

RATING ACTION COMMENTARY

Fitch Affirms National Rural's IDRs at 'A' and 'F1'; Outlook Stable

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Fitch Ratings - New York - 19 Aug 2026: Fitch Ratings has affirmed National Rural Utilities Cooperative Finance Corporation's (CFC) Long- and Short-Term Issuer Default Ratings (IDRs) at 'A' and 'F1', respectively. The Rating Outlook is Stable. Fitch also affirmed the company's senior secured debt rating at 'A+', senior unsecured debt rating at 'A', subordinated debt rating at 'BBB+', and CP rating at 'F1'.

KEY RATING DRIVERS

U.S. Electric Cooperative Lender: CFC's ratings reflect its unique competitive position within U.S. electric cooperative lending, strong asset quality, sufficient liquidity, funding diversity, and adequate coverage of interest expenses. The ratings are constrained by CFC's higher leverage relative to similarly rated peers, its unique capital structure, including an inability to access the public equity markets, and a business model that results in modest earnings performance relative to peers.

Strong Franchise: Since 1969, CFC has operated as a member-owned cooperative lender providing financing to supplement the loan programs of the Rural Utilities Service (RUS) of the U.S. Department of Agriculture (USDA). Fitch believes CFC has a strong franchise because of its long operating track record, relatively stable member base and growing loan portfolio. Because of CFC's mission, profit generation is not a primary strategic goal. Instead, strategic initiatives focus on maintaining adequate liquidity and capital, providing cost-effective financing to members and generating sufficient earnings to cover operational and funding costs and loan losses.

Low Credit Losses: Over its 57-year operating history, CFC has experienced only 18 defaults in its electric utility loan portfolio. Cumulative net charge-offs have totaled \$100 million since inception. This reflects prudent, stable underwriting and solid risk

management. Fitch expects management to maintain its strategic focus on core electric cooperative members. The company has kept telecommunications loan exposure modest. This exposure caused most of CFC's credit losses over its history. There was one nonaccrual loan amounting to \$7.5 million, or 0.02% of loans outstanding, at fiscal year-end May 31, 2026 (FYE 2026), down \$18.6 million (71.3%) from the prior year.

Not a Profit Maximizer: As a cooperative lender, CFC's mission is not to generate large profits, but to cover its cost of funding, cost of operations, and loan losses. Fitch places a greater emphasis on the company's adjusted net income and adjusted times interest earned ratio (TIER), which amounted to 1.17x in fiscal year 2026 from 1.18x in the prior fiscal year. This was primarily driven by increased operating and other expenses. Due to its strong asset quality and ability to adjust loan pricing, Fitch expects adjusted TIER to remain above CFC's target of 1.10x over time.

High Leverage Relative to Peers: Fitch calculated CFC's debt to tangible equity ratio, including its loan and guarantee subordinated certificates (LGSCs), at 7.0x at FYE 2026. This was in line with FYE 2025, as modest loan growth during the year was funded with debt issuances. Fitch expects leverage to remain below 10.0x on a Fitch-calculated basis. Fitch considers CFC's leverage appropriate given low portfolio credit risk and its ability and willingness to access the subordinated deferrable debt markets. However, leverage metrics remain higher than those of similarly rated non-bank financial institutions and constrain the rating.

Leverage Calculation Adjustments: Fitch adjusts leverage under its "Corporate Hybrids Treatment and Notching Criteria." CFC's subordinated deferrable debt and member capital securities receive 50% equity credit because of their deep subordination, the cumulative nature of the coupon in the event of a deferral and Fitch's view that they are a permanent part of the capital structure. Fitch views the membership subordinated certificates as similar to non-cumulative perpetual preferred stock and assigns the instruments 100% equity credit. Fitch also affords CFC's LGSCs 100% equity credit given the instruments' deep subordination and the ability to absorb loan losses.

Diverse Funding Sources: Fitch believes CFC has demonstrated an ability to maintain appropriate funding sources through various cycles and has successfully diversified its funding base over time. Unsecured debt was 56% of total debt at FYE 2026, which, while stable, is below that of similarly rated peers.

Adequate Liquidity: CFC's ability to maintain sufficient liquidity for short- and long-term funding needs heavily influences Fitch's analysis. At FYE 2026, liquidity resources included

\$280 million of unrestricted cash and investments and \$7.9 billion of borrowing capacity under committed, long-term credit facilities. Additionally, CFC has \$2.2 billion of anticipated long-term loan repayments over the next 12 months. Fitch believes liquidity is adequate to cover \$9.8 billion of debt maturities over the next 12 months, despite lower coverage than previous years given higher wholesale CP and more long-term debt maturing under 12 months. Fitch expects CFC to maintain sufficient liquidity to address near-term debt maturities.

Stable Outlook: The Stable Outlook reflects Fitch's expectation for strong asset quality, sufficient liquidity, continued access to diversified funding sources, and the maintenance of appropriate leverage and coverage of interest expenses.

RATING SENSITIVITIES

Factors that Could, Individually or Collectively, Lead to Negative Rating Action/Downgrade

--A perceived change in strategic focus, evidenced by an increased level of lending to sectors outside of its rural electric member base;

--A sustained increase in nonperforming loans due to an alteration in underwriting standards and/or financial stress within the sector indicating an inability to adapt to new legislation or changes to government programs or pass along cost increases to end-users;

--An increase in Fitch-calculated leverage sustained above 10.0x;

--A deterioration in the company's liquidity profile below 1.0x coverage of liquidity sources to uses.

Factors that Could, Individually or Collectively, Lead to Positive Rating Action/Upgrade

--Fitch believes the likelihood of a ratings upgrade over the medium term is limited given CFC's higher-than-peer leverage;

--Over time, positive rating momentum could be driven by a decline in leverage approaching 5.0x on a Fitch-calculated basis, which is more consistent with Fitch's investment-grade benchmark ratio for high-balance-sheet-usage finance and leasing companies, and an enhancement of funding flexibility as evidenced by the lengthening of CFC's debt maturity profile.

DEBT AND OTHER INSTRUMENT RATINGS: KEY RATING DRIVERS

According to Fitch's "Non-Bank Financial Institutions Rating Criteria," dated Jan. 31, 2025, a Long-Term Issuer Default Rating (IDR) of 'A' maps to a Short-Term IDR of 'F1' or 'F1+'. To qualify for the higher rating, CFC would need to have a minimum Funding, Liquidity and Coverage (FLC) score of 'aa-'. CFC's FLC score is currently 'bbb'. Fitch therefore has affirmed the Short-Term IDR at 'F1'.

The senior secured debt ratings benefit from a one-notch uplift from the Long-Term IDR given the strong collateral coverage backing such notes and the good recovery prospects for debtholders under a stress scenario.

The senior unsecured debt ratings are equalized with CFC's Long-Term IDR, reflecting their subordination to secured debt and average recovery prospect for debtholders in a stress scenario.

The subordinated deferrable debt ratings are two notches below the Long-Term IDR due to the poor recovery prospects for debtholders in a stress scenario given their deep subordination to senior secured and senior unsecured debt.

The CP rating of 'F1' is equalized with the Short-Term IDR of 'F1'.

DEBT AND OTHER INSTRUMENT RATINGS: RATING SENSITIVITIES

The Short-Term IDR is primarily sensitive to the Long-Term IDR and would be expected to move in tandem. However, a material improvement in CFC's FLC profile, resulting in an upgrade of the subfactor score to 'aa-', could result in the upgrade of the Short-Term IDR to 'F1+'.

CFC's senior secured and unsecured debt ratings are sensitive to changes in the company's Long-Term IDR, its funding mix, and availability of collateral for each class of debt.

CFC's hybrid debt ratings are sensitive to changes in CFC's Long-Term IDR and would be expected to move in tandem.

CFC's CP rating is sensitive to changes in the company's Short-Term IDR and would be expected to move in tandem.

ADJUSTMENTS

The Standalone Credit Profile (SCP) has been assigned above the implied SCP due to the following adjustment reason: Business Profile (positive).

The Sector Risk Operating Environment score has been assigned above the implied score due to the following adjustment reason: Business model (positive).

The Business Profile score has been assigned above the implied score due to the following adjustment reason: Market position (positive).

The Earnings and Profitability score has been assigned above the implied score due to the following adjustment reason: Portfolio risk (positive).

The Capitalization and Leverage score has been assigned above the implied score due to the following adjustment reasons: Risk profile and business model (positive), Capital flexibility and ordinary support (positive).

The Funding, Liquidity and Coverage score has been assigned above the implied score due to the following adjustment reasons: Funding flexibility (positive).

Criteria Variation

The treatment of the LGSCs as 100% equity represents a variation to Fitch's "Corporate Hybrids Treatment and Notching Criteria" as these instruments do not meet all the typical requirements for equity recognition, including due to the amortizing nature of some of the certificates. Fitch does not believe the use of such variation had a measurable impact on the rating given the modest impact to the leverage ratio.

REFERENCES FOR SUBSTANTIALLY MATERIAL SOURCE CITED AS KEY DRIVER OF RATING

The principal sources of information used in the analysis are described in the Applicable Criteria.

ESG CONSIDERATIONS

The highest level of ESG credit relevance is a score of '3', unless otherwise disclosed in this section. A score of '3' means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. Fitch's ESG Relevance Scores are not inputs in the rating process; they are an observation on the relevance and materiality of ESG factors in the rating decision. For more information on Fitch's ESG Relevance Scores, visit

<https://www.fitchratings.com/topics/esg/products#esg-relevance-scores>.

RATING ACTIONS

ENTITY / DEBT ⇅	RATING TYPE ⇅	RATING ⇅	RATING ACTION ⇅	PRIOR ⇅
National Rural Utilities Cooperative Finance Corporation	LT IDR	A Rating Outlook Stable	Affirmed	A Rating Outlook Stable
	ST IDR	F1	Affirmed	F1
senior unsecured	LT	A	Affirmed	A
subordinated	LT	BBB+	Affirmed	BBB+
senior secured	LT	A+	Affirmed	A+
senior unsecured	ST	F1	Affirmed	F1

[VIEW ADDITIONAL RATING DETAILS](#)

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APPLICABLE CRITERIA

[Non-Bank Financial Institutions Rating Criteria \(pub. 31 Jan 2025\) \(including rating assumption sensitivity\)](#)

[Corporate Hybrids Treatment and Notching Criteria \(pub. 08 Apr 2025\)](#)

[Financial Institutions Climate Vulnerability Rating Criteria \(pub. 08 Dec 2025\)](#)

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National Rural Utilities Cooperative Finance Corporation

EU Endorsed, UK Endorsed

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The complete span of best- and worst-case scenario credit ratings for all rating categories ranges from 'AAA' to 'D'. Fitch also provides information on best-case rating upgrade scenarios and worst-case rating downgrade scenarios (defined as the 99th percentile of rating transitions, measured in each direction) for international credit ratings, based on historical performance. A simple average across asset classes presents best-case upgrades of 4 notches and worst-case downgrades of 8 notches at the 99th percentile. For more details on sector-specific best- and worst-case scenario credit ratings, please see [Best- and Worst-Case Measures](#) under the Rating Performance page on Fitch's website.

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