First Nations Finance Authority

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This report does not constitute a rating action.

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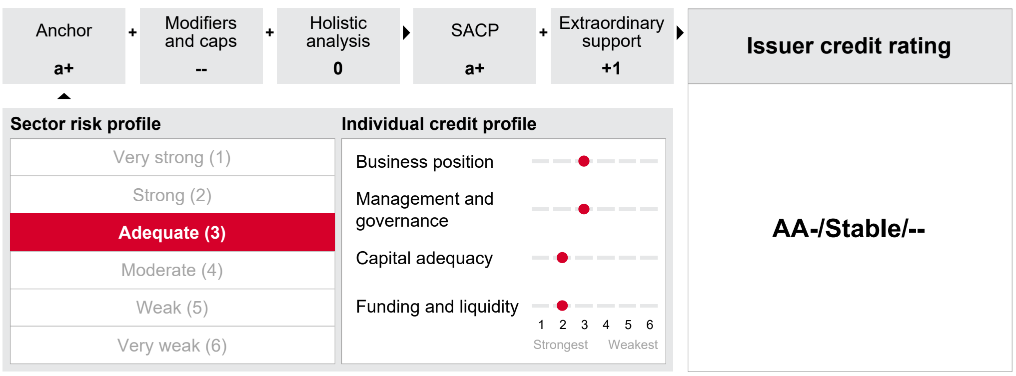
Ratings Score Snapshot



Credit Highlights

Overview

Key strengths	Key risks
Prudent risk management is underscored by conservative risk tolerance and revenue-intercept mechanisms, largely from Canadian federal or provincial sources.	Canadian First Nations' institutional framework remains somewhat weaker than that of other local and regional governments.
Strong liquidity is aided by rising annual surpluses, leading to operational self-sufficiency.	Although FNFA's market share is strengthening, it is still limited due to its shorter operating record compared with that of other rated public-sector funding agencies.
There is strong support from the federal government, given First Nations Finance Authority's (FNFA's) important public policy mandate to facilitate access to capital for First Nations.	

Outlook

The stable outlook reflects S&P Global Ratings' view that a strong intercept mechanism, the importance of FNFA's public policy role to the government, and prudent risk management practices balance the risk of FNFA's exposure to First Nations in Canada, which operate under an institutional framework that we view as weaker than that of other local and regional governments in the country.

Downside scenario

We could lower the rating over the next two years if there is a material deterioration in risk mitigation mechanisms, including a substantial decrease in the federal or provincial portion of secured revenue streams amid ongoing increases in borrowing members that are not replaced by equally stable revenue streams; or if asset quality significantly deteriorates, indicating higher underlying borrower risks or persistently weak underwriting decisions that would suggest weaker management and governance.

Upside scenario

We could raise the rating over the next two years if management strengthens its strategic positioning with a sustained track record in operating its business, indicating stronger management and governance while maintaining a strong liquidity position and robust asset quality.

Rationale

FNFA is a financial intermediary facilitating credit access for First Nations in Canada. The 'AA-' rating reflects our view of the authority's track record of lending to First Nations, prudent risk management, conservative structural mechanisms, and strong liquidity cushion. FNFA is strengthening its market position as the most important lender to First Nations communities in Canada for infrastructure, economic, and social development financing needs.

The rating is further supported by the high level of loan repayment revenue streams that do not depend on local economic conditions but are tied to the federal or provincial governments, which are underpinned by a stronger institutional framework and in our view, robust creditworthiness, as well as FNFA's remote data storage and the ability for its employees to work remotely during unforeseen environmental events like wildfire. We believe these factors will make the authority resilient to physical environmental risks, such as wildfires, which could be present in some areas of Canada where First Nations communities are located.

The rating further reflects our view that FNFA benefits from a moderately high likelihood of receiving extraordinary support from the federal government, resulting in a one-notch uplift to the stand-alone credit profile (SACP) and leading to the final 'AA-' rating. We believe the authority has a strong link with the federal government. We also believe FNFA plays an important role for the government via its statutory mandate and public policy role to facilitate First Nations’ access to capital.

Sector risk profile: FNFA's risk mitigation mechanisms offset the evolving and unbalanced institutional framework for Canadian First Nations

The institutional framework under which First Nations in Canada operate has historically been weaker than that of other local and regional governments in the country, in our view. The frequency and extent of reforms affecting the division of responsibility and revenue between First Nations and other levels of government has been evolving for more than a century. Historical and existing fiscal and legal structures have led to large socioeconomic gaps between First Nations and the rest of Canada, in part owing to weak equalization mechanisms. Therefore, we view the sector's economic resilience as somewhat weaker than that of Canada, particularly given the disparities in income per capita across First Nations. Nevertheless, reforms during the past decades all share the goal of addressing some of the system's historical weaknesses while increasing First Nations' access to capital and strengthening fiscal self-sufficiency.

We believe FNFA's structure of intercepted revenue mitigates the risk of lending exclusively to First Nations in Canada. Under this framework, First Nations borrowers pledge revenue streams that flow directly from the source to FNFA to cover loan payments, which FNFA prudently discounts to support repayments. Of note, more than 70% of this intercepted revenue is derived from federal or provincial sources--including gaming revenue, tobacco tax revenue and rebates, and forestry, fishery, and petroleum royalties--which benefit from more established institutional frameworks than First Nations. The remaining pledged revenue streams are from stable and strong businesses. Furthermore, a member is required to substitute a performing revenue stream for a nonperforming one, if necessary. The intercepted revenue structure offsets some of the weaknesses in the institutional framework for First Nations in Canada and is a positive factor for the overall creditworthiness of the authority, given that the Canadian federal government and provinces operate under a stronger institutional framework than First Nations in Canada. Additionally, FNFA's borrowing members (about one-third of total First Nations in Canada) have a stronger fiscal management framework than nonmember First Nations.

We anticipate that ongoing amendments to the First Nations Fiscal Management (FNFM) Act will expand the borrower pool and increase loan sizes to encompass larger-scale economic development equity projects. Although this expansion will likely increase the proportion of business-derived revenue, the new borrower pool will also potentially include organizations like Indigenous-owned special purpose vehicles (SPVs) backed by federal or provincial guarantees or both. Consequently, we expect the share of federal and provincial revenue streams will remain at or above 70% of total intercepted revenue over the next two years.

Individual credit profile: growing loan portfolio and adequate market position backed by prudent risk management and robust liquidity

FNFA's loan portfolio is growing, driven by First Nations' consistent demand for accessible affordable capital, resulting in higher frequency and sizes of loan requirements. As of June 4, 2026, the authority's loan portfolio exceeded C$5 billion, following average annual growth of about 27% in the past five years. This reinforces FNFA's importance as a lender to the sector and supports its market position, in our view. The authority is now the creditor of more than two-thirds of the debt of its members, up from less than one-third in 2017. At the same time, more than half of total First Nations communities in Canada have been scheduled to the FNFM Act, which is the first step to becoming an FNFA borrower. Of these, 52% have completed the process to become an FNFA borrowing member. Therefore, about one-third of total First Nations in Canada are FNFA borrowing members. The authority borrows in the capital markets and on-lends the proceeds exclusively to borrowing member First Nations.

FNFA was created by federal legislation, and although it is not an agent of the Government of Canada, it benefits from a strong and supportive relationship with Canada, in our view. We expect amendments to the FNFM Act will further support its business position, because it will expand its borrower pool to include modern treaty and self-governing First Nations, tribal councils, nonprofits serving Indigenous communities, and non-FNFA members through proposed lending to Indigenous-owned SPVs. The federal government funded the costs associated with these amendments, demonstrating continued support for FNFA, in our view.

We expect FNFA will remain operationally self-reliant, in line with its growing lending base. This is consistent with rising own-source revenue, led by net interest income and investment income. In fiscal year ended March 31, 2026, the authority's operating surplus exceeded operational funding from the federal government for the fourth consecutive year. As a result, the authority’s reliance on federal operational support is declining; therefore, it is less exposed to potential political risk, should government funding priorities shift.

We expect the authority's strong price position relative to that of its competitors will support healthy customer growth in the next several years, sustaining a trend that began when FNFA started lending. Historically, access to capital has been difficult for many First Nations. Although it has improved in recent years with more institutions now providing financing to First Nations, some impediments still exist, such as security or lenders' mandates. By statute, land or buildings on First Nations reserves cannot be pledged as collateral.

We believe FNFA's management demonstrates strong risk management policies and practices, and solid governance. We expect the authority's strategic positioning and organizational effectiveness will remain adequate as its staffing expands to accommodate the pace of growth. Management prepares an annual budget and internal loan portfolio and liquidity forecasts. Although FNFA is not subject to banking regulations or equivalent regulatory oversight, we believe management has instituted robust financial and risk management policies that mitigate key risks.

FNFA's prudent legislative framework mitigates lending risk, in our view. Under this framework, First Nations that want to borrow from the authority must receive a financial performance certificate from the First Nations Financial Management Board (FMB) indicating compliance with certain financial ratios, among other requirements. In addition, legislation establishes a mechanism to intercept revenue and secure loan payments. Borrowers irrevocably pledge revenue streams to support their debt service obligations. This revenue does not include the base grants that the federal government pays to all First Nations to fund essential services. The diversified sectoral and geographic source of these revenue streams limits the risk of physical environmental events affecting any single First Nations community. FNFA's remote information storage, virtual work capabilities, and national presence further mitigate the environmental risks to operations, in our view. If necessary, a member must substitute a performing revenue stream for a nonperforming one.

We view FNFA as a pass-through vehicle. As a result, given its not-for-profit nature, we view the authority's initial capital adequacy as adequate. However, we positively view FNFA's strong risk mitigation mechanisms. Its intercept mechanisms, conservative risk tolerance, solid underwriting standards, and intervention powers through FMB enhance the asset quality, leading to strong capital adequacy. The authority has never experienced defaults or arrears by borrowing members.

FNFA has two main sources of capital: a borrower-funded debt reserve fund (DRF) and the federal government-provided credit enhancement fund (CEF). As of March 31, 2026, the DRF and CEF stood at C$237.3 million and C$53.2 million, respectively. FNFA withholds 5% of each member's loan request in the DRF and is the first loss cushion for debt service nonpayment. Given FNFA’s strong operating performance and the growth of DRF, the CEF hasn’t required any contributions from the federal government since 2023. In the three years preceding 2023, the federal government contributed almost C$23 million.

FNFA also has access to a contingency fund--created by the federal government in fiscal 2022--to provide repayable financial support for the authority's borrowing members, should they face difficulties due to widespread economic shocks. The fund now holds C$40 million, with funding provided by Crown-Indigenous Relations and Northern Affairs Canada. In our view, fund usage is restricted and it is not available to absorb all losses, but only losses due to some events. Nevertheless, although no loans have been made from the fund to date, it could serve as an additional source of loss absorption, if drawn upon. We also believe the establishment of this fund further solidifies the federal government's support of FNFA.

The authority’s intervention power under the FNFM Act also supports asset quality. If a First Nation is unable or unwilling to meet its debt service obligations under its loan agreement or replenish any shortfalls in the DRF, the authority can invoke the statutory intervention provision. If the act is invoked, the FNFA, together with the FMB, can remove and replace the council of the defaulting First Nation, thereby gaining access to the nation's revenue, including those that cannot be pledged.

We view FNFA's overall funding and liquidity as strong, underpinned by the structural stability of funding and strong liquidity ratios, which will support the authority's creditworthiness.

The Canadian bond market, which we consider deep and diversified, provides 100% of FNFA's long-term funding. Although this reflects concentration of the authority's funding sources, we believe it is offset by relatively stable funding versus lending commitments. Investor diversification is also improving based on investor type and domicile. Although loan terms extend as long as 30 years, the bonds mature in a shorter time frame. The authority has sought to mitigate this mismatch by adjusting its relending rates upon debt refinancing, sinking funds, and revenue intercept mechanisms, among other measures.

In addition to its other liquid funds as well as cash and cash equivalents, the authority held about C$315.5 million in sinking funds as of March 31, 2026. FNFA's one-year liquidity and funding ratios for the period were 1.25x and 1.12x, respectively, consistent with strong historical trends. We expect the ratios will remain well above 1.0x, in line with historical levels.

We believe FNFA’s market activity indicates continued successful access to the market. The authority has issued 16 debentures so far and issued its largest debenture to date of C$800 million in June this year. FNFA's liquidity is also bolstered by the DRF. In addition, since late 2021, FNFA has operated a commercial paper program for a maximum amount outstanding of C$1.4 million, which is fully backed by a revolving credit facility with a syndicate of Canadian chartered banks. The program, used to finance FNFA's interim loans, has been upsized twice in 2026 and 2024 from its initial size of C$400 million.

Moderately high likelihood of support from the federal government in a stress scenario

The rating also incorporates our assessment of the moderately high likelihood that the federal government would provide FNFA with timely and sufficient extraordinary support in the event of financial distress. This leads to a one-notch uplift from the 'a+' SACP on the authority and a final 'AA-' rating. Most recently, there have been increased government initiatives in collaboration with FNFA to support First Nations communities and increase their access to capital. These include, but are not limited to increased funding in the federal loan guarantee program to C$10 billion from C$5 billion in April 2025; a pilot project to explore monetization of federal transfers into upfront capital through FNFA to address critical housing and infrastructure needs to support First Nations; the potential to allow FNFA lending to Indigenous-owned SPVs; and a C$100 million surety bonding backstop to help Indigenous contractors on reserves overcome legal barriers and competitively bid on public infrastructure and procurement projects. This further supports our view that the federal government remains supportive of FNFA’s policy role.

We base this assessment on our view of FNFA's:

- Strong link with the federal government, which the government's ongoing support for the authority's operations demonstrates; and
- Important role through its statutory mandate and public policy role to facilitate First Nations' access to capital. Also supporting our assessment of the authority's important role is the political visibility of First Nations' issues, and the considerable need for capital on First Nations' land.

First Nations Finance Authority--selected indicators

	--Fiscal year ended March 31--				
(Mil. C$)	**2026**	**2025**	**2024**	**2023**	**2022**
Business position					
Total adjusted assets	5,565	4,208	2,773	2,335	2,292
Customer loans (gross)	3,900	2,963	1,908	1,677	1,541
Growth in loans (%)	31.63	55.3	13.8	8.8	24.8
Net interest revenues	14.6	9.7	5.5	4.8	4.4
Noninterest expenses	21.9	13.4	10.0	8.5	4.9
Capital and risk position					
Total liabilities	5,425	4,081	2,656	2,226	2,190
Total adjusted capital	291	231	172	154	140
Assets/capital	19.2	18.2	16.1	15.1	16.4
Funding and liquidity*					
Liquidity ratio with loan disbursement (1 year)	1.3	1.2	1.0	1.5	1.5
Liquidity ratio without loan disbursement (1 year)	1.3	1.2	1.0	1.5	1.5
Funding ratio (1 year)	1.1	1.2	0.9	1.3	1.4

*Funding and liquidity ratios: Includes undrawn portion of credit facility. Funding ratio is without loan disbursements.

Rating Component Scores

First Nations Finance Authority--rating component scores

Sector risk profile	Adequate
Business position	3
Management and governance	3
Capital adequacy	2
Funding and liquidity	2
Anchor	a+
Modifiers and caps	--
Holistic analysis	0
SACP	a+
Extraordinary support	+1
Issuer credit rating	AA-

SACP--Stand-alone credit profile.

Related Criteria

- Criteria | Governments | International Public Finance: Methodology For Rating Non-U.S. Public-Sector Funding Agencies , July 26, 2024
- General Criteria: Environmental, Social, And Governance Principles In Credit Ratings , Oct. 10, 2021
- General Criteria: Rating Government-Related Entities: Methodology And Assumptions , March 25, 2015
- General Criteria: Principles Of Credit Ratings , Feb. 16, 2011

Related Research

- Key Takeaways Following Update Of Criteria For Non-U.S. Public-Sector Funding Agencies, June 17, 2025
- S&P Global Ratings Definitions, Dec. 16, 2025

Ratings Detail (as of August 18, 2026)*

First Nations Finance Authority	
Issuer Credit Rating	AA-/Stable/--
Senior Secured	AA-
Issuer Credit Ratings History	
21-Aug-2024	AA-/Stable/--
22-Aug-2022	A+/Positive/--
03-Aug-2018	A+/Stable/--

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.