

## NON-GAAP FINANCIAL MEASURES

As discussed above in the section “Summary of Selected Financial Data,” in addition to financial measures determined in accordance with U.S. GAAP, management evaluates performance based on certain non-GAAP measures, which we refer to as “adjusted” measures. Below we provide a reconciliation of our adjusted measures presented in this Report to the most comparable U.S. GAAP measures. See “Item 7. MD&A—Non-GAAP Measures” in our 2021 Form 10-K for a discussion of each of our non-GAAP measures and an explanation of the adjustments to derive these measures.

### Net Income and Adjusted Net Income

Table 27 provides a reconciliation of adjusted interest expense, adjusted net interest income, adjusted total revenue and adjusted net income to the comparable U.S. GAAP measures for the three and nine months ended February 28, 2022 and 2021. These adjusted measures are used in the calculation of our adjusted net interest yield and adjusted TIER.

**Table 27: Adjusted Net Income**

(Dollars in thousands)	Three Months Ended February 28,		Nine Months Ended February 28,	
	2022	2021	2022	2021
<b>Adjusted net interest income:</b>				
Interest income .....	\$ 285,206	\$ 278,172	\$ 851,626	\$ 834,255
Interest expense .....	(173,654)	(173,040)	(522,027)	(527,438)
Include: Derivative cash settlements interest expense <sup>(1)</sup> .....	(26,212)	(29,735)	(79,727)	(86,507)
Adjusted interest expense .....	(199,866)	(202,775)	(601,754)	(613,945)
Adjusted net interest income .....	\$ 85,340	\$ 75,397	\$ 249,872	\$ 220,310
<b>Adjusted total revenue:</b>				
Net interest income .....	\$ 111,552	\$ 105,132	\$ 329,599	\$ 306,817
Fee and other income .....	4,270	3,819	13,042	13,667
Total revenue .....	115,822	108,951	342,641	320,484
Include: Derivative cash settlements interest expense <sup>(1)</sup> .....	(26,212)	(29,735)	(79,727)	(86,507)
Adjusted total revenue .....	\$ 89,610	\$ 79,216	\$ 262,914	\$ 233,977
<b>Adjusted net income:</b>				
Net income .....	\$ 261,965	\$ 378,947	\$ 307,362	\$ 684,055
Exclude: Derivative forward value gains <sup>(2)</sup> .....	195,492	359,931	122,930	558,266
Adjusted net income .....	\$ 66,473	\$ 19,016	\$ 184,432	\$ 125,789

<sup>(1)</sup>Represents the net periodic contractual interest expense amount on our interest-rate swaps during the reporting period.

<sup>(2)</sup>Represents the change in fair value of our interest rate swaps during the reporting period due to changes in expected future interest rates over the remaining life of our derivative contracts.

We primarily fund our loan portfolio through the issuance of debt. However, we use derivatives as economic hedges as part of our strategy to manage the interest rate risk associated with funding our loan portfolio. We therefore consider the interest expense incurred on our derivatives to be part of our funding cost in addition to the interest expense on our debt. As such, we add net periodic derivative cash settlements interest expense amounts to our reported interest expense to derive our adjusted interest expense and adjusted net interest income. We exclude unrealized derivative forward value gains and losses from our adjusted total revenue and adjusted net income.

## TIER and Adjusted TIER

Table 28 displays the calculation of our TIER and adjusted TIER for the three and nine months ended February 28, 2022 and 2021.

**Table 28: TIER and Adjusted TIER**

	Three Months Ended February 28,		Nine Months Ended February 28,	
	2022	2021	2022	2021
TIER <sup>(1)</sup> .....	2.51	3.19	1.59	2.30
Adjusted TIER <sup>(2)</sup> .....	1.33	1.09	1.31	1.20

<sup>(1)</sup> TIER is calculated based on our net income (loss) plus interest expense for the period divided by interest expense for the period.

<sup>(2)</sup> Adjusted TIER is calculated based on adjusted net income (loss) plus adjusted interest expense for the period divided by adjusted interest expense for the period.

## Liabilities and Equity and Adjusted Liabilities and Equity

Table 29 provides a reconciliation between our total liabilities and total equity and the adjusted amounts used in the calculation of our adjusted debt-to-equity ratio as of February 28, 2022 and May 31, 2021. As indicated in Table 29, subordinated debt is treated in the same manner as equity in calculating our adjusted-debt-to-equity ratio.

**Table 29: Adjusted Liabilities and Equity**

(Dollars in thousands)	February 28, 2022	May 31, 2021
<b>Adjusted total liabilities:</b>		
Total liabilities .....	\$ 28,830,927	\$ 28,238,484
Exclude:		
Derivative liabilities .....	391,988	584,989
Debt used to fund loans guaranteed by RUS .....	133,167	139,136
Subordinated deferrable debt .....	986,466	986,315
Subordinated certificates .....	1,233,836	1,254,660
Adjusted total liabilities .....	<u>\$ 26,085,470</u>	<u>\$ 25,273,384</u>
<b>Adjusted total equity:</b>		
Total equity .....	\$ 1,652,595	\$ 1,399,879
Exclude:		
Prior fiscal year-end cumulative derivative forward value losses <sup>(1)</sup> .....	(467,036)	(1,088,982)
Year-to-date derivative forward value gains (losses) <sup>(1)</sup> .....	122,930	621,946
Period-end cumulative derivative forward value losses <sup>(1)</sup> .....	(344,106)	(467,036)
AOCI attributable to derivatives <sup>(2)</sup> .....	1,431	1,718
Subtotal .....	<u>(342,675)</u>	<u>(465,318)</u>
Include:		
Subordinated deferrable debt .....	986,466	986,315
Subordinated certificates .....	1,233,836	1,254,660
Subtotal .....	<u>2,220,302</u>	<u>2,240,975</u>
Adjusted total equity .....	<u>\$ 4,215,572</u>	<u>\$ 4,106,172</u>

<sup>(1)</sup> Represents consolidated total derivative forward value gains (losses).

<sup>(2)</sup> Represents the AOCI amount related to derivatives. See "Note 10—Equity" for the additional components of AOCI.

## Debt-to-Equity and Adjusted Debt-to-Equity Ratios

Table 30 displays the calculations of our debt-to-equity and adjusted debt-to-equity ratios as of February 28, 2022 and May 31, 2021.

**Table 30: Debt-to-Equity Ratio and Adjusted Debt-to-Equity Ratio**

(Dollars in thousands)	February 28, 2022	May 31, 2021
<b>Debt-to equity ratio:</b>		
Total liabilities .....	\$ 28,830,927	\$ 28,238,484
Total equity .....	<u>1,652,595</u>	<u>1,399,879</u>
Debt-to-equity ratio <sup>(1)</sup> .....	<u>17.45</u>	<u>20.17</u>
<b>Adjusted debt-to-equity ratio:</b>		
Adjusted total liabilities <sup>(2)</sup> .....	\$ 26,085,470	\$ 25,273,384
Adjusted total equity <sup>(2)</sup> .....	<u>4,215,572</u>	<u>4,106,172</u>
Adjusted debt-to-equity ratio <sup>(3)</sup> .....	<u>6.19</u>	<u>6.15</u>

<sup>(1)</sup> Calculated based on total liabilities at period end divided by total equity at period end.

<sup>(2)</sup> See Table 29 above for details on the calculation of these non-GAAP adjusted measures and the reconciliation to the most comparable U.S. GAAP measures.

<sup>(3)</sup> Calculated based on adjusted total liabilities at period end divided by adjusted total equity at period end.

## Total CFC Equity and Members' Equity

Members' equity excludes the noncash impact of derivative forward value gains (losses) and foreign currency adjustments recorded in net income and amounts recorded in accumulated other comprehensive income. Because these amounts generally have not been realized, they are not available to members and are excluded by the CFC Board of Directors in determining the annual allocation of adjusted net income to patronage capital, to the members' capital reserve and to other member funds. Table 31 provides a reconciliation of members' equity to total CFC equity as of February 28, 2022 and May 31, 2021. We present the components of accumulated other comprehensive income in "Note 10—Equity."

**Table 31: Members' Equity**

(Dollars in thousands)	February 28, 2022	May 31, 2021
<b>Members' equity:</b>		
Total CFC equity .....	\$ 1,626,781	\$ 1,374,948
Exclude:		
Accumulated other comprehensive income (loss) .....	3,786	(25)
Period-end cumulative derivative forward value losses attributable to CFC <sup>(1)</sup> .....	<u>(340,345)</u>	<u>(461,162)</u>
Subtotal .....	<u>(336,559)</u>	<u>(461,187)</u>
Members' equity .....	<u>\$ 1,963,340</u>	<u>\$ 1,836,135</u>

<sup>(1)</sup> Represents period-end cumulative derivative forward value losses for CFC only, as total CFC equity does not include the noncontrolling interests of the variable interest entities NCSC and RTFC, which we are required to consolidate. We report the separate results of operations for CFC in "Note 14—Business Segments." The period-end cumulative derivative forward value total loss amounts as of February 28, 2022 and May 31, 2021 are presented above in Table 29.