

CoBank Investor Presentation

March 31, 2020

Proud Member of the
Farm Credit System 



CoBank's Response to COVID-19

Associates

- To date, **all associates retained**
- 97% of associates **working from home**
- **Restricted** non-essential business travel
- Stipend of \$425 to help with **home office needs**
- Temporarily **lifted cap** on paid sick time
- Consulting with **medical professionals** to prepare for safe transition back to workplace
- Frequent **video messages** from President & CEO

Customers

- **Increased cash more than \$10 billion** to mitigate any potential disruption to customer funding
- Prudently **extending credit**:
 - Customers have drawn \$1.5 billion on existing revolvers, and we have lent an additional \$0.4 billion as of March 31st
- **SBA Paycheck Protection Program**: \$250 million in loans to more than 200 customers

Communities

- Board of Directors **increased Sharing Success** charitable fund by \$1 million for 2020
- \$200,000 contribution to **National Rural Health Association**
- \$150,000 contribution to **University of Colorado** foundation
- \$50,000 fund created to **match charitable contributions** by CoBank associates
- Provided **lunches** to first responders and front line medical staff

Summary Financial Results

(\$ in millions)	For the Year Ended December 31,		For the Three Months Ended March 31,		
	2018	2019	2019	2020	YoY %
Interest income	\$ 4,031	\$ 4,468	\$ 1,167	\$ 1,029	-12%
Interest expense	2,600	3,069	807	646	20%
<i>Net interest income</i>	<u>1,431</u>	<u>1,399</u>	<u>360</u>	<u>383</u>	6%
Provision for loan losses	66	57	28	26	7%
<i>Net interest income after provision for loan losses</i>	<u>1,365</u>	<u>1,342</u>	<u>332</u>	<u>357</u>	8%
Noninterest income	290	221	64	72	13%
Operating expenses	364	404	93	100	-8%
<i>Income before income taxes</i>	<u>1,291</u>	<u>1,159</u>	<u>303</u>	<u>329</u>	9%
Provision for income taxes	100	68	31	35	-13%
<i>Net income</i>	<u>\$ 1,191</u>	<u>\$ 1,091</u>	<u>\$ 272</u>	<u>\$ 294</u>	8%
Return on average common equity	14.60 %	11.63 %	12.47 % *	11.64 % *	-7%
Net interest margin	1.09 %	1.02 %	1.06 % *	1.08 % *	2%
Return on average assets	0.90 %	0.79 %	0.80 % *	0.81 % *	1%
Operating expense ratio**	20.27 %	23.27 %	20.54 %	21.07 %	-3%

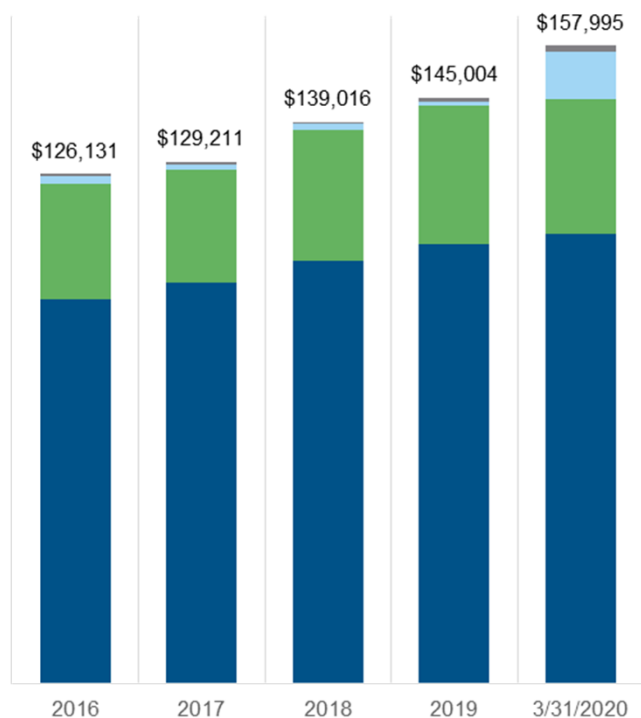
* Annualized

** Excludes Insurance Fund premiums



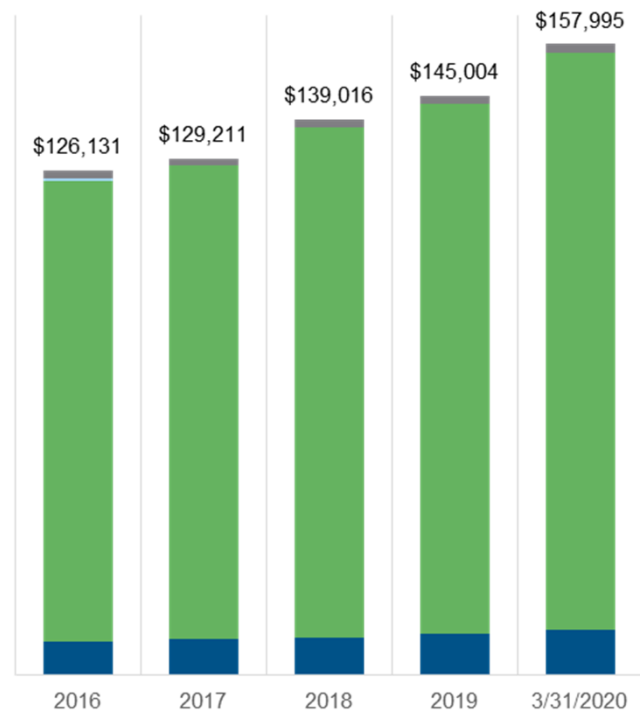
Balance Sheet Trends

Assets (\$ in Millions)



	2016	2017	2018	2019	3/31/2020
Other	\$ 697	\$ 726	\$ 562	\$ 965	\$ 1,769
Cash*	\$ 1,661	\$ 1,314	\$ 1,368	\$ 949	\$ 11,484
Investments**	\$ 28,515	\$ 27,905	\$ 32,592	\$ 34,236	\$ 33,577
Gross Loans	\$ 95,258	\$ 99,266	\$ 104,494	\$ 108,854	\$ 111,165

Liabilities & Shareholders' Equity (\$ in Millions)



	2016	2017	2018	2019	3/31/2020
Other	\$ 1,972	\$ 1,745	\$ 1,849	\$ 2,207	\$ 2,431
Subordinated Debt	\$ 499	\$ -	\$ -	\$ -	\$ -
Bonds & Notes	\$ 115,086	\$ 118,406	\$ 127,632	\$ 132,230	\$ 144,237
Shareholders' Equity	\$ 8,574	\$ 9,060	\$ 9,535	\$ 10,567	\$ 11,327

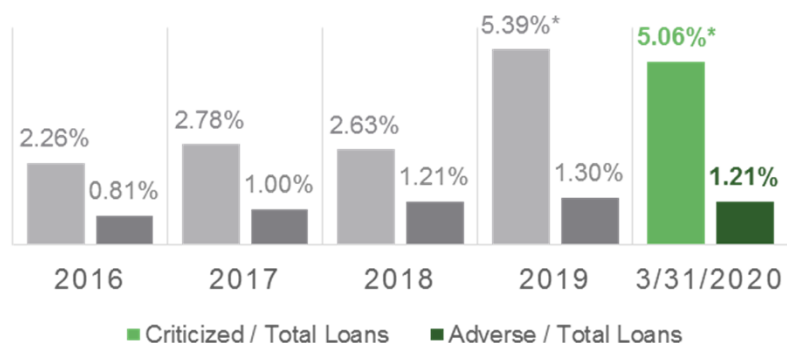
*Represents Cash and Cash Equivalents

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



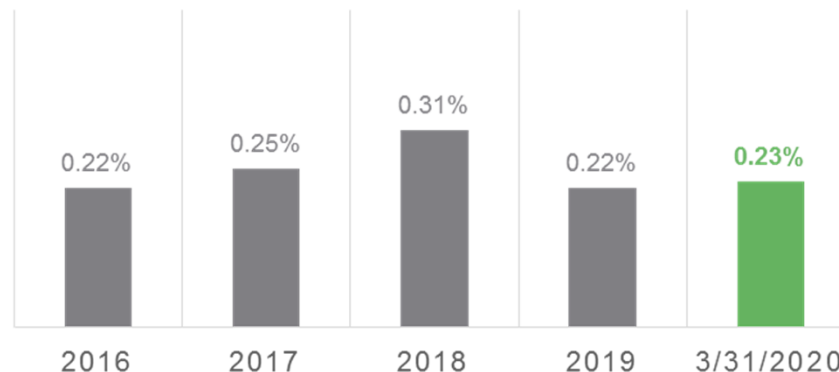
Loan Quality

Criticized / Total Loans & Adverse / Total Loans

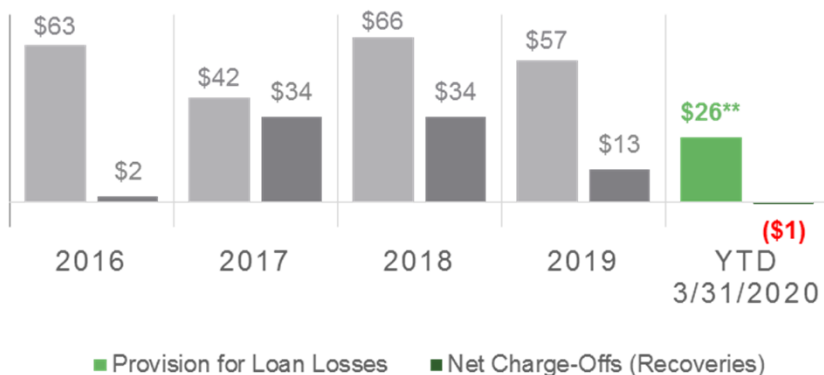


* Includes the downgrades of wholesale loans to three affiliated associations in 2019 and 2020.

Nonaccrual Loans / Total Loans

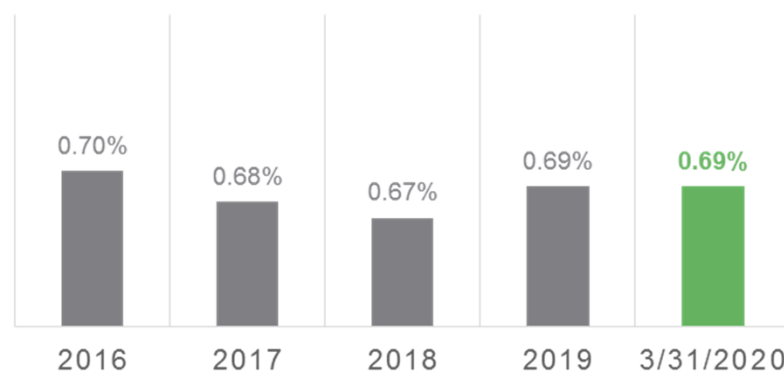


Provision for Loan Losses & Net Charge-Offs (Recoveries)
(\$ in Millions)



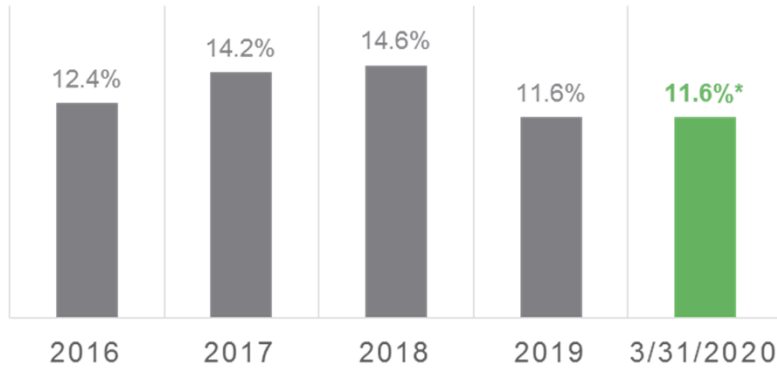
** The Q1 2020 provision for loan losses includes an additional level of reserves to reflect deterioration in the macro environment and business disruptions related to COVID-19.

Allowance for Credit Losses / Total Loans

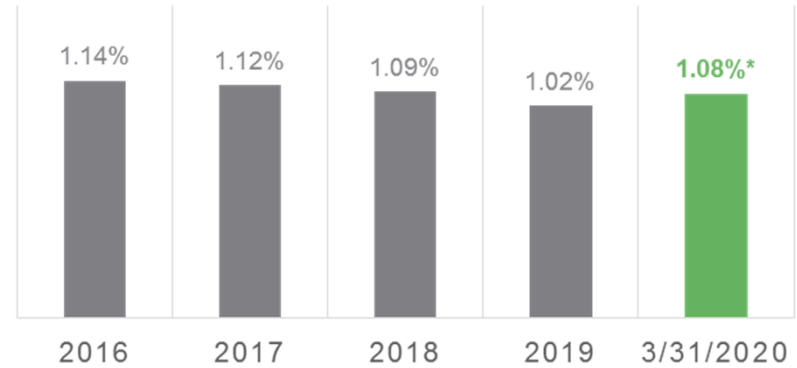


Profitability and Efficiency

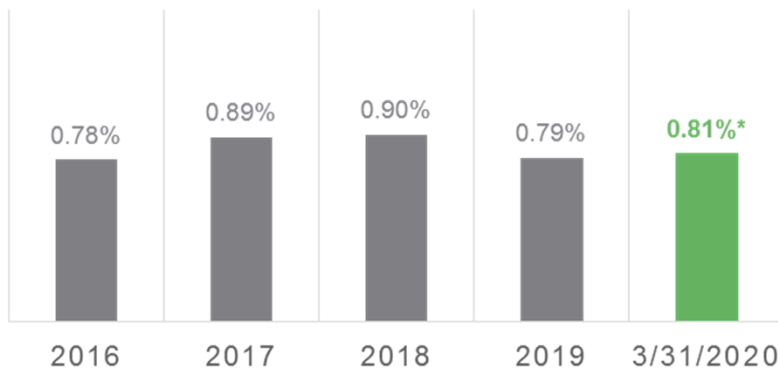
Return on Average Common Equity



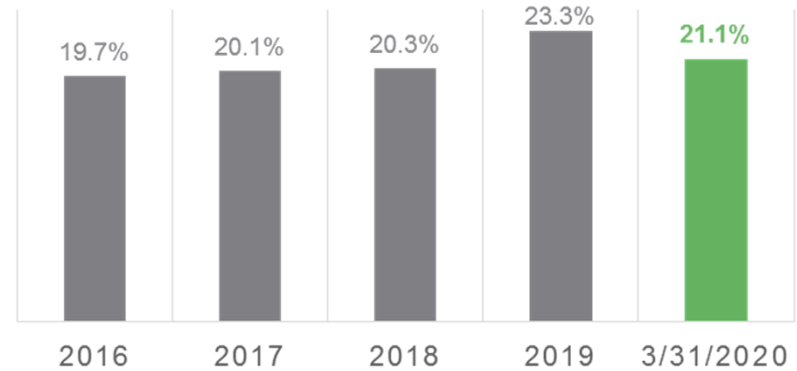
Net Interest Margin



Return on Average Assets



Operating Expense Ratio Excluding Insurance Fund Premiums



* Annualized

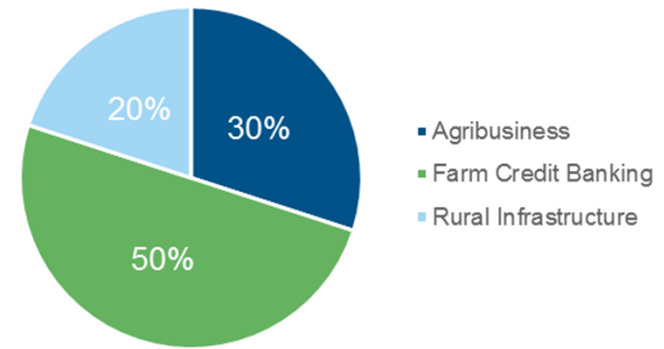


Operating Segments

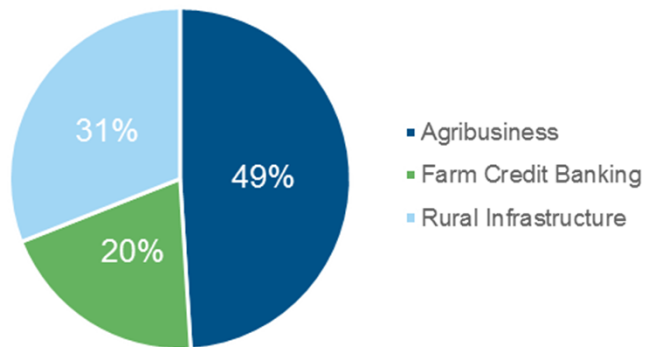
Summary

- 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

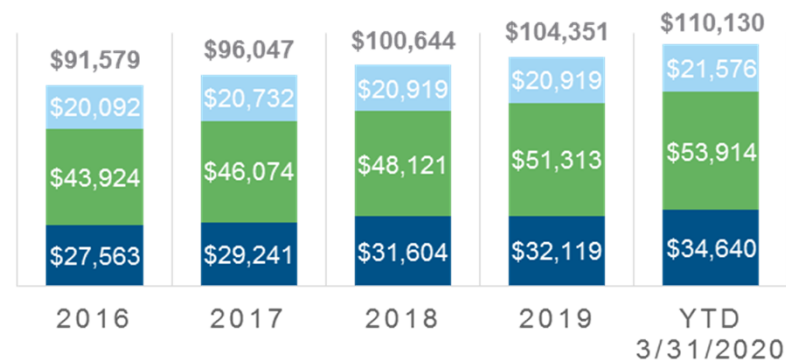
Loan Volume – \$111.2 Billion at March 31, 2020



Net Income – \$294.1 Million



Average Loan Volume (\$ in Millions)



Agribusiness Portfolio

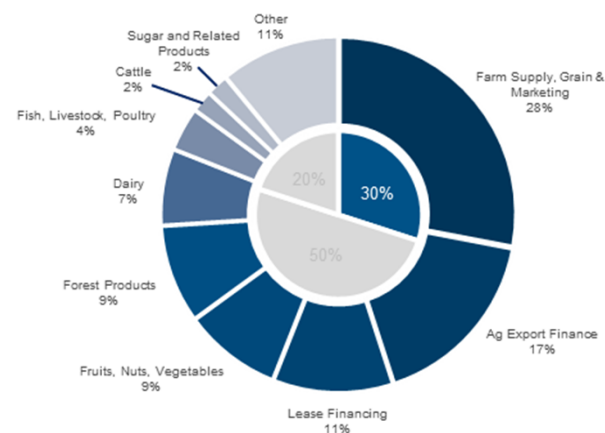
Portfolio Highlights

- \$33.7 billion retail loan portfolio at March 31, 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 \$5.7 billion in agricultural export loans; 21% are U.S. government-guaranteed
- Includes \$3.6 billion leasing portfolio

Financial Summary

(\$ in millions)	3/31/2020	2019	2018	2017
Period-End Loans	\$ 33,669	\$ 33,168	\$ 32,432	\$ 30,304
Average Loans	\$ 34,640	\$ 32,119	\$ 31,604	\$ 29,241
Net Income	\$ 144	\$ 536	\$ 575	\$ 626
Nonaccrual Loans	\$ 199	\$ 220	\$ 288	\$ 213

Portfolio Sectors



Loan Quality

	3/31/2020	2019	2018	2017
Acceptable	93.13%	92.85%	94.40%	93.56%
Special Mention	3.72	3.90	2.69	3.54
Substandard	3.13	3.23	2.89	2.89
Doubtful	0.02	0.02	0.02	0.01
Loss	-	-	-	-

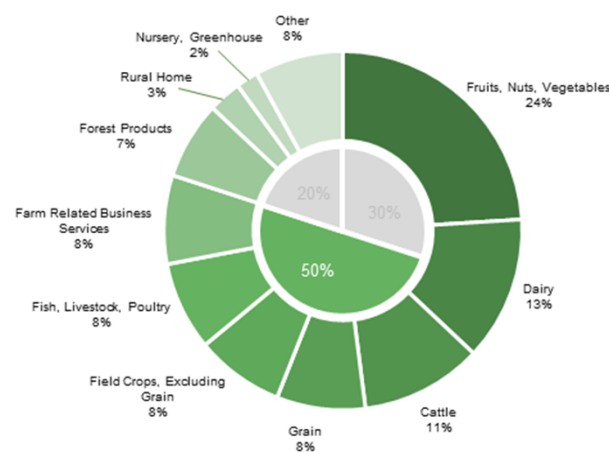


Farm Credit Banking Portfolio

Portfolio Highlights

- \$55.1 billion wholesale loan portfolio at March 31, 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 \$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)	3/31/2020	2019	2018	2017
Period-End Loans	\$ 55,050	\$ 54,459	\$ 50,695	\$ 47,948
Average Loans	\$ 53,914	\$ 51,313	\$ 48,121	\$ 46,074
Net Income	\$ 59	\$ 223	\$ 269	\$ 262
Nonaccrual Loans	\$ -	\$ -	\$ -	\$ -

Loan Quality

	3/31/2020	2019	2018	2017
Acceptable	94.77%	94.50%	98.95%	99.02%
Special Mention	5.23*	5.50*	0.93	0.98
Substandard	-	-	0.12	-
Doubtful	-	-	-	-
Loss	-	-	-	-

*Includes the downgrades of wholesale loans to three affiliated associations in 2019 and 2020.

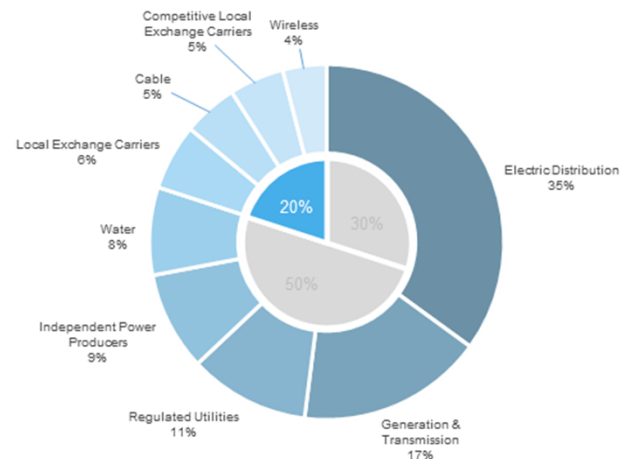


Rural Infrastructure Portfolio

Portfolio Highlights

- \$22.4 billion retail loan portfolio at March 31, 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)	3/31/2020	2019	2018	2017
Period-End Loans	\$ 22,446	\$ 21,227	\$ 21,367	\$ 21,014
Average Loans	\$ 21,576	\$ 20,919	\$ 20,919	\$ 20,732
Net Income	\$ 91	\$ 332	\$ 347	\$ 238
Nonaccrual Loans	\$ 60	\$ 20	\$ 38	\$ 34

Loan Quality

	3/31/2020	2019	2018	2017
Acceptable	98.13%	97.66%	98.08%	98.40%
Special Mention	0.64	0.75	0.65	1.05
Substandard	1.17	1.53	1.27	0.55
Doubtful	0.06	0.06	-	-
Loss	-	-	-	-



Capital Position

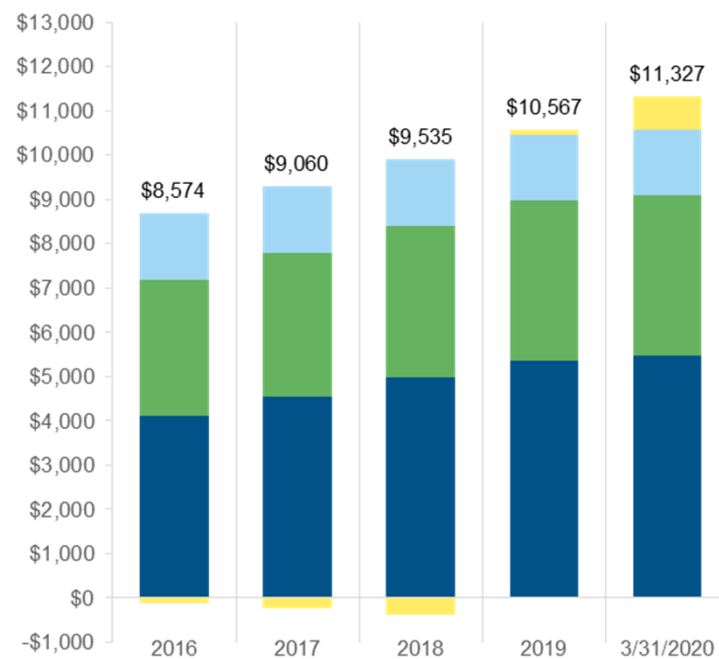
Summary

- 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

	March 31, 2020			
	Regulatory Minimum	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 (CET1) Capital Ratio	4.5 %	12.15 %	7.65 %	2.5 %
Tier 1 Capital Ratio	6.0	14.17	8.17	2.5
Total Capital Ratio	8.0	15.18	7.18	2.5
Tier 1 Leverage Ratio	4.0	7.23	3.23	1.0
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	2.99	n/a	n/a
Permanent Capital Ratio	7.0	14.29	n/a	n/a

Shareholders' Equity (\$ in Millions)



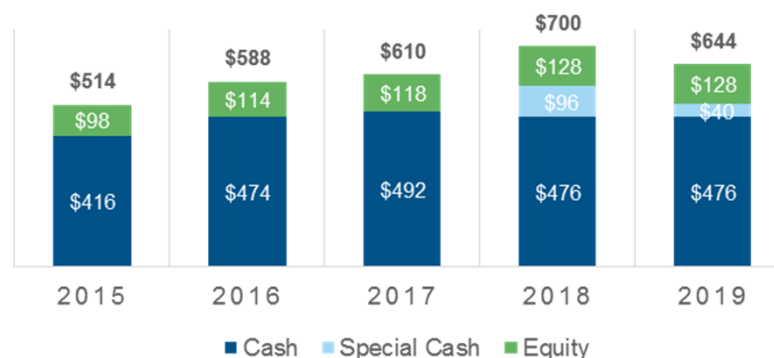
	2016	2017	2018	2019	3/31/2020
Preferred Stock	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,500
Common Stock	\$ 3,072	\$ 3,240	\$ 3,416	\$ 3,622	\$ 3,620
Retained Earnings	\$ 4,121	\$ 4,552	\$ 4,982	\$ 5,351	\$ 5,469
Other Comprehensive (Loss) Income	\$ (119)	\$ (232)	\$ (363)	\$ 94	\$ 738

Patronage

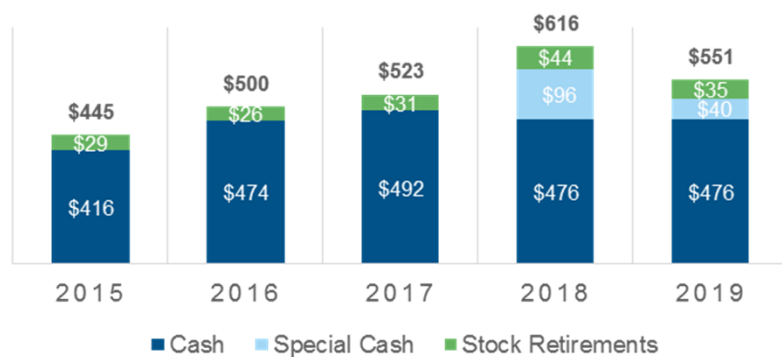
Summary

- 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

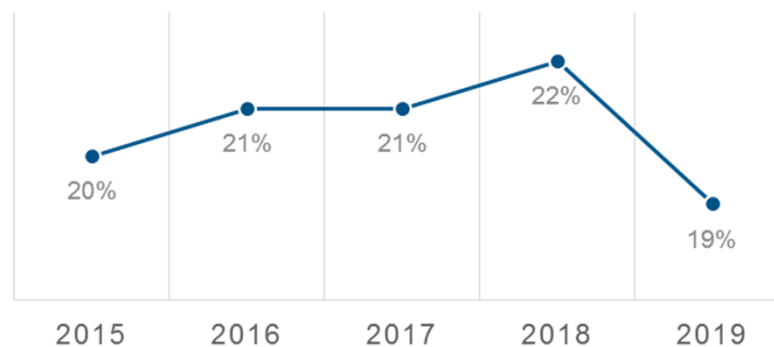
Patronage (\$ in Millions)



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 pandemic which has limited certain types of debt products and longer-term maturity structures
- Favorable spreads relative to U.S. Treasuries

Equity (\$ in Millions)⁽¹⁾

Type	Amount	% of Equity
Preferred Stock:		
Series E	\$225	2.0%
Series F	400	3.5%
Series G	200	1.8%
Series H	300	2.6%
Series I	375	3.3%
Common Stock	3,620	32.0%
Unallocated Retained Earnings	5,469	48.3%
Accumulated Other Comprehensive Income	738	6.5%
	\$11,327	100.0%

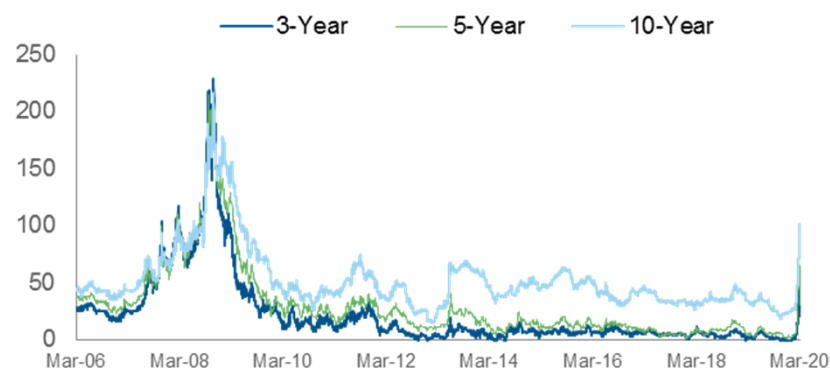
(1) As of March 31, 2020

(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	\$ 17,765	12.3%	0.4	0.79%
Bonds – Noncallable	111,236	77.2%	2.6	1.47%
Bonds – Callable, Other	14,747	10.2%	3.6	1.80%
S/T Customer Investments and Other	489	0.3%	0.1	1.30%
	\$144,237	100.0%	2.4	1.42%

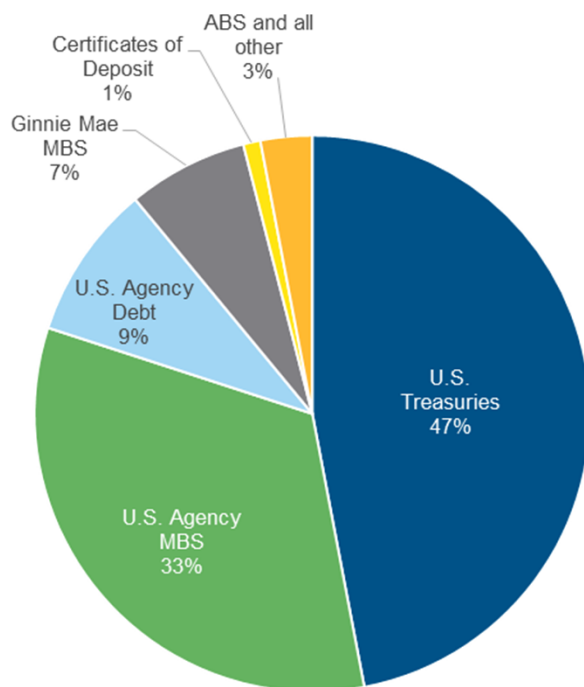
Farm Credit System Spreads to U.S. Treasuries (Basis Points)



Investment Portfolio

Total Investment Securities of \$31.2 Billion

(as of March 31, 2020)



Summary

- > \$31.2 billion market-diversified portfolio plus \$11.5 billion of cash and cash equivalents and \$2.4 billion in Federal Funds Sold and Other Overnight Funds as of March 31, 2020
- > 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 215 days at March 31, 2020
 - CoBank's long-term debt to loans was approximately 66% as of March 31, 2020
- > Increase in cash balances and higher days liquidity position in response to the market volatility and unfavorable conditions related to COVID-19

(\$ in Millions)

Type	Fair Value
U.S. Treasuries	\$14,787
U.S. Agency MBS	10,288
U.S. Agency Debt	2,848
Ginnie Mae MBS	2,163
Certificates of Deposit	150
ABS and all other	991
Total	\$31,227

