

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
Net interest income	\$375	\$350	\$759	\$709
Provision for loan losses/ (Loan loss reversal)	16	(7)	42	21
Noninterest income	80	55	152	120
Operating expenses	101	98	201	191
Net income	301	280	595	552

BALANCE SHEET (period-end)	June 30, 2020	December 31, 2019
Total loans	\$111,104	\$108,854
Total assets	151,977	145,004
Shareholders' equity	11,579	10,567

PROFITABILITY METRICS	Six months ended June 30,	
	2020	2019
Net interest margin	1.05%	1.04%
Return on average common equity	11.46%	12.33%
Return on average assets	0.80%	0.80%
Operating expense ratio	21.18%	21.47%

HIGHLIGHTS

- Average loan volume rose 7% in Q2 and 6% YTD and our loans outstanding totaled \$111.1 billion
 - Average loan volume growth in Q2 and YTD across all three operating segments, primarily in lending to affiliated Associations in Farm Credit Banking and to our Rural Infrastructure customers
- Net income for Q2 was \$301.1 million, compared to \$279.9 million during Q2 2019. Net income YTD was \$595.2 million, compared to \$552.4 million in the same period last year
 - The 8% increase in Q2 and YTD resulted primarily from increases in net interest income and noninterest income
 - These items were somewhat offset by a higher provision for loan losses, an increase in operating expenses and a higher provision for income taxes in the 2020 periods
- Net interest income for Q2 and YTD increased 7% to \$375.3 million and 7% to \$758.6 million, respectively, primarily driven by higher average loan volume, higher earnings on balance sheet positioning, interest income recognized on a nonaccrual loan to an agribusiness customer that was paid off in 2020, and an increase in earnings on invested capital
- Net interest margin YTD improved slightly to 1.05%, driven by higher earnings on balance sheet positioning, and the favorable impact of interest income related to the agribusiness customer nonaccrual loan repayment
- Credit quality remained strong
- \$42.0 million YTD provision for loan losses, which primarily relates to increases in specific reserves associated with a small number of customers in our Rural Infrastructure and Agribusiness operating

OPERATING SEGMENTS

(\$ in millions)

	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2020	2019	2020	2019	2020	2019
Three months ended June 30,						
Average loan volume	\$ 32,825	\$ 32,706	\$ 22,891	\$ 20,826	\$ 56,014	\$ 50,573
Net income	137	148	96	74	68	58
Six months ended June 30,						
Average loan volume	\$ 33,733	\$ 33,604	\$ 22,233	\$ 21,018	\$ 54,964	\$ 50,329
Net income	281	290	187	148	127	114
Period-end loan volume June 30, 2020 and December 31, 2019	\$ 32,057	\$ 33,168	\$ 22,922	\$ 21,227	\$ 56,125	\$ 54,459

CEO & CFO COMMENTARY

"It is remarkable that these results were achieved in light of the economic dislocation and work disruptions caused by the COVID-19 pandemic, especially given the significant impacts being reported by other U.S. financial institutions. From the perspective of our board and executive team, CoBank's results reflect the generally strong financial condition of our customer base, the essential nature of the services our customers provide, and the enduring relationships of trust we have built with our customer-owners over many years."

– **Thomas Halverson**, President and CEO, CoBank

"We have not seen meaningful impacts on credit quality measures in our loan portfolio, though we did increase our provision for loan losses in the first six months of the year due in part to inherent losses in our loan portfolio resulting from COVID-19 and the weakened macroeconomic environment. As a mission-based lender, we remain committed to standing by our customers in all market conditions while preserving CoBank's financial strength and flexibility for the long term."

– **David Burlage**, CFO, CoBank

segments as well as increased lending activity and slight deterioration in credit quality in our Agribusiness operating segment and higher reserves related to COVID-19

- Operating expenses YTD increased \$9.9 million, primarily driven by an increase in employee compensation expense to support planned business initiatives and maintain high levels of customer service
 - As of June 30, 2020 and 2019, the bank had 1,160 and 1,092 employees, respectively
- Capital and liquidity levels in excess of regulatory minimums
 - Total capital ratio was 15.41%, compared with the 8.0% (10.5% inclusive of the capital conservation buffer) minimum established by the Farm Credit Administration, the bank's independent regulator
 - 188 days of liquidity

NET INTEREST MARGIN AND NET INTEREST INCOME

Net interest income increased \$49.2 million to \$758.6 million for the six months ended June 30, 2020, compared to \$709.4 million for the same prior-year period. The 7% increase in net interest income was primarily driven by higher average loan volume, higher earnings on balance sheet positioning, interest income recognized on a nonaccrual loan to an agribusiness customer that was paid off in 2020, and an increase in earnings on invested capital. Net interest margin improved slightly to 1.05% for the first half of 2020 compared to 1.04% for the same period in 2019. This increase was driven by higher earnings on balance sheet positioning, and the favorable impact of interest income related to the agribusiness customer nonaccrual loan repayment. These favorable items were partially offset by changes in asset mix, including increased lending to affiliated Associations which has lower spreads commensurate with lower risk.

Net Interest Margin and Net Interest Income

Six months ended (\$ in millions)	June 30, 2020			June 30, 2019		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 110,930	2.74%	\$ 1,516	\$ 104,951	3.70%	\$ 1,928
Investments	34,126	1.88%	320	32,325	2.46%	394
Total	145,056	2.54%	1,836	137,276	3.41%	2,322
Interest bearing liabilities	136,763	1.58%	1,077	126,781	2.57%	1,613
Interest rate spread		0.96%			0.84%	
Impact of equity financing	11,191	0.09%		9,818	0.20%	
Net interest margin & net interest income		1.05%	\$ 759		1.04%	\$ 709

CREDIT QUALITY

Our overall credit quality measures remain strong at June 30, 2020 and improved in total across all credit quality classification categories compared to December 31, 2019. Special Mention loans and accrued interest in total improved primarily due to upgrades of our wholesale loans to one affiliated Association and one nonaffiliated Association. Adverse assets improved to 1.17% of total loans and accrued interest compared to 1.30% the end of last year. Although the overall credit quality of our loan portfolio remained strong, economic conditions deteriorated rapidly during the latter part of March 2020. The introduction and spread of COVID-19 around the world has caused business disruptions, significant volatility and unfavorable conditions in the U.S. and international markets. There is significant uncertainty around the magnitude and duration of business disruptions related to COVID-19 as well as its impact on our credit quality.

Loan Quality Ratios

	June 30, 2020			December 31, 2019		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.08%	94.96%	96.03%	94.50%	94.73%	94.61%
OAEM	2.92%	2.69%	2.80%	5.50%	2.67%	4.09%
Substandard	-	2.33%	1.16%	-	2.56%	1.28%
Doubtful	-	0.02%	0.01%	-	0.04%	0.02%
Loss	-	-	-	-	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

BALANCE SHEET INFORMATION

(period-end)

(\$ in millions)

	June 30, 2020 (Unaudited)	December 31, 2019
Loans	\$ 111,104	\$ 108,854
Less: Allowance for loan losses	667	655
Net loans	110,437	108,199
Cash	495	949
Federal funds sold and other overnight funds	2,250	1,810
Investment securities	36,273	32,426
Interest rate swaps and other financial instruments	1,122	381
Accrued interest receivable and other assets	1,400	1,239
Total assets	\$ 151,977	\$ 145,004
Bonds and notes	\$ 137,622	\$ 132,230
Interest rate swaps and other financial instruments	765	263
Reserve for unfunded commitments	115	92
Accrued interest payable and other liabilities	1,896	1,852
Total liabilities	140,398	134,437
Shareholders' equity	11,579	10,567
Total liabilities and shareholders' equity	\$ 151,977	\$ 145,004

STATEMENT OF INCOME INFORMATION

(\$ in millions)

	Three months ended June 30,		Six months ended June 30,	
	2020 (Unaudited)	2019 (Unaudited)	2020 (Unaudited)	2019 (Unaudited)
Interest income	\$ 807	\$ 1,155	\$ 1,836	\$ 2,322
Interest expense	432	805	1,077	1,613
Net interest income	375	350	759	709
Provision for loan losses (loan loss reversal)	16	(7)	42	21
Net interest income after provision for loan losses/loan loss reversal	359	357	717	688
Noninterest income	80	55	152	120
Operating expenses	101	98	201	191
Provision for income taxes	37	34	73	65
Net income	\$ 301	\$ 280	\$ 595	\$ 552

FORWARD-LOOKING STATEMENTS

Certain of the statements contained in this news release that are not historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Our actual results may differ materially and adversely from our expectations expressed in any forward-looking statements. Forward-looking statements are typically identified by words such as “believe,” “expect,” “anticipate,” “intend,” “estimate,” “plan,” “project,” “target,” “may,” “will,” “should,” “would,” “could,” or similar expressions. Although we believe that the information expressed or implied in such forward-looking statements is reasonable, we can give no assurance that such projections and expectations will be realized or the extent to which a particular plan, projection or expectation may be realized.

These forward-looking statements are based on current knowledge and subject to risks and uncertainties. We encourage you to read our Annual Report and Quarterly Reports located on the bank’s website at www.cobank.com. We undertake no obligation to revise or publicly update our forward-looking statements for any reason.

ABOUT COBANK

CoBank is a \$152 billion cooperative bank serving vital industries across rural America. The bank provides loans, leases, export financing and other financial services to agribusinesses and rural power, water and communications providers in all 50 states. The bank also provides wholesale loans and other financial services to affiliated Farm Credit associations serving more than 70,000 farmers, ranchers and other rural borrowers in 23 states around the country. CoBank is a member of the Farm Credit System, a nationwide network of banks and retail lending associations chartered to support the borrowing needs of U.S. agriculture, rural infrastructure and rural communities. Headquartered outside Denver, Colorado, CoBank serves customers from regional banking centers across the U.S. and also maintains an international representative office in Singapore.

For more information about CoBank, visit www.cobank.com.

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