2021 Quarterly Report
SEPTEMBER 30, 2021

Dear CoBank Customer-Owner:

Following a strong first half of 2021, we are pleased to report that CoBank recorded another period of strong financial and business performance in the third quarter of 2021. Lending increased in the third quarter and year-to-date 2021 periods across all three of our operating segments, while earnings, credit quality and capital remained strong. With our financial strength and stability, CoBank is well-positioned to meet increased demand for credit from our customers and to assist them in navigating the challenges of today's economy.

Average loan volume increased 7 percent in the third quarter of 2021 to $119.5 billion, from $111.6 billion in the third quarter of last year. For the first nine months of 2021, average loan volume rose by 11 percent to $123.2 billion, from $111.1 billion in the same period last year. Loan growth in both periods 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 rural power and electric distribution customers in our Rural Infrastructure operating segment.

Net income for the third quarter of 2021 increased 15 percent to $354.2 million, compared to $308.8 million during the third quarter of 2020. This increase for the quarter was primarily due to a loan loss reversal and higher net interest income. For the first nine months of 2021, net income grew 15 percent to $1.036 billion, compared to $904.0 million in the same period last year. The increase for the first nine months resulted primarily from increases in net interest income and lower provisions for loan losses and income taxes somewhat offset by an increase in operating expenses and a decrease in noninterest income in the 2021 period.

Net interest income for the third quarter of 2021 increased 6 percent to $407.1 million, from $385.7 million in the same period last year. For the first nine months of 2021, net interest income grew 13 percent to $1.297 billion, compared to $1.144 billion in the same period last year. The increase in both periods was primarily driven by higher average loan volume, higher earnings on balance sheet positioning and an improvement in lending spreads in most lending portfolios.

Operating expenses increased $15.3 million during the third quarter of 2021 and increased $48.9 million in the first nine months of 2021, as compared to the same respective periods last year. The higher level of operating expenses was primarily driven by an increase in insurance fund premium expense of $9.1 million in the quarter and $40.7 million in the first nine months of 2021. The Farm Credit System Insurance Corporation increased premium rates to 16 basis points of adjusted insured debt obligations in the first nine months of 2021 compared to 8 basis points in the first half of 2020 and 11 basis points in the third quarter of 2020.

We recorded a loan loss reversal of $50.0 million during the third quarter of 2021 compared to a provision for loan losses of $4.0 million in the same prior-year period. The loan loss reversal in the third quarter was primarily due to a more prolonged pay down of seasonal loan volume in our Agribusiness operating segment in 2021 which typically occurs earlier in the year. For the first nine months of 2021, the provision for loan losses was $5.0 million compared to $46.0 million in the same period last year. The lower provision for loan losses in the 2021 period largely reflects improved credit quality and a decrease in COVID-19 related reserves partially offset by higher specific reserves related to a limited number of Rural Infrastructure customers resulting from weather related events earlier in 2021 and higher lending volume. Our overall loan quality measures remain strong at September 30, 2021.

CoBank's capital and liquidity levels remain strong and in excess of regulatory minimums. As of September 30, 2021, shareholders' equity totaled $12.0 billion, and the bank's total capital ratio was 15.75 percent, compared with the 8.0 percent minimum (10.5 percent inclusive of the capital conservation buffer) established by the Farm Credit

Administration, the bank's independent regulator. At September 30, 2021, the bank held approximately $34.4 billion in cash, investments and overnight funds and had 178 days of liquidity, compared to 174 days at December 31, 2020.

The table below contains key financial data for the quarter and nine-month periods. 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 September 30,		Nine Months Ended September 30,	
INCOME STATEMENT	**2021**	**2020**	**2021**	**2020**
Net interest income	$407	$386	$1,297	$1,144
(Loan loss reversal) Provision for loan losses	(50)	4	5	46
Noninterest income	48	71	194	224
Operating expenses	120	104	354	305
Net income	354	309	1,036	904

BALANCE SHEET (period-end)	**September 30, 2021**	**December 31, 2020**
Total loans	$119,056	$120,856
Less: allowance for loan losses(1)	632	636
Net loans	118,424	120,220
Total assets	154,774	158,586
Total shareholders' equity	11,990	11,910

($ in millions)	Nine Months Ended September 30,	
PROFITABILITY METRICS	**2021**	**2020**
Net interest margin	1.11%	1.05%
Return on average common equity	12.48%	11.40%
Return on average assets	0.87%	0.80%
Operating expense ratio	19.28%	21.09%
Average total loans	$123,236	$111,147
Average earning assets	156,390	145,752
Average total assets	158,986	150,204

(1) Excludes our reserve for unfunded commitments of $115 at September 30, 2021 and $97 at December 31, 2020 which is classified in liabilities in our balance sheet.

As of September 2021, the direction of the U.S. economy remains favorable overall, and is expected to improve through the end of the year and into 2022. However, the economy faces a number of significant challenges including labor shortages, supply chain bottlenecks, and inflationary pressure. Additional challenges are present in the rural economy including rising input costs for agricultural producers and the impact of severe weather events in multiple regions of the country. At CoBank we are committed to our mission to serve rural America and provide our customers with dependable credit as they navigate an economy that is in a post-pandemic transition. Together with our board, the CoBank executive team is dedicated to fulfilling the Farm Credit System mission to serve communities across rural America, and we are confident in our ability to remain a stable financial partner for our customers. We value the trust you continue to place in us and deeply appreciate the opportunity to serve as your trusted financial partner.

Kevin G. Riel
Chair of the Board

Thomas E. Halverson
President and Chief Executive Officer

November 9, 2021

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 2020 Annual Report to Shareholders.

Consolidated Results of Operations

Average loan volume was $123.2 billion during the first nine months of 2021 compared to $111.1 billion in the same prior-year period. The 11 percent increase in average loan volume reflected growth in lending across all three 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 rural power and electric distribution customers in our Rural Infrastructure operating segment.

Net income increased $132.5 million to $1.036 billion for the nine-month period ended September 30, 2021, compared to $904.0 million during the same period in 2020. The 15 percent increase in earnings resulted primarily from an increase in net interest income and lower provisions for loan losses and income taxes somewhat offset by an increase in operating expenses and a decrease in noninterest income in the 2021 period.

Net Interest Margin and Net Interest Income						
For the Nine Months Ended September 30,	**2021**			**2020**		
($ in Millions)	**Average Balance**	**Average Rate**	**Interest Income/ Expense**	**Average Balance**	**Average Rate**	**Interest Income/ Expense**
Interest-earning Assets[(1)]						
Loans	**$ 123,236**	**1.99 %**	**$ 1,832**	$ 111,147	2.54 %	$ 2,117
Investment Securities, Federal Funds Sold and Other Overnight Funds	**33,154**	**1.34**	**332**	34,605	1.74	452
Total Interest-earning Assets[(1)]	**156,390**	**1.85**	**2,164**	145,752	2.35	2,569
Total Interest-bearing Liabilities	**144,496**	**0.80**	**867**	136,156	1.39	1,425
Interest Rate Spread		**1.05**			0.96	
Impact of Equity Financing	**11,940**	**0.06**		11,353	0.09	
Net Interest Margin and Net Interest Income		**1.11 %**	**$ 1,297**		1.05 %	$ 1,144

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

Net interest income increased $152.9 million to $1.297 billion for the nine months ended September 30, 2021, compared to $1.144 billion for the same prior-year period. The 13 percent increase in net interest income was primarily driven by higher average loan volume, including increased levels of lending to many grain and farm supply cooperatives in our Agribusiness operating segment, higher earnings on balance sheet positioning and an improvement in lending spreads in most lending portfolios.

Net interest margin improved to 1.11 percent for the first nine months of 2021 compared to 1.05 percent for the same period in 2020. The increase in net interest margin was driven by higher lending spreads in our loan portfolio which is due in part to changes in asset mix during the current period, including increased lending to Agribusiness customers which carry higher spreads than many of our other lending portfolios.

We recorded a $5.0 million provision for loan losses in the nine-month period ended September 30, 2021. The 2021 provision primarily relates to 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 earlier in the year. The 2021 provision also included a loan loss reversal in our Agribusiness operating segment due to an improvement in credit quality and a decrease in COVID-19 related reserves partially offset by higher lending volume. We recorded a $46.0 million provision for loan losses in the nine-month period ended September 30, 2020. The 2020 provision primarily related to our Agribusiness operating segment resulting from deterioration in credit quality, increased lending and leasing activity and higher reserves associated with the onset of COVID-19. These increases in the provision for loan losses in 2020 were somewhat offset by a loan loss reversal in our Rural Infrastructure operating segment due to an improvement in credit quality in most portfolios sectors. While overall credit quality remained strong, adversely classified loans and accrued interest increased to 0.69 percent of total loans and accrued interest at September 30, 2021 from 0.54 percent at December 31, 2020 due to slight deterioration in credit quality for a small number of customers in our Agribusiness and Rural Infrastructure operating segments. Nonaccrual loans increased $21.1 million to $138.5 million at September 30, 2021 from $117.4 million at December 31, 2020 due to downgrades of a small number of customers in our Rural Infrastructure operating segment. Gross charge-offs were $3.4 million for the first nine months of 2021, compared to $33.4 million for the same period in 2020. The 2021 charge-offs related to a small number of agribusiness and leasing customers while the 2020 charge-offs related to a limited number of communications and rural power customers. Gross recoveries were $12.6 million for the first nine months of 2021, compared to $2.3 million for the same period in 2020.

Noninterest income decreased $29.2 million to $194.4 million for the first nine months of 2021 from $223.6 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 increased $7.7 million in the 2021 period primarily due to a higher level of transaction-related lending fees in our Agribusiness operating segment. Patronage income increased $16.9 million for the nine months ended September 30, 2021 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 $4.3 million in the 2021 period resulting from a lower level of customer refinancing activity and lower prepayment fees from certain of our affiliated Associations. Losses on early extinguishments of debt increased $11.7 million compared to the 2020 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 for the nine months ended September 30, 2021 also included an expense representing our estimated probable loss relating to litigation where CoBank is a defendant. See Note 9 to the accompanying condensed consolidated financial statements. Noninterest income in the 2020 period included a return of excess insurance funds from the Farm Credit System Insurance Corporation (Insurance Corporation) related to the Farm Credit System Insurance Fund (Insurance Fund) of $12.6 million.

Total operating expenses for the nine-month period ended September 30, 2021 increased $48.9 million to $354.1 million from $305.2 million for the same period in 2020. The higher level of operating expenses was primarily driven by an increase in Insurance Fund premium expense of $40.7 million in the first nine months of 2021 compared to the 2020 period due to increases in premium rates and, to a lesser extent, insured debt obligations. Insurance Fund premium rates are set by the Insurance Corporation and were 16 basis points of adjusted insured debt obligations in the first nine months of 2021 compared to 8 basis points in the first half of 2020 and 11 basis points for the three months ended September 30, 2020. The premium rate will remain 16 basis points of adjusted insured debt obligations for the remainder of 2021. Employee compensation expense increased $7.8 million for the first nine months of 2021 due primarily to a higher level of accrued incentive compensation reflective of strong business and financial performance somewhat offset by lower employee headcount. As of September 30, 2021 and 2020, we had 1,085 and 1,138 employees, respectively. Information services expense increased $2.7 million in the first nine months of 2021 compared to the 2020 period due to greater expenditures to enhance our service offerings and technology platforms. These increases in operating expenses were partially offset by a decrease in purchased services expense of $2.3 million in the first nine months of 2021 compared to the 2020 period primarily due to decreased consulting and professional fees.

Our income tax expense decreased by $16.8 million to $96.0 million for the first nine months of 2021, compared to $112.8 million for the same prior-year period. Our effective tax rates were 8.5 percent and 11.1 percent for the nine-month periods ended September 30, 2021 and 2020, 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 discussed in our 2020 Annual Report, we recorded a $30.2 million favorable adjustment to the provision for income taxes in the fourth quarter of 2019 reflecting amendments to our 2015 through 2017 federal and state tax returns to realize the benefit of certain equipment leasing transactions. In April 2020, the Internal Revenue Service initiated an examination of the amended federal tax returns which remains ongoing at this time.

As a result of the higher level of earnings in the first nine months of 2021, our annualized return on average common shareholders' equity increased to 12.48 percent for the nine months ended September 30, 2021 from 11.40 percent for the same period in 2020. Our annualized return on average assets increased to 0.87 percent for the nine-month period ended September 30, 2021 from 0.80 percent for the same period in 2020.

For the three months ended September 30, 2021, net income increased $45.4 million to $354.2 million, compared to $308.8 million for the same prior-year period. The increase in net income included an increase in net interest income of $21.4 million to $407.1 million for the third quarter of 2021 compared to the same prior-year period. This increase in net interest income was primarily due to higher average loan volume, higher earnings from balance sheet positioning and an improvement in lending spreads in most lending portfolios. Average loan volume increased to $119.5 billion during the three months ended September 30, 2021 compared to $111.6 billion in the same prior-year period and primarily reflected an increase in lending to affiliated Associations in our Farm Credit Banking operating segment, grain and farm supply cooperatives in our Agribusiness operating segment and rural power and electric distribution customers in our Rural Infrastructure operating segment. We recorded a loan loss reversal of $50.0 million for the three-month period ended September 30, 2021 compared to a provision for loan losses of $4.0 million in the same prior-year period. The loan loss reversal for the three months ended September 30, 2021 was primarily due to a more prolonged pay down of seasonal loan volume in our Agribusiness operating segment in 2021 which typically occurs earlier in the year. Partially offsetting these favorable net income items was a decrease of $23.3 million in noninterest income in the third quarter of 2021, compared to the same prior-year period, primarily due to the aforementioned expense representing our estimated probable loss relating to litigation where CoBank is a defendant and lower levels of prepayment income. Operating expenses also increased $15.3 million in the third quarter of 2021, compared to the same prior-year period, largely due to an increase in insurance fund premium expense.

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 September 30, 2021 and 2020 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 Nine Months Ended September 30,	2021	2020
Operating Segment:		
Agribusiness	**$ 548,872**	$ 421,520
Farm Credit Banking	**184,921**	191,358
Rural Infrastructure	**302,701**	291,107
Total	**$ 1,036,494**	$ 903,985

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. Agribusiness loans outstanding totaled $32.1 billion at September 30, 2021, compared to $36.1 billion at December 31, 2020. The decrease in outstanding loan volume primarily resulted from lower seasonal financing requirements at grain and farm supply cooperatives, which typically reach a low in late summer or early fall. 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 $5.6 billion and $6.0 billion in loans outstanding as of September 30, 2021 and December 31, 2020, respectively. At September 30, 2021 and December 31, 2020, 19 and 22 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 September 30, 2021 and December 31, 2020, FCL had $3.9 billion and $4.1 billion in leases outstanding, respectively.

Agribusiness average loan volume increased 17 percent to $38.4 billion for the first nine months of 2021 from $32.9 billion for the same period in 2020. Growth in Agribusiness loan volume resulted primarily from higher levels of financing to many grain and farm supply cooperatives due to higher commodity prices in the 2021 period.

Agribusiness net income increased $127.4 million in the first nine months of 2021 to $548.9 million from $421.5 million for the same period in 2020. The increase was primarily due to an increase in net interest income and a decrease in the provision for loan losses somewhat offset by an increase in operating expenses and a decrease in noninterest income.

Net interest income increased by $121.6 million to $705.6 million for the nine-month period ended September 30, 2021, from $584.0 million for the 2020 period. This increase was primarily due to higher average loan volume driven by the higher level of financing to many grain and farm supply cooperatives, as well as higher earnings on balance sheet positioning and an improvement in lending spreads.

Agribusiness recorded a loan loss reversal of $2.7 million during the first nine months of 2021 compared to a provision for loan losses of $51.0 million in the same prior-year period. The 2021 reversal primarily reflects improved credit quality and a decrease in COVID-19 related reserves partially offset by higher lending volume. The 2020 provision primarily reflected deterioration in credit quality, increased lending activity, an additional level of reserves to reflect inherent losses in our loan portfolio resulting from deterioration in the macro environment and business disruptions related to COVID-19 and higher reserves related to two lease portfolio purchases. Nonaccrual loans in Agribusiness decreased $4.2 million to $94.2 million at September 30, 2021, as compared to $98.4 million at December 31, 2020. Gross charge-offs were $3.4 million for the first nine months of 2021, compared to $1.3 million for the same period in 2020. The 2021 and 2020 charge-offs related to a small number of agribusiness and leasing customers. Gross recoveries were $4.2 million for the first nine months of 2021, compared to $2.0 million for the same period in 2020.

Noninterest income decreased $14.9 million to $111.7 million in the first nine months of 2021 from $126.6 million for the 2020 period. The decrease in noninterest income for the period is attributable to higher losses on early extinguishments of debt, net of prepayment income, partially offset by higher patronage income and an increase in fee income due to a higher level of transaction-related lending fees. Noninterest income for the nine months ended September 30, 2021 also included an expense representing our estimated probable loss relating to litigation where CoBank is a defendant. See Note 9 to the accompanying condensed consolidated financial statements. In addition, noninterest income for the nine months ended September 30, 2020 included a return of excess insurance funds from the Insurance Corporation.

Agribusiness operating expenses increased $35.4 million to $218.6 million for the first nine months of 2021 from $183.2 million in the same prior-year period primarily due to the increases in Insurance Fund premium expense and 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 20 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 September 30, 2021, the Farm Credit Banking loan portfolio totaled $62.5 billion, compared to $60.5 billion at December 31, 2020. At September 30, 2021 and December 31, 2020, loans outstanding included $57.5 billion and $55.5 billion, respectively, in wholesale loans to our affiliated Associations and $5.0 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 September 30, 2021 and December 31, 2020 in wholesale loans made by the Farm Credit Bank of Texas (FCBT). The balance of participations of $1.1 billion as of September 30, 2021 and December 31, 2020, represent wholesale loans made by AgFirst Farm Credit Bank.

Farm Credit Banking average loan volume increased 9 percent to $60.5 billion for the nine-month period ended September 30, 2021, compared to $55.6 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 $6.5 million to $184.9 million for the first nine months of 2021, as compared to $191.4 million for the same prior-year period. The decrease resulted primarily from lower net interest income and noninterest income and slightly higher operating expenses.

Net interest income decreased to $212.0 million in the first nine months of 2021 compared to $215.3 million for the same period in 2020. The impact of growth in loan volume on net interest income was more than offset by lower net earnings on capital and investment securities.

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. 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 $2.8 million to $7.2 million in the first nine months of 2021 from $10.0 million in the 2020 period. The decrease primarily resulted from lower prepayment income from certain Associations offset by lower losses on extinguishments of debt in the 2021 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 $0.4 million to $34.3 million for the first nine months of 2021 from $33.9 million for the same prior-year period due to the higher level of Insurance Fund premiums assessed by the Insurance Corporation in 2021 partially offset by a change in operating expense allocation methodology beginning in 2021. 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 water 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 water 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 $24.4 billion at September 30, 2021, compared to $24.2 billion at December 31, 2020.

Rural Infrastructure average loan volume increased 8 percent to $24.4 billion for the first nine months of 2021, compared to $22.6 billion for the same prior-year period. The increase in loan volume was primarily related to rural power and electric distribution borrowers.

Rural Infrastructure net income increased $11.6 million to $302.7 million for the first nine months of 2021, compared to $291.1 million for the same prior-year period. The increase was primarily driven by increased net interest income and a lower provision for income taxes partially offset by an increase in operating expenses, a higher provision for loan losses and a decrease in noninterest income.

Net interest income increased $34.6 million to $379.6 million for the nine-month period ended September 30, 2021, compared to $345.0 million in the 2020 period. This increase was primarily due to higher average loan volume, higher earnings on balance sheet positioning and an improvement in lending spreads in most portfolios.

Rural Infrastructure recorded a provision for loan losses of $7.7 million during the first nine months of 2021 compared to a loan loss reversal of $5.0 million for the same period in 2020. The 2021 provision primarily reflects higher specific reserves for a small number of our electric power infrastructure customers resulting from severe winter storms that occurred in Texas in February 2021. The 2020 loan loss reversal primarily reflected improvements in credit quality in our electric distribution, rural power and water portfolios partially offset by deterioration in credit quality in our communications portfolio. Nonaccrual loans in Rural Infrastructure increased $25.3 million to $44.3 million at September 30, 2021, compared to $19.0 million at December 31, 2020 primarily due to the addition of several rural power loans which were transferred to nonaccrual status during 2021. There were no gross charge-offs for the first nine months of 2021, compared to $32.2 million for the same period in 2020. The 2020 charge-offs primarily related to a limited number of communications and rural power customers who experienced financial distress. Gross recoveries were $8.3 million for the first nine months of 2021, compared to $0.3 million for the same period in 2020.

Noninterest income decreased $11.5 million to $75.5 million for the nine-month period ended September 30, 2021, compared to $87.0 million for the same period in 2020 driven by higher losses on early extinguishments of debt, net of prepayment income, and a decrease in net fee income due to a lower level of transaction-related lending fees. Noninterest income for the nine months ended September 30, 2021 also included an expense representing our estimated probable loss relating to litigation where CoBank is a defendant. See Note 9 to the accompanying condensed consolidated financial statements. In addition, noninterest income for the nine months ended September 30, 2020 included a return of excess insurance funds from the Insurance Corporation.

Rural Infrastructure operating expenses increased $13.2 million to $101.2 million for the first nine months of 2021 compared to $88.0 million for the same prior-year period primarily due to the increases in Insurance Fund premium expense and 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

	September 30, 2021			December 31, 2020		
	Wholesale Loans (1)	Commercial Loans (2)	Total Bank	Wholesale Loans (1)	Commercial Loans (2)	Total Bank
Acceptable	**100.00 %**	**95.79 %**	**98.00 %**	97.08 %	95.73 %	96.40 %
Special Mention	**-**	**2.75**	**1.31**	2.92	3.20	3.06
Substandard	**-**	**1.46**	**0.69**	-	1.05	0.53
Doubtful	**-**	**- (3)**	**- (3)**	-	0.02	0.01
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 September 30, 2021. Special Mention loans and accrued interest improved to 1.31 percent of total loans and accrued interest at September 30, 2021 compared to 3.06 percent at December 31, 2020 primarily due to the improved credit quality classification of a wholesale loan to one of our affiliated Associations. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") and related accrued interest as a percent of total loans and accrued interest increased to 0.69 percent at September 30, 2021, compared to 0.54 percent at December 31, 2020 due to slight deterioration in credit quality for a small number of customers in our Agribusiness and Rural Infrastructure operating segments.

We recorded a $5.0 million provision for loan losses in the first nine months of 2021 compared to $46.0 million in the 2020 period. The 2021 provision primarily relates to 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 earlier in the year. The 2021 provision also included a loan loss reversal in our Agribusiness operating segment due to an improvement in credit quality and a decrease in COVID-19 related reserves partially offset by higher lending volume. The 2020 provision primarily related to our Agribusiness operating segment resulting from deterioration in credit quality, increased lending and leasing activity and higher reserves associated with the onset of COVID-19. These increases in the provision for loan losses in 2020 were somewhat offset by a loan loss reversal in our Rural Infrastructure operating segment due to an improvement in credit quality in most portfolio sectors. Gross charge-offs were $3.4 million for the first nine months of 2021, compared to $33.4 million for the same period in 2020. The 2021 charge-offs related to a small number of agribusiness and leasing customers while the 2020 charge-offs related to a limited number of communications and rural power customers. Gross recoveries were $12.6 million for the first nine months of 2021, compared to $2.3 million for the same period in 2020. Nonaccrual loans increased $21.1 million to $138.5 million at September 30, 2021, from $117.4 million at December 31, 2020 due to downgrades of a small number of customers in our Rural Infrastructure operating segment. Our total allowance for credit losses (ACL), which includes the allowance for loan losses and the reserve for unfunded commitments, was $746.4 million at September 30, 2021, compared to $732.2 million at December 31, 2020. Our ACL, as a percent of total loans, was 0.63 percent and 0.61 percent at September 30, 2021 and December 31, 2020, respectively. As a percent of non-guaranteed loans outstanding and excluding loans to Associations, our ACL was 1.34 percent and 1.24 percent at September 30, 2021 and December 31, 2020, respectively.

The overall credit quality of our loan portfolio remains strong at September 30, 2021. We believe credit quality deterioration in the future is possible due to market factors impacting our customers, including an ongoing volatile agricultural commodity price environment, supply chain, labor and other challenges as the economy recovers, weather related events and uncertainties associated with changing government policies. In addition, concentrations within our loan portfolio can cause the level of our loan quality, nonaccrual loans, charge-offs and provisions for loan losses or loan loss reversals to vary significantly from period to period.

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 September 30, 2021, our liquidity was 178 days, compared to 174 days at December 31, 2020.

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 $1.2 billion and $3.2 billion as of September 30, 2021 and December 31, 2020, respectively. Our investment securities were $33.2 billion at September 30, 2021, compared to $32.8 billion at December 31, 2020.

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

Investment Securities ($ in Millions)	September 30, 2021			December 31, 2020		
	Amortized Cost	Fair Value	Net Unrealized Gains	Amortized Cost	Fair Value	Net Unrealized Gains
U.S. Treasury Debt	**$ 16,627**	**$ 16,903**	**$ 276**	$ 13,853	$ 14,362	$ 509
U.S. Agency Debt	**2,196**	**2,292**	**96**	2,795	2,960	165
Residential Mortgage-Backed:						
Ginnie Mae	**1,120**	**1,124**	**4**	862	886	24
U.S. Agency	**1,409**	**1,425**	**16**	2,333	2,365	32
Commercial Mortgage-Backed:						
U.S. Agency	**10,983**	**11,021**	**38**	11,404	11,554	150
Corporate Bonds	**362**	**389**	**27**	364	394	30
Asset-Backed and Other	**29**	**29**	**-**	304	304	-
Total	**$ 32,726**	**$ 33,183**	**$ 457**	$ 31,915	$ 32,825	$ 910

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 $418.0 million or 1 percent of our total investment portfolio as of September 30, 2021. Credit risk in our investment portfolio also arises from counterparties to short-term investments, which include overnight bank deposits and federal funds sold. We recorded no other-than-temporary impairment losses on investment securities during the first nine months of 2021 or 2020.

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 September 30, 2021, $463.5 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 nine months of 2021, we sold five U.S. Treasury debt securities for total proceeds of $1.1 billion and five U.S. Agency debentures for total proceeds of $574.4 million. These securities were sold to manage liquidity, for economic purposes and/or to take advantage of favorable market conditions. The resulting net gains from these investment sales of $1.7 million are recorded in other, net noninterest income in the accompanying condensed consolidated statements of income for the nine months ended September 30, 2021. In the first nine months of 2020, we sold four U.S. Treasury debt securities for total proceeds of $1.5 billion which approximated their combined book value.

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 $453.6 million for the first nine months of 2021, compared to net unrealized gains of $726.6 million for the same prior-year period. The unrealized losses and gains 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 $1.070 billion and $900.3 million for the first nine months of 2021 and 2020, 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 September 30, 2021 and December 31, 2020 was $430.0 million and $425.0 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. In September 2021, the RUS approved an additional $200.0 million of Series F funding subject to closing on the final bond purchase agreement. In March 2021, we closed on $375.0 million of Series E funding with RUS. 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. Our RUS funding facilities allow us to access funding for certain rural infrastructure loans through September 2024 under Series D and through July 2025 under Series E.

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 $526.7 million at September 30, 2021 compared to $877.9 million at December 31, 2020. Interest rate swaps and other derivative liabilities totaled $398.2 million at September 30, 2021 compared to $610.4 million at December 31, 2020. The decreases in derivative assets and derivative liabilities at September 30, 2021 are primarily the result of changes in market interest rates during the first nine months of 2021.

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 a net loss of $8.3 million and a net loss of $11.4 million for the first nine months of 2021 and 2020, 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 $9.6 million and $14.9 million for the first nine months of 2021 and 2020, respectively. Changes in the fair value of derivatives recorded as other comprehensive income (loss) totaled net gains of $7.4 million and $20.6 million for the first nine months of 2021 and 2020, 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 $12.0 billion and $11.9 billion at September 30, 2021 and December 31, 2020, respectively. During the first nine months of 2021, the increase in shareholders' equity resulted from current period earnings partially offset by patronage accruals, a decrease in accumulated other comprehensive income primarily resulting from increases in net unrealized losses on investment securities driven by market interest rate changes, preferred stock dividends and common stock retirements.

At September 30, 2021 and December 31, 2020, our capital and leverage ratios exceeded regulatory minimums, as shown in the following table.

Regulatory Capital Requirements and Ratios

		September 30, 2021		December 31, 2020		
	Regulatory Minimums	Actual	Actual Buffer	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 Capital Ratio	4.5 %	**12.88 %**	**8.38** %	12.33 %	7.83 %	2.5 %
Tier 1 Capital Ratio	6.0	**14.76**	**8.76**	14.25	8.25	2.5
Total Capital Ratio	8.0	**15.75**	**7.75**	15.22	7.22	2.5
Tier 1 Leverage Ratio(1)	4.0	**7.62**	**3.62**	7.30	3.30	1.0
Permanent Capital Ratio	7.0	**14.89**	**n/a**	14.36	n/a	n/a
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	**3.44**	**n/a**	3.23	n/a	n/a

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

See pages 55 through 64 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.

Capital Plans

In June 2021, the CoBank Board of Directors approved changes to certain capital plans and patronage programs to more closely align the Bank's capital base with its risks, which could result in lower capital levels and capital ratios over time. The target patronage rate for affiliated Associations was increased to 45 basis points and the target patronage rate for non-affiliated Farm Credit and other financing institutions was increased to 30 basis points. In addition, the loan base period used for determining target equity levels for affiliated Associations was increased to the five-year trailing average from a one-year average. These changes are effective beginning in 2021 for patronage distributions and stock retirements expected to be made in March 2022. Management and the board continuously evaluate the Bank's capital plans and patronage programs based on financial performance, capital requirements, asset growth, emerging risks and other items. Any future changes to patronage and capital distributions would be subject to FCA regulations and board approval.

Future of LIBOR

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"). Another state has subsequently adopted legislation similar to the New York legislation. At this time, there is no specific federal law akin to the New York legislation addressing the LIBOR transition. However, the United States Congress began working on a draft version of federal legislation that would provide a statutory substitute benchmark rate for contracts that use USD LIBOR as a benchmark and that do not have any sufficient fallback clauses in place. The current version of the legislation, the Adjustable Interest Rate (LIBOR) Act of 2021, was formally introduced in the House of Representatives on July 22, 2021. While similar to the New York state LIBOR legislation, including a safe harbor for use of recommended LIBOR fallbacks that are based on SOFR, there are differences in the current draft of the federal legislation, most significantly, that the draft bill specifically provides for the preemption of state law. At this time, it is uncertain as to whether, when, and in what form such federal legislation will be adopted.

On April 20, 2021, the ARRC published the key principles and market indicators which they feel are critical to endorse forward-looking term SOFR indexes. The ARRC's term rate principles and term rate market indicators together provide clear guidance that would allow the ARRC to recommend a SOFR-based term rate.

On May 21, 2021, the CME Group was selected by the ARRC to publish its recommended forward-looking SOFR term rates.

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 November 30, 2020, the U.S. Prudential Regulators (Federal Reserve, Federal Deposit Insurance Corporation, Office of the Comptroller of the Currency) issued a statement to encourage banks to transition away from LIBOR as soon as practicable. The Prudential Regulators stated that entering into new contracts that use LIBOR as a reference rate after December 31, 2021, would create safety and soundness risks and will examine bank practices accordingly. Therefore, the Prudential Regulators encourage banks to cease entering into new contracts that use LIBOR as a reference rate as soon as practicable and in any event by December 31, 2021. New contracts entered into before December 31, 2021 should either utilize a reference rate other than LIBOR or have robust fallback language that includes a clearly defined alternative reference rate after LIBOR's discontinuation.

On October 20, 2021, the Prudential Regulators issued another 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 18, 2020, the FCA issued an informational memorandum with similar LIBOR transition guidance as the Prudential Regulators, but applicable to Farm Credit System institutions, including CoBank. In accordance with the informational memorandum, System institutions should adopt 2021 transition plans with steps and timeframes to accomplish the following: reduce LIBOR exposures; stop the inflow of new LIBOR volume; develop and implement loan products with alternative reference rates; assess, and if necessary, revise fallback language on legacy LIBOR indexed loans and contracts; adjust operational processes, including accounting and management information systems, to handle alternative reference rates; and communicate pending or imminent changes to customers as appropriate.

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 September 30, 2021, 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 2021. This exposure includes loans that we make to our customers, investment securities that we purchase, Systemwide Debt Securities that are issued by the Federal Farm Credit Banks Funding Corporation (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 September 30, 2021 ($ in Millions)

	Due in 2021	Due in 2022	Due in 2023 on or before June 30, 2023	Due after June 30, 2023	Total
Commercial Loans [(1)]	$ 2,049	$ 4,998	$ 934	$ 18,438	$ 26,419
Wholesale Loans [(2)]	-	5,871	-	-	5,871
Investment Securities	-	54	127	4,616	4,797
Debt	5,807	875	171	785	7,638
Derivatives (Notional Amounts)	2,555	6,254	4,396	24,752	37,957
Preferred Stock [(3)]	-	-	-	1,300	1,300

(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 $225 million that pays a dividend currently indexed to 3-month USD LIBOR plus a spread as of September 30, 2021. 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. At this time, we are unable to completely predict when LIBOR will become unrepresentative. However, in light of the announcements by the UKFCA, the IBA and Prudential Regulators noted above, USD LIBOR, except in very limited circumstances, will be discontinued or declared unrepresentative (depending on the tenor) as of either immediately after December 31, 2021 or June 30, 2023. Because we routinely engage in transactions involving financial instruments that reference LIBOR, these developments may have a material impact on us, our borrowers, investors, customers and counterparties.

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 ends 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 will be become effective on January 1, 2022. We do not expect this regulation will have a material impact on our regulatory capital and leverage ratios.

Business Outlook

The broader economy and marketplace continues to transition into another phase of the COVID-19 pandemic environment. As the delta variant surge and other pandemic issues subside, the U.S. economy remains healthy and continues to be driven by strong consumer spending. While higher consumer demand is beneficial to businesses, severe supply chain disruptions and labor shortages are adding significant costs to business operations and these costs are likely to be passed on to the consumer. Business operating costs are still rising faster than consumer prices, so elevated inflation will remain a concern well into 2022. From a monetary policy perspective, the Fed has announced that it will likely begin tapering security purchases in November 2021 and is considering increasing interest rates beginning in late 2022 or early 2023. Anticipation of tighter monetary policy is contributing to a stronger dollar and a steeper yield curve. The U.S. government has also temporarily increased the debt ceiling, but the need for a longer term solution will create uncertainty during the remainder of 2021. 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. Agricultural commodity prices for corn and soybeans have stabilized compared to prices during the summer months, while wheat prices remain volatile due to a smaller than expected summer crop. The historic drought in the western United States is projected to continue through 2022, which is creating heightened regional concerns for the specialty crop sectors as well as challenges for water resources. Higher input costs, labor shortages, supply chain disruptions, and impacts to production facilities resulting from Hurricane Ida 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 now that Congress passed the American Jobs Plan.

Although challenges across our industry sectors could reduce credit quality and impact the level of loan demand, CoBank believes that it remains well positioned to assist our customers as the economy recovers 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 any related business or supply chain disruptions;
- 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 the 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;
- Adverse effect of wildfires, floods and other natural disasters 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 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;
- Policies directed towards 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 or fiscal 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 Systemwide Debt Securities;
- Our ability to attract and retain employees in light of the ongoing labor shortage across the United States;
- 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)

	September 30, 2021 (Unaudited)	December 31, 2020
Assets		
Total Loans	$ **119,055,771**	$ 120,855,800
Less: Allowance for Loan Losses	**631,476**	635,426
Net Loans	**118,424,295**	120,220,374
Cash and Cash Equivalents	**547,692**	2,335,212
Federal Funds Sold and Other Overnight Funds	**700,000**	835,000
Investment Securities	**33,182,710**	32,825,003
Interest Rate Swaps and Other Derivatives	**526,741**	877,874
Accrued Interest Receivable and Other Assets	**1,392,904**	1,492,941
Total Assets	$ **154,774,342**	$ 158,586,404
Liabilities		
Bonds and Notes	$ **140,081,273**	$ 143,383,683
Interest Rate Swaps and Other Derivatives	**398,211**	610,420
Reserve for Unfunded Commitments	**114,902**	96,769
Patronage Payable	**472,697**	616,775
Accrued Interest Payable and Other Liabilities	**1,717,462**	1,969,152
Total Liabilities	$ **142,784,545**	$ 146,676,799
Commitments and Contingent Liabilities (Note 9)		
Shareholders' Equity		
Preferred Stock	$ **1,500,000**	$ 1,500,000
Common Stock	**3,981,657**	3,917,740
Unallocated Retained Earnings	**6,208,995**	5,803,923
Accumulated Other Comprehensive Income	**299,145**	687,942
Total Shareholders' Equity	$ **11,989,797**	$ 11,909,605
Total Liabilities and Shareholders' Equity	$ **154,774,342**	$ 158,586,404

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 September 30,		For the Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Interest Income				
Loans	**$ 581,329**	$ 600,896	**$ 1,831,857**	$ 2,117,204
Investment Securities, Federal Funds Sold and Other Overnight Funds	**107,264**	132,671	**332,195**	452,048
Total Interest Income	**688,593**	733,567	**2,164,052**	2,569,252
Interest Expense	**281,463**	347,814	**866,855**	1,424,925
Net Interest Income	**407,130**	385,753	**1,297,197**	1,144,327
(Loan Loss Reversal) Provision for Loan Losses	**(50,000)**	4,000	**5,000**	46,000
Net Interest Income After (Loan Loss Reversal) Provision for Loan Losses	**457,130**	381,753	**1,292,197**	1,098,327
Noninterest Income (Expense)				
Net Fee Income	**45,391**	34,436	**112,086**	104,383
Patronage Income	**32,123**	27,163	**96,203**	79,293
Prepayment Income	**16,327**	24,017	**49,192**	53,477
Losses on Early Extinguishments of Debt	**(25,686)**	(24,562)	**(56,806)**	(45,110)
Gains on Interest Rate Swaps and Other Derivatives	**2,474**	7,796	**9,575**	14,924
Return of Excess Insurance Funds	**-**	-	**-**	12,617
Other, Net	**(22,707)**	2,391	**(15,859)**	4,020
Total Noninterest Income	**47,922**	71,241	**194,391**	223,604
Operating Expenses				
Employee Compensation	**56,623**	57,185	**172,183**	164,399
Insurance Fund Premium	**25,696**	16,616	**82,428**	41,755
Information Services	**15,412**	13,268	**39,626**	36,934
General and Administrative	**7,558**	5,617	**19,231**	18,680
Occupancy and Equipment	**3,949**	4,001	**11,890**	11,911
Farm Credit System Related	**3,252**	3,240	**12,059**	11,976
Purchased Services	**4,299**	3,963	**10,914**	13,249
Other	**3,061**	615	**5,773**	6,247
Total Operating Expenses	**119,850**	104,505	**354,104**	305,151
Income Before Income Taxes	**385,202**	348,489	**1,132,484**	1,016,780
Provision for Income Taxes	**31,023**	39,708	**95,990**	112,795
Net Income	**$ 354,179**	$ 308,781	**$ 1,036,494**	$ 903,985

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

Condensed Consolidated Statements of Comprehensive Income (Loss)
CoBank, ACB

($ in Thousands) (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2021	**2020**	**2021**	**2020**
Net Income	**$ 354,179**	$ 308,781	**$ 1,036,494**	$ 903,985
Other Comprehensive (Loss) Income, Net of Tax:				
Net Change in Unrealized (Losses) Gains on Investment Securities Not Other-Than-Temporarily Impaired	**(99,995)**	(65,105)	**(402,203)**	641,688
Net Change in Unrealized Gains (Losses) on Interest Rate Swaps and Other Derivatives	**3,507**	(7,512)	**7,390**	20,571
Net Pension Adjustment	**2,006**	1,746	**6,016**	5,238
Other Comprehensive (Loss) Income	**(94,482)**	(70,871)	**(388,797)**	667,497
Comprehensive Income	**$ 259,697**	$ 237,910	**$ 647,697**	$ 1,571,482

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 Nine Months Ended September 30,	2021	2020
Balance at Beginning of Period	**$ 11,909,605**	$ 10,566,893
Comprehensive Income	**647,697**	1,571,482
Preferred Stock:		
Dividends	**(61,786)**	(63,530)
Common Stock:		
Issuances	**46**	52
Retirements	**(32,934)**	(34,792)
Cash Patronage Accrued	**(472,831)**	(360,736)
Balance at End of Period	**$ 11,989,797**	$ 11,679,369

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 Nine Months Ended September 30,		2021		2020
Cash Flows Provided by Operating Activities				
Net Income	$	1,036,494	$	903,985
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Provision for Loan Losses		5,000		46,000
Deferred Income Taxes		21,944		17,444
Depreciation and Amortization/Accretion, Net		46,746		41,064
Losses on Early Extinguishments of Debt		56,806		45,110
Increase in Accrued Interest Receivable and Other Assets		(140,416)		(32,373)
Increase (Decrease) in Accrued Interest Payable and Other Liabilities		28,662		(119,773)
Net Losses on Interest Rate Swaps and Other Derivatives		13,244		6,989
Proceeds from Termination of Interest Rate Floors		11,677		-
Payments on Operating Lease Liabilities		(7,659)		(7,501)
Other, Net		(2,638)		(667)
Net Cash Provided by Operating Activities		1,069,860		900,278
Cash Flows Provided by (Used in) Investing Activities				
Net Decrease (Increase) in Loans		1,800,116		(3,172,168)
Net Increase in Investment Securities		(1,088,699)		(253,497)
Net Decrease in Federal Funds Sold and Other Overnight Funds		135,000		932,000
Other, Net		99,064		-
Net Cash Provided by (Used in) Investing Activities		945,481		(2,493,665)
Cash Flows (Used in) Provided by Financing Activities				
Net (Repayments) Issuances of Bonds and Notes		(3,161,609)		1,655,981
Payments on Early Extinguishments of Debt		(56,806)		(45,110)
Net Retirements of Common Stock		(32,888)		(34,740)
Cash Patronage Distribution Paid		(489,757)		(475,638)
Special Cash Patronage Distribution Paid		(106,603)		(39,839)
Preferred Stock Dividends Paid		(55,980)		(58,571)
Cash Collateral Received from (Paid to) Derivative Counterparties, Net		138,670		(198,990)
Variation Margin (Paid) Received on Cleared Derivatives, Net		(37,888)		30,475
Net Cash (Used in) Provided by Financing Activities		(3,802,861)		833,568
Net Decrease in Cash		(1,787,520)		(759,819)
Cash at Beginning of Period		2,335,212		948,669
Cash at End of Period	$	547,692	$	188,850
Supplemental Disclosures:				
Schedule of Noncash Investing and Financing Activities				
Net Change in Accrued Securities Purchases	$	271,119	$	-
Net Change in Receivables from Investment Securities		1,717		(4,918)
Net Change in Unrealized (Losses) Gains on Investment Securities, Before Taxes		(453,610)		726,614
Net Change in Unrealized Gains on Interest Rate Swaps and Other Derivatives and Hedged Items, Before Taxes		7,620		20,630
Patronage in Common Stock		96,805		97,346
Cash Patronage Payable		472,831		360,736
Supplemental Noncash Information Related to Leases				
Right-of-Use Assets Obtained in Exchange for Operating Lease Liabilities		6,243		6,109

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 2020 Annual Report, which includes a description of our organization and lending authority. Also included in the 2020 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 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU), "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The update provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform. The update 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 update 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 2020 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 update 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)

	September 30, 2021	December 31, 2020
Agribusiness	$ 32,142	$ 36,103
Farm Credit Banking	62,541	60,516
Rural Infrastructure	24,373	24,237
Total	$ 119,056	$ 120,856

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
September 30, 2021				
Allowance for Loan Losses				
Beginning Balance at January 1, 2021	$ 489,424	$ -	$ 146,002	$ 635,426
Charge-offs	(3,374)	-	-	(3,374)
Recoveries	4,229	-	8,328	12,557
(Loan Loss Reversal) Provision for Loan Losses	(2,700)	-	7,700	5,000
Transfers to Reserve for Unfunded Commitments[2]	(16,889)	-	(1,244)	(18,133)
Ending Balance at September 30, 2021	470,690	-	160,786	631,476
Reserve for Unfunded Commitments				
Beginning Balance at January 1, 2021	80,917	-	15,852	96,769
Transfers from Allowance for Loan Losses[2]	16,889	-	1,244	18,133
Ending Balance at September 30, 2021	97,806	-	17,096	114,902
Allowance for Credit Losses	$ 568,496	$ -	$ 177,882	$ 746,378
Allowance for Credit Losses				
Ending Balance, Allowance for Credit Losses Related to Loans and Unfunded Commitments:				
Individually Evaluated for Impairment	$ 21,101	$ -	$ 11,700	$ 32,801
Collectively Evaluated for Impairment	547,395	-	166,182	713,577
Total	$ 568,496	$ -	$ 177,882	$ 746,378
Loans				
Ending Balance for Loans and Related Accrued Interest:				
Individually Evaluated for Impairment	$ 94,162	$ 62,628,661	$ 44,321	$ 62,767,144
Collectively Evaluated for Impairment	32,146,101	-	24,401,527	56,547,628
Total	$ 32,240,263	$ 62,628,661	$ 24,445,848	$ 119,314,772

[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
September 30, 2020				
Allowance for Loan Losses				
Beginning Balance at January 1, 2020	$ 471,495	$ -	$ 183,269	$ 654,764
Charge-offs	(1,276)	-	(32,172)	(33,448)
Recoveries	2,010	-	279	2,289
Provision for Loan Losses (Loan Loss Reversal)	51,000	-	(5,000)	46,000
Transfers to Reserve for Unfunded Commitments(2)	(36,988)	-	(1,247)	(38,235)
Ending Balance at September 30, 2020	486,241	-	145,129	631,370
Reserve for Unfunded Commitments				
Beginning Balance at January 1, 2020	77,471	-	14,831	92,302
Transfers from Allowance for Loan Losses(2)	36,988	-	1,247	38,235
Ending Balance at September 30, 2020	114,459	-	16,078	130,537
Allowance for Credit Losses	$ 600,700	$ -	$ 161,207	$ 761,907
Allowance for Credit Losses				
Ending Balance, Allowance for Credit Losses Related to Loans and Unfunded Commitments:				
Individually Evaluated for Impairment	$ 46,103	$ -	$ 600	$ 46,703
Collectively Evaluated for Impairment	554,597	-	160,607	715,204
Total	$ 600,700	$ -	$ 161,207	$ 761,907
Loans				
Ending Balance for Loans and Related Accrued Interest:				
Individually Evaluated for Impairment	$ 171,449	$ 57,740,146	$ 7,944	$ 57,919,539
Collectively Evaluated for Impairment	30,662,519	-	23,663,689	54,326,208
Total	$ 30,833,968	$ 57,740,146	$ 23,671,633	$ 112,245,747

(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.

September 30, 2021	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Farm Credit Banking	Rural Infrastructure	Total
Acceptable	**$ 29,037,320**	**$ 1,125,984**	**$ 62,628,661**	**$ 24,133,544**	**$ 116,925,509**
Special Mention	**1,390,548**	**-**	**-**	**169,824**	**1,560,372**
Substandard	**686,141**	**-**	**-**	**142,480**	**828,621**
Doubtful	**270**	**-**	**-**	**-**	**270**
Loss	**-**	**-**	**-**	**-**	**-**
Total	**$ 31,114,279**	**$ 1,125,984**	**$ 62,628,661**	**$ 24,445,848**	**$ 119,314,772**
December 31, 2020					
Acceptable	$ 32,397,637	$ 1,497,512	$ 58,830,561	$ 24,041,710	$ 116,767,420
Special Mention	1,743,097	-	1,771,023	191,725	3,705,845
Substandard	564,493	-	-	73,483	637,976
Doubtful	6,564	-	-	5,102	11,666
Loss	-	-	-	-	-
Total	$ 34,711,791	$ 1,497,512	$ 60,601,584	$ 24,312,020	$ 121,122,907

Aging Analysis

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

September 30, 2021	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Farm Credit Banking	Rural Infrastructure	Total
30-89 Days Past Due	**$ 9,924**	**$ -**	**$ -**	**$ -**	**$ 9,924**
90 Days Past Due	**37,691**	**-**	**-**	**19,982**	**57,673**
Total Past Due	**$ 47,615**	**$ -**	**$ -**	**$ 19,982**	**$ 67,597**
Current	**31,066,664**	**1,125,984**	**62,628,661**	**24,425,866**	**119,247,175**
Total	**$ 31,114,279**	**$ 1,125,984**	**$ 62,628,661**	**$ 24,445,848**	**$ 119,314,772**
Accruing Loans 90 Days or More Past Due	**$ 4,628**	**$ -**	**$ -**	**$ -**	**$ 4,628**
December 31, 2020					
30-89 Days Past Due	$ 35,635	$ -	$ -	$ 11,691	$ 47,326
90 Days Past Due	29,519	-	-	5,102	34,621
Total Past Due	$ 65,154	$ -	$ -	$ 16,793	$ 81,947
Current	34,646,637	1,497,512	60,601,584	24,295,227	121,040,960
Total	$ 34,711,791	$ 1,497,512	$ 60,601,584	$ 24,312,020	$ 121,122,907
Accruing Loans 90 Days or More Past Due	$ 736	$ -	$ -	$ -	$ 736

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.

September 30, 2021	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[1]	Farm Credit Banking[1]	Rural Infrastructure	Total
Nonaccrual Loans[2]	**$ 94,162**	**$ -**	**$ -**	**$ 44,321**	**$ 138,483**
Accruing Loans 90 Days or More Past Due	**4,628**	**-**	**-**	**-**	**4,628**
Accruing Restructured Loans	**-**	**-**	**-**	**-**	**-**
Total Impaired Loans	**$ 98,790**	**$ -**	**$ -**	**$ 44,321**	**$ 143,111**
December 31, 2020					
Nonaccrual Loans[2]	$ 98,401	$ -	$ -	$ 19,000	$ 117,401
Accruing Loans 90 Days or More Past Due	736	-	-	-	736
Accruing Restructured Loans	-	-	-	-	-
Total Impaired Loans	$ 99,137	$ -	$ -	$ 19,000	$ 118,137

(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 September 30, 2021 and December 31, 2020 were $11.9 million and $12.5 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.

September 30, 2021	Agribusiness Non-Guaranteed	Agribusiness Guaranteed(1)	Farm Credit Banking(1)	Rural Infrastructure	Total
Impaired Loans With No Related Allowance for Loan Losses					
Carrying Amount	$ 38,981	$ -	$ -	$ -	$ 38,981
Unpaid Principal	69,965	-	-	-	69,965
Average Balance	44,764	-	-	5,479	50,243
Interest Income Recognized	8,370	-	-	257	8,627
Impaired Loans With Related Allowance for Loan Losses					
Carrying Amount	59,809	-	-	44,321	104,130
Unpaid Principal	62,071	-	-	44,985	107,056
Allowance for Loan Losses	21,101	-	-	11,700	32,801
Average Balance	53,311	-	-	31,213	84,524
Interest Income Recognized	-	-	-	-	-
Total Impaired Loans					
Carrying Amount	98,790	-	-	44,321	143,111
Unpaid Principal	132,036	-	-	44,985	177,021
Allowance for Loan Losses	21,101	-	-	11,700	32,801
Average Balance	98,075	-	-	36,692	134,767
Interest Income Recognized	8,370	-	-	257	8,627
December 31, 2020					
Impaired Loans With No Related Allowance for Loan Losses					
Carrying Amount	$ 40,674	$ -	$ -	$ 5,101	$ 45,775
Unpaid Principal	71,796	-	-	23,363	95,159
Average Balance	52,750	-	-	5,727	58,477
Interest Income Recognized	13,880	-	-	-	13,880
Impaired Loans With Related Allowance for Loan Losses					
Carrying Amount	58,463	-	-	13,899	72,362
Unpaid Principal	69,809	-	-	14,124	83,933
Allowance for Loan Losses	20,821	-	-	3,300	24,121
Average Balance	129,445	-	-	29,239	158,684
Interest Income Recognized	13,522	-	-	-	13,522
Total Impaired Loans					
Carrying Amount	99,137	-	-	19,000	118,137
Unpaid Principal	141,605	-	-	37,487	179,092
Allowance for Loan Losses	20,821	-	-	3,300	24,121
Average Balance	182,195	-	-	34,966	217,161
Interest Income Recognized	27,402	-	-	-	27,402

(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 $7.1 million in commitments available to be drawn by borrowers whose loans were classified as impaired at September 30, 2021.

Troubled Debt Restructurings

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 2020 Annual Report. During the nine months ended September 30, 2021 and 2020, there were no modifications that qualified as TDRs. Included in nonaccrual loans at September 30, 2021 and December 31, 2020 were $11.9 million and $12.5 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)

September 30, 2021	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Debt	**$ 16,627**	**$ 309**	**$ (33)**	**$ 16,903**
U.S. Agency Debt	**2,196**	**99**	**(3)**	**2,292**
Residential Mortgage-Backed Securities (MBS):				
Ginnie Mae	**1,120**	**6**	**(2)**	**1,124**
U.S. Agency	**1,409**	**24**	**(8)**	**1,425**
Commercial MBS:				
U.S. Agency	**10,983**	**96**	**(58)**	**11,021**
Corporate Bonds	**362**	**27**	**-**	**389**
Asset-Backed and Other	**29**	**-**	**-**	**29**
Total	**$ 32,726**	**$ 561**	**$ (104)**	**$ 33,183**
December 31, 2020				
U.S. Treasury Debt	$ 13,853	$ 509	$ -	$ 14,362
U.S. Agency Debt	2,795	165	-	2,960
Residential MBS:				
Ginnie Mae	862	24	-	886
U.S. Agency	2,333	42	(10)	2,365
Commercial MBS:				
U.S. Agency	11,404	165	(15)	11,554
Corporate Bonds	364	30	-	394
Asset-Backed and Other	304	-	-	304
Total	$ 31,915	$ 935	$ (25)	$ 32,825

A summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type at September 30, 2021 is as follows:

($ in Millions)

	Contractual Maturity				
September 30, 2021	**In One Year or Less**	**One to Five Years**	**Five to Ten Years**	**After Ten Years**	**Total**
U.S. Treasury Debt Securities					
Amortized Cost	$ 3,723	$ 10,412	$ 2,492	$ -	$ 16,627
Fair Value	3,739	10,662	2,502	-	16,903
Weighted Average Yield	1.03 %	1.32 %	1.31 %	- %	1.25 %
U.S. Agency Debt Securities					
Amortized Cost	$ 298	$ 1,149	$ 577	$ 172	$ 2,196
Fair Value	303	1,195	607	187	2,292
Weighted Average Yield	2.20 %	1.82 %	2.06 %	2.57 %	1.99 %
Ginnie Mae Residential MBS					
Amortized Cost	$ -	$ 1	$ 1	$ 1,118	$ 1,120
Fair Value	-	1	1	1,122	1,124
Weighted Average Yield	- %	2.28 %	1.84 %	1.64 %	1.64 %
U.S. Agency Residential MBS					
Amortized Cost	$ -	$ 4	$ 361	$ 1,044	$ 1,409
Fair Value	-	4	364	1,057	1,425
Weighted Average Yield	- %	0.50 %	1.42 %	1.81 %	1.71 %
U.S. Agency Commercial MBS					
Amortized Cost	$ 29	$ 2,998	$ 7,517	$ 439	$ 10,983
Fair Value	29	3,043	7,512	437	11,021
Weighted Average Yield	0.44 %	1.10 %	0.84 %	0.59 %	0.90 %
Corporate Bonds					
Amortized Cost	$ 7	$ 181	$ 174	$ -	$ 362
Fair Value	7	192	190	-	389
Weighted Average Yield	3.28 %	4.01 %	3.89 %	- %	3.94 %
Asset-Backed and Other					
Amortized Cost	$ -	$ 13	$ 6	$ 10	$ 29
Fair Value	-	13	7	9	29
Weighted Average Yield	- %	0.76 %	2.44 %	5.46 %	2.72 %
Total					
Amortized Cost	$ 4,057	$ 14,758	$ 11,128	$ 2,783	$ 32,726
Fair Value	4,078	15,110	11,183	2,812	33,183
Weighted Average Yield	1.12 %	1.35 %	1.08 %	1.60 %	1.25 %

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 September 30, 2021 and December 31, 2020. 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
September 30, 2021				
U.S. Treasury Debt	**4,325**	**(33)**	**-**	**-**
U.S. Agency Debt	**114**	**(3)**	**194**	**-**
Residential MBS:				
Ginnie Mae	**464**	**(2)**	**-**	**-**
U.S. Agency	**86**	**(1)**	**81**	**(7)**
Commercial MBS:				
U.S. Agency	**3,187**	**(19)**	**1,373**	**(39)**
Corporate Bonds	**7**	**-**	**-**	**-**
Asset-Backed and Other	**3**	**-**	**8**	**-**
Total	**$ 8,186**	**$ (58)**	**$ 1,656**	**$ (46)**
December 31, 2020				
U.S. Treasury Debt	$ 1,250	$ -	$ -	$ -
U.S. Agency Debt	22	-	233	-
Residential MBS:				
Ginnie Mae	3	-	19	-
U.S. Agency	110	(1)	256	(9)
Commercial MBS:				
U.S. Agency	2,583	(15)	295	-
Corporate Bonds	-	-	3	-
Asset-Backed and Other	9	-	-	-
Total	$ 3,977	$ (16)	$ 806	$ (9)

As of September 30, 2021, 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 nine months ended September 30, 2021 and 2020 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, 2021	**$ 799,538**	**$ (43,353)**	**$ (68,243)**	**$ 687,942**
Other comprehensive (loss) income before reclassifications	**(400,488)**	**(1,713)**	**-**	**(402,201)**
Amounts reclassified from accumulated other comprehensive income (loss) to net income	**(1,715)**	**9,103**	**6,016**	**13,404**
Net current-period other comprehensive (loss) income	**(402,203)**	**7,390**	**6,016**	**(388,797)**
Balance at September 30, 2021	**$ 397,335**	**$ (35,963)**	**$ (62,227)**	**$ 299,145**
Balance at January 1, 2020	$ 232,886	$ (63,443)	$ (75,018)	$ 94,425
Other comprehensive income before reclassifications	641,695	9,935	-	651,630
Amounts reclassified from accumulated other comprehensive income (loss) to net income	(7)	10,636	5,238	15,867
Net current-period other comprehensive income	641,688	20,571	5,238	667,497
Balance at September 30, 2020	$ 874,574	$ (42,872)	$ (69,780)	$ 761,922

[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 nine-month periods ended September 30, 2021 and 2020.

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

For the Nine Months Ended September 30, 2021	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	$ **1,677**	Noninterest Income - Other, Net
Tax effect	**38**	Provision for Income Taxes
Unrealized gains (losses) on interest rate swaps and other derivatives:		
Interest rate contracts	**(11,337)**	Interest Expense
Foreign exchange contracts	**2,743**	Interest Income
Tax effect	**(509)**	Provision for Income Taxes
Pension and other benefit plans:		
Net actuarial loss	**(7,217)**	Operating Expenses - Employee Compensation
Prior service cost	**(730)**	Operating Expenses - Employee Compensation
Tax effect	**1,931**	Provision for Income Taxes
Total reclassifications	$ **(13,404)**	

For the Nine Months Ended September 30, 2020		
Unrealized gains (losses) on available-for-sale investment securities:		
Sales gains and losses	$ 9	Noninterest Income - Other, Net
Tax effect	(2)	Provision for Income Taxes
Unrealized gains (losses) on interest rate swaps and other derivatives:		
Interest rate contracts	(11,011)	Interest Expense
Foreign exchange contracts	327	Interest Income
Tax effect	48	Provision for Income Taxes
Pension and other benefit plans:		
Net actuarial loss	(6,190)	Operating Expenses - Employee Compensation
Prior service cost	(756)	Operating Expenses - Employee Compensation
Tax effect	1,708	Provision for Income Taxes
Total reclassifications	$ (15,867)	

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 and fixed-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 September 30, 2021 and related activity for the first nine 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	**62,258**	**181**	**1,585**	**64,024**
Maturities /Amortization	**(60,351)**	**(383)**	**(1,568)**	**(62,302)**
Terminations	**(773)**	**(1,750)**	**-**	**(2,523)**
September 30, 2021	**$ 47,800**	**$ 4,483**	**$ 174**	**$ 52,457**

The notional amounts of derivatives at September 30, 2020 and related activity for the first nine months of 2020 are shown in the following table.

Activity in the Notional Amounts of Derivatives

($ in Millions)	Swaps	Caps / Floors	Spots / Forwards	Total
December 31, 2019	$ 33,339	$ 6,745	$ 192	$ 40,276
Additions /Accretion	27,261	244	1,460	28,965
Maturities /Amortization	(14,843)	(375)	(1,518)	(16,736)
Terminations	(569)	-	-	(569)
September 30, 2020	$ 45,188	$ 6,614	$ 134	$ 51,936

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 September 30, 2021, 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 September 30, 2021 and December 31, 2020, the notional amount of derivatives with our customers totaled $12.2 billion and $12.5 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 September 30, 2021 and December 31, 2020, the notional amount of our cleared derivatives was $30.8 billion and $29.0 billion, respectively. Initial margin and settlement payments totaling $66.8 million and $123.8 million, respectively, as of September 30, 2021 and $50.6 million and $161.7 million, respectively, as of December 31, 2020 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 September 30, 2021 and December 31, 2020, the notional amount of derivatives with our non-customer counterparties, excluding cleared derivatives, totaled $9.4 billion and $11.7 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 September 30, 2021 we posted $129.6 million in cash as collateral with our non-customer counterparties.

The fair value of our derivatives to all of our dealer counterparties was a liability at September 30, 2021 and December 31, 2020, 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 nine months ended September 30, 2021, we terminated $1.75 billion in notional value of interest rate floors which hedged cash flows from certain of our floating-rate loans. The floors were previously accounted for as cash flow hedges and the $7.9 million gain in accumulated other comprehensive income upon termination will be amortized to earnings over the remaining life of the original hedging relationship. We did not terminate any derivatives designated as fair value hedges or cash flow hedges during the first nine months of 2020.

We terminated interest rate swaps with customers and offsetting dealer counterparties totaling notional value of $773.0 million and $568.5 million during the first nine months of 2021 and 2020, 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 September 30, 2021 and December 31, 2020 is shown in the following tables.

Fair Value of Derivatives

	Fair Value of Derivative Assets[1]	Fair Value of Derivative Liabilities[2]
As of September 30, 2021		
Derivatives Designated as Hedging Instruments		
Interest Rate Contracts	**$ 202,927**	**$ 6,087**
Foreign Exchange Contracts	**1,326**	**98**
Total Derivatives Designated as Hedging Instruments	**$ 204,253**	**$ 6,185**
Derivatives Not Designated as Hedging Instruments		
Interest Rate Contracts	**$ 446,119**	**$ 391,863**
Foreign Exchange Contracts	**164**	**163**
Total Derivatives Not Designated as Hedging Instruments	**$ 446,283**	**$ 392,026**
Settlement Payments	**(123,795)**	**-**
Total Derivatives	**$ 526,741**	**$ 398,211**
As of December 31, 2020		
Derivatives Designated as Hedging Instruments		
Interest Rate Contracts	$ 376,007	$ 335
Foreign Exchange Contracts	147	1,962
Total Derivatives Designated as Hedging Instruments	$ 376,154	$ 2,297
Derivatives Not Designated as Hedging Instruments		
Interest Rate Contracts	$ 663,401	$ 608,122
Foreign Exchange Contracts	1	1
Total Derivatives Not Designated as Hedging Instruments	$ 663,402	$ 608,123
Settlement Payments	(161,682)	-
Total Derivatives	$ 877,874	$ 610,420

(1) These assets make up the interest rate swaps and other derivatives in the condensed consolidated balance sheets as of September 30, 2021 and December 31, 2020.

(2) These liabilities make up the interest rate swaps and other derivatives in the condensed consolidated balance sheets as of September 30, 2021 and December 31, 2020.

A summary of the impact of interest rate swaps and other derivatives on our condensed consolidated statements of income and comprehensive income for the nine months ended September 30, 2021 and 2020 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
Nine Months Ended September 30, 2021					
Total Amount of Line Items Presented in Condensed Consolidated Statement of Income	**$ 1,831,857**	**$ 332,195**	**$ 2,164,052**	**$ (866,855)**	**$ 1,297,197**
Gain (Loss) on Fair Value Hedge Relationships:					
Interest Rate Contracts:					
Recognized on Derivatives	**$ -**	**$ -**	**$ -**	**$ (163,140)**	**$ (163,140)**
Recognized on Hedged Items	**-**	**-**	**-**	**162,256**	**162,256**
Net Income (Expense) Recognized on Fair Value Hedges	**$ -**	**$ -**	**$ -**	**$ (884)**	**$ (884)**
Gain (Loss) on Cash Flow Hedge Relationships:					
Interest Rate Contracts:					
Amount of Loss Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	**$ (752)**	**$ -**	**$ (752)**	**$ (10,585)**	**$ (11,337)**
Foreign Exchange Contracts:					
Amount of Gain Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)(1)	**2,743**	**-**	**2,743**	**-**	**2,743**
Amount Excluded from Effectiveness Testing Recognized in Earnings Based on an Amortization Approach	**298**	**-**	**298**	**-**	**298**
Net Income (Expense) Recognized on Cash Flow Hedges	**$ 2,289**	**$ -**	**$ 2,289**	**$ (10,585)**	**$ (8,296)**
Nine Months Ended September 30, 2020					
Total Amount of Line Items Presented in Condensed Consolidated Statement of Income	$ 2,117,204	$ 452,048	$ 2,569,252	$ (1,424,925)	$ 1,144,327
Gain (Loss) on Fair Value Hedge Relationships:					
Interest Rate Contracts:					
Recognized on Derivatives	$ -	$ -	$ -	$ 226,339	$ 226,339
Recognized on Hedged Items	-	-	-	(226,022)	(226,022)
Net Income (Expense) Recognized on Fair Value Hedges	$ -	$ -	$ -	$ 317	$ 317
Gain (Loss) on Cash Flow Hedge Relationships:					
Interest Rate Contracts:					
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	$ (681)	$ -	$ (681)	$ (10,330)	$ (11,011)
Foreign Exchange Contracts:					
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)(2)	327	-	327	-	327
Amount Excluded from Effectiveness Testing Recognized in Earnings Based on an Amortization Approach	(704)	-	(704)	-	(704)
Net Income (Expense) Recognized on Cash Flow Hedges	$ (1,058)	$ -	$ (1,058)	$ (10,330)	$ (11,388)

(1) Fully offset by a $2,743 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 nine months ended September 30, 2021.

(2) Fully offset by a $327 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 nine months ended September 30, 2020.

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	
Nine Months Ended September 30,	**2021**	**2020**
Interest Rate Contracts	**$ (4,016)**	$ 9,899
Foreign Exchange Contracts	**3,042**	46
Total	**$ (974)**	$ 9,945

Effect of Derivatives Not Designated as Hedging Relationships on the Condensed Consolidated Statements of Income		
	Net Amount of Gain (Loss) Recognized	
Nine Months Ended September 30,	**2021**	**2020**
Interest Rate Contracts	**$ 2,484** (1)	$ 3,381 (2)
Foreign Exchange Contracts	**-**	1
Total	**$ 2,484**	$ 3,382

(1) Includes $195 gain on short-term derivatives indexed to SOFR and recognized in interest expense and $2,289 gain on derivatives with customers and related offsetting derivatives with counterparties including credit valuation adjustments and recognized in noninterest income/expense for the nine months ended September 30, 2021.

(2) Includes $338 loss on short-term derivatives indexed to SOFR and recognized in interest expense and $3,719 gain on derivatives with customers and related offsetting derivatives with counterparties including credit valuation adjustments and recognized in noninterest income/expense for the nine months ended September 30, 2020.

A summary of the cumulative basis adjustment for fair value hedging relationships included in the carrying amount of hedged liabilities as of September 30, 2021 and December 31, 2020 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 September 30, 2021			
Bonds and Notes	**$ 13,294,905**	**$ 170,046**	**$ 7**
As of December 31, 2020			
Bonds and Notes	$ 14,658,292	$ 332,302	$ 92

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: Cash Collateral Received/Pledged[1]	Amounts Not Offset In the Condensed Consolidated Balance Sheets: Investments Securities Received/Pledged as Collateral	Net Amount
As of September 30, 2021				
Assets:				
Interest Rate Swaps and Other Derivatives:				
Dealer	**$ 48,283**	**$ -**	**$ -**	**$ 48,283**
Customer	**373,597**	**-**	**-**	**373,597**
Clearinghouse	**104,861**	**-**	**-**	**104,861**
Accrued Interest Receivable on Derivative Contracts	**49,046**	**-**	**-**	**49,046**
Liabilities:				
Interest Rate Swaps and Other Derivatives:				
Dealer	**186,727**	**(129,620)**	**-**	**57,107**
Customer	**57,520**	**-**	**-**	**57,520**
Clearinghouse	**153,964**	**-**	**(66,838)**	**87,126**
Accrued Interest Payable on Derivative Contracts	**8,197**	**-**	**-**	**8,197**
As of December 31, 2020				
Assets:				
Interest Rate Swaps and Other Derivatives:				
Dealer	$ 44,209	$ -	$ -	$ 44,209
Customer	624,224	-	-	624,224
Clearinghouse	209,441	-	-	209,441
Accrued Interest Receivable on Derivative Contracts	63,142	-	-	63,142
Liabilities:				
Interest Rate Swaps and Other Derivatives:				
Dealer	314,100	(268,290)	-	45,810
Customer	32,719	-	-	32,719
Clearinghouse	263,601	-	(50,628)	212,973
Accrued Interest Payable on Derivative Contracts	9,025	-	-	9,025

[1] Cash collateral received/pledged is 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 September 30, 2021 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 September 30, 2021 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 September 30, 2021 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 September 30, 2021 also include $72.8 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 September 30, 2021 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 nine months ended September 30, 2021 and 2020.

The following table presents quantitative information about Level 3 fair value measurements as of September 30, 2021.

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	$ 75	Third-Party Pricing Service	Prepayment Rate	*
			Lifetime Default Rate	*
			Loss Severity	*
Other (included in Asset-Backed)	17	Discounted Cash Flow	Prepayment Rate	0% (0%)
Impaired Loans	73	Appraisal /	Income/Expense Data	**
		Discounted Cash Flow	Comparable Sales	**
			Replacement Cost	**
Liabilities				
Standby Letters of Credit	15	Discounted Cash Flow	Mark-to-Market Spread	0.1-1.4% (1.0%)

* 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 September 30, 2021 and December 31, 2020 for each of the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

September 30, 2021

($ in Millions)	Level 1	Level 2	Level 3	Total
Assets				
Federal Funds Sold and Other Overnight Funds	$ -	$ 700	$ -	700
Investment Securities:				
U.S. Treasury Debt	-	16,903	-	16,903
U.S. Agency Debt	-	2,292	-	2,292
Residential MBS:				
Ginnie Mae	-	1,124	-	1,124
U.S. Agency	-	1,350	75	1,425
Commercial MBS:				
U.S. Agency	-	11,021	-	11,021
Corporate Bonds	-	389	-	389
Asset-Backed and Other	-	12	17	29
Interest Rate Swaps and Other Derivatives	-	527	-	527
Assets Held in Trust (included in Other Assets)	123	-	-	123
Collateral Assets (included in Other Assets)	-	130	-	130
Total Assets	$ 123	$ 34,448	$ 92	$ 34,663
Liabilities				
Interest Rate Swaps and Other Derivatives	$ -	$ 398	$ -	$ 398
Standby Letters of Credit (included in Other Liabilities)	-	-	15	15
Total Liabilities	$ -	$ 398	$ 15	$ 413

Assets and Liabilities Measured at Fair Value on a Recurring Basis								
December 31, 2020								
($ in Millions)		**Level 1**		**Level 2**		**Level 3**		**Total**
Assets								
Federal Funds Sold and Other Overnight Funds	$	-		835	$	-	$	835
Investment Securities:								
U.S. Treasury Debt		-		14,362		-		14,362
U.S. Agency Debt		-		2,960		-		2,960
Residential MBS:								
Ginnie Mae		-		886		-		886
U.S. Agency		-		2,281		84		2,365
Commercial MBS:								
U.S. Agency		-		11,554		-		11,554
Corporate Bonds		-		394		-		394
Asset-Backed and Other		-		291		13		304
Interest Rate Swaps and Other Derivatives		-		878		-		878
Assets Held in Trust (included in Other Assets)		108		-		-		108
Collateral Assets (included in Other Assets)		-		268		-		268
Total Assets	$	108	$	34,709	$	97	$	34,914
Liabilities								
Interest Rate Swaps and Other Derivatives	$	-	$	610	$	-	$	610
Standby Letters of Credit (included in Other Liabilities)		-		-		13		13
Total Liabilities	$	-	$	610	$	13	$	623

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, 2020	**$**	**84**	**$**	**13**	**$**	**13**
Total Gains or Losses (Realized/Unrealized)						
Included in Other Comprehensive Income		**-**		**(1)**		**-**
Purchases		**-**		**5**		**-**
Issuances		**-**		**-**		**11**
Settlements		**(10)**		**-**		**(9)**
Accretion		**1**		**-**		**-**
Balance at September 30, 2021	**$**	**75**	**$**	**17**	**$**	**15**
Balance at December 31, 2019	$	99	$	14	$	11
Total Gains or Losses (Realized/Unrealized):						
Included in Other Comprehensive Income		(3)		-		-
Purchases		-		10		-
Issuances		-		-		9
Settlements		(10)		-		(8)
Accretion		1		-		-
Balance at September 30, 2020	$	87	$	24	$	12

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 September 30, 2021 and December 31, 2020.

($ in Millions)

	September 30, 2021			December 31, 2020		
	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy
Financial Assets:						
Net Loans	**$ 118,424**	**$ 120,991**	**Level 3**	$ 120,220	$ 124,075	Level 3
Financial Liabilities:						
Bonds and Notes	**$ 140,081**	**$ 142,097**	**Level 3**	$ 143,384	$ 146,959	Level 3
Off-Balance Sheet Financial Instruments:						
Commitments to Extend Credit	**$ -**	**$ (127)**	**Level 3**	$ -	$ (112)	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 $2.2 million to our funded qualified defined benefit pension plans during the nine months ended September 30, 2021, and anticipate that we will contribute approximately $0.9 million more to such plans during the remainder of 2021. We expect to contribute a total of $0.3 million, net of collected retiree premiums, to our other postretirement benefit plans in 2021. We have not made any contributions to our trust funds related to our nonqualified retirement plans during the nine months ended September 30, 2021. 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 September 30, 2021, commitments to extend credit and commercial letters of credit were $43.7 billion and $78.2 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 $329.0 billion at September 30, 2021.

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 September 30, 2021, the aggregated assets of the Insurance Fund totaled $5.8 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.

In June 2016, a lawsuit was commenced by the filing of a complaint in the United States District Court Southern District of New York (the "Court") against CoBank by a number of investors (the "Plaintiffs") who had held CoBank's 7.875 percent Subordinated Notes due in 2018 (the "Notes"). The Notes were redeemed at par plus accrued interest by CoBank in April 2016 due to the occurrence of a "Regulatory Event" (as defined under the terms of the Notes). The Plaintiffs have asserted a breach of contract claim and a breach of implied covenant of good faith and fair dealing claim alleging that CoBank impermissibly redeemed the Notes. The Plaintiffs have requested damages in an amount to be determined at trial, reasonable attorneys' fees and any other such relief as the court may deem just and proper. CoBank filed its answer in September 2016 and discovery concluded in January 2018. CoBank and Plaintiffs filed their respective motions for summary judgment in March 2018.

On September 14, 2021, the Court ruled on the two summary judgment motions. On the breach of contract claim, the Court ruled in favor of the Plaintiffs. On the breach of implied covenant of good faith and fair dealing claim, the Court ruled in favor of CoBank. The question regarding the amount of damages remains pending before the Court. CoBank continues to review and analyze the Court's ruling and disagrees with many of its conclusions. CoBank is considering all of its options, including challenging the order through whatever procedural means are available. As a result of the ruling, during the third quarter of 2021 CoBank recorded an expense representing our estimated probable loss relating to the litigation. CoBank believes that the range of possible loss in excess of the accrued liability related to this litigation would not be material to CoBank's consolidated financial position, consolidated results of operations or consolidated cash flows.

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	September 30, 2021	December 31, 2020
Right-of-Use Assets	**$ 64,273**	$ 70,137
Lease Liabilities	**67,901**	73,610
Nine Months Ended September 30,	**2021**	**2020**
Operating Lease Cost	**$ 10,683**	$ 10,369
Weighted Average Remaining Lease Term	**9 years**	10 years
Weighted Average Discount Rate	**2.97%**	2.97%

Future minimum lease payments under non-cancellable operating leases as of September 30, 2021 were as follows:

Future Minimum Lease Payments	
Year Ending September 30,	
2022	$ 10,063
2023	9,071
2024	8,341
2025	8,354
2026	8,215
Thereafter	33,358
Total future minimum lease payments	$ 77,402
Less imputed interest	9,501
Lease liabilities reported as of September 30, 2021	$ 67,901

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 19 percent of these loans are guaranteed by the U.S. government.

For the nine-month periods ended September 30, 2021 and 2020, no customer made up 10 percent or more of our gross or net interest income.

Segment Financial Information

For the Three Months Ended September 30, 2021

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
Results of Operations ($ in Thousands):				
Net Interest Income	**$ 207,847**	**$ 69,965**	**$ 129,318**	**$ 407,130**
Loan Loss Reversal	**(48,600)**	**-**	**(1,400)**	**(50,000)**
Noninterest Income	**23,406**	**1,423**	**23,093**	**47,922**
Operating Expenses	**73,550**	**11,643**	**34,657**	**119,850**
Provision for Income Taxes	**18,417**	**-**	**12,606**	**31,023**
Net Income	**$ 187,886**	**$ 59,745**	**$ 106,548**	**$ 354,179**

For the Three Months Ended September 30, 2020

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
Results of Operations ($ in Thousands):				
Net Interest Income	$ 186,488	$ 75,390	$ 123,875	$ 385,753
Provision for Loan Losses	3,500	-	500	4,000
Noninterest Income	38,861	870	31,510	71,241
Operating Expenses	61,878	12,083	30,544	104,505
Provision for Income Taxes	19,517	-	20,191	39,708
Net Income	$ 140,454	$ 64,177	$ 104,150	$ 308,781

Segment Financial Information

For the Nine Months Ended September 30, 2021

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
Results of Operations ($ in Thousands):				
Net Interest Income	$ 705,582	$ 212,025	$ 379,590	$ 1,297,197
(Loan Loss Reversal) Provision for Loan Losses	(2,700)	-	7,700	5,000
Noninterest Income	111,693	7,237	75,461	194,391
Operating Expenses	218,558	34,341	101,205	354,104
Provision for Income Taxes	52,545	-	43,445	95,990
Net Income	$ 548,872	$ 184,921	$ 302,701	$ 1,036,494
Selected Financial Information at September 30, 2021 ($ in Millions):				
Loans	$ 32,142	$ 62,541	$ 24,373	$ 119,056
Less: Allowance for Loan Losses	(471)	-	(161)	(632)
Net Loans	$ 31,671	$ 62,541	$ 24,212	$ 118,424
Accrued Interest Receivable and Other Assets	525	283	722	1,530
Total Segment Assets	$ 32,196	$ 62,824	$ 24,934	$ 119,954
Federal Funds Sold and Other Overnight Funds				700
Investment Securities				33,183
Other Assets				937
Total Assets	$ 32,196	$ 62,824	$ 24,934	$ 154,774

For the Nine Months Ended September 30, 2020

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
Results of Operations ($ in Thousands):				
Net Interest Income	$ 584,036	$ 215,253	$ 345,038	$ 1,144,327
Provision for Loan Losses (Loan Loss Reversal)	51,000	-	(5,000)	46,000
Noninterest Income	126,560	10,033	87,011	223,604
Operating Expenses	183,243	33,928	87,980	305,151
Provision for Income Taxes	54,833	-	57,962	112,795
Net Income	$ 421,520	$ 191,358	$ 291,107	$ 903,985
Selected Financial Information at September 30, 2020 ($ in Millions):				
Loans	$ 30,739	$ 57,648	$ 23,597	$ 111,984
Less: Allowance for Loan Losses	(487)	-	(144)	(631)
Net Loans	$ 30,252	$ 57,648	$ 23,453	$ 111,353
Accrued Interest Receivable and Other Assets	461	269	683	1,413
Total Segment Assets	$ 30,713	$ 57,917	$ 24,136	$ 112,766
Federal Funds Sold and Other Overnight Funds				878
Investment Securities				33,419
Other Assets				1,288
Total Assets	$ 30,713	$ 57,917	$ 24,136	$ 148,351

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 September 30, 2021, we have 20 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.

Effective January 1, 2021, two of our affiliated Associations, Farm Credit of Western Oklahoma, ACA and AgPreference, ACA merged and are doing business as Farm Credit of Western Oklahoma, ACA.

On April 8, 2021, the boards of Farm Credit East, ACA and Yankee Farm Credit, ACA approved a letter of intent to pursue a merger. The Associations are operating under a Joint Management Agreement and the combined Association will do business as Farm Credit East, ACA. The Associations anticipate a merger date of January 1, 2022 subject to receiving all regulatory and shareholder approvals required.

Note 13 – Subsequent Events

We have evaluated subsequent events through November 9, 2021, which is the date the financial statements were issued.

On October 28, 2021, the boards of Farm Credit of Western Oklahoma, ACA and Farm Credit of Enid, ACA approved a letter of intent to pursue a merger.

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 2020 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 2020 Annual Report.

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

Disclosure Requirement	Description	Q3 2021 Quarterly Report Reference
Scope of Application	Corporate entity and consolidated subsidiaries	Page 55
Capital Structure	Regulatory capital components	Pages 55 through 56
Capital Adequacy	Risk-weighted assets	Page 57 through 58
	Regulatory capital ratios	Page 14
Capital Buffers	Quantitative disclosures	Pages 14, 57
Credit Risk	Summary of exposures	Page 58
	Geographic distribution	Page 59 through 60
	Industry distribution	Page 60
	Contractual maturity	Page 61
	Impaired loans and allowance for credit losses	Note 3
Counterparty Credit Risk-Related Exposures	Counterparty exposures	Note 6, Page 61 through 62
Credit Risk Mitigation	Exposures with reduced capital requirements	Page 6, 61 through 62
Securitization	Securitization exposures	Notes 4 and 7, Pages 11 through 13, 62 through 63
Equities	General description	Page 63
Interest Rate Risk for Non-Trading Activities	Interest rate sensitivity	Note 6, Page 63 through 64

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). FCL is required to comply with the capital regulations on a standalone basis, but it is not required to make the disclosures contained herein for CoBank as a whole. FCL's capital ratios exceeded the minimum regulatory requirements at September 30, 2021. The FCA adopted a final rule on September 9, 2021, which among other changes, including those discussed on page 17, eliminates the requirement for FCL to report regulatory capital ratios on a stand-alone basis beginning on January 1, 2022.

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 September 30, 2021		**Average Balance**
Common Equity Tier 1 Capital (CET1)		
Common Cooperative Equities:		
Statutory Minimum Purchased Borrower Stock	$	2,466
Other Required Member Purchased Stock		1,119,493
Allocated Equities:		
Qualified Allocated Equities Subject to Retirement		2,762,909
Nonqualified Allocated Equities Subject to Retirement		-
Nonqualified Allocated Equities Not Subject to Retirement		3,118,926
Unallocated Retained Earnings		3,398,366
Paid-In Capital		-
Regulatory Adjustments and Deductions Made to CET1		(106,616)
Total CET1	$	10,295,544
Tier 1 Capital		
Non-Cumulative Perpetual Preferred Stock	$	1,500,000
Regulatory Adjustments and Deductions Made to Tier 1 Capital		-
Total Additional Tier 1 Capital		1,500,000
Total Tier 1 Capital	$	11,795,544
Tier 2 Capital		
Common Cooperative Equities Not Included in CET1	$	-
Tier 2 Capital Elements:		
Allowance for Credit Losses		795,007
Regulatory Adjustments and Deductions Made to Tier 2 Capital		-
Total Tier 2 Capital	$	795,007
Total Capital	$	12,590,551

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 September 30, 2021		Average Balance	
On-Balance Sheet Assets:			
Exposures to Sovereign Entities	$	-	
Exposures to Supranational Entities and Multilateral Development Banks		116,234	
Exposures to Government-Sponsored Enterprises		14,897,814	(1)
Exposures to Depository Institutions, Foreign Banks, and Credit Unions		3,861,971	(2)
Exposures to Public Sector Entities		75,029	
Corporate Exposures, including Borrower Loans and Leases		47,175,956	
Residential Mortgage Exposures		-	
Past Due and Nonaccrual Exposures		217,868	
Securitization Exposures		23,230	
Equity Investment Exposures		46,056	
Other Assets		856,140	
Off-Balance Sheet:			
Unfunded Loan Commitments		10,552,188	
Equity Investment Commitments		33,856	
Over-the-Counter Derivatives		554,497	
Cleared Derivative Transactions		1,090	
Letters of Credit		1,500,035	
Reverse Repurchase Transactions		-	
Unsettled Transactions		11,756	
Total Risk-Weighted Assets Before Additions (Deductions)	$	79,923,720	
Additions:			
Intra-System Equity Investments	$	106,616	
Deductions:			
Regulatory Adjustments and Deductions Made to CET1		(106,616)	
Regulatory Adjustments and Deductions Made to Additional Tier 1 Capital		-	
Regulatory Adjustments and Deductions Made to Tier 2 Capital		-	
Total Risk-Weighted Assets	$	79,923,720	(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 September 30, 2021 was $79.2 billion.

As shown on page 14 of this quarterly report, the Bank exceeded all capital requirements as of September 30, 2021 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 $885.3 million as of September 30, 2021.

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 September 30, 2021	Average Balance	End of Period
Loans Outstanding	$ 119,506,382	$ 119,055,771
Unfunded Loan Commitments	42,998,540	43,642,198
Investment Securities	32,555,197	33,182,710
Letters of Credit	1,806,475	1,798,560
Equity Investment Commitments	79,661	72,539
Reverse Repurchase Transactions	12,303	-

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 September 30, 2021	Average Balance		End of Period	
	Notional Amount	Gross Positive Value	Notional Amount	Gross Positive Value
Over-the-Counter Derivatives:				
Interest Rate Contracts	$ 22,670,467	$ 473,854	$ 21,435,126	$ 420,390
Foreign Exchange Contracts	166,444	623	173,184	1,490
Total Over-the-Counter Derivatives	22,836,911	474,477	21,608,310	421,880
Cleared Derivatives:				
Interest Rate Contracts	24,655,442	138,492	30,848,970	104,861
Total Derivatives	$ 47,492,353	$ 612,969	$ 52,457,280	$ 526,741

The following table illustrates the geographic distribution of our total loan commitments as of September 30, 2021.

Total Lending Portfolio - Geographic Distribution

As of September 30, 2021	Wholesale Loans[1]	Commercial Loans
California	45 %	7 %
Washington	18	1
Texas	4 [2]	7
Connecticut	11	1
Kansas	5	4
Illinois	-	6
Iowa	-	6
Minnesota	-	5
Oklahoma	4	2
Colorado	3	3
Ohio	-	4
New York	-	3
Nebraska	-	3
Georgia	-	3
Florida	-	3
Missouri	-	3
New Mexico	2	-
Asia	-	3
Mississippi	1 [2]	2
Latin America	-	2
Indiana	-	2
Wisconsin	-	2
North Dakota	-	2
North Carolina	-	2
South Dakota	-	2
Alabama	1 [2]	1
Arkansas	-	2
Maryland	1 [2]	-
Virginia	-	2
Utah	1	-
Europe, Middle East, and Africa	-	1
Michigan	-	1
Arizona	-	1
Tennessee	-	1
Massachusetts	-	1
Louisiana	-	1
Other	4 [2]	11
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 September 30, 2021.

Impaired Loans - Geographic Distribution As of September 30, 2021	Share[1]
Texas	23 %
California	16
Minnesota	9
Oregon	9
Florida	6
Iowa	6
North Carolina	5
Oklahoma	5
Washington	4
North Dakota	2
Colorado	2
Arizona	1
Vermont	1
New York	1
South Dakota	1
Wisconsin	1
Other	8
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 September 30, 2021.

Total Lending Portfolio - Distribution by Primary Business/Commodity As of September 30, 2021	Share
Affliated Associations	42 %
Farm Supply and Grain Marketing	12
Electric Distribution	8
Generation and Transmission	4
Nonaffiliated Entities	4
Agricultural Export Finance	3
Regulated Utilities	3
Fruits, Nuts, Vegetables	3
Lease Financing (through FCL)	2
Fish, Livestock, Poultry	2
Forest Products	2
Dairy	2
Water and Wastewater	2
Local Exchange Carriers	1
Independent Power Producers	1
Competitive Local Telephone Exchange Carriers	1
Cable	1
Wireless	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 September 30, 2021.

($ in Millions)

Contractual Maturity

As of September 30, 2021	In One Year or Less	One to Five Years	After Five Years	Total
Loans Outstanding	$ 74,435	$ 19,762	$ 24,859	$ 119,056
Unfunded Loan Commitments	25,285	11,174	7,183	43,642
Investment Securities	4,078	15,110	13,995	33,183
Letters of Credit	417	1,008	374	1,799
Derivatives (Notional Amounts)	21,080	19,136	12,241	52,457
Equity Investment Commitments	18	44	11	73

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 6 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 $418.0 million of our total investment portfolio as of September 30, 2021. Credit risk in our investment portfolio also arises from counterparties to short-term investments, which include our overnight bank deposits 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 September 30, 2021	Average Exposure Amount	Risk Weighted Exposures
Guaranteed Loans	$ 1,319,347	$ -
Loans to Farm Credit System entities	60,925,342	12,185,068
Investment Securities Issued or Guaranteed by U.S. Government	18,060,108	-
Investment Securities Issued or Guaranteed by a U.S. Agency	13,563,729	2,712,746
Total	$ 93,868,526	$ 14,897,814

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 September 30, 2021, we posted financial collateral with dealers totaling $129.6 million that was included in calculating risk-weighted assets. Total risk-weighted assets for our over-the-counter derivatives and cleared derivative transactions amounted to $554.5 million and $1.1 million, respectively, for the three-month period ended September 30, 2021.

Securitization

The Bank participates in securitizations as investors through the purchase of MBS and ABS, which are included in our investment portfolio. As of September 30, 2021, 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 $23.8 million for the three-month period ended September 30, 2021.

Below is a summary of our securitization exposures held during the three months ended September 30, 2021 by exposure type and categorized by risk-weight band.

Securitization Exposures Three Months Ended September 30, 2021	Average Exposure Amount	Risk Weighted Asset (Under Gross Up Approach)
Asset-Backed Securities	$ 23,805	$ 23,230
Total	$ 23,805	$ 23,230

Securitization Risk-Weight Bands Three Months Ended September 30, 2021	Average Exposure Amount	Risk Weighted Asset (Under Gross Up Approach)
Gross-Up Risk-Weight Bands:		
100% - 125%	$ 23,805	$ 23,230
>125% and <1,250%	-	-
1,250%	-	-
Total	$ 23,805	$ 23,230

For the three-month period ended September 30, 2021, 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 September 30, 2021.

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

Scenario:			
-	300	bp shock	n/a
-	200	bp shock	n/a
-	100	bp shock	n/a
-	2	bp shock	- %
+	100	bp shock	-
+	200	bp shock	(0.6)
+	300	bp shock	1.2

Market Value of Equity at Risk

Scenario:			
-	300	bp shock	n/a
-	200	bp shock	n/a
-	100	bp shock	n/a
-	2	bp shock	0.1 %
+	100	bp shock	(5.1)
+	200	bp shock	(10.4)
+	300	bp shock	(14.3)

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 9th day of November, 2021.

/s/ KEVIN G. RIEL

Kevin G. Riel
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: November 9, 2021

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: November 9, 2021

Office Locations

CoBank, ACB

CoBank National Office
6340 S. Fiddlers Green Circle
Greenwood Village, CO 80111
(303) 740-4000
(800) 542-8072

Farm Credit Leasing Services Corporation
1665 Utica Avenue South, Suite 400
Minneapolis, MN 55416
(952) 417-7800
(800) 444-2929

Washington, D.C. Office
50 F Street, N.W., Suite 900
Washington, DC 20001
(202) 650-5860

U.S. Regional Offices

Ames Banking Center
2515 University Boulevard, Suite 104
Ames, IA 50010
(515) 292-8828

Atlanta Banking Center *
2300 Windy Ridge Parkway, Suite 370S
Atlanta, GA 30339
(770) 618-3200
(800) 255-7429
FCL: (770) 618-3226

Austin Banking Center
4801 Plaza on the Lake Drive
Austin, TX 78746
(855) 738-6606

Enfield Banking Center *
240B South Road
Enfield, CT 06082-4451
(860) 814-4043
(800) 876-3227
FCL: (860) 814-4049

Fargo Banking Center
4143 26th Avenue South, Suite 101
Fargo, ND 58104
(701) 277-5007
(866) 280-2892

Louisville Banking Center *
2000 High Wickham Place, Suite 101
Louisville, KY 40245
(502) 423-5650
(800) 262-6599
FCL: (800) 942-3309

Lubbock Banking Center *
5715 West 50th
Lubbock, TX 79414
(806) 788-3700
FCL: (806) 788-3705

Minneapolis Banking Center *
1665 Utica Avenue South, Suite 400
Minneapolis, MN 55416
(952) 417-7900
(800) 282-4150
FCL: (800) 444-2929

Omaha Banking Center *
13810 FNB Parkway, Suite 301
Omaha, NE 68154
(402) 492-2000
(800) 346-5717

Sacramento Banking Center *
3755 Atherton Road
Rocklin, CA 95765
(916) 380-3524
(800) 457-0942
FCL: (800) 289-7080

Spokane Banking Center
2001 South Flint Road, Suite 102
Spokane, WA 99224
(509) 363-8700
(800) 378-5577

Sterling Banking Center
229 South 3rd Street
Sterling, CO 80751
(970) 521-2774

St. Louis Banking Center *
635 Maryville Centre Drive, Suite 130
St. Louis, MO 63141
(314) 835-4200
(800) 806-4144
FCL: (800) 853-5480

Wichita Banking Center *
245 North Waco, Suite 130
Wichita, KS 67202
(316) 290-2000
(800) 322-3654
FCL: (800) 322-6558

International

Singapore Representative Office
350 Orchard Road
#17-07 Shaw House
Singapore 238868
(65) 6534-526

* *Farm Credit Leasing office within this CoBank location*

CoBank's 2021 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 on approximately May 10, 2021, August 9, 2021, November 9, 2021, and March 1, 2022 (Annual Report).