2023 Quarterly Report

September 30, 2023

Dear CoBank Customer-Owner:

We are pleased to report that CoBank produced strong financial performance in the third quarter of 2023, with growth in loan volume, robust earnings and solid credit quality. Though we are not immune to challenges in the marketplace environment, our financial and operating metrics remain strong, and we are managing our business to ensure we maintain the financial strength and stability to readily serve our customer-owners.

Average loan volume increased 6 percent in the third quarter of 2023 to $140.7 billion, from $133.0 billion in the third quarter last year. Significant declines in lending in our Agribusiness operating segment were more than offset by loan growth in our Rural Infrastructure and Farm Credit Banking operating segments. For the first nine months of 2023, average loan volume increased 4 percent to $142.4 billion, from $136.6 billion in the same prior-year period.

Net income for the third quarter of 2023 decreased 4 percent to $380 million, compared to $395 million in the third quarter of 2022. The decrease in quarterly net income resulted primarily from an increase in the provision for credit losses, partially offset by higher net interest income and noninterest income. Net income decreased to $1.088 billion for the nine months ended September 30, 2023, compared to $1.125 billion for the same period of 2022. The $37 million, or 3 percent, decrease in earnings resulted primarily from lower net interest income and an increase in operating expenses partially offset by higher noninterest income and lower provisions for credit losses and income taxes.

Net interest income for the third quarter of 2023 increased $8 million, or 2 percent, to $456 million, from $448 million in the same period last year. The increase was driven by higher net interest income in our Rural Infrastructure and Farm Credit Banking operating segments, partially offset by lower net interest income in our Agribusiness operating segment, lower earnings on balance sheet positioning and lower spreads in certain lending portfolios. Net interest income decreased $69 million, or 5 percent, to $1.371 billion for the nine months ended September 30, 2023, compared to $1.440 billion in the same period last year. The decrease in net interest income was primarily related to 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 inventory. Lower earnings on balance sheet positioning and lower spreads in certain lending portfolios also contributed to the decrease, partially offset by increases in net interest income in our Rural Infrastructure and Farm Credit Banking operating segments driven by higher loan volume.

Operating expenses were flat in the third quarter of 2023 compared to the same prior-year period. For the first nine months of 2023, operating expenses increased $22 million, or 5 percent, compared to the first nine months of last year. The higher level of operating expenses was primarily driven by increases in employee compensation, general and administrative expenses and purchased services expenses, partially offset by a decrease in Farm Credit Insurance Fund (Insurance Fund) premium expense.

The bank's provision for credit losses was $8 million for the third quarter of 2023, compared to a credit loss reversal of $30 million in the same period of 2022. The third quarter of 2023 provision for credit losses primarily related to higher reserves resulting from credit quality deterioration within certain sectors of our Rural Infrastructure operating segment while the credit loss reversal in third quarter of 2022 resulted from the paydown of seasonal loan volume to grain and farm supply cooperatives in our Agribusiness operating segment. For the first nine months of 2023, we recorded a $70 million provision for credit losses, compared to $75 million in the prior year period. The 2023 provision also reflects the bank's adoption of the Current Expected Credit Losses (CECL) accounting standard, which incorporates CoBank's future view of macroeconomic conditions and its impact on our loan portfolio. CECL is a significant change and may introduce a higher level of volatility in credit loss provisions going forward.

CoBank's capital and liquidity levels remain strong and in excess of regulatory minimums. Our total capital was $10.3 billion at September 30, 2023 and included $2.4 billion in unrealized losses on investment securities resulting from higher interest rates. While the unrealized losses on investment securities result in a reduction of shareholders' equity, they do not impact current period earnings or regulatory capital ratios. The bank's total capital ratio was 14.26 percent at September 30, 2023, compared with the 8.0 percent regulatory minimum (10.5 percent inclusive of the capital conservation buffer) established by the Farm Credit Administration, the bank's independent regulator. At September 30, 2023, the bank held approximately $43.0 billion in cash, investments and overnight funds and had 180 days of liquidity, which was double the regulatory days of liquidity requirement.

The table below contains key financial data for the three- and nine-month periods ended September 30, 2023 and 2022. Complete financial information is provided in Management's Discussion and Analysis and the financial statements and footnotes that follow this letter.

KEY FINANCIAL DATA

($ in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
INCOME STATEMENT	**2023**	**2022**	**2023**	**2022**
Net interest income	$456	$448	$1,371	$1,440
Provision for credit losses (Credit loss reversal)	8	(30)	70	75
Noninterest income	107	102	315	273
Operating expenses	142	142	432	410
Net income	380	395	1,088	1,125
BALANCE SHEET (period-end)	**September 30, 2023**		**December 31, 2022**	
Total loans	$142,166		$140,089	
Less: allowance for loan losses[1]	724		682	
Net loans	141,442		139,407	
Total assets	187,630		188,843	
Total shareholders' equity	10,349		10,225	

($ in millions)	Nine Months Ended September 30,	
PROFITABILITY METRICS	**2023**	**2022**
Net interest margin	0.99%	1.09%
Return on average common equity	15.23%	14.88%
Return on average assets	0.77%	0.84%
Operating expense ratio	21.02%	19.11%
Average total loans	$142,389	$136,634
Average earning assets	185,655	176,537
Average total assets	188,265	178,987

[1] Excludes our reserve for unfunded commitments of $89 million at September 30, 2023 and $143 million at December 31, 2022 which is classified in liabilities in our balance sheet.

We expect the remainder of 2023 to be challenged by the ongoing financial conditions in the broader markets, however, we are focused on remaining a reliable source of credit and other financial services to support our customer-owners and further the Farm Credit mission.

On behalf of our board, management team and associates, we value the trust you place in us and deeply appreciate the opportunity to serve as your trusted financial partner.

Kevin A. Still
Chair of the Board

Thomas E. Halverson
President and Chief Executive Officer

November 9, 2023

Management's Discussion and Analysis of Financial Condition and Results of Operations

CoBank, ACB

Business Overview

CoBank, ACB (CoBank or the Bank) is one of the four banks in the Farm Credit System (System) and provides loans, leases and other financial services to vital industries across the rural communities of America. The System is a federally chartered network of borrower-owned cooperative lending institutions 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).

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. We provide a broad range of loans and other financial services through three operating segments: Agribusiness, Farm Credit Banking and Rural Infrastructure.

The following discussion and analysis should be read in conjunction with the accompanying condensed consolidated quarterly financial statements and related notes, the accompanying regulatory capital disclosures and our 2022 Annual Report to Shareholders.

Consolidated Results of Operations

CoBank's loans outstanding increased to $142.2 billion as of September 30, 2023, compared to $140.1 billion at December 31, 2022. Average loan volume increased 4 percent to $142.4 billion during the first nine months of 2023 compared to $136.6 billion in the same prior-year period. The increase in average loan volume reflected growth in lending in our Farm Credit Banking and Rural Infrastructure operating segments, partially offset by decreased loan volume in our Agribusiness operating segment.

Our investment securities, federal funds sold and other overnight funds decreased to $42.8 billion at September 30, 2023 from $45.5 billion at December 31, 2022. Average investment securities, federal funds sold and other overnight funds increased 8 percent to $43.3 billion during the first nine months of 2023, compared to $39.9 billion in the same prior-year period. This increase in average investments, federal funds sold and other overnight funds was required to maintain our liquidity reserve associated with the higher loan volume we experienced and to take advantage of favorable investment spread opportunities in the marketplace.

Net income decreased to $1.088 billion for the nine months ended September 30, 2023, compared to $1.125 billion for the same period of 2022. The $37 million, or 3 percent, decrease in earnings resulted primarily from lower net interest income and an increase in operating expenses partially offset by higher noninterest income and lower provisions for credit losses and income taxes.

Net Interest Margin and Net Interest Income						
For the Nine Months Ended September 30,	**2023**			**2022**		
($ in Millions)	**Average Balance**	**Average Rate**	**Interest Income/ Expense**	**Average Balance**	**Average Rate**	**Interest Income/ Expense**
Interest-earning Assets[(1)]						
Loans	**$ 142,389**	**4.98 %**	**$ 5,297**	$ 136,634	2.46 %	$ 2,516
Investment Securities	**34,346**	**3.54**	**910**	33,769	1.75	443
Federal Funds Sold and Other Overnight Funds	**8,920**	**4.98**	**334**	6,134	1.50	69
Total Interest-earning Assets[(1)]	**185,655**	**4.71**	**6,541**	176,537	2.29	3,028
Total Interest-bearing Liabilities	**173,783**	**3.98**	**5,170**	164,664	1.29	1,588
Interest Rate Spread		**0.73**			1.00	
Impact of Equity Financing	**10,558**	**0.26**		11,215	0.09	
Net Interest Margin and Net Interest Income		**0.99 %**	**$ 1,371**		1.09 %	$ 1,440

(1) Interest-earning assets exclude cash and cash equivalents.

Net interest income decreased $69 million, or 5 percent, to $1.371 billion for the nine months ended September 30, 2023, compared to $1.440 billion for same period in 2022. The decrease in net interest income was primarily in our Agribusiness operating segment resulting from 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 inventory. Lower earnings on balance sheet positioning and lower spreads in certain lending portfolios also contributed to decreased net interest income in the current period. Partially offsetting the decreases were increases in net interest income in our Rural Infrastructure and Farm Credit Banking operating segments driven by higher loan volume.

Net interest margin decreased to 0.99 percent for the first nine months of 2023, compared to 1.09 percent for the same period in 2022. The decrease in net interest margin was primarily driven by changes in asset mix, lower spreads in certain lending portfolios within our Agribusiness and Rural Infrastructure operating segments and lower earnings on balance sheet positioning.

We recorded a $70 million provision for credit losses in the nine months ended September 30, 2023, which included a $49 million provision in our Rural Infrastructure operating segment and a $21 million provision in our Agribusiness operating segment. The 2023 provision for credit losses primarily relates to higher reserves resulting from credit quality deterioration within certain sectors of our Rural Infrastructure operating segment and forecasts of deteriorating macroeconomic conditions impacting many of our lending portfolios. As discussed in Note 2 to the accompanying condensed consolidated financial statements, CoBank adopted the Current Expected Credit Losses (CECL) accounting standard on January 1, 2023. CECL is a significant change and may introduce a higher level of volatility in credit loss provisions going forward. We recorded a $75 million provision for credit losses in the nine months ended September 30, 2022, which included a $42 million provision in our Agribusiness operating segment and a $33 million provision in our Rural Infrastructure operating segment. The 2022 provision for credit losses in our Agribusiness operating segment primarily related to increased lending activity and to a lesser extent higher specific reserves for a small number of customers. The 2022 provision for credit losses in our Rural Infrastructure operating segment primarily related to a reserve for a power infrastructure customer that was subsequently charged off and to a lesser extent deterioration in credit quality in certain portfolios.

Overall credit quality remained strong, notwithstanding the increase in Special Mention loans to 2.35 percent of total loans at September 30, 2023, compared to 2.03 percent at December 31, 2022, as more fully discussed on page 11. Adversely classified loans and accrued interest were 0.71 percent of total loans at September 30, 2023, compared to 0.73 percent at December 31, 2022. Nonaccrual loans decreased $12 million to $133 million at September 30, 2023 from $145 million at December 31, 2022. Gross charge-offs were $15 million for the first nine months of 2023, compared to $26 million for the same period in 2022. The 2023 charge-offs related to a small number of agribusiness, rural energy and leasing customers. The 2022 charge-offs related primarily to a power infrastructure customer that experienced financial difficulty and to a lesser extent a small number of agribusiness and leasing customers. Gross recoveries were $6 million for the first nine months of 2023, compared to $2 million for the same period in 2022. The 2023 recoveries were primarily from agribusiness customers.

Noninterest income increased $42 million to $315 million for the first nine months of 2023 from $273 million for the same prior-year period. Noninterest income is primarily composed of fee income, patronage income, loan prepayment income, gains and losses on early extinguishments of debt and miscellaneous gains and losses. Net fee income increased $58 million for the nine months ended September 30, 2023 primarily due to a higher level of transaction-related lending fees in our Agribusiness and Rural Infrastructure operating segments. Patronage income increased $13 million for the nine months ended September 30, 2023 due to a greater level of loans sold to affiliated Associations and other System institutions as well as a higher level of patronage received from other System institutions. Prepayment income, net of gains on early extinguishments of debt, totaled $2 million for the nine months ended September 30, 2023, compared to $9 million in the same prior-year period. Gains and/or losses on early extinguishments of debt are generally incurred to offset the current and prospective impact of prepayments in our loan and investment portfolios. Sales of investment securities resulted in losses of $7 million for the nine months ended September 30, 2023 compared to gains of $1 million in the prior-year period. Other noninterest income decreased $11 million for the nine months ended September 30, 2023 due to lower gains on investments in Rural Business Investment Companies (RBICs) compared to the prior period. The 2022 period also included income from the redemption of allocated equities from the Federal Farm Credit Banks Funding Corporation (Funding Corporation).

Total operating expenses for the nine months ended September 30, 2023 increased $22 million to $432 million from $410 million for the same period in 2022. The higher level of operating expenses was primarily driven by increases in employee compensation, general and administrative expenses and purchased services expenses, partially offset by a decrease in Farm Credit Insurance Fund (Insurance Fund) premium expense. Employee compensation expenses increased $19 million in the first nine months of 2023 compared to the 2022 period due to an increase in the number of employees as well as merit and other pay increases. We had 1,189 employees at September 30, 2023, compared to 1,120 at September 30, 2022. General and administrative expenses increased $3 million in the first nine months of 2023 compared to the 2022 period due to higher insurance expenses and charitable contributions. Purchased services expenses increased $4 million in the first nine months of 2023 compared to the 2022 period due to higher legal expenses and asset quality costs as well as expenses related to implementing process automation and other enhancements to our operating platforms. Insurance Fund premium expense decreased $5 million in the first nine months of 2023 compared to the 2022 period due to lower premium rates set by the Farm Credit System Insurance Corporation (Insurance Corporation) partially offset by an increase in insured debt obligations. Premium rates were 18 basis points and 20 basis points of average outstanding adjusted insured debt obligations for the nine months ended September 30, 2023 and 2022, respectively. In July 2023, the Insurance Corporation announced a premium rate of 18 basis points of average outstanding adjusted insured debt obligations for the remainder of 2023.

Our provision for income taxes decreased $7 million to $96 million for the first nine months of 2023, compared to $103 million for the same prior-year period. Our effective tax rates were 8.1 percent and 8.4 percent for the nine months ended September 30, 2023 and 2022, respectively. The decrease in our income tax expense was primarily due to lower pre-tax earnings as well as higher earnings attributable to non-taxable business activities.

Our annualized return on average common shareholders' equity increased to 15.23 percent for the nine months ended September 30, 2023 from 14.88 percent for the same period in 2022. The increase was due to lower average total capital in 2023 resulting from higher unrealized losses on investment securities in the current period which are included in accumulated other comprehensive loss. Our annualized return on average assets decreased to 0.77 percent for the nine months ended September 30, 2023 from 0.84 percent for the same period in 2022. The decrease resulted from changes in asset mix in the current period including decreased lending to higher spread agribusiness customers and higher levels of lending to affiliated Associations and investments, federal funds sold and other overnight funds, all of which have lower spreads commensurate with lower risk.

For the three months ended September 30, 2023, net income decreased $15 million to $380 million, compared to $395 million for the same prior-year period. The decrease in quarterly net income was driven by an increase in the provision for credit losses, partially offset by higher net interest income and noninterest income. Net interest income increased $8 million for the three months ended September 30, 2023 compared to the same prior-year period due to higher net interest income in our Rural Infrastructure and Farm Credit Banking operating segments resulting from loan volume growth, partially offset by lower net interest income in our Agribusiness operating segment, lower earnings on balance sheet positioning and lower spreads in certain lending portfolios. The third quarter of 2023 provision for credit losses was $8 million and primarily related to higher reserves resulting from credit quality deterioration within certain sectors of our Rural Infrastructure operating segment partially offset by a credit loss reversal in our Agribusiness operating segment. For the three months ended September 30, 2022, we recorded a credit loss reversal of $30 million related to the paydown of seasonal loan volume to grain and farm supply cooperatives in our Agribusiness operating segment partially offset by credit quality deterioration in our Rural Infrastructure operating segment. Noninterest income increased $5 million during the third quarter of 2023 due to greater net fee income and higher levels of patronage income. Operating expenses were flat for the three months ended September 30, 2023 compared to the same period in 2022.

Operating Segment Financial Review

We provide financial services to agricultural cooperatives; other food and agribusiness companies; rural power, communications and water cooperatives and companies; rural community facilities; farmer-owned financial institutions and other businesses that serve agriculture and rural communities. We conduct lending operations through three operating segments: Agribusiness, Farm Credit Banking and Rural Infrastructure.

Loans outstanding and the allowance for loan losses by operating segment at September 30, 2023 and 2022 are reported in Notes 3 and 11 to the accompanying condensed consolidated financial statements. All customer activity, including loans and leases and related income, is specifically assigned to the business units that comprise the operating segments. Investment securities and federal funds sold and other overnight funds, which are primarily held as a liquidity reserve to support our banking operations, are not specifically assigned to operating segments; however, the income from investment securities and federal funds sold and other overnight funds is attributed to the operating segments. Net income by operating segment is summarized in the following table and is more fully detailed in Note 11 to the accompanying condensed consolidated financial statements.

Net Income by Operating Segment ($ in Millions)		
For the Nine Months Ended September 30,	**2023**	**2022**
Operating Segment:		
Agribusiness	**$ 529**	$ 621
Farm Credit Banking	**210**	203
Rural Infrastructure	**349**	301
Total	**$ 1,088**	1,125

Agribusiness

The Agribusiness operating segment includes loans and other financial services provided to a diverse market of cooperatives and other businesses in various agricultural sectors including grain handling and marketing, farm supply, fruits, nuts, vegetables, forest products, dairy, livestock, biofuels and food processing. A large portion of agribusiness loan volume financing grain and farm supply cooperatives is seasonal. This seasonal loan volume typically peaks early in the year, then reaches a low in late summer or early fall, and is affected by a number of factors, including grain volume, commodity prices, producer selling patterns, transportation availability, and the relationship between cash and futures prices in the grain commodities markets. Agribusiness loans outstanding totaled $36.5 billion at September 30, 2023, compared to $40.1 billion at December 31, 2022. The decrease in outstanding loan volume primarily resulted from lower seasonal financing requirements at many of our grain and farm supply cooperative customers partially offset by growth in lending to large food and agribusiness customers. The Agribusiness segment includes our Agricultural Export Finance Division (AEFD), which provides trade finance to support U.S. exporters of agricultural products. The AEFD had $7.1 billion and $8.6 billion in loans outstanding as of September 30, 2023 and December 31, 2022, respectively. The decrease was primarily driven by lower demand for export financing of U.S. agricultural products in certain global markets during the first nine months of 2023. At September 30, 2023 and December 31, 2022, 24 percent and 27 percent, respectively, of the loans in the AEFD were guaranteed by the U.S. government. Our Agribusiness segment also includes Farm Credit Leasing Services Corporation (FCL), a wholly-owned subsidiary, which provides lease products and related services to Association partners, agribusinesses, agricultural producers and rural infrastructure companies. As of September 30, 2023 and December 31, 2022, FCL had $4.2 billion and $3.8 billion in leases outstanding, respectively.

Agribusiness average loan volume decreased 8 percent to $40.7 billion for the first nine months of 2023 from $44.3 billion for the same period in 2022. The decrease in Agribusiness average loan volume resulted from 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 inventory. Commodity prices for wheat, corn and soybeans decreased in the nine months ended September 30, 2023, compared to the same prior-year period when commodity prices were significantly elevated due to supply shortages, drought and other weather-related events, as well as the war in Ukraine.

Agribusiness net income decreased $92 million in the first nine months of 2023 to $529 million from $621 million for the same period in 2022. The decrease was primarily due to lower net interest income and increases in operating expenses somewhat offset by a decrease in the provision for credit losses and higher noninterest income.

Net interest income decreased $138 million to $678 million for the nine months ended September 30, 2023, from $816 million for the 2022 period. This decrease was primarily due to lower average loan volume driven by lower commodity prices and lower levels of grain inventory, as described above, and, to a lesser extent, lower earnings on balance sheet positioning and lower spreads in certain lending portfolios.

Agribusiness recorded a $21 million provision for credit losses during the first nine months of 2023 compared to a $42 million provision for credit losses in the same prior-year period. The 2023 provision for credit losses in our Agribusiness operating segment primarily relates to higher reserves resulting from deterioration in credit quality and forecasts of deteriorating macroeconomic conditions. The 2022 provision for credit losses primarily related to increased lending activity and to a lesser extent higher specific reserves for a small number of customers. Nonaccrual loans in Agribusiness decreased $31 million to $106 million at September 30, 2023, as compared to $137 million at December 31, 2022 primarily due to the payoff of a large food and agribusiness customer somewhat offset by a limited number of grain and farm supply, food and agribusiness customers transferred to nonaccrual status during 2023. Gross charge-offs were $10 million for the first nine months of 2023, compared to $6 million for the same period in 2022. The 2023 and 2022 charge-offs related to a small number of agribusiness and leasing customers. Gross recoveries were $6 million for the first nine months of 2023, compared to $1 million for the same period in 2022.

Noninterest income increased $16 million to $179 million in the first nine months of 2023 from $163 million for the 2022 period. The increase in noninterest income for the period was primarily due to higher net fee income as a result of a higher level of transaction-related lending fees.

Agribusiness operating expenses increased $5 million to $259 million for the first nine months of 2023 from $254 million in the same prior-year period primarily due to increases in employee compensation, general and administrative and purchased services expenses, partially offset by a decline in Insurance Fund premium expense.

Farm Credit Banking

The Farm Credit Banking operating segment includes wholesale loans from the direct funding relationships we have with our affiliated Association customer-owners and our wholesale funding relationships with other System institutions. As of September 30, 2023, we had 17 affiliated Associations operating in 23 states serving the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States. The Farm Credit Banking loan portfolio totaled $74.6 billion as of September 30, 2023, compared to $71.5 billion at December 31, 2022. At September 30, 2023 and December 31, 2022, loans outstanding included $68.8 billion and $65.8 billion, respectively, in wholesale loans to our affiliated Associations and $5.8 billion and $5.7 billion, respectively, of participations in wholesale loans made by other System banks to certain of their affiliated Associations. These participations included $4.4 billion as of September 30, 2023 and December 31, 2022 in wholesale loans made by the Farm Credit Bank of Texas (FCBT). The balance of participations of $1.4 billion and $1.3 billion as of September 30, 2023 and December 31, 2022, respectively, represent wholesale loans made by AgFirst Farm Credit Bank (AgFirst).

Farm Credit Banking average loan volume increased 7 percent to $71.9 billion for the nine-month period ended September 30, 2023, compared to $67.0 billion for the same prior-year period. The increase resulted from greater overall lending by our affiliated Associations to agricultural producers and processors and our affiliated Associations funding a higher level of syndicated loans and participations.

Farm Credit Banking net income increased $7 million to $210 million for the first nine months of 2023, compared to $203 million for the same prior-year period. The increase resulted primarily from higher net interest income partially offset by lower noninterest income and slightly higher operating expenses.

Net interest income increased $24 million to $254 million in the first nine months of 2023 compared to $230 million for the same period in 2022 primarily due to growth in average loan volume.

As a wholesale lender to Associations, we benefit from the diversification provided by the Association loan portfolios and a strong collateral position. In addition, the earnings, capital and loan loss reserves of the Associations provide an additional layer of protection against losses in their respective loan portfolios. Lower spreads in the Farm Credit Banking operating segment are commensurate with the lower risk profile and lower regulatory capital requirements. Notwithstanding the Special Mention credit quality classification of an affiliated Association wholesale loan as discussed in the “Credit Quality of Loans” section, loan quality in Farm Credit Banking remains strong. No provision for credit losses or allowance for credit losses have been recorded related to any of our wholesale loans to Associations.

Farm Credit Banking noninterest expense was $5 million in the first nine months of 2023 as compared to noninterest income of $9 million in the same prior-year period. The decrease primarily resulted from a loss on the sale of investment securities in the 2023 period to replace lower yielding investments with higher yielding investments and will be more than offset by higher net interest income during the remainder of 2023. Noninterest income in the 2022 period primarily included prepayment income, net of losses on early extinguishments of debt. Losses on early extinguishments of debt are generally incurred to offset the current and prospective impact of prepayments of loans and investments.

Operating expenses increased $3 million to $39 million for the first nine months of 2023 from $36 million for the same prior-year period. Farm Credit Banking has no income tax expense as the earnings on its business activities are statutorily tax-exempt.

Rural Infrastructure

The Rural Infrastructure operating segment includes loans and other financial services provided to cooperatives and other companies in the power and energy, communications, water and waste industries as well as to community facilities in rural America. Power and energy industry customers include rural electric generation and transmission cooperatives, midstream energy and gas pipeline providers, electric distribution cooperatives, renewable energy providers, independent power producers, regulated utilities and investor-owned utilities. Communications industry customers include companies providing local wireline broadband services, long-haul and middle-mile fiber transport, and data center and cloud-based products to rural communities. Our customers also include regional and national communications providers with networks that are globally interconnected, who are essential to bringing services to rural America through their partnerships and contractual relationships with our rural customers. In addition, the Bank serves customers in the water industry, including rural water and waste companies, as well as rural health care and other community facilities. We also make equity investments in certain RBICs which focus on small and middle market companies that create jobs and promote commerce in rural America. Rural Infrastructure loans outstanding totaled $31.1 billion and $28.5 billion at September 30, 2023 and December 31, 2022, respectively.

Rural Infrastructure average loan volume increased 18 percent to $29.8 billion for the first nine months of 2023, compared to $25.3 billion for the same prior-year period. The increase in loan volume was primarily related to rural power, electric distribution and communication customers.

Rural Infrastructure net income increased $48 million to $349 million for the first nine months of 2023, compared to $301 million for the same prior-year period. The increase was primarily driven by increases in net interest income and noninterest income somewhat offset by an increase in the provision for credit losses and higher operating expenses.

Net interest income increased $45 million to $439 million for the nine months ended September 30, 2023, compared to $394 million in the 2022 period. This increase was primarily due to higher average loan volume partially offset by lower earnings on balance sheet positioning and lower spreads in certain lending portfolios.

Rural Infrastructure recorded a provision for credit losses of $49 million during the first nine months of 2023, compared to $33 million for the same period in 2022. The 2023 provision for credit losses in our Rural Infrastructure operating segment relates to higher reserves resulting from deterioration in credit quality in our rural energy and communication portfolios, forecasts of deteriorating macroeconomic conditions and increased lending activity. The 2022 provision primarily related to a reserve for a power infrastructure customer that was subsequently charged off and to a lesser extent deterioration in credit quality in certain portfolios. Nonaccrual loans in Rural Infrastructure increased $19 million to $27 million at September 30, 2023, compared to $8 million at December 31, 2022 primarily due to a limited number of rural energy loans that were transferred to nonaccrual status during 2023. Gross charge-offs were $5 million for the first nine months of 2023, compared to $20 million for the same prior-year period. The charge-offs in both periods related to a small number of rural energy and communication customers. Gross recoveries were less than $1 million for the first nine months of 2023 and 2022.

Noninterest income increased $40 million to $141 million for the first nine months of 2023, compared to $101 million for the same period in 2022 driven by higher net fee income due to a higher level of transaction-related fees.

Rural Infrastructure operating expenses increased $14 million to $134 million for the first nine months of 2023, compared to $120 million for the same prior-year period primarily due to increases in employee compensation, general and administrative and purchased services expenses.

Credit Quality, Liquidity, Capital Resources and Other

Credit Quality of Loans

The following table presents our loans, classified by management pursuant to our regulator's Uniform Loan Classification System, as a percent of total loans.

Loan Quality Ratios

	September 30, 2023			December 31, 2022[4]		
	Wholesale Loans [1]	Commercial Loans [2]	Total Bank	Wholesale Loans [1]	Commercial Loans [2]	Total Bank
Acceptable	**97.80 %**	**95.99 %**	**96.94 %**	97.76 %	96.70 %	97.24 %
Special Mention	**2.20**	**2.52**	**2.35**	2.24	1.81	2.03
Substandard	**-**	**1.49**	**0.71**	-	1.49	0.73
Doubtful	**-**	**-**	**-**	-	- [3]	- [3]
Loss	**-**	**-**	**-**	-	-	-
Total	**100.00 %**	**100.00 %**	**100.00 %**	100.00 %	100.00 %	100.00 %

[1] Represents loans in our Farm Credit Banking operating segment.

[2] Represents loans in our Agribusiness and Rural Infrastructure operating segments.

[3] Represents less than 0.01 percent of total bank loans and accrued interest.

[4] Prior to the Bank's adoption of CECL on January 1, 2023, loan quality ratios included accrued interest.

Our overall loan quality measures remain strong at September 30, 2023. Special Mention loans increased to 2.35 percent of total loans at September 30, 2023, compared to 2.03 percent at December 31, 2022 primarily due to deterioration in credit quality within certain sectors of our Rural Infrastructure operating segment. The level of adversely classified loans ("Substandard", "Doubtful" and "Loss") as a percentage of total loans were 0.71 percent at September 30, 2023, compared to 0.73 percent at December 31, 2022.

We recorded a $70 million provision for credit losses, $15 million of gross charge-offs and $6 million of gross recoveries in the nine-month period ended September 30, 2023. Nonaccrual loans decreased $12 million to $133 million at September 30, 2023, from $145 million at December 31, 2022. Additional discussion of these amounts can be found in the prior section titled "Operating Segment Financial Review". Total accruing loans 90 days or more past due increased $14 million to $29 million at September 30, 2023 from $15 million at December 31, 2022 primarily due to a limited number of past due rural energy customers. Our total allowance for credit losses on loans was $813 million at September 30, 2023, compared to $825 million at December 31, 2022. As discussed in Note 2 to the accompanying condensed consolidated financial statements, we adopted the CECL accounting standard on January 1, 2023 which resulted in a $75 million decrease in our allowance for credit losses on loans. CECL is a significant change and may introduce a higher level of volatility in credit loss provisions going forward. Our allowance for credit losses on loans, as a percentage of total loans, was 0.57 percent and 0.59 percent at September 30, 2023 and December 31, 2022, respectively. As a percent of non-guaranteed loans outstanding and excluding loans to Associations, our allowance for credit losses on loans was 1.23 percent and 1.24 percent at September 30, 2023 and December 31, 2022, respectively.

At September 30, 2023, Special Mention loans included a $1.6 billion wholesale loan to one of our affiliated Associations. Pursuant to our regulatory requirements, we classify our wholesale loans using the same Uniform Loan Classification System used for our commercial loans. Our loans to Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their retail loan portfolios. While the Special Mention classification primarily reflects internal control and other operational weaknesses at this Association, as a result of the collateralization and other mitigants described above we do not anticipate any losses related to this wholesale loan. As of September 30, 2023, CoBank has not made any provision for credit loss or recorded any allowance for credit loss related to any of our wholesale loans to Associations.

The overall credit quality of our loan portfolio remains strong at September 30, 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, supply chain disruptions, labor shortages, inflation, higher 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.

Liquidity and Investments

Our liquidity management objectives are to provide a reliable source of funding to borrowers, meet maturing debt obligations, provide additional liquidity if market conditions deteriorate and fund operations on a cost effective basis.

While we believe that sufficient resources are available to meet liquidity management objectives through our debt maturity structure, holdings of liquid assets and access to the capital markets, the volatility of our loan volume and customer cash flow requirements causes our liquidity needs to vary significantly from day to day.

One of the ways we measure and monitor our liquidity position is by assuming no ability to issue debt and calculating the number of days into the future we could meet maturing debt obligations by using available cash and eligible investments. System banks are required by regulation to maintain a minimum of 90 days of liquidity (cash and readily marketable investments generally discounted by 5 to 10 percent of market value) on a continuous basis and to establish an incremental liquidity reserve. At September 30, 2023 and December 31, 2022 our liquidity was 180 days and 183 days, respectively.

We hold cash, investment securities, federal funds sold and other overnight funds primarily to maintain a liquidity reserve and manage short-term surplus funds. Cash, federal funds sold and other overnight funds totaled $8.1 billion and $13.3 billion as of September 30, 2023 and December 31, 2022, respectively. Our investment securities were $35.0 billion at September 30, 2023, compared to $33.1 billion at December 31, 2022.

The table below summarizes our investment securities and related unrealized gains (losses) by asset class.

Investment Securities ($ in Millions)

	September 30, 2023			December 31, 2022		
	Amortized Cost	Fair Value	Net Unrealized Losses	Amortized Cost	Fair Value	Net Unrealized Losses
Certificates of Deposit	$ —	$ —	$ —	$ 850	$ 850	$ —
U.S. Treasury Debt	12,806	12,095	(711)	14,779	14,052	(727)
U.S. Agency Debt	2,308	2,166	(142)	1,733	1,627	(106)
Residential Mortgage-Backed:						
Ginnie Mae	983	798	(185)	1,014	837	(177)
U.S. Agency	2,900	2,765	(135)	1,417	1,319	(98)
Commercial Mortgage-Backed:						
U.S. Agency	17,758	16,541	(1,217)	14,567	13,587	(980)
Corporate Bonds[(1)]	500	470	(30)	534	501	(33)
Asset-Backed and Other	128	125	(3)	328	324	(4)
Total	$ 37,383	$ 34,960	$ (2,423)	$ 35,222	$ 33,097	$ (2,125)

(1) Amortized cost includes allowance for credit losses of $4 million at September 30, 2023.

Credit risk in our investment portfolio primarily exists in investment securities that are not guaranteed by the U.S. government or a government-sponsored enterprise (U.S. Agency), which currently include asset-backed securities (ABS) backed by pools of prime auto and equipment loans and corporate bonds of midstream energy and communication companies. The midstream energy and communication corporate bonds are purchased under our lending authorities and not held for liquidity purposes. The ABS and midstream energy and communication corporate bonds collectively total $595 million or approximately 2 percent of our total investment portfolio as of September 30, 2023. Credit risk in our investment portfolio also arises in a portion of our short-term investments, which include overnight bank deposits and federal funds sold instruments which are transacted with highly-rated commercial bank counterparties. We held overnight bank deposits and federal funds sold instruments totaling $753 million and $2.8 billion at September 30, 2023 and December 31, 2022, respectively. The remainder of our short-term investments include reverse repurchase agreements with the Federal Reserve totaling $7.1 billion and $9.6 billion at September 30, 2023 and December 31, 2022, respectively, and have minimal credit risk.

As of September 30, 2023, our allowance for credit losses on investment securities was $4 million and related to our corporate bonds of midstream energy and communication companies. We recorded a credit loss reversal on our investment securities of $2 million during the nine months ended September 30, 2023 that is included in the provision for credit losses (credit loss reversal) in our condensed consolidated statement of income and resulted from an improvement in modeled credit losses for these securities.

Pursuant to FCA regulations, certain securities must be excluded from our liquidity reserve, including those that are not readily marketable, do not exhibit low credit and market risk or cannot be converted into cash with little or no loss in value. In addition, any non-guaranteed investments whose market value is less than 80 percent of book value must be excluded from the supplemental liquidity buffer. As of September 30, 2023, $526 million of securities were excluded from our liquidity reserve, the most significant of which were our corporate bonds of midstream energy and communication companies that are not held for liquidity purposes.

As all of our investment securities are classified as “available for sale”, we recognize changes in the fair value of our investment securities in accumulated other comprehensive income (loss), a component of shareholders’ equity, unless losses are credit-related and related to securities not guaranteed by the U.S. government or U.S. agencies, in which case that portion of the loss is recorded as an allowance for credit losses with an offsetting amount in earnings. We recorded net unrealized losses on our investment securities of $298 million and $2.4 billion for the nine months ended September 30, 2023 and 2022. The unrealized losses recorded in both periods primarily reflect the impact of market interest rate changes on the fair value of fixed-rate securities. As described in Note 7 to the accompanying condensed consolidated financial statements, unrealized gains on our bonds and notes which fund our investment securities are not recorded in our condensed consolidated balance sheets due to their amortized cost treatment and as a result, provide no offset to the unrealized losses on investment securities recorded in our shareholders’ equity.

An additional source of liquidity is cash provided by our operating activities (primarily generated from net interest income in excess of operating expenses), which totaled $1.3 billion and $1.1 billion for the first nine months of 2023 and 2022, respectively.

Notwithstanding the various sources of liquidity discussed above, if no other sources existed to repay maturing Federal Farm Credit Banks Consolidated Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide Debt Securities), the assets of the Insurance Fund would be used to repay such debt.

The Insurance Corporation has an agreement with the Federal Financing Bank, a federal instrumentality subject to the supervision and direction of the U.S. Treasury, pursuant to which the Federal Financing Bank would advance funds to the Insurance Corporation. Under its existing statutory authority, the Insurance Corporation may use these funds to provide assistance to the System banks in exigent market circumstances that threaten the Banks’ ability to pay maturing debt obligations. The agreement provides for advances of up to $10 billion and will remain in full force and effect until terminated by either the Insurance Corporation or the Federal Financing Bank. The decision whether to seek funds from the Federal Financing Bank is at the discretion of the Insurance Corporation, and each funding obligation of the Federal Financing Bank is subject to various terms and conditions and, as a result, there can be no assurance that funding would be available if needed by the System.

Funding

The System is a government sponsored enterprise (GSE) and CoBank, as a member of the System, has historically benefited from the favorable funding costs and funding flexibility available to us through the issuance of Systemwide debt securities. The credit ratings of GSEs, including the System, are influenced by the sovereign credit rating of the United States.

On August 1, 2023, Fitch Ratings downgraded the long-term sovereign credit rating on the United States to AA+ from AAA. Subsequently, on August 2, 2023, Fitch Ratings downgraded the long-term issuer default rating for the System to AA+ from AAA. Fitch also downgraded the individual long-term issuer default ratings of the System Banks, including CoBank, to A+. The outlook on the long-term default rating for each System Bank, including CoBank, was revised to stable from ratings watch negative. The downgrade of the System and the System Banks' ratings reflect the downgrade of the U.S. sovereign rating.

Notwithstanding these actions, to date we have continued to access competitively priced funding necessary to support our lending and business operations. However, such actions and any future downgrades from ratings agencies could negatively impact the access to debt capital markets, funding flexibility, funding costs and earnings for CoBank and other System institutions.

Included in our bonds and notes at September 30, 2023 and December 31, 2022 was $825 million of funding pursuant to a bond guarantee program offered by the Rural Utilities Service (RUS) agency of the United States Department of Agriculture. The funding is provided by the Federal Financing Bank and guaranteed by RUS. As part of the bond guarantee agreement with RUS, we are required to pledge collateral in an amount equal to at least 110 percent of the principal balance of all RUS bonds outstanding. As of September 30, 2023, we had $250 million, $375 million and $200 million outstanding on our Series D, Series E and Series F funding from RUS, respectively. The Series D, Series E and Series F facilities were fully drawn at September 30, 2023. In October 2023, we closed on an additional $450 million of Series G funding with RUS, which allows us to access funding through July 2028.

Interest Rate Swaps and Other Derivatives

We use interest rate swaps and other derivatives as an integral part of our market risk management activities. Interest rate swaps and other derivatives are used to manage liquidity and the market risk arising from maturity and repricing mismatches between assets and liabilities. We also hedge cap and floor risk embedded within our floating-rate investments and loans by entering into derivative transactions. In addition, we execute foreign exchange spot and forward contracts to manage currency risk on our relatively nominal amount of loans denominated in foreign currencies. We also enter into derivatives for our customers as a service to enable them to transfer, modify or reduce their interest rate risk and foreign exchange risk.

Interest rate swaps and other derivatives are recorded at fair value as assets or liabilities in the accompanying condensed consolidated balance sheets. Interest rate swaps and other derivative assets totaled $1.1 billion at September 30, 2023, compared to $1.0 billion at December 31, 2022. Interest rate swaps and other derivative liabilities totaled $1.3 billion and $1.1 billion at September 30, 2023 and December 31, 2022, respectively.

Changes in the fair value of our interest rate swaps and other 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 and hedged items designated as hedging instruments are recorded in interest income and interest expense in the accompanying condensed consolidated statements of income and totaled net losses of $5 million and $6 million for the first nine months of 2023 and 2022, respectively. Net changes in the fair value of derivatives not designated as hedging instruments are recorded in noninterest income in the accompanying condensed consolidated statements of income and totaled net gains of $13 million and $16 million for the first nine months of 2023 and 2022, respectively. Changes in the fair value of derivatives recorded as other comprehensive income (loss) totaled net gains of $69 million and $108 million for the first nine months of 2023 and 2022, respectively.

Capital Resources

We believe that a sound capital position is critical to our long-term financial success and future growth. Our shareholders' equity is composed of preferred and common stock, retained earnings and accumulated other comprehensive income (loss), and totaled $10.3 billion and $10.2 billion at September 30, 2023 and December 31, 2022, respectively. The approximate $124 million increase in shareholders' equity during the first nine months of 2023 primarily resulted from current period earnings and the cumulative effect of adopting the CECL accounting standard somewhat offset by retirements of common stock and accrued patronage. Included in our shareholders' equity is $2.1 billion and $1.9 billion of accumulated other comprehensive loss at September 30, 2023 and December 31, 2022, respectively. Accumulated other comprehensive loss primarily results from net unrealized losses on investment securities driven by market interest rate changes. While the unrealized losses on investment securities result in a reduction of shareholders' equity, they do not impact current period earnings or regulatory capital ratios.

As previously discussed in the Bank's 2022 Annual Report to Shareholders, in August 2022, the Bank's Board of Directors lowered the target equity levels contained in its capital plans for cooperatives and other patronage-eligible commercial borrowers, as well as for affiliated and non-affiliated Farm Credit System institutions. The lower target equity levels were effective in 2022. The reduction follows a Board-recommended vote by CoBank stockholders earlier in 2022 to reduce the target equity ranges specified in the Bank's capitalization bylaws. In December 2022, the Board of Directors 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. Management and the Board continuously evaluate the Bank's capital plans based on financial performance, capital requirements, asset growth, emerging risks and other items. Any future changes to patronage and capital distributions would be subject to Board approval and compliance with regulatory requirements.

During the first nine months of 2023 and 2022, we retired $8 million and $70 million, respectively, of our 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, we redeemed all of our outstanding Series G non-cumulative perpetual preferred stock totaling $200 million. The dividend rate for our Series G preferred stock was 6.125 percent through the date of redemption.

At September 30, 2023 and December 31, 2022, our capital and leverage ratios exceeded regulatory minimums, as shown in the following table.

Regulatory Capital Requirements and Ratios

		September 30, 2023		December 31, 2022		
	Regulatory Minimums	Actual	Actual Buffer	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 Capital Ratio	4.5 %	**11.67 %**	**7.17 %**	11.62 %	7.12 %	2.5 %
Tier 1 Capital Ratio	6.0	**13.40**	**7.40**	13.39	7.39	2.5
Total Capital Ratio	8.0	**14.26**	**6.26**	14.25	6.25	2.5
Tier 1 Leverage Ratio(1)	4.0	**6.77**	**2.77**	6.80	2.80	1.0
Permanent Capital Ratio	7.0	**13.50**	**n/a**	13.51	n/a	n/a
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	**3.21**	**n/a**	3.13	n/a	n/a

(1) At least 1.5 percent must be URE and URE equivalents.

See “Regulatory Capital Disclosures” for more information on required regulatory capital disclosures, including the components of the ratios displayed above.

We may from time to time seek to retire our outstanding debt or equity securities, including preferred stock, through calls, tender offers and/or exchanges, open market purchases, privately negotiated transactions or otherwise. We may also issue new debt or equity securities, including preferred stock. Such calls, tender offers, exchanges, open market purchases or new issuances, if any, will depend on prevailing market conditions, the Bank’s capital position and liquidity requirements, contractual restrictions, changes to capital regulations and other factors.

LIBOR Transition

As more fully disclosed in the “Other Risk Factors” under the heading “Transition from LIBOR Could Adversely Affect Our Results of Operations, Financial Condition and Cash Flows” of our 2022 Annual Report to Shareholders, LIBOR settings (including with respect to overnight, one-month, three-month, six-month, and twelve-month tenors of USD dollar LIBOR) were discontinued or declared non-representative immediately after June 30, 2023.

CoBank recognized the discontinuance of LIBOR presented significant risks and challenges that could have impacted our business and our customers. We executed LIBOR transition plans in accordance with Farm Credit Administration’s guidance to address the risks associated with the discontinuance of LIBOR and have completed our conversion to the Secured Overnight Financing Rate (SOFR).

While we implemented SOFR fallback language in a substantial majority of our loan agreements, certain of our loans, investment securities, Systemwide Debt Securities, preferred stock and derivative transactions that mature after June 30, 2023 and reference LIBOR had 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 twelve-month LIBOR in certain contracts that do not mature before the LIBOR replacement date and that have no or inadequate fallback language.

As of September 30, 2023, our remaining exposure to LIBOR-indexed financial instruments includes approximately $80 million in loans. In addition, $300 million and $375 million of our preferred stock currently have fixed dividend rates that convert to LIBOR-indexed variable rates in 2025 and 2026, respectively. Given LIBOR is no longer being quoted, these instruments will convert to variable rates pursuant to the fallback language in the preferred stock agreements. We have no remaining LIBOR exposure related to our investment securities, Systemwide Debt Securities and derivative transactions. At this time, we do not expect the remaining LIBOR transition to have a material impact on us, our borrowers, investors, customers, and counterparties. However, disputes and litigation with counterparties, investors and borrowers relating to the LIBOR transition may be possible in the future.

Other Regulatory Matters

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 recognize the increased risk posed by high-volatility commercial real estate exposures. The public comment period on the proposed rule ended on January 24, 2022.

On October 5, 2023, the FCA approved a final rule on cyber risk management that requires each System institution to develop and implement a comprehensive, written cyber risk management program. Each institution's cyber risk plan must require the institution to take the actions to assess internal and external risk factors, identify potential system and software vulnerabilities, establish a risk management program for the risks identified, develop a cyber risk training program, set policies for managing third-party relationships, maintain robust internal controls and establish institution board reporting requirements. The final rule will become effective on January 1, 2025.

Business Outlook

Increasing interest rates, persistent inflation, negative events in the commercial banking sector, geopolitical risks and shifts in trade policies continue to impact the global economy in 2023. The U.S. economy is outperforming expectations; however, the rest of the world, Europe and China in particular, have fallen short of expectations and are experiencing a downturn. Many market participants still expect some form of a recession in 2024, which could have varied impacts to the U.S. economy. Labor markets continue to be resilient although there are signs of a slowdown in the labor force due to declining corporate profits and other market factors. The Federal Reserve monetary policy to address inflation has pushed long-term interest rates to their highest levels in many years. While this continued and aggressive rate hiking cycle has eased inflation somewhat during 2023, it has not meaningfully weakened demand for goods and services, and further interest rate hikes remain a possibility. More importantly, interest rates are expected to stay higher and for longer than previously expected. Equity markets declined in the third quarter although have still increased on a year-to-date basis in 2023. The U.S. government avoided a federal shutdown on September 30 by passing a 45-day continuing resolution; however, another solution will be required prior to mid-November and a more permanent solution on a longer-term basis is needed. Changes to U.S. tax laws, including the federal corporate income tax rate, remain uncertain at this time. Market conditions in many sectors of the agricultural and rural infrastructure industries we serve remain generally favorable and stable, but are impacted by the challenges of the broader economy.

The rural economy in the United States continues to benefit from higher levels of consumer spending so far in 2023, although there is the potential for a slowdown due to increased interest rates, recession concerns and changing market dynamics. U.S. agricultural exports face challenges due to the strength of the U.S. dollar, rising borrowing, transportation and other costs. Agricultural commodity prices remain highly volatile and soybean oil and fertilizer prices, in particular, decreased significantly from 2022 levels. The animal protein sector is experiencing varied performance with strong demand and pricing for beef compared to less favorable conditions for pork and chicken. The dairy sector faces lower prices for milk and cheese amidst higher input costs. While portions of the western United States received a significant amount of rainfall and have accumulated snowpack through 2023, drought conditions impacting crop production persist in certain areas of Texas, Louisiana and portions of the southwestern United States. Furthermore, higher input costs, especially the cost of labor, continue to impact the U.S. agricultural economy. The rural power and energy industries are impacted by ongoing developments from rising oil prices and changes in industry regulations. The communications industry expects slower near-term network expansion stemming from increased interest rates, increased competition and higher labor costs, although long-term consumer demand in this sector remains strong, including in underserved rural markets. Additionally, the long-term outlook in these rural infrastructure sectors remains favorable due to the ongoing need to upgrade and maintain the energy grid and communications infrastructure in the United States and from increased spending resulting from the passage of the Infrastructure Investment and Jobs Act and, to a lesser extent, the Inflation Reduction Act. Other political actions may impact the rural economy in 2023, including the current U.S. Farm Bill, which expired on September 30, 2023 and the Fiscal Responsibility Act which was temporarily addressed. Delay in reauthorizing or at least extending the U.S. Farm Bill beyond January 1 may significantly impact the agricultural sector.

Although challenges across our industry sectors could reduce credit quality and impact the level of loan demand, CoBank believes it remains well positioned to assist our customers and to continue to serve rural America. Under the guidance of our Board of Directors and our experienced executive management team, we remain focused on achieving continued success through execution of our business strategies. This includes, among other objectives, creating mutually beneficial partnerships with other System institutions, maintaining effective access to the agency debt capital markets, opportunistically accessing the preferred stock capital markets, educating policy makers and other key stakeholders about the critical mission of CoBank and the System, prudently optimizing current lending authorities and maintaining compliance with laws and regulations. We continue to collaborate with our affiliated Associations on business model enhancements that further strengthen the ability to fulfill our collective mission. We will also continue to explore strategic alliances and other opportunities with our customers, other System institutions, financial service providers and other public and private entities as we strive to fulfill our mission in rural America in a safe and sound manner.

Forward-Looking Statements

Certain of the statements contained in this quarterly report 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 are subject to various risks and uncertainties, including, but not limited to:

- Changes in inflation, the level of interest rates and relationships between various interest rate indices and actions taken by the Federal Reserve to manage the monetary policy of the United States;
- The wars in Ukraine and the Middle East and their impacts on global trade for grain, fertilizer and other commodities, economic conditions and global food supply;
- Government trade policies in the United States and other countries, including tariffs and other restrictions that impact markets for agricultural and other products;
- A decrease in the credit outlook or ratings of U.S. government debt and agency debt, including our securities and Systemwide Debt Securities;
- Changes in the economic environment that negatively impact the agricultural, power, communications, water and leasing industries;
- Changes in the U.S. government’s support of the System, the agricultural industry, agricultural exports, rural infrastructure and rural economies, including passage of a new Farm Bill;
- The growing impact of the environmental, social and governance (ESG) trend in the financial services industry globally, including policies directed toward measuring the carbon impact from lending activities and efforts focused on reducing the impact of climate change such as the legislation recently passed by the State of California;
- Widespread health emergencies, such as pandemics, and the disruptions they cause to businesses and their supply chains;
- Currency fluctuations that impact the value of the U.S. dollar in global markets;
- Adverse food safety and weather events, disease, and other unfavorable conditions that periodically occur and impact agricultural productivity and income;
- Catastrophic events such as wildfires, floods and other natural disasters, political unrest or other similar occurrences, which may have a direct or indirect impact on certain of our borrowers;
- Changes in levels of global crop production, exports, imports, usage and inventories;
- Credit performance of the loan portfolio;
- Performance of the underlying collateral of our loans;
- Loan portfolio growth and seasonal factors;
- Weakening domestic and global economic conditions;
- Volatility in energy prices including oil, natural gas and other fuel prices;
- Geopolitical uncertainties, conflicts and government policy developments in the United States and throughout the world that may impact the industries we lend to, or, economic, fiscal or monetary conditions;
- Legislative or regulatory actions that affect our relationships with our employees;
- Actions taken by the U.S. Congress relative to other government-sponsored enterprises;
- Actions taken by the U.S. government to manage U.S. immigration or fiscal policies;
- Actions taken by the U.S. Congress to fund infrastructure improvements;
- Changes to tax laws;

- Our ability to attract and retain high quality employees;
- Cybersecurity risks, including a failure or breach of our operational or security systems or infrastructure, that could adversely affect our business, financial performance and reputation;
- Disruptive technologies impacting the banking and financial services industries or implemented by our competitors which negatively impact our ability to compete in the marketplace;
- Regulatory actions or changes in investor confidence due to the recent disruptions in the financial services and commercial banking sectors;
- Changes in assumptions underlying the valuations of financial instruments;
- Changes in estimates underlying the allowance for credit losses;
- Failure of our investment portfolio to perform as expected or deterioration in the credit quality of such investments;
- Replacement of LIBOR and the implementation of SOFR or another benchmark rate index;
- Legal proceedings, judgments, settlements and related matters;
- Environmental-related conditions or laws impacting our lending activities;
- Nonperformance by counterparties under our derivative and vendor contracts;
- Success of business model solutions focused on strengthening our ability to fulfill the System's collective mission, including through the more efficient use of capital; and
- Our ability to continue to partner with various System and other entities in light of ongoing consolidation within the System and the industries we serve.

We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Condensed Consolidated Balance Sheets

CoBank, ACB

($ in Millions)

	September 30, 2023 (Unaudited)		December 31, 2022	
Assets				
Total Loans	**$**	**142,166**	$	140,089
Less: Allowance for Loan Losses		**724**		682
Net Loans		**141,442**		139,407
Cash and Cash Equivalents		**212**		896
Federal Funds Sold and Other Overnight Funds		**7,853**		12,401
Investment Securities (net of allowance of $4 million at September 30, 2023)		**34,960**		33,097
Interest Rate Swaps and Other Derivatives		**1,052**		1,000
Accrued Interest Receivable and Other Assets		**2,111**		2,042
Total Assets	**$**	**187,630**	$	188,843
Liabilities				
Bonds and Notes	**$**	**173,070**	$	174,623
Interest Rate Swaps and Other Derivatives		**1,331**		1,079
Reserve for Unfunded Commitments		**89**		143
Patronage Payable		**540**		856
Accrued Interest Payable and Other Liabilities		**2,251**		1,917
Total Liabilities	**$**	**177,281**	$	178,618
Commitments and Contingent Liabilities (Note 10)				
Shareholders' Equity				
Preferred Stock	**$**	**1,625**	$	1,633
Common Stock		**3,908**		4,000
Unallocated Retained Earnings		**6,946**		6,519
Accumulated Other Comprehensive Loss		**(2,130)**		(1,927)
Total Shareholders' Equity	**$**	**10,349**	$	10,225
Total Liabilities and Shareholders' Equity	**$**	**187,630**	$	188,843

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Income

CoBank, ACB

($ in Millions) (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Interest Income				
Loans	**$ 1,844**	$ 1,031	**$ 5,297**	$ 2,516
Investment Securities	**333**	188	**910**	443
Federal Funds Sold and Other Overnight Funds	**112**	53	**334**	69
Total Interest Income	**2,289**	1,272	**6,541**	3,028
Interest Expense	**1,833**	824	**5,170**	1,588
Net Interest Income	**456**	448	**1,371**	1,440
Provision for Credit Losses (Credit Loss Reversal)	**8**	(30)	**70**	75
Net Interest Income After Provision for Credit Losses (Credit Loss Reversal)	**448**	478	**1,301**	1,365
Noninterest Income (Expense)				
Net Fee Income	**56**	42	**167**	109
Patronage Income	**44**	38	**128**	115
Prepayment (Expense) Income	**(2)**	2	**—**	7
Gains on Early Extinguishments of Debt	**3**	4	**2**	2
Gains on Interest Rate Swaps and Other Derivatives	**3**	7	**13**	16
Gains (Losses) on Sales of Investment Securities	**—**	1	**(7)**	1
Other, Net	**3**	8	**12**	23
Total Noninterest Income	**107**	102	**315**	273
Operating Expenses				
Employee Compensation	**63**	62	**190**	171
Insurance Fund Premium	**35**	37	**109**	114
Information Services	**16**	17	**49**	48
General and Administrative	**7**	7	**25**	22
Occupancy and Equipment	**4**	4	**13**	13
Farm Credit System Related	**5**	4	**14**	14
Purchased Services	**7**	6	**17**	13
Other	**5**	5	**15**	15
Total Operating Expenses	**142**	142	**432**	410
Income Before Income Taxes	**413**	438	**1,184**	1,228
Provision for Income Taxes	**33**	43	**96**	103
Net Income	**$ 380**	$ 395	**$ 1,088**	$ 1,125

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income (Loss)

CoBank, ACB

($ in Millions) (Unaudited)

	For the Three Months Ended September 30,		For the Nine Months Ended September 30,	
	2023	**2022**	**2023**	**2022**
Net Income	**$ 380**	$ 395	**$ 1,088**	$ 1,125
Other Comprehensive Loss, Net of Tax:				
Net Change in Unrealized Losses on Investment Securities	**(299)**	(819)	**(278)**	(2,199)
Net Change in Unrealized Gains on Interest Rate Swaps and Other Derivatives	**61**	47	**69**	108
Net Pension Adjustment	**—**	1	**1**	3
Other Comprehensive Loss	**$ (238)**	(771)	**$ (208)**	(2,088)
Comprehensive Income (Loss)	**$ 142**	$ (376)	**$ 880**	$ (963)

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Changes in Shareholders' Equity
CoBank, ACB

($ in Millions) (Unaudited)

For the Nine Months Ended September 30,		2023		2022
Balance at December 31,	**$**	**10,225**	$	12,234
Cumulative effect of change in accounting principle[1]		**51**		—
Balance at January 1, as adjusted		**10,276**		12,234
Comprehensive Income (Loss)		**880**		(963)
Preferred Stock:				
Dividends		**(71)**		(69)
Redemptions		**(8)**		(270)
Gain on Partial Redemptions of Series E Preferred Stock		**1**		13
Issuance		**—**		400
Issuance Costs		**—**		(4)
Common Stock:				
Retirements		**(191)**		(156)
Cash Patronage Accrued		**(538)**		(552)
Balance at September 30,	**$**	**10,349**	$	10,633

[1] Effective January 1, 2023, we adopted the CECL accounting standard pursuant to ASU "Financial Instruments - Credit Losses (Topic 326)".

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

CoBank, ACB

($ in Millions) (Unaudited)

For the Nine Months Ended September 30,		2023		2022
Cash Flows Provided by Operating Activities				
Net Income	**$**	**1,088**	$	1,125
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:				
Provision for Credit Losses		**70**		75
Deferred Income Taxes		**52**		18
Depreciation and Amortization/Accretion, Net		**34**		36
Gains on Early Extinguishments of Debt		**(2)**		(2)
Losses (Gains) on Sales of Investment Securities		**7**		(1)
Increase in Accrued Interest Receivable and Other Assets		**(258)**		(364)
Increase in Accrued Interest Payable and Other Liabilities		**301**		258
Net Losses (Gains) on Interest Rate Swaps and Other Derivatives		**2**		(3)
Payments on Termination of Interest Rate Swaps and Other Derivatives		**—**		(35)
Payments on Operating Lease Liabilities		**(7)**		(8)
Other, Net		**(3)**		(2)
Net Cash Provided by Operating Activities		**1,284**		1,097
Cash Flows Provided by (Used in) Investing Activities				
Net Increase in Loans		**(2,164)**		(5,406)
Net Increase in Investment Securities		**(2,035)**		(3,949)
Net Decrease (Increase) in Federal Funds Sold and Other Overnight Funds		**4,548**		(7,980)
Other, Net		**120**		99
Net Cash Provided by (Used in) Investing Activities		**469**		(17,236)
Cash Flows (Used in) Provided by Financing Activities				
Net (Repayments) Issuances of Bonds and Notes		**(1,638)**		13,664
Preferred Stock Issued, Net		**—**		396
Preferred Stock Retired		**(6)**		(257)
Preferred Stock Dividends Paid		**(67)**		(60)
Net Retirements of Common Stock		**(191)**		(156)
Cash Patronage Distribution Paid		**(706)**		(632)
Special Cash Patronage Distribution Paid		**(149)**		(125)
Cash Collateral (Paid to) Received from Derivative Counterparties, Net		**(106)**		640
Variation Margin Received (Paid) on Cleared Derivatives, Net		**426**		(282)
Other, Net		**—**		(1)
Net Cash (Used in) Provided by Financing Activities		**(2,437)**		13,187
Net Decrease in Cash		**(684)**		(2,952)
Cash at Beginning of Period		**896**		3,197
Cash at End of Period	**$**	**212**	$	245

The accompanying notes are an integral part of the condensed consolidated financial statements.

Condensed Consolidated Supplemental Cash Flow Disclosures

CoBank, ACB

($ in Millions) (Unaudited)

For the Nine Months Ended September 30,	2023	2022
Schedule of Noncash Investing and Financing Activities		
Net Change in Accrued Securities Purchases	**$ —**	$ (48)
Net Change in Receivables from Investment Securities	**(117)**	8
Net Change in Unrealized Losses on Investment Securities, Before Taxes	**(298)**	(2,444)
Net Change in Unrealized Gains on Interest Rate Swaps and Other Derivatives and Hedged Items, Before Taxes	**8**	108
Patronage in Common Stock	**99**	106
Change in Cash Patronage Payable	**538**	552
Supplemental Noncash Information Related to Leases		
Right-of-Use Assets Obtained in Exchange for Operating Lease Liabilities	**6**	6

The accompanying notes are an integral part of the condensed consolidated financial statements.

Note 1 – Organization, Lending Authority and Significant Accounting Policies

The accompanying condensed consolidated financial statements include the accounts of CoBank, ACB and its wholly-owned subsidiaries, CoBank, FCB and Farm Credit Leasing Services Corporation (FCL), collectively hereinafter referred to as CoBank or the Bank. All material inter-company accounts and transactions have been eliminated. In our opinion, all adjustments considered necessary for a fair presentation of the interim financial condition, results of operations and cash flows have been made. These adjustments are of a normal recurring nature, unless otherwise disclosed. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted (GAAP) in the United States of America have been condensed or omitted.

CoBank is a member of the Farm Credit System (System). We provide loans, leases and other financial services to support agriculture, rural infrastructure and rural communities across the United States. 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.

These unaudited quarterly condensed consolidated financial statements should be read in conjunction with the 2022 Annual Report, which includes a description of our organization and lending authority. Also included in the 2022 Annual Report is a summary of significant accounting policies. These quarterly condensed consolidated financial statements have been prepared in accordance with these same accounting policies. CoBank is the funding bank for certain System Associations, which are collectively referred to as our "affiliated Associations." The accompanying condensed consolidated financial statements exclude financial information of our affiliated Associations. CoBank and our affiliated Associations are collectively referred to as the "District." Additional information about our affiliated Associations is contained in Note 12 to these condensed consolidated financial statements.

Copies of CoBank's financial reports are available on request by calling or visiting one of our banking center locations and through our website at www.cobank.com. Copies of financial reports of our affiliated Associations and the System are available on their respective websites. References to documents, information or websites outside this Quarterly Report to Shareholders shall not be deemed to be incorporated by reference into this report.

Note 2 – Recently Issued or Adopted Accounting Pronouncements

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 introduced 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 (ACL) disclosures, including loan vintage information. CoBank adopted this ASU on January 1, 2023 following the modified retrospective approach with a cumulative effective adjustment to shareholders' equity as of the date of adoption.

The following table presents the impact to the allowance for credit losses, retained earnings and accumulated other comprehensive loss (income) upon adoption of the ASU on January 1, 2023.

($ in Millions)

	December 31, 2022	CECL Adoption Impact	January 1, 2023
Allowance for Loan Losses			
Agribusiness	$ 517	$ (67)	$ 450
Farm Credit Banking	-	-	-
Rural Infrastructure	165	58	223
Total Allowance for Loan Losses	$ 682	$ (9)	$ 673
Reserve for Unfunded Commitments			
Agribusiness	$ 122	$ (68)	$ 54
Farm Credit Banking	-	-	-
Rural Infrastructure	21	2	23
Total Reserve for Unfunded Commitments	$ 143	$ (66)	$ 77
Allowance for Credit Losses on Loans	$ 825	$ (75)	$ 750
Allowance for Credit Losses on Investments	$ -	$ 6	$ 6
Unallocated Retained Earnings[1]	$ 6,519	$ 46	$ 6,565
Accumulated Other Comprehensive Loss (Income)[1]	(1,927)	5	(1,922)
Cumulative Effect of Change In Accounting Principle[1]		$ 51	

[1] Amounts are net of taxes

Upon adoption of the ASU, we recorded a $75 million decrease in our allowance for credit losses for loans, leases and unfunded commitments comprised of a $9 million reduction in the allowance for loan losses and a $66 million decrease in the reserve for unfunded commitments. The decrease in our allowance for credit losses on loans under CECL is primarily 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 our 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, our long-term rural infrastructure loans to many of our communications, energy and water customers have a higher CECL allowance for credit losses. Refer to Note 3 for further disclosure of the allowance for credit losses on loans.

We also recorded a $6 million allowance for credit losses on our available-for-sale investment securities upon adoption of the ASU. The substantial majority of our investment portfolio of available-for-sale securities has 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. The entire amount of the allowance for credit losses on our investment portfolio of available-for-sale securities related to corporate bonds that are not guaranteed by the U.S. government or U.S. agencies. Refer to Note 4 for further disclosure of the allowance for credit losses on investments.

Beginning January 1, 2023, the allowance for credit losses represents management's estimate of current expected credit losses over the remaining contractual life of financial assets measured at amortized cost, certain off-balance sheet credit exposures and financial assets measured at fair value through other comprehensive income (loss). The ACL takes into consideration relevant information about past events, current conditions and reasonable and supportable macroeconomic forecasts of future conditions. The contractual term includes expected extensions, renewals and modifications unless the extension or renewal options are unconditionally cancellable.

The ACL is comprised of:

- the allowance for loan losses,
- the reserve for unfunded commitments, and
- the allowance for credit losses on investment securities.

Determining the appropriateness of the ACL is complex and requires judgment by management about the effect of matters that are inherently uncertain. Subsequent evaluations of loan, lease and investment portfolios, considering macroeconomic conditions, forecasts and other factors prevailing at the time, may result in significant changes in the ACL in future periods.

Loans are evaluated for credit losses based on their amortized cost. We have adopted the practical expedient in CECL to exclude accrued interest from the ACL measurement when it is reversed or charged-off in a timely manner. We consider our nonaccrual and charge-off policies to be timely for all of our loans and leases. We employ a disciplined process and methodology to determine our ACL under CECL that separates our loans and leases into two broad categories: those that are evaluated on an individual basis and those that are not. Loans and leases that are individually evaluated for credit losses include those that are non-accrual or past due 90 days or more and still accruing interest. For loans and leases that are not individually assessed for credit losses, we estimate expected credit losses of financial assets on a collective (pool) basis for pools of assets that share similar risk characteristics.

Our ACL for individually evaluated loans and leases is based on the fair value of the related collateral of the loan or lease if it is collateral dependent, or the present value of expected future cash flows discounted at the effective interest rate of the loan or lease. In limited cases, we estimate the ACL for individually evaluated loans and leases based on observable market prices.

Our ACL for collectively evaluated loans and leases (the pool allowance) is measured based on the estimated expected credit losses for pools of assets with similar risk characteristics. The pool allowance considers the probability of default, loss given default, and exposure at default for individual borrowers/obligations, concentrations of credit risk and other relevant factors to estimate expected credit losses. The pool allowance component of the ACL also considers factors for each pool of assets to adjust for differences between the historical period used to calculate historical credit defaults and loss severity rates and expected conditions over the remaining lives of the loans.

Management considers multiple economic scenarios over a reasonable and supportable forecast period of two years to estimate credit losses under CECL. Subsequent to the forecast period, our CECL credit loss model reverts to our long-term historical loss experience on a linear basis to inform the estimate of credit losses for the remaining contractual life of the loan portfolio. The economic forecasts used in our CECL credit loss model are provided by an independent third-party and incorporate macroeconomic variables, some of which apply to all portfolio segments and others that are specific to a particular loan portfolio. The most significant economic variables utilized in our CECL credit loss model include: BBB corporate spreads, unemployment rates, equity prices, corn prices, gas prices, oil prices and power grid prices. Our Market Risk Committee approves the economic forecasts, and any relevant probability weighting, used in the CECL credit loss model and determination of the ACL.

Available-for-sale investment securities with unrealized losses are also evaluated for an ACL under the new ASU. As part of the assessment, management evaluates whether it intends to sell the security or it is more likely than not to be required to sell the security, prior to recovery of the amortized cost basis. Management excludes 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. Credit losses are recorded as an ACL for investment securities with the offsetting amount in earnings. Interest rate, liquidity and other noncredit-related components of unrealized losses and gains on available-for-sale investment securities are recorded in accumulated other comprehensive income (loss).

Our Allowance for Credit Losses Committee approves the overall ACL estimate for loans, leases and investments prior to recording in the financial statements.

Troubled Debt Restructurings and Vintage Disclosures

In March 2022, the FASB issued a new ASU, "Financial Instruments – Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosure." The amendments in this ASU eliminate the accounting guidance for troubled debt restructurings (TDRs) by creditors in Subtopic 310-40, Receivables – Troubled Debt Restructurings by Creditors, while enhancing disclosure requirements for certain loan refinancings, modifications and restructurings by creditors when a borrower is experiencing financial difficulty. The amendments in this ASU also require that an entity disclose current-period gross charge-offs by year of origination for financing receivables and net investments in leases within the scope of Subtopic 326-20, Financial Instruments—Credit Losses—Measured at Amortized Cost. CoBank adopted this ASU on January 1, 2023. Refer to Note 3 for further disclosure of loan modifications.

Reference Rate Reform

In March 2020, the FASB issued a new ASU, "Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting." The ASU provides optional expedients and exceptions for applying generally accepted accounting principles to contracts, hedging relationships, and other transactions affected by reference rate reform. The ASU simplifies the accounting evaluation of contract modifications that replace a reference rate affected by reference rate reform and contemporaneous modifications of other contract terms related to the replacement of the reference rate. With respect to hedge accounting, the ASU allows amendment of formal designation and documentation of hedging relationships in certain circumstances as a result of reference rate reform and provides additional expedients for different types of hedges, if certain criteria are met. In December 2022, the FASB issued ASU 2022-06, "Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848". This ASU defers the sunset date of the guidance in Topic 848 on reference rate reform to December 31, 2024. This ASU is effective upon issuance. We adopted ASU 2022-06 upon issuance and in 2023 applied the accounting relief to certain of our LIBOR-related contractual and derivative modifications.

Note 3 – Loans, Loan Quality and Allowance for Credit Losses

Loans Outstanding

Loans outstanding by operating segment are shown as follows.

($ in Millions)

	September 30, 2023	December 31, 2022
Agribusiness	**$ 36,451**	$ 40,098
Farm Credit Banking	**74,582**	71,529
Rural Infrastructure	**31,133**	28,462
Total	**$ 142,166**	$ 140,089

Unamortized loan premiums and discounts and unamortized deferred loan fees and costs totaled $213 million and $210 million as of September 30, 2023 and December 31, 2022, respectively.

Allowance for Credit Losses on Loans

The following tables present the changes in the components of our allowance for credit losses on loans and details of ending balances. The allowance for credit losses on loans includes the allowance for loan losses and the reserve for unfunded commitments. Effective January 1, 2023, we adopted the CECL accounting guidance as described in Note 2. The elements of our allowance for credit losses on loans are presented by operating segment as follows.

($ in Millions)	Agribusiness	Farm Credit Banking[1]	Rural Infrastructure	Total
September 30, 2023				
Allowance for Loan Losses				
Beginning Balance at December 31, 2022	$ 517	$ -	$ 165	$ 682
Change in Accounting Principle[2]	(67)	-	58	(9)
Charge-offs	(10)	-	(5)	(15)
Recoveries	6	-	–	6
Provision for Credit Losses[3]	21	-	51	72
Transfers to Reserve for Unfunded Commitments[4]	(10)	-	(2)	(12)
Ending Balance at September 30, 2023	457	-	267	724
Reserve for Unfunded Commitments				
Beginning Balance at December 31, 2022	122	-	21	143
Change in Accounting Principle[2]	(68)	-	2	(66)
Transfers from Allowance for Loan Losses[4]	10	-	2	12
Ending Balance at September 30, 2023	64	-	25	89
Allowance for Credit Losses on Loans	$ 521	$ -	$ 292	$ 813

(1) As a result of a strong collateral position with respect to loans to Associations, along with the earnings, capital, portfolio diversification and loss reserves of Associations that serve as an additional layer of protection against losses, no allowance for credit losses is recorded in our Farm Credit Banking operating segment.
(2) Effective January 1, 2023, we adopted the CECL accounting standard pursuant to ASU "Financial Instruments - Credit Losses (Topic 326)".
(3) Excludes credit loss reversal of $2 million on investment securities for the nine months ended September 30, 2023.
(4) These transfers generally occur as a result of advances on or repayments of seasonal lines of credit or other loans.

($ in Millions)	Agribusiness	Farm Credit Banking[1]	Rural Infrastructure	Total
September 30, 2022				
Allowance for Loan Losses				
Beginning Balance at December 31, 2021	$ 499	$ -	$ 152	$ 651
Charge-offs	(6)	-	(20)	(26)
Recoveries	1	-	1	2
Provision for Credit Losses	42	-	33	75
Transfers to Reserve for Unfunded Commitments[2]	(41)	-	(4)	(45)
Ending Balance at September 30, 2022	495	-	162	657
Reserve for Unfunded Commitments				
Beginning Balance at December 31, 2021	88	-	18	106
Transfers from Allowance for Loan Losses[2]	41	-	4	45
Ending Balance at September 30, 2022	129	-	22	151
Allowance for Credit Losses on Loans	$ 624	$ -	$ 184	$ 808

(1) As a result of a strong collateral position with respect to loans to Associations, along with the earnings, capital, portfolio diversification and loss reserves of Associations that serve as an additional layer of protection against losses, no allowance for credit losses is recorded in our Farm Credit Banking operating segment.
(2) These transfers generally occur as a result of advances on or repayments of seasonal lines of credit or other loans.

Our allowance for credit losses on loans was $813 million at September 30, 2023 and $825 million at December 31, 2022. The decrease in the allowance for credit losses on loans during the first nine months of 2023 included a $75 million reduction due to the adoption of the CECL accounting standard and loan charge-offs of $15 million. The allowance also reflected additions consisting of an overall provision for credit losses on loans of $72 million and loan recoveries of $6 million. The 2023 provision for credit losses on loans relates to higher reserves resulting from credit quality deterioration within certain sectors of our Rural Infrastructure operating segment and forecasts of deteriorating macroeconomic conditions impacting many of our lending portfolios.

The information in the tables under the Vintage by Credit Quality, Aging Analysis and Nonaccrual Loans and Other Nonperforming Assets captions is presented by operating segment, with guaranteed and non-guaranteed loans in our Agribusiness segment separately identified. Accrued interest receivable on loans has been excluded from the Credit Quality and Aging Analysis tables for the September 30, 2023 period only, pursuant to our CECL accounting policy election, described in Note 2.

Vintage by Credit Quality Indicator

The following tables present our 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 September 30, 2023 period only.

As of September 30, 2023

	Term Loans by Origination Year									
($ in Millions)	2023	2022	2021	2020	2019	Prior	Total Term Loans	Revolving Loans	Revolving Loans Converted to Term Loans	Total Loans
Agribusiness Non-Guaranteed										
Acceptable	$ 3,064	$ 4,716	$ 3,212	$ 2,711	$ 1,437	$ 4,119	$ 19,259	$ 13,438	$ 157	$ 32,854
Special Mention	17	158	192	96	59	177	699	291	18	1,008
Substandard	27	108	99	114	39	164	551	384	13	948
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 3,108	$ 4,982	$ 3,503	$ 2,921	$ 1,535	$ 4,460	$ 20,509	$ 14,113	$ 188	$ 34,810
Gross Charge-offs(1)	$ -	$ 4	$ -	$ -	$ -	$ 4	$ 8	$ -	$ 2	$ 10
Agribusiness Guaranteed										
Acceptable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,641	$ -	$ 1,641
Special Mention	-	-	-	-	-	-	-	-	-	-
Substandard	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 1,641	$ -	$ 1,641
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Farm Credit Banking										
Acceptable	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 72,942	$ -	$ 72,942
Special Mention	-	-	-	-	-	-	-	1,640	-	1,640
Substandard	-	-	-	-	-	-	-	-	-	-
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 74,582	$ -	$ 74,582
Gross Charge-offs(1)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Rural Infrastructure										
Acceptable	$ 3,266	$ 5,385	$ 3,297	$ 3,348	$ 1,976	$ 13,108	$ 30,380	$ -	$ -	$ 30,380
Special Mention	20	194	69	153	13	243	692	-	-	692
Substandard	11	21	-	-	-	29	61	-	-	61
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 3,297	$ 5,600	$ 3,366	$ 3,501	$ 1,989	$ 13,380	$ 31,133	$ -	$ -	$ 31,133
Gross Charge-offs(1)	$ 4	$ -	$ -	$ -	$ -	$ 1	$ 5	$ -	$ -	$ 5
Total										
Acceptable	$ 6,330	$ 10,101	$ 6,509	$ 6,059	$ 3,413	$ 17,227	$ 49,639	$ 88,021	$ 157	$ 137,817
Special Mention	37	352	261	249	72	420	1,391	1,931	18	3,340
Substandard	38	129	99	114	39	193	612	384	13	1,009
Doubtful	-	-	-	-	-	-	-	-	-	-
Loss	-	-	-	-	-	-	-	-	-	-
Total	$ 6,405	$ 10,582	$ 6,869	$ 6,422	$ 3,524	$ 17,840	$ 51,642	$ 90,336	$ 188	$ 142,166
Gross Charge-offs(1)	$ 4	$ 4	$ -	$ -	$ -	$ 5	$ 13	$ -	$ 2	$ 15

(1) As of and for the for the nine months ended September 30, 2023.

Prior to our adoption of ASU 2022-02, we presented our loan credit quality by segment, excluding vintage, at amortized cost with accrued interest. The following table presents our loans and accrued interest classified, by management, pursuant to our regulator's Uniform Loan Classification System.

($ in Millions)

December 31, 2022	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Farm Credit Banking	Rural Infrastructure	Total
Acceptable	$ 36,114	$ 2,260	$ 70,171	$ 28,261	$ 136,806
Special Mention	1,014	-	1,607	231	2,852
Substandard	935	-	-	93	1,028
Doubtful	1	-	-	-	1
Loss	-	-	-	-	-
Total	$ 38,064	$ 2,260	$ 71,778	$ 28,585	$ 140,687

Aging Analysis

The following tables present an aging of past due loans. Effective January 1, 2023 with the adoption of CECL, the aging analysis of past due loans by portfolio segment presented at September 30, 2023 excludes accrued interest pursuant to our CECL accounting policy election, described in Note 2.

($ in Millions)

September 30, 2023	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Farm Credit Banking	Rural Infrastructure	Total
30-89 Days Past Due	**$ 29**	**$ -**	**$ -**	**$ 1**	**$ 30**
90 Days Past Due	**56**	**-**	**-**	**31**	**87**
Total Past Due	**$ 85**	**$ -**	**$ -**	**$ 32**	**$ 117**
Current	**34,725**	**1,641**	**74,582**	**31,101**	**142,049**
Total	**$ 34,810**	**$ 1,641**	**$ 74,582**	**$ 31,133**	**$ 142,166**
Accruing Loans 90 Days or More Past Due	**$ 11**	**$ -**	**$ -**	**$ 18**	**$ 29**

($ in Millions)

December 31, 2022	Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Farm Credit Banking	Rural Infrastructure	Total
30-89 Days Past Due	$ 85	$ -	$ -	$ 34	$ 119
90 Days Past Due	77	-	-	-	77
Total Past Due	$ 162	$ -	$ -	$ 34	$ 196
Current	37,902	2,260	71,778	28,551	140,491
Total	$ 38,064	$ 2,260	$ 71,778	$ 28,585	$ 140,687
Accruing Loans 90 Days or More Past Due	$ 15	$ -	$ -	$ -	$ 15

Nonaccrual Loans and Other Nonperforming Assets

The following table reflects nonaccrual loans and other nonperforming assets and related credit quality statistics. Nonaccrual loans do not accrue interest income once placed in nonaccrual status. Loans past due 90 days or more and still accruing interest are adequately secured and in the process of collection. 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 and are replaced with the new

ASC 326 loan modifications disclosures in the "Loan Modifications Granted to Borrowers Experiencing Financial Difficulty" section below.

($ in Millions)

September 30, 2023	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[(1)]	Farm Credit Banking[(1)]	Rural Infrastructure	Total
Nonaccrual Loans	$ 106	-	-	$ 27	$ 133
Accruing Loans 90 Days or More Past Due	11	-	-	18	29
Other Property Owned	-	-	-	-	-
Total Nonaccrual Loans and Other Nonperforming Assets	**$ 117**	**$ -**	**$ -**	**$ 45**	**$ 162**
December 31, 2022					
Nonaccrual Loans[(2)]	$ 137	$ -	$ -	$ 8	$ 145
Accruing Loans 90 Days or More Past Due	15	-	-	-	15
Accruing Restructured Loans	6	-	-	-	6
Other Property Owned	-	-	-	-	-
Total Nonaccrual Loans and Other Nonperforming Assets	$ 158	$ -	$ -	$ 8	$ 166

(1) There were no nonaccrual loans and nonperforming assets in our Agribusiness Guaranteed or Farm Credit Banking portfolios for any of the periods presented.

(2) Included in nonaccrual loans at December 31, 2022 were $11 million of loans that qualified as troubled debt restructurings.

The following table presents information on nonaccrual loans and other nonperforming assets with and without a related allowance for loan losses.

($ in Millions)

September 30, 2023	Agribusiness Non-Guaranteed	Agribusiness Guaranteed[(1)]	Farm Credit Banking[(1)]	Rural Infrastructure	Total
Nonperforming Assets With No Related Allowance for Loan Losses					
Carrying Amount	$ 37	$ -	$ -	$ 17	$ 54
Unpaid Principal	46	-	-	16	62
Average Balance	45	-	-	2	47
Interest Income Recognized	4	-	-	-	4
Nonperforming Assets With Related Allowance for Loan Losses					
Carrying Amount	80	-	-	27	107
Unpaid Principal	89	-	-	33	122
Allowance for Loan Losses	26	-	-	9	35
Average Balance	102	-	-	18	120
Interest Income Recognized	-	-	-	-	-
Total Nonperforming Assets					
Carrying Amount	117	-	-	44	161
Unpaid Principal	135	-	-	49	184
Allowance for Loan Losses	26	-	-	9	35
Average Balance	147	-	-	20	167
Interest Income Recognized	4	-	-	-	4
December 31, 2022					
Nonperforming Assets With No Related Allowance for Loan Losses					
Carrying Amount	$ 43	$ -	$ -	$ -	$ 43
Unpaid Principal	58	-	-	-	58
Average Balance	55	-	-	6	61
Interest Income Recognized	4	-	-	-	4
Nonperforming Assets With Related Allowance for Loan Losses					
Carrying Amount	115	-	-	8	123
Unpaid Principal	119	-	-	9	128
Allowance for Loan Losses	27	-	-	2	29
Average Balance	73	-	-	35	108
Interest Income Recognized	-	-	-	-	-
Total Nonperforming Assets					
Carrying Amount	158	-	-	8	166
Unpaid Principal	177	-	-	9	186
Allowance for Loan Losses	27	-	-	2	29
Average Balance	128	-	-	41	169
Interest Income Recognized	4	-	-	-	4

(1) There were no nonperforming assets in our Agribusiness Guaranteed or Farm Credit Banking portfolios for any of the periods presented.

Loan Modifications Granted to Borrowers Experiencing Financial Difficulty

Loan modifications may be granted to our borrowers who are experiencing financial difficulty. Our loan modifications are handled on a case-by-case basis and are negotiated to achieve mutually agreeable terms that maximize loan collectability and meet the borrower's financial needs. Modifications can be in the form of one or a combination of principal forgiveness, interest rate reduction, other-than-insignificant payment delay or term extension. Covenant waivers and modifications of contingent acceleration clauses are not considered term extensions.

The following table presents the amount and percentage of loan modifications granted to borrowers experiencing financial difficulty, disaggregated by operating segment and type of modification granted.

($ in Millions)	Agribusiness Non-Guaranteed Modification Amount	Agribusiness Non-Guaranteed Percent Total Class of Financing Receivable	Agribusiness Guaranteed Modification Amount	Agribusiness Guaranteed Percent Total Class of Financing Receivable	Farm Credit Banking Modification Amount	Farm Credit Banking Percent Total Class of Financing Receivable	Rural Infrastructure Modification Amount	Rural Infrastructure Percent Total Class of Financing Receivable	Total Modification Amount
September 30, 2023									
Term Extension	$ 115	0%	$ -	0%	$ -	0%	$ 12	0%	$ 127
Payment Extension	3	0%	-	0%	-	0%	10	0%	13
Interest Rate Reduction	7	0%	-	0%	-	0%	-	0%	7
Interest Rate Reduction and Term Extension	53	0%	-	0%	-	0%	-	0%	53
Total	$ 178		$ -		$ -		$ 22		$ 200

Accrued interest receivable related to loan modifications granted to borrowers experiencing financial difficulty as of September 30, 2023 was $2 million.

The following table presents the financial effect of the modifications made to borrowers experiencing financial difficulty during the three and nine months ended September 30, 2023.

	Financial Effect of Modifications Granted
Agribusiness Non-Guaranteed	
Term Extension	Extended weighted average maturity by 9 months
Payment Extension	Extended weighted average payment terms by 7 months
Interest Rate Reduction	Reduced weighted average interest rate by 20 bps
Interest Rate Reduction and Term Extension	Extended weighted average maturity by 12 months and reduced weighted average interest rate by 58 bps
Agribusiness Guaranteed	None
Farm Credit Banking	None
Rural Infrastructure	
Term Extension	Extended weighted average maturity by 7 months
Payment Extension	Extended weighted average payment terms by 12 months

There were no modified loans that had a payment default during the three and nine months ended September 30, 2023 that were reported as loan modifications granted to borrowers experiencing financial difficulty in the above tables within the last 12 months.

The following table presents the payment status of modified loans at September 30, 2023.

($ in Millions)	Payment Status of Loans Modified: Agribusiness Non-Guaranteed	Agribusiness Guaranteed	Farm Credit Banking	Rural Infrastructure	Total
September 30, 2023					
30-89 Days Past Due	$ -	$ -	$ -	$ -	$ -
90 Days Past Due	-	-	-	-	-
Total Past Due	$ -	$ -	$ -	$ -	$ -
Current	178	-	-	22	200
Total	$ 178	$ -	$ -	$ 22	$ 200

There were $175 million of additional commitments to lend to borrowers experiencing financial difficulty as of September 30, 2023 whose loans have been modified during the three and nine months ended September 30, 2023.

Troubled Debt Restructurings

Prior to the adoption of ASC 326 on January 1, 2023, TDRs were formerly loans in which we granted a concession because the borrower experienced financial difficulty. Concessions included payment deferrals, term extensions, interest rate reductions, and/or forgiveness of principal or interest. TDRs were classified as nonaccrual loans or accruing restructured loans. During the nine months ended September 30, 2022, there were no modifications that qualified as TDRs. Included in nonaccrual loans at December 31, 2022 was $11.0 million of loans that qualified as TDRs.

Note 4 – Investment Securities, Federal Funds Sold and Other Overnight Funds

Investment Securities

A summary of the amortized cost and fair value of investment securities available-for-sale is as follows:

($ in Millions)

September 30, 2023	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
U.S. Treasury Debt	$ 12,806	$ 1	$ (712)	$ 12,095
U.S. Agency Debt	2,308	-	(142)	2,166
Residential Mortgage-Backed Securities (MBS):				
Ginnie Mae	983	-	(185)	798
U.S. Agency	2,900	5	(140)	2,765
Commercial MBS:				
U.S. Agency	17,758	3	(1,220)	16,541
Corporate Bonds(1)	500	-	(30)	470
Asset-Backed and Other	128	-	(3)	125
Total	$ 37,383	$ 9	$ (2,432)	$ 34,960
December 31, 2022				
Certificates of Deposit	$ 850	$ -	$ -	$ 850
U.S. Treasury Debt	14,779	-	(727)	14,052
U.S. Agency Debt	1,733	-	(106)	1,627
Residential MBS:				
Ginnie Mae	1,014	-	(177)	837
U.S. Agency	1,417	2	(100)	1,319
Commercial MBS:				
U.S. Agency	14,567	8	(988)	13,587
Corporate Bonds	534	-	(33)	501
Asset-Backed and Other	328	-	(4)	324
Total	$ 35,222	$ 10	$ (2,135)	$ 33,097

(1) Amortized cost includes allowance for credit losses on investments of $4 million at September 30, 2023.

Allowance for Credit Losses on Investment Securities

As discussed in Note 2, available-for-sale investment securities with unrealized losses are also evaluated for an ACL under ASU 326. Management excludes 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 September 30, 2023, our allowance for credit losses on investment securities was $4 million. We recorded a credit loss reversal on our investment securities of $2 million during the nine months ended September 30, 2023 that is included in the provision for credit losses (credit loss reversal) in our condensed consolidated statement of income.

A summary of the contractual maturity, amortized cost, fair value and weighted average yield of investment securities by type at September 30, 2023 is as follows:

($ in Millions)

	Contractual Maturity				
September 30, 2023	**In One Year or Less**	**One to Five Years**	**Five to Ten Years**	**After Ten Years**	**Total**
U.S. Treasury Debt Securities					
Amortized Cost	$ 4,250	$ 6,522	$ 2,034	$ -	$ 12,806
Fair Value	4,195	6,059	1,841	-	12,095
Weighted Average Yield	2.94 %	2.14 %	2.64 %	- %	2.48 %
U.S. Agency Debt Securities					
Amortized Cost	$ 126	$ 1,011	$ 1,134	$ 37	$ 2,308
Fair Value	125	948	1,062	31	2,166
Weighted Average Yield	2.83 %	2.76 %	3.68 %	3.03 %	3.22 %
Ginnie Mae Residential MBS					
Amortized Cost	$ -	$ 1	$ -	$ 982	$ 983
Fair Value	-	1	-	797	798
Weighted Average Yield	- %	3.07 %	- %	1.86 %	1.87 %
U.S. Agency Residential MBS					
Amortized Cost	$ -	$ 1	$ 1,649	$ 1,250	$ 2,900
Fair Value	-	1	1,553	1,211	2,765
Weighted Average Yield	- %	5.07 %	4.33 %	4.94 %	4.59 %
U.S. Agency Commercial MBS					
Amortized Cost	$ 336	$ 3,379	$ 13,956	$ 87	$ 17,758
Fair Value	327	3,161	12,976	77	16,541
Weighted Average Yield	3.05 %	3.29 %	4.31 %	4.29 %	4.09 %
Corporate Bonds					
Amortized Cost	$ 43	$ 362	$ 95	$ -	$ 500
Fair Value	42	340	88	-	470
Weighted Average Yield	3.74 %	3.96 %	4.49 %	- %	4.04 %
Asset-Backed and Other					
Amortized Cost	$ 31	$ 86	$ -	$ 11	$ 128
Fair Value	31	86	-	8	125
Weighted Average Yield	5.42 %	4.55 %	- %	4.54 %	4.76 %
Total					
Amortized Cost	$ 4,786	$ 11,362	$ 18,868	$ 2,367	$ 37,383
Fair Value	$ 4,720	$ 10,596	$ 17,520	$ 2,124	34,960
Weighted Average Yield	2.98 %	2.61 %	4.10 %	3.61 %	3.47 %

While the majority of our residential mortgage-backed securities (MBS) have contractual maturities in excess of 10 years, expected maturities for these securities are shorter than contractual maturities because borrowers have the right to call or prepay obligations with or without penalties.

The following table shows the fair value and gross unrealized losses for investments in a loss position aggregated by investment category, and the length of time the securities have been in a continuous unrealized loss position at September 30, 2023 and December 31, 2022. The continuous loss position is based on the date the impairment first occurred.

	Less Than 12 Months		Greater Than 12 Months	
($ in Millions)	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
September 30, 2023				
U.S. Treasury Debt	**$ 851**	**$ (32)**	**$ 9,693**	**$ (680)**
U.S. Agency Debt	**717**	**(23)**	**1,398**	**(119)**
Residential MBS:				
Ginnie Mae	**56**	**(2)**	**742**	**(183)**
U.S. Agency	**1,360**	**(24)**	**756**	**(116)**
Commercial MBS:				
U.S. Agency	**4,376**	**(107)**	**11,214**	**(1,113)**
Corporate Bonds	**34**	**(1)**	**436**	**(29)**
Asset-Backed and Other	**78**	**-**	**23**	**(3)**
Total	**$ 7,472**	**$ (189)**	**$ 24,262**	**$ (2,243)**
December 31, 2022				
Certificates of Deposit	$ 750	$ -	$ -	$ -
U.S. Treasury Debt	8,669	(297)	3,882	(430)
U.S. Agency Debt	1,505	(96)	122	(10)
Residential MBS:				
Ginnie Mae	104	(2)	731	(175)
U.S. Agency	759	(44)	351	(56)
Commercial MBS:				
U.S. Agency	9,090	(469)	3,295	(519)
Corporate Bonds	482	(31)	7	(2)
Asset-Backed and Other	316	(2)	5	(2)
Total	$ 21,675	$ (941)	$ 8,393	$ (1,194)

As of September 30, 2023, we expect to collect all principal and interest payments on our investment securities, except for those included in our allowance for credit losses of $4 million as more fully described on the page 39. We do not intend to sell any securities in unrealized loss positions, nor is it likely that we will be required to sell such securities, for regulatory, liquidity or other purposes, before an anticipated recovery of our cost basis occurs.

Federal Funds Sold and Other Overnight Funds

Federal funds sold transactions involve lending excess cash reserve balances on a short-term basis, generally overnight. Other overnight funds include deposits with commercial banks and reverse repurchase agreements with the Federal Reserve. In each of these transactions, funds are returned to the Bank the following day and earn interest overnight. Such investments are reported at fair value, which is generally their face value. We held $753 million and $2.8 billion of overnight bank deposits and federal funds sold instruments at September 30, 2023 and December 31, 2022, respectively. In addition, we held $7.1 billion and $9.6 billion of reverse repurchase agreements at September 30, 2023 and December 31, 2022, respectively.

Note 5 – Bonds and Notes Payable

We are primarily liable for the following bonds and notes payable as of the respective periods.

($ in Millions)

	September 30, 2023	December 31, 2022
Bonds	**$ 160,278**	$ 153,168
Medium-term Notes	**61**	62
Discount Notes	**9,044**	17,600
Total Systemwide Debt Securities	**169,383**	170,830
Cash Investment Services Payable	**2,408**	2,409
Rural Utilities Service Bonds	**825**	825
Cash Collateral Payable to Derivative Counterparties	**454**	559
Total Bonds and Notes	**$ 173,070**	$ 174,623

We, along with the other System banks, obtain funds for lending activities and operations primarily from the sale of debt securities issued by System banks through the Funding Corporation. The debt securities are comprised of bonds, medium-term notes and discount notes, collectively referred to as Systemwide Debt Securities. Cash investment services payable relate to our customers and are generally short-term in nature and mature within one year. Rural Utilities Service (RUS) bonds relate to funding pursuant to a bond guarantee program offered by the RUS agency of the United States Department of Agriculture. The funding is provided under a bond purchase agreement with the Federal Financing Bank (FFB) and a bond guarantee agreement with the RUS, which provides guarantees to the FFB. The RUS bonds outstanding mature in 10-30 years.

The aggregate maturities and the weighted average interest rates of CoBank's Systemwide Debt Securities as of September 30, 2023 are shown in the following table. Weighted average interest rates include the effect of related interest rate swaps and other derivatives.

($ in Millions)

Maturities and Rates of Systemwide Debt Securities

	Bonds		Medium-term Notes		Discount Notes		Total	
Year of Maturity	**Amount**	**Weighted Average Interest Rate**	**Amount**	**Weighted Average Interest Rate**	**Amount**	**Weighted Average Interest Rate**	**Amount**	**Weighted Average Interest Rate**
Due in 1 year or less	$ 64,454	4.47 %	$ -	- %	$ 9,044	4.93 %	$ 73,498	4.52 %
Due after 1 year through 2 years	43,896	4.81	-	-	-	-	43,896	4.81
Due after 2 years through 3 years	12,257	3.81	-	-	-	-	12,257	3.81
Due after 3 years through 4 years	7,342	3.02	-	-	-	-	7,342	3.02
Due after 4 years through 5 years	8,270	3.78	-	-	-	-	8,270	3.78
Due after 5 years	24,059	2.80	61	5.75	-	-	24,120	2.81
Total	$ 160,278	4.16	$ 61	5.75	$ 9,044	4.93	$ 169,383	4.20

Note 6 – Changes in Accumulated Other Comprehensive Income (Loss)

Changes in accumulated other comprehensive income (loss) for the nine months ended September 30, 2023 and 2022 are presented in the following table.

Changes in Accumulated Other Comprehensive Income (Loss) by Component[1]

($ in Millions)	Unrealized Gains (Losses) On Investment Securities	Unrealized Gains (Losses) on Interest Rate Swaps and Other Derivatives	Net Pension Adjustment	Total
Balance at December 31, 2022	**$ (1,928)**	**$ 64**	**$ (63)**	**$ (1,927)**
Cumulative effect of change in accounting principle[2]	**5**	**-**	**-**	**5**
Balance at January 1, 2023, as adjusted	**$ (1,923)**	**$ 64**	**$ (63)**	**$ (1,922)**
Other comprehensive (loss) income before reclassifications	**(285)**	**66**	**-**	**(219)**
Amounts reclassified from accumulated other comprehensive income (loss) to net income	**7**	**3**	**1**	**11**
Net current-period other comprehensive (loss) income	**(278)**	**69**	**1**	**(208)**
Balance at September 30, 2023	**$ (2,201)**	**$ 133**	**$ (62)**	**$ (2,130)**
Balance at January 1, 2022	$ 232	$ (36)	$ (41)	$ 155
Other comprehensive (loss) income before reclassifications	(2,198)	101	-	(2,097)
Amounts reclassified from accumulated other comprehensive income (loss) to net income	(1)	7	3	9
Net current-period other comprehensive (loss) income	(2,199)	108	3	(2,088)
Balance at September 30, 2022	$ (1,967)	$ 72	$ (38)	$ (1,933)

(1) Amounts are presented net of tax. Amounts reclassified shown in parentheses indicate a decrease in accumulated other comprehensive income or an increase in accumulated other comprehensive loss.
(2) Effective January 1, 2023, we adopted the CECL accounting standard pursuant to ASU "Financial Instruments - Credit Losses (Topic 326)".

The following table presents the effect of reclassifications from accumulated other comprehensive income (loss) to net income for the nine months ended September 30, 2023 and 2022.

Reclassifications from Accumulated Other Comprehensive Income (Loss) to Net Income

($ in Millions)	Location of Gain (Loss) Recognized in Income Statement	Amount Reclassified from Accumulated Other Comprehensive Income (Loss)	
For the Nine Months Ended September 30,		**2023**	**2022**
Unrealized Gains (Losses) on Available-For-Sale Investment Securities:			
Sales Gains and Losses	Noninterest Income - Other, Net	**$ (7)**	$ 1
Unrealized Gains (Losses) on Interest Rate Swaps and Other Derivatives:			
Interest Rate Contracts	Interest Expense	**(5)**	(8)
Foreign Exchange Contracts	Interest Income	**2**	1
Pension and Other Benefit Plans:			
Net Actuarial Loss	Operating Expenses - Employee Compensation	**(1)**	(4)
Tax Effect	Provision for Income Taxes	**-**	1
Total Reclassifications		**$ (11)**	$ (9)

Note 7 – Derivatives and Hedging Activities

Risk Management Objectives and Strategies

We maintain an overall interest rate risk management strategy that incorporates the use of interest rate swaps and other derivatives to manage liquidity risk, market risk and to minimize significant unplanned fluctuations in earnings that are caused by interest rate volatility. Our goal is to manage interest rate sensitivity by modifying the repricing frequency or effective maturity of certain balance sheet assets and liabilities. We also maintain a foreign exchange risk management strategy to reduce the impact of currency fluctuations on our relatively nominal amount of foreign currency-denominated loans. As a result of interest rate and foreign exchange rate fluctuations, fixed-rate assets and liabilities will appreciate or depreciate in market value. The effect of this unrealized appreciation or depreciation is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities. Interest rate and foreign exchange fluctuations also cause interest income and interest expense of variable-rate assets and liabilities to increase or decrease. The effect of this variability in earnings is expected to be substantially offset by gains and losses on the derivative instruments that are linked to these assets and liabilities.

Uses of Derivatives

To achieve risk management objectives and satisfy the financing needs of our borrowers, we execute various derivative transactions with other financial institutions. Derivatives (primarily interest rate swaps) are used to manage liquidity and the interest rate risk arising from maturity and repricing mismatches between assets and liabilities. Under interest rate swap arrangements, we agree with a counterparty to exchange, at specified intervals, payment streams calculated on a specified notional amount, with at least one payment stream based on a specified floating-rate index. We use a variety of interest rate swaps including the exchange of floating-rate for fixed-rate swaps, fixed-rate for floating-rate swaps and floating-rate for floating-rate swaps with payment obligations tied to specific indices. In the course of managing risk in our investment and loan portfolios, we also periodically hedge cap and floor risk embedded within our floating-rate investments and loans by entering into derivative transactions. In addition, we execute foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. We also enter into derivatives for our customers as a service to enable them to transfer, modify or reduce their interest rate risk and foreign exchange risk by transferring such risk to us. We substantially offset this risk transference by concurrently entering into offsetting agreements with counterparties.

The notional amounts of derivatives at September 30, 2023 and related activity for the first nine months of 2023 are shown in the following table.

Activity in the Notional Amounts of Derivatives

($ in Millions)	Swaps	Caps / Floors	Spots / Forwards	Total
December 31, 2022	**$ 78,075**	**$ 3,825**	**$ 145**	**$ 82,045**
Additions /Accretion	**131,677**	**708**	**1,138**	**133,523**
Maturities /Amortization	**(133,882)**	**(1,297)**	**(1,244)**	**(136,423)**
Terminations	**(1,729)**	**(20)**	**-**	**(1,749)**
September 30, 2023	**$ 74,141**	**$ 3,216**	**$ 39**	**$ 77,396**

The notional amounts of derivatives at September 30, 2022 and related activity for the first nine months of 2022 are shown in the following table.

Activity in the Notional Amounts of Derivatives

($ in Millions)	Swaps	Caps / Floors	Spots / Forwards	Total
December 31, 2021	$ 54,939	$ 4,530	$ 179	$ 59,648
Additions /Accretion	103,401	387	1,289	105,077
Maturities /Amortization	(78,518)	(809)	(1,334)	(80,661)
Terminations	(3,556)	-	-	(3,556)
September 30, 2022	$ 76,266	$ 4,108	$ 134	$ 80,508

Accounting for Derivative Instruments and Hedging Activities

We record derivatives as assets or liabilities at their fair value on the consolidated balance sheets. We record changes in the fair value of a derivative in current period earnings or accumulated other comprehensive income (loss), depending on the use of the derivative and whether it qualifies for hedge accounting. Further information regarding our accounting policies for derivatives is provided in Note 1 ("Description of Business and Summary of Significant Accounting Policies") under the heading "Derivatives and Hedging Activities" of our 2022 Annual Report to Shareholders. Our derivative strategies and related risk management objectives are described in Note 10 ("Derivatives and Hedging Activities") of our 2022 Annual Report to Shareholders.

Fair Value Hedges

The majority of the fair value hedging activity relates to entering into interest rate swaps primarily to convert our non-prepayable fixed-rate debt to floating-rate debt to achieve our liquidity management strategy. The amount converted depends on contractual interest rates and maturities. For the remaining fair value hedges, we enter into receive-fixed, pay-floating swaps for our equity positioning strategy. For fair value hedges, the amount of hedge ineffectiveness is recognized as net interest income in current period earnings.

Cash Flow Hedges

Our cash flow hedges include interest rate caps and floors to hedge cap and floor risk embedded within a portion of our floating-rate investment securities and loans. Interest rate caps and interest rate floors are an integral part of our interest rate hedging strategies. The interest rate caps hedge floating-rate debt cash flows that fund the cash flows from floating-rate investment securities. If the strike rates in the purchased interest rate caps are exceeded, we receive cash flows on the derivative to hedge our floating-rate funding exposure above such strike levels. The interest rate floors hedge cash flows from floating-rate loans. If market index rates underlying our floating rate loans decline below strike levels, we receive cash flows on the derivative. We also enter into foreign exchange spot and forward contracts to manage currency risk on loans denominated in foreign currencies. Typically, foreign currency contracts are purchased to fund the principal cash flows of the loan and simultaneously sold to lock in the principal and interest cash flows upon repricing or maturity date of the loan.

Cash flow hedges also include pay fixed interest rate swaps that convert certain of our floating-rate debt to fixed rate to manage re-pricing intervals and lower funding costs. For cash flow hedges, the amount excluded from effectiveness assessment and the amounts reclassified from accumulated other comprehensive income (loss) into current period earnings are all reflected in net interest income. For cash flow hedges in which the forecasted transaction is not probable of occurring, the amounts reclassified from accumulated other comprehensive income (loss) are reflected in current period earnings. At September 30, 2023, we expect that $12.4 million of expense will be reclassified from accumulated other comprehensive income (loss) into earnings in the next 12 months, based on the anticipated cash flows of existing financial instruments. The significant majority of our cash flow hedges are of exposure to the variability of cash flows for a period of 13 years or less. The maximum term over which we are hedging our exposure to the variability of future cash flows for all forecasted transactions is approximately 30 years.

Derivatives Not Designated as Hedges

Derivative agreements with our customers and the related offsetting derivative agreements with counterparties as well as our short-term interest rate swaps indexed to the Secured Overnight Financing Rate (SOFR) under our basis risk management strategy and certain other derivatives are not designated as hedging instruments and do not receive hedge accounting treatment. Changes in the fair value of customer-related derivatives are recognized immediately as noninterest income/expense in current period earnings. Changes in the fair value of short-term SOFR interest rate swaps and certain other derivatives are recognized immediately as interest expense in current period earnings.

Counterparty Credit Risk

The use of derivatives for risk management introduces credit risk related to customers and counterparties. Generally, when the fair value of a derivative contract is positive, we are exposed to credit risk. When the fair value of a derivative contract is negative, the counterparty is exposed to us.

Derivative transactions with our customers are typically secured through our loan agreements. As of September 30, 2023 and December 31, 2022, the notional amount of derivatives with our customers totaled $13.7 billion and $13.5 billion, respectively.

CoBank is subject to certain regulations requiring certain derivative transactions to be cleared through a central clearinghouse and traded on regulated swap execution facilities, with exceptions for certain qualifying swaps entered into by end-users and financial cooperatives. As a result, certain of our derivative transactions are cleared through a futures commission merchant (FCM) with a clearinghouse or central counterparty (CCP). When these swaps are cleared, a single bilateral swap is divided into two separate swaps with the CCP becoming the counterparty to both of the initial parties to the swap. FCMs prequalify counterparties to all cleared swaps, set exposure limits for each counterparty and collect initial margin and variation margin or settlement payments daily for changes in the value of cleared derivatives, which protect against credit risk in the event of a counterparty default. As of September 30, 2023 and December 31, 2022, the notional amount of our cleared derivatives was $54.7 billion and $58.7 billion, respectively. Initial margin and settlement payments totaling $180 million and $146 million, respectively, as of September 30, 2023 and $158 million and $279 million, respectively, as of December 31, 2022 were held by our CCP for our cleared derivatives.

Our remaining non-customer derivatives are transacted with derivative counterparties and governed by master swap agreements, which include bilateral collateral arrangements, requiring the Bank or our counterparties to post collateral on a daily basis with thresholds set at zero for all active counterparties. The master swap agreements also include netting agreements requiring the net settlement of covered contracts with the same counterparty in the event of default by the other party. The “net” mark-to-market exposure represents the netting of the positive and negative exposures with that counterparty. Notwithstanding these protections, we are exposed to credit risk with these counterparties due to the timing of daily margining activities. As of

September 30, 2023 and December 31, 2022, the notional amount of derivatives with our non-customer counterparties, excluding cleared derivatives, totaled $9.0 billion and $9.9 billion, respectively.

We record derivative exposures and related cash collateral balances at gross amounts in our condensed consolidated balance sheets. Pursuant to our master swap agreements, as of September 30, 2023 and December 31, 2022 our non-customer counterparties had posted $454 million and $559 million, respectively, in cash as collateral with us.

The fair value of our derivatives to all of our dealer counterparties was an asset at September 30, 2023 and December 31, 2022 and was offset by the collateral we received from our dealer counterparties. The amount of losses related to derivatives we are exposed to in the event of nonperformance by dealer counterparties to our derivative positions is mitigated by collateral posted or held by us.

Hedge Terminations

During the nine months ended September 30, 2023 and 2022, we terminated $100 million and $1.1 billion, respectively, in notional value of interest rate swaps which hedged the fair value of certain of our fixed-rate debt. The swaps were previously accounted for as fair value hedges and the $2 million and $34 million, respectively, of hedged item basis adjustment upon termination will be amortized to earnings over the remaining life of the original hedging relationships.

We terminated interest rate swaps with customers and offsetting dealer counterparties totaling notional value of $1.6 billion and $2.4 billion during the first nine months of 2023 and 2022, respectively. Proceeds from the customer terminations were offset by payments for the offsetting dealer terminations.

A summary of the impact of interest rate swaps and other derivatives on our condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022 is shown in the following tables.

Fair Value of Derivatives

	September 30, 2023		December 31, 2022	
($ in Millions)	Fair Value of Derivative Assets[1]	Fair Value of Derivative Liabilities[2]	Fair Value of Derivative Assets[1]	Fair Value of Derivative Liabilities[2]
Derivatives Designated as Hedging Instruments				
Interest Rate Contracts	**$ 179**	**$ 379**	$ 114	$ 538
Foreign Exchange Contracts	**-**	**-**	-	2
Total Derivatives Designated as Hedging Instruments	**$ 179**	**$ 379**	$ 114	$ 540
Derivatives Not Designated as Hedging Instruments				
Interest Rate Contracts	**$ 1,019**	**$ 952**	$ 886	$ 818
Foreign Exchange Contracts	**-**	**-**	-	-
Total Derivatives Not Designated as Hedging Instruments	**$ 1,019**	**$ 952**	$ 886	$ 818
Settlement Payments	**(146)**	**-**	-	(279)
Total Derivatives	**$ 1,052**	**$ 1,331**	$ 1,000	$ 1,079

(1) These assets make up the interest rate swaps and other derivatives in the condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022.

(2) These liabilities make up the interest rate swaps and other derivatives in the condensed consolidated balance sheets as of September 30, 2023 and December 31, 2022.

A summary of the impact of interest rate swaps and other derivatives on our condensed consolidated statements of income and comprehensive income for the nine months ended September 30, 2023 and 2022 is shown below.

Effect of Fair Value and Cash Flow Hedge Accounting on the Condensed Consolidated Statement of Income

($ in Millions)	Interest Income Loans	Interest Income Investments(3)	Total Interest Income	Interest Expense	Net Interest Income
Nine Months Ended September 30, 2023					
Total Amount of Line Items Presented in Condensed Consolidated Statement of Income	**$ 5,297**	**$ 1,244**	**$ 6,541**	**$ (5,170)**	**$ 1,371**
Gain (Loss) on Fair Value Hedge Relationships:					
Interest Rate Contracts:					
Recognized on Derivatives	**$ -**	**$ -**	**$ -**	**$ 160**	**$ 160**
Recognized on Hedged Items	**-**	**-**	**-**	**(157)**	**(157)**
Net Income (Expense) Recognized on Fair Value Hedges	**$ -**	**$ -**	**$ -**	**$ 3**	**$ 3**
Gain (Loss) on Cash Flow Hedge Relationships:					
Interest Rate Contracts:					
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	**$ 2**	**$ -**	**$ 2**	**$ (9)**	**$ (7)**
Foreign Exchange Contracts:					
Amount of Gain Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)(1)	**1**	**-**	**1**	**-**	**1**
Amount Excluded from Effectiveness Testing Recognized in Earnings Based on an Amortization Approach	**1**	**-**	**1**	**-**	**1**
Net Income (Expense) Recognized on Cash Flow Hedges	**$ 4**	**$ -**	**$ 4**	**$ (9)**	**$ (5)**
Nine Months Ended September 30, 2022					
Total Amount of Line Items Presented in Condensed Consolidated Statement of Income	$ 2,516	$ 512	$ 3,028	$ (1,588)	$ 1,440
Gain (Loss) on Fair Value Hedge Relationships:					
Interest Rate Contracts:					
Recognized on Derivatives	$ -	$ -	$ -	$ (673)	$ (673)
Recognized on Hedged Items	-	-	-	675	675
Net Income (Expense) Recognized on Fair Value Hedges	$ -	$ -	$ -	$ 2	$ 2
Gain (Loss) on Cash Flow Hedge Relationships:					
Interest Rate Contracts:					
Amount of Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)	$ 2	$ -	$ 2	$ (10)	$ (8)
Foreign Exchange Contracts:					
Amount of Gain Reclassified from Accumulated Other Comprehensive Income (Loss) into Income (Loss)(2)	1	-	1	-	1
Amount Excluded from Effectiveness Testing Recognized in Earnings Based on an Amortization Approach	1	-	1	-	1
Net Income (Expense) Recognized on Cash Flow Hedges	$ 4	$ -	$ 4	$ (10)	$ (6)

(1) Fully offset by a $1 million loss on foreign currency denominated loans (hedged items) which is also located in Interest Income - Loans in the condensed consolidated statement of income for the nine months ended September 30, 2023.

(2) Fully offset by a $1 million loss on foreign currency denominated loans (hedged items) which is also located in Interest Income - Loans in the condensed consolidated statement of income for the nine months ended September 30, 2022.

(3) Includes interest income on investment securities, federal funds sold and other overnight funds.

Effect of Cash Flow Hedge Accounting on the Condensed Consolidated Balance Sheet				
($ in Millions)	**Amount of Gain (Loss) Recognized in Accumulated Other Comprehensive Income (Loss) on Derivatives**			
Nine Months Ended September 30,		**2023**		**2022**
Interest Rate Contracts	**$**	**66**	$	100
Foreign Exchange Contracts		**2**		1
Total	**$**	**68**	$	101

Effect of Derivatives Not Designated as Hedging Relationships on the Condensed Consolidated Statements of Income				
($ in Millions)	**Net Amount of Gain (Loss) Recognized**			
Nine Months Ended September 30,		**2023**		**2022**
Interest Rate Contracts	**$**	**(1)** (1)	$	8 (2)
Foreign Exchange Contracts		**-**		-
Total	**$**	**(1)**	$	8

(1) Includes $1 million loss on short-term derivatives indexed to SOFR and recognized in interest expense and less than $1 million gain on derivatives with customers and related offsetting derivatives with counterparties including credit valuation adjustments and recognized in noninterest income/expense for the nine months ended September 30, 2023.

(2) Includes $6 million gain on short-term derivatives indexed to SOFR and recognized in interest expense and $2 million gain on derivatives with customers and related offsetting derivatives with counterparties including credit valuation adjustments and recognized in noninterest income/expense for the nine months ended September 30, 2022.

A summary of the cumulative basis adjustment for fair value hedging relationships included in the carrying amount of hedged liabilities as of September 30, 2023 and December 31, 2022 is shown in the following table.

Derivatives in Fair Value Hedging Relationships						
			Cumulative Basis Adjustment Included in the Carrying Amount of Hedged Liabilities			
($ in Millions)	**Carrying Amount of Hedged Liabilities**		**Hedged Items Currently Designated**		**Hedged Items No Longer Designated**	
As of September 30, 2023						
Bonds and Notes	**$**	**32,718**	**$**	**(385)**	**$**	**(16)**
As of December 31, 2022						
Bonds and Notes	$	28,765	$	(542)	$	(24)

Asset/Liability Offsetting

As noted previously, derivative transactions with swap dealers include bilateral collateral and netting agreements that require the net settlement of covered contracts. Derivative transactions with customers are collateralized through loan agreements. Notwithstanding collateral and netting provisions, our derivative assets and liabilities are not offset in the accompanying condensed consolidated balance sheets. The amount of collateral received or pledged is calculated on a net basis, by counterparty.

The following table summarizes derivative assets and liabilities, related accrued interest and amounts of collateral exchanged pursuant to our agreements.

Offsetting of Derivatives and Collateral

($ in Millions)	Gross Amounts of Assets/ Liabilities Presented in the Condensed Consolidated Balance Sheets	Amounts Not Offset in the Condensed Consolidated Balance Sheets: Cash Collateral Received/Pledged[1]	Amounts Not Offset in the Condensed Consolidated Balance Sheets: Investment Securities Received/Pledged as Collateral	Net Amount
As of September 30, 2023				
Assets:				
Interest Rate Swaps and Other Derivatives:				
Dealer	**$ 518**	**$ (454)**	**$ (97)**	**$ -** [2]
Customer	**42**	**-**	**-**	**42**
Clearinghouse	**492**	**-**	**-**	**492**
Accrued Interest Receivable on Derivative Contracts	**32**	**-**	**-**	**32**
Liabilities:				
Interest Rate Swaps and Other Derivatives:				
Dealer	**11**	**-**	**-**	**11**
Customer	**910**	**-**	**-**	**910**
Clearinghouse	**410**	**-**	**(180)**	**230**
Accrued Interest Payable on Derivative Contracts	**120**	**-**	**-**	**120**
As of December 31, 2022				
Assets:				
Interest Rate Swaps and Other Derivatives:				
Dealer	$ 544	$ (559)	$ -	$ - [2]
Customer	65	-	-	65
Clearinghouse	390	-	-	390
Accrued Interest Receivable on Derivative Contracts	20	-	-	20
Liabilities:				
Interest Rate Swaps and Other Derivatives:				
Dealer	4	-	-	4
Customer	751	-	-	751
Clearinghouse	325	-	(158)	167
Accrued Interest Payable on Derivative Contracts	83	-	-	83

(1) Cash collateral received is recognized in the condensed consolidated balance sheets whereas investment securities received are not recognized in the condensed consolidated balance sheets.
(2) Cash and investment securities pledged as collateral fully offset the related gross asset in the condensed consolidated balance sheets.

Note 8 – Fair Value Measurements

The fair value of financial instruments represents the estimated amount to be received to sell an asset or paid to transfer or extinguish a liability (an exit price) in active markets among willing participants at the reporting date. Information regarding our accounting policies for determining fair value is provided in Note 1 (“Description of Business and Summary of Significant Accounting Policies”) under the heading “Fair Value Measurements” and in Note 11 (“Disclosure About Estimated Fair Value of Financial Instruments”) of our 2022 Annual Report to Shareholders.

A description of the methods, assumptions and inputs to the valuation process used to determine or estimate the fair value of each class of financial instruments within the three-level hierarchy follows.

Level 1

Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Our Level 1 assets at September 30, 2023 consist of assets held in a trust fund related to deferred compensation and nonqualified retirement plans. The trust fund includes investments in securities that are actively traded and have quoted net asset value prices that are directly observable in the marketplace.

Level 2

Level 2 inputs include quoted prices for similar assets and liabilities in active markets; quoted prices in markets that are not active; and inputs that are observable, or can be corroborated, for substantially the full term of the asset or liability. Our Level 2 assets and liabilities at September 30, 2023 include our derivative contracts, collateral balances related to derivative contracts, federal funds sold and other overnight funds, U.S. Treasury and agency debt investment securities, Ginnie Mae MBS, corporate bonds, and the substantial majority of agency MBS and asset-backed securities (ABS).

The following table presents information about valuation techniques and inputs to Level 2 fair value measurements.

Information About Valuation Techniques and Inputs to Level 2 Fair Value Measurements

	Valuation Technique	Inputs
Federal Funds Sold and Other Overnight Funds	Carrying Value	Par/Principal Plus Accrued Interest
Investment Securities	Third-Party Pricing Service	Prepayment Rate
		Lifetime Default Rate
		Loss Severity
		Benchmark Yield Curve
		Quoted Prices
Interest Rate Swaps and Other Derivatives	Discounted Cash Flow	Benchmark Yield Curve
		Counterparty Credit Risk
		Volatility
Collateral Assets and Collateral Liabilities	Carrying Value	Par/Principal Plus Accrued Interest

Level 3

Level 3 inputs are unobservable and supported by limited or no market activity. Our Level 3 assets at September 30, 2023 include a small portion of agency MBS and ABS. Based on the lack of active trading volume and an orderly market for these securities, we classified these securities as Level 3. Fair value for Level 3 agency MBS is estimated through a third-party pricing service that uses valuation models to estimate current market prices. Fair value for our Level 3 ABS is calculated internally using third-party models. Inputs into all of these valuation models include underlying collateral data and projected losses as well as information for prepayment speeds and discounting spreads. Due to the lack of marketplace information, the inputs into these valuation models primarily represent management assumptions, with some corroboration to market inputs where information is available.

Level 3 assets at September 30, 2023 also include $66 million of loans originally measured at cost, which were written down to fair value as a result of impairment. The valuation of these assets is based on either the fair value of the underlying collateral, if the loan is collateral dependent, or the present value of expected future cash flows. Such valuations may include the use of independent appraisals or other market-based information to develop a management estimate of fair value. As a result, these fair value measurements fall under Level 3 in the fair value hierarchy; however, they are excluded from the 'Assets and Liabilities Measured at Fair Value on a Recurring Basis' tables in the "Assets and Liabilities Measured at Fair Value on a Recurring Basis" section because they are not measured on a recurring basis.

Our Level 3 liabilities at September 30, 2023 include standby letters of credit whose market value is internally calculated based on information that is not observable either directly or indirectly in the marketplace.

No transfers into or out of Level 3 assets or liabilities occurred during the nine months ended September 30, 2023 and 2022.

The following table presents quantitative information about Level 3 fair value measurements as of September 30, 2023.

Quantitative Information About Valuation Techniques and Unobservable Inputs to Level 3 Fair Value Measurements

($ in Millions)	Fair Value	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Assets				
Investment Securities:				
U.S. Agency MBS	$ 51	Third-Party Pricing Service	Prepayment Rate Lifetime Default Rate Loss Severity	* * *
Other (included in Asset-Backed)	16	Discounted Cash Flow	Prepayment Rate	0% (0%)
Nonperforming Loans	66	Appraisal / Discounted Cash Flow	Income/Expense Data Comparable Sales Replacement Cost	** ** **
Liabilities				
Standby Letters of Credit	$ 16	Discounted Cash Flow	Mark-to-Market Spread	0.1-1.3% (0.9%)

* Excludes ranges which are determined by a third-party pricing service.
** Range of inputs are unique to each collateral property.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

The following tables present the assets and liabilities that are measured at fair value on a recurring basis at September 30, 2023 and December 31, 2022 for each of the fair value hierarchy levels.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

September 30, 2023

($ in Millions)	Level 1	Level 2	Level 3	Total
Assets				
Federal Funds Sold and Other Overnight Funds	$ -	$ 7,853	$ -	$ 7,853
Investment Securities:				
U.S. Treasury Debt	-	12,095	-	12,095
U.S. Agency Debt	-	2,166	-	2,166
Residential MBS:				
Ginnie Mae	-	798	-	798
U.S. Agency	-	2,714	51	2,765
Commercial MBS:				
U.S. Agency	-	16,541	-	16,541
Corporate Bonds	-	470	-	470
Asset-Backed and Other	-	109	16	125
Interest Rate Swaps and Other Derivatives	-	1,052	-	1,052
Assets Held in Trust (included in Other Assets)	120	-	-	120
Total Assets	$ 120	$ 43,798	$ 67	$ 43,985
Liabilities				
Interest Rate Swaps and Other Derivatives	$ -	$ 1,331	$ -	$ 1,331
Collateral Liabilities (included in Bonds and Notes)	-	454	-	454
Standby Letters of Credit (included in Other Liabilities)	-	-	16	16
Total Liabilities	$ -	$ 1,785	$ 16	$ 1,801

Assets and Liabilities Measured at Fair Value on a Recurring Basis

December 31, 2022

($ in Millions)	Level 1	Level 2	Level 3	Total
Assets				
Federal Funds Sold and Other Overnight Funds	$ -	$ 12,401	$ -	$ 12,401
Investment Securities:				
Certificates of Deposit	-	850	-	850
U.S. Treasury Debt	-	14,052	-	14,052
U.S. Agency Debt	-	1,627	-	1,627
Residential MBS:				
Ginnie Mae	-	837	-	837
U.S. Agency	-	1,261	58	1,319
Commercial MBS:				
U.S. Agency	-	13,587	-	13,587
Corporate Bonds	-	501	-	501
Asset-Backed and Other	-	299	25	324
Interest Rate Swaps and Other Derivatives	-	1,000	-	1,000
Assets Held in Trust (included in Other Assets)	109	-	-	109
Total Assets	$ 109	$ 46,415	$ 83	$ 46,607
Liabilities				
Interest Rate Swaps and Other Derivatives	$ -	$ 1,079	$ -	$ 1,079
Collateral Liabilities (included in Bonds and Notes)	-	559	-	559
Standby Letters of Credit (included in Other Liabilities)	-	-	17	17
Total Liabilities	$ -	$ 1,638	$ 17	$ 1,655

The following table presents the changes in Level 3 assets and liabilities measured at fair value on a recurring basis.

Level 3 Assets and Liabilities Measured at Fair Value on a Recurring Basis

($ in Millions)	U.S. Agency Residential MBS	Asset-Backed Securities and Other	Standby Letters of Credit
Balance at December 31, 2022	**$ 58**	**$ 25**	**$ 17**
Total Gains or Losses (Realized/Unrealized)			
Included in Other Comprehensive Income	**-**	**-**	**-**
Purchases	**-**	**10**	**-**
Issuances	**-**	**-**	**12**
Settlements	**(7)**	**(19)**	**(13)**
Balance at September 30, 2023	**$ 51**	**$ 16**	**$ 16**
Balance at December 31, 2021	$ 72	$ 20	$ 16
Total Gains or Losses (Realized/Unrealized)			
Included in Other Comprehensive Income	(2)	(2)	-
Purchases	-	13	-
Issuances	-	-	13
Settlements	(10)	(8)	(12)
Accretion	1	-	-
Balance at September 30, 2022	$ 61	$ 23	$ 17

Estimated Fair Value of Certain Other Financial Instruments

The following table presents the estimated fair value of financial instruments that are recorded in the condensed consolidated balance sheets at amortized cost, as well as certain off-balance sheet financial instruments, as of September 30, 2023 and December 31, 2022.

($ in Millions)

	September 30, 2023			December 31, 2022		
	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy	Carrying Amount	Estimated Fair Value	Fair Value Hierarchy
Financial Assets:						
Net Loans	**$ 141,442**	**$ 135,611**	**Level 3**	$ 139,407	$ 133,760	Level 3
Financial Liabilities:						
Bonds and Notes	**$ 173,070**	**$ 167,192**	**Level 3**	$ 174,623	$ 168,797	Level 3
Off-Balance Sheet Financial Instruments:						
Commitments to Extend Credit	**$ -**	**$ (160)**	**Level 3**	$ -	$ (143)	Level 3

Note 9 – Employee Benefit Plans

We have employer-funded, qualified defined benefit pension plans, which are noncontributory and cover employees hired prior to January 1, 2007. We also have noncontributory, unfunded nonqualified supplemental executive retirement plans covering certain senior officers and specified other senior managers, as well as a noncontributory, unfunded nonqualified executive retirement plan covering certain former senior officers. We have a 401(k) retirement savings plan pursuant to which we match a certain percentage of employees' elective contributions. In addition, under this plan, employees hired on or after January 1, 2007 receive additional, non-elective employer defined contributions. For eligible senior managers, including our senior officers, we also have a nonqualified deferred compensation plan, which includes benefits not provided under the employee savings plan due to certain Internal Revenue Code limitations.

All retirement-eligible employees are also currently eligible for other postretirement benefits, which primarily include access to health care benefits. Substantially all participants pay the full premiums associated with these other postretirement health care benefits. Participant contributions are adjusted annually.

We contributed $2 million to our funded qualified defined benefit pension plans during the nine months ended September 30, 2023, and anticipate that we will contribute approximately $1 million more to such plans during the remainder of 2023. We expect to contribute less than $1 million, net of collected retiree premiums, to our other postretirement benefit plans in 2023. We have not made any contributions to our trust funds related to our nonqualified retirement plans during the nine months ended September 30, 2023. Our actual contributions could differ from the estimates noted above.

Note 10 – Commitments and Contingent Liabilities

At September 30, 2023, commitments to extend credit and commercial letters of credit were $52.3 billion and $90 million, respectively.

Under the Farm Credit Act, we are primarily liable for the portion of outstanding Federal Farm Credit Banks Consolidated Systemwide bonds, medium term notes and discount notes (collectively referred to as Systemwide/Debt Securities) issued by CoBank. Additionally, we are contingently liable by statute for the outstanding Systemwide Debt Securities issued by the other System banks. Total Systemwide Debt Securities of the System were $401.9 billion at September 30, 2023.

There are several mechanisms in place affecting exposure to statutory joint and several liabilities. System banks are statutorily required to maintain eligible unencumbered assets at a level at least equal in value to the total amount of debt for which such System bank is primarily liable. In addition, in the event of a default by a System bank, the Insurance Fund would be required to make timely payment of principal and interest on Systemwide Debt Securities, to the extent that net assets are available in the Insurance Fund, before the joint and several liability of the System banks would be triggered. At September 30, 2023, the aggregated assets of the Insurance Fund totaled $7.2 billion. Finally, System banks must maintain certain financial criteria in order to participate in Systemwide debt issuances. If these criteria are not met, a troubled System bank's access to and participation in Systemwide debt issuances could be limited or denied.

On at least a quarterly basis, we assess our liabilities and contingencies in connection with outstanding legal proceedings utilizing the latest information available. For those matters where it is probable that we will incur a loss and the amount of the loss can be reasonably estimated, we record a liability in our condensed consolidated financial statements. In such cases, there may be an exposure to loss in excess of any amounts accrued. For other matters, where a loss is not probable or the amount of the loss is not estimable, we will not accrue legal reserves.

We are involved in various judicial, regulatory and arbitration proceedings concerning matters arising in connection with our business. While the outcome of such proceedings is inherently uncertain, based on information currently available, advice of legal counsel and available insurance coverage, we believe that the liabilities, if any, arising from such legal proceedings will not have a material adverse effect on our consolidated financial position, results of operations or cash flows. However, in the event of unexpected future developments, it is possible that the ultimate resolution of these matters, if unfavorable, may be material to the Bank's consolidated financial position, results of operations and cash flows.

Note 11 – Segment Financial Information

We conduct our business through three operating segments: Agribusiness, Farm Credit Banking and Rural Infrastructure.

The accompanying tables present condensed disaggregated information for the operating segments. Allocations of resources and corporate items, as well as measurement of financial performance, are made at these operating segment levels. All customer activity, including loans and leases and related income, is specifically assigned to the business units that make up the operating segments. Investment securities and federal funds sold and other overnight funds, which are primarily held as a liquidity reserve to support our banking operations, are not specifically assigned to operating segments; however, the income from investment securities and federal funds sold and other overnight funds is attributed to the operating segments. Intersegment transactions are insignificant.

We do not hold significant assets in any foreign country. Substantially all of our agricultural export finance loans are U.S. dollar-denominated and 24 percent of these loans are guaranteed by the U.S. government.

For the September 30, 2023 and 2022, no customer made up 10 percent or more of our gross or net interest income.

Segment Financial Information ($ in Millions)

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
For the Three Months Ended September 30, 2023				
Results of Operations				
Net Interest Income	**$ 212**	**$ 89**	**$ 155**	**$ 456**
(Credit Loss Reversal) Provision for Credit Losses	**(14)**	**-**	**22**	**8**
Noninterest Income	**60**	**-**	**47**	**107**
Operating Expenses	**83**	**13**	**46**	**142**
Provision for Income Taxes	**17**	**-**	**16**	**33**
Net Income	**$ 186**	**$ 76**	**$ 118**	**$ 380**
For the Three Months Ended September 30, 2022				
Results of Operations				
Net Interest Income	$ 234	$ 77	$ 137	$ 448
(Credit Loss Reversal) Provision for Credit Losses	(38)	-	8	(30)
Noninterest Income	58	4	40	102
Operating Expenses	87	13	42	142
Provision for Income Taxes	29	-	14	43
Net Income	$ 214	$ 68	$ 113	$ 395

Segment Financial Information ($ in Millions)

For the Nine Months Ended September 30, 2023

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
Results of Operations				
Net Interest Income	**$ 678**	**$ 254**	**$ 439**	**$ 1,371**
Provision for Credit Losses	**21**	**-**	**49**	**70**
Noninterest Income (Expense)	**179**	**(5)**	**141**	**315**
Operating Expenses	**259**	**39**	**134**	**432**
Provision for Income Taxes	**48**	**-**	**48**	**96**
Net Income	**$ 529**	**$ 210**	**$ 349**	**$ 1,088**
Selected Financial Information at September 30, 2023				
Loans	**$ 36,451**	**$ 74,582**	**$ 31,133**	**$ 142,166**
Less: Allowance for Loan Losses	**(457)**	**-**	**(267)**	**(724)**
Net Loans	**$ 35,994**	**$ 74,582**	**$ 30,866**	**$ 141,442**
Accrued Interest Receivable and Other Assets	**696**	**557**	**1,057**	**2,310**
Total Segment Assets	**$ 36,690**	**$ 75,139**	**$ 31,923**	**$ 143,752**
Federal Funds Sold and Other Overnight Funds				**7,853**
Investment Securities				**34,960**
Other Assets				**1,065**
Total Assets	**$ 36,690**	**$ 75,139**	**$ 31,923**	**$ 187,630**

For the Nine Months Ended September 30, 2022

	Agribusiness	Farm Credit Banking	Rural Infrastructure	Total CoBank
Results of Operations				
Net Interest Income	$ 816	$ 230	$ 394	$ 1,440
Provision for Credit Losses	42	-	33	75
Noninterest Income	163	9	101	273
Operating Expenses	254	36	120	410
Provision for Income Taxes	62	-	41	103
Net Income	$ 621	$ 203	$ 301	$ 1,125
Selected Financial Information at September 30, 2022				
Loans	$ 37,714	$ 69,703	$ 26,488	$ 133,905
Less: Allowance for Loan Losses	(494)	-	(162)	(656)
Net Loans	$ 37,220	$ 69,703	$ 26,326	$ 133,249
Accrued Interest Receivable and Other Assets	661	397	907	1,965
Total Segment Assets	$ 37,881	$ 70,100	$ 27,233	$ 135,214
Federal Funds Sold and Other Overnight Funds				13,480
Investment Securities				33,397
Other Assets				935
Total Assets	$ 37,881	$ 70,100	$ 27,233	$ 183,026

Note 12 – Affiliated Associations

CoBank is 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. The Associations are not authorized by the Farm Credit Act to participate in the issuance of Systemwide Debt Securities. Therefore, we are the primary funding source for our affiliated Associations. As of September 30, 2023, we had 17 affiliated Associations serving 23 states across the Northwest, West, Southwest, Rocky Mountains, Mid-Plains, and Northeast regions of the United States.

The Associations originate and service long-term real estate mortgage loans as well as short- 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.

The Farm Credit Act and FCA regulations require us to monitor and approve certain activities of our affiliated Associations. CoBank and our affiliated Associations operate under a creditor/debtor relationship evidenced by a General Financing Agreement (GFA) entered into separately with each Association. The GFA sets forth the creditor/debtor relationship between us and each Association and also references certain requirements contained in the Farm Credit Act and FCA regulations. The Associations' respective boards of directors are expected to establish and monitor the necessary policies and procedures to comply with all FCA regulations. In all other respects, the lending relationship with the Associations is substantially similar to that with our other borrowers.

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. Accordingly, the financial information of affiliated Associations is not included in our condensed consolidated financial statements. We separately publish certain unaudited combined financial information of the District, including a condensed statement of condition and statement of income, which can be found on our website at www.cobank.com.

Effective October 1, 2023, two of our affiliated associations, American AgCredit, ACA and Farm Credit of New Mexico, ACA merged and are doing business as American AgCredit, ACA.

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.

Note 13 – Subsequent Events

We have evaluated subsequent events through November 9, 2023, which is the date the financial statements were issued and determined that there were no other events requiring disclosure.

Regulatory Capital Disclosures

CoBank, ACB

(Unaudited) ($ in Millions, Except as Noted)

Overview

These quarterly regulatory capital disclosures (set forth in Title 12 of the Code of Federal Regulations parts 628.61 through 628.63) should be read in conjunction with our 2022 Annual Report to Shareholders, which includes additional qualitative disclosures. With the exception of the Bank's adoption of the CECL accounting standard as described below, there have been no material changes to the qualitative disclosures contained in our 2022 Annual Report.

As described in Note 2 in the condensed consolidated financial statements and Management's Discussion and Analysis in this quarterly report, CoBank adopted the CECL accounting standard effective January 1, 2023. The impact to the Bank upon adoption was a net reduction in our allowance for credit losses on loans of $75 million with a corresponding increase to retained earnings, net of taxes. The CECL adjustment to retained earnings increased Tier 1 capital while the CECL adjustment to the allowance for credit losses for loans decreased Tier 2 capital. The allowance for credit losses on investments of $4 million is excluded from the Bank's regulatory capital. See Notes 2, 3, and 4 for further discussion of these items.

The following table summarizes the interim disclosure requirements and indicates where each matter is disclosed in this quarterly report.

Disclosure Requirement	Description	Q3 2023 Quarterly Report Reference
Scope of Application	Corporate entity and consolidated subsidiaries	Page 57
Capital Structure	Regulatory capital components	Pages 57 through 58
Capital Adequacy	Risk-weighted assets	Pages 59
	Regulatory capital ratios	Page 15
Capital Buffers	Quantitative disclosures	Pages 15, 59
Credit Risk	Summary of exposures	Page 60
	Geographic distribution	Pages 61 through 62
	Industry distribution	Page 62
	Contractual maturity	Page 63
	Nonperforming loans and allowance for credit losses	Note 3
Counterparty Credit Risk-Related Exposures	Counterparty exposures	Note 7, Page 63
Credit Risk Mitigation	Exposures with reduced capital requirements	Pages 14, 63 through 64
Securitization	Securitization exposures	Notes 4 and 8, Pages 12 through 13, 64 through 65
Equities	General description	Page 65
Interest Rate Risk for Non-Trading Activities	Interest rate sensitivity	Note 7, Pages 65 through 66

Scope of Application

The disclosures contained herein relate to CoBank, ACB and its wholly-owned subsidiaries, CoBank, FCB and Farm Credit Leasing Services Corporation (FCL), collectively hereinafter referred to as CoBank or the Bank. These entities are also consolidated in our financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP).

Capital Structure

Common equity tier 1, which includes common stock and retained earnings, is the largest component of the Bank's capital structure. Preferred stock is included in tier 1 regulatory capital, subject to certain limitations. In addition, our allowance for credit losses is included in tier 2 regulatory capital, subject to certain limitations.

The following table provides a summary of the Bank's regulatory capital components.

($ in Millions)

Regulatory Capital Components		
Three Months Ended September 30, 2023		**Average Balance**
Common Equity Tier 1 Capital (CET1)		
Common Cooperative Equities:		
Statutory Minimum Purchased Borrower Stock	$	2
Other Required Member Purchased Stock		1,011
Allocated Equities:		
Qualified Allocated Equities Subject to Retirement		2,794
Nonqualified Allocated Equities Subject to Retirement		-
Nonqualified Allocated Equities Not Subject to Retirement		3,380
Unallocated Retained Earnings		3,551
Paid-In Capital		-
Regulatory Adjustments and Deductions Made to CET1		244
Total CET1	$	10,982
Tier 1 Capital		
Non-Cumulative Perpetual Preferred Stock	$	1,625
Regulatory Adjustments and Deductions Made to Tier 1 Capital		-
Total Additional Tier 1 Capital		1,625
Total Tier 1 Capital	$	12,607
Tier 2 Capital		
Common Cooperative Equities Not Included in CET1		
Tier 2 Capital Elements:		
Allowance for Credit Losses		809
Regulatory Adjustments and Deductions Made to Tier 2 Capital		-
Total Tier 2 Capital	$	809
Total Capital	$	13,416

Capital Adequacy and Capital Buffers

Our risk-adjusted regulatory capital ratios are calculated by dividing the relevant total capital elements (e.g. Total CET1) by risk-weighted assets. The following table presents information on the components of risk-weighted assets included in the calculation of regulatory capital ratios.

($ in Millions)

Risk-Weighted Assets

Three Months Ended September 30, 2023		Average Balance	
On-Balance Sheet Assets:			
Exposures to Sovereign Entities	$	-	
Exposures to Supranational Entities and Multilateral Development Banks		186	
Exposures to Government-Sponsored Enterprises		18,699	(1)
Exposures to Depository Institutions, Foreign Banks, and Credit Unions		4,649	(2)
Exposures to Public Sector Entities		120	
Corporate Exposures, including Borrower Loans and Leases		54,086	
Residential Mortgage Exposures		-	
Past Due and Nonaccrual Exposures		223	
Securitization Exposures		152	
Equity Investment Exposures		121	
Other Assets		844	
Off-Balance Sheet:			
Unfunded Loan Commitments		13,005	
Equity Investment Commitments		143	
Over-the-Counter Derivatives		134	
Cleared Derivative Transactions		1	
Letters of Credit		1,754	
Reverse Repurchase Transactions		-	
Unsettled Transactions		-	
Total Risk-Weighted Assets Before Additions (Deductions)	$	94,117	
Additions:			
Intra-System Equity Investments	$	134	
Other Regulatory Adjustments and Additions		(379)	
Deductions:			
Regulatory Adjustments and Deductions Made to CET1		244	
Regulatory Adjustments and Deductions Made to Additional Tier 1 Capital		-	
Regulatory Adjustments and Deductions Made to Tier 2 Capital		-	
Total Risk-Weighted Assets	$	94,116	(3)

(1) Includes exposures to Farm Credit System entities.

(2) Also includes exposures to other financing institutions that are risk weighted as exposures to U.S. depository institutions and credit unions.

(3) For purposes of calculating the permanent capital ratio, average risk-weighted assets for the three months ended September 30, 2023 was $93.4 billion.

As shown in the section titled "Capital Resources" of Management's Discussion and Analysis of this quarterly report, the Bank exceeded all regulatory capital requirements as of September 30, 2023 to which it was subject, including applicable capital buffers. The aggregate amount of our eligible retained income was ($146) million as of September 30, 2023. The negative amount was due to a preferred stock redemption in the fourth quarter of 2022, which was preceded by a preferred stock issuance in the third quarter of 2022. The negative eligible retained income did not result in any limitations on the Bank's capital distributions or discretionary bonus payments because the Bank exceeded the capital buffer requirements as of September 30, 2023. We expect our eligible retained income to return to a positive amount by December 31, 2023.

Credit Risk

The following table summarizes credit exposures related to loans, unfunded loan commitments, investment securities, letters of credit, equity investments and reverse repurchase transactions. The contractual amount of a commitment to extend credit represents our maximum exposure to credit loss in the event of default by the borrower, if the borrower were to fully draw against the commitment.

($ in Millions)

Major Credit Exposures - Lending and Investments				
Three Months Ended September 30, 2023		**Average Balance**		**End of Period**
Loans Outstanding	$	140,656	$	142,166
Unfunded Loan Commitments		55,762		55,224
Investment Securities		35,054		34,960
Letters of Credit		2,147		2,019
Equity Investments Outstanding		113		121
Equity Investment Commitments		143		158
Reverse Repurchase Transactions		39		40

The table below shows derivatives by underlying exposure type, segregated between contracts traded in over-the-counter markets and those cleared through a central clearinghouse. Gross positive fair value represents the credit exposure attributed to derivatives before the mitigating effects of counterparty collateral.

($ in Millions)

Major Credit Exposures - Derivatives								
Three Months Ended and As of September 30, 2023	**Average Balance**				**End of Period**			
		Notional Amount		**Gross Positive Value**		**Notional Amount**		**Gross Positive Value**
Over-the-Counter Derivatives:								
Interest Rate Contracts	$	22,576	$	492	$	22,682	$	413
Foreign Exchange Contracts		45		-		39		-
Total Over-the-Counter Derivatives		22,621		492		22,721		413
Cleared Derivatives:								
Interest Rate Contracts		49,451		519		54,675		639
Total Derivatives	$	72,072	$	1,011	$	77,396	$	1,052

The following table illustrates the geographic distribution of our total loan commitments as of September 30, 2023.

Total Lending Portfolio - Geographic Distribution

As of September 30, 2023	Wholesale Loans[1]	Commercial Loans
California	45 %	8 %
Washington	18	2
Texas	5 [2]	9
Connecticut	12	1
Kansas	6	3
Oklahoma	4	2
Colorado	3	3
Latin America	-	5
Asia	-	4
Illinois	-	4
Minnesota	-	4
New York	-	4
Florida	-	3
Ohio	-	3
Pennsylvania	2 [2]	1
New Mexico	2	1
Iowa	-	3
Georgia	-	3
Mississippi	- [2]	2
Missouri	-	2
Indiana	-	2
Wisconsin	-	2
Europe, Middle East, and Africa	-	2
Nebraska	-	2
Arkansas	-	2
Alabama	1 [2]	1
North Carolina	-	2
Massachusetts	-	2
Michigan	-	2
South Carolina	-	2
Other	2	14
Total	100 %	100 %

[1] The distribution of wholesale loan commitments to Associations is based on the state in which the Association is headquartered and may not be representative of their underlying loan portfolio.
[2] Includes participation interests in loan commitments to nonaffiliated Associations.

The following table illustrates the geographic distribution of our nonperforming loans as of September 30, 2023.

Nonperforming Loans - Geographic Distribution As of September 30, 2023	Share[(1)]
California	32 %
Colorado	16
Illinois	11
Kansas	10
Nebraska	8
Ohio	7
Arkansas	4
Other	12
Total	100 %

(1) The distribution of nonperforming loans is based on the state in which the borrower is headquartered and may not be representative of their operations and business activities.

The following table illustrates the primary business/commodity distribution of our total loan commitments as of September 30, 2023.

Total Lending Portfolio - Distribution by Primary Business/Commodity As of September 30, 2023	Share
Affiliated Associations	48 %
Electric Distribution	7
Farm Supply and Grain Marketing	4
Nonaffiliated Entities	4
Regulated Utilities	4
Generation and Transmission	3
Agricultural Export Finance	3
Lease Financing (through FCL)	3
Fruits, Nuts, Vegetables	3
Forest Products	2
Dairy	2
Water and Waste	2
Fish, Livestock, Poultry	1
Local Exchange Carriers	1
Cable	1
Competitive Local Telephone Exchange Carriers	1
Wireless	1
Other	10
Total	100 %

The following table presents a summary of the remaining contractual maturity of our loans, unfunded loan commitments, investment securities, letters of credit, derivatives and equity investments at September 30, 2023.

($ in Millions)

Contractual Maturity

As of September 30, 2023	In One Year or Less	One to Five Years	After Five Years	Total
Loans Outstanding	$ 89,029	$ 24,836	$ 28,301	$ 142,166
Unfunded Loan Commitments	33,691	17,104	4,429	55,224
Investment Securities	4,720	10,596	19,644	34,960
Letters of Credit	208	1,308	503	2,019
Derivatives (Notional Amounts)	39,479	24,964	12,953	77,396
Equity Investments Outstanding	30	72	19	121
Equity Investment Commitments	39	95	24	158

Refer to Note 3 in the condensed consolidated financial statements in this quarterly report for amounts of nonperforming loans (with or without related allowance for credit loss), loans in nonaccrual status and greater than 90 days past due, loans past due greater than 90 days and still accruing interest, the allowance for credit losses, charge-offs, and changes in components of our allowance for credit losses.

Counterparty Credit Risk

Refer to Note 7 in the condensed consolidated financial statements in this quarterly report for information related to interest rate swaps and other derivatives utilized by CoBank including a summary of the fair value of derivative assets and liabilities, collateral held and net unsecured exposure.

Credit Risk Mitigation

CoBank uses various strategies to mitigate credit risk in its lending, leasing, investing and derivatives activities. The disclosures in this section relate solely to credit risk mitigation instruments and activities that reduce regulatory capital requirements, which include certain guarantees in our lending and investment portfolios, and collateral or settlement payments in our derivatives portfolio.

Loans

Our Agricultural Export Finance Division (AEFD) utilizes the U.S. government-sponsored export loan guarantee General Sales Manager (GSM) program for a portion of its export financing. Refer to the Operating Segment Financial Review section of this quarterly report for additional discussion related to our AEFD.

As discussed in the section titled “Credit Quality of Loans” of Management’s Discussion and Analysis of this quarterly report, our loans to affiliated Associations are collateralized by substantially all of the Association assets. In addition, the earnings, capital and loan loss reserves of the Associations provide additional layers of protection against losses in their respective retail loan portfolios. Lower regulatory capital requirements are commensurate with the lower risk profile associated with our loans to affiliated Associations.

Investments

Credit risk in our investment portfolio is mitigated by investing primarily in securities issued or guaranteed by the U.S. government or a government-sponsored enterprise (U.S. Agency). Credit risk in our investment portfolio primarily exists in the 2 percent of our investment securities that are not guaranteed by the U.S. government or a U.S. Agency, which currently include asset-backed securities (ABS) and corporate bonds of midstream energy and communication companies.

Our midstream energy and communication corporate bonds are purchased under our lending authorities and not held for liquidity purposes. These ABS and midstream energy and communication corporate bonds collectively total $595 million of our total investment portfolio as of September 30, 2023. Credit risk in our investment portfolio also arises in a portion of our short-term investments, which include our overnight bank deposits and federal funds sold instruments which are transacted with highly-rated commercial bank counterparties. We held overnight bank deposits and federal funds sold instruments totaling $753 million at September 30, 2023. The remainder of our short-term investments include reverse repurchase agreements with the Federal Reserve totaling $7.1 billion at September 30, 2023 and have minimal credit risk. Corporate bonds are risk-weighted based on the corporate counterparty and ABS exposures are captured in the Securitization section below.

The following table summarizes the loan and investment exposures whose capital requirements are reduced as a result of credit risk mitigants.

($ in Millions)

Loan and Investment Exposures

Three Months Ended September 30, 2023	Average Exposure Amount	Risk Weighted Exposures
Guaranteed Loans	$ 1,775	$ -
Loans to Farm Credit System Entities	73,367	14,673
Investment Securities Issued or Guaranteed by U.S. Government	16,649	-
Investment Securities Issued or Guaranteed by a U.S. Agency	20,129	4,026
Total	$ 111,920	$ 18,699

Derivatives

As described in Note 7 in the condensed consolidated financial statements in this quarterly report, transactions with dealers in our over-the-counter derivative portfolio, as well as those cleared through a clearinghouse, are collateralized or otherwise secured through settlement payments. As a result, at September 30, 2023, we held financial collateral totaling $454 million that offset derivative exposure for purposes of calculating risk-weighted assets. Total risk-weighted assets for our over-the-counter derivatives and cleared derivative transactions amounted to $134 million and $1 million, respectively, for the three-month period ended September 30, 2023.

Securitization

The Bank participates in securitizations as investors through the purchase of MBS and ABS, which are included in our investment portfolio. As of September 30, 2023, CoBank did not retain any resecuritization exposures. The following disclosures relate only to ABS not guaranteed by the U.S. government or a U.S. Agency. The average balance of these unguaranteed securities was $152 million for the three months ended September 30, 2023.

Below is a summary of our securitization exposures held during the three months ended September 30, 2023 by exposure type and categorized by risk-weight band.

($ in Millions)

Securitization Exposures

Three Months Ended September 30, 2023	Average Exposure Amount	Risk Weighted Asset (Under Gross Up Approach)
Asset-Backed Securities	$ 152	$ 152
Total	$ 152	$ 152

($ in Millions)

Securitization Risk-Weight Bands

Three Months Ended September 30, 2023	Average Exposure Amount	Risk Weighted Asset (Under Gross Up Approach)
Gross-Up Risk-Weight Bands:		
100% - 125%	$ 152	$ 152
>125% and <1,250%	-	-
1,250%	-	-
Total	$ 152	$ 152

For the three months ended September 30, 2023, we did not hold any off-balance sheet securitization exposures nor were any securitization exposures deducted from capital.

Refer to Note 4 in the condensed consolidated financial statements in this quarterly report for additional information related to purchases and sales of securitization exposures as well as the amortized cost, unrealized gains (losses) and fair value of ABS held in our investment portfolio. In addition, Note 8 of the quarterly report describes the methods and assumptions, including any changes as applicable, applied in valuing our ABS.

Equities

The Bank has certain exposure to equity investments. We make investments and are a limited partner in certain Rural Business Investment Companies (RBICs). These RBICs focus on small and middle market companies that create jobs and promote commerce in rural America. The Bank also holds investments in various unincorporated business entities (UBEs), as defined by FCA regulation. We hold these investments to acquire and manage unusual or complex collateral associated with loan workouts as well as to make mission-related investments. Our investments in RBICs and UBEs are not publicly traded and are accounted for under the equity method. We also hold an equity investment as a result of the bankruptcy of a former customer which is accounted for at cost less any impairment as there is no readily determinable fair value. There have been no sales or liquidations of these investments during the three months ended September 30, 2023.

Interest Rate Risk

Interest rate risk, also referred to as market risk, is the risk that changes in interest rates may adversely affect operating results and financial condition. We use asset/liability models to evaluate the dynamics of our balance sheet and to estimate earnings volatility under different interest rate scenarios. Our analysis includes calculating the impact of significant increases or decreases in interest rates on net interest income, over a 12- month period, and the estimated market value of equity.

This analysis estimates the effect of immediate and sustained parallel positive (up) and negative (down) shifts in the yield curve (called "shocks") of down 300, down 200, down 100, up 100, up 200 and up 300 basis points.

The following tables summarize the impact of interest rate changes on net interest income and the market value of equity.

Net Interest Income at Risk	
September 30, 2023	
Scenario:	
- 300 bp shock	n/a
- 200 bp shock	1.5 %
- 100 bp shock	0.4
+ 100 bp shock	0.2
+ 200 bp shock	0.4
+ 300 bp shock	0.5

Market Value of Equity at Risk	
September 30, 2023	
Scenario:	
- 300 bp shock	n/a
- 200 bp shock	9.6 %
- 100 bp shock	4.7
+ 100 bp shock	(4.4)
+ 200 bp shock	(8.5)
+ 300 bp shock	(12.5)

Controls and Procedures

CoBank, ACB

We maintain a system of disclosure controls and procedures. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information disclosed by us in our quarterly and annual reports is accumulated and communicated to our management, including our chief executive officer and our chief financial officer, as appropriate, to allow timely decisions to be made regarding disclosure. The chief executive officer and the chief financial officer have evaluated our disclosure controls and procedures as of the end of the period covered by this quarterly report and have concluded that our disclosure controls and procedures are effective as of that date.

We also maintain a system of internal controls. The term “internal controls,” as defined by the American Institute of Certified Public Accountants’ Codification of Statement on Auditing Standards, AU-C Section 315, means a process - effected by the board of directors, management and other personnel - designed to provide reasonable assurance regarding the achievement of objectives in reliability of financial reporting, the effectiveness and efficiency of operations and compliance with applicable laws and regulations. We continually assess the adequacy of our internal control over financial reporting and enhance our controls in response to internal control assessments and internal and external audit and regulatory requirements and recommendations. There have been no significant changes in our internal controls or in other factors that could significantly affect such controls subsequent to the date we carried out our evaluations. In accordance with our internal control procedures, these financial statements were prepared under the oversight of the Audit Committee of our Board of Directors.

Certification Required by Farm Credit Administration Regulations

The undersigned have reviewed this quarterly report which has been prepared in accordance with all applicable statutory or regulatory requirements and certify that the information contained herein is true, accurate, and complete to the best of our knowledge and belief.

Signed this 9th day of November, 2023.

/s/ KEVIN A. STILL

Kevin A. Still
Chair of the Board

/s/ THOMAS E. HALVERSON

Thomas E. Halverson
President and Chief Executive Officer

/s/ DAVID P. BURLAGE

David P. Burlage
Chief Financial Officer

CERTIFICATION

I, Thomas E. Halverson, President and Chief Executive Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

(1) I have reviewed this quarterly report of CoBank;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;

(4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

(5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ THOMAS E. HALVERSON

Thomas E. Halverson
President and Chief Executive Officer

Dated: November 9, 2023

CERTIFICATION

I, David P. Burlage, Chief Financial Officer of CoBank, ACB (CoBank or the Bank), a federally chartered instrumentality under the Farm Credit Act of 1971, as amended, certify that:

(1) I have reviewed this quarterly report of CoBank;

(2) Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

(3) Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations, and cash flows of CoBank as of, and for, the periods presented in this report;

(4) CoBank's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures and internal control over financial reporting for CoBank and have:

   a. designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Bank, including its consolidated subsidiary, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b. designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c. evaluated the effectiveness of the Bank's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d. disclosed in this report any change in the Bank's internal control over financial reporting that occurred during the Bank's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Bank's internal control over financial reporting; and

(5) CoBank's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Bank's auditors and the audit committee of the Bank's board of directors (or persons performing the equivalent functions):

   a. all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Bank's ability to record, process, summarize, and report financial information; and
   b. any fraud, whether or not material, that involves management or other employees who have a significant role in the Bank's internal control over financial reporting.

/s/ DAVID P. BURLAGE

David P. Burlage
Chief Financial Officer

Dated: November 9, 2023

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CoBank, ACB

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(800) 262-6599
FCL: (800) 942-3309

Lubbock Banking Center *
5715 West 50th
Lubbock, TX 79414
(806) 788-3700
FCL: (806) 788-3705

Minneapolis Banking Center *
1665 Utica Avenue South, Suite 400
Minneapolis, MN 55416
(952) 417-7900
(800) 282-4150
FCL: (800) 444-2929

Omaha Banking Center *
18205 Capitol Avenue, Suite 325
Elkhorn, NE 68022
(402) 492-2000
(800) 346-5717

Sacramento Banking Center *
3755 Atherton Road
Rocklin, CA 95765
(916) 380-3524
(800) 457-0942
FCL: (800) 289-7080

Spokane Banking Center
601 W. Riverside Avenue, Suite 650
Spokane, WA 99201
(509) 363-8700
(800) 378-5577

Sterling Banking Center
229 South 3rd Street
Sterling, CO 80751
(970) 521-2774

St. Louis Banking Center *
635 Maryville Centre Drive, Suite 130
St. Louis, MO 63141
(314) 835-4200
(800) 806-4144
FCL: (800) 853-5480

Wichita Banking Center *
245 North Waco, Suite 130
Wichita, KS 67202
(316) 290-2000
(800) 322-3654
FCL: (800) 322-6558

International

Singapore Representative Office
350 Orchard Road
#17-07 Shaw House
Singapore 238868
(65) 6534-5261

* *Farm Credit Leasing office within this CoBank location*

CoBank's 2023 Quarterly and Annual Reports to Shareholders are available free of charge on request by calling or visiting one of our banking center locations and through our website at www.cobank.com. Copies of financial reports of our affiliated Associations and the System are available on their respective websites. CoBank's 2023 Quarterly and Annual Reports to Shareholders will be available on approximately May 10, 2023, August 9, 2023, November 9, 2023, and February 29, 2024 (Annual Report).