



NEWS RELEASE

COBANK REPORTS FIRST QUARTER FINANCIAL RESULTS

Average Loan Volume Increased 9 Percent To \$97.9 Billion

Net Income Increased 8 Percent To \$262.8 Million

DENVER (May 4, 2017) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the first quarter of 2017.

Net income for the quarter rose 8 percent to \$262.8 million, primarily driven by higher net interest income and noninterest income, partially offset by a higher provision for loan losses and increased operating expenses. Net interest income for the quarter increased 6 percent to \$356.1 million, from \$336.9 million in the same period last year, primarily due to higher average loan volume.

Average loan volume rose 9 percent in the first quarter to \$97.9 billion, from \$89.8 billion in the same period last year. The increase resulted from higher levels of borrowing from customers in all three of the bank's operating segments, including farmer-owned cooperatives, agricultural export finance customers, other food and agribusiness companies, affiliated Farm Credit associations, and rural electric cooperatives.

"CoBank benefited during the quarter from trends in the U.S. grain markets, which drove a substantial increase in demand for seasonal financing from farmer-owned grain elevators and other grain industry customers," said Thomas Halverson, president and chief executive officer. "While loan growth would have been more modest otherwise, we are nonetheless pleased with our business performance for the quarter and the overall financial condition of CoBank."

Credit quality in the bank's loan portfolio remained strong compared to historical averages. At quarter-end, 0.93 percent of CoBank's loans were classified as adverse assets, compared to 0.81 percent at December 31, 2016. Nonaccrual loans decreased to \$188.3 million at March 31, 2017 from \$207.2 million at December 31, 2016, primarily due to a small number of agribusiness loans that were paid off during the 2017 period. The bank recorded a \$15.0 million provision for loan losses in the first quarter of 2017 compared to an \$8.0 million provision in the first quarter of 2016. The 2017 provision was due to growth in loan volume as well as slight deterioration in credit quality in the bank's Agribusiness operating segment. The bank's allowance for credit losses totaled \$677.1 million at quarter-end, or 1.34 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

"Lower commodity prices are affecting some of our agribusiness borrowers, which is starting to impact credit quality in that portion of our loan portfolio," said David P. Burlage, CoBank's chief financial officer. "Further modest deterioration in credit quality is anticipated as long as commodity prices remain low. Overall, however, the risk-bearing capacity of the bank is strong and we remain well-positioned to meet the borrowing needs of our customers."

Capital levels for CoBank remained well in excess of regulatory minimums. As of March 31, 2017, shareholders' equity totaled \$8.7 billion, and the bank's total capital ratio was 14.7 percent, compared with the 8.0 percent (10.5 percent inclusive of the fully phased-in capital conservation buffer) minimum established by the Farm Credit Administration (FCA), the bank's independent regulator. At quarter-end, the bank held approximately \$30.4 billion in cash, investments and overnight funds and had 188 days of liquidity, which was in excess of FCA liquidity requirements.

Halverson noted that, despite solid first quarter results, CoBank faces a number of marketplace challenges that could impact earnings over the balance of the year.

"Like all banks, we continue to deal with intense competition for the business of our customers, downward pressure on margins and low interest rates that impact returns on invested capital," Halverson said. "We remain focused on the factors that we can control and on providing outstanding value to our customers and Farm Credit partners. We are confident in our ability to adjust to market conditions and continue fulfilling our vital mission of service to rural America."

About CoBank

CoBank is a \$128 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 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 the bank's web site at www.cobank.com.

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COBANK, ACB
CONSOLIDATED FINANCIAL STATEMENT INFORMATION
(\$ in millions)

BALANCE SHEET INFORMATION

	March 31, 2017	December 31, 2016
	(Unaudited)	
Loans	\$ 96,921	\$ 95,258
Less: Allowance for loan losses	581	559
Net loans	<u>96,340</u>	<u>94,699</u>
Cash	207	1,661
Federal funds sold and other overnight funds	1,020	750
Investment securities	29,191	27,765
Interest rate swaps and other financial instruments	189	208
Accrued interest receivable and other assets	820	1,048
Total assets	<u>\$ 127,767</u>	<u>\$ 126,131</u>
Bonds and notes	\$ 117,325	\$ 115,086
Subordinated debt	499	499
Interest rate swaps and other financial instruments	88	163
Reserve for unfunded commitments	96	103
Accrued interest payable and other liabilities	1,071	1,706
Total liabilities	<u>119,079</u>	<u>117,557</u>
Shareholders' equity	8,688	8,574
Total liabilities and shareholders' equity	<u>\$ 127,767</u>	<u>\$ 126,131</u>

STATEMENT OF INCOME INFORMATION

For the three months ended March 31,	2017	2016
	(Unaudited)	
Interest income	\$ 738	\$ 630
Interest expense	382	293
Net interest income	<u>356</u>	<u>337</u>
Provision for loan losses	15	8
Net interest income after provision for loan losses	<u>341</u>	<u>329</u>
Noninterest income	55	43
Operating expenses	93	87
Provision for income taxes	40	42
Net income	<u>\$ 263</u>	<u>\$ 243</u>