



NEWS RELEASE

COBANK REPORTS THIRD QUARTER FINANCIAL RESULTS

DENVER (November 6, 2017) — CoBank, a cooperative bank serving agribusinesses, rural infrastructure providers and Farm Credit associations throughout the United States, today announced financial results for the third quarter and first nine months of 2017.

Net income for the third quarter was \$211.6 million, compared to \$231.7 million for the same period last year. The 9 percent decrease resulted primarily from balance sheet positioning activities by the bank, including an increase of \$22.8 million in losses on early extinguishments of debt net of prepayment income. For the first nine months of the year, net income increased 2 percent to \$734.2 million, primarily due to higher net interest income as well as lower provisions for loan losses and income taxes.

Net interest income for the quarter rose by 1 percent to \$338.5 million, primarily driven by higher average loan volume offset by slightly lower margins in the bank's loan portfolio. For the first nine months of the year, net interest income increased 2 percent to \$1,041.8 million. In addition to lower margins, a decrease in fair value accretion income related to CoBank's 2012 merger with U.S. AgBank also negatively impacted net interest income in both the quarter and year-to-date periods.

Average loan volume rose 4 percent in the third quarter to \$94.1 billion, from \$90.9 billion in the same period last year. For the first nine months of 2017, average loan volume rose 5 percent to \$95.8 billion. For both the quarter and year-to-date periods, loan growth was driven by increased borrowing by affiliated Farm Credit associations, agricultural cooperatives, agricultural export finance customers, rural electric cooperatives and project finance customers.

"We're pleased with our solid business performance in market conditions that continue to be challenging," said Tom Halverson, CoBank's president and chief executive officer. "Net income in the third quarter was impacted by debt extinguishment losses, as we took advantage of market opportunities to buy back debt that will reduce interest expense and benefit earnings in future periods. Overall, CoBank remains financially strong and well-positioned to serve the borrowing needs of its customers."

Net interest margin for the quarter declined to 1.09 percent from 1.11 percent in the third quarter of 2016. For the first nine months of the year, net interest margin was 1.11 percent compared to 1.15 percent in the prior-year period. The reductions in net interest margin reflected the impact of slightly lower overall loan spreads as well as lower fair value accretion income.

At quarter-end, 0.94 percent of CoBank's loans were classified as adverse assets, compared to 0.81 percent at December 31, 2016. Nonaccrual loans increased to \$268.2 million as of September 30, 2017 from \$207.2 million at December 31, 2016, primarily due to a limited number of loans to agribusiness customers. The bank's allowance for credit losses totaled \$699.6 million at quarter-end, or 1.50 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

"It's possible we will see additional declines in credit quality in our loan portfolio as a result of continuing low commodity prices and other stresses in the rural economy," said David P. Burlage, chief financial officer. "Overall, however, loan quality remains favorable in comparison to long-term historical averages, and we are adequately reserved against credit losses."

The bank's capital levels remained in excess of regulatory minimums. As of September 30, 2017, shareholders' equity totaled \$8.9 billion, and the bank's total capital ratio was 15.4 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 \$29.1 billion in cash, investments and overnight funds and had 171 days of liquidity, which was in excess of FCA liquidity requirements.

During the quarter, the bank announced changes to its capital plans and patronage programs for eligible customer-owners. The changes, which for most borrowers take effect in 2018 for patronage distributed in 2019, include reductions in targeted patronage levels and the creation of a separate capital plan for rural electric and water customers. The changes are designed to strengthen CoBank's long-term capacity to serve customers' borrowing needs, enhance the bank's ability to capitalize future customer growth, and ensure equitability among different customer segments.

"The modifications we are making to our capital plans and patronage programs will have a positive impact on CoBank's earnings retention in 2018 and future years," Halverson said. "We appreciate the expressions of understanding and support we have received from our customers in the wake of this decision, which will help us fulfill our mission in rural America over the long term."

About CoBank

CoBank is a \$124 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.

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 future business 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.

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

BALANCE SHEET INFORMATION

	September 30, 2017	December 31, 2016
	(Unaudited)	
Loans	\$ 94,202	\$ 95,258
Less: Allowance for loan losses	575	559
Net loans	<u>93,627</u>	<u>94,699</u>
Cash	159	1,661
Federal funds sold and other overnight funds	628	750
Investment securities	28,359	27,765
Interest rate swaps and other financial instruments	174	208
Accrued interest receivable and other assets	1,390	1,048
Total assets	<u>\$ 124,337</u>	<u>\$ 126,131</u>
Bonds and notes	\$ 113,778	\$ 115,086
Subordinated debt	-	499
Interest rate swaps and other financial instruments	78	163
Reserve for unfunded commitments	124	103
Accrued interest payable and other liabilities	1,460	1,706
Total liabilities	<u>115,440</u>	<u>117,557</u>
Shareholders' equity	8,897	8,574
Total liabilities and shareholders' equity	<u>\$ 124,337</u>	<u>\$ 126,131</u>

STATEMENT OF INCOME INFORMATION

For the three months ended September 30,	2017	2016
	(Unaudited)	
Interest income	\$ 799	\$ 649
Interest expense	461	315
Net interest income	<u>338</u>	<u>334</u>
Provision for loan losses	23	20
Net interest income after provision for loan losses	<u>315</u>	<u>314</u>
Noninterest income	18	50
Operating expenses	92	95
Provision for income taxes	29	37
Net income	<u>\$ 212</u>	<u>\$ 232</u>

STATEMENT OF INCOME INFORMATION

For the nine months ended September 30,	2017	2016
	(Unaudited)	
Interest income	\$ 2,308	\$ 1,933
Interest expense	1,266	916
Net interest income	<u>1,042</u>	<u>1,017</u>
Provision for loan losses	38	48
Net interest income after provision for loan losses	<u>1,004</u>	<u>969</u>
Noninterest income	122	144
Operating expenses	279	276
Provision for income taxes	113	119
Net income	<u>\$ 734</u>	<u>\$ 718</u>