

CoBank Investor Presentation

June 30, 2020

Proud Member of the
Farm Credit System 



Summary Financial Results

(\$ in millions)	For the Year Ended December 31,		For the Six Months Ended June 30,		
	2018	2019	2019	2020	YoY %
Interest income	\$ 4,031	\$ 4,468	\$ 2,322	\$ 1,836	-21%
Interest expense	2,600	3,069	1,613	1,077	33%
<i>Net interest income</i>	<u>1,431</u>	<u>1,399</u>	<u>709</u>	<u>759</u>	7%
Provision for loan losses	66	57	21	42	-100%
<i>Net interest income after provision for loan losses</i>	<u>1,365</u>	<u>1,342</u>	<u>688</u>	<u>717</u>	4%
Noninterest income	290	221	120	152	27%
Operating expenses	364	404	191	201	-5%
<i>Income before income taxes</i>	<u>1,291</u>	<u>1,159</u>	<u>617</u>	<u>668</u>	8%
Provision for income taxes	100	68	65	73	-12%
<i>Net income</i>	<u>\$ 1,191</u>	<u>\$ 1,091</u>	<u>\$ 552</u>	<u>\$ 595</u>	8%
Return on average common equity	14.60 %	11.63 %	12.33 % *	11.46 % *	-7%
Net interest margin	1.09 %	1.02 %	1.04 % *	1.05 % *	1%
Return on average assets	0.90 %	0.79 %	0.80 % *	0.80 % *	0%
Operating expense ratio**	20.27 %	23.27 %	21.47 %	21.18 %	1%

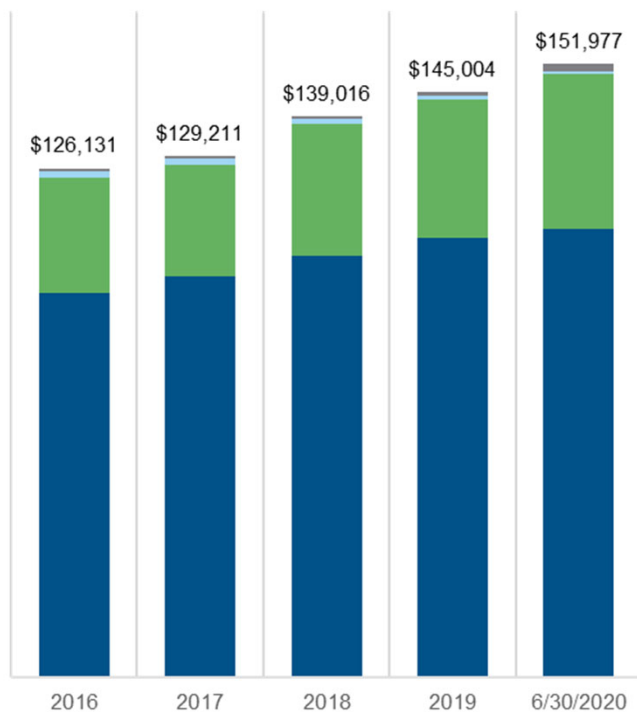
* Annualized

** Excludes Insurance Fund premiums

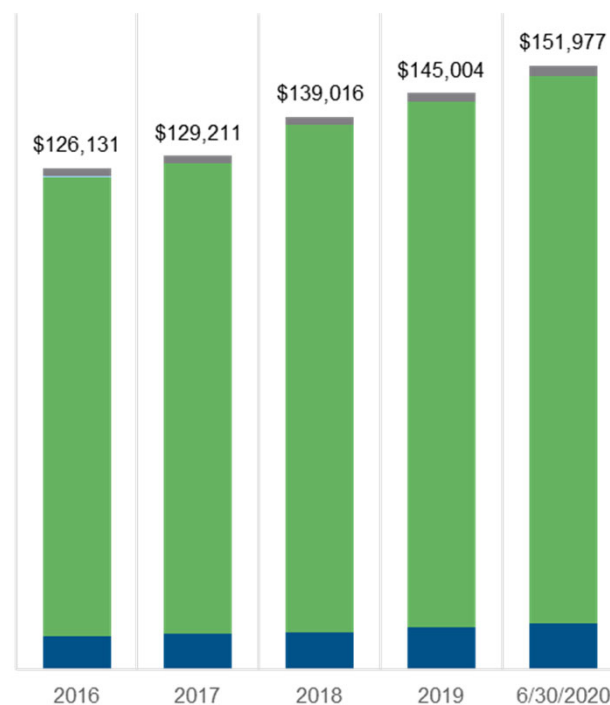


Balance Sheet Trends

Assets (\$ in Millions)



Liabilities & Shareholders' Equity (\$ in Millions)



	2016	2017	2018	2019	6/30/2020
Other	\$ 697	\$ 726	\$ 562	\$ 965	\$ 1,855
Cash*	\$ 1,661	\$ 1,314	\$ 1,368	\$ 949	\$ 495
Investments **	\$ 28,515	\$ 27,905	\$ 32,592	\$ 34,236	\$ 38,523
Gross Loans	\$ 95,258	\$ 99,266	\$ 104,494	\$ 108,854	\$ 111,104

	2016	2017	2018	2019	6/30/2020
Other	\$ 1,972	\$ 1,745	\$ 1,849	\$ 2,207	\$ 2,776
Subordinated Debt	\$ 499	\$ -	\$ -	\$ -	\$ -
Bonds & Notes	\$ 115,086	\$ 118,406	\$ 127,632	\$ 132,230	\$ 137,622
Shareholders' Equity	\$ 8,574	\$ 9,060	\$ 9,535	\$ 10,567	\$ 11,579

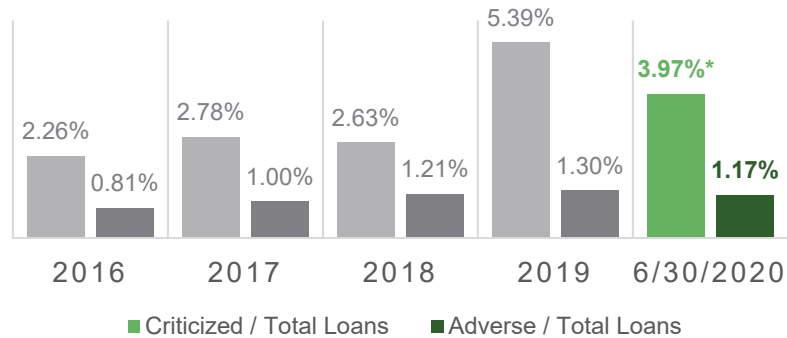
*Represents Cash and Cash Equivalents

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



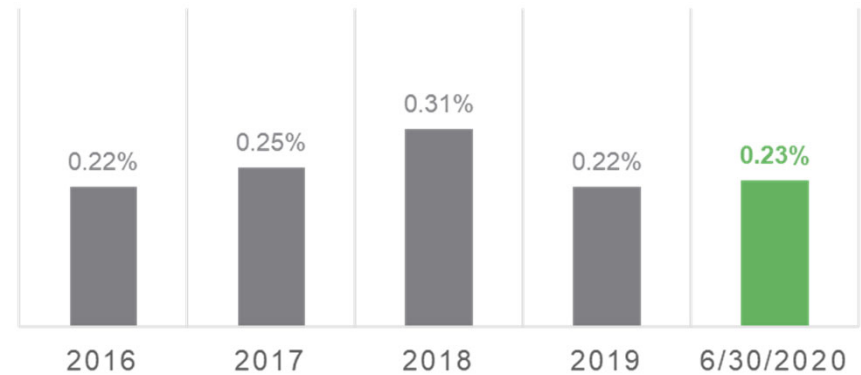
Loan Quality

Criticized / Total Loans & Adverse / Total Loans



* Includes upgrades to Acceptable classification of wholesale loans to one affiliated Association and one nonaffiliated Association in 2020.

Nonaccrual Loans / Total Loans

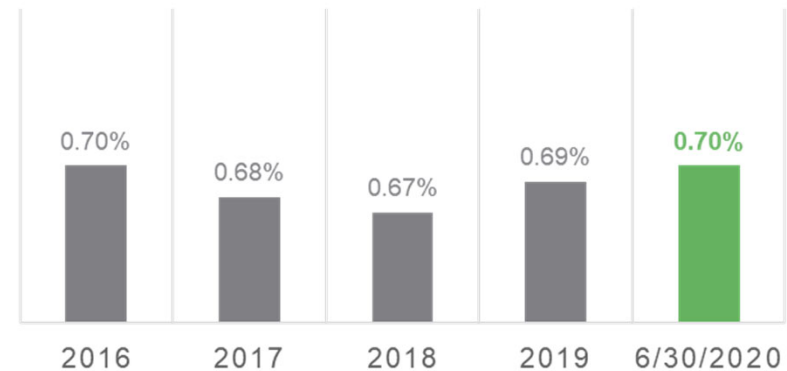


Provision for Loan Losses & Net Charge-Offs (\$ in Millions)



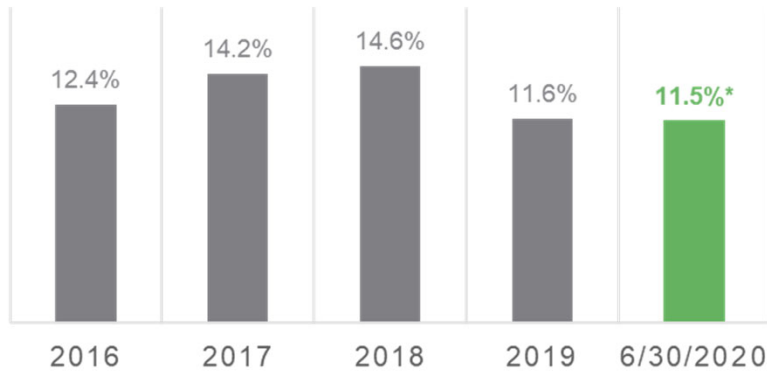
** The YTD 2020 provision for loan losses includes an additional level of reserves to reflect deterioration in the macro environment and business disruptions related to COVID-19.

Allowance for Credit Losses / Total Loans

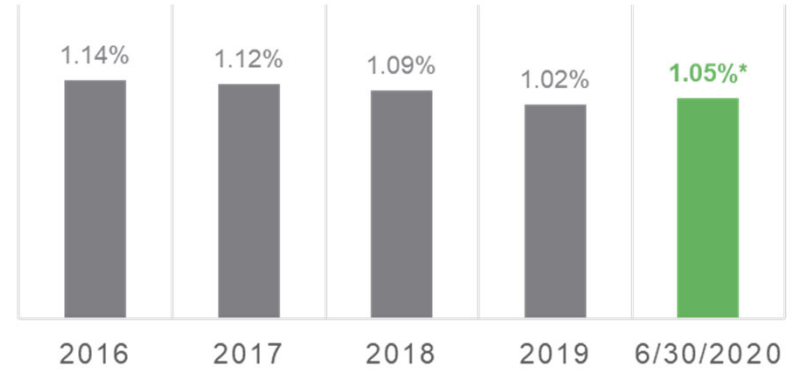


Profitability and Efficiency

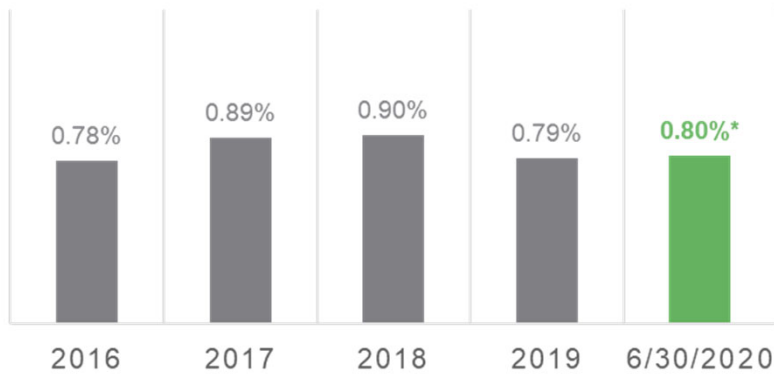
Return on Average Common Equity



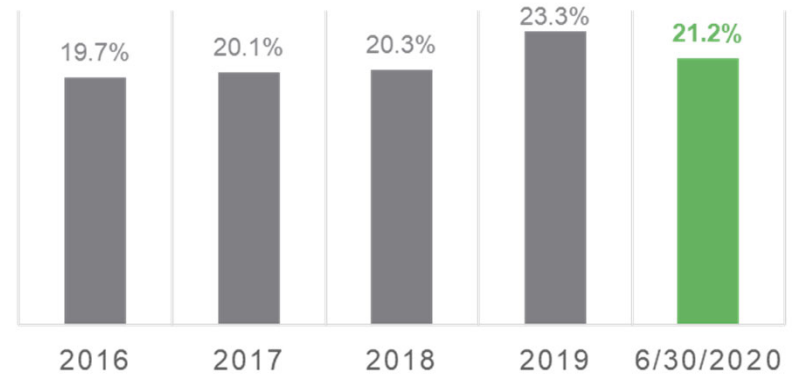
Net Interest Margin



Return on Average Assets



Operating Expense Ratio Excluding Insurance Fund Premiums



* Annualized

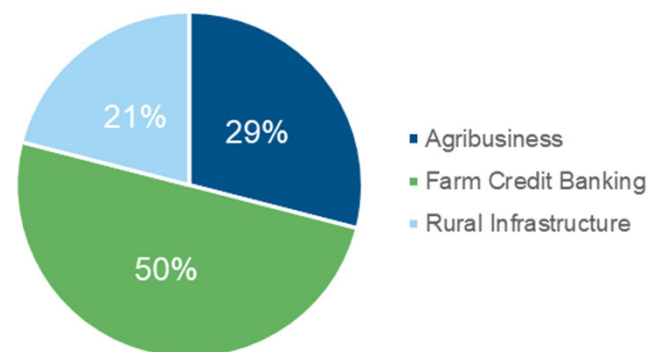


Operating Segments

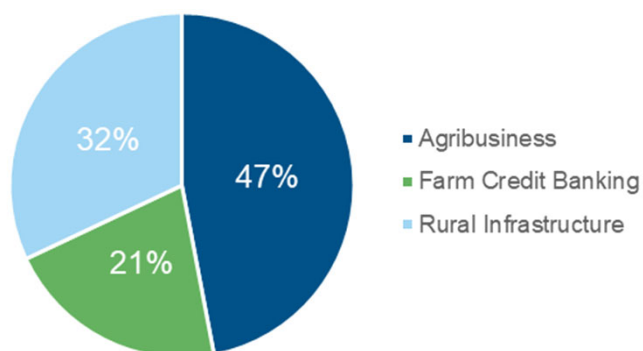
Summary

- Three operating segments (Agribusiness, Farm Credit Banking and Rural Infrastructure)
- Approximately \$111 billion in total loan volume
- Lower net income in Farm Credit Banking operating segment reflects narrower margins and lower risk profile from wholesale loans

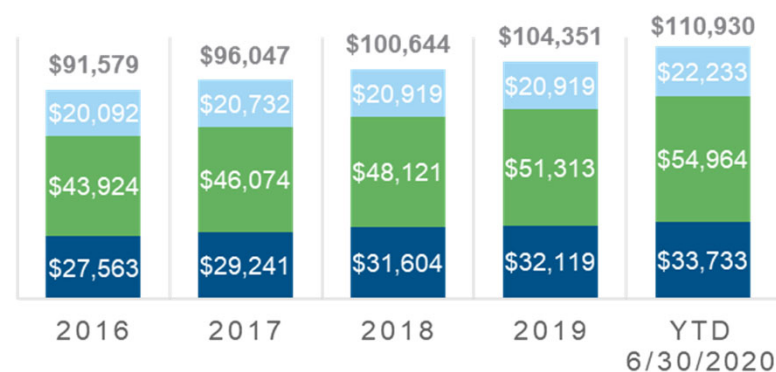
Loan Volume – \$111.1 Billion at June 30, 2020



Net Income – \$595.2 Million



Average Loan Volume (\$ in Millions)



Agribusiness Portfolio

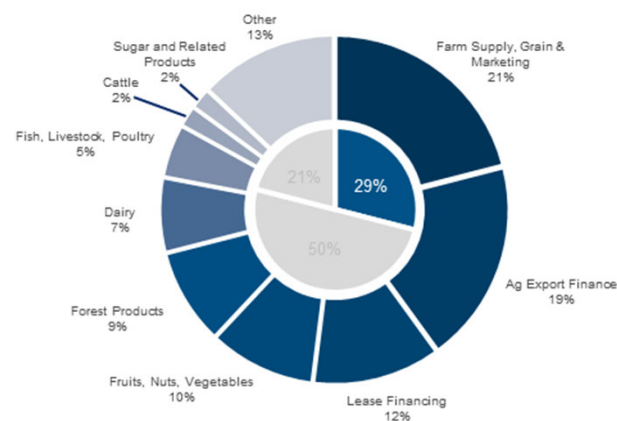
Portfolio Highlights

- \$32.1 billion retail loan portfolio at June 30, 2020
- 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 \$6.0 billion in agricultural export loans; 23% are U.S. government-guaranteed
- Includes \$4.0 billion leasing portfolio

Financial Summary

(\$ in millions)	6/30/2020	2019	2018	2017
Period-End Loans	\$ 32,057	\$ 33,168	\$ 32,432	\$ 30,304
Average Loans	\$ 33,733	\$ 32,119	\$ 31,604	\$ 29,241
Net Income	\$ 281	\$ 536	\$ 575	\$ 626
Nonaccrual Loans	\$ 202	\$ 220	\$ 288	\$ 213

Portfolio Sectors



Loan Quality

	6/30/2020	2019	2018	2017
Acceptable	92.74%	92.85%	94.40%	93.56%
Special Mention	4.02	3.90	2.69	3.54
Substandard	3.21	3.23	2.89	2.89
Doubtful	0.03	0.02	0.02	0.01
Loss	-	-	-	-

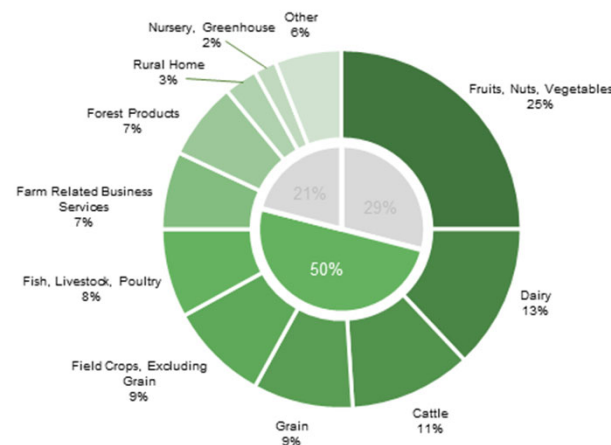


Farm Credit Banking Portfolio

Portfolio Highlights

- \$56.1 billion wholesale loan portfolio at June 30, 2020
- 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 \$5.0 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)	6/30/2020	2019	2018	2017
Period-End Loans	\$ 56,125	\$ 54,459	\$ 50,695	\$ 47,948
Average Loans	\$ 54,964	\$ 51,313	\$ 48,121	\$ 46,074
Net Income	\$ 127	\$ 223	\$ 269	\$ 262
Nonaccrual Loans	\$ -	\$ -	\$ -	\$ -

Loan Quality

	6/30/2020	2019	2018	2017
Acceptable	97.08%	94.50%	98.95%	99.02%
Special Mention	2.92*	5.50	0.93	0.98
Substandard	-	-	0.12	-
Doubtful	-	-	-	-
Loss	-	-	-	-

* Includes upgrades to Acceptable classification of wholesale loans to one affiliated Association and one nonaffiliated Association in 2020.

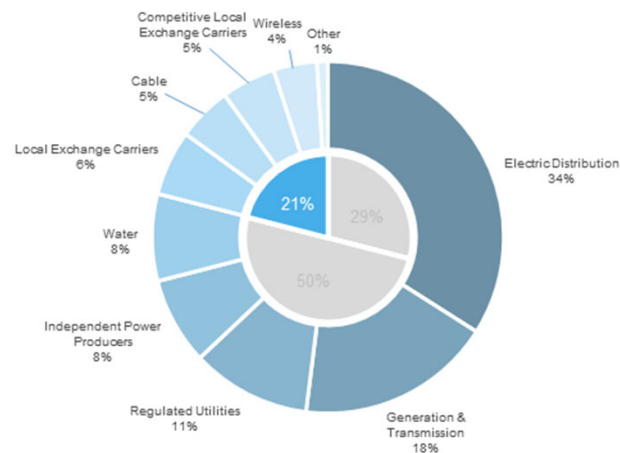


Rural Infrastructure Portfolio

Portfolio Highlights

- \$22.9 billion retail loan portfolio at June 30, 2020
- 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)	6/30/2020	2019	2018	2017
Period-End Loans	\$ 22,922	\$ 21,227	\$ 21,367	\$ 21,014
Average Loans	\$ 22,233	\$ 20,919	\$ 20,919	\$ 20,732
Net Income	\$ 187	\$ 332	\$ 347	\$ 238
Nonaccrual Loans	\$ 49	\$ 20	\$ 38	\$ 34

Loan Quality

	6/30/2020	2019	2018	2017
Acceptable	98.04%	97.66%	98.08%	98.40%
Special Mention	0.83	0.75	0.65	1.05
Substandard	1.11	1.53	1.27	0.55
Doubtful	0.02	0.06	-	-
Loss	-	-	-	-



Capital Position

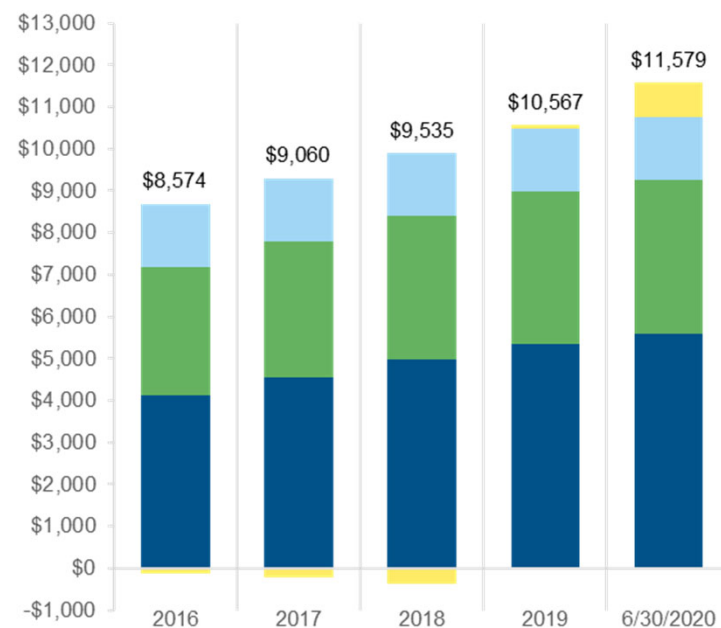
Summary

- 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

	June 30, 2020			
	Regulatory Minimum	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 (CET1) Capital Ratio	4.5 %	12.36 %	7.86 %	2.5 %
Tier 1 Capital Ratio	6.0	14.37	8.37	2.5
Total Capital Ratio	8.0	15.41	7.41	2.5
Tier 1 Leverage Ratio	4.0	6.91	2.91	1.0
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	2.95	n/a	n/a
Permanent Capital Ratio	7.0	14.50	n/a	n/a

Shareholders' Equity (\$ in Millions)



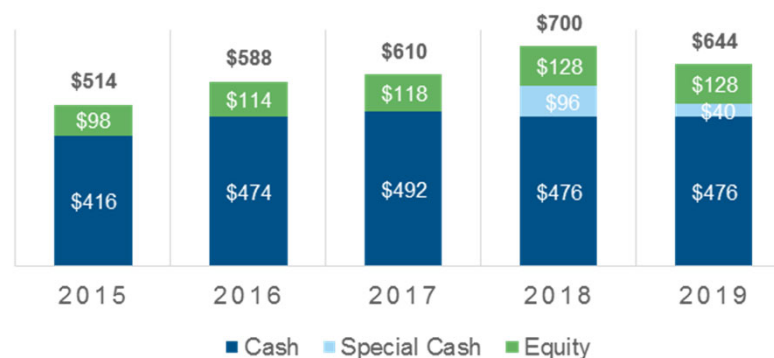
Preferred Stock	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Common Stock	\$ 3,072	\$ 3,240	\$ 3,416	\$ 3,622	\$ 3,653
Retained Earnings	\$ 4,121	\$ 4,552	\$ 4,982	\$ 5,351	\$ 5,593
Other Comprehensive (Loss) Income	\$ (119)	\$ (232)	\$ (363)	\$ 94	\$ 833

Patronage

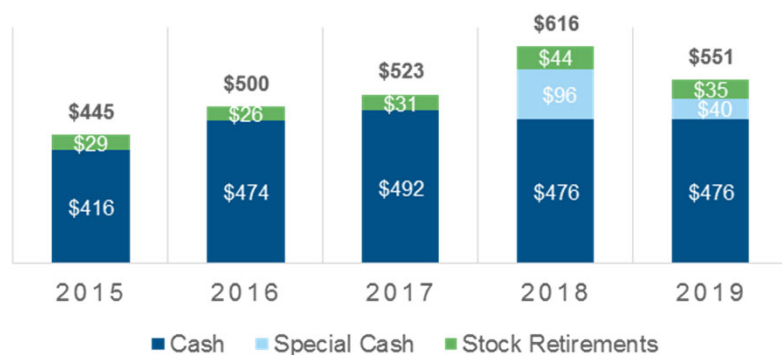
Summary

- 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
- For 2018 and 2019, we made special cash patronage distributions of \$96.2 million and \$39.8 million to customer-owners

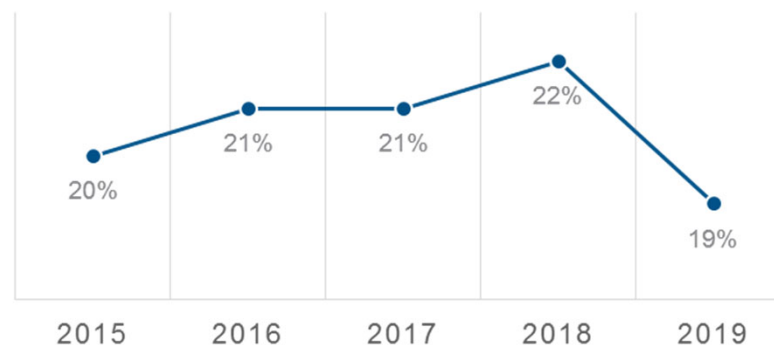
Patronage (\$ in Millions)



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
- 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
- Some unfavorable funding impacts beginning in March 2020 related to COVID-19 market disruptions; however, funding spreads have returned closer to historical levels as of June 2020
- Favorable spreads relative to U.S. Treasuries

Equity (\$ in Millions)⁽¹⁾

Type	Amount	% of Equity
Preferred Stock:		
Series E	\$225	1.9%
Series F	400	3.5%
Series G	200	1.7%
Series H	300	2.6%
Series I	375	3.2%
Common Stock	3,653	31.5%
Unallocated Retained Earnings	5,593	48.4%
Accumulated Other Comprehensive Income	833	7.2%
	\$11,579	100.0%

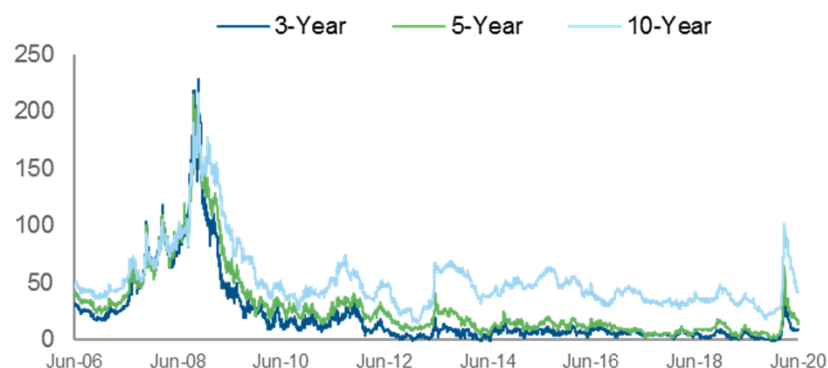
(1) As of June 30, 2020

(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	\$ 14,281	10.4%	0.3	0.66%
Bonds – Noncallable	110,548	80.4%	2.6	1.02%
Bonds – Callable, Other	12,060	8.7%	4.7	1.48%
S/T Customer Investments and Other	733	0.5%	0.1	0.64%
	\$137,622	100.0%	2.5	1.02%

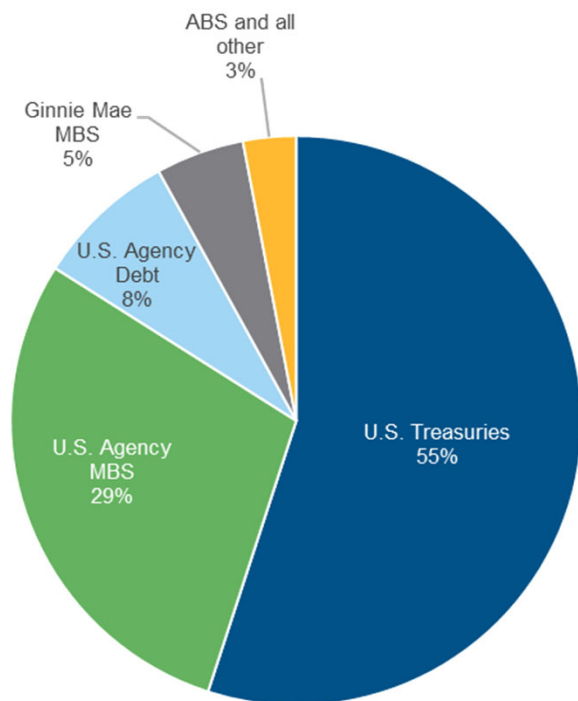
Farm Credit System Spreads to U.S. Treasuries (Basis Points)



Investment Portfolio

Total Investment Securities of \$36.3 Billion

(as of June 30, 2020)



Summary

- \$36.3 billion market-diversified portfolio plus \$0.5 billion of cash and cash equivalents and \$2.3 billion in Federal Funds Sold and Other Overnight Funds as of June 30, 2020
- Largely composed of securities issued or guaranteed by GSEs or U.S. government
- Cash flow average life of 2.7 years and duration of 1.8 years
- Earns average spread of approximately 14 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 188 days at June 30, 2020
 - CoBank's long-term debt to loans was approximately 64% as of June 30, 2020

(\$ in Millions)

Type	Fair Value
U.S. Treasuries	\$19,903
U.S. Agency MBS	10,590
U.S. Agency Debt	2,830
Ginnie Mae MBS	1,751
ABS and all other	1,199
Total	\$36,273