

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended March 31,	
	2021	2020
Net interest income	\$ 443	\$ 383
Provision for loan losses	55	26
Noninterest income	83	72
Operating expenses	113	100
Net income	324	294

BALANCE SHEET (period-end)	March 31, 2021	December 31, 2020
Total loans	\$ 124,731	\$ 120,856
Total assets	160,310	158,586
Total shareholders' equity	11,685	11,910

PROFITABILITY METRICS	Three months ended March 31,	
	2021	2020
Net interest margin	1.13%	1.08%
Return on average common equity	11.85%	11.64%
Return on average assets	0.81%	0.81%
Operating expense ratio	17.52%	21.07%

CEO & CFO COMMENTARY

“We are pleased to report that CoBank recorded another period of strong financial and business performance in the first quarter of 2021. Lending increased in all three of our operating segments, while earnings, credit quality and capital remained strong. As the economic recovery continues to accelerate and Americans look forward to a resumption of more normal living and working conditions, we maintain a high degree of confidence that CoBank is well-positioned to meet the financial needs of its customers and fulfill its mission to serve rural America.”

– **Thomas Halverson**, President and CEO, CoBank

“Overall credit quality in our loan portfolio remains strong across multiple measures. As always we continue to monitor credit quality trends carefully and to take appropriate provisions to address loan growth as well as evolving conditions in the industries we finance.”

– **David Burlage**, CFO, CoBank

HIGHLIGHTS

- Period-end loan volume increased 3% to \$124.7 billion at March 31, 2021, compared to \$120.9 billion at year end
- Average loan volume increased 14% to \$125.9 billion in Q1 compared to \$110.1 billion in Q1 2020 including increases across all operating segments
 - Growth driven by higher seasonal lending in the Agribusiness segment, increased lending to affiliated associations in the Farm Credit Banking segment, and higher loan volume from rural energy, electric distribution and communication borrowers in the Rural Infrastructure segment
- Net income for Q1 was \$324.0 million, compared to \$294.1 million during Q1 2020
 - The 10% increase in earnings resulted primarily from increases in net interest income and noninterest income, somewhat offset by a higher provision for loan losses and an increase in operating expenses in the 2021 period
- Net interest income for Q1 increased 16% to \$443.0 million, primarily driven by higher average loan volume, higher earnings on balance sheet positioning and higher lending spreads in certain lending portfolios
- Net interest margin for Q1 improved to 1.13% from 1.08 in Q1 2020, driven by higher lending spreads in our loan portfolio resulting primarily from changes in asset mix
- Provision for loan losses in Q1 was \$55.0 million driven by increased lending activity and to a lesser extent weather-related impacts to a limited number of our customers in connection with winter storms that occurred in February 2021
- Operating expenses for Q1 increased \$12.9 million, primarily driven by an increase in insurance fund premium expense
- Capital and liquidity levels were in excess of regulatory minimums established by the Farm Credit Administration, the bank's independent regulator, as of March 31, 2021
 - Total capital ratio was 14.09%, compared with the 8.0% minimum
 - 176 days of liquidity, compared with the 90-day minimum

OPERATING SEGMENTS

(\$ in millions)

Three months ended March 31,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2021	2020	2021	2020	2021	2020
Average loan volume	\$ 41,649	\$ 34,640	\$ 24,338	\$ 21,576	\$ 59,905	\$ 53,914
Net income	165	144	90	91	69	59
	2021	2020	2021	2020	2021	2020
Period-end loan volume March 31, 2021 and December 31, 2020	\$ 40,237	\$ 36,103	\$ 24,576	\$ 24,237	\$ 59,918	\$ 60,516

NET INTEREST INCOME AND NET INTEREST MARGIN

Net interest income increased \$59.7 million to \$443.0 million for the three months ended March 31, 2021, compared to \$383.3 million for the same prior-year period. The 16% increase in net interest income was primarily driven by higher average loan volume, including increased levels of seasonal 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. Net interest margin improved to 1.13% for the first three months of 2021 compared to 1.08% for the same period in 2020. The increase in net interest margin was driven by higher lending spreads in our loan portfolio which is in part due to the result of changes in asset mix during the current period.

Net Interest Margin and Net Interest Income

Three months ended (\$ in millions)	March 31, 2021			March 31, 2020		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 125,892	2.03%	\$ 629	\$ 110,130	3.11%	\$ 855
Investments	32,868	1.42%	115	32,761	2.13%	174
Total	158,760	1.90%	744	142,891	2.89%	1,029
Interest bearing liabilities	146,567	0.83%	301	132,182	1.96%	646
Interest rate spread		1.07%			0.93%	
Impact of equity financing	11,885	0.06%		10,918	0.15%	
Net interest margin & net interest income		1.13%	\$ 443		1.08%	\$ 383

CREDIT QUALITY

Our overall loan quality measures remain strong at March 31, 2021. Special Mention loans ("OAEM") and accrued interest, excluding wholesale loans to Associations, were 3.10% of total loans and accrued interest at March 31, 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 0.62% at March 31, 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 quarter of 2021. We believe further credit quality deterioration could also result from market factors impacting our customers, including an ongoing volatile agricultural commodity price environment, trade disputes among the United States and its trading partners, and weather-related events.

Loan Quality Ratios

	March 31, 2021			December 31, 2020		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.49%	95.70%	96.56%	97.08%	95.73%	96.40%
OAEM	2.51%	3.10%	2.82%	2.92%	3.20%	3.06%
Substandard	-	1.18%	0.61%	-	1.05%	0.53%
Doubtful	-	0.02%	0.01%	-	0.02%	0.01%
Loss	-	-	-	-	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

BALANCE SHEET INFORMATION

(period-end)

	March 31, 2021	December 31, 2020
	(Unaudited)	
<i>(\$ in millions)</i>		
Loans	\$ 124,731	\$ 120,856
Less: Allowance for loan losses	687	636
Net loans	124,044	120,220
Cash	1,230	2,335
Federal funds sold and other overnight funds	700	835
Investment securities	32,538	32,825
Interest rate swaps and other derivatives	536	878
Accrued interest receivable and other assets	1,262	1,493
Total assets	\$ 160,310	\$ 158,586
Bonds and notes	\$ 146,534	\$ 143,384
Interest rate swaps and other derivatives	435	610
Reserve for unfunded commitments	100	97
Patronage payable	180	617
Accrued interest payable and other liabilities	1,376	1,968
Total liabilities	148,625	146,676
Shareholders' equity	11,685	11,910
Total liabilities and shareholders' equity	\$ 160,310	\$ 158,586

STATEMENT OF INCOME INFORMATION

	Three months ended March 31,	Three months ended March 31,
	2021	2020
	(Unaudited)	(Unaudited)
<i>(\$ in millions)</i>		
Interest income	\$ 744	\$ 1,029
Interest expense	301	646
Net interest income	443	383
Provision for loan losses	55	26
Net interest income after provision for loan losses	388	357
Noninterest income	83	72
Operating expenses	113	100
Provision for income taxes	34	35
Net income	\$ 324	\$ 294

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 \$160 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.

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