

# FIRST QUARTER FINANCIAL RESULTS | 2024



## KEY FINANCIAL DATA

(\$ in millions)		Three months ended March 31,	
		2024	2023
INCOME STATEMENT			
Net interest income	\$	479	\$ 465
(Credit loss reversal) provision for credit losses		(37)	20
Noninterest income		101	108
Operating expenses		129	141
Provision for income taxes		50	36
Net income		438	376
BALANCE SHEET (period-end)		March 31, 2024	December 31, 2023
Total loans	\$	149,809	\$ 148,015
Total assets		190,467	194,359
Shareholders' equity		11,324	11,193
PROFITABILITY METRICS			
Three months ended March 31,			
		2024	2023
Net interest margin		1.02 %	1.02 %
Return on average common equity		17.30 %	16.01 %
Return on average assets		0.92 %	0.81 %
Operating expense ratio (excluding insurance fund premiums)		20.41 %	19.70 %

## HIGHLIGHTS

- Average loan volume in Q1 increased 3% in 2024 to \$149.8 billion, up from \$144.9 billion in the same period in 2023
  - Growth in average loans was primarily in our Farm Credit Banking and Rural Infrastructure operating segments, partially offset by a decline in lending in our Agribusiness operating segment
- Net income in Q1 increased 16% in 2024 to \$438 million compared to \$376 million in 2023, primarily from a credit loss reversal, higher net interest income and lower operating expenses, partially offset by lower noninterest income and higher income taxes
- Net interest income in Q1 increased 3% to \$479 million from \$465 million in 2023
  - The increase was primarily driven by higher earnings generated from balance sheet positioning strategies
- Net interest margin was flat at 1.02% in Q1 2024 and 2023
- The Bank recorded a credit loss reversal of \$37 million in Q1 2024, compared to a provision for credit losses of \$20 million for the same period in 2023
  - The credit loss reversal in Q1 2024 primarily reflected improved macroeconomic forecasts and their impact on our credit loss modeling, as required under the Current Expected Credit Losses (CECL) accounting standard implemented last year. As discussed in previous reports, we expect our credit loss provisioning to be more volatile as a result of this accounting change, with a commensurate impact on earnings
  - The provision for credit losses in Q1 2023 related to increased lending activity and to a lesser extent higher specific reserves related to a small set of customers
- Noninterest income decreased \$7 million in 2024 largely due to lower net fee income and a decrease in other noninterest income, partially offset by higher patronage income
- Operating expenses decreased \$12 million in Q1 primarily driven by a decrease in Farm Credit 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 March 31, 2024
  - Total capital increased to \$11.3 billion primarily due to current period earnings somewhat offset by accrued patronage, stock retirements and unrealized losses on investment securities resulting from higher interest rates. The unrealized losses had no impact on current period earnings or regulatory capital ratios
  - Total capital ratio was 13.58%, compared with the 8.0% minimum
  - 178 days of liquidity, compared with the 90-day minimum

## OPERATING SEGMENTS

(\$ in millions)		Agribusiness		Rural Infrastructure		Farm Credit Banking	
Three months ended March 31,		2024	2023	2024	2023	2024	2023
Average loan volume	\$	39,919	\$ 45,094	\$ 32,853	\$ 28,991	\$ 77,039	\$ 70,818
Net income		213	192	153	115	72	69
Period-end loan volume March 31, 2024 and December 31, 2023	\$	39,198	\$ 37,785	\$ 33,472	\$ 32,572	\$ 77,139	\$ 77,658

## MANAGEMENT COMMENTARY

"The bank's earnings benefited during the period from a number of external factors, including a reduction in insurance fund premium expense and an improvement in the external macroeconomic forecasts used in the calculation of our allowance for credit losses resulting in a credit loss reversal. At the same time, our fundamental business performance measures were also strong, with growth in loan volume, increased net interest income and continuing solid credit quality."

– Thomas Halverson, President and CEO, CoBank

"Loan quality remained strong during the period. At quarter end, over 96 percent of loans in our commercial portfolio were rated as acceptable, the highest category of loan quality."

– David Burlage, CFO, CoBank

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## NET INTEREST INCOME AND NET INTEREST MARGIN

Net interest income increased \$14 million, or 3%, to \$479 million for the three months ended March 31, 2024, compared to \$465 million for the same period in 2023. The increase in net interest income was primarily driven by higher earnings generated from balance sheet positioning strategies which favorably impacted our Agribusiness and Rural Infrastructure operating segments. In addition, higher loan volume in our Rural Infrastructure operating segment also contributed to increased net interest income. 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 and storage patterns 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 was flat at 1.02% for the three months ended March 31, 2024 and 2023.

### Net Interest Margin and Net Interest Income

(\$ in millions)	Three Months Ended		March 31, 2024		March 31, 2023	
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
<b>Interest earning assets</b>						
Loans	\$ 149,811	5.43 %	\$ 2,035	\$ 144,903	4.72 %	\$ 1,685
Investments	35,983	3.85 %	346	33,422	3.29 %	271
Federal funds sold and other overnight funds	2,448	5.38 %	33	6,902	4.52 %	77
Total	188,242	5.13 %	2,414	185,227	4.45 %	2,033
<b>Interest bearing liabilities</b>	175,302	4.42 %	1,935	173,253	3.67 %	1,568
<b>Interest rate spread</b>		0.72 %			0.78 %	
Impact of equity financing	11,265	0.30 %		10,574	0.24 %	
<b>Net interest margin &amp; net interest income</b>		1.02 %	\$ 479		1.02 %	\$ 465

Our overall loan quality measures remain strong at March 31, 2024. Special Mention loans decreased to 2.26 percent of total loans at March 31, 2024, compared to 2.34 percent at December 31, 2023 due to an improvement in credit quality within certain sectors in our Rural Infrastructure operating segment. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") as a percentage of total loans were 0.78 percent at March 31, 2024, compared to 0.74 percent at December 31, 2023. 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.

## CREDIT QUALITY

### Loan Quality Ratios

	March 31, 2024			December 31, 2023		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.78 %	96.09 %	96.96 %	97.80 %	95.94 %	96.92 %
Special Mention	2.22 %	2.32 %	2.26 %	2.20 %	2.51 %	2.34 %
Substandard	—	1.59 %	0.78 %	—	1.55 %	0.74 %
Doubtful	—	—	—	—	—	—
Loss	—	—	—	—	—	—
<b>Total</b>	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %	100.00 %

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## BALANCE SHEET INFORMATION

(period-end)		March 31, 2024	December 31, 2023
(Unaudited)			
(\$ in millions)			
Loans	\$ 149,809	\$ 148,015	
Less: Allowance for loan losses	674	730	
Net loans	149,135	147,285	
Cash and cash equivalents	183	1,013	
Federal funds sold and other overnight funds	1,749	4,615	
Investment securities (net of allowance of \$3 million at March 31, 2024 and December 31, 2023)	36,371	38,343	
Interest rate swaps and other derivatives	711	812	
Accrued interest receivable and other assets	2,318	2,291	
Total assets	\$ 190,467	\$ 194,359	
 Bonds and notes			
Interest rate swaps and other derivatives	\$ 175,772	\$ 178,821	
Reserve for unfunded commitments	869	833	
Patronage payable	72	84	
Accrued interest payable and other liabilities	196	831	
Total liabilities	2,234	2,597	
 Shareholders' equity			
Total liabilities and shareholders' equity	\$ 179,143	183,166	
	11,324	11,193	
	\$ 190,467	\$ 194,359	

## STATEMENT OF INCOME INFORMATION

	Three months ended March 31, 2024	Three Months Ended March 31, 2023
(\$ in millions)	(Unaudited)	(Unaudited)
Interest income	\$ 2,414	\$ 2,033
Interest expense	1,935	1,568
Net interest income	479	465
(Credit loss reversal) provision for credit losses	(37)	20
Net interest income after (credit loss reversal) provision for credit losses	516	445
Noninterest income	101	108
Operating expenses	129	141
Provision for income taxes	50	36
Net income	\$ 438	\$ 376

## 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](http://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](http://www.cobank.com).

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