

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
Net interest income	\$ 447	\$ 375	\$ 890	\$ 759
Provision for loan losses	-	16	55	42
Noninterest income	64	80	146	152
Operating expenses	122	101	234	201
Net income	358	301	682	595

BALANCE SHEET (period-end)	June 30, 2021	December 31, 2020
Total loans	\$ 121,316	\$ 120,856
Total assets	157,786	158,586
Shareholders' equity	11,901	11,910

PROFITABILITY METRICS	Six months ended June 30,	
	2021	2020
Net interest margin	1.14%	1.05%
Return on average common equity	12.46%	11.46%
Return on average assets	0.86%	0.80%
Operating expense ratio	18.55%	21.18%

HIGHLIGHTS

■ Average loan volume rose 11% in Q2 and 13% YTD with loans outstanding totaling \$121.3 billion

- Loan growth was driven by higher lending to grain and farm supply cooperatives in the Agribusiness segment, increased lending to affiliated associations in the Farm Credit Banking segment, and higher loan volume from rural energy and electric distribution borrowers in the Rural Infrastructure segment

■ Net income for Q2 was \$358.3 million compared to \$301.1 million in Q2 2020. Net income for the first six months was \$682.3 million compared to \$595.2 million in the same period last year

- The 15% increase in the first six months resulted primarily from an increase in net interest income, somewhat offset by an increase in operating

expenses, a higher provision for loan losses and a decrease in noninterest income

- Agribusiness and Rural Infrastructure YTD net income increased, while Farm Credit Banking YTD net income decreased slightly due to higher losses on extinguishments of debt

■ Net interest income for Q2 and YTD increased 19% to \$447.0 million and 17% to \$890.1 million, respectively, driven by higher average loan volume, higher earnings on balance sheet positioning and an improvement in lending spreads in most lending portfolios

■ Net interest margin YTD improved to 1.14%, driven by higher lending spreads in our loan portfolio resulting primarily from changes in asset mix, including increased lending to higher spread agribusiness customers

CEO & CFO COMMENTARY

“CoBank recorded another period of strong performance in Q2 2021. Lending increased across all three of our operating segments, while earnings, credit quality and capital remained strong. The rural economy is benefiting as U.S. economic growth rebounds, driving higher levels of spending and investment by businesses and consumers. CoBank is well-positioned to meet increased demand for credit from our customers and to assist them in their transition into a post-pandemic operating environment.”

– Thomas Halverson, President and CEO, CoBank

“We are pleased that overall credit quality in our loan portfolio remains strong across multiple measures. As a mission-based lender, we remain committed to standing by our customers in all market conditions while preserving CoBank’s financial strength and flexibility for the long term.”

– David Burlage, CFO, CoBank

■ Provision for loan losses YTD was \$55.0 million, driven by increased lending activity in the Agribusiness segment and higher specific reserves related to a limited number of customers in the Rural Infrastructure segment

■ Operating expenses YTD increased \$33.7 million primarily driven by an increase in insurance fund premium expense

- As of June 30, 2021 and 2020, we had 1,117 and 1,160 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 June 30, 2021

- Total capital ratio was 14.73%, compared with the 8.0% minimum
- 187 days of liquidity, compared with the 90-day minimum

OPERATING SEGMENTS

(\$ in millions)

	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2021	2020	2021	2020	2021	2020
Three months ended June 30,						
Average loan volume	\$ 39,459	\$ 32,825	\$ 24,417	\$ 22,891	\$ 60,504	\$ 56,014
Net income	196	137	106	96	56	68
Six months ended June 30,						
Average loan volume	\$ 40,548	\$ 33,733	\$ 24,378	\$ 22,233	\$ 60,206	\$ 54,964
Net income	361	281	196	187	125	127
Period-end loan volume June 30, 2021 and December 31, 2020	\$ 36,522	\$ 36,103	\$ 24,346	\$ 24,237	\$ 60,448	\$ 60,516

NET INTEREST MARGIN AND NET INTEREST INCOME

Net interest income increased \$131.5 million to \$890.1 million for the six months ended June 30, 2021, compared to \$758.6 million for the same prior-year period. The 17% increase in net interest income for the six month period was primarily 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 1.14% for the first six 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

Six months ended (\$ in millions)	June 30, 2021			June 30, 2020		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 125,132	2.01%	\$ 1,250	\$ 110,930	2.74%	\$ 1,516
Investments	32,977	1.38%	225	34,126	1.88%	320
Total	158,109	1.88%	1,475	145,056	2.54%	1,836
Interest bearing liabilities	146,398	0.80%	585	136,763	1.58%	1,077
Interest rate spread		1.08%			0.96%	
Impact of equity financing	11,880	0.06%		11,191	0.09%	
Net interest margin & net interest income		1.14%	\$ 890		1.05%	\$ 759

CREDIT QUALITY

Our overall loan quality measures remain strong at June 30, 2021. Special Mention loans ("OAEM") and accrued interest, excluding wholesale loans to Associations, were 2.90% of total loans and accrued interest at June 30, 2021 compared to 3.20% at December 31, 2020. 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% at June 30, 2021, compared to 0.54% at December 31, 2020. While the overall credit quality of our loan portfolio remains strong, we experienced slight deterioration during the first half of 2021. We believe further credit quality deterioration in the future is possible due to market factors impacting our customers, including an ongoing volatile agricultural commodity price environment, trade disputes among the United States and its trading partners, 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

	June 30, 2021			December 31, 2020		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.56%	95.72%	96.64%	97.08%	95.73%	96.40%
OAEM	2.44%	2.90%	2.67%	2.92%	3.20%	3.06%
Substandard	-	1.38%	0.69%	-	1.05%	0.53%
Doubtful	-	⁽¹⁾	⁽¹⁾	-	0.02%	0.01%
Loss	-	-	-	-	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

⁽¹⁾Represents less than 0.01 percent

BALANCE SHEET INFORMATION

(period-end)

(\$ in millions)

	June 30, 2021	December 31, 2020
	(Unaudited)	
Loans	\$ 121,316	\$ 120,856
Less: Allowance for loan losses	693	636
Net loans	120,623	120,220
Cash and cash equivalents	682	2,335
Federal funds sold and other overnight funds	2,100	835
Investment securities	32,500	32,825
Interest rate swaps and other derivatives	588	878
Accrued interest receivable and other assets	1,293	1,493
Total assets	\$ 157,786	\$ 158,586
Bonds and notes	\$ 143,680	\$ 143,384
Interest rate swaps and other derivatives	434	610
Reserve for unfunded commitments	101	97
Patronage payable	323	617
Accrued interest payable and other liabilities	1,347	1,968
Total liabilities	145,885	146,676
Shareholders' equity	11,901	11,910
Total liabilities and shareholders' equity	\$ 157,786	\$ 158,586

STATEMENT OF INCOME INFORMATION

(\$ in millions)

	Three months ended June 30,		Six months ended June 30,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	\$ 731	\$ 807	\$ 1,475	\$ 1,836
Interest expense	284	432	585	1,077
Net interest income	447	375	890	759
Provision for loan losses	-	16	55	42
Net interest income after provision for loan losses	447	359	835	717
Noninterest income	64	80	146	152
Operating expenses	122	101	234	201
Provision for income taxes	31	37	65	73
Net income	\$ 358	\$ 301	\$ 682	\$ 595

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. We undertake no obligation to revise or publicly update our forward-looking statements for any reason.

ABOUT COBANK

CoBank is a \$158 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.

MEDIA CONTACT

Julie Davis

Director, Corporate Communications

202-215-1354

judavis@cobank.com