

KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
Net interest income	\$337	\$341	\$1,046	\$1,085
Provision for loan losses	5	3	26	43
Noninterest income	49	58	169	234
Operating expenses	100	89	291	261
Net income	249	291	801	937

BALANCE SHEET (period-end)	September 30, 2019	December 31, 2018
Total loans	\$101,898	\$104,494
Total assets	136,370	139,016
Shareholders' equity	10,447	9,535

PROFITABILITY METRICS	Nine months ended September 30,	
	2019	2018
Net interest margin	1.02%	1.11%
Return on average common equity	11.56%	15.51%
Return on average assets	0.78%	0.95%
Operating expense ratio	22.28%	19.10%

CEO & CFO COMMENTARY

“Our year-to-date decline in net income is primarily attributable to multiple non-recurring items recorded in the first three quarters of 2018, which elevated earnings in those periods. In addition, core earnings have been impacted by a number of marketplace trends including spread compression and the shape of the yield curve. Overall, the bank remains in strong financial condition and well positioned to serve the needs of our customers.”

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

“While credit quality remains strong and consistent with historical averages, we have experienced deterioration in 2019. Credit quality may continue to soften further due to a variety of stresses in the rural economy impacting our borrowers. CoBank has a strong allowance for credit losses totaling more than \$728 million, which protects the bank and its capital base from losses inherent in our loan portfolio. We continue to closely monitor credit quality while also working with borrowers experiencing distress, consistent with our mission.”

– **David Burlage**, CFO, CoBank

HIGHLIGHTS

- Average loan volume rose 4% in both Q3 and YTD, and our loans outstanding totaled \$101.9 billion
 - Loan volume increased in our Farm Credit Banking (affiliated Associations) and Agribusiness operating segments
 - Loan volume remained consistent in our Rural Infrastructure operating segment
- Net income for Q3 was \$248.5 million, compared to \$291.3 million during Q3 2018. Net income for the first nine months was \$800.9 million, compared to \$937.1 million in the same period last year
 - Decreases reflected non-recurring items in the first three quarters of 2018, including the return of excess insurance funds from the Farm Credit System Insurance Corporation, significant gains from the sale of investment securities and reduced tax expense resulting from the special patronage payout and tax legislation enactment
- Earnings were also impacted by marketplace trends including spread compression and the shape of the yield curve
- Net interest income for Q3 and YTD decreased 1% to \$336.8 million and 4% to \$1,046.2 million, respectively, driven by lower earnings on balance sheet positioning and lower spreads in our loan portfolio, partially offset by an increase in returns on invested capital and higher average loan volume
- Net interest margin YTD declined to 1.02%, which includes the impact of lower earnings on balance sheet positioning and lower spreads in our loan portfolio
- Provision for loan losses YTD was \$26.0 million which reflects deterioration in credit quality in our Agribusiness and Rural Infrastructure operating segments; however, credit quality remained strong
- Operating expenses YTD increased \$29.8 million, primarily driven by an increase in employee compensation expense to support planned business initiatives and maintain high levels of customer service
 - As of September 30, 2019 and 2018, the bank had 1,105 and 1,019 employees, respectively
- Capital and liquidity levels in excess of regulatory minimums as of September 30, 2019
 - Total capital ratio was 16.14%, compared with the 8.0% (10.5% inclusive of the fully phased-in capital conservation buffer) minimum established by the Farm Credit Administration, the bank's independent regulator
 - 171 days of liquidity

OPERATING SEGMENTS

(\$ in millions)

	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2019	2018	2019	2018	2019	2018
Three months ended September 30,						
Average loan volume	\$ 30,065	\$ 28,953	\$ 20,759	\$ 20,809	\$ 51,562	\$ 48,380
Net income	121	150	77	85	51	56
Nine months ended September 30,						
Average loan volume	\$ 32,411	\$ 31,798	\$ 20,931	\$ 20,915	\$ 50,745	\$ 47,571
Net income	404	455	232	273	165	209
Period-end loan volume September 30, 2019 and September 30, 2018	\$ 28,851	\$ 28,370	\$ 20,818	\$ 20,786	\$ 52,229	\$ 49,179

NET INTEREST MARGIN AND NET INTEREST INCOME

Net interest income decreased \$38.5 million to \$1,046.2 million for the nine months ended September 30, 2019, compared to \$1,084.7 million for the same prior-year period. The 4% decrease in net interest income was primarily driven by lower earnings on balance sheet positioning and lower overall spreads in our loan portfolio, partially offset by higher average loan volume and an increase in earnings on invested capital. Net interest margin declined to 1.02% for the first nine months of 2019 compared to 1.11% for the same period in 2018. The reduction in our net interest margin included the impact of lower earnings on balance sheet positioning and changes in asset mix, including increased lending to affiliated Associations and agricultural export finance customers and higher levels of investment securities, all of which have lower spreads commensurate with lower risk. Loan spreads also decreased due to continued competition for the business of our customers. These drivers were somewhat offset by an increase in earnings on invested capital which benefited net interest margin.

Net Interest Margin and Net Interest Income

Nine months ended (\$ in millions)	September 30, 2019			September 30, 2018		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
Interest earning assets						
Loans	\$ 104,087	3.64%	\$ 2,831	\$ 100,284	3.26%	\$ 2,445
Investments	32,740	2.43%	594	30,181	2.22%	502
Total	136,827	3.35%	3,425	130,465	3.02%	2,947
Interest bearing liabilities	126,127	2.52%	2,379	120,774	2.06%	1,862
Interest rate spread		0.83%			0.96%	
Impact of equity financing	\$ 10,700	0.19%		\$ 9,691	0.15%	
Net interest margin & net interest income		1.02%	\$ 1,046		1.11%	\$ 1,085

CREDIT QUALITY

While the overall credit quality of our loan portfolio remains strong, we experienced deterioration during the first nine months of 2019. We believe further deterioration could result from market factors impacting our customers, including an ongoing volatile agricultural commodity price environment, trade disputes between the United States and its trading partners, declining farm income and weather related events. Adverse assets totaled 1.51% of total loans compared to 1.21% at the end of last year. Nonaccrual loans improved slightly to \$310.7 million at September 30, 2019, from \$326.3 million at December 31, 2018. Our allowance for credit losses totaled \$728.2 million, or 1.50% of non-guaranteed loans when loans to Farm Credit associations are excluded.

Loan Quality Ratios

	September 30, 2019			December 31, 2018		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	94.84%	95.08%	94.96%	98.95%	95.86%	97.37%
Special Mention	5.16%	1.81%	3.53%	0.93%	1.88%	1.42%
Substandard	-	3.06%	1.49%	0.12%	2.25%	1.20%
Doubtful	-	0.05%	0.02%	-	0.01%	0.01%
Loss	-	-	-	-	-	-
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

BALANCE SHEET INFORMATION

(period-end)

	September 30, 2019	December 31, 2018
	(Unaudited)	
<i>(\$ in millions)</i>		
Loans	\$ 101,898	\$ 104,494
Less: Allowance for loan losses	622	622
Net loans	101,276	103,872
Cash	308	1,368
Federal funds sold and other overnight funds	1,563	1,300
Investment securities	31,447	31,292
Interest rate swaps and other financial instruments	500	256
Accrued interest receivable and other assets	1,276	928
Total assets	\$ 136,370	\$ 139,016
Bonds and notes	\$ 123,687	\$ 127,632
Interest rate swaps and other financial instruments	346	155
Reserve for unfunded commitments	107	82
Accrued interest payable and other liabilities	1,783	1,612
Total liabilities	125,923	129,481
Shareholders' equity	10,447	9,535
Total liabilities and shareholders' equity	\$ 136,370	\$ 139,016

STATEMENT OF INCOME INFORMATION

	Three months ended September 30,		Nine months ended September 30,	
	2019	2018	2019	2018
	(Unaudited)		(Unaudited)	
<i>(\$ in millions)</i>				
Interest income	\$ 1,103	\$ 1,005	\$ 3,425	\$ 2,947
Interest expense	766	664	2,379	1,862
Net interest income	337	341	1,046	1,085
Provision for loan losses	5	3	26	43
Net interest income after provision for loan losses	332	338	1,020	1,042
Noninterest income	49	58	169	234
Operating expenses	100	89	291	261
Provision for income taxes	32	16	97	78
Net income	\$ 249	\$ 291	\$ 801	\$ 937

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 \$136 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.

MEDIA CONTACTS

Arthur Hodges

SVP Corporate Communications
303-740-4061
ahodges@cobank.com

Jo Solonika

VP Corporate Communications
720-583-9180
jsolonika@cobank.com