FitchRatings

Non-Bank Financial Institutions
Finance and Leasing
U.S.A.

National Rural Utilities Cooperative Finance Corporation

Key Rating Drivers

Strong Franchise and Unique Structure: National Rural Utilities Cooperative Finance Corporation's (CFC) ratings reflect its unique competitive position within the electric cooperative lending space, 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, a business model that results in modest earnings performance and an inability to access the equity capital markets.

Demonstrated Credit Track Record: CFC has a demonstrated track record in credit, recording very low credit losses over time. Over its entire 51-year operating history, the firm has experienced only 16 defaults and six losses in the electric utility portfolio, with net write-offs as a percentage of average loans amounting to just 0.77%. As of the fiscal year ended May 31, 2020 (FYE20), CFC had a nominal amount of accruing troubled debt restructurings and only one loan on non-accrual status, to a power supply borrower, representing 0.7% of total loans.

High Leverage: Fitch Ratings calculated leverage (debt to tangible equity) to be 10.2x at FYE20, up materially from 7.7x a year ago. Leverage is elevated given recent mark-to-market changes on CFC's derivatives, which is incorporated in CFC's current ratings. While Fitch views CFC's leverage as reasonable, given low portfolio credit risk and its ability and willingness to access subordinated deferrable debt markets to support growth, current leverage metrics are higher than similarly rated non-bank financial institutions and remain a rating constraint.

Modest Earnings Profile: Earnings on a pre-tax ROAA basis are very low when compared to similarly rated non-bank financial institutions. Fitch places greater emphasis on the company's adjusted times interest earned ratio (TIER), which has been consistent over time. Adjusted TIER amounted to 1.17x at FYE20, relatively consistent with 1.19x at FYE19. Given the company's strong asset quality and ability to adjust loan pricing, Fitch expects adjusted TIER to remain in excess of the firm's 1.1x target over time.

Rating Sensitivities

Limited Ratings Upside: Factors that could, individually or collectively, lead to a positive rating action/upgrade include a decline in leverage, approaching 5.0x on a Fitch-calculated basis, which is more consistent with Fitch's investment-grade benchmark for balance sheet heavy finance and leasing companies, and enhanced funding flexibility as evidenced by the lengthening of CFC's debt maturity profile.

Drift in Focus; Credit Deterioration: Factors that could, individually or collectively, lead to a negative rating action/downgrade include a perceived drift in focus, evidenced by an increased level of lending to sectors outside of its rural electric member base, a spike in nonperforming loans due to financial stress within the sector, indicating an inability to adapt to new legislation or an inability to pass along cost increases to end-users, an increase in the Fitch-calculated leverage metric sustained above 10.0x, and/or deterioration in the firm's liquidity profile.

Ratings

Foreign Currency	
Long-Term IDR	A
Short-Term IDR	F1
Commercial Paper	F1
Senior Secured	A+
Senior Unsecured	A
Subordinated	BBB+

Outlooks

Long-Term Foreign-Currency IDR	Stable

Applicable Criteria

Non-Bank Financial Institutions Rating Criteria (February 2020)

Corporate Hybrids Treatment and Notching Criteria (November 2019)

Related Research

Fitch Affirms National Rural's IDRs at 'A' and 'F1'; Outlook Stable (September 2020)

U.S. Public Power Peer Review Highlights Very Strong Financial Profile (June 2020)

Coronavirus Fallout to Lower Public Power Demand, Affordability (March 2020)

Financial Data

National Rural Utilities Cooperative Finance Corporation

($Mil.)	5/31/20	5/31/19
Total Loans	26,649	25,899
Total Debt	26,000	25,162
GAAP Equity	649	1,304
Net Interest Income	330	299

Analysts

Johann Juan
+1 312 368 3339
johann.juan@fitchratings.com

Bain K. Rumohr, CFA
+1 312 368 3153
bain.rumohr@fitchratings.com

Issuer Ratings (Including Main Issuing Entities)

Rating Level	Long-Term IDR	Short-Term IDR	Outlook
National Rural Utilities Cooperative Finance Corporation	A	F1	Stable

Source: Fitch Ratings.

According to Fitch's "Non-Bank Financial Institutions Rating Criteria," dated Feb. 28, 2020, 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 score is currently 'bbb'. Accordingly, Fitch CFC's Short-Term IDR is 'F1'.

Debt Rating Classes

Rating Level	Rating
Commercial Paper (CP)	F1
Senior Secured	A+
Senior Unsecured	A
Subordinated	BBB+

Source: Fitch Ratings.

The CP rating of 'F1' is equalized with the Short-Term IDR of 'F1'. CFC's CP rating is sensitive to changes in the firm's Short-Term IDR and would be expected to move in tandem.

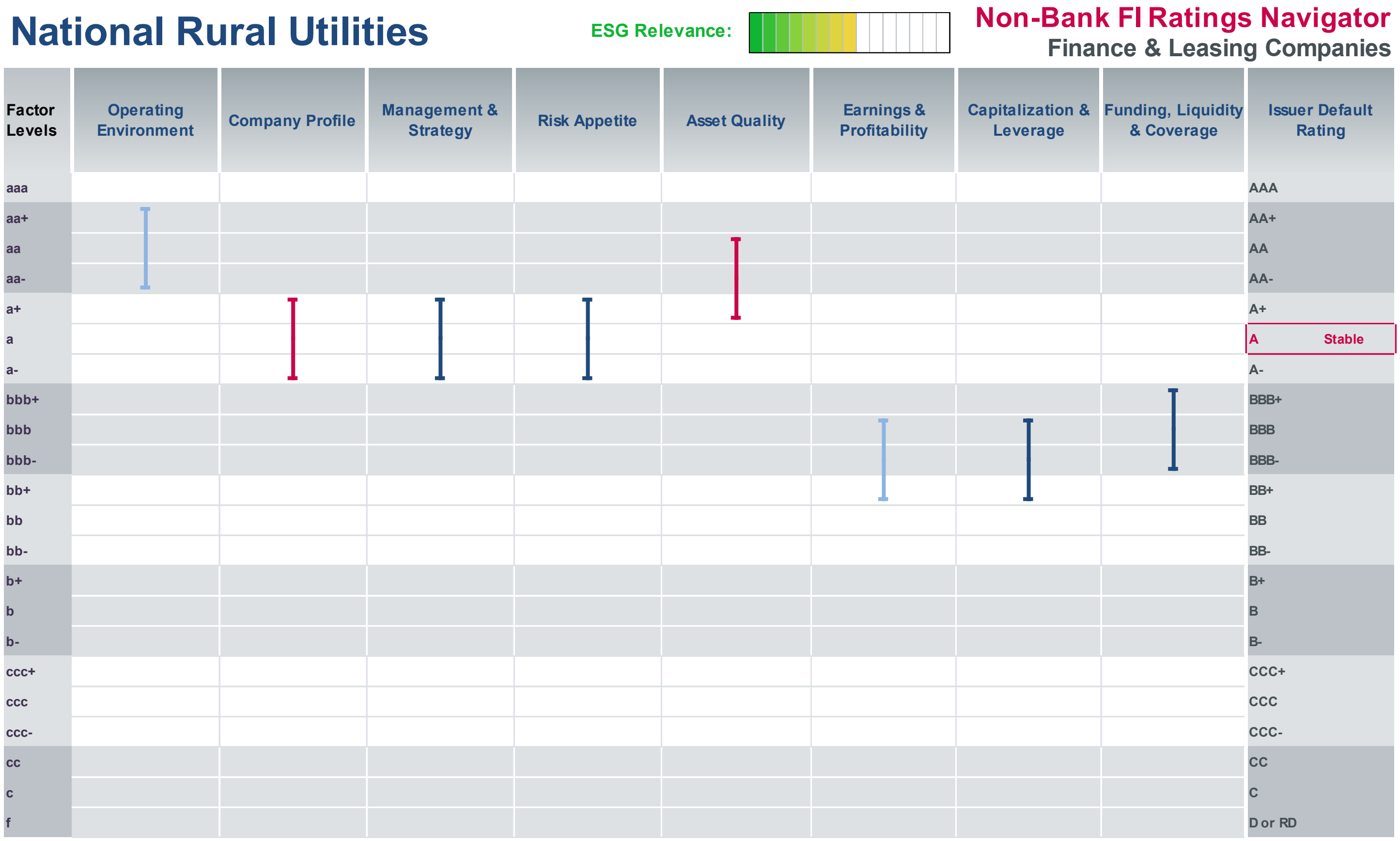
The senior secured debt ratings benefit from a one-notch uplift from the Long-Term IDR given the strong collateral coverage backing such notes and the good recovery prospects for debtholders under a stress scenario. CFC's collateral trust bonds (CTB) are backed by high-performing mortgage notes with strong, stable underlying hard assets and substitution requirements in the event of collateral underperformance.

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 under a stress scenario. Medium-term notes represent unsecured obligations that may be issued through dealers in the capital markets or directly to CFC's members.

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

The subordinated deferrable debt (SDD) ratings are two-notches below the Long-Term IDR due to the poor recovery prospects for debt holders in a stress scenario given their deep subordination to senior secured and senior unsecured debt. Nevertheless, Fitch believes these instruments would have higher recovery prospects than bank-issued debt, thus warranting narrower notching (two-notches) than a traditional hybrid instrument (up to three-notches). CFC's hybrid debt ratings are sensitive to changes in CFC's Long-Term IDR and would be expected to move in tandem.

Ratings Navigator



Significant Changes

Coronavirus Disruption Leads to Slow Recovery

Fitch's Global Economic Outlook (GEO), published Sept. 7, 2020, forecasted global GDP in 2020 to contract 4.4% — an improvement from a 4.6% contraction forecasted in June — noting that the initial phase of economic recovery from coronavirus-related lockdowns has been faster than expected. Even though the coronavirus has yet to be contained, Fitch's base case assumption assumes that major advanced economies will avoid renewed national lockdowns, but economic activity in the U.S. will not fully return to pre-virus levels until 4Q21.

Fitch believes that the coronavirus pandemic will have a modest impact on CFC's financial metrics over the medium term. Borrower-credit risks will remain elevated as declining levels of employment and household income, absent additional economic relief and stimulus, could negatively impact CFC's asset quality performance and coverage metrics. However, Fitch believes these risks are manageable, as CFC's borrowers operate in a defensive industry that has been historically resilient to economic downturns. Thus far, CFC has not experienced any delinquencies in scheduled loan payments and has not received any requests from borrowers for payment deferrals or covenant relief, which should support asset quality and coverage metrics in the current environment.

Inaugural Sustainability Bond Issuance

On Sept. 29, 2020, CFC launched a 10-year, $400 million, sustainability CTB that will be used to fund eligible broadband and renewable projects. This is the first issuance by CFC under its sustainability bond framework, which aims to improve access to essential services for underserved communities, increase renewable generation capacity, and other projects that align with the company's sustainable priorities.

Bar Chart Legend

Vertical bars – VR range of Rating Factor
Bar Colors – Influence on final VR
Higher influence
Moderate influence
Lower influence
Bar Arrows – Rating Factor Outlook
⇧ Positive ⇩ Negative
⇳ Evolving ▫ Stable

Company Summary and Key Qualitative Assessment Factors

Franchise Strengths; Growth in 100% Borrowers

CFC was formed in 1969 by its members, primarily rural cooperative electirc distributors and generation and transmission (G&T) systems. The company was organized to provide its members with a source of financing to supplement the Rural Utiltities Service's (RUS) lending program. Members at the time felt they needed more capital than the RUS could provide given continued population expansion in the rural U.S. Fitch notes that within the electric cooperative lending space, there are just three primary players: the U.S. government (through the RUS), the Farm Credit System (through CoBank ACB ['AA-'/Stable]) and CFC. Large G&T cooperatives can also access the capital markets for financing needs.

Fitch believes CFC has meaningful and unique franchise strengths and estimates that CFC garners over 20% of the U.S. electric cooperative lending market. The company continues to strengthen its franchise, as demonstrated by the number of borrowers that use CFC exclusively for long-term borrowing needs (100% borrowers), which increased to 245 at FYE20; up from 238 at FYE19 and 235 at FYE18.

Focus on Lending to Members

CFC's strategic objective is to focus on lending to electric utility cooperatives. As of FYE20, core members represented 99% of the total portfolio. Management has significantly reduced the exposure to telecommunication entities in recent years, which had been the cause of most of CFC's historical credit losses. They now represent just 1.4% of the total portfolio as of the same date. If there is a perceived drift in focus, evidenced by an increased level of lending to sectors outside of its rural electric member base, negative rating action would be likely.

Maintaining Diversified Funding

Another key focus for CFC is to diversify its funding sources over time, beyond capital market offerings of debt securities. Private funding programs with the Federal Financing Bank, under a guarantee from the RUS, and the Federal Agricultural Mortgage Corporation have become more prominent sources of funding in recent years given their reliability, flexibility, and cost. As of FYE20, capital markets funding (collateral trust bonds, non-member CP, medium-term notes, and subordinated deferable debt) represented 43%, of total funding compared to 84% in FYE03. Fitch views favorably CFC's economic access to diversified funding sources and reduced reliance on the wholesale debt markets.

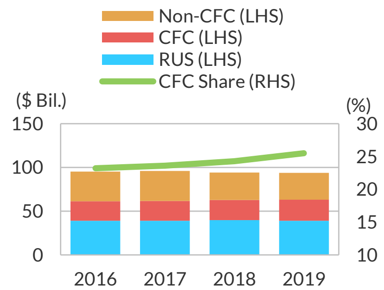
Strong Management Team; Current CEO to Retire

On July 23, 2020, CFC announced the planned retirement of its CEO, Sheldon C. Peterson in the first half of 2021, subject to the completion of a search for a successor. Mr. Peterson joined CFC in 1983 as an area representative, moving to headquarters in 1990, and served in his current role since 1995. During his tenure, the CFC loan portfolio increased from approximately $7 billion to nearly $27 billion. Fitch believes the senior management team is strong and has significant depth and experience at CFC and/or within the electric cooperative utility sector. Therefore, Mr. Peterson's retirement is believed to be neutral to CFC's ratings.

Exposure to Interest Rate Risk

In order to minimize interest rate risk, CFC utilizes plain vanilla swaps. CFC records all derivatives as either assets or liabilities and measures the fair value of the instruments each quarter-end with cash settlements included in interest expense when adjusted performance ratios are calculated. Changes in interest rates and the shape of the swap curve result in periodic fluctuations in the fair value of derivatives, which may cause volatility in earnings because CFC does not apply hedge accounting for the swaps. As a result, market to market changes in the interest rate swaps are recorded in earnings. Because the derivative portfolio consists of a higher proportion of pay-fixed swaps, the company generally records derivative losses when interest rates decline. To evaluate core operating performance, management uses non-GAAP measures, which exclude the impact of unrealized fair value gains and losses on the swaps.

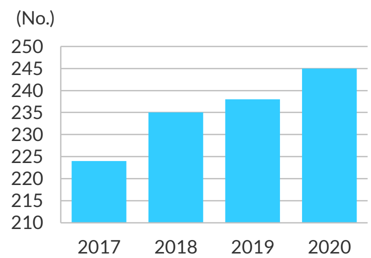
Financing Market Share



Source: Fitch Ratings, CFC.

CFC 100% Borrowers

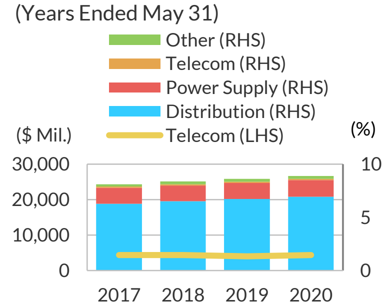
(Years Ended May 31)



Source: CFC.

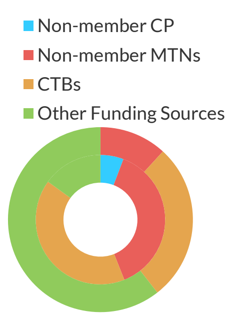
Loan Mix

(Years Ended May 31)



Source: Fitch Ratings, CFC.

Capital Markets Sources



Inner Ring – 2003. Outer Ring – 2020.
Source: Fitch Ratings, CFC.

Key Financial Metrics — Latest Developments

Solid Credit Risk Management; Low Credit Losses Over Time

CFC has a demonstrated track record in credit risk management, having recorded very low credit losses over time. Over CFC's 51-year operating history, the company has experienced only 16 defaults and six losses in the electric utility portfolio, with net-write offs representing 0.77% of average loans since inception, evidencing strong and stable lending, as well as solid credit risk management. As of FYE20, CFC had a nominal amount of accruing troubled debt restructurings and only one loan on non-accrual status, to a power supply borrower, representing 0.7% of total loans. Fitch expects management to maintain its strategic focus on rural electric cooperatives that provide essential electric services to end-users, which should support relatively stable asset quality performance over time.

Mission as a Cooperative Lender; Emphasis on Coverage Metrics for Earnings

Earnings and profitability metrics are low compared to similarly rated non-bank financial institutions, with pre-tax income as a percentage of average assets averaging 0.8% in fiscal years 2017-2020. Fitch believes earnings have a lower influence on the overall ratings as CFC's mission (and its members' expectation) is not to generate large profits, but instead to cover its cost of funding, cost of operations and its loan losses.

In fiscal 2020, CFC recorded a net loss of $589 million due largely to a shift in derivative fair value changes attributable to a decline in medium and longer-term interest rates. CFC's current ratings incorporate an expectation of potential period-to-period volatility in reported earnings given mark to market changes on derivatives. In its analysis of earnings, Fitch places a greater emphasis on the company's adjusted net income and TIER. These measures have been adequate and consistent with Fitch's expectations over time. CFC's adjusted TIER excludes from net income the impact of unrealized derivative forward fair value gains and losses and includes periodic cash derivative settlements in adjusted interest expense and net interest income. Adjusted TIER amounted to 1.17x at FYE20, relatively consistent with the prior year. Given the company's strong credit quality and ability to adequately price loans, Fitch expects the adjusted TIER to remain in excess of CFC's 1.1x target over time.

Relatively Stable Leverage

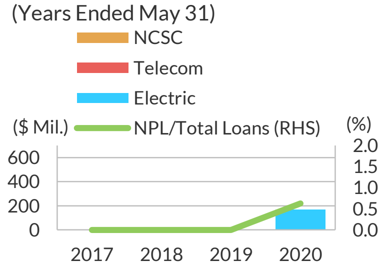
Fitch calculated CFC's leverage (debt to tangible equity) to be 10.2x at FYE20; up materially from 7.7x a year ago as Fitch's calculation includes derivative fair value changes. Leverage will be temporarily elevated given recent mark to market changes on CFC's derivatives, although this is incorporated in CFC's current ratings. While Fitch views CFC's leverage as reasonable given low portfolio credit risk and CFC's ability and willingness to access subordinated deferrable debt markets to support growth, CFC's current leverage metrics are higher than similarly rated non-bank financial institutions and remain a rating constraint. Fitch notes that the inclusion and treatment of loan and guarantee subordinated certificates (LGSC) as 100% equity in Fitch's leverage calculation is considered a variation to the agency's hybrid criteria because the LGSC have a contractual or implied maturity, more akin to a hybrid instrument, which would typically receive 50% equity credit (for more information, see Discussion of CFC's Equity Base).

CFC assesses its leverage based on an adjusted debt to equity calculation, which strips out derivative fair value changes, and treats all member-held subordinated certificates, and subordinated deferrable debt as 100% equity. Based on this treatment, CFC's adjusted leverage metric stood at 5.9x at FYE20, up modestly from 5.7x a year ago, due primarily to loan growth.

Sufficient Liquidity to Address Upcoming Debt Maturities

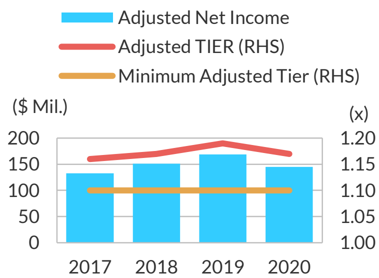
Fitch's analysis of CFC is heavily influenced by the firm's ability to maintain adequate liquidity to meet short- and long-term funding needs. At May 31, 2020, CFC had aggregate liquidity of $8.7 billion, comprised of $980 million of cash and investments and $6.1 billion of borrowing capacity on various credit facilities. Additionally, CFC had $1.7 billion of anticipated loan repayments over the next 12 months. Fitch believes CFC has sufficient liquidity, providing 1.4x coverage, to address the $6.0 billion of debt maturities over the next 12 months, as of FYE20.

Non-Performing Loans
(Years Ended May 31)



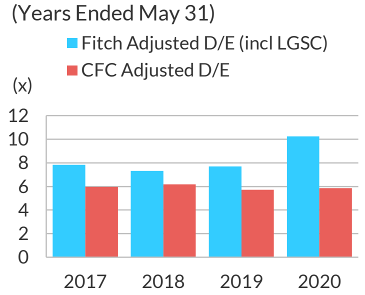
NCSC – National Cooperative Services Corporation.
Source: Fitch Ratings, CFC.

Operating Results
(Years Ended May 31)



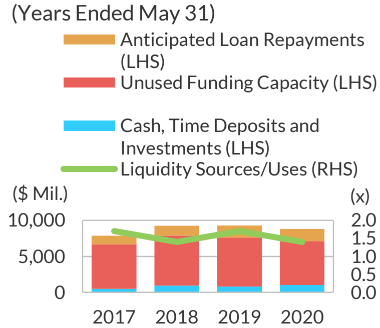
Source: Fitch Ratings, CFC.

Leverage Trends
(Years Ended May 31)



Source: Fitch Ratings, CFC.

Liquidity Management
(Years Ended May 31)



Source: Fitch Ratings, CFC.

Discussion of CFC's Equity Base

As a cooperative, CFC's capital generation is primarily derived from its members, through member-owned investment vehicles and retained earnings, a rating constraint in Fitch's view. This is especially important given CFC's earnings are low due to its mission-oriented business model. Still, management and the board have shown the willingness to improve earnings retention in order to improve the quality of CFC's capital and lower its leverage by adjusting the company's patronage capital policy in 2009.

In assessing the equity treatment given to CFC's various instruments (and thus determining capital adequacy), Fitch has applied its "Corporate Hybrids Treatment and Notching Criteria". The assessment is presented on this page.

It is important to note that all of CFC's capital instruments are held by system members, except for outstanding SDD. All of these instruments held by system members are subordinated, meaning they would take first loss before all other non-member instruments.

Subordinated Deferrable Debt

To supplement CFC's capital base, management has made the decision over the years to issue non-member SDD with the following attributes: subordinated to all senior debt; senior to all member-held subordinated instruments; at least a 30-year maturity from issuance; and ability to defer interest up to 20 quarters (five years), similar to member capital securities (10 consecutive semi-annual payments, or five years). During the deferral, interest continues to accrue on a cumulative basis. Based on Fitch's criteria, these instruments are given 50% equity credit given the deep subordination and the cumulative nature of the interest in the event of a deferral. The weighted average interest rate of the SDD was 5.11% at FYE20.

Membership Subordinated Certificates

These instruments represent the company's initial capitalization and were required to be purchased as a condition of membership. They are interest-bearing (weighted-average interest rate of 4.95% at FYE20) with an initial maturity of 100 years and are cumulative. Fitch believes membership subordinated certificates resemble perpetual preferred stock and they are given 100% equity credit in Fitch's analysis.

Member Capital Securities

The member capital securities program is an initiative started at the end of 2008 to raise additional capital from CFC's members and further entrench membership. These are interest-bearing (weighted average interest rate of 5.0% at FYE20) with a maturity of 35 years from issuance. Payments, which are cumulative, can be deferred for up to five years. These instruments have full offset rights in the event that a borrower defaults. According to Fitch's criteria, they are given 50% equity credit given the instrument's deep subordination and the cumulative nature of the interest in the event of a deferral.

Loan and Guarantee Subordinated Certificates (LGSC)

Borrowers that receive long-term funding, certain short-term loans, or guarantees from CFC are sometimes required to purchase additional LGSC with CFC based on the member's debt to equity ratio. These instruments are also subordinated to all other debt of CFC. The maturity of the LGSCs match that of the financing the borrower is receiving but some also amortize annually based on the outstanding balance, and paid back as the borrower repays the loan.

LGSC are included in capital without limitation under CFC's covenant calculations for leverage. Given the tenor of the certificates are not publicly disclosed, Fitch believes that it is difficult to assign pure equity credit to them. Instead, Fitch views them as a quasi-loan loss reserve. LGSCs have the ability to offset any losses of loans to members before any other capital instrument, and this feature has been demonstrated over time.

Fitch affords CFC's LGSC 100% equity credit given the instrument's deep subordination and ability to absorb loan losses. However, the treatment of the LGSC as equity is considered a variation to the hybrids criteria because the LGSC have a contractual, or implied maturity, more akin to a hybrid instrument.

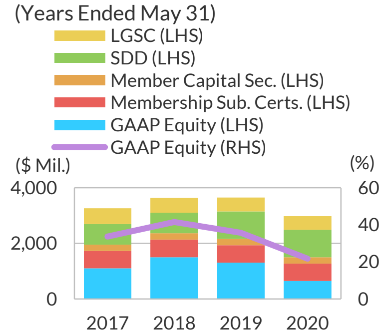
CFC's Equity Base

	FY20	Equity Credit (%)	Fitch Adj. Equity
GAAP Equity	649	100	649
SDD	986	50	493
Membership Sub. Certs.	630	100	630
Member Capital Sec.	226	50	113
LGSC	483	100	483
Total Fitch Adj. Equity	—	—	**2,368**

Source: Fitch Ratings, CFC.

Capitalization Trends

(Years Ended May 31)



Source: Fitch Ratings, CFC.

Environmental, Social and Governance Considerations

FitchRatings **National Rural Utilities** **Non-Bank FI Ratings Navigator** Finance & Leasing Companies

Credit-Relevant ESG Derivation

National Rural Utilities has 4 ESG potential rating drivers

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

			Overall ESG Scale
key driver	0	issues	5
driver	0	issues	4
potential driver	4	issues	3
not a rating driver	6	issues	2
	4	issues	1

Environmental (E)

General Issues	E Score	Sector-Specific Issues	Reference	E Scale
GHG Emissions & Air Quality	2	Regulatory risks, emissions fines or compliance costs related to owned equipment, which could impact asset demand, profitability, etc.	Operating Environment	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 Appetite	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 appetite & management; catastrophe risk; credit concentrations	Company Profile; Asset Quality	1

Social (S)

General Issues	S Score	Sector-Specific Issues	Reference	S Scale
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	Operating Environment; Risk Appetite; Asset Quality	4
Labor Relations & Practices	2	Impact of labor negotiations, including board/employee compensation and composition	Company 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	Company Profile; Earnings & Profitability	1

Governance (G)

General Issues	G Score	Sector-Specific Issues	Reference	G Scale
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	Company Profile	3
Financial Transparency	3	Quality and timing of financial reporting and auditing processes	Management & Strategy	2
				1

How to Read This Page
ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

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 Priniciples for Responsible Investing (PRI) and the Sustainability Accounting Standards Board(SASB).

Sector references in the scale definitions below refer to Sector as displayed in the Sector Details box on page 1 of the navigator.

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, if present, is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or to the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg.

Income Statement

($ Mil., Years Ended May 31)	2020 Audited — Unqualified	2019 Audited — Unqualified	2018 Audited — Unqualified	2017 Audited — Unqualified
Interest Income	1,151.3	1,135.7	1,077.4	1,036.6
Interest Expense	(821.1)	(836.2)	(792.7)	(741.7)
Net Interest Income	**330.2**	**299.5**	**284.6**	**294.9**
Benefit (Provision) for Loan Losses	(35.6)	1.3	18.6	(6.0)
Net Interest Income After Benefit for Loan Losses	294.6	300.7	303.2	288.9
Fee and Other Income	23.0	15.4	17.6	19.7
Derivative Gains (Losses)	(790.2)	(363.3)	231.7	94.9
Results of Operations of Foreclosed Assets	—	—	—	(1.7)
Investment Securities Gains (Losses)	9.4	(1.8)	—	—
Total Non-Interest Income	**(757.8)**	**(349.8)**	**249.3**	**112.9**
Salaries and Employee Benefits	(54.5)	(49.8)	(51.4)	(47.8)
Other General and Administrative Expenses	(46.6)	(43.3)	(39.5)	(38.5)
Gains (Losses) on Early Extinguishment of Debt	(0.7)	(7.1)	—	0.2
Other Non-Interest Expense	(25.6)	(1.7)	(1.9)	(1.9)
Total Non-Interest Expense	**(127.4)**	**(101.9)**	**(92.8)**	**(88.0)**
Income (Loss) Before Taxes	**(590.6)**	**(151.0)**	**459.7**	**313.8**
Income Tax Expense	1.2	(0.2)	(2.3)	(1.7)
Net Income (Loss)	**(589.4)**	**(151.2)**	**457.4**	**312.1**
Net (Income) Loss Attributable to Noncontrolling Interests	4.2	2.0	(2.2)	(2.2)
Net Income (Loss) Attributable To CFC	**(585.2)**	**(149.2)**	**455.2**	**309.9**

Source: Fitch Ratings, Fitch Solutions, CFC.

Balance Sheet

	2020		2019		2018		2017	
(Years Ended May 31)	($ Mil)	As a % of Assets	($ Mil)	As a % of Assets	($ Mil)	As a % of Assets	($ Mil)	As a % of Assets
Cash, Cash Equivalents and Restricted Cash	680.0	2.4	186.2	0.7	238.8	0.9	188.4	0.7
Time Deposits	—	—	—	—	100.0	0.4	226.0	0.9
Investment Securities	370.1	1.3	653.0	2.4	609.9	2.3	92.6	0.4
Loans to Members, Net of Allowance	26,649.3	94.6	25,899.4	95.5	25,159.8	94.3	24,329.7	96.5
Accrued Interest Receivable	117.1	0.4	133.6	0.5	127.4	0.5	111.5	0.4
Other Receivables	41.1	0.1	36.7	0.1	39.2	0.1	45.5	0.2
Fixed Assets, Net of Accumulated Depreciation	89.1	0.3	120.6	0.4	116.0	0.4	122.3	0.5
Derivative Assets	173.2	0.6	41.2	0.2	244.5	0.9	49.5	0.2
Other Assets	37.6	0.1	53.7	0.2	54.5	0.2	40.3	0.2
Total Assets	**28,157.6**	**100.0**	**27,124.4**	**100.0**	**26,690.2**	**100.0**	**25,205.7**	**100.0**
Accrued Interest Payable	139.6	0.5	159.0	0.6	149.3	0.6	137.5	0.5
Short-Term Debt Borrowings	3,962.0	14.1	3,607.7	13.3	3,795.9	14.2	3,342.9	13.3
Long-Term Debt Borrowings	19,712.0	70.0	19,210.8	70.8	18,715.0	70.1	17,955.6	71.2
Subordinate Deferrable Debt	986.1	3.5	986.0	3.6	742.4	2.8	742.3	2.9
Membership Subordinated Certificates	630.5	2.2	630.5	2.3	630.4	2.4	630.1	2.5
Loan and Guarantee Subordinated Certificates	483.0	1.7	505.5	1.9	528.4	2.0	567.8	2.3
Member Capital Securities	226.2	0.8	221.2	0.8	221.1	0.8	221.1	0.9
Deferred Income	59.3	0.2	58.0	0.2	65.9	0.2	74.0	0.3
Derivative Liabilities	1,258.5	4.5	31.7	0.1	275.9	1.0	385.3	1.5
Other Liabilities	51.7	0.2	50.1	0.2	60.0	0.2	50.3	0.2
Total Liabilities	**27,508.8**	**97.7**	**25,820.5**	**95.2**	**25,184.4**	**94.4**	**24,106.9**	**95.6**
Retained Equity	628.0	2.2	1,276.9	4.7	1,465.8	5.5	1,056.8	4.2
Accumulated Other Comprehensive Income (Loss)	(1.9)	(0.0)	(0.1)	(0.0)	8.5	0.0	13.2	0.1
Noncontrolling Interest	22.7	0.1	27.1	0.1	31.5	0.1	28.9	0.1
Total Equity	**648.8**	**2.3**	**1,303.9**	**4.8**	**1,505.9**	**5.6**	**1,098.8**	**4.4**
Total Liabilities and Equity	**28,157.6**	**100.0**	**27,124.4**	**100.0**	**26,690.2**	**100.0**	**25,205.7**	**100.0**

Source: Fitch Ratings, Fitch Solutions, CFC.

Summary Analytics

(%, Years Ended May 31)	**2020**	**2019**	**2018**	**2017**
Impaired Loan Ratio	0.7	0.1	0.1	0.1
Non-Performing Loans Ratio	0.6	—	—	—
ALLL Coverage (x)	0.3	1.5	1.5	2.8
Pre-Tax ROAA	(2.1)	(0.6)	1.8	1.3
Adjusted TIER	1.17	1.19	1.17	1.16
Operating Expense Ratio	0.4	0.4	0.4	0.4
Fitch-Calculated Tangible Leverage (x)	10.2	7.7	7.3	7.8
CFC Adjusted Leverage (x)	5.9	5.7	6.2	6.0
Unsecured Debt/Total Debt	36.0	37.0	37.0	35.0
Liquidity to Total Assets	22.6	27.0	28.2	24.9
Liquidity Sources to Uses (x)	1.4	1.7	1.4	1.7
Fixed-Charge Coverage (x)	0.3	0.8	1.6	1.4
Unencumbered Loans/Total Loans	26.4	27.1	27.9	26.3

ALLL – Allowance for lease and loan losses.
Source: Fitch Ratings, Fitch Solutions, CFC.

The ratings above were solicited and assigned or maintained at the request of the rated entity/issuer or a related third party. Any exceptions follow below.