

Conference Title: NRUC001| Fiscal Year 2026 First Quarter Investor Conference Call

Date: Wednesday, 15th October 2025

Operator: Good day, everyone, and welcome to the National Rural Utilities Cooperative Finance Corporation's fiscal year 2026 First Quarter Investor Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Heesun Choi, VP, capital markets relations. Please go ahead.

Heesun Choi: Thank you, operator. Good morning and welcome to our investor conference call for the first fiscal quarter of 2026. We appreciate your time and interest in our company. Joining me today are our CEO, Andrew Don, and our CFO, Ling Wang. Andrew and Ling will provide an update on our first fiscal quarter 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 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 slide two and three regarding these statements and measures. Any forward-looking statements made during today's call are subject to risks and uncertainties. Factors 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-Q filed with the SEC on October 14, 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 now turn this call over to Andrew.

Andrew Don: Thank you, Heesun. Good morning and thank you for joining our call today to review our business and operating results during the three months ended August 31, 2025, which is our first fiscal quarter of fiscal 2026.

Moving to slide five to discuss highlights from the first fiscal quarter. We continued to experience loan growth during the quarter, though at a moderate pace compared to prior periods. At August 31, 2025, loans to members reached \$37.6 billion, an increase of approximately \$490 million, or 1%, from the prior fiscal year end of May 31, 2025. Of the \$490 million three-month loan growth, 53%, or \$262 million, was a net increase in long-term loans, and 47%, or \$228 million, was a net increase in line of credit loans.

At August 31, 2025, the composition of our loan portfolio per member class remained consistent, with \$37 billion, or 98%, of our loans consisting of loans to rural electric systems and \$582 million, or 2%, to the telecommunications sector. Long-term loan advances totaled \$702 million during the three months ended August 31, 2025, of which approximately 96% was provided to members for capital expenditures, 3% was for bridge financing and 1% was for other purposes. Our members continue to favor shorter-rate lock periods on their long-term loans during the quarter. The weighted average rate of fixed-rate loan advances shortened to six years from eight years in the prior-year period.

Our broadband lending, our aggregate loans outstanding to our electric distribution cooperatives members related to broadband projects, increased slightly during the quarter to an estimated \$3.46 billion as of August 31, 2025, compared to approximately \$3.44 billion at the prior fiscal year end. Although we expect our member electric cooperatives to continue in their efforts to expand broadband access to unserved and underserved communities, their investment in broadband projects has slowed in recent years, and are expected to have further increases at a slower rate. As we typically lend to our members on a senior secured basis, 89% of our loans are senior secured as of August 31, 2025, unchanged from the prior fiscal year end.

Credit quality of our loan portfolio remains pristine. We had no charge-offs during the quarter, with only one loan representing 0.06% of total loans outstanding, classified as non-performing at the quarter end. Slide six highlights our financial performance during the first fiscal quarter. Our financial position and credit ratings remained strong during the quarter. Our adjusted TIER was at 1.16 times during the three months ended August 31, 2025, exceeding our goal of 1.10 times. Our members' equity was \$2.6 billion at the fiscal quarter end. We continue to maintain a diversified range of liquidity sources at the fiscal quarter end, which can cover near-term maturities and provide flexibility under varying market conditions.

Our diversified liquidity sources include operating cash, investments, committed bank lines, committed loan facilities under the guaranteed underwriter program, a revolving note purchase agreement with Farmer Mac and access to repo facilities, all totaling \$7.7 billion in available liquidity as of August 31, 2025. In addition, in September 2025, we executed a commitment letter for an additional \$450 million loan facility under the guaranteed underwriter program. We expect to close the loan facility in the next few months. We remain committed to maintaining strong investment grade credit ratings from Fitch, Moody's and S&P. Our current issuer credit ratings are A/ A2/ A-, all with a stable outlook. In August 2025, Fitch reaffirmed all of CFC's credit ratings with a stable outlook. With that, I'll now turn the call over to Ling, who will review our financial results in greater detail. Thank you.

Ling Wang: Thank you, Andrew. And good morning. I am going to move to slide eight to discuss our financial results for the period ended August 31, 2025, our first quarter of fiscal year 2026, which I will refer to as the current fiscal quarter end. Our total assets at the current fiscal quarter end were approximately \$38.8 billion, an increase of \$524 million, or 1%, from the prior fiscal year-end level. The increase was primarily driven by an increase in loans to members, which totaled \$37.6 billion and continued to represent the majority of CFC's balance sheet. Of these member loans, 95% were to CFC distribution and power supply borrowers. We experienced increases in CFC distribution

loans of \$349 million and CFC power supply loans of \$116 million, while other loan categories rose by a combined \$25 million during the three months ended August 31, 2025.

Long-term fixed-rate loans were \$31.5 billion, representing 84% of total loans outstanding at the current fiscal quarter end, compared to \$31.4 billion, or 85%, at the prior fiscal year end. Our long-term loans are typically secured by substantially all assets of the borrowers. We generally offer long-term amortized loans to our members for up to 35 years. The average remaining maturity of our long-term loans at the current fiscal quarter end was 19 years. Line of credit loans were \$4.8 billion, or 13%, of total loans outstanding at the current fiscal quarter end, compared to \$4.6 billion, or 12%, of total loans outstanding at the prior fiscal year end. Our members' equity, which excludes cumulative derivative forward value gains and accumulated other comprehensive losses, remained essentially unchanged from the prior fiscal year end at \$2.6 billion.

In July 2025, the CFC Board of Directors authorized the allocation of net earnings for fiscal year 2025 as follows: \$67 million to members in the form of patronage capital and \$176 million to members' capital reserve. In July 2025, the CFC Board of Directors also authorized patronage capital retirement of \$53 million, which was returned to our members in cash in September 2025. The adjusted debt-to-equity ratio increased slightly, from 7.39 times to 7.5 times, during the current fiscal quarter, due to an increase in adjusted total debt outstanding to fund the loan growth, partially offset by an increase in adjusted total equity.

Slide nine presents historical performance of our loan portfolio for the past four fiscal years and the current fiscal quarter. The quality of our loan portfolio remains strong with stable credit metrics. We had only one non-performing loan outstanding at the current fiscal quarter end, totaling \$24 million, or 0.06%, of total loans outstanding. This loan was made to an electric power supply borrower and was put on the non-performing status during fiscal year 2020. During the current fiscal quarter, we received a \$2 million payment on this non-performing loan, which reduced its outstanding balance from \$26 million to \$24 million.

Our allowance for credit losses increased slightly to \$42 million at the current fiscal quarter end, compared to \$41 million at the prior fiscal year end. The allowance coverage ratio remained unchanged at 11 basis points at the current fiscal quarter end, compared to the prior fiscal year end. The \$1 million increase in allowance for credit losses reflected an increase in the collective allowance, primarily due to loan growth. We had no loan charge-offs during the current fiscal quarter.

Moving on to slide 10. During the current fiscal quarter, we generated an adjusted net income of \$57 million, compared to \$66 million in the same prior-year period. The \$9 million decrease in our adjusted net income was primarily driven by an increase in operating and other expenses of approximately \$4 million, a decrease in adjusted net interest income of \$2 million, which I will discuss later, a decrease in gains in our investment securities of \$3 million and an increase in the provision for credit losses of \$1 million, all partially offset by an increase in fee and other income of approximately \$1 million. During the current fiscal quarter, our adjusted net interest income was \$91 million, decreasing \$2 million, or 3%, from the same prior-year period. The decline was driven by a 9-basis-point reduction in the adjusted net interest yield to 96 basis points, partially offset by a \$2.2 billion, or 6%, increase in average interest earning assets.

The lower yield primarily resulted from a higher average cost of borrowing, partially offset by modest increases in asset yields and the benefit from non-interest-bearing funding. CFC's adjusted average cost of borrowings increased during the current quarter due to lower average yield earned on our interest rate swap derivative cash settlements. Being a member-owned finance cooperative association, our primary financial goal focuses on earning an annual minimum adjusted times interest earned ratio, or TIER, of 1.1 times. For the current fiscal quarter, our adjusted TIER decreased four ticks to 1.16 times, compared to the same prior-year period. Adjusted TIER for the current fiscal quarter exceeded our target of 1.1 times.

Our total debt outstanding was \$35.3 billion at the current fiscal quarter end, an increase of \$512 million, or 1%, from the prior fiscal year end, primarily to fund growth in our loan portfolio. We continue to maintain diverse funding sources, including funding from our members as well as capital markets and non-capital markets funding. At the current fiscal quarter end, \$4.7 billion of CFC's funding came from our members in the form of short-term and long-term investments, an increase of \$218 million from the prior fiscal year end. Our member investments represented 13% of our total debt outstanding at the current fiscal quarter end, unchanged from the prior fiscal year end.

At the current fiscal quarter end, our funding under the guarantee underwriter program and notes payable with Farmer Mac totaled \$10.1 billion, representing 29% of our total debt outstanding, a \$98 million, or 1%, decrease from the prior fiscal year end due to repayments under these two programs. Our capital markets related funding sources totaled \$20.4 billion at the current fiscal quarter end, a \$390 million, or 2%, increase from the prior fiscal year end. The increase was primarily due to a net increase of \$895 million in dealer medium-term notes. During the current fiscal quarter, we issued a total of \$1.2 billion of long-term dealer medium-notes, consisting of a \$700 million fixed-rate, three-year note and a \$525 million floating-rate, 18-month note. We used a portion of the net proceeds from the term debt issuances to pay down dealer commercial paper outstanding by \$508 million.

Subsequent to the current fiscal quarter end, in September 2025, we notified investors that on October 23, 2025, we will redeem \$50 million in principal amount of our \$300 million subordinated deferrable note due 2043. At the current fiscal quarter end, capital markets related funding sources accounted for 58% of our total funding, unchanged from the prior fiscal year end. At the current fiscal quarter end, 48% of our total debt was secured and 52% was unsecured, slightly shifted from 49% for secured and 51% for unsecured at the prior fiscal year end.

Our short-term borrowings decreased to \$4.8 billion at the current fiscal quarter end, compared to \$5.1 billion at the prior fiscal year end. At the current fiscal quarter end, short-term borrowings

accounted for 14% of our total debt outstanding, down slightly from 15% from the prior fiscal year end. The decrease in short-term borrowings was primarily driven by a decline in dealer commercial paper outstanding, partially offset by an increase in short-term member investments. At the current fiscal quarter end, a total of \$3.1 billion of our short-term borrowings came from investments made by our members, a \$254 million increase from the prior fiscal year end, and representing 65% and 57% of our total short-term borrowings for each respective period.

As we have consistently stated, our member investments have historically been our primary source of short-term borrowing. And 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 funds with us. Our member short-term investments have averaged \$3.3 billion over the last 12 fiscal quarter-end reporting periods.

Slide 12 shows various sources of liquidity that CFC has established over the years. Our available liquidity included cash investments, committed bank lines, committed loan facilities under the guaranteed underwriter program and Farmer Mac revolving note purchase agreements, totaling \$7.7 billion at the current fiscal quarter end.

As indicated in the table on the right side, at the current fiscal quarter end we had a total of \$8.8 billion in debt maturities over the next 12 months, with \$3.1 billion of these debt maturities representing short-term investments from our members. Based on our experience, we expect our members to roll over a large portion of their short-term investments with us at maturity. The remaining \$5.6 billion in debt maturities includes \$1.7 billion dealer commercial paper and \$3.9 billion long-term and subordinated debt obligations. These obligations are well covered by the \$7.7 billion liquidity discussed previously. As we have stated on the previous calls, our available liquidity excludes contractually scheduled repayments and amortization on long-term loans we expect to receive from our members over the next 12 months. In the next 12 months, our members are scheduled to repay a total of \$1.8 billion in long-term loans with us.

As Andrew mentioned earlier, subsequent to the current fiscal quarter end, in September 2025, we executed a commitment letter for an additional \$450 million loan facilities from Federal Financing Bank under the guaranteed underwriter program. We are currently working on closing the loan facility in December.

Slide 13 summarizes CFC's projected long-term debt issuance needs over the next 18 months. 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 September 2025 through February 2027, we have a total of \$6.3 billion of long-term and subordinated debt maturities and amortization. We expect our net loan growth over the same period to be approximately \$2.3 billion. As a result, we project issuing approximately \$8.4 billion in long-term debt over the next 18 months to refinance existing debt or to fund the expected loan growth.

Thank you, again, for joining us today to review our results for our fiscal quarter ended August 31, 2025, of fiscal year 2026. We appreciate your interest in CFC and look forward to discussing our financial performance and funding plans in the future. I'd like to ask the operator to open the line for questions and also suggest that you 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 the signal to reach our equipment. Again, press star one to ask a phone 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 to allow everyone the opportunity to signal for questions. And we currently have no questions through the phone lines. If you would like to take some questions through the web interface.

Ling Wang: We do not see any questions through the web services as well. So, with that, we will just conclude today's call. And please feel free to contact us if you have any follow-up questions.

Operator: This concludes today's call. Thank you for your participation. You may now disconnect.