

## KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
Net interest income	\$ 407	\$ 386	\$ 1,297	\$ 1,144
(Loan loss reversal) Provision for loan losses	(50)	4	5	46
Noninterest income	48	71	194	224
Operating expenses	120	104	354	305
Net income	354	309	1,036	904

  

BALANCE SHEET (period-end)	September 30, 2021	December 31, 2020
Total loans	\$ 119,056	\$ 120,856
Total assets	154,774	158,586
Shareholders' equity	11,990	11,910

  

PROFITABILITY METRICS	Nine months ended September 30,	
	2021	2020
Net interest margin	1.11%	1.05%
Return on average common equity	12.48%	11.40%
Return on average assets	0.87%	0.80%
Operating expense ratio	19.28%	21.09%

## HIGHLIGHTS

- Average loan volume increased 7% in Q3 and 11% YTD with loans outstanding totaling \$119.1 billion
  - Loan growth occurred predominantly in lending to grain and farm supply cooperatives in our Agribusiness operating segment, affiliated Associations in our Farm Credit Banking operating segment and rural power and electric distribution customers in our Rural Infrastructure operating segment
- Net income for Q3 was \$354.2 million compared to \$308.8 million in Q3 2020. Net income for the first nine months was \$1.0 billion compared to \$904.0 million in the same period last year
  - The 15% increase in the first nine months resulted primarily from an increase in net interest income and lower provisions for loan losses and income taxes somewhat offset by an increase in operating expenses and a decrease in noninterest income in the 2021 period
- Agribusiness and Rural Infrastructure YTD net income increased, while Farm Credit Banking YTD net income decreased slightly due to lower net interest income and lower non-interest income
- Net interest income for Q3 and YTD increased 6% to \$407.1 million and 13% to \$1.3 billion, respectively, driven by higher average loan volume, including increased levels of lending to many grain and farm supply cooperatives in our Agribusiness operating segment, higher earnings on balance sheet positioning and an improvement in lending spreads in most lending portfolios
- Net interest margin YTD improved to 1.11% driven by higher lending spreads in our loan portfolio resulting primarily from changes in asset mix, including increased lending to higher spread Agribusiness customers

## OPERATING SEGMENTS

(\$ in millions)

Three months ended September 30,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2021	2020	2021	2020	2021	2020
Average loan volume	\$ 34,049	\$ 31,195	\$ 24,377	\$ 23,441	\$ 61,080	\$ 56,940
Net income	188	141	106	104	60	64

  

Nine months ended September 30,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2021	2020	2021	2020	2021	2020
Average loan volume	\$ 38,358	\$ 32,881	\$ 24,377	\$ 22,639	\$ 60,501	\$ 55,627
Net income	549	422	302	291	185	191

  

Period-end loan volume	September 30, 2021	December 31, 2020
	\$ 32,142	\$ 36,103

## CEO & CFO COMMENTARY

“Following a strong first half of 2021, we are pleased to report that CoBank recorded another period of strong financial and business performance in the third quarter of 2021. We achieved exceptional increases in net income for the quarter and year to date periods driven by continuing strong demand for credit across the industries we finance, improved spreads and other factors. We also benefited from a significant loan loss reversal during the third quarter, along with continuing strong credit quality across our entire portfolio.”

– Thomas Halverson, President and CEO, CoBank

“Credit quality in our loan portfolio remains strong across multiple measures. At quarter end, over 95% of our commercial loans were classified as acceptable, the highest category for credit quality.”

– David Burlage, CFO, CoBank

- Loan loss reversal was \$50.0 million in Q3 due to paydowns of seasonal Agribusiness loan volume. Provision for loan losses YTD was \$5.0 million compared to \$46.0 million in the same period last year due to a decrease in COVID-19 reserves partially offset by higher specific reserves in our Rural Infrastructure segment
- Operating expenses YTD increased \$48.9 million primarily driven by an increase in insurance fund premium expense
- As of September 30, 2021 and 2020, we had 1,085 and 1,138 employees, respectively
- Capital and liquidity levels were in excess of regulatory minimums established by the Farm Credit Administration, the bank's independent regulator, as of September 30, 2021
  - Total capital ratio was 15.75%, compared with the 8.0% minimum
  - 178 days of liquidity, compared with the 90-day minimum

## NET INTEREST MARGIN AND NET INTEREST INCOME

Net interest income increased \$152.9 million to \$1.297 billion for the nine months ended September 30, 2021, compared to \$1.144 billion for the same prior-year period. The 13% increase in net interest income for the nine month period was driven by higher average loan volume, including increased levels of lending to many grain and farm supply cooperatives in our Agribusiness operating segment, higher earnings on balance sheet positioning and an improvement in lending spreads in most lending portfolios. Net interest margin improved to 1.11% for the first nine months of 2021 compared to 1.05% for the same period in 2020. The increase in net interest margin was driven by higher lending spreads in our loan portfolio which is due in part to changes in asset mix during the current period, including increased lending to Agribusiness customers which carry higher spreads than many of our other lending portfolios.

### Net Interest Margin and Net Interest Income

Nine months ended (\$ in millions)	September 30, 2021			September 30, 2020		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
<b>Interest earning assets</b>						
Loans	\$ 123,236	1.99%	\$ 1,832	\$ 111,147	2.54%	\$ 2,117
Investments	33,154	1.34%	332	34,605	1.74%	452
Total	156,390	1.85%	2,164	145,752	2.35%	2,569
<b>Interest bearing liabilities</b>	144,496	0.80%	867	136,156	1.39%	1,425
<b>Interest rate spread</b>		1.05%			0.96%	
Impact of equity financing	11,940	0.06%		11,353	0.09%	
<b>Net interest margin &amp; net interest income</b>		1.11%	\$ 1,297		1.05%	\$ 1,144

## CREDIT QUALITY

Our overall loan quality measures remain strong at September 30, 2021. Special Mention loans and accrued interest improved to 1.31 percent of total loans and accrued interest at September 30, 2021 compared to 3.06 percent at December 31, 2020 primarily due to improved credit quality classification of a wholesale loan to one of our affiliated Associations. The level of adversely classified loans (“Substandard”, “Doubtful” and “Loss”) and related accrued interest as a percent of total loans and accrued interest increased to 0.69 percent at September 30, 2021, compared to 0.54 percent at December 31, 2020 due to slight deterioration in credit quality for a small number of customers in our Agribusiness and Rural Infrastructure operating segments. We believe credit quality deterioration in the future is possible due to market factors impacting our customers, including an ongoing volatile agricultural commodity price environment, supply chain, labor and other challenges as the economy recovers, weather related events and uncertainties associated with changing government policies. In addition, concentrations within our loan portfolio can cause the level of our loan quality, nonaccrual loans, charge-offs and provisions for loan losses or loan loss reversals to vary significantly from period to period.

### Loan Quality Ratios

	September 30, 2021			December 31, 2020		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	100.00%	95.79%	98.00%	97.08%	95.73%	96.40%
Special Mention	-	2.75%	1.31%	2.92%	3.20%	3.06%
Substandard	-	1.46%	0.69%	-	1.05%	0.53%
Doubtful	-	-*	-*	-	0.02%	0.01%
Loss	-	-	-	-	-	-
<b>Total</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

\*Represents less than 0.01 percent of total bank loans and accrued interest

## BALANCE SHEET INFORMATION

(period-end)

(\$ in millions)

	September 30, 2021 (Unaudited)	December 31, 2020
Loans	\$ 119,056	\$ 120,856
Less: Allowance for loan losses	632	636
Net loans	118,424	120,220
Cash and cash equivalents	547	2,335
Federal funds sold and other overnight funds	700	835
Investment securities	33,183	32,825
Interest rate swaps and other derivatives	527	878
Accrued interest receivable and other assets	1,393	1,493
Total assets	\$ 154,774	\$ 158,586
Bonds and notes	\$ 140,081	\$ 143,384
Interest rate swaps and other derivatives	398	610
Reserve for unfunded commitments	115	97
Partonage payable	473	617
Accrued interest payable and other liabilities	1,717	1,968
Total liabilities	142,784	146,676
Shareholders' equity	11,990	11,910
Total liabilities and shareholders' equity	\$ 154,774	\$ 158,586

## STATEMENT OF INCOME INFORMATION

(\$ in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2021 (Unaudited)	2020 (Unaudited)	2021 (Unaudited)	2020 (Unaudited)
Interest income	\$ 688	\$ 734	\$ 2,164	\$ 2,569
Interest expense	281	348	867	1,425
Net interest income	407	386	1,297	1,144
(Loan loss reversal) Provision for loan losses	(50)	4	5	46
Net interest income after (loan loss reversal) provision for loan losses	457	382	1,292	1,098
Noninterest income	48	71	194	224
Operating expenses	120	104	354	305
Provision for income taxes	31	40	96	113
Net income	\$ 354	\$ 309	\$ 1,036	\$ 904

## FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this news release that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual results may differ materially and adversely from our expectations expressed in any forward-looking statements. Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project,” “target,” “may,” “will,” “should,” “would,” “could,” or similar expressions. Although we believe that the information expressed or implied in such forward-looking statements is reasonable, we can give no assurance that such projections and expectations will be realized or the extent to which a particular plan, projection or expectation may be realized.

These forward-looking statements are based on current knowledge and subject to risks and uncertainties. We encourage you to read our Annual Report and Quarterly Reports located on the bank’s website at [www.cobank.com](http://www.cobank.com). We undertake no obligation to revise or publicly update our forward-looking statements for any reason.

## ABOUT COBANK

CoBank is a \$155 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 75,000 farmers, ranchers and other rural borrowers in 23 states around the country. CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture, rural infrastructure and rural communities. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit [www.cobank.com](http://www.cobank.com).

## MEDIA CONTACT

**Julie Davis**

Director, Corporate Communications

202-215-1354

[judavis@cobank.com](mailto:judavis@cobank.com)