

## KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
Net interest income	\$ 505	\$ 447	\$ 992	\$ 890
Provision for loan losses	59	-	105	55
Noninterest income	83	64	172	146
Operating expenses	148	122	268	234
Net income	353	358	730	682

BALANCE SHEET (period-end)	June 30, 2022	December 31, 2021
Total loans	\$ 135,255	\$ 128,529
Total assets	181,779	170,306
Shareholders' equity	10,815	12,234

PROFITABILITY METRICS	Six months ended June 30,	
	2022	2021
Net interest margin	1.13%	1.14%
Return on average common equity	14.35%	12.46%
Return on average assets	0.82%	0.86%
Operating expense ratio	17.96%	18.55%

## HIGHLIGHTS

- Average loan volume rose 12% in Q2 and 11% YTD with loans outstanding totaling \$135.3 billion
- Loan growth reflected an increase in lending across all three of our operating segments
  - Loan growth occurred predominantly with grain and farm supply cooperatives and food and agribusiness customers in our Agribusiness operating segment, affiliated Associations in our Farm Credit Banking operating segment and, to a lesser extent, electric distribution customers in our Rural Infrastructure operating segment
- Net income for Q2 was \$353.1 million compared to \$358.3 million in Q2 2021. Net income for the first six months was \$730.3 million compared to \$682.3 million in the same period last year
  - The 7% increase in the first six months resulted primarily from an increase in net interest income and noninterest income somewhat offset by a higher provision for loan losses and an increase in operating expenses
- For Q2 and YTD, Agribusiness and Farm Credit Banking net income increased, while Rural Infrastructure net income decreased primarily from a higher provision for loan losses
- Net interest income for Q2 increased 13% to \$504.5 million and YTD increased 11% to \$992.2 million. The increase in both periods was primarily driven by higher average loan volume and to a lesser extent higher earnings on balance sheet positioning
- Net interest margin YTD decreased slightly to 1.13%, driven by lower spreads in certain lending portfolios within our Rural Infrastructure operating segment and higher levels of investment securities which have lower spreads commensurate with lower risk
- Provision for loan losses in Q2 was \$59.0 million and YTD was \$105.0 million. Provisions for both periods primarily relate to increased lending activity

## OPERATING SEGMENTS

(\$ in millions)

	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2022	2021	2022	2021	2022	2021
Three months ended June 30,						
Average loan volume	\$ 47,225	\$ 39,459	\$ 25,038	\$ 24,417	\$ 66,924	\$ 60,504
Net income	207	196	78	106	68	56
Six months ended June 30,						
Average loan volume	\$ 47,097	\$ 40,548	\$ 24,995	\$ 24,378	\$ 66,405	\$ 60,206
Net income	407	361	188	196	135	125
Period-end loan volume June 30, 2022 and December 31, 2021	\$ 42,593	\$ 38,094	\$ 25,312	\$ 24,803	\$ 67,350	\$ 65,632

## CEO & CFO COMMENTARY

“CoBank recorded another period of strong financial performance in the second quarter of 2022. Lending increased across all three of our operating segments, while credit quality continued to be favorable. CoBank remains well positioned to meet the financial needs of our customers as we navigate the impacts of inflation, higher interest rates, weakening economic conditions and the continuing effects of the pandemic and Ukraine war on agricultural and energy markets.”

– Thomas Halverson, President and CEO, CoBank

“On a year-to-date basis, CoBank’s net income was the highest in the history of the bank for the first two quarters of the year. Though we did experience a slight decline in earnings in the second quarter, that was primarily due to a higher provision for loan losses driven by a substantial increase in average loan volume.”

– David Burlage, CFO, CoBank

and to a lesser extent a reserve in the current quarter for a power infrastructure customer that was subsequently charged off

- Operating expenses increased \$25.6 million in Q2 and \$33.7 million YTD. The increase in both periods was primarily driven by an increase in insurance fund premium expense, which increased in June 2022 to 20 bps from 16 bps retroactive to the beginning of the year
- Capital and liquidity levels remain strong and were in excess of regulatory minimums established by the Farm Credit Administration, the bank’s independent regulator, as of June 30, 2022
  - Total capital decreased to \$10.8 billion primarily due to unrealized losses on investment securities resulting from higher interest rates
  - Total capital ratio decreased to 13.62% from 15.63% at year-end, both compared with the 8.0% minimum, due to higher loan volume
  - 180 days of liquidity, compared with the 90-day minimum

## NET INTEREST MARGIN AND NET INTEREST INCOME

Net interest income increased \$102.1 million to \$992.2 million for the six months ended June 30, 2022, compared to \$890.1 million for the same prior-year period. The 11% increase in net interest income for the six month period was primarily driven by higher average loan volume in our Agribusiness operating segment resulting from sharply higher commodity prices which drove higher seasonal financing requirements at many of our grain and farm supply cooperative customers as well as increased lending to customers that use commodities as inputs to their businesses. Loan growth also included increased lending to food and agribusiness customers. Higher earnings on balance sheet positioning also contributed to increased net interest income in the current period. Net interest margin decreased slightly to 1.13% for the first six months of 2022 compared to 1.14% for the same period in 2021. The decrease in net interest margin was primarily driven by lower spreads in certain lending portfolios within our Rural Infrastructure operating segment and higher levels of investment securities which have lower spreads commensurate with lower risk. Partially offsetting these items was 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, 2022			June 30, 2021		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
<b>Interest earning assets</b>						
Loans	\$ 138,497	2.16%	\$ 1,485	\$ 125,132	2.01%	\$ 1,250
Investments	38,231	1.43%	272	32,977	1.38%	225
Total	176,728	2.00%	1,757	158,109	1.88%	1,475
<b>Interest bearing liabilities</b>	164,944	0.93%	765	146,398	0.80%	585
<b>Interest rate spread</b>		1.07%			1.08%	
Impact of equity financing	11,323	0.06%		11,880	0.06%	
<b>Net interest margin &amp; net interest income</b>		1.13%	\$ 992		1.14%	\$ 890

## CREDIT QUALITY

Our overall loan quality measures remain strong at June 30, 2022. Special Mention loans and accrued interest improved to 2.09% of total loans and accrued interest at June 30, 2022, compared to 2.34% at December 31, 2021. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") and related accrued interest as a percent of total loans and accrued interest was 0.70% at June 30, 2022, compared to 0.72% at December 31, 2021. 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 disruptions, labor shortages, inflation, higher interest rates, weather related events, trade uncertainty and global economic uncertainty. While the Russia/Ukraine war has created agricultural commodity price volatility in the marketplace and has had implications for grain and farm supply cooperatives, we have not experienced any significant unfavorable credit quality impacts in this sector at this time. 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, 2022			December 31, 2021		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.71%	96.70%	97.21%	97.67%	96.19%	96.94%
Special Mention	2.29%	1.90%	2.09%	2.33%	2.35%	2.34%
Substandard	-	1.36%	0.68%	-	1.46%	0.72%
Doubtful	-	0.04%	0.02%	-	<sup>(1)</sup>	<sup>(1)</sup>
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>

<sup>(1)</sup>Represents less than 0.01 percent

## BALANCE SHEET INFORMATION

(period-end)

	June 30, 2022	December 31, 2021
	(Unaudited)	
(\$ in millions)		
Loans	\$ 135,255	\$ 128,529
Less: Allowance for loan losses	730	651
Net loans	134,525	127,878
Cash and cash equivalents	255	3,197
Federal funds sold and other overnight funds	10,855	5,500
Investment securities	34,059	31,842
Interest rate swaps and other derivatives	680	487
Accrued interest receivable and other assets	1,405	1,402
Total assets	\$ 181,779	\$ 170,306
Bonds and notes	\$ 168,345	\$ 154,950
Interest rate swaps and other derivatives	778	372
Reserve for unfunded commitments	109	106
Patronage payable	369	743
Accrued interest payable and other liabilities	1,363	1,901
Total liabilities	170,964	158,072
Shareholders' equity	10,815	12,234
Total liabilities and shareholders' equity	\$ 181,779	\$ 170,306

## STATEMENT OF INCOME INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(\$ in millions)				
Interest income	\$ 971	\$ 731	\$ 1,757	\$ 1,475
Interest expense	466	284	765	585
Net interest income	505	447	992	890
Provision for loan losses	59	-	105	55
Net interest income after provision for loan losses	446	447	887	835
Noninterest income	83	64	172	146
Operating expenses	148	122	268	234
Provision for income taxes	28	31	61	65
Net income	\$ 353	\$ 358	\$ 730	\$ 682

## 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 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.

**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)