



# CoBank Investor Presentation

December 31, 2022



Proud Member of the Farm Credit System 

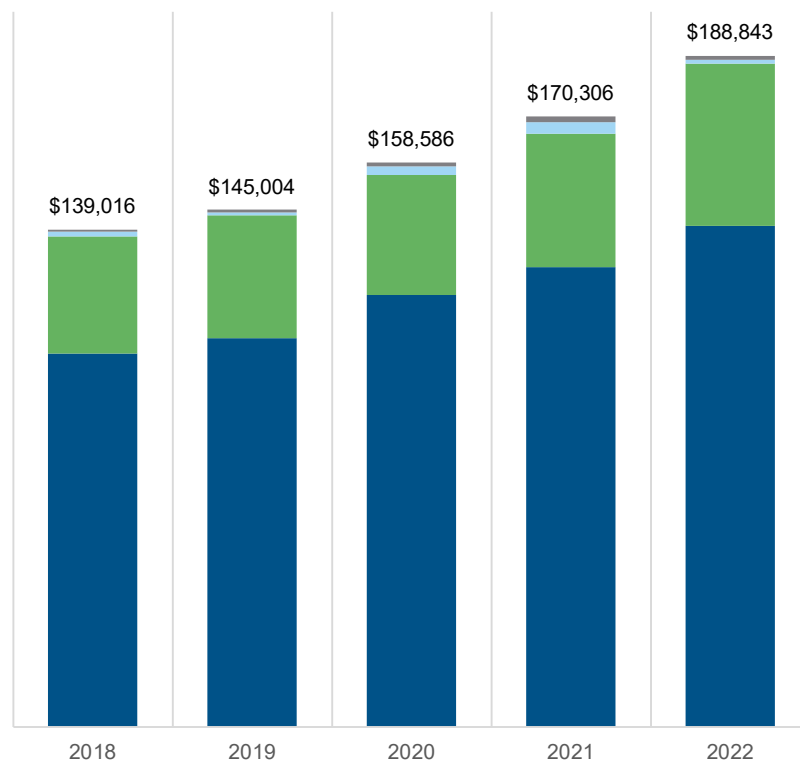
# Summary Financial Results

(\$ in millions)	For the Year Ended December 31,		
	2021	2022	YoY %
Interest income	\$ 2,869	\$ 4,748	65%
Interest expense	1,143	2,864	-151%
<i>Net interest income</i>	1,726	1,884	9%
Provision for loan losses	18	111	-517%
<i>Net interest income after provision for loan losses</i>	1,708	1,773	4%
Noninterest income	199	366	84%
Operating expenses	491	580	-18%
<i>Income before income taxes</i>	1,416	1,559	10%
Provision for income taxes	102	110	-8%
<i>Net income</i>	\$ 1,314	\$ 1,449	10%
Return on average common equity	11.78%	14.59%	24%
Net interest margin	1.10%	1.06%	-4%
Return on average assets	0.82%	0.80%	-2%
Operating expense ratio*	20.33%	21.00%	-3%

\* Excludes Insurance Fund premiums

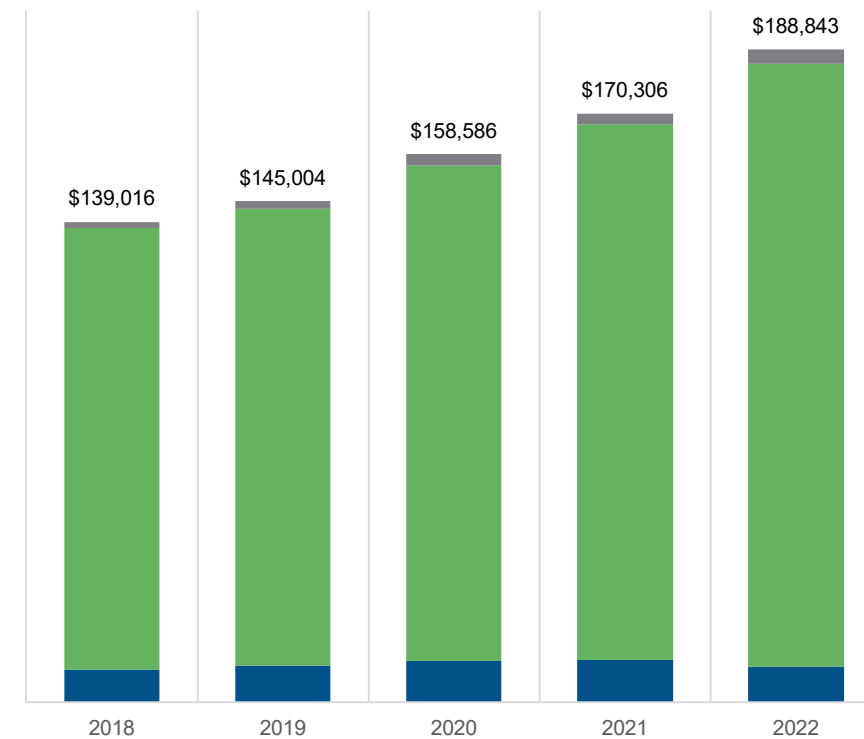
# Balance Sheet Trends

## Assets (\$ in Millions)



Other	\$ 562	\$ 965	\$ 1,735	\$ 1,238	\$ 2,361
Cash*	\$ 1,368	\$ 949	\$ 2,335	\$ 3,197	\$ 896
Investments**	\$ 32,592	\$ 34,236	\$ 33,660	\$ 37,342	\$ 45,498
Gross Loans	\$ 104,494	\$ 108,854	\$ 120,856	\$ 128,529	\$ 140,088

## Liabilities & Shareholders' Equity (\$ in Millions)



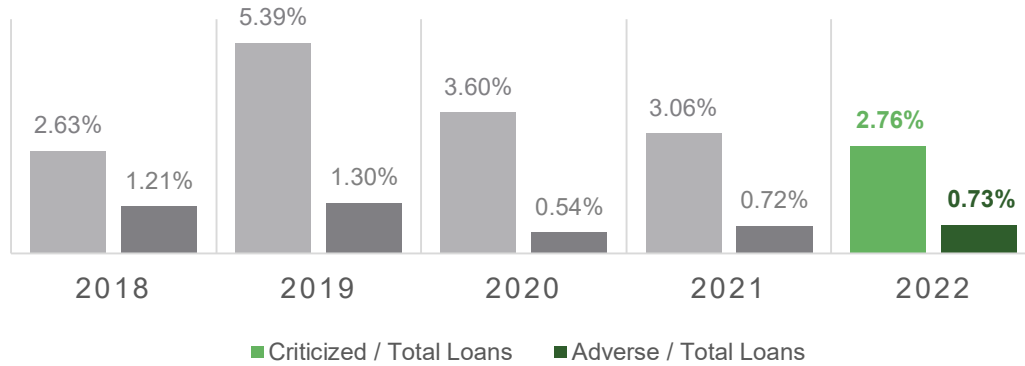
Other	\$ 1,849	\$ 2,207	\$ 3,292	\$ 3,122	\$ 3,995
Bonds & Notes	\$ 127,632	\$ 132,230	\$ 143,384	\$ 154,950	\$ 174,623
Shareholders' Equity	\$ 9,535	\$ 10,567	\$ 11,910	\$ 12,234	\$ 10,225

\* Represents cash and cash equivalents

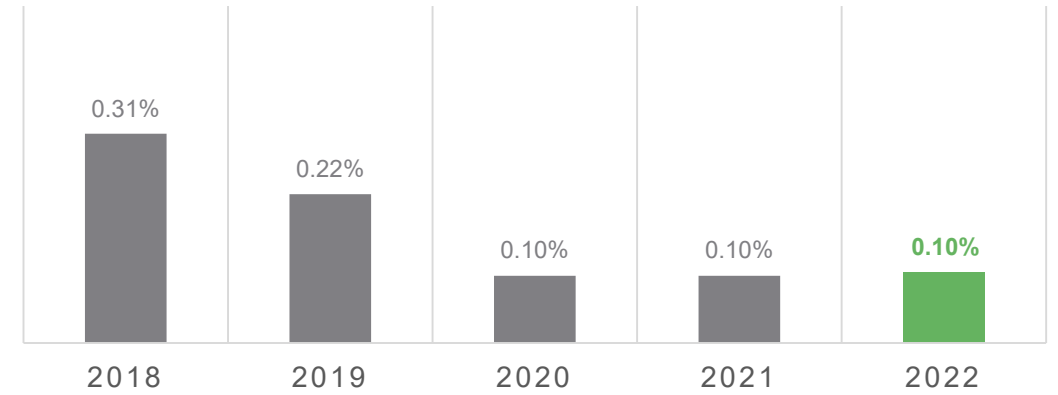
\*\* Includes Investment Securities, Federal Funds Sold and Other Overnight Funds

# Loan Quality

## Criticized / Total Loans & Adverse / Total Loans

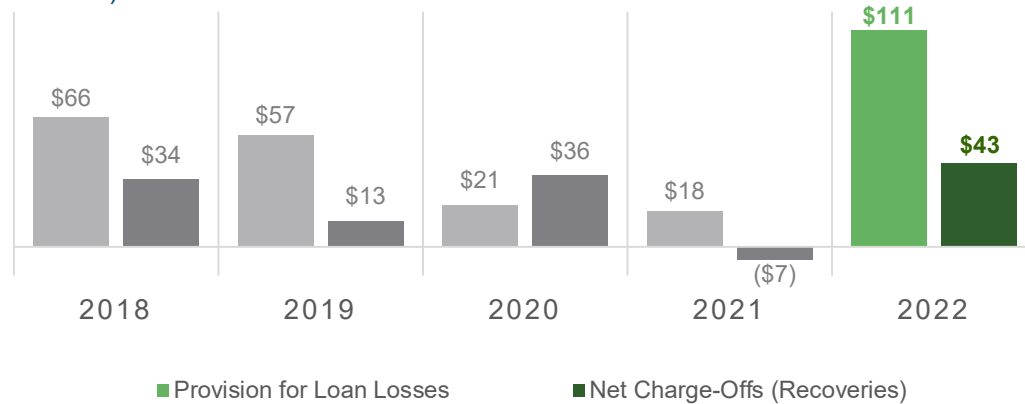


## Nonaccrual Loans / Total Loans

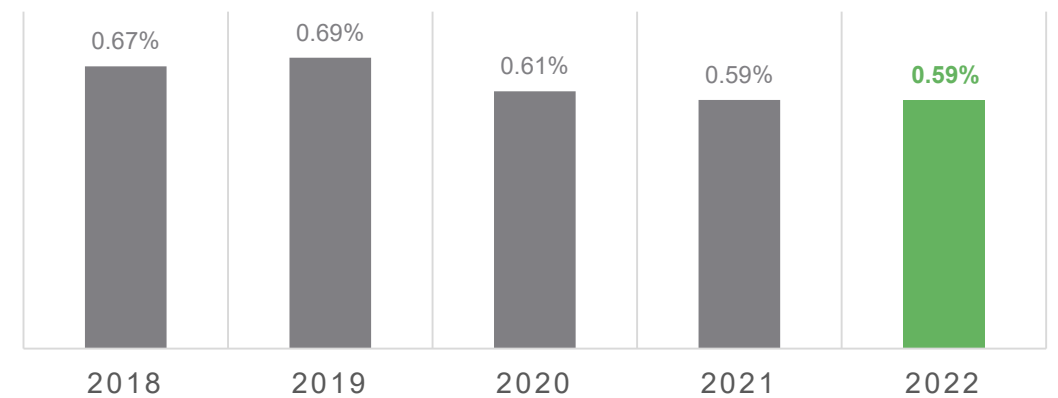


## Provision for Loan Losses & Net Charge-Offs (Recoveries)

(\$ in Millions)

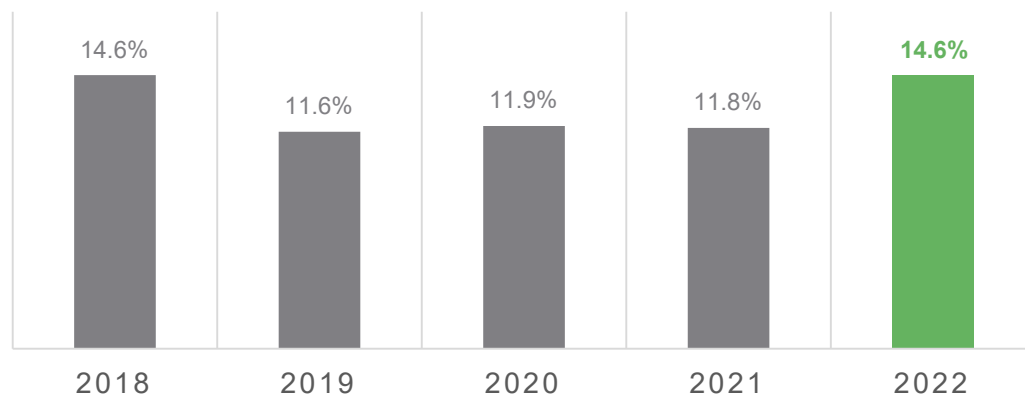


## Allowance for Credit Losses / Total Loans

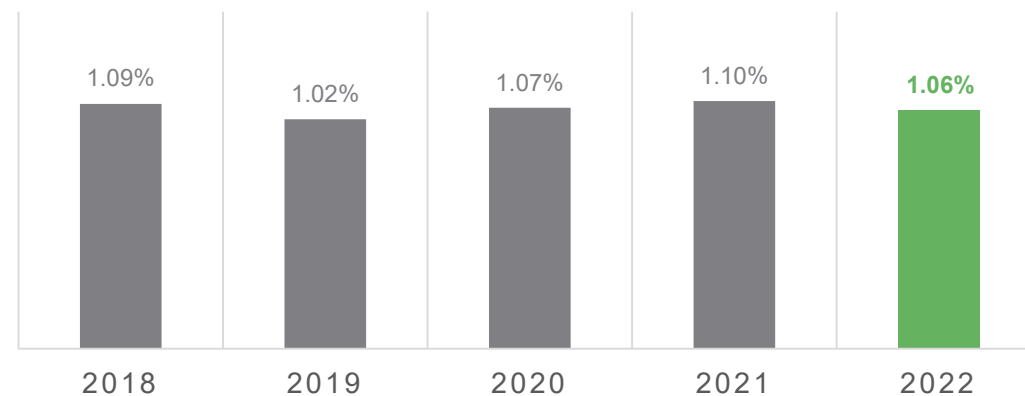


# Profitability and Efficiency

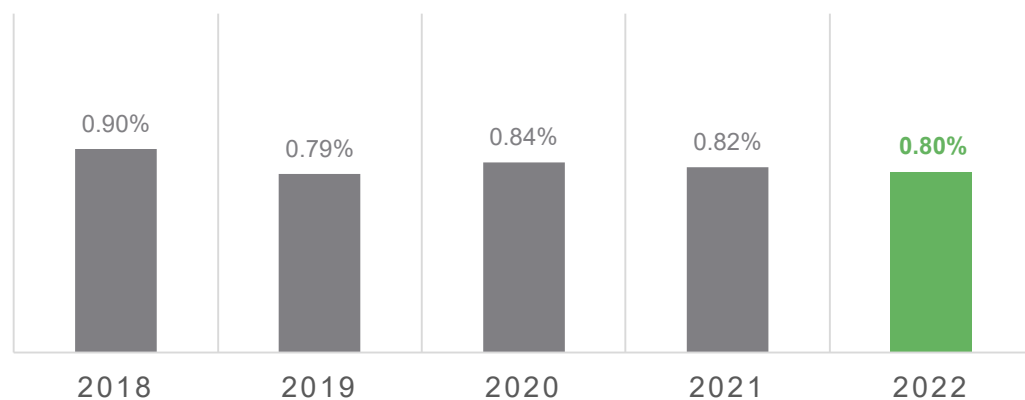
## Return on Average Common Equity



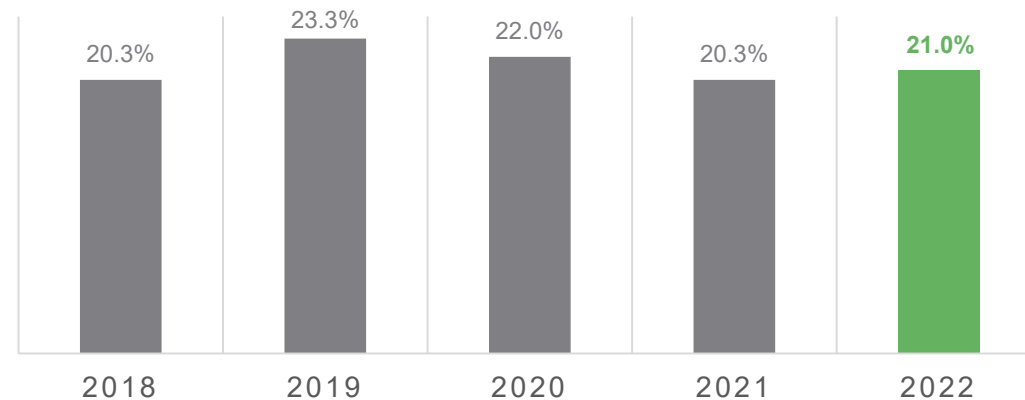
## Net Interest Margin



## Return on Average Assets



## Operating Expense Ratio Excluding Insurance Fund Premiums

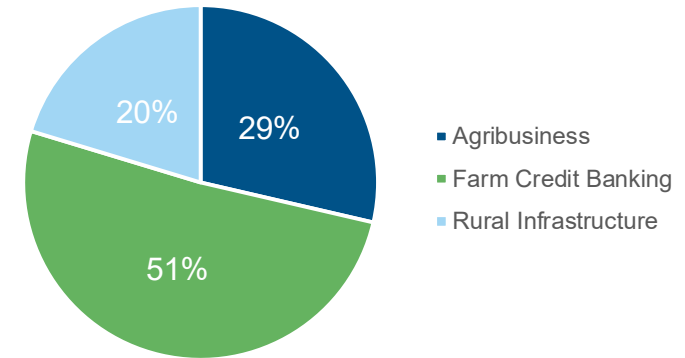


# Operating Segments

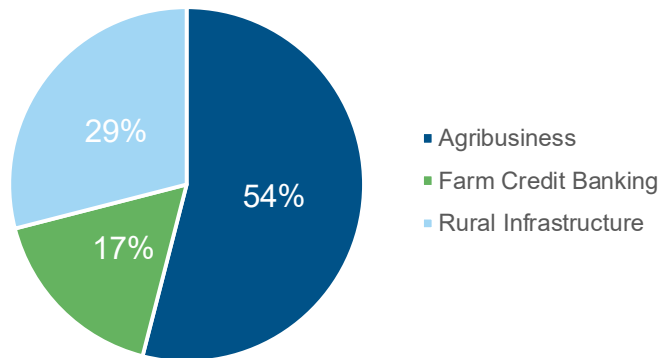
## Summary

- Three operating segments (Agribusiness, Farm Credit Banking and Rural Infrastructure)
- Approximately \$140 billion in total loan volume
- Lower net income in Farm Credit Banking operating segment relative to its share of the bank's loan volume reflects narrower margins and lower risk profile from wholesale loans

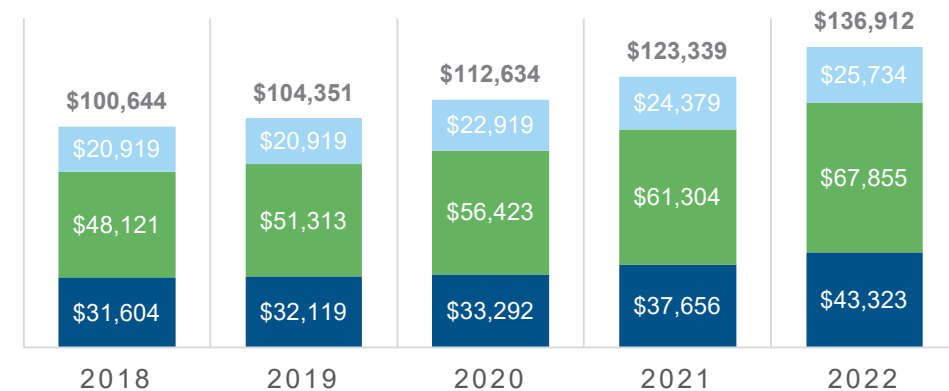
## Loan Volume - \$140.1 Billion at December 31, 2022



## Net Income - \$1.449 Billion



## Average Loan Volume (\$ in Millions)



# Agribusiness Portfolio

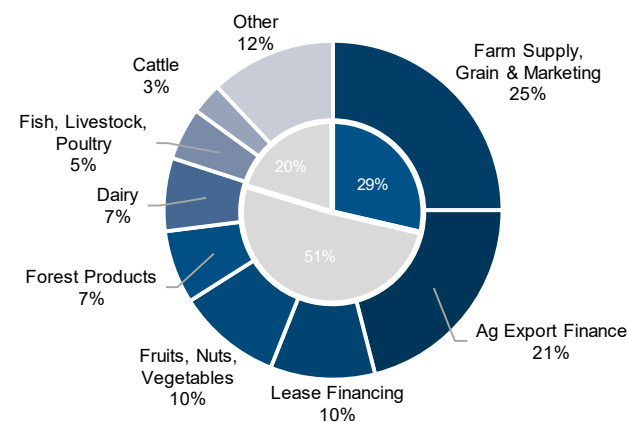
## Portfolio Highlights

- \$40.1 billion retail loan portfolio at December 31, 2022
- 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 \$8.6 billion in agricultural export loans; 27% are U.S. government-guaranteed
- Includes \$3.8 billion leasing portfolio

## Financial Summary

(\$ in millions)	2022	2021	2020
Period-End Loans	<b>\$ 40,098</b>	\$ 38,094	\$ 36,103
Average Loans	<b>\$ 43,323</b>	\$ 37,656	\$ 33,292
Net Income	<b>\$ 774</b>	\$ 677	\$ 608
Nonaccrual Loans	<b>\$ 137</b>	\$ 74	\$ 98

## Portfolio Sectors



## Loan Quality

	2022	2021	2020
Acceptable	<b>95.17%</b>	94.27%	93.61%
Special Mention	<b>2.51</b>	3.62	4.81
Substandard	<b>2.32</b>	2.11	1.56
Doubtful	<b>0.00<sup>(1)</sup></b>	0.00 <sup>(1)</sup>	0.02
Loss	-	-	-

(1) Represents less than 0.01 percent of total agribusiness loans and accrued interest

# Farm Credit Banking Portfolio

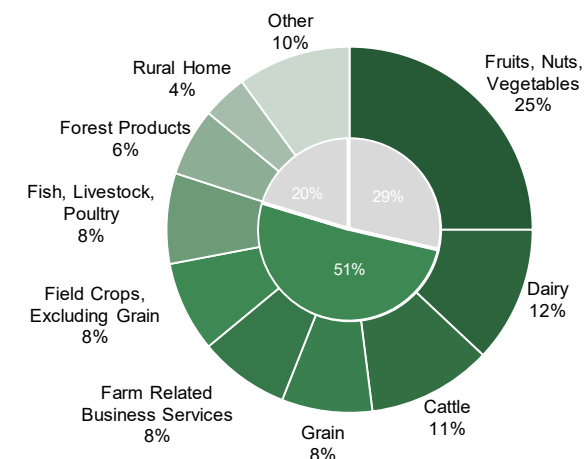
## Portfolio Highlights

- \$71.5 billion wholesale loan portfolio at December 31, 2022
- As of January 1, 2023, lending to 17 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 76,000 farmers, ranchers and other rural borrowers
- Includes \$5.7 billion of participations in other Farm Credit Banks' wholesale loans to their affiliated associations, primarily with Farm Credit Bank of Texas

## Financial Summary

(\$ in millions)	2022	2021	2020
Period-End Loans	\$ 71,529	\$ 65,632	\$ 60,516
Average Loans	\$ 67,855	\$ 61,304	\$ 56,423
Net Income	\$ 252	\$ 245	\$ 257
Nonaccrual Loans	\$ -	\$ -	\$ -

## Portfolio Sectors



## Loan Quality

	2022	2021	2020
Acceptable	97.76%	97.67%	97.08%
Special Mention	2.24	2.33	2.92
Substandard	-	-	-
Doubtful	-	-	-
Loss	-	-	-



# Rural Infrastructure Portfolio

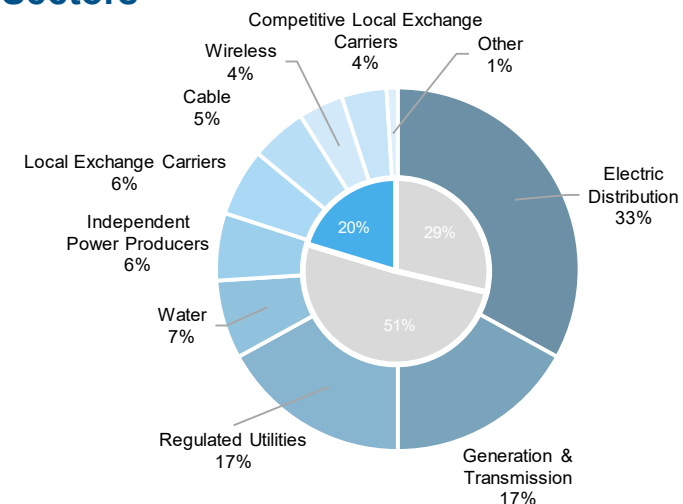
## Portfolio Highlights

- \$28.5 billion retail loan portfolio at December 31, 2022
- Broad geographic dispersion of rural infrastructure customers
- Customers provide vital rural services and include: electric distribution cooperatives, electric generation and transmission cooperatives, power supply companies, midstream energy and gas pipeline providers, project finance companies, communications companies, water companies and community facilities

## Financial Summary

(\$ in millions)	2022	2021	2020
Period-End Loans	<b>\$ 28,461</b>	\$ 24,803	\$ 24,237
Average Loans	<b>\$ 25,734</b>	\$ 24,379	\$ 22,919
Net Income	<b>\$ 423</b>	\$ 392	\$ 398
Nonaccrual Loans	<b>\$ 9</b>	\$ 49	\$ 19

## Portfolio Sectors



## Loan Quality

	2022	2021	2020
Acceptable	<b>98.87%</b>	99.13%	98.89%
Special Mention	<b>0.81</b>	0.41	0.79
Substandard	<b>0.32</b>	0.46	0.30
Doubtful	-	-	0.02
Loss	-	-	-

# Capital Position

## Summary

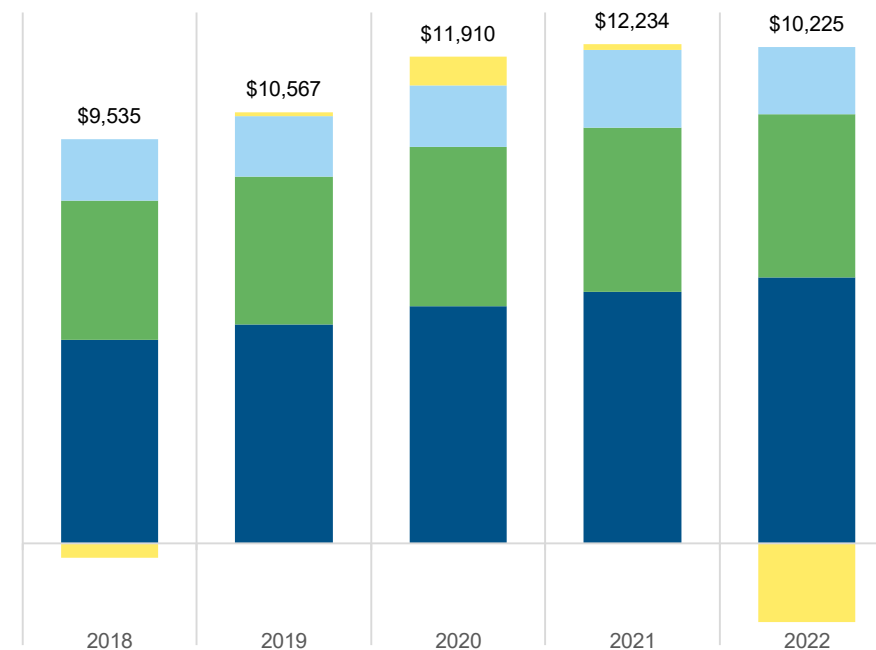
- Capital ratios exceed required regulatory minimums
- Assures continued viability and capacity to meet our customers' borrowing needs
- Preferred stock provides additional layer of risk-bearing capacity
- During 2022, we issued \$400 million of preferred stock and redeemed \$669 million of preferred stock
- Total capital decreased to \$10.2 billion at December 31, 2022 primarily due to unrealized losses on investment securities resulting from higher interest rates and are included in other comprehensive loss. The unrealized losses had no impact on current period earnings or regulatory capital

## Capital Ratios

December 31, 2022				
	Regulatory Minimum	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 (CET1) Capital Ratio	4.50 %	11.62 %	7.12 %	2.50 %
Tier 1 Capital Ratio	6.00	13.39	7.39	2.50
Total Capital Ratio	8.00	14.25	6.25	2.50
Tier 1 Leverage Ratio <sup>(1)</sup>	4.00	6.80	2.80	1.00
Permanent Capital Ratio	7.00	13.51	n/a	n/a
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.50	3.13	n/a	n/a

<sup>(1)</sup> At least 1.5 percent must be URE and URE equivalents.

## Shareholders' Equity (\$ in Millions)



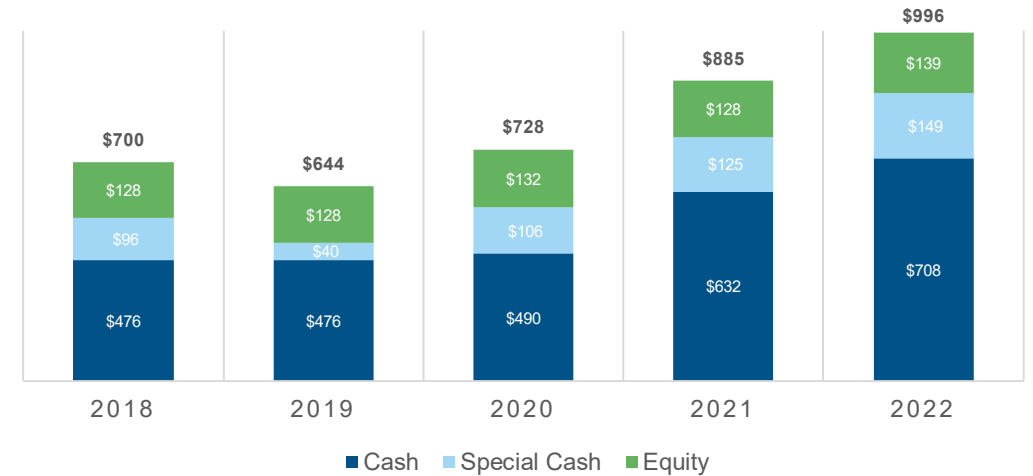
Preferred Stock	\$ 1,500	\$ 1,500	\$ 1,500	\$ 1,902	\$ 1,633
Common Stock	\$ 3,416	\$ 3,622	\$ 3,918	\$ 4,013	\$ 4,000
Retained Earnings	\$ 4,982	\$ 5,351	\$ 5,804	\$ 6,164	\$ 6,519
Other Comprehensive (Loss) Income	\$ (363)	\$ 94	\$ 688	\$ 155	\$ (1,927)

# Patronage

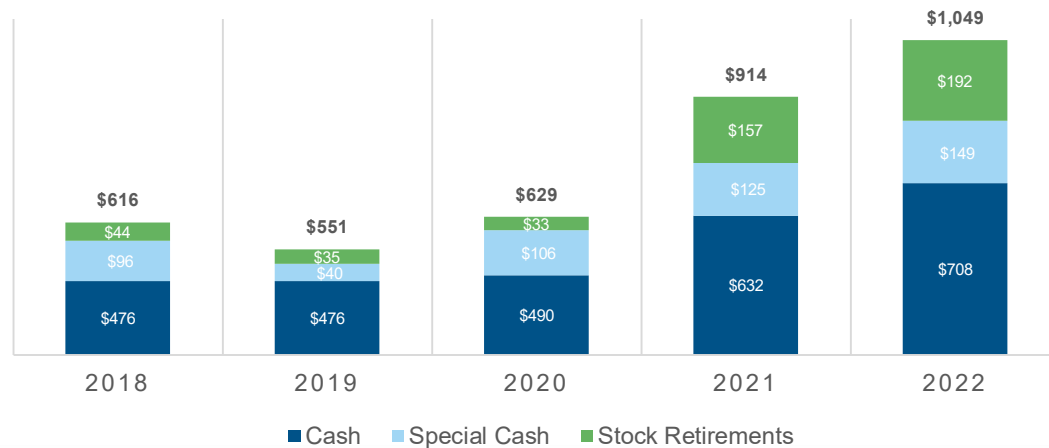
## Summary

- Patronage is a key part of the value proposition we provide our eligible customer-owners
- The board approved a special cash patronage distribution of \$148.8 million for 2022 to be paid to customer-owners in March 2023
- Over the past 5 years, customer-owners have received approximately \$4 billion in patronage as a result of their investment in the bank

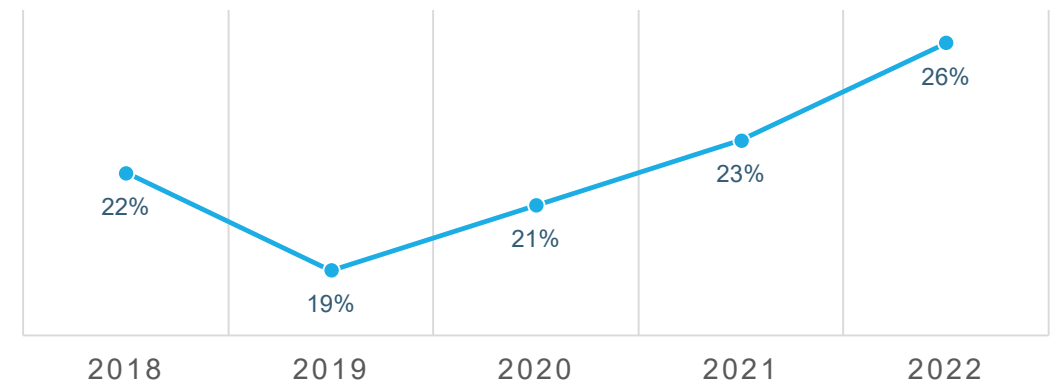
## Patronage<sup>(1)</sup> (\$ in Millions)



## Total Cash Payouts<sup>(1)</sup> (\$ in Millions)



## Average Return on Active Patron Investment



(1) Amounts presented in these tables relate to their respective plan years.

# 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

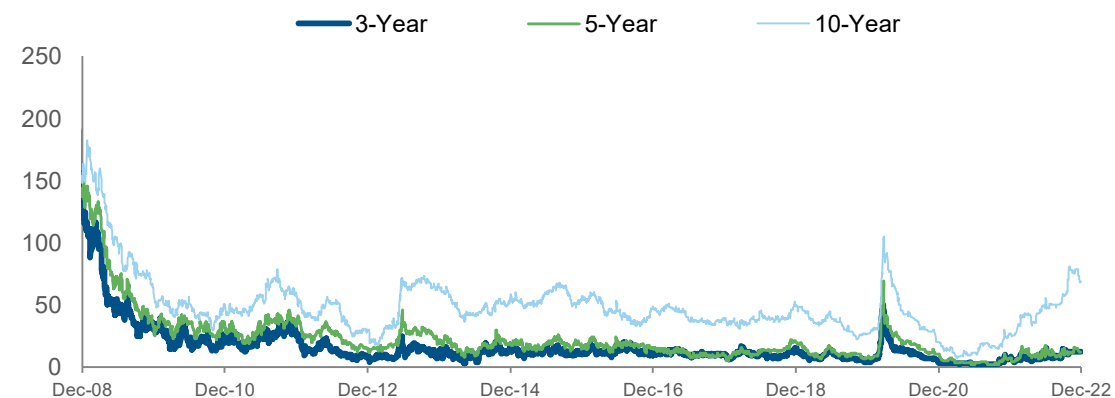
## Equity (\$ in Millions) <sup>(1)</sup>

Type	Amount	% of Equity
Preferred Stock:		
Series E	\$ 133	1.3%
Series H	300	2.9%
Series I	375	3.7%
Series J	425	4.2%
Series K	400	3.9%
Common Stock	4,000	39.1%
Unallocated Retained Earnings	6,519	63.7%
Accumulated Other Comprehensive Loss	(1,927)	(18.8%)
	<b>\$ 10,225</b>	<b>100.0%</b>

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

Type	Amount	% of Debt	Avg. Maturity (in years)	Weighted Avg. Rate <sup>(2)</sup>
Discount Notes	\$ 17,600	10.1%	0.2	3.29%
Bonds – Noncallable	122,528	70.2%	2.6	3.20%
Bonds – Callable, Other	31,527	18.0%	3.6	2.52%
S/T Customer Investments and Other	2,968	1.7%	0.1	1.87%
	<b>\$ 174,623</b>	<b>100.0%</b>	<b>2.5</b>	<b>3.06%</b>

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



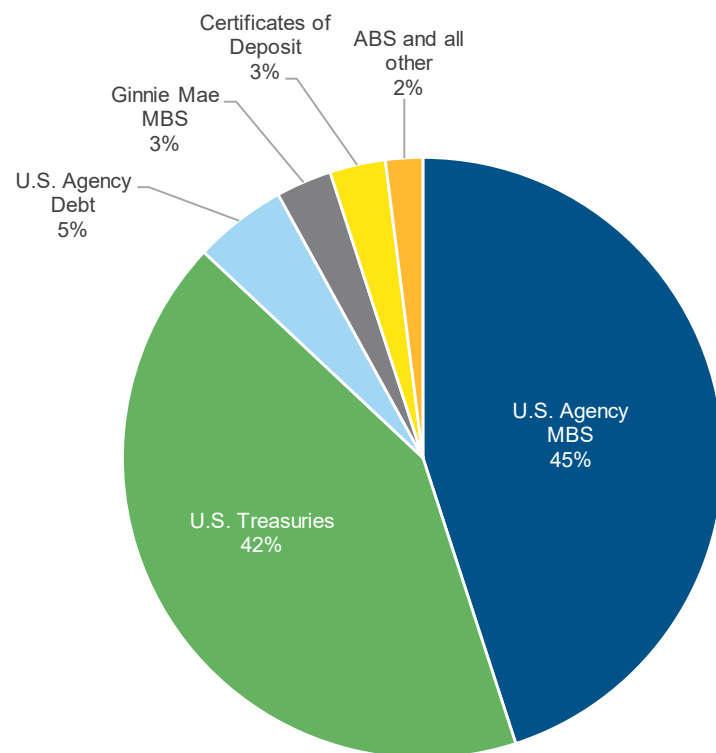
(1) As of December 31, 2022

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

# Investment Portfolio

## Total Investment Securities of \$33.1 Billion

(as of December 31, 2022)



## Summary

- \$33.1 billion market-diversified portfolio plus \$896 million of cash and cash equivalents and \$12.4 billion in Federal Funds Sold and Other Overnight Funds as of December 31, 2022
- Largely composed of securities issued or guaranteed by GSEs or U.S. government
- Cash flow average life of 3.3 years and duration of 1.6 years
- 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 183 days at December 31, 2022
  - CoBank's long-term debt to loans was approximately 66% as of December 31, 2022

(\$ in Millions)

Type	Fair Value
U.S. Agency MBS	\$ 14,904
U.S. Treasuries	14,052
U.S. Agency Debt	1,627
Ginnie Mae MBS	837
Certificates of Deposit	850
ABS and all other	827
<b>Total</b>	<b>\$ 33,097</b>