

# CoBank Investor Presentation

September 30, 2020

Proud Member of the  
Farm Credit System 



## Summary Financial Results

(\$ in millions)	For the Year Ended December 31,		For the Nine Months Ended September 30,		
	2018	2019	2019	2020	YoY %
Interest income	\$ 4,031	\$ 4,468	\$ 3,425	\$ 2,569	-25%
Interest expense	2,600	3,069	2,379	1,425	40%
<i>Net interest income</i>	<u>1,431</u>	<u>1,399</u>	<u>1,046</u>	<u>1,144</u>	9%
Provision for loan losses	66	57	26	46	-77%
<i>Net interest income after provision for loan losses</i>	<u>1,365</u>	<u>1,342</u>	<u>1,020</u>	<u>1,098</u>	8%
Noninterest income	290	221	169	224	33%
Operating expenses	364	404	291	305	-5%
<i>Income before income taxes</i>	<u>1,291</u>	<u>1,159</u>	<u>898</u>	<u>1,017</u>	13%
Provision for income taxes	100	68	97	113	-16%
<i>Net income</i>	<u>\$ 1,191</u>	<u>\$ 1,091</u>	<u>\$ 801</u>	<u>\$ 904</u>	13%
Return on average common equity	14.60 %	11.63 %	11.56 % *	11.40 % *	-1%
Net interest margin	1.09 %	1.02 %	1.02 % *	1.05 % *	3%
Return on average assets	0.90 %	0.79 %	0.78 % *	0.80 % *	3%
Operating expense ratio**	20.27 %	23.27 %	22.28 %	21.09 %	5%

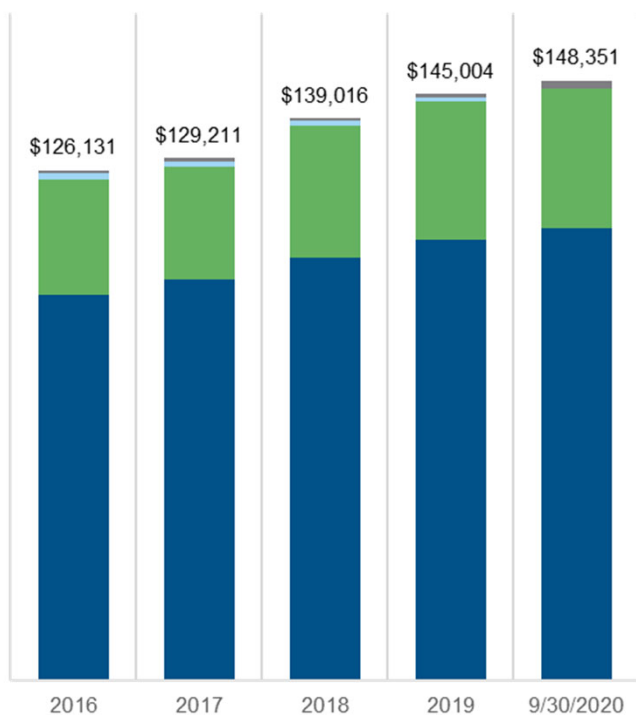
\* Annualized

\*\* Excludes Insurance Fund premiums



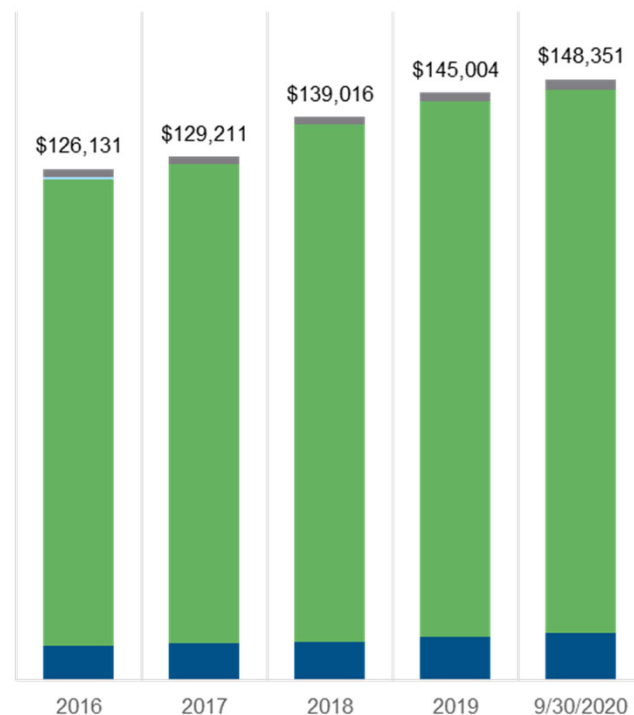
# Balance Sheet Trends

Assets (\$ in Millions)



	2016	2017	2018	2019	9/30/2020
Other	\$ 697	\$ 726	\$ 562	\$ 965	\$ 1,881
Cash*	\$ 1,661	\$ 1,314	\$ 1,368	\$ 949	\$ 189
Investments**	\$ 28,515	\$ 27,905	\$ 32,592	\$ 34,236	\$ 34,297
Gross Loans	\$ 95,258	\$ 99,266	\$ 104,494	\$ 108,854	\$ 111,984

Liabilities & Shareholders' Equity (\$ in Millions)



	2016	2017	2018	2019	9/30/2020
Other	\$ 1,972	\$ 1,745	\$ 1,849	\$ 2,207	\$ 2,529
Subordinated Debt	\$ 499	\$ -	\$ -	\$ -	\$ -
Bonds & Notes	\$ 115,086	\$ 118,406	\$ 127,632	\$ 132,230	\$ 134,143
Shareholders' Equity	\$ 8,574	\$ 9,060	\$ 9,535	\$ 10,567	\$ 11,679

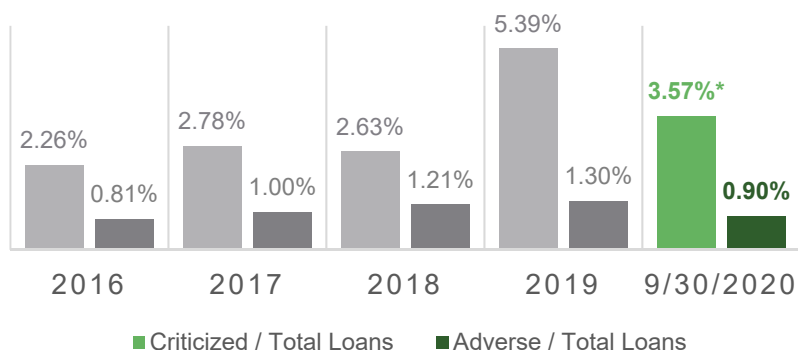
\*Represents Cash and Cash Equivalents

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



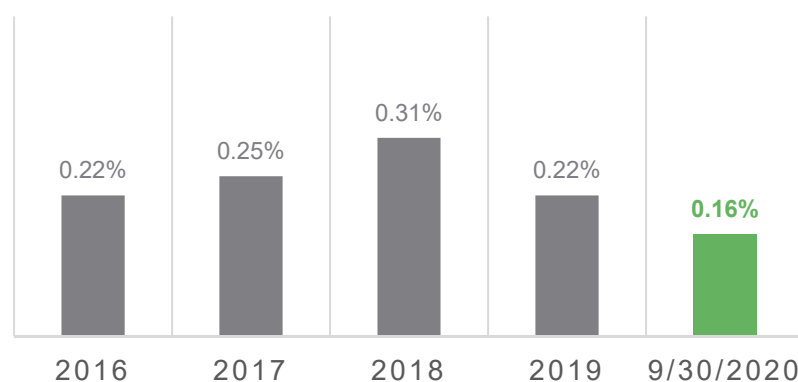
# Loan Quality

*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*

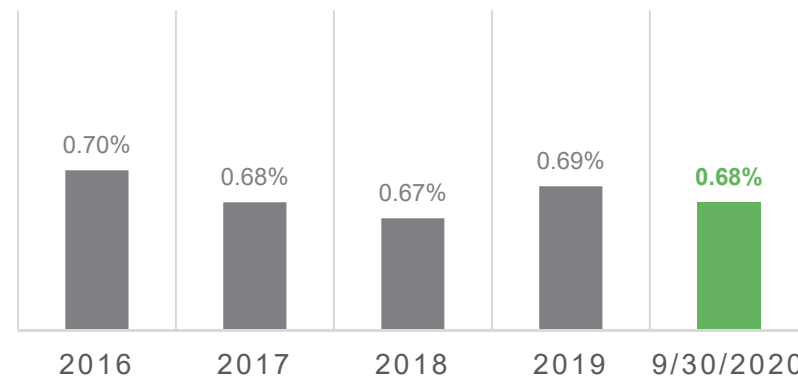


*Provision for Loan Losses & Net Charge-Offs (\$ in Millions)*



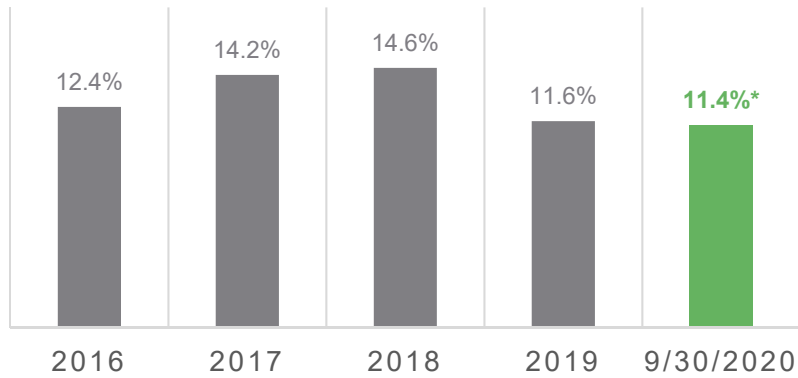
\*\* The YTD 2020 provision for loan losses includes an additional level of reserves to reflect deterioration in the macro environment and business disruptions related to COVID-19.

*Allowance for Credit Losses / Total Loans*

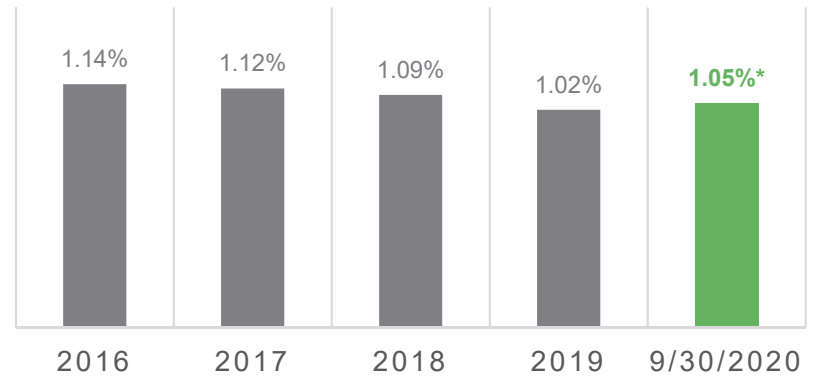


# Profitability and Efficiency

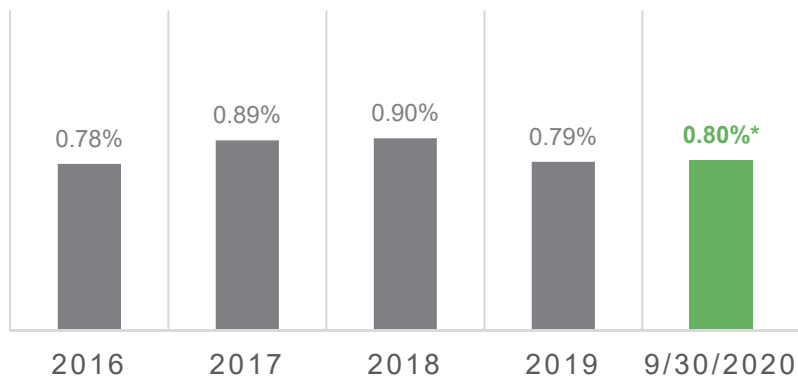
*Return on Average Common Equity*



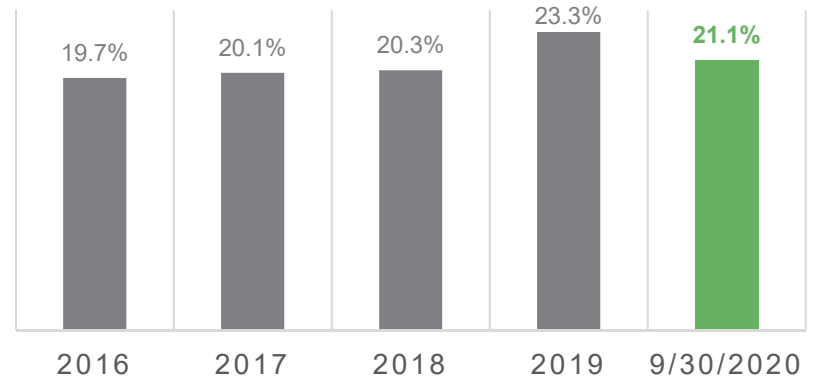
*Net Interest Margin*



*Return on Average Assets*



*Operating Expense Ratio Excluding Insurance Fund Premiums*



\* Annualized

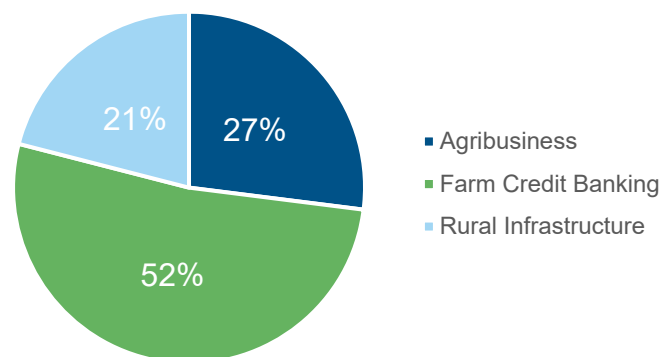


# Operating Segments

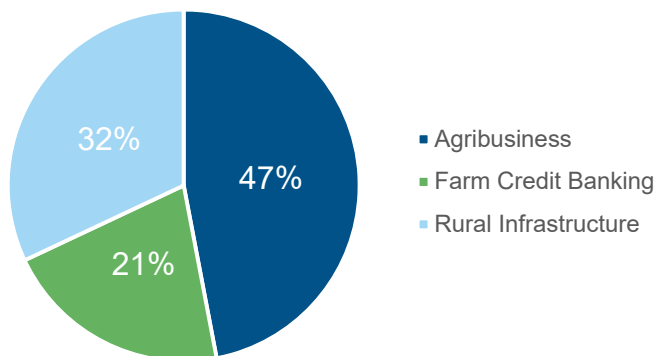
## Summary

- Three operating segments (Agribusiness, Farm Credit Banking and Rural Infrastructure)
- Approximately \$112 billion in total loan volume
- Lower net income in Farm Credit Banking operating segment reflects narrower margins and lower risk profile from wholesale loans

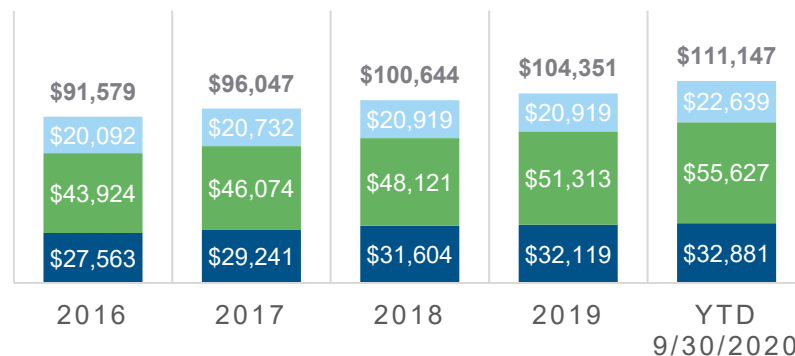
## Loan Volume – \$112.0 Billion at September 30, 2020



## Net Income – \$904.0 Million



## Average Loan Volume (\$ in Millions)



# Agribusiness Portfolio

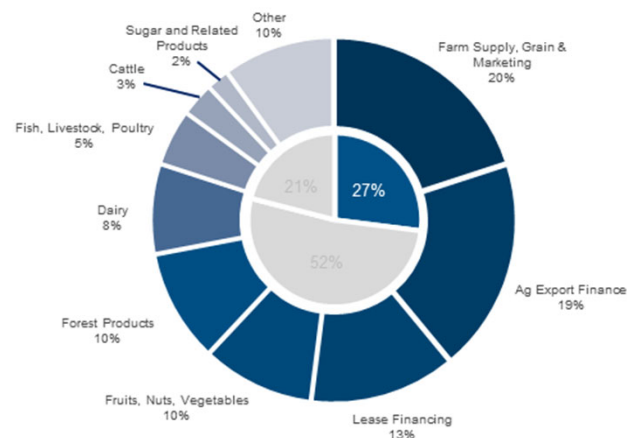
## Portfolio Highlights

- \$30.7 billion retail loan portfolio at September 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 \$5.8 billion in agricultural export loans; 22% are U.S. government-guaranteed
- Includes \$4.0 billion leasing portfolio

## Financial Summary

(\$ in millions)	9/30/2020	2019	2018	2017
Period-End Loans	\$ 30,739	\$ 33,168	\$ 32,432	\$ 30,304
Average Loans	\$ 32,881	\$ 32,119	\$ 31,604	\$ 29,241
Net Income	\$ 422	\$ 536	\$ 575	\$ 626
Nonaccrual Loans	\$ 171	\$ 220	\$ 288	\$ 213

## Portfolio Sectors



## Loan Quality

	9/30/2020	2019	2018	2017
Acceptable	93.08%	92.85%	94.40%	93.56%
Special Mention	3.83	3.90	2.69	3.54
Substandard	3.06	3.23	2.89	2.89
Doubtful	0.03	0.02	0.02	0.01
Loss	-	-	-	-

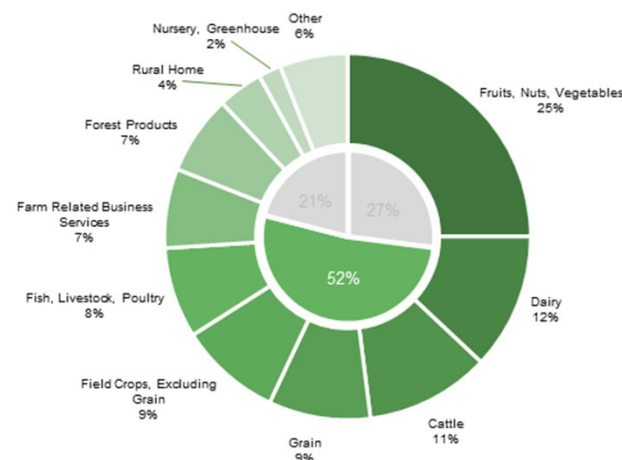


# Farm Credit Banking Portfolio

## Portfolio Highlights

- \$57.6 billion wholesale loan portfolio at September 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)	9/30/2020	2019	2018	2017
Period-End Loans	\$ 57,648	\$ 54,459	\$ 50,695	\$ 47,948
Average Loans	\$ 55,627	\$ 51,313	\$ 48,121	\$ 46,074
Net Income	\$ 191	\$ 223	\$ 269	\$ 262
Nonaccrual Loans	\$ -	\$ -	\$ -	\$ -

## Loan Quality

	9/30/2020	2019	2018	2017
Acceptable	97.15%	94.50%	98.95%	99.02%
Special Mention	2.85*	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.



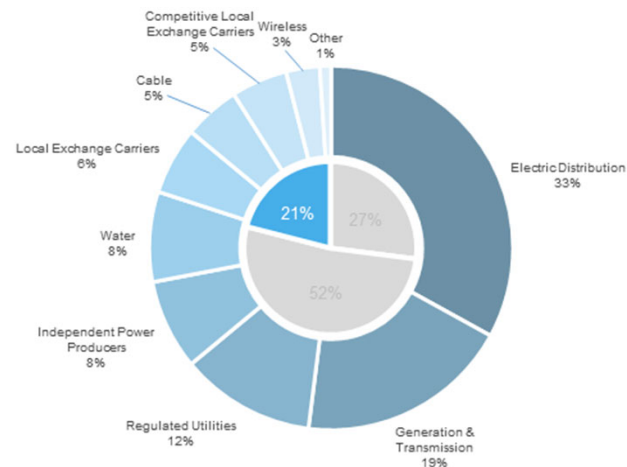


# Rural Infrastructure Portfolio

## Portfolio Highlights

- \$23.6 billion retail loan portfolio at September 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)	9/30/2020	2019	2018	2017
Period-End Loans	\$ 23,597	\$ 21,227	\$ 21,367	\$ 21,014
Average Loans	\$ 22,639	\$ 20,919	\$ 20,919	\$ 20,732
Net Income	\$ 291	\$ 332	\$ 347	\$ 238
Nonaccrual Loans	\$ 8	\$ 20	\$ 38	\$ 34

## Loan Quality

	9/30/2020	2019	2018	2017
Acceptable	99.02%	97.66%	98.08%	98.40%
Special Mention	0.75	0.75	0.65	1.05
Substandard	0.21	1.53	1.27	0.55
Doubtful	0.02	0.06	-	-
Loss	-	-	-	-



# Capital Position

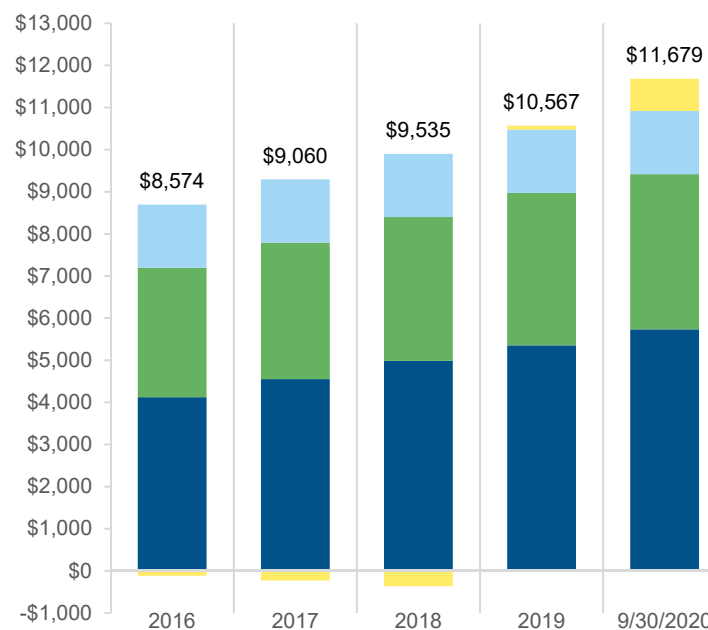
## Summary

- 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

	September 30, 2020			
	Regulatory Minimum	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 (CET1) Capital Ratio	4.5 %	12.73 %	8.23 %	2.5 %
Tier 1 Capital Ratio	6.0	14.75	8.75	2.5
Total Capital Ratio	8.0	15.80	7.80	2.5
Tier 1 Leverage Ratio	4.0	7.35	3.35	1.0
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	3.23	n/a	n/a
Permanent Capital Ratio	7.0	14.88	n/a	n/a

## Shareholders' Equity (\$ in Millions)



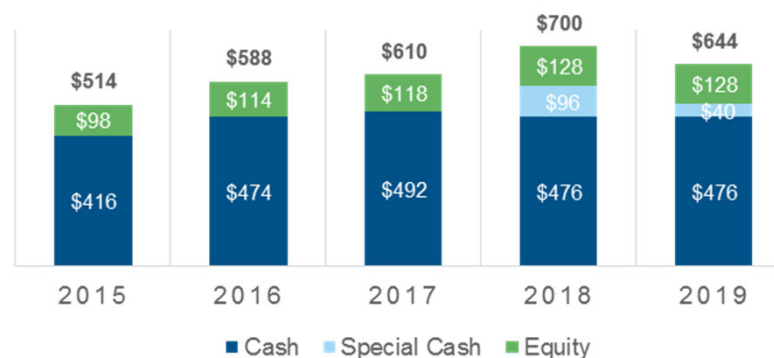
Preferred Stock	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Common Stock	\$ 3,072	\$ 3,240	\$ 3,416	\$ 3,622	\$ 3,684
Retained Earnings	\$ 4,121	\$ 4,552	\$ 4,982	\$ 5,351	\$ 5,733
Other Comprehensive (Loss) Income	\$ (119)	\$ (232)	\$ (363)	\$ 94	\$ 762

# Patronage

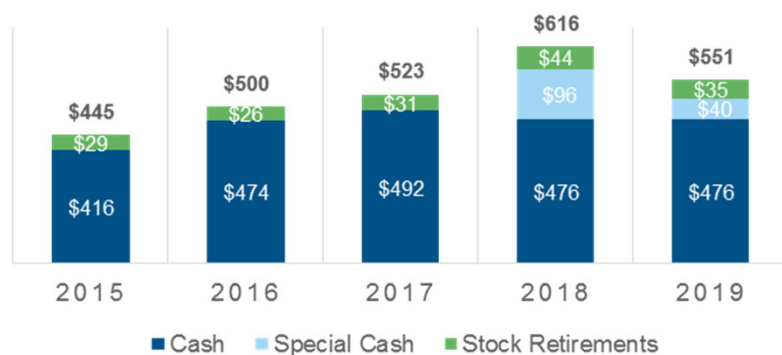
## Summary

- 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

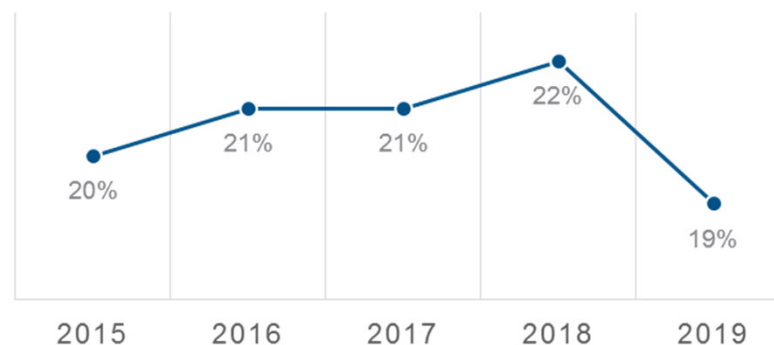
## Patronage (\$ in Millions)



## 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
- Favorable spreads relative to U.S. Treasuries
- 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 September 2020

## Equity (\$ in Millions)<sup>(1)</sup>

Type	Amount	% of Equity
Preferred Stock:		
Series E	\$225	1.9%
Series F	400	3.4%
Series G	200	1.7%
Series H	300	2.6%
Series I	375	3.2%
Common Stock	3,684	31.5%
Unallocated Retained Earnings	5,733	49.2%
Accumulated Other Comprehensive Income	762	6.5%
	<b>\$11,679</b>	<b>100.0%</b>

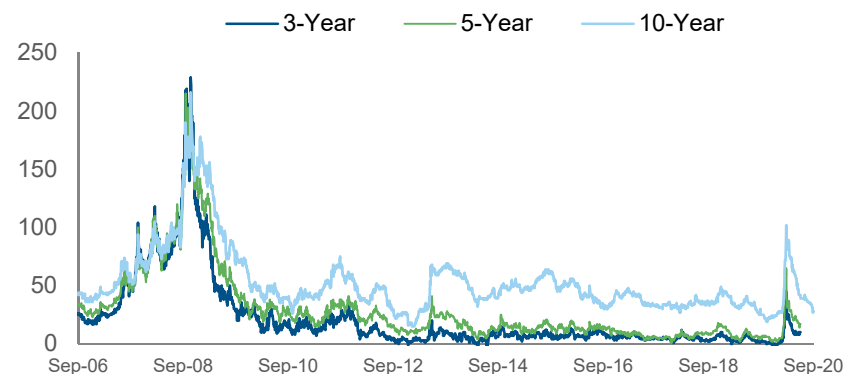
(1) As of September 30, 2020

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

## Debt (\$ in Millions)<sup>(1)</sup>

Type	Amount	% of Debt	Avg. Maturity (in years)	Weighted Avg. Rate <sup>(2)</sup>
Discount Notes	\$ 8,940	6.7%	0.3	0.41%
Bonds – Noncallable	112,155	83.6%	2.6	0.97%
Bonds – Callable, Other	12,075	9.0%	5.0	1.05%
S/T Customer Investments and Other	973	0.7%	0.1	0.40%
	<b>\$134,143</b>	<b>100.0%</b>	<b>2.6</b>	<b>0.93%</b>

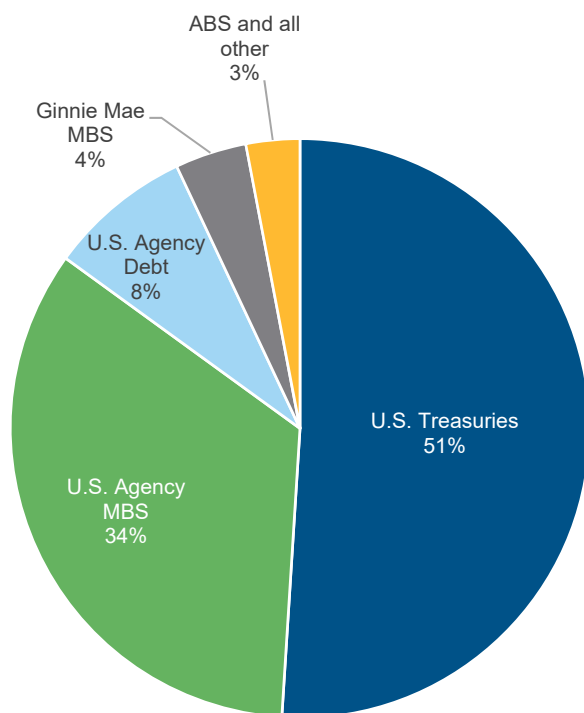
## Farm Credit System Spreads to U.S. Treasuries (Basis Points)



# Investment Portfolio

## Total Investment Securities of \$33.4 Billion

(as of September 30, 2020)



## Summary

- \$33.4 billion market-diversified portfolio plus \$0.2 billion of cash and cash equivalents and \$0.9 billion in Federal Funds Sold and Other Overnight Funds as of September 30, 2020
- Largely composed of securities issued or guaranteed by GSEs or U.S. government
- Cash flow average life of 3.1 years and duration of 2.3 years
- Earns average spread of approximately 12 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 179 days at September 30, 2020
  - CoBank's long-term debt to loans was approximately 64% as of September 30, 2020

(\$ in Millions)

Type	Fair Value
U.S. Treasuries	\$17,112
U.S. Agency MBS	11,201
U.S. Agency Debt	2,816
Ginnie Mae MBS	1,300
ABS and all other	990
<b>Total</b>	<b>\$33,419</b>

