

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
Net interest income	\$ 476	\$ 444	\$ 1,847	\$ 1,884
Provision for credit losses	6	36	76	111
Noninterest income	144	92	459	366
Operating expenses	163	169	595	580
Provision for income taxes	32	7	128	110
Net income	419	324	1,507	1,449

BALANCE SHEET (period-end)	December 31, 2023		December 31, 2022	
Total loans	\$ 148,015	\$ 148,015	\$ 140,089	\$ 140,089
Total assets	194,359	194,359	188,843	188,843
Shareholders' equity	11,193	11,193	10,225	10,225

PROFITABILITY METRICS	Year ended December 31,	2023	2022
Net interest margin		0.99 %	1.06 %
Return on average common equity		15.78 %	14.59 %
Return on average assets		0.80 %	0.80 %
Operating expense ratio (excluding insurance fund premiums)		21.82 %	21.00 %

HIGHLIGHTS

- Average loan volume for the year rose 5% in 2023 to \$143.1 billion, up from \$136.9 billion in 2022
 - The increase reflects lending growth in our Farm Credit Banking and Rural Infrastructure operating segments, partially offset by decreases in our Agribusiness operating segment
- Net income for the year rose 4% in 2023 to \$1.507 billion compared to \$1.449 billion in 2022, primarily from higher noninterest income and a lower provision for credit losses somewhat offset by lower net interest income, higher operating expenses and income taxes
 - Net income for Q4 2023 increased 29% to \$419 million from \$324 million for Q4 2022, primarily due to increases in noninterest income and net interest income and a lower provision for credit losses, partially offset by higher income taxes
- Net interest income for 2023 decreased 2% to \$1.847 billion from \$1.884 billion in 2022
 - Net interest income for Q4 2023 increased 7% to \$476 million from \$444 million for Q4 2022

- The decrease in 2023 net interest income from 2022 was due to lower average loan volume in our Agribusiness operating segment from lower commodity prices and lower levels of grain inventory and decreased earnings on balance sheet positioning, partially offset by higher loan volume in our Rural Infrastructure and Farm Credit Banking operating segments
- The increase in Q4 2023 net interest income from Q4 2022 was primarily in our Rural Infrastructure and Farm Credit Banking operating segments due to higher loan volume
- Net interest margin decreased to 0.99% in 2023 from 1.06% in 2022 driven by higher funding costs, changes in asset mix, decreased earnings on balance sheet positioning and lower spreads in certain lending portfolios
- Provision for credit losses in 2023 was \$76 million and primarily related to credit quality deterioration within certain sectors of our Rural Infrastructure operating segment and macroeconomic forecasts impacting modeled credit losses. 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 year's provision for credit losses related to increased lending activity and to a lesser extent higher specific reserves for a small number of customers

MANAGEMENT COMMENTARY

"CoBank recorded one of the best years in its history from a financial standpoint, despite substantial uncertainty and volatility in the macro economy. Average loan volume reached all-time highs, and net income exceeded \$1.5 billion for the first time. Credit quality in our loan portfolio remained strong, and patronage distributions for the year will total \$965 million — well above target for all classes of customer-owners.

We remain grateful for the enormous trust our customers place in CoBank as their financial partner. We hope our customers also derive satisfaction from the enduring value being generated by CoBank—a bank they themselves own—and by the steadfast commitment that we have to serving them and the Farm Credit mission."

— Thomas Halverson, President and CEO, CoBank

- Noninterest income increased \$93 million in 2023 largely due to greater net fee income, higher levels of patronage income and the favorable resolution of a contractual business dispute
- Operating expenses increased \$15 million in 2023 primarily driven by increases in employee compensation, partially offset by decreases in Farm Credit Insurance Fund premiums and purchased services
- Capital and liquidity levels remain strong and were in excess of regulatory minimums as of December 31, 2023
 - Total capital increased to \$11.2 billion primarily due to earnings and unrealized gains on investment securities resulting from lower interest rates, somewhat offset by accrued patronage and stock retirements
 - Total capital ratio was 14.11%, compared with the 8.0% minimum
 - 199 days of liquidity, compared with the 90-day minimum
- Patronage distributions for 2023 will total \$965 million
 - Includes special cash patronage of \$106 million for 2023

OPERATING SEGMENTS

(\$ in millions)

Three months ended December 31,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2023	2022	2023	2022	2023	2022
Average loan volume	\$ 37,961	\$ 40,317	\$ 31,530	\$ 27,115	\$ 75,609	\$ 70,302
Net income	202	153	147	122	70	49
Year ended December 31,	2023	2022	2023	2022	2023	2022
Average loan volume	\$ 40,044	\$ 43,323	\$ 30,215	\$ 25,734	\$ 72,816	\$ 67,855
Net income	731	774	495	424	281	251
Period-end loan volume	December 31, 2023 and December 31, 2022					
	\$ 37,785	\$ 40,098	\$ 32,572	\$ 28,462	\$ 77,658	\$ 71,529

NET INTEREST INCOME AND NET INTEREST MARGIN

Net interest income decreased \$37 million, or 2%, to \$1.847 billion in 2023, compared to \$1.884 billion in 2022. The decrease in net interest income was primarily 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 2023, compared to 1.06 percent in 2022. The decrease in net interest margin was primarily driven by increased funding costs, changes in asset mix including increased lending to affiliated Associations and higher levels of investment securities, lower spreads in certain lending portfolios within our Agribusiness and Rural Infrastructure operating segments and decreased earnings on balance sheet positioning.

Net Interest Margin and Net Interest Income

Year ended (\$ in millions)	December 31, 2023			December 31, 2022		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 143,075	5.08 %	\$ 7,266	\$ 136,912	2.86 %	\$ 3,909
Investments	34,957	3.64	1,274	33,619	2.02	680
Federal funds sold and other overnight funds	7,783	5.05	393	7,055	2.25	159
Total	185,815	4.81	8,933	177,586	2.67	4,748
Interest bearing liabilities	173,833	4.08	7,086	165,772	1.73	2,864
Interest rate spread		0.73			0.94	
Impact of equity financing	10,582	0.26		10,999	0.12	
Net interest margin & net interest income		0.99 %	\$ 1,847		1.06 %	\$ 1,884

CREDIT QUALITY

Our overall loan quality measures remain strong, notwithstanding the increase in Special Mention loans to 2.34 percent of total loans at December 31, 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 0.74 percent at December 31, 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, 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

	December 31, 2023			December 31, 2022		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.80 %	95.94 %	96.92 %	97.76 %	96.70 %	97.24 %
Special Mention	2.20	2.51	2.34	2.24	1.81	2.03
Substandard	—	1.55	0.74	—	1.49	0.73
Doubtful	—	—	—	—	—	—
Loss	—	—	—	—	—	—
Total	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

BALANCE SHEET INFORMATION

(period-end)

	December 31, 2023		December 31, 2022	
	(Unaudited)			
<i>(\$ in millions)</i>				
Loans	\$	148,015	\$	140,089
Less: Allowance for loan losses		730		682
Net loans		147,285		139,407
Cash and cash equivalents		1,013		896
Federal funds sold and other overnight funds		4,615		12,401
Investment securities (net of allowance of \$3 million at December 31, 2023)		38,343		33,097
Accrued interest receivable		1,038		749
Interest rate swaps and other derivatives		812		1,000
Other assets		1,253		1,293
Total assets	\$	194,359	\$	188,843
Bonds and notes	\$	178,821	\$	174,623
Accrued interest payable		1,396		843
Interest rate swaps and other derivatives		833		1,079
Reserve for unfunded commitments		84		143
Patronage payable		831		856
Other liabilities		1,201		1,074
Total liabilities		183,166		178,618
Shareholders' equity		11,193		10,225
Total liabilities and shareholders' equity	\$	194,359	\$	188,843

STATEMENT OF INCOME INFORMATION

	Three months ended December 31,		Year ended December 31,	
	2023	2022	2023	2022
	(Unaudited)		(Unaudited)	
<i>(\$ in millions)</i>				
Interest income	\$	2,392	\$	1,720
Interest expense		1,916		1,276
Net interest income		476		444
Provision for credit losses		6		36
Net interest income after provision for credit losses		470		408
Noninterest income		144		92
Operating expenses		163		169
Provision for income taxes		32		7
Net income	\$	419	\$	324
			\$	1,507
			\$	1,449

2023 EARNINGS WEBCAST AND CONFERENCE CALL

The bank will hold its annual year-end earnings conference call and webcast at 12:30 pm Mountain Time on Tuesday, February 27, 2024. The 60-minute call will feature a presentation of 2023 financial highlights and remarks from CoBank President and Executive Officer Thomas Halverson, Chief Financial Officer David Burlage and Board Chair Kevin Still. Customer-owners and other participants will be able to submit questions during the call.

To join the earnings call, visit <https://www.cobank.com/2023EarningsWebinar>.

CUSTOMER MEETINGS

CoBank will provide more information about its 2023 financial results at its annual series of regional customer meetings, which take place in February, March and April 2024. Managers and directors of any CoBank borrower are invited to attend these meetings, as are representatives of Farm Credit institutions.

For details about the meeting program, please visit the bank's events page at www.cobank.com/events. Please note that more details and registration are available for each meeting approximately four weeks prior to the meeting date.

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 77,000 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.

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.

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

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