

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
Net interest income	\$ 456	\$ 448	\$ 1,371	\$ 1,440
Provision for credit losses (credit loss reversal)	8	(30)	70	75
Noninterest income	107	102	315	273
Operating expenses	142	142	432	410
Net income	380	395	1,088	1,125

BALANCE SHEET (period-end)	September 30, 2023		December 31, 2022	
Total loans	\$ 142,166	\$ 142,166	\$ 140,089	\$ 140,089
Total assets	187,630	187,630	188,843	188,843
Shareholders' equity	10,349	10,349	10,225	10,225

PROFITABILITY METRICS	Nine months ended September 30,	
	2023	2022
Net interest margin	0.99 %	1.09 %
Return on average common equity	15.23 %	14.88 %
Return on average assets	0.77 %	0.84 %
Operating expense ratio	21.02 %	19.11 %

HIGHLIGHTS

- Average loan volume rose 6% in Q3 and 4% YTD with loans outstanding totaling \$142.2 billion at September 30, 2023
 - The increase in Q3 and YTD average loan volume reflected lending growth in our Farm Credit Banking and Rural Infrastructure operating segments, partially offset by significant declines in lending in our Agribusiness operating segment
- Net income for Q3 was \$380 million compared to \$395 million in Q3 2022. Net income for the first nine months was \$1.088 billion compared to \$1.125 billion in the prior year period
 - The 4% decrease in Q3 net income resulted primarily from an increase in the provision for credit losses, partially offset by higher net interest income and noninterest income
 - The 3% decrease in YTD net income resulted primarily from lower net interest income and an increase in operating expenses partially offset by higher noninterest income and lower provisions for credit losses and income taxes
- Net interest income for Q3 increased 2% to \$456 million and YTD decreased 5% from \$1.440 billion to \$1.371 billion
 - The increase in Q3 net interest income was primarily in our Rural Infrastructure and Farm Credit Banking operating segments due to higher loan volume
 - The decrease in YTD net interest income was due to lower levels of seasonal financing at many of our grain and farm supply customers and lower earnings on balance sheet positioning, partially offset by higher loan volume in our Rural Infrastructure and Farm Credit Banking operating segments
- Net interest margin YTD decreased to 0.99% driven by changes in asset mix, lower earnings on balance sheet positioning and lower spreads in certain lending portfolios
- Provision for credit losses in Q3 was \$8 million and YTD was \$70 million and primarily related to credit quality deterioration within certain sectors of our Rural Infrastructure operating segment and forecasts of deteriorating macroeconomic conditions. In 2023, we adopted the Current Expected Credit Losses (CECL) accounting standard, which incorporates CoBank's view of future macroeconomic conditions and its impact on our loan portfolio. Prior period's credit loss reversal in Q3 related to paydown of seasonal agribusiness loan volume while YTD provision for credit losses was due to increased lending activity, higher specific reserves and charge-offs

OPERATING SEGMENTS

(\$ in millions)

	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2023	2022	2023	2022	2023	2022
Three months ended September 30,						
Average loan volume	\$ 36,777	\$ 38,906	\$ 30,694	\$ 25,805	\$ 73,184	\$ 68,260
Net income	186	214	118	113	76	68
Nine months ended September 30,						
Average loan volume	\$ 40,744	\$ 44,336	\$ 29,771	\$ 25,268	\$ 71,874	\$ 67,030
Net income	529	621	349	301	210	203
Period-end loan volume						
September 30, 2023 and December 31, 2022	\$ 36,451	\$ 40,098	\$ 31,133	\$ 28,462	\$ 74,582	\$ 71,529

MANAGEMENT COMMENTARY

"We are pleased to report that CoBank produced strong financial performance in the third quarter of 2023, with growth in loan volume, robust earnings and sound credit quality. Though we are not immune to challenges in the marketplace environment, our financial and operating metrics remain strong, and we are managing our business to ensure we maintain the financial strength and stability to readily serve our customer-owners."

– Thomas Halverson, President and CEO, CoBank

"We continue to experience strong growth in fee income in 2023 driven by a higher level of fee-related loan transactions in our Agribusiness and Rural Infrastructure operating segments, which is largely offsetting the overall decline in our net interest income resulting from lower Agribusiness loan volume."

– David Burlage, CFO, CoBank

- Noninterest income increased \$5 million in Q3 and \$42 million YTD due to greater net fee income and higher levels of patronage income
- Operating expenses were flat in Q3 and increased \$22 million YTD primarily driven by increases in employee compensation, general and administrative and purchased services expenses, partially offset by a decrease in Farm Credit Insurance Fund premium expense
- 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 September 30, 2023
 - Total capital increased slightly to \$10.3 billion primarily due to earnings offset by accrued patronage, stock retirements and unrealized losses on investment securities resulting from higher interest rates. The unrealized losses on investments had no impact on current period earnings or regulatory capital ratios
 - Total capital ratio was 14.26%, compared with the 8.0% minimum
 - 180 days of liquidity, compared with the 90-day minimum

NET INTEREST INCOME AND NET INTEREST MARGIN

Net interest income decreased \$69 million to \$1.371 billion for the nine months ended September 30, 2023, compared to \$1.440 billion for the same prior-year period. Net interest income decreased in our Agribusiness operating segment resulting from a decline in seasonal financing at many of our grain and farm supply cooperative customers due to lower commodity prices and lower levels of grain inventory. 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 0.99 percent for the first nine months of 2023, compared to 1.09 percent 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

Nine months ended (\$ in millions)	September 30, 2023			September 30, 2022		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 142,389	4.98 %	\$ 5,297	\$ 136,634	2.46 %	\$ 2,516
Investments	34,346	3.54 %	910	33,769	1.75 %	443
Federal funds sold and other overnight funds	8,920	4.98 %	334	6,134	1.50 %	69
Total	185,655	4.71 %	6,541	176,537	2.29 %	3,028
Interest bearing liabilities	173,783	3.98 %	5,170	164,664	1.29 %	1,588
Interest rate spread		0.73 %			1.00 %	
Impact of equity financing	10,558	0.26 %		11,215	0.09 %	
Net interest margin & net interest income		0.99 %	\$ 1,371		1.09 %	\$ 1,440

CREDIT QUALITY

Our overall loan quality measures remain strong, notwithstanding the increase in Special Mention loans to 2.35 percent of total loans at September 30, 2023, compared to 2.03 percent at December 31, 2022. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") as a percentage of total loans were 0.71 percent at September 30, 2023, compared to 0.73 percent at December 31, 2022. 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, economic, trade and global uncertainties, as well as the wars in Ukraine and the Middle East. 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

	September 30, 2023			December 31, 2022		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.80 %	95.99 %	96.94 %	97.76 %	96.70 %	97.24 %
Special Mention	2.20 %	2.52 %	2.35 %	2.24 %	1.81 %	2.03 %
Substandard	— %	1.49 %	0.71 %	— %	1.49 %	0.73 %
Doubtful	— %	— %	— %	— %	— %	— %
Loss	— %	— %	— %	— %	— %	— %
Total	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

BALANCE SHEET INFORMATION

(period-end)	September 30, 2023		December 31, 2022	
	(Unaudited)			
	(\$ in millions)			
Loans	\$	142,166	\$	140,089
Less: Allowance for loan losses		724		682
Net loans		141,442		139,407
Cash and cash equivalents		212		896
Federal funds sold and other overnight funds		7,853		12,401
Investment securities (net of allowance of \$4 million at September 30, 2023)		34,960		33,097
Interest rate swaps and other derivatives		1,052		1,000
Accrued interest receivable and other assets		2,111		2,042
Total assets	\$	187,630	\$	188,843
Bonds and notes	\$	173,070	\$	174,623
Interest rate swaps and other derivatives		1,331		1,079
Reserve for unfunded commitments		89		143
Patronage payable		540		856
Accrued interest payable and other liabilities		2,251		1,917
Total liabilities		177,281		178,618
Shareholders' equity		10,349		10,225
Total liabilities and shareholders' equity	\$	187,630	\$	188,843

STATEMENT OF INCOME INFORMATION

(\$ in millions)	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	\$ 2,289	\$ 1,272	\$ 6,541	\$ 3,028
Interest expense	1,833	824	5,170	1,588
Net interest income	456	448	1,371	1,440
Provision for credit losses (credit loss reversal)	8	(30)	70	75
Net interest income after provision for credit losses (credit loss reversal)	448	478	1,301	1,365
Noninterest income	107	102	315	273
Operating expenses	142	142	432	410
Provision for income taxes	33	43	96	103
Net income	\$ 380	\$ 395	\$ 1,088	\$ 1,125

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.

MEDIA CONTACTS

Julie Davis

Director, Corporate Communications

202-215-1354

judavis@cobank.com