

CoBank Investor Presentation

September 30, 2019

Proud Member of the
Farm Credit System 

 **COBANK**

Summary Financial Results

(\$ in millions)	For the Year Ended December 31,		For the Nine Months Ended September 30,		
	2017	2018	2018	2019	YoY%
Interest income	\$ 3,141	\$ 4,031	\$ 2,947	\$ 3,425	16%
Interest expense	1,748	2,600	1,862	2,379	-28%
<i>Net interest income</i>	<u>1,393</u>	<u>1,431</u>	<u>1,085</u>	<u>1,046</u>	-4%
Provision for loan losses	42	66	43	26	40%
<i>Net interest income after provision for loan losses</i>	<u>1,351</u>	<u>1,365</u>	<u>1,042</u>	<u>1,020</u>	-2%
Noninterest income	175	290	234	169	-28%
Operating expenses	386	364	261	291	-11%
<i>Income before income taxes</i>	<u>1,140</u>	<u>1,291</u>	<u>1,015</u>	<u>898</u>	-12%
Provision for income taxes	15 *	100 *	78 *	97	-24%
<i>Net income</i>	<u>\$ 1,125</u>	<u>\$ 1,191</u>	<u>\$ 937</u>	<u>\$ 801</u>	-15%
Return on average common equity	14.20 %	14.60 %	15.51 % **	11.56 % **	-25%
Net interest margin	1.12 %	1.09 %	1.11 % **	1.02 % **	-8%
Return on average assets	0.89 %	0.90 %	0.95 % **	0.78 % **	-18%
Operating expense ratio***	20.11 %	20.27 %	19.10 %	22.28 %	-17%

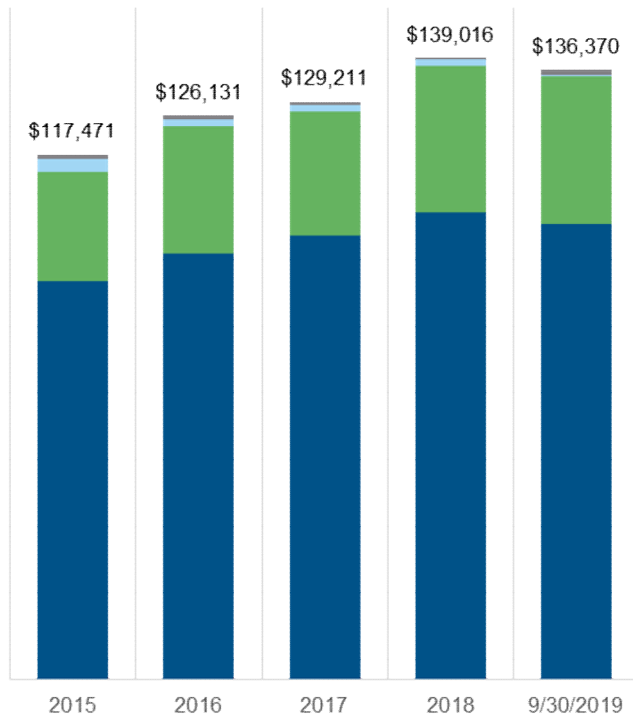
* Reflects the impact of \$142 million and \$16 million of income tax benefit recorded in 2017 and 2018, respectively, resulting from the enactment of federal tax reform in late 2017.

** Annualized

*** Excludes Insurance Fund premiums

Balance Sheet Trends

Assets (\$ in Millions)

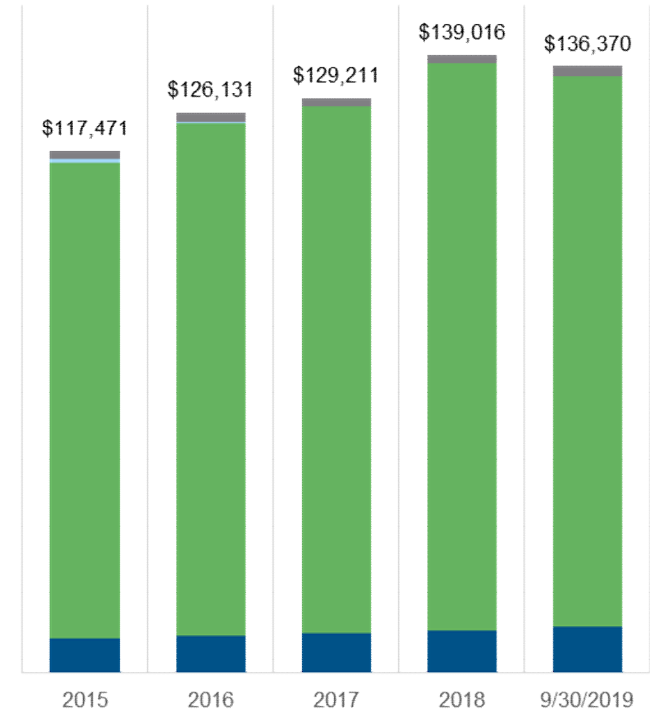


	2015	2016	2017	2018	9/30/2019
Other	\$ 813	\$ 697	\$ 726	\$ 562	\$ 1,154
Cash*	\$ 3,113	\$ 1,661	\$ 1,314	\$ 1,368	\$ 308
Investments**	\$ 24,504	\$ 28,515	\$ 27,905	\$ 32,592	\$ 33,010
Gross Loans	\$ 89,041	\$ 95,258	\$ 99,266	\$ 104,494	\$ 101,898

*Represents Cash and Cash Equivalents

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

Liabilities & Shareholders' Equity (\$ in Millions)

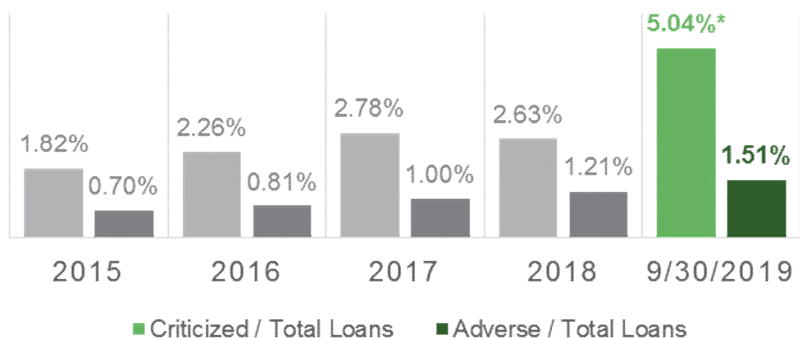


	2015	2016	2017	2018	9/30/2019
Other	\$ 1,788	\$ 1,972	\$ 1,745	\$ 1,849	\$ 2,236
Subordinated Debt	\$ 903	\$ 499	\$ -	\$ -	\$ -
Bonds & Notes	\$ 106,970	\$ 115,086	\$ 118,406	\$ 127,632	\$ 123,687
Shareholders' Equity	\$ 7,810	\$ 8,574	\$ 9,060	\$ 9,535	\$ 10,447



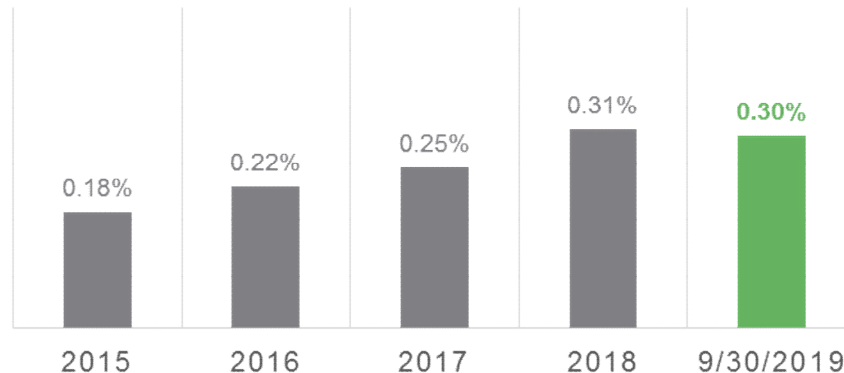
Loan Quality

Criticized / Total Loans & Adverse / Total Loans

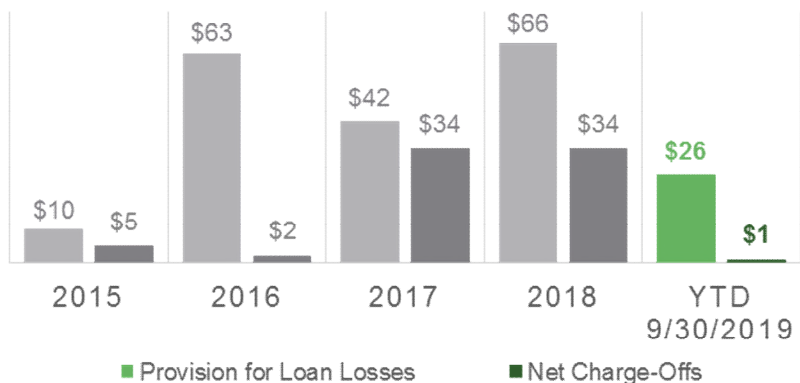


*Includes the downgrades of wholesale loans to two affiliated associations in 2019.

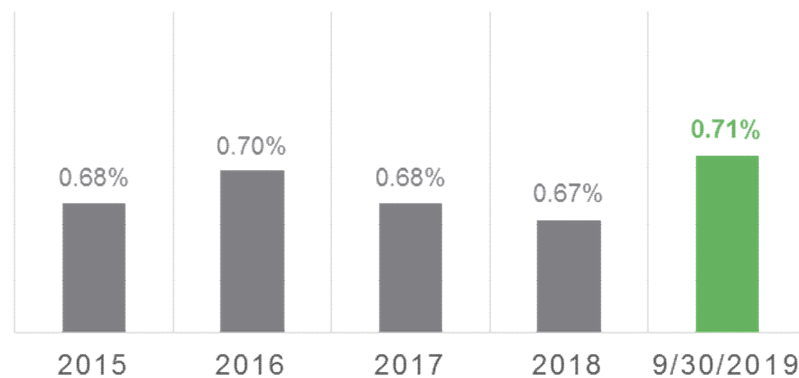
Nonaccrual Loans / Total Loans



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

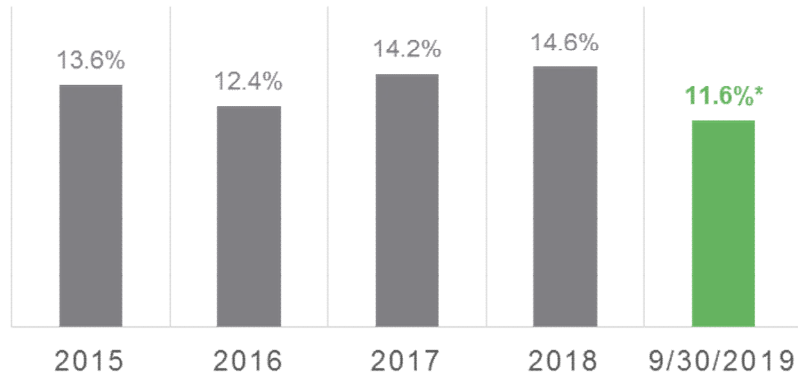


Allowance for Credit Losses / Total Loans

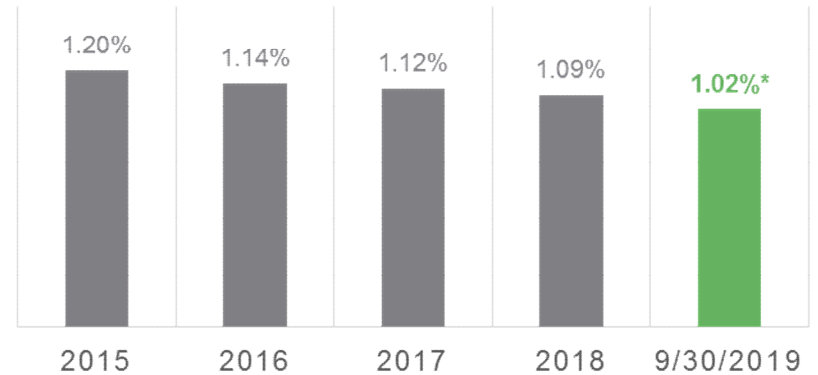


Profitability and Efficiency

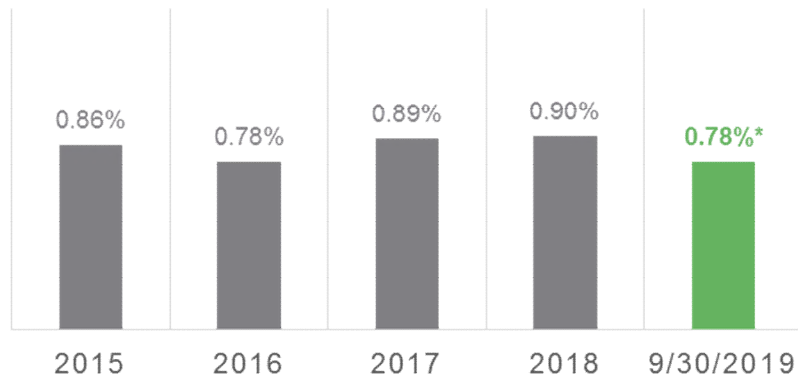
Return on Average Common Equity



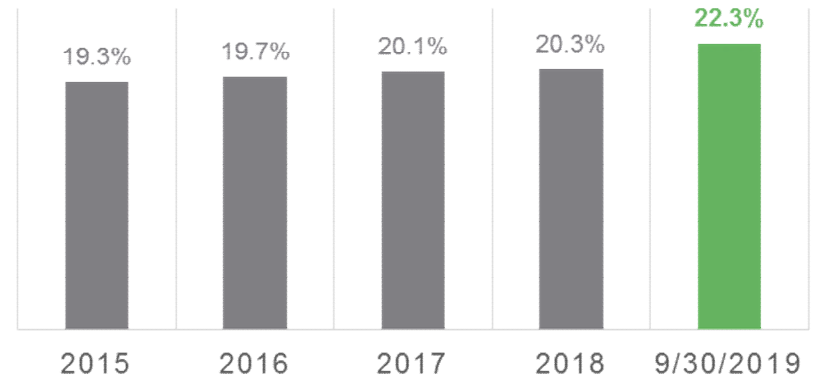
Net Interest Margin



Return on Average Assets



Operating Expense Ratio Excluding Insurance Fund Premiums



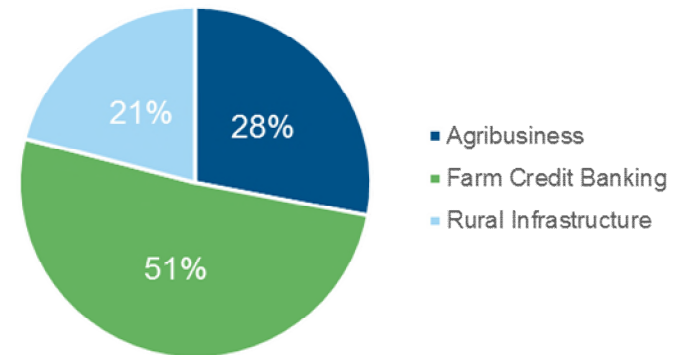
* Annualized

Operating Segments

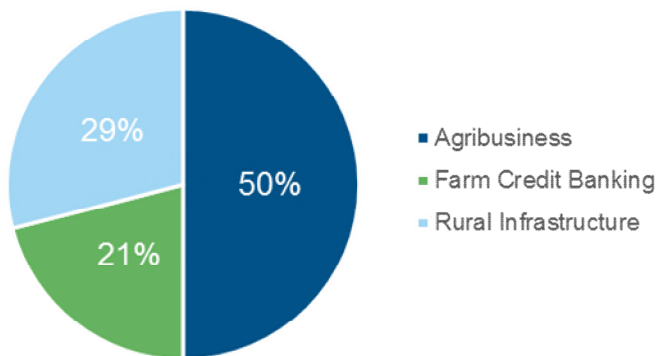
Summary

- Three operating segments (Agribusiness, Farm Credit Banking and Rural Infrastructure)
- Approximately \$102 billion in total loan volume
- Lower net income in Farm Credit Banking operating segment reflects narrower margins and lower risk profile from wholesale loans

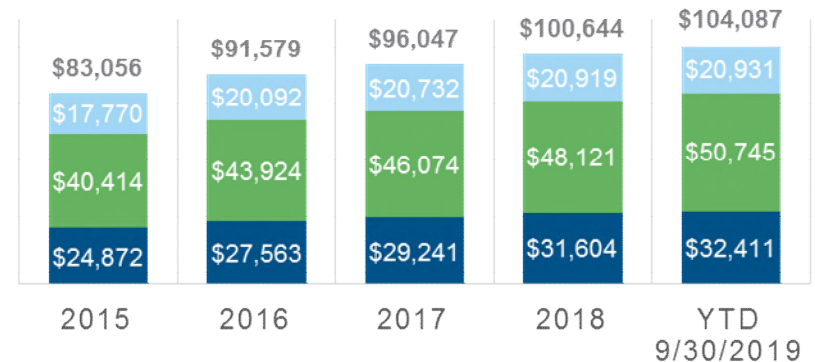
Loan Volume – \$101.9 Billion at September 30, 2019



Net Income – \$800.9 Million



Average Loan Volume (\$ in Millions)



Agribusiness Portfolio

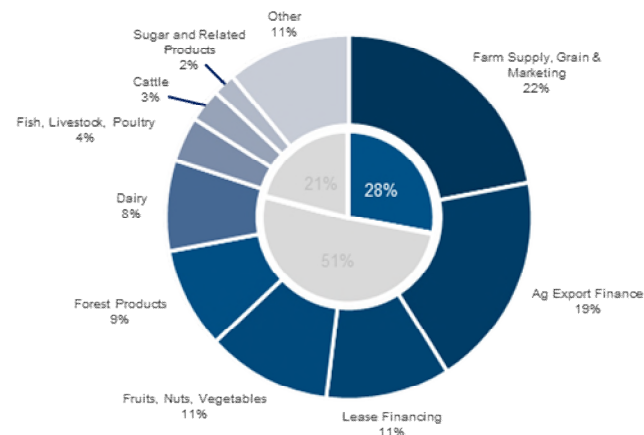
Portfolio Highlights

- \$28.9 billion retail loan portfolio at September 30, 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 \$5.4 billion in agricultural export loans; 23% are U.S. government-guaranteed
- Includes \$3.3 billion leasing portfolio

Financial Summary

(\$ in millions)	9/30/2019	2018	2017	2016
Period-End Loans	\$ 28,851	\$ 32,432	\$ 30,304	\$ 28,660
Average Loans	\$ 32,411	\$ 31,604	\$ 29,241	\$ 27,563
Net Income	\$ 404	\$ 583	\$ 630	\$ 403
Nonaccrual Loans	\$ 282	\$ 288	\$ 213	\$ 207

Portfolio Sectors



Loan Quality

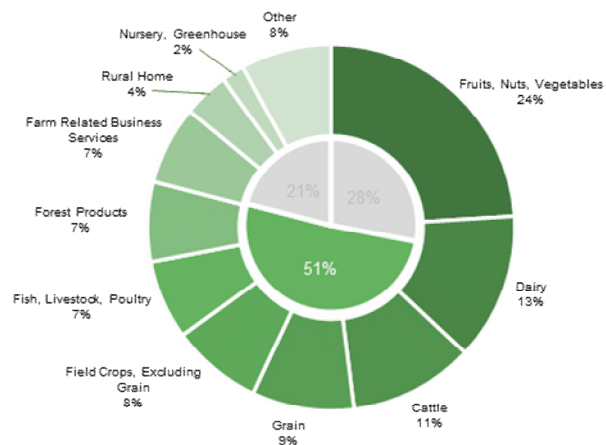
	9/30/2019	2018	2017	2016
Acceptable	93.38%	94.40%	93.56%	94.08%
Special Mention	2.55	2.69	3.54	3.51
Substandard	4.06	2.89	2.89	2.39
Doubtful	0.01	0.02	0.01	0.02
Loss	-	-	-	-

Farm Credit Banking Portfolio

Portfolio Highlights

- \$52.2 billion wholesale loan portfolio at September 30, 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)	9/30/2019	2018	2017	2016
Period-End Loans	\$ 52,229	\$ 50,695	\$ 47,948	\$ 45,994
Average Loans	\$ 50,745	\$ 48,121	\$ 46,074	\$ 43,924
Net Income	\$ 165	\$ 264	\$ 262	\$ 245
Nonaccrual Loans	\$ -	\$ -	\$ -	\$ -

Loan Quality

	9/30/2019	2018	2017	2016
Acceptable	94.84%	98.95%	99.02%	100%
Special Mention	5.16*	0.93	0.98	-
Substandard	-	0.12	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-

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

Rural Infrastructure Portfolio

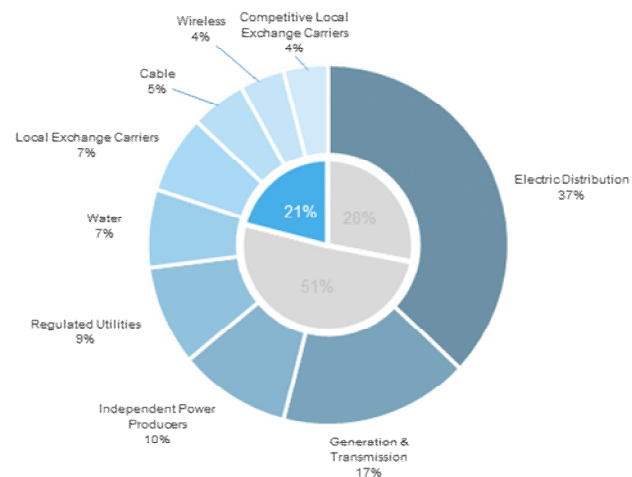
Portfolio Highlights

- \$20.8 billion retail loan portfolio at September 30, 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

Financial Summary

(\$ in millions)	9/30/2019	2018	2017	2016
Period-End Loans	\$ 20,818	\$ 21,367	\$ 21,014	\$ 20,604
Average Loans	\$ 20,931	\$ 20,919	\$ 20,732	\$ 20,092
Net Income	\$ 232	\$ 349	\$ 241	\$ 308
Nonaccrual Loans	\$ 29	\$ 38	\$ 34	\$ -

Portfolio Sectors



Loan Quality

	9/30/2019	2018	2017	2016
Acceptable	97.43%	98.08%	98.40%	97.79%
Special Mention	0.79	0.65	1.05	1.84
Substandard	1.68	1.27	0.55	0.37
Doubtful	0.10	-	-	-
Loss	-	-	-	-

Capital Position

Summary

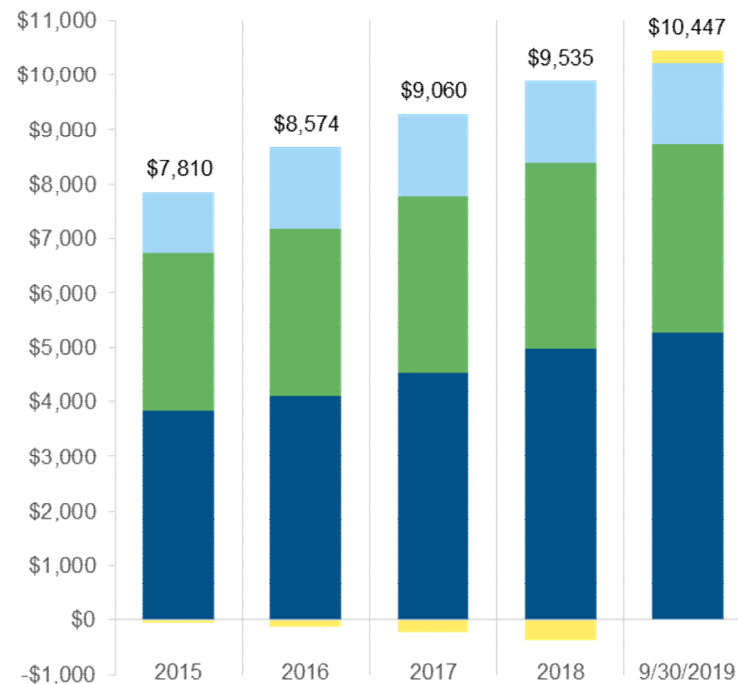
- Capital ratios exceed required regulatory minimums
- Assures continued viability and capacity to meet our customers' borrowing needs
- Preferred stock provides additional layer of risk-bearing capacity

Capital Ratios

	September 30, 2019			
	Regulatory Minimum	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 (CET1) Capital Ratio	4.5 %	12.90 %	8.40 %	2.5 % *
Tier 1 Capital Ratio	6.0	15.09	9.09	2.5 *
Total Capital Ratio	8.0	16.14	8.14	2.5 *
Tier 1 Leverage Ratio	4.0	7.55	3.55	1.0
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	3.26	n/a	n/a
Permanent Capital Ratio	7.0	15.22	n/a	n/a

* Reflects fully-phased in buffer

Shareholders' Equity (\$ in Millions)



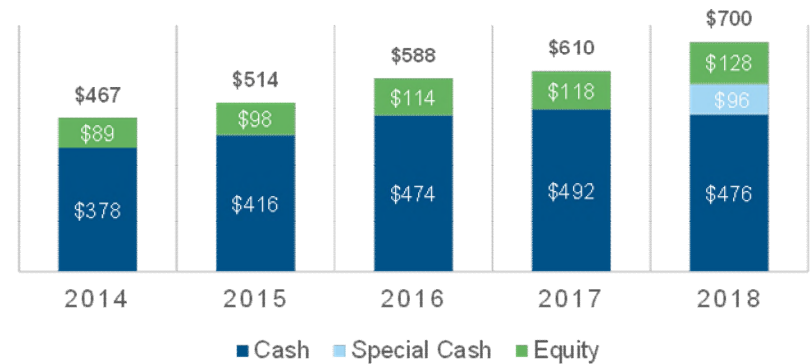
Preferred Stock	\$ 1,125	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Common Stock	\$ 2,900	\$ 3,072	\$ 3,240	\$ 3,416	\$ 3,467
Retained Earnings	\$ 3,846	\$ 4,121	\$ 4,552	\$ 4,982	\$ 5,276
Other Comprehensive (Loss) Income	\$ (61)	\$ (119)	\$ (232)	\$ (363)	\$ 204

Patronage

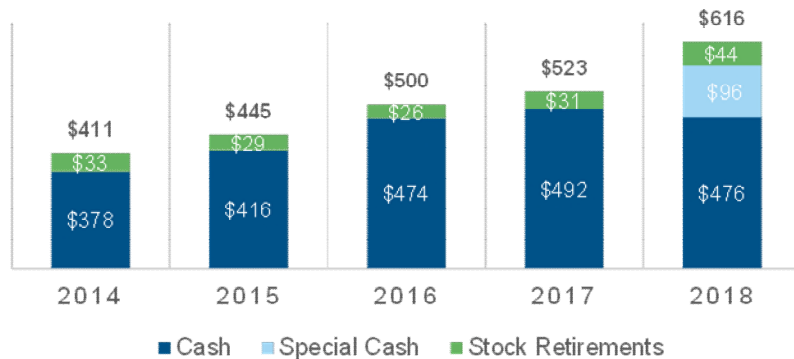
Summary

- 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 paid in 2019
- In 2018, we made a special cash patronage distribution of \$96.2 million to customer-owners

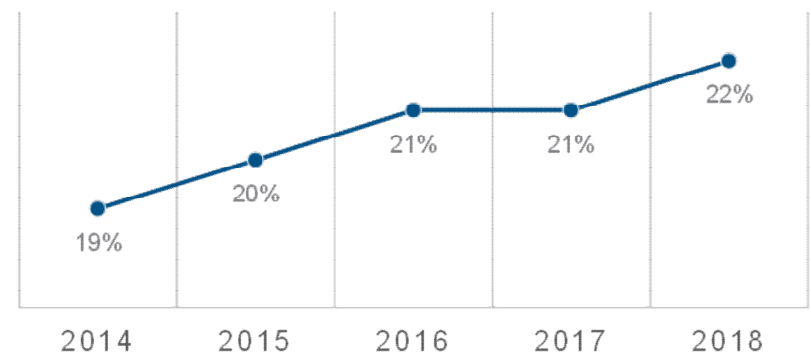
Patronage (\$ in Millions)



Total Cash Payouts (\$ in Millions)



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

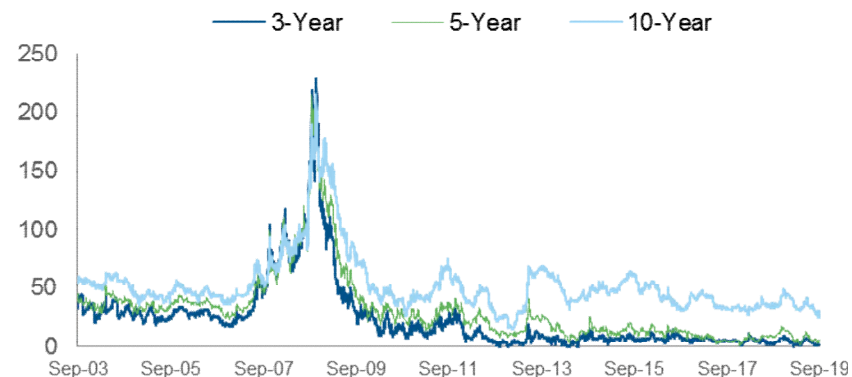
Debt (\$ in Millions)⁽¹⁾

Type	Amount	% of Debt	Avg. Maturity (in years)	Weighted Avg. Rate ⁽²⁾
Discount Notes	\$9,412	7.6%	0.2	2.16%
Bonds – Noncallable	102,682	83.0%	2.7	2.30%
Bonds – Callable, Other	10,866	8.8%	4.0	2.18%
S/T Customer Investments and Other	727	0.6%	0.1	2.10%
	\$123,687	100.0%	2.6	2.28%

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

Equity (\$ in Millions)⁽¹⁾

Type	Amount	% of Equity
Preferred Stock:		
Series E	\$225	2.2%
Series F	400	3.8%
Series G	200	1.9%
Series H	300	2.9%
Series I	375	3.6%
Common Stock	3,467	33.2%
Unallocated Retained Earnings	5,276	50.5%
Accumulated Other Comprehensive Income	204	1.9%
	\$10,447	100.0%



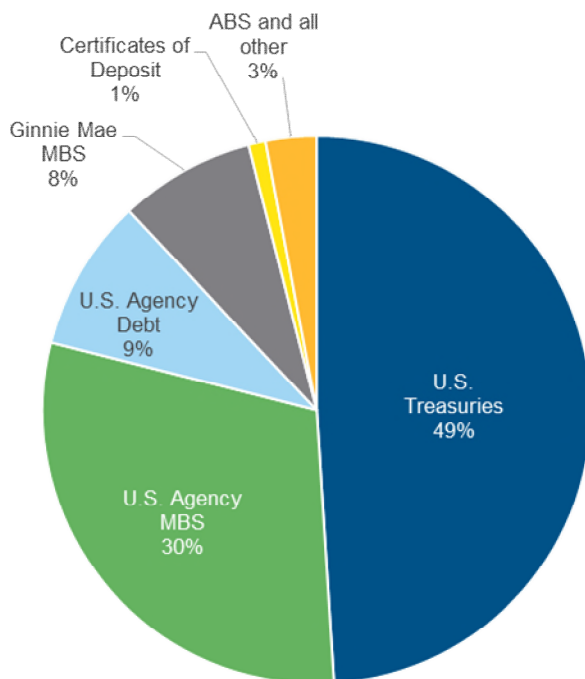
(1) As of September 30, 2019

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

Investment Portfolio

Total Investment Securities of \$31.4 Billion

(as of September 30, 2019)



Summary

- \$31.4 billion market-diversified portfolio plus \$0.3 billion of cash and cash equivalents and \$1.6 billion in Federal Funds Sold and Other Overnight Funds as of September 30, 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 2.0 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 171 days at September 30, 2019
 - CoBank's long-term debt to loans was approximately 65% as of September 30, 2019

(\$ in Millions)

Type	Fair Value
U.S. Treasuries	\$15,322
U.S. Agency MBS	9,337
U.S. Agency Debt	2,728
Ginnie Mae MBS	2,607
Certificates of Deposit	100
ABS and all other	1,353
Total	\$31,447