National Rural Utilities Cooperative Finance Corporation

Key Rating Drivers

U.S. Electric Cooperative Lender: National Rural Utilities Cooperative Finance Corporation's (CFC) 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 compared 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 Ratings 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 has caused most of CFC's credit losses over its history. There was one non-accrual 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, down from 1.18x in the prior fiscal year. This was primarily driven by increased operating and other expenses. Due to CFC's strong asset quality and ability to adjust loan pricing, Fitch expects the adjusted TIER to remain above the company'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 primarily 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 in 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.

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.

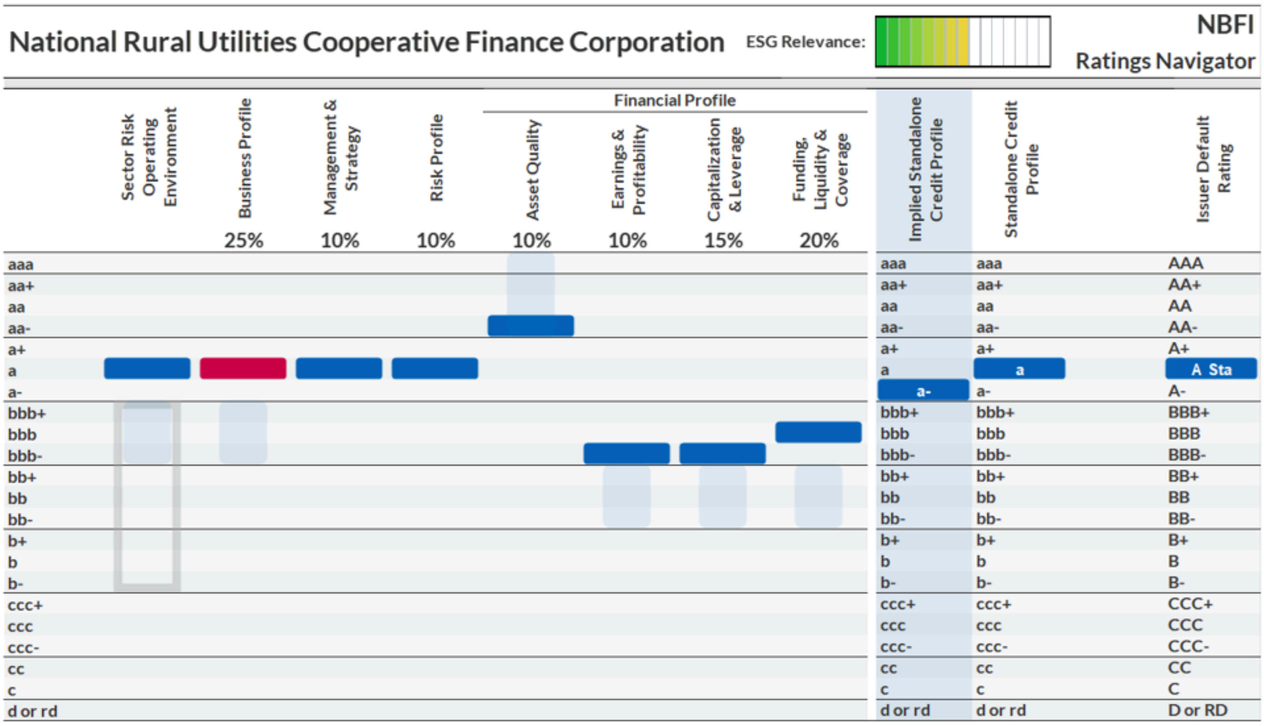
Recent Developments

Oil Price Shock Hits World Growth Prospects

In its June 2026 "Global Economic Outlook," Fitch revised world GDP growth forecasts for 2026 downward to 2.4%, from 2.7% in 2025, as the jump in global oil prices prompted by the U.S.-Iran conflict and closure of the Strait of Hormuz weighs on activity and demand. Fitch revised the U.S. GDP growth forecast to 1.9% in 2026 from 2.1% in 2025, a downward revision of 0.3% since the March GEO, reflecting the adverse impact of the oil price shock. Consumer spending is forecast to slow significantly to 1.7% from 2.5%-3.0% over the prior four years, as higher energy prices squeeze real wages. Nominal wage growth has slowed to about 3.5%, employment growth remains weak at less than 0.2% yoy, and the unemployment rate is expected to rise to 4.7%. Year-end CPI inflation was revised up sharply to 3.7% from 3.0% in the March GEO.

The deterioration in the consumer outlook is partially offset by strong momentum in AI-related investment, with IT investment expected to expand a further 13% in 2026, and some widening in the fiscal deficit. With consumption easing and inflation elevated, Fitch no longer expects any Fed rate cuts in 2026, with the fed funds rate held at 3.75% at year-end. The next move is anticipated to be a cut as the energy shock fades, with three 25-bp cuts projected in 2027.

Ratings Navigator



The Key Rating Driver (KRD) weightings used to determine the implied Standalone Credit Profile (SCP) are shown as percentages at the top. In cases where the implied SCP is adjusted upward or downward to arrive at the SCP, the KRD associated with the adjustment reason is highlighted in red. The shaded areas indicate the benchmark-implied scores for each KRD. The sector risk assessment acts as a sector-specific constraint on the typical implied operating environment range and is shown as an overlay on the operating environment.

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), and capital flexibility and ordinary support (positive).

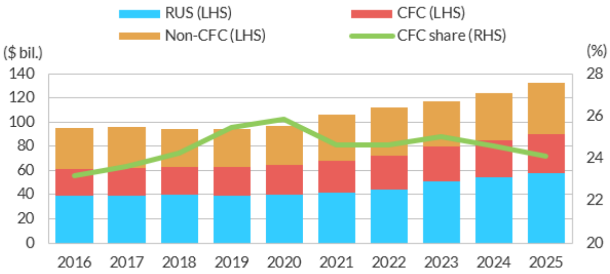
The Funding, Liquidity and Coverage score has been assigned above the implied score due to the following adjustment reason: funding flexibility (positive).

Key Qualitative Factors

Franchise Strengths as Key Lender in Sector

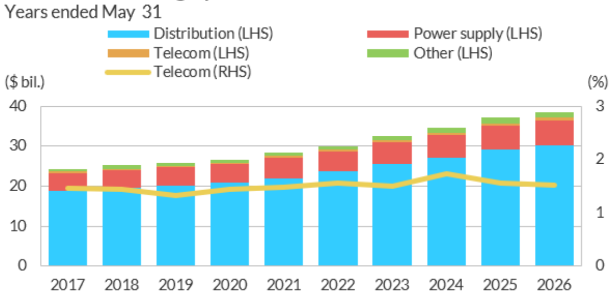
Since its formation, CFC has largely operated within the electric cooperative sector, primarily lending to its distribution system and generation and transmission (power supply) members. CFC finances loans to rural electric members for infrastructure, makes bridge loans in advance of RUS funding, and provides products not available from RUS, including lines of credit, credit enhancements (including letters of credit and guarantees of debt obligations), unsecured loans and other investment products. Alongside CFC and RUS, the Farm Credit System, which operates through CoBank, ACB (A+/Stable), serves as another key lender in the sector. Together, these three entities provide most of the financing, with modest competition from other financial institutions and the capital markets. Given the relatively small number of lenders in this space and differentiation between them, combined with CFC's significant market share, consistent business strategy and stable member base, Fitch views CFC's franchise as strong and a key factor in its ratings.

Electric Cooperative Financing Market Share
Years ended Dec. 31



Source: Fitch Ratings, National Rural Utilities Cooperative Finance Corporation

Loans Outstanding by Member Class
Years ended May 31



Source: Fitch Ratings, National Rural Utilities Cooperative Finance Corporation

Focus on Lending to Members

As of FYE 2026, consolidated membership for CFC and the National Cooperative Services Corporation (NCSC) included 1,182 members and 559 associates. A majority of these are cooperative or not-for-profit rural electric systems and affiliates, eligible to borrow from RUS under its Electric Loan Program.

The loan portfolio totaled $38.4 billion across 903 borrowers as of FYE 2026. Nearly all exposure is to electric utility organizations, with distribution borrowers representing 78.3% of the portfolio by balance and power supply borrowers representing 16.7%. Exposure to the telecommunications industry has declined over the past two decades and has remained at or below 2% of the portfolio since 2015. If there is a perceived shift in focus, evidenced by an increased level of lending to sectors outside the company's rural electric member base, negative rating action would be likely.

As a result of the focus on lending to its members, CFC's financial performance is highly correlated with the sector's overall health. The sector's inability to adapt to structural changes, long-term challenges and significant one-time events has the potential to meaningfully affect CFC's asset quality, profitability and capital. A number of factors could pose challenges to CFC's borrowers during and beyond the Rating Outlook horizon, including pricing dynamics compared to alternative energy sources, availability of energy resources, potential strains on existing infrastructure due to increased demand, elevated operating costs, possible changes in federal and state regulations, and the risk of cyberattacks and extreme weather. The potential for reforms to Federal Emergency Management Agency (FEMA) reimbursement programs, including eligibility for and the timing of reimbursements, may also affect CFC's borrowers, including their ability to repay bridge loans.

Fitch believes CFC has effectively managed credit risks, evidenced by its low credit losses over time. The company's lending specialization has enabled CFC to cultivate a strong franchise in its niche and to develop underwriting standards and a risk management framework tailored to the sector. Over its operating history, the level of problem assets and losses has remained low. The single sector concentration is also partially mitigated by relative diversity in geography and individual borrowers.

Long-Term, Fixed-Rate Loan Portfolio

CFC primarily finances secured loans, which may have terms up to 35 years. CFC's recovery rates are supported by this largely secured loan portfolio, amounting to 88.8% of the portfolio at FYE 2026, which provides a lien on all hard assets of the borrowers and revenues. CFC is typically in the senior-most position, on parity with RUS. Borrowers may select fixed- or floating-rate loans, with long-term, fixed-rate loans amounting to 84.3% of the portfolio at FYE 2026. Unsecured loans are typically short-term, revolving lines of credit.

Maintaining Diverse Access to Funding

Another key strategic objective for CFC is to maintain diversified funding sources beyond capital market offerings of debt securities. Funding through the Guaranteed Underwriter Program, which is financed through the Federal Financing Bank and guaranteed by RUS, and the Federal Agricultural Mortgage Corporation is meaningful and viewed favorably, given its reliability, flexibility and cost. As of FYE 2026, capital markets funding (which includes collateral trust bonds, non-member CP and non-member medium-term notes) represented 58.6% of total funding, compared with 53.8% at FYE 2025, as the company increased its use of non-member CP and medium-term notes. The ratio increases to 62.2% when including subordinated deferrable debt. Fitch believes CFC has sufficient access to diversified funding sources to support the company's lending activities.

Solid Underwriting and Risk Controls

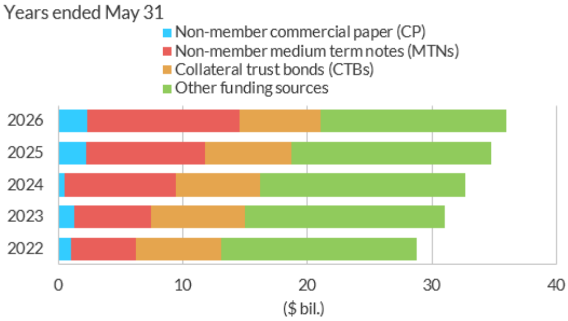
Fitch views CFC's underwriting standards and risk controls as solid. CFC maintains an internal credit risk system in which the company assigns credit ratings to each borrower and credit facility based on qualitative and quantitative factors. These ratings are used as key inputs into the allowance for credit losses model. The rating framework and definitions align with those established by U.S. federal banking regulatory agencies.

As of FYE 2026, CFC had only a small number of criticized loans, with just 0.52% of the portfolio classified as "special mention," 0.02% as "doubtful" and none as "substandard." One electric distribution borrower with $189 million in loans outstanding (0.49% of the portfolio) accounted for the majority of "special mention" loans. This borrower experienced financial challenges due to restoration costs incurred to repair damage after two successive hurricanes. CFC expects that the borrower will continue to receive grant funds from both the state and FEMA to reimburse restoration costs. The company has one borrower classified as "doubtful," an electric power supply borrower. Subsequent to FYE 2026, CFC received a $3 million payment, reducing exposure to approximately 0.01% of loans outstanding.

Concentrations

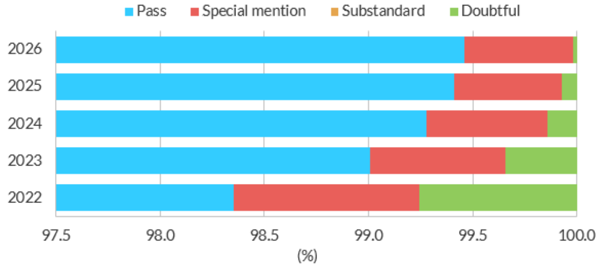
Given the business model, CFC's portfolio is concentrated within the public power and electric cooperative sector, although the portfolio is relatively diverse from a geographic and obligor perspective. As of FYE 2026, the 20 largest borrowers amounted to 19.2% of the total portfolio. Of these, 12 were distribution systems and eight were power supply systems. CFC borrowers were located in 49 states. Texas has the largest single state concentration, at 16.7% of the portfolio, followed by Georgia (5.6%) and Missouri (5.5%).

Funding Sources
Years ended May 31



Source: Fitch Ratings, National Rural Utilities Cooperative Finance Corporation

Portfolio by Internal Risk Rating
Years ended May 31



Source: Fitch Ratings, National Rural Utilities Cooperative Finance Corporation

Earnings Modestly Sensitive to Declining Rates

CFC utilizes plain-vanilla swaps to manage interest rate risk, given the material volume of long-term fixed-rate assets. As of FYE 2026, long-term fixed-rate loans represented 84.3% of the portfolio. CFC's fixed-rate debt accounted for 78% of total debt, which increases to 90% when incorporating variable-rate debt swapped to fixed-rate. The volume of long-term pay-fixed swaps yields derivative losses in a down-rate environment. CFC records all derivatives as either assets or liabilities, and measures the instruments' fair value at each quarter-end.

As of FYE 2026, CFC's duration gap widened to positive 2.11 months from positive 0.27 months at FYE 2025. The positive duration gap indicates that the duration of interest-earning assets is greater than the duration of CFC's debt and derivatives, and the widening from one year prior reflects the increase in short-duration borrowings. The duration gap was within risk limits established by the company's Asset Liability Committee, and Fitch views CFC's interest rate sensitivity as manageable.

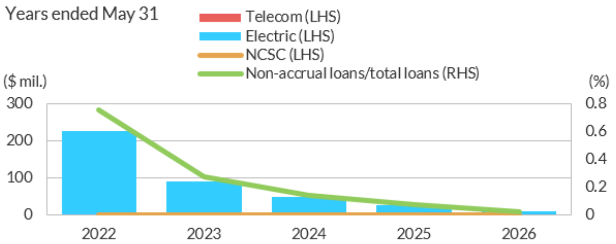
Changes in interest rates and the shape of the swap curve can lead to periodic fluctuations in the fair value of derivatives. This, in turn, may cause volatility in earnings since CFC generally does not apply hedge accounting for these swaps. To evaluate core earnings performance (adjusted TIER), management uses non-GAAP measures. These measures include derivative cash settlements in adjusted interest expense, along with adjusted net interest income, while excluding unrealized fair value gains and losses on swaps from adjusted net income.

Financial Profile

Low Credit Losses in Electric Utility Portfolio

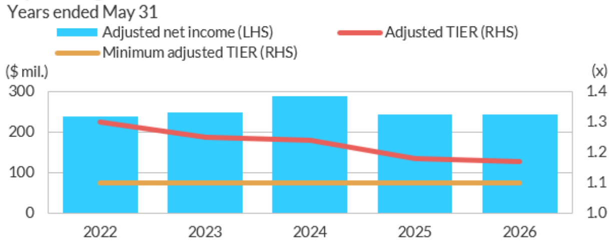
While CFC's industry concentration is significant, Fitch views the company's low losses in the electric utility portfolio favorably and as indicative of a solid underwriting acumen and appropriate risk management practices. Over its 57-year operating history, CFC has experienced only 18 defaults in its electric utility loan portfolio; this translates to cumulative net charge-offs of $100 million since inception, demonstrating prudent and stable underwriting and solid risk management. Of these losses, $81 million stemmed from the power supply portfolio, with the remainder attributable to a distribution borrower. Credit quality remains strong, with one non-accrual amounting to 0.02% of loans outstanding at FYE 2026. Fitch expects management to maintain its strategic focus on core electric cooperative members. CFC has kept telecommunications loan exposure — the root cause of most credit losses throughout its history — relatively modest.

Non-Accrual Loans
Years ended May 31



Source: Fitch Ratings, National Rural Utilities Cooperative Finance Corporation

Operating Metrics
Years ended May 31



Source: Fitch Ratings, National Rural Utilities Cooperative Finance Corporation

Mission as Cooperative Lender; Sufficient Earnings Coverage

CFC's mission — and the expectation of its members — is not to generate large profits but to cover its costs of funding and operations and loan losses while generating reasonable margins. As a result, reported earnings have historically been modest compared to similarly rated non-bank financial institutions (NBFIs). For fiscal years 2023–2026, pretax income as a percentage of average assets was 1.04%. Pretax income increased by 87.6% yoy to $263.1 million, driven by the yoy variance in derivative gains (losses) from $6 million in derivative losses in FY 2025 to $82.2 million of derivative gains in FY 2026.

Fitch places a greater emphasis on the company's adjusted net income and TIER, as these measures are not affected by volatility from changes in derivatives. CFC's adjusted TIER excludes the impact of unrealized derivative forward value gains and losses from adjusted net income, but includes periodic cash derivative settlements in adjusted interest expense and adjusted net interest income. In FY 2026, adjusted TIER amounted to 1.17x, down from 1.18x in FY 2025 and 1.24x in FY 2024, due to increased operating and other expenses. Fitch believes earnings are sufficient to cover costs of funds, operations and loan losses, and it expects CFC to maintain adjusted TIER above the 1.10x target, given its strong credit quality and ability to adjust loan prices.

Appropriate Leverage, but Higher than Similarly Rated Peers'

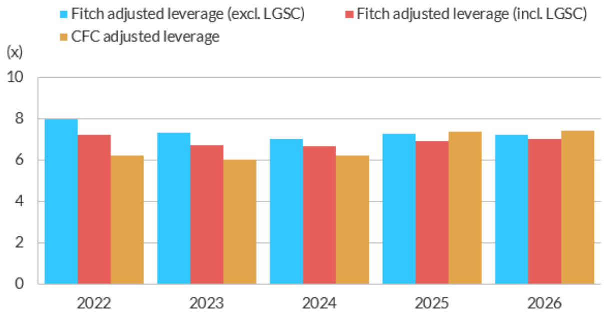
Fitch calculated CFC's debt-to-tangible equity, including LGSCs, at 7.0x as of FYE 2026, in line with the prior year, as loan growth, funded by debt issuances, was modest. Fitch believes leverage could rise over the Outlook horizon with loan growth, but expects it to remain below 10.0x on a Fitch-calculated basis. While Fitch's leverage metric can be affected by mark-to-market changes on CFC's derivatives, this factor is already incorporated into CFC's ratings. Fitch views CFC's leverage as appropriate due to the low credit risk of its portfolio and the company's ability and willingness to access subordinated deferrable debt markets to support growth. However, CFC's current leverage is higher than those of similarly rated NBFIs and remains a rating constraint.

Fitch adjusts its leverage calculation based on the agency's "Corporate Hybrids Treatment and Notching Criteria." Specifically, Fitch affords CFC's subordinated deferrable debt and member capital securities 50% equity credit due to the instruments' deep subordination and the cumulative nature of the coupon in the event of deferral. Fitch assigns equity credit to the subordinated deferrable debt as these instruments are viewed as a permanent component of the capital stack, based on management's representations. 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.

CFC assesses leverage based on an adjusted debt-to-equity calculation that excludes the impact of derivative fair value changes and accumulated other comprehensive income. Under the company's leverage methodology, membership subordinated certificates, LGSCs and member capital securities receive 100% equity credit while subordinated deferrable debt is given 50% equity credit. At FYE 2026, CFC calculated its adjusted leverage at 7.46x, compared with 7.39x at FYE 2025; both were calculated under the new methodology.

Leverage

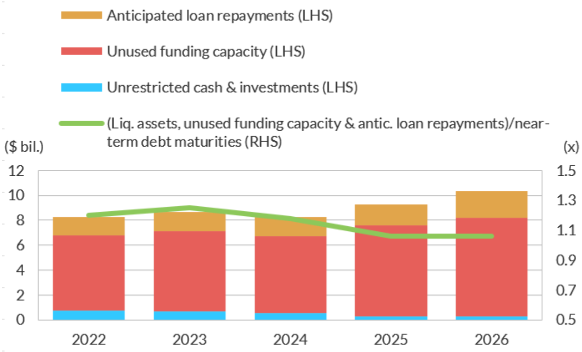
Years ended May 31



Note: CFC adjusted leverage for FYE 2025 and 2026 reflects the updated methodology.
Source: Fitch Ratings, National Rural Utilities Cooperative Finance Corporation

Liquidity Trends

Years ended May 31



Source: Fitch Ratings, National Rural Utilities Cooperative Finance Corporation

Appropriate Funding and Liquidity

Fitch believes CFC has demonstrated an ability to maintain appropriate funding sources through various cycles and has successfully diversified its funding base over time. At FYE 2026, unsecured debt as a percentage of total funding was 56%. Although this has increased modestly yoy, it is below that of similarly rated peers.

Fitch's analysis of CFC is heavily influenced by the company's ability to maintain sufficient liquidity to meet short- and long-term funding needs. At FYE 2026, CFC's liquidity resources included $280 million of unrestricted cash and investments and $7.9 billion of borrowing capacity on various committed, long-term credit facilities. Additionally, CFC has $2.2 billion of anticipated long-term loan repayments over the next 12 months. Liquidity (including loan repayments) covers $9.8 billion of debt maturities over the next 12 months by 1.1x, which Fitch views as adequate, although coverage has decreased from prior years, given the uptick in wholesale CP and the increase in long-term debt scheduled to mature in under 12 months.

Appendix: Discussion of CFC's Equity Base

As a cooperative, CFC's capital primarily comprises member-owned investment vehicles and retained earnings, which Fitch views as a rating constraint. This is especially important because CFC's earnings are low, due to its mission-oriented business model. Nevertheless, management and the board have shown willingness to improve earnings retention to strengthen CFC's capital base and reduce the company's leverage by adjusting its patronage capital policy.

Fitch applies the "Corporate Hybrids Treatment and Notching Criteria" to assess equity treatment given to CFC's various instruments and, in turn, to determine capital adequacy. This assessment is presented in the table below. All CFC capital instruments, except for outstanding subordinated deferrable debt, are held by system members and are subordinated, meaning they would incur the first loss before any nonmember instruments.

(As of FYE 2026)	$ mil.	Less: Maturing Under 5 Years	Net	Fitch Equity Credit (%)	Fitch Adjusted Equity
GAAP Equity	3,312.14	-	3,312.14	100	3,312.14
Membership Subordinated Certificates	627.27	3.25	624.02	100	624.02
Subordinated Deferrable Debt	1,310.28	-	1,310.28	50	655.14
Member Capital Securities	247.30	-	247.30	50	123.65
Total Equity	5,496.99				4,714.94
Loan and Guarantee Subordinated Certificates (LGSCs)	253.67	79.94	173.73	100	173.73
Total Fitch Adjusted Equity					**4,888.67**

(Based on Fitch's "Corporate Hybrids Treatment and Notching Criteria")
Source: Fitch Ratings, National Rural Utilities Cooperative Finance Corporation

Membership Subordinated Certificates

These instruments represent CFC's initial capitalization and were previously required to be purchased as a condition of membership. They are interest-bearing, unsecured and subordinated, with a weighted average interest rate of 4.96% at FYE 2026. They typically have an original maturity of 100 years. Fitch views these instruments as similar to non-cumulative perpetual preferred stock and assigns them 100% equity credit. Per Fitch criteria, amounts maturing in under five years do not receive equity credit.

Member Capital Securities

These instruments are offered to CFC voting members and are interest-bearing, unsecured obligations. The instruments are subordinated to senior and subordinated indebtedness held by nonmembers but rank proportionally to other member subordinated certificates. They mature 30 years from issuance and are callable at par beginning either five or 10 years after issuance. Payments, which are cumulative, can be deferred for up to five years. Fitch gives these instruments 50% equity credit, given their deep subordination and the cumulative nature of the interest in the event of deferral.

Loan and Guarantee Subordinated Certificates

Members who obtain long-term funding, certain short-term loans, lines of credit or guarantees may be required to purchase additional LGSCs based on the member's debt-to-equity leverage profile. The instruments are unsecured and subordinated, and may be interest-bearing or non-interest-bearing, with a weighted average interest rate of 3.03% at FYE 2026. The maturity of the LGSCs matches that of the financing received by the borrower, although some LGSCs also amortize annually based on the outstanding balance and are paid back as the member repays the loan.

LGSCs are included in capital without limitation under CFC's leverage covenant calculations. Fitch views these as a quasi-loan loss reserve. LGSCs are capable of offsetting any losses on loans to members before any other capital instruments, and this feature has been demonstrated over time.

Fitch assigns these instruments 100% equity credit, given their deep subordination and ability to absorb loan losses. However, treatment of LGSCs as equity is considered 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. Excluding the LGSCs, leverage would be 7.3x. Per Fitch criteria, amounts maturing in under five years do not receive equity credit.

Subordinated Deferrable Debt

These instruments are issued to nonmembers. They are subordinated to all senior debt and senior to all member-held instruments. They have maturities ranging between 29 and 45 years after issuance and include an option to defer coupons for up to five years, with interest accruing cumulatively. CFC may call these instruments at par beginning either five or 10 years after issuance. Fitch assigns these instruments 50% equity credit, given the deep subordination and the cumulative nature of interest in the event of deferral. During FY 2026, CFC redeemed $650 million of subordinated deferrable debt, which were effectively replaced with $150 million of 5.75% notes, $450 million of 5.95% notes and issuances out of the retail subordinated deferrable debt program. While the total balance of subordinated deferrable debt fell modestly yoy, Fitch considers these instruments to be a permanent part of the capital stack. Should Fitch no longer consider these instruments to be permanent in nature, Fitch would no longer grant equity credit to them.

Debt Ratings

Debt Ratings: National Rural Utilities Cooperative Finance Corporation

Rating level	Rating
Senior secured: long term	A+
Senior unsecured: long term	A
Senior unsecured: short term	F1
Subordinated: long term	BBB+

Source: Fitch Ratings

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 prospects 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 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 the 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.

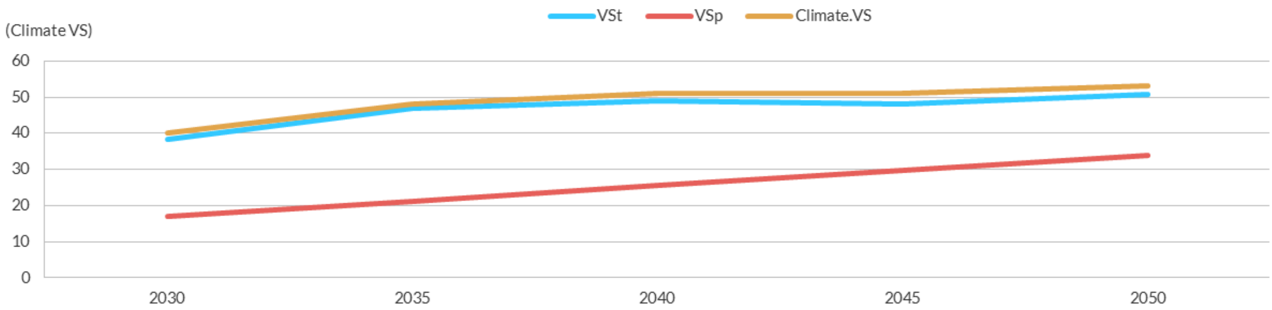
CFC's CP rating is sensitive to changes in the company's Short-Term IDR and would be expected to move in tandem.

Climate Vulnerability Considerations

Fitch uses Climate Vulnerability Signals (Climate.VS) as a screening tool to identify issuers whose credit profiles have a higher potential exposure to climate-related risks, and to subject those ratings to additional analysis and consideration in rating reviews. Climate.VS range from 0 (lowest risk) to 100 (highest risk).

The Climate.VS for CFC for 2035 is 48, which indicates that climate risk factors are not expected to materially affect the credit profile, but some adaptation may be needed. This reflects a transition risk (VSt) component signal of 47, and a physical risk (VSp) component signal of 21. Any potential effect on the rating may differ from the illustrative rating impact in the Climate.VS framework.

Climate Vulnerability Signals for National Rural Utilities Cooperative Finance Corporation



Source: Fitch Ratings

Environmental, Social and Governance Considerations

FitchRatings **National Rural Utilities Cooperative Finance Corporation** — NBFI Ratings Navigator

Credit-Relevant ESG Derivation

National Rural Utilities Cooperative Finance Corporation has 4 ESG potential rating drivers

Governance is minimally relevant to the rating and is not currently a driver.

			ESG Relevance to Credit Rating
key driver	0	issues	5
driver	0	issues	4
potential driver	4	issues	3
not a rating driver	6	issues	2
not a rating driver	4	issues	1

Environmental (E) Relevance Scores

General Issues	E Score	Sector-Specific Issues	Reference	E Relevance
GHG Emissions & Air Quality	2	Regulatory risks, emissions fines or compliance costs related to owned, financed or managed assets, which could impact asset demand, profitability, etc.	Sector Risk Operating Environment; Business Profile; Risk Profile; Asset Quality	5
Energy Management	2	Investments in or ownership of assets with below-average energy/fuel efficiency which could impact future valuation of these assets	Risk Profile; Asset Quality	4
Water & Wastewater Management	1	n.a.	n.a.	3
Waste & Hazardous Materials Management; Ecological Impacts	1	n.a.	n.a.	2
Exposure to Environmental Impacts	2	Impact of extreme weather events on assets and/or operations and corresponding risk profile & management; catastrophe risk; credit concentrations	Business Profile; Asset Quality	1

How to Read This Page

ESG relevance scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant to the credit rating and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the ESG general issues and the sector-specific issues that are most relevant to each industry group. Relevance scores are assigned to each sector-specific issue, signaling the credit-relevance of the sector-specific issues to the issuer's overall credit rating. The Criteria Reference column highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis. The vertical color bars are visualizations of the frequency of occurrence of the highest constituent relevance scores. They do not represent an aggregate of the relevance scores or aggregate ESG credit relevance.

The Credit-Relevant ESG Derivation table's far right column is a visualization of the frequency of occurrence of the highest ESG relevance scores across the combined E, S and G categories. The three columns to the left of ESG Relevance to Credit Rating summarize rating relevance and impact to credit from ESG issues. The box on the far left identifies any ESG Relevance Sub-factor issues that are drivers or potential drivers of the issuer's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the relevance score. All scores of '4' and '5' are assumed to reflect a negative impact unless indicated with a '+' sign for positive impact.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI), the Sustainability Accounting Standards Board (SASB), and the World Bank.

Social (S) Relevance Scores

General Issues	S Score	Sector-Specific Issues	Reference	S Relevance
Human Rights, Community Relations, Access & Affordability	1	n.a.	n.a.	5
Customer Welfare - Fair Messaging, Privacy & Data Security	2	Fair lending practices; pricing transparency; repossession/foreclosure/collection practices; consumer data protection; legal/regulatory fines stemming from any of the above	Sector Risk Operating Environment; Risk Profile; Asset Quality	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Business Profile; Management & Strategy; Earnings & Profitability; Capitalization & Leverage; Funding, Liquidity & Coverage	3
Employee Wellbeing	1	n.a.	n.a.	2
Exposure to Social Impacts	2	Shift in social or consumer preferences as a result of an institution's social positions, or social and/or political disapproval of core activities	Business Profile; Earnings & Profitability	1

Governance (G) Relevance Scores

General Issues	G Score	Sector-Specific Issues	Reference	G Relevance
Management Strategy	3	Operational implementation of strategy	Management & Strategy	5
Governance Structure	3	Board independence and effectiveness; ownership concentration; protection of creditor/stakeholder rights; legal /compliance risks; business continuity; key person risk; related party transactions	Management & Strategy	4
Group Structure	3	Organizational structure; appropriateness relative to business model; opacity; intra-group dynamics; ownership	Business Profile	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Management & Strategy	2
				1

CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

5	Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator.
4	Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator.
3	Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator.
2	Irrelevant to the entity rating but relevant to the sector.
1	Irrelevant to the entity rating and irrelevant to the sector.

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.

Financials

Income Statement

	2026	2025	2024	2023
($ mil.; Audited fiscal years ended May 31)				
Interest income	1,796.7	1,703.2	1,593.4	1,351.7
Interest expense	–1,494.9	–1,442.3	–1,339.1	–1,036.5

Net interest income	**301.8**	**261.0**	**254.3**	**315.2**
Benefit (provision) for loan losses	10.4	8.1	5.5	–0.6
Net interest income after benefit for loan losses	312.1	269.1	259.8	314.6
Fee and other income	28.7	23.6	22.8	18.1
Derivative gains (losses)	82.2	–5.9	392.0	285.8
Investment securities gains (losses)	1.1	5.7	10.8	–5.0
Total non-interest income	**112.0**	**23.4**	**425.6**	**299.0**
Salaries and employee benefits	–80.1	–72.2	–67.4	–59.0
Other general and administrative expenses	–73.8	–70.9	–59.0	–50.6
Other non-interest expense	–7.2	–9.2	–3.2	–1.6
Total non-interest expense	**–161.1**	**–152.3**	**–129.6**	**–111.2**
Income before taxes	263.1	**140.2**	**555.8**	**502.4**
Income tax expense	–0.3	–0.2	–1.5	–0.8
Net income	**262.7**	**140.0**	**554.3**	**501.6**
Less: Net income attributable to noncontrolling interests	–0.6	–0.3	–1.0	–0.1
Net income attributable to CFC	**262.1**	**139.7**	**553.3**	**501.5**

Source: Fitch Ratings, Fitch Solutions, National Rural Utilities Cooperative Finance Corporation

Balance Sheet

($ mil.; Audited fiscal years ended May 31)	**2026**	**2025**	**2024**	**2023**
Assets				
Cash, cash equivalents and restricted cash	257.4	143.1	288.3	207.2
Investment securities	42.2	124.9	318.2	510.4
Loans to members, net of allowance	38,392.2	37,039.4	34,493.6	32,479.0
Accrued interest receivable	265.0	270.2	190.2	172.7
Other receivables	26.7	24.4	29.2	31.2
Fixed assets, net of accumulated depreciation	75.6	81.7	85.1	86.0
Derivative assets	554.1	555.9	691.2	460.8
Other assets	91.2	85.5	81.8	64.7
Total assets	**39,704.3**	**38,325.0**	**36,177.8**	**34,012.1**
Liabilities				
Accrued interest payable	308.5	294.9	263.4	212.3
Short-term debt borrowings	5,159.8	5,091.4	4,332.7	4,546.3
Long-term debt borrowings	28,345.9	27,163.7	25,901.2	23,946.5
Subordinated deferrable debt	1,310.3	1,329.5	1,286.9	1,283.4
Membership subordinated certificates	627.3	628.6	628.6	628.6
Loan and guarantee subordinated certificates	253.7	309.9	322.9	348.3
Member capital securities	247.3	246.2	246.2	246.2
Deferred income	29.9	31.6	33.4	38.6
Derivative liabilities	31.4	51.4	81.0	115.1
Other liabilities	78.1	74.4	69.6	57.4
Total liabilities	**36,392.2**	**35,221.6**	**33,165.6**	**31,422.8**

Equity				
Retained equity	3,292.9	3,084.7	2,992.9	2,553.7
Accumulated other comprehensive income (loss)	–2.4	–2.2	–1.4	8.3
Noncontrolling interest	21.6	21.0	20.7	27.2
Total equity	**3,312.1**	**3,103.5**	**3,012.2**	**2,589.2**

Source: Fitch Ratings, Fitch Solutions, National Rural Utilities Cooperative Finance Corporation

Summary Analytics

(Fiscal years ended May 31)	2026	2025	2024	2023
Asset quality (%)				
Impaired loans to gross loans[a]	0.03	0.09	0.16	0.37
Earnings and profitability (%)				
Pretax ROAA	0.67	0.38	1.58	1.54
Adjusted TIER (x)	1.17	1.18	1.24	1.25
Capitalization and leverage				
Fitch-calculated tangible leverage, excl. LGSCs (x)	7.27	7.31	7.04	7.35
Fitch-calculated tangible leverage, incl. LGSCs (x)	7.03	6.96	6.69	6.76
CFC adjusted leverage (x)	7.46	7.39	7.27	6.04
Funding, liquidity and coverage (%)				
Unsecured debt/total debt	55.94	50.49	47.52	43.45
Liquidity to total assets	20.55	19.86	18.51	21.01
Liquidity sources to uses (x)	1.06	1.06	1.18	1.25
Unencumbered loans/total loans	49.79	44.65	38.01	35.31

[a]Loans with asset-specific allowance to gross loans.
Source: Fitch Ratings, Fitch Solutions, National Rural Utilities Cooperative Finance Corporation

Criteria Variations

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.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1

Sovereign Risk (United States of America)	
Long-Term Foreign-Currency IDR	AA+
Long-Term Local-Currency IDR	AA+
Country Ceiling	AAA

Outlooks	

Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Foreign-Currency IDR	Stable
Sovereign Long-Term Local-Currency IDR	Stable

ESG and Climate

Highest ESG Relevance Scores	
Environmental	2
Social	2
Governance	3

Climate Vulnerability
2035 Climate Vulnerability Signal: 48
Transition (VSt): 47
Physical (VSp): 21

Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (January 2025)
Corporate Hybrids Treatment and Notching Criteria (April 2025)
Financial Institutions Climate Vulnerability Rating Criteria (December 2025)

Related Research

Fitch Affirms National Rural's IDRs at 'A' and 'F1'; Outlook Stable (August 2026)
Global Economic Outlook — June 2026 (June 2026)
U.S. Public Power — Peer Credit Analysis (June 2026)
U.S. Public Power and Electric Cooperatives Outlook (December 2025)
North America Finance and Leasing Companies Outlook 2026 (November 2025)

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For information on the participation status in the rating process of an issuer listed in this report, please refer to the most recent rating action commentary for the relevant issuer, available on the Fitch Ratings website.

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