements at fair value on a recurring basis as of February 28, 2025 and May 31, 2024, 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 during YTD FY2025 or YTD FY2024.

Table 12.2: Assets and Liabilities Measured at Fair Value on a Recurring Basis

	February 28, 2025			May 31, 2024		
(Dollars in thousands)	Level 1	Level 2	Total	Level 1	Level 2	Total
Assets:						
Equity securities, at fair value	**$ 13,069**	**$ —**	**$ 13,069**	$ 36,886	$ —	$ 36,886
Debt securities trading, at fair value	**—**	**148,548**	**148,548**	—	281,351	281,351
Deferred compensation investments	**7,912**	**—**	**7,912**	7,763	—	7,763
Derivative assets	**—**	**539,410**	**539,410**	—	691,249	691,249
Liabilities:						
Derivative liabilities	**$ —**	**$ 57,773**	**$ 57,773**	$ —	$ 80,988	$ 80,988

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 the lower of cost or fair value accounting or when we evaluate assets for impairment. We did not have any assets or liabilities measured at fair value on a nonrecurring basis during YTD FY2025 or YTD FY2024.

NOTE 13—VARIABLE INTEREST ENTITIES

NCSC meets the definition of a VIE because it does not have sufficient equity investment at risk to finance its activities without financial support. CFC is the primary source of funding for NCSC. Under the terms of management agreements with NCSC, CFC manages the business operations of NCSC. CFC also unconditionally guarantees full indemnification for any loan losses of NCSC pursuant to guarantee agreements with NCSC. CFC earns management and guarantee fees from its agreements with NCSC.

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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.

NCSC creditors have no recourse against CFC in the event of a default by NCSC, unless there is a guarantee agreement under which CFC has guaranteed NCSC debt obligations to a third party. The following table provides information on incremental consolidated assets and liabilities of VIE included in CFC's consolidated financial statements, after intercompany eliminations, which include NCSC's consolidated assets and liabilities as of February 28, 2025 and May 31, 2024.

Table 13.1: Consolidated Assets and Liabilities of Variable Interest Entities

(Dollars in thousands)	February 28, 2025	May 31, 2024
Assets:		
Loans outstanding	**$ 1,609,056**	$ 1,544,477
Other assets	**13,991**	12,700
Total assets	**$ 1,623,047**	$ 1,557,177
Liabilities:		
Total liabilities	**$ 13,405**	$ 9,824

The following table provides information on CFC's credit commitments and potential exposure to loss under these commitments to NCSC as of February 28, 2025 and May 31, 2024.

Table 13.2: CFC Exposure Under Credit Commitments to NCSC

(Dollars in thousands)	February 28, 2025	May 31, 2024
CFC credit commitments:		
Total CFC credit commitments	**$ 5,000,000**	$ 5,000,000
Outstanding commitments:		
Borrowings payable to CFC(1)	**1,595,040**	1,532,781
Credit enhancements:		
CFC third-party guarantees	**69,920**	43,621
Other credit enhancements	**1,211**	757
Total credit enhancements(2)	**71,131**	44,378
Total outstanding commitments	**1,666,171**	1,577,159
CFC credit commitments available	**$ 3,333,829**	$ 3,422,841

(1)Intercompany borrowings payable by NCSC to CFC as of February 28, 2025 and May 31, 2024 are eliminated in consolidation.
(2)Excludes interest due on these instruments.

Under a loan and security agreement with CFC, NCSC has access to $2,000 million revolving line of credit and a $3,000 million revolving term loan from CFC which will mature in 2067. CFC loans to NCSC are secured by all assets and revenue of NCSC. CFC's maximum potential exposure, including interest due, for the credit enhancements totaled $71 million as of February 28, 2025. The maturities for obligations guaranteed by CFC extend through 2043.

NOTE 14—BUSINESS SEGMENTS

Our activities were previously conducted through three operating segments, which were based on each of the legal entities included in our consolidated financial statements: CFC, NCSC and RTFC. We reported segment information for CFC separately; however, we aggregated segment information for NCSC and RTFC into one reportable segment because neither entity met the quantitative materiality threshold for separate reporting under the accounting guidance governing segment reporting. On December 1, 2023, RTFC completed the sale of its business to NCSC. Following the RTFC sale transaction, our operating segments for Q3 FY2025, YTD FY2025 and Q3 FY2024 consist of CFC and NCSC, which are based on each of the legal entities included in our consolidated financial statements. As we aggregated segment information for NCSC and RTFC into one reportable segment in YTD FY2024, the RTFC sale transaction did not cause a change in the composition of our reportable segments. We present the results of our business segments on the basis in which management internally evaluates operating performance to establish short- and long-term performance goals, develop budgets and forecasts, identify potential trends, allocate resources and make compensation decisions. We describe the business segment reporting methodology in "Note 16—Business Segments" in our 2024 Form 10-K.

Segment Results and Reconciliation

The following tables display segment results of operations for Q3 FY2025, YTD FY2025, Q3 FY2024 and YTD FY2024, assets attributable to each segment as of February 28, 2025 and February 29, 2024 and a reconciliation of total segment amounts to our consolidated total amounts.

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
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Table 14.1: Business Segment Information

	Q3 FY2025					
(Dollars in thousands)	CFC	NCSC	Segments Total	Reclasses and Adjustments[1]	Intersegment Eliminations[2]	Consolidated Total
Results of operations:						
Interest income	$ 426,442	$ 21,711	$ 448,153	$ —	$ (19,293)	$ 428,860
Interest expense	(361,847)	(19,364)	(381,211)	—	19,293	(361,918)
Derivative cash settlements interest income (expense)	20,343	(34)	20,309	(20,309)	—	—
Interest expense	(341,504)	(19,398)	(360,902)	(20,309)	19,293	(361,918)
Net interest income	84,938	2,313	87,251	(20,309)	—	66,942
Benefit (provision) for credit losses	6,093	(276)	5,817	—	276	6,093
Net interest income after benefit (provision) for credit losses	91,031	2,037	93,068	(20,309)	276	73,035
Non-interest income:						
Fee and other income	7,241	1,347	8,588	—	(2,606)	5,982
Derivative gains:						
Derivative cash settlements interest income	—	—	—	20,309	—	20,309
Derivative forward value gains	—	—	—	19,833	—	19,833
Derivative gains	—	—	—	40,142	—	40,142
Investment securities gains	663	—	663	—	—	663
Total non-interest income	7,904	1,347	9,251	40,142	(2,606)	46,787
Non-interest expense:						
General and administrative expenses	(32,436)	(2,706)	(35,142)	—	1,852	(33,290)
Losses on early extinguishment of debt	(10)	—	(10)	—	—	(10)
Other non-interest expense	(306)	(492)	(798)	—	478	(320)
Total non-interest expense	(32,752)	(3,198)	(35,950)	—	2,330	(33,620)
Income before income taxes	66,183	186	66,369	19,833	—	86,202
Income tax provision	—	(66)	(66)	—	—	(66)
Net income	$ 66,183	$ 120	$ 66,303	$ 19,833	$ —	$ 86,136

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
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	Q3 FY2024					
(Dollars in thousands)	CFC	NCSC	Segments Total	Reclasses and Adjustments[1]	Intersegment Eliminations[2]	Consolidated Total
Results of operations:						
Interest income	$ 409,514	$ 21,417	$ 430,931	$ —	$ (19,096)	$ 411,835
Interest expense	(346,993)	(19,122)	(366,115)	—	19,096	(347,019)
Derivative cash settlements interest income	38,304	38	38,342	(38,342)	—	—
Interest expense	(308,689)	(19,084)	(327,773)	(38,342)	19,096	(347,019)
Net interest income	100,825	2,333	103,158	(38,342)	—	64,816
Benefit (provision) for credit losses	6,559	(537)	6,022	—	537	6,559
Net interest income after benefit (provision) for credit losses	107,384	1,796	109,180	(38,342)	537	71,375
Non-interest income:						
Fee and other income	6,217	1,773	7,990	—	(2,965)	5,025
Derivative gains (losses):						
Derivative cash settlements interest income	—	—	—	38,342	—	38,342
Derivative forward value losses	—	—	—	(56,817)	—	(56,817)
Derivative losses	—	—	—	(18,475)	—	(18,475)
Investment securities gains	4,140	—	4,140	—	—	4,140
Total non-interest income (loss)	10,357	1,773	12,130	(18,475)	(2,965)	(9,310)
Non-interest expense:						
General and administrative expenses	(29,153)	(2,706)	(31,859)	—	1,870	(29,989)
Losses on early extinguishment of debt	(33)	—	(33)	—	—	(33)
Other non-interest expense	(250)	(595)	(845)	—	558	(287)
Total non-interest expense	(29,436)	(3,301)	(32,737)	—	2,428	(30,309)
Income before income taxes	88,305	268	88,573	(56,817)	—	31,756
Income tax provision	—	(567)	(567)	—	—	(567)
Net income (loss)	$ 88,305	$ (299)	$ 88,006	$ (56,817)	$ —	$ 31,189

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
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	YTD FY2025					
(Dollars in thousands)	**CFC**	**NCSC**	**Segments Total**	**Reclasses and Adjustments[1]**	**Intersegment Eliminations[2]**	**Consolidated Total**
Results of operations:						
Interest income	$ 1,259,727	$ 65,549	$ 1,325,276	$ —	$ (58,420)	$ 1,266,856
Interest expense	(1,072,648)	(58,593)	(1,131,241)	—	58,420	(1,072,821)
Derivative cash settlements interest income	78,760	16	78,776	(78,776)	—	—
Interest expense	(993,888)	(58,577)	(1,052,465)	(78,776)	58,420	(1,072,821)
Net interest income	265,839	6,972	272,811	(78,776)	—	194,035
Benefit (provision) for credit losses	4,270	(793)	3,477	—	793	4,270
Net interest income after benefit (provision) for credit losses	270,109	6,179	276,288	(78,776)	793	198,305
Non-interest income (loss):						
Fee and other income	21,335	3,555	24,890	—	(7,816)	17,074
Derivative losses:						
Derivative cash settlements interest income	—	—	—	78,776	—	78,776
Derivative forward value losses	—	—	—	(127,921)	—	(127,921)
Derivative losses	—	—	—	(49,145)	—	(49,145)
Investment securities gains	6,891	—	6,891	—	—	6,891
Total non-interest income (loss)	28,226	3,555	31,781	(49,145)	(7,816)	(25,180)
Non-interest expense:						
General and administrative expenses	(103,418)	(7,631)	(111,049)	—	5,540	(105,509)
Losses on early extinguishment of debt	(50)	—	(50)	—	—	(50)
Other non-interest expense	(815)	(1,513)	(2,328)	—	1,483	(845)
Total non-interest expense	(104,283)	(9,144)	(113,427)	—	7,023	(106,404)
Income before income taxes	194,052	590	194,642	(127,921)	—	66,721
Income tax provision	—	(108)	(108)	—	—	(108)
Net income	$ 194,052	$ 482	$ 194,534	$ (127,921)	$ —	$ 66,613

	February 28, 2025					
	CFC	**NCSC**	**Segments Total**	**Reclasses and Adjustments[1]**	**Intersegment Eliminations[2]**	**Consolidated Total**
Assets:						
Total loans outstanding	$36,449,424	$ 1,609,056	$38,058,480	$ —	$ (1,595,040)	$36,463,440
Deferred loan origination costs	15,769	—	15,769	—	—	15,769
Loans to members	36,465,193	1,609,056	38,074,249	—	(1,595,040)	36,479,209
Less: Allowance for credit losses	(44,456)	(6,793)	(51,249)	—	6,793	(44,456)
Loans to members, net	36,420,737	1,602,263	38,023,000	—	(1,588,247)	36,434,753
Other assets	1,330,000	27,665	1,357,665	—	(13,675)	1,343,990
Total assets	$37,750,737	$ 1,629,928	$39,380,665	$ —	$ (1,601,922)	$37,778,743

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION
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	YTD FY2024					
(Dollars in thousands)	CFC	NCSC	Segments Total	Reclasses and Adjustments(1)	Intersegment Eliminations(2)	Consolidated Total
Results of operations:						
Interest income	$ 1,174,803	$ 60,465	$ 1,235,268	$ —	$ (53,490)	$ 1,181,778
Interest expense	(987,094)	(53,541)	(1,040,635)	—	53,490	(987,145)
Derivative cash settlements interest income	94,869	109	94,978	(94,978)	—	—
Interest expense	(892,225)	(53,432)	(945,657)	(94,978)	53,490	(987,145)
Net interest income	282,578	7,033	289,611	(94,978)	—	194,633
Benefit (provision) for credit losses	5,131	(1,801)	3,330	—	1,801	5,131
Net interest income after benefit (provision) for credit losses	287,709	5,232	292,941	(94,978)	1,801	199,764
Non-interest income:						
Fee and other income	20,902	4,735	25,637	—	(9,464)	16,173
Derivative gains:						
Derivative cash settlements interest income	—	—	—	94,978	—	94,978
Derivative forward value gains	—	—	—	183,372	—	183,372
Derivative gains	—	—	—	278,350	—	278,350
Investment securities gains	8,916	—	8,916	—	—	8,916
Total non-interest income	29,818	4,735	34,553	278,350	(9,464)	303,439
Non-interest expense:						
General and administrative expenses	(90,556)	(8,753)	(99,309)	—	6,305	(93,004)
Losses on early extinguishment of debt	(998)	—	(998)	—	—	(998)
Other non-interest expense	(675)	(1,398)	(2,073)	—	1,358	(715)
Total non-interest expense	(92,229)	(10,151)	(102,380)	—	7,663	(94,717)
Income (loss) before income taxes	225,298	(184)	225,114	183,372	—	408,486
Income tax provision	—	(978)	(978)	—	—	(978)
Net income (loss)	$ 225,298	$ (1,162)	$ 224,136	$ 183,372	$ —	$ 407,508

	February 29, 2024					
	CFC	NCSC	Segments Total	Reclasses and Adjustments(1)	Intersegment Eliminations(2)	Consolidated Total
Assets:						
Total loans outstanding	$34,387,835	$ 1,532,703	$35,920,538	$ —	$(1,521,826)	$34,398,712
Deferred loan origination costs	13,622	—	13,622	—	—	13,622
Loans to members	34,401,457	1,532,703	35,934,160	—	(1,521,826)	34,412,334
Less: Allowance for credit losses	(48,995)	(5,471)	(54,466)	—	5,471	(48,995)
Loans to members, net	34,352,462	1,527,232	35,879,694	—	(1,516,355)	34,363,339
Other assets	1,513,120	27,575	1,540,695	—	(12,281)	1,528,414
Total assets	$35,865,582	$ 1,554,807	$37,420,389	$ —	$(1,528,636)	$35,891,753

(1) Consists of (i) the reclassification of net periodic derivative settlement interest income (expense) amounts, which we report as a component of interest expense for business segment reporting purposes but is included in derivatives gains (losses) in our consolidated total results and (ii) derivative forward value gains and losses, which we exclude from our business segment results but is included in derivatives gains (losses) in our consolidated total results.

(2) Consists of intercompany borrowings payable by NCSC to CFC and the interest related to those borrowings, management fees paid by NCSC to CFC and other intercompany amounts, all of which are eliminated in consolidation.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

For quantitative and qualitative disclosures about market risk, see "Part I—Item 2. MD&A—Market Risk" and "Note 9—Derivative Instruments and Hedging Activities."

Item 4. Controls and Procedures

As of the end of the period covered by this report, senior management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934. Based on this evaluation process, the Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective. During the three months ended August 31, 2024, we implemented a new loan accounting system and as part of the implementation made certain changes to our internal controls over accounting and financial reporting for our loans. There were no changes in our internal control over financial reporting that occurred during the three months ended February 28, 2025 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. 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 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. We identify and discuss the most significant risk factors of which we are currently aware that could have a material adverse impact on our business, results of operations, financial condition or liquidity in the section "Part I—Item 1A. Risk Factors" in our 2024 Form 10-K, as filed with the SEC on August 1, 2024. We are not aware of any material changes in the risk factors identified in our 2024 Form 10-K. However, other risks and uncertainties, including those not currently known to us, could also negatively impact our business, results of operations, financial condition and liquidity. Therefore, the risk factors identified and discussed in our 2024 Form 10-K 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—Enterprise Risk Management" in our 2024 Form 10-K.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are incorporated by reference or filed as part of this Report.

EXHIBIT INDEX

Exhibit No.		Description
10.1*	—	Fifth Amended and Restated First Supplemental Note Purchase Agreement dated January 14, 2025 for up to $6,500,000,000 between the Registrant and Federal Agricultural Mortgage Corporation.
10.2*	—	Third Amended, Restated and Consolidated Pledge Agreement dated January 14, 2025, between the Registrant, Federal Agricultural Mortgage Corporation and U.S. Bank National Association.
31.1*	—	Certification of the Chief Executive Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	—	Certification of the Chief Financial Officer required by Section 302 of the Sarbanes-Oxley Act of 2002.
32.1†	—	Certification of the Chief Executive Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.
32.2†	—	Certification of the Chief Financial Officer required by Section 906 of the Sarbanes-Oxley Act of 2002.
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*	—	Inline XBRL Taxonomy Extension Schema Document
101.CAL*	—	Inline XBRL Taxonomy Calculation Linkbase Document
101.LAB*	—	Inline XBRL Taxonomy Label Linkbase Document
101.PRE*	—	Inline XBRL Taxonomy Presentation Linkbase Document
101.DEF*	—	Inline XBRL Taxonomy Definition Linkbase Document
104	—	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.

SIGNATURES

Pursuant to the requirements 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.

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

Date: April 11, 2025

By: /s/ YU LING WANG

Yu Ling Wang

Senior Vice President and Chief Financial Officer

By: /s/ PANKAJ SHAH

Pankaj Shah

Vice President and Controller
(Principal Accounting Officer)

Execution version

FIFTH AMENDED AND RESTATED FIRST SUPPLEMENTAL NOTE PURCHASE AGREEMENT

FIFTH AMENDED AND RESTATED FIRST SUPPLEMENTAL NOTE PURCHASE AGREEMENT, dated as of January 14, 2025 (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, the Second Amended and Restated First Supplemental Note Purchase Agreement dated as of February 26, 2018, the Third Amended and Restated First Supplemental Note Purchase Agreement dated as of May 20, 2021, and the Fourth Amended and Restated First Supplemental Note Purchase Agreement dated as of June 15, 2022 (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 January 14, 2030; provided, however, no less than sixty (60) days prior to January 14 of each year beginning January 14, 2029, National Rural may provide written notice, substantially in the form of the Request for Extension of Draw Period attached hereto as Exhibit A, of its desire to extend the then-remaining term of the Draw Period for one (1) additional year, and Farmer Mac and the Purchaser have thirty (30) days after receipt to accept or reject in writing the one (1) year extension of the then-remaining term of the Draw Period and if no response is received by National Rural within thirty (30) days, the Draw Period shall be deemed automatically extended for one (1) additional year beyond the then-remaining term without further action.

Further for purposes hereof, "Maximum Purchase Amount" means $6.5 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.

[SIGNATURE PAGES FOLLOW]

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 N. CARPENTER
Name: Zachary N. Carpenter
Title: Executive Vice President – Chief Business Officer

FEDERAL AGRICULTURAL MORTGAGE CORPORATION

By: /s/ ZACHARY N. CARPENTER
Name: Zachary N. Carpenter
Title: Executive Vice President – Chief Business Officer

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

By: /s/ LING WANG

Name: Ling Wang

Title: Senior Vice President and
Chief Financial Officer

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EXHIBIT A

Form of Request for Extension of Draw Period

[DATE (at least 60 days prior to one year before expiration of Draw Period)]

Federal Agricultural Mortgage Corporation
Farmer Mac Mortgage Securities Corporation
2100 Pennsylvania Avenue NW, Ste 450N
Washington, DC 20037
Attention: Legal Department
legal@farmermac.com

Re: Request for Extension of Draw Period
National Rural Utilities Cooperative Finance Corporation ("National Rural")
Fifth Amended and Restated First Supplemental Note Purchase Agreement

Federal Agricultural Mortgage Corporation ("Farmer Mac")/Farmer Mac Mortgage Securities Corporation ("FMMSC"):

Pursuant to Section 3 of the Fifth Amended and Restated First Supplemental Note Purchase Agreement dated January 14, 2025, (the "Agreement") between FMMSC, Farmer Mac and National Rural, National Rural hereby gives notice to FMMSC and Farmer Mac that it requests an extension of the current remaining term of the Draw Period, as defined in the Agreement, for one (1) year, to and including January 14, 20[__] (the "Draw Period Extension").

Pursuant to the terms of the Agreement, if you do not respond to this letter within thirty (30) days, the Draw Period Extension shall be deemed accepted.

Very Truly Yours,
National Rural Utilities Cooperative Finance Corporation

Execution version

FARMER MAC MORTGAGE
SECURITIES CORPORATION,
As Note Purchaser

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION,
As Borrower

U.S. BANK NATIONAL ASSOCIATION,
As Collateral Agent

FEDERAL AGRICULTURAL
MORTGAGE CORPORATION,
As Guarantor

THIRD AMENDED, RESTATED AND CONSOLIDATED PLEDGE AGREEMENT

Dated as of January 14, 2025

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THIRD AMENDED, RESTATED AND CONSOLIDATED PLEDGE AGREEMENT, dated as of January 14, 2025, among NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION, a District of Columbia cooperative association and its successors and assigns (hereinafter called "National Rural"), 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 and its successors and assigns ("Farmer Mac"), U.S. BANK NATIONAL ASSOCIATION, a national banking association and its successors and assigns (hereinafter called the "Collateral Agent"), and Farmer Mac, as Guarantor.

RECITALS

WHEREAS, National Rural, the Purchaser and Farmer Mac, previously amended, restated and consolidated the following note purchase agreements among National Rural, the Purchaser and Farmer Mac (collectively, the "Original Note Purchase Agreements") into the Amended and Restated Note Purchase Agreement, dated as of March 24, 2011 (the "2011 Note Purchase Agreement"): (a) that certain Note Purchase Agreement dated as of December 15, 2008, as amended by that certain First Amendment to Note Purchase Agreement dated as of July 13, 2009 (the "December 2008 NPA"); (b) that certain Note Purchase Agreement dated as of February 5, 2009, as amended by that certain First Amendment to Note Purchase Agreement dated as of July 13, 2009 (the "February 2009 NPA"); (c) that certain Note Purchase Agreement dated as of March 23, 2009 (the "March 2009 NPA"); (d) that certain Note Purchase Agreement dated as of May 22, 2009 (the "May 2009 NPA"); and (e) that certain Note Purchase Agreement dated as of January 11, 2011 (the "January 2011 NPA");

WHEREAS, National Rural issued notes to Purchaser pursuant to the Original Note Purchase Agreements, and has issued notes and may from time to time issue additional notes to Purchaser pursuant to the 2011 Note Purchase Agreement, all upon the terms and subject to the conditions set forth in the 2011 Note Purchase Agreement (collectively, the "Notes");

WHEREAS, National Rural, the Purchaser and Farmer Mac entered into that certain Note Purchase Agreement dated as July 31, 2015, but agreed to terminate such agreement on June 15, 2022, with no further obligation or liability of any party thereunder;

WHEREAS, National Rural, the Purchaser and Farmer Mac previously amended, restated and consolidated the following pledge agreements (collectively, the "Original Pledge Agreements") into the Amended, Restated and Consolidated Pledge Agreement dated as of March 24, 2011 (the "2011 Pledge Agreement") and then the Second Amended, Restated and Consolidated Pledge Agreement dated as July 31, 2015 (the "2015 Pledge Agreement") to secure notes issued pursuant to the Original Note Purchase Agreements and 2011 Note Purchase Agreement: (a) that certain Pledge

Agreement dated as of December 15, 2008, as amended by that certain First Amendment to Pledge Agreement dated as of September 23, 2009, securing the notes issued pursuant to the December 2008 NPA; (b) that certain Pledge Agreement dated as of February 5, 2009, as amended by that certain First Amendment to Pledge Agreement dated as of September 23, 2009, securing the notes issued pursuant to the February 2009 NPA; (c) that certain Pledge Agreement dated as of March 23, 2009, as amended by that certain First Amendment to Pledge Agreement dated as of September 23, 2009, securing the notes issued pursuant to the March 2009 NPA; (d) that certain Pledge Agreement dated as of May 22, 2009, securing the notes issued pursuant to the May 2009 NPA; and (e) that certain Pledge Agreement dated as of January 11, 2011, securing the notes issued pursuant to the January 2011 NPA; and

WHEREAS, in furtherance of the foregoing, National Rural, the Purchaser, Farmer Mac and the Collateral Agent have agreed to amend, restate and consolidate the Original Pledge Agreements, the 2011 Pledge Agreement and the 2015 Pledge Agreement and continue the liens created by the Original Pledge Agreements as set forth herein.

NOW, THEREFORE, THIS PLEDGE AGREEMENT WITNESSETH that, to secure the performance of the certain Obligations contained in the Notes, the 2011 Note Purchase Agreement and herein, National Rural hereby assigns and pledges to the Collateral Agent, its successors and assigns, for the benefit of the Control Party, and grants to the Collateral Agent, its successors and assigns, for the benefit of the Control Party, a security interest in the following (collectively referred to as the "Pledged Collateral") as provided in Article II: (i) the Pledged Securities and the certificates representing the Pledged Securities; (ii) subject to Section 2.08, all payments of principal or interest, cash, instruments and other property from time to time received, receivable or otherwise distributed in respect of, in exchange for, and all other Proceeds received in respect of, the Pledged Securities pledged hereunder; (iii) subject to Section 2.08, all rights and privileges of National Rural with respect to the Pledged Securities; (iv) all Proceeds of any of the foregoing above; that may, on the date hereof or from time to time hereafter, be subjected to the Lien hereof by National Rural by delivery, assignment or pledge thereof to the Collateral Agent hereunder and the Collateral Agent is authorized to receive the same as additional security hereunder (subject to any reservations, limitations or conditions agreed to in writing by National Rural and the Control Party respecting the scope or priority of such security or the use and disposition of such property or the Proceeds thereof).

TO HAVE AND TO HOLD the Pledged Collateral, together with all right, title, interest, powers, privileges and preferences pertaining or incidental thereto, unto the Collateral Agent, its successors and assigns, for the benefit of the Control Party, forever; subject, however, to the terms, covenants and conditions hereinafter set forth.

ARTICLE I

Definitions

Section 1.01. Definitions. As used in this Pledge Agreement, the following terms shall have the following meanings:

Section 1.02. "2011 Note Purchase Agreement" has the meaning set forth in the recitals hereto.

Section 1.03. "2011 Pledge Agreement" has the meaning set forth in the recitals hereto.

Section 1.04. "2015 Pledge Agreement" has the meaning set forth in the recitals hereto.

Section 1.05. "Accounting Requirements" shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Member or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Member.

"Allowable Amount" on any date, means (i) with respect to each Eligible Security that is not a line of credit, the aggregate outstanding principal amount of such Eligible Security, subject to the Maximum Debtor Principal Amount; and (ii) with respect to each Eligible Security that is a line of credit, the aggregate outstanding principal amount of such Eligible Security multiplied by the Maximum Advance Rate, subject to the Maximum Debtor Principal Amount.

"Certificate of Pledged Collateral" means each certificate delivered from and after the date hereof to the Collateral Agent and the Control Party substantially in the form of Annex A attached hereto.

"Class A Member" means any Class A Member of National Rural as described in National Rural's Bylaws as of the date hereof.

"Class B Member" means any Class B Member of National Rural as described in National Rural's Bylaws as of the date hereof.

"Collateral Agent" means the Person named as the "Collateral Agent" in the introductory paragraph hereof.

"Completed Calendar Year" of a Member means a calendar year ended more than one hundred twenty (120) days prior to any date of determination, unless financial statements of such Member for a later calendar year shall have been furnished to National Rural.

"Control Party" means (i) the Guarantor, so long as no Guarantor Default has occurred and is continuing, or (ii) the holders of the Notes for so long as a Guarantor Default has occurred and is continuing.

"Control Party Notice" and "Control Party Order" mean, respectively, a written notice or order signed by any Vice President of the Control Party and delivered to the Collateral Agent and National Rural.

"Control Party Notice of Default" has the meaning given to that term in Section 4.02.

"December 2008 NPA" has the meaning set forth in the recitals hereto.

"Eligible Member" means any Class A Member or Class B Member of National Rural as described in National Rural's Bylaws currently in effect.

"Eligible Security" means a Secured or Unsecured note, bond or line of credit of any Eligible Member payable or registered to, or to the order of, National Rural, (A) in respect of which (i) the Total Exposure Amount does not exceed the Maximum Debtor Principal Amount; provided, however, if the Total Exposure Amount does exceed the Maximum Debtor Principal Amount, such note or bond may be pledged hereunder but only to the extent it does not exceed the Maximum Debtor Principal Amount and the Allowable Amount of such Eligible Security shall only include the principal amount which does not exceed the Maximum Debtor Principal Amount, (ii) no default has occurred in the payment of principal or interest in accordance with the terms of such note or bond that is continuing beyond the contractual grace period (if any) provided in such note or bond for such payment and (iii) no "event of default" as defined in such note or bond (or in any instrument creating a security interest in favor of National Rural in respect of such note or bond), shall exist that has resulted in the exercise of any right or remedy described in such note or bond (or in any such instrument); (B) which is not classified by National Rural as a non-performing loan under generally accepted accounting principles in the United States; and (C) which otherwise satisfies the criteria set forth on Schedule I hereto, as such Schedule I may be amended from time to time as mutually agreed upon in writing by Farmer Mac and National Rural, with notice of any such amendment to the Collateral Agent prior to the pledge of such Eligible Security.

"Event of Default" has the meaning set forth in Section 4.01.

"Facility Rating" means the facility rating assigned by National Rural to an Eligible Security from time to time in accordance with National Rural's internal risk rating system.

"Farmer Mac" has the meaning set forth in the introductory paragraph hereof.

"February 2009 NPA" has the meaning set forth in the recitals hereto.

"GAAP" means generally accepted accounting principles in the United States as in effect from time to time.

"Guarantor Default" means a default by the Guarantor under its obligations pursuant to Article IX of the Note Purchase Agreement which is existing and continuing.

"Lien" means any lien, pledge, charge, mortgage, encumbrance, debenture, hypothecation or other similar security interest attaching to any part of the Pledged Collateral.

"Lien of this Pledge Agreement" or "Lien hereof" means the Lien created by these presents.

"March 2009 NPA" has the meaning set forth in the recitals hereto.

"Maximum Advance Rate" means seventy-five percent (75%), or such higher percentage permitted by Farmer Mac and communicated to National Rural in writing.

"Maximum Debtor Principal Amount" means $75 million, or such higher amount permitted by Farmer Mac and communicated to National Rural in writing. In calculating the Maximum Debtor Principal Amount, any amount in excess of the Maximum Advance Rate shall be excluded.

"May 2009 NPA" has the meaning set forth in the recitals hereto.

"Member" shall mean any Person who is a member of National Rural.

"National Rural" has the meaning set forth in the introductory paragraph hereof.

"National Rural Notice" and "National Rural Order" mean, respectively, a written notice or order signed in the name of National Rural by either its Chief Executive Officer or its Chief Financial Officer, and by any Vice President of National Rural, and delivered to the Collateral Agent and the Control Party.

"Notes" has the meaning set forth in the recitals hereto.

"Obligations" means the due and punctual performance of the obligations of National Rural to make payments of principal, and interest on the Notes.

"Officers' Certificate" means a certificate signed by any Vice President of National Rural, and delivered to the Control Party and/or the Collateral Agent, as applicable.

"Original Note Purchase Agreements" has the meaning set forth in the recitals hereto.

"Original Notes" has the meaning set forth in the recitals hereto.

"Original Pledge Agreement" has the meaning set forth in the recitals hereto.

"Person" means any individual, corporation, partnership, joint venture, association, joint-stock company, trust, unincorporated organization or govern ment or any agency or political subdivision thereof.

"Pledge Agreement" means this Third Amended, Restated and Consolidated Pledge Agreement, as originally executed and as it may from time to time be amended, supplemented or otherwise modified from time to time pursuant to the applicable provisions hereof.

"Pledged Amount" on any date, means with respect to Eligible Securities, the aggregate principal amount of such Eligible Securities theretofore advanced thereon which remains unpaid on such date and pledged hereunder.

"Pledged Collateral" has the meaning set forth in the Granting Clause set forth prior to Article I of this Pledge Agreement.

"Pledged Securities" means at any time the Eligible Securities listed on Schedule A and/or Schedule B to the Certificate of Pledged Collateral most recently delivered. As of the date hereof, the Pledged Securities shall include all of the Eligible Securities listed on the Certificate of Pledged Collateral most recently delivered pursuant to the 2015 Pledge Agreement.

"Proceeds" has the meaning specified in Section 9-102 of the Uniform Commercial Code.

"Purchaser" has the meaning set forth in the introductory paragraph hereof.

"RUS" means the Rural Utilities Service of the United States Department of Agriculture, acting by and through the Administrator of the Rural Utilities Service, and including any successor agencies or departments.

"Secured" means the debt evidenced by the note or bond is secured by a valid lien in favor of National Rural on substantially all of the Eligible Member's real and personal property, subject to standard permitted exceptions consistent with National Rural's standard lending practices from time to time, which lien may be shared *pari passu* with the other lender or lenders identified in the applicable security documents.

"Total Exposure Amount" on any date, means with respect to Eligible Securities, the aggregate principal amount of all notes or bonds of such Eligible Member (A) pledged hereunder, (B) pledged to secure any other notes or bonds issued by National Rural to Farmer Mac or any affiliate, or (C) sold by National Rural or any affiliate to Farmer Mac, any affiliate of Farmer Mac, or any trust whose beneficial ownership is owned or controlled by Farmer Mac or an affiliate or that issues pass-through securities guaranteed by Farmer Mac. In calculating the Total Exposure Amount, with respect to any Eligible

Security that is a line of credit, any amount in excess of the Maximum Advance Rate shall be excluded.

"Uniform Commercial Code" means the Uniform Commercial Code as from time to time in effect in the District of Columbia.

"Unsecured" means the debt evidenced by the note or bond is not secured by a lien in favor of National Rural on substantially all of the Eligible Member's real and personal property.

"Vice President" means any vice president of National Rural or Farmer Mac or the Purchaser, as applicable, whether or not designated by a number or a word or words added before or after the title "vice president".

"Whole Loan Sale" means a loan by National Rural to an Eligible Member evidenced by a note payable to the order of National Rural, the outstanding principal amount of which has been sold by National Rural or any affiliate to Farmer Mac, any affiliate of Farmer Mac, or any trust whose beneficial ownership is owned or controlled by Farmer Mac or an affiliate or that issues pass-through securities guaranteed by Farmer Mac.

Section 1.06. Other Defined Terms; Principles of Construction. Capitalized terms used but not defined in this Pledge Agreement shall have the meanings given to them in the Note Purchase Agreement. Unless the context shall otherwise indicate, the terms defined in Section 1.01 hereof include the plural as well as the singular and the singular as well as the plural. The words "hereafter", "herein", "hereof", "hereto" and "hereunder", and words of similar import, refer to this Pledge Agreement as a whole. The descriptive headings of the various articles and sections of this Pledge Agreement were formulated and inserted for convenience only and shall not be deemed to affect the meaning or construction of the provisions hereof.

ARTICLE II

Provisions as to Pledged Collateral

Section 2.01. Holding of Pledged Securities.

(a) National Rural shall make available to the Control Party, within forty-five (45) days of a pledge of the Pledged Securities in connection with an advance (or for a longer period as National Rural and the Control Party agree), such back-up information as is reasonably necessary in order to allow the Control Party to confirm compliance of such Pledged Securities to the requisite criteria as outlined herein. Upon receipt of the back-up information, the Control Party shall have ninety (90) days to object in writing to the inclusion of any item of the Pledged Securities as part of the Pledged Collateral. If the Control Party reasonably determines that any of the Pledged Securities do not meet the criteria for Eligible Securities, then National Rural shall have forty-five (45) days in which to provide substitute collateral, and the timeline specified above for National Rural to make available back-up material and confirmation shall also apply as to the substituted collateral. Nothing in this Section 2.01(a) shall limit or otherwise affect the representations, warranties or covenants by National Rural in this Agreement or the Note Purchase Agreement.

(b) The Collateral Agent, on behalf of the Control Party, shall hold the Pledged Securities in the name of National Rural (or its nominee), endorsed or assigned in blank or in favor of the Collateral Agent. Upon occurrence of an Event of Default, the Collateral Agent, on behalf of the Control Party, shall have the right (in its sole and absolute discretion), to the extent a register is maintained therefor, to register the Pledged Securities in the Collateral Agent's own name as pledgee, or in the name of the Collateral Agent's nominee (as pledgee or as sub-agent) or to continue to hold the Pledged Securities in the name of National Rural, endorsed or assigned in blank or in favor of the Collateral Agent. Upon cessation of such Event of Default, the Collateral Agent shall take such action as is necessary to again cause the Pledged Securities to be registered in the name of National Rural (or its nominee).

Section 2.02. UCC Filings. From time to time after the date hereof, National Rural shall prepare and file in the proper Uniform Commercial Code filing office in the District of Columbia continuation statements or such other filings as are necessary to maintain the perfection of the Lien hereof on the Pledged Collateral.

Section 2.03. Withdrawal and Substitution of Pledged Collateral.

(a) Any part of the Pledged Collateral may be withdrawn by National Rural or substituted for other Eligible Securities by National Rural and shall be delivered to National Rural by the Collateral Agent upon National Rural Order at any time and from time to time, together with any other documents or instruments of transfer or assignment necessary to reassign to National Rural said Pledged Collateral and the interest of National Rural, provided the aggregate Allowable Amount of Pledged Collateral remaining after such withdrawal or substitution shall at least equal the aggregate principal amount of the Notes outstanding after such withdrawal or substitution, as shown by the Certificate of Pledged Collateral furnished to the Collateral Agent pursuant to Subsection (b)(i) of this Section.

(b) Prior to any such withdrawal or substitution, the Collateral Agent shall be furnished with the following instruments (with a copy to the Control Party):

(i) a Certificate of Pledged Collateral, dated as of the last day of the calendar month most recently ended at least ten (10) Business Days prior to such withdrawal or substitution (or a more recent date, at National Rural's option), showing that immediately after such withdrawal or substitution the requirements of Subsection (a) of this Section will be satisfied; and

(ii) an Officers' Certificate certifying that no Event of Default has occurred which has not been remedied.

Upon any such withdrawal or substitution, National Rural shall deliver any Eligible Securities to be substituted and the Collateral Agent shall execute any instruments of transfer or assignment specified in a National Rural Order as necessary to vest in National Rural any part of the Pledged Collateral withdrawn.

In case an Event of Default shall have occurred and be continuing, National Rural shall not withdraw or substitute any part of the Pledged Collateral.

Section 2.04. [Reserved.]

Section 2.05. Addition of Pledged Collateral. At any time, National Rural may pledge additional Eligible Securities under this Pledge Agreement by delivering such Pledged Collateral to the Collateral Agent, accompanied by a Certificate of Pledged Collateral specifying such additional collateral and dated as of the last day of the calendar month most recently ended at least ten (10) Business Days prior thereto (or a more recent date at National Rural's option).

Section 2.06. Accompanying Documentation. Where Eligible Securities are delivered to the Collateral Agent under Section 2.01, 2.03 or Section 2.05, such securities shall be accompanied by the appropriate instruments of transfer executed in blank and in a form satisfactory to the Collateral Agent and by such other instruments and documents as the Collateral Agent may reasonably request. All other property delivered to the Collateral Agent under Section 2.01, 2.03 or Section 2.05 and comprising part of the Pledged Collateral shall be accompanied by proper instruments of assignment duly executed by National Rural and such other instruments or documents as the Collateral Agent may reasonably request.

Section 2.07. Renewal; Extension; Substitution. Unless and until an Event of Default shall have occurred and be continuing, National Rural may at any time renew or extend, subject to the Lien of this Pledge Agreement, any Pledged Security upon any terms or may accept in place of and in substitution for any such Pledged Security, another Eligible Security or Securities of the same issuer or of any successor thereto for at least the same unpaid principal amount, all as evidenced by a National Rural Order delivered to the Collateral Agent; provided, however, that in case of any substitution, Eligible Securities substituted as aforesaid shall be subject to the Lien of this Pledge Agreement as part of the Pledged Collateral and be held in the same manner as those for which they shall be substituted, and in the case of each substituted Eligible Security, National Rural shall provide an Officers' Certificate certifying to the Collateral Agent that such substituted security satisfies the requirements of this Section. So long as no Event of Default shall have occurred and be continuing, the Collateral Agent, upon National Rural Order stating that no Event of Default shall have occurred and be continuing, shall execute any consent to any such renewal, extension or substitution as shall be specified in such National Rural Order.

Section 2.08. Voting Rights; Interest and Principal.

(a) Unless and until an Event of Default has occurred and is continuing, and the Control Party delivers to the Collateral Agent a Control Party Notice of Default suspending National Rural's rights under this clause:

(i) National Rural shall be entitled to exercise any and all voting and/or other consensual rights and powers inuring to an owner of Pledged Securities or any part thereof provided that such rights and powers shall not be exercised in any manner inconsistent with the terms of the Note Purchase Agreement or this Pledge Agreement.

(ii) The Collateral Agent shall execute and deliver to National Rural, or cause to be executed and delivered to National Rural, all such proxies, powers of attorney and other instruments as National Rural may reasonably request for the purpose of enabling National Rural to exercise the voting and/or consensual rights and powers it is entitled to exercise pursuant to subparagraph (i) above.

(iii) National Rural shall be entitled to receive and retain any and all interest, principal and other distributions paid on or distributed in respect of the Pledged Securities; provided that any non-cash interest, principal or other distributions that would constitute Pledged Securities if pledged hereunder, and received in exchange for Pledged Securities or any part thereof pledged hereunder, or in redemption thereof, or as a result of any merger, consolidation, acquisition or other exchange of assets to which such issuer of Pledged Securities may be a party or otherwise, shall be and become part of the Pledged Collateral, and, if received by National Rural, shall not be commingled by National Rural with any of its other funds or property but shall be held separate and apart therefrom, shall be held in trust for the benefit of the Collateral Agent and shall be forthwith delivered to the Collateral Agent in the same form as so received (with any necessary endorsement).

(b) If an Event of Default shall have occurred and be continuing, then, to the extent such rights are suspended by the applicable Control Party Notice of Default, all rights of National Rural to interest, principal or other distributions that National Rural is authorized to receive pursuant to paragraph (a)(iii) of this Section 2.08 shall cease, and all such suspended rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to receive and retain such interest, principal or other distributions. All interest, principal or other distributions received by National Rural contrary to the provisions of this Section 2.08 shall be held in trust for the benefit of the Collateral Agent, shall be segregated from other property or funds of National Rural and shall be forthwith delivered to the Collateral Agent in the same form as so received (with any necessary endorsement). Any and all money and other property paid over to or received by the Collateral Agent pursuant to the provisions of this paragraph (b) shall be retained by the Collateral Agent in an account to be established by the Collateral Agent upon receipt of such money or other property and shall be applied in accordance with the provisions of Section 4.03 to the fullest extent permitted by applicable law. After all Events of Default have ceased, the Collateral Agent shall promptly repay to National Rural (without interest) all interest, principal or other distributions that National Rural would otherwise be permitted to retain pursuant to the terms of paragraph (a)(iii) of this Section 2.08 and that remain in such account.

(c) If an Event of Default shall have occurred and be continuing, then, to the extent such rights are suspended by the applicable Control Party Notice of Default, all rights of National Rural to exercise the voting and consensual rights and powers it is entitled to exercise pursuant to paragraph (a)(i) of this Section 2.08, and the obligations of the Collateral Agent under paragraph (a)(ii) of this Section 2.08, shall cease, and all such rights shall thereupon become vested in the Collateral Agent, which shall have the sole and exclusive right and authority to exercise such voting and consensual rights and powers; provided that the Collateral Agent shall have the right from time to time during the existence of such Event of Default to permit National Rural to exercise such rights and powers.

Section 2.09. Protection of Title; Payment of Taxes; Liens, etc. National Rural will:

(a) duly and promptly pay and discharge, or cause to be paid and discharged, before they become delinquent, all taxes, assessments, governmental and other charges lawfully levied, assessed or imposed upon or against any of the Pledged Collateral, including the income or profits therefrom and the interests of the Collateral Agent in such Pledged Collateral;

(b) duly observe and conform to all valid requirements of any governmental authority imposed upon National Rural relative to any of the Pledged Collateral, and all covenants, terms and conditions under or upon which any part thereof is held;

(c) cause to be paid and discharged all lawful claims (including, without limitation, income taxes) which, if unpaid, might become a lien or charge upon Pledged Collateral; and

(d) do all things and take all actions necessary to keep the Lien of this Pledge Agreement a first and prior lien upon the Pledged Collateral and protect its title to the Pledged Collateral against loss by reason of any foreclosure or other proceeding to enforce any lien prior to or *pari passu* with the Lien of this Pledge Agreement.

Nothing contained in this Section shall require the payment of any such tax, assessment, claim, lien or charge or the compliance with any such requirement so long as the validity, application or amount thereof shall be contested in good faith; provided, however, that National Rural shall have set aside on its books such reserves (segregated to the extent required by generally accepted accounting principles) as shall be deemed adequate with respect thereto as determined by the Board of Directors of National Rural (or a committee thereof).

Section 2.10. Maintenance of Pledged Collateral. National Rural shall cause the Allowable Amount of Pledged Collateral held by the Collateral Agent at all times to be not less than 100% of the aggregate principal amount of the Notes outstanding.

Section 2.11. Representations, Warranties and Covenants. National Rural represents, warrants and covenants to the Collateral Agent, for the benefit of the Control Party, that from the time that Pledged Collateral is pledged hereunder, and for so long as such Pledged Collateral is required to remain pledged:

(a) except for the Lien hereof and any Lien consented to in writing by Farmer Mac or the Control Party, National Rural (i) is and will continue to be the direct owner, beneficially and of record, of the Pledged Securities from time to time pledged hereunder, (ii) holds and will continue to hold the same free and clear of all Liens, other than Liens created by this Pledge Agreement, (iii) will make no assignment, pledge, hypothecation or transfer of, or create or permit to exist any security interest in or other Lien on, the Pledged Collateral, other than Liens created by this Pledge Agreement and (iv) will defend its title or interest thereto or therein against any and all Liens (other than the Lien created by this Pledge Agreement), however arising, of all Persons whomsoever;

(b) except for restrictions and limitations imposed by the Note Purchase Agreement or securities laws generally, the Pledged Securities are and will continue to be freely transferable and assignable, and none of the Pledged Securities are or will be subject to any restriction of any nature that might prohibit, impair, delay or otherwise affect the pledge of such Pledged Securities hereunder, the sale or disposition thereof pursuant hereto or the exercise by the Collateral Agent of rights and remedies hereunder;

(c) National Rural has the power and authority to pledge the Pledged Collateral pledged by it hereunder in the manner hereby done or contemplated;

(d) no consent or approval of any governmental authority, any securities exchange or any other Person was or is necessary to the validity of the pledge effected hereby (other than such as have been obtained and are in full force and effect);

(e) by virtue of the execution and delivery by National Rural of this Pledge Agreement, when any Pledged Securities are delivered to the Collateral Agent in accordance with this Pledge Agreement, the Collateral Agent will obtain a legal and valid Lien upon and security interest in such Pledged Securities as security for the payment and performance of the Obligations; and

(f) the Allowable Amount of all Pledged Collateral that is Unsecured does not exceed ten percent (10%) of the Allowable Amount of all Pledged Collateral.

Section 2.12. Further Assurances. National Rural will execute and deliver, or cause to be executed and delivered, all such additional instruments and do, or cause to be done, all such additional acts as (a) may be necessary or proper, consistent with the Granting Clause hereof to carry out the purposes of this Pledge Agreement and to make subject to the Lien hereof any property intended so to be subject or (b) may be necessary or proper to transfer to any successor the estate, powers, instruments and funds held hereunder and to confirm the Lien of this Pledge Agreement. National Rural will also cause to be filed, registered or recorded any instruments of conveyance, transfer, assignment or further assurance in all offices in which such filing, registering or recording is necessary to the validity thereof or to give notice thereof.

ARTICLE III

[Reserved.]

ARTICLE IV

Remedies

Section 4.01. Events of Default. "Event of Default", wherever used herein, means any "Event of Default" as defined in Section 7.01(a) of the Note Purchase Agreement, provided that, for the purposes of this Pledge Agreement:

(a) the Collateral Agent shall not be required to recognize that an Event of Default exists before such time as the Collateral Agent receives a Control Party Notice or National Rural Notice stating that an Event of Default exists and specifying the particulars of such default in reasonable detail;

(b) the Collateral Agent shall not be required to recognize that an Event of Default has ceased until (i) such time as the Collateral Agent receives a Control Party Notice stipulating that such event has ceased to exist; or (ii) 30 days after receipt by the Collateral Agent of a National Rural Notice stipulating that such event has ceased to exist, provided that the Collateral Agent does not receive a Control Party Notice within such timeframe disputing the cessation of such Event of Default, and further provided that no additional Control Party Notice of Default shall have been received in respect of any other subsisting Event(s) of Default. Upon receipt of any National Rural Notice under subparagraph (ii) of this Subsection, the Collateral Agent shall provide a copy of such National Rural Notice to the Control Party; and

(c) if at any time the Allowable Amount of Pledged Collateral held by the Collateral Agent becomes less than 100% of the aggregate principal amount of the Notes outstanding and National Rural cures such defect within five (5) business days of such occurrence, it shall not constitute an Event of Default hereunder.

Section 4.02. Remedies upon Default. If an Event of Default shall have occurred and be continuing, the Control Party may issue a notice (a "Control Party Notice of Default"), which may be combined with the notice provided under Section 4.01(b), suspending the rights of National Rural under Section 2.08 in part without suspending all such rights (as specified by the Control Party in its sole and absolute discretion) without waiving or otherwise affecting the Control Party's rights to give additional Control Party Notices of Default from time to time suspending other rights under Section 2.08 so long as an Event of Default has occurred and is continuing. Subject to paragraph (b) of this Section 4.02, upon cessation of an Event of Default, all rights of National Rural suspended under the applicable Control Party Notice of Default shall revest in National Rural.

(a) Upon the occurrence of an Event of Default, the Collateral Agent shall, for the benefit and at the direction of the Control Party, have the right to exercise any and all rights afforded to a secured party under the Uniform Commercial Code or other applicable law. Without limiting the generality of the foregoing, National Rural agrees that the Collateral Agent shall have the right, but only if so instructed by a Control Party Order and subject to the requirements of applicable law and the Collateral Agent's right (in its sole and absolute discretion) to receive indemnification or other reasonable assurances that its costs and expenses in connection therewith will be paid, to sell or otherwise dispose of all or any part of the Pledged Collateral at a public or private sale or at any broker's board or on any securities exchange, for cash, upon credit or for future delivery as the Collateral Agent shall deem appropriate. The Collateral Agent shall be authorized at any such sale of securities (if it deems it advisable to do so) to restrict the prospective bidders or purchasers to Persons who will represent and agree that they are purchasing the Pledged Collateral for their own account for investment and not with a view to the distribution or sale thereof, and upon consummation of any such sale the Collateral Agent shall have the right to assign, transfer and deliver to the purchaser or purchasers thereof the Pledged Collateral so sold. Each such purchaser at any sale of Pledged Collateral shall hold the property sold absolutely, free from any claim or right on the part of National Rural, and National Rural hereby waives (to the extent permitted by law) all rights of redemption, stay and appraisal which National Rural now has or may at any time in the future have under any rule of law or statute now existing or hereafter enacted.

(b) The Collateral Agent shall give National Rural ten (10) days' written notice (which National Rural agrees is reasonable notice within the meaning of Section 9-611 of the Uniform Commercial Code or its equivalent in other jurisdictions) of the Collateral Agent's intention to make any sale of Pledged Collateral. Such notice, in the case of a public sale, shall state the time and place for such sale and, in the case of a sale at a broker's board or on a securities exchange, shall state the board or exchange at which such sale is to be made and the day on which the Collateral, or portion thereof, will first be offered for sale at such board or exchange. Any such public sale shall be held at such time or times within ordinary business hours and at such place or places as the Collateral Agent may fix and state in the notice (if any) of such sale. At any such sale, the Pledged Collateral, or portion thereof, to be sold may be sold in one lot as an entirety or in separate parcels, as the Collateral Agent may (in its sole and absolute discretion) determine. The Collateral Agent shall not be obligated to make any sale of any Pledged Collateral if it shall determine not to do so, regardless of the fact that notice of sale of such Pledged Collateral shall have been given. The Collateral Agent may, without notice or publication, adjourn any public or private sale or cause the same to be adjourned from time to time by announcement at the time and place fixed for sale, and such sale may, without further notice, be made at the time and place to which the same was so adjourned. In case any sale of all or any part of the Pledged Collateral is made on credit or for future delivery, the Pledged Collateral so sold may be retained by the Collateral Agent until the sale price is paid by the purchaser or purchasers thereof, but the Collateral Agent shall not incur any liability in case any such purchaser or purchasers shall fail to take up and pay for the Pledged Collateral so sold and, in case of any such failure, such Pledged Collateral may be sold again upon like notice. At any public (or, to the extent permitted by law, private) sale made pursuant to this Pledge Agreement, the Control Party may bid for or purchase, free (to the extent permitted by law) from any right of redemption, stay, valuation or appraisal on the part of National Rural (all said rights being also hereby waived and released to the extent permitted by law), the Pledged Collateral or any part thereof offered for sale and may make payment on account thereof by using any claim then due and payable to the Control Party from National Rural as a credit against the purchase price, and the Control Party may, upon compliance with the terms of sale, hold, retain and dispose of such property without further accountability to Pledged Collateral therefor. For purposes hereof, a written agreement to purchase the Pledged Collateral or any portion thereof shall be treated as a sale thereof; the Collateral Agent shall be free to carry out such sale pursuant to such agreement and National Rural shall not be entitled to the return of the Pledged Collateral or any portion thereof subject thereto, notwithstanding the fact that after the Collateral Agent shall have entered into such an agreement all Events of Default shall have been remedied and the Obligations paid in full. As an alternative to exercising the power of sale herein conferred upon it, the Collateral Agent may proceed by a suit or suits at law or in equity to foreclose this Pledge Agreement and to sell the Collateral or any portion thereof pursuant to a judgment or decree of a court or courts having competent jurisdiction or pursuant to a proceeding by a court-appointed receiver. Any sale pursuant to the provisions of this Section 4.02 shall be deemed to conform to the commercially reasonable standards as provided in Section 9-610(b) of the Uniform Commercial Code or its equivalent in other jurisdictions.

Section 4.03. Application of Proceeds. The Collateral Agent shall apply the proceeds of any collection or sale of Pledged Collateral, including any Pledged Collateral consisting of cash, as follows to the fullest extent permitted by applicable law:

FIRST, to the payment of all reasonable costs and expenses incurred by the Collateral Agent in connection with or reasonably related or reasonably incidental to such collection or sale or otherwise in connection with or related or incidental to this Pledge Agreement or any of the Obligations, including all court costs and the reasonable fees and expenses of its agents and legal counsel, the repayment of all advances made by the Collateral Agent (in its sole discretion) hereunder on behalf of National Rural and any other reasonable costs or expenses incurred in connection with the exercise of any right or remedy hereunder;

SECOND, to the payment to the Control Party in full of the Obligations; such payment to be for an amount certified in a Control Party Notice delivered to the Collateral Agent as being the amount due and owing to the Control Party under the Obligations; and

THIRD, to National Rural, its successors or assigns, or as a court of competent jurisdiction may otherwise direct.

Upon any sale of the Pledged Collateral by the Collateral Agent (including pursuant to a power of sale granted by statute or under a judicial proceeding), the receipt of the Collateral Agent or of the officer making the sale shall be a sufficient discharge to the purchaser or purchasers of the Pledged Collateral so sold and such purchaser or purchasers shall not be obligated to see to the application of any part of the purchase money paid over to the Collateral Agent or such officer or be answerable in any way for the misapplication thereof.

Section 4.04. Securities Act. In view of the position of National Rural in relation to the Pledged Collateral, or because of other current or future circumstances, a question may arise under the Securities Act of 1933, as now or hereafter in effect, or any similar statute hereafter enacted analogous in purpose or effect (such Act and any such similar statute as from time to time in effect being called the "Federal Securities Laws") with respect to any disposition of the Pledged Collateral permitted hereunder. National Rural understands that compliance with the Federal Securities Laws might very strictly limit the course of conduct of the Collateral Agent if the Collateral Agent were to attempt to dispose of all or any part of the Pledged Collateral, and might also limit the extent to which or the manner in which any subsequent transferee of any Pledged Collateral could dispose of the same. Similarly, there may be other legal restrictions or limitations affecting the Collateral Agent in any attempt to dispose of all or part of the Pledged Collateral under applicable Blue Sky or other state securities laws or similar laws analogous in purpose or effect. National Rural recognizes that in light of such restrictions and limitations the Collateral Agent may, with respect to any sale of the Pledged Collateral, limit the purchasers to those who will agree, among other things, to acquire such Pledged Collateral for their own account, for investment, and not with a view to the distribution or resale thereof. National Rural acknowledges and agrees that in light of such restrictions and limitations, the Collateral Agent, in its sole and absolute discretion (a) may proceed to make such a sale whether or not a registration statement for the purpose of registering such Pledged Collateral or part thereof shall have been filed under the Federal Securities Laws and (b) may approach and negotiate with a single potential purchaser to effect such sale. National Rural acknowledges and agrees that any such sale might result in prices and other terms less favorable to the seller than if such sale were a public sale without such restrictions. In the event of any such sale, the Collateral Agent shall incur no responsibility or liability for selling all or any part of the Pledged Collateral at a price that the Collateral Agent, in its sole and absolute discretion, may in good faith deem reasonable under the circumstances, notwithstanding the possibility that a substantially higher price might have been realized if the sale were deferred until after registration as aforesaid or if more than a single purchaser were approached. The provisions of this Section 4.04 will apply notwithstanding the existence of a public or private market upon which the quotations or sales prices may exceed substantially the price at which the Collateral Agent sells.

ARTICLE V

The Collateral Agent

Section 5.01. Certain Duties and Responsibilities.

(a) At all times under this Pledge Agreement:

(i) the Collateral Agent undertakes to perform such duties and only such duties as are specifically set forth in this Pledge Agreement, and no implied covenants or obligations shall be read into this Pledge Agreement against the Collateral Agent; and

(ii) in the absence of bad faith on its part, the Collateral Agent may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon certificates or opinions furnished to the Collateral Agent and substantially conforming to the requirements of this Pledge Agreement; but in the case of any such certificates or opinions which by any provision hereof are specifically required to be furnished to the Collateral Agent the Collateral Agent shall be under a duty to examine the same to determine whether or not they substantially conform to the requirements of this Pledge Agreement.

(b) No provision of this Pledge Agreement shall be construed to relieve the Collateral Agent from liability for its own grossly negligent action, its own grossly negligent failure to act, or its own willful misconduct, except that:

(i) this Subsection shall not be construed to limit the effect of Subsection (a) of this Section;

(ii) the Collateral Agent shall not be liable for any error of judgment made in good faith, unless it shall be proved that the Collateral Agent was grossly negligent in ascertaining the pertinent facts; and

(iii) no provision of this Pledge Agreement shall require the Collateral Agent to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

(c) Whether or not therein expressly so provided, every provision of this Pledge Agreement relating to the conduct or affecting the liability of or affording protection to the Collateral Agent shall be subject to the provisions of this Section.

Section 5.02. <u>Certain Rights of Collateral Agent.</u> Except as otherwise provided in Section 5.01:

(a) the Collateral Agent may rely and shall be protected in acting or refraining from acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any request or direction of National Rural mentioned herein shall be sufficiently evidenced by a National Rural Notice or National Rural Order;

(c) any request or direction of the Control Party mentioned herein shall be sufficiently evidenced by a Control Party Notice or Control Party Order;

(d) whenever in the administration of this Pledge Agreement the Collateral Agent shall deem it desirable that a matter be proved or established prior to taking, suffering or omitting any action hereunder, the Collateral Agent (unless other evidence be herein specifically prescribed) may, in the absence of bad faith on its part, rely upon an Officers' Certificate in the case of National Rural, and a certificate signed by any Vice President of the Control Party in the case of the Control Party;

(e) the Collateral Agent may consult with counsel and the advice of such counsel shall be full and complete authorization and protection in respect of any action taken, suffered or omitted by it hereunder in good faith and in reliance thereon;

(f) the Collateral Agent shall be under no obligation to exercise any of the rights or powers vested in it by this Pledge Agreement at the request or direction of either National Rural or the Control Party pursuant to this Pledge Agreement, unless such party shall have offered to the Collateral Agent reasonable security or indemnity against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction;

(g) the Collateral Agent shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture or other paper or document, or to recompute, verify, reclassify or recalculate any information contained therein, but the Collateral Agent, in its sole and absolute discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Collateral Agent shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of National Rural, personally or by agent or attorney;

(h) the Collateral Agent may execute any of the powers hereunder or perform any duties hereunder either directly or by or through agents or attorneys and the

Collateral Agent shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder;

(i) unless explicitly stated herein to the contrary, the Collateral Agent shall have no duty to inquire as to the performance of National Rural's covenants herein. In addition, the Collateral Agent shall not be deemed to have knowledge of any Event of Default unless the Collateral Agent has received a Control Party Notice in accordance with Section 4.01(a), and shall not be deemed to have knowledge of the cessation of the same until such time as it receives a National Rural Notice in accordance with Section 4.01(b); and

(j) unless explicitly stated herein to the contrary, the Collateral Agent shall have no obligation to take any action with respect to any Event of Default until it has received a Control Party Notice applicable to such event in accordance with Section 4.01(a), and the Collateral Agent shall have no liability for any action or inaction taken, suffered or omitted in respect of any such event by it prior to such time as the applicable Control Party Notice is delivered. Similarly, the Collateral Agent shall have no obligation to take any action with respect to the cessation of an Event of Default until it has received a National Rural Notice applicable to such event in accordance in accordance with Section 4.01(b), and the Collateral Agent shall have no liability for any action or inaction taken, suffered or omitted in respect of any such event by it prior to such time as the applicable National Rural Notice is delivered.

Section 5.03. Money Held by Collateral Agent. Money held by the Collateral Agent hereunder need not be segregated from other funds except to the extent required by law. The Collateral Agent shall have no liability to pay interest on or (except as expressly provided herein) invest any such moneys.

Section 5.04. Compensation and Reimbursement.

(a) National Rural agrees:

(i) to pay to the Collateral Agent from time to time such reasonable compensation for all services rendered by it hereunder as shall have been set forth in an agreement signed by National Rural;

(ii) except as otherwise expressly provided herein, to reimburse the Collateral Agent upon its request for all reasonable expenses, out-of-pocket costs, disbursements and advances incurred or made by the Collateral Agent in accordance with any provision of this Pledge Agreement (including the reasonable compensation and the expenses and disbursements of its agents and counsel), except to the extent any such expense, disbursement or advance may be attributable to its gross negligence or bad faith; and

(iii) to indemnify the Collateral Agent for, and to defend and hold it harmless against, any loss, liability or expense incurred without gross negligence or bad faith on its part, arising out of or in connection with the acceptance or administration of this Pledge Agreement or the performance of its duties hereunder, including the costs and expenses of defending itself against any claim or liability in connection with the exercise or performance of any of its powers or duties hereunder, except to the extent such loss, liability or expense may be attributable to its gross negligence or bad faith; provided, however, that National Rural shall have no liability under this clause for any settlement of any litigation or other dispute effected without the prior written consent of National Rural (such consent not to be unreasonably withheld).

(b) Any such amounts payable as provided hereunder shall be additional Obligations secured by the Lien hereof. The provisions of this Section 5.04 shall remain operative and in full force and effect regardless of the termination of this Pledge Agreement or the Note Purchase Agreement, the consummation of the transactions contemplated hereby, the repayment of any of the Obligations, the invalidity or unenforceability of any term or provision of this Pledge Agreement or the Note Purchase Agreement, or any investigation made by or on behalf of the Collateral Agent or the Control Party. All amounts due under this Section 5.04 shall be payable on written demand therefor.

Section 5.05. Corporate Collateral Agent Required; Eligibility. There shall at all times be a Collateral Agent hereunder which shall be a corporation or association organized and doing business under the laws of the United States of America or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least $50,000,000, subject to supervision or examination by Federal or State authority. If such corporation publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for the purposes of this Section, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. Neither National Rural nor any Person directly or indirectly controlling, controlled by or under common control with National Rural shall serve as Collateral Agent hereunder. If at any time the Collateral Agent shall cease to be eligible in accordance with the provisions of this Section, it shall resign immediately in the manner and with the effect hereinafter specified in this Article.

Section 5.06. Resignation and Removal; Appointment of Successor.

(a) No resignation or removal of the Collateral Agent and no appointment of a successor Collateral Agent pursuant to this Article shall become effective until the acceptance of appointment by the successor Collateral Agent under Section 5.07.

(b) The Collateral Agent may resign at any time by giving written notice thereof to National Rural. If an instrument of acceptance by a successor Collateral Agent shall not have been delivered to the Collateral Agent within 30 days after the giving of such notice of resignation, the resigning Collateral Agent may petition any court of competent jurisdiction for the appointment of a successor Collateral Agent.

(c) If at any time:

(i) except if an Event of Default has occurred and is continuing, National Rural, in its sole and absolute discretion, elects to remove the Collateral Agent; or

(ii) the Collateral Agent shall cease to be eligible under Section 5.05 or shall become incapable of acting or shall be adjudged bankrupt or insolvent or a receiver of the Collateral Agent or of its property shall be appointed or any public officer shall take charge or control of the Collateral Agent or of its property or affairs for the purpose of rehabilitation, conservation or liquidation,

then, in any such case, National Rural may remove the Collateral Agent by delivery of a National Rural Order to that effect.

(d) If the Collateral Agent shall resign, be removed or become incapable of acting, or if a vacancy shall occur in the office of Collateral Agent for any cause, National Rural shall promptly appoint a successor Collateral Agent by delivering a National Rural Notice to the retiring Collateral Agent, the successor Collateral Agent and the Control Party to such effect.

Section 5.07. Acceptance of Appointment by Successor. Every successor Collateral Agent appointed hereunder shall execute, acknowledge and deliver to National Rural, the Control Party and to the retiring Collateral Agent an instrument accepting such appointment, and thereupon the resignation or removal of the retiring Collateral Agent shall become effective and such successor Collateral Agent, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts and duties of the retiring Collateral Agent; but, on request of National Rural, the Control Party or the successor Collateral Agent, such retiring Collateral Agent shall, upon payment of its charges, execute and deliver an instrument transferring to such successor Collateral Agent all the rights, powers and trusts of the retiring Collateral Agent, and shall duly assign, transfer and deliver to such successor Collateral Agent all property and money held by such retiring Collateral Agent hereunder, subject nevertheless to its Lien, if any, provided for in Section 5.04. Upon request of any such successor Collateral Agent, National Rural shall execute any and all instruments for more fully and certainly vesting in and confirming to such successor Collateral Agent all such rights, powers and trusts.

No successor Collateral Agent shall accept its appointment unless at the time of such acceptance such successor Collateral Agent shall be eligible under Section 5.05 hereof.

Section 5.08. Merger, Conversion, Consolidation or Succession to Business. Any corporation into which the Collateral Agent may be merged or converted or with which it may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Collateral Agent shall be a party, or any corporation succeeding to all or substantially all of the corporate trust business of the

Collateral Agent, shall be the successor of the Collateral Agent hereunder, provided such corporation shall be eligible under Section 5.05 hereof without the execution or filing of any paper or any further act on the part of any of the parties hereto.

ARTICLE VI

Miscellaneous

Section 6.01. Notices. All notices and other communications hereunder to be made to any party shall be in writing and shall be addressed as specified in Schedule II attached hereto as appropriate. The address, telephone number, or facsimile number for any party may be changed at any time and from time to time upon written notice given by such changing party to the other parties hereto. A properly addressed notice or other communication shall be deemed to have been delivered at the time it is sent by facsimile (fax) transmission to the party or parties to which it is given. Certain notices or other communications may be sent via electronic mail to one or more email addresses provided specifically for receiving such notice or other communication, provided that the receiving party (i) has provided such email address or addresses in writing to the sending party in advance of such notice or communication and (ii) has indicated to the sending party the type or nature of notice or communication which may be appropriately sent in such manner.

(a) All National Rural Notices and National Rural Orders delivered to the Collateral Agent shall be contemporaneously copied to the Control Party by National Rural; all Control Party Notices and Control Party Orders delivered to the Collateral Agent shall be contemporaneously copied by Farmer Mac to National Rural; and all Collateral Agent notices delivered to either National Rural or Farmer Mac shall be contemporaneously copied to the other such party by the Collateral Agent.

Section 6.02. Waivers; Amendment.

(a) No failure or delay by a party in exercising any right or power hereunder shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of each party hereunder are cumulative and are not exclusive of any rights or remedies that such party would otherwise have. No waiver of any provision of this Pledge Agreement or consent to any departure by any party therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section 6.02, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. No notice or demand on any party in any case shall entitle any party to any other or further notice or demand in similar or other circumstances.

(b) Neither this Pledge Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by National Rural, the Collateral Agent, the Purchaser and Farmer Mac.

Section 6.03. Successors and Assigns. Whenever in this Pledge Agreement any of the parties hereto is referred to, such reference shall be deemed to include the successors and assigns of such party; and all covenants, promises and agreements by or on behalf of National Rural, the Collateral Agent, the Purchaser, the Control Party or Farmer Mac that are contained in this Pledge Agreement shall bind and inure to the benefit of their respective successors and assigns.

Section 6.04. Counterparts; Effectiveness. This Pledge Agreement may be executed in counterparts, each of which shall constitute an original but all of which when taken together shall constitute a single contract. Delivery of an executed signature page to this Pledge Agreement by facsimile transmission shall be as effective as delivery of a manually signed counterpart of this Pledge Agreement.

Section 6.05. Severability. Any provision of this Pledge Agreement held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions hereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction. The parties shall endeavor in good-faith negotiations to replace the invalid, illegal or unenforceable provisions with valid provisions the economic effect of which comes as close as possible to that of the invalid, illegal or unenforceable provisions.

Section 6.06. GOVERNING LAW. THIS PLEDGE AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED AND ENFORCED IN ACCORDANCE WITH, THE LAWS OF THE UNITED STATES OF AMERICA, TO THE EXTENT APPLICABLE, AND OTHERWISE THE LAWS OF THE STATE OF NEW YORK.

Section 6.07. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS PLEDGE AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS PLEDGE AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION 6.07.

Section 6.08. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Pledge

Agreement and are not to affect the construction of, or to be taken into consideration in interpreting, this Pledge Agreement.

Section 6.09. Security Interest Absolute. All rights of the Collateral Agent and/or the Control Party hereunder, the grant of a security interest in the Pledged Collateral and all obligations of National Rural hereunder shall be absolute and unconditional irrespective of (a) any lack of validity or enforceability of the Note Purchase Agreement, any Note, any agreement with respect to any of the Obligations or any other agreement or instrument relating to any of the foregoing, (b) any change in the time, manner or place of payment of, or in any other term of, all or any of the Obligations, or any other amendment or waiver of or any consent to any departure from the Note Purchase Agreement, any Note or any other agreement or instrument, (c) any exchange, release or non-perfection of any Lien on other collateral, or any release or amendment or waiver of or consent under or departure from any guarantee, securing or guaranteeing all or any of the Obligations, or (d) any other circumstance that might otherwise constitute a defense available to, or a discharge of, National Rural in respect of the Obligations or this Pledge Agreement.

Section 6.10. Termination or Release.

(a) This Pledge Agreement shall terminate on the date when the Obligations have been indefeasibly paid in full, and at such time the Lien hereof shall be released.

(b) Upon any withdrawal, substitution or other disposal by National Rural of any Pledged Collateral that is permitted by the terms of this Pledge Agreement, or upon the effectiveness of any written consent to the release of the security interest granted hereby in any Pledged Collateral, the Lien hereof securing such Pledged Collateral shall be automatically released.

(c) In connection with any termination or release pursuant to paragraph (a) or (b) the Collateral Agent shall deliver to National Rural the Pledged Collateral and shall execute and deliver to National Rural, at National Rural's expense, all documents that National Rural shall reasonably request to evidence such termination or release. Any execution and delivery of documents pursuant to this Section 6.10 shall be without recourse to or warranty by the Collateral Agent.

Section 6.11. Collateral Agent Appointed Attorney-in-Fact. National Rural hereby appoints the Collateral Agent the attorney-in-fact of National Rural for the purpose of, upon the occurrence and during the continuance of an Event of Default, carrying out the provisions of this Pledge Agreement with respect to the Pledged Collateral and taking any action and executing any instrument that the Collateral Agent may deem necessary or advisable to accomplish the purposes hereof, which appointment is irrevocable and coupled with an interest but is subject nevertheless to the terms and conditions of this Pledge Agreement. Without limiting the generality of the foregoing, the Collateral Agent shall have the right, upon the occurrence and during the continuance of an Event of Default, with full power of substitution either in the Collateral Agent's name or in the name of National Rural (a) to receive, endorse, assign and/or deliver any and all notes, acceptances, checks, drafts, money orders or other evidences of payment relating to the Pledged Collateral or any part thereof; (b) to demand, collect, receive payment of, give receipt for and give discharges and releases of all or any of the Pledged Collateral; (c) to commence and prosecute any and all suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect or otherwise realize on all or any of the Pledged Collateral or to enforce any rights in respect of any Pledged Collateral; (d) to settle, compromise, compound, adjust or defend any actions, suits or proceedings relating to all or any of the Pledged Collateral; (e) to notify, or to require National Rural to notify, obligors under Pledged Securities to make payment directly to the Collateral Agent; and (f) subject to the second sentence of Section 4.02(a), to use, sell, assign, transfer, pledge, make any agreement with respect to or otherwise deal with all or any of the Pledged Collateral, and to do all other acts and things necessary to carry out the purposes of this Pledge Agreement, as fully and completely as though the Collateral Agent were the absolute owner of the Pledged Collateral for all purposes; provided that nothing herein contained shall be construed as requiring or obligating the Collateral Agent to make any commitment or to make any inquiry as to the nature or sufficiency of any payment received by the Collateral Agent, or to present or file any claim or notice, or to take any action with respect to the Pledged Collateral or any part thereof or the moneys due or to become due in respect thereof or any property covered thereby. The Collateral Agent and the Control Party shall be accountable only for amounts actually received as a result of the exercise of the powers granted to them herein, and neither they nor their officers, directors, employees or agents shall be responsible to National Rural for any act or failure to act hereunder, except for their own gross negligence or willful misconduct.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused this Pledge Agreement to be duly executed, all as of the day and year first above written.

FARMER MAC MORTGAGE

SECURITIES CORPORATION

By

/s/ ZACHARY N. CARPENTER

Name: Zachary N. Carpenter

Title: Executive Vice President – Chief Business Officer

FEDERAL AGRICULTURAL

MORTGAGE CORPORATION

By

/s/ ZACHARY N. CARPENTER

Name: Zachary N. Carpenter

Title: Executive Vice President – Chief Business Officer

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

By

/s/ LING WANG

Name: Ling Wang

Title: Senior Vice President and Chief Financial Officer

[SIGNATURES CONTINUE ON FOLLOWING PAGE]

U.S. BANK NATIONAL ASSOCIATION,
as Collateral Agent

By /s/ K. WENDY KUMAR
Name: K. Wendy Kumar
Title: Vice President

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SCHEDULE I
TO
PLEDGE AGREEMENT

ADDITIONAL CRITERIA FOR ELIGIBLE SECURITIES

The Eligible Security has a Facility Rating by National Rural of lower than “4.0”.

SCHEDULE II
TO
PLEDGE AGREEMENT

Addresses for Notices

The addresses referred to in Section 6.01 hereof, for purposes of delivering communications and notices, are as follows:

If to the Purchaser:

Farmer Mac Mortgage Securities Corporation
2100 Pennsylvania Ave NW Ste 450N
Washington, DC 20037
Email: legal@farmermac.com
Attn: General Counsel

If to Farmer Mac:

Federal Agricultural Mortgage Corporation
2100 Pennsylvania Ave NW Ste 450N
Washington, DC 20037
Email: legal@farmermac.com
Attn: Manager – Infrastructure Finance

With a copy to:

Federal Agricultural Mortgage Corporation
2100 Pennsylvania Ave NW Ste 450N
Washington, DC 20037
Email: legal@farmermac.com
Attn: General Counsel

If to National Rural:

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Fax: 703-467-5178
Attn: Senior Vice President & Chief Financial Officer

With a copy to:

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Email: EG-LSG-GeneralCounsel@nrucfc.coop
Attn: General Counsel

If to the Collateral Agent:

U.S. Bank National Association
Global Corporate Trust Services
100 Wall Street – Suite 600
New York, NY 10005
Telephone: 212-951-8561
Email: wendy.kumar@usbank.com

NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

THIRD AMENDED, RESTATED AND CONSOLIDATED PLEDGE AGREEMENT
DATED AS OF JANUARY 14, 2025

CERTIFICATE OF PLEDGED COLLATERAL FILED WITH
U.S. BANK NATIONAL ASSOCIATION, Collateral Agent

________________, Chief Executive Officer (or Chief Financial Officer, or Treasurer, or Controller) and ____________________, Vice-President, respectively, of National Rural Utilities Cooperative Finance Corporation, hereby certify to the Control Party and the Collateral Agent under the above-mentioned Third Amended, Restated and Consolidated Pledge Agreement as amended to the date hereof (herein called the "Pledge Agreement") as follows:

1.	The Pledged Amount of Pledged Collateral certified hereby, remaining on deposit with the Collateral Agent, as shown on Schedule A hereto, is	$
2.	The Pledged Amount of Pledged Collateral certified hereby, being deposited as shown on Schedule B hereto, is ..	$
3.	The cumulative amount excluded from the Pledged Amount on Schedule A and Schedule B based on the Maximum Debtor Principal Amount is........	$
4.	The cumulative amount excluded from the Pledged Amount on Schedule A and Schedule B based on the Maximum Advance Rate is	$
5.	The Allowable Amount of Pledged Collateral (the sum of items 1 and 2 minus the sum of items 3 and 4) is........	$
6.	The aggregate principal amount of the Note(s) outstanding at the date hereof is	$
7.	The aggregate amount, if any, of the Note(s) to be issued on the basis of this Certificate is........	$

8.	The sum of amounts in items 6 and 7 is	$
9.	The aggregate amount by which the Allowable Amount of Pledged Collateral exceeds the aggregate principal amount of the Note(s) outstanding (item 5 minus item 8) is	$
10.	The Allowable Amount of Pledged Collateral that is Unsecured does not exceed 10% of the Allowable Amount of Pledged Collateral which is included in item 5 above.	
11.	To the knowledge of the undersigned, each Eligible Security, the Pledged Amount of which is included in item 2, has a Facility Rating by National Rural of lower than "4.0".	
12.	[Reserved.]	
13.	So far as is known to the undersigned, no Event of Default exists.	

14. (a) To the extent an Eligible Security listed on Schedule A or Schedule B has an outstanding principal amount of more than the Maximum Debtor Principal Amount, the Allowable Amount of Pledged Collateral set forth in item 5 above reflects only the Maximum Debtor Principal Amount with respect to such Eligible Security, with any excess above the Maximum Debtor Principal Amount reflected in item 3 above.

(b) To the extent any line of credit constituting Eligible Security is listed on Schedule A or Schedule B, the Allowable Amount of Pledged Collateral set forth in item 5 above reflects only the Maximum Advance Rate of such Eligible Security, with any excess above the Maximum Advance Rate reflected in item 4 above.

15. Each Eligible Member whose notes are Pledged Securities has received or is eligible to receive a loan or commitment for a loan from RUS or any successor agency.

All initially capitalized terms used but not defined herein shall have the meanings given such terms in the Pledge Agreement.

Dated: ______________________

OF NATIONAL RURAL UTILITIES
COOPERATIVE FINANCE CORPORATION

ANNEX A
TO
PLEDGE AGREEMENT

PLEDGED SECURITIES ON DEPOSIT

SCHEDULE A TO CERTIFICATE OF PLEDGED COLLATERAL DATED

Eligible Securities	Name of Issuer	Pledged Amount (Item 1)
Pledged Securities (Here List Securities).........		

ANNEX A
TO
PLEDGE AGREEMENT

PLEDGED SECURITIES BEING DEPOSITED

SCHEDULE B TO CERTIFICATE OF PLEDGED COLLATERAL DATED

Eligible Securities	Name of Issuer	Pledged Amount (Item 2)
Pledged Securities (Here List Securities).........		

Exhibit 31.1

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-Q 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: April 11, 2025

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.

Exhibit 31.2

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-Q 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: April 11, 2025

By: /s/ YU LING WANG

Yu Ling Wang

Senior Vice President and 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.

Exhibit 32.1

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 Quarterly Report on Form 10-Q for the quarter ended February 28, 2025 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: April 11, 2025

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.

Exhibit 32.2

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 Quarterly Report on Form 10-Q for the quarter ended February 28, 2025 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: April 11, 2025

By: /s/ YU LING WANG
Yu Ling Wang
Senior Vice President and 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.