

CoBank Investor Presentation

March 31, 2019

Proud Member of the
Farm Credit System 

 **COBANK**

Summary Financial Results

| (\$ in millions) | For the Year Ended December 31, | | For the Three Months Ended March 31, | | |
|--|------------------------------------|-----------------|---|---------------|------|
| | 2017 | 2018 | 2018 | 2019 | YoY% |
| Interest income | \$ 3,141 | \$ 4,031 | \$ 929 | \$ 1,167 | 26% |
| Interest expense | 1,748 | 2,600 | 558 | 807 | -45% |
| <i>Net interest income</i> | <u>1,393</u> | <u>1,431</u> | <u>371</u> | <u>360</u> | -3% |
| Provision for loan losses | 42 | 66 | 50 | 28 | 44% |
| <i>Net interest income after provision for loan losses</i> | <u>1,351</u> | <u>1,365</u> | <u>321</u> | <u>332</u> | 3% |
| Noninterest income | 175 | 290 | 81 | 64 | -21% |
| Operating expenses | 386 | 364 | 85 | 93 | -9% |
| <i>Income before income taxes</i> | <u>1,140</u> | <u>1,291</u> | <u>317</u> | <u>303</u> | -4% |
| Provision for income taxes | 15 * | 100 * | 33 | 31 | 6% |
| <i>Net income</i> | <u>\$ 1,125</u> | <u>\$ 1,191</u> | <u>\$ 284</u> | <u>\$ 272</u> | -4% |
| Return on average common equity | 14.20 % | 14.60 % | 14.27 % ** | 12.47 % ** | -13% |
| Net interest margin | 1.12 % | 1.09 % | 1.15 % ** | 1.06 % ** | -8% |
| Return on average assets | 0.89 % | 0.90 % | 0.87 % ** | 0.80 % ** | -8% |
| Operating expense ratio*** | 20.11 % | 20.27 % | 18.14 % | 20.54 % | -13% |

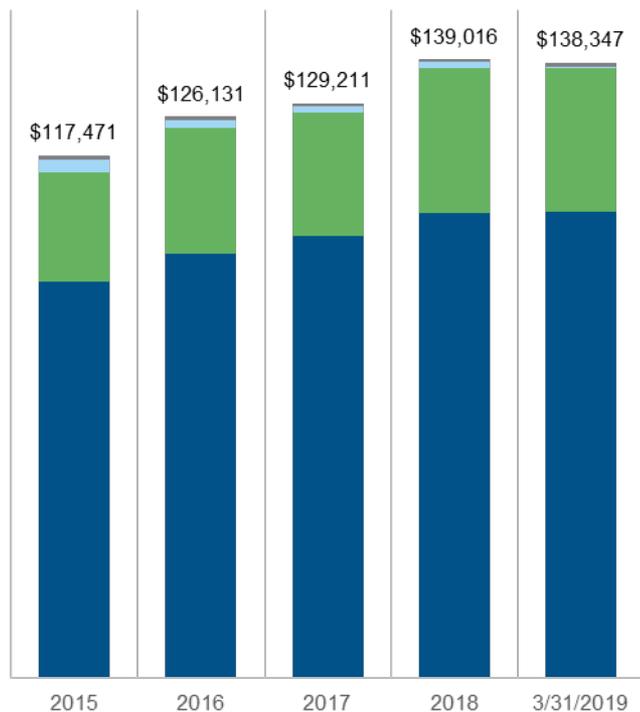
* Reflects the impact of \$142 million and \$16 million of income tax benefit recorded in 2017 and 2018, respectively, resulting from the enactment of federal tax reform in late 2017.

** Annualized

*** Excludes Insurance Fund premiums

Balance Sheet Trends

Assets (\$ in Millions)



| | 2015 | 2016 | 2017 | 2018 | 3/31/2019 |
|---------------|-----------|-----------|-----------|------------|------------|
| Other | \$ 813 | \$ 697 | \$ 726 | \$ 562 | \$ 996 |
| Cash* | \$ 3,113 | \$ 1,661 | \$ 1,314 | \$ 1,368 | \$ 170 |
| Investments** | \$ 24,504 | \$ 28,515 | \$ 27,905 | \$ 32,592 | \$ 32,227 |
| Gross Loans | \$ 89,041 | \$ 95,258 | \$ 99,266 | \$ 104,494 | \$ 104,954 |

*Represents Cash and Cash Equivalents

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

Liabilities & Shareholders' Equity (\$ in Millions)

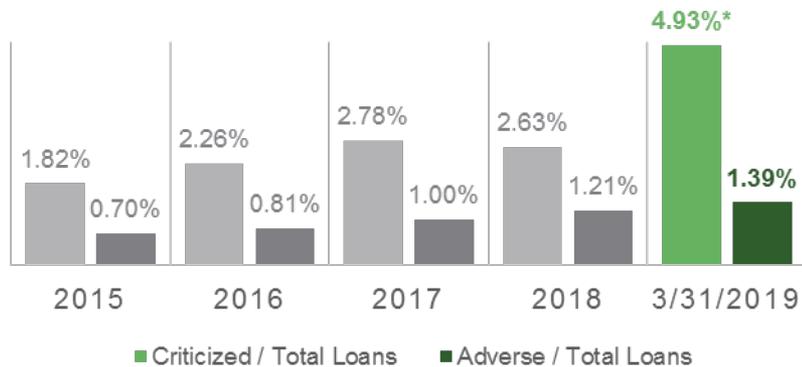


| | 2015 | 2016 | 2017 | 2018 | 3/31/2019 |
|----------------------|------------|------------|------------|------------|------------|
| Other | \$ 1,788 | \$ 1,972 | \$ 1,745 | \$ 1,849 | \$ 1,654 |
| Subordinated Debt | \$ 903 | \$ 499 | \$ - | \$ - | \$ - |
| Bonds & Notes | \$ 106,970 | \$ 115,086 | \$ 118,406 | \$ 127,632 | \$ 126,885 |
| Shareholders' Equity | \$ 7,810 | \$ 8,574 | \$ 9,060 | \$ 9,535 | \$ 9,808 |



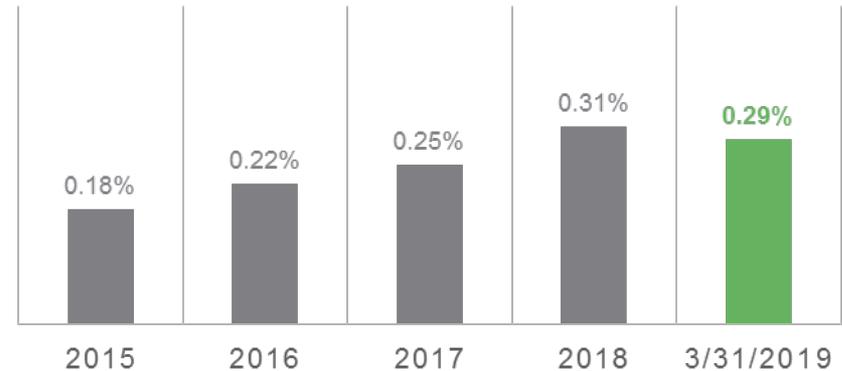
Loan Quality

Criticized / Total Loans & Adverse / Total Loans

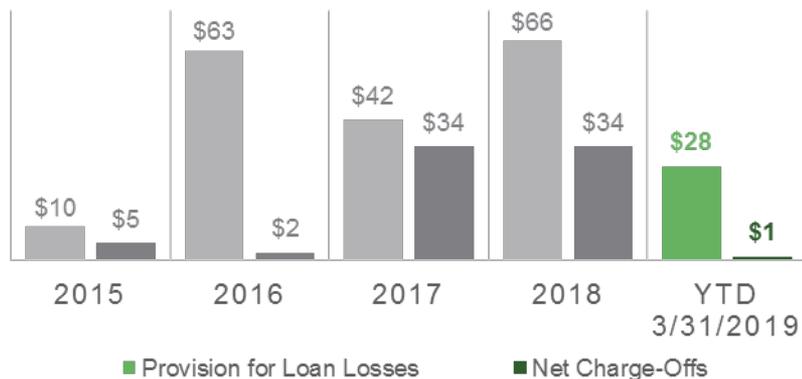


*Includes the downgrades of \$2.2 billion of wholesale loans to two affiliated associations in 2019.

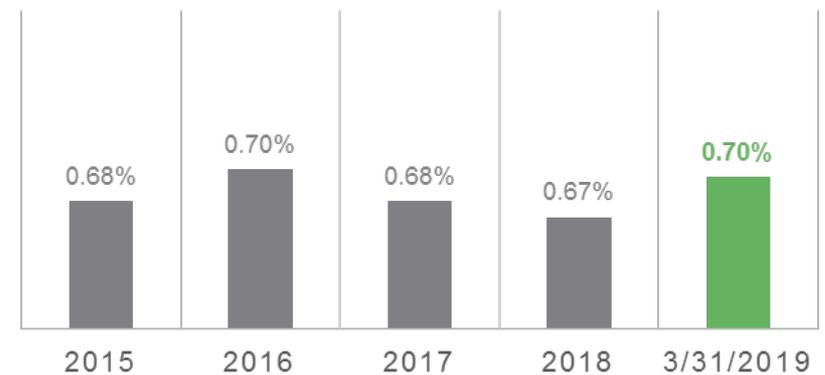
Nonaccrual Loans / Total Loans



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

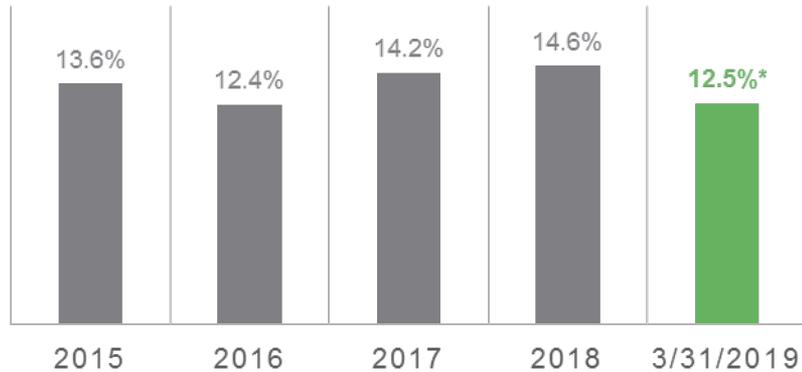


Allowance for Credit Losses / Total Loans

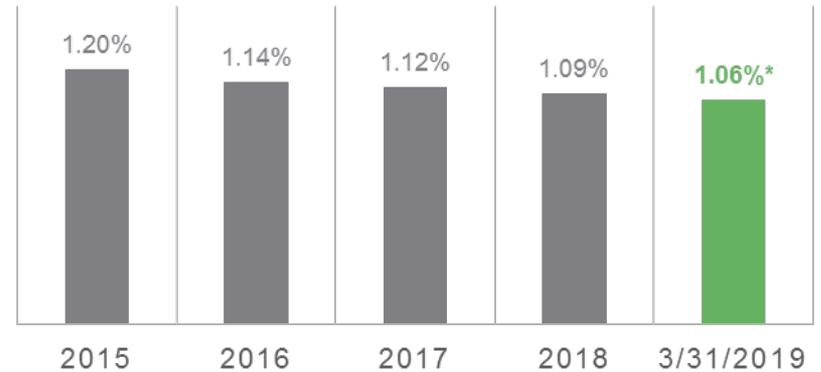


Profitability and Efficiency

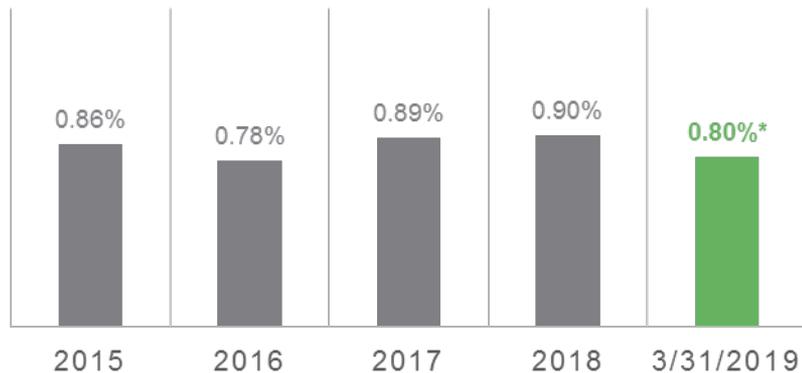
Return on Average Common Equity



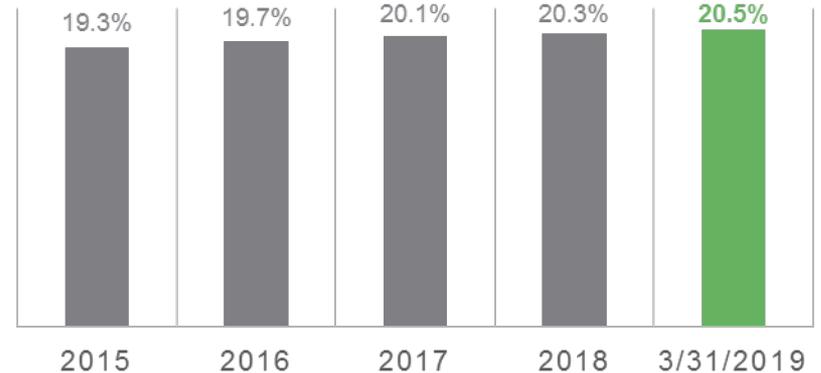
Net Interest Margin



Return on Average Assets



Operating Expense Ratio Excluding Insurance Fund Premiums



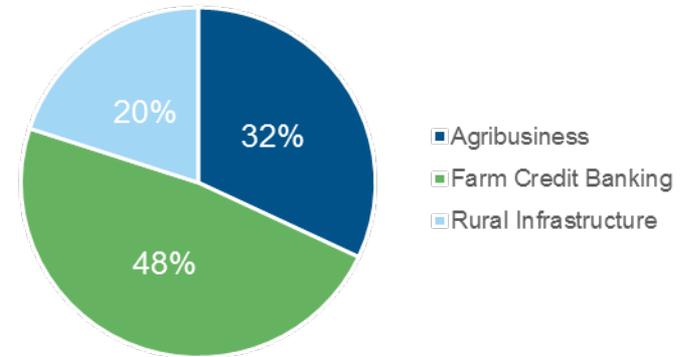
* Annualized

Operating Segments

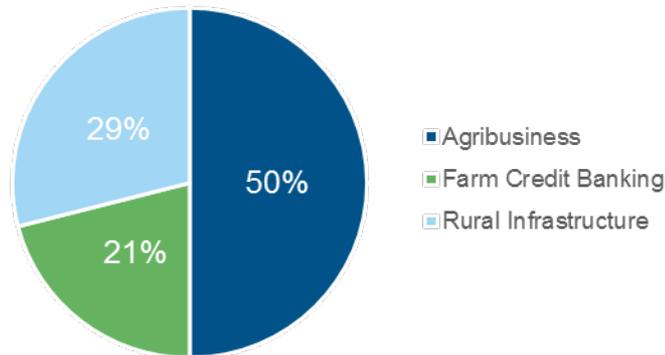
Summary

- Three operating segments (Agribusiness, Farm Credit Banking and Rural Infrastructure)
- Approximately \$105 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 – \$105.0 Billion at March 31, 2019



Net Income – \$272 Million



Average Loan Volume (\$ in Millions)



Agribusiness Portfolio

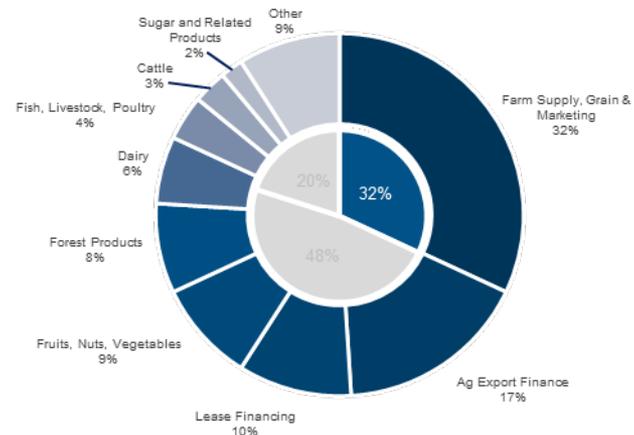
Portfolio Highlights

- \$33.8 billion retail loan portfolio at March 31, 2019
- 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; 18% are U.S. government-guaranteed
- Includes \$3.3 billion leasing portfolio

Financial Summary

| (\$ in millions) | 3/31/2019 | 2018 | 2017 | 2016 |
|------------------|-----------|-----------|-----------|-----------|
| Period-End Loans | \$ 33,826 | \$ 32,432 | \$ 30,304 | \$ 28,660 |
| Average Loans | \$ 34,512 | \$ 31,604 | \$ 29,241 | \$ 27,563 |
| Net Income | \$ 135 | \$ 583 | \$ 630 | \$ 403 |
| Nonaccrual Loans | \$ 278 | \$ 288 | \$ 213 | \$ 207 |

Portfolio Sectors



Loan Quality

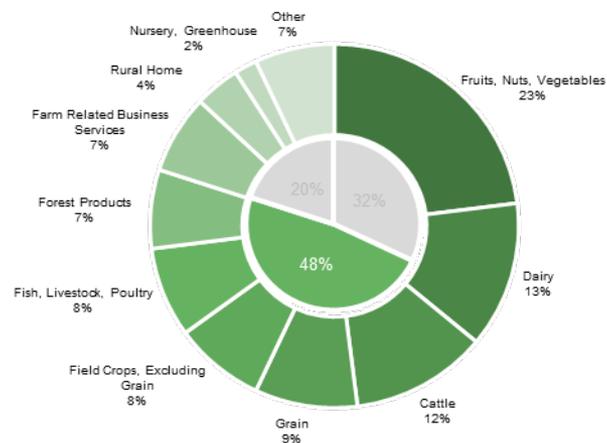
| | 3/31/2019 | 2018 | 2017 | 2016 |
|-----------------|-----------|--------|--------|--------|
| Acceptable | 94.35% | 94.40% | 93.56% | 94.08% |
| Special Mention | 2.73 | 2.69 | 3.54 | 3.51 |
| Substandard | 2.91 | 2.89 | 2.89 | 2.39 |
| Doubtful | 0.01 | 0.02 | 0.01 | 0.02 |
| Loss | - | - | - | - |

Farm Credit Banking Portfolio

Portfolio Highlights

- \$50.2 billion wholesale loan portfolio at March 31, 2019
- Lending to 22 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) | 3/31/2019 | 2018 | 2017 | 2016 |
|------------------|-----------|-----------|-----------|-----------|
| Period-End Loans | \$ 50,155 | \$ 50,695 | \$ 47,948 | \$ 45,994 |
| Average Loans | \$ 50,083 | \$ 48,121 | \$ 46,074 | \$ 43,924 |
| Net Income | \$ 57 | \$ 264 | \$ 262 | \$ 245 |
| Nonaccrual Loans | \$ - | \$ - | \$ - | \$ - |

Loan Quality

| | 3/31/2019 | 2018 | 2017 | 2016 |
|-----------------|-----------|--------|--------|------|
| Acceptable | 94.60% | 98.95% | 99.02% | 100% |
| Special Mention | 5.29* | 0.93 | 0.98 | - |
| Substandard | 0.11 | 0.12 | - | - |
| Doubtful | - | - | - | - |
| Loss | - | - | - | - |

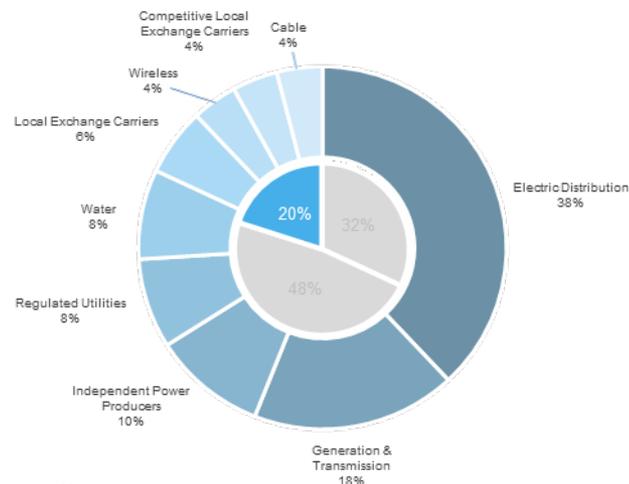
*Includes the downgrades of \$2.2 billion of wholesale loans to two affiliated associations in 2019.

Rural Infrastructure Portfolio

Portfolio Highlights

- \$21.0 billion retail loan portfolio at March 31, 2019
- 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, project finance companies, rural communications companies, water companies and rural community facilities

Portfolio Sectors



Financial Summary

| (\$ in millions) | 3/31/2019 | 2018 | 2017 | 2016 |
|------------------|------------------|-----------|-----------|-----------|
| Period-End Loans | \$ 20,973 | \$ 21,367 | \$ 21,014 | \$ 20,604 |
| Average Loans | \$ 21,212 | \$ 20,919 | \$ 20,732 | \$ 20,092 |
| Net Income | \$ 81 | \$ 349 | \$ 241 | \$ 308 |
| Nonaccrual Loans | \$ 30 | \$ 38 | \$ 34 | \$ - |

Loan Quality

| | 3/31/2019 | 2018 | 2017 | 2016 |
|-----------------|---------------|--------|--------|--------|
| Acceptable | 97.35% | 98.08% | 98.40% | 97.79% |
| Special Mention | 0.68 | 0.65 | 1.05 | 1.84 |
| Substandard | 1.97 | 1.27 | 0.55 | 0.37 |
| Doubtful | - | - | - | - |
| Loss | - | - | - | - |

Capital Position

Summary

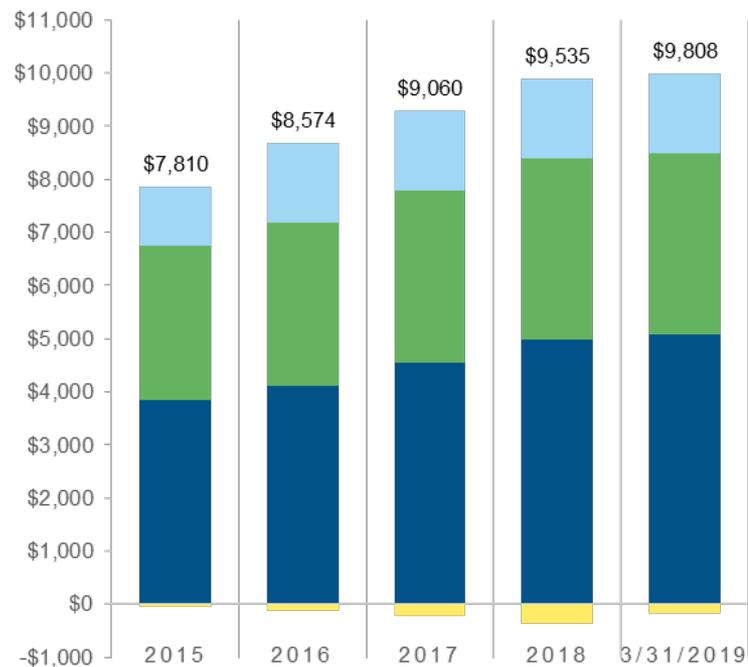
- Capital ratios exceed required regulatory minimums
- Assures continued viability and capacity to meet our customers' borrowing needs
- Preferred stock provides additional layer of risk-bearing capacity

Capital Ratios

| | March 31, 2019 | | | |
|--|--------------------|---------|---------------|-----------------|
| | Regulatory Minimum | Actual | Actual Buffer | Required Buffer |
| Common Equity Tier 1 (CET1) Capital Ratio | 4.5 % | 11.70 % | 7.20 % | 2.5 % * |
| Tier 1 Capital Ratio | 6.0 | 13.77 | 7.77 | 2.5 * |
| Total Capital Ratio | 8.0 | 14.77 | 6.77 | 2.5 * |
| Tier 1 Leverage Ratio | 4.0 | 7.16 | 3.16 | 1.0 |
| Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio | 1.5 | 2.91 | n/a | n/a |
| Permanent Capital Ratio | 7.0 | 13.89 | n/a | n/a |

* Reflects fully-phased in buffer

Shareholders' Equity (\$ in Millions)



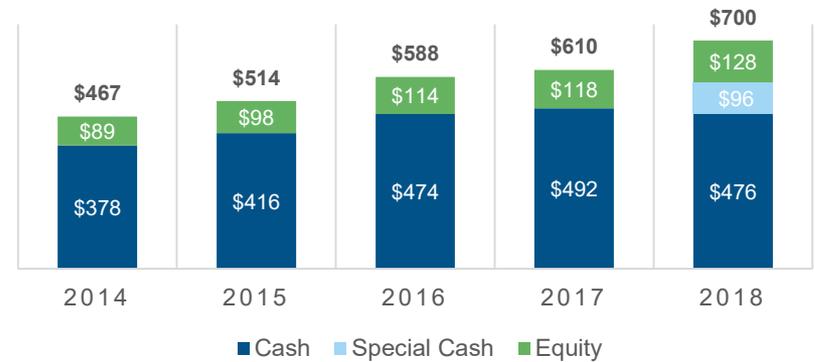
| | | | | | |
|--------------------------|----------|----------|----------|----------|----------|
| Preferred Stock | \$ 1,125 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 |
| Common Stock | \$ 2,900 | \$ 3,072 | \$ 3,240 | \$ 3,416 | \$ 3,404 |
| Retained Earnings | \$ 3,846 | \$ 4,121 | \$ 4,552 | \$ 4,982 | \$ 5,088 |
| Other Comprehensive Loss | \$ (61) | \$ (119) | \$ (232) | \$ (363) | \$ (184) |

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
- In 2018, we made a special cash patronage distribution of \$96.2 million to customer-owners

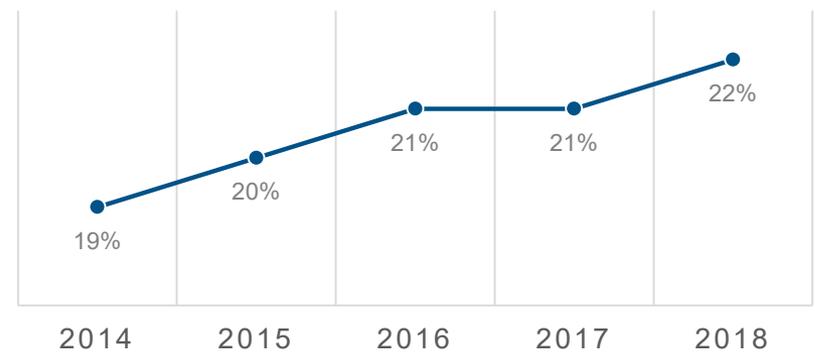
Patronage (\$ in Millions)



Total Cash Payouts (\$ in Millions)



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
- Broad, consistent 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)⁽¹⁾

| Type | Amount | % of Equity |
|--------------------------------------|----------------|---------------|
| Preferred Stock: | | |
| Series E | \$225 | 2.3% |
| Series F | 400 | 4.1% |
| Series G | 200 | 2.0% |
| Series H | 300 | 3.1% |
| Series I | 375 | 3.8% |
| Common Stock | 3,404 | 34.7% |
| Unallocated Retained Earnings | 5,088 | 51.9% |
| Accumulated Other Comprehensive Loss | (184) | -1.9% |
| | \$9,808 | 100.0% |

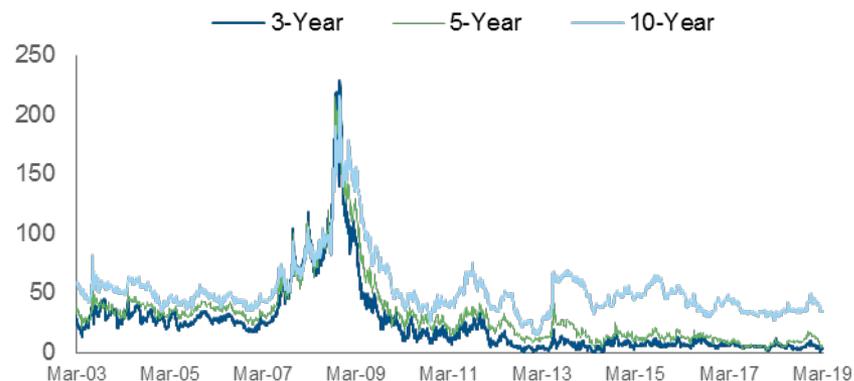
(1) As of March 31, 2019

(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 | \$11,951 | 9.4% | 0.3 | 2.49% |
| Bonds – Noncallable | 104,381 | 82.3% | 2.7 | 2.44% |
| Bonds – Callable, Other | 10,088 | 8.0% | 4.0 | 2.27% |
| S/T Customer Investments and Other | 465 | 0.3% | 0.1 | 1.94% |
| | \$126,885 | 100.0% | 2.6 | 2.43% |

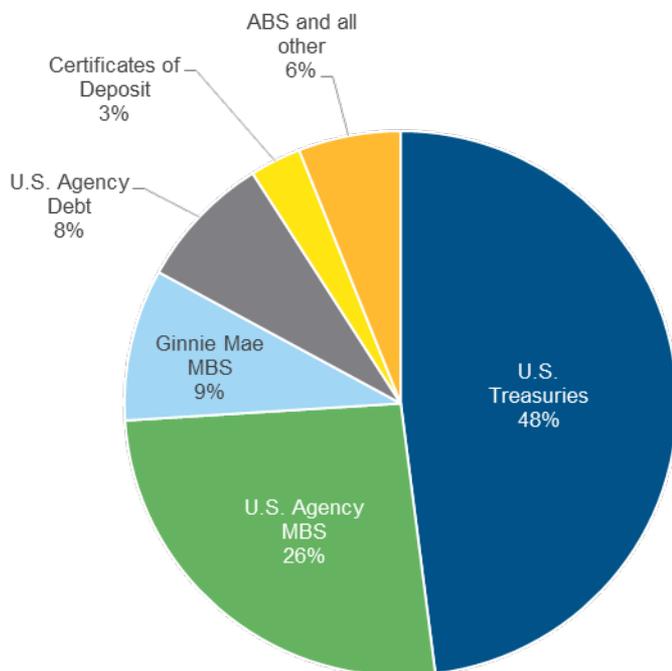
Farm Credit System Spreads to U.S. Treasuries (Basis Points)



Investment Portfolio

Total Investment Securities of \$31.7 Billion

(as of March 31, 2019)



Summary

- \$31.7 billion market-diversified portfolio plus \$0.2 billion of cash and cash equivalents and \$0.5 billion in Federal Funds Sold and Other Overnight Funds as of March 31, 2019
- Largely composed of securities issued or guaranteed by GSEs or U.S. government
- Cash flow average life of 3.2 years and duration of 2.2 years
- Earns average spread of approximately 15 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 172 days at March 31, 2019
 - CoBank's long-term debt to loans was approximately 65% as of March 31, 2019

(\$ in Millions)

| Type | Fair Value |
|-------------------------|-----------------|
| U.S. Treasuries | \$15,279 |
| U.S. Agency MBS | 8,330 |
| Ginnie Mae MBS | 2,881 |
| U.S. Agency Debt | 2,652 |
| Certificates of Deposit | 975 |
| ABS and all other | 1,587 |
| Total | \$31,704 |