


CoBank Investor Presentation

December 31, 2019

Proud Member of the
Farm Credit System 



Summary Financial Results

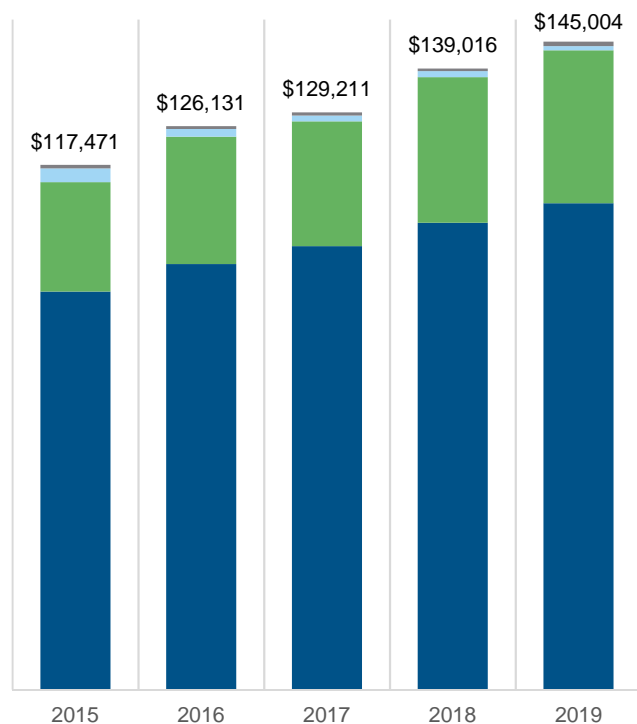
(\$ in millions)	For the Year Ended December 31,		
	2018	2019	YoY%
Interest income	\$ 4,031	\$ 4,468	11%
Interest expense	2,600	3,069	18%
<i>Net interest income</i>	<i>1,431</i>	<i>1,399</i>	<i>-2%</i>
Provision for loan losses	66	57	-14%
<i>Net interest income after provision for loan losses</i>	<i>1,365</i>	<i>1,342</i>	<i>-2%</i>
Noninterest income	290	221	-24%
Operating expenses	364	404	11%
<i>Income before income taxes</i>	<i>1,291</i>	<i>1,159</i>	<i>-10%</i>
Provision for income taxes	100	68	-32%
<i>Net income</i>	<i>\$ 1,191</i>	<i>\$ 1,091</i>	<i>-8%</i>
Return on average common equity	14.60%	11.63%	-20%
Net interest margin	1.09%	1.02%	-6%
Return on average assets	0.90%	0.79%	-12%
Operating expense ratio*	20.27%	23.27%	-15%

* Excludes Insurance Fund premiums



Balance Sheet Trends

Assets (\$ in Millions)

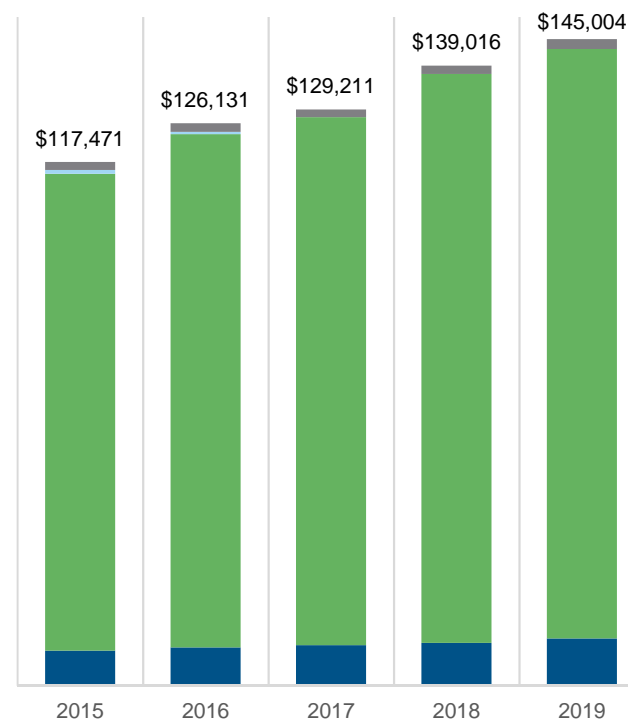


	2015	2016	2017	2018	2019
Other	\$ 813	\$ 697	\$ 726	\$ 562	\$ 965
Cash*	\$ 3,113	\$ 1,661	\$ 1,314	\$ 1,368	\$ 949
Investments **	\$ 24,504	\$ 28,515	\$ 27,905	\$ 32,592	\$ 34,236
Gross Loans	\$ 89,041	\$ 95,258	\$ 99,266	\$ 104,494	\$ 108,854

*Represents Cash and Cash Equivalents

**Includes Investment Securities, Federal Funds Sold and Other Overnight Funds

Liabilities & Shareholders' Equity (\$ in Millions)

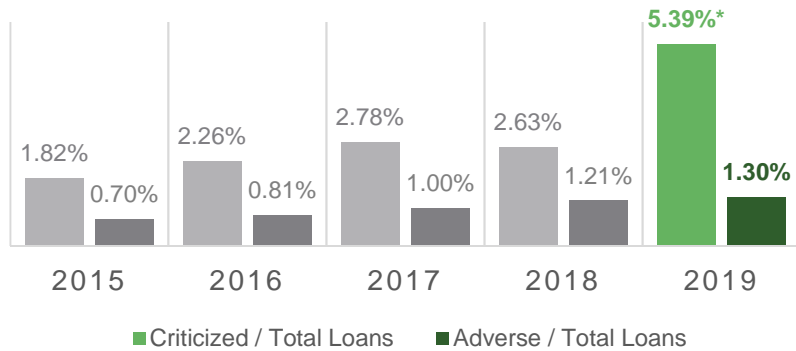


	2015	2016	2017	2018	2019
Other	\$ 1,788	\$ 1,972	\$ 1,745	\$ 1,849	\$ 2,207
Subordinated debt	\$ 903	\$ 499	\$ -	\$ -	\$ -
Bonds & Notes	\$ 106,970	\$ 115,086	\$ 118,406	\$ 127,632	\$ 132,230
Shareholders' equity	\$ 7,810	\$ 8,574	\$ 9,060	\$ 9,535	\$ 10,567



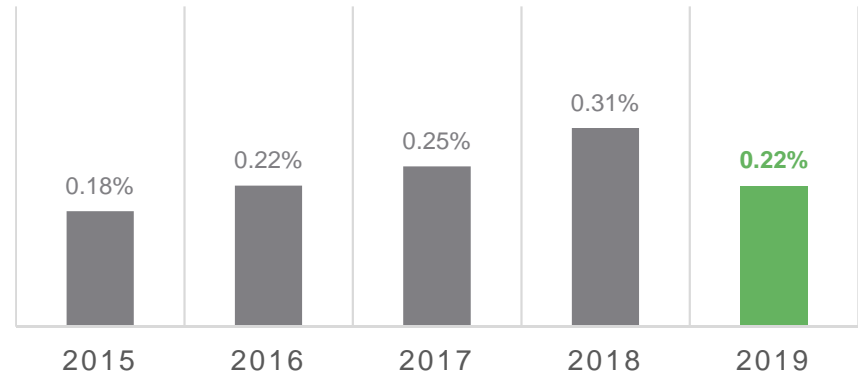
Loan Quality

Criticized / Total Loans & Adverse / Total Loans

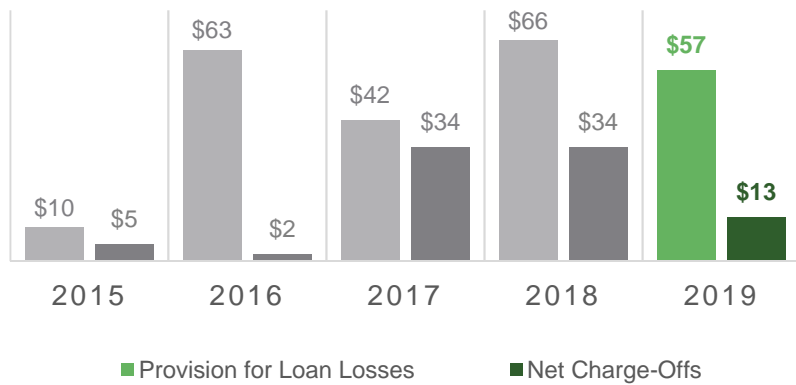


*Includes the downgrades of wholesale loans to three affiliated associations in 2019.

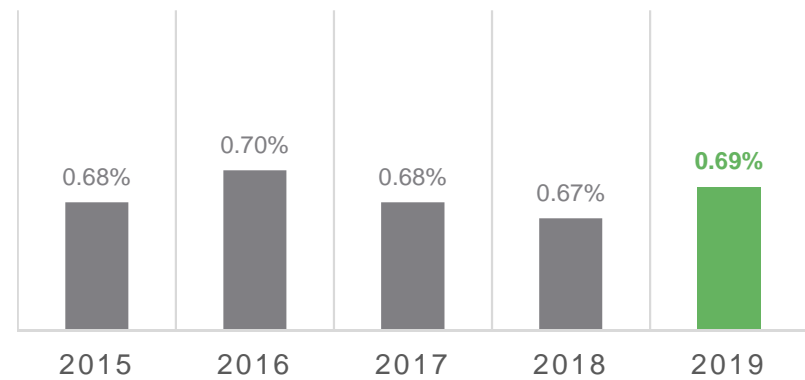
Nonaccrual Loans / Total Loans



Provision for Loan Losses & Net Charge-Offs (\$ in Millions)

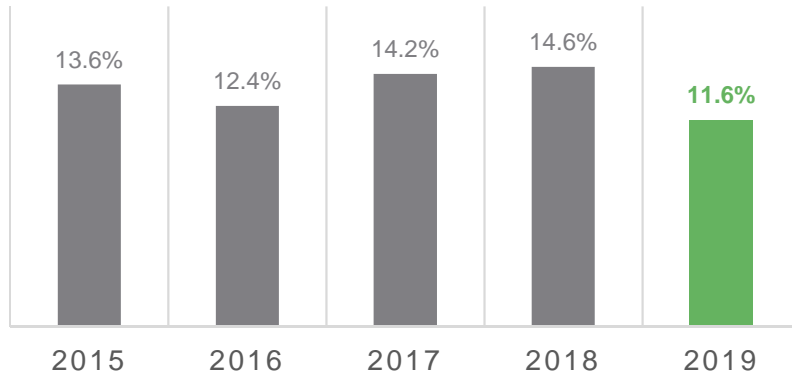


Allowance for Credit Losses / Total Loans

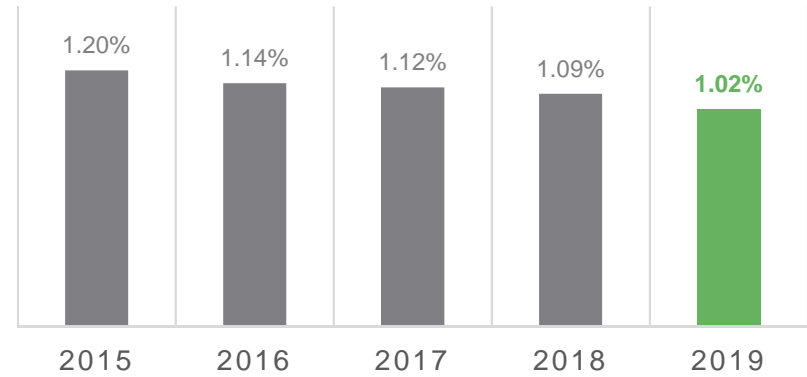


Profitability and Efficiency

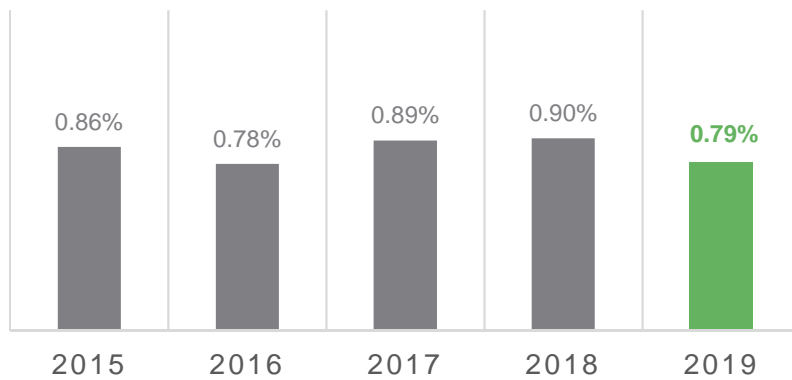
Return on Average Common Equity



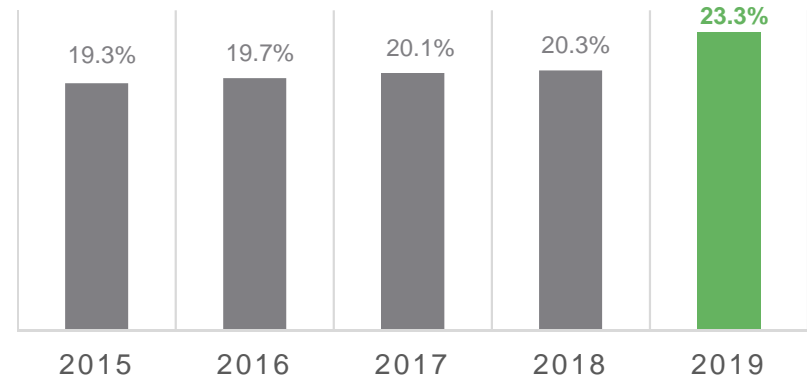
Net Interest Margin



Return on Average Assets



Operating Expense Ratio Excluding Insurance Fund Premiums

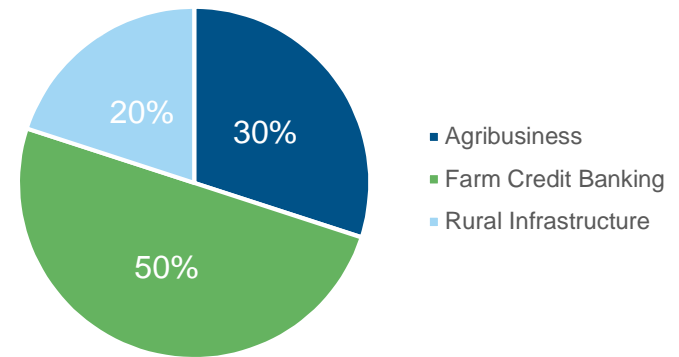


Operating Segments

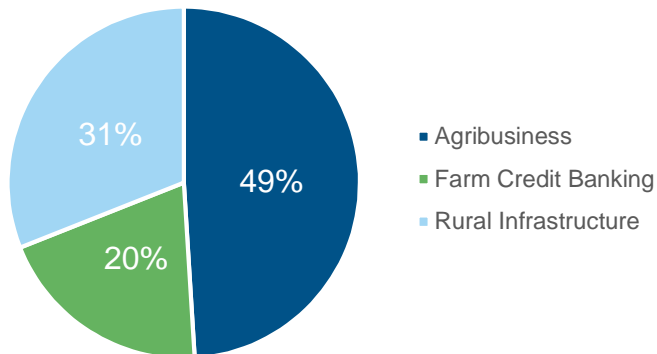
Summary

- Three operating segments (Agribusiness, Farm Credit Banking and Rural Infrastructure)
- Approximately \$109 billion in total loan volume
- Lower net income in Farm Credit Banking operating segment reflects narrower margins and lower risk profile from wholesale loans

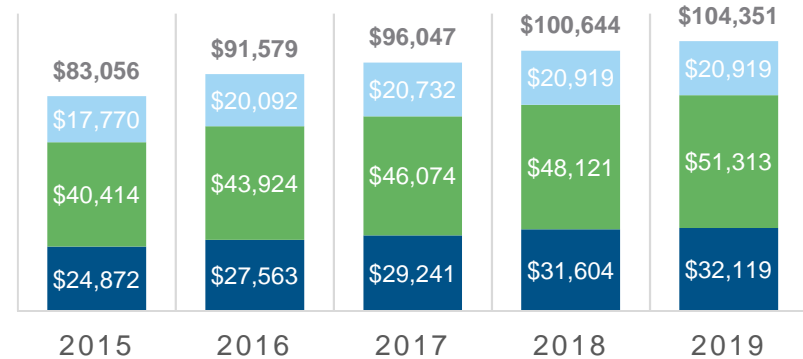
Loan Volume – \$108.9 Billion at December 31, 2019



Net Income – \$1.091 Million



Average Loan Volume (\$ in Millions)



Agribusiness Portfolio

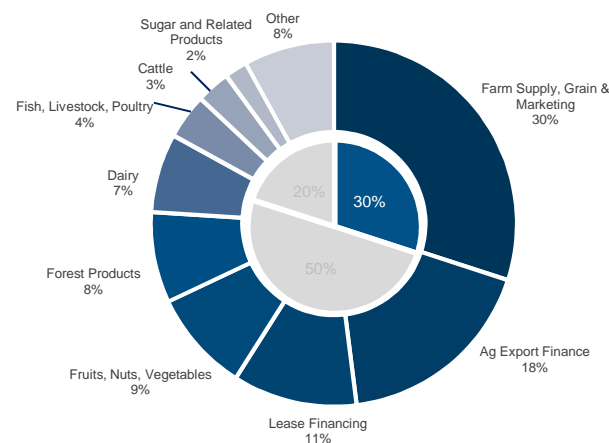
Portfolio Highlights

- \$33.2 billion retail loan portfolio at December 31, 2019
- Grain handling and marketing, farm supply, fruits, nuts, vegetables, forest products, dairy, livestock, biofuels and food processing
- Integrated production agriculture in forest products, fruits, nuts, vegetables and dairy
- Portfolio diversification enhanced by loan participations and syndications
- Includes \$5.9 billion in agricultural export loans; 20% are U.S. government-guaranteed
- Includes \$3.6 billion leasing portfolio

Financial Summary

(\$ in millions)	2019	2018	2017
Period-End Loans	\$ 33,168	\$ 32,432	\$ 30,304
Average Loans	\$ 32,119	\$ 31,604	\$ 29,241
Net Income	\$ 530	\$ 575	\$ 626
Nonaccrual Loans	\$ 220	\$ 288	\$ 213

Portfolio Sectors



Loan Quality

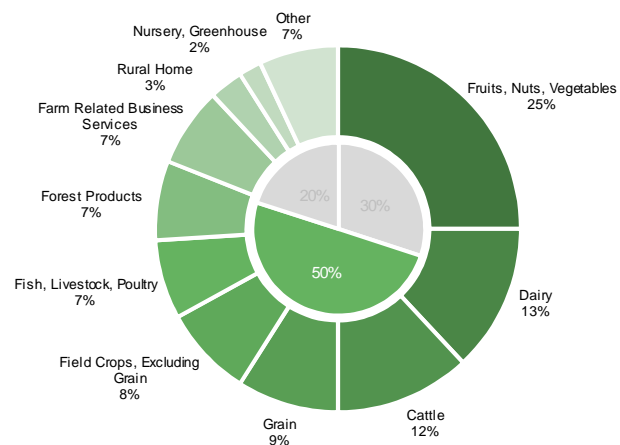
	2019	2018	2017
Acceptable	92.85%	94.40%	93.56%
Special Mention	3.90	2.69	3.54
Substandard	3.23	2.89	2.89
Doubtful	0.02	0.02	0.01
Loss	-	-	-

Farm Credit Banking Portfolio

Portfolio Highlights

- \$54.5 billion wholesale loan portfolio at December 31, 2019
- Lending to 21 affiliated Farm Credit associations serving a diversified agricultural customer base in the Northwest, West, Southwest, Rocky Mountain, Mid-Plains, and Northeast regions of the United States
- Affiliates serve over 70,000 farmers, ranchers and other rural borrowers
- Includes \$4.9 billion of participations in other Farm Credit Banks' wholesale loans to their affiliated associations, primarily with Farm Credit Bank of Texas

Portfolio Sectors



Financial Summary

(\$ in millions)	2019	2018	2017
Period-End Loans	\$ 54,459	\$ 50,695	\$ 47,948
Average Loans	\$ 51,313	\$ 48,121	\$ 46,074
Net Income	\$ 223	\$ 269	\$ 262
Nonaccrual Loans	\$ -	\$ -	\$ -

Loan Quality

	2019	2018	2017
Acceptable	94.50%	98.95%	99.02%
Special Mention	5.50*	0.93	0.98
Substandard	-	0.12	-
Doubtful	-	-	-
Loss	-	-	-

*Includes the downgrades of wholesale loans to three affiliated associations in 2019.

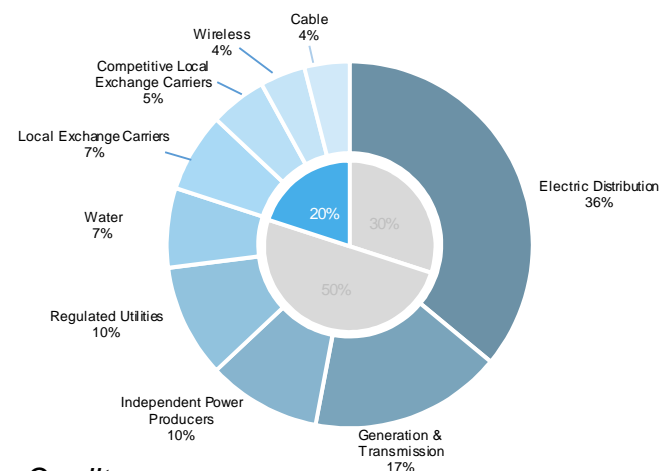


Rural Infrastructure Portfolio

Portfolio Highlights

- \$21.2 billion retail loan portfolio at December 31, 2019
- Broad geographic dispersion of rural infrastructure customers
- Customers provide vital rural services and include: rural electric generation and transmission cooperatives, electric distribution cooperatives, power supply companies, midstream energy and gas pipeline providers, project finance companies, rural communications companies, water companies and rural community facilities

Portfolio Sectors



Financial Summary

(\$ in millions)	2019	2018	2017
Period-End Loans	\$ 21,227	\$ 21,367	\$ 21,014
Average Loans	\$ 20,919	\$ 20,919	\$ 20,732
Net Income	\$ 338	\$ 347	\$ 238
Nonaccrual Loans	\$ 20	\$ 38	\$ 34

Loan Quality

	2019	2018	2017
Acceptable	97.66%	98.08%	98.40%
Special Mention	0.75	0.65	1.05
Substandard	1.53	1.27	0.55
Doubtful	0.06	-	-
Loss	-	-	-



Capital Position

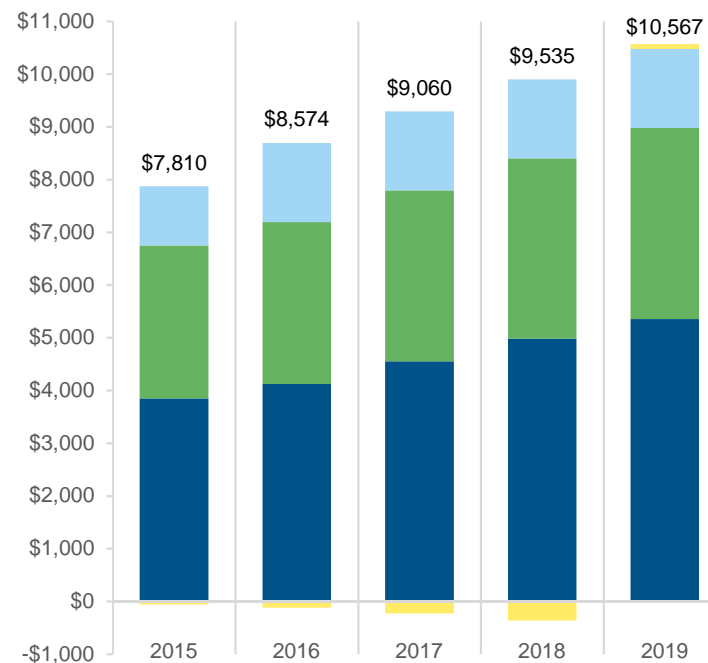
Summary

- Capital ratios exceed required regulatory minimums
- Assures continued viability and capacity to meet our customers' borrowing needs
- Preferred stock provides additional layer of risk-bearing capacity

Capital Ratios

	December 31, 2019			
	Regulatory Minimum	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 (CET1) Capital Ratio	4.5 %	12.70 %	8.20 %	2.5 %
Tier 1 Capital Ratio	6.0	14.83	8.83	2.5
Total Capital Ratio	8.0	15.86	7.86	2.5
Tier 1 Leverage Ratio	4.0	7.51	3.51	1.0
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	3.24	n/a	n/a
Permanent Capital Ratio	7.0	14.95	n/a	n/a

Shareholders' Equity (\$ in Millions)



	2015	2016	2017	2018	2019
Preferred Stock	\$ 1,125	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Common Stock	\$ 2,900	\$ 3,072	\$ 3,240	\$ 3,416	\$ 3,622
Retained Earnings	\$ 3,846	\$ 4,121	\$ 4,552	\$ 4,982	\$ 5,351
Other Comprehensive (Loss) Income	\$ (61)	\$ (119)	\$ (232)	\$ (363)	\$ 94

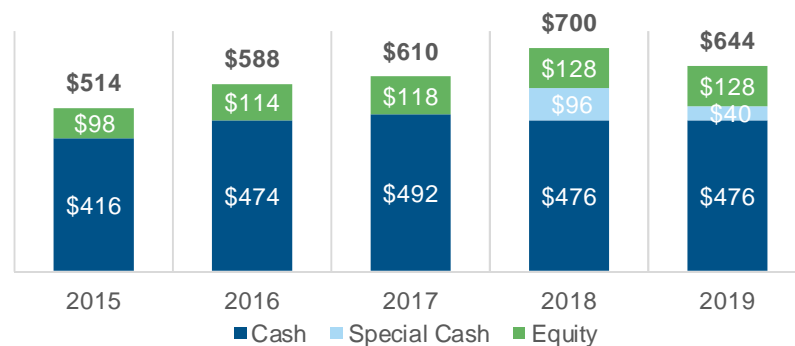


Patronage

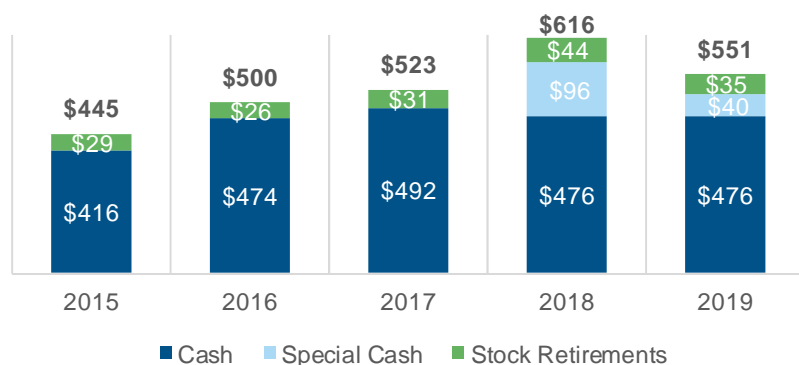
Summary

- Patronage is a key part of the value proposition we provide our eligible customer-owners
- In 2017, we announced changes to our capital plans and patronage programs. These changes began to take effect in 2018 for patronage to be paid in 2019
- In 2019, we declared a special cash patronage distribution of \$39.8 million to customer-owners to be paid in March 2020.

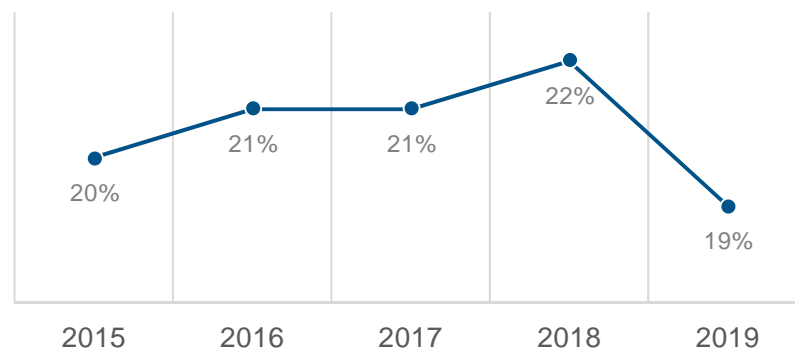
Patronage (\$ in Millions)



Total Cash Payouts (\$ in Millions)



Average Return on Active Patron Investment



Funding

Summary

- CoBank is not authorized to accept deposits and sources its funding largely through senior unsecured Farm Credit System debt securities
- Broad, consistent access to capital markets through business and economic cycles due to Farm Credit's GSE status
 - Rated Aaa/P-1 (Moody's), AAA/F1+ (Fitch) & AA+/A-1+ (S&P)
 - Includes bonds and discount notes
 - Joint and several liability of all System banks
- Favorable spreads relative to U.S. Treasuries

Equity (\$ in Millions)⁽¹⁾

Type	Amount	% of Equity
Preferred Stock:		
Series E	\$225	2.1%
Series F	400	3.8%
Series G	200	1.9%
Series H	300	2.8%
Series I	375	3.5%
Common Stock	3,622	34.3%
Unallocated Retained Earnings	5,351	50.7%
Accumulated Other Comprehensive Income	94	0.9%
	\$10,567	100.0%

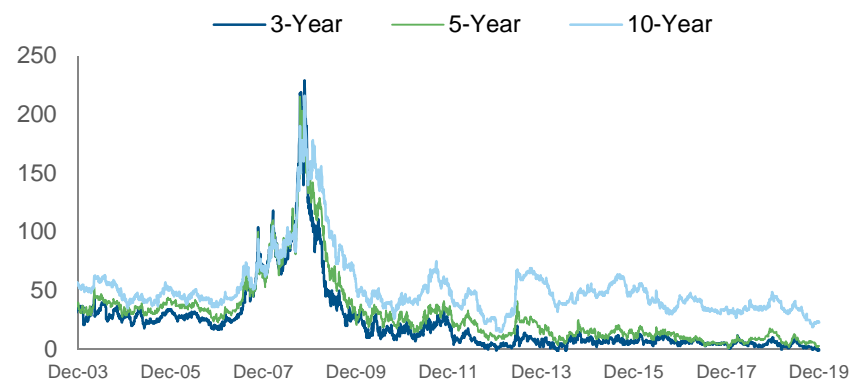
(1) As of December 31, 2019

(2) Weighted average interest rates include the effect of related derivatives.

Debt (\$ in Millions)⁽¹⁾

Type	Amount	% of Debt	Avg. Maturity (in years)	Weighted Avg. Rate ⁽²⁾
Discount Notes	\$11,234	8.5%	0.3	1.69%
Bonds – Noncallable	106,894	80.8%	2.6	2.07%
Bonds – Callable, Other	13,344	10.1%	3.6	2.02%
S/T Customer Investments	758	0.6%	0.1	1.93%
	\$132,230	100.0%	2.5	2.04%

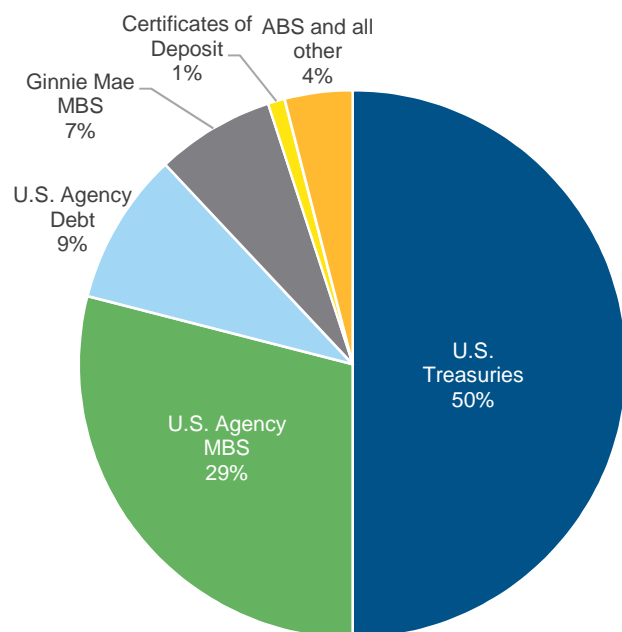
Farm Credit System Spreads to U.S. Treasuries (Basis Points)



Investment Portfolio

Total Investment Securities of \$32.4 Billion

(as of December 31, 2019)



Summary

- \$32.4 billion market-diversified portfolio plus \$0.9 billion of cash and cash equivalents and \$1.8 billion in Federal Funds Sold and Other Overnight Funds as of December 31, 2019
- Largely composed of securities issued or guaranteed by GSEs or U.S. government
- Cash flow average life of 3.2 years and duration of 2.2 years
- Earns average spread of approximately 13 basis points
- Liquidity position = days into the future we could meet maturing debt obligations by using cash and eligible investments
 - Bank-established minimum is 150 days
 - Actual liquidity was 176 days at December 31, 2019
 - CoBank's long-term debt to loans was approximately 66% as of December 31, 2019

(\$ in Millions)

Type	Fair Value
U.S. Treasuries	\$16,062
U.S. Agency MBS	9,331
U.S. Agency Debt	2,854
Ginnie Mae MBS	2,337
Certificates of Deposit	400
ABS and all other	1,442
Total	\$32,426

