

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
Net interest income	\$ 429	\$ 422	\$ 1,726	\$ 1,567
Provision for loan losses/ (loan loss reversal)	13	(25)	18	21
Noninterest income	4	58	199	282
Operating expenses	136	129	491	435
Provision for income taxes	6	17	102	130
Net income	278	359	1,314	1,263

BALANCE SHEET (period-end)	December 31, 2021	December 31, 2020
Total loans	\$ 128,529	\$ 120,856
Total assets	170,306	158,586
Shareholders' equity	12,234	11,910

PROFITABILITY METRICS	Year ended December 31,	2021	2020
Net interest margin		1.10%	1.07%
Return on average common equity		11.78%	11.86%
Return on average assets		0.82%	0.84%
Operating expense ratio		20.33%	21.96%

HIGHLIGHTS

- Average loan volume for the year rose 10% in 2021 to \$123.3 billion, up from \$112.6 billion in 2020
 - Balanced growth across all three operating segments – Agribusiness, Farm Credit Banking and Rural Infrastructure
- Net income for the year rose 4% in 2021 to \$1.314 billion, up from \$1.263 billion in 2020, primarily related to an increase in net interest income somewhat offset by lower noninterest income and an increase in operating expenses
 - Net income for Q4 2021 declined 23% to \$277.7 million from \$359.0 million, primarily due to a higher provision for loan losses and lower noninterest income resulting from losses on debt buy backs and investment sales
- Net interest income for the year rose 10% to \$1.726 billion, primarily driven by higher average loan volume and an improvement in lending spreads in most portfolios
- Net interest margin in 2021 increased to 1.10% from 1.07% in 2020, driven by higher lending spreads in our loan portfolio, due in part to changes in asset mix during the year, including increased lending to higher-spread Agribusiness customers
- Provision for loan losses in 2021 was \$18.0 million, down from \$21.0 million in 2020
- Total operating expenses increased 13% in 2021 to \$490.4 million, primarily driven by an increase in Farm Credit Insurance Fund premium expense
- The bank had 1,077 employees as of December 31, 2021, compared to 1,136 at the end of 2020
- Patronage distributions for 2021 will total \$884.6 million
 - Includes special cash patronage of \$125.4 million for 2021, which reflects a \$13.9 million increase to the previously announced amount
- Capital and liquidity levels remained well in excess of regulatory minimums
 - Total capital ratio was 15.63%, compared with the 8.0% (10.5% inclusive of the capital conservation buffer) minimum
 - 180 days of liquidity, compared with the 90 days minimum

OPERATING SEGMENTS

(\$ in millions)

Three months ended Dec. 31,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2021	2020	2021	2020	2021	2020
Average loan volume	\$ 35,574	\$ 34,518	\$ 24,383	\$ 23,752	\$ 63,686	\$ 58,794
Net income	128	187	89	107	61	65
Year ended Dec. 31,	2021	2020	2021	2020	2021	2020
Average loan volume	\$ 37,656	\$ 33,292	\$ 24,379	\$ 22,919	\$ 61,304	\$ 56,423
Net income	677	608	392	398	245	257
Period-end loan volume Dec. 31, 2021 and Dec. 31, 2020	\$ 38,094	\$ 36,103	\$ 24,803	\$ 24,237	\$ 65,632	\$ 60,516

CEO COMMENTARY

“CoBank recorded outstanding business and financial results throughout the year despite the highly challenging conditions for financial institutions. We achieved record levels of loan volume, earnings and patronage, in addition to continuing strong credit quality and capital levels. We steadfastly supported our customers, delivering dependable credit and other strategic financial services, and we continued the process of optimizing our capital position in order to enhance long-term capital efficiency for shareholders. Importantly, we contributed \$16.7 million to charitable organizations, an all-time high, with a substantial portion of those dollars going to nonprofits in under-served rural communities.

In short, CoBank fulfilled its broad mission of service to a wide range of key stakeholders – as a lender to America’s rural industries, as a member of the Farm Credit System, as a caring employer, and as a corporate citizen. Today, from both a financial and operational standpoint, CoBank is arguably stronger, delivering more value, and fulfilling its mission more effectively than at any time in the history of the enterprise.”

– Thomas Halverson, President and CEO, CoBank

NET INTEREST MARGIN AND NET INTEREST INCOME

Net interest income increased \$159.4 million, or 10%, to \$1.726 billion in 2021, compared to \$1.567 billion in 2020. The increase in net interest income was primarily driven by higher average loan volume and an improvement in lending spreads in most lending portfolios. Average loan volume increased \$10.7 billion, or 10%, to \$123.3 billion in 2021 reflecting growth in lending across all three of our operating segments – Agribusiness, Farm Credit Banking and Rural Infrastructure.

Net interest margin improved to 1.10% in 2021 from 1.07% in 2020, and interest rate spread increased to 1.04% in 2021 from 0.98% in 2020. The increase in our 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

Year ended (\$ in millions)	December 31, 2021			December 31, 2020		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 123,339	1.97%	\$ 2,431	\$ 112,634	2.43%	\$ 2,736
Investments	33,540	1.31%	438	33,884	1.70%	576
Total	156,879	1.83%	2,869	146,518	2.26%	3,312
Interest bearing liabilities	144,943	0.79%	1,143	136,525	1.28%	1,745
Interest rate spread		1.04%			0.98%	
Impact of equity financing	11,970	0.06%		11,445	0.09%	
Net interest margin & net interest income		1.10%	\$ 1,726		1.07%	\$ 1,567

CREDIT QUALITY

Our overall loan quality measures remain strong at December 31, 2021. Special Mention loans and accrued loans and accrued interest improved to 2.34% of total loans and accrued interest at December 31, 2021 compared to 3.06% 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 0.72% at December 31, 2021, compared to 0.54% 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. Total nonaccrual loans increased to \$122.6 million at December 31, 2021 compared to \$117.4 million at December 31, 2020. The increase was due to downgrades of a small number of customers in our Rural Infrastructure operating segment. As noted previously, our nonaccrual loans are typically composed of a relatively small number of customers, and as such, the balances can fluctuate period to period based on a small number of loans and leases. Nonaccrual loans as a percent of our total loan portfolio remain unchanged at 0.10% as of December 31, 2021 and December 31, 2020. Over the past 10 years, nonaccrual loans have averaged 0.20% of the total loan portfolio.

Loan Quality Ratios

	December 31, 2021			December 31, 2020		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.67%	96.19%	96.94%	97.08%	95.73%	96.40%
Special Mention	2.33%	2.35%	2.34%	2.92%	3.20%	3.06%
Substandard	-	1.46%	0.72%	-	1.05%	0.53%
Doubtful	-	-	-	-	0.02%	0.01%
Loss	-	-	-	-	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

BALANCE SHEET INFORMATION

(period-end)

	December 31, 2021		December 31, 2020	
	(Unaudited)			
(\$ in millions)				
Loans	\$	128,529	\$	120,856
Less: Allowance for loan losses		651		636
Net loans		127,878		120,220
Cash		3,197		2,335
Federal funds sold and other overnight funds		5,500		835
Investment securities		31,842		32,825
Accrued interest receivable		379		404
Interest rate swaps and other derivatives		487		878
Other assets		1,023		1,089
Total assets	\$	170,306	\$	158,586
Bonds and notes	\$	154,950	\$	143,384
Accrued interest payable		285		329
Interest rate swaps and other derivatives		372		610
Reserve for unfunded commitments		106		97
Patronage payable		743		617
Other liabilities		1,616		1,639
Total liabilities		158,072		146,676
Shareholders' equity		12,234		11,910
Total liabilities and shareholders' equity	\$	170,306	\$	158,586

STATEMENT OF INCOME INFORMATION

	Three months ended December 31,		Year ended December 31,	
	2021	2020	2021	2020
	(Unaudited)	(Unaudited)	(Unaudited)	
(\$ in millions)				
Interest income	\$	705	\$	743
Interest expense		276		321
Net interest income		429		422
Provision for loan losses/(loan loss reversal)		13		(25)
Net interest income after provision for loan losses/ (loan loss reversal)		416		447
Noninterest income		4		58
Operating expenses		136		129
Provision for income taxes		6		17
Net income	\$	278	\$	359
			\$	2,869
			\$	3,312
				1,745
				1,567
				21
				1,546
				282
				435
				130
			\$	1,314
			\$	1,263

2021 EARNINGS WEBCAST AND CONFERENCE CALL

The bank will hold its annual year-end earnings conference call and webcast at 1:00 p.m. Mountain Time on Tuesday, March 1, 2022. The 60-minute call will feature a presentation of 2021 financial highlights and remarks from CoBank President and Chief Executive Officer Thomas Halverson, Chief Financial Officer David Burlage, and Board Chair Kevin Still. Customer-owners and other participants will be able to submit questions during the call.

To join the earnings call, visit <https://www.cobank.com/2021EarningsWebinar>.

CUSTOMER MEETINGS

CoBank will provide more information about its 2021 financial results at its annual series of regional customer meetings, which take place in February, March and April 2022. Managers and directors of any CoBank borrower are invited to attend these meetings, as are representatives of Farm Credit institutions.

For details about the meeting program, please visit the bank's events page at www.cobank.com/events. Please note that more details and registration are available for each meeting approximately four weeks prior to the meeting date.

ABOUT COBANK

CoBank is a \$170 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 76,000 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.

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.

For more information about CoBank, visit www.cobank.com.

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