



# CoBank Investor Presentation

December 31, 2021



Proud Member of the Farm Credit System 

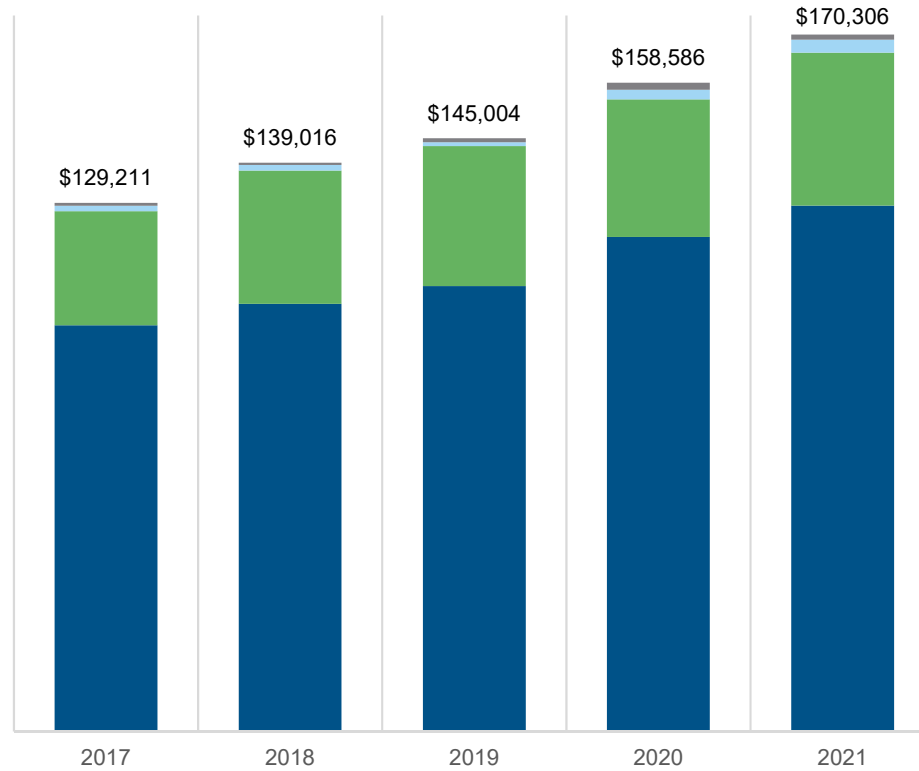
# Summary Financial Results

| (\$ in millions)   | For the Year Ended<br>December 31, |                 |       |
|--|------------------------------------|-----------------|-------|
|  | 2020                               | 2021            | YoY % |
| Interest income  | \$ 3,312                           | \$ 2,869        | -13%  |
| Interest expense   | <u>1,745</u>                       | <u>1,143</u>    | 34%   |
| <i>Net interest income</i>                                 | 1,567                              | <b>1,726</b>    | 10%   |
| Provision for loan losses                                  | <u>21</u>                          | <u>18</u>       | 14%   |
| <i>Net interest income after provision for loan losses</i> | 1,546                              | <b>1,708</b>    | 10%   |
| Noninterest income   | 282                                | <b>199</b>      | -29%  |
| Operating expenses   | <u>435</u>                         | <u>491</u>      | -13%  |
| <i>Income before income taxes</i>                          | 1,393                              | <b>1,416</b>    | 2%    |
| Provision for income taxes                                 | <u>130</u>                         | <u>102</u>      | 22%   |
| <i>Net income</i>  | \$ 1,263                           | \$ <b>1,314</b> | 4%    |
| Return on average common equity                            | 11.86 %                            | <b>11.78 %</b>  | -1%   |
| Net interest margin  | 1.07 %                             | <b>1.10 %</b>   | 3%    |
| Return on average assets                                   | 0.84 %                             | <b>0.82 %</b>   | -2%   |
| Operating expense ratio*                                   | 21.96 %                            | <b>20.33 %</b>  | 7%    |

\* Excludes Insurance Fund premiums

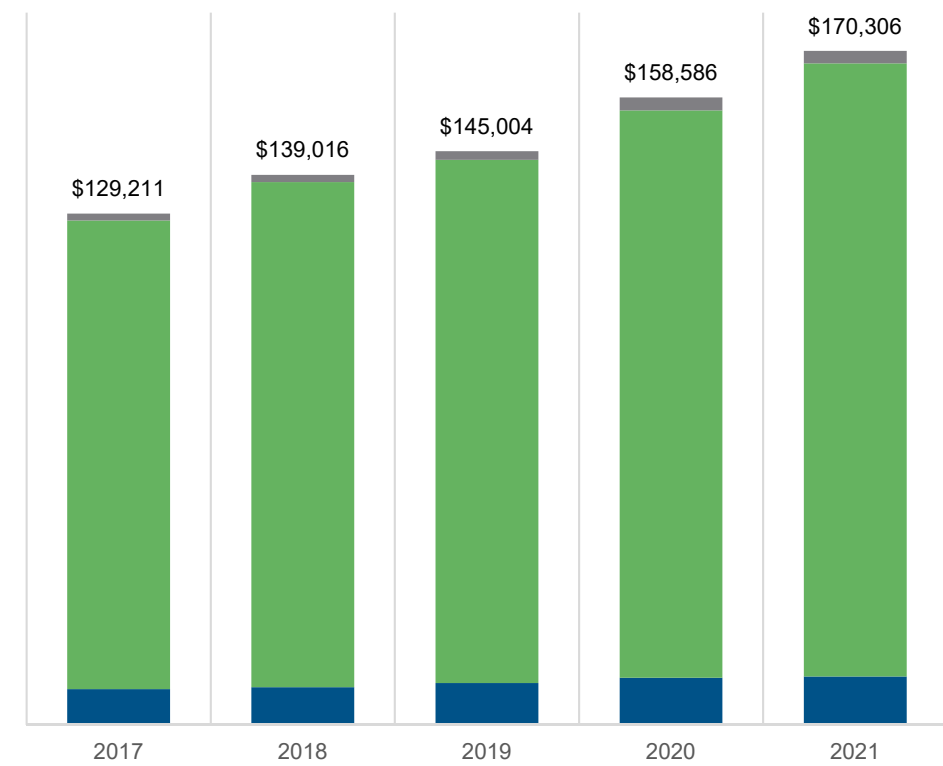
# Balance Sheet Trends

## Assets (\$ in Millions)



|               | 2017      | 2018       | 2019       | 2020       | 2021       |
|---------------|-----------|------------|------------|------------|------------|
| Other         | \$ 726    | \$ 562     | \$ 965     | \$ 1,735   | \$ 1,238   |
| Cash*         | \$ 1,314  | \$ 1,368   | \$ 949     | \$ 2,335   | \$ 3,197   |
| Investments** | \$ 27,905 | \$ 32,592  | \$ 34,236  | \$ 33,660  | \$ 37,342  |
| Gross Loans   | \$ 99,266 | \$ 104,494 | \$ 108,854 | \$ 120,856 | \$ 128,529 |

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



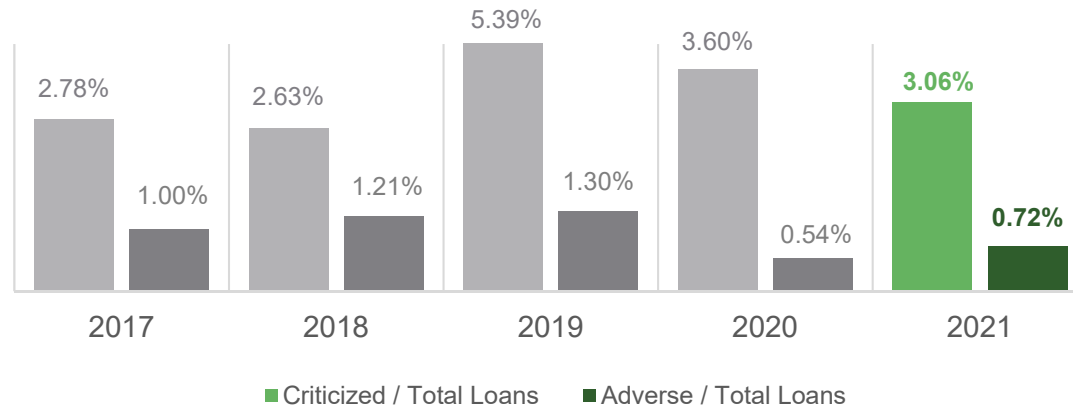
|                      | 2017       | 2018       | 2019       | 2020       | 2021       |
|----------------------|------------|------------|------------|------------|------------|
| Other                | \$ 1,745   | \$ 1,849   | \$ 2,207   | \$ 3,292   | \$ 3,122   |
| Bonds & Notes        | \$ 118,406 | \$ 127,632 | \$ 132,230 | \$ 143,384 | \$ 154,950 |
| Shareholders' Equity | \$ 9,060   | \$ 9,535   | \$ 10,567  | \$ 11,910  | \$ 12,234  |

\* Represents cash and cash equivalents

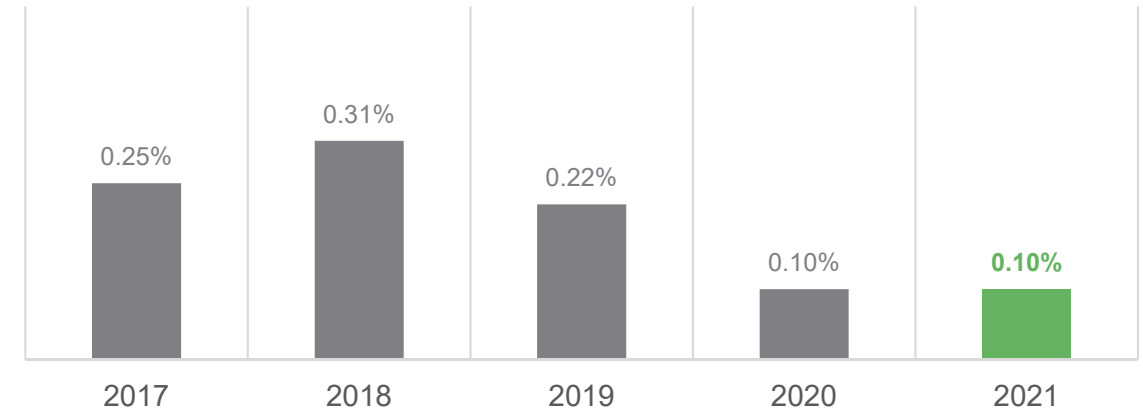
\*\* Includes Investment Securities, Federal Funds Sold and Other Overnight Funds

# Loan Quality

## Criticized / Total Loans & Adverse / Total Loans

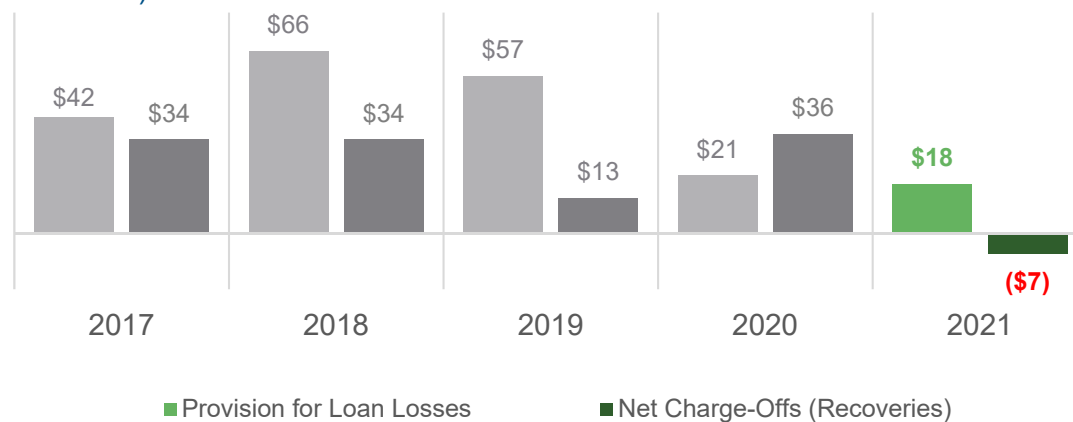


## Nonaccrual Loans / Total Loans

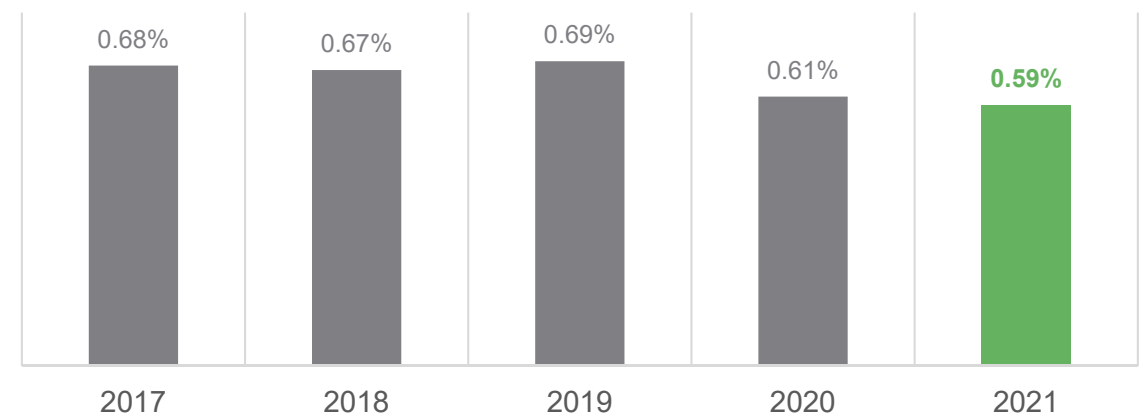


## Provision for Loan Losses & Net Charge-Offs (Recoveries)

(\$ in Millions)

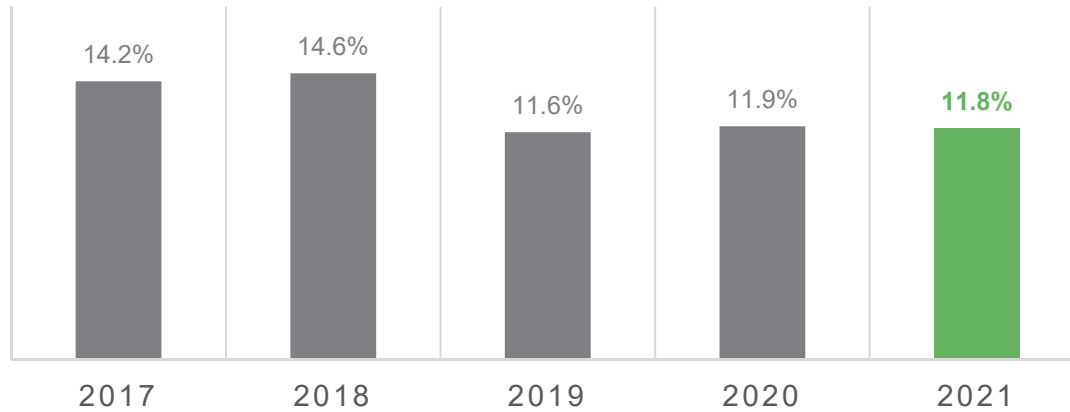


## Allowance for Credit Losses / Total Loans

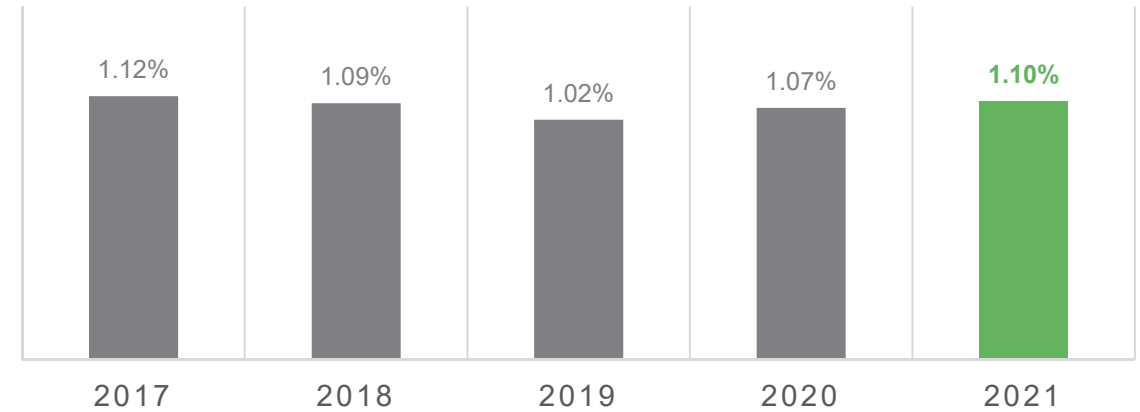


# Profitability and Efficiency

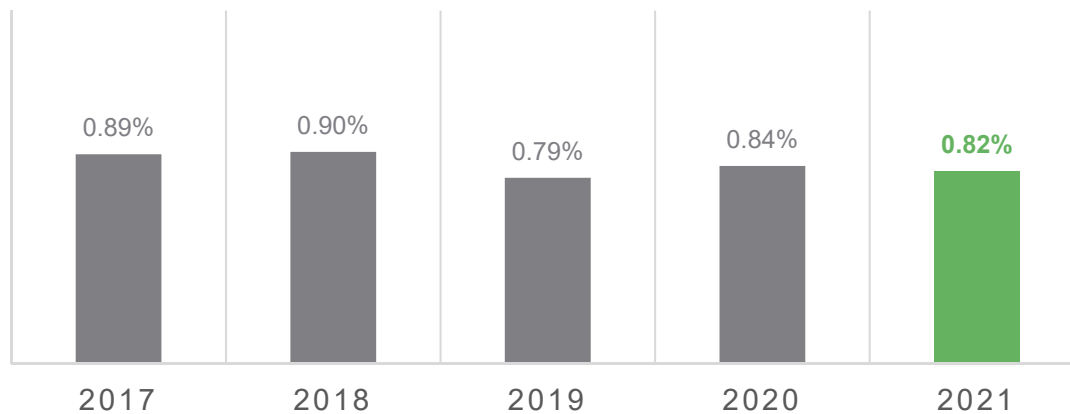
## Return on Average Common Equity



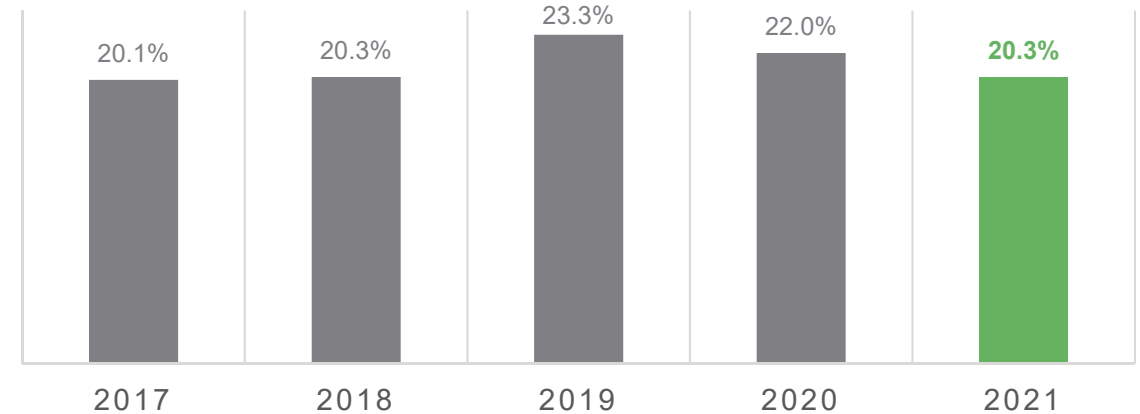
## Net Interest Margin



## Return on Average Assets



## Operating Expense Ratio Excluding Insurance Fund Premiums

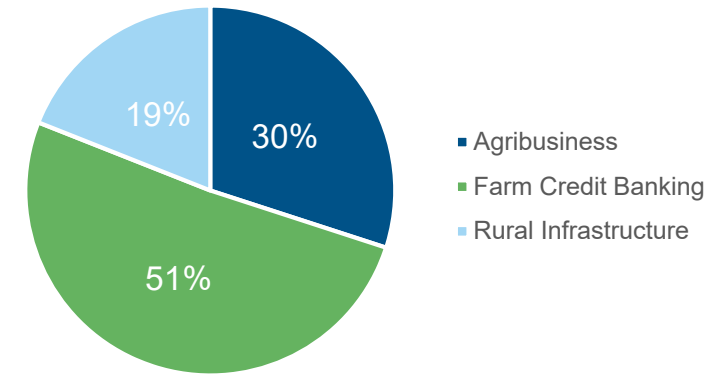


# Operating Segments

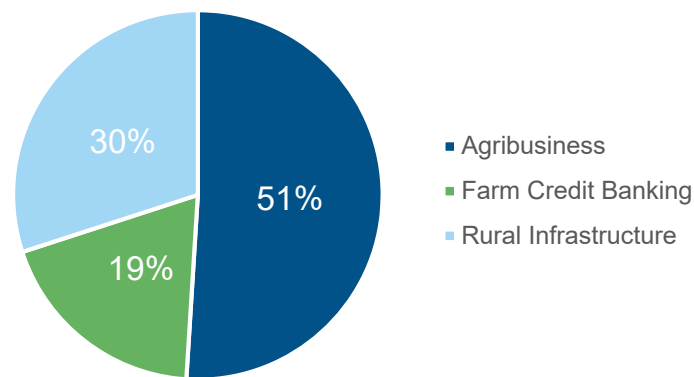
## Summary

- Three operating segments (Agribusiness, Farm Credit Banking and Rural Infrastructure)
- Approximately \$128.5 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

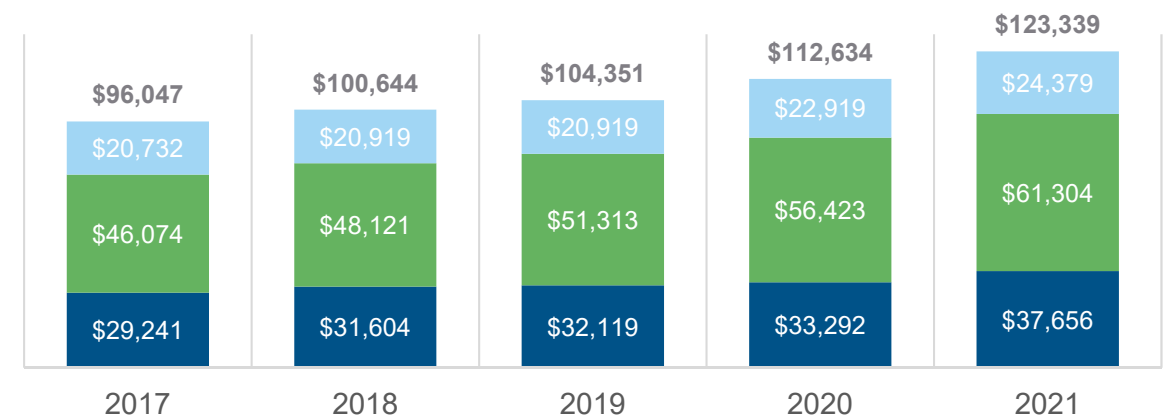
## Loan Volume - \$128.5 Billion at December 31, 2021



## Net Income - \$1.314 Billion



## Average Loan Volume (\$ in Millions)



# Agribusiness Portfolio

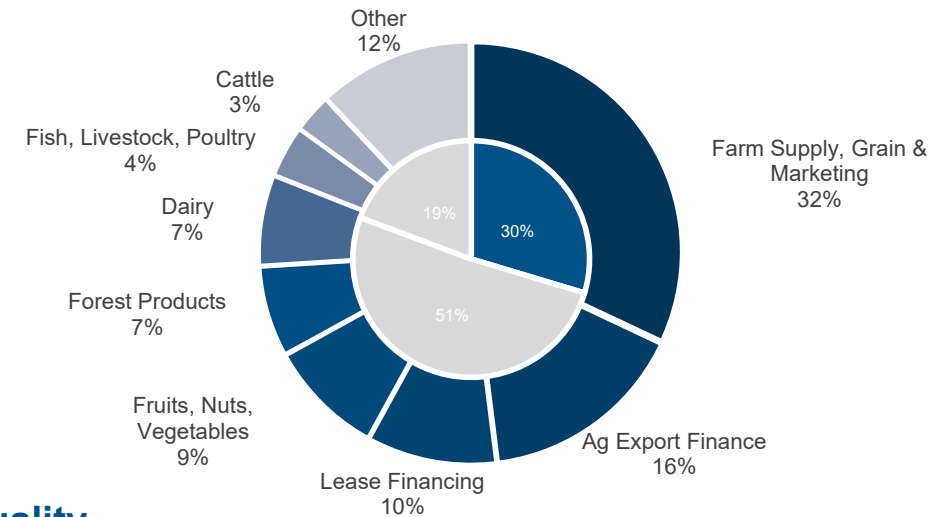
## Portfolio Highlights

- \$38.1 billion retail loan portfolio at December 31, 2021
- 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 \$6.1 billion in agricultural export loans; 19% are U.S. government-guaranteed
- Includes \$3.9 billion leasing portfolio

## Financial Summary

| (\$ in millions) | 2021      | 2020      | 2019      |
|------------------|-----------|-----------|-----------|
| Period-End Loans | \$ 38,094 | \$ 36,103 | \$ 33,168 |
| Average Loans    | \$ 37,656 | \$ 33,292 | \$ 32,119 |
| Net Income       | \$ 677    | \$ 608    | \$ 537    |
| Nonaccrual Loans | \$ 74     | \$ 98     | \$ 220    |

## Portfolio Sectors



## Loan Quality

|                 | 2021                | 2020   | 2019   |
|-----------------|---------------------|--------|--------|
| Acceptable      | 94.27%              | 93.61% | 92.85% |
| Special Mention | 3.62                | 4.81   | 3.90   |
| Substandard     | 2.11                | 1.56   | 3.23   |
| Doubtful        | 0.00 <sup>(1)</sup> | 0.02   | 0.02   |
| Loss            | -                   | -      | -      |

<sup>(1)</sup> Represents less than 0.01 percent of total agribusiness loans and accrued interest.

# Farm Credit Banking Portfolio

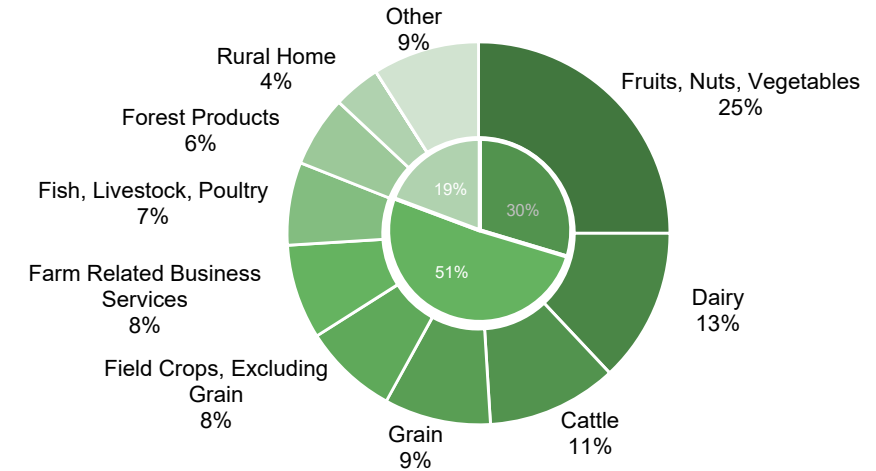
## Portfolio Highlights

- \$65.6 billion wholesale loan portfolio at December 31, 2021
- Lending to 19 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 \$5.1 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) | 2021      | 2020      | 2019      |
|------------------|-----------|-----------|-----------|
| Period-End Loans | \$ 65,632 | \$ 60,516 | \$ 54,459 |
| Average Loans    | \$ 61,304 | \$ 56,423 | \$ 51,313 |
| Net Income       | \$ 246    | \$ 257    | \$ 223    |
| Nonaccrual Loans | \$ -      | \$ -      | \$ -      |

## Portfolio Sectors



## Loan Quality

|                 | 2021   | 2020   | 2019   |
|-----------------|--------|--------|--------|
| Acceptable      | 97.67% | 97.08% | 94.50% |
| Special Mention | 2.33   | 2.92   | 5.50   |
| Substandard     | -      | -      | -      |
| Doubtful        | -      | -      | -      |
| Loss            | -      | -      | -      |



# Rural Infrastructure Portfolio

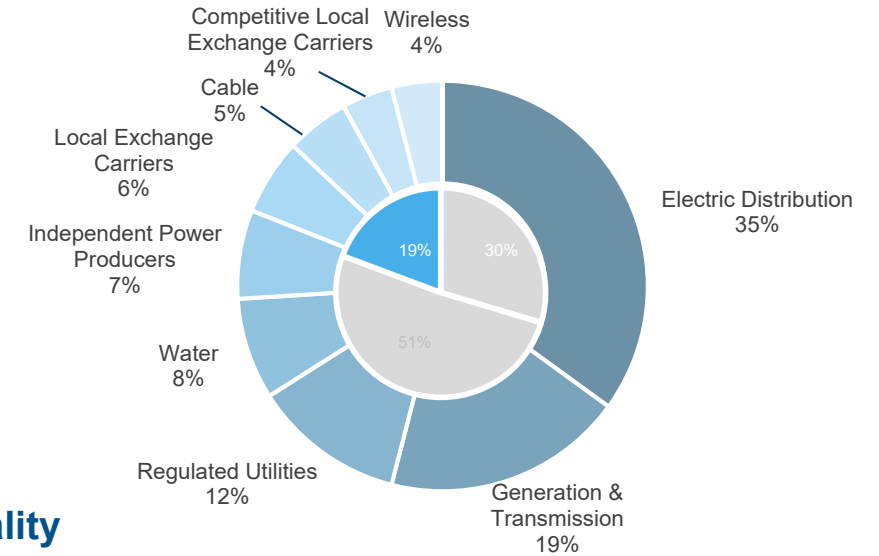
## Portfolio Highlights

- \$24.8 billion retail loan portfolio at December 31, 2021
- 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) | 2021      | 2020      | 2019      |
|------------------|-----------|-----------|-----------|
| Period-End Loans | \$ 24,803 | \$ 24,237 | \$ 21,227 |
| Average Loans    | \$ 24,379 | \$ 22,919 | \$ 20,919 |
| Net Income       | \$ 392    | \$ 398    | \$ 332    |
| Nonaccrual Loans | \$ 49     | \$ 19     | \$ 20     |

## Portfolio Sectors



## Loan Quality

|                 | 2021   | 2020   | 2019   |
|-----------------|--------|--------|--------|
| Acceptable      | 99.13% | 98.89% | 97.66% |
| Special Mention | 0.41   | 0.79   | 0.75   |
| Substandard     | 0.46   | 0.30   | 1.53   |
| Doubtful        | -      | 0.02   | 0.06   |
| Loss            | -      | -      | -      |

# Capital Position

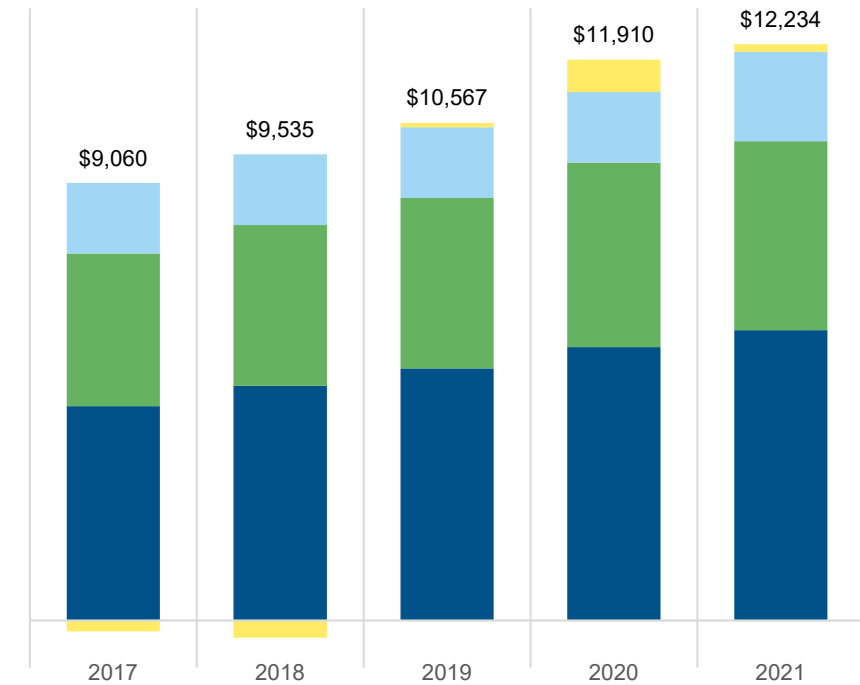
## Summary

- Capital ratios exceed required regulatory minimums
- Assures continued viability and capacity to meet our customers' borrowing needs
- In December 2021, we issued \$425 million of preferred stock
- Preferred stock provides additional layer of risk-bearing capacity

## Capital Ratios

|  | December 31, 2021  |        |               |                 |
|--|--------------------|--------|---------------|-----------------|
|  | Regulatory Minimum | Actual | Actual Buffer | Required Buffer |
| Common Equity Tier 1 (CET1) Capital Ratio                              | 4.5%               | 12.74% | 8.24%         | 2.5%            |
| Tier 1 Capital Ratio   | 6.0                | 14.70  | 8.70          | 2.5             |
| Total Capital Ratio  | 8.0                | 15.63  | 7.63          | 2.5             |
| Tier 1 Leverage Ratio <sup>(1)</sup>                                   | 4.0                | 7.47   | 3.47          | 1.0             |
| Permanent Capital Ratio  | 7.0                | 14.81  | n/a           | n/a             |
| Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio | 1.5                | 3.36   | n/a           | n/a             |

## Shareholders' Equity (\$ in Millions)



|                                   |          |          |          |          |          |
|-----------------------------------|----------|----------|----------|----------|----------|
| Preferred Stock                   | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,500 | \$ 1,902 |
| Common Stock                      | \$ 3,240 | \$ 3,416 | \$ 3,622 | \$ 3,918 | \$ 4,013 |
| Retained Earnings                 | \$ 4,552 | \$ 4,982 | \$ 5,351 | \$ 5,804 | \$ 6,164 |
| Other Comprehensive (Loss) Income | \$ (232) | \$ (363) | \$ 94    | \$ 688   | \$ 155   |

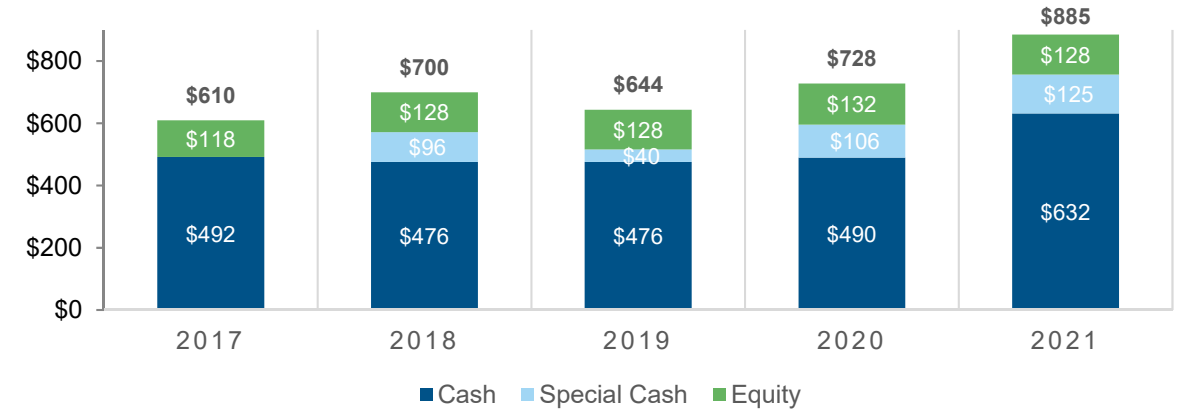
<sup>(1)</sup> At least 1.5 percent must be URE and URE equivalents.

# Patronage

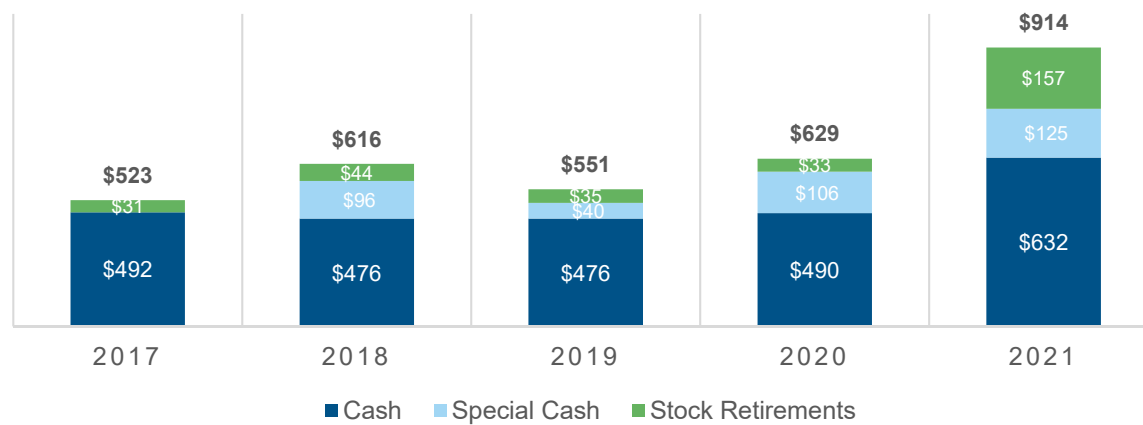
## Summary

- Patronage is a key part of the value proposition we provide our eligible customer-owners
- The board unanimously approved a special cash patronage distribution of \$125.4 million for 2021 to be paid to customer-owners in March 2022.
- Over the past 5 years, customer-owners have received approximately \$3.6 billion in patronage as a result of their investment in the bank

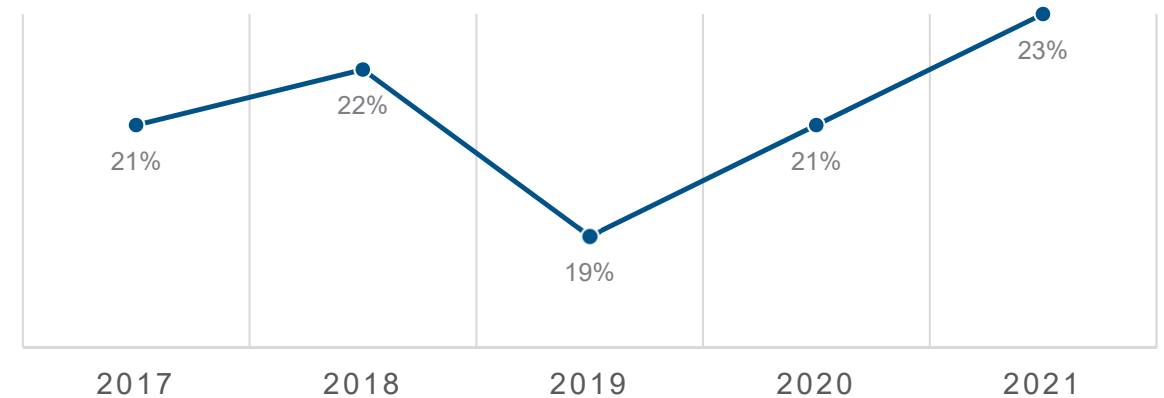
## Patronage (\$ in Millions)



## 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

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

| Type                                   | Amount          | % of Equity   |
|--|-----------------|---------------|
| Preferred Stock:                       |                 |               |
| Series E                               | \$202           | 1.7%          |
| Series F                               | 400             | 3.3%          |
| Series G                               | 200             | 1.6%          |
| Series H                               | 300             | 2.5%          |
| Series I                               | 375             | 3.1%          |
| Series J                               | 425             | 3.5%          |
| Common Stock                           | 4,013           | 32.8%         |
| Unallocated Retained Earnings          | 6,164           | 50.2%         |
| Accumulated Other Comprehensive Income | 155             | 1.3%          |
|  | <b>\$12,234</b> | <b>100.0%</b> |

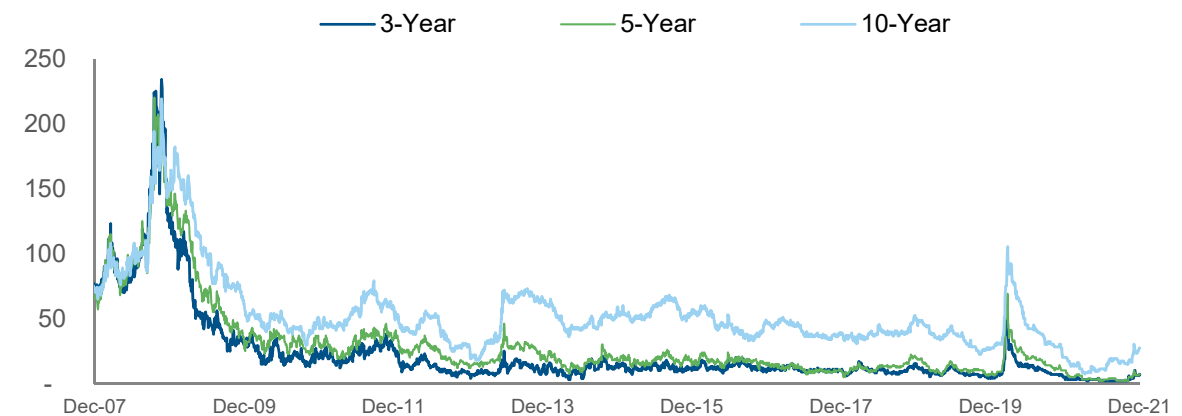
(1) As of December 31, 2021

(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                     | \$ 14,188         | 9.2%          | 0.2                      | 0.06%                             |
| Bonds – Noncallable                | 120,512           | 77.8%         | 2.5                      | 0.74%                             |
| Bonds – Callable, Other            | 18,661            | 12.0%         | 5.3                      | 0.87%                             |
| S/T Customer Investments and Other | 1,589             | 1.0%          | 0.1                      | 0.05%                             |
|                                    | <b>\$ 154,950</b> | <b>100.0%</b> | <b>2.6</b>               | <b>0.68%</b>                      |

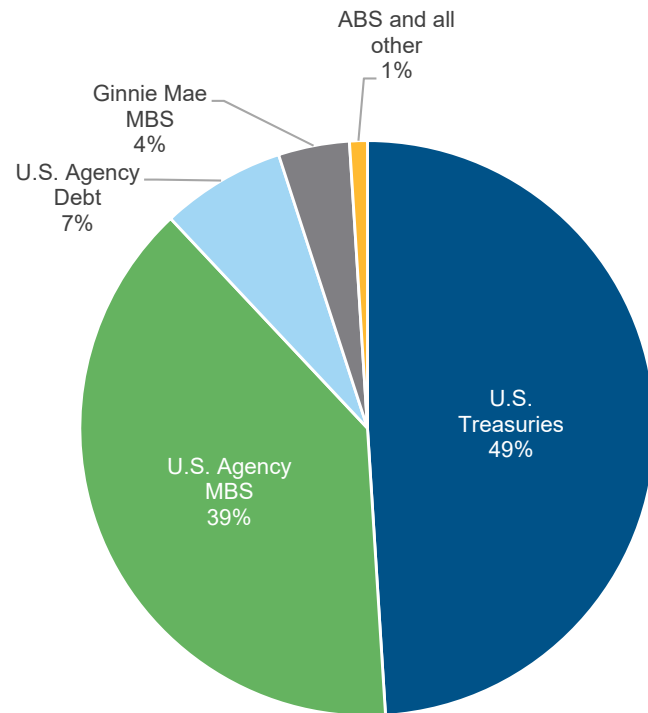
## Farm Credit System Spreads to U.S. Treasuries (Basis Points)



# Investment Portfolio

## Total Investment Securities of \$31.8 Billion

(as of December 31, 2021)



## Summary

- \$31.8 billion market-diversified portfolio plus \$3.2 billion of cash and cash equivalents and \$5.5 billion in Federal Funds Sold and Other Overnight Funds as of December 31, 2021
- 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
- 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 180 days at December 31, 2021
  - CoBank's long-term debt to loans was approximately 66% as of December 31, 2021

(\$ in Millions)

| Type              | Fair Value      |
|-------------------|-----------------|
| U.S. Treasuries   | \$15,716        |
| U.S. Agency MBS   | 12,445          |
| U.S. Agency Debt  | 2,077           |
| Ginnie Mae MBS    | 1,200           |
| ABS and all other | 404             |
| <b>Total</b>      | <b>\$31,842</b> |