



CoBank 2016 Financial Results

March 7, 2017





Everett Dobrinski
Chairman of the Board



Thomas Halverson
Chief Executive Officer



David Burlage
Chief Financial Officer

1. Build the financial strength of the bank
2. Provide competitive and innovative financial solutions for our customers and Farm Credit partners
3. Attract, develop and retain a high-quality, engaged work force
4. Drive efficiency and scalability in our operating and servicing platforms
5. Leverage our partnerships within the Farm Credit System
6. Be a socially responsible corporate citizen

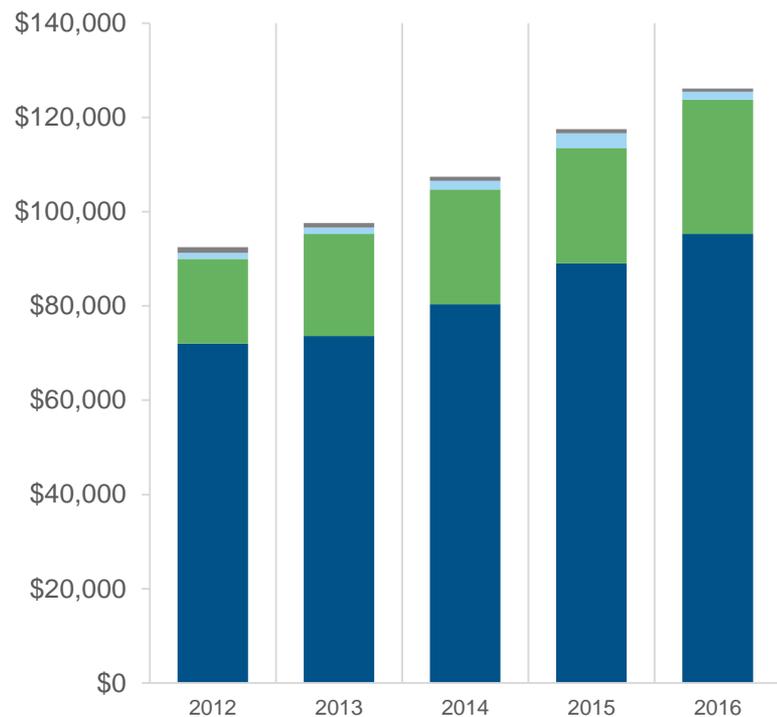
Summary Financial Results



(\$ in millions)	2015	2016	YoY%
Interest income	\$ 2,210	\$ 2,610	18%
Interest expense	937	1,248	-33%
<i>Net interest income</i>	1,273	1,362	7%
Provision for loan losses	10	63	-530%
<i>Net interest income after provision for loan losses</i>	1,263	1,299	3%
Noninterest income	170	185	9%
Operating expenses	325	380	-17%
Provision for income taxes	171	158	8%
<i>Net income</i>	\$ 937	\$ 946	1%
Return on average common equity	13.57 %	12.40 %	-9%
Net interest margin	1.20 %	1.14 %	-5%
Return on average assets	0.86 %	0.78 %	-9%
Operating expense ratio*	19.30 %	19.70 %	-2%

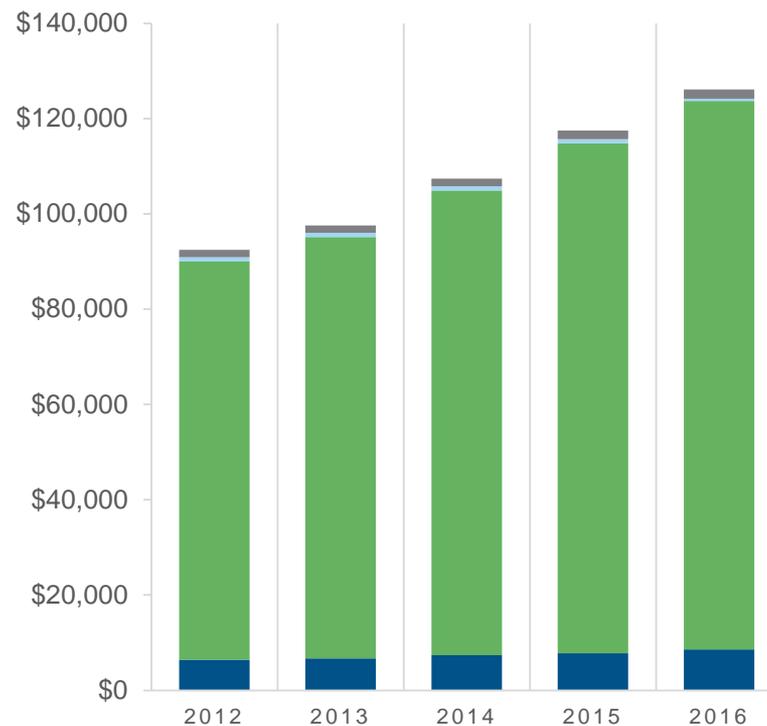
* Excludes Insurance Fund premiums

Assets (\$ in Millions)



Other	\$ 1,198	\$ 970	\$ 823	\$ 813	\$ 697
Cash*	\$ 1,254	\$ 1,335	\$ 1,856	\$ 3,113	\$ 1,661
Investments**	\$ 17,999	\$ 21,688	\$ 24,320	\$ 24,504	\$ 28,515
Gross Loans	\$ 71,980	\$ 73,603	\$ 80,382	\$ 89,041	\$ 95,258

Liabilities & Shareholders' Equity (\$ in Millions)



Other	\$ 1,525	\$ 1,576	\$ 1,574	\$ 1,788	\$ 1,972
Subordinated debt	\$ 901	\$ 902	\$ 902	\$ 903	\$ 499
Bonds & Notes	\$ 83,564	\$ 88,413	\$ 97,535	\$ 106,970	\$ 115,086
Shareholders' equity	\$ 6,441	\$ 6,705	\$ 7,370	\$ 7,810	\$ 8,574

*Represents Cash and Cash Equivalents

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

Certain reclassifications have been made to amounts reported in previous periods to conform to 2016 presentation

Agribusiness



- Regional Cooperatives & Agribusinesses
- Large and Diversified Ag Cooperatives & Agribusinesses
- Food Companies & Other Eligible Borrowers
- Ag Export Financing
- Farm Credit Leasing
- Farm Credit System Purchased Participations

Strategic Relationships



- 23 Affiliated Associations
- Nonaffiliated Associations
- Farm Credit Banks

Rural Infrastructure

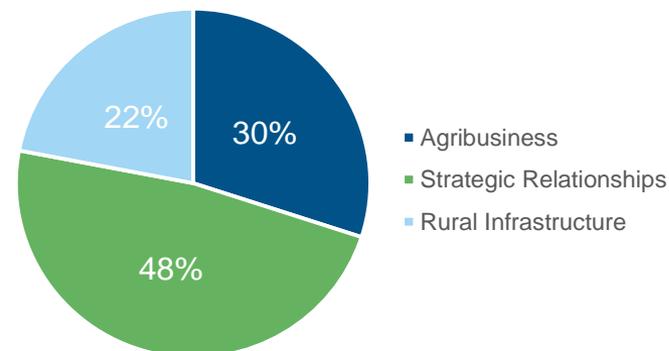


- Electric Distribution Cooperatives
- Generation & Transmission Cooperatives
- Rural Power Supply Companies
- Communications Companies
- Water & Waste Water Companies
- Vital Community Facilities

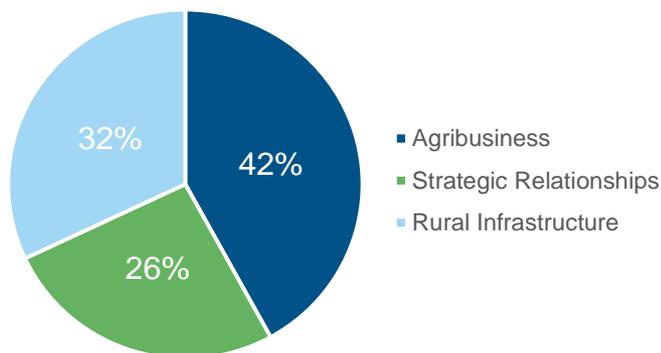
Summary

- Diversification across our three operating segments is key to our strong risk profile
- Lower income from wholesale loans reflects narrower margins and lower risk profile in Strategic Relationships operating segment
- Over \$95 billion in total loan volume with loan growth in all three of our operating segments in 2016

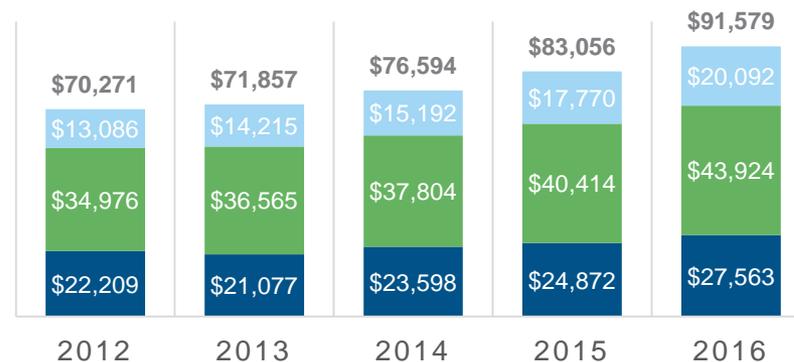
Loan Volume – \$95.3 Billion at December 31, 2016



Net Income ⁽¹⁾ – \$946 Million



Average Loan Volume (\$ in Millions)



⁽¹⁾ As of and for the year ended December 31, 2016

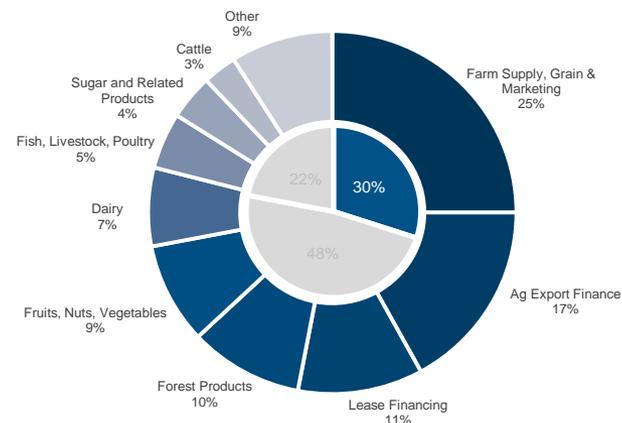
Portfolio Highlights

- \$28.7 billion retail loan portfolio; \$3.2 billion leasing portfolio
- Grain handling/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
- \$4.9 billion in agricultural export loans; 26% are U.S. government-guaranteed

Financial Summary

(\$ in millions)	2014	2015	2016
Period-End Loans	\$24,359	\$26,131	\$28,660
Average Loans	\$23,598	\$24,872	\$27,563
Net Income	\$ 386	\$ 449	\$ 403
Nonaccrual Loans	\$ 49	\$ 88	\$ 207

Portfolio Sectors



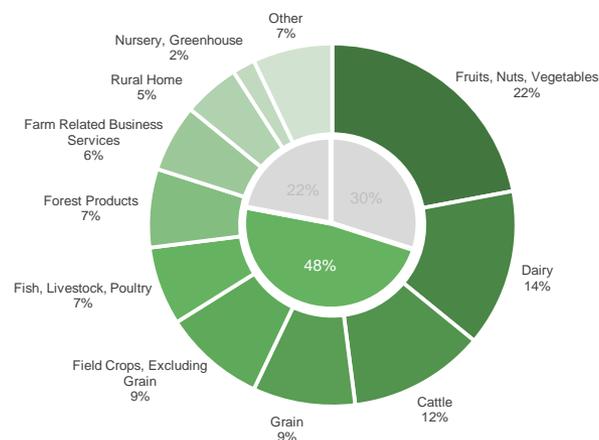
Loan Quality

	2014	2015	2016
Acceptable	95.92%	95.44%	94.08%
Special Mention	2.52	2.86	3.51
Substandard	1.55	1.70	2.39
Doubtful	0.01	-	0.02
Loss	-	-	-

Portfolio Highlights

- \$46.0 billion wholesale loan portfolio
- Lending to 23 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
- \$4.5 billion in wholesale funding to other Farm Credit Banks, primarily with Farm Credit Bank of Texas

Portfolio Sectors



Financial Summary

(\$ in millions)	2014	2015	2016
Period-End Loans	\$39,919	\$43,358	\$45,994
Average Loans	\$37,804	\$40,414	\$43,924
Net Income	\$ 244	\$ 242	\$ 245
Nonaccrual Loans	\$ -	\$ -	\$ -

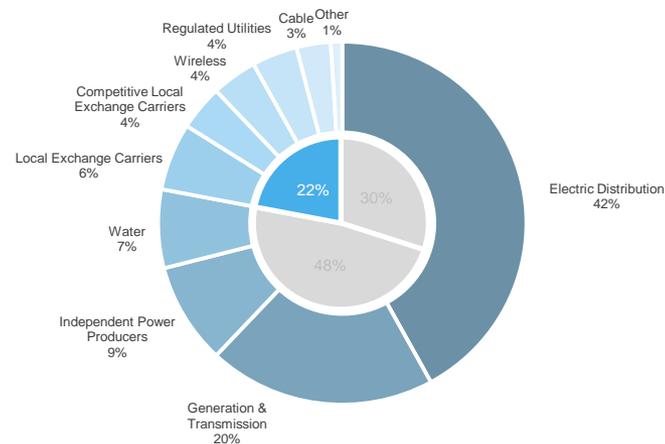
Loan Quality

	2014	2015	2016
Acceptable	97.76%	100%	100%
Special Mention	-	-	-
Substandard	2.24	-	-
Doubtful	-	-	-
Loss	-	-	-

Portfolio Highlights

- \$20.6 billion retail loan portfolio
- 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, rural communications companies, water companies and rural community facilities

Portfolio Sectors



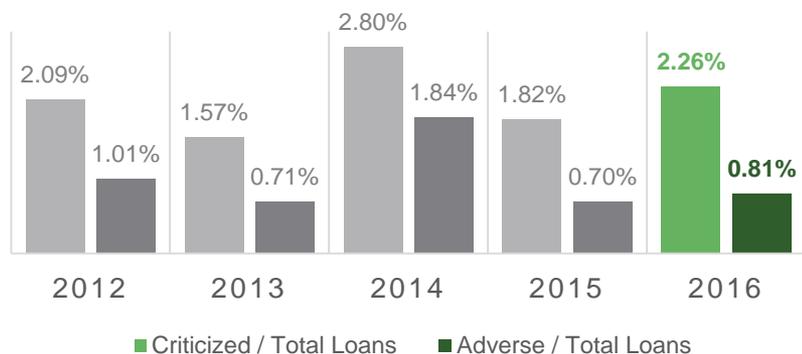
Financial Summary

(\$ in millions)	2014	2015	2016
Period-End Loans	\$16,104	\$19,552	\$20,604
Average Loans	\$15,192	\$17,770	\$20,092
Net Income	\$ 280	\$ 255	\$ 308
Nonaccrual Loans	\$ 81	\$ 69	\$ -

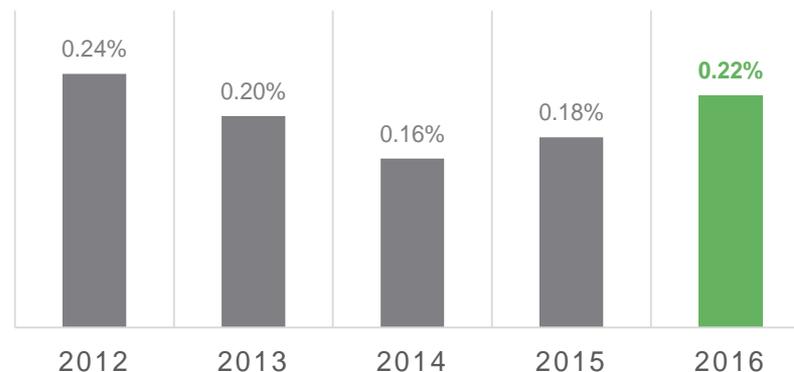
Loan Quality

	2014	2015	2016
Acceptable	97.69%	97.79%	97.79%
Special Mention	1.01	1.29	1.84
Substandard	1.12	0.92	0.37
Doubtful	0.18	-	-
Loss	-	-	-

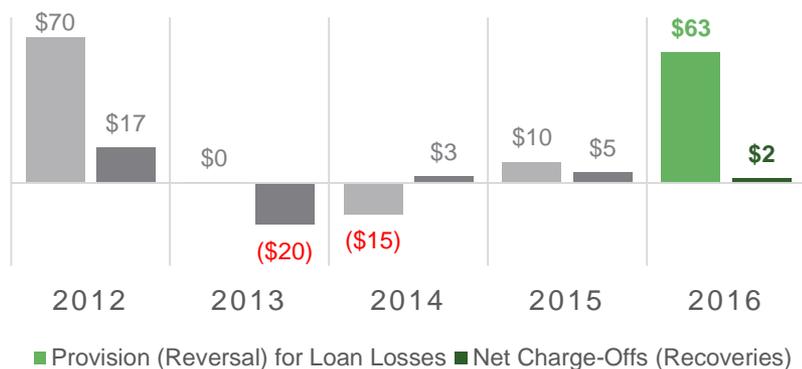
Criticized / Total Loans & Adverse / Total Loans



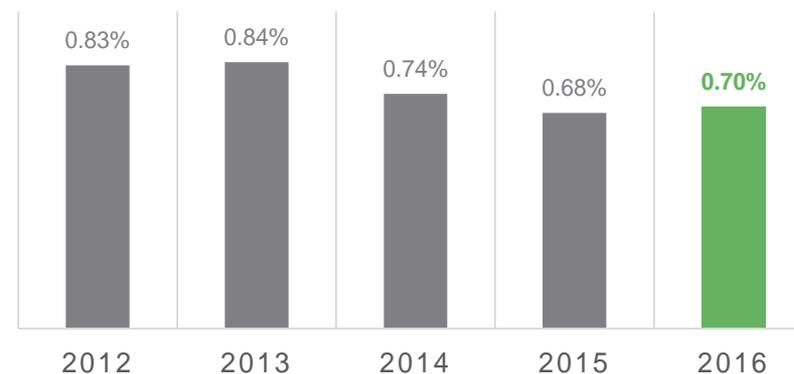
Nonaccrual Loans / Total Loans



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



Allowance for Credit Losses / Total Loans



Summary

- CoBank is not legally 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
- 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 197 days at December 31, 2016
- Third-party capital provides additional risk-bearing capacity

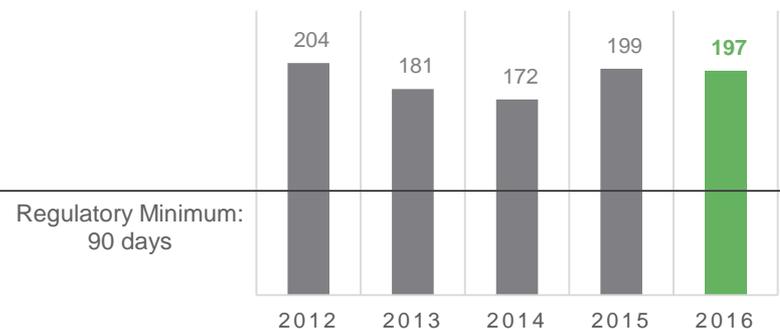
Debt (\$ in Millions) ⁽¹⁾

Type	Amount	% of Debt	Avg. Maturity (in years)
Discount Notes	\$12,210	10.6%	0.5
Bonds – Noncallable	91,219	78.9%	2.8
Designated Bonds – Noncallable	3,049	2.6%	0.4
Bonds – Callable, Other	7,012	6.1%	4.9
Subordinated Debt ⁽²⁾	499	0.4%	5.5
S/T Customer Investments and Other ⁽³⁾	1,596	1.4%	0.1
	\$115,585	100.0%	2.6

Equity (\$ in Millions) ⁽¹⁾

Type	Amount	% of Equity
Preferred Stock:		
Series E	\$225	2.6%
Series F	400	4.7%
Series G	200	2.3%
Series H	300	3.5%
Series I	375	4.4%
Common Stock	3,072	35.8%
Unallocated Retained Earnings	4,122	48.1%
Accumulated Other Comprehensive Income (Loss)	(120)	-1.4%
	\$8,574	100.0%

Total Days Liquidity (as of period end)

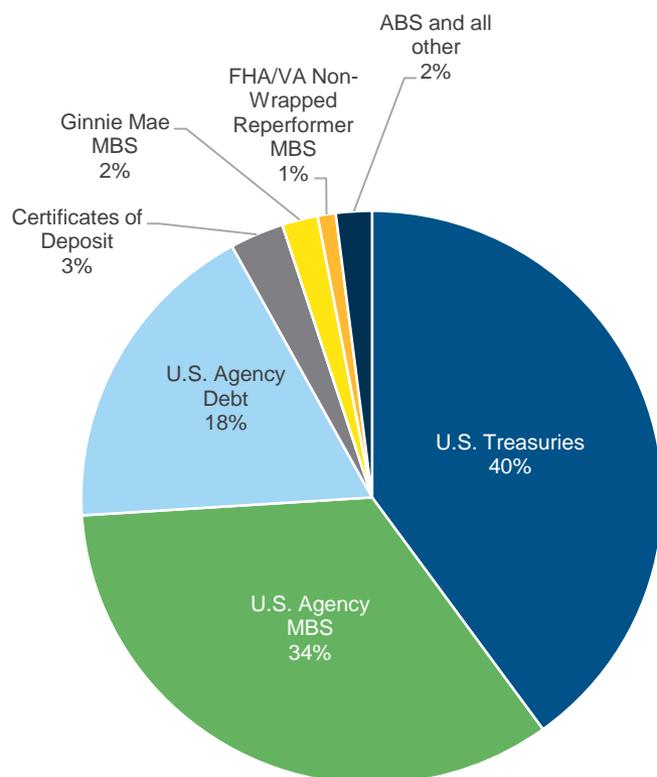


(1) As of December 31, 2016

(2) Subordinated debt is considered capital for regulatory purposes, subject to certain limitations.

(3) Includes cash collateral posted by counterparties of \$86 million.

Total \$27.8 Billion (as of December 31, 2016)



Summary

- \$27.8 billion market-diversified portfolio plus \$1.7 billion of cash and cash equivalents and \$750 million in Federal Funds Sold and Other Overnight Funds as of December 31, 2016
- Largely composed of securities issued or guaranteed by GSEs or U.S. government
- Cash flow average life of 3.9 years and duration of 2.3 years

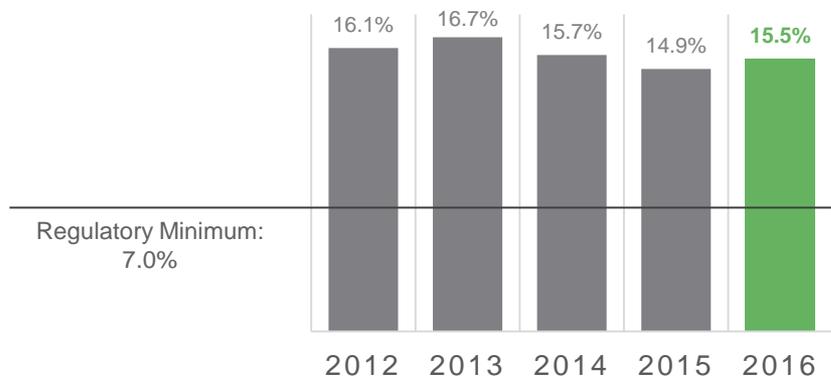
(\$ in Millions)

Type	Fair Value
U.S. Treasuries	\$11,141
U.S. Agency MBS	9,352
U.S. Agency Debt	5,144
Certificates of Deposit	776
Ginnie Mae MBS	541
FHA/VA Non-Wrapped Reperformer MBS	275
ABS and all other	536
Total	\$27,765

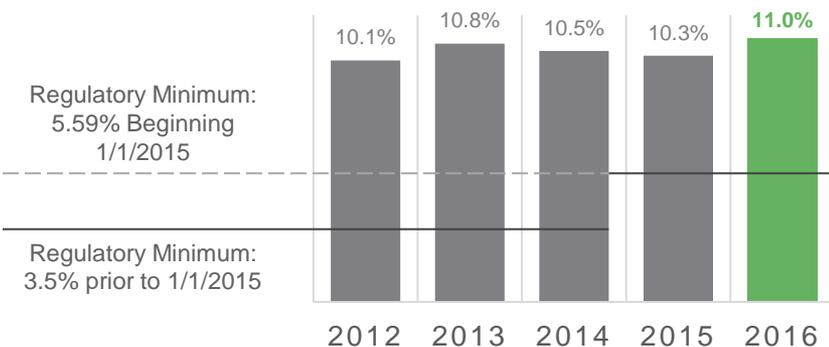
Summary

- Capital ratios well in excess of required regulatory minimums
- Assures continued viability and capacity to meet our customers' borrowing needs

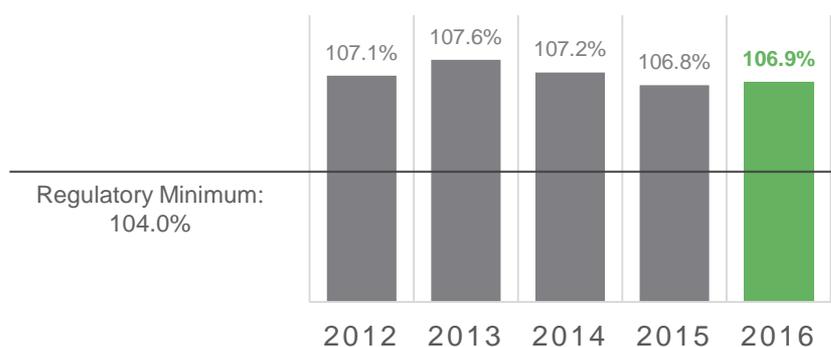
Permanent Capital Ratio ⁽¹⁾



Core Surplus Ratio ⁽²⁾



Net Collateral Ratio ⁽³⁾



⁽¹⁾ Generally shareholders' equity and subordinated debt, subject to certain limits, as a percentage of quarterly average risk-adjusted assets.

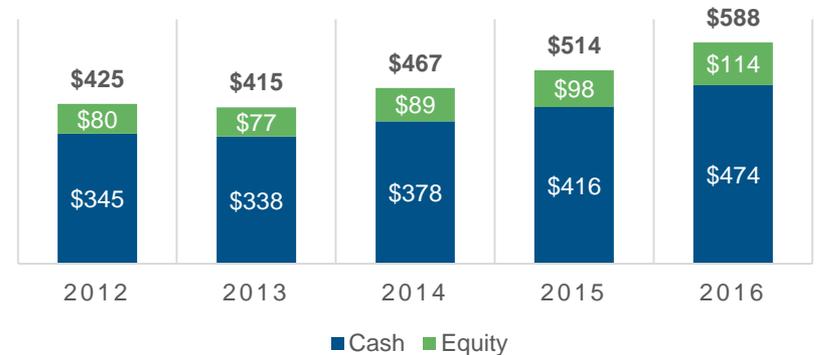
⁽²⁾ Unallocated retained earnings, non-cumulative preferred stock and a portion of common stock as a percentage of quarterly average risk-adjusted assets.

⁽³⁾ Generally net loans, cash and investments divided by total liabilities excluding subordinated debt and the fair value of certain derivatives.

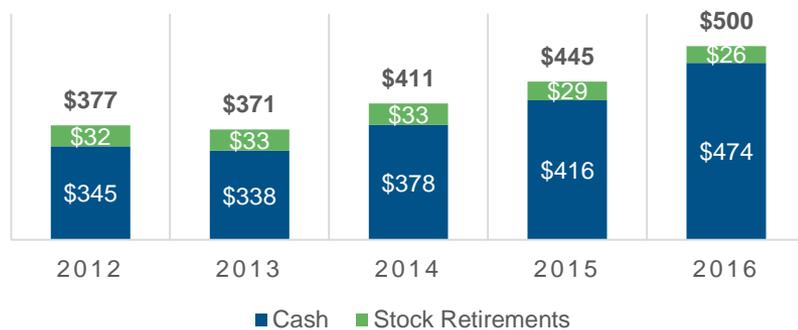
Summary

- Cooperatives and other directly eligible borrowers earned 100 basis points of patronage based on average qualifying loan volume for the year
 - 75 bps paid in cash
 - 25 bps paid in equity
- Affiliated associations earned 45 basis points of cash patronage under a separate capital plan
- Non-eligible customers do not earn patronage

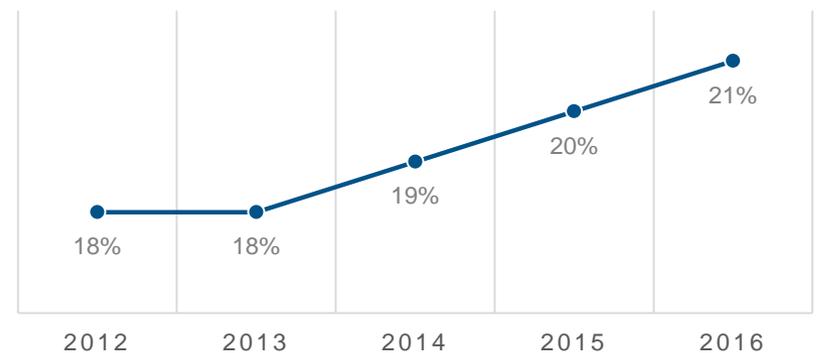
Patronage (\$ in Millions)



Total Cash Payouts (\$ in Millions)



Return on Active Patron Investment





Russell Brown
East Region
One stockholder, one vote
seat



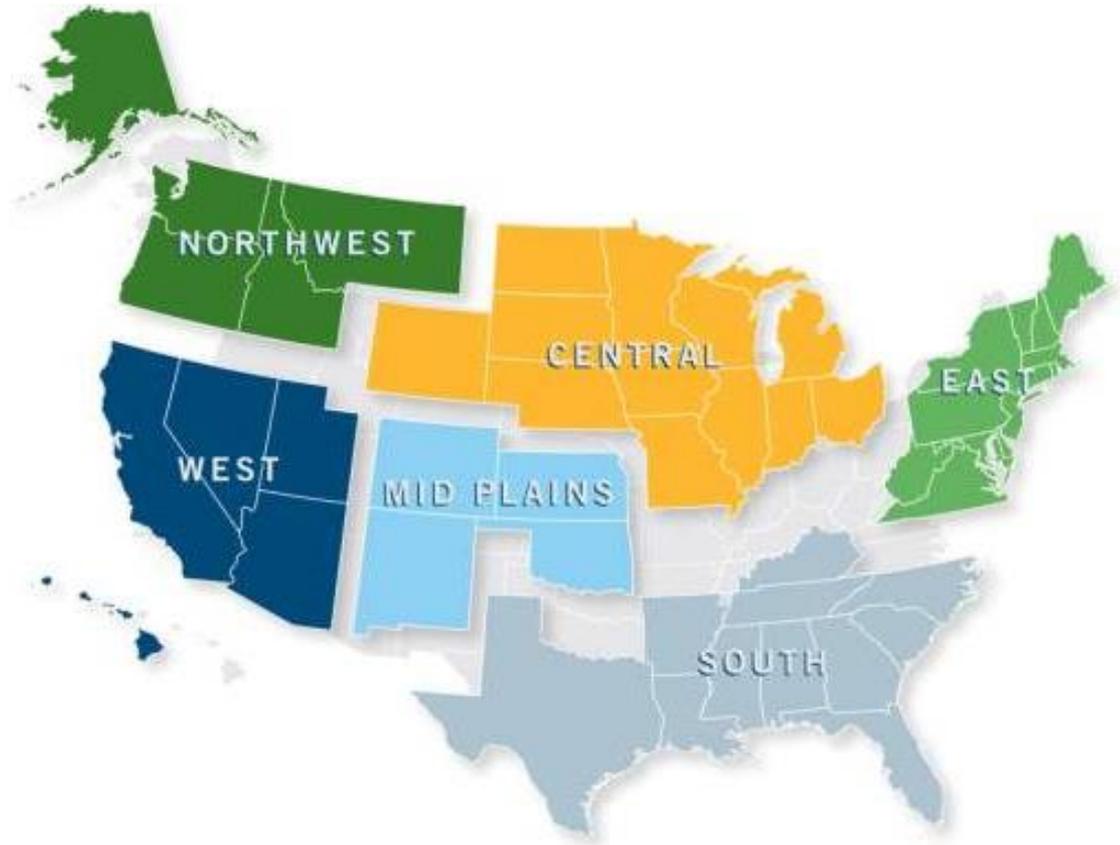
Michael Brown
Outside director



Bill Squires
1962-2016

- Governance bylaw changes approved by CoBank shareholders in 2015.
- Board will be gradually downsized to 14 elected directors in 2020.
- Maximum number of appointed board members increased to four to enhance the board's flexibility to fill in experience gaps and ensure a strong diversity of industry viewpoints.
 - In addition, the board will continue to have two outside directors with no customer or Farm Credit affiliations
- Director eligibility requirements have been modified to allow for more balanced industry representation.

- Maintain existing six voting regions
 - East
 - Central
 - South
 - West
 - Northwest
 - Mid Plains
- Equal balance between one-stockholder-one-vote and modified equity seats
- Directors drawn from the rural industries served by CoBank



Board Downsizing Schedule

<u>Region</u>	<u>Type of Seat</u>	<u>Held By</u>	<u>Seat Eliminated</u>
Central	One-Stockholder-One-Vote	Jim Magnuson	12/31/18
Central	One-Stockholder-One-Vote	Everett Dobrinski	12/31/19
East	Modified Equity	Andrew Gilbert	12/31/19
Mid Plains	Modified Equity	Ken Shaw	12/31/17
Mid Plains	Modified Equity	Dan Childs	12/31/18
Mid Plains	One-Stockholder-One-Vote	Clint Roush	12/31/18
Northwest	Modified Equity	Karen Schott	12/31/19
South	One-Stockholder-One-Vote	Gary Miller	12/31/17
South	One-Stockholder-One-Vote	Dave Reinders	12/31/18

2017 Board Elections		
<u>Region</u>	<u>Type of Seat</u>	<u>Term Expires</u>
Central	Modified Equity	12/31/21
East	Modified Equity	12/31/21
Northwest	Modified Equity	12/31/21
Northwest	One-Stockholder-One-Vote	12/31/18
West	One-Stockholder-One-Vote	12/31/21

Regional Customer Meetings



Date	Location
March 9-10	Carlsbad, California
March 13-14	Bloomington-Normal, IL
March 16-17	Wichita, KS
March 20-21	Minneapolis, MN
March 27-28	Fargo, ND
April 4-5	San Antonio, TX
April 10-11	Amelia Island, FL

Thank You

David Burlage

Chief Financial Officer

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