

## KEY FINANCIAL DATA

(\$ in millions)

INCOME STATEMENT	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
Net interest income	\$ 422	\$ 352	\$ 1,567	\$ 1,399
(Loan loss reversal)/ provision for loan losses	(25)	31	21	57
Noninterest income	58	52	282	221
Operating expenses	129	112	435	404
Provision for income taxes (income tax benefit)	17	(29)	130	68
Net income	359	290	1,263	1,091

  

BALANCE SHEET (period-end)	December 31, 2020		December 31, 2019	
Total loans	\$ 120,856		\$ 108,854	
Total assets	158,586		145,004	
Shareholders' equity	11,910		10,567	

  

PROFITABILITY METRICS	Year ended December 31,		2020	2019
Net interest margin			1.07%	1.02%
Return on average common equity			11.86%	11.63%
Return on average assets			0.84%	0.79%
Operating expense ratio			21.96%	23.27%

## HIGHLIGHTS

- Average loan volume for the year rose 8% in 2020 to \$112.6 billion, up from \$104.4 billion in 2019
- For the full year 2020, net income rose 16% to \$1.263 billion, up from \$1.091 billion in 2019, driven by increases in net interest income and noninterest income and a lower provision for loan losses, offset by a higher provision for income taxes and an increase in operating expenses
  - For Q4 2020 net income was \$359.0 million compared to \$290.3 million in Q4 2019. The increase was primarily driven by higher net interest income and a loan loss reversal in Q4 2020
- Net interest income for the year rose 12% to \$1.6 billion, primarily driven by higher average loan volume and higher earnings on balance sheet positioning
- Net interest margin in 2020 increased to 1.07% from 1.02% in 2019, driven by higher earnings on balance sheet positioning, the favorable impact of nonaccrual loan repayments and an improvement in lending spreads across most sectors of our agribusiness portfolio
- Total operating expenses increased 8% in 2020 to \$434.5 million, driven by increases in employee compensation, Farm Credit insurance fund premiums and information services expenses partially offset by decreases in travel and entertainment and general and administrative expenses
  - The bank had 1,136 employees as of December 31, 2020, compared to 1,115 at the end of 2019
- Provision for loan losses in 2020 was \$21 million, down from \$57 million in 2019 due to improved credit quality somewhat offset by higher lending activity
- Patronage distributions for 2020 will total \$728.4 million, including \$596.5 million in cash and \$131.9 million in common stock
  - Includes special cash patronage of \$106.6 million for 2020
- Capital and liquidity levels remained well in excess of regulatory minimums
  - Total capital ratio was 15.2%, compared with the 8.0% minimum (10.5% inclusive of the capital conservation buffer)
  - 174 days of liquidity, compared with the 90-day regulatory minimum

## CEO COMMENTARY

"A year after the pandemic's onset, we are proud of how CoBank performed in the face of COVID-19 and through an economic downturn of historic proportions. Our associates worked together to keep the bank running seamlessly without any interruption in service to our customers. We achieved outstanding financial results on behalf of our shareholders, including record levels of loan volume, net income and patronage. Credit quality in our loan portfolio remained remarkably sound. We continued to meet our obligations as a responsible corporate citizen, allocating millions of dollars toward COVID-19 relief and other charitable causes in rural communities. Our board and executive leadership ensured we remained aligned on strategy and focused on our mission of service to rural America.

"It was an extraordinary year for CoBank. We truly lived up to our value proposition and fulfilled our core mission and purpose – to be a stable, dependable source of credit for rural industries through good times and bad, regardless of conditions in the marketplace."

– Thomas Halverson, President and CEO, CoBank

## OPERATING SEGMENTS

(\$ in millions)

Three months ended Dec. 31,	Agribusiness		Rural Infrastructure		Farm Credit Banking	
	2020	2019	2020	2019	2020	2019
Average loan volume	\$ 34,518	\$ 31,251	\$ 23,752	\$ 20,884	\$ 58,794	\$ 53,000
Net income	187	126	107	106	65	58

  

Year ended Dec. 31,	2020	2019	2020	2019	2020	2019
Average loan volume	\$ 33,292	\$ 32,119	\$ 22,919	\$ 20,919	\$ 56,423	\$ 51,313
Net income	608	537	398	331	257	223

  

Period-end loan volume Dec. 31, 2020 and Dec. 31, 2019	2020	2019	2020	2019	2020	2019
	\$ 36,103	\$ 33,168	\$ 24,237	\$ 21,227	\$ 60,516	\$ 54,459

## NET INTEREST MARGIN AND NET INTEREST INCOME

Net interest income increased \$168.0 million, or 12%, to \$1.6 billion in 2020, compared to \$1.4 billion in 2019. The increase in net interest income was primarily driven by higher average loan volume, higher earnings on balance sheet positioning, and interest income recognized from the repayment of nonaccrual loans to several agribusiness customers in 2020. Average loan volume increased \$8.3 billion, or 8%, to \$112.6 billion in 2020 reflecting growth in lending across all three of our operating segments – Agribusiness, Farm Credit Banking and Rural Infrastructure.

Net interest margin improved to 1.07% in 2020 from 1.02% in 2019, and interest rate spread increased to 0.98% in 2020 from 0.83% in 2019. The increase in our net interest margin was driven by higher earnings on balance sheet positioning, the favorable impact of interest income related to several agribusiness customer nonaccrual loan repayments and an improvement in lending spreads across most sectors of our agribusiness portfolio. This was 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

Year ended <i>(\$ in millions)</i>	December 31, 2020			December 31, 2019		
	Average Balance	Average Rate	Interest Income/Expense	Average Balance	Average Rate	Interest Income/Expense
<b>Interest earning assets</b>						
Loans	\$ 112,634	2.43%	\$ 2,736	\$ 104,351	3.53%	\$ 3,688
Investments	33,884	1.70%	576	32,690	2.39%	780
Total	146,518	2.26%	3,312	137,041	3.26%	4,468
<b>Interest bearing liabilities</b>	136,525	1.28%	1,745	126,286	2.43%	3,069
<b>Interest rate spread</b>		0.98%			0.83%	
Impact of equity financing	11,445	0.09%		10,135	0.19%	
<b>Net interest margin &amp; net interest income</b>		1.07%	\$ 1,567		1.02%	\$ 1,399

## CREDIT QUALITY

Our overall loan quality measures remain strong at December 31, 2020 and improved across most key credit quality measures compared to December 31, 2019. Special Mention loans and accrued interest improved primarily due to upgrades in credit quality classification of wholesale loans to two Associations from Special Mention to Acceptable. Adversely classified loans and accrued interest improved to 0.54% of total loans and accrued interest at December 31, 2020 compared to 1.30% at December 31, 2019 due to improvements in credit quality in our Rural Infrastructure and Agribusiness operating segments. Nonaccrual loans improved to \$117.4 million at December 31, 2020 from \$240.7 million at December 31, 2019 primarily due to payment activity and charge-offs on several nonaccrual loans in our Agribusiness and Rural Infrastructure operating segments. Nonaccrual loans were 0.10% of total loans at December 31, 2020 compared to 0.22% of total loans at December 31, 2019.

### Loan Quality Ratios

	December 31, 2020			December 31, 2019		
	Wholesale Loans	Commercial Loans	Total	Wholesale Loans	Commercial Loans	Total
Acceptable	97.08%	95.73%	96.40%	94.50%	94.73%	94.61%
Special Mention	2.92%	3.20%	3.06%	5.50%	2.67%	4.09%
Substandard	-	1.05%	0.53%	-	2.56%	1.28%
Doubtful	-	0.02%	0.01%	-	0.04%	0.02%
Loss	-	-	-	-	-	-
<b>Total</b>	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

## BALANCE SHEET INFORMATION

(period-end)

	December 31, 2020		December 31, 2019	
	(Unaudited)			
(\$ in millions)				
Loans	\$	120,856	\$	108,854
Less: Allowance for loan losses		636		655
Net loans		120,220		108,199
Cash		2,335		949
Federal funds sold and other overnight instruments		835		1,810
Investment securities		32,825		32,426
Accrued interest receivable		404		453
Interest rate swaps and other derivatives		878		381
Other assets		1,089		786
Total assets	\$	158,586	\$	145,004
Bonds and notes	\$	143,384	\$	132,230
Accrued interest payable		329		426
Interest rate swaps and other derivatives		610		263
Reserve for unfunded commitments		97		92
Patronage payable		617		537
Other liabilities		1,639		889
Total liabilities		146,676		134,437
Shareholders' equity		11,910		10,567
Total liabilities and shareholders' equity	\$	158,586	\$	145,004

## STATEMENT OF INCOME INFORMATION

	Three months ended December 31,		Year ended December 31,	
	2020	2019	2020	2019
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
(\$ in millions)				
Interest income	\$	743	\$	1,043
Interest expense		321		691
Net interest income		422		352
(Loan loss reversal)/provision for loan losses		(25)		31
Net interest income after loan loss reversal/ provision for loan losses		447		321
Noninterest income		58		52
Operating expenses		129		112
Provision for income taxes (income tax benefit)		17		(29)
Net income	\$	359	\$	290
			\$	1,263
			\$	1,091

## 2020 EARNINGS WEBCAST AND CONFERENCE CALL

The bank will hold its annual year-end earnings conference call and webcast at 9:00 a.m. Mountain Time on Wednesday, March 3, 2021. The 60-minute call will feature a presentation of 2020 financial highlights and remarks from CoBank President and Chief Executive Officer Thomas Halverson, Chief Financial Officer David Burlage, and Board Chair Kevin Riel. Customer-owners and other participants will be able to submit questions during the call.

To join via phone, call 1-844-992-4726 and use access code 182 818 5531. To join via the web, visit <https://bitly.com/CoBankFY2020Webcast>.

## CUSTOMER MEETINGS

CoBank will provide more information about its 2020 financial results at its annual series of regional customer meetings, which take place virtually in March and April 2021. Managers and directors of any CoBank borrower are invited to attend these meetings, as are representatives of Farm Credit institutions.

For details about the meeting program, please visit the bank's events page at [www.cobank.com/events](http://www.cobank.com/events). Please note that more details and registration are available for each meeting approximately four weeks prior to the meeting date.

## ABOUT COBANK

CoBank is a \$159 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 75,000 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.

## 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](http://www.cobank.com). We undertake no obligation to revise or publicly update our forward-looking statements for any reason.

For more information about CoBank, visit [www.cobank.com](http://www.cobank.com).

## MEDIA CONTACT

**Julie Davis**

Director, Corporate Communications  
303-740-6581  
[judavis@cobank.com](mailto:judavis@cobank.com)