NEWS RELEASE

COBANK REPORTS SECOND QUARTER FINANCIAL RESULTS

Average loan volume rose 3 percent to $95.4 billion

Net income increased 7 percent to $259.8 million

DENVER (August 7, 2017) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the second quarter and first six months of 2017. The bank experienced loan volume growth in all three of its operating segments, and credit quality and earnings remained strong.

Net income for the second quarter increased 7 percent to $259.8 million, compared to $243.3 million in the second quarter of 2016. For the first six months of 2017, net income was $522.6 million, a 7 percent increase from $486.6 million in the same period of 2016. The bank benefited during the quarter and year-to-date periods from a lower provision for loan losses. No provision was taken during the second quarter of 2017, compared to a $20 million provision in the same period last year. Provisions for loan losses in the first six months of 2017 totaled $15 million, compared to $28 million in the prior-year period.

Net interest income for the second quarter was $347.2 million, an increase of 0.4 percent from $345.9 million in the same period last year. For the first six months of the year, net interest income increased 3 percent to $703.3 million, compared to $682.8 million for the first six months of 2016. Higher average loan volume was a key driver of the increase for both the quarter and year-to-date periods, partially offset by decreases in fair value accretion income related to CoBank's merger with U.S. AgBank in 2012.

Average loan volume rose 3 percent in the second quarter to $95.4 billion, from $92.4 billion in the same period last year. For the first six months of 2017, average loan volume rose 6 percent to $96.7 billion, from $91.1 billion in the same period last year. The increases resulted primarily from higher levels of wholesale lending to the bank's affiliated Farm Credit associations, driven by greater demand for credit from farmers, ranchers and other rural borrowers. The bank also saw increased demand for loans from farmer-owned cooperatives, agricultural export finance customers, rural electric cooperatives and project finance borrowers.

"Through mid-year, CoBank has delivered solid financial performance on behalf of its customer-owners," said Tom Halverson, president and chief executive officer. "In particular, we have benefited from increased demand for credit in agriculture and agribusiness, as well as continuing good credit quality in our loan portfolio."

Net interest margin for the quarter declined to 1.11 percent from 1.16 percent in the second quarter of 2016. For the first six months of the year, net interest margin was 1.12 percent compared to 1.17 percent in the prior-year period. The reduction in net interest margin reflected the impact of slightly lower overall loan spreads as well as lower fair value accretion income, somewhat offset by increased earnings on balance sheet positioning.

At quarter-end, 1.01 percent of CoBank's loans were classified as adverse assets, compared to 0.81 percent at December 31, 2016. Nonaccrual loans increased to $229.2 million as of June 30, 2017, from $207.2 million at December 31, 2016, primarily due to a small number of agribusiness loans and a communications loan. The bank's allowance for credit losses totaled $676.9 million at quarter-end, or 1.41 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

As of June 30, 2017, shareholders' equity totaled $8.8 billion, and the bank's total capital ratio was 15.6 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 $30.1 billion in cash, investments and overnight funds and had 179 days of liquidity, which exceeded FCA liquidity requirements.

Halverson noted that the bank continues to face a number of marketplace challenges, including intense competition in the banking industry, declining margins and a prolonged low interest rate environment that has lowered returns on invested capital. In addition, the bank is making significant investments in people, processes and systems that will enable it to operate more efficiently and meet the evolving needs and expectations of customers and partners.

"Despite strong net income so far this year, we continue to see ongoing pressure in our other profitability measures," Halverson said. "Our board and executive team are squarely focused on that issue and on improving the efficiency and scalability of our operating platform. We are committed to serving as a dependable financial partner for our customers and on building the capacity of the bank to fulfill its mission in rural America over the long term."

About CoBank

CoBank is a $125 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

	June 30, 2017 (Unaudited)	December 31, 2016
Loans	$ 94,873	$ 95,258
Less: Allowance for loan losses	566	559
Net loans	94,307	94,699
Cash	183	1,661
Federal funds sold and other overnight funds	1,141	750
Investment securities	28,744	27,765
Interest rate swaps and other financial instruments	189	208
Accrued interest receivable and other assets	846	1,048
Total assets	$ 125,410	$ 126,131
Bonds and notes	$ 114,983	$ 115,086
Subordinated debt	-	499
Interest rate swaps and other financial instruments	92	163
Reserve for unfunded commitments	111	103
Accrued interest payable and other liabilities	1,391	1,706
Total liabilities	116,577	117,557
Shareholders' equity	8,833	8,574
Total liabilities and shareholders' equity	$ 125,410	$ 126,131

STATEMENT OF INCOME INFORMATION

For the three months ended June 30,	2017	2016
	(Unaudited)	
Interest income	$ 770	$ 654
Interest expense	423	308
Net interest income	347	346
Provision for loan losses	-	20
Net interest income after provision for loan losses	347	326
Noninterest income	49	50
Operating expenses	93	94
Provision for income taxes	43	39
Net income	$ 260	$ 243

STATEMENT OF INCOME INFORMATION

For the six months ended June 30,	2017	2016
	(Unaudited)	
Interest income	$ 1,508	$ 1,284
Interest expense	805	601
Net interest income	703	683
Provision for loan losses	15	28
Net interest income after provision for loan losses	688	655
Noninterest income	104	94
Operating expenses	186	181
Provision for income taxes	83	81
Net income	$ 523	$ 487