

CoBank Investor Presentation

March 31, 2018

Proud Member of the
Farm Credit System 

 **COBANK**

Summary Financial Results

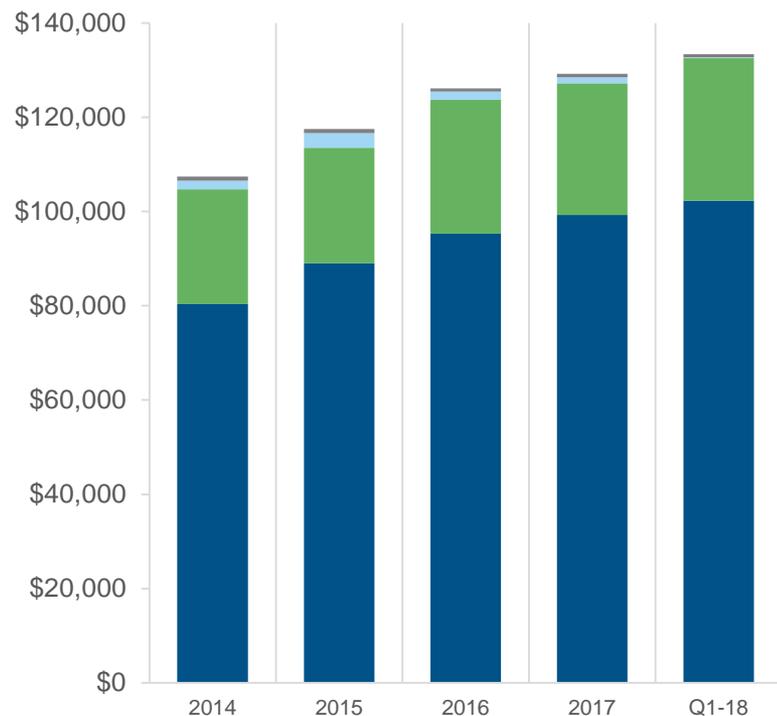
(\$ in millions)	For the Three Months Ended March 31,		
	2017	2018	YoY%
Interest income	\$ 738	\$ 929	26%
Interest expense	382	558	-46%
<i>Net interest income</i>	356	371	4%
Provision for loan losses	15	50	-233%
<i>Net interest income after provision for loan losses</i>	341	321	-6%
Noninterest income	55	81	47%
Operating expenses	93	85	9%
Provision for income taxes	40	33	18%
<i>Net income</i>	\$ 263	\$ 284	8%
Return on average common equity	13.72 %*	14.27 %*	4%
Net interest margin	1.14 %*	1.15 %*	1%
Return on average assets	0.83 %*	0.87 %*	5%
Operating expense ratio**	18.76 %	18.14 %	3%

* Annualized

** Excludes Insurance Fund premiums

Balance Sheet Trends

Assets (\$ in Millions)

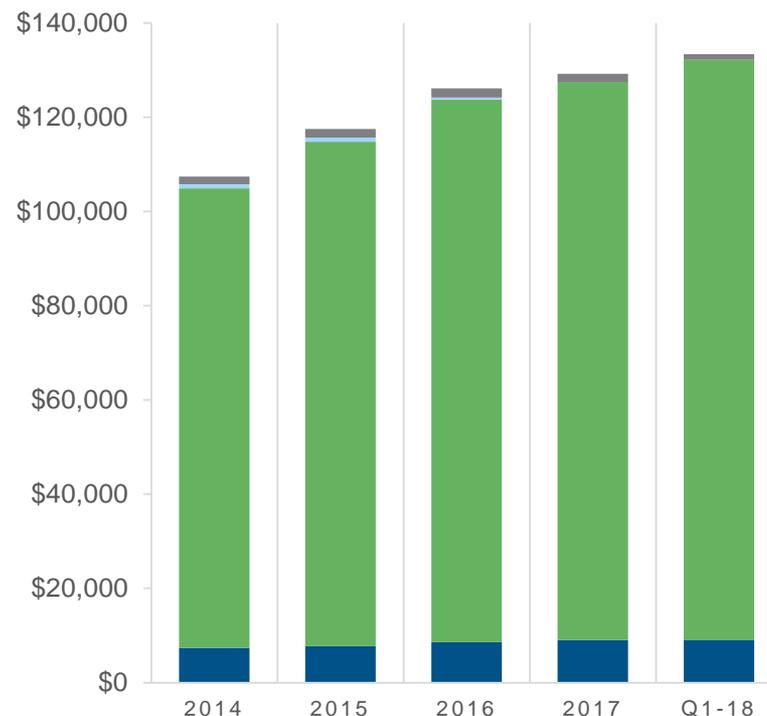


Other	\$ 823	\$ 813	\$ 697	\$ 726	\$ 701
Cash*	\$ 1,856	\$ 3,113	\$ 1,661	\$ 1,314	\$ 128
Investments**	\$ 24,320	\$ 24,504	\$ 28,515	\$ 27,905	\$ 30,288
Gross Loans	\$ 80,382	\$ 89,041	\$ 95,258	\$ 99,266	\$ 102,285

*Represents Cash and Cash Equivalents

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

Liabilities & Shareholders' Equity (\$ in Millions)

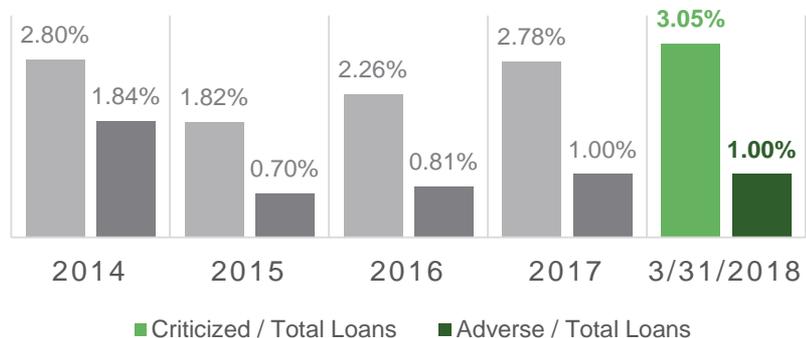


Other	\$ 1,574	\$ 1,788	\$ 1,972	\$ 1,745	\$ 1,268
Subordinated debt	\$ 902	\$ 903	\$ 499	\$ -	\$ -
Bonds & Notes	\$ 97,535	\$ 106,970	\$ 115,086	\$ 118,406	\$ 123,158
Shareholders' equity	\$ 7,370	\$ 7,810	\$ 8,574	\$ 9,060	\$ 8,976

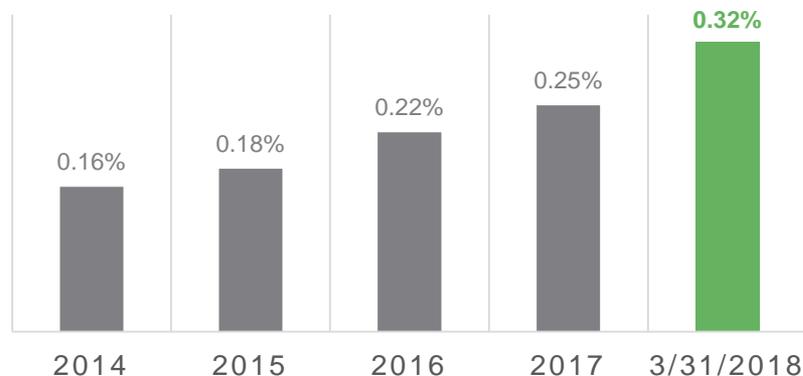


Loan Quality

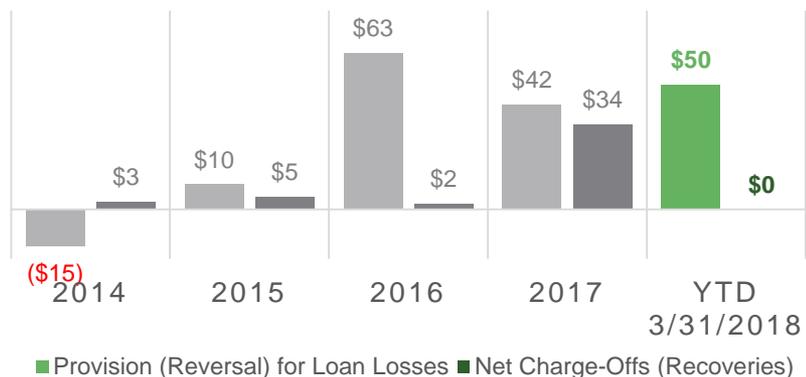
Criticized / Total Loans & Adverse / Total Loans



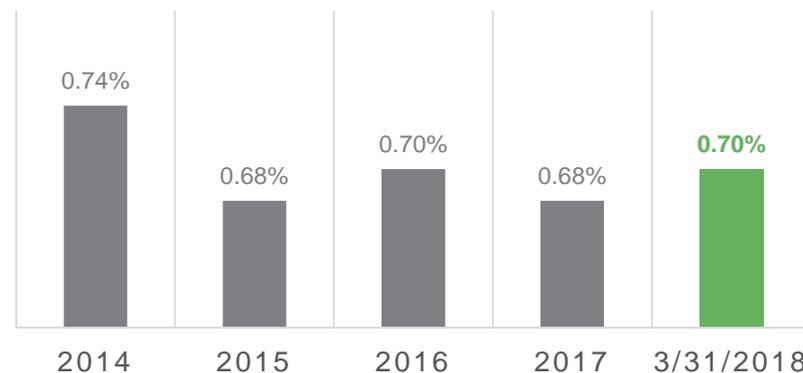
Nonaccrual Loans / Total Loans



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

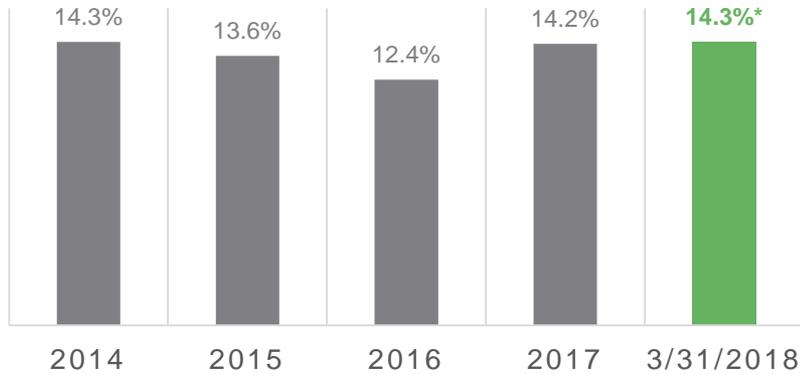


Allowance for Credit Losses / Total Loans

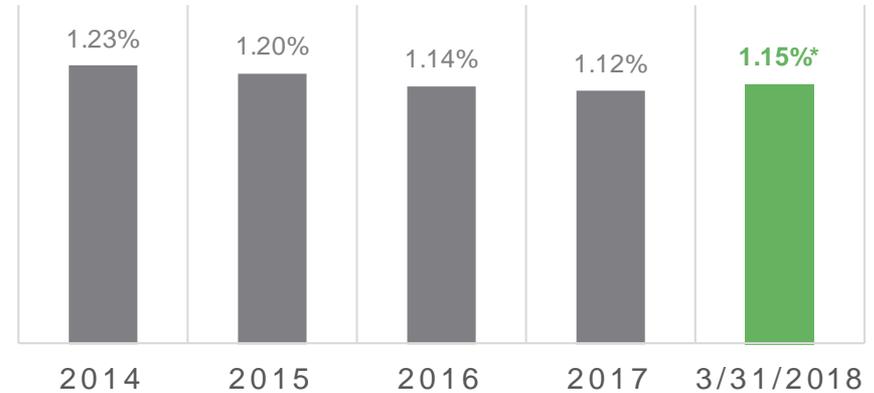


Profitability and Efficiency

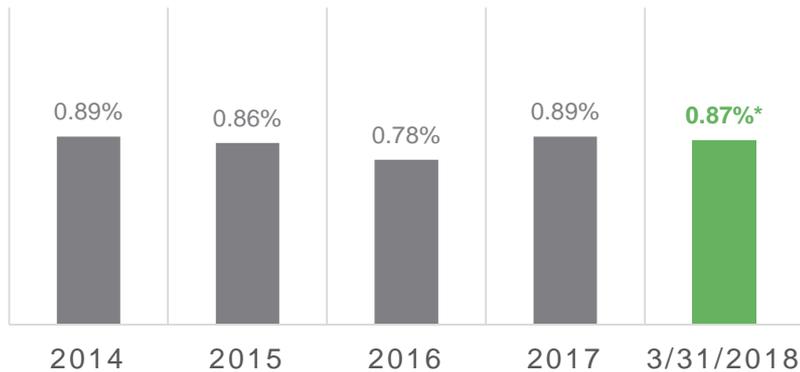
Return on Common Equity



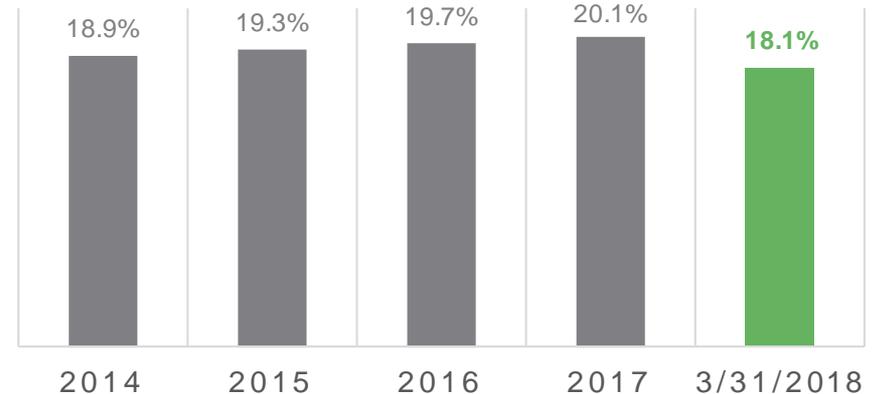
Net Interest Margin



Return on Assets



Operating Expense Ratio Excluding Insurance Fund Premiums



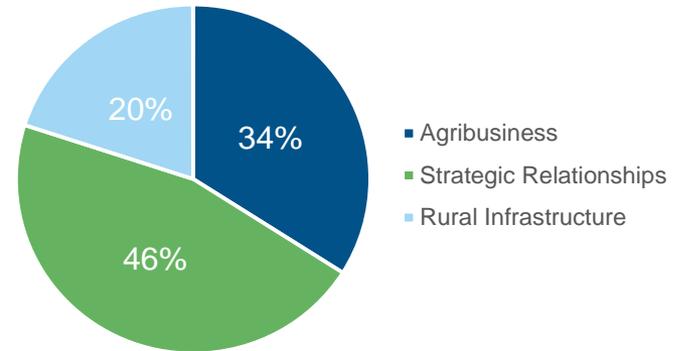
* Annualized

Operating Segments

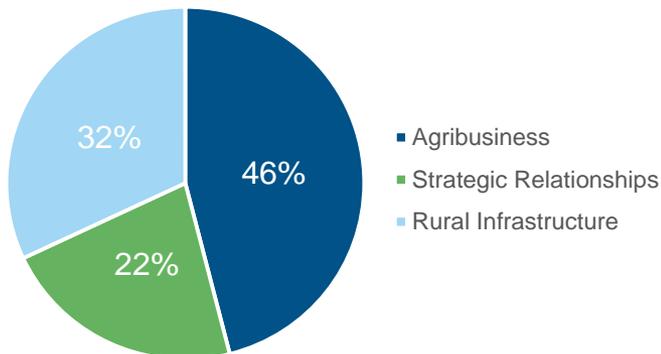
Summary

- Three operating segments (Agribusiness, Strategic Relationships and Rural Infrastructure)
- Over \$102 billion in total loan volume
- Lower income in Strategic Relationships operating segment reflects narrower margins and lower risk profile from wholesale loans

Loan Volume – \$102.3 Billion at March 31, 2018



Net Income – \$284 Million



Average Loan Volume (\$ in Millions)



Agribusiness Portfolio

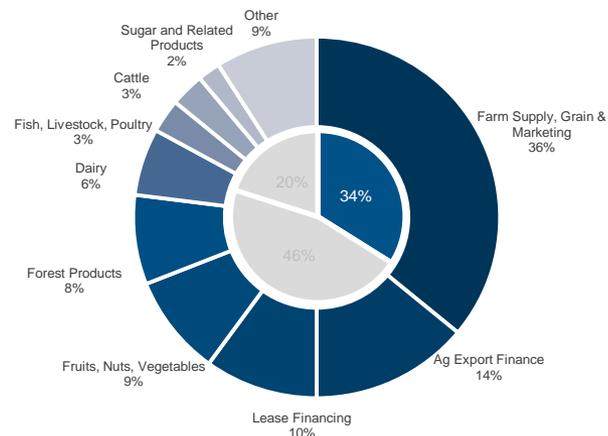
Portfolio Highlights

- \$34.4 billion retail loan portfolio at March 31, 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 \$4.9 billion in agricultural export loans; 19% are U.S. government-guaranteed
- Includes \$3.3 billion leasing portfolio

Financial Summary

(\$ in millions)	3/31/2018	2017	2016	2015
Period-End Loans	\$34,409	\$30,304	\$28,660	\$26,131
Average Loans	\$33,644	\$29,241	\$27,563	\$24,872
Net Income	\$ 132	\$ 630	\$ 403	\$ 449
Nonaccrual Loans	\$ 271	\$ 213	\$ 207	\$ 88

Portfolio Sectors



Loan Quality

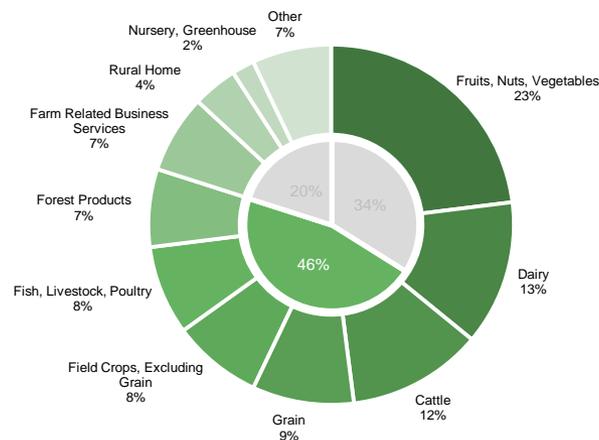
	3/31/2018	2017	2016	2015
Acceptable	93.86%	93.56%	94.08%	95.44%
Special Mention	3.49	3.54	3.51	2.86
Substandard	2.61	2.89	2.39	1.70
Doubtful	0.04	0.01	0.02	-
Loss	-	-	-	-

Strategic Relationships Portfolio

Portfolio Highlights

- \$46.8 billion wholesale loan portfolio at March 31, 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)	3/31/2018	2017	2016	2015
Period-End Loans	\$46,848	\$ 47,948	\$ 45,994	\$ 43,358
Average Loans	\$46,970	\$ 46,074	\$ 43,924	\$ 40,414
Net Income	\$ 61	\$ 262	\$ 245	\$ 242
Nonaccrual Loans	\$ -	\$ -	\$ -	\$ -

Loan Quality

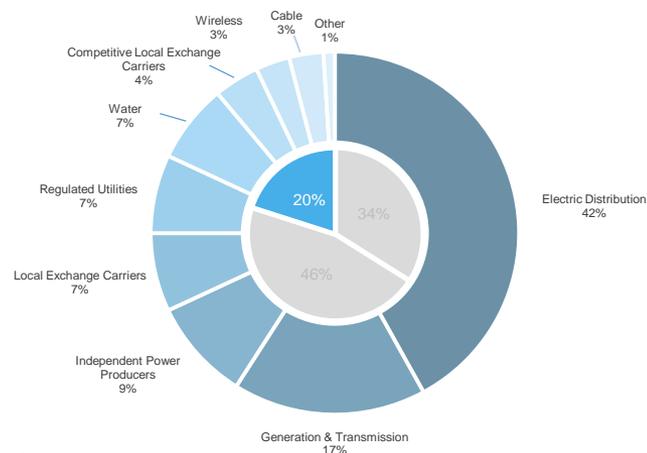
	3/31/2018	2017	2016	2015
Acceptable	98.87%	99.02%	100%	100%
Special Mention	1.13	0.98	-	-
Substandard	-	-	-	-
Doubtful	-	-	-	-
Loss	-	-	-	-

Rural Infrastructure Portfolio

Portfolio Highlights

- \$21.0 billion retail loan portfolio at March 31, 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)	3/31/2018	2017	2016	2015
Period-End Loans	\$ 21,028	\$21,014	\$20,604	\$19,552
Average Loans	\$ 21,043	\$20,732	\$20,092	\$17,770
Net Income	\$ 89	\$ 241	\$ 308	\$ 255
Nonaccrual Loans	\$ 55	\$ 34	\$ -	\$ 69

Loan Quality

	3/31/2018	2017	2016	2015
Acceptable	97.70%	98.40%	97.79%	97.79%
Special Mention	1.76	1.05	1.84	1.29
Substandard	0.54	0.55	0.37	0.92
Doubtful	-	-	-	-
Loss	-	-	-	-

Capital Position

Summary

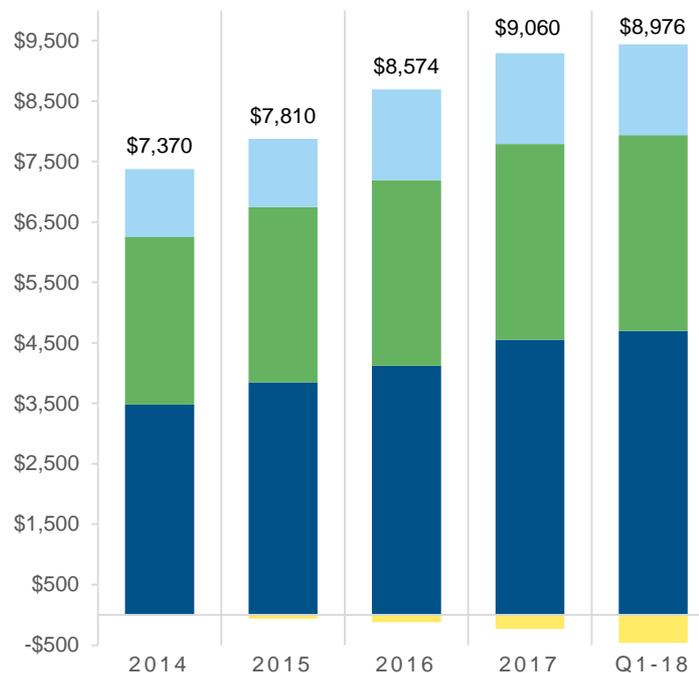
- Capital ratios exceed required regulatory minimums
- Assures continued viability and capacity to meet our customers' borrowing needs
- Preferred stock provides additional layer of risk-bearing capacity

Capital Ratios

	March 31, 2018			
	Regulatory Minimum	Actual	Actual Buffer	Required Buffer
Common Equity Tier 1 (CET1) Capital Ratio	4.5 %	11.37 %	6.87 %	2.5 % *
Tier 1 Capital Ratio	6.0	13.54	7.54	2.5 *
Total Capital Ratio	8.0	14.55	6.55	2.5 *
Tier 1 Leverage Ratio	4.0	7.08	3.08	1.0
Unallocated Retained Earnings (URE) and URE Equivalents Leverage Ratio	1.5	2.80	n/a	n/a
Permanent Capital Ratio	7.0	13.68	n/a	n/a

* Reflects fully-phased in buffer

Shareholders' Equity (\$ in Millions)



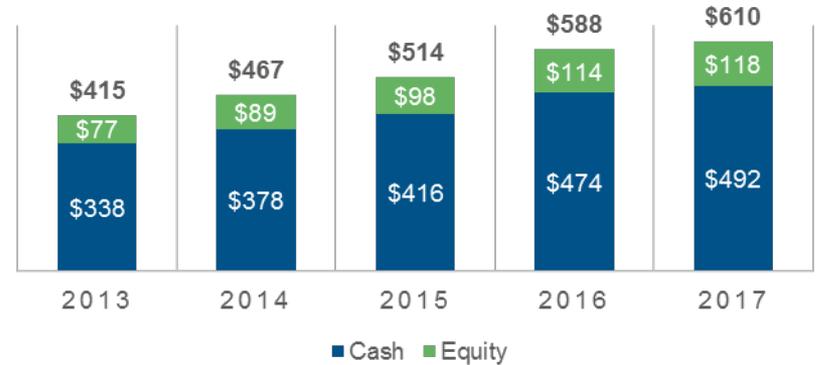
Preferred Stock	\$ 1,125	\$ 1,125	\$ 1,500	\$ 1,500	\$ 1,500
Common Stock	\$ 2,769	\$ 2,900	\$ 3,072	\$ 3,240	\$ 3,240
Retained Earnings	\$ 3,482	\$ 3,846	\$ 4,121	\$ 4,552	\$ 4,696
Other Comprehensive Loss	\$ (6)	\$ (61)	\$ (119)	\$ (232)	\$ (460)

Patronage

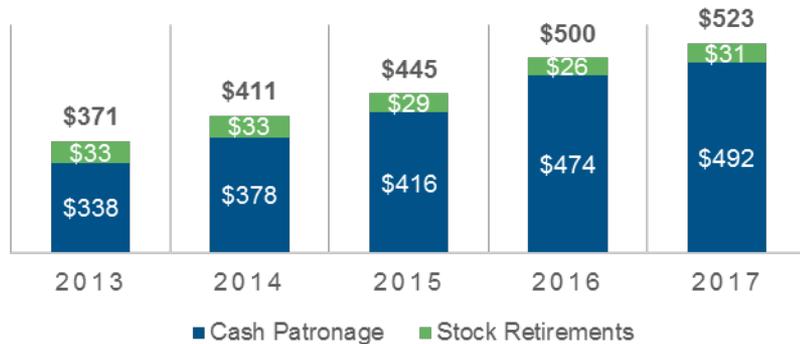
Summary

- Cooperatives and other directly eligible borrowers earned 100 basis points of patronage based on average qualifying loan volume for 2017 paid in 2018
 - 75 bps paid in cash
 - 25 bps paid in equity
- Affiliated associations earned 45 basis points of cash patronage for 2017 under a separate capital plan
- Non-eligible customers do not earn patronage
- Changes to our capital plans and patronage programs take effect for 2018

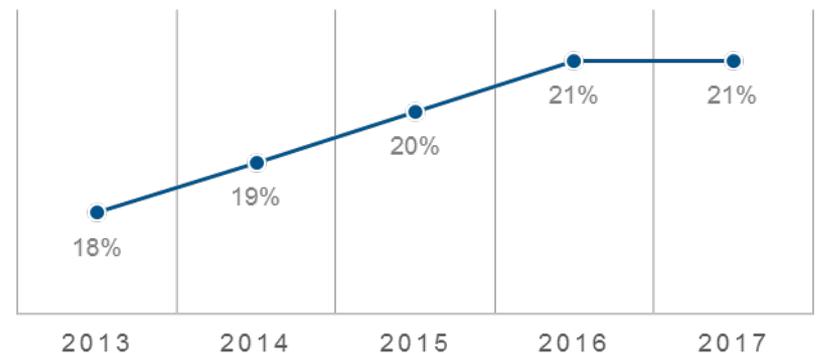
Patronage (\$ in Millions)



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 designated bonds, bonds and discount notes
 - Joint and several liability of all System banks
- Favorable spreads relative to U.S. Treasuries

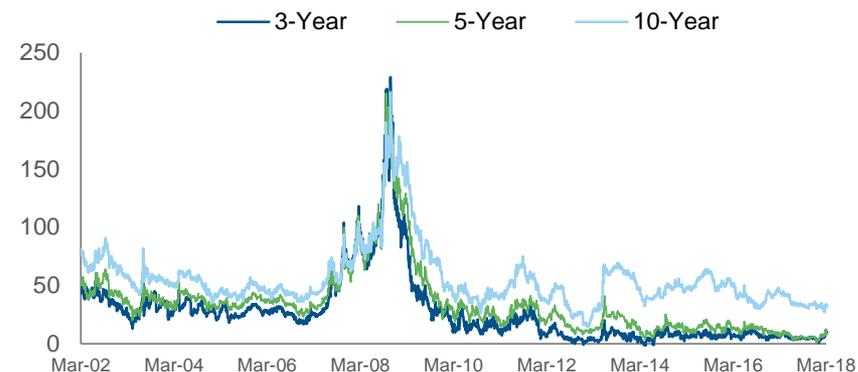
Debt (\$ in Millions) ⁽¹⁾

Type	Amount	% of Debt	Avg. Maturity (in years)	Weighted Avg. Rate ⁽²⁾
Discount Notes	\$13,769	11.2%	0.3	1.47%
Bonds – Noncallable	99,218	80.6%	3.0	1.96%
Designated Bonds – Noncallable	775	0.6%	0.1	0.35%
Bonds – Callable, Other	8,766	7.1%	4.3	1.85%
S/T Customer Investments and Other	630	0.5%	0.1	0.05%
	\$123,158	100.0%	2.7	1.88%

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

Equity (\$ in Millions) ⁽¹⁾

Type	Amount	% of Equity
Preferred Stock:		
Series E	\$225	2.5%
Series F	400	4.5%
Series G	200	2.2%
Series H	300	3.3%
Series I	375	4.2%
Common Stock	3,240	36.1%
Unallocated Retained Earnings	4,696	52.3%
Accumulated Other Comprehensive Loss	(460)	-5.1%
	\$8,976	100.0%



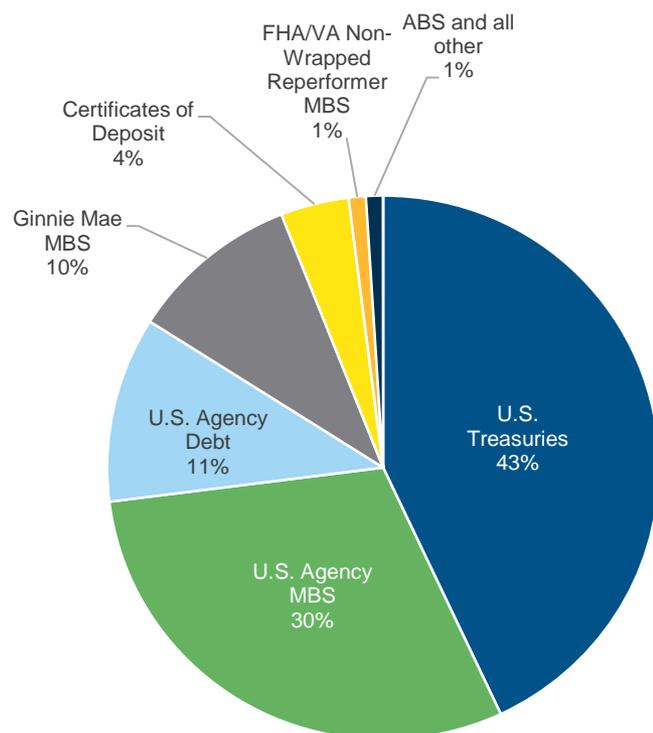
(1) As of March 31, 2018

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

Investment Portfolio

Total Investment Securities of \$29.4 Billion

(as of March 31, 2018)



Summary

- \$29.4 billion market-diversified portfolio plus \$0.1 billion of cash and cash equivalents and \$0.9 billion in Federal Funds Sold and Other Overnight Funds as of March 31, 2018
- Largely composed of securities issued or guaranteed by GSEs or U.S. government
- Cash flow average life of 3.3 years and duration of 2.4 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 176 days at March 31, 2018
 - CoBank's long-term debt to loans was approximately 70% as of March 31, 2018

(\$ in Millions)

Type	Fair Value
U.S. Treasuries	\$12,874
U.S. Agency MBS	8,733
U.S. Agency Debt	3,173
Ginnie Mae MBS	2,983
Certificates of Deposit	1,090
FHA/VA Non-Wrapped Reperformer MBS	254
ABS and all other	286
Total	\$29,393