

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
Net interest income	\$ 474	\$ 450	\$ 953	\$ 915
Provision for credit losses (credit loss reversal)	14	42	(23)	62
Noninterest income	150	100	251	208
Operating expenses	150	149	279	290
Provision for income taxes	42	27	92	63
Net income	418	332	856	708

BALANCE SHEET (period-end)	June 30, 2024	December 31, 2023
Total loans	\$ 150,349	\$ 148,015
Total assets	193,473	194,359
Shareholders' equity	11,913	11,193

PROFITABILITY METRICS	Six months ended June 30,	
	2024	2023
Net interest margin	1.01 %	0.99 %
Return on average common equity	16.64 %	14.86 %
Return on average assets	0.90 %	0.76 %
Operating expense ratio (excluding insurance fund premiums)	22.12 %	21.05 %

HIGHLIGHTS

- Average loan volume rose 6% in Q2 and 5% YTD with loans outstanding totaling \$150.3 billion at June 30, 2024
 - Growth in average loans was in our Farm Credit Banking and Rural Infrastructure operating segments, partially offset by a decline in lending in our Agribusiness operating segment
- Net income for Q2 was \$418 million compared to \$332 million in Q2 2023. Net income for the first six months was \$856 million compared to \$708 million in the prior year period
 - The 26% increase in Q2 net income resulted primarily from higher net interest income and noninterest income, as well as a lower provision for credit losses, partially offset by a higher provision for income taxes
 - The 21% increase in YTD net income resulted primarily from a credit loss reversal, higher net interest income and noninterest income and lower operating expenses, partially offset by a higher provision for income taxes
- Net interest income for Q2 increased 5% to \$474 million from \$450 million and YTD increased 4% to \$953 million from \$915 million
 - The increases in Q2 and YTD net interest income were primarily driven by higher loan volume in our Rural Infrastructure operating segment and an increase in income on earning assets funded by non-interest bearing sources (principally capital), partially offset by lower loan volume in our Agribusiness operating segment
- Net interest margin YTD increased to 1.01% in 2024, compared to 0.99% for the same period in 2023
- Provision for credit losses in Q2 was \$14 million compared to \$42 million in the prior year period. YTD was a credit loss reversal of \$23 million, compared to a \$62 million provision for credit losses in the prior year period
 - The lower levels of provisioning primarily reflect improvements in macroeconomic conditions and their impact on our credit loss modeling, as required under the Current Expected Credit Losses accounting standard implemented last year. These decreases were partially offset by deterioration in credit quality and higher specific reserves in our Agribusiness operating segment
- Noninterest income increased \$50 million in Q2 and \$43 million YTD compared to the same periods in 2023 largely due to a \$25 million return of excess insurance funds from the Farm Credit System Insurance Corporation and a higher level of transaction-related lending fees primarily in our Rural Infrastructure operating segment
- Operating expenses were relatively flat in Q2 and decreased \$11 million YTD compared to the same prior year periods primarily driven by a decrease in Farm Credit System Insurance Fund premium expense due to lower premium rates, partially offset by an increase in employee compensation
- Capital and liquidity levels remain strong and were in excess of regulatory minimums as of June 30, 2024
 - Total capital increased to \$11.9 billion primarily due to current period earnings and issuance of preferred stock
 - Total capital ratio was 14.17%, compared with the 8.0% minimum
 - 189 days of liquidity, compared with the 90-day minimum

OPERATING SEGMENTS

(\$ in millions)

Three months ended June 30,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2024	2023	2024	2023	2024	2023
Average loan volume	\$ 38,619	\$ 40,452	\$ 33,133	\$ 29,611	\$ 78,185	\$ 71,593
Net income	185	152	159	115	74	65

Six months ended June 30,	2024	2023	2024	2023	2024	2023
Average loan volume	\$ 39,268	\$ 42,760	\$ 32,994	\$ 29,303	\$ 77,612	\$ 71,208
Net income	397	344	313	230	146	134

Period-end loan volume June 30, 2024 and December 31, 2023	2024	2023	2024	2023	2024	2023
	\$ 38,113	\$ 37,785	\$ 33,023	\$ 32,572	\$ 79,213	\$ 77,658

MANAGEMENT COMMENTARY

"CoBank is pleased to report outstanding financial performance for the second quarter of 2024. We generated robust quarterly earnings with a 26 percent increase in net income driven by strong organic growth combined with favorable one-time items. Credit quality remained strong throughout the period, as did our capital and liquidity levels. The bank remains well-positioned to serve customers and continue fulfilling its mission of service to rural America."

– *Thomas Halverson, President and CEO, CoBank*

"During the second quarter of 2024, increased lending in our rural infrastructure and Farm Credit Banking businesses more than offset a decline in agribusiness average loan volume driven by lower commodity prices and other factors. CoBank continues to benefit from the diversification in our portfolio and the fact that we serve a wide variety of essential rural industries."

– *Sean Burke, CFO, CoBank*

NET INTEREST INCOME AND NET INTEREST MARGIN

Net interest income increased \$38 million, or 4%, to \$953 million for the six months ended June 30, 2024, compared to \$915 million for the same period in 2023. The increase in net interest income was primarily driven by higher loan volume in our Rural Infrastructure operating segment and an increase in income earned on earning assets funded by non-interest bearing sources (principally capital). Partially offsetting these increases was a decrease in net interest income in our Agribusiness operating segment driven by 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 ownership by these customers. In particular, ownership levels of wheat, corn, and soybeans by our cooperative customers have all decreased significantly compared to the prior period as farmers are holding more inventory than normal in anticipation of higher prices later this year. Net interest margin increased to 1.01 percent for the six months ended June 30, 2024 compared to 0.99 percent for the same period in 2023.

Net Interest Margin and Net Interest Income

Six months ended (\$ in millions)	June 30, 2024			June 30, 2023		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 149,874	5.45 %	\$ 4,082	\$ 143,271	4.86 %	\$ 3,453
Investments	36,649	3.89 %	713	33,984	3.42 %	577
Federal funds sold and other overnight funds	2,556	5.38 %	69	9,247	4.84 %	222
Total	189,079	5.15 %	4,864	186,502	4.60 %	4,252
Interest bearing liabilities	176,141	4.44 %	3,911	174,658	3.85 %	3,337
Interest rate spread		0.71 %			0.75 %	
Impact of equity financing	11,476	0.30 %		10,607	0.24 %	
Net interest margin & net interest income		1.01 %	\$ 953		0.99 %	\$ 915

CREDIT QUALITY

Notwithstanding some credit quality deterioration, our overall loan quality measures remain strong at June 30, 2024. Special Mention loans were 2.32 percent of total loans at June 30, 2024 compared to 2.34 percent of total loans at December 31, 2023. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") as a percent of total loans increased to 0.87 percent at June 30, 2024, compared to 0.74 percent at December 31, 2023 primarily due to a small number of agribusiness customers experiencing financial distress that were transferred to Substandard status. 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, continued elevated level of interest rates, weather related events, economic, trade and global economic 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

	June 30, 2024			December 31, 2023		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.68 %	95.83 %	96.81 %	97.80 %	95.94 %	96.92 %
Special Mention	2.32 %	2.33 %	2.32 %	2.20 %	2.51 %	2.34 %
Substandard	—	1.82 %	0.86 %	—	1.55 %	0.74 %
Doubtful	—	0.02 %	0.01 %	—	—	—
Loss	—	—	—	—	—	—
Total	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

BALANCE SHEET INFORMATION

(period-end)	June 30, 2024		December 31, 2023	
	(Unaudited)			
<i>(\$ in millions)</i>				
Loans	\$	150,349	\$	148,015
Less: Allowance for loan losses		684		730
Net loans		149,665		147,285
Cash and cash equivalents		285		1,013
Federal funds sold and other overnight funds		1,902		4,615
Investment securities (net of allowance of \$2 at June 30, 2024 and \$3 at December 31, 2023)		38,661		38,343
Interest rate swaps and other derivatives		709		812
Accrued interest receivable and other assets		2,251		2,291
Total assets	\$	193,473	\$	194,359
Bonds and notes	\$	177,534	\$	178,821
Interest rate swaps and other derivatives		849		833
Reserve for unfunded commitments		71		84
Patronage payable		390		831
Accrued interest payable and other liabilities		2,716		2,597
Total liabilities		181,560		183,166
Shareholders' equity		11,913		11,193
Total liabilities and shareholders' equity	\$	193,473	\$	194,359

STATEMENT OF INCOME INFORMATION

(period-end)	Three Months Ended June 30,		Six months ended June 30,	
	2024	2023	2024	2023
	(Unaudited)		(Unaudited)	
<i>(\$ in millions)</i>				
Interest income	\$	2,450	\$	2,219
Interest expense		1,976		1,769
Net interest income		474		450
Provision for credit losses (credit loss reversal)		14		42
Net interest income after provision for credit losses (credit loss reversal)		460		408
Noninterest income		150		100
Operating expenses		150		149
Provision for income taxes		42		27
Net income	\$	418	\$	332
			\$	856
			\$	708

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 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.

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

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