2022 Quarterly Report
MARCH 31, 2022

Dear CoBank Customer-Owner:

We are pleased to report that CoBank recorded another period of exceptionally strong financial performance in the first quarter of 2022. Lending increased in all three of our operating segments, while earnings, credit quality and capital remained strong. Despite a high level of disruption in commodities markets as a result of the Russia/Ukraine conflict and other factors, CoBank remains well-positioned to meet the financial needs of its customers and fulfill its mission to serve rural America.

Average loan volume rose by 9 percent to $137.8 billion in the first quarter of 2022 from $125.9 billion in the same period last year. 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 electric distribution customers in our Rural Infrastructure operating segment.

Net income for the quarter grew 16 percent to $377.2 million, compared to $324.0 million in the first quarter last year, primarily from an increase in net interest income, lower provisions for loan losses and income taxes and an increase in noninterest income somewhat offset by an increase in operating expenses.

Net interest income increased 10 percent to $487.6 million, from $443.0 million in the same period last year. The increase in net interest income 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 to many grain and farm supply cooperatives as well as increased lending to other customers that use commodities as inputs to their businesses. Higher earnings on balance sheet positioning also contributed to increased net interest income in the current period.

Operating expenses increased by $8.0 million from the first quarter of last year. The higher level of operating expenses was primarily driven by increases in information services, general and administrative, insurance fund premium and other expenses. These increases in operating expenses were partially offset by a decrease in employee compensation due primarily to a decline in the overall number of employees at CoBank compared to the prior-year period.

The Bank's provision for loans losses was $46.0 million for the quarter compared to $55.0 million in the same period last year. The provisions in both periods were largely the result of increased lending in our Agribusiness operating segment. The decrease in the provision in the first quarter of 2022 was driven primarily by a lower loan loss provision in our Rural Infrastructure operating segment as the prior period included weather-related impacts to a limited number of our customers in connection with winter storms that occurred in early 2021. Notwithstanding the provision for loan losses in the first quarter of 2022, our overall loan quality measures remain strong at March 31, 2022.

CoBank's capital and liquidity levels remain in excess of regulatory minimums. As a result of the higher level of earnings in the first three months of 2022, return on shareholders' equity increased to 14.33 percent from 11.85 percent in the prior-year period. The bank's total capital ratio was 13.64 percent, compared with the 8.0 percent regulatory minimum (10.5 percent inclusive of the capital conservation buffer) established by the Farm Credit Administration, the bank's independent regulator. At quarter-end, the bank held approximately

$41.4 billion in cash, investments and overnight funds and had 175 days of liquidity, which was nearly double the regulatory days of the liquidity requirement.

The table below contains key financial data for the quarter. Complete financial information is provided in Management's Discussion and Analysis and the financial statements and footnotes that follow this letter.

KEY FINANCIAL DATA

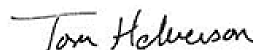
($ in millions)	Three Months Ended March 31,	
INCOME STATEMENT	**2022**	**2021**
Net interest income	$488	$443
Provision for loan losses	46	55
Noninterest income	88	83
Operating expenses	121	113
Net income	377	324
BALANCE SHEET (period-end)	**March 31, 2022**	**December 31, 2021**
Total loans	$140,559	$128,529
Less: allowance for loan losses[(1)]	724	651
Net loans	139,835	127,878
Total assets	183,014	170,306
Total shareholders' equity	11,164	12,234

($ in millions)	Three Months Ended March 31,	
PROFITABILITY METRICS	**2022**	**2021**
Net interest margin	1.15%	1.13%
Return on average common equity	14.33%	11.85%
Return on average assets	0.87%	0.81%
Operating expense ratio	17.36%	17.52%
Average total loans	$137,798	$125,892
Average earning assets	172,382	158,760
Average total assets	175,679	161,422

[(1)] Excludes our reserve for unfunded commitments of $79 at March 31, 2022 and $106 at December 31, 2021 which is classified in liabilities in our balance sheet.

Looking forward, we expect continued volatility in the operating environment due to the Russia/Ukraine conflict and its impact on global supplies of energy and agricultural commodities. The long-term impacts are still unknown, but in the short term they are highly likely to destabilize markets and increase inflationary pressures here in the U.S. and around the world. Our first priority will be to support our customers as they continue to manage their own businesses in this environment. We are fortunate that CoBank remains in a strong financial condition and look forward to serving as a reliable source of credit and financial services for our customers.

From our board, management team and associates, we value the trust you place in us and deeply appreciate the opportunity to serve as your trusted financial partner.



Kevin A. Still
Chair of the Board

Thomas E. Halverson
President and Chief Executive Officer

May 10, 2022

Management’s Discussion and Analysis of Financial Condition and Results of Operations

CoBank, ACB

Business Overview

CoBank, ACB (CoBank or the Bank) is one of the four banks in the Farm Credit System (System) and provides loans, leases and other financial services to vital industries across the rural communities of America. The System is a federally chartered network of borrower-owned cooperative lending institutions and related service organizations. The System was established in 1916 by the U.S. Congress, and is a government-sponsored enterprise. CoBank is federally chartered under the Farm Credit Act of 1971, as amended (the Farm Credit Act), and is subject to supervision, examination, and safety and soundness regulation by an independent federal agency, the Farm Credit Administration (FCA).

Our customers consist of agricultural cooperatives; other food and agribusiness companies; rural power, communications and water cooperatives and companies; rural community facilities; Agricultural Credit Associations (Associations), which are regulated, farmer-owned financial institutions and members of the System; and other businesses that serve agriculture and rural communities. We provide a broad range of loans and other financial services through three operating segments: Agribusiness, Farm Credit Banking and Rural Infrastructure.

The following discussion and analysis should be read in conjunction with the accompanying condensed consolidated quarterly financial statements and related notes, the accompanying regulatory capital disclosures and our 2021 Annual Report to Shareholders.

Consolidated Results of Operations

CoBank’s loans outstanding grew to $140.6 billion as of March 31, 2022, compared to $128.5 billion at December 31, 2021. Average loan volume increased 9 percent to $137.8 billion during the first three months of 2022 compared to $125.9 billion in the same prior-year period. The increase in loan volume reflected growth in lending across all three of our operating segments. 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, to a lesser extent, electric distribution customers in our Rural Infrastructure operating segment.

Our investment securities, federal funds sold and other overnight funds increased to $41.1 billion at March 31, 2022 from $37.3 billion at December 31, 2021. Average investment securities, federal funds sold and other overnight funds increased 5 percent to $34.6 billion during the first three months of 2022 compared to $32.9 billion in the same prior-year period. The increase in our investments was required to maintain our liquidity reserve associated with the higher loan volume we experienced during the first three months of 2022 and to take advantage of favorable investment spread opportunities in the marketplace.

Net income increased $53.2 million to $377.2 million for the three-month period ended March 31, 2022, compared to $324.0 million during the same period in 2021. The 16 percent increase in earnings resulted primarily from an increase in net interest income, lower provisions for loan losses and income taxes, and an increase in noninterest income somewhat offset by an increase in operating expenses.

Net Interest Margin and Net Interest Income						
For the Three Months Ended March 31,	**2022**			**2021**		
($ in Millions)	**Average Balance**	**Average Rate**	**Interest Income/ Expense**	**Average Balance**	**Average Rate**	**Interest Income/ Expense**
Interest-earning Assets[(1)]						
Loans	**$ 137,798**	**1.98 %**	**$ 673**	$ 125,892	2.03 %	$ 629
Investment Securities, Federal Funds Sold and Other Overnight Funds	**34,584**	**1.31**	**112**	32,868	1.42	115
Total Interest-earning Assets[(1)]	**172,382**	**1.85**	**785**	158,760	1.90	744
Total Interest-bearing Liabilities	**160,433**	**0.75**	**297**	146,567	0.83	301
Interest Rate Spread		**1.10**			1.07	
Impact of Equity Financing	**11,752**	**0.05**		11,885	0.06	
Net Interest Margin and Net Interest Income		**1.15 %**	**$ 488**		1.13 %	$ 443

(1) Interest-earning assets exclude cash and cash equivalents.

Net interest income increased $44.6 million to $487.6 million for the three months ended March 31, 2022, compared to $443.0 million for the same prior-year period. The 10 percent increase in net interest income 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 to many grain and farm supply cooperatives as well as increased lending to other customers that use commodities as inputs to their businesses. Higher earnings on balance sheet positioning also contributed to increased net interest income in the current period.

Net interest margin improved to 1.15 percent for the first three months of 2022 compared to 1.13 percent for the same period in 2021. 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.

We recorded a $46.0 million provision for loan losses in the three-month period ended March 31, 2022. The 2022 provision primarily relates to increased lending activity in our Agribusiness operating segment somewhat offset by a loan loss reversal in our Rural Infrastructure operating segment resulting from an improvement in credit quality. We recorded a $55.0 million provision for loan losses in the three-month period ended March 31, 2021. The 2021 provision primarily related to increased lending activity in our Agribusiness operating segment, and to a lesser extent, an increase in specific reserves for a small number of customers in our Rural Infrastructure operating segment impacted by the severe winter storms that occurred in Texas in early 2021. While overall credit quality remained strong, adversely classified loans and accrued interest increased modestly to 0.74 percent of total loans and accrued interest at March 31, 2022 from 0.72 percent at December 31, 2021 due to slight deterioration in credit quality for a small number of customers in our Agribusiness operating segment. Nonaccrual loans increased $21.3 million to $143.9 million at March 31, 2022 from $122.6 million at December 31, 2021 due to downgrades of a small number of customers in our Agribusiness and Rural Infrastructure operating segments. Gross charge-offs were $0.1 million for the first three months of 2022, compared to $0.3 million for the same period in 2021. The 2022 and 2021 charge-offs related to a small number of agribusiness and leasing customers. Gross recoveries were $0.6 million for the first three months of 2022, compared to $0.1 million for the same period in 2021.

Noninterest income increased $5.7 million to $88.5 million for the first three months of 2022 from $82.8 million for the same prior-year period. Noninterest income is primarily composed of fee income, patronage income, loan prepayment income and miscellaneous gains and losses, offset by losses on early extinguishments of debt. Net fee income decreased $1.8 million in the 2022 period primarily due to a lower level of transaction-related lending fees in our Agribusiness and Rural Infrastructure operating segments. Patronage income increased $5.1 million for the three months ended March 31, 2022 due to a greater level of loans sold to affiliated Associations and other System institutions as well as a higher level of patronage received from other System institutions. Prepayment income decreased $18.7 million in the 2022 period resulting from

a lower level of customer refinancing activity and lower prepayment fees from certain of our affiliated Associations driven by the increase in interest rates. Losses on early extinguishments of debt decreased $13.8 million compared to the 2021 period and are generally incurred to offset the current and prospective impact of prepayments in our loan and investment portfolios. The availability in the market of similarly tenored debt, coupled with the timing of prepayments, does not always allow us to fully offset the impact of prepayments in the same period. Other noninterest income, net, increased $8.5 million for the three months ended March 31, 2022 due largely to income related to the redemption of allocated equities from the Federal Farm Credit Banks Funding Corporation (Funding Corporation).

Total operating expenses for the three-month period ended March 31, 2022 increased $8.0 million to $120.6 million from $112.6 million for the same period in 2021. The higher level of operating expenses was primarily driven by increases in information services, general and administrative, Insurance Fund premium and other expenses. Information services expense increased $2.9 million in the first three months of 2022 compared to the 2021 period due to greater expenditures to enhance our service offerings and technology platforms. General and administrative expenses increased $2.2 million in 2022 driven by higher insurance expenses and other administrative costs. Other operating expenses increased $2.2 million in the first three months of 2022 compared to the 2021 period due to increases in associate travel expenses. Farm Credit Insurance Fund (Insurance Fund) premium expense increased $1.4 million in the first three months of 2022 compared to the 2021 period due to increases in insured debt obligations. Insurance Fund premium rates are set by the Farm Credit System Insurance Corporation (Insurance Corporation) and were 16 basis points of adjusted insured debt obligations in the first three months of 2022 and 2021. These increases in operating expenses were partially offset by a decrease in employee compensation expense of $1.3 million for the first three months of 2022 due primarily to a decline in the number of employees. As of March 31, 2022 and 2021, we had 1,079 and 1,125 employees, respectively.

Our income tax expense decreased by $2.0 million to $32.2 million for the first three months of 2022, compared to $34.2 million for the same prior-year period. Our effective tax rates were 7.9 percent and 9.6 percent for the three-month periods ended March 31, 2022 and 2021, respectively. The decreases in our income tax expense and the effective tax rate were primarily due to an increase in earnings attributable to non-taxable business activities.

As a result of the higher level of earnings in the first three months of 2022, our annualized return on average common shareholders' equity increased to 14.33 percent for the three months ended March 31, 2022 from 11.85 percent for the same period in 2021. Our annualized return on average assets increased to 0.87 percent for the three-month period ended March 31, 2022 from 0.81 percent for the same period in 2021.

Operating Segment Financial Review

We provide financial services to agricultural cooperatives; other food and agribusiness companies; rural power, communications and water cooperatives and companies; rural community facilities; farmer-owned financial institutions and other businesses that serve agriculture and rural communities. We conduct lending operations through three operating segments: Agribusiness, Farm Credit Banking and Rural Infrastructure.

Loans outstanding and the allowance for loan losses by operating segment at March 31, 2022 and 2021 are reported in Notes 3 and 11 to the accompanying condensed consolidated financial statements. All customer activity, including loans and leases and related income, is specifically assigned to the business units that comprise the operating segments. Investment securities and federal funds sold and other overnight funds, which are primarily held as a liquidity reserve to support our banking operations, are not specifically assigned to operating segments; however, the income from investment securities and federal funds sold and other overnight funds is attributed to the operating segments. Net income by operating segment is summarized in the following table and is more fully detailed in Note 11 to the accompanying condensed consolidated financial statements.

Net Income by Operating Segment ($ in Thousands)				
For the Three Months Ended March 31,		**2022**		**2021**
Operating Segment:				
Agribusiness	**$**	**199,839**	$	164,858
Farm Credit Banking		**67,058**		69,075
Rural Infrastructure		**110,342**		90,098
Total	**$**	**377,239**	$	324,031

Agribusiness

The Agribusiness operating segment includes loans and other financial services provided to a diverse market of cooperatives and other businesses in various agricultural sectors including grain handling and marketing, farm supply, fruits, nuts, vegetables, forest products, dairy, livestock, biofuels and food processing. A large portion of agribusiness loan volume financing grain and farm supply cooperatives is seasonal. This seasonal loan volume typically peaks early in the year and is affected by a number of factors, including grain volume, commodity prices, producer selling patterns, transportation availability, and the relationship between cash and futures prices in the grain commodities markets. Agribusiness loans outstanding totaled $49.5 billion at March 31, 2022, compared to $38.1 billion at December 31, 2021. The increase in outstanding loan volume primarily resulted from higher commodity prices which drove higher than normal seasonal financing requirements at many of our grain and farm supply cooperatives as well as increased lending to other customers that use commodities as inputs to their businesses. Commodity prices for wheat, corn and soybeans increased sharply from year-end due to strong global demand, supply shortages, drought and other weather-related events, as well as the Russia/Ukraine conflict. The Agribusiness segment includes our Agricultural Export Finance Division, which provides trade finance to support U.S. exporters of agricultural products. The Agricultural Export Finance Division had $6.5 billion and $6.1 billion in loans outstanding as of March 31, 2022 and December 31, 2021, respectively. At March 31, 2022 and December 31, 2021, 21 and 19 percent, respectively, of the loans in the Agricultural Export Finance Division were guaranteed by the U.S. government. Our Agribusiness segment also includes Farm Credit Leasing Services Corporation (FCL), a wholly-owned subsidiary, which provides lease products and related services to Association partners, agribusinesses, agricultural producers and rural infrastructure companies. As of March 31, 2022 and December 31, 2021, FCL had $3.7 billion and $3.9 billion in leases outstanding, respectively.

Agribusiness average loan volume increased 13 percent to $47.0 billion for the first three months of 2022 from $41.6 billion for the same period in 2021. Growth in Agribusiness average loan volume also resulted from higher commodity prices which drove higher levels of seasonal financing to many of our grain and farm supply cooperatives. Commodity prices for wheat, corn and soybeans increased even more significantly in the three-month period ended March 31, 2022 compared to the same prior-year period for the reasons described above.

Agribusiness net income increased $34.9 million in the first three months of 2022 to $199.8 million from $164.9 million for the same period in 2021. The increase was primarily due to increases in net interest income and noninterest income somewhat offset by increases in operating expenses and the provision for loan losses.

Net interest income increased by $37.1 million to $286.3 million for the three-month period ended March 31, 2022, from $249.2 million for the 2021 period. This increase was primarily due to higher average loan volume driven by higher commodity prices and, to a lesser extent, higher earnings on balance sheet positioning.

Agribusiness recorded a $50.0 million provision for loan losses during the first three months of 2022 compared to $46.8 million in the same prior-year period. The provisions in both periods primarily reflected increased lending activity and to a lesser extent deterioration in credit quality. Nonaccrual loans in Agribusiness increased $11.3 million to $85.2 million at March 31, 2022, as compared to $73.9 million at December 31, 2021. Gross charge-offs were $0.1 million for the first three months of 2022, compared to $0.3 million for the same period in 2021. The 2022 and 2021 charge-offs related to a small number of agribusiness and leasing

customers. Gross recoveries were $0.2 million for the first three months of 2022, compared to $0.1 million for the same period in 2021.

Noninterest income increased $6.9 million to $53.1 million in the first three months of 2022 from $46.2 million for the 2021 period. The increase in noninterest income for the period is attributable to higher patronage income and lower losses on early extinguishments of debt, net of prepayment income.

Agribusiness operating expenses increased $5.6 million to $75.5 million for the first three months of 2022 from $69.9 million in the same prior-year period primarily due to the increases in information services, general and administrative, Insurance Fund premium and other expenses, partially offset by a decrease in employee compensation expense described on page 5.

Farm Credit Banking

The Farm Credit Banking operating segment includes wholesale loans from the direct funding relationships we have with our 19 affiliated Association customer-owners and our wholesale funding relationships with other System institutions. Our affiliates include Associations operating in 23 states serving the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States. As of March 31, 2022, the Farm Credit Banking loan portfolio totaled $66.3 billion, compared to $65.6 billion at December 31, 2021. At March 31, 2022 and December 31, 2021, loans outstanding included $61.2 billion and $60.5 billion, respectively, in wholesale loans to our affiliated Associations and $5.1 billion of participations in wholesale loans made by other System banks to certain of their affiliated Associations. These participations included $3.9 billion as of March 31, 2022 and December 31, 2021 in wholesale loans made by the Farm Credit Bank of Texas (FCBT). The balance of participations of $1.2 billion as of March 31, 2022 and December 31, 2021, represent wholesale loans made by AgFirst Farm Credit Bank.

Farm Credit Banking average loan volume increased 10 percent to $65.9 billion for the three-month period ended March 31, 2022, compared to $59.9 billion for the same prior-year period. The increase resulted from greater overall lending by our affiliated Associations to agricultural producers and processors and our affiliated Associations funding a higher level of syndicated loans and participations.

Farm Credit Banking net income decreased $2.0 million to $67.1 million for the first three months of 2022, as compared to $69.1 million for the same prior-year period. The decrease resulted primarily from lower noninterest income and slightly higher operating expenses somewhat offset by higher net interest income.

Net interest income increased $6.2 million to $76.3 million in the first three months of 2022 compared to $70.1 million for the same period in 2021 primarily due to growth in average loan volume.

As a wholesale lender to Associations, we benefit from the diversification provided by the Association loan portfolios and a strong collateral position. In addition, the earnings, capital and loan loss reserves of the Associations provide an additional layer of protection against losses in their respective loan portfolios. Lower spreads in the Farm Credit Banking operating segment are commensurate with the lower risk profile and lower regulatory capital requirements. Notwithstanding the Special Mention credit quality classification of an affiliated Association wholesale loan as discussed beginning on page 9, loan quality in Farm Credit Banking remains strong. No provision for loan losses or allowance for credit losses have been recorded related to any of our wholesale loans to Associations.

Farm Credit Banking noninterest income decreased $7.2 million to $2.0 million in the first three months of 2022 from $9.2 million in the 2021 period. The decrease primarily resulted from lower prepayment income from certain Associations net of losses on extinguishments of debt in the 2022 period. We generally offset the impact of prepayment fees with losses on similarly tenored debt instruments; however, the market availability of similarly tenored debt, coupled with the timing of prepayments, do not always allow us to fully offset the impact of prepayments in the same period.

Operating expenses increased $1.1 million to $11.3 million for the first three months of 2022 from $10.2 million for the same prior-year period due to a higher level of Insurance Fund premium expense, as described on page 5. Farm Credit Banking has no income tax expense as the earnings on its business activities are statutorily tax-exempt.

Rural Infrastructure

The Rural Infrastructure operating segment includes loans and other financial services provided to cooperatives and other companies in the power and energy, communications, water and waste industries as well as to community facilities in rural America. Power and energy industry customers include rural electric generation and transmission cooperatives, midstream energy and gas pipeline providers, electric distribution cooperatives, renewable energy providers, independent power producers, regulated utilities and investor-owned utilities. Communications industry customers include companies providing local wireline broadband services, long-haul and middle-mile fiber transport, and data center and cloud-based products to rural communities. Our customers also include regional and national communications providers with networks that are globally interconnected, who are essential to bringing services to rural America through their partnerships and contractual relationships with our rural customers. In addition, the Bank serves customers in the water industry, including rural water and waste companies, as well as rural health care and other community facilities. We also make investments in certain Rural Business Investment Companies (RBICs). Our investments in RBICs focus on small and middle market companies that create jobs and promote commerce in rural America. Rural Infrastructure loans outstanding totaled $24.8 billion at March 31, 2022 and December 31, 2021.

Rural Infrastructure average loan volume increased 3 percent to $25.0 billion for the first three months of 2022, compared to $24.3 billion for the same prior-year period. The increase in loan volume was primarily related to electric distribution customers.

Rural Infrastructure net income increased $20.2 million to $110.3 million for the first three months of 2022, compared to $90.1 million for the same prior-year period. The increase was primarily driven by a loan loss reversal in the first three months of 2022 compared to a provision for loan losses in the 2021 period as well as an increase in noninterest income.

Net interest income increased $1.2 million to $125.0 million for the three-month period ended March 31, 2022, compared to $123.8 million in the 2021 period. This increase was primarily due to higher average loan volume and higher earnings on balance sheet positioning.

Rural Infrastructure recorded a loan loss reversal of $4.0 million during the first three months of 2022 compared to a provision for loan losses of $8.2 million for the same period in 2021. The 2022 loan loss reversal primarily reflects improved credit quality in our electric distribution and communications portfolios. The 2021 provision primarily reflected the adverse impacts on a limited number of our electric power infrastructure customers impacted by the severe winter storms that occurred in Texas in early 2021 as well as a specific reserve related to a rural energy customer. Nonaccrual loans in Rural Infrastructure increased $10.0 million to $58.7 million at March 31, 2022, compared to $48.7 million at December 31, 2021 primarily due to a communications loan that was transferred to nonaccrual status during 2022. There were no gross charge-offs for the first three months of 2022 and 2021. Gross recoveries were $0.4 million for the first three months of 2022, compared to $0.1 million for the same period in 2021.

Noninterest income increased $6.0 million to $33.4 million for the three-month period ended March 31, 2022, compared to $27.4 million for the same period in 2021 primarily driven by higher patronage income and gains on our investments in RBICs.

Rural Infrastructure operating expenses increased $1.4 million to $33.9 million for the first three months of 2022 compared to $32.5 million for the same prior-year period primarily due to the increases in information services, general and administrative, Insurance Fund premium and other expenses, partially offset by a decrease in employee compensation expense described on page 5.

Credit Quality, Liquidity, Capital Resources and Other

Loan Quality

The following table presents loans and accrued interest receivable, classified by management pursuant to our regulator's Uniform Loan Classification System, as a percent of total loans and accrued interest.

Loan Quality Ratios

	March 31, 2022			December 31, 2021		
	Wholesale Loans [(1)]	Commercial Loans [(2)]	Total Bank	Wholesale Loans [(1)]	Commercial Loans [(2)]	Total Bank
Acceptable	**97.68 %**	**96.32 %**	**96.96 %**	97.67 %	96.19 %	96.94 %
Special Mention	**2.32**	**2.28**	**2.30**	2.33	2.35	2.34
Substandard	**-**	**1.40**	**0.74**	-	1.46	0.72
Doubtful	**-**	**- [(3)]**	**- [(3)]**	-	- [(3)]	- [(3)]
Loss	**-**	**-**	**-**	-	-	-
Total	**100.00 %**	**100.00 %**	**100.00 %**	100.00 %	100.00 %	100.00 %

[(1)] Represents loans in our Farm Credit Banking operating segment

[(2)] Represents loans in our Agribusiness and Rural Infrastructure operating segments

[(3)] Represents less than 0.01 percent of total bank loans and accrued interest

Our overall loan quality measures remain strong at March 31, 2022. Special Mention loans and accrued interest were 2.30 percent of total loans and accrued interest at March 31, 2022 compared to 2.34 percent 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 increased modestly to 0.74 percent at March 31, 2022, compared to 0.72 percent at December 31, 2021 due to slight deterioration in credit quality for a small number of customers in our Agribusiness operating segment.

We recorded a $46.0 million provision for loan losses in the first three months of 2022 compared to $55.0 million in the 2021 period. The 2022 provision primarily relates to increased lending activity in our Agribusiness operating segment somewhat offset by a loan loss reversal in our Rural Infrastructure operating segment resulting from an improvement in credit quality. The 2021 provision primarily related to increased lending activity in our Agribusiness operating segment, and to a lesser extent, adverse impacts on a limited number of our electric power infrastructure customers resulting from severe winter storms that occurred in Texas in early 2021. Gross charge-offs were $0.1 million for the first three months of 2022, compared to $0.3 million for the same period in 2021. The 2022 and 2021 charge-offs related to a small number of agribusiness and leasing customers. Gross recoveries were $0.6 million for the first three months of 2022, compared to $0.1 million for the same period in 2021. Nonaccrual loans increased $21.3 million to $143.9 million at March 31, 2022, from $122.6 million at December 31, 2021 due to downgrades of a small number of customers in our Agribusiness and Rural Infrastructure operating segments. Our total allowance for credit losses (ACL), which includes the allowance for loan losses and the reserve for unfunded commitments, was $803.3 million at March 31, 2022, compared to $756.8 million at December 31, 2021. Our ACL, as a percent of total loans, was 0.57 percent and 0.59 percent at March 31, 2022 and December 31, 2021, respectively. As a percent of non-guaranteed loans outstanding and excluding loans to Associations, our ACL was 1.10 percent and 1.22 percent at March 31, 2022 and December 31, 2021, respectively.

At March 31, 2022, Special Mention loans included a $1.5 billion wholesale loan to one of our affiliated Associations. Pursuant to our regulatory requirements, we classify our wholesale loans using the same Uniform Loan Classification System used for our commercial loans. Our loans to Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their retail loan portfolios. While the Special Mention classification primarily reflects internal control and other operational weaknesses at this Association, as a result of the collateralization and other mitigants described above we do not anticipate any

losses related to this wholesale loan. As of March 31, 2022, CoBank has not made any provision for loan loss or recorded any allowance for credit loss related to any of our wholesale loans to Associations.

The overall credit quality of our loan portfolio remains strong at March 31, 2022. We believe credit quality deterioration in the future is possible due to market factors impacting our customers, including an increasing and 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 recent Russia/Ukraine conflict has created further agricultural commodity price volatility in the marketplace and has had immediate 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.

Liquidity and Investments

Our liquidity management objectives are to provide a reliable source of funding to borrowers, meet maturing debt obligations, provide additional liquidity if market conditions deteriorate and fund operations on a cost effective basis.

While we believe that sufficient resources are available to meet liquidity management objectives through our debt maturity structure, holdings of liquid assets and access to the capital markets, the volatility of our loan volume and customer cash flow requirements causes our liquidity needs to vary significantly from day to day.

One of the ways we measure and monitor our liquidity position is by assuming no ability to issue debt and calculating the number of days into the future we could meet maturing debt obligations by using available cash and eligible investments. System banks are required by regulation to maintain a minimum of 90 days of liquidity (cash and readily marketable investments generally discounted by 5 to 10 percent of market value) on a continuous basis and to establish an incremental liquidity reserve. At March 31, 2022, our liquidity was 175 days, compared to 180 days at December 31, 2021.

We hold cash, investment securities, federal funds sold and other overnight funds primarily to maintain a liquidity reserve and manage short-term surplus funds. Cash, federal funds sold and other overnight funds totaled $5.3 billion and $8.7 billion as of March 31, 2022 and December 31, 2021, respectively. Our investment securities were $36.2 billion at March 31, 2022, compared to $31.8 billion at December 31, 2021. The increase in our investments was required to maintain our liquidity reserve associated with the higher loan volume we experienced during the first three months of 2022 and to take advantage of favorable investment spread opportunities in the marketplace.

The table below summarizes our investment securities and related unrealized gains (losses) by asset class.

Investment Securities ($ in Millions)

	March 31, 2022			December 31, 2021		
	Amortized Cost	Fair Value	Net Unrealized Gains (Losses)	Amortized Cost	Fair Value	Net Unrealized Gains (Losses)
U.S. Treasury Debt	**$ 18,381**	**$ 18,125**	**$ (256)**	$ 15,531	$ 15,716	$ 185
U.S. Agency Debt	**2,196**	**2,192**	**(4)**	1,997	2,077	80
Residential Mortgage-Backed:						
Ginnie Mae	**1,141**	**1,064**	**(77)**	1,205	1,200	(5)
U.S. Agency	**1,307**	**1,278**	**(29)**	1,214	1,220	6
Commercial Mortgage-Backed:						
U.S. Agency	**13,345**	**12,986**	**(359)**	11,237	11,225	(12)
Corporate Bonds	**404**	**405**	**1**	361	383	22
Asset-Backed and Other	**108**	**107**	**(1)**	22	21	(1)
Total	**$ 36,882**	**$ 36,157**	**$ (725)**	$ 31,567	$ 31,842	$ 275

Credit risk in our investment portfolio primarily exists in investment securities that are not guaranteed by the U.S. government or a government-sponsored enterprise (U.S. Agency), which currently include asset-backed securities (ABS) backed by pools of prime auto loans and corporate bonds of midstream energy companies. The midstream energy corporate bonds are purchased under our lending authorities and not held for liquidity purposes. Our ABS and midstream energy corporate bonds collectively total $511.8 million or approximately 1 percent of our total investment portfolio as of March 31, 2022. Credit risk in our investment portfolio also arises from counterparties to short-term investments, which include overnight bank deposits, reverse repurchase agreements and federal funds sold. We recorded no other-than-temporary impairment losses on investment securities during the first three months of 2022 or 2021.

Pursuant to FCA regulations, certain securities must be excluded from our liquidity reserve, which would include ABS that are no longer rated triple-A by at least one major rating agency, corporate bonds that do not carry one of the two highest ratings by at least one major rating agency, or any investment whose market value is less than 80 percent of book value. As of March 31, 2022, $473.5 million of such securities were excluded from our liquidity reserve, the most significant of which were our corporate bonds of midstream energy companies that are not held for liquidity purposes.

In the first three months of 2022, we sold a U.S. Treasury debt security for total proceeds of $495.6 million to take advantage of market conditions. The resulting gain from this investment sale of $1.1 million is recorded in noninterest income in the accompanying condensed consolidated statement of income for the three months ended March 31, 2022. In the first three months of 2021, we sold five U.S. Treasury debt securities for total proceeds of $1.1 billion and four U.S. Agency debentures for total proceeds of $480.9 million resulting in gains of $1.7 million.

As all of our investment securities are classified as “available for sale”, we recognize changes in the fair value of our investment securities in accumulated other comprehensive income (loss), a component of shareholders’ equity, unless losses are credit-related and considered other-than-temporary, in which case that portion of the loss is recorded in earnings. We recorded net unrealized losses of $999.6 million and $395.5 million for the first three months of 2022 and 2021, respectively. The unrealized losses recorded in both periods primarily reflect the impact of market interest rate changes on the fair value of fixed rate securities.

An additional source of liquidity is cash provided by our operating activities (primarily generated from net interest income in excess of operating expenses), which totaled $330.1 million and $286.3 million for the first three months of 2022 and 2021, respectively.

Notwithstanding the various sources of liquidity discussed above, if no other sources existed to repay maturing Federal Farm Credit Banks Consolidated Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities), the assets of the Insurance Fund would be used to repay such debt.

The Insurance Corporation has an agreement with the Federal Financing Bank, a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the Federal Financing Bank would advance funds to the Insurance Corporation. Under its existing statutory authority, the Insurance Corporation may use these funds to provide assistance to the System banks in exigent market circumstances that threaten the Banks' ability to pay maturing debt obligations. The agreement provides for advances of up to $10 billion and terminates on September 30, 2022 unless otherwise renewed. The decision whether to seek funds from the Federal Financing Bank is at the discretion of the Insurance Corporation, and each funding obligation of the Federal Financing Bank is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by the System.

Included in our bonds and notes at March 31, 2022 and December 31, 2021 was $400.0 million and $350.0 million, respectively, of funding pursuant to a bond guarantee program offered by the Rural Utilities Service (RUS) agency of the United States Department of Agriculture. The funding is provided by the Federal Financing Bank and guaranteed by RUS. As part of the bond guarantee agreement with RUS, we are required to pledge collateral in an amount equal to at least 110% of the principal balance of all RUS bonds outstanding. As of March 31, 2022, we had $250.0 million and $150.0 million outstanding on the Series D and Series E funding from RUS, respectively. The Series D facility was fully drawn at March 31, 2022 and the Series E facility allows us to access an additional $225.0 million of funding for certain rural infrastructure loans through July 2025. In April 2022, we closed on an additional $200.0 million of Series F funding with RUS, which allows us to access funding through July 2026.

Interest Rate Swaps and Other Derivatives

We use interest rate swaps and other derivatives as an integral part of our market risk management activities. Interest rate swaps and other derivatives are used to manage liquidity and the market risk arising from maturity and repricing mismatches between assets and liabilities. We also hedge cap and floor risk embedded within our floating-rate investments and loans by entering into derivative transactions. In addition, we execute foreign exchange spot and forward contracts to manage currency risk on our relatively nominal amount of loans denominated in foreign currencies. We also enter into derivatives for our customers as a service to enable them to transfer, modify or reduce their interest rate risk and foreign exchange risk.

Interest rate swaps and other derivatives are recorded at fair value as assets or liabilities in the accompanying condensed consolidated balance sheets. Interest rate swaps and other derivative assets totaled $522.3 million at March 31, 2022 compared to $486.7 million at December 31, 2021. Interest rate swaps and other derivative liabilities totaled $569.1 million at March 31, 2022 compared to $371.7 million at December 31, 2021. The increases in derivative assets and derivative liabilities at March 31, 2022 are primarily the result of changes in market interest rates during the first three months of 2022.

Changes in the fair value of our interest rate swaps and other derivatives are accounted for as gains or losses through current period earnings or as a component of accumulated other comprehensive income (loss), depending on the use of the derivatives and whether they qualify for hedge accounting treatment. Net changes in the fair value of derivatives and hedged items designated as hedging instruments are recorded in interest income and interest expense in the accompanying condensed consolidated statements of income and totaled net losses of $2.0 million and $0.8 million for the first three months of 2022 and 2021, respectively. Net changes in the fair value of derivatives not designated as hedging instruments are recorded in noninterest income in the accompanying condensed consolidated statements of income and totaled net gains of $3.1 million and $4.0 million for the first three months of 2022 and 2021, respectively. Changes in the fair value of derivatives recorded as other comprehensive income (loss) totaled net gains of $37.6 million and $11.3 million for the first three months of 2022 and 2021, respectively.

Capital Resources

We believe that a sound capital position is critical to our long-term financial success and future growth. Our shareholders' equity is composed of preferred and common stock, retained earnings and accumulated other comprehensive income (loss), and totaled $11.2 billion and $12.2 billion at March 31, 2022 and December 31, 2021, respectively. The decrease in shareholders' equity during the first three months of 2022 resulted from a decrease in accumulated other comprehensive income primarily resulting from increases in net unrealized losses on investment securities driven by market interest rate changes, redemptions of preferred stock and retirements of common stock partially offset by current period earnings.

On January 1, 2022, we redeemed all of our outstanding Series G non-cumulative perpetual preferred stock totaling $200.0 million. The dividend rate for our Series G preferred stock was 6.125 percent through the date of redemption.

In January 2022, we retired $14.2 million of our outstanding Series E non-cumulative perpetual preferred stock in a series of open market purchase transactions. The retired Series E preferred stock was purchased at a discount from par value resulting in a gain on retirement recorded in unallocated retained earnings.

In June 2021, the CoBank Board of Directors approved changes to certain of its capital plans and patronage programs which included a change in the loan base period used for determining target equity levels for our affiliated Associations from a one-year average to a five-year trailing average. This change reduced the required amount of common stock investment of our affiliated Associations in CoBank and resulted in common stock retirements of $114.5 million to our affiliated Associations that were paid in March 2022.

At March 31, 2022 and December 31, 2021, our capital and leverage ratios exceeded regulatory minimums, as shown in the following table.

Regulatory Capital Requirements and Ratios

		March 31, 2022		December 31, 2021		
	Regulatory Minimums	Actual	Actual Buffer	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 Capital Ratio	4.5 %	**10.98 %**	**6.48 %**	12.74 %	8.24 %	2.5 %
Tier 1 Capital Ratio	6.0	**12.81**	**6.81**	14.70	8.70	2.5
Total Capital Ratio	8.0	**13.64**	**5.64**	15.63	7.63	2.5
Tier 1 Leverage Ratio[(1)]	4.0	**6.78**	**2.78**	7.47	3.47	1.0
Permanent Capital Ratio	7.0	**12.92**	**n/a**	14.81	n/a	n/a
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	**2.89**	**n/a**	3.36	n/a	n/a

[(1)] At least 1.5 percent must be URE and URE equivalents.

As more fully described on page 6, we experience seasonality in a large portion of our agribusiness loan volume throughout the year. Due to the significant increase in agribusiness seasonal loan volume we experienced during the first quarter of 2022, our capital and leverage ratios declined from December 31, 2021 to March 31, 2022. We believe our capital and leverage ratios will increase by the third quarter of 2022 as we expect agribusiness loan volume to decline over that period following its seasonal cycle. See pages 54 through 63 for more information on required regulatory capital disclosures, including the components of the ratios displayed above.

We may from time to time seek to retire our outstanding debt or equity securities, including preferred stock, through calls, tender offers and/or exchanges, open market purchases, privately negotiated transactions or otherwise. We may also issue new debt or equity securities, including preferred stock. Such calls, tender offers, exchanges, open market purchases or new issuances, if any, will depend on prevailing market conditions, the

Bank’s capital position and liquidity requirements, contractual restrictions, changes to capital regulations and other factors.

LIBOR Transition

On March 5, 2021, the United Kingdom’s Financial Conduct Authority (UKFCA) and the ICE Benchmark Administrator (IBA) formally announced that all LIBOR tenors will either be discontinued or no longer be representative immediately after December 31, 2021 for the GBP, JPY, CHF, EUR, and the 1-week and 2-month USD tenors, and immediately after June 30, 2023 for the remaining USD tenors. The UKFCA does not expect that any LIBOR tenors will become unrepresentative before these respective dates; however, publication by the IBA of most of the LIBOR tenors is expected to cease immediately after these dates. The UKFCA has worked closely with market participants and regulatory authorities around the world to ensure that alternatives to LIBOR are available and that existing contracts can be transitioned onto these alternatives to safeguard financial stability and market integrity.

On March 9, 2021, the Federal Reserve’s Alternative Reference Rate Committee (ARRC) released a statement of clarification related to the UKFCA and IBA announcements. The ARRC confirmed a “Benchmark Transition Event” occurred under ARRC and International Swaps and Derivatives Association (ISDA) recommended fallback language as a result of the announcements on March 5, 2021. The ARRC also confirmed that March 5, 2021 is the date which the spread adjustments were determined for the ISDA fallbacks but will not be effective until the next repricing of instruments after June 30, 2023.

On April 6, 2021, the New York Governor signed legislation to provide legal clarity for legacy financial instruments governed by New York state law during the LIBOR transition. The amendment to existing New York law mirrored a proposal drafted by the ARRC. The law is limited to USD LIBOR-indexed contracts and financial instruments governed under New York law that do not have any fallback language or do not include appropriate fallback language per the legislation. The new law states the LIBOR transition cannot be used as a breach of contract under law and provides that the recommended benchmark replacement is a commercially reasonable substitute for LIBOR. The new law’s provisions are effective upon the occurrence of a statutory event, such as, a “LIBOR Discontinuance Event” or “LIBOR Replacement Date”. Upon the statutory events, the LIBOR-based benchmark index, by operation of law, will be replaced by a “Recommended Benchmark Replacement” currently defined as the Secured Overnight Financing Rate (“SOFR”). Alabama subsequently adopted legislation similar to the New York legislation.

On July 29, 2021, the ARRC formally recommended the CME Group’s forward-looking SOFR term rates. The ARRC’s formal recommendation of SOFR term rates is a major milestone in the transition away from USD LIBOR.

On September 8, 2021, the CME Group made available SOFR term rates for over-the-counter derivatives including swaps, options, forwards, repos, structured products and other similar derivatives when utilized to hedge cash instruments held by end-users which are indexed to term SOFR.

On October 6, 2021, the ARRC issued a summary of its recommendations to date regarding spread-adjusted fallbacks for contracts referencing USD LIBOR. This document is intended to provide a singular reference point for market participants to understand the ARRC’s current recommendations in relation to its fallback language and to state legislation that references ARRC recommended fallbacks.

On October 20, 2021, the Prudential Regulators (Federal Reserve, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency) issued a statement to reemphasize the expectation that supervised institutions with LIBOR exposure continue to progress towards an orderly transition away from LIBOR. Given LIBOR’s discontinuance, the agencies believe that entering into new contracts, including derivatives, that use LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks, including litigation, operational, and consumer protection risks. The Prudential Regulators further clarified a new

contract would include an agreement that creates additional LIBOR exposure for a supervised institution or extends the term of an existing LIBOR contract. A draw on an existing agreement that is legally enforceable, for example, a committed credit facility would not be viewed as a new contract.

On December 8, 2021, the FCA issued an informational memorandum to provide additional guidance to Farm Credit System institutions on their transition away from LIBOR. The guidance encourages Farm Credit System institutions to stop entering into new contracts that reference LIBOR as soon as practicable and in any event no later than December 31, 2021. Entering into new LIBOR-referenced contracts after that date would present safety and soundness risk. The guidance also provides clarity on what the FCA considers a new LIBOR-indexed contract; whether purchases of legacy LIBOR-indexed loans and investments are deemed new contracts; limited exceptions for entering into new LIBOR contracts that reduce or hedge risk in legacy LIBOR contracts; and the due diligence and other procedures required before using other benchmark/reference rate alternatives to LIBOR (beyond SOFR), including credit-sensitive alternative rates.

On March 15, 2022, the U.S. government passed the Consolidated Appropriations Act of 2022, which includes federal legislation regarding the LIBOR transition. The legislation provides a statutory fallback mechanism to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board and based on SOFR, for certain contracts that reference LIBOR and contain no or insufficient fallback provisions. The law also provides a safe harbor for parties who select the statutory benchmark replacement rate. The federal legislation also preempts state law passed by New York and Alabama that relates to the selection or use of a benchmark rate replacement or limits the manner of calculating interest.

CoBank recognizes the discontinuance of LIBOR presents significant risks and challenges that could have an impact on our business and our customers. Accordingly, CoBank has established a LIBOR governance and implementation program that includes senior management and has taken various actions to mitigate our risks to the LIBOR transition. Through March 31, 2022, we have implemented fallback language in a substantial majority of our loan agreements. We have commenced issuance of SOFR loan products for our wholesale lending to Association customers and to our commercial loan customers. We have also implemented changes to a number of our systems to support SOFR indexed transactions.

We have exposure to various LIBOR-indexed financial instruments that mature after March 31, 2022. This exposure includes loans that we make to our customers, investment securities that we purchase, Systemwide Debt Securities that are issued by the Funding Corporation on the Bank's behalf, preferred stock that we issue and our derivative transactions. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the terms of the financial instruments, which could adversely affect the value of, and return on, instruments held by us. The transition from LIBOR could result in us paying higher interest rates on our current LIBOR-indexed Systemwide Debt Securities, adversely affect the yield on, and fair value of, the instruments we hold that reference LIBOR, and increase the costs of, or affect our ability to effectively use, derivative instruments to manage interest rate risk. In addition, to the extent that we cannot successfully transition our LIBOR-indexed financial instruments to an alternative rate-based index that is endorsed or supported by regulators and generally accepted by the market as a replacement to LIBOR, there could be other ramifications including those that may arise as a result of the need to redeem or terminate such instruments. Disputes and litigation with counterparties, investors and borrowers relating to the transition are also possible. Due to the uncertainty regarding the transition from LIBOR-indexed financial instruments, including when it will happen, the manner in which an alternative reference rate will apply, and the mechanisms for transitioning our LIBOR-indexed instruments to instruments with an alternative rate, we cannot yet reasonably estimate the expected financial impact of the LIBOR transition.

The following table represents our LIBOR-indexed financial instruments by contractual maturity.

LIBOR-Indexed Financial Instruments at March 31, 2022 ($ in Millions)

	Due in 2022	Due in 2023 on or before June 30, 2023	Due after June 30, 2023	Total
Commercial Loans [1]	$ 7,725	$ 1,249	$ 18,604	$ 27,578
Wholesale Loans [2]	3,473	1,222	-	4,695
Investment Securities	14	90	3,379	3,483
Debt	675	171	785	1,631
Derivatives (Notional Amounts)	14,999	5,088	29,702	49,789
Preferred Stock [3]	-	-	1,263	1,263

[1] Represents loans in our Agribusiness and Rural Infrastructure operating segments.

[2] Represents loans in our Farm Credit Banking operating segment.

[3] Represents our non-cumulative perpetual preferred stock with a fixed-to floating rate dividend feature indexed to 3-month USD LIBOR, which does not have a contractual maturity date. Includes $188 million that pays a dividend currently indexed to 3-month USD LIBOR plus a spread as of March 31, 2022. Dividends on an additional $400 million, $300 million, and $375 million of preferred stock convert from a fixed rate to 3-month USD LIBOR plus a spread in 2022, 2025, and 2026, respectively.

We continue to analyze potential risks associated with the LIBOR transition, including financial, market, accounting, operational, legal, tax, reputational and compliance risks. In light of the announcements by the UKFCA, the IBA and Prudential Regulators noted above, USD LIBOR, except in very limited circumstances, was or will be discontinued or declared unrepresentative (depending on the tenor) as of either immediately after December 31, 2021 or June 30, 2023. Because we formerly engaged in transactions involving financial instruments that referenced LIBOR, these developments may have a material impact on us, our borrowers, investors, customers and counterparties as we transition these LIBOR instruments to SOFR or another alternative rate-based index over time.

Other Regulatory Matters

On July 8, 2021, the FCA announced a proposed rule that would amend the Tier 1/Tier 2 capital framework to define and establish a risk weight for high-volatility commercial real estate exposures by assigning a 150% risk-weighting to such exposures, instead of the current 100% risk-weighting. The proposed rule focuses on changes that are comparable with the capital rules of other federal banking regulatory agencies and recognize the increased risk posed by high-volatility commercial real estate exposures. The public comment period on the proposed rule ended on January 24, 2022.

On September 9, 2021, the FCA adopted a final rule that amends, corrects and clarifies certain provisions of the Tier 1/Tier 2 capital framework approved by the FCA in March 2016. The final rule includes amendments that do not change the minimum capital requirements or capital buffers, but focus on clarifying and improving other provisions to ensure application of the capital rules as intended, reduce burden to the Farm Credit System, and assist the FCA in better determining compliance with the Tier 1/Tier 2 capital framework. The final rule became effective on January 1, 2022. This regulation did not have a material impact on our regulatory capital and leverage ratios.

On April 14, 2022, the FCA issued a final rule to address changes to its capital regulations and certain other regulations in response to the current expected credit losses (CECL) accounting standard. The regulation reflects the CECL methodology, which revises the accounting for credit losses in accordance with accounting principles generally accepted in the United States of America (GAAP), as well as conforming amendments to other regulations to accurately reference credit losses. Specifically, the regulation identifies which credit loss allowances under CECL are eligible for inclusion in a System institution's regulatory capital. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's tier 2 capital up to 1.25 percent of the System institution's total risk-weighted

assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's tier 2 capital. In addition, the regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. The final rule is effective on January 1, 2023. At this time we do not believe the regulation will have a material impact on our regulatory capital.

Senior Officer Changes

Steven W. Wittbecker was announced as the Bank's Chief Sustainability Officer effective March 15, 2022, which is a newly created management executive position. Mr. Wittbecker previously served as the Bank's Chief Audit Officer for over 10 years.

F. William Davis, who served as the Bank's executive vice president of the Farm Credit Banking Group, retired effective April 1, 2022.

Business Outlook

As COVID-19 health and pandemic issues begin to decline across the world, CoBank and our customers operate in an environment that presents a number of opportunities and challenges. While the U.S. economy remains healthy, severe supply chain disruptions, labor shortages, inflation and recession pressures remain a concern. From a monetary policy perspective, in March 2022 the Federal Reserve Bank raised interest rates for the first time since 2018 and has announced plans to increase interest rates several more times in 2022. Anticipation of tighter monetary policy is contributing to a stronger dollar and changes in the shape of the yield curve. Equity markets have declined in 2022 from their peak levels; however, they remain well above pre-pandemic levels. The U.S. government has also temporarily increased the debt ceiling, but the need for longer-term solutions to fiscal deficits will create uncertainty going forward. The details and timing of proposed changes to U.S. tax laws, including the federal corporate income tax rate, also remain uncertain at this time. Market conditions in many sectors of the agricultural and rural infrastructure industries we serve remain generally favorable.

The rural economy is benefiting from the strong U.S. economy, driving higher levels of spending and investment by businesses and consumers. Most agricultural commodity prices have increased sharply thus far in 2022 and remained highly volatile. The Russia/Ukraine conflict has also impacted certain agricultural commodity prices and created additional volatility and uncertainty in the markets. The historic drought in the western United States is projected to continue through 2022, which is creating heightened regional concerns across various agricultural sectors as well as challenges for water resources. Higher input costs, labor shortages and supply chain disruptions are also impacting certain sectors of the agricultural economy. The power and energy industries face challenges from higher natural gas and other energy prices, but the outlook in these sectors remains favorable over the long-term as the industry anticipates an injection of trillions of dollars in infrastructure spending due to the passage of the Infrastructure Investment and Jobs Act.

Although challenges across our industry sectors could reduce credit quality and impact the level of loan demand, CoBank believes it remains well positioned to assist our customers and to continue to serve rural America.

Under the guidance of our Board of Directors and our experienced executive management team, we remain focused on achieving continued success through execution of our business strategies. This includes, among other objectives, creating mutually beneficial partnerships with other System institutions, maintaining effective access to the agency debt capital markets, opportunistically accessing the preferred stock capital markets, educating policy makers and other key stakeholders about the critical mission of CoBank and the System, prudently optimizing current lending authorities and maintaining compliance with laws and regulations. We continue to collaborate with our affiliated Associations on business model enhancements that further strengthen the ability to fulfill our collective mission, including through the more efficient use of capital. We will also continue to explore strategic alliances and other opportunities with our customers, other System institutions, financial service providers and other public and private entities as we strive to fulfill our mission in rural America in a safe and sound manner.

Forward-Looking Statements

Certain of the statements contained in this quarterly report 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 are subject to various risks and uncertainties, including, but not limited to:

- Uncertainty of the extent, duration and effects of the COVID-19 pandemic and related business or supply chain disruptions;
- The Russia/Ukraine conflict and its role in global trade for grain, fertilizer and other commodities and its impact on inflation, economic conditions and global food supply;
- Government trade policies in the United States and other countries, including tariffs and other restrictions that impact markets for agricultural and other products;
- Changes in economic environment that negatively impact the agricultural, power, communications, water and leasing industries;
- Changes in inflation, the level of interest rates and relationships between various interest rate indices and actions taken by the Federal Reserve to manage the monetary policy of the United States;
- Replacement of LIBOR and the implementation of SOFR or another benchmark rate index;
- Currency fluctuations that impact the value of the U.S. dollar in global markets;
- Adverse food safety and weather events, disease, and other unfavorable conditions that periodically occur and impact agricultural productivity and income;
- Catastrophic events such as wildfires, floods and other natural disasters, pandemic health events, political unrest or other similar occurrences, which may have a direct or indirect impact on certain of our borrowers;
- Changes in levels of global crop production, exports, usage and inventories;
- Credit performance of the loan portfolio;
- Performance of underlying collateral, including farmland values and specialized property that secures rural infrastructure credits;
- Loan portfolio growth and seasonal factors;
- Weakening domestic and global economic conditions;
- Volatility in energy commodity prices including oil and other fuel prices;
- Geopolitical uncertainties, conflicts and government policy developments in the United States and throughout the world that may impact the industries we lend to, or, economic, fiscal or monetary conditions;
- The growing impact of the environmental, social and governance (ESG) trend in the financial services industry globally, including policies directed toward measuring the carbon impact from lending activities and efforts focused on reducing the impact of climate change;
- Changes in the U.S. government's support of the System, the agricultural industry, agricultural exports, rural infrastructure and rural economies;
- Legislative or regulatory actions that affect current and ongoing operations of the System or the banking, financial services, agricultural, power, communications, water and leasing industries;
- Legislative or regulatory actions that affect our relationships with our employees;
- Actions taken by the U.S. Congress relative to other government-sponsored enterprises;
- Actions taken by the U.S. government to manage U.S. immigration policies;
- Actions taken by the U.S. Congress to fund infrastructure improvements;
- Changes to tax laws;

- A decrease in the credit outlook or ratings of U.S. government debt and agency debt, including our securities and Systemwide Debt Securities;
- Our ability to attract and retain employees in light of the ongoing labor shortage across the United States;
- Costs of compliance with potential vaccine or testing mandates to us and our customers, including employee reactions to potential mandates;
- Cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, that could adversely affect our business, financial performance and reputation;
- Disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace;
- Changes in assumptions underlying the valuations of financial instruments;
- Changes in estimates underlying the allowance for credit losses, including the implementation of the CECL accounting standard;
- Failure of our investment portfolio to perform as expected or deterioration in the credit quality of such investments;
- Legal proceedings, judgments, settlements and related matters;
- Environmental-related conditions or laws impacting our lending activities;
- Nonperformance by counterparties under our derivative and vendor contracts;
- Success of business model solutions focused on strengthening our ability to fulfill the System's collective mission, including through the more efficient use of capital; and
- Our ability to continue to partner with various System and other entities in light of ongoing consolidation within the System and the industries we serve.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Condensed Consolidated Balance Sheets
CoBank, ACB

($ in Thousands)

	March 31, 2022 (Unaudited)	December 31, 2021
Assets		
Total Loans	**$ 140,559,456**	$ 128,529,146
Less: Allowance for Loan Losses	**724,621**	650,690
Net Loans	**139,834,835**	127,878,456
Cash and Cash Equivalents	**280,368**	3,196,869
Federal Funds Sold and Other Overnight Funds	**4,985,000**	5,500,000
Investment Securities	**36,156,579**	31,841,596
Interest Rate Swaps and Other Derivatives	**522,301**	486,654
Accrued Interest Receivable and Other Assets	**1,234,655**	1,402,349
Total Assets	**$ 183,013,738**	$ 170,305,924
Liabilities		
Bonds and Notes	**$ 168,824,238**	$ 154,949,979
Interest Rate Swaps and Other Derivatives	**569,064**	371,684
Reserve for Unfunded Commitments	**78,672**	106,148
Patronage Payable	**182,726**	742,746
Accrued Interest Payable and Other Liabilities	**2,195,177**	1,901,006
Total Liabilities	**$ 171,849,877**	$ 158,071,563
Commitments and Contingent Liabilities (Note 9)		
Shareholders' Equity		
Preferred Stock	**$ 1,688,255**	$ 1,902,500
Common Stock	**3,893,617**	4,012,706
Unallocated Retained Earnings	**6,286,696**	6,163,747
Accumulated Other Comprehensive (Loss) Income	**(704,707)**	155,408
Total Shareholders' Equity	**$ 11,163,861**	$ 12,234,361
Total Liabilities and Shareholders' Equity	**$ 183,013,738**	$ 170,305,924

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Income

CoBank, ACB

($ in Thousands) (Unaudited)

	For the Three Months Ended March 31,	
	2022	**2021**
Interest Income		
Loans	**$ 673,425**	$ 629,231
Investment Securities, Federal Funds Sold and Other Overnight Funds	**112,050**	114,874
Total Interest Income	**785,475**	744,105
Interest Expense	**297,864**	301,056
Net Interest Income	**487,611**	443,049
Provision for Loan Losses	**46,000**	55,000
Net Interest Income After Provision for Loan Losses	**441,611**	388,049
Noninterest Income (Expense)		
Net Fee Income	**33,055**	34,844
Patronage Income	**34,514**	29,388
Prepayment Income	**3,683**	22,336
Losses on Early Extinguishments of Debt	**(868)**	(14,679)
Gains on Interest Rate Swaps and Other Derivatives	**3,133**	3,986
Gains on Sales of Investment Securities	**1,114**	1,673
Other, Net	**13,825**	5,280
Total Noninterest Income	**88,456**	82,828
Operating Expenses		
Employee Compensation	**54,294**	55,623
Insurance Fund Premium	**30,240**	28,867
Information Services	**14,728**	11,790
General and Administrative	**6,313**	4,087
Occupancy and Equipment	**4,567**	4,032
Farm Credit System Related	**4,615**	4,509
Purchased Services	**2,997**	3,016
Other	**2,861**	679
Total Operating Expenses	**120,615**	112,603
Income Before Income Taxes	**409,452**	358,274
Provision for Income Taxes	**32,213**	34,243
Net Income	**$ 377,239**	$ 324,031

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Loss
CoBank, ACB

($ in Thousands) (Unaudited)

	For the Three Months Ended March 31,	
	2022	**2021**
Net Income	**$ 377,239**	$ 324,031
Other Comprehensive Loss, Net of Tax:		
Net Change in Unrealized Losses on Investment Securities Not Other-Than-Temporarily Impaired	**(898,794)**	(354,718)
Net Change in Unrealized Gains on Interest Rate Swaps and Other Derivatives	**37,550**	11,250
Net Pension Adjustment	**1,129**	2,006
Other Comprehensive Loss	**(860,115)**	(341,462)
Comprehensive Loss	**$ (482,876)**	$ (17,431)

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Shareholders' Equity
CoBank, ACB

($ in Thousands) (Unaudited)

For the Three Months Ended March 31,		2022		2021
Balance at Beginning of Period	**$**	**12,234,361**	$	11,909,605
Comprehensive Loss		**(482,876)**		(17,431)
Preferred Stock:				
Dividends		**(21,939)**		(20,611)
Redemptions		**(214,245)**		-
Gain on Partial Redemption of Series E Preferred Stock		**2,678**		-
Common Stock:				
Issuances		**21**		14
Retirements		**(156,687)**		(32,867)
Cash Patronage Accrued		**(197,452)**		(154,020)
Balance at End of Period	**$**	**11,163,861**	$	11,684,690

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

CoBank, ACB

($ in Thousands) (Unaudited)

For the Three Months Ended March 31,	2022	2021
Cash Flows Provided by Operating Activities		
Net Income	**$ 377,239**	$ 324,031
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Provision for Loan Losses	**46,000**	55,000
Deferred Income Taxes	**6,522**	4,447
Depreciation and Amortization/Accretion, Net	**13,230**	15,500
Losses on Early Extinguishments of Debt	**868**	14,679
Gains on Sales of Investment Securities	**(1,114)**	(1,673)
(Increase) Decrease in Accrued Interest Receivable and Other Assets	**(22,018)**	178
Decrease in Accrued Interest Payable and Other Liabilities	**(213,159)**	(125,188)
Net (Gains) Losses on Interest Rate Swaps and Other Derivatives	**(1,638)**	2,767
Payments on Termination of Interest Rate Swaps	**(34,767)**	-
Payments on Operating Lease Liabilities	**(2,706)**	(2,596)
Other, Net	**(581)**	(797)
Net Cash Provided by Operating Activities	**167,876**	286,348
Cash Flows Used in Investing Activities		
Net Increase in Loans	**(12,031,801)**	(3,880,555)
Net Increase in Investment Securities	**(4,711,112)**	(533,878)
Net Decrease in Federal Funds Sold and Other Overnight Funds	**515,000**	135,000
Other, Net	**100,137**	83,173
Net Cash Used in Investing Activities	**(16,127,776)**	(4,196,260)
Cash Flows Provided by Financing Activities		
Net Issuances of Bonds and Notes	**14,013,335**	3,230,784
Payments on Early Extinguishments of Debt	**(868)**	(14,679)
Preferred Stock Retired	**(211,567)**	-
Preferred Stock Dividends Paid	**(14,637)**	(14,768)
Net Retirements of Common Stock	**(156,666)**	(32,853)
Cash Patronage Distribution Paid	**(632,113)**	(489,757)
Special Cash Patronage Distribution Paid	**(125,360)**	(106,603)
Cash Collateral Received from Derivative Counterparties, Net	**284,860**	145,500
Variation Margin (Paid) Received on Cleared Derivatives, Net	**(113,585)**	86,939
Net Cash Provided by Financing Activities	**13,043,399**	2,804,563
Net Decrease in Cash	**(2,916,501)**	(1,105,349)
Cash at Beginning of Period	**3,196,869**	2,335,212
Cash at End of Period	**$ 280,368**	$ 1,229,863
Supplemental Disclosures:		
Schedule of Noncash Investing and Financing Activities		
Net Change in Accrued Securities Purchases	**$ (602,617)**	$ 427,552
Net Change in Receivables from Investment Securities	**(336)**	(1,223)
Net Change in Unrealized Losses on Investment Securities, Before Taxes	**(999,569)**	(395,506)
Net Change in Unrealized Gains on Interest Rate Swaps and Other Derivatives and Hedged Items, Before Taxes	**37,550**	11,361
Patronage in Common Stock	**37,577**	30,915
Change in Cash Patronage Payable	**197,452**	154,020
Supplemental Noncash Information Related to Leases		
Right-of-Use Assets Obtained in Exchange for Operating Lease Liabilities	**2,132**	2,074

The accompanying notes are an integral part of the condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

CoBank, ACB

(Unaudited) ($ in Thousands, Except Share and Per Share Amounts and as Noted)

Note 1 – Organization, Lending Authority and Significant Accounting Policies

The accompanying condensed consolidated financial statements include the accounts of CoBank, ACB and its wholly-owned subsidiaries, CoBank, FCB and Farm Credit Leasing Services Corporation (FCL), collectively hereinafter referred to as CoBank or the Bank. All material inter-company accounts and transactions have been eliminated. In our opinion, all adjustments considered necessary for a fair presentation of the interim financial condition, results of operations and cash flows have been made. These adjustments are of a normal recurring nature, unless otherwise disclosed. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America have been condensed or omitted.

CoBank is a member of the Farm Credit System (System). We provide loans, leases and other financial services to support agriculture, rural infrastructure and rural communities across the United States. We are cooperatively owned by our eligible U.S. customers. Our customers consist of agricultural cooperatives; other food and agribusiness companies; rural power, communications and water cooperatives and companies; rural community facilities; Agricultural Credit Associations (Associations), which are regulated, farmer-owned financial institutions and members of the System; and other businesses that serve agriculture and rural communities.

These unaudited quarterly condensed consolidated financial statements should be read in conjunction with the 2021 Annual Report, which includes a description of our organization and lending authority. Also included in the 2021 Annual Report is a summary of significant accounting policies. These quarterly condensed consolidated financial statements have been prepared in accordance with these same accounting policies.

CoBank is the funding bank for certain System Associations, which are collectively referred to as our “affiliated Associations.” The accompanying condensed consolidated financial statements exclude financial information of our affiliated Associations. CoBank and our affiliated Associations are collectively referred to as the “District.” Additional information about our affiliated Associations is contained in Note 12 to these condensed consolidated financial statements.

Copies of CoBank’s financial reports are available on request by calling or visiting one of our banking center locations and through our website at www.cobank.com. Copies of financial reports of our affiliated Associations and the System are available on their respective websites.

Note 2 – Recently Issued or Adopted Accounting Pronouncements

In March 2022, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU), “Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosure.” This ASU responds to feedback received during the post-implementation review of ASU 2016-13, “Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.” The amendments in this ASU eliminate the accounting guidance for troubled debt restructurings (TDRs) by creditors in Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty. The amendments in this ASU also require that an entity disclose current-period gross writeoffs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. For entities that have not yet adopted the amendments in ASU 2016-13, the effective dates for the amendments

in this ASU are the same as the effective dates in ASU 2016-13. CoBank has not and does not intend to early adopt this ASU prior to the required effective date of January 1, 2023.

In March 2022, the FASB issued ASU, "Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method." Under current guidance, the last-of-layer method enables an entity to apply fair value hedging to a stated amount of a closed portfolio of prepayable financial assets (or one or more beneficial interests secured by a portfolio of prepayable financial instruments) without having to consider prepayment risk or credit risk when measuring those assets. This ASU expands the scope of this guidance to allow entities to apply the portfolio layer method to portfolios of all financial assets, including both prepayable and nonprepayable financial assets. This scope expansion is consistent with the FASB's efforts to simplify hedge accounting and allows entities to apply the same method to similar hedging strategies. For public business entities, the amendments in this ASU are effective for fiscal years beginning after December 15, 2022, and interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted on any date on or after the issuance of this ASU for any entity that has adopted the amendments in ASU 2017-12 for the corresponding period. Although CoBank does not have a current derivative hedging strategy in which the last-of-layer method is used, we are currently evaluating the impact of this ASU on future derivative hedging strategies.

In March 2020, the FASB issued ASU, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform. The ASU simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate. With respect to hedge accounting, the ASU allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. The optional amendments were effective for all entities as of March 12, 2020, through December 31, 2022. We applied the optional expedients available under this ASU to our debt and derivative contract modifications related to LIBOR transition in the fourth quarter of 2020 as more fully described in the 2021 Annual Report. We have also elected the optional expedients to our loans as we incorporate fallback language into these agreements. In January 2021, the FASB issued ASU 2021-01, "Reference Rate Reform (Topic 848): Scope." The ASU allows certain derivative instruments to be modified to change the rate used for margining, discounting, or contract price alignment. An entity may elect to apply the optional amendments from March 12, 2020 to December 31, 2022. We adopted ASU 2021-01 on January 7, 2021 and the adoption did not have an impact on our consolidated financial position, results of operations or cash flows.

In June 2016, the FASB issued ASU, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses (CECL). The new model will apply to: (1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost; (2) loan commitments and certain other off-balance sheet credit exposures; (3) debt securities and other financial assets measured at fair value through other comprehensive income (loss); and (4) beneficial interests in securitized financial assets. For public business entities that are not U.S. Securities and Exchange Commission (SEC) filers the ASU was to become effective in fiscal years beginning after December 15, 2020, including interim periods within those fiscal years, and early application is permitted. In October 2019, the FASB deferred the effective date of the ASU by two years to fiscal years beginning after December 15, 2022 for business entities that do not meet the definition of an SEC filer. CoBank has not and does not intend to early adopt this ASU prior to the required effective date of January 1, 2023. While we continue to develop our CECL models and process framework, we believe the ASU may result in a change in the allowance for credit losses given the change to estimated losses over the contractual life with an anticipated impact from longer duration portfolios, as well as the addition of an allowance for investment securities and other financial instruments. The amount of the increase or decrease, if any, will be impacted by the composition of our portfolios and credit

quality at the adoption date, as well as economic conditions and forecasts at that time. In addition, we are required to adopt certain new loan and allowance for credit losses disclosures upon adopting the new ASU.

Note 3 – Loans, Loan Quality and Allowance for Credit Losses

Loans Outstanding

Loans outstanding by operating segment are shown below.

($ in Millions)

	March 31, 2022	December 31, 2021
Agribusiness	$ 49,453	$ 38,094
Farm Credit Banking	66,300	65,632
Rural Infrastructure	24,806	24,803
Total	$ 140,559	$ 128,529

Allowance for Credit Losses

The following tables present the changes in the components of our allowance for credit losses and details of ending balances. The allowance for credit losses includes the allowance for loan losses and the reserve for unfunded commitments. The elements of our allowance for credit losses are presented by operating segment.

	Agribusiness	Farm Credit Banking[(1)]	Rural Infrastructure	Total
March 31, 2022				
Allowance for Loan Losses				
Beginning Balance at January 1, 2022	$ 499,085	$ -	$ 151,605	$ 650,690
Charge-offs	(166)	-	-	(166)
Recoveries	177	-	444	621
Provision for Loan Losses (Loan Loss Reversal)	50,000	-	(4,000)	46,000
Transfers from Reserve for Unfunded Commitments[(2)]	25,556	-	1,920	27,476
Ending Balance at March 31, 2022	574,652	-	149,969	724,621
Reserve for Unfunded Commitments				
Beginning Balance at January 1, 2022	87,912	-	18,236	106,148
Transfers to Allowance for Loan Losses[(2)]	(25,556)	-	(1,920)	(27,476)
Ending Balance at March 31, 2022	62,356	-	16,316	78,672
Allowance for Credit Losses	$ 637,008	$ -	$ 166,285	$ 803,293
Allowance for Credit Losses				
Ending Balance, Allowance for Credit Losses Related to Loans and Unfunded Commitments:				
Individually Evaluated for Impairment	$ 19,077	$ -	$ 13,625	$ 32,702
Collectively Evaluated for Impairment	617,931	-	152,660	770,591
Total	$ 637,008	$ -	$ 166,285	$ 803,293
Loans				
Ending Balance for Loans and Related Accrued Interest:				
Individually Evaluated for Impairment	$ 85,180	$ 66,397,532	$ 58,732	$ 66,541,444
Collectively Evaluated for Impairment	49,499,206	-	24,822,195	74,321,401
Total	$ 49,584,386	$ 66,397,532	$ 24,880,927	$ 140,862,845

(1) As a result of a strong collateral position with respect to loans to Associations, along with the earnings, capital, portfolio diversification and loss reserves of Associations that serve as an additional layer of protection against losses, no allowance for credit losses is recorded in our Farm Credit Banking operating segment.

(2) These transfers generally occur as a result of advances on or repayments of seasonal lines of credit or other loans.

	Agribusiness	Farm Credit Banking[1]	Rural Infrastructure	Total
March 31, 2021				
Allowance for Loan Losses				
Beginning Balance at January 1, 2021	$ 489,424	$ -	$ 146,002	$ 635,426
Charge-offs	(309)	-	-	(309)
Recoveries	65	-	73	138
Provision for Loan Losses	46,800	-	8,200	55,000
Transfers (to) from Reserve for Unfunded Commitments[2]	(4,101)	-	529	(3,572)
Ending Balance at March 31, 2021	531,879	-	154,804	686,683
Reserve for Unfunded Commitments				
Beginning Balance at January 1, 2021	80,917	-	15,852	96,769
Transfers from (to) Allowance for Loan Losses[2]	4,101	-	(529)	3,572
Ending Balance at March 31, 2021	85,018	-	15,323	100,341
Allowance for Credit Losses	$ 616,897	$ -	$ 170,127	$ 787,024
Allowance for Credit Losses				
Ending Balance, Allowance for Credit Losses Related to Loans and Unfunded Commitments:				
Individually Evaluated for Impairment	$ 22,012	$ -	$ 6,800	$ 28,812
Collectively Evaluated for Impairment	594,885	-	163,327	758,212
Total	$ 616,897	$ -	$ 170,127	$ 787,024
Loans				
Ending Balance for Loans and Related Accrued Interest:				
Individually Evaluated for Impairment	$ 100,381	$ 60,002,705	$ 32,088	$ 60,135,174
Collectively Evaluated for Impairment	40,251,377	-	24,616,797	64,868,174
Total	$ 40,351,758	$ 60,002,705	$ 24,648,885	$ 125,003,348

[1] As a result of a strong collateral position with respect to loans to Associations, along with the earnings, capital, portfolio diversification and loss reserves of Associations that serve as an additional layer of protection against losses, no allowance for credit losses is recorded in our Farm Credit Banking operating segment.

[2] These transfers generally occur as a result of advances on or repayments of seasonal lines of credit or other loans.

The information in the tables under the Credit Quality, Aging Analysis and Impaired Loans captions is presented by operating segment, with guaranteed and non-guaranteed loans in our Agribusiness segment separately identified.

Credit Quality

The following table presents our loans and accrued interest, classified by management pursuant to our regulator's Uniform Loan Classification System.

March 31, 2022	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Farm Credit Banking	Rural Infrastructure	Total
Acceptable	**$ 45,664,243**	**$ 1,376,182**	**$ 64,857,578**	**$ 24,681,407**	**$ 136,579,410**
Special Mention	**1,593,431**	**-**	**1,539,954**	**103,562**	**3,236,947**
Substandard	**947,167**	**-**	**-**	**95,958**	**1,043,125**
Doubtful	**3,363**	**-**	**-**	**-**	**3,363**
Loss	**-**	**-**	**-**	**-**	**-**
Total	**$ 48,208,204**	**$ 1,376,182**	**$ 66,397,532**	**$ 24,880,927**	**$ 140,862,845**
December 31, 2021					
Acceptable	$ 34,823,345	$ 1,185,750	$ 64,188,986	$ 24,661,098	$ 124,859,179
Special Mention	1,381,925	-	1,528,088	101,482	3,011,495
Substandard	805,578	-	-	114,537	920,115
Doubtful	2,010	-	-	-	2,010
Loss	-	-	-	-	-
Total	$ 37,012,858	$ 1,185,750	$ 65,717,074	$ 24,877,117	$ 128,792,799

Aging Analysis

The following table presents an aging of past due loans and accrued interest.

March 31, 2022	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Farm Credit Banking	Rural Infrastructure	Total
30-89 Days Past Due	**$ 126,780**	**$ -**	**$ -**	**$ 4,830**	**$ 131,610**
90 Days Past Due	**19,488**	**-**	**-**	**19,982**	**39,470**
Total Past Due	**$ 146,268**	**$ -**	**$ -**	**$ 24,812**	**$ 171,080**
Current	**48,061,936**	**1,376,182**	**66,397,532**	**24,856,115**	**140,691,765**
Total	**$ 48,208,204**	**$ 1,376,182**	**$ 66,397,532**	**$ 24,880,927**	**$ 140,862,845**
Accruing Loans 90 Days or More Past Due	**$ 4,990**	**$ -**	**$ -**	**$ -**	**$ 4,990**
December 31, 2021					
30-89 Days Past Due	$ 57,032	$ -	$ -	$ 1,219	$ 58,251
90 Days Past Due	20,091	-	-	19,982	40,073
Total Past Due	$ 77,123	$ -	$ -	$ 21,201	$ 98,324
Current	36,935,735	1,185,750	65,717,074	24,855,916	128,694,475
Total	$ 37,012,858	$ 1,185,750	$ 65,717,074	$ 24,877,117	$ 128,792,799
Accruing Loans 90 Days or More Past Due	$ 2,738	$ -	$ -	$ -	$ 2,738

Impaired Loans

Impaired loan information is shown in the following table. Loans past due 90 days or more and still accruing interest are adequately secured and in the process of collection.

March 31, 2022	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[1]	Farm Credit Banking[1]	Rural Infrastructure	Total
Nonaccrual Loans[2]	**$ 85,180**	**$ -**	**$ -**	**$ 58,732**	**$ 143,912**
Accruing Loans 90 Days or More Past Due	**4,990**	**-**	**-**	**-**	**4,990**
Accruing Restructured Loans	**5,517**	**-**	**-**	**-**	**5,517**
Total Impaired Loans	**$ 95,687**	**$ -**	**$ -**	**$ 58,732**	**$ 154,419**
December 31, 2021					
Nonaccrual Loans[2]	$ 73,944	$ -	$ -	$ 48,687	$ 122,631
Accruing Loans 90 Days or More Past Due	2,738	-	-	-	2,738
Accruing Restructured Loans	-	-	-	-	-
Total Impaired Loans	$ 76,682	$ -	$ -	$ 48,687	$ 125,369

[1] There were no impaired loans in our Agribusiness Guaranteed or Farm Credit Banking portfolios for any of the periods presented.

[2] Included in nonaccrual loans at March 31, 2022 and December 31, 2021 were $5.7 million and $11.5 million, respectively, of loans that qualified as troubled debt restructurings.

The following table presents information on impaired loans and related amounts in the allowance for loan losses.

March 31, 2022	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[1]	Farm Credit Banking[1]	Rural Infrastructure	Total
Impaired Loans With No Related Allowance for Loan Losses					
Carrying Amount	$ 41,593	$ -	$ -	$ -	$ 41,593
Unpaid Principal	64,357	-	-	-	64,357
Average Balance	41,663	-	-	-	41,663
Interest Income Recognized	656	-	-	16	672
Impaired Loans With Related Allowance for Loan Losses					
Carrying Amount	54,094	-	-	58,732	112,826
Unpaid Principal	56,794	-	-	59,550	116,344
Allowance for Loan Losses	19,077	-	-	13,625	32,702
Average Balance	42,340	-	-	48,574	90,914
Interest Income Recognized	-	-	-	-	-
Total Impaired Loans					
Carrying Amount	95,687	-	-	58,732	154,419
Unpaid Principal	121,151	-	-	59,550	180,701
Allowance for Loan Losses	19,077	-	-	13,625	32,702
Average Balance	84,003	-	-	48,574	132,577
Interest Income Recognized	656	-	-	16	672
December 31, 2021					
Impaired Loans With No Related Allowance for Loan Losses					
Carrying Amount	$ 35,647	$ -	$ -	$ -	$ 35,647
Unpaid Principal	57,565	-	-	-	57,565
Average Balance	44,336	-	-	7,814	52,150
Interest Income Recognized	18,001	-	-	273	18,274
Impaired Loans With Related Allowance for Loan Losses					
Carrying Amount	41,035	-	-	48,687	89,722
Unpaid Principal	44,002	-	-	49,191	93,193
Allowance for Loan Losses	19,785	-	-	11,125	30,910
Average Balance	51,467	-	-	35,431	86,898
Interest Income Recognized	-	-	-	-	-
Total Impaired Loans					
Carrying Amount	76,682	-	-	48,687	125,369
Unpaid Principal	101,567	-	-	49,191	150,758
Allowance for Loan Losses	19,785	-	-	11,125	30,910
Average Balance	95,803	-	-	43,245	139,048
Interest Income Recognized	18,001	-	-	273	18,274

[1] There were no impaired loans in our Agribusiness Guaranteed or Farm Credit Banking portfolios for any of the periods presented.

Commitments on Impaired Loans

There were $2.8 million in commitments available to be drawn by borrowers whose loans were classified as impaired at March 31, 2022.

Troubled Debt Restructurings

TDRs are loans in which we have granted a concession because the borrower is experiencing financial difficulty. Concessions may include payment deferrals, term extensions, interest rate reductions, and/or forgiveness of principal or interest. TDRs classified as nonaccrual loans, along with other impaired loans, may be returned to accruing status upon meeting specific criteria, as more fully described in our 2021 Annual Report. During the three months ended March 31, 2022 and 2021, there were no modifications that qualified as TDRs. Included in nonaccrual loans at March 31, 2022 and December 31, 2021 were $5.7 million and $11.5 million, respectively, of loans that qualified as TDRs.

Note 4 – Investment Securities

A summary of the amortized cost and fair value of investment securities available-for-sale is as follows:

($ in Millions)

March 31, 2022	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Debt	**$ 18,381**	**$ 25**	**$ (281)**	**$ 18,125**
U.S. Agency Debt	**2,196**	**17**	**(21)**	**2,192**
Residential Mortgage-Backed Securities (MBS):				
Ginnie Mae	**1,141**	**1**	**(78)**	**1,064**
U.S. Agency	**1,307**	**4**	**(33)**	**1,278**
Commercial MBS:				
U.S. Agency	**13,345**	**4**	**(363)**	**12,986**
Corporate Bonds	**404**	**4**	**(3)**	**405**
Asset-Backed and Other	**108**	**-**	**(1)**	**107**
Total	**$ 36,882**	**$ 55**	**$ (780)**	**$ 36,157**
December 31, 2021				
U.S. Treasury Debt	$ 15,531	$ 218	$ (33)	$ 15,716
U.S. Agency Debt	1,997	81	(1)	2,077
Residential MBS:				
Ginnie Mae	1,205	3	(8)	1,200
U.S. Agency	1,214	15	(9)	1,220
Commercial MBS:				
U.S. Agency	11,237	64	(76)	11,225
Corporate Bonds	361	22	-	383
Asset-Backed and Other	22	-	(1)	21
Total	$ 31,567	$ 403	$ (128)	$ 31,842

A summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type at March 31, 2022 is as follows:

($ in Millions)

	Contractual Maturity				
March 31, 2022	In One Year or Less	One to Five Years	Five to Ten Years	After Ten Years	Total
U.S. Treasury Debt Securities					
Amortized Cost	$ 5,466	$ 10,577	$ 2,338	$ -	$ 18,381
Fair Value	5,473	10,459	2,193	-	18,125
Weighted Average Yield	0.99 %	1.59 %	1.36 %	- %	1.38 %
U.S. Agency Debt Securities					
Amortized Cost	$ 336	$ 1,361	$ 329	$ 170	$ 2,196
Fair Value	337	1,358	329	168	2,192
Weighted Average Yield	2.07 %	2.16 %	2.55 %	2.58 %	2.24 %
Ginnie Mae Residential MBS					
Amortized Cost	$ -	$ 1	$ 1	$ 1,139	$ 1,141
Fair Value	-	1	1	1,062	1,064
Weighted Average Yield	- %	2.01 %	1.79 %	1.59 %	1.59 %
U.S. Agency Residential MBS					
Amortized Cost	$ -	$ 3	$ 539	$ 765	$ 1,307
Fair Value	-	3	522	753	1,278
Weighted Average Yield	- %	0.81 %	1.97 %	1.77 %	1.85 %
U.S. Agency Commercial MBS					
Amortized Cost	$ 61	$ 2,305	$ 9,855	$ 1,124	$ 13,345
Fair Value	61	2,277	9,536	1,112	12,986
Weighted Average Yield	1.77 %	1.35 %	1.12 %	1.40 %	1.18 %
Corporate Bonds					
Amortized Cost	$ 10	$ 194	$ 200	$ -	$ 404
Fair Value	10	196	199	-	405
Weighted Average Yield	3.63 %	4.08 %	3.69 %	- %	3.88 %
Asset-Backed and Other					
Amortized Cost	$ -	$ 96	$ -	$ 12	$ 108
Fair Value	-	96	-	11	107
Weighted Average Yield	- %	0.97 %	- %	5.57 %	1.44 %
Total					
Amortized Cost	$ 5,873	$ 14,537	$ 13,262	$ 3,210	$ 36,882
Fair Value	5,881	14,390	12,780	3,106	36,157
Weighted Average Yield	1.06 %	1.63 %	1.27 %	1.62 %	1.41 %

While the substantial majority of our residential mortgage-backed securities (MBS) have contractual maturities in excess of 10 years, expected maturities for these securities are shorter than contractual maturities because borrowers have the right to call or prepay obligations with or without penalties.

The following table shows the fair value and gross unrealized losses for investments in a loss position aggregated by investment category, and the length of time the securities have been in a continuous unrealized loss position at March 31, 2022 and December 31, 2021. The continuous loss position is based on the date the impairment first occurred.

	Less Than 12 Months		Greater Than 12 Months	
($ in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
March 31, 2022				
U.S. Treasury Debt	**$ 9,630**	**$ (261)**	**$ 390**	**$ (20)**
U.S. Agency Debt	**840**	**(21)**	**127**	**-**
Residential MBS:				
Ginnie Mae	**917**	**(78)**	**-**	**-**
U.S. Agency	**651**	**(26)**	**69**	**(7)**
Commercial MBS:				
U.S. Agency	**6,280**	**(208)**	**3,218**	**(155)**
Corporate Bonds	**188**	**(3)**	**-**	**-**
Asset-Backed and Other	**101**	**-**	**4**	**(1)**
Total	**$ 18,607**	**$ (597)**	**$ 3,808**	**$ (183)**
December 31, 2021				
U.S. Treasury Debt	$ 3,838	$ (33)	$ -	$ -
U.S. Agency Debt	41	(1)	174	-
Residential MBS:				
Ginnie Mae	992	(8)	-	-
U.S. Agency	186	(3)	77	(6)
Commercial MBS:				
U.S. Agency	2,480	(11)	2,890	(65)
Corporate Bonds	-	-	-	-
Asset-Backed and Other	5	-	9	(1)
Total	$ 7,542	$ (56)	$ 3,150	$ (72)

As of March 31, 2022, we expect to collect all principal and interest payments on our investment securities. We do not intend to sell the securities in unrealized loss positions, nor is it likely that we will be required to sell such securities, for regulatory, liquidity or other purposes, before an anticipated recovery of our cost basis occurs.

Note 5 – Changes in Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the three months ended March 31, 2022 and 2021 are presented in the following table.

Changes in Accumulated Other Comprehensive Income (Loss) by Component[1]

	Unrealized Gains (Losses) On Investment Securities Non-OTTI	Unrealized Gains (Losses) on Interest Rate Swaps and Other Derivatives	Net Pension Adjustment	Total
Balance at January 1, 2022	**$ 232,314**	**$ (35,702)**	**$ (41,204)**	**$ 155,408**
Other comprehensive (loss) income before reclassifications	**(897,951)**	**35,438**	**-**	**(862,513)**
Amounts reclassified from accumulated other comprehensive income (loss) to net income	**(843)**	**2,112**	**1,129**	**2,398**
Net current-period other comprehensive (loss) income	**(898,794)**	**37,550**	**1,129**	**(860,115)**
Balance at March 31, 2022	**$ (666,480)**	**$ 1,848**	**$ (40,075)**	**$ (704,707)**
Balance at January 1, 2021	$ 799,538	$ (43,353)	$ (68,243)	$ 687,942
Other comprehensive (loss) income before reclassifications	(353,007)	10,138	-	(342,869)
Amounts reclassified from accumulated other comprehensive income (loss) to net income	(1,711)	1,112	2,006	1,407
Net current-period other comprehensive (loss) income	(354,718)	11,250	2,006	(341,462)
Balance at March 31, 2021	$ 444,820	$ (32,103)	$ (66,237)	$ 346,480

[1] Amounts are presented net of tax. Amounts reclassified shown in parentheses indicate a decrease in accumulated other comprehensive income or an increase in accumulated other comprehensive loss.

The following table presents the effect of reclassifications from accumulated other comprehensive income (loss) to net income for the three-month periods ended March 31, 2022 and 2021.

Reclassifications from Accumulated Other Comprehensive Income (Loss) to Net Income

For the Three Months Ended March 31, 2022	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	Location of Gain (Loss) Recognized in Income Statement
Unrealized gains (losses) on available-for-sale investment securities:		
Sales gains and losses	**$ 1,114**	Noninterest Income - Other, Net
Tax effect	**(271)**	Provision for Income Taxes
Unrealized gains (losses) on interest rate swaps and other derivatives:		
Interest rate contracts	**(2,337)**	Interest Expense
Foreign exchange contracts	**251**	Interest Income
Tax effect	**(26)**	Provision for Income Taxes
Pension and other benefit plans:		
Net actuarial loss	**(1,342)**	Operating Expenses - Employee Compensation
Prior service cost	**(149)**	Operating Expenses - Employee Compensation
Tax effect	**362**	Provision for Income Taxes
Total reclassifications	**$ (2,398)**	
For the Three Months Ended March 31, 2021		
Unrealized gains (losses) on available-for-sale investment securities:		
Sales gains and losses	$ 1,673	Noninterest Income - Other, Net
Tax effect	38	Provision for Income Taxes
Unrealized gains (losses) on interest rate swaps and other derivatives:		
Interest rate contracts	(3,739)	Interest Expense
Foreign exchange contracts	3,403	Interest Income
Tax effect	(776)	Provision for Income Taxes
Pension and other benefit plans:		
Net actuarial loss	(2,406)	Operating Expenses - Employee Compensation
Prior service cost	(243)	Operating Expenses - Employee Compensation
Tax effect	643	Provision for Income Taxes
Total reclassifications	$ (1,407)	

Note 6 – Derivatives and Hedging Activities

Risk Management Objectives and Strategies

We maintain an overall interest rate risk management strategy that incorporates the use of interest rate swaps and other derivatives to manage liquidity and to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity by modifying the repricing frequency or effective maturity of certain balance sheet assets and liabilities. We also maintain a foreign exchange risk management strategy to reduce the impact of currency fluctuations on our relatively nominal amount of foreign currency-denominated loans. As a result of interest rate and foreign exchange rate fluctuations, fixed-rate assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities. Interest rate and foreign exchange fluctuations also cause interest income and interest expense of variable-rate assets and liabilities to increase or decrease. The effect of this variability in earnings is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities.

Uses of Derivatives

To achieve risk management objectives and satisfy the financing needs of our borrowers, we execute various derivative transactions with other financial institutions. Derivatives (primarily interest rate swaps) are used to manage liquidity and the interest rate risk arising from maturity and repricing mismatches between assets and liabilities. Under interest rate swap arrangements, we agree with a counterparty to exchange, at specified intervals, payment streams calculated on a specified notional amount, with at least one payment stream based on a specified floating-rate index. We use a variety of interest rate swaps including the exchange of floating-rate for fixed-rate swaps, fixed-rate for floating-rate swaps and floating-rate for floating-rate swaps with payment obligations tied to specific indices. In the course of managing risk in our investment and loan portfolios, we also periodically hedge cap and floor risk embedded within our floating-rate investments and loans by entering into derivative transactions. In addition, we execute foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. We also enter into derivatives for our customers as a service to enable them to transfer, modify or reduce their interest rate risk and foreign exchange risk by transferring such risk to us. We substantially offset this risk transference by concurrently entering into offsetting agreements with counterparties.

The notional amounts of derivatives at March 31, 2022 and related activity for the first three months of 2022 are shown in the following table.

Activity in the Notional Amounts of Derivatives

($ in Millions)	Swaps	Caps / Floors	Spots / Forwards	Total
December 31, 2021	**$ 54,939**	**$ 4,530**	**$ 179**	**$ 59,648**
Additions /Accretion	**35,997**	**24**	**375**	**36,396**
Maturities /Amortization	**(24,633)**	**(233)**	**(426)**	**(25,292)**
Terminations	**(1,934)**	**-**	**-**	**(1,934)**
March 31, 2022	**$ 64,369**	**$ 4,321**	**$ 128**	**$ 68,818**

The notional amounts of derivatives at March 31, 2021 and related activity for the first three months of 2021 are shown in the following table.

Activity in the Notional Amounts of Derivatives

($ in Millions)	Swaps	Caps / Floors	Spots / Forwards	Total
December 31, 2020	$ 46,666	$ 6,435	$ 157	$ 53,258
Additions /Accretion	19,927	30	282	20,239
Maturities /Amortization	(19,219)	(3)	(267)	(19,489)
Terminations	(36)	-	-	(36)
March 31, 2021	$ 47,338	$ 6,462	$ 172	$ 53,972

Accounting for Derivative Instruments and Hedging Activities

We record derivatives as assets or liabilities at their fair value on the consolidated balance sheets. We record changes in the fair value of a derivative in current period earnings or accumulated other comprehensive income (loss), depending on the use of the derivative and whether it qualifies for hedge accounting. For fair value hedge transactions that hedge changes in the fair value of assets or liabilities, changes in the fair value of the derivative will generally be offset in the statement of comprehensive income by changes in the hedged item's fair value attributable to the risk being hedged. For cash flow hedge transactions, in which we hedge the variability of future cash flows related to a variable-rate or foreign currency denominated asset or liability, changes in the fair value of the derivative are reported in accumulated other comprehensive income (loss). The gains and losses on the derivatives that we report in accumulated other comprehensive income (loss) will be reclassified as earnings in the periods in which earnings are affected by the variability of the cash flows of the hedged item.

For our customer transactions, which are not designated as hedging instruments, we record the related changes in fair value in current period earnings. We substantially offset this risk transference by concurrently entering into offsetting agreements with counterparties, with the changes in fair value of these transactions also recorded in current period earnings.

Fair Value Hedges

The majority of the fair value hedging activity relates to entering into interest rate swaps primarily to convert our non-prepayable fixed-rate debt to floating-rate debt to achieve our liquidity management strategy. The amount converted depends on contractual interest rates and maturities. For the remaining fair value hedges, we enter into receive-fixed, pay-floating swaps for our equity positioning strategy and low interest rate hedging strategy. For fair value hedges, the amount of hedge ineffectiveness is recognized as net interest income in current period earnings.

Cash Flow Hedges

Our cash flow hedges include interest rate caps and floors to hedge cap and floor risk embedded within a portion of our floating-rate investment securities and loans. Interest rate caps and interest rate floors are an integral part of our interest rate hedging strategies. The interest rate caps hedge floating-rate debt cash flows that fund the cash flows from floating-rate investment securities. If the strike rates in the purchased interest rate caps are exceeded, we receive cash flows on the derivative to hedge our floating-rate funding exposure above such strike levels. The interest rate floors hedge cash flows from floating-rate loans. If market index rates underlying our floating rate loans decline below strike levels, we receive cash flows on the derivative. We also enter into foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. Typically, foreign currency contracts are purchased to fund the principal cash flows of the loan and simultaneously sold to lock in the principal and interest cash flows upon repricing or maturity date of the loan. For cash flow hedges, the amount excluded from effectiveness assessment and the amounts reclassified from accumulated other comprehensive income (loss) into current period earnings are all reflected in net interest income. For cash flow hedges in which the forecasted transaction is not probable of occurring, the amounts reclassified from accumulated other comprehensive income (loss) are reflected in current period earnings. At March 31, 2022, we expect that $10.0 million of expense will be reclassified from accumulated other comprehensive income (loss) into earnings in the next 12 months, based on the anticipated cash flows of existing financial instruments. The maximum term over which we are hedging our exposure to the variability of future cash flows for all forecasted transactions is approximately 14 years.

Derivatives Not Designated as Hedges

Derivative agreements with our customers and the related offsetting derivative agreements with counterparties as well as our short-term interest rate swaps indexed to the Secured Overnight Financing Rate (SOFR) are not designated as hedging instruments and do not receive hedge accounting treatment. Changes in the fair value of customer-related derivatives are recognized immediately as noninterest income/expense in current period earnings. Changes in the fair value of short-term SOFR interest rate swaps are recognized immediately as interest expense in current period earnings.

Counterparty Credit Risk

The use of derivatives for risk management introduces credit risk related to customers and counterparties. Generally, when the fair value of a derivative contract is positive, we are exposed to credit risk. When the fair value of a derivative contract is negative, the counterparty is exposed to us.

Derivative transactions with our customers are typically secured through our loan agreements. As of March 31, 2022 and December 31, 2021, the notional amount of derivatives with our customers totaled $12.9 billion and $13.1 billion, respectively.

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the Dodd-Frank Act) requires certain derivative transactions to be cleared through a central clearinghouse and traded on regulated swap execution facilities. The U.S. Commodity Futures Trading Commission has exempted certain qualifying swaps entered into by end-users and financial cooperatives from these requirements. The exemptions do not cover all swaps executed by CoBank and are generally limited to swaps entered into in connection with loans and derivatives for customer-owners. CoBank has also voluntarily chosen to clear some swap transactions for economic and risk management purposes. As a result, certain of our derivative transactions are cleared through a futures commission merchant (FCM) with a clearinghouse or central counterparty (CCP). When these swaps are cleared, a single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. CCPs have several layers of protection against default including initial margin and variation margin or settlement payments that are required to be posted by participants. FCMs prequalify counterparties to all cleared swaps, set exposure limits for each counterparty and collect initial margin and variation margin or settlement payments daily for changes in the value of cleared derivatives. The margin and settlement payments collected from both parties to the swap protect against credit risk in the event of a counterparty default. As of March 31, 2022 and December 31, 2021, the notional amount of our cleared derivatives was $46.5 billion and $36.8 billion, respectively. Initial margin and settlement payments totaling $146.7 million and $63.5 million, respectively, as of March 31, 2022 and $110.7 million and $50.1 million, respectively, as of December 31, 2021 were held by our CCP for our cleared derivatives.

Our remaining non-customer derivatives are transacted with derivative counterparties and governed by master swap agreements, which include bilateral collateral arrangements, requiring the Bank or our counterparties to post collateral on a daily basis with thresholds set at zero for all active counterparties. The master swap agreements also include netting agreements requiring the net settlement of covered contracts with the same counterparty in the event of default by the other party. The “net” mark-to-market exposure represents the netting of the positive and negative exposures with that counterparty. Notwithstanding these protections, we are exposed to credit risk with these counterparties due to the timing of daily margining activities. As of March 31, 2022 and December 31, 2021, the notional amount of derivatives with our non-customer counterparties, excluding cleared derivatives, totaled $9.4 billion and $9.8 billion, respectively.

We record derivative exposures and related cash collateral balances at gross amounts in our consolidated balance sheets. Pursuant to our master swap agreements, as of March 31, 2022 our non-customer counterparties had posted $205.0 million in cash as collateral with us.

The fair value of our derivatives to all of our dealer counterparties was an asset at March 31, 2022 and was offset by the collateral we received from our dealer counterparties. At December 31, 2021, the fair value of our derivatives to all of our dealer counterparties was a liability and was offset by the collateral we posted to our dealer counterparties. The amount of losses related to derivatives we are exposed to in the event of nonperformance by dealer counterparties to our derivative positions is mitigated by collateral posted or held by us.

Hedge Terminations

During the three months ended March 31, 2022, we terminated $1.1 billion in notional value of interest rate swaps which hedged the fair value of certain of our fixed-rate debt. The swaps were previously accounted for as fair value hedges and the $34.4 million of hedged item basis adjustment upon termination will be amortized to earnings over the remaining life of the original hedging relationships. We did not terminate any derivatives designated as fair value hedges or cash flow hedges during the first three months of 2021.

We terminated interest rate swaps with customers and offsetting dealer counterparties totaling notional value of $800.0 million and $36.0 million during the first three months of 2022 and 2021, respectively. Proceeds from the customer terminations were offset by payments for the offsetting dealer terminations.

A summary of the impact of interest rate swaps and other derivatives on our condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021 is shown in the following tables.

Fair Value of Derivatives

	Fair Value of Derivative Assets[1]	Fair Value of Derivative Liabilities[2]
As of March 31, 2022		
Derivatives Designated as Hedging Instruments		
Interest Rate Contracts	**$ 76,190**	**$ 249,305**
Foreign Exchange Contracts	**940**	**556**
Total Derivatives Designated as Hedging Instruments	**$ 77,130**	**$ 249,861**
Derivatives Not Designated as Hedging Instruments		
Interest Rate Contracts	**$ 445,058**	**$ 382,563**
Foreign Exchange Contracts	**113**	**111**
Total Derivatives Not Designated as Hedging Instruments	**$ 445,171**	**$ 382,674**
Settlement Payments	**-**	**(63,471)**
Total Derivatives	**$ 522,301**	**$ 569,064**
As of December 31, 2021		
Derivatives Designated as Hedging Instruments		
Interest Rate Contracts	$ 141,904	$ 36,745
Foreign Exchange Contracts	891	615
Total Derivatives Designated as Hedging Instruments	$ 142,795	$ 37,360
Derivatives Not Designated as Hedging Instruments		
Interest Rate Contracts	$ 393,873	$ 334,223
Foreign Exchange Contracts	102	101
Total Derivatives Not Designated as Hedging Instruments	$ 393,975	$ 334,324
Settlement Payments	(50,116)	-
Total Derivatives	$ 486,654	$ 371,684

(1) These assets make up the interest rate swaps and other derivatives in the condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021.

(2) These liabilities make up the interest rate swaps and other derivatives in the condensed consolidated balance sheets as of March 31, 2022 and December 31, 2021.

A summary of the impact of interest rate swaps and other derivatives on our condensed consolidated statements of income and comprehensive income for the three months ended March 31, 2022 and 2021 is shown below.

Effect of Fair Value and Cash Flow Hedge Accounting on the Condensed Consolidated Statement of Income

	Interest Income Loans	Interest Income Investments	Total Interest Income	Interest Expense	Net Interest Income
Three Months Ended March 31, 2022					
Total Amount of Line Items Presented in Condensed Consolidated Statement of Income	**$ 673,425**	**$ 112,050**	**$ 785,475**	**$ (297,864)**	**$ 487,611**
Gain (Loss) on Fair Value Hedge Relationships:					
Interest Rate Contracts:					
Recognized on Derivatives	**$ -**	**$ -**	**$ -**	**$ (314,696)**	**$ (314,696)**
Recognized on Hedged Items	**-**	**-**	**-**	**314,757**	**314,757**
Net Income (Expense) Recognized on Fair Value Hedges	**$ -**	**$ -**	**$ -**	**$ 61**	**$ 61**
Gain (Loss) on Cash Flow Hedge Relationships:					
Interest Rate Contracts:					
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	**$ 794**	**$ -**	**$ 794**	**$ (3,131)**	**$ (2,337)**
Foreign Exchange Contracts:					
Amount of Gain Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)[1]	**251**	**-**	**251**	**-**	**251**
Amount Excluded from Effectiveness Testing Recognized in Earnings Based on an Amortization Approach	**39**	**-**	**39**	**-**	**39**
Net Income (Expense) Recognized on Cash Flow Hedges	**$ 1,084**	**$ -**	**$ 1,084**	**$ (3,131)**	**$ (2,047)**
Three Months Ended March 31, 2021					
Total Amount of Line Items Presented in Condensed Consolidated Statement of Income	$ 629,231	$ 114,874	$ 744,105	$ (301,056)	$ 443,049
Gain (Loss) on Fair Value Hedge Relationships:					
Interest Rate Contracts:					
Recognized on Derivatives	$ -	$ -	$ -	$ (92,743)	$ (92,743)
Recognized on Hedged Items	-	-	-	92,209	92,209
Net Income (Expense) Recognized on Fair Value Hedges	$ -	$ -	$ -	$ (534)	$ (534)
Gain (Loss) on Cash Flow Hedge Relationships:					
Interest Rate Contracts:					
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	$ (338)	$ -	$ (338)	$ (3,401)	$ (3,739)
Foreign Exchange Contracts:					
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)[2]	3,403	-	3,403	-	3,403
Amount Excluded from Effectiveness Testing Recognized in Earnings Based on an Amortization Approach	67	-	67	-	67
Net Income (Expense) Recognized on Cash Flow Hedges	$ 3,132	$ -	$ 3,132	$ (3,401)	$ (269)

(1) Fully offset by a $251 loss on foreign currency denominated loans (hedged items) which is also located in Interest Income - Loans in the condensed consolidated statement of income for the three months ended March 31, 2022.

(2) Fully offset by a $3,403 loss on foreign currency denominated loans (hedged items) which is also located in Interest Income - Loans in the condensed consolidated statement of income for the three months ended March 31, 2021.

Effect of Cash Flow Hedge Accounting on the Condensed Consolidated Balance Sheet		
	Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives	
Three Months Ended March 31,	**2022**	**2021**
Interest Rate Contracts	**$ 35,356**	$ 7,374
Foreign Exchange Contracts	**109**	3,651
Total	**$ 35,465**	$ 11,025

Effect of Derivatives Not Designated as Hedging Relationships on the Condensed Consolidated Statements of Income		
	Net Amount of Gain (Loss) Recognized	
Three Months Ended March 31,	**2022**	**2021**
Interest Rate Contracts	**$ (871)** [1]	$ 1,308 [2]
Foreign Exchange Contracts	**-**	-
Total	**$ (871)**	$ 1,308

[1] Includes $854 gain on short-term derivatives indexed to SOFR and recognized in interest expense and $1,725 loss on derivatives with customers and related offsetting derivatives with counterparties including credit valuation adjustments and recognized in noninterest income/expense for the three months ended March 31, 2022.

[2] Includes $203 loss on short-term derivatives indexed to SOFR and recognized in interest expense and $1,511 gain on derivatives with customers and related offsetting derivatives with counterparties including credit valuation adjustments and recognized in noninterest income/expense for the three months ended March 31, 2021.

A summary of the cumulative basis adjustment for fair value hedging relationships included in the carrying amount of hedged liabilities as of March 31, 2022 and December 31, 2021 is shown in the following table.

Derivatives in Fair Value Hedging Relationships			
		Cumulative Basis Adjustment Included in the Carrying Amount of Hedged Liabilities	
	Carrying Amount of Hedged Liabilities	Hedged Items Currently Designated	Hedged Items No Longer Designated
As of March 31, 2022			
Bonds and Notes	**$ 17,010,586**	**$ (233,296)**	**$ (34,383)**
As of December 31, 2021			
Bonds and Notes	$ 18,030,275	$ 81,461	$ -

Asset/Liability Offsetting

As noted previously, derivative transactions with swap dealers include bilateral collateral and netting agreements that require the net settlement of covered contracts. Derivative transactions with customers are collateralized through loan agreements. Notwithstanding collateral and netting provisions, our derivative assets and liabilities are not offset in the accompanying condensed consolidated balance sheets. The amount of collateral received or pledged is calculated on a net basis, by counterparty.

The following table summarizes derivative assets and liabilities, related accrued interest and amounts of collateral exchanged pursuant to our agreements.

Offsetting of Derivatives and Collateral

	Gross Amounts of Assets/ Liabilities Presented in the Condensed Consolidated Balance Sheets	Amounts Not Offset In the Condensed Consolidated Balance Sheets		Net Amount
		Cash Collateral Received/Pledged[1]	Investments Securities Received/Pledged as Collateral	
As of March 31, 2022				
Assets:				
Interest Rate Swaps and Other Derivatives:				
Dealer	**$ 217,271**	**$ (205,010)**	**$ -**	**$ 12,261**
Customer	**102,326**	**-**	**-**	**102,326**
Clearinghouse	**202,704**	**-**	**-**	**202,704**
Accrued Interest Receivable on Derivative Contracts	**39,366**	**-**	**-**	**39,366**
Liabilities:				
Interest Rate Swaps and Other Derivatives:				
Dealer	**26,107**	**-**	**-**	**26,107**
Customer	**297,333**	**-**	**-**	**297,333**
Clearinghouse	**245,624**	**-**	**(146,680)**	**98,944**
Accrued Interest Payable on Derivative Contracts	**6,246**	**-**	**-**	**6,246**
As of December 31, 2021				
Assets:				
Interest Rate Swaps and Other Derivatives:				
Dealer	$ 57,212	$ (1,270)	$ -	$ 55,942
Customer	307,358	-	-	307,358
Clearinghouse	122,084	-	-	122,084
Accrued Interest Receivable on Derivative Contracts	44,157	-	-	44,157
Liabilities:				
Interest Rate Swaps and Other Derivatives:				
Dealer	143,740	(81,120)	-	62,620
Customer	68,628	-	-	68,628
Clearinghouse	159,316	-	(110,723)	48,594
Accrued Interest Payable on Derivative Contracts	6,484	-	-	6,484

[1] Cash collateral received is recognized in the condensed consolidated balance sheets whereas investment securities received are not recognized in the condensed consolidated balance sheets.

Note 7 – Fair Value Measurements

The fair value of financial instruments represents the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability (an exit price) in active markets among willing participants at the reporting date. The FASB has established a three-level fair value hierarchy aimed at maximizing the use of observable inputs – that is, inputs that reflect the assumptions market participants would use in pricing an asset or liability. Observable inputs are based on market data obtained from independent sources. Unobservable inputs are supported by limited or no market activity and require significant management judgment or estimation.

Due to the uncertainty of expected cash flows resulting from financial instruments, the use of different assumptions and valuation methodologies could significantly affect the estimated fair value amounts. Accordingly, certain estimated fair values may not be indicative of the amounts for which the financial instruments could be exchanged in a current or future market transaction.

A description of the methods, assumptions and inputs to the valuation process used to determine or estimate the fair value of each class of financial instruments within the three-level hierarchy follows.

Level 1

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Our Level 1 assets at March 31, 2022 consist of assets held in a trust fund related to deferred compensation and nonqualified retirement plans. The trust fund includes investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Level 2

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. Our Level 2 assets and liabilities at March 31, 2022 include our derivative contracts, collateral balances related to derivative contracts, federal funds sold and other overnight funds, U.S. Treasury and agency debt investment securities, Ginnie Mae MBS, corporate bonds, and the substantial majority of agency MBS and asset-backed securities (ABS).

The fair value of federal funds sold and other overnight funds is generally their face value, plus accrued interest, as these instruments are readily convertible to cash and are short-term in nature.

The fair value of our investment securities classified as Level 2 is determined by a third-party pricing service that uses valuation models to estimate current market prices. Inputs and assumptions related to these models are typically observable in the marketplace. Such models incorporate prepayment assumptions and underlying collateral information to generate cash flows that are discounted using appropriate benchmark interest rate curves and volatilities. These third-party valuation models also incorporate information regarding non-binding broker/dealer quotes, available trade information, historical cash flows, credit ratings, and other market information. The estimated fair values of investment securities also appear in Note 4.

The fair value of our interest rate swaps and other derivatives is the estimated amount to be received to sell a derivative asset or paid to transfer or extinguish a derivative liability in active markets among willing participants at the reporting date. Estimated fair value is determined through internal market valuation models. These models use an income approach and incorporate benchmark interest rate curves and discounting (primarily the Overnight Index Swap rate for collateralized non-customer derivative contracts, SOFR for collateralized cleared derivative contracts and the USD LIBOR/swap curve for non-collateralized customer derivative contracts), volatilities, counterparty credit quality and other inputs that are observable directly or indirectly in the marketplace. We compare internally calculated derivative valuations to broker/dealer quotes to substantiate the results. The fair value of collateral assets and liabilities related to derivative contracts is

their face value, plus accrued interest, as these instruments are cash balances; therefore, fair value approximates face value.

The following table presents information about valuation techniques and inputs to Level 2 fair value measurements.

Information About Valuation Techniques and Inputs to Level 2 Fair Value Measurements

	Valuation Technique	Inputs
Federal Funds Sold and Other Overnight Funds	Carrying Value	Par/Principal Plus Accrued Interest
Investment Securities	Third-Party Pricing Service	Prepayment Rate
		Lifetime Default Rate
		Loss Severity
		Benchmark Yield Curve
		Quoted Prices
Interest Rate Swaps and Other Derivatives	Discounted Cash Flow	Benchmark Yield Curve
		Counterparty Credit Risk
		Volatility
Collateral Assets and Collateral Liabilities	Carrying Value	Par/Principal Plus Accrued Interest

Level 3

Level 3 inputs are unobservable and supported by limited or no market activity. Our Level 3 assets at March 31, 2022 include a small portion of agency MBS and ABS. Based on the lack of active trading volume and an orderly market for these securities, we classified these securities as Level 3. Fair value for Level 3 agency MBS is estimated through a third-party pricing service that uses valuation models to estimate current market prices. Fair value for our Level 3 ABS is calculated internally using third-party models. Inputs into all of these valuation models include underlying collateral data and projected losses as well as information for prepayment speeds and discounting spreads. Due to the lack of marketplace information, the inputs into these valuation models primarily represent management assumptions, with some corroboration to market inputs where information is available.

Level 3 assets at March 31, 2022 also include $81.8 million of loans originally measured at cost, which were written down to fair value as a result of impairment. The valuation of these assets is based on either the fair value of the underlying collateral, if the loan is collateral dependent, or the present value of expected future cash flows. Such valuations may include the use of independent appraisals or other market-based information to develop a management estimate of fair value. As a result, these fair value measurements fall under Level 3 in the fair value hierarchy; however, they are excluded from the ‘Assets and Liabilities Measured at Fair Value on a Recurring Basis’ tables on pages 47 and 48 because they are not measured on a recurring basis.

Our Level 3 liabilities at March 31, 2022 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

No transfers into or out of Level 3 assets or liabilities occurred during the three months ended March 31, 2022 and 2021.

The following table presents quantitative information about Level 3 fair value measurements as of March 31, 2022.

Quantitative Information About Valuation Techniques and Unobservable Inputs to Level 3 Fair Value Measurements

($ in Millions)	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Assets				
Investment Securities:				
U.S. Agency MBS	$ 68	Third-Party Pricing Service	Prepayment Rate	*
			Lifetime Default Rate	*
			Loss Severity	*
Other (included in Asset-Backed)	16	Discounted Cash Flow	Prepayment Rate	0% (0%)
Impaired Loans	82	Appraisal / Discounted Cash Flow	Income/Expense Data	**
			Comparable Sales	**
			Replacement Cost	**
Liabilities				
Standby Letters of Credit	17	Discounted Cash Flow	Mark-to-Market Spread	0.1-1.3% (0.9%)

* Excludes ranges which are determined by a third-party pricing service.

** Range of inputs are unique to each collateral property.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the assets and liabilities that are measured at fair value on a recurring basis at March 31, 2022 and December 31, 2021 for each of the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

March 31, 2022

($ in Millions)	Level 1	Level 2	Level 3	Total
Assets				
Federal Funds Sold and Other Overnight Funds	$ -	$ 4,985	$ -	$ 4,985
Investment Securities:				
U.S. Treasury Debt	-	18,125	-	18,125
U.S. Agency Debt	-	2,192	-	2,192
Residential MBS:				
Ginnie Mae	-	1,064	-	1,064
U.S. Agency	-	1,210	68	1,278
Commercial MBS:				
U.S. Agency	-	12,986	-	12,986
Corporate Bonds	-	405	-	405
Asset-Backed and Other	-	91	16	107
Interest Rate Swaps and Other Derivatives	-	522	-	522
Assets Held in Trust (included in Other Assets)	119	-	-	119
Total Assets	$ 119	$ 41,580	$ 84	$ 41,783
Liabilities				
Interest Rate Swaps and Other Derivatives	$ -	$ 569	$ -	$ 569
Standby Letters of Credit (included in Other Liabilities)	-	-	17	17
Collateral Liabilities (included in Other Liabilities)	-	205	-	205
Total Liabilities	$ -	$ 774	$ 17	$ 791

Assets and Liabilities Measured at Fair Value on a Recurring Basis				
December 31, 2021				
($ in Millions)	**Level 1**	**Level 2**	**Level 3**	**Total**
Assets				
Federal Funds Sold and Other Overnight Funds	$ -	$ 5,500	$ -	$ 5,500
Investment Securities:				
U.S. Treasury Debt	-	15,716	-	15,716
U.S. Agency Debt	-	2,077	-	2,077
Residential MBS:				
Ginnie Mae	-	1,200	-	1,200
U.S. Agency	-	1,148	72	1,220
Commercial MBS:				
U.S. Agency	-	11,225	-	11,225
Corporate Bonds	-	383	-	383
Asset-Backed and Other	-	1	20	21
Interest Rate Swaps and Other Derivatives	-	487	-	487
Assets Held in Trust (included in Other Assets)	121	-	-	121
Collateral Assets (included in Other Assets)	-	81	-	81
Total Assets	$ 121	$ 37,818	$ 92	$ 38,031
Liabilities				
Interest Rate Swaps and Other Derivatives	$ -	$ 372	$ -	$ 372
Standby Letters of Credit (included in Other Liabilities)	-	-	16	16
Total Liabilities	$ -	$ 372	$ 16	$ 388

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis			
($ in Millions)	**U.S. Agency Residential MBS**	**Asset-Backed Securities and Other**	**Standby Letters of Credit**
Balance at December 31, 2021	**$ 72**	**$ 20**	**$ 16**
Purchases	**-**	**5**	**-**
Issuances	**-**	**-**	**5**
Settlements	**(4)**	**(9)**	**(4)**
Balance at March 31, 2022	**$ 68**	**$ 16**	**$ 17**
Balance at December 31, 2020	$ 84	$ 13	$ 13
Total Gains or Losses (Realized/Unrealized):			
Included in Other Comprehensive Income	-	(1)	-
Purchases	-	1	-
Issuances	-	-	3
Settlements	(3)	-	(2)
Balance at March 31, 2021	$ 81	$ 13	$ 14

Estimated Fair Value of Certain Other Financial Instruments

The following table presents the estimated fair value of financial instruments that are recorded in the condensed consolidated balance sheets at cost, as well as certain off-balance sheet financial instruments, as of March 31, 2022 and December 31, 2021.

($ in Millions)

	March 31, 2022			December 31, 2021		
	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy
Financial Assets:						
Net Loans	**$ 139,835**	**$ 138,584**	**Level 3**	$ 127,878	$ 129,847	Level 3
Financial Liabilities:						
Bonds and Notes	**$ 168,824**	**$ 167,153**	**Level 3**	$ 154,950	$ 156,357	Level 3
Off-Balance Sheet Financial Instruments:						
Commitments to Extend Credit	**$ -**	**$ (114)**	**Level 3**	$ -	$ (130)	Level 3

Commitments to Extend Credit

The fair value of commitments to extend credit is estimated using a discounted cash flow method by applying a risk-adjusted spread percentage to these obligations.

Note 8 – Employee Benefit Plans

We have employer-funded, qualified defined benefit pension plans, which are noncontributory and cover employees hired prior to January 1, 2007. We also have noncontributory, unfunded nonqualified supplemental executive retirement plans covering certain senior officers and specified other senior managers, as well as a noncontributory, unfunded nonqualified executive retirement plan covering certain former senior officers. We have a 401(k) retirement savings plan pursuant to which we match a certain percentage of employees' elective contributions. In addition, under this plan, employees hired on or after January 1, 2007 receive additional, non-elective employer defined contributions. For eligible senior managers, including our senior officers, we also have a nonqualified deferred compensation plan, which includes benefits not provided under the employee savings plan due to certain Internal Revenue Code limitations.

All retirement-eligible employees are also currently eligible for other postretirement benefits, which primarily include access to health care benefits. Substantially all participants pay the full premiums associated with these other postretirement health care benefits. Participant contributions are adjusted annually.

We contributed $0.5 million to our funded qualified defined benefit pension plans during the three months ended March 31, 2022, and anticipate that we will contribute approximately $2.3 million more to such plans during the remainder of 2022. We expect to contribute a total of $0.3 million, net of collected retiree premiums, to our other postretirement benefit plans in 2022. We have not made any contributions to our trust funds related to our nonqualified retirement plans during the three months ended March 31, 2022. Our actual contributions could differ from the estimates noted above.

Note 9 – Commitments and Contingent Liabilities

Due to the often volatile seasonal borrowing requirements of our Agribusiness customers, which are impacted by changing commodity prices, farmer delivery patterns, weather, environmental and other factors, we provide a significant amount of revolving loan commitments. We also provide revolving loan commitments to other customers including those in the electric distribution and power supply industries. At March 31, 2022, commitments to extend credit and commercial letters of credit were $35.5 billion and $69.3 million, respectively.

Under the Farm Credit Act, we are primarily liable for the portion of outstanding Federal Farm Credit Banks Consolidated Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities) issued by CoBank. Additionally, we are contingently liable by statute for the outstanding Systemwide Debt Securities issued by the other System banks. Total Systemwide Debt Securities of the System were $371.7 billion at March 31, 2022.

There are several mechanisms in place affecting exposure to statutory joint and several liabilities. System banks are statutorily required to maintain eligible unencumbered assets at a level at least equal in value to the total amount of debt for which such System bank is primarily liable. In addition, in the event of a default by a System bank, the Insurance Fund would be required to make timely payment of principal and interest on Systemwide Debt Securities, to the extent that net assets are available in the Insurance Fund, before the joint and several liability of the System banks would be triggered. At March 31, 2022, the aggregated assets of the Insurance Fund totaled $6.1 billion. Finally, System banks must maintain certain financial criteria in order to participate in Systemwide debt issuances. If these criteria are not met, a troubled System bank's access to and participation in Systemwide debt issuances could be limited or denied.

On at least a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For those matters where it is probable that we will incur a loss and the amount of the loss can be reasonably estimated, we record a liability in our consolidated financial statements. In such cases, there may be an exposure to loss in excess of any amounts accrued. For other matters, where a loss is not probable or the amount of the loss is not estimable, we will not accrue legal reserves.

As previously reported in Note 15 to our December 31, 2021 consolidated financial statements, during January 2022, CoBank entered into a confidential settlement agreement with the plaintiffs to resolve all claims alleged in our subordinated debt redemption litigation which commenced in June 2016. The case was dismissed with prejudice on January 18, 2022.

While the outcome of legal proceedings is inherently uncertain, based on information currently available, advice of legal counsel and available insurance coverage, we believe that the liabilities, if any, arising from our legal proceedings will not have a material adverse effect on the consolidated financial position, consolidated results of operations or consolidated cash flows of the Bank. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the Bank's consolidated financial position, consolidated results of operations or consolidated cash flows.

Note 10 – Leased Property

We have operating leases for our corporate headquarters, banking center offices, certain equipment and vehicles. We determine if an arrangement is a lease and the related lease classification at inception. Right-of-use (ROU) assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. If available, we use the implicit rate in the lease in determining the present value of future payments. We use our incremental borrowing rate based on the information available at commencement date when the implicit rate in the lease is not available. ROU assets and lease liabilities are included in accrued interest receivable and other assets and accrued interest payable and other liabilities, respectively, in our condensed consolidated balance sheets. These operating lease rentals

are expensed on a straight-line basis over the life of the lease beginning on the date we take possession of the property. We determine the lease term by assuming the exercise of renewal and termination options that are reasonably certain. Our leases have remaining minimum lease terms of 1 year to 10 years, some of which include options to extend the leases for up to an additional 15 years. Rent expense for leases is reflected in occupancy and equipment expense in the accompanying condensed consolidated statements of income. Additionally, the depreciable life of leased assets and leasehold improvements is limited by the expected lease term.

Other information related to our operating leases is as follows:

Operating Leases				
		March 31, 2022		**December 31, 2021**
Right-of-Use Assets	**$**	**60,587**	$	62,521
Lease Liabilities		**64,188**		66,217
Three Months Ended March 31,		**2022**		**2021**
Operating Lease Cost	**$**	**4,124**	$	3,639
Weighted Average Remaining Lease Term		**8 years**		9 years
Weighted Average Discount Rate		**2.98%**		2.95%

Future minimum lease payments under non-cancellable operating leases as of March 31, 2022 were as follows:

Future Minimum Lease Payments		
Year Ending March 31,		
2023	$	9,753
2024		8,802
2025		8,408
2026		8,320
2027		8,204
Thereafter		29,224
Total future minimum lease payments	$	72,711
Less imputed interest		8,523
Lease liabilities reported as of March 31, 2022	$	64,188

Note 11 – Segment Financial Information

We conduct our business through three operating segments: Agribusiness, Farm Credit Banking and Rural Infrastructure.

The accompanying tables present condensed disaggregated information for the operating segments. Allocations of resources and corporate items, as well as measurement of financial performance, are made at these operating segment levels. All customer activity, including loans and leases and related income, is specifically assigned to the business units that make up the operating segments. Investment securities and federal funds sold and other overnight funds, which are primarily held as a liquidity reserve to support our banking operations, are not specifically assigned to operating segments; however, the income from investment securities and federal funds sold and other overnight funds is attributed to the operating segments. Intersegment transactions are insignificant.

We do not hold significant assets in any foreign country. Substantially all of our agricultural export finance loans are U.S. dollar-denominated and 21 percent of these loans are guaranteed by the U.S. government.

For the three-month periods ended March 31, 2022 and 2021, no customer made up 10 percent or more of our gross or net interest income.

Segment Financial Information

For the Three Months Ended March 31, 2022

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
Results of Operations ($ in Thousands):				
Net Interest Income	**$ 286,308**	**$ 76,292**	**$ 125,011**	**$ 487,611**
Provision for Loan Losses (Loan Loss Reversal)	**50,000**	**-**	**(4,000)**	**46,000**
Noninterest Income	**53,082**	**2,017**	**33,357**	**88,456**
Operating Expenses	**75,474**	**11,251**	**33,890**	**120,615**
Provision for Income Taxes	**14,077**	**-**	**18,136**	**32,213**
Net Income	**$ 199,839**	**$ 67,058**	**$ 110,342**	**$ 377,239**
Selected Financial Information at March 31, 2022 ($ in Millions):				
Loans	**$ 49,453**	**$ 66,300**	**$ 24,806**	**$ 140,559**
Less: Allowance for Loan Losses	**(574)**	**-**	**(150)**	**(724)**
Net Loans	**$ 48,878**	**$ 66,300**	**$ 24,656**	**$ 139,835**
Accrued Interest Receivable and Other Assets	**612**	**264**	**665**	**1,540**
Total Segment Assets	**$ 49,490**	**$ 66,564**	**$ 25,321**	**$ 141,375**
Federal Funds Sold and Other Overnight Funds				**4,985**
Investment Securities				**36,157**
Other Assets				**497**
Total Assets	**$ 49,490**	**$ 66,564**	**$ 25,321**	**$ 183,014**

For the Three Months Ended March 31, 2021

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
Results of Operations ($ in Thousands):				
Net Interest Income	$ 249,225	$ 70,059	$ 123,765	$ 443,049
Provision for Loan Losses	46,800	-	8,200	55,000
Noninterest Income	46,222	9,194	27,412	82,828
Operating Expenses	69,912	10,178	32,513	112,603
Provision for Income Taxes	13,877	-	20,366	34,243
Net Income	$ 164,858	$ 69,075	$ 90,098	$ 324,031
Selected Financial Information at March 31, 2021 ($ in Millions):				
Loans	$ 40,237	$ 59,918	$ 24,576	$ 124,731
Less: Allowance for Loan Losses	(532)	-	(155)	(687)
Net Loans	$ 39,705	$ 59,918	$ 24,421	$ 124,044
Accrued Interest Receivable and Other Assets	489	236	673	1,398
Total Segment Assets	$ 40,194	$ 60,154	$ 25,094	$ 125,442
Federal Funds Sold and Other Overnight Funds				700
Investment Securities				32,538
Other Assets				1,630
Total Assets	$ 40,194	$ 60,154	$ 25,094	$ 160,310

Note 12 – Affiliated Associations

CoBank is chartered by the FCA to serve the Associations that provide credit and related financial services to or for the benefit of eligible borrowers/shareholders for qualified purposes in specific geographic areas in the United States. The Associations are not authorized by the Farm Credit Act to participate in the issuance of Systemwide Debt Securities. Therefore, we are the primary funding source for our affiliated Associations. As of March 31, 2022, we have 19 affiliated Associations serving 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

The Associations originate and service long-term real estate mortgage loans as well as short- and intermediate-term loans for agricultural and other purposes to full- and part-time farmers. Associations may also make loans to, among others, processing and marketing entities, farm-related businesses, and rural residents for home purchase and improvements. The Associations may also purchase eligible loan participations from System entities and other lending institutions. Additionally, the Associations may serve as an intermediary in offering multi-peril crop insurance and credit life insurance, and providing additional financial services to borrowers.

The Farm Credit Act and FCA regulations require us to monitor and approve certain activities of our affiliated Associations. CoBank and our affiliated Associations operate under a creditor/debtor relationship evidenced by a General Financing Agreement (GFA) entered into separately with each Association. The GFA sets forth the creditor/debtor relationship between us and each Association and also references certain requirements contained in the Farm Credit Act and FCA regulations. The Associations' respective boards of directors are expected to establish and monitor the necessary policies and procedures to comply with all FCA regulations. In all other respects, the lending relationship with the Associations is substantially similar to that with our other borrowers.

Our affiliated Associations are considered customers and thus operate independently and maintain an arms-length relationship with us, except to the extent that the Farm Credit Act requires us, as the funding bank, to monitor and approve certain activities of these Associations. Accordingly, the financial information of affiliated Associations is not included in our condensed consolidated financial statements. We separately publish certain unaudited combined financial information of the District, including a condensed statement of condition and statement of income, which can be found on our website at www.cobank.com.

On October 28, 2021, Farm Credit of Western Oklahoma, ACA and Farm Credit of Enid, ACA approved a letter of intent to pursue a merger. Subject to various approvals, the target date for the merger to become effective is October 1, 2022.

Effective January 1, 2022, Farm Credit East, ACA and Yankee Farm Credit, ACA merged and are doing business as Farm Credit East, ACA.

On February 2, 2022, Northwest Farm Credit Services, ACA entered into a non-binding letter of intent to pursue a merger with Farm Credit West, ACA. Subject to various approvals, the target date for the merger to become effective is no earlier than January 1, 2023.

Note 13 – Subsequent Events

We have evaluated subsequent events through May 10, 2022, which is the date the financial statements were issued and determined that there were no other events requiring disclosure.

Regulatory Capital Disclosures

CoBank, ACB

(Unaudited) ($ in Thousands, Except as Noted)

Overview

These quarterly regulatory capital disclosures (set forth in Title 12 of the Code of Federal Regulations parts 628.61 through 628.63) should be read in conjunction with our 2021 Annual Report to Shareholders, which includes additional qualitative disclosures. Unless otherwise noted, there have been no material changes to the qualitative disclosures contained in our 2021 Annual Report.

The following table summarizes the interim disclosure requirements and indicates where each matter is disclosed in this quarterly report.

Disclosure Requirement	Description	Q1 2022 Quarterly Report Reference
Scope of Application	Corporate entity and consolidated subsidiaries	Page 54
Capital Structure	Regulatory capital components	Pages 54 through 55
Capital Adequacy	Risk-weighted assets	Pages 56 through 57
	Regulatory capital ratios	Page 13
Capital Buffers	Quantitative disclosures	Pages 13, 56
Credit Risk	Summary of exposures	Page 57
	Geographic distribution	Page 58 through 59
	Industry distribution	Page 59
	Contractual maturity	Page 60
	Impaired loans and allowance for credit losses	Note 3
Counterparty Credit Risk-Related Exposures	Counterparty exposures	Note 6, Page 60
Credit Risk Mitigation	Exposures with reduced capital requirements	Pages 6, 60 through 61
Securitization	Securitization exposures	Notes 4 and 7, Pages 10 through 12, 61 through 62
Equities	General description	Page 62
Interest Rate Risk for Non-Trading Activities	Interest rate sensitivity	Note 6, Pages 62 through 63

Scope of Application

The disclosures contained herein relate to CoBank, ACB and its wholly-owned subsidiaries, CoBank, FCB and Farm Credit Leasing Services Corporation (FCL), collectively hereinafter referred to as CoBank or the Bank. These entities are also consolidated in our financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Capital Structure

Common equity tier 1, which includes common stock and retained earnings, is the largest component of the Bank’s capital structure. Preferred stock is included in tier 1 regulatory capital, subject to certain limitations. In addition, our allowance for credit losses is included in tier 2 regulatory capital, subject to certain limitations.

The following table provides a summary of the Bank's regulatory capital components.

Regulatory Capital Components		
Three Months Ended March 31, 2022		**Average Balance**
Common Equity Tier 1 Capital (CET1)		
Common Cooperative Equities:		
Statutory Minimum Purchased Borrower Stock	$	2,487
Other Required Member Purchased Stock		1,100,091
Allocated Equities:		
Qualified Allocated Equities Subject to Retirement		2,892,665
Nonqualified Allocated Equities Subject to Retirement		-
Nonqualified Allocated Equities Not Subject to Retirement		3,284,986
Unallocated Retained Earnings		2,995,859
Paid-In Capital		-
Regulatory Adjustments and Deductions Made to CET1		(81,486)
Total CET1	$	10,194,602
Tier 1 Capital		
Non-Cumulative Perpetual Preferred Stock	$	1,695,390
Regulatory Adjustments and Deductions Made to Tier 1 Capital		-
Total Additional Tier 1 Capital		1,695,390
Total Tier 1 Capital	$	11,889,992
Tier 2 Capital		
Common Cooperative Equities Not Included in CET1	$	-
Tier 2 Capital Elements:		
Allowance for Credit Losses		776,165
Regulatory Adjustments and Deductions Made to Tier 2 Capital		-
Total Tier 2 Capital	$	776,165
Total Capital	$	12,666,157

Capital Adequacy and Capital Buffers

Our risk-adjusted regulatory capital ratios are calculated by dividing the relevant total capital elements (e.g. Total CET1) by risk-weighted assets. The following table presents information on the components of risk-weighted assets included in the calculation of regulatory capital ratios.

Risk-Weighted Assets

Three Months Ended March 31, 2022		Average Balance	
On-Balance Sheet Assets:			
Exposures to Sovereign Entities	$	-	
Exposures to Supranational Entities and Multilateral Development Banks		179,077	
Exposures to Government-Sponsored Enterprises		15,903,207	[1]
Exposures to Depository Institutions, Foreign Banks, and Credit Unions		4,101,616	[2]
Exposures to Public Sector Entities		91,319	
Corporate Exposures, including Borrower Loans and Leases		60,163,435	
Residential Mortgage Exposures		-	
Past Due and Nonaccrual Exposures		197,408	
Securitization Exposures		22,900	
Equity Investment Exposures		69,223	
Other Assets		928,209	
Off-Balance Sheet:			
Unfunded Loan Commitments		9,258,135	
Equity Investment Commitments		40,306	
Over-the-Counter Derivatives		264,602	
Cleared Derivative Transactions		1,185	
Letters of Credit		1,560,552	
Reverse Repurchase Transactions		-	
Unsettled Transactions		81,198	
Total Risk-Weighted Assets Before Additions (Deductions)	$	92,862,372	
Additions:			
Intra-System Equity Investments	$	56,534	
Deductions:			
Regulatory Adjustments and Deductions Made to CET1		(81,486)	
Regulatory Adjustments and Deductions Made to Additional Tier 1 Capital		-	
Regulatory Adjustments and Deductions Made to Tier 2 Capital		-	
Total Risk-Weighted Assets	$	92,837,420	[3]

[1] Includes exposures to Farm Credit System entities.

[2] Also includes exposures to other financial institutions that are risk weighted as exposures to U.S. depository institutions and credit unions.

[3] For purposes of calculating the permanent capital ratio, average risk-weighted assets for the three months ended March 31, 2022 was $92.2 billion.

As shown on page 13 of this quarterly report, the Bank exceeded all capital requirements as of March 31, 2022 to which it was subject, including applicable capital buffers. Because capital exceeded the buffer requirements, the Bank currently has no limitations on its distributions and discretionary bonus payments. The aggregate amount of eligible retained income was $573.8 million as of March 31, 2022.

Credit Risk

The following table summarizes credit exposures related to loans, unfunded loan commitments, investment securities, letters of credit, equity investments and reverse repurchase transactions. The contractual amount of a commitment to extend credit represents our maximum exposure to credit loss in the event of default by the borrower, if the borrower were to fully draw against the commitment.

Major Credit Exposures - Lending and Investments		
Three Months Ended March 31, 2022	Average Balance	End of Period
Loans Outstanding	$ 137,797,787	$ 140,559,456
Unfunded Loan Commitments	35,143,828	35,379,425
Investment Securities	33,049,418	36,156,579
Letters of Credit	1,924,461	2,021,986
Equity Investments Outstanding	69,223	75,210
Equity Investment Commitments	94,838	96,840
Reverse Repurchase Transactions	6,377	21,490

The table below shows derivatives by underlying exposure type, segregated between contracts traded in over-the-counter markets and those cleared through a central clearinghouse. Gross positive fair value represents the credit exposure attributed to derivatives before the mitigating effects of counterparty collateral.

Major Credit Exposures - Derivatives				
Three Months Ended and As of March 31, 2022	Average Balance		End of Period	
	Notional Amount	Gross Positive Value	Notional Amount	Gross Positive Value
Over-the-Counter Derivatives:				
Interest Rate Contracts	$ 22,138,573	$ 308,353	$ 22,190,524	$ 318,544
Foreign Exchange Contracts	107,278	778	127,015	1,053
Total Over-the-Counter Derivatives	22,245,851	309,131	22,317,539	319,597
Cleared Derivatives:				
Interest Rate Contracts	34,708,252	157,285	46,499,189	202,704
Total Derivatives	$ 56,954,103	$ 466,416	$ 68,816,728	$ 522,301

The following table illustrates the geographic distribution of our total loan commitments as of March 31, 2022.

Total Lending Portfolio - Geographic Distribution

As of March 31, 2022	Wholesale Loans[1]	Commercial Loans
California	45 %	7 %
Washington	18	1
Connecticut	12	1
Texas	4 [2]	6
Kansas	5	5
Illinois	-	7
Iowa	-	7
Minnesota	-	5
Colorado	3	3
Oklahoma	4	2
Nebraska	-	4
Ohio	-	4
New York	-	3
Missouri	-	3
Georgia	-	3
Wisconsin	-	3
Florida	-	2
Asia	-	3
Latin America	-	2
Mississippi	1 [2]	2
New Mexico	2	-
Indiana	-	2
North Dakota	-	2
South Dakota	-	2
North Carolina	-	2
Alabama	1 [2]	1
Arkansas	-	2
Maryland	2 [2]	-
Europe, Middle East, and Africa	-	1
Utah	1	-
Michigan	-	1
Virginia	-	1
Massachusetts	-	1
Tennessee	-	1
Arizona	-	1
Louisiana	-	1
Other	2 [2]	9
Total	100 %	100 %

[1] The distribution of wholesale loan commitments to Associations is based on the state in which the Association is headquartered and may not be representative of their underlying loan portfolio.

[2] Includes participation interests in loan commitments to nonaffiliated Associations.

The following table illustrates the geographic distribution of our impaired loans as of March 31, 2022.

Impaired Loans - Geographic Distribution As of March 31, 2022	Share[1]
California	15 %
New Jersey	15
Washington	15
Texas	14
North Carolina	12
Iowa	5
New Mexico	3
Florida	3
Oregon	3
Minnesota	2
North Dakota	2
Colorado	2
Arizona	1
New York	1
Other	7
Total	100 %

[1] The distribution of impaired loans is based on the state in which the borrower is headquartered and may not be representative of their operations and business activities.

The following table illustrates the primary business/commodity distribution of our total loan commitments as of March 31, 2022.

Total Lending Portfolio - Distribution by Primary Business/Commodity As of March 31, 2022	Share
Affliated Associations	39 %
Farm Supply and Grain Marketing	16
Electric Distribution	8
Nonaffiliated Entities	4
Agricultural Export Finance	4
Generation and Transmission	3
Regulated Utilities	3
Fruits, Nuts, Vegetables	3
Fish, Livestock, Poultry	2
Lease Financing (through FCL)	2
Forest Products	2
Dairy	2
Water and Waste	1
Local Exchange Carriers	1
Independent Power Producers	1
Cable	1
Wireless	1
Competitive Local Telephone Exchange Carriers	1
Other	6
Total	100 %

The following table presents a summary of the remaining contractual maturity of our loans, unfunded loan commitments, investment securities, letters of credit, derivatives and equity investments at March 31, 2022.

($ in Millions)

Contractual Maturity

As of March 31, 2022	In One Year or Less	One to Five Years	After Five Years	Total
Loans Outstanding	$ 90,608	$ 24,377	$ 25,574	$ 140,559
Unfunded Loan Commitments	18,457	9,117	7,806	35,380
Investment Securities	5,881	14,390	15,886	36,157
Letters of Credit	455	1,117	450	2,022
Derivatives (Notional Amounts)	33,491	23,027	12,299	68,817
Equity Investments Outstanding	19	45	11	75
Equity Investment Commitments	24	58	15	97

Refer to Note 3 in the condensed consolidated financial statements in this quarterly report for amounts of impaired loans (with or without related allowance for credit loss), loans in nonaccrual status and greater than 90 days past due, loans past due greater than 90 days and still accruing interest, the allowance for credit losses, charge-offs, and changes in components of our allowance for credit losses.

Counterparty Credit Risk

Refer to Note 6 in the condensed consolidated financial statements in this quarterly report for information related to interest rate swaps and other derivatives utilized by CoBank including a summary of the fair value of derivative assets and liabilities, collateral held and net unsecured exposure.

Credit Risk Mitigation

CoBank uses various strategies to mitigate credit risk in its lending, leasing, investing and derivatives activities. The disclosures in this section relate solely to credit risk mitigation instruments and activities that reduce regulatory capital requirements, which include certain guarantees in our lending and investment portfolios, and collateral or settlement payments in our derivatives portfolio.

Loans

Our Agricultural Export Finance Division (AEFD) utilizes the U.S. government-sponsored export loan guarantee General Sales Manager (GSM) program for a portion of its export financing. Refer to the Operating Segment Financial Review section beginning on page 5 of this quarterly report for additional discussion related to our AEFD.

As discussed on page 9 of this quarterly report, our loans to affiliated Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their respective retail loan portfolios. Lower regulatory capital requirements are commensurate with the lower risk profile associated with our loans to affiliated Associations.

Investments

Credit risk in our investment portfolio is mitigated by investing primarily in securities issued or guaranteed by the U.S. government or a government-sponsored enterprise (U.S. Agency). Credit risk in our investment portfolio primarily exists in the 1 percent of our investments securities that are not guaranteed by the U.S. government or a U.S. Agency, which currently include asset-backed securities (ABS) and corporate bonds of midstream energy companies. Our ABS and midstream energy corporate bonds collectively total $511.8 million of our total investment portfolio as of March 31, 2022. Credit risk in our investment portfolio also arises from counterparties to short-term investments, which include our overnight bank deposits, reverse

repurchase agreements and federal funds sold. With the exception of corporate bonds, which are risk-weighted based on the corporate counterparty, these exposures are captured in the Securitization section below.

The following table summarizes the loan and investment exposures whose capital requirements are reduced as a result of credit risk mitigants.

Loan and Investment Exposures

Three Months Ended March 31, 2022	Average Exposure Amount	Risk Weighted Exposures
Guaranteed Loans	$ 1,287,311	$ -
Loans to Farm Credit System entities	65,821,095	13,164,219
Investment Securities Issued or Guaranteed by U.S. Government	19,170,057	-
Investment Securities Issued or Guaranteed by a U.S. Agency	13,694,942	2,738,988
Total	$ 99,973,405	$ 15,903,207

Derivatives

As described in Note 6 in the condensed consolidated financial statements in this quarterly report, transactions with dealers in our over-the-counter derivative portfolio, as well as those cleared through a clearinghouse, are collateralized or otherwise secured through settlement payments. As a result, at March 31, 2022, we held financial collateral totaling $205.0 million that offset derivative exposure for purposes of calculating risk-weighted assets. Total risk-weighted assets for our over-the-counter derivatives and cleared derivative transactions amounted to $264.6 million and $1.2 million, respectively, for the three-month period ended March 31, 2022.

Securitization

The Bank participates in securitizations as investors through the purchase of MBS and ABS, which are included in our investment portfolio. As of March 31, 2022, CoBank did not retain any resecuritization exposures. The following disclosures relate only to ABS not guaranteed by the U.S. government or a U.S. Agency. The average balance of these unguaranteed securities was $22.9 million for the three-month period ended March 31, 2022.

Below is a summary of our securitization exposures held during the three months ended March 31, 2022 by exposure type and categorized by risk-weight band.

Securitization Exposures

Three Months Ended March 31, 2022	Average Exposure Amount	Risk Weighted Asset (Under Gross Up Approach)
Asset-Backed Securities	$ 22,896	$ 22,900
Total	$ 22,896	$ 22,900

Securitization Risk-Weight Bands

Three Months Ended March 31, 2022	Average Exposure Amount	Risk Weighted Asset (Under Gross Up Approach)
Gross-Up Risk-Weight Bands:		
100% - 125%	$ 22,896	$ 22,900
>125% and <1,250%	-	-
1,250%	-	-
Total	$ 22,896	$ 22,900

For the three-month period ended March 31, 2022, we did not hold any off-balance sheet securitization exposures nor were any securitization exposures deducted from capital.

Refer to Note 4 in the condensed consolidated financial statements in this quarterly report for additional information related to purchases and sales of securitization exposures as well as the amortized cost, unrealized gains (losses) and fair value of ABS held in our investment portfolio. In addition, Note 7 of the quarterly report describes the methods and assumptions, including any changes as applicable, applied in valuing our ABS.

Equities

The Bank has certain exposure to equity investments. We make investments and are a limited partner in certain Rural Business Investment Companies (RBICs). These RBICs focus on small and middle market companies that create jobs and promote commerce in rural America. The Bank also holds investments in various unincorporated business entities (UBEs), as defined by FCA regulation. We hold these investments to acquire and manage unusual or complex collateral associated with loan workouts as well as to make mission-related investments. Our investments in RBICs and UBEs are not publicly traded and are accounted for under the equity method. We also hold an equity investment as a result of the bankruptcy of a former customer which is accounted for at cost less any impairment as there is no readily determinable fair value. There have been no sales or liquidations of these investments during the three months ended March 31, 2022.

Interest Rate Risk

Interest rate risk, also referred to as market risk, is the risk that changes in interest rates may adversely affect operating results and financial condition. We use asset/liability models to evaluate the dynamics of our balance sheet and to estimate earnings volatility under different interest rate scenarios. Our analysis includes calculating the impact of significant increases or decreases in interest rates on net interest income, over a 12-month period, and the estimated market value of equity.

This analysis estimates the effect of immediate and sustained parallel positive (up) and negative (down) shifts in the yield curve (called "shocks") of down 300, down 200, down 100, up 100, up 200 and up 300 basis points. Pursuant to regulation and our Board policy, when the three-month Treasury rate is below 4 percent, as it was for the period presented, we perform a shock equal to one-half the three-month Treasury rate.

The following tables summarize the impact of interest rate changes on net interest income and the market value of equity.

Net Interest Income at Risk			
March 31, 2022			
Scenario:			
-	300	bp shock	n/a
-	200	bp shock	n/a
-	100	bp shock	n/a
-	26	bp shock	0.5 %
+	100	bp shock	(1.5)
+	200	bp shock	(2.0)
+	300	bp shock	(1.8)

Market Value of Equity at Risk			
March 31, 2022			
Scenario:			
-	300	bp shock	n/a
-	200	bp shock	n/a
-	100	bp shock	n/a
-	26	bp shock	1.3 %
+	100	bp shock	(4.7)
+	200	bp shock	(9.0)
+	300	bp shock	(13.1)

Controls and Procedures

CoBank, ACB

We maintain a system of disclosure controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information disclosed by us in our quarterly and annual reports is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions to be made regarding disclosure. The chief executive officer and the chief financial officer have evaluated our disclosure controls and procedures as of the end of the period covered by this quarterly report and have concluded that our disclosure controls and procedures are effective as of that date.

We also maintain a system of internal controls. The term "internal controls," as defined by the American Institute of Certified Public Accountants' Codification of Statement on Auditing Standards, AU-C Section 315, means a process - effected by the board of directors, management and other personnel - designed to provide reasonable assurance regarding the achievement of objectives in reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. We continually assess the adequacy of our internal control over financial reporting and enhance our controls in response to internal control assessments and internal and external audit and regulatory requirements and recommendations. There have been no significant changes in our internal controls or in other factors that could significantly affect such controls subsequent to the date we carried out our evaluations. In accordance with our internal control procedures, these financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Certification Required by Farm Credit Administration Regulations

The undersigned have reviewed this quarterly report which has been prepared in accordance with all applicable statutory or regulatory requirements and certify that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Signed this 10th day of May, 2022.

/s/ KEVIN A. STILL

Kevin A. Still
Chair of the Board

/s/ THOMAS E. HALVERSON

Thomas E. Halverson
President and Chief Executive Officer

/s/ DAVID P. BURLAGE

David P. Burlage
Chief Financial Officer

CERTIFICATION

I, Thomas E. Halverson, President and Chief Executive Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

(1) I have reviewed this quarterly report of CoBank;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;

(4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

(5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ THOMAS E. HALVERSON

Thomas E. Halverson
President and Chief Executive Officer

Dated: May 10, 2022

CERTIFICATION

I, David P. Burlage, Chief Financial Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

(1) I have reviewed this quarterly report of CoBank;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;

(4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:

a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

(5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):

a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ DAVID P. BURLAGE

David P. Burlage
Chief Financial Officer

Dated: May 10, 2022

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* *Farm Credit Leasing office within this CoBank location*

CoBank's 2022 Quarterly and Annual Reports to Shareholders are available free of charge on request by calling or visiting one of our banking center locations and through our website at www.cobank.com. Copies of financial reports of our affiliated Associations and the System are available on their respective websites. CoBank's 2022 Quarterly and Annual Reports to Shareholders will be available on approximately May 10, 2022, August 9, 2022, November 9, 2022, and March 1, 2023 (Annual Report).