

## KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended September 30,		Nine months ended September 30,	
	2020	2019	2020	2019
Net interest income	\$ 386	\$ 337	\$ 1,144	\$ 1,046
Provision for loan losses	4	5	46	26
Noninterest income	71	49	224	169
Operating expenses	104	100	305	291
Net income	309	249	904	801

BALANCE SHEET (period-end)	September 30, 2020	December 31, 2019
Total loans	\$ 111,984	\$ 108,854
Total assets	148,351	145,004
Shareholders' equity	11,679	10,567

PROFITABILITY METRICS	Nine months ended September 30,	
	2020	2019
Net interest margin	1.05%	1.02%
Return on average common equity	11.40%	11.56%
Return on average assets	0.80%	0.78%
Operating expense ratio	21.09%	22.28%

## CEO COMMENTARY

“CoBank’s financial results are remarkable given the disruption experienced in the broader U.S. economy since the onset of COVID-19. In a year when many commercial banking institutions are reporting substantial declines in net income due to significant loan loss provisions, the bank has achieved robust growth in earnings due to strong net interest income and fee income, operating expense discipline and a modest increase in our loan loss provision given our strong loan quality.

“CoBank’s strong performance is first and foremost a reflection of the food, energy, water and communications industries we finance, which provide essential products and services that people cannot live without and which therefore have been less negatively impacted by the pandemic than many other sectors. We also believe it results from the strong and enduring relationships we have established with our customers, who trust CoBank to dependably meet their needs for credit and financial services even in periods of extreme marketplace turmoil.”

– Thomas Halverson, President and CEO, CoBank

## HIGHLIGHTS

- Average loan volume rose 9% in Q3 and 7% YTD
  - Average loan volume for the quarter and YTD periods increased across all three operating segments – Agribusiness, Rural Infrastructure and Farm Credit Banking
  - Period-end outstanding loans totaled \$112.0 billion
- Net income for Q3 increased 24% to \$309 million, driven by strong growth in net interest income and non-interest income. YTD net income increased 13% to \$904 million
  - Net interest income rose 15% in Q3 and 9% YTD due primarily to higher average loan volume
  - Non-interest income, including fee income, increased \$21.9 million in Q3 and \$54.8 million YTD
- Net interest margin YTD improved slightly to 1.05% compared to 1.02% for first nine months of 2019, driven by higher earnings on balance sheet positioning, improvements in agribusiness lending spreads and the favorable impact of a nonaccrual loan to an agribusiness customer that was paid off in 2020
- Credit quality remained strong across multiple measures
  - At the end of Q3, 95.7% of the bank’s commercial loans were classified as acceptable, the highest category of loan quality
  - Non-accrual loans improved to \$179.4 million / 0.16% of total loans at the end of Q3 from \$240.7 million / 0.22% of total loans at 12/31/19
- CoBank’s provision for loan losses totaled \$4 million for the quarter, compared to \$5 million in Q3 2019. For the first nine months of the year, the bank’s provision totaled \$46 million vs. \$26 million in the 2019 period
- Operating expenses YTD increased 4.8% to \$305.2 million
  - As of September 30, 2020 and 2019, the bank had 1,138 and 1,105 employees, respectively
- Capital and liquidity levels in excess of regulatory minimums at the end of Q3
  - Total capital ratio was 15.8%, compared with the 8.0% (10.5% inclusive of the capital conservation buffer) minimum established by the Farm Credit Administration, the bank’s independent regulator
  - 179 days of liquidity

## OPERATING SEGMENTS

(\$ in millions)

Three months ended September 30,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2020	2019	2020	2019	2020	2019
Average loan volume	\$ 31,195	\$ 30,065	\$ 23,441	\$ 20,759	\$ 56,940	\$ 51,562
Net income	141	121	104	77	64	51
Nine months ended September 30,	2020	2019	2020	2019	2020	2019
Average loan volume	\$ 32,881	\$ 32,411	\$ 22,639	\$ 20,931	\$ 55,627	\$ 50,745
Net income	422	411	291	225	191	165
<b>Period-end loan volume</b> September 30, 2020 and December 31, 2019	\$ 30,739	\$ 33,168	\$ 23,597	\$ 21,227	\$ 57,648	\$ 54,459

## NET INTEREST MARGIN AND NET INTEREST INCOME

Net interest income increased \$98.1 million to \$1,144.3 million for the nine months ended September 30, 2020, compared to \$1,046.2 million for the same prior-year period. The 9% increase in net interest income was primarily driven by higher average loan volume and higher earnings on balance sheet positioning. Net interest margin improved to 1.05% for the first nine months of 2020 compared to 1.02% for the same period in 2019. This increase was driven by higher earnings on balance sheet positioning, an improvement in lending spreads in most sectors of our agribusiness portfolio and the favorable impact of a nonaccrual loan to an agribusiness customer that was paid off in 2020. This was partially offset by changes in asset mix, including increased lending to affiliated associations which has lower spreads commensurate with lower risk.

### Net Interest Margin and Net Interest Income

Nine months ended (\$ in millions)	September 30, 2020			September 30, 2019		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
<b>Interest earning assets</b>						
Loans	\$ 111,147	2.54%	\$ 2,117	\$ 104,087	3.64%	\$ 2,831
Investments	34,605	1.74%	452	32,740	2.43%	594
Total	145,752	2.35%	2,569	136,827	3.35%	3,425
<b>Interest bearing liabilities</b>	136,156	1.39%	1,425	126,127	2.52%	2,379
<b>Interest rate spread</b>		0.96%			0.83%	
Impact of equity financing	11,353	0.09%		10,011	0.19%	
<b>Net interest margin &amp; net interest income</b>		1.05%	\$ 1,144		1.02%	\$ 1,046

## CREDIT QUALITY

Our overall loan quality measures remain strong at September 30, 2020, and improved in total across all credit quality classification categories compared to December 31, 2019. Special Mention loans and accrued interest in total improved primarily due to upgrades to wholesale loans to one affiliated association and one non-affiliated association. Adverse assets and related accrued interest as a percent of total loans and accrued interest improved to 0.90% at September 30, 2020, compared to 1.30% at December 31, 2019. The introduction and spread of COVID-19 around the world has caused significant volatility and unfavorable conditions in the U.S. and international markets. There is significant uncertainty around the magnitude and duration of business disruptions related to COVID-19, as well as its impact on the U.S. and international economies. As such, it is uncertain the level of impact COVID-19 business disruptions will have on the bank's credit quality.

### Loan Quality Ratios

	September 30, 2020			December 31, 2019		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.15%	95.67%	96.43%	94.50%	94.73%	94.61%
Special Mention	2.85%	2.49%	2.67%	5.50%	2.67%	4.09%
Substandard	-	1.82%	0.89%	-	2.56%	1.28%
Doubtful	-	0.02%	0.01%	-	0.04%	0.02%
Loss	-	-	-	-	-	-
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

## BALANCE SHEET INFORMATION

(period-end)

(\$ in millions)

	September 30, 2020 (Unaudited)	December 31, 2019
Loans	\$ 111,984	\$ 108,854
Less: Allowance for loan losses	631	655
Net loans	111,353	108,199
Cash	189	949
Federal funds sold and other overnight funds	878	1,810
Investment securities	33,419	32,426
Interest rate swaps and other financial instruments	1,047	381
Accrued interest receivable and other assets	1,465	1,239
Total assets	\$ 148,351	\$ 145,004
Bonds and notes	\$ 134,143	\$ 132,230
Interest rate swaps and other financial instruments	720	263
Reserve for unfunded commitments	130	92
Accrued interest payable and other liabilities	1,679	1,852
Total liabilities	136,672	134,437
Shareholders' equity	11,679	10,567
Total liabilities and shareholders' equity	\$ 148,351	\$ 145,004

## STATEMENT OF INCOME INFORMATION

(\$ in millions)

	Three months ended September 30,		Nine months ended September 30,	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Interest income	\$ 734	\$ 1,103	\$ 2,569	\$ 3,425
Interest expense	348	766	1,425	2,379
Net interest income	386	337	1,144	1,046
Provision for loan losses	4	5	46	26
Net interest income after provision for loan losses	382	332	1,098	1,020
Noninterest income	71	49	224	169
Operating expenses	104	100	305	291
Provision for income taxes	40	32	113	97
Net income	\$ 309	\$ 249	\$ 904	\$ 801

## FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this news release that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual results may differ materially and adversely from our expectations expressed in any forward-looking statements. Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project,” “target,” “may,” “will,” “should,” “would,” “could,” or similar expressions. Although we believe that the information expressed or implied in such forward-looking statements is reasonable, we can give no assurance that such projections and expectations will be realized or the extent to which a particular plan, projection or expectation may be realized.

These forward-looking statements are based on current knowledge and subject to risks and uncertainties. We encourage you to read our Annual Report and Quarterly Reports located on the bank’s website at [www.cobank.com](http://www.cobank.com). We undertake no obligation to revise or publicly update our forward-looking statements for any reason.

## ABOUT COBANK

CoBank is a \$148 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 70,000 farmers, ranchers and other rural borrowers in 23 states around the country. CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture, rural infrastructure and rural communities. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit [www.cobank.com](http://www.cobank.com).

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