

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended March 31,	
	2023	2022
Net interest income	\$ 465	\$ 488
Provision for credit losses	20	46
Noninterest income	108	88
Operating expenses	141	121
Net income	376	377

BALANCE SHEET (period-end)	March 31, 2023	December 31, 2022
Total loans	\$ 143,110	\$ 140,089
Total assets	191,560	188,843
Total shareholders' equity	10,584	10,225

Three months ended March 31,

PROFITABILITY METRICS	2023	2022
Net interest margin	1.02%	1.15%
Return on average common equity	16.01%	14.33%
Return on average assets	0.81%	0.87%
Operating expense ratio	19.70%	17.36%

HIGHLIGHTS

- Average loan volume in Q1 rose 5% to \$144.9 billion and loans outstanding totaled \$143.1 billion at March 31, 2023
 - Average loan growth occurred predominantly in our Farm Credit Banking and Rural Infrastructure operating segments, partially offset by decreased loan volume in our Agribusiness operating segment
- Net interest income for Q1 decreased 5% to \$465 million
 - The most significant decrease was in our Agribusiness operating segment resulting from lower average loan volume. Lower earnings on balance sheet positioning and lower spreads in certain lending portfolios also contributed to the decrease
 - These decreases were partially offset by an increase in net interest income in our Rural Infrastructure and Farm Credit Banking operating segments driven by higher loan volume
- Net income for Q1 was \$376 million compared to \$377 million in Q1 2022
 - The slight decline resulted primarily from lower net interest income and an increase in operating expenses largely offset by a decrease in the provision for credit losses and higher noninterest income
- Noninterest income increased 23% to \$108 million, primarily due to an increase in net fee income of \$24 million including a higher level of transaction-related lending fees
- Net interest margin declined to 1.02% driven by changes in asset mix, lower spreads in certain lending portfolios within our Agribusiness and Rural Infrastructure operating segments, and lower earnings on balance sheet positioning
- Provision for credit losses was \$20 million, primarily related to increased lending activity in our Rural Infrastructure operating segment, higher specific reserves, and charge-offs for a small number of customers. We adopted the current expected credit losses (CECL) accounting standard on January 1,

CEO & CFO COMMENTARY

“Against the backdrop of turmoil in the U.S. financial services industry, we’re pleased to report that CoBank delivered another quarter of solid financial results on behalf of its customer-owners and other stakeholders. Our unique attributes – including our ownership structure as a cooperative, our non-depository status, and our membership in the Farm Credit System – continued to set us apart from the commercial banking industry. Though we are not immune from marketplace trends and the broader environment for banks, CoBank remains in robust financial condition and highly focused on delivering reliable credit and other services to the customers who depend on us.”

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

“Overall credit quality in our loan portfolio remains strong for the first quarter of 2023. Our financial condition remains robust and we will continue to manage the business to reliably serve our customers across rural America.”

– **David Burlage**, CFO, CoBank

2023, which reduced our allowance for credit losses on loans by \$75 million with an offsetting increase to shareholders' equity, net of taxes

- Operating expenses increased \$20 million, primarily driven by increases in Insurance Fund premium, employee compensation and purchased services expenses
- Capital and liquidity levels remain strong and were in excess of regulatory minimums established by the Farm Credit Administration, the bank's independent regulator, as of March 31, 2023
 - Total capital increased to \$10.6 billion primarily due to an improvement in unrealized losses on investment securities resulting from changes in interest rates. The unrealized losses had no impact on current period earnings or regulatory capital
 - Total capital ratio was 13.19%, compared with the 8.0% minimum
 - 194 days of liquidity, compared with the 90-day minimum

OPERATING SEGMENTS

(\$ in millions)

Three months ended March 31,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2023	2022	2023	2022	2023	2022
Average loan volume	\$ 45,094	\$ 46,967	\$ 28,991	\$ 24,951	\$ 70,818	\$ 65,880
Net income	192	200	115	110	69	67
Period-end loan volume March 31, 2023 and December 31, 2022	\$ 43,024	\$ 40,098	\$ 29,146	\$ 28,462	\$ 70,940	\$ 71,529

NET INTEREST INCOME AND NET INTEREST MARGIN

Net interest income decreased \$23 million to \$465 million for the three months ended March 31, 2023, compared to \$488 million for the same prior-year period. Net interest income decreased in our Agribusiness operating segment resulting from lower levels of seasonal financing at many of our grain and farm supply cooperative customers due to lower commodity prices. Lower earnings on balance sheet positioning and lower spreads in certain lending portfolios also contributed to decreased net interest income in the current period. Partially offsetting the decreases were increases in net interest income in our Rural Infrastructure and Farm Credit Banking operating segments driven by higher loan volume. Net interest margin decreased to 1.02% for the first three months of 2023 compared to 1.15% for the same period in 2022. The decrease in net interest margin was primarily driven by changes in asset mix, lower spreads in certain lending portfolios within our Agribusiness and Rural Infrastructure operating segments, and lower earnings on balance sheet positioning.

Net Interest Margin and Net Interest Income

Three months ended (\$ in millions)	March 31, 2023			March 31, 2022		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 144,903	4.72%	\$ 1,685	\$ 137,798	1.98%	\$ 673
Investments	33,422	3.29%	271	33,073	1.36%	111
Federal funds sold and other overnight funds	6,902	4.52%	77	1,511	0.27%	1
Total	185,227	4.45%	2,033	172,382	1.85%	785
Interest bearing liabilities	173,253	3.67%	1,568	160,433	0.75%	297
Interest rate spread		0.78%			1.10%	
Impact of equity financing	10,574	0.24%		11,752	0.05%	
Net interest margin & net interest income		1.02%	\$ 465		1.15%	\$ 488

CREDIT QUALITY

Our overall loan quality measures remain strong at March 31, 2023. Special Mention loans were 2.02% of total loans at March 31, 2023, compared to 2.03% at December 31, 2022. The level of adversely classified loans (“Substandard”, “Doubtful” and “Loss”) as a percent of total loans increased slightly to 0.76% at March 31, 2023, compared to 0.73% at December 31, 2022.

The overall credit quality of our loan portfolio remains strong at March 31, 2023. We believe credit quality deterioration in the future is possible due to market factors impacting our customers, including an ongoing volatile agricultural commodity price environment, supply chain disruptions, labor shortages, inflation, higher interest rates, weather related events, trade uncertainty, global economic uncertainty and the Russia/Ukraine war. In addition, concentrations within our loan portfolio can cause the level of our loan quality, nonaccrual loans, charge-offs and provisions for credit losses or credit loss reversals to vary significantly from period to period.

Loan Quality Ratios

	March 31, 2023			December 31, 2022		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.63%	96.82%	97.22%	97.76%	96.70%	97.24%
Special Mention	2.37%	1.68%	2.02%	2.24%	1.81%	2.03%
Substandard	-	1.50%	0.76%	-	1.49%	0.73%
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

BALANCE SHEET INFORMATION

(period-end)

	March 31, 2023	December 31, 2022
	(Unaudited)	
<i>(\$ in millions)</i>		
Total loans	\$ 143,110	\$ 140,089
Less: Allowance for loan losses	693	682
Net loans	142,417	139,407
Cash and cash equivalents	277	896
Federal funds sold and other overnight funds	11,888	12,401
Investment securities (net of allowance of \$6 million at March 31, 2023)	34,421	33,097
Interest rate swaps and other derivatives	843	1,000
Accrued interest receivable and other assets	1,714	2,042
Total assets	\$ 191,560	\$ 188,843
Bonds and notes	\$ 177,768	\$ 174,623
Interest rate swaps and other derivatives	819	1,079
Reserve for unfunded commitments	72	143
Patronage payable	184	856
Accrued interest payable and other liabilities	2,133	1,917
Total liabilities	180,976	178,618
Shareholders' equity	10,584	10,225
Total liabilities and shareholders' equity	\$ 191,560	\$ 188,843

STATEMENT OF INCOME INFORMATION

	Three months ended March 31,	Three months ended March 31,
	2023	2022
	(Unaudited)	(Unaudited)
<i>(\$ in millions)</i>		
Interest income	\$ 2,033	\$ 785
Interest expense	1,568	297
Net interest income	465	488
Provision for credit losses	20	46
Net interest income after provision for credit losses	445	442
Noninterest income	108	88
Operating expenses	141	121
Provision for income taxes	36	32
Net income	\$ 376	\$ 377

FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this news release that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual results may differ materially and adversely from our expectations expressed in any forward-looking statements. Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project,” “target,” “may,” “will,” “should,” “would,” “could,” or similar expressions. Although we believe that the information expressed or implied in such forward-looking statements is reasonable, we can give no assurance that such projections and expectations will be realized or the extent to which a particular plan, projection or expectation may be realized.

These forward-looking statements are based on current knowledge and subject to risks and uncertainties. We encourage you to read our Annual Report and Quarterly Reports located on the bank’s website at www.cobank.com. We undertake no obligation to revise or publicly update our forward-looking statements for any reason.

ABOUT COBANK

CoBank is a cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 76,000 farmers, ranchers and other rural borrowers in 23 states around the country. CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture, rural infrastructure and rural communities. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit www.cobank.com.

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