SECOND QUARTER FINANCIAL RESULTS | 2023

CoBank

KEY FINANCIAL DATA

($ in millions)	Three months ended June 30,		Six months ended June 30,	
INCOME STATEMENT	**2023**	**2022**	**2023**	**2022**
Net interest income	$ 450	$ 504	$ 915	$ 992
Provision for credit losses	42	59	62	105
Noninterest income	100	83	208	172
Operating expenses	149	147	290	268
Net income	332	353	708	730

BALANCE SHEET (period-end)	**June 30, 2023**	**December 31, 2022**
Total loans	$ 140,561	$ 140,089
Total assets	186,901	188,843
Shareholders' equity	10,407	10,225

	Six months ended June 30,	
PROFITABILITY METRICS	**2023**	**2022**
Net interest margin	0.99 %	1.13 %
Return on average common equity	14.86 %	14.35 %
Return on average assets	0.76 %	0.82 %
Operating expense ratio	21.05 %	17.96 %

MANAGEMENT COMMENTARY

"We are pleased to report that CoBank produced strong financial performance in the first six months of 2023, with growth in loan volume, robust earnings and solid credit quality. Though we are not immune to challenges in the marketplace environment, we remain strong from a financial and operating standpoint and well-positioned to continue supporting our customer-owners across all the rural industries we finance."

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

"It is notable that the second quarter and the six month periods had strong growth in fee income driven by a higher level of fee-related loan transactions in our Agribusiness and Rural Infrastructure operating segments."

– **David Burlage**, CFO, CoBank

HIGHLIGHTS

- Average loan volume rose 2% in Q2 and 3% YTD with loans outstanding totaling $140.6 billion at June 30, 2023
  - The increase in average loan volume reflected lending growth in our Farm Credit Banking and Rural Infrastructure operating segments, partially offset by decreased loan volume in our Agribusiness operating segment
- Net income for Q2 was $332 million compared to $353 million in Q2 2022. Net income for the first six months was $708 million compared to $730 million in the prior year period
  - The 3% decrease in the first six months resulted primarily from lower net interest income and an increase in operating expenses partially offset by a decrease in the provision for credit losses and higher noninterest income
- Net interest income for Q2 decreased 11% to $450 million and YTD decreased 8% to $915 million
  - The decrease in both periods was primarily related to 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 the decrease, partially offset by increases in net interest income in our Rural Infrastructure and Farm Credit Banking operating segments driven by higher loan volume
- Net interest margin YTD decreased to 0.99% 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 in Q2 was $42 million and YTD was $62 million. Credit losses for both periods are primarily related to forecasts of deteriorating macroeconomic conditions and higher specific reserves. The provisions for both periods reflect the bank's recent adoption of the Current Expected Credit Losses (CECL) accounting standard, which incorporates CoBank's future view of macroeconomic conditions and its impact on our loan portfolio. Prior period provisions primarily related to increased loan volume
- Noninterest income increased $17 million in Q2 and $36 million YTD due to greater net fee income and higher levels of patronage income
- Operating expenses increased $2 million in Q2 and $22 million YTD primarily driven by increases in employee compensation and general and administrative 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 June 30, 2023
  - Total capital increased to $10.4 billion primarily due to earnings offset by accrued patronage and stock retirements
  - Total capital ratio was 13.72%, compared with the 8.0% minimum
  - 193 days of liquidity, compared with the 90-day minimum

OPERATING SEGMENTS

($ in millions)	Agribusiness		Rural Infrastructure		Farm Credit Banking	
Three months ended June 30,	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Average loan volume	$ 40,452	$ 47,225	$ 29,611	$ 25,038	$ 71,593	$ 66,924
Net income	151	206	116	78	65	68
Six months ended June 30,	**2023**	**2022**	**2023**	**2022**	**2023**	**2022**
Average loan volume	$ 42,760	$ 47,097	$ 29,302	$ 24,995	$ 71,208	$ 66,405
Net income	344	407	230	188	134	135
Period-end loan volume June 30, 2023 and December 31, 2022	$ 38,139	$ 40,098	$ 30,367	$ 28,462	$ 72,055	$ 71,529

NET INTEREST INCOME AND NET INTEREST MARGIN

Net interest income decreased $77 million to $915 million for the six months ended June 30, 2023, compared to $992 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 0.99 percent for the first six months of 2023 compared to 1.13 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

Six months ended	June 30, 2023			June 30, 2022		
($ in millions)	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	$ 143,271	4.86 %	$ 3,453	$ 138,497	2.16 %	$ 1,485
Investments	33,984	3.42 %	577	33,874	1.52 %	256
Federal funds sold and other overnight funds	9,247	4.84 %	222	4,357	0.74 %	16
Total	186,502	4.60 %	4,252	176,728	2.00 %	1,757
Interest bearing liabilities	174,658	3.85 %	3,337	164,944	0.93 %	765
Interest rate spread		0.75 %			1.07 %	
Impact of equity financing	10,607	0.24 %		11,323	0.06 %	
Net interest margin & net interest income		0.99 %	$ 915		1.13 %	$ 992

CREDIT QUALITY

Our overall loan quality measures remain strong at June 30, 2023. Special Mention loans were 2.21 percent of total loans at June 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 decreased to 0.63 percent at June 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, slowing economy, 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

	June 30, 2023			December 31, 2022		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.73 %	96.55 %	97.16 %	97.76 %	96.70 %	97.24 %
Special Mention	2.27 %	2.15 %	2.21 %	2.24 %	1.81 %	2.03 %
Substandard	— %	1.30 %	0.63 %	— %	1.49 %	0.73 %
Doubtful	— %	— %	— %	— %	— %	— %
Loss	— %	— %	— %	— %	— %	— %
Total	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

RATINGS DOWNGRADE

On August 1, 2023, Fitch Ratings downgraded the long-term sovereign credit rating on the United States to AA+ from AAA. Fitch affirmed the A-1+ short-term rating of the United States. The outlook on the long-term rating of the United States is stable. Subsequently, on August 2, 2023, Fitch Ratings downgraded the long-term issuer default rating for the Farm Credit System to AA+ from AAA; the F1+ short-term rating was affirmed. The outlook on the long-term default rating was revised to stable from ratings watch negative. Fitch also downgraded the individual long-term issuer default ratings of the Farm Credit System Banks, including CoBank, to A+. The outlook on the long-term default rating for each System Bank was revised to stable from ratings watch negative. The downgrade of the Farm Credit System and the Farm Credit System Banks' ratings reflect the downgrade of the U.S. sovereign rating.

BALANCE SHEET INFORMATION

(period-end)	June 30, 2023	December 31, 2022
	(Unaudited)	
($ in millions)		
Loans	$ 140,561	$ 140,089
Less: Allowance for loan losses	718	682
Net loans	139,843	139,407
Cash and cash equivalents	274	896
Federal funds sold and other overnight funds	8,685	12,401
Investment securities (net of allowance of $6 million at June 30, 2023)	35,327	33,097
Interest rate swaps and other derivatives	969	1,000
Accrued interest receivable and other assets	1,803	2,042
Total assets	$ 186,901	$ 188,843
Bonds and notes	$ 172,727	$ 174,623
Interest rate swaps and other derivatives	1,090	1,079
Reserve for unfunded commitments	87	143
Patronage payable	363	856
Accrued interest payable and other liabilities	2,227	1,917
Total liabilities	176,494	178,618
Shareholders' equity	10,407	10,225
Total liabilities and shareholders' equity	$ 186,901	$ 188,843

STATEMENT OF INCOME INFORMATION

	Three months ended June 30,		Six months ended June 30,	
	2023	2022	2023	2022
($ in millions)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	$ 2,219	$ 971	$ 4,252	$ 1,757
Interest expense	1,769	467	3,337	765
Net interest income	450	504	915	992
Provision for credit losses	42	59	62	105
Net interest income after provision for credit losses	408	445	853	887
Noninterest income	100	83	208	172
Operating expenses	149	147	290	268
Provision for income taxes	27	28	63	61
Net income	$ 332	$ 353	$ 708	$ 730

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