

CoBank Investor Presentation

June 30, 2018

Proud Member of the
Farm Credit System 



Summary Financial Results

(\$ in millions)	For the Year Ended December 31,		For the Six Months Ended June 30,		
	2016	2017	2017	2018	YoY%
Interest income	\$ 2,610	\$ 3,141	\$ 1,508	\$ 1,943	29%
Interest expense	1,248	1,748	805	1,199	-49%
<i>Net interest income</i>	<u>1,362</u>	<u>1,393</u>	<u>703</u>	<u>744</u>	6%
Provision for loan losses	63	42	15	40	-167%
<i>Net interest income after provision for loan losses</i>	<u>1,299</u>	<u>1,351</u>	<u>688</u>	<u>704</u>	2%
Noninterest income	185	175	104	176	69%
Operating expenses	380	386	186	173	7%
Provision for income taxes	158	15	83	61	27%
<i>Net income</i>	<u>\$ 946</u>	<u>\$ 1,125</u>	<u>\$ 523</u>	<u>\$ 646</u>	24%
Return on average common equity	12.40	14.20 %	13.39 %*	16.26 %*	21%
Net interest margin	1.14	1.12 %	1.12 %*	1.14 %*	2%
Return on average assets	0.78	0.89 %	0.83 %*	0.98 %*	18%
Operating expense ratio**	19.73	20.11 %	19.04 %	18.56 %	3%

* Annualized

** Excludes Insurance Fund premiums



Balance Sheet Trends

Assets (\$ in Millions)



Other	\$ 823	\$ 813	\$ 697	\$ 726	\$ 624
Cash*	\$ 1,856	\$ 3,113	\$ 1,661	\$ 1,314	\$ 208
Investments**	\$ 24,320	\$ 24,504	\$ 28,515	\$ 27,905	\$ 31,633
Gross Loans	\$ 80,382	\$ 89,041	\$ 95,258	\$ 99,266	\$ 98,736

*Represents Cash and Cash Equivalents

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

Liabilities & Shareholders' Equity (\$ in Millions)

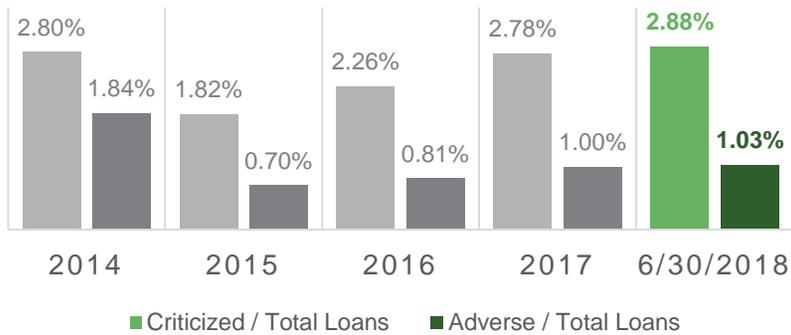


Other	\$ 1,574	\$ 1,788	\$ 1,972	\$ 1,745	\$ 1,593
Subordinated debt	\$ 902	\$ 903	\$ 499	\$ -	\$ -
Bonds & Notes	\$ 97,535	\$ 106,970	\$ 115,086	\$ 118,406	\$ 120,508
Shareholders' equity	\$ 7,370	\$ 7,810	\$ 8,574	\$ 9,060	\$ 9,100

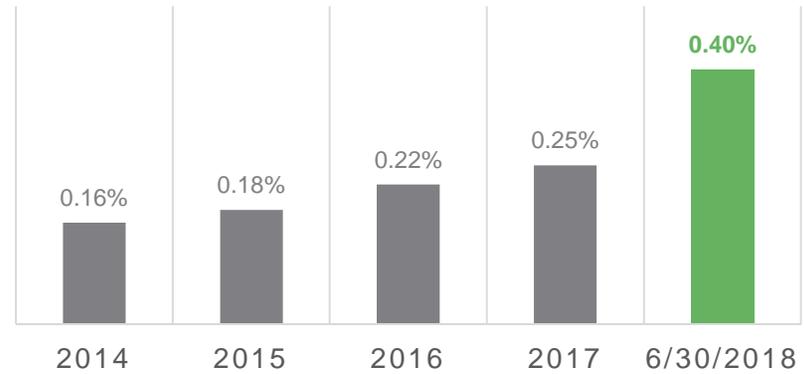


Loan Quality

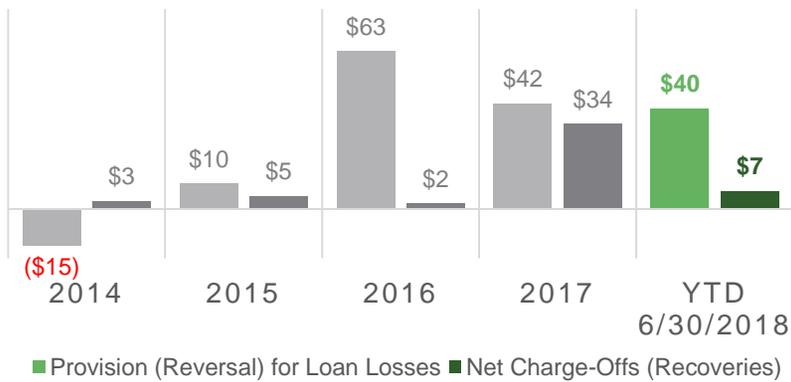
Criticized / Total Loans & Adverse / Total Loans



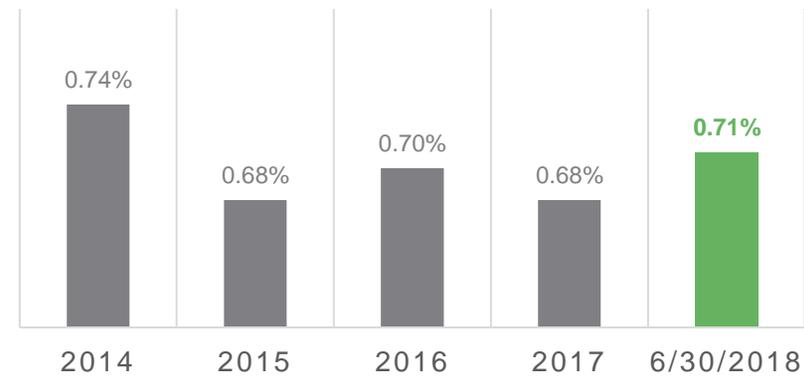
Nonaccrual Loans / Total Loans



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

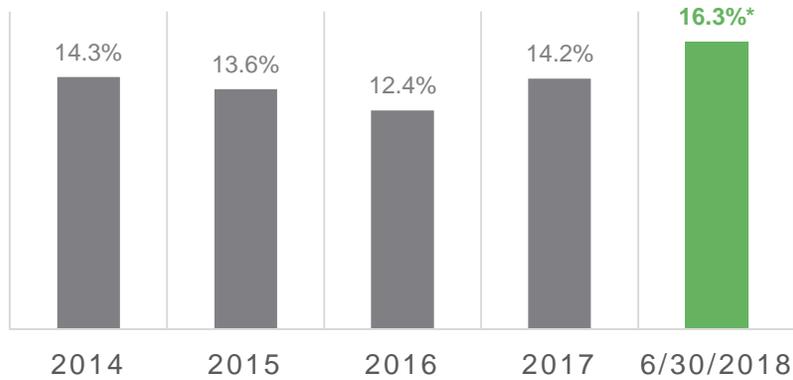


Allowance for Credit Losses / Total Loans

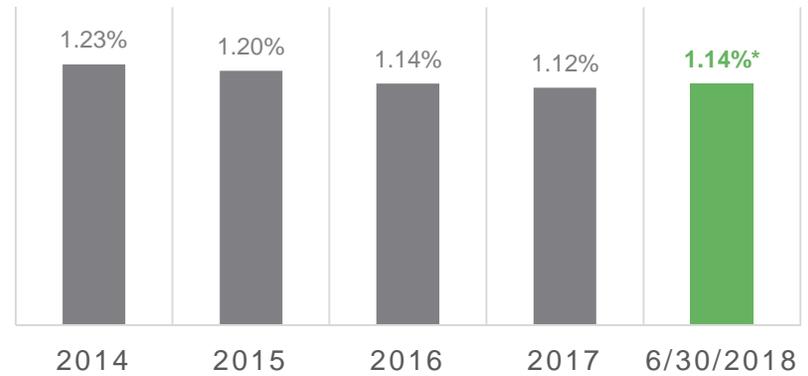


Profitability and Efficiency

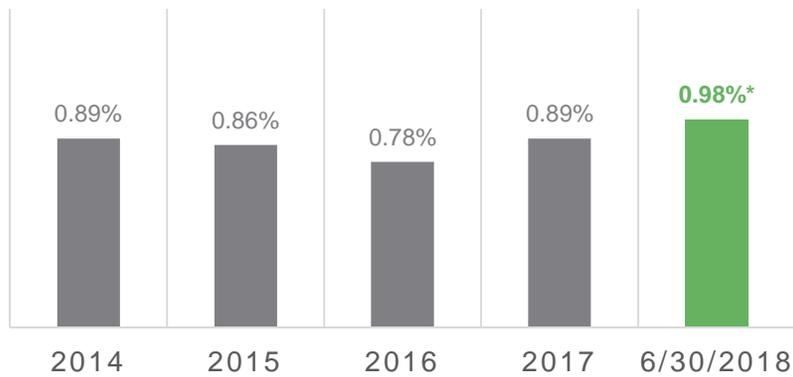
Return on Average Common Equity



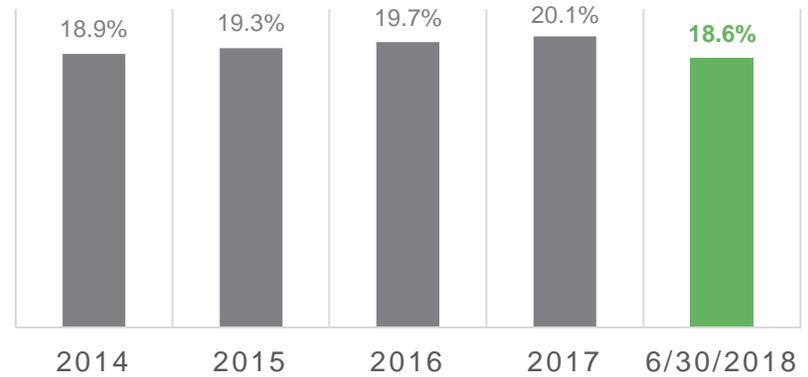
Net Interest Margin



Return on Assets



Operating Expense Ratio Excluding Insurance Fund Premiums



* Annualized

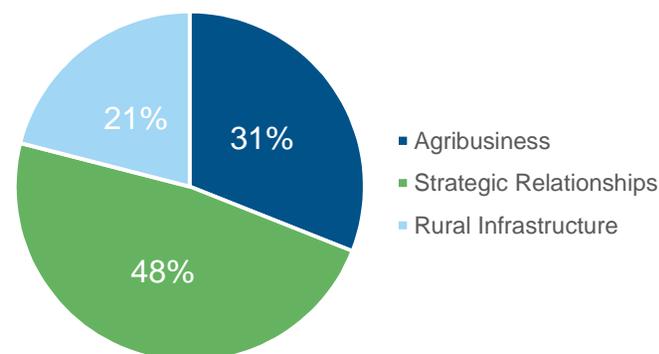


Operating Segments

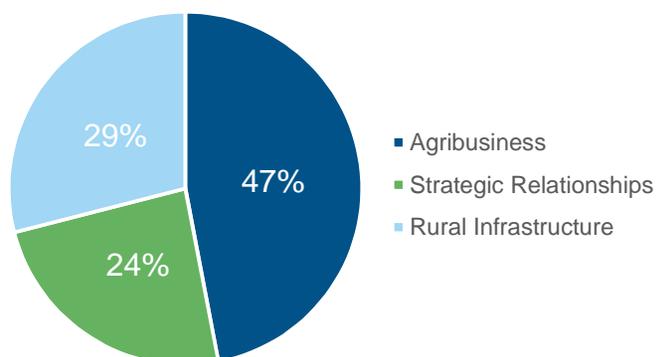
Summary

- Three operating segments (Agribusiness, Strategic Relationships and Rural Infrastructure)
- Over \$98 billion in total loan volume
- Lower income in Strategic Relationships operating segment reflects narrower margins and lower risk profile from wholesale loans

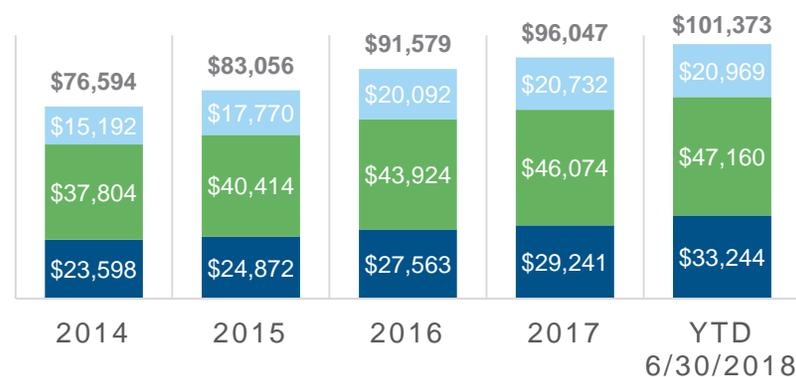
Loan Volume – \$98.7 Billion at June 30, 2018



Net Income – \$646 Million



Average Loan Volume (\$ in Millions)



Agribusiness Portfolio

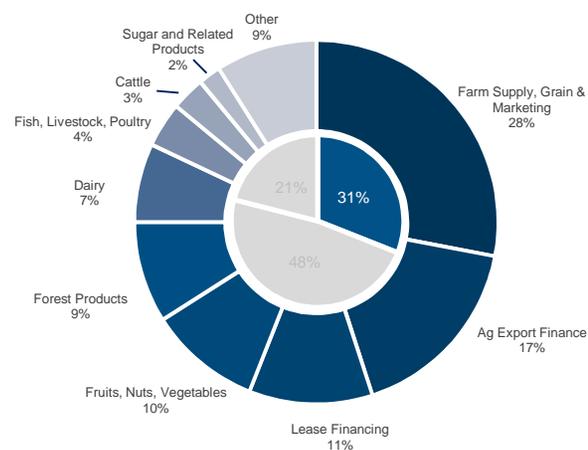
Portfolio Highlights

- \$30.2 billion retail loan portfolio at June 30, 2018
- 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 \$5.1 billion in agricultural export loans; 20% are U.S. government-guaranteed
- Includes \$3.3 billion leasing portfolio

Financial Summary

(\$ in millions)	6/30/2018	2017	2016	2015
Period-End Loans	\$ 30,173	\$ 30,304	\$ 28,660	\$ 26,131
Average Loans	\$ 33,244	\$ 29,241	\$ 27,563	\$ 24,872
Net Income	\$ 305	\$ 630	\$ 403	\$ 449
Nonaccrual Loans	\$ 359	\$ 213	\$ 207	\$ 88

Portfolio Sectors



Loan Quality

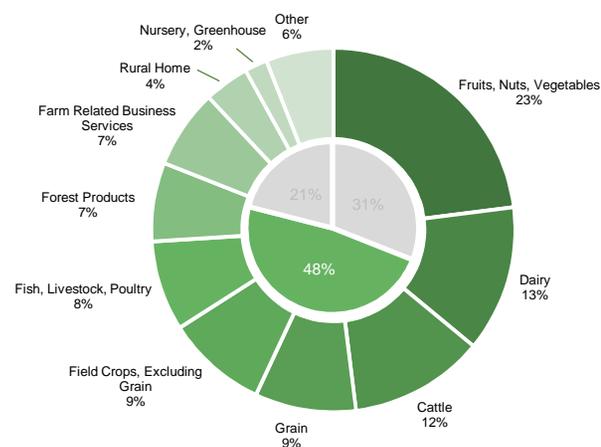
	6/30/2018	2017	2016	2015
Acceptable	93.75%	93.56%	94.08%	95.44%
Special Mention	3.53	3.54	3.51	2.86
Substandard	2.71	2.89	2.39	1.70
Doubtful	0.01	0.01	0.02	-
Loss	-	-	-	-

Strategic Relationships Portfolio

Portfolio Highlights

- \$47.7 billion wholesale loan portfolio at June 30, 2018
- 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)	6/30/2018	2017	2016	2015
Period-End Loans	\$ 47,719	\$ 47,948	\$ 45,994	\$ 43,358
Average Loans	\$ 47,160	\$ 46,074	\$ 43,924	\$ 40,414
Net Income	\$ 153	\$ 262	\$ 245	\$ 242
Nonaccrual Loans	\$ -	\$ -	\$ -	\$ -

Loan Quality

	6/30/2018	2017	2016	2015
Acceptable	98.89%	99.02%	100%	100%
Special Mention	1.11	0.98	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-

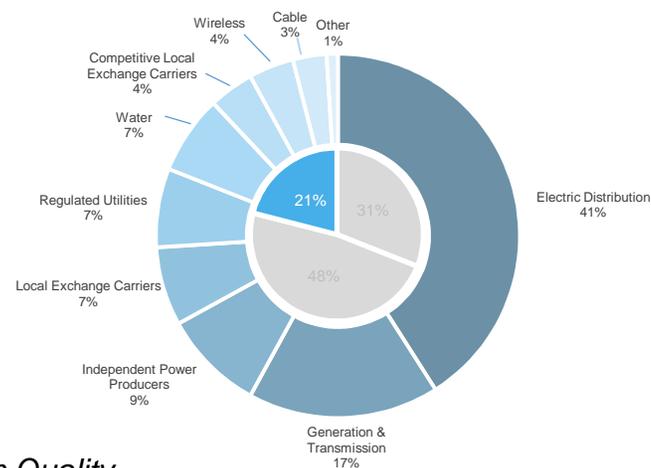


Rural Infrastructure Portfolio

Portfolio Highlights

- \$20.8 billion retail loan portfolio at June 30, 2018
- 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)	6/30/2018	2017	2016	2015
Period-End Loans	\$ 20,844	\$ 21,014	\$ 20,604	\$ 19,552
Average Loans	\$ 20,969	\$ 20,732	\$ 20,092	\$ 17,770
Net Income	\$ 188	\$ 241	\$ 308	\$ 255
Nonaccrual Loans	\$ 41	\$ 34	\$ -	\$ 69

Loan Quality

	6/30/2018	2017	2016	2015
Acceptable	97.97%	98.40%	97.79%	97.79%
Special Mention	1.11	1.05	1.84	1.29
Substandard	0.92	0.55	0.37	0.92
Doubtful	-	-	-	-
Loss	-	-	-	-



Capital Position

Summary

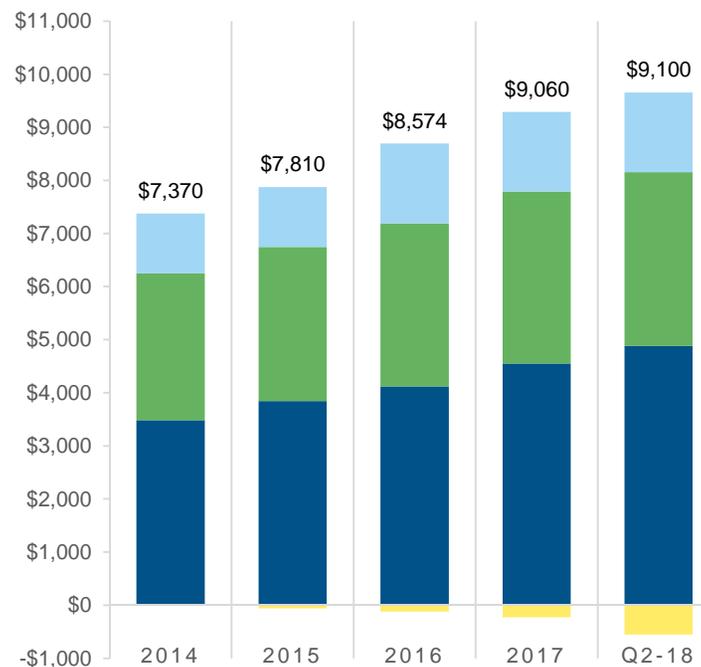
- Capital ratios exceed required regulatory minimums
- Assures continued viability and capacity to meet our customers' borrowing needs
- Preferred stock provides additional layer of risk-bearing capacity

Capital Ratios

	Regulatory Minimum	June 30, 2018		Required Buffer
		Actual	Actual Buffer	
Common Equity Tier 1 (CET1) Capital Ratio	4.5 %	11.79 %	7.29 %	2.5 % *
Tier 1 Capital Ratio	6.0	13.97	7.97	2.5 *
Total Capital Ratio	8.0	15.02	7.02	2.5 *
Tier 1 Leverage Ratio	4.0	7.21	3.21	1.0
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	2.97	n/a	n/a
Permanent Capital Ratio	7.0	14.09	n/a	n/a

* Reflects fully-phased in buffer

Shareholders' Equity (\$ in Millions)



	2014	2015	2016	2017	Q2-18
Preferred Stock	\$ 1,125	\$ 1,125	\$ 1,500	\$ 1,500	\$ 1,500
Common Stock	\$ 2,769	\$ 2,900	\$ 3,072	\$ 3,240	\$ 3,273
Retained Earnings	\$ 3,482	\$ 3,846	\$ 4,121	\$ 4,552	\$ 4,882
Other Comprehensive Loss	\$ (6)	\$ (61)	\$ (119)	\$ (232)	\$ (555)

Patronage

Summary

- Patronage is a key part of the value proposition we provide our eligible customer-owners
- Cooperatives and other directly eligible borrowers earned 100 basis points of patronage based on average qualifying loan volume for 2017 paid in 2018
- Affiliated associations earned 45 basis points of cash patronage for 2017 paid in 2018 under a separate capital plan
- In August 2017, we announced changes to our capital plans and patronage programs. These changes began to take effect in 2018 for patronage to be paid in 2019
- Special one-time patronage distribution of \$96 million to be paid in cash to eligible borrowers in September 2018

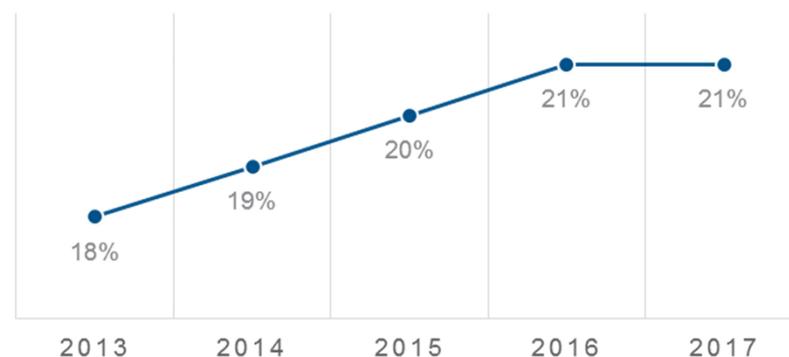
Total Cash Payouts (\$ in Millions)



Patronage (\$ 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	2.5%
Series F	400	4.4%
Series G	200	2.2%
Series H	300	3.3%
Series I	375	4.1%
Common Stock	3,273	36.0%
Unallocated Retained Earnings	4,882	53.6%
Accumulated Other Comprehensive Loss	(555)	-6.1%
	\$9,100	100.0%

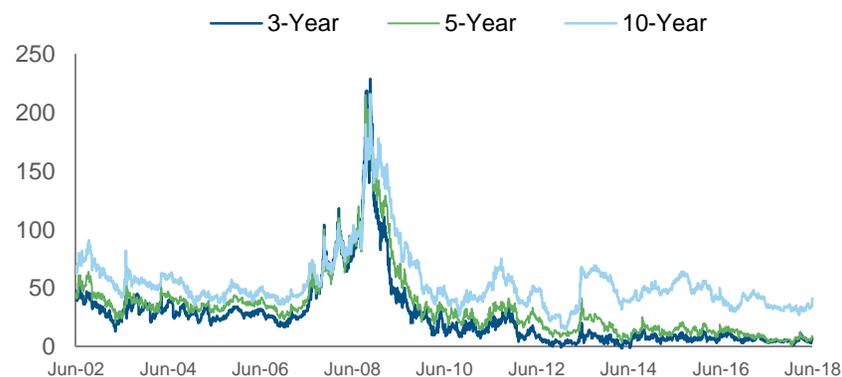
(1) As of June 30, 2018

(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	\$11,403	9.5%	0.2	1.72%
Bonds – Noncallable	99,073	82.2%	2.9	2.13%
Bonds – Callable, Other	9,291	7.7%	4.3	1.98%
S/T Customer Investments and Other	741	0.6%	0.1	0.26%
	\$120,508	100.0%	2.7	2.07%

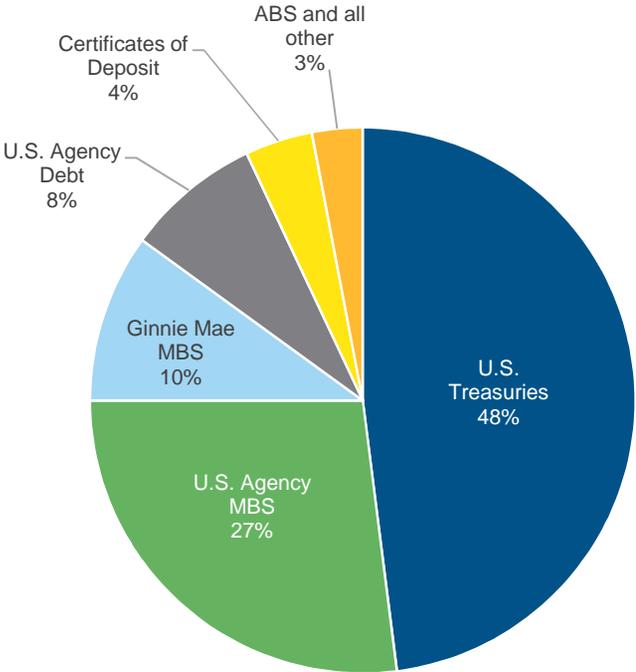
Farm Credit System Spreads to U.S. Treasuries (Basis Points)



Investment Portfolio

Total Investment Securities of \$30.8 Billion

(as of June 30, 2018)



Summary

- \$30.8 billion market-diversified portfolio plus \$0.2 billion of cash and cash equivalents and \$0.9 billion in Federal Funds Sold and Other Overnight Funds as of June 30, 2018
- Largely composed of securities issued or guaranteed by GSEs or U.S. government
- Cash flow average life of 3.2 years and duration of 2.3 years
- Earns average spread of approximately 16 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 180 days at June 30, 2018
 - CoBank's long-term debt to loans was approximately 69% as of June 30, 2018

(\$ in Millions)

Type	Fair Value
U.S. Treasuries	\$14,831
U.S. Agency MBS	8,149
U.S. Agency Debt	2,558
Ginnie Mae MBS	3,105
Certificates of Deposit	1,321
ABS and all other	819
Total	\$30,783

