

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
Net interest income	\$ 444	\$ 429	\$ 1,884	\$ 1,726
Provision for loan losses	36	13	111	18
Noninterest income	92	4	366	199
Operating expenses	170	136	580	491
Provision for income taxes	7	6	110	102
Net income	323	278	1,449	1,314

BALANCE SHEET (period-end)	December 31, 2022		December 31, 2021	
Total loans	\$ 140,088		\$ 128,529	
Total assets	188,843		170,306	
Shareholders' equity	10,225		12,234	

PROFITABILITY METRICS	Year ended December 31,	
	2022	2021
Net interest margin	1.06%	1.10%
Return on average common equity	14.59%	11.78%
Return on average assets	0.80%	0.82%
Operating expense ratio (excluding insurance fund premiums)	21.00%	20.33%

HIGHLIGHTS

- Average loan volume for the year rose 11% in 2022 to \$136.9 billion, up from \$123.3 billion in 2021
 - Growth across all three operating segments – Agribusiness, Farm Credit Banking and Rural Infrastructure
- Net income for the year rose 10% in 2022 to \$1.449 billion, up from \$1.314 billion in 2021, primarily related to an increase in net interest income and noninterest income somewhat offset by an increased provision for loan losses and higher operating expenses
 - Net Income for Q4 2022 increased 16% to \$323.4 million from \$277.7 million in Q4 2021, primarily due to an increase in noninterest income partially offset by higher operating expenses and an increased provision for loan losses
- Net interest income for the year rose 9% to \$1.884 billion, primarily driven by higher average loan volume
 - Net interest margin in 2022 decreased to 1.06% from 1.10% in 2021, driven by lower spreads in certain lending portfolios within our Agribusiness and Rural Infrastructure operating segments and changes in asset mix
 - Provision for loan losses in 2022 was \$111.0 million, up from \$18.0 million in 2021. 2022 included a \$71.5 million provision in our Agribusiness operating segment primarily due to higher loan volume and a \$39.5 million provision in our Rural Infrastructure operating segment
 - Noninterest income increased 84% in 2022 to \$366.0 million resulting from higher patronage income and lower losses on early extinguishment of debt and investment sales
 - Total operating expenses increased 18% in 2022 to \$579.9 million, primarily driven by an increase in Farm Credit Insurance Fund premium expense and to a lesser extent increased expenses for information services, purchased services, employee compensation and travel
- The bank had 1,140 employees as of December 31, 2022, compared to 1,077 at the end of 2021
- Patronage distributions for 2022 will total \$995.6 million
 - Includes special cash patronage of \$148.8 million for 2022
- Capital and liquidity levels remained well in excess of regulatory minimums as of December 31, 2022
 - Total capital decreased to \$10.2 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 14.25%, compared with the 8.0% (10.5% inclusive of the capital conservation buffer) minimum
 - 183 days of liquidity, compared with the 90 days minimum

CEO COMMENTARY

“Across almost every key financial measure, CoBank’s performance for the year was the best in the history of the enterprise. Loan volume and net income achieved record levels, while patronage distributions reached almost \$1 billion, also an all-time high. Credit quality in our loan portfolio remained exceptionally strong. Shareholder returns – as measured by the ratio of patronage to active borrower stock – increased to a record 26.1 percent.

These results were attained despite market conditions that were enormously volatile and complex. We are proud of our results for 2022 and the fact that CoBank remains exceptionally well positioned to continue serving our customers and fulfilling our mission of service to rural America in the years ahead.”

– Thomas Halverson, President and CEO, CoBank

OPERATING SEGMENTS

(\$ in millions)

Three months ended Dec. 31,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2022	2021	2022	2021	2022	2021
Average loan volume	\$ 40,317	\$ 35,574	\$ 27,115	\$ 24,383	\$ 70,302	\$ 63,686
Net income	153	128	122	89	48	61

Year ended Dec. 31,	2022	2021	2022	2021	2022	2021
Average loan volume	\$ 43,323	\$ 37,656	\$ 25,734	\$ 24,379	\$ 67,855	\$ 61,304
Net income	774	677	424	392	251	245

Period-end loan volume	2022	2021	2022	2021	2022	2021
Dec. 31, 2022 and Dec. 31, 2021	\$ 40,098	\$ 38,094	\$ 28,461	\$ 24,803	\$ 71,529	\$ 65,632

NET INTEREST MARGIN AND NET INTEREST INCOME

Net interest income increased \$158.0 million, or 9%, to \$1.884 billion in 2022, compared to \$1.726 billion in 2021. The increase in net interest income 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, particularly earlier in 2022, 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. Loan growth also included increased lending to food and agribusiness customers. Higher earnings on balance sheet positioning also contributed to increased net interest income in 2022. Average loan volume increased \$13.6 billion, or 11%, to \$136.9 billion in 2022 reflecting growth in lending across all three of our operating segments.

Net interest margin decreased to 1.06% in 2022 from 1.10% in 2021, and interest rate spread decreased to 0.94% in 2022 from 1.04% in 2021. The decrease in net interest margin was primarily driven by lower spreads in certain lending portfolios within our Agribusiness and Rural Infrastructure operating segments and changes in asset mix including increased lending to affiliated Associations and agricultural export customers and higher levels of investment securities, all which have lower spreads commensurate with lower risk.

Net Interest Margin and Net Interest Income

Year ended (\$ in millions)	December 31, 2022			December 31, 2021		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 136,912	2.86%	\$ 3,909	\$ 123,339	1.97%	\$ 2,431
Investments	33,619	2.02%	680	32,695	1.34%	437
Federal funds sold and other overnight funds	7,055	2.25%	159	845	0.12%	1
Total	177,586	2.67%	4,748	156,879	1.83%	2,869
Interest bearing liabilities	165,772	1.73%	2,864	144,943	0.79%	1,143
Interest rate spread		0.94%			1.04%	
Impact of equity financing	10,999	0.12%		11,970	0.06%	
Net interest margin & net interest income		1.06%	\$ 1,884		1.10%	\$ 1,726

CREDIT QUALITY

Our overall loan quality measures remain strong at December 31, 2022. Special Mention loans and accrued interest improved to 2.03% of total loans and accrued interest at December 31, 2022 compared to 2.34% at December 31, 2021. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") and related accrued interest as a percent of total loans and accrued interest were 0.73% at December 31, 2022, compared to 0.72% at December 31, 2021.

Total nonaccrual loans increased to \$145.4 million at December 31, 2022 compared to \$122.6 million at December 31, 2021. The increase was due to a small number of agribusiness loans transferred to nonaccrual status partially offset by the charge-offs and sales of a limited number of Rural Infrastructure loans. As noted previously, our nonaccrual loans are typically composed of a relatively small number of customers, and as such, the balances can fluctuate period to period based on a small number of loans and leases. Nonaccrual loans as a percent of our total loan portfolio were 0.10% as of December 31, 2022 and December 31, 2021. Over the past 10 years, nonaccrual loans have averaged 0.18% of the total loan portfolio.

Loan Quality Ratios

	December 31, 2022			December 31, 2021		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.76%	96.70%	97.24%	97.67%	96.19%	96.94%
Special Mention	2.24%	1.81%	2.03%	2.33%	2.35%	2.34%
Substandard	-	1.49%	0.73%	-	1.46%	0.72%
Doubtful	-	-	-	-	-	-
Loss	-	-	-	-	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

BALANCE SHEET INFORMATION

(period-end)

	December 31, 2022		December 31, 2021	
	(Unaudited)			
(\$ in millions)				
Loans	\$	140,088	\$	128,529
Less: Allowance for loan losses		681		651
Net loans		139,407		127,878
Cash and cash equivalents		896		3,197
Federal funds sold and other overnight funds		12,401		5,500
Investment securities		33,097		31,842
Accrued interest receivable		749		379
Interest rate swaps and other derivatives		1,000		487
Other assets		1,293		1,023
Total assets	\$	188,843	\$	170,306
Bonds and notes	\$	174,623	\$	154,950
Accrued interest payable		843		285
Interest rate swaps and other derivatives		1,079		372
Reserve for unfunded commitments		143		106
Patronage payable		856		743
Other liabilities		1,074		1,616
Total liabilities		178,618		158,072
Shareholders' equity		10,225		12,234
Total liabilities and shareholders' equity	\$	188,843	\$	170,306

STATEMENT OF INCOME INFORMATION

	Three months ended December 31,		Year ended December 31,	
	2022	2021	2022	2021
	(Unaudited)	(Unaudited)	(Unaudited)	
(\$ in millions)				
Interest income	\$	1,720	\$	705
Interest expense		1,276		276
Net interest income		444		429
Provision for loan losses		36		13
Net interest income after provision for loan losses		408		416
Noninterest income		92		4
Operating expenses		170		136
Provision for income taxes		7		6
Net income	\$	323	\$	278
			\$	1,449
			\$	1,314

2022 EARNINGS WEBCAST AND CONFERENCE CALL

The bank will hold its annual year-end earnings conference call and webcast at 1:30 p.m. Mountain Time on Tuesday, February 28, 2023. The 60-minute call will feature a presentation of 2022 financial highlights and remarks from CoBank President and Chief 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/2022EarningsWebinar>.

CUSTOMER MEETINGS

CoBank will provide more information about its 2022 financial results at its annual series of regional customer meetings, which take place in February, March and April 2023. 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 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.

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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