

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended September 30,		Nine months ended September 30,	
	2022	2021	2022	2021
Net interest income	\$ 448	\$ 407	\$ 1,440	\$ 1,297
(Loan loss reversal) Provision for loan losses	(30)	(50)	75	5
Noninterest income	102	48	273	194
Operating expenses	142	120	410	354
Net income	395	354	1,125	1,036

BALANCE SHEET (period-end)	September 30, 2022	December 31, 2021
Total loans	\$ 133,905	\$ 128,529
Total assets	183,026	170,306
Shareholders' equity	10,633	12,234

PROFITABILITY METRICS	Nine months ended September 30,	
	2022	2021
Net interest margin	1.09%	1.11%
Return on average common equity	14.88%	12.48%
Return on average assets	0.84%	0.87%
Operating expense ratio	19.11%	19.28%

HIGHLIGHTS

- Average loan volume increased 11% in both Q3 and YTD. Loans outstanding totaled \$133.9 billion at September 30, 2022
 - The increase in both periods was primarily in lending to grain and farm supply cooperatives, food, agribusinesses and agriculture export customers in our Agribusiness operating segment, affiliated associations in our Farm Credit Banking operating segment and electric distribution and communication customers in our Rural Infrastructure operating segment
- Net income for Q3 was \$394.9 million compared to \$354.2 million in Q3 2021. Net income for the first nine months was \$1.125 billion compared to \$1.036 billion in the prior year period
 - The 9% increase in the first nine months resulted primarily from increases in net interest income and noninterest income somewhat offset by a higher provision for loan losses and an increase in operating expenses
- Net interest income for Q3 and YTD increased 10% to \$447.6 million and 11% to \$1.440 billion, respectively
 - The increase in both periods was primarily driven by higher average loan volume and to a lesser extent higher earnings on balance sheet positioning
- Net interest margin YTD decreased slightly to 1.09% driven by lower spreads in certain portfolios within our Rural Infrastructure operating segment and changes in asset mix including higher levels of lending to affiliated associations and investment securities which have lower spreads commensurate with lower risk
- Loan loss reversal was \$30.0 million in Q3 due to paydowns of seasonal Agribusiness loan volume. Provision for loan losses YTD was \$75.0 million compared to \$5.0 million in the same period last year due to increased lending activity and higher specific reserves in our Agribusiness operating segment and a higher reserve for a power infrastructure customer in our Rural Infrastructure operating segment that was subsequently charged off
- Noninterest income increased \$53.7 million in Q3 and \$78.9 million YTD due to higher patronage income and lower losses on early extinguishments of debt
- Operating expenses increased \$21.8 million in Q3 and \$55.4 million YTD primarily driven by an increase in 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, 2022
 - Total capital decreased to \$10.6 billion primarily due to unrealized losses on investment securities resulting from higher interest rates. The unrealized losses had no impact on current period earnings or regulatory capital
 - Total capital ratio was 14.93%, compared with the 8.0% minimum
 - 173 days of liquidity, compared with the 90-day minimum

OPERATING SEGMENTS

(\$ in millions)

Three months ended September 30,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2022	2021	2022	2021	2022	2021
Average loan volume	\$ 38,906	\$ 34,049	\$ 25,805	\$ 24,377	\$ 68,260	\$ 61,080
Net income	214	188	113	106	68	60

Nine months ended September 30,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2022	2021	2022	2021	2022	2021
Average loan volume	\$ 44,336	\$ 38,358	\$ 25,268	\$ 24,377	\$ 67,030	\$ 60,501
Net income	621	549	301	302	203	185

Period-end loan volume	September 30, 2022	December 31, 2021
	\$ 37,714	\$ 38,094
	\$ 26,488	\$ 24,803
	\$ 69,703	\$ 65,632

MANAGEMENT COMMENTARY

"We are pleased to report that CoBank recorded strong financial performance in the third quarter of 2022. Lending increased across all three of our operating segments, while earnings, credit quality and capital remained solid. Strong demand for credit across the industries we serve, improved spreads and seasonal lending drove increased net income for the quarter and year to date. Despite challenging macro-economic conditions in the U.S. and global economies, CoBank maintains its financial strength and its ability to support the evolving credit needs of our customers during this time."

– Thomas Halverson, President and CEO, CoBank

"Overall credit quality in our loan portfolio remains strong at September 30, 2022, and we also benefited from a significant loan loss reversal during the third quarter. At quarter end, over 96% of our commercial loans were classified as acceptable, the highest category for credit quality."

– David Burlage, CFO, CoBank

NET INTEREST INCOME AND NET INTEREST MARGIN

Net interest income increased \$142.6 million to \$1.440 billion for the nine months ended September 30, 2022, compared to \$1.297 billion for the same prior-year period. The 11% increase in net interest income for the nine month period was primarily driven by higher average loan volume. Net interest income increased most significantly in our Agribusiness operating segment resulting from sharply higher commodity prices which drove higher financing requirements at many of our grain and farm supply cooperative customers as well as increased lending to customers that use commodities as inputs to their businesses. Higher earnings on balance sheet positioning also contributed to increased net interest income in the current period. Net interest margin decreased slightly to 1.09 percent for the first nine months of 2022 compared to 1.11 percent for the same period in 2021. The decrease in net interest margin was primarily driven by lower spreads in certain lending portfolios within our Rural Infrastructure operating segment and changes in asset mix including higher levels of lending to affiliated associations and investment securities which have lower spreads commensurate with lower risk. Partially offsetting these items was increased lending to agribusiness customers which carry higher spreads than many of our other lending portfolios.

Net Interest Margin and Net Interest Income

Nine months ended (\$ in millions)	September 30, 2022			September 30, 2021		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 136,634	2.46%	\$ 2,516	\$ 123,236	1.99%	\$ 1,832
Investments	33,769	1.75%	443	32,422	1.36%	331
Federal funds sold and other overnight funds	6,134	1.50%	69	732	0.18%	1
Total	176,537	2.29%	3,028	156,390	1.85%	2,164
Interest bearing liabilities	164,664	1.29%	1,588	144,496	0.80%	867
Interest rate spread		1.00%			1.05%	
Impact of equity financing	11,215	0.09%		11,940	0.06%	
Net interest margin & net interest income		1.09%	\$ 1,440		1.11%	\$ 1,297

CREDIT QUALITY

Our overall loan quality measures remain strong at September 30, 2022. Special Mention loans and accrued interest improved to 2.11 percent of total loans and accrued interest at September 30, 2022 compared to 2.34 percent at December 31, 2021. The level of adversely classified loans (“Substandard”, “Doubtful” and “Loss”) and related accrued interest as a percentage of total loans and accrued interest decreased to 0.66 percent at September 30, 2022, compared to 0.72 percent at December 31, 2021. 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 and global economic uncertainty. While the Russia/Ukraine war has created agricultural commodity price volatility in the marketplace and has had implications for grain and farm supply cooperatives, we have not experienced any significant unfavorable credit quality impacts in this sector at this time. In addition, concentrations within our loan portfolio can cause the level of our loan quality, nonaccrual loans, charge-offs and provisions for loan losses or loan loss reversals to vary significantly from period to period.

Loan Quality Ratios

	September 30, 2022			December 31, 2021		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.74%	96.67%	97.23%	97.67%	96.19%	96.94%
Special Mention	2.26%	1.94%	2.11%	2.33%	2.35%	2.34%
Substandard	-	1.36%	0.65%	-	1.46%	0.72%
Doubtful	-	0.03%	0.01%	-	-(1)	-(1)
Loss	-	-	-	-	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(1) - represents less than 0.01 percent

BALANCE SHEET INFORMATION

(period-end)

(\$ in millions)

	September 30, 2022 (Unaudited)	December 31, 2021
Loans	\$ 133,905	\$ 128,529
Less: Allowance for loan losses	656	651
Net loans	133,249	127,878
Cash and cash equivalents	245	3,197
Federal funds sold and other overnight funds	13,480	5,500
Investment securities	33,397	31,842
Interest rate swaps and other derivatives	1,076	487
Accrued interest receivable and other assets	1,579	1,402
Total assets	\$ 183,026	\$ 170,306
Bonds and notes	\$ 168,491	\$ 154,950
Interest rate swaps and other derivatives	1,241	372
Reserve for unfunded commitments	151	106
Partonage payable	537	743
Accrued interest payable and other liabilities	1,973	1,901
Total liabilities	172,393	158,072
Shareholders' equity	10,633	12,234
Total liabilities and shareholders' equity	\$ 183,026	\$ 170,306

STATEMENT OF INCOME INFORMATION

(\$ in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2022 (Unaudited)	2021 (Unaudited)	2022 (Unaudited)	2021 (Unaudited)
Interest income	\$ 1,271	\$ 688	\$ 3,028	\$ 2,164
Interest expense	823	281	1,588	867
Net interest income	448	407	1,440	1,297
(Loan loss reversal) Provision for loan losses	(30)	(50)	75	5
Net interest income after (loan loss reversal) provision for loan losses	478	457	1,365	1,292
Noninterest income	102	48	273	194
Operating expenses	142	120	410	354
Provision for income taxes	43	31	103	96
Net income	\$ 395	\$ 354	\$ 1,125	\$ 1,036

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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