



## NEWS RELEASE

### COBANK REPORTS SECOND QUARTER FINANCIAL RESULTS

*Bank Records Average Loan Volume Growth Of 5.5 Percent; Net Income Of \$232.3 Million*

**DENVER (August 3, 2015)** — 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 2015.

Net income for the second quarter was \$232.3 million, compared to \$232.9 million in the second quarter of 2014. For the first six months of 2015, net income was \$464.6 million, compared to \$464.2 million in the same period last year. Those results reflected a \$25 million loan loss reversal taken in the second quarter of 2014 and a \$10 million provision for loan losses recorded in the first quarter of 2015. The earnings impact of the difference in the provision for loan losses was generally offset by changes in noninterest income.

Net interest income for the second quarter was \$309.4 million compared to \$311.4 million in the same period last year. For the first six months of 2015, net interest income was \$624.6 million, compared to \$620.3 million in the prior-year period. The impact of higher average loan volume on net interest income was offset by spread compression in the bank's loan and investment portfolios as well as a reduction in the amount of income from net accretion of asset and liability fair value adjustments resulting from the application of business combination accounting standards in connection with the bank's 2012 merger with U.S. AgBank.

Average loan volume rose 5.5 percent during the quarter to \$81.1 billion, from \$76.9 billion in the second quarter of 2014. For the first six months of 2015, average loan volume rose 5.4 percent to \$80.9 billion. The increases resulted from higher levels of borrowing from customers in a number of industries, notably affiliated Farm Credit associations, rural electric cooperatives, rural communications service providers and food and agribusiness companies.

Noninterest income was an important driver of results for both the quarter and year-to-date periods. In the second quarter of 2015, noninterest income was \$49.9 million, compared to \$18.8 million in the same period last year. For the first six months of the year, noninterest income was \$96.8 million, compared to \$57.0 million in the first six months of 2014. The increases in noninterest income included higher gains on sales of investment securities, partially offset by impairment losses on other investment securities. The 2014 period included net losses on debt extinguishments in excess of prepayment income, whereas prepayment income exceeded debt extinguishment losses in the first six months of 2015.

"We're pleased with both the quarterly and year-to-date results of our business, including solid growth in our portfolio across all of our operating segments," said Robert B. Engel, CoBank's chief executive officer. "In addition to loan growth, CoBank's profitability, credit quality and liquidity all remain strong. Most importantly, the bank continues to fulfill its mission by providing dependable credit and financial services to vital rural industries."

At quarter-end, 1.69 percent of the bank's loans were classified as adverse assets compared to 1.84 percent at December 31, 2014. Nonaccrual loans increased to \$136.6 million at June 30, 2015 from \$130.3 million at December 31, 2014. The bank's allowance for credit losses totaled \$602.2 million at quarter-end or 1.50 percent of non-guaranteed loans when loans to Farm Credit associations are excluded.

"Overall, loan quality measures for CoBank remain very strong," said David P. Burlage, chief financial officer. "We continue to benefit from the credit profile of the industries we serve, all of which produce essential goods and services in rural communities."

Capital levels remain well in excess of regulatory minimums. As of June 30, 2015, shareholders' equity totaled \$7.6 billion, and the bank's permanent capital ratio was 15.7 percent, compared with the 7.0 percent minimum established by the Farm Credit Administration (FCA), the bank's independent regulator. At quarter-end, the bank held approximately \$24.0 billion in cash and investments and had 188 days of liquidity, which was in excess of FCA liquidity requirements.

Engel noted that, despite a solid second quarter, the bank continues to face challenging market conditions that have impacted and could continue to impact earnings and overall financial performance this year.

"CoBank's margins remain under pressure due to artificially low interest rates as well as intense competition in the banking industry for the business of our customers," Engel said. "The low rate environment also continues to pressure earnings on invested capital. Meanwhile, we continue to make significant investments in people, processes and systems in order to fulfill our promises to meet the financial needs of our customer-owners and provide continued support to the sustainability and vibrancy of rural America. As always, we are thankful for the leadership and support provided by our board, which enables us to focus on building the long-term strength and capacity of CoBank rather than on short-term financial results."

### **About CoBank**

CoBank is a \$107 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 and the nation's rural economy. 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](http://www.cobank.com).

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

**BALANCE SHEET INFORMATION**

	June 30, 2015	December 31, 2014
	(Unaudited)	
Loans	\$ 82,159	\$ 80,382
Less: Allowance for loan losses	469	481
Net loans	<u>81,690</u>	<u>79,901</u>
Cash	1,426	1,856
Investment securities	22,567	24,320
Interest rate swaps and other financial instruments	377	456
Accrued interest receivable and other assets	1,048	895
Total assets	<u><u>\$ 107,108</u></u>	<u><u>\$ 107,428</u></u>
Bonds and notes	\$ 97,022	\$ 97,580
Subordinated debt	905	905
Interest rate swaps and other financial instruments	99	112
Reserve for unfunded commitments	134	116
Accrued interest payable and other liabilities	1,339	1,345
Total liabilities	<u>99,499</u>	<u>100,058</u>
Shareholders' equity	7,609	7,370
Total liabilities and shareholders' equity	<u><u>\$ 107,108</u></u>	<u><u>\$ 107,428</u></u>

**STATEMENT OF INCOME INFORMATION**

For the three months ended June 30,	2015	2014
	(Unaudited)	
Interest income	\$ 534	\$ 522
Interest expense	225	211
Net interest income	<u>309</u>	<u>311</u>
Provision for loan losses/(Loan loss reversal)	-	(25)
Net interest income after provision for loan losses/loan loss reversal	<u>309</u>	<u>336</u>
Noninterest income	49	19
Operating expenses	78	75
Provision for income taxes	48	47
Net income	<u><u>\$ 232</u></u>	<u><u>\$ 233</u></u>

**STATEMENT OF INCOME INFORMATION**

For the six months ended June 30,	2015	2014
	(Unaudited)	
Interest income	\$ 1,070	\$ 1,042
Interest expense	445	422
Net interest income	<u>625</u>	<u>620</u>
Provision for loan losses/(Loan loss reversal)	10	(25)
Net interest income after provision for loan losses/loan loss reversal	<u>615</u>	<u>645</u>
Noninterest income	97	57
Operating expenses	153	144
Provision for income taxes	94	94
Net income	<u><u>\$ 465</u></u>	<u><u>\$ 464</u></u>