

Conference Title: NRUC001| 2025 Fiscal Year End Conference Call

Date: Friday, 8th August 2025

Operator: Good day, and welcome to the National Rural Utilities Cooperative Finance Corporation's 2025 Fiscal Year-End Conference Call. Today's conference is being recorded. At this time, I'd like to turn the conference over to Heesun Choi. Please go ahead.

Heesun Choi: Thank you, operator. Welcome to our investor conference call for our fiscal year 2025. We appreciate your time and interest in our company. Today, I'm joined by our CEO, Andrew Don, and our CFO, Ling Wang. Andrew and Ling will discuss our fiscal year-end results and answer your questions.

Before we get started, I would like to remind you that today's presentation slides and financial reports filed with the SEC can be found on our website, at [NRUCFC.coop](http://NRUCFC.coop), under Investor Relations. This call is being recorded and a replay and transcript will be available on our website as well.

Our presentation today will include forward-looking statements and certain non-GAAP financial measures. Please review the disclosures on slides two and three regarding these statements and measures. Any forward-looking statements made during today's call are subject to risks and uncertainties that may cause actual results to differ materially from expectations are described on slide two, and in our annual and quarterly reports filed with the SEC. Information about any non-GAAP financial measures referenced during the presentation, including reconciliations to GAAP measures, can also be found in our form 10-K filed with the SEC on August 5, 2025, as well as in the appendix of the presentation slides.

At the end of the presentation, we will open the call for questions. Andrew and Ling will take your questions, which you can ask over the phone or submit online. With that, I will turn this call over to Andrew.

Andrew Don: Thank you, Heesun, and good morning. Thank you for joining our call today to review the results of our fiscal year 2025, which concluded on May 31, 2025. Pleased to report on the completion of another strong year, marked by continued robust loan demand from our members, solid and stable financial performance and outstanding credit quality of our loan portfolios, evidenced by the absence of any new non-performing loans or charge-offs.

As many of you know, CFC was created by America's electric cooperative network with a clear and focused mission to be in a position to meet the financing needs of rural electric cooperatives. Unlike many financial institutions that prioritize growth for their own interests, our primary objective remains meeting the financial needs of our members. Our success is aligned with our members' success. We have stayed true to this mission by continuing to provide loans and financial products to our members, helping them achieve their goals and maintain their operations. Our commitment to service, integrity and excellence is once again demonstrated as value, as evidenced by our solid financial performance.

Today, I look forward to discussing our successful results with you in greater detail. I will start on slide five. I'd like to summarize our fiscal year 2025 by highlighting four key components of our business model, namely, the continued strong loan demand from our membership, a strong equity position, a superior quality loan portfolio and high investment-grade credit ratings. Our financial results reflect the financial strength of our members and our focus on strategically managing our balance sheet to fund our members' capital needs.

During fiscal year 2025, our loans to members increased by \$2.5 billion, or 7%, from \$34.5 billion at May 31, 2024, to \$37.1 billion at May 31, 2025. This \$2.5 billion loan growth is the largest year-over-year growth in the electric loan portfolio in CFC's history. I'll further discuss our record loan growth on a later slide. We continue to be the largest private lender in the space. Based on our analysis of the calendar year-end of December 31, 2024, our total loans outstanding represented 25% of the total loans outstanding in the electric cooperative sector.

Consistent with our historical experience of very limited charge-offs, loan defaults, loan delinquencies and non-performing loans in our electric portfolio, the overall quality of our loan portfolio remained pristine during fiscal year 2025, with 98% of our loans to rural electric systems that provided central electric utility services. We had no loan delinquencies and no charge-offs during fiscal year 2025. Non-performing loans represented only 0.07% of our total loans outstanding at May 31, 2025, compared to 0.14% at May 31, 2024.

Our financial position remains strong as we continue to generate strong financial metrics. During fiscal year 2025, our adjusted TIER was 1.18 times, which was above our targeted goal of 1.1 times. Our capital position continued to grow during fiscal year 2025, with our members' equity approaching \$2.6 billion at fiscal year-end 2025. Our members' equity consists primarily of our retained earnings. Ten years ago, our members' equity was \$1.2 billion. Since then, through sound financial management and steady accumulation of retained earnings, we have more than doubled that amount, demonstrating long-term strength and sustainability of our capital base.

We believe our liquidity position is resilient as we maintain diverse, well-established funding sources to minimize the risk of being dependent on any single source or market. We are committed to having strong investment-grade credit ratings from senior rating agencies. We maintain issuer ratings of A from Fitch, A2 from Moody's and A- from S&P, all with stable outlooks. As we have stated in our prior calls, we have an incentive payout structure where incentive payouts for named executive officers are directly tied to CFC's credit ratings.

Moving on to slide six, we recently published our annual Key Ratio Trend Analysis (KRTA) results for 815 electric distribution cooperatives for the year ended December 31, 2024. Our KRTA is an annual assessment of financial trends among electric distribution cooperatives nationwide. Based on the KRTA results for 2024, distribution cooperatives continue to operate from a position of financial strength despite elevated interest rates and inflationary pressures. Specifically, the median equity to asset ratio across the 815 reporting electric distribution cooperatives held steady at 45%, while key coverage ratios remained solid: 2.6 times for times interest earned and 1.86 times for modified debt service coverage.

Electric cooperatives continue to invest in utility infrastructure, as reflected in elevated capital expenditures on the utility plant. This level of reinvestment not only supports future load growth and reliability but also reinforces asset quality across CFC's loan portfolio. Overall, the sector's performance affirms the resilience of the cooperative business model, locally governed, not for profit and mission driven. Our members remain focused on delivering reliable, affordable service while investing in modernization and building systems equipped for the future.

In terms of loan growth during fiscal year 2025, the \$2.5 billion increase in loans to members reflected net increases in loans to distribution, power supply, statewide and association, and NCSC electric members, partially offset by a decrease in loans to NCSC telecom members. More than 95%, or \$2.4 billion, of the net loan increase was driven by the increase in loans to our distribution and power supply borrowers. Loans to distribution members increased by \$2.2 billion to \$29.3 billion, and loans to power supply members increased by \$254 million to \$5.9 billion during fiscal year 2025.

We also experienced increases in NCSC electric loans and CFC statewide and association loans of \$133 million and \$14 million, respectively, while NCSC telecom loans decreased by \$23 million. At the end of fiscal year 2025, \$36.5 billion, or 98%, of our loans were to rural electric members and \$575 million, or 2%, to telecommunication members, consistent with the prior year-end.

By loan type, during fiscal year 2025, our long-term loans increased by \$1.4 billion, reaching a total of \$32.5 billion, while our line of credit loans increased by \$1.1 billion, bringing that total to \$4.6 billion. 78% of the increase in line of credit loans came under emergency line of credit borrowings, primarily for Hurricane Helene recovery efforts, which impacted electric cooperatives across five states: Florida, Georgia, North Carolina, South Carolina and Tennessee. The remaining 22% of line of credits was primarily from member working capital and the NCSC renewable project finance portfolio.

With that, I'll turn the call over to Ling.

Ling Wang: Thank you, Andrew, and good morning, everyone. I am going to turn to slide nine to delve into our fiscal year 2025 financial results. Unless specified otherwise, I will primarily focus on year-over-year comparisons while discussing our fiscal year 2025 outcomes. Slide nine shows our balance sheet information. Our total assets at fiscal year ended May 31, 2025, were approximately \$38.3 billion, an increase of \$2.1 billion, or 6%, from the prior fiscal year and an increase of \$8.7 billion, or 29%, from fiscal year 2021, with a compound annual growth rate of 6.6%.

Our balance sheet growth was primarily driven by an increase in loans to electric borrowers. Our total liabilities increased by \$2.1 billion, or 6%, to \$35.2 billion at May 31, 2025, as we issued debt to fund the loan growth. Since fiscal year 2021, our total liabilities increased by nearly \$7 billion, or 25%. Our members' equity, which consists primarily of our retained earnings, increased by \$196 million, or 8%, to nearly \$2.6 billion from the prior fiscal year-end. The \$196 million increase was a result of an adjusted net income of \$245 million during fiscal year 2025, which was partially offset by \$47 million in retirement of Patronage Capital during fiscal year 2025.

Since fiscal year 2021, we have been able to build up our members' equity by \$747 million, from \$1.8 billion to nearly \$2.6 billion, a 41% increase. As a cooperative, CFC allocates a portion of its net earnings to our members on an annual basis. Our current policy, approved by our Board of Directors, is to allocate a portion of the fiscal year 2025 net earnings to CFC's members in the form of Patronage Capital. The specific retirement amount and the schedule are subject to yearly approval by CFC's Board of Directors.

In July 2025, the CFC Board of Directors authorized \$67 million, or 27%, of fiscal year 2025 adjusted net income as Patronage Capital to our members, and \$176 million, or 72%, of adjusted net income to members' capital reserve. This compares to \$61 million, or 21%, of adjusted net income for fiscal year 2024 as Patronage Capital to our members and \$228 million, or 79%, of adjusted net income to members' capital reserve.

The members' capital reserve represents net earnings that we retain and have not specifically allocated to members. The members' capital reserve may be allocated to individual members in the future as Patronage Capital, if authorized by the CFC Board of Directors.

Also in July 2025, CFC's Board of Directors further authorized the retirement of Patronage Capital totaling \$53 million, consisting of \$34 million, which represents 50% of the \$67 million Patronage Capital allocation I mentioned earlier, and \$19 million, which represents the allocation from fiscal year 2000 net earnings that have been held for 25 years pursuant to CFC's Board of Directors policy. We expect to return this amount to our members in cash in the second quarter of fiscal year 2026. The remaining \$33 million of fiscal year 2025 Patronage Capital allocation will be retained by CFC for 25 years, based on the current guidelines.

During fiscal year 2025, we revised the methodology to calculate our adjusted debt-to-equity ratio. Based on the revised methodology, our adjusted debt-to-equity ratio was 7.39-to-1 at May 31, 2025, an increase from 7.27-to-1 at May 31, 2024. The higher adjusted debt to equity ratio was primarily due to the increase in total debt outstanding to fund our loan growth. Our internally established threshold for the adjusted debt-to-equity ratio is 8.5-to-1.

Looking at slide 10 for our loan portfolio, the composition of our loan portfolio shifted slightly from the prior fiscal year-end and has shown no significant changes in the past five years. Our loan portfolio consists mainly of long-term fixed-rate secure loans to rural electric cooperatives. Our long-term fixed-rate loans were 85% of total loans outstanding at May 31, 2025, compared to 88% at May 31, 2024. Our loans are primarily typically secured by substantially all assets of the borrower. We typically lend to our members on a senior secure basis, with 89% of our loan portfolio being senior secured at May 31, 2025, down from 92% at May 31, 2024.

The decrease was primarily driven by a 33% year-over-year increase in line of credit loans, which are generally unsecured, compared to a 5% year-over-year increase in long-term loans, which are generally secured. The increase in line of credit loans was primarily driven by hurricane recovery borrowing that Andrew mentioned earlier. In fiscal year 2025, we made long-term loan advances totaling \$3.1 billion, of which \$2.6 billion, or 85%, were fixed-rate loans. Additionally, approximately \$2.8 billion, or 90%, of long-term loan advances were for capital expenditure purposes, compared to 93% during fiscal year 2024. The remaining balance was used for financing other lenders' debt or for other purposes.

We typically offer long-term fixed-rate loans with terms up to 35 years, allowing our members to choose a fixed rate for any period from one year up to the loan's final maturity. When the selected fixed interest rate expires, our members may select another rate term. Our members continue to choose shorter term for long-term fixed-rate loans due to the current elevated interest rate environment. The weighted average fixed-rate term was eight years for the new \$2.6 billion fixed-rate term loan advances during fiscal year 2025, whereas it was 11 years during fiscal year 2024. That said, at May 31, 2025, the average remaining maturity of our long-term loans, which accounted for 88% of our total loans outstanding, remained at 19 years.

Our credit metrics are presented on slide 11. We continue to maintain a high-quality loan portfolio, reflecting our prudent lending practices and the strong financial health of our members. At May 31, 2025, we had only one non-performing loan outstanding, totaling \$26 million, or 0.07% of total loans outstanding. This loan was made to an electric power supply borrower and was classified as non-performing five years ago. During fiscal year 2025, we received payment of \$23 million on this loan, reducing the balance to \$26 million from \$49 million at May 31, 2024.

Our allowance for credit losses decreased by \$8 million to \$41 million at May 31, 2025, compared to \$49 million at May 31, 2024. The allowance coverage ratio decreased to 11 basis points at May 31, 2025, from 14 basis points at May 31, 2024. The \$8 million decrease in allowance for credit losses reflected reduction in the asset-specific allowance on the non-performing loan that I mentioned earlier.

During fiscal year 2025, we had no loan charge-offs and no delinquent loans. We believe the overall credit quality of our loan portfolio remains strong at May 31, 2025, evidenced by the limited defaults and losses in our electric utility loan portfolio since the inception of CFC. In our 56-year history, we have experienced only 18 defaults in our electric utility portfolio. Out of the 18 defaults, one is in the process of being resolved, nine had no losses and eight led to a cumulative net charge-off of only \$100 million.

Moving on to slide 12, during fiscal year 2025, our adjusted net income decreased by \$44 million, or 15%, to \$245 million from the prior fiscal year, primarily due to a \$21

million, or 6%, decrease in adjusted net interest income, a \$21 million increase in operating expenses and a \$5 million decrease in gains in our investment portfolio, partially offset by a \$3 million increase in the benefit for credit losses.

The \$21 million decrease in adjusted net interest income during the fiscal year 2025 was driven by a decrease in adjusted net interest yield of 11 basis points, or 10%, partially offset by a \$1.8 billion, or 5%, increase in our average interest earning assets. Specifically, our adjusted net interest yield was at 1% for fiscal year 2025, compared to 1.11% for fiscal year 2024. Being a member-owned finance cooperative association, our primary finance goal focuses on earning an annual minimum adjusted time interest earned ratio, or TIER, of 1.1 times. For fiscal year 2025, our adjusted TIER was 1.18 times, compared to the fiscal year 2024 level of 1.24 times. Our adjusted TIERs for fiscal year 2025 and for the last four years comfortably exceeded our target of 1.1 times.

On slide 13, our total debt outstanding was \$34.8 billion at May 31, 2025, an increase of \$2.1 billion, or 6%, primarily to fund the growth in our loan portfolio. During fiscal year 2025, we accessed the capital markets on multiple occasions and raised a total of \$3.1 billion, consisting of \$2.4 billion dealer medium-term notes, \$650 million of collateral trust bonds and \$43 million subordinated deferrable notes. We also borrowed \$500 million under our Farmer Mac note purchase agreement and \$300 million under the guaranteed underwriter program.

Subsequent to May 31, 2025, we issued \$525 million of dealer medium-term notes, using the proceeds to pay down dealer commercial paper. We have strategically developed and continue to maintain diverse funding sources, including funding from our members, Farmer Mac, USDA's guaranteed underwriter program, as well as access to capital markets.

At May 31, 2025, \$4.5 billion of CFC's funding came from our members in the form of short-term and long-term investments, a decrease of \$395 million. The decline was primarily attributable to a reduction in member commercial paper, as our members use funds from these investments to finance capital expenditures and operating needs. Our member investments represented 13% of our total debt outstanding at May 31, 2025, compared to 15% at May 31, 2024.



At May 31, 2025, our funding under the guaranteed underwriter program and notes payable with Farmer Mac totaled \$10.2 billion, representing 29% of our total debt outstanding, a \$118 million, or 1%, decrease. Our capital markets related funding sources totaled \$20 billion at May 31, 2025, a \$2.6 billion, or 15%, increase. The increase was primarily due to net increases of \$1.7 billion in dealer commercial paper, \$664 million in dealer medium-term loans, \$156 million increase in collateral trust bonds and \$43 million in subordinated deferrable debt. Our dealer commercial paper outstanding increased to \$2.2 billion at May 31, 2025, compared to \$504 million at May 31, 2024.

At May 31, 2025, 49% of our total debt issue was on a secured basis and 51% was on an unsecured basis, compared to 52% secured and 48% unsecured at the prior fiscal year-end. Our short-term borrowings increased by \$750 million to \$5.1 billion, accounting for 15% of our total debt outstanding at May 31, 2025, compared to \$4.3 billion, or 13%, of total debt outstanding at May 31, 2024. The increase in short-term borrowings was primarily driven by a \$1.7 billion increase in outstanding dealer commercial paper, partially offset by a repayment of \$500 million in short-term notes payable under the Farmer Mac revolving purchase agreement and a decrease of \$443 million in member short-term investments.

The increase in dealer commercial paper was driven by the issuance to fund our loan growth, specifically for the increase of line of credit loans. Of the \$5.1 billion in short-term borrowings, \$2.9 billion, or 57%, came from our members in the form of short-term investments. At May 31, 2025, the weighted average cost of our outstanding short-term borrowings was 4.3% and the weighted average maturity of our short-term borrowings was around 41 days.

Slide 14 highlights CFC's liquidity position as of May 31, 2025, totaling \$7.6 billion across multiple sources, including cash investments, committed bank lines, guaranteed underwriter program and Farmer Mac note purchase agreements. We maintain a balanced and diversified approach to liquidity management. During fiscal year 2025, we enhanced our liquidity profile by increasing our committed bank lines and Farmer Mac note purchase program by \$500 million each and securing a new \$450 million commitment under the guaranteed underwriter program. These actions reflect our focus on maintaining resilient and flexible funding capacity to support our members' ongoing capital needs.

As indicated in the table on the right side, at May 31, 2025, we have a total of \$8.8 billion in debt maturities over the next 12 months, with 33%, or \$2.9 billion, of these debt maturities representing short-term investments from our members. As we have consistently stated, the investments from our members are a very reliable funding source with little reinvestment risk, as our members continue to invest a large portion of their excess cash with us.

The remaining \$5.9 billion in debt maturities include \$2.2 billion dealer commercial paper and \$3.7 billion in long-term maturity and amortization, comprised primarily of \$1.7 billion in dealer medium-term notes, \$1.1 billion in guaranteed underwriter program borrowings and \$413 million of collateral trust bonds. These obligations are well covered by the \$7.6 billion liquidity discussed previously.

It is also worth noting that the \$7.6 billion liquidity does not include the \$1.7 billion in scheduled repayment and amortization on long-term loans that we expect to receive out from our members over the next 12 months. In addition, as a strong investment-grade company, we believe we will continue to have access to capital markets to meet our capital needs.

Slide 15 summarizes CFC's projected long-term debt issuance needs over the next 18 months, subsequent to May 31, 2025. Our cash needs are derived from two primary areas, refinancing existing debt maturities and funding loan advances to our members, partially offset by the amortization and repayment of loans from our members. Our funding needs are also driven by our member investment levels. Over the next 18 months, from June 2025 through November 2026, we have a total of \$5.4 billion of long-term and member subordinated debt maturities and amortization, consisting of approximately \$3.3 billion in capital markets debt and \$2.1 billion in non-markets debt. We expect our net loan growth over the same period to be approximately \$2.2 billion.

As indicated in the chart, we expect to raise approximately \$7.1 billion in long-term debt, utilizing both capital markets and non-capital market funding sources over this time period to refinancing existing debt maturities and to fund the anticipated loan growth.

Thank you once again for joining us today to review our results for our fiscal year ended May 31, 2025. We appreciate your interest in CFC and look forward to discussing our financial performance and funding plans in the future. I would like to ask the operator to open up the line for questions and also suggest that you can submit your questions via the web service so we may respond to those as well. Thank you.

Operator: Thank you. If you are dialed in via the telephone and would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow your signal to reach our equipment. Again, press star one to ask a question. If you are in the event via the web interface and would like to ask a question, simply type your question in the "Ask a Question" box and click send. We'll pause for just a moment. As a reminder, star one for questions over the phone. We have no questions in queue at this time.

Ling Wang: Thank you, operator. It looks like we do not have any questions on the web either. So, with that, we will just conclude today's call and please feel free to contact myself or Heesun Choi if you have any additional questions. Thank you.

Operator: That will conclude today's call. We appreciate your participation.