CoBank Quarterly District Financial Information March 31, 2023

Introduction and District Overview

CoBank, ACB (CoBank, the Bank, we, our, or us) is one of the four banks in the Farm Credit System (System) and provides loans, leases and other financial services to support agriculture, rural infrastructure and rural communities across the United States. The System is a federally chartered network of borrower-owned lending institutions composed of cooperatives and related service organizations. The System was established in 1916 by the U.S. Congress, and is a Government Sponsored Enterprise. CoBank is federally chartered under the Farm Credit Act of 1971, as amended (the Farm Credit Act), and is subject to supervision, examination, and safety and soundness regulation by an independent federal agency, the Farm Credit Administration (FCA).

We are cooperatively owned by our eligible U.S. customers. Our customers consist of agricultural cooperatives; other food and agribusiness companies; rural power, communications and water cooperatives and companies; rural community facilities; Agricultural Credit Associations (Associations), which are regulated, farmer-owned financial institutions and members of the System; and other businesses that serve agriculture and rural communities. The Associations originate and service long-term real estate mortgage loans as well as production and intermediate-term loans for agricultural and other purposes to full and part-time farmers. Associations may also make loans to, among others, processing and marketing entities, farm-related businesses, and rural residents for home purchase and improvements. The Associations may also purchase eligible loan participations from System entities and other lending institutions. Additionally, the Associations may serve as an intermediary in offering multi-peril crop insurance and credit life insurance, and providing additional financial services to borrowers.

We are chartered by the FCA to serve the Associations that provide credit and related financial services to or for the benefit of eligible borrowers/shareholders for qualified purposes in specific geographic areas in the United States. We collectively refer to these entities as our affiliated Associations. The Associations are not authorized by the Farm Credit Act to participate directly in the issuance of Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities). Therefore, we are the primary funding source for our affiliated Associations. As of March 31, 2023, we have 17 affiliated Associations serving customers in 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

Our affiliated Associations are considered customers and thus operate independently and maintain an arms-length relationship with us, except to the extent that the Farm Credit Act requires us, as the funding bank, to monitor and approve certain activities of these Associations. As authorized by the FCA, the financial information of affiliated Associations is not included in the condensed consolidated quarterly financial statements presented in CoBank's March 31, 2023 Quarterly Report to Shareholders. However, the FCA authorizes CoBank to present combined Bank and Association quarterly financial information in a separate report. CoBank does not have the corporate or direct regulatory authority to compel its affiliated Associations to disclose information or to establish and maintain their disclosure controls and procedures or internal controls over financial reporting. Accordingly, CoBank's preparation of this District Report and the establishment of adequate controls relating to this District Report are dependent on our affiliated Associations themselves satisfying their regulatory obligations and complying with agreed upon disclosure policies and procedures. Failure by an affiliated Association to provide accurate or timely information for District financial reporting or to have adequate disclosure controls or procedures or internal controls over financial reporting, as required by regulation or as agreed to under the disclosure policies and procedures, could jeopardize the accuracy of certain information in this District Report or CoBank's ability to timely issue this District Report.

The Financial Highlights, Discussion and Analysis, and the Condensed Combined Balance Sheets and Statements of Income included on the following pages present unaudited combined financial information and related analysis of CoBank and its affiliated Associations, which are collectively referred to as the "District." As part of the combining process, all significant transactions between CoBank and the Associations, including loans made by the Bank to the affiliated Associations and the interest income/interest expense related thereto, and investments of the affiliated Associations in the Bank and the earnings related thereto, have been eliminated.

Financial Highlights

($ in Millions) (Unaudited)

	March 31, 2023	December 31, 2022
Total Loans	**$ 155,387**	$ 152,605
Less: Allowance for Loan Losses	**957**	988
Net Loans	**154,430**	151,617
Total Assets	**206,531**	203,936
Total Shareholders' Equity	**23,271**	22,631

For the Three Months Ended March 31,	2023	2022
Net Interest Income	**$ 1,061**	$ 999
Provision for Credit Losses	**94**	44
Net Fee Income	**67**	42
Net Income	**687**	676
Net Interest Margin	**2.13 %**	2.15 %
Net Charge-offs (Recoveries) / Average Loans	**0.03**	(0.00) [1]
Return on Average Assets	**1.36**	1.42
Return on Average Total Shareholders' Equity	**11.92**	11.37
Operating Expense / Net Interest Income and Noninterest Income	**32.67**	32.11
Average Loans	**$ 157,089**	$ 150,480
Average Earning Assets	**198,850**	185,951
Average Assets	**202,558**	190,075

[1] Represents less than 0.01 percent

Discussion and Analysis of District Results of Operations and Financial Condition

District average loan volume increased 4 percent to $157.1 billion in the first three months of 2023, compared to $150.5 billion for the same period of 2022. The increase in average loan volume primarily reflected growth in rural power, agricultural export finance, production and intermediate-term and communications loans. These increases were partially offset by a decrease in agribusiness loans.

Average investment securities, federal funds sold and other overnight funds increased 18 percent to $41.8 billion during the first three months of 2023 compared to $35.5 billion in the same prior-year period. The increase in average investments, federal funds sold and other overnight funds was primarily at CoBank and was to enhance its liquidity reserve in response to market volatility and other unfavorable conditions in the banking sector and to take advantage of favorable investment spread opportunities in the marketplace.

District net income increased $11 million to $687 million for the three-month period ended March 31, 2023, compared to $676 million for the same period of 2022. The increase in earnings primarily resulted from an increase in net interest income and noninterest income, partially offset by a higher provision for credit losses and an increase in operating expenses.

District net interest income increased 6 percent to $1.1 billion for the first three months of 2023 from $1.0 billion for the same period in 2022. The increase in net interest income was largely driven by growth in average loan volume across the District partially offset by lower earnings on balance sheet positioning at the Bank. The District's overall net interest margin was 2.13 percent for the three months ended March 31, 2023, compared to 2.15 percent for the same period in 2022 reflecting changes in asset mix and spread compression in the current period.

The District recorded a provision for credit losses of $94 million in the three-month period ended March 31, 2023, compared to $44 million for the same period of 2022. CoBank recorded a provision for credit losses of $20 million in the first three months of 2023 compared to $46 million during the 2022 period. The 2023 provision at CoBank primarily relates to increased rural infrastructure lending activity and to a lesser extent higher specific reserves for a small number of rural infrastructure and agribusiness customers as well as charge-offs for a small number of agribusiness customers. The 2022 provision at CoBank primarily related to increased agribusiness lending activity somewhat offset by a credit loss reversal for rural infrastructure loans resulting from an improvement in credit quality. The Associations recorded a net combined provision for credit losses of $74 million in the first three months of 2023, compared to a credit loss reversal of $2 million in the same period of 2022. The net combined 2023 provision for credit losses at the Associations was primarily due to an increased provision for two Associations that merged in 2023 and higher specific reserves at several Associations. The net combined 2022 credit loss reversal at the Associations was primarily due to reversals at several Associations, including an Association that changed its loan loss methodology, partially offset by provisions for credit losses due to higher Association lending activity. CoBank and the Associations in the District adopted the Current Expected Credit Losses (CECL) accounting standard on January 1, 2023.

District noninterest income increased $45 million to $154 million in the first three months of 2023 from $109 million for the same period in 2022. Noninterest income is primarily composed of fee income, patronage income, loan prepayment income, losses on early extinguishments of debt and gains and losses on derivatives. Gains on interest rate swaps and other derivatives increased $32 million in the first three months of 2023 compared to 2022 resulting from the impact of market interest rate changes in the 2023 period on derivatives not designated as hedging instruments. Net fee income increased $25 million in the 2023 period primarily due to a higher level of transaction-related lending fees at CoBank. Prepayment income, net of losses on early extinguishments of debt, totaled income of $1 million in the three-month period ended March 31, 2023 compared to $6 million in the 2022 period. Losses on early extinguishments of debt are generally incurred to offset the current and prospective impact of prepayments of loans and investments.

District operating expenses increased $42 million to $397 million in the first three months of 2023 from $355 million for the same period of 2022. The higher level of operating expenses was primarily driven by increases in Farm Credit Insurance Fund (Insurance Fund) premium, employee compensation, information services, general and administrative and other expenses. Insurance Fund premium expense increased $11 million in the first three months of 2023 compared to the 2022 period due to higher insured debt obligations and an increase in the Insurance Fund premium rate. Insurance Fund premium rates were 18 basis points of adjusted insured debt obligations in the first three months of 2023 compared to 16 basis points in the same period of 2022. Employee compensation expense increased $11 million in the first three months of 2023. The increase in employee compensation expense was driven by an increase in number of employees, as well as, merit and other pay increases. Other operating expenses increased $10 million in the first three months of 2023 compared to the 2022 period due to increases in travel and customer meeting expenses resulting from reductions in COVID-19 restrictions. Information services expense increased $8 million in the first three months of 2023 compared to the same period of 2022 due to greater software subscription, maintenance and amortization expenditures at the Bank and certain Associations to enhance and maintain service offerings and technology platforms. General and administrative expenses increased $7 million in 2023 driven by higher public and member relations expenses, temporary labor expenses and other administrative costs.

District income tax expense increased $4 million to $37 million in the three-month period ended March 31, 2023, compared to $33 million in the same period of 2022 due to an increase in earnings attributable to taxable business activities. The income tax expense at the District predominantly relates to CoBank, as a substantial majority of the business activities at Associations are exempt from federal income tax.

Loan Portfolio

The following table presents the District's outstanding loans classified in accordance with the FCA's loan types.

($ in Millions)

District Loans by Loan Type

	March 31, 2023	December 31, 2022
Real Estate Mortgage	**$ 45,621**	$ 46,475
Nonaffiliated Associations	**5,719**	5,654
Production and Intermediate-term	**20,566**	21,907
Agribusiness:		
Loans to Cooperatives	**19,115**	16,405
Processing and Marketing	**14,685**	13,327
Farm Related Businesses	**2,533**	2,667
Communications	**7,096**	6,920
Rural Power	**23,362**	22,370
Water and Waste	**3,171**	2,966
Agricultural Export Finance	**8,930**	9,243
Rural Residential Real Estate	**387**	408
Lease Receivables	**4,086**	4,149
Other	**116**	114
Total	**$ 155,387**	$ 152,605

Overall District loan volume increased $2.8 billion to $155.4 billion at March 31, 2023, as compared to loan volume of $152.6 billion as of December 31, 2022. The increase was driven primarily by increases in agribusiness and rural power loans partially offset by a decrease in production and intermediate-term and real estate mortgage loans. The increase in agribusiness loans resulted from growth in lending to large food and agribusiness customers and increased seasonal financing requirements at many of the Bank's grain and farm supply cooperatives during 2023.

Portfolio Diversification

Loan concentrations exist when there are amounts loaned to multiple borrowers engaged in similar activities, or within close proximity, which could cause them to be similarly impacted by economic or other conditions. Credit risk in the District's loan portfolio is spread broadly among customers, industries and geographic territory. The District serves a diversified spectrum of borrowers up and down the agricultural value chain. Association retail loans in the District loan portfolio are concentrated in the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

CoBank's retail loan portfolio extends across the United States, with moderate levels of concentration in the Midwest region of the country and in the farm supply, grain and marketing, dairy and electric distribution sectors.

The following tables present the District's combined loan portfolio by primary business/commodity and geographic distribution, as a percent of total loans for the periods presented.

Distribution by Primary Business / Commodity

	March 31, 2023	December 31, 2022
Fruits, Nuts and Vegetables	**16 %**	16 %
Farm Supply, Grain and Marketing	**12**	11
Dairy	**8**	9
Electric Distribution	**6**	6
Cattle	**6**	6
Agricultural Export Finance	**5**	6
Forest Products	**5**	5
Farm Related Business Services	**5**	5
Field Crops Except Grains	**4**	4
Livestock, Fish and Poultry	**5**	4
Nonaffiliated Associations	**4**	4
Regulated Utilities	**4**	4
Generation and Transmission	**3**	3
Leasing	**2**	3
Rural Home	**2**	2
Other	**13**	12
Total	**100 %**	100 %

Geographic Distribution

	March 31, 2023	December 31, 2022
California	**22 %**	24 %
Texas	**7**	6
Kansas	**5**	6
New York	**5**	5
Washington	**4**	4
Colorado	**4**	4
Idaho	**3**	3
Oklahoma	**3**	3
Illinois	**3**	3
Iowa	**2**	2
Oregon	**2**	2
Minnesota	**2**	2
Ohio	**2**	2
Florida	**2**	2
Pennsylvania	**2**	2
Nebraska	**2**	1
Georgia	**2**	1
Other (less than 2 percent each for the current year)	**23**	22
Total States	**95 %**	94 %
Latin America	**2**	3
Asia	**2**	2
Europe, Middle East and Africa	**1**	1
Total International	**5 %**	6 %
Total	**100 %**	100 %

Loan Quality

One credit quality indicator utilized by the Bank and Associations is the FCA Uniform Loan Classification System that categorizes loans into five categories. The categories are defined as follows:

- Acceptable – assets are expected to be fully collectible and represent the highest quality,
- Special Mention – assets are currently collectible but exhibit some potential weakness,
- Substandard – assets exhibit some serious weakness in repayment capacity, equity, and/or collateral pledged on the loan,
- Doubtful – assets exhibit similar weaknesses to substandard assets; however, doubtful assets have additional weaknesses in existing factors, conditions and values that make collection in full highly questionable, and
- Loss – assets are considered uncollectible.

The following table presents loans, classified by management at the various District entities pursuant to the FCA's Uniform Loan Classification System, as a percent of total loans.

District Loan Quality

	March 31, 2023		December 31, 2022[1]	
Acceptable	**95.96**	**%**	96.17	%
Special Mention	**2.11**		2.04	
Substandard	**1.91**		1.78	
Doubtful	**0.02**		0.01	
Loss	**-**		-	
Total	**100.00**	**%**	100.00	%

(1) Prior to the adoption of CECL on January 1, 2023, loan quality ratios included accrued interest.

Our overall loan quality within the District remains strong at March 31, 2023 although there was some slight credit deterioration in the first quarter. Acceptable loans were 95.96 percent of total loans at March 31, 2023, compared to 96.17 percent at December 31, 2022. Special Mention loans increased to 2.11 percent of total loans at March 31, 2023, compared to 2.04 percent at December 31, 2022. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") as a percent of total loans increased to 1.93 percent at March 31, 2023, compared to 1.79 percent at December 31, 2022.

The following table presents the District's loans, classified by management pursuant to our regulator's Uniform Loan Classification System. As required under CECL, loan vintage information, including term loans, revolving loans and revolving loans converted to term loans, is also presented within the credit quality information for the March 31, 2023 period only.

Vintage by Credit Quality Indicator

As of March 31, 2023

($ in Millions)	Term Loans by Origination Year 2023	2022	2021	2020	2019	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total Loans
Real Estate Mortgage										
Acceptable	$ 986	$ 6,511	$ 7,808	$ 6,588	$ 3,893	$ 14,907	$ 40,693	$ 2,383	$ 292	$ 43,368
Special Mention	21	103	167	225	127	452	1,095	93	5	1,193
Substandard	13	57	97	111	190	525	993	39	26	1,058
Doubtful	-	-	-	-	-	2	2	-	-	2
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 1,020	$ 6,671	$ 8,072	$ 6,924	$ 4,210	$ 15,886	$ 42,783	$ 2,515	$ 323	$ 45,621
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Nonaffiliated Associations										
Acceptable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,719	$ -	$ 5,719
Special Mention	-	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 5,719	$ -	$ 5,719
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Production and Intermediate-Term										
Acceptable	$ 682	$ 2,881	$ 1,487	$ 1,249	$ 835	$ 1,883	$ 9,017	$ 10,124	$ 67	$ 19,208
Special Mention	19	99	38	24	84	28	292	352	9	653
Substandard	27	68	66	75	88	73	397	264	30	691
Doubtful	-	4	1	2	-	2	9	-	5	14
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 728	$ 3,052	$ 1,592	$ 1,350	$ 1,007	$ 1,986	$ 9,715	$ 10,740	$ 111	$ 20,566
Gross Charge-offs(1)	$ -	$ 6	$ -	$ -	$ 4	$ -	$ 10	$ -	$ -	$ 10
Agribusiness										
Acceptable	$ 1,070	$ 4,755	$ 3,807	$ 2,310	$ 1,757	$ 3,862	$ 17,561	$ 16,521	$ 152	$ 34,234
Special Mention	9	126	99	86	73	162	555	480	6	1,041
Substandard	61	16	90	133	16	148	464	582	5	1,051
Doubtful	-	-	-	-	-	1	1	3	3	7
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 1,140	$ 4,897	$ 3,996	$ 2,529	$ 1,846	$ 4,173	$ 18,581	$ 17,586	$ 166	$ 36,333
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1	$ -	$ 1
Communications										
Acceptable	$ 266	$ 1,660	$ 1,221	$ 1,259	$ 613	$ 1,255	$ 6,274	$ 655	$ -	$ 6,929
Special Mention	-	20	105	13	12	4	154	13	-	167
Substandard	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 266	$ 1,680	$ 1,326	$ 1,272	$ 625	$ 1,259	$ 6,428	$ 668	$ -	$ 7,096
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ 1	$ 1	$ -	$ -	$ 1
Rural Power										
Acceptable	$ 1,024	$ 4,008	$ 2,628	$ 2,800	$ 1,641	$ 9,107	$ 21,208	$ 1,927	$ 30	$ 23,165
Special Mention	-	19	-	-	-	90	109	-	-	109
Substandard	-	17	-	-	17	49	83	3	-	86
Doubtful	-	-	-	-	2	-	2	-	-	2
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 1,024	$ 4,044	$ 2,628	$ 2,800	$ 1,660	$ 9,246	$ 21,402	$ 1,930	$ 30	$ 23,362
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Water and Waste										
Acceptable	$ 65	$ 868	$ 385	$ 383	$ 268	$ 894	$ 2,863	$ 307	$ -	$ 3,170
Special Mention	-	-	-	-	-	1	1	-	-	1
Substandard	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 65	$ 868	$ 385	$ 383	$ 268	$ 895	$ 2,864	$ 307	$ -	$ 3,171
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

(1) As of and for the three months ended March 31, 2023.

Vintage by Credit Quality Indicator (Continued)

As of March 31, 2023

($ in Millions)	Term Loans by Origination Year 2023	2022	2021	2020	2019	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term	Total Loans
Agricultural Export Finance										
Acceptable	$ -	$ 240	$ 112	$ -	$ 17	$ 130	$ 499	$ 8,406	$ 16	$ 8,921
Special Mention	-	-	-	-	-	9	9	-	-	9
Substandard	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ 240	$ 112	$ -	$ 17	$ 139	$ 508	$ 8,406	$ 16	$ 8,930
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rural Residential Real Estate										
Acceptable	$ 3	$ 30	$ 33	$ 25	$ 15	$ 273	$ 379	$ -	$ -	$ 379
Special Mention	-	-	-	-	-	3	3	-	-	3
Substandard	-	-	-	-	-	5	5	-	-	5
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 3	$ 30	$ 33	$ 25	$ 15	$ 281	$ 387	$ -	$ -	$ 387
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lease Receivables										
Acceptable	$ 344	$ 1,028	$ 694	$ 637	$ 414	$ 789	$ 3,906	$ -	$ -	$ 3,906
Special Mention	2	22	9	38	20	12	103	-	-	103
Substandard	5	6	12	11	10	33	77	-	-	77
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 351	$ 1,056	$ 715	$ 686	$ 444	$ 834	$ 4,086	$ -	$ -	$ 4,086
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ 1	$ 1	$ -	$ -	$ 1
Other										
Acceptable	$ -	$ 2	$ 1	$ 1	$ 1	$ 13	$ 18	$ 96		$ 114
Special Mention	-	-	-	-	-	1	1	-	-	1
Substandard	-	-	-	-	-	1	1	-	-	1
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ 2	$ 1	$ 1	$ 1	$ 15	$ 20	$ 96	$ -	$ 116
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Total Loans of CoBank District										
Acceptable	$ 4,440	$ 21,983	$ 18,176	$ 15,252	$ 9,454	$ 33,113	$ 102,418	$ 46,138	$ 557	$ 149,113
Special Mention	51	389	418	386	316	762	2,322	938	20	3,280
Substandard	106	164	265	330	321	834	2,020	888	61	2,969
Doubtful	-	4	1	2	2	5	14	3	8	25
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 4,597	$ 22,540	$ 18,860	$ 15,970	$ 10,093	$ 34,714	$ 106,774	$ 47,967	$ 646	$ 155,387
Gross Charge-offs(1)	$ -	$ 6	$ -	$ -	$ 4	$ 2	$ 12	$ 1	$ -	$ 13

(1) As of and for the three months ended March 31, 2023.

While overall credit quality of the District loan portfolio remains strong, credit quality deterioration in the future is possible due to market factors impacting District customers, including an ongoing volatile agricultural commodity price environment, supply chain disruptions, labor shortages, inflation, higher interest rates, weather related events, trade uncertainty, global economic uncertainty and the Russia/Ukraine war.

Nonperforming assets (which consist of nonaccrual loans, accruing restructured loans, accruing loans 90 days or more past due and other property owned) totaled $750 million as of March 31, 2023, compared to $594 million at December 31, 2022. District nonaccrual loans increased $82 million during the first three months of 2023. Nonaccrual loans at CoBank increased $22 million due to a small number of agribusiness loans and rural power loans transferred to nonaccrual status. Nonaccrual loans at Associations increased $60 million primarily due to a small number of agribusiness and production and intermediate-term loans transferred to nonaccrual status. Accruing restructured loans, which previously included troubled debt restructurings, are no longer required to be accounted and reported for after the adoption of CECL on January 1, 2023. Total accruing loans 90 days or more past due increased by $97 million during the first three months of 2023 primarily driven by several large production and intermediate-term and real estate mortgage loans. Other property owned decreased to $14 million at March 31, 2023 from $16 million at December 31, 2022 largely due to sales of acquired property at several Associations. Nonperforming assets represented 0.48 percent and 0.38 percent of total District loan volume and other property owned at March 31, 2023 and December 31, 2022, respectively. Nonaccrual loan volume, the largest component of nonperforming assets, represented 0.40 percent of total loans at March 31, 2023 compared to 0.35 percent at December 31, 2022.

The following table displays the District's nonperforming assets for the periods presented.

($ in Millions)

Nonaccrual Loans and Other Nonperforming Assets

	March 31, 2023	December 31, 2022[1]
Nonaccrual Loans:		
Real Estate Mortgage	**$ 188**	$ 183
Production and Intermediate-term	**184**	150
Agribusiness	**201**	178
Rural Power	**31**	11
Rural Residential Real Estate	**2**	1
Lease Receivables	**14**	15
Total Nonaccrual Loans	**620**	538
Accruing Restructured Loans:		
Real Estate Mortgage	**-**	11
Production and Intermediate-term	**-**	1
Agribusiness	**-**	8
Rural Residential Real Estate	**-**	1
Total Accruing Restructured Loans	**-**	21
Accruing Loans 90 Days or More Past Due:		
Real Estate Mortgage	**52**	3
Production and Intermediate-term	**44**	1
Agribusiness	**3**	-
Lease Receivables	**17**	15
Total Accruing Loans 90 Days or More Past Due	**116**	19
Total Nonperforming Loans	**736**	578
Other Property Owned	**14**	16
Total Nonperforming Assets	**$ 750**	$ 594
Nonaccrual Loans as a Percentage of Total Loans	**0.40 %**	0.35 %
Nonperforming Assets as a Percentage of Total Loans and Other Property Owned	**0.48**	0.38
Nonperforming Assets as a Percentage of Capital	**3.22**	2.62

(1) Prior to the adoption of CECL on January 1, 2023, nonperforming assets included accruing restructured loans and accrued interest.

The following tables present an aging of past due loans in the District for the periods presented.

($ in Millions)

Aging of Past Due Loans

March 31, 2023	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans	Recorded Investment >90 Days and Accruing
Real Estate Mortgage	$ 135	$ 107	$ 242	$ 45,379	$ 45,621	$ 52
Nonaffiliated Associations	-	-	-	5,719	5,719	-
Production and Intermediate-term	140	114	254	20,312	20,566	44
Agribusiness	38	30	68	36,265	36,333	3
Communications	-	-	-	7,096	7,096	-
Rural Power	-	-	-	23,362	23,362	-
Water and Waste	-	-	-	3,171	3,171	-
Agricultural Export Finance	-	-	-	8,930	8,930	-
Rural Residential Real Estate	1	1	2	385	387	-
Lease Receivables	51	23	74	4,012	4,086	17
Other	-	-	-	116	116	-
Total	$ 365	$ 275	$ 640	$ 154,747	$ 155,387	$ 116

December 31, 2022[(1)]	30-90 Days Past Due	90 Days or More Past Due	Total Past Due	Not Past Due or Less Than 30 Days Past Due	Total Loans and Accrued Interest	Recorded Investment >90 Days and Accruing
Real Estate Mortgage	$ 72	$ 46	$ 117	$ 46,961	$ 47,078	$ 3
Nonaffiliated Associations	-	-	-	5,678	5,678	-
Production and Intermediate-term	52	64	116	21,976	22,092	1
Agribusiness	41	39	79	32,493	32,572	-
Communications	-	-	-	6,936	6,936	-
Rural Power	47	-	47	22,432	22,479	-
Water and Waste	-	-	-	2,979	2,979	-
Agricultural Export Finance	-	-	-	9,292	9,292	-
Rural Residential Real Estate	2	-	3	406	409	-
Lease Receivables	52	20	73	4,077	4,150	15
Other	-	-	-	115	115	-
Total	$ 266	$ 169	$ 435	$ 153,345	$ 153,780	$ 19

(1) Prior to the adoption of CECL on January 1, 2023, aging of past due loans included accrued interest.

District entities maintain an allowance for credit losses at a level consistent with expected credit losses identified by management of each institution, considering such factors as current and reasonable and supportable forecasts of agricultural and economic conditions, credit loss experience, portfolio quality, and loan portfolio composition and concentrations. CoBank and certain Associations also maintain a reserve for unfunded commitments, which totaled $113 million at March 31, 2023.

Although aggregated in the District's condensed combined financial statements, the allowance for loan losses for each District entity is particular to that institution and is not available to absorb losses realized by other District entities. The allowance for loan losses at March 31, 2023 totaled $957 million compared to $988 million at December 31, 2022. Changes in the allowance during the first three months of 2023 included an overall provision for loan losses of $94 million, which is described on page 3, a $50 million decrease due to the adoption of the CECL accounting standard, loan charge-offs of $13 million, loan recoveries of $2 million and a $59 million decrease from the merger of two Associations.

The following table presents detailed changes in the allowance for loan losses in the District for the periods presented.

($ in Millions)

Changes in Allowance for Loan Losses

	Real Estate Mortgage	Non-affiliated Associations	Production and Intermediate-term	Agri-business	Communi-cations	Rural Power	Water and Waste	Agricultural Export Finance	Rural Residential Real Estate	Lease Receivables and Other	Total
March 31, 2023											
Allowance for Loan Losses											
Beginning Balance	**$ 127**	**$ -**	**$ 197**	**$ 411**	**$ 52**	**$ 108**	**$ 14**	**$ 30**	**$ 1**	**$ 48**	**$ 988**
Change in accounting principle[1]	**(10)**	**-**	**(68)**	**(39)**	**39**	**15**	**10**	**8**	**1**	**(6)**	**(50)**
Charge-offs	**-**	**-**	**(10)**	**(1)**	**(1)**	**-**	**-**	**-**	**-**	**(1)**	**(13)**
Recoveries	**-**	**-**	**1**	**1**	**-**	**-**	**-**	**-**	**-**	**-**	**2**
Provision for Loan Losses/ (Loan Loss Reversal)	**16**	**-**	**25**	**34**	**8**	**10**	**-**	**(4)**	**-**	**5**	**94**
Transfers (to) from Reserve for Unfunded Commitments	**(2)**	**-**	**-**	**(3)**	**-**	**-**	**-**	**-**	**-**	**-**	**(5)**
Association Merger Impact, Net	**(4)**	**-**	**(33)**	**(16)**	**-**	**(1)**	**-**	**-**	**-**	**(5)**	**(59)**
Ending Balance	**$ 127**	**$ -**	**$ 112**	**$ 387**	**$ 98**	**$ 132**	**$ 24**	**$ 34**	**$ 2**	**$ 41**	**$ 957**
Reserve for Unfunded Commitments											
Beginning Balance	**$ 5**	**$ -**	**$ 27**	**$ 101**	**$ 16**	**$ 30**	**$ 2**	**$ 1**	**$ -**	**$ -**	**$ 182**
Change in accounting principle[1]	**(1)**	**-**	**(10)**	**(41)**	**(8)**	**(13)**	**(1)**	**-**	**-**	**-**	**(74)**
Transfers from (to) Allowance for Loan Losses	**2**	**-**	**-**	**3**	**-**	**-**	**-**	**-**	**-**	**-**	**5**
Ending Balance	**$ 6**	**$ -**	**$ 17**	**$ 63**	**$ 8**	**$ 17**	**$ 1**	**$ 1**	**$ -**	**$ -**	**$ 113**
Allowance for Credit Losses	**$ 133**	**$ -**	**$ 129**	**$ 450**	**$ 106**	**$ 149**	**$ 25**	**$ 35**	**$ 2**	**$ 41**	**$ 1,070**
March 31, 2022											
Allowance for Loan Losses											
Beginning Balance	$ 128	$ -	$ 193	$ 401	$ 44	$ 104	$ 13	$ 25	$ 2	$ 52	$ 962
Charge-offs	-	-	(1)	-	-	-	-	-	-	-	(1)
Recoveries	-	-	1	-	-	-	-	-	-	-	1
Provision for Loan Losses/ (Loan Loss Reversal)	(13)	-	(24)	85	1	(4)	-	-	-	(1)	44
Transfers (to) from Reserve for Unfunded Commitments	3	-	2	22	-	2	-	-	-	-	29
Association Merger Impact, Net	(2)	-	(2)	-	-	-	-	-	-	-	(4)
Ending Balance	$ 116	$ -	$ 169	$ 508	$ 45	$ 102	$ 13	$ 25	$ 2	$ 51	$ 1,031
Reserve for Unfunded Commitments											
Beginning Balance	$ 3	$ -	$ 26	$ 74	$ 14	$ 29	$ 2	$ 2	$ -	$ -	$ 150
Transfers from (to) Allowance for Loan Losses	(3)	-	(2)	(22)	-	(2)	-	-	-	-	(29)
Ending Balance	-	-	24	52	14	27	2	2	-	-	121
Allowance for Credit Losses	$ 116	$ -	$ 193	$ 560	$ 59	$ 129	$ 15	$ 27	$ 2	$ 51	$ 1,152

[1] Effective January 1, 2023, we adopted the CECL accounting standard.

Investment Portfolio

As the funding bank for the District, CoBank is responsible for meeting the District's funding and liquidity needs. While access to the unsecured debt capital markets remains the District's primary source of liquidity, the District also maintains a secondary source of liquidity through a high credit quality investment portfolio and other short-term liquid assets which are primarily held at CoBank. All of CoBank's investment securities are classified as "available for sale". Refer to the CoBank Annual Report for additional description of the types of investments held by the Bank and related yield information and maturities. Associations have regulatory authority to enter into certain investments that carry an explicit government guarantee and certain other securities. Association investments included U.S. Treasury debt securities classified as "available-for-sale" and mortgage backed securities issued by the Federal Agricultural Mortgage Corporation (Farmer Mac) classified as "held to maturity".

($ in Millions)

Investment Information

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
March 31, 2023				
CoBank Investments[1]	**$ 36,150**	**$ 22**	**$ (1,751)**	**$ 34,421**
Association Investments	**1,541**	**10**	**(29)**	**1,522**
Total	**$ 37,691**	**$ 32**	**$ (1,780)**	**$ 35,943**
December 31, 2022				
CoBank Investments	$ 35,222	$ 10	$ (2,135)	$ 33,097
Association Investments	1,537	-	(85)	1,452
Total	$ 36,759	$ 10	$ (2,220)	$ 34,549

(1) Amortized cost includes allowance for credit losses of $6 million at March 31, 2023.

Investment securities increased to $35.9 billion at March 31, 2023 from $34.5 billion at December 31, 2022. The increase in investments was primarily at CoBank and was to enhance its liquidity reserve in response to market volatility and other unfavorable conditions in the banking sector and to take advantage of favorable investments spread opportunities in the marketplace.

Available-for-sale investment securities with unrealized losses are also evaluated for an allowance for credit losses (ACL) under ASU 326, as more fully described on page 14. CoBank and Associations exclude those investment securities with no risk of credit loss from the ACL evaluation because they carry a full faith and credit guarantee of the U.S. government or are issued by U.S. agencies with an implicit guarantee from the U.S. government. For non-guaranteed investment securities, an analysis is performed at the individual security level to determine whether any portion of the unrealized loss is a credit loss. As of March 31, 2023, CoBank's allowance for credit losses on investment securities was $6 million. The Associations with investment securities recorded no allowance for credit losses at March 31, 2023.

Derivatives and Hedging Activities

CoBank, and to a much lesser extent certain Associations in the District, use derivatives as part of their market risk management activities. Derivatives (primarily interest rate swaps) are used by the Bank and Associations to manage liquidity and the market risk arising from maturity and repricing mismatches between assets and liabilities. Derivatives (interest rate caps and floors) are also used by the Bank to hedge cap and floor risk embedded within its floating-rate investments and loans. The Bank also enters into derivatives with its retail customers and Associations in the District as a service to enable them to transfer, modify or reduce their interest rate risk. Derivative transactions between CoBank and the Associations in the District and the assets/liabilities and income/expense related thereto, are eliminated in the District's condensed combined balances sheets and statements of income. Derivative transactions between CoBank and its retail customers and to offset the interest rate risk in derivatives between the Bank and Associations in the District are not designated as hedging instruments and not eliminated, and therefore, changes in fair value related to these derivatives are recorded in current period earnings. Refer to the CoBank Annual Report for additional description and disclosure of the Bank's derivatives.

Derivatives are recorded at fair value as assets or liabilities in the District condensed combined balance sheets. Derivative assets totaled $801 million at March 31, 2023 compared to $942 million at December 31, 2022. Derivative liabilities totaled $816 million at March 31, 2023 compared to $1.1 billion at December 31, 2022. The decreases in derivative assets and derivative liabilities at March 31, 2023 are primarily the result of changes in market interest rates during the first three months of 2023.

Changes in the fair value of District derivatives are accounted for as gains or losses through current period earnings or as a component of accumulated other comprehensive income (loss), depending on the use of the derivatives and whether they qualify for hedge accounting treatment. Net changes in the fair value of derivatives recorded in noninterest income in the accompanying condensed combined statements of income included gains of $9 million and losses of $23 million for the first three months of 2023 and 2022, respectively. Changes in the fair value of derivatives recorded as other comprehensive income (loss) totaled net losses of $19 million and net gains of $38 million for the first three months of 2023 and 2022, respectively.

District Capital Resources and Other

Combined District shareholders' equity at March 31, 2023 increased to $23.3 billion as compared to $22.6 billion at December 31, 2022. The change primarily resulted from a decrease in accumulated other comprehensive loss of $416 million resulting from an improvement in unrealized losses on investment securities, and District net income of $687 million. These factors were somewhat offset by common stock retirements of $91 million and the merger of two Associations in 2023, which resulted in a net reduction of equity due to fair value accounting and a reclassification of equity between retained earnings and paid in capital.

As previously discussed in the District's 2022 Annual District Financial Information, in June 2022, CoBank's stockholders approved a Board-recommended action to reduce the target equity ranges specified in CoBank's capitalization bylaws. In August 2022 the CoBank Board lowered target equity levels contained in its capital plans, which had the impact of lowering these levels for its customer-owners, cooperatives, other patronage-eligible borrowers and both affiliated and non-affiliated Farm Credit System institutions. These lower target equity levels were effective in 2022. In December 2022, the CoBank Board approved stock retirements reflecting the impact of these lower target equity levels as well as normal retirements. These stock retirements totaled $191 million and were made in March 2023.

During the first three months of 2023 and 2022, CoBank retired $8 million and $14 million, respectively, of its outstanding Series E non-cumulative perpetual preferred stock in a series of open market purchase transactions. The retired Series E preferred stock was purchased at a discount from par value resulting in modest gains on retirement recorded in unallocated retained earnings.

On January 1, 2022, CoBank redeemed all of its outstanding Series G non-cumulative perpetual preferred stock totaling $200 million. The dividend rate for the Series G preferred stock was 6.125 percent through the date of redemption.

The components of the District's accumulated other comprehensive loss are detailed in the following table.

($ in Millions)

Accumulated Other Comprehensive Loss[1]

	March 31, 2023		December 31, 2022	
Unrealized Losses on Investment Securities	$	**(1,589)**	$	(2,013)
Net Pension Adjustment		**(329)**		(340)
Unrealized Gains on Interest Rate Swaps and Other Derivatives		**45**		64
Accumulated Other Comprehensive Loss	$	**(1,873)**	$	(2,289)

(1) Amounts are presented net of tax.

The change in the District's total accumulated other comprehensive loss during the first three months of 2023 is largely due to an improvement in unrealized losses on investment securities driven by the impact of market interest rate changes on the fair value of fixed rate securities.

The following table presents regulatory capital and leverage ratios for CoBank and the range of ratios at the affiliated Associations.

Regulatory Capital Requirements and Ratios

				March 31, 2023		December 31, 2022	
Ratio	Primary Components of Numerator	Regulatory Minimums	Minimum with Buffer*	CoBank	District Associations	CoBank	District Associations
Risk Adjusted:							
Common equity tier 1 (CET1) capital ratio	Unallocated retained earnings (URE), common cooperative equities (qualifying capital stock and allocated equity)[1]	4.5%	7.0%	**10.77%**	**10.32 - 21.81%**	11.62%	10.09 - 22.00%
Tier 1 capital ratio	CET1 Capital, non-cumulative perpetual preferred stock	6.0%	8.5%	**12.42%**	**11.80 - 21.81%**	13.39%	11.58 - 22.00%
Total capital ratio	Tier 1 Capital, allowance for loan losses[2], common cooperative equities[3] and term preferred stock and subordinated debt[4]	8.0%	10.5%	**13.19%**	**12.89 - 22.15%**	14.25%	12.81 - 22.37%
Permanent capital ratio	Retained earnings, common stock, non-cumulative perpetual preferred stock and subordinated debt, subject to certain limits	7.0%	7.0%	**12.51%**	**13.01 - 21.87%**	13.51%	12.82 - 22.07%
Non-risk adjusted:							
Tier 1 leverage ratio*	Tier 1 Capital	4.0%	5.0%	**6.51%**	**13.45 - 22.33%**	6.80%	13.29 - 22.65%
UREE leverage ratio	URE and URE Equivalents	1.5%	1.5%	**2.89%**	**11.71 - 22.16%**	3.13%	11.51 - 22.47%

* The capital conservation buffer is 2.5 percentage points in addition to certain ratios stated in the Regulatory Minimums column.

** Must include the 1.5 percent regulatory minimum requirement for the URE and UREE Leverage ratio.

(1) Equities outstanding 7 or more years

(2) Capped at 1.25% of risk-adjusted assets

(3) Equities outstanding 5 or more years, but less than 7 years

(4) Debt and equities outstanding 5 or more years

As depicted in the table above, at March 31, 2023, CoBank and all affiliated Associations exceeded the FCA's regulatory minimum capital ratios and any required buffers. Although aggregated in the District's condensed combined financial statements, capital for each District entity is particular to that institution. In addition, the provisions of joint and several liability for Systemwide Debt Securities are applicable only to System banks and do not include Associations. CoBank has no access to Association capital beyond their required investment in the Bank. There are no capital sharing agreements between CoBank and its affiliated Associations.

Association Mergers and Other Matters

Association Mergers

On October 26, 2022, the boards of directors of American AgCredit, ACA and Farm Credit of New Mexico, ACA approved an agreement and plan of merger under which Farm Credit of New Mexico, ACA would merge with and into American AgCredit, ACA. On April 5, 2023, FCA granted preliminary approval of the merger. Each Association held a special meeting of stockholders on May 9, 2023, at which the stockholders of both Associations voted to approve the merger. The regulatory 35-day reconsideration period before FCA issues final approval is expected to expire on June 14, 2023. Assuming final FCA approval is timely received thereafter, we anticipate the merger will take effect on July 1, 2023.

Effective January 1, 2023, two of our affiliated Associations, Northwest Farm Credit Services, ACA and Farm Credit West, ACA merged and are doing business as AgWest, ACA.

Current Expected Credit Losses

In June 2016, the FASB issued ASU, "Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments." The ASU introduces a new model for recognizing credit losses on financial instruments based on an estimate of current expected credit losses (CECL). The new model applied to: (1) loans, accounts receivable, trade receivables, and other financial assets measured at amortized cost; (2) loan commitments and certain other off-balance sheet credit exposures; (3) debt securities and other financial assets measured at fair value through other comprehensive income (loss); and (4) beneficial interests in securitized financial assets. The ASU also required certain new loan and allowance for credit losses disclosures, including loan vintage information. CoBank and the Associations in the District adopted this ASU on January 1, 2023. On adoption, CoBank recorded a decrease of $75 million in the allowance for credit losses related to loans, leases and unfunded commitments with an offsetting increase to shareholders' equity, net of taxes. The Associations recorded a net combined decrease of $49 million in their allowance for credit losses upon adoption of CECL. The decrease in the District allowance for credit losses under CECL is due to the measurement of credit losses under CECL over the contractual life of a loan compared to requirements under previous GAAP which were based on management's estimate of the loss emergence period for a loan. As a result of this measurement change, a large portion of the District's agribusiness loan volume, including seasonal lending to grain and farm supply cooperatives as well as other short-term loans, have a lower allowance for credit losses under CECL. In contrast, and partially offsetting this reduction, the District's long-term rural infrastructure loans to many of communications, energy and water customers as well as real estate mortgage loans have a higher CECL allowance for credit losses. In addition, the adoption of the ASU resulted in a $6 million allowance for credit losses on CoBank's investment portfolio of available-for-sale debt securities with an offsetting decrease to shareholders' equity, net of taxes. The affiliated Associations with investment securities recorded no allowance for credit losses at March 31, 2023. The substantial majority of the District's investments have no risk of credit loss because they carry a full faith and credit guarantee of the U.S. government or are issued by U.S. agencies with an implicit guarantee from the U.S. government. CoBank's allowance for credit losses recorded upon adoption related to investments in corporate bonds that are not guaranteed by the U.S. government or U.S. agencies.

LIBOR Transition

A more detailed discussion of the discontinuance of LIBOR immediately after June 30, 2023 and the District transition from LIBOR can be found in the "Transition from LIBOR" under the heading "Association Mergers and Other Matters" of our 2022 Annual District Report.

The System institutions that comprise the District have exposure to various LIBOR-indexed financial instruments that mature after June 30, 2023. This exposure includes loans that are made to customers, investment securities that are purchased, Systemwide Debt Securities that are issued by the Federal Farm Credit Banks Funding Corporation (Funding

Corporation) on CoBank's behalf, preferred stock that is issued and derivative transactions. Alternative reference rates that replace LIBOR may not yield the same or similar economic results over the terms of the financial instruments, which could adversely affect the value of, and return on, instruments held. The transition from LIBOR could result in System institutions in the District paying higher interest rates on current LIBOR-indexed Systemwide Debt Securities, adversely affect the yield on, and fair value of, the instruments District institutions hold that reference LIBOR, and increase the costs of, or affect the ability to effectively use derivative instruments to manage interest rate risk. In addition, to the extent that the District cannot successfully transition the LIBOR-indexed financial instruments to an alternative rate-based index that is endorsed or supported by regulators and generally accepted by the market as a replacement to LIBOR, there could be other ramifications including those that may arise as a result of the need to redeem or terminate such instruments.

Through March 31, 2023, District institutions have implemented fallback language in a substantial majority of loan agreements. While District institutions have implemented SOFR fallback language in a substantial majority of loan agreements, certain loans, investment securities, Systemwide Debt Securities, preferred stock and derivative transactions that reference LIBOR may have no or inadequate fallback provisions. The federal Adjustable Interest Rate (LIBOR) Act provides a statutory fallback mechanism on a nationwide basis to replace LIBOR with a benchmark rate, selected by the Federal Reserve Board and based on SOFR, for certain contracts that reference LIBOR and contain no or inadequate fallback provisions.

On December 16, 2022, the Federal Reserve Board adopted a final rule implementing certain provisions of the LIBOR Act ("Regulation ZZ"). Regulation ZZ specifies that on the LIBOR replacement date, which is the first London banking day after June 30, 2023, the Federal Reserve Board-selected benchmark replacement, based on SOFR and including any tenor spread adjustment as provided by Regulation ZZ, will replace references to overnight, one-month, three-month, six-month, and 12-month LIBOR in certain contracts that do not mature before the LIBOR replacement date and that have no or inadequate fallback language.

Disputes and litigation with counterparties, investors and borrowers relating to the transition are also possible. Due to the remaining uncertainty regarding the transition from LIBOR-indexed financial instruments and the treatment of synthetic LIBOR after June 30, 2023, District institutions cannot yet reasonably estimate the expected financial impact of the LIBOR transition. However, it may have a material impact on borrowers, investors, customers and counterparties as these LIBOR instruments are transitioned to SOFR or another alternative rate-based index over time.

The following table presents the District LIBOR-indexed financial instruments by contractual maturity.

LIBOR-Indexed Financial Instruments at March 31, 2023 ($ in Millions)

	Due in 2023 on or before June 30, 2023	Due after June 30, 2023	Total
Commercial Loans [(1)]	$ 2,593	$ 9,997	$ 12,590
Investment Securities	19	2,326	2,345
Debt	121	760	881
Derivatives (Notional Amounts)	3,211	17,560	20,771
Preferred Stock [(2)]	-	800	800

(1) Represents District combined loans after elimination of the direct note between CoBank and its affilliated Associations.

(2) Represents CoBank's non-cumulative perpetual preferred stock with a fixed-to-floating rate dividend feature indexed to 3-month USD LIBOR, and does not have a contractual maturity date. Includes $125 million of CoBank preferred stock that pays a dividend currently indexed to 3-month USD LIBOR plus a spread as of March 31, 2023. Dividends on an additional $300 million and $375 million of CoBank preferred stock convert from a fixed-rate to 3-month USD LIBOR plus a spread in 2025 and 2026, respectively. There is no Association preferred stock indexed to LIBOR.

Other Regulatory Matters

On April 14, 2022, the FCA issued a final rule to address changes to its capital regulations and certain other regulations in response to the CECL accounting standard. The regulation reflects the CECL methodology, which revises the accounting for credit losses in accordance with accounting principles generally accepted in the United States of America (GAAP), as well as conforming amendments to other regulations to accurately reference credit losses. Specifically, the regulation identifies which credit loss allowances under CECL are eligible for inclusion in a System institution's regulatory capital. Credit loss allowances related to loans, lessor's net investments in leases, and held-to-maturity debt securities would be included in a System institution's tier 2 capital up to 1.25 percent of the System institution's total risk-weighted assets. Credit loss allowances for available-for-sale debt securities and purchased credit impaired assets would not be eligible for inclusion in a System institution's tier 2 capital. In addition, the regulation does not include a transition phase-in period for the CECL day 1 cumulative effect adjustment to retained earnings on a System institution's regulatory capital ratios. The regulation became effective on January 1, 2023 and did not have a material impact on regulatory capital of CoBank or its affiliated Associations in the District.

On July 8, 2021, the FCA announced a proposed rule that would amend the Tier 1/Tier 2 capital framework to define and establish a risk weight for high-volatility commercial real estate exposures by assigning a 150 percent risk-weighting to such exposures, instead of the current 100 percent risk-weighting. The proposed rule focuses on changes that are comparable with the capital rules of other federal banking regulatory agencies and recognizes the increased risk posed by high-volatility commercial real estate exposures. The public comment period ended on January 24, 2022.

Subsequent Events

We have evaluated subsequent events through May 10, 2023, which is the date the financial statements were issued and determined that there were no other events requiring disclosure.

Condensed Combined Balance Sheets
(unaudited)

($ in Millions)

	March 31, 2023	December 31, 2022
Assets		
Total Loans	**$ 155,387**	$ 152,605
Less: Allowance for Loan Losses	**957**	988
Net Loans	**154,430**	151,617
Cash and Cash Equivalents	**387**	1,123
Federal Funds Sold and Other Overnight Funds	**11,888**	12,401
Investment Securities (net of allowance of $6 million at March 31, 2023)	**35,943**	34,549
Interest Rate Swaps and Other Derivatives	**801**	942
Accrued Interest Receivable and Other Assets	**3,082**	3,304
Total Assets	**$ 206,531**	$ 203,936
Liabilities		
Bonds and Notes	**$ 179,272**	$ 176,230
Subordinated Debt	**198**	198
Interest Rate Swaps and Other Derivatives	**816**	1,079
Reserve for Unfunded Commitments	**113**	182
Patronage Payable	**314**	1,267
Accrued Interest Payable and Other Liabilities	**2,547**	2,349
Total Liabilities	**183,260**	181,305
Shareholders' Equity		
Preferred Stock Issued by Bank	**1,625**	1,633
Preferred Stock Issued by Associations	**313**	303
Common Stock	**1,839**	1,930
Paid In Capital	**3,594**	1,578
Unallocated Retained Earnings	**17,773**	19,476
Accumulated Other Comprehensive Loss	**(1,873)**	(2,289)
Total Shareholders' Equity	**23,271**	22,631
Total Liabilities and Shareholders' Equity	**$ 206,531**	$ 203,936

Condensed Combined Statements of Income

(unaudited)

($ in Millions)

	For the Three Months Ended March 31,	
	2023	**2022**
Interest Income		
Loans	**$ 2,315**	$ 1,186
Investment Securities	**283**	113
Federal Funds Sold and Other Overnight Funds	**77**	1
Total Interest Income	**2,675**	1,300
Interest Expense	**1,614**	301
Net Interest Income	**1,061**	999
Provision for Credit Losses	**94**	44
Net Interest Income After Provision for Credit Losses	**967**	955
Noninterest Income		
Net Fee Income	**67**	42
Patronage Income	**47**	47
Prepayment Income	**1**	6
Losses on Early Extinguishments of Debt	**-**	(1)
Gains (Losses) on Interest Rate Swaps and Other Derivatives	**9**	(23)
Other, Net	**30**	38
Total Noninterest Income	**154**	109
Operating Expenses		
Employee Compensation	**204**	193
Insurance Fund Premium	**64**	53
Information Services	**42**	34
General and Administrative	**27**	20
Occupancy and Equipment	**15**	17
Farm Credit System Related	**9**	9
Purchased Services	**14**	17
Other	**22**	12
Total Operating Expenses	**397**	355
Income Before Income Taxes	**724**	709
Provision for Income Taxes	**37**	33
Net Income	**$ 687**	$ 676

Select Information on District Associations

(unaudited)

($ in Millions)

As of March 31, 2023	Wholesale Loans	% of Wholesale Loans	Total Assets	Total Regulatory Capital	Total Regulatory Capital Ratio	Non-performing Loans as a % of Total Loans	Return on Average Assets
AgWest, ACA[2]	$ 23,144	35.55 %	$ 29,486	$ 4,781	15.63 %	0.38 %	1.97 %
American AgCredit, ACA[1]	14,727	22.62	18,534	2,648	12.89	1.17	2.14
Farm Credit East, ACA	8,784	13.49	11,008	1,924	16.50	0.48	2.21
Yosemite Farm Credit, ACA	3,322	5.10	4,171	622	14.26	0.29	2.43
Frontier Farm Credit, ACA	2,220	3.41	2,797	502	15.94	0.28	1.53
Golden State Farm Credit, ACA	1,791	2.75	2,277	357	14.70	0.20	2.40
Farm Credit of New Mexico, ACA[1]	1,560	2.40	2,076	446	20.43	0.78	1.99
Oklahoma AgCredit, ACA	1,679	2.58	2,062	307	14.71	1.02	1.46
Farm Credit Western Oklahoma, ACA	1,402	2.15	1,749	285	17.83	0.59	1.38
High Plains Farm Credit, ACA	1,367	2.10	1,722	262	14.72	0.16	2.30
Farm Credit of Southern Colorado, ACA	1,191	1.83	1,542	263	16.64	0.78	1.19
Fresno-Madera Farm Credit, ACA	1,162	1.78	1,540	284	16.50	0.13	1.97
Western AgCredit, ACA	1,018	1.56	1,366	260	17.67	1.16	2.44
Premier Farm Credit, ACA	729	1.12	976	186	17.34	0.66	1.86
Farm Credit Services of Colusa-Glenn, ACA	472	0.73	676	129	16.06	0.28	2.01
Farm Credit of Western Kansas, ACA	302	0.46	442	101	22.15	0.42	2.22
Idaho AgCredit, ACA	232	0.37	354	63	18.02	0.13	2.16
As of December 31, 2022							
American AgCredit, ACA[1]	$ 14,761	22.46 %	$ 18,502	$ 2,583	12.81 %	1.06 %	2.05 %
Northwest Farm Credit Services, ACA[2]	11,812	17.96	15,794	2,811	17.81	0.35	2.31
Farm Credit West, ACA[2]	11,789	17.93	14,820	2,084	14.67	0.50	2.57
Farm Credit East, ACA	8,691	13.22	11,003	1,933	17.05	0.41	2.59
Yosemite Farm Credit, ACA	3,493	5.31	4,316	599	13.97	0.19	2.15
Frontier Farm Credit, ACA	2,212	3.36	2,814	477	16.11	0.23	1.90
Golden State Farm Credit, ACA	1,837	2.79	2,302	344	14.23	0.27	2.34
Farm Credit of New Mexico, ACA[1]	1,646	2.50	2,165	428	20.13	0.56	1.94
Oklahoma AgCredit, ACA	1,604	2.44	1,984	300	15.08	0.54	1.75
Farm Credit Western Oklahoma, ACA	1,342	2.04	1,695	276	18.12	0.70	1.54
High Plains Farm Credit, ACA	1,299	1.98	1,667	253	15.39	0.22	2.09
Fresno-Madera Farm Credit, ACA	1,174	1.78	1,553	275	16.99	0.15	1.78
Farm Credit of Southern Colorado, ACA	1,210	1.84	1,542	258	16.66	0.45	1.56
Western AgCredit, ACA	1,031	1.57	1,363	253	17.93	1.16	2.31
Premier Farm Credit, ACA	746	1.13	990	181	17.22	0.31	1.99
Farm Credit Services of Colusa-Glenn, ACA	517	0.79	712	125	16.07	-	1.94
Farm Credit of Western Kansas, ACA	316	0.48	453	97	22.37	0.48	1.93
Idaho AgCredit, ACA	279	0.42	369	60	17.36	0.12	1.78

(1) These District Associations intend to merge with a target date of July 1, 2023.

(2) These District Associations merged into AgWest, ACA effective January 1, 2023.

Association Information

AgWest, ACA
2001 South Flint Road
Spokane, WA 99220-2515
509-340-5300
www.agwestfc.com

American AgCredit, ACA
400 Aviation Boulevard, Suite 100
Santa Rosa, CA 95403
707-545-1200
www.agloan.com

Farm Credit East, ACA
240 South Road
Enfield, CT 06082
860-741-4380
www.farmcrediteast.com

Farm Credit of New Mexico, ACA
5651 Balloon Fiesta Parkway NE
Albuquerque, NM 87113
505-884-1048
www.farmcreditnm.com

Farm Credit of Southern Colorado, ACA
5110 Edison Avenue
Colorado Springs, CO 80915
719-570-1087
www.aglending.com

Farm Credit of Western Kansas, ACA
1190 South Range Avenue
Colby, KS 67701-3503
785-462-6714
www.fcwk.com

Farm Credit of Western Oklahoma, ACA
3302 Williams Avenue
Woodward, OK 73801
580-256-3465
www.fcwestok.com

Farm Credit Services of Colusa-Glenn, ACA
2970 Davison Court
Colusa, CA 95932
530-458-2163
www.fcscolusaglenn.com

Fresno-Madera Farm Credit, ACA
4635 West Spruce Avenue
Fresno, CA 93794
559-277-7000
www.fmfarmcredit.com

Frontier Farm Credit, ACA
5015 South 118th Street
Omaha, NE 68137
785-776-7144
www.frontierfarmcredit.com

Golden State Farm Credit, ACA
1359 East Lassen Avenue
Chico, CA 95973
530-571-4160
www.goldenstatefarmcredit.com

High Plains Farm Credit, ACA
605 Main
Larned, KS 67550-0067
620-285-6978
www.highplainsfarmcredit.com

Idaho AgCredit, ACA
188 West Judicial Street
Blackfoot, ID 83221-0985
208-785-1510
www.idahoagcredit.com

Oklahoma AgCredit, ACA
3033 Progressive Drive
Edmond, OK 73034
918-251-8596
www.okagcredit.com

Premier Farm Credit, ACA
202 Poplar Street
Sterling, CO 80751-1785
970-522-2330
www.premieraca.com

Western AgCredit, ACA
10980 South Jordan Gateway
South Jordan, UT 84095-0850
801-571-9200
www.westernagcredit.com

Yosemite Farm Credit, ACA
806 West Monte Vista Avenue
Turlock, CA 95382
209-667-2366
www.yosemitefarmcredit.com